

From: Christopher Straka [<mailto:chris@nvisioncommunities.org>]

Sent: Friday, July 28, 2017 2:36 PM

To: Ken Reecy <Ken.Reecy@floridahousing.org>

Cc: Kevin Tatreau <Kevin.Tatreau@floridahousing.org>

Subject: FHFC_RFA 2017_107 and 2017_108 Comment

7-28-17

Dear Mr. Reecy,

Please see the attached.

I respectfully request your consideration of a 12% Developer Fee selection or 25% to 50% Deferred Developer Fee selection, not including capitalized reserves, be added as a ranking and funding selection criteria or Tie-Breaker, before the SAIL leveraging sorting.

As an alternative, I respectfully request that you consider adding this as a New-point Item, like the stamped Principal Disclosure Form, that may add five points to the score.

Thank you for your consideration.

Chris

321-544-8655




Affordable Housing Program (AHP)

AHP grants are awarded through a competitive application process to Bank members working with housing developers or community organizations to create rental or homeownership opportunities for lower-income households. [Learn more.](#)

Apply for a Grant

2017 AHP Awards Announced

 In the 2017 funding competition, the Bank awarded \$73.6 million in AHP grants through 20 members. The funds will support 89 projects that will create more than 6,200 units of affordable housing in seven states.

- [2017 AHP Awards](#)
- [Details about the 2017 Projects](#)
- [Find AHP Project Info \(all years\)](#)

The 2017 application period closed on March 6. A sample of the AHP application, including program summary, application instructions, portal uploading instructions, attachments, and worksheets, is available for your reference.

- [2017 AHP Application Sample Package \(PDF\)](#)
- [HUD Income Limits - Find the income limits for your project location.](#)
- [Recorded 2017 AHP application webinars: owner-occupied and rental projects](#)

The Bank offers one competitive AHP funding competition each year. Only Bank members may submit AHP grant applications. Affordable housing developers and community organizations interested in competing for AHP funds in the next annual funding competition should contact a Bank member early in their planning process about partnering on an application.

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Affordable Housing Program (AHP) Implementation Plan

Attachment A

Financial Review Guidelines (Competitive Application Program Only)

Pursuant to Section 1291.5(c), paragraphs (2), (3), (4) and (5) of the AHP Regulation, the Bank has established guidelines for determining need for subsidy, that the project's costs are reasonable, and that the project is feasible. These guidelines serve as a benchmark for evaluating projects and may be used as a basis for setting, adjusting, or rejecting requests for subsidy in the application, modification, and pre-/post-disbursement stages of a project. Except for the developer fee limits, variances to these standards will be considered by the Bank on a case-by-case basis based on an evaluation of information and documentation justifying the need for such exception.

In general, the Bank considers and reviews pertinent project information presented in the application or otherwise provided to the Bank, independently or upon request, during the relevant review process. Information required by the Bank to confirm compliance with project feasibility and need for subsidy standards normally will include the following:

Sources and uses of funds: The project's estimated sources of funds shall equal its estimated uses of funds, as reflected in the project's development budget. The difference between the project's sources of funds and uses of funds is the project's need for AHP subsidy, which is the maximum amount of AHP subsidy the project may receive. A Sponsor should demonstrate need for AHP subsidy by performing a cash sources and uses analysis. The analysis should calculate the gap between the cash costs² to complete the project and the sum of (1) any cash sources other than the Sponsor, and (2) any cash contribution by the Sponsor.³ The gap resulting from this calculation represents the maximum amount of AHP subsidy the Sponsor may receive for the project.

Project costs: Project costs, as reflected in the project's development budget, must be reasonable and customary and within the ranges outlined in these Feasibility Guidelines (including Exhibit I), which consider industry standards for the project location and the long-term affordability and financial needs of the project. Developer fees must conform to the Bank's limits, and projects that exceed the limits will be deemed ineligible.

Operational feasibility of rental projects: A rental project must be able to operate in a financially sound manner, in accordance with the Bank's Feasibility Guidelines, as projected in the project's operating pro forma. The requested AHP subsidy must be necessary for the financial feasibility of the project, as structured at application, disbursement, and completion/closing. In determining ongoing feasibility and need for subsidy, the Bank will take into consideration the conformance of the rate of interest, points, fees, and any other charges for all loans financing the project with market rate financing terms available for loans of similar maturity, terms, and risk.

Member involvement: The purchase price of property or services, as reflected in the project's development budget, sold to the project by a Member providing AHP subsidy to the project, or, in the case of property, upon which such Member holds a mortgage or lien, may not exceed the market value of such property or services as of the date the purchase price was agreed upon. In the case of real estate owned property sold to a project by a Member providing AHP subsidy to the project, or property sold to the project upon which the Member holds a mortgage or lien, the market value of such property is deemed to be the "as-is" or "as-rehabilitated" value of the property, whichever is appropriate. That value shall be reflected in an independent appraisal of the property performed by a state certified or licensed appraiser, as defined in 12 CFR 564.2(j) and (k), within 6 months prior to the date the Bank disburses AHP subsidy to the project.

The Bank has identified a set of feasibility analysis standards to use as benchmarks in evaluating a project's financial and operational feasibility and need for subsidy. These Feasibility Analysis Standards are described in Exhibit I to these Guidelines.

² Cash costs are the actual total cash outlay needed to pay for materials, labor, land acquisition, or other costs of completing the project. This does not include donations of land, or in-kind donations of labor, materials, or services.

³ In the case of homeownership projects where the sponsor extends permanent financing for the homebuyer, the sponsor's cash contribution must include the present value of any payments the sponsor is to receive from the buyer. The present value of payments the sponsor is to receive from the buyer includes any cash downpayment from the buyer, plus the present value of any purchase note the sponsor holds on the unit. If such a note carries a market interest rate commensurate with the credit quality of the borrower (market rate), the present value of the note equals the face value of the note. If the note carries an interest rate below the market rate, the present value of the note can be determined using the market rate to discount the cash flows.

Attachment A – Exhibit 1

Feasibility Analysis Standards

Benchmarks used to Establish a Project's Feasibility and Need for Subsidy

	Criterion	Feasibility Benchmark	Oversubsidization Benchmark
Rental Development Budget	Capitalized replacement reserves	\$0 on new construction projects; variable on rehabilitation projects depending on age and condition of building.	\$0 on new construction projects; variable on rehabilitation projects depending on age and condition of building; exceptions made if reserves required by funding agency.
	Capitalized operating reserves	\$0	12 months of operating expenses and debt service payments (must be covered by financing sources other than AHP)
	Construction Cost per Square Foot (excluding land costs and soft costs)	To ensure consistent and reasonable cost assumptions, the per square foot construction cost should not be greater than the gross residential square footage cost estimates provided by the RSMeans Company and included in the application package.	
	Developer fee	0%	Not greater than 12% of total residential development costs (including developer fee, but <i>excluding all capitalized reserves</i>)
	Hard cost contingency	New construction - 5% of hard costs Rehab - 7.5% of hard costs	New construction - 10% of hard costs Rehab - 20% of hard costs
	Soft cost contingency	0% of soft costs	10% of soft costs