SCANPH
SOUTHERN CALIFORNIA ASSOCIATION OF NONPROFIT HOUSING

June 12, 2018

Federal Housing Finance Agency
Alfred M. Pollard, General Counsel,
Eighth Floor, 400 Seventh Street, SW.,
Washington, D.C. 20219.

Re: Proposed Rulemaking and Request for Comments: Federal Home Loan Banks' Affordable Housing Program Amendments (RIN 2590-AA83)

Thank you for the opportunity to offer the Southern California affordable housing development community's perspective on the Federal Housing Finance Agency's regulatory changes to the Affordable Housing Program (AHP). The Southern California Association of NonProfit Housing (SCANPH) members appreciate the collaborative nature of the FHFA's rule making process and look forward to continued dialogue with your agency as we work together on this important public policy goal.

SCANPH is a member organization that represents 250 organizational members with about 1,500 staff members. We represent the five southern California counties of Ventura, Los Angeles, Orange, Riverside and San Bernardino Counties. Based upon our understanding of the FHFA's current approach to this important public policy goal, we offer the following comments:

(11349): Allocation to Targeted Funds

SCANPH opposes the proposed reduction in a FHLB members' minimum contribution to a competitive program from 65% to 50%, while also increasing from 35% to 40% the maximum contribution a FHLB member can choose to make to a Homeowner Set-Aside program. Data demonstrates that the greatest need is for affordable rental housing, which the current Competitive Application Program primarily addresses.

The California Housing Partnership Corporation's statewide report shows that California has a shortage of more than 1.5 million rental homes affordable and available to very low-income renter households. As the National Low Income Housing Coalition has documented, California is not alone. No state has an adequate supply of rental housing for extremely low-income households and the national deficit for affordable rental homes for extremely low-income renter households is 7.4 million.

Given the drastic need for affordable rental homes, there is no justification for any incremental reduction in an FHLBank's obligation to address such a need. Disability rights advocates also note that multifamily rental housing must address accessibility needs, while homeownership programs do not. For these reasons, SCANPH urges FHFA to not reduce the amount of an FHLBanks' minimum required allocation of AHP to rental housing development below 65%.

Proposed Change to Regulatory Scoring System

SCANPH opposes the proposed outcome framework to replace the current scoring system because it would negatively impact the predictability and transparency of the AHP program. SCANPH believes the new proposed outcome requirements will reduce flexibility for regional banks to address the unique needs of their local districts. We recommend the FHFA eliminate the proposed outcome requirements and retain the existing scoring structure that is clear and incorporates increased flexibility by providing banks more discretion and allowing them to create targeted funds.

Include Relief Language for Tenant Targeting

SCANPH supports the proposed rule change that gives regional banks more opportunity to set their own priorities. However, the proposed rule change fails to include relief language for tenant targeting that would release the borrower from a loss of project-based rent subsidy sources. This language exists in the tax credit program and should also be adopted in the Affordable Housing Program.

(11355): Supportive Services Expenses in Operating Pro Forma

SCANPH strongly opposes the proposal to not include supportive service expenses in operating proformas. The AHP requires sponsors to provide critical supportive services but does not allow operating rental income to pay for these services. The California Tax Credit Allocation Committee (CTCAC) and California Department of Housing and Community Development (HCD) both require supportive services to be provided in special needs housing projects and correspondingly allows for an appropriate level of operating rental income to pay for services. AHP underwriting is inconsistent with the underwriting provisions of these public agencies. For this reason, supportive service expenses should be eligible in the scoring methodology to allow projects that are less than 100% permanent supportive housing the opportunity to compete as well. We, therefore, respectfully ask that the FHFA permit supportive services expenses to be included as a standard operating expense payable above the line from operating cash flow.

(11369) Subpart C—General Fund and Targeted Funds (Question 16)

16. Are the current AHP requirements for sponsor-provided permanent financing reasonable, do the sponsors have a need for AHP subsidy in light of their particular financing model, and does the current method in the regulation for determining their need for AHP subsidy understate or overstate the amount of AHP subsidy needed?

The current method in the regulation for determining the need for AHP subsidy understates the amount of AHP subsidy needed. For supportive housing project deals, SCANPH believes the method is restrictive. Operational expenses are typically higher for supportive housing projects and require a methodology that considers the complexities of these specific projects especially in geographically nuanced regions such as Los Angeles.

(11386): (c) Regulatory priority - very low-income targeting for rental units.

The proposed rule would provide that, each year, each Bank must ensure that at least 55 percent of all rental units in rental projects receiving AHP awards under the Bank's General Fund and any Bank Targeted Funds are targeted to very low income households (households with incomes at or below 50 percent of AMI). SCANPH supports this proposed regulation change, but would encourage including relief language for targeted income levels that are inclusive of rental units at or below 30 percent of area median income and include special needs housing for homeless individuals. Targeting at this income level will assist in the prevention of homelessness.

(11386): (v) Rental Housing for Extremely Low Income Households

SCANPH appreciates and supports the FHFA's decision to include financing for rental housing in which at least 20 percent of the units are reserved for extremely low income households that are at or below 30 percent area median income.

(11387): Subpart F - Monitoring

SCANPH supports the proposed regulation change to require monitoring of each AHP owner-occupied project and rental project approved under its General Fund and any Bank Targeted Funds prior to, and within a reasonable period of time after, project completion to verify, at a minimum, satisfaction of the requirements of this section. SCANPH believes the additional monitoring using the Tax Credit Allocation Committee certification process for collecting and reviewing tenant documentation will help simplify the monitoring process.

On behalf of SCANPH, we thank the FHFA for considering the Southern California affordable housing development community's perspective and look forward to future collaboration to improve the Affordable Housing Program in order to better serve our lowest-income residents throughout the nation.

Sincerely,

Valerie Acevedo
Policy Coordinator