

April 18, 2018

Alfred M. Pollard, General Counsel  
Attention: Comments/RIN 2590-AA83  
Federal Housing Finance Agency  
400 Seventh Street, SW, Eighth Floor  
Washington, D.C. 20219

**Re: Notice of Proposed Rulemaking and Request for Comments –  
RIN 2590-AA83 – Affordable Housing Program Amendments**

Mr. Pollard,

Thank you for the opportunity to comment on your recent release of proposed rulemaking regarding the Affordable Housing Program (“AHP”) of the Federal Home Loan Banks (FHLBanks). I am writing as COO/Partner of Edgemere Development, Inc. headquartered in Rochester, NY. Our work focuses on preserving and increasing multifamily affordable housing including mixed income, integrated supportive housing, and special needs housing. Over 18 years and as consulting develop to non-profits, health systems, public housing authorities, and for-profit companies, we have secured many FHLB NY and FHLB Pitt awards. As design requirements, ADA, energy efficiency, and funder requirements grow, FHLB has filled a critical gap in communities across New York State and Pennsylvania. The cost of projects and the complexity has grown as well.

Edgemere has worked closely with FHLB to understand and address affordable housing needs and evolve the program as local and state needs change. FHLB NY has been responsive and encouraging of integrated housing and mixed-income, giving low income residents a shared experience. With FHLB support, we have been able to increase accessibility, useful life and quality of life for many residents. More and more projects have gaps and competition has increased greatly, demonstrating great demand within the existing framework. The proposed changes are contrary to New York State housing and supportive service guidelines.

We are concerned with the outcomes framework as proposed in the AHP regulation amendments. We had hoped that the proposed amendments would provide FHLBanks with more flexibility in their scoring methodologies to allow AHP to adapt to the changing landscape of housing needs in local districts. However, the proposed amendments introduce an outcomes-based framework for awarding AHP funds which prioritizes the Federal Housing Finance Agency’s (FHFA’s) overall housing goals. The unintended consequence of this approach is that the proposed outcomes essentially eliminate FHLBank discretion in addressing local housing needs, establish preferences for certain project types and make AHP less transparent.

Housing sponsors/developers manage multiple layers of capital and operating financing that take years to assemble. Developers must blend AHP into the total financial package while dealing with the complexities of real estate development. This makes it imperative for funding to be as streamlined, transparent and operationally efficient as possible. These projects are already monitored on multiple levels. The outcomes framework as proposed in the amendments introduces a complex award structure that makes the AHP scoring process unclear and ultimately a less-attractive funding resource. A scoring-based system is strongly preferred over an outcomes-

based framework and will allow FHLBanks to sufficiently respond to local needs, encourage all project types to apply and maintain program transparency.

We also have the following additional concerns about the proposed amendments:

- The proposed amendments change the threshold amount needed for projects to qualify as serving targeted populations from 20 percent to 50 percent. This new threshold is not compatible with other funders and does not recognize the benefit of a mixed-occupancy development, which allows developers to cross-subsidize units in a project. We recommend retaining the current 20-percent threshold amount.
- Under the proposed amendments, AHP project modifications may be delayed, and AHP sponsors unduly burdened, due to a new “cure-first” requirement. We recommend that the proposed cure-first requirement be eliminated and the FHLBanks retain their current practice of verifying that any modified project would still have scored high enough in the funding round to receive the AHP award had the sponsor applied for AHP funding with the modifications in place.
- The proposed amendments require FHLBanks to evaluate the ability of the sponsor and all members of the development team to perform the responsibilities committed to in the application. The entire development team may not be in place at the time of AHP application, making it impossible to assess total capacity. We recommend retaining the FHLBanks’ current practice of reviewing the prior experience of the development team.
- The proposed amendments eliminate the five-year retention requirement for homeownership projects. Although this is a beneficial change in most instances, it introduces a risk of misuse in certain situations when the AHP per-unit amount is relatively high that FHLBanks need to have the flexibility to address. We recommend allowing FHLBanks the discretion to impose a retention requirement.
- The “need for subsidy” and “project costs” sections of the proposed amendments do not specifically allow for the maximization of coordination with other funding sources. Requiring an FHLBank to independently underwrite a project's need for subsidy and viability is unnecessary and increases the burden on sponsors in cases where other funding sources have already underwritten the project. We recommend allowing FHLBanks to rely on the underwriting of other funders with comparable standards in terms of cost reasonableness, viability of operations, development team capacity and need for subsidy.
- The amendments require rental projects with supportive services to create two operating pro formas: one for housing operations and the other for supportive services. The requirement causes projects to arbitrarily separate costs and funding streams. We recommend allowing projects to include supportive services in a project’s operating pro forma.

We commend FHFA for working to update the AHP regulation. However, considering the concerns above, we respectfully ask that you reconsider parts of the proposed amendments, especially the required outcomes framework. Thank you for hearing our ideas on this very important subject. If you have any questions, please feel free to contact me at [stephanie@edgemere.com](mailto:stephanie@edgemere.com) or 585-325-1450.

Sincerely,



Stephanie F. Benson, COO and Partner