

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2009 Cash in Lieu of Credits – TCAP Funds

August 26, 2009

Project Number CA-2009-555

Project Name Van Nuys Apartments
Address: 210 West 7th Street
Los Angeles, CA 90014

County: Los Angeles

Applicant Information

Applicant: Van Nuys Preservation, L.P.
Contact Paul Patierno
Address: 6100 Center Drive, Suite 800
Los Angeles, CA 90045
Phone: (310) 258-5122 **Fax:** (310) 258-5277 **email:** paul.patierno@aimco.com

General Partner Type: Joint Venture

The general partner(s) or principal owner(s) are AIMCO Van Nuys Preservation Inc. and Foundation for Affordable Housing II, Inc.

Project Information

Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 299
Total # Residential Buildings: 1

Information

Housing Type: Seniors
Proposed Average Affordability: 40.00%

Davis-Bacon Required: No

NEPA Required: No

State Prevailing Wages Required: Yes

2007 TCAC Project Number: CA-2007-898

Federal/Annual

2007 Federal Tax Credits Reserved: \$1,526,249

2007 Federal Tax Credits Retained: \$100

2007 Federal Reserved Tax Credits Exchanged/Returned: \$1,526,149

Original Net Equity Factor: (Max .85 for 2007, 2008 & .80 for 2009) .85 Fed

Calculated Amount of Cash Requested: $(\$1,526,149 \times 10 \times .85) = \$12,972,266$

Total Cash Award Recommended: **\$12,972,266**

| ARRA Scoring Criteria | Max. Possible Points | Points Awarded |
|--|-----------------------------|-----------------------|
| <i>DDA Bonus Points</i> | 25 | 0 |
| <i>Housing Type Points (Maximum of 50 points)</i> | | |
| <input checked="" type="checkbox"/> Large Family/Senior Project | 10 | 10 |
| <i>Total Project Cost/Cash Request Points (Maximum of 100 points)</i> | | |
| <input checked="" type="checkbox"/> Other Project | | |
| Total Project Cost: \$41,991,604 | | |
| Cash Award Request: \$12,972,266 | | |
| Total Points Awarded: $100 - (\$12,972,266 / \$41,991,604 \times 100) = 69.1074$ | 100 | 69.1074 |
| <i>Total Average Affordability Points (Maximum of 100 points)</i> | | |
| Projects Original Proposed Average Affordability: 40% | | |
| 60% - Average Affordability X 5 Points = $(60\% - 40\%) \times 5 = 100$ | 100 | 100 |
| Total Points | 275 | 179.1074 |

Approved 2007 TCAC Proposed Rent and Income Levels

| <u>Unit Type & Number</u> | <u>% of Area Median Income</u> | <u>Proposed Rent</u> (including utilities) |
|--------------------------------------|---------------------------------------|--|
| 14 Studio | 50% | \$647 |
| 118 Studio | 60% | \$777 |
| 16 One-Bedroom | 50% | \$693 |
| 141 One-Bedroom | 60% | \$832 |
| 1 Two-Bedroom | 50% | \$832 |
| 7 Two-Bedroom | 60% | \$999 |
| 2 Two-Bedroom | Managers' units | \$0 |

Project Financing

Estimated Total Project Cost: \$47,807,773 Per Unit Cost: \$159,892

| | | | |
|---------------------------------|--------------|---------------------------------|---------------------|
| Merrill Lynch | \$25,000,000 | Merrill Lynch | \$25,000,000 |
| AIMCO Properties, L.P. | \$1,705,672 | AIMCO Properties, L.P. | \$3,376,431 |
| Van Nuys HL, L.P.-Special Ptnr. | \$2,851,045 | Van Nuys HL, L.P.-Special Ptnr. | \$4,375,044 |
| Deferred Developer fee | \$2,500,000 | Deferred Developer fee | \$1,933,182 |
| TCAC ARRA Funds | \$5,188,907 | Income from Operations | \$150,000 |
| | | Investor Equity | \$850 |
| | | TCAC ARRA Funds | \$12,972,266 |
| | | TOTAL | \$47,807,773 |

Income and Expense Statement for Year 1

| | |
|--------------------------------------|-------------|
| Gross Residential Rents: | \$2,968,632 |
| Rental Subsidy Income: | \$322,920 |
| Miscellaneous Income: | \$84,050 |
| Vacancy Rate: 5% | (\$148,432) |
| Total Effective Gross Income: | \$3,227,170 |
| Less Total Expenses/Reserves: | \$1,381,416 |
| Net Operation Income: | \$1,845,755 |
| Debt Service: | \$1,677,525 |
| Net Cash Flow | \$168,230 |
| Debt Service Ratio: | 1.10 to 1 |

Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

Standard Conditions

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.