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Alfred M Pollard, General Counsel,
Federal Housing Finance Agency
400 Seventh Street, SW
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Washington, DC 20219

Agency Website: www.fhfa.gov/open-for-comment-or-input

Re: Federal Housing Finance Agency
Affordable Housing Program Amendments
12 CFR Parts 1290 and 1291
Comments/RIN 2590–AA83

Thank you for this opportunity to provide feedback on the proposed amendments to the Affordable Housing Program of the Federal Housing Finance Agency.

PATH Ventures (PV) is a non-profit developer of affordable homes for low-income families & individuals and people who have experienced homelessness. PV is a maturing organization, created ten years ago by PATH (People Assisting the Homeless), one of the largest homeless service organizations in California, to expand the supply of supportive housing units throughout California.

Section 1291.23: Tenant income qualifications in rental projects: PV agrees with the proposal to include a mitigation measure that would allow for income verification at initial monitoring for proposed projects that were occupied at the time of application with a relocation plan approved by one of the project's primary funders. Further, we recommend FHFA consider allowing for "grandfathering" of existing tenants if: 1) there is evidence that at the time of initial occupancy the tenant was income certified and met the unit income targeting commitments, and 2) the applicant agrees to comply with income targeting commitment upon unit turnover. This additional mitigation measure will help stabilize housing insecurity and aligns with the California Tax Credit Allocation Committee's regulations.

Section 1291.24: Supportive services expenses in operating proforma: PV strongly encourages the FHFA to explicitly allow the use of operating income to fund supportive services as a standard operating expense. Supportive services are required by AHP (and other funders), but the resources to fund these services are unreliable, typically short-term, foundation and local grants that require annual competition for funding. This puts a significant burden of funding the services on nonprofit project sponsors. A project's operating budget is a reliable source of income. Particularly, but not exclusively for Special Needs Projects, project sponsors are being allocated operating subsidies that are intended to fund supportive services, in addition to other operating expenses.

In California, the state's Housing and Community Development department became the last local agency to amend their regulations to allow supportive service expenses to be an eligible, standard operating expense. Aligning with other agencies, will allow for consistent underwriting and long-term stability of committed service programs that are critical to the long-term success of residents in affordable communities.

Section 1291.24: **Maximum subsidy limit per project sponsor:** PV does not support the change to limit the amount of subsidies a single project sponsor can receive in any given funding round. This could limit worthy, competitive projects from being funded. The scoring guidelines are an adequate method to allocate resources to the most competitive projects.

Section 1291.48: Extremely low-income and population targeting: PV is in support of the FHFA's identified priority to fund very-low, extremely-low income rental units, and serve special needs populations. With this additional priority, PV would like to encourage the FHFA consider adding relief language for units targeted to extremely-low income households and special needs households experiencing homelessness, to allow for increases to affordability and adjustments to population restrictions in the event a sponsor loses its project-based operating subsidy, at no fault of its own. Including this language will help to minimize capitalized transition reserves that would otherwise be needed to ensure projects continue to break-even after the loss of an operating subsidy.

For example, here's the language that is included in the California Tax Credit Allocation Committee (CTCAC) Regulations:

> Section 10337.a "3. Where a Project is receiving renewable project-based rental assistance or operating subsidy:
> (A) the owner shall in good faith apply for and accept all renewals available;
> (B) if the project-based rental assistance or operating subsidy is terminated through no fault of the owner, the property owner shall notify CTCAC in writing immediately and shall make every effort to find alternative subsidies or financing structures that would maintain the deeper income targeting contained in the recorded CTCAC regulatory agreement. Upon documenting to CTCAC's satisfaction unsuccessful efforts to identify and obtain alternative resources, the owner may increase rents and income targeting for Low-Income Units above the levels allowed by the recorded regulatory agreement up to the federally-permitted maximum. Rents shall be raised only to the extent required for Financial Feasibility, as determined by CTCAC. Where possible, remedies shall include skewing rents higher on portions of the project in order to preserve affordability for units regulated by TCAC at extremely low income targeting. Any necessary rent increases shall be phased in as gradually as possible, consistent with maintaining the project's Financial Feasibility. If housing Special Needs populations, the property owner shall attempt to minimize disruption to existing households, and transition to non-Special Needs households only as necessary and upon vacancy whenever possible."

PV also recommends FHFA reconsider a proposal by the San Francisco FHLB to allow projects to request additional subsidy without terminating their existing award. It is our understanding that some FHLB regions allow a sponsor to submit an additional application without rescinding a previous award. Including an explicit allowance in the proposed rule to allow for additional funding requests, would ensure a standard practice across the regions and eliminate unnecessary uncertainty and risk, when a housing community is faced with rising construction costs, an unstable tax credit equity market, other construction risks that are discovered post-AHP award.

Again, thank you for the opportunity to comment on the proposed regulations.

Best regards,

Amy Anderson
Executive Director