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From: Miller, Kristin <MillerK@richmancapital.com>
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CC: Fabbri, Todd <FabbriT@richmancapital.com>
Sent: Thu Sep 20 09:19:47 2007
Subject: 2008 Universal Round

-----Original Message-----

From: Miller, Kristin
Sent: Wednesday, September 19, 2007 3:28 PM
Cc: Fabbri, Todd
Subject: 2008 Universal Application

Steve and Vicki, we are offer the following comments/suggestions on the 2008 Universal Cycle Rule

SAIL

We are glad to see that the amount per unit of SAIL proposed is being reduced. As we had mentioned last year we opposed the \$70,000 per unit limit and believed it was too high. Permitting \$70k per unit and an aggregate of \$5 million, results in an optimal deal size, in terms of maximizing the subsidy, of 72 units. You will notice that that average bond/SAIL deal has been decreasing and further decreased last year. Unfortunately, I fear with the \$55,000 per unit and \$4 million we are in the same boat as were in the 2007 cycle with the "optimal" deal size being 72 units. This will results in more subsidy being used and less housing being produced. We recommend that the per unit SAIL amount be reduced to \$45,000. This will result in more housing being produced overall.

Most bond deals tend to be larger in size due to the need to amortize the cost of issuance over more units. This reality becomes distorted when the subsidy per unit is high. Using \$45,000 per unit in SAIL not only will produce more affordable housing but more construction jobs.

The change in the tie breaker for SAIL does not seem to make any substantive change to what is in place currently in the 2007 Rule. Paragraph B. 5. d. of the Ranking and Selection Criteria should be deleted and the newly inserted paragraph B. 5. e should replace it. The SAIL tie breaker needs be defined as the number of affordable housing units created with the least amount of SAIL. This ensures that there is no gaming of the system with inflated total development costs and results in an efficient allocation of the SAIL resources.

SAIL should be set-aside exclusively for bond deals. It is difficult to make a bond deal work with out SAIL. With the potential for declining SAIL funds over the next several years, there needs to be a focus on getting more bond / SAIL deals done.

Development Cost Pro Forma

Note (9). We all know that costs change on a deal from the time the application is

submitted until the day it eventually closes; however, if there is a material change in the development numbers for a bond/SAIL deal whereby the costs decrease by more than 15% it should require a detailed explanation and board approval. If this is not done, then the development cost pro forma is meaningless and has no value being in the application. * This footnote seems to condone the behavior of overstating ones costs at the time of the application for tie breaker purposes without any repercussions for doing so.

Replacement Reserves

We do not agree that the replacement reserve amount should be increased. The replacement reserve should be a minimum of \$200 unless the lender requires a higher amount.

Financing

What is meant by that the Reserves should be only an expense? Does this apply to the standard 5% hard and soft cost contingency?

Fees

Can you explain what a credit swap processing fee is?

Threshold Items

We believe that the number of shell applications has spiraled out of control. As such, we believe that, in addition to the existing non curable items, the rule should be changed to require that an applicant must have the following at the time of application submission :

1. site control must be demonstrated by submitting a fully executed purchase and sale agreement
2. zoning form must be signed
3. all infrastructure forms (water, sewer, electric, and roads) must be signed

Thank you.

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