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June 11, 2018

Submitted Electronically
Alfred M. Pollard, General Counsel
Attn: Comments/RIN 2590-AA83
Federal Housing Finance Agency
400 Seventh Street SW, 8th Floor
Washington, DC 20219

Dear Mr. Pollard:

IFF appreciates the opportunity to comment on proposed rule RIN 2590-AA83. As a member of the Federal Home Loan Bank of Chicago and frequent member sponsor of AHP-funded projects, IFF values this resource as vital to its affordable housing borrowers in today's resource-scarce environment. For this reason, our comments below reflect areas of significant concern.

Outcome Requirements for Statutory and Regulatory Priorities. The bulk of affordable housing constructed in the U.S. is financed using Low-Income Housing Tax Credits (LIHTC). The layering of additional sources to fund the 30-40% of project costs in excess of LIHTC equity adds complexity to an already complex program. IFF frequently finances projects that utilize HOME; local, state and Federal trust funds; other local, state and Federal tax credits; tax-increment financing; and various sources of rental assistance. Each of these resources adds their own restrictions to the use of funds and costs of documentation, financing and occasionally construction. Even after multiple sources of financing have been identified, many projects still have gaps in their capital budgets. These projects often turn to AHP as a crucial resource to close the final gap. Adding outcome requirements to AHP will reduce the usefulness and effectiveness of the program in multiple ways, detailed below.

> 36. When projects are already subject to the policy goals of each LIHTC allocating agency and the goals of other public funding sources, project characteristics are set well in advance of AHP application. While sponsors can plan projects that meet AHP policy goals which are complimentary to other programs (as is currently the case), LIHTC **projects cannot be adjusted to meet proposed outcome-based scoring categories that conflict with other, larger, regulated funding sources**. The move toward the proposed outcome-based approach also injects a higher level of uncertainty into projects that take years to develop. Sponsors need to know how their projects are likely to score *before* making application or moving forward with a project. **The outcome-based scoring approach adds unnecessary complexity and requests applicants to propose projects that are unlikely to be feasible**, even with generous subsidies. For these reasons, IFF believes the current regulatory

scoring system should be maintained without change.

28. To achieve the greatest impact, AHP scoring should align with other major funding sources. The availability of subsidy for units up to 80% AMI is in line with many other resources. However, a requirement of 55% of units below 50% AMI limits the ability of projects to leverage debt financing and to reach the lowest income households (below 30% AMI) by mixing units at the lowest income levels with 60-80% units. A requirement of 55% of units at 60% AMI will have the maximum impact and allow a significant number of affordable housing rental units to access AHP subsidies.

29./30. Permanent supportive housing best practices are moving *away* from concentrating units for homeless and special needs populations in single-site facilities. Requiring projects to provide 50% of units restricted to these populations directly contradicts the stated policy goals of many other funders of affordable housing and several judicial consent decrees requiring housing be provided to individuals in the *least restrictive setting* possible**. For many people experiencing homelessness and people living with disabilities, an apartment well-integrated into the community is the best and least restrictive setting, not a project with high concentrations of households in need of supportive housing**.

32. With scarce resources to develop affordable housing, sponsors and other funders seek to create the greatest numbers of units possible serving the lowest income households as possible. **The number of 30% AMI units a project can support varies by project, funding sources, and location. Projects that overestimate the number of ELI units they can support end up financially unhealthy** and sometimes facing foreclosure. Rather than mandate a specific threshold of ELI units, AHP would be better served by providing different numbers of points (under the current scoring system) corresponding to the percentage of units reserved for ELI households, from 5% to 100%. The proposed rule will heavily favor projects that are 100% Section 8 or have significant amounts of other rental assistance. Although these projects do reach the lowest incomes, they are often least in need of additional capital subsidy because the Fair Market Rents allow for significantly larger amounts of debt than projects without rental assistance.

Project Sponsor Clarifications. Proposed Section 1291.21(b) changes the definition of project sponsor to include team members such as the general contractor and Section 1291.15(b)(2) mandates that Banks evaluate the qualifications of all team members, including the general contractor. Development team members, including general contractors and other contractual service providers, are vetted by developers (project sponsors), public funding agencies, private financial institutions providing debt, and equity investors (in the case of tax credit projects). A Bank's involvement in vetting/approving these project partners is likely outside of the expertise of those administering AHP. The implementation of this rule would be onerous and duplicative and its intended purpose (to reduce fraud) can be achieved through the existing agreements between the sponsor, as currently defined, member institution, and Bank.

IFF appreciates the efforts of the FHFA in proposing this update to the AHP rules. We believe the existing regulatory framework offers more flexibility to Banks, sponsors and other stakeholders to meet local affordable housing needs. We encourage the FHFA to make changes resulting in greater flexibility and ease of use, which can be achieved through minor changes suggested by FHLBanks administering competitive AHP subsidy programs.

Sincerely,

Stephanie Socall

Stephanie Socall
Director of Lending, Affordable Housing
IFF