CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 5, 2007

Project Number CA-2007-908

Project Name Harbor Towers
Address: 340 South Mesa Street
San Pedro, CA 90731 County: Los Angeles

Applicant Information
Applicant: Mesa RHF Partners, L.P., a California Limited Partnership
Contact Richard Washington
Address: 911 Studebaker Road
Long Beach, CA 90815
Phone: (562) 257-5100 Fax: (562) 257-5200 email:richard.washington@rhf.org
Sponsors Type: Nonprofit

Bond Information
Issuer: City of Los Angeles Housing Department
Expected Date of Issuance: December, 2007
Credit Enhancement: None

Eligible Basis
Actual: $19,276,811
Requested: $19,276,811
Maximum Permitted: $52,174,188

Extra Feature Adjustments:
55-Year Use/Rent Restriction Adjustment: 120% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$824,169	$0
Recommended:	$824,169	$0

Project Information
Construction Type: Acquisition and Rehabilitation
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 180
Total # Residential Buildings: 1

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100%-178 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 54
Number of Units @ or below 55% of area median income: 124

Unit Type & Number	**2007 Rents** **% of Area Median Income**	**Proposed Rent** (including utilities)
54 One-Bedroom	50%	$693
124 One-Bedroom	60%	$740
2 One-Bedroom	Manager units	$0

The general partner/ principal owner is Harbor Towers, a California Non-Profit.

The project developer is Retirement Housing Foundation.

The management services will be provided by Foundation Property Management, Inc.

The market analysis was provided by Newport Realty Advisors.

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: $28,088,669 Per Unit Cost: $156,048 Construction Cost Per Sq. Foot: $58

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
U.S. Bank—T/E Bonds	$13,204,263	U.S. Bank—T/E Bonds	$8,546,740
Harbor Towers, L.P. – Seller Note	$10,940,000	Harbor Towers. L.P.	$10,926,362
Deferred Fees	$1,541,837	Owner Equity/ Reserves	$332,672
Reserves	$331,844	Investor Equity	$8,282,895
Investor Equity	$2,070,725	**TOTAL**	**$28,088,669**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$12,055,877
Requested Acquisition Eligible Basis:	$7,220,934
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$15,672,640
Qualified Acquisition Basis:	$7,220,934
Applicable Rate:	3.60%
Maximum Annual Federal Rehabilitation Credit:	$564,215
Maximum Annual Federal Acquisition Credit:	$259,954
Total Maximum Annual Federal Credit:	$824,169
Approved Developer Fee:	$2,267,997
Tax Credit Factor:	$1.00

Applicant requests and staff recommends annual federal credits of $824,169, based on a qualified rehabilitation basis of $15,672,640, a qualified acquisition basis of $7,220,934, and a funding shortfall of $8,282,895.

Cost Analysis and Line Item Review
The requested eligible basis $19,276,811 is below TCAC's adjusted threshold basis limit $52,174,188 . The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units 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: 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
$824,169	**$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 no services 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: gb