CAP SERVICES
Transforming People and Communities
2900 Hoover Road, Suite A | Stevens Point, WI | 54481 capservices.org | 715-343-7500

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RE: Comment on AHP Modernization and Proposed Rulemaking

Thank you for your long-time commitment to affordable housing in the United States and the opportunity to tell you about my organization's work in Wisconsin.

CAP Services, Inc. was created in May of 1966 with a mission to "create a permanent increase in the ability of low-income individuals to become economically and emotionally self-sufficient." In 2016, the mission was updated "to transform people and communities to advance economic and social justice."

As a community action agency, we have been creating opportunities for low-income households in a variety of ways. Now offering about two dozen different programs and services, we believe each helps stabilize struggling families, reduce financial burdens and increase income and build assets.

Housing has been an area of focus for over 30 years and currently takes numerous forms: down payment and closing cost assistance for low- to moderate-income households for home purchase; low-cost, deferred financing to improve homes and meet HUD Housing Quality Standards; weatherization assistance services to increase energy efficiency; and finally development of affordable rental units.

CAP Services primary service area includes five counties in Central and East Central Wisconsin. The largest is Outagamie County with a population of 183,245 and a poverty rate of 9%, but all the others much smaller (Portage County –pop.- 70,019, poverty rate of 14.1%; Waupaca County, pop. – 52,410, poverty rate of 10.6%; Waushara County – pop. – 24,496, poverty rate of 11.5%; and finally, Marquette County – pop. – 15,404,and poverty rate of 11.7%). Each of these Counties has pockets of deeper poverty but also areas in which residents are particularly housing cost-burdened. The area is also primarily rural with aging housing stock.

The Federal Home Loan Bank of Chicago has been a critical partner in CAP Services' ability to meet is mission in part, through increasing affordable and decent housing. CAP currently has just over 700 affordable units in its portfolio – some scattered site and others part of multi-family projects. The latter were only made possible due to the investments of the Bank Affordable Housing Program (AHP). More recently, CAP Services also competed successfully for AHP funds to support housing rehabilitation work as well. Some multi-family projects were completed in partnership with other community action agencies in Wisconsin, stretching our multi-family footprint from the far southwest part of the state to the northeast as well.

We very much appreciate the opportunity to comment on the proposed rule changes. As mentioned, this is a critical financing tool for the kinds of projects we focus on: small (usually under 24 units) and in small towns that otherwise do not see willing private sector developer interest.

Without AHP, or with AHP with changes that create more rigidity than flexibility, we clearly understand our ability to continue to create affordable units will be seriously jeopardized or end altogether. First and foremost, we must retain and increase the flexibility of the program so it remains as responsive as possible to meet the affordable housing needs of our nation. It is a vital tool and should it become more prescriptive, it will no longer serve as it has to support CAP Services' mission to increase access to affordable housing.

Some specific things are particularly worrisome. Please consider the following and change the proposed rule accordingly:

1. Proposed rule to change the hard set aside for special needs population 50%. In smaller projects like CAP's in rural areas, the impact of this rule change would result in ceasing to develop rental units in our target market. The change devalues the benefits of a mixed occupancy development. We have a 24 unit project in a community of approximately 1,000 people. To comply with a hard set aside (meaning units sit vacant until an eligible tenant surfaces) means increased vacancy rates and the corresponding detrimental effects on cash flow in what are typically already tightly operated projects. We would advocate that the current threshold of 20% be retained.

2. Monitoring changes: their monitoring, on our end, hasn't been difficult in the past...we simply provide digital copies. Their requirement that 4 federal programs be used in addition to AHP to be able to qualify for the more minimal monitoring, I feel, is unrealistic. The two programs we use, both WHEDA and HOME complete very robust reviews, which seems like enough. But as I said, not a real issue for us.

3. Retention agreements, while not particularly cumbersome for project sponsors, are described as tools to prevent flipping of homes with AHP subsidy. We do not see this as a particularly worrisome issue. Member banks may though feel this can serve as leverage particularly when there is a large subsidy designed to meet affordable housing needs.

4. Sponsor/Team capacity requirement to be confirmed at application and at disbursement can result in a number of challenging issues. First, expanding the sponsor capacity assessment to include affiliates and team members is overly burdensome. It negates the experience and expertise of the sponsor to form a qualified development team and in some cases, the development team members may not be identified at the time of application. If team members' capacity were also assessed at disbursement, it would create a risk that the award could be de-obligated. We support the FHLBanks current role to assess a sponsor's capacity at time of application; it is unnecessary to perform this evaluation again at disbursement. If an approved change to a sponsor occurs, the FHLBanks assess the new sponsor's capacity to fulfill its commitments.

Additionally, I am a member of the Advisory Council of the FHLB-Chicago and would make some additional comments relating to other proposed changes.

1. Outcomes-based framework: The outcomes framework would create a national, prescriptive program driven by FHFA-established priorities that may overshadow the local needs of each FHLBank district. As mentioned, CAP Services rural footprint may contrast significantly with other parts of the District and the country. And the concept of re-ranking is just incredulous.

2. Targeted funds: These could allow the Bank to very responsive in light of emerging needs in the District. The timelines for creation, approval and sequencing of such funds is onerous and actually results in a significant delay in the Bank's ability to be responsive in a meaningful way. Targetted funds could also help the Bank to meet a particular housing need that may not easily score well in light of the points awarded for First and Second District Priorities.

Again, thank you for the opportunity to comment. I hope this has been useful in understanding how some of these actions would significantly impair CAP's ability to further create affordable housing in our communities.

Sincerely,

Mary Patoka, President & CEO