

DECISION MEMORANDUM OF THE FINANCE BOARD  
ACTING WITHOUT A QUORUM

Date: September 15, 1994  
No. 94-DM- 31

ISSUE:

The Federal Home Loan Bank of San Francisco (FHLBank) has requested Federal Housing Finance Board (Finance Board) approval of an increase in Affordable Housing Program (AHP) funds awarded to Citibank, FSB (Citibank) on behalf of Burbank Housing Development Corporation (Burbank) for the Tower Apartments Project (Project) in order to pay for a decrease in financing sources available for the Project. The request is for approval of an additional \$125,000 in direct subsidy provided to the Project in March of this year.

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 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 Finance Board determine which applications for AHP awards are to be funded (12 C.F.R. § 960.5(f)).

On December 17, 1991, the Finance Board approved an AHP application forwarded by the FHLBank for Citibank for an AHP subsidy of \$122,180 to subsidize an advance used for the Tower Apartments Project sponsored by Burbank.

Subsequent to the approval of the AHP award, there was an unanticipated change in the sources of financing available to the project. The decrease in funds available to the project occurred due to a reduction from 9 to 8.42 percent in the federal tax credit rate used to determine the tax credit proceeds for the project, resulting in a decrease in the equity contribution to the project by the limited partners.

On March 14, 1994, the FHLBank provided \$115,962 of the \$122,180 in approved AHP funds to subsidize an advance of \$975,000, and an additional \$125,000 AHP direct subsidy for the Tower Apartments Project. Finance Board approval was required for such an increase in the approved AHP subsidy, but was not requested by the FHLBank at that time.

The FHLBank is now requesting approval of a modification in the AHP subsidy award which would increase the total amount of AHP subsidy from \$122,180 to \$241,000 to cover the decrease in project funding. The proposed modification

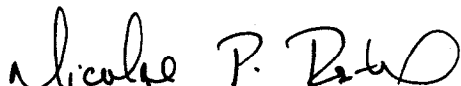
reduces the original score of the application from 74.9 to 69.9 points, which score would be within the range of projects approved in the December 1991 round of applications.

The Housing Finance Directorate staff recommends the retroactive approval of the increase in the total AHP subsidy from \$122,180 to \$241,000 in order to pay for the unanticipated decrease in the financing available for the project. The award consists of \$115,962 in subsidy for a subsidized advance, and \$125,000 in direct subsidy.

The Finance Board has determined that, except for the failure to obtain Finance Board approval, the increase in the AHP subsidy was otherwise 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 \$122,180 to \$241,000 in order to pay for an unanticipated decrease in the financing available for the Tower Apartments Project sponsored by Burbank is approved.

  
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