

April 27, 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 the proposed rulemaking regarding the Affordable Housing Program (“AHP”) of the Federal Home Loan Banks (FHLBanks). I am the Director of the Department of Planning & Development for the City of Planning. The Department encompasses several of the City’s housing policy and development entities. Our mission is to ensure quality development in all of our neighborhoods and to ensure a continued quality of life for all of our residents.

As we continue to experience sustained cuts to federal and state resources dedicated to affordable housing, the Affordable Housing Program operated by the Federal Loan Banks becomes an even more important and vital resource. The dollars invested are leveraged multiple times over by both government and private resources. These dollars are particularly valuable when leveraged with Low Income Housing Tax Credits to create affordable housing for our lower income residents. Without these resources, it would be very difficult for the development community to achieve the deep levels of affordability so very much in need so many of our communities.

The City has concerns about several of the proposed amendments. These concerns include:

- Outcomes Framework-- Under the proposed amendments, the outcomes framework may essentially eliminate FHLBank discretion in addressing local housing needs, establish preferences for certain project types and make AHP less transparent.
 - **The City recommends continuing with a scoring-based system rather than an outcomes-based framework which will allow**

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

- Homeless and Supportive Housing – The proposed amendments change the threshold amount needed for projects to qualify as serving targeted populations from 20 percent to 50 percent.
 - The City is deeply committed to housing homeless families and individuals, and through these efforts has effectively ended Veterans homelessness. That being said, we have found it is often not most effective to have developments overly dedicated to housing the homeless. Rather a mixed-population combining both families with modest needs and those with substantial supportive service needs has been proven to be a very effective method for “lifting all boats.” Therefore, the City is concerned with the requirement that 50% of the households must fall into the strict definition of homelessness. This amendment will diminish the opportunity for many of our housing development organizations to successfully participate in AHP in the future.
 - This change 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.
 - **The City recommends retaining the current 20-percent threshold amount.**
- Homeownership Retention – Under the proposed regulation, the five year retention agreement for homeownership is eliminated. This can be a beneficial change for households that need a moderate amount of AHP funds to purchase or rehabilitate a home. But for projects requiring larger amounts of AHP per unit, it introduces a risk of misuse that FHLBanks need to have the flexibility to address. Specifically, elimination of the retention agreement may increase property “flipping” for projects with a relatively high per unit AHP subsidy, particularly in rapidly appreciating markets.
 - The City understands fully the need for affordable housing preservation. We applaud FHFA for raising this issue and support FHFA’s Duty to Serve regulation. The City believes this issue should be addressed through a scoring structure or set aside that prioritizes long term affordability.
 - **The City recommends that FHLBanks are allowed the discretion to use a retention instrument in certain situations.**
- Re-ranking Projects — The City’s understanding of this is that it would require FHLBanks to “re-rank” applications to satisfy the outcome requirements if those goals would not be met using only the scoring criteria. This poses risks to the

core of the program: re-ranking is not objective, it is not predicable and it is not transparent.

- **The City recommends that FHLBanks continue to use a point structure for scoring applications. A point structure gives the FHLBanks more flexibility to address district needs.**
- Project Modifications – Under the proposed amendments, AHP project modifications may be delayed, and AHP sponsors unduly burdened, due to a new “cure-first” requirement.
 - **The City recommends 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.**
- Sponsor & Affiliate Capacity – 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.
 - **The City recommends retaining the FHLBanks’ current practice of reviewing the prior experience of the development team in place at application.**

The City commends FHFA for working to update the AHP regulation. Given the nature and extent of the concerns raised above, we respectfully ask that you reconsider parts of the proposed amendments, especially the required outcomes framework, threshold for homeless and supportive housing and homeownership retention.

Thank you for your consideration of these issues. We look forward to continued collaboration with the Federal Home Loan Banks through the Affordable Housing Program as well as other endeavors.

Best,

Anne Fadullon
Director