

DECISION MEMORANDUM OF THE FINANCE BOARD
ACTING WITHOUT A QUORUM

Date: November 17, 1994
No. 94-DM- 50

ISSUE:

The Federal Home Loan Bank of San Francisco (FHLBank) has requested Federal Housing Finance Board (Housing Finance Board) approval of an increase in Affordable Housing Program (AHP) funds awarded to Citibank, FSB (Citibank) on behalf of the Pajaro Valley Housing Corporation (PVHC) for the Tierra Linda Apartment Project (Project) in order to pay for a change in the 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 C.F.R § 960.5(f)).

On May 27, 1992, the Housing Finance Board approved an AHP application forwarded by the FHLBank for Citibank for an AHP subsidy of \$108,000 to pay part of the development cost for the Tierra Linda Project sponsored by PVHC.

Subsequent to the approval of the AHP award the interest rate increased on the Community Investment Program advance used to provide the permanent financing and Citibank has determined that the Project's existing rent levels are insufficient to support the proposed permanent financing. Citibank and the sponsor have also determined that the rent levels cannot be increased and still be affordable to the Project's income targeted residents.

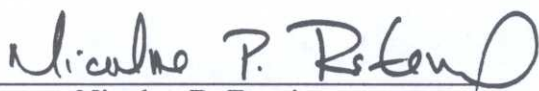
The FHLBank and Citibank have requested a modification in the AHP direct subsidy award which would increase the amount of AHP subsidy from \$108,000 to \$148,730 in order to reduce the permanent loan that will be provided to this project. The proposed modification would decrease the project's effectiveness score by 3.55 points and reduce its overall score from 83.64 to 80.09. The project would still score high enough to be funded in the round in which it was originally approved.

The Housing Finance Directorate staff recommends the approval of the increase in AHP subsidy from \$108,000 to \$148,730 in order to help pay for the unanticipated change in the financing sources.

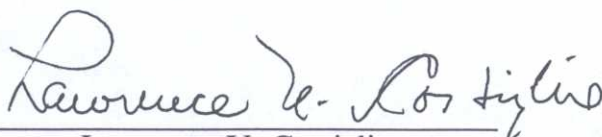
The Housing Finance Board determined that the request to increase the AHP award was in accordance with the Bank Act, the AHP regulations, and existing policy.

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 \$108,000 to \$148,730 for the Tierra Linda Apartment Project sponsored by PVHC is approved.



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