MILESTONE VENTURES

June 8, 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 the managing member of Milestone Ventures, LLC an Indiana-based affordable housing developer and consultant. Over our 18-year history, we have accessed over $26 million in AHP funds to preserve or develop 1,500 units of affordable housing across 59 separate projects throughout the state of Indiana. Most of these projects would not have happened without the assistance of AHP.

AHP was a critical component of a recent project in Alexandria Indiana, where we were able to redevelop a multi-story downtown building in Alexandria, Indiana into 26 units of affordable housing along with the opening of a full-service supermarket on the first floor. This project had a significant impact on this community of 5,000 people and addressed a USDA identified food desert.

Affordable Housing Program funds are absolutely critical to making affordable housing projects possible in rural areas of the state, therefore I would like to offer the following comments:

1) All of the clients we work with are nonprofit organizations that serve very low-income and special needs populations located in rural areas with very low rents. AHP helps close the funding gap required to make these projects a reality. The predictability of the AHP program with its easily understood scoring requirements and clarity of the timing to apply for AHP are essential in moving these types of projects forward. The proposed change from a fixed scoring approach to the outcomes approach threatens this predictability and reliance on AHP to close the gap. On behalf of Milestone Ventures and the many clients we serve, we ask you to retain some component of the existing scoring framework in the proposed rule; the outcomes approach appears to overly complicate the evaluation of the project with the re-ranking element voiding the prioritization of a project by points/total score and making it impossible for the applicant to structure a competitive project that meets FHLBank priorities.

2) With respect to projects that target underserved populations, many of the special needs projects Milestone Ventures has been involved in are typically 100% elderly or homeless; however integrated projects are more and more being promoted by state funders and service providers. Therefore, we believe the minimum percentage of units reserved for underserved populations should remain at 20% which is in line with guidelines that limit the percentage of special needs units in an integrated project to 25% of the total units. The increase to 50% will all but eliminate any partial targeting in an affordable housing project. The 50% benchmark is higher than IHCDA requires and poses a significant financial risk to the developer. Having ten

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projects reserving 20% of the units for the homeless would be far more desirable then one project reserving 50% of its units for the homeless which is what will happen if this threshold is retained in the final rule.

3) We are very concerned about the impact the proposed rule may have in closing out a project. Modifications are critical part of addressing unforeseen issues that arise during project implementation and has been a tool that has prevented some of our projects facing barriers to compliance due to unforeseen conditions or financial limitations from failing. As new projects face ever tighter budgets due to increasing labor and material costs, developers need to have the flexibility to know that a scoring element can be modified rather than having to make irrational attempts to cure an issue that is unresolvable without a modification.

4) On behalf of Milestone Ventures and the clients we serve, we strongly encourage FHFA to provide the FHLBanks and its advisory council the flexibility to establish district specific criteria that addresses housing concerns/needs in the geographic footprint of the member banks. These targeted funds are a tool that is also used by the state housing finance agency. In Indiana, the CSH Institute is an example of how targeted funds can work well. The timeline requirements detailed in the proposed rule could be limiting and problematic in being timely and relevant to changing market trends. The 12-month lead time requirement is too long and negates the importance and effectiveness of a targeted fund. Developers must assemble many applications for funding before projects are ready for AHP, and AHP has to be considered by other investors in the project. Streamlined and transparent application decisions are needed in order for members to commit the resources to manage AHP grants. The TCLP requirements have the potential of bogging down the process. Many of the scoring points identified in the implementation plan for Indianapolis mirror similar scoring in the low-income housing tax credit program as an example. Keeping the process simple and allowing the FHLBI to rely on current and existing housing studies, data, and guidance from community development professionals including its advisory council is an approach that is working. Stipulating an extensive lead time before accepting applications for the targeted fund, will shut down many viable developments and could negatively impact rent affordability due to increased costs caused by this delay.

On behalf of Milestone Ventures and the clients we serve, we are thankful that FHFA is looking to improve and modernize the AHP program. We ask for consideration to be given to maintain a transparent, straightforward guideline that facilitates the creation of quality, sustainable affordable housing.

Thank you for considering these comments.

Sincerely,

Charles Heintzelman