

No. : 97-71
Date: November 18, 1997

FEDERAL HOUSING FINANCE BOARD

Increase in Affordable Housing Program (AHP) Subsidy
for the Russell Hotel Project (95A0548)

WHEREAS, Subsection 10(j) of the Federal Home Loan Bank Act (12 U.S.C. § 1430(j)) requires that each Federal Home Loan Bank (FHLBank) establish an Affordable Housing Program (AHP);

WHEREAS, the Federal Housing Finance Board (Finance Board) has adopted regulations for the operation of the AHP by the FHLBanks 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. § 960.50);

WHEREAS, on June 29, 1995, the Finance Board approved an AHP application from First Bank of East Tennessee for an AHP subsidized advance of \$414,085 with a subsidy of \$101,000 from the Federal Home Loan Bank of Cincinnati (Cincinnati Bank). The subsidy was to assist in the rehabilitation of the Russell Hotel Project (the Project), an elderly rental housing project in LaFollette, Tennessee, sponsored by the LaFollette Housing Authority. See Board Resolution 95-05;

WHEREAS, after the approval of the AHP application for rehabilitation of the Project, the sponsor discovered unanticipated structural damage. Based on the damage discovered and the Project's financing structure, the sponsor determined that it would be most cost efficient to demolish the original building and construct a new building on the site, which resulted in significantly increased development costs;

WHEREAS, the Cincinnati Bank is requesting approval of a modification to the AHP subsidy that would increase the total amount of AHP subsidy from \$101,000 to \$168,000 to pay for the increased development costs. The proposed modification will result in a lower innovation score and a higher effectiveness score. The Project has been restored and the total score increases, therefore the Project continues to score highly enough to have been funded in its original AHP funding round; and

WHEREAS, the Finance Board has determined that the Project, as modified by the requested increase in AHP subsidy, would be in accordance with the Bank Act, the AHP regulation, and existing Finance Board policy;

NOW, THEREFORE, IT IS RESOLVED, that based on the factors set forth above and the authority provided in 12 C.F.R. § 960.5(f)(3), the Finance Board approves the increase in AHP subsidy from \$100,681.90 to \$167,750.88.

By the Board of Directors of the
Federal Housing Finance Board

A handwritten signature in black ink, appearing to read "Bruce A. Morrison". The signature is stylized with a large, looped initial "B" and "M".

Bruce A. Morrison
Chairman