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June 12, 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 – 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 with the Home Loan Banks (FHLBanks). TWG Development, LLC (“TWG”) is an 11-year old multifamily developer with over 50 affordable multifamily rental projects completed or in development in 13 states throughout the Midwest. Our experience covers over \$480MM in total development completed to date.

TWG has relied on AHP grants for many years to provide critical gap financing on a number of LIHTC projects. AHP grants have financed 6 TWG developments representing over 300 units of affordable housing in the Midwest from four different Federal Home Loan Banks. Beyond simply creating affordable housing units, TWG has partnered with FHLBanks and the AHP program to construct green buildings, used empowerment programs to deliver fresh, locally-based produce to our tenants, further adult education and financial literacy, or create a free bike share program. TWG believes in community-based development that enhances the quality of life for our tenants, and the FHLBanks, especially Indianapolis, have been a great partner in our mission.

Below are several comments regarding the proposed changes, thank you in advance for taking the time to hear them.

1. In our 11-year existence, TWG has partnered with nearly 20 not for profit groups to develop mission-based affordable housing. AHP funds are a critical source of gap financing on these important developments. It’s important that the AHP program retain flexibility to align priorities and scoring with local state housing agencies. Without this alignment these important projects would not have access to critical gap financing. An outcomes approach threatens the viability of AHP as a source for projects that have all other funding commitments. 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 when the majority of the fundraising is committed. TWG asks that you retain some component of the existing scoring framework in the proposed rule; the outcomes approach makes it difficult to align the AHP program with other, more local, sources of funding.

2. TWG has partnered on 7 developments to serve highly vulnerable populations, such as homelessness, disabled, or kids that have aged out of the foster care system. In TWG's experience, these development work best that are designed with 100% of the units to serve said population, or integrated with 10% – 25% of units serving the vulnerable population. This has been taught to us by the Corporation for Supportive Housing, Indiana Housing and Community Development Authority, and backed up by housing studies. As proof of this, IHCDA has designed their QAP to cap developments at 25% integrated, not allowing a higher percentage of vulnerable units. TWG has found this to be true in our own management experience as well. With respect to projects that target underserved populations, we believe the minimum percentage of units reserved for underserved populations should remain at 20%. An increase to 50% is too restrictive and not shown to be the ideal mix. For example, a family development may want to serve those struggling with homelessness. Putting the minimum at 50% will increase the challenges for an integrated development and discourage the concept. For example, a request of 7 housing choice vouchers in a 35 unit development is more manageable for a housing authority to allocate vs. a request for 18 vouchers, which would also trigger Davis Bacon Wage Rates. TWG believes a 50% minimum will discourage developments from pursuing any integrated units at all.
3. TWG is concerned about the proposed cure period before a modification can be implemented. Our 11 years of development experience has taught us that flexibility is critical to the completion of a development on time, and on budget. In the affordable housing world timely development is critical to a successful project. In our opinion the restrictions on the ability to modify a non-scoring item in a development hampers the project and slows completion down. Flexibility is key, especially in today's challenging construction environment, and TWG recommends that the modification process be allowed to remain as currently structured.
4. Finally, TWG strongly encourages the FHFA to allow FHLBanks and their advisory councils the leeway to establish and implement geographically-specific criteria to address the housing needs in their areas. For example, FHLBanks are currently able to align their housing goals with state agencies to create an application and scoring priorities that support and supplement each other. In TWG's experience the AHP program is a crucial supporting and supplementary tool for the LIHTC program. Removing the ability of FHLBanks to target funds and support locally designed funding mechanisms is a mistake. For example, the state of Indiana has partnered with the local Corporation for Supportive Housing (CSH) to create and implement a Permanent Supportive Housing Institute that trains developers, managers, service providers, and owners in how to create and maintain successful supportive housing. CSH has worked hard over the years to tailor the program to align with local funding, and maintain flexibility to continue to do so. It is important that FHLBanks be allowed the same flexibility in the creation of their housing priorities. We recommend that the proposed 12 month lead time requirement be removed to allow more flexibility to address housing issues in a localized manner. We believe the AHP program should remain flexible and transparent, allowing the creation of the highest and best developments that increase the quality of life in local communities.

Sincerely,



Tony Knoble
President
TWG Development, LLC