CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 26, 2008

Project Number CA-2008-825

Project Name Springbrook Grove
Address: 435 Alturas Road
Fallbrook, CA 92028 County: San Diego

Applicant Information
Applicant: Springbrook Grove, a California Limited Partnership
Contact Mr. Gary Squier
Address: 3129 Sixth Street, 3rd Floor
Santa Monica, CA 90405-5607
Phone: (310) 581-9043 Fax: (310) 392-5831

Sponsors Type: Joint Venture

Bond Information
Issuer: CSCDA
Expected Date of Issuance: April 30, 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $28,629,261
Requested: $28,629,261
Maximum Permitted: $29,355,654

Extra Feature Adjustments: Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7% ☒
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: Up to 100% ☒
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: Up to 200% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$776,147	$0
Recommended:	$776,147	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: Yes
Total # of Units: 44
Total # Residential Buildings: 8

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 43 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 43
Number of Units @ or below 60% of area median income: 0

Unit Type & Number	2008 Rents % of Area Median Income	Proposed Rent (including utilities)
13 Two-Bedroom	35%	$553
13 Two-Bedroom	45%	$711
9 Three-Bedroom	35%	$638
8 Three-Bedroom	45%	$821
1 Three-Bedroom	Manager's Unit	$1,041

The general partners or principal owners are SADI, LLC (ADI, Inc. and Squier Properties LLC – members) and Housing Alternatives, Inc.

The project developer is SADI, LLC.

The management services will be provided by Barker Management, Inc.

The market analysis was provided by Lea & Company.

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: $18,678,850 Per Unit Cost: $424,519 Construction Cost Per Sq. Foot: $243

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Washington Mutual Bank – TE Bond	$10,533,015	Washington Mutual Bank–TE Bond	$2,039,000
Co. of San Diego – HOME & CDBG	$3,334,366	Co. of San Diego – HOME & CDGB	$3,334,366
Deferred Costs	$662,453	HCD – MHP	$4,034,974
Deferred Developer Fee	$2,082,028	Deferred Contractor Profit	$553,162
Investor Equity	$2,066,988	Deferred Developer Fee	$2,082,028
		Investor Equity	$6,635,320
		TOTAL	**$18,678,850**

Determination of Credit Amount(s)

Requested Eligible Basis:	$16,584,354
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	$21,559,660
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	$776,147
Approved Developer Fee:	$2,082,028
Tax Credit Factor: PNC Multifamily Capital	$0.85490

Applicant requests and staff recommends annual federal credits of $776,147, based on a qualified basis of $21,559,660 and a funding shortfall of $6,635,320.

Cost Analysis and Line Item Review
The requested eligible basis $16,584,354 is below TCAC's adjusted threshold basis limit $29,355,654. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI, and the 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted at 35% AMI & below. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

Annual operating expenses are 8% below the minimum operating expenses established in the Regulations as allowed by the Regulations when the permanent lender has agreed to operating expenses up to 15% below the TCAC minimum, 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: 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.

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
$776,147	**$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.

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 service, free of charge 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: Jack Waegell