

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 12, 2012

Project Number CA-12-878

Project Name Freeman Villa Apartments
 Site Address: 1229 S. Westmoreland Avenue
 Los Angeles, CA 90006 County: Los Angeles
 Census Tract: 2134.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$216,458	\$0
Recommended:	\$216,458	\$0

Applicant Information

Applicant: Freeman Villa Associates, LP
 Contact: Courtney D. Allen
 Address: 10390 Santa Monica Blvd. Ste. 400
 Los Angeles, CA 90025
 Phone: 619-794-2200 Fax: 619-794-2299
 Email: court@treadstonecos.com

General partner(s) or principal owner(s): Affordable Housing Solutions
 Freeman Partners, LLC
 General Partner Type: Joint Venture
 Developer: Blackbriar Development, LLC
 Investor/Consultant: City Real Estate Advisors, Inc.
 Management Agent: EMP III, dba Alpha Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 41
 No. & % of Tax Credit Units: 40 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 project based vouchers (40 units - 100 %)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 12
 Number of Units @ or below 60% of area median income: 28

Bond Information

Issuer: City of Los Angeles Housing Department
 Expected Date of Issuance: December 26, 2012
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: Los Angeles County
 TCAC Project Analyst: Marisol Parks

Unit Mix

10 SRO/Studio Units
 31 1-Bedroom Units

 41 Total Units

Unit Type & Number	2012 Rents Targeted % of Area Median Income	2012 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3 SRO/Studio	50%	50%	\$738
7 SRO/Studio	60%	60%	\$886
9 1 Bedroom	50%	50%	\$791
21 1 Bedroom	60%	60%	\$949
1 1 Bedroom	Manager's Unit	Manager's Unit	\$931

Project Financing

Estimated Total Project Cost: \$7,861,256
 Estimated Residential Project Cost: \$7,861,256

Residential

Construction Cost Per Square Foot: \$51
 Per Unit Cost: \$191,738

Construction Financing

Source	Amount
Citibank	\$4,750,000
Freeman Villa, Ltd.	\$1,500,000
Income During Rehabilitation	\$298,085
Deferred Developer Fee	\$10,171
Tax Credit Equity	\$1,303,000

Permanent Financing

Source	Amount
Citibank	\$3,975,000
Freeman Villa, Ltd.	\$1,500,000
Income During Rehabilitation	\$298,085
Deferred Developer Fee	\$10,171
Tax Credit Equity	\$2,078,000
TOTAL	\$7,861,256

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$2,235,967
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$3,944,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$2,906,757
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$3,944,500
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$90,234
Maximum Annual Federal Credit, Acquisition:	\$126,224
Total Maximum Annual Federal Credit:	\$216,458
Approved Developer Fee (in Project Cost & Eligible Basis):	\$806,148
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	\$0.96000

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$6,180,467
Actual Eligible Basis:	\$6,180,467
Unadjusted Threshold Basis Limit:	\$8,235,422
Total Adjusted Threshold Basis Limit:	\$10,706,049

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 30%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.20% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: None

Local Reviewing Agency:

The Local Reviewing Agency, Los Angeles Housing Department, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
\$216,458	\$0

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- * Rehabilitation Improvement Over Current: 15%

- *Rehabilitation Additional Points: Photovoltaic (PV) generation offsetting 50% of common area load