

May 3, 2018

Sandra Thompson  
Deputy Director of the Division of Housing Mission and Goals  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20219

Dear Sandra:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) thank you for inviting us to bring our members for a discussion on workforce housing. We hope that you and your staff found the discussions on the development and preservation of this important segment of the rental housing market beneficial. We are including a summary of the ideas we discussed on ways that FHFA could guide the Enterprises to expand their support of workforce housing.

- **Mezzanine fund for new development-** Equity capital for ground up development is very expensive. A mezzanine fund with below market returns will spur development as it allows deleveraging of expensive equity capital.
- **Loan programs supporting localities that reduce development barriers-** Local barriers drive up development costs. Developing a loan program that recognizes and supports efforts that reduce development barriers can provide a synergistic incentive for localities.
- **Expand efforts to work with impact investors-** There are many impact investors with national and local exposure and interests. Leverage the strong brand image of the GSEs to create a fund targeting workforce housing development and preservation with the goal to inject significant exposure and investment dollars.
- **Gap financing for LIHTC-** The new tax law allows income averaging for new LIHTC up to 80% AMI. These transactions are still starved for gap funding; allowing the GSEs to provide gap financing would expand the population of viable projects. The GSEs could also use their proven ability to encourage process standardization in the gap funding market.
- **Recognize innovative construction techniques-** Reducing the cost to develop can come from the use of innovative construction techniques such as modular or prefab. A lending program that recognizes the use of these techniques could help lead to a delivered lower cost per unit.
- **Promote community lending, not just housing-** Support for housing is only a portion of empowering the surrounding community. Owners who make this additional investment could benefit from loan programs recognizing this community investment or could be supported by a co-investment in the community.
- **Give credit for smart value-add renovation-** Preserving existing naturally occurring affordable apartments becomes more difficult, as some value-add investors turn these into upper end market rate units. Lending programs could

give favorable terms to value-add investments that maintain reasonable rents for workforce housing.

We thank you for the opportunity to share our views and experiences and hope they provide constructive insight. We are committed to continuing to help you in your efforts and look forward to attending your workshop on June 27.

Sincerely,



Doug Bibby  
President  
National Multifamily Housing Council



Robert Pinnegar, CAE  
President & CEO  
National Apartment Association

cc: Director Watt, Maria Fernandez, Siobhan Kelly