



HERMAN & KITTLE PROPERTIES, INC.

Real Estate Development • General Contracting • Property Management

June 1, 2018

Submitted Electronically
Alfred M. Pollard, Esq.
General Counsel
Attn: Comments/RIN 2590-AA83
Federal Housing Finance Agency
400 Seventh St. S.W., 8th Floor
Washington, D.C. 20219

Re: Comments/RIN 2590-AA83: Affordable Housing Program Amendments

Dear Mr. Pollard:

The purpose of this letter is to provide written comment to the Affordable Housing Program Amendments Rule published on March 14, 2018.

Herman & Kittle Properties, Inc., is an affordable housing developer located in Indianapolis, Indiana, with approximately 150 properties located in 17 states. We have experience using a variety of financing programs including AHP, Section 42 LIHTC, Section 142 Tax Exempt Bonds, and other such similar sources. We have the following concerns regarding the proposed rule:

- Re: Subpart E, Question 27: While we understand the need to support home ownership generally, shifting to a 10% required funding set aside for home ownership runs counter to recent increases in demand for rental housing and continued restricted supply of rental housing due to local resistance and rising interest rates.
- Re: Subpart E, Questions 28 to 32: We are finding increasing gaps in funding for rental housing available to households between 50 and 120% of AMI. There are very limited resources available for such households, yet those income levels often do not justify new construction without some form of subsidy. The change to having at least 55% of the units at/below 50% of AMI will further exacerbate this issue. Plus, these ratios are not consistent with standard LIHTC requirements, thereby complicating long-term compliance issues.
- We encourage FHFA to exercise extreme caution when emphasizing debt coverage ratios as part of the process of reviewing a project's pro forma. Smaller projects are especially susceptible to situations where the difference between a 1.0 versus 1.5 debt coverage ratio may be just a few thousand dollars that are easily lost with a single event or vacancy. This situation could possibly be addressed by changing the expectation from "the cash flow or debt coverage ratio exceeds a Bank's project cost guidelines" to "the cash flow and debt coverage ratio exceeds a Bank's project cost guidelines."
- Non-profits and governmental entities have a significant and meaningful role to play in affordable housing. We partner with non-profits on a regular basis. Any changes to the program that further increase prioritization for non-profits and government entities is not necessary and potentially harms the long-term viability and financial health of a development.

We appreciate the opportunity to respond to this proposed rule.

Sincerely,

Jeffrey L. Kittle
President & CEO