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Ms. Naa Awa Tagoe

Deputy Director
 Division of Housing Mission and Goals
 Federal Housing Finance Agency
 400 7th St SW
 Washington, DC 20024

August 19, 2024

Re: Response to AHP Request for Information 2024

Dear Federal Housing Finance Agency,

I applaud the Federal Housing Finance Agency (FHFA) for its efforts to understand the administrative complexities of the competitive Affordable Housing Program (AHP) application process.

As the current Chair of the Affordable Housing Advisory Council (AHAC) for the Federal Home Loan Bank of San Francisco, and the Executive Vice President of George Gekakis, Inc., an affordable housing developer in Las Vegas, Nevada, I bring over 15 years of experience utilizing the AHP Program. Additionally, I serve as a Board Director for Prospera Housing Community Services, a 501(c)(3) affordable housing developer in San Antonio, Texas.

I would also like to recognize the dedicated staff at the Federal Home Loan Bank of San Francisco for their tireless efforts in implementing the AHP program as efficiently and progressively as possible under the current regulations.

Below, please find my comments on the questions raised in the Federal Home Loan Bank AHP Competitive Application Process Request for Information, released on June 20, 2024.

<p>Question 1</p>	<p>Are there particular components of the FHLBanks' AHP application processes that could be made more effective or efficient, and if so, how? Are any of the FHLBanks' specific documentation requirements for AHP applications unnecessary for verifying that the applicant meets the AHP eligibility requirements and scoring criteria? Are there ways to streamline the application process while maintaining the FHLBanks' ability to verify applicants' compliance with the AHP eligibility requirements and scoring criteria?</p>
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- AHP could accept equivalent information that already exists in material that has been provided to other funders instead of asking for new material. This would save sponsors the time it takes filling out a different excel file or other document with the same information for each funder.
- Resident or social services should be recognized as an allowable operating expense, consistent with the broader affordable housing industry, instead of being excluded from AHP operating pro-forma. Supportive services are part of the proforma and required to operate. Not allowing supportive services as part of the operating budget puts a burden on the long-term financial operations of the property and causes confusion and adds time when project sponsors have to create different operating budgets for different funders.
- An FHLBank should not be expected to assess whether excess cash flow could have been used to take on additional debt, since it is not the provider of that additional debt. Having these conversations with sponsors and other funders causes confusion and draws out the application and other subsequent processes.
- A reduction in developments costs should not be considered to trigger a necessary reduction in the AHP award. Other larger funders may be reasonably first in line to receive partial repayment, and a sponsor should be able to defer less developer fee or put in less equity as part of their discretion in managing their organization. The back-and-forth conversation and documentation required to address these issues draws out the application and other subsequent processes.
- Banks should be allowed to reasonably believe more areas of application scoring and need for subsidy review without requiring backup documentation and extensive back and forth questioning. For example:
 - There is no need to get an MOU for empowerment unless there is some reason to believe services are not being offered.
 - There is no need to get income documentation from formerly homeless households, there is a very low chance they will be over the AHP income requirements. Also, many formerly homeless will not have requested documentation.
 - Permit sponsors to provide certifications for compliance with scoring components to receive points instead of backup documentation.
 - Projects often lose points at application for having a missing document or submitting a document without a signature. For example, taking the sponsor's word that they have their building permits would streamline the process for everyone and avoid point losses based on a technicality that does not reflect a

	<p>project's true status.</p> <ul style="list-style-type: none"> • Allow pro-rata forgiveness on rental projects based on where they are in the retention period, similar to owner projects. Requiring full repayment when a project has met its AHP commitments for a portion of the retention period is unfair and creates an unreasonable financial burden for project sponsors. • Allow pro-rata repayment for non-unit-based noncompliance.
Question 2	How do the FHLBanks' AHP application processes compare to those of other providers of gap funding with respect to scope, complexity, and documentation requirements?
	<ul style="list-style-type: none"> • The disconnect between many AHP requirements and other funders makes it more complex than necessary. • The current connection between a project's need for AHP subsidy and cash flow in the project's operating pro forma conflicts with the view of most other funders, causing confusion and extra time for project sponsors during application and compliance review. Need for subsidy review should be limited to identify the gap in a project's development budget. • AHP is the only funder to require the separation of supportive services from other operating expenses and to have a view that supportive services are not a necessary part of the project. Supportive services are a standard operating expense for other funders. They are beneficial on almost all projects, and they are necessary for feasibility on projects with higher needs populations, especially in permanent supportive housing. • Other funders do not look at cash flow as a bad thing (though some do have caps) since they are focused on the purpose of the project and making sure it gets built and operates sustainably. Cash flow is often used for services that are required by other funders. Without this cash • Other funders recognize that reserves are often necessary for long-term feasibility, especially now with additional funding needed to address climate resiliency and escalating insurance costs. • Other funders often request reserves above and beyond what is allowed under current regulations to maintain long-term sustainability. • Other funders are more flexible with project changes since they do not use a fixed scoring rubric to decide funding awards. They are better able to continue to support a project even if changes are needed based on the market or other available funding sources. AHP has little room for flexibility and penalizes projects with additional administrative burden through the cure first requirement when change inevitably

	occurs.
Question 3	Do the FHLBanks' AHP application processes leverage other funders' applications/requirements? Are the AHP application processes duplicative or complementary of other funders' underwriting requirements and processes? Do the AHP application processes create the need for additional information and documentation?
	<ul style="list-style-type: none"> • AHP doesn't leverage other funders' application or requirements and creates the need for additional information and documentation. • Rather than requiring FHLBanks to independently underwrite an AHP project, allow the FHLBanks to rely on conclusions made by other funders relative to the financial feasibility of a project. • Accept other funders pro forma/income statements
Question 4	Should the AHP regulation allow the FHLBanks to differentiate their AHP application requirements for projects requesting subsidy that constitutes a small percentage of the total funding in the project? If yes, why? Do other gap funders differentiate their application requirements for smaller projects?
	<ul style="list-style-type: none"> • All projects, regardless of AHP as % of TDC, should benefit from simplification outlined in other questions. For the majority of projects, AHP funding is a small percentage of the total funding. • Simple projects will have simple reviews because there is less to look at. • More complex projects will require some additional thought to understand, however they will have more partners and documentation that AHP can rely on for decision making and will also be doing their own compliance.
Question 5	What role do consultants provide in applying for AHP funds? What are the reasons that an AHP applicant may use a consultant? To the extent that applicants are using the services of consultants to apply for AHP subsidy, how does the practice compare to the use of consultants for other sources of gap funding?
	<ul style="list-style-type: none"> • Consultants are used to increase competitiveness, to augment sponsor's staff and for convenience. Consultants are often seen as more cost efficient than using an organizations own staff time. • An AHP application is a finite part of a project that can be delegated to reduce the burden on overworked staff. Other tasks may be less

	<p>straightforward to delegate.</p> <ul style="list-style-type: none"> • Sponsors can have high staff turnover, with new staff who are unfamiliar with AHP requirements and need assistance. • Staff may not have the time to spend to read through an Implementation Plan and attend hours of different webinars, it is easier to rely on a consultant who has worked with AHP on numerous projects through multiple phases. A single sponsor is only going to have a handful of projects going through AHP at one time (at most) and a consultant that specializes in AHP will have more in-depth knowledge about program details.
Question 6	Are there effective practices the FHLBanks could implement to coordinate the underwriting review process across multiple funding sources in a project?
	<ul style="list-style-type: none"> • Eliminate exclusion of supportive services from the operating pro forma to align with other funders. • Accept other funders benchmarks on face value without excessive justification or documentation. • Rely on other funders' conclusions and documentation about a project's readiness, capacity, market/demand, and financial viability.
Question 7	What is the single most important change you would recommend for improving the AHP application process?
	<ul style="list-style-type: none"> • Limit need for subsidy review to the development budget. This would eliminate the two other major pain points: social services not being allowed as an operating expense, and FHLBanks attempting to determine if a project can take on more debt and therefore doesn't need the AHP.
Question 8	What concrete steps would you recommend for simplifying the AHP application process and why?
	<ul style="list-style-type: none"> • Limit need for subsidy review to the development budget. • Limit review of cash flow to whether a project is financially strong enough to provide the housing committed to in the AHP application for the length of the applicable Retention Period without being held to subjective judgements regarding whether the project has excessive cash flow or could take on more debt. • Allowing the expenses related to the provision of supportive services to

be included in the pro forma as a standard operating expense.

- Deferring underwriting compliance and ongoing monitoring compliance to majority funders, particularly if such funders are state, federal or city organizations.

Thank you for this opportunity to provide feedback on the Affordable Housing Program.

Sincerely,

A handwritten signature in black ink, appearing to read "David Paull". The signature is fluid and cursive, with the first name "David" and last name "Paull" clearly distinguishable.

David Paull
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