

IMPORTANT NOTICE TO SECOND ROUND 2003 APPLICANTS

July 3, 2003

To: All Interested Parties

From: Jeanne Peterson
Executive Director

Re: **A Note on Large Bedroom Sizes and on Amounts that can be Applied for in the Geographic Areas**

Please take note of this memo if you are planning to apply for Competitive Housing Tax Credit in the Second Funding Round of 2003

Large Bedroom Sizes

As many of you know, there has been considerable discussion regarding developments that have proposed, or may be planning to propose, numerous large bedroom units. This situation arisen as some applicants seek to increase their chances of success by minimizing their “eligible basis per bedroom”.

Various parties have suggested that this last tie-breaker be changed prior to the second funding round, in order to discourage the trend towards larger bedroom sizes, particularly in areas and for population groups where such proposals may not make sense or may not address the greatest needs of a community. Because there simply is insufficient time prior to the next round, to have a full discussion of its pros and cons and to implement such a change, we have not chosen this route.

However, both staff and Committee members themselves have indicated a very serious concern about the plethora of large bedrooms being proposed. Larger bedroom units are often the most difficult to rent and to keep occupied, rents on such units may be beyond the means of those need them, may be in direct competition with homeownership possibilities, and developers may have little or no experience with this large bedroom type. Often, it seems people are proposing such developments only to win in the competition, with little concern for whether they make sense.

With this in mind, and recognizing the Committee’s obligation to fund developments that have the greatest need and those that will be economically viable over the long term, this notice is to advise you that, should your application propose a significant number of large bedroom units, the Committee will very carefully scrutinize the proposal for market need

and demand, as well as for the experience of the applicant and management company with respect to large bedroom tax credit apartments to gain further assurance that such a proposal will be feasible and viable over the long compliance period.

To this end, you should include in the general partner and management company experience documentation, not only the number of developments that these entities have been involved in owning and managing, but also information relative to the number of three and four bedroom units in each of the projects for which experience is sought. (Should you have submitted an application in Round 1 of this year, and not be proposing any changes to your original application, please submit this information in a supplemental document, for which you will not be charged. Make sure that you identify not only the project name, but its first round TCAC number when doing so.) This information will be useful to us in reviewing the proposed configurations of your proposals.

Amounts that can be applied for in Geographic Areas

First round applicants are aware that some limits on the amount of credit that could be applied for in the geographic areas were imposed in the regulations for 2003. The formula for determining these amounts is different for those five non-DDA counties for the second funding round this year. Also, three counties (Alameda, Los Angeles, San Diego) did not use the entire amount available to allocate in the first round, so those amounts have been increased for Round 2. For the second funding round, the following represents the maximum amounts that can be applied for in the geographic areas:

Los Angeles	\$11,140,334 can be applied for
All Others	\$3,389,238 can be applied for if seeking federal credit only; \$40,324,380 (expressed as 10 year total of federal and state) if applying for both federal and state
San Diego	\$2,849,710 can be applied for
Orange	\$2,054,084 can be applied for if seeking federal credit only; \$24,340,840 (expressed as 10year total of federal and state) if applying for both federal and state credit
Alameda	\$1,612,422 can be applied for
San Francisco	\$1,181,098 can be applied for
Santa Clara	\$1,129,746 can be applied for
Sacramento	\$1,078,394 can be applied for if seeking federal credit only \$12,838,340 (expressed as 10 year total of federal and state) if applying for both federal and state
San Bernardino	\$1,001,366 can be applied for if seeking federal credit only; \$11,933,660 (expressed as 10 year total of federal and state) if applying for both federal and state
Contra Costa	\$695,093 can be applied for
San Mateo	\$631,900 can be applied for
Riverside	\$631,900 can be applied for if seeking federal credit only;

\$7,301,400 (expressed as 10 year total of federal and state) if
applying for both federal and state