

DECISION MEMORANDUM OF THE HOUSING FINANCE BOARD
ACTING WITHOUT A QUORUM

Date: June 24, 1994
No. 94-DM -24

ISSUE :

The Federal Home Loan Bank of San Francisco (San Francisco Bank) has requested Federal Housing Finance Board (Housing Finance Board) approval of an increase in Affordable Housing Program (AHP) funds awarded to Northbay Savings and subsequently transferred to Citibank, F.S.B. (Citibank) on behalf of Burbank Housing Development Corporation (Burbank) in order to pay for increased project costs and changes in financing sources.

FACTORS CONSIDERED:

Subsection 10(j) of the Federal Home Loan Bank Act (Bank Act) (12 U.S.C. § 1430 (j)) requires that each Federal Home Loan Bank (Bank) establish an AHP.

The Housing Finance Board has adopted a regulation for the operation of the AHP by each Bank, codified at 12 C.F.R. Part 960. The AHP regulation requires that the Housing Finance Board determine which applications for AHP awards are to be funded (12 CF.R § 9605(f)).

On July 16, 1990, the Housing Finance Board approved an AHP application forwarded by the San Francisco Bank for Citibank for \$598,000 in AHP subsidy to be used to reduce the interest rate on a \$3,393,600 subsidized advance to develop 154 units in five unspecified rental housing projects (Citibank Project).

On December 17, 1991, the Housing Finance Board approved an AHP application forwarded by the San Francisco Bank for Northbay Savings for an AHP direct subsidy of, \$128,912 to cover some of the development costs for the Grosman Apartments, a 13-unit multifamily rental project, sponsored by Burbank (Grosman Apartments Project or Project). Northbay also proposed to provide \$587,258 in permanent financing for the Project.

On April 4, 1993, the San Francisco Bank transferred the \$128,912 direct subsidy AHP award from Northbay to Citibank. The transfer was necessary because Northbay was precluded from providing the permanent financing by regulatory limitations on the total loan it could provide to one borrower.

Subsequent to the approval of the Grosman Apartments Project AHP award, there have been unanticipated changes in the sources of financing available to the Project and increases in project costs.

The San Francisco Bank, Citibank, and Burbank have requested a modification in the AHP award made to the Grosman Apartments Project in order to cover some of the increases in project costs and the loss of anticipated financing sources by using \$467,429 of the subsidized advance, and \$82,419 of the AHP subsidy needed to reduce the interest rate on the advance, provided to the Citibank Project. The total amount of AHP subsidy provided to the Project would increase from \$128,912 to \$211,331.

The proposed modification would result in the average AHP subsidy per unit of the Citibank Project increasing from \$3,378 to \$3,656 but this change would not affect the Citibank Project's eligibility for funding in Round One of 1990.

The proposed modification would result in the average AHP subsidy per unit of the Grosman Apartments Project increasing from \$9,916 to \$16,256 per unit. Although this increase would decrease the effectiveness score for the Grosman Apartments Project from 7.85 to 4.5 points and the Project's total score from 76.98 to 73.63, the Project would still be eligible for funding since the lowest score of an application recommended for funding in Round Two of 1991 was 60.16.

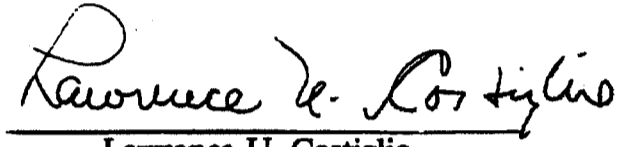
The Housing Finance Directorate staff recommends the approval of the increase in AHP subsidy from \$128,912 to \$211,331 for the Grosman Apartments Project in order to help pay for unanticipated increases in the total costs of the project and changes in the funding sources.

The Housing Finance Board determined that the request to increase the AHP award was in accordance with the Bank Act, the AHP regulation, and existing policy.

DECISION:

Based on the factors set forth above and the authority provided in 12 C.F.R. § 960.5(f), the increase in AHP funds from \$128,912 to \$211,331 to pay for increased project costs and unanticipated changes in financing sources for the Grosman Apartment Project sponsored by Burbank is approved on the condition that, prior to the disbursement of the funds to the Project, the San Francisco Bank must assure the Project complies with the agreements contained in the applications under which both the Citibank and Grosman Apartments Projects were originally awarded AHP funds.


Nicolas P. Retsinas


Lawrence U. Costiglio