

June 11, 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: Comments/RIN 2590-AA83; Affordable Housing Program Amendments

Dear Mr. Pollard,

On behalf of the Federal Home Loan Bank of Pittsburgh (FHLBank Pittsburgh) Affordable Housing Advisory Council (AHAC), we thank you for the opportunity to comment on the proposed amendments to the Affordable Housing Program (AHP) regulation issued by the Federal Housing Finance Agency (FHFA).

We understand FHFA takes the perspectives of the 11 Federal Home Loan Bank (FHLBanks) AHACs very seriously, as evidenced by the extended comment period provided and the commitment to meet with the AHACs' Chairs and Vice Chairs. We thank you for your consideration of our shared commitment to meet the housing needs of individuals and families in our district and throughout the nation.

Our AHAC is a diverse blend of experienced leaders in affordable housing and community development representing Delaware, Pennsylvania and West Virginia. We work in densely built urban areas like Philadelphia and Pittsburgh and in small rural towns like Milford, Delaware, and Tamaqua, Pennsylvania. Our technical expertise spans affordable housing development, housing counseling, housing authorities, health care, community development and housing finance. In addition, several of our AHAC members have sponsored multiple AHP applications.

Through our collective experience and the cooperative relationship with FHLBank Pittsburgh's Board of Directors (Board) and management, we have a solid understanding of how AHP works and how it fits into the affordable housing finance system. Our unique governance structure – AHAC, Board and management working together – enables us to understand the affordable housing needs in our three-state district and create policy that directs our AHP dollars to meet those needs.

The AHP amendments were discussed by our AHAC during a conference call in April and at our quarterly meeting in May. The following provides the views of FHLBank Pittsburgh's AHAC.

Our AHAC commends FHFA for its thoughtful proposed regulation, which is beneficial to the FHLBanks in several respects. Notably, it increases the allocation authority and maximum subsidy per unit for homeowner set-aside programs. In addition, the proposed regulation streamlines monitoring requirements for competitive projects using certain federal funds. Moreover, the FHLBanks will be permitted to allocate up to 40 percent of AHP funds to multiple Targeted Funds to allow the FHLBanks to address their district needs.

We are concerned with the outcomes framework as proposed in the AHP regulation amendments. 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.

The outcomes framework, as proposed in the amendments, introduces a complex award structure that makes the AHP process unclear and ultimately a less-attractive funding resource. Certain projects that align with the proposed regulatory priorities would have an advantage over other types of projects that don't align well but still address a need within our district. This means that each FHLBank may not be able to support projects that are needed to house individuals and families in their respective districts that fall into the latter category, which include:

- Rental and homeowner projects in urban areas that are general occupancy and are new construction or involve property reuse, such as repurposing vacant, blighted substandard property or non-housing properties (e.g., former schools, industrial or commercial property); and/or
- Urban and rural rental projects that target units for households with incomes greater than 50 percent of the area median income (mixed income)

Our AHAC believes it is critical to connect AHP to support community development. In 2005, FHLBank Pittsburgh, with strong AHAC support, created Blueprint Communities[®], a leadership and community development initiative. As a result of the initiative, 58 participating communities have created comprehensive, action-oriented revitalization plans. Connecting AHP to development initiatives – such as Blueprint Communities or any other community revitalization plans – without focusing on specific project types, allows AHP to respond to local housing needs and benefit broader community development activity. The outcomes framework does not adequately connect AHP to community development or allow FHLBanks to do so.

A scoring-based system, which has worked well for 28 years, is strongly preferred over an outcomes-based framework and will allow FHLBanks to encourage all project types to apply, connect AHP to community development strategies and maintain program transparency.

The FHLBanks will propose a scoring system that incorporates the statutory priorities, recommends regulatory priorities, expands discretion to the FHLBanks and retains Targeted Funds. We support this approach.

We also recommend reconsidering a governance change as it relates to the proposed requirement to have our full Board meet with the AHAC. We understand and appreciate why FHFA wants to see these two entities work more closely together, but this poses some practical challenges. This requirement would make it extremely difficult to conduct offsite AHAC meetings, which are valuable to understanding the needs in our district. FHLBank Pittsburgh conducts one “in the field” AHAC meeting per year in a Blueprint Community. These community-based meetings include a tour and panel discussions on housing and community needs with local leaders and members. These meetings provide an invaluable perspective to AHAC members and enhance their ability to advise FHLBank Pittsburgh's management and Board. For practical reasons, these community-based meetings are often not on the regular Board cycle and sometimes are in remote locations. Representatives of the Board do attend these meetings in person or by phone. The Board certainly benefits from the information gleaned by the AHAC at these meetings. By requiring the full Board to meet with the AHAC, these

community-based meetings would be very difficult to accomplish. Therefore, FHLBank Pittsburgh recommends eliminating the requirement that the full Board meet with the AHAC. We will continue to meet with the full Board at the three other AHAC meetings held each year.

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

- We recommend reconsidering the requirement to publish the priorities in the new Targeted Community Lending Plan six months (General Fund) and 12 months (Targeted Fund) prior to implementation. Including these provisions will reduce an FHLBank's ability to be nimble in addressing priority housing needs. The AHAC recommends that the final regulation provide the FHLBanks greater flexibility with the implementation timing to promote adaptability and responsiveness. If a delay period is retained, we recommend that it not exceed 30 days.
- 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 that 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 the 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 the 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 proposed 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, in light of the concerns above, we respectfully ask that you reconsider parts of the proposed amendments, especially the required outcomes framework. We believe our recommended changes to the proposed AHP amendments will not only be for the betterment of affordable housing within our own district, but can positively impact affordable housing development within each FHLBank district across the country. Thank you for hearing our ideas on this very important subject.

Sincerely,



Andrew S. Haines
Chair, Affordable Housing Advisory Council



Markita Morris-Louis
Vice Chair, Affordable Housing Advisory Council

AHAC Member	Organization	Title
Andrew S. Haines	Gatesburg Road Development	Executive Vice President
Markita Morris-Louis	Clarifi	Vice President of Community Affairs
Anas Ben Addi	Delaware State Housing Authority	Director
Francine B. Cameron	Cameron Professional Services Group, LLC	President & CEO
Francis Vargas	Elon Group, Ltd.	Vice President
Graysha K. Harris	GKH Properties	President
Joel A. Johnson	Montgomery County Housing Authority	Executive Director
Joseph A. Yarzebinski		Economic and Community Development Advisor
Matthew Barczak	Northern Cambria Community Development Corporation	Executive Director

Micah J. Gursky	Tamaqua Area Community Partnership	Executive Director
Nora Lichtash	Women's Community Revitalization Project	Executive Director
Russell W. Huxtable	The Milford Housing Development Corporation	Vice President/COO
Senghor A. Manns, J.D.	Harrisburg Housing Authority	President and Agency Council
Susan Salisbury	Charleston Area Alliance	Vice President Community Development
Virginia I. Lewis	VLB Consultants	Consultant

Cc: Winthrop Watson, President & CEO, Federal Home Loan Bank of Pittsburgh

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