CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 16, 2008

Project Number CA-2008-811

Project Name Spring Valley Portfolio
Address: 9209, 9121, 9061 Kenwood Drive / 1624 Canyon Road / 9082 Harness Street
Spring Valley, CA 91977 County: San Diego

Applicant Information
Applicant: LIH Spring Valley San Diego, L.P.
Contact Virgie Capiral
Address: 201 Wilshire Blvd., Suite A28
Santa Monica, CA 90401
Phone: (310) 395-5200 Fax: (310) 917-1101
Sponsors Type: Joint Venture

Bond Information
Issuer: CSCDA
Expected Date of Issuance: March 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $28,153,476
Requested: $23,569,020
Maximum Permitted: $51,722,496

Extra Feature Adjustments:
55-Year Use/Rent Restriction Adjustment: Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 11% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,075,918	$0
Recommended:	$1,075,918	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt/None
HCD MHP Funding: No
Total # of Units: 261
Total # Residential Buildings: 23

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 259 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 29
Number of Units @ or below 60% of area median income: 230

Unit Type & Number		2008 Rents % of Area Median Income	Proposed Rent (including utilities)
5	One-Bedrooms	50%	$658
32	One-Bedrooms	60%	$789
24	Two-Bedrooms	50%	$790
198	Two-Bedrooms	60%	$948
1	Two-Bedroom	Manager's Unit	$0
1	Three-Bedroom	Manager's Unit	$0

The general partner(s) or principal owner(s) are Spring Valley San Diego, LLC and Casa Major, Inc.

The project developer is Spring Valley San Diego, LLC.

The management services will be provided by Silver Platinum Realty Management.

The market analysis was provided by Novogradac & Company, LLP.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Project Financing
Estimated Total Project Cost: $35,897,436 Per Unit Cost: $137,538 Construction Cost Per Sq. Foot: $25

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CSCDA – Tax Exempt Bonds	$27,000,000	CSCDA – Tax Exempt Bonds	$20,900,000
County of San Diego	$2,000,000	County of San Diego	$2,000,000
Deferred Developer Fee	$2,500,000	Deferred Developer Fee	$2,346,915
Investor Equity	$4,397,436	Investore Equity	$10,650,521
		TOTAL	**$35,897,436**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$5,777,066
Requested Acquisition Eligible Basis:	$22,376,410
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$7,510,186
Qualified Acquisition Basis:	$22,376,410
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$270,367
Maximum Annual Federal Acquisition Credit:	$805,551
Total Maximum Annual Federal Credit:	$1,075,918
Approved Developer Fee:	$2,500,000
Tax Credit Factor:	$.9899

Applicant requests and staff recommends annual federal credits of $1,075,918, based on a qualified rehabilitation basis of $7,510,186, a qualified acquisition basis of $22,376,410, and a funding shortfall of $10,650,521.

Cost Analysis and Line Item Review
The requested eligible basis $28,153,476 is below TCAC's adjusted threshold basis limit $51,722,496. The basis limit includes the adjustment for extraordinary features for the 11% adjustment for the 55-year use/affordability restriction for having 29 units at 50% of the Area Median Income. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 has calculated federal tax credits based on 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: None

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

Federal/Annual	State/Total
$1,075,918	**$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 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 provide the tenants with high speed internet and educational classes for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Stephenie Alstrom