

**FHLBank System at 100 Roundtable:
Access to the FHLBank System
Monday, March 20, 2023 | 9:00 – 10:00 a.m. AT**

Comments from Northrim Bank

To submit in advance:

Are there additional gaps that the FHLBank System can help fill in your community?

1. What are critical considerations you would recommend to enhance the FHLBank System role in addressing affordable housing and other community needs in Alaska?
 - One strength that Alaskan developers and businesses have is they are firmly grounded in a sense of community and the need to look out for each other. This is especially notable among the groups of people who work on Affordable Housing Projects, but in the end the vast majority of grants for the projects are competitive. This means that in this industry with high need, few skilled workers, and astronomical expenses that sharing information and resources can be a significant strain on any one organization. They say a rising tide lifts all ships, and in that spirit it could be helpful to inspire coordination among otherwise competing entities by providing “bonus points” to an applicant that has provided substantial coaching, information sharing, or administrative support to another entities project with no remuneration.
 - Many rural areas in Alaska lack basic housing infrastructure like running potable water and sewage treatment. This infrastructure also generally lies outside the scope of an Affordable Housing Project, but is really the inhibitor of one getting completed. It could be beneficial to provide grant funding on projects where the developer is willing to complete an AHP project and separately provide the project management and construction of the needed infrastructure- they would receive a grant for the AHP project and a grant for the infrastructure.
 - We appreciate that the FHLB-AHP grants are flexible in Deed of Trust recording priority/order. We have financed several projects where the capital stack was in excess of 7 sources and if DOT recording order became an issue with AHP grants it would cause additional problems and could make a deal not feasible to complete.
 - We also appreciate that the AHP grants were increased from \$750M to \$1MM.
 - As a Member Bank we also support and agree with these comments provided by an FHLB-AHP applicant:
 - In general, FHLBank funds need to be more flexible and less compliance heavy to incentivize applications from rural Alaska. FHLBank is often the last-in funding source and yet sometimes the most compliance heavy/restrictive. FHLBank should review definitions, income eligibility, total development cost, administrative o/h, tribal affiliation, etc. to compare with other HUD, LIHTC and other typical funding.
 - Raising the limit from \$750k to \$1M was helpful. Retain or increase this limit.
 - Most tribes have an approved indirect or HUD prescribed maximum of 20% for administrative costs. FHLBank’s limit of 8%-10% is unrealistic and is a barrier for tribes and small contractors who do not have the funds to subsidize very real administrative costs. FHLB should raise their limit to 20% to be more realistic.

- If FHLBank supports and desires applicants to leverage, there must be some acknowledgement of other funding criteria that is a mismatch and yet another compliance barrier for the applicant. Allow applicants a waiver if there is another source that requires similar or greater compliance.
- FHLBank should assess its construction cost program to better recognize Alaska's high cost. HUD has established a total development cost that could be used to validate cost instead of doing a separate assessment.
- FHLBank should evaluate its application timeline so it does not require a recipient to back-stop an AHP application. This is a big barrier to a rural community with a smaller housing entity.

2. How can the FHLBank System further support the housing and economic development needs of Alaska Native communities? What specific challenges must be considered?

- Many of the more rural Alaska Native communities have few people to perform the work of entire cities. This means that one individual must provide service on multiple boards and local government committees in addition to their full time job and family responsibilities. They go way above and beyond what any normal public servant does in a more urban areas. In these instances it could be helpful if a "borrow an expert" type system was set up that allowed the experts in the FHFA and FHLB system to jointly work on setting up a project at no cost to the applicant. Or providing an additional grant to these communities to educate, train, or hire an expert that could help them on AHP projects.
- Consideration should be given to Alaskan applicants given the enormous geographic and climate differences across the State. For example Juneau has an average temperate of 42 degrees with 62 inches of average annual rainfall, compared to Utqiagvik (formerly Barrow) which has an average low temperature of -19 degrees with .13 inches of precipitation. In addition to remoteness, individual areas have vastly different construction material and engineering needs which causes major fluctuations in cost. This is not really taken into account in the application scoring process.
- Some of the more rural areas also have a much smaller population base. This means that economies of scale aren't really possible. They are not building 50+ unit projects. They are building 2 or 3 at most, but at a much higher cost because materials and labor is imported to the community for the project. The cap of \$50,000 per unit should be examined and adjusted for these projects.
- In addition, as a Member Bank we also support these comments made by an FHLB-AHP applicant:
 - Smaller and rural communities do not have access to the capacity they need for grant writing and related longer-term compliance. Providing small grants to tribes and rural communities or providing technical assistance to set-up the compliance program could be helpful.
 - Housing is a foundational investment for community and economic development. Without adequate and the right type of housing, there is no community or economy. The single biggest barrier to sustainable communities and economic development is the lack of housing. Our rural communities need a variety of housing from elder to family to workforce that is often built one house at a time because of the cost/unit. Every community has different housing needs that often include preservation of existing housing and new housing to respond to retention of young families, teachers, retention of a local workforce for clinical, clerical, trades, safety officers, etc. Communities know what they need. FHLBank's prescribed criteria does not always meet what a community knows they need. Provide multiple equal point criteria for type of housing in the application.

3. Are there structural changes to the FHLBank System (e.g., consolidation, change in membership) that should be considered to enhance role the System plays?

- As a Member Bank we found these comments by an FHLB-AHP applicant to be most significant:
 - Alaska was unique in the Seattle FHLBank system and continues to be unique in a larger system in Des Moines. Alaska's specific barriers (cost, logistics, lack of capacity, small populations, urban/rural/remote) can be "zero'd out" within these larger systems FHLBank. Perhaps applications from Alaska should acknowledge this uniqueness with additional points? Perhaps there could be some additional flexibility for compliance if leveraged with other compliance heavy sources such as LIHTC, Indian Housing Block Grant, etc.?
 - FHLBank should continue to include CDFI's as members. Giving CDFI's more access to low interest loan funding and NAHI type programs would increase homeownership opportunities.