

August 19, 2024

Federal Housing Finance Agency
 Constitution Center
 400 7th Street, SW
 Washington, D.C. 20219

Re: Response to AHP Request for Information 2024

Dear Federal Housing Finance Agency,

A Community of Friends (ACOF) is a non-profit 501(c)(3) organization whose mission is to end homelessness through the provision of quality permanent supportive housing for people with mental illness. The FHLB's AHP has been a helpful resource to fill funding gaps, especially when the gaps occur during construction and we are thankful for the opportunity to provide feedback on ways to improve the application process for AHP funding. Please see our responses to the questions in the Federal Home Loan Bank AHP Competitive Application Process Request for Information released on June 20, 2024 below.

Question 1	Are there particular components of the FHLBanks' AHP application processes that could be made more effective or efficient, and if so, how?
	<ol style="list-style-type: none"> 1. It would be helpful if self-scores and preliminary scoring information was published and made available to all applicants so applicants could get a better sense of their chances for a funding award and plan accordingly. 2. Put all application submission requirements and details for the requirements in one place rather than spread across the application files and the AHP implementation plan.
	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?
	<ol style="list-style-type: none"> 1. Be flexible about what documentation is accepted to verify site control or information about the site, understanding that sites in development are sometimes in the middle of changing addresses or APN numbers at the time of application which can sometimes result in inconsistencies between documentation submitted in the application, especially when documents are prepared by outside parties and cannot be corrected or changed by the applicant. 2. The documentation required to substantiate construction costs that exceed the RS Means construction cost per square foot is complicated and unnecessarily requires the backup documentation to be exactly equal to the amount by which the square foot cost limit is exceeded. A cost estimate or bid from a general contractor should be sufficient to document the market cost for construction the project. Alternatively, if a letter is provided by a

	<p>construction manager, it should be acceptable for the letter to simply provide an explanation of the extraordinary costs, even if the estimate for these extraordinary costs add up to more than the exact difference between the per square foot RS Means cost and the estimated per square foot construction cost.</p>
	<p>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>
	<ol style="list-style-type: none"> 1. It would be helpful for applicants that are re-applying to reuse backup documentation previously submitted rather than getting updated documents. For example, documentation for readiness to proceed should not have to be updated. 2. Clearly note what alternative documentation or situations will be accepted so that applicants have more certainty around what is required to meet eligibility or scoring criteria if there are situations that commonly occur. For example, clarify what documentation AHP would accept for project readiness points when projects are located in jurisdictions that do not issue building permits until after grading is complete. In addition, clarify what documentation is needed when a project's address or APN number is in flux at the time of application.
<p>Question 2</p>	<p>How do the FHLBanks' AHP application processes compare to those of other providers of gap funding with respect to scope, complexity, and documentation requirements?</p>
	<ol style="list-style-type: none"> 1. The FHLB should implement a preliminary scoring and appeal process. AHP is the only funding source that does not give applicants an opportunity to appeal the application score and sometimes projects are not awarded funds due to a misunderstanding or misinterpretation that could have been cleared up through an appeal process. There is also no way of knowing what an application scored and why it did not get funded without scheduling a one-on-one meeting with AHP staff which makes it harder for applicants to know how they can improve their scores the next time they apply. 2. Other gap funders usually accept construction cost estimates completed by third party cost estimators of general contractors as documentation for construction costs. Detailed explanations are not required, although there are sometimes is a place in the application to explain any unusual project costs. 3. AHP's requirements for funding to be released and the initial monitoring requirements are very time consuming to prepare and require a lot more detail and documentation than other funders require to release funds. This significantly delays the submission of the disbursement package and receipt of AHP funds. Incorporating the changes included in response to Question #6 would make the processes more comparable to those of other gap funding sources and enable AHP to leverage compliance oversight already being performed by other lenders.

<p>Question 3</p>	<p>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?</p>
	<p>There are several requirements that conflict with other lenders' requirements, underwriting requirements or best practices especially when with respect to supportive housing projects:</p> <ul style="list-style-type: none"> • Social services should be an allowable operating expense, in alignment with other project funders and best practices in the affordable housing industry. Given that many funding programs like CTCAC, many local government funding sources, and state funding sources require case management and services coordination and because on-site case management is a best practice for supportive housing, AHP applications should not require special explanations or back-up documentation to justify the inclusion of supportive services as an operating cost. • AHP should not determine how much permanent debt a project can or should take on. Supportive Housing projects, in particular, benefit from having smaller or no permanent loans because they are more vulnerable to delays in lease-up due to coordinated entry systems or delayed rent payments due to the target population. Having higher DSCRs also enable projects to better absorb damage to units that tend to happen more frequently when housing tenants with high acuities or when there are unexpected changes to operating costs such as the recent insurance premium hikes. AHP's DSCR limit combined with the prohibition of including services related expenses as an operating expense above the line pushes supportive housing projects to operate with a much tighter operating budget than what is best for the project. It is best to let developers/operators determine the best strategy for maintaining financial resiliency for its projects.
<p>Question 4</p>	<p>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?</p>
	<p>Not for new construction. AHP funds will always be a small percentage of all multifamily apartment projects. It's more important for the application and compliance requirements to be designed knowing that AHP funds are a small part of the overall financing stack and leverage Sponsor Bank's oversight/underwriting processes instead.</p>
<p>Question 5</p>	<p>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?</p>

	Financial consultants are often used to review the worksheets submitted with the application and to answer questions we may have on how to meet application requirements. Use of financial consultants in this way is typical for any funding application.
Question 6	Are there effective practices the FHLBanks could implement to coordinate the underwriting review process across multiple funding sources in a project?
	<ol style="list-style-type: none"> 1. FHLB should rely on the Sponsor bank's underwriting for the construction closing to release funds if AHP is awarded prior to the construction start rather than requiring the completion of the AHP disbursement package. If AHP funds are awarded during construction and funds are requested within 3-4 months of the application award, then the FHLB should rely on the information provided in the application and confirmation from the Sponsor Bank that there have been no material changes to the project since the application to release funds. 2. For initial monitoring, the FHLB should consider accepting Attachment 40 submitted to the Tax Credit Application Committee for the placed-in-service package rather than requiring AHP spreadsheets to be completed. As long as the overall project costs reflect the need for AHP funds to cover project expenses, it should not matter which budget format or spreadsheet is used.
Question 7	What is the single most important change you would recommend for improving the AHP application process?
	Given that AHP makes up a small percentage of overall project funds, the most important change to improve the AHP application process is for AHP application, disbursement, and compliance reviews to focus on whether there is an overall project gap in capital sources rather than the details of the operating budget or whether there are changes between specific line items within the project budget when underwriting the initial application and reviewing documentation submitted for funding disbursements and initial compliance monitoring.
Question 8	What concrete steps would you recommend for simplifying the AHP application process and why?
	Please see the responses to questions 1-7 above.

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

Sincerely,

Mee Heh Risdon
 Director of Housing
 A Community of Friends