Federal Home Loan Bank
NEW YORK

Community Lending Plan
2019

Executive Summary

The Board of Directors of the Federal Home Loan Bank of New York recently approved the Bank's three-year (2019 – 2021) Strategic Plan, which provides a framework for initiatives that the Bank will undertake to ensure the continued strength of the cooperative in support of its mission: To advance housing opportunity and local community development by supporting Members in serving their markets.

This 2019 Community Lending Plan describes the community-facing mechanisms the Federal Home Loan Bank of New York (FHLBNY) uses to fulfill this mission, namely the competitive Affordable Housing Program, which provides equity funding to developers; the First Home Club℠ program, providing low- and moderate-income first-time homebuyers with down payment and closing cost assistance; and the suite of Community Lending Programs that enable Members to access discounted advances to fund their affordable housing and economic development lending activity. In 2018, the Bank's Board of Directors also approved two limited-time grant programs to aid in the recovery of homeowners and small businesses devastated by Hurricanes Irma and Maria in Puerto Rico and the U.S. Virgin Islands.

Much is uncertain about the world of affordable housing and economic development for 2019. Policy priorities at the federal and state level, as well as the uneven distribution of the gains of economic growth, increase the value of the Bank's programs as a constant force in the market. That solidity is important, because some of the greatest challenges for affordable housing remain at crisis levels:

- Over a year after the hurricanes, rebuilding for Puerto Rico and the U.S.V.I. has been halting and seemingly arbitrary, with true lasting recovery a much further and daunting target to achieve;
- Basic rental housing is consuming too much of households' paychecks, and those with dreams of homeownership are constrained by forces they cannot control; and
- Homelessness continues to shape the futures of too many young children in the district, as smart best practices and sincere funding efforts simply cannot gain traction against the aggregate statistics.

In the shadow of these needs, the Bank will pursue in 2019 a measured, practical strategy to further improve its programs. This will entail learning about both large-scale and emerging issues, and the nexus between those issues and what the Bank can provide. It will entail listening to honest feedback about the way the programs are perceived and experienced by partners as well as open dialogue focused on other ways in which the Bank can have a positive impact in addressing the community needs within the district.

The Bank will soon need to evaluate the opportunities and challenges presented by a new AHP regulation governing its housing programs. During that process, this Community Lending Plan will be contrasted with the requirements and provisions of the new regulation to determine how the Bank's targeted objectives can be achieved and what if any adjustments will need to be considered. This document captures not only the knowledge base for the programs but also the Bank's perception of the role for community investment programs. It is therefore a clear window into the Bank for current and future partners who wish to leverage these tools for affordable housing and economic development activities.

Table of Contents

Community Investment at the FHLBNY

District II encompasses New York, New Jersey, Puerto Rico and the U.S. Virgin Islands, areas with extreme needs for affordable housing and economic development and ever-present funding constraints, but also areas with strong networks of organizations and advocates working on innovative solutions.

A. The Bank's programs help Members drive change in their communities

In support of these solutions, the Federal Home Loan Bank of New York (FHLBNY, or the Bank) provides three principal programs:

1. The Affordable Housing Program (AHP), created by Congress in 1989, provides subsidies to support the creation and preservation of housing for very-low, low, and moderate-income families and individuals. AHP funds are awarded to Bank members that submit applications on behalf of project sponsors that are planning to purchase, rehabilitate, or construct affordable homes or apartments. Funds are awarded through a competitive process which typically takes place once a year. In recent years, the AHP has more closely aligned its scoring process with the incentives offered by other major funders in the district as well as priorities identified by industry practitioners. In the five-year period from 2014-2018, 68 Members served as a conduit for affordable housing developers to access the AHP by submitting applications to the program, and 41 Members were affiliated with projects that received AHP commitments. In the 2018 round, the program made commitments to 49 projects submitted by 21 Members, for a total subsidy amount of $44.3 million.

2. The First Home Club (FHC), established by the Bank in 1995, supports homeownership for low- and moderate-income, first-time homebuyers. The Bank matches households' systematic savings, at a four-to-one level and up to a $7,500 grant, toward their down payment or closing costs. A participating household must also complete homeownership counseling; the Bank provides up to $500 to cover the cost of counseling. In mid-2019, the Bank will introduce a modified first-time homebuyer program, increasing the total maximum grant amount to $15,000 and significantly simplifying the program's administrative burdens for both the Bank and the participating Members.

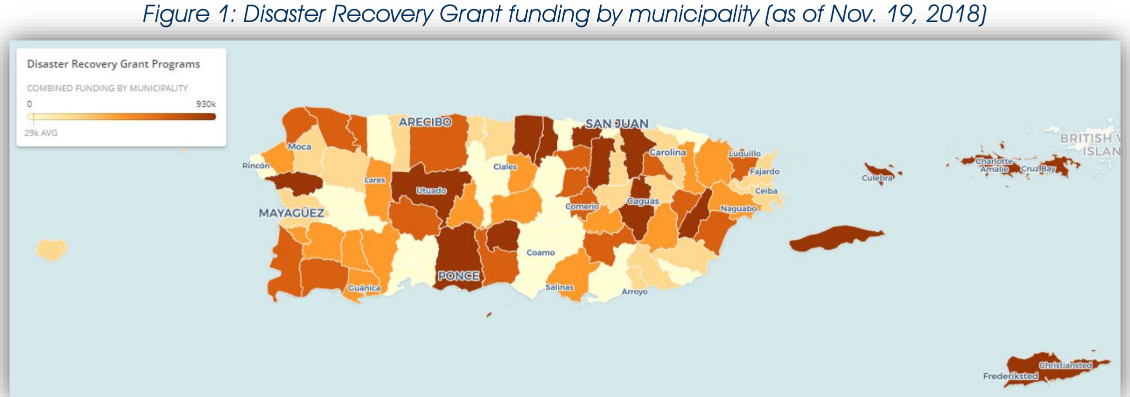
   Bank staff will coordinate with the membership to ensure the existing program continues to run smoothly through the anticipated 24-month transition period, as households work towards saving for, and ultimately purchasing their first home. This will also ensure the new program integrates seamlessly with the Members' lending operations. Currently, there are about 70 actively participating Members in the program, meaning they have enrolled at least 10% of the households they were allocated at the beginning of 2018. Additional Members were recently approved to begin enrolling households, joining several other members registered to use the FHC that have not enrolled households in recent years.

Both the AHP and FHC are governed by a single regulation and together are funded by an allocation of ten percent of the Bank's prior year's net income.

3. The Community Lending Programs (CLP) provide discounted rate advances to Members to fund loans that they make for housing and economic development. The Community Investment Program (CIP) supports housing related activities where the households' incomes do not exceed 115% of the area median income. The Urban Development Advance (UDA) provides financing for economic development projects or programs in urban areas (population of greater than 25,000), benefitting individuals or families in areas where the area median income is at or below 100% of the overall area median income, and the Rural Development (RDA) Advance program is for rural areas (25,000 or less), where the tract income is at or below 115% of the overall area. The majority of applications approved by the Bank are "Program Specific," in which a Member will apply for a "credit line" amount and then periodically submit lists of qualified loans, made anywhere within its lending footprint, and draw down on the approved amount. However, the Bank occasionally receives a request for a "Project Specific" advance. In such cases, the member utilizes the UDA to directly fund a specific eligible transaction. The Community Lending Programs also include the Disaster Relief Funding program, currently available to fund any qualifying loan in Puerto Rico and the U.S. Virgin Islands following Hurricanes Irma and Maria. As of October 31, 2018, 45 of the Bank's Members have used at least one of the Community Lending Programs.

Lastly, in 2018 the Bank has launched two grant programs to help Members drive the recovery in Puerto Rico and the U.S. Virgin Islands. These grant programs are considered voluntary because they were authorized and funded by the Board of Directors separately from the statutory requirement to fund the AHP with ten percent of the Bank's prior year's net income. The Homeowner Recovery Grant program provides up to $10,000 to households that sustained damage in the hurricanes and that have incomes at or below 140 percent of the area median income, and the Small Business Recovery Grant program provides up to $10,000 to qualifying small businesses. As of November 19, 2018, Members had disbursed over $2 million to participants in these programs. And as Figure 1 below shows, the funding has been distributed across the affected areas.

Figure 1: Disaster Recovery Grant funding by municipality (as of Nov. 19, 2018)



B. The programs advance the Bank's mission and its strategy

Every three years the Bank's leadership embarks on a process of reevaluating the larger corporate strategy. For the plan years 2019-2021, for the first time this process incorporates a longer-term vision for the community investment programs and products. This gives the Bank the opportunity to illustrate not only how each year's Community Lending Plan builds upon the efforts of the previous year, but also how the world of community investment is tied to the direction and operations of the Bank in general.

For the 2018 AHP round, that program underwent significant changes, and now changes for the FHC determined in 2018 will come into force in 2019. Hence the larger strategic objectives for the programs do not include further substantial changes. Rather, Bank staff will undertake several lines of work intended to reinforce the programs' operations and prepare them for future opportunities and challenges. From the standpoint of the Members and community partners, the Bank's evolution in the area of community investment should feel collaborative, purposeful, and incremental.

On a year-to-year basis, the Bank will continue to publish its Community Lending Plan, in fulfillment of the regulatory requirement under 12 CFR 1290.6.[1] The 2019 Community Lending Plan presented here constitutes the first phase of the gradual evolution of the programs. During 2019, Bank staff will undertake several complementary initiatives with three overarching aims:

- To strengthen the familiarity of the staff with the housing and community development needs in the district;
- To deepen existing relationships with other funders and ensure the Bank is seen as a vital, trusted partner; and
- To improve the experience for participants in Bank programs through training, technology, and operational efficiencies.

As the year 2019 progresses, Bank staff will continually reevaluate individual initiatives against the Bank's larger strategy.

C. Coming regulatory changes will deepen the value of community engagement

On November 20, 2018, the Federal Housing Finance Agency released new rules to govern the Affordable Housing Program (meaning the competitive AHP and the set-aside First Home Club program)[2], in response to

[1] § 1290.6 Bank community support programs, Code of Federal Regulations, https://www.gpo.gov/fdsys/pkg/CFR-2011-title12-vol7/xml/CFR-2011-title12-vol7-sec1290-6.xml.
[2] Federal Housing Finance Agency (2018), AFFORDABLE HOUSING PROGRAM AMENDMENTS FINAL RULE, Number RIN-2590-AA83, https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Affordable-Housing-Program-Amendments-Final-Rule.aspx?utm_medium=email&utm_source=govdelivery.

the comments submitted by the FHLBanks, their members, and community stakeholders.[3] The Bank perceives much of the new rules as opportunities to be evaluated. In particular, the rules could allow:

- The creation of additional competitive programs ("targeted funds") for particular housing needs, alongside the general fund in existence today; and
- An increase in the maximum per-household grant allowed under the set-aside programs for first-time homebuyers or owner-occupied rehabilitation, from $15,000 to $22,000, with regular increases tied to inflation going forward.

Importantly, the Bank must comply with the new rules by January 1, 2021 or beforehand. The Bank is now beginning to study the changes in depth, and during the early part of 2019 will conduct an impact analysis and establish an implementation strategy. Bank staff will look to Members, local funding agencies, and non-profit housing organizations to help shape the future of the programs within the parameters of the new regulation. The insights, judgment, and guidance of the members of Housing Committee of the Board and of the Affordable Housing Advisory Council will be essential. These industry experts bring emerging issues to the attention of Bank staff, they test the reasonableness of staff proposals, and they serve as advocates on behalf of their communities and the populations served by their respective organizations.

The remainder of this Community Lending Plan captures the Bank's understanding of the landscape for affordable housing and economic development in the district, the Bank's perceived ability to shape incentives and outcomes, and the planned short-term initiatives that will advance longer-term strategic goals.

[3] Federal Housing Finance Agency (2018), NOTICE OF PROPOSED RULEMAKING: AFFORDABLE HOUSING PROGRAM AMENDMENTS, Number RIN-2590-AA83, https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Affordable-Housing-Program-Amendments-NPR.aspx.

Profile of Housing Needs in the District

Going into the year 2019, the most significant challenges for housing and economic development are those that the district's policymakers, community organizations, and advocates know well. The Bank is continuously learning the nuances of these needs and how the Bank's funding streams can support local solutions. Amidst these large-scale, constant crises are particular needs felt intensely by particular groups of people or geographic areas. As new issues surface, Bank staff regularly conduct research to determine their scale and the fit with existing or potential Bank offerings. Lastly, the Bank is increasingly cognizant that its programs exist, and can indeed only function effectively, as part of a larger landscape of funders, and this landscape is not immune to threats from outside the district. The Bank's programs mostly act as an accelerant or a force multiplier, driving shared objectives of increased affordability and opportunity.

A. Economic recovery looks and feels different for the diverse areas of the district

Recent research by FHLBNY Financial Economist Brian Jones[4] brings new evidence to discussions of growth in the district: recovery has been uneven, and these geographic disparities are likely to persist. Jones uses the metric of hours-worked-per-week, data for which are collected with more frequency and granularity than other measures of the economy's health. He finds that growth in New York City is keeping up with national levels, but that elsewhere in the state workers are hurting. Still, he finds areas in Upstate and Western New York that are performing better than their close neighbors. In New Jersey, the story is much the same: from the available data, it seems some patches in the north and south parts of the state are struggling to put people back to work, contrary to what the national trends would suggest.

These finds have clear implications for housing affordability and economic development: Areas with less economic activity may be especially in need of lower cost housing, but those areas may be less likely to attract investment in the housing space. Challenges that may have originated in the recession are now protracted and entrenched.

B. Big-picture housing needs from recent years remain severe

The specific needs identified here are essentially the same as those identified in recent Community Lending Plans. The 2018 plan[5] remains a good source for understanding the issues, and that plan includes significant

[4] Brian Jones (October 2018), "Economic Perspectives: Gauging Local Economic Performance Since the Great Recession," Federal Home Loan Bank of New York, http://www.fhlbny.com/pdf/economic-perspectives/economicperspectives_1018.pdf.
[5] Federal Home Loan Bank of New York (2018), *Community Lending Plan 2018*, http://www.fhlbny.com/pdf/community/2018CLPlan.pdf.

analysis of national and local data sources. Many of the underlying data points originated with Census surveys, from the years 2015 or 2016 that have yet to be updated. The 2019 plan, then, summarizes recent policy developments and provides updates to relevant statistics.

i. Slow recovery after hurricanes is a double-burden for areas that suffered pre-storms

Following the devastating hurricanes that struck Puerto Rico and the U.S. Virgin Islands in September 2017, Congress authorized funding for both territories under the Community Development Block Grant Disaster Recovery (CDBG-DR) program, administered by the U.S. Department of Housing and Urban Development (HUD). To receive their funding allocations, Puerto Rico and the U.S.V.I. had to then develop and submit for approval an action plan, detailing the need for funds in certain areas, the existing or proposed programs intended to alleviate those needs, and the corresponding budgets for how the funds would be used. The Puerto Rico plan was approved by HUD in the middle of 2018 but then amended and resubmitted for approval in the fall[6], and the U.S.V.I. plan has also been approved.[7]

During the year 2019, federal funds should be flowing to both areas. This injection of capital and momentum should significantly change housing markets that were depressed even prior to the storms. Well documented are the high costs of development in both territories, caused by a combination of the cost of shipping most necessary materials, the high demand for labor, and what can be burdensome approvals processes. In a study released in early 2018, the Puerto Rico Builders Association documented something else: the existing housing stock was aging, essentially trapping households without the income to make repairs in their dilapidated homes, since the newly constructed inventory was also not affordable to them, either to rent or buy.[8]

The CDBG-DR action plans, on paper, describe much needed investment. Among the notable programs promised by Puerto Rico:

- A program to help homeowners repair their damaged homes or relocate and rebuild. Rehabilitation funding will be limited at $60,000 per unit and reconstruction at $150,000 per unit, with additional funds available for demolition and land acquisition.
- A program to fund multi-family rental developments for populations with special needs. It appears these will be equity contributions of up to $500,000 per project.
- A revolving loan fund, administered by the housing finance agency, to provide gap funding to projects already in the pipeline for Low Income Housing Tax Credits (LIHTC), of either the 9% or 4% type.
- Temporary rental assistance for individuals and families at risk of homelessness, with the applications submitted by these recipients' landlords.

[6] Government of Puerto Rico (2018), *Puerto Rico Disaster Recovery Action Plan*, Draft for Public Comment, http://www.cdbg-dr.pr.gov/wp-content/uploads/2018/09/AP_Amendment_EN_for_Comment-2.pdf.
[7] United States Virgin Islands Housing Finance Authority (2018), *Community Development Block Grant Disaster Recovery Program Action Plan*, https://www.vihfa.gov/sites/default/files/reports/USVI%20CDBG-DR%20Action%20Plan%20Approved%2010July2018.pdf.
[8] Estudios Técnicos, Inc. (2018), *Situación de la Industria de la Vivienda en Puerto Rico*, Asociación de Constructores de Puerto Rico, http://www.cdbg-dr.pr.gov/wp-content/uploads/2018/06/G_Housing-Industry-Situation-Puerto-Rico-Builders%E2%80%99-Association.pdf.

- A program for the repair and reconstruction of multi-family rental properties, separate from the LIHTC program.
- Down payment and closing cost assistance for low income homebuyers.

Separate from these federal funds, Puerto Rico will have some LIHTC funding available. However, at a workshop organized by HUD in San Juan in August, on multifamily tax credits, representatives from the housing finance agency clarified that the first CDBG-DR allocation will not fund additional 9% tax credits, meaning that only the 4% program will be active. Developers in attendance noted the challenges of this program, as without operating subsidies it is difficult to afford the debt service on the bonds in the 4% program.

The U.S.V.I. action plan similarly presents potential opportunities for renewed activity:

- A rehabilitation program for owner-occupied housing, with the option to have the government select contractors or even manage the entire rehabilitation process. There seems to be no pre-defined limit to the amount a homeowner can receive.
- Funding for developers to build homes on land owned by the housing finance agency, and forgivable loans of up to $80,000 or grants up to $50,000 toward construction for first-time homebuyers at or below 120% of the area median income.
- Forgivable construction loans for rehabilitation of rental housing.
- Grant or debt financing for multi-family rental projects or infill units created by homeowners for rental housing.
- Financing for rehabilitation and new construction of supportive housing and housing for homeless populations.

The implications of these action plans are significant for the Bank and its programs: New money and an incentive to spend it means that projects that might not have seemed feasible before could all of a sudden take off. This may in turn expand the community of developers and other organizations creating affordable housing and community development solutions. Bank staff has conducted large- and small-group training sessions for developers in Puerto Rico and the U.S.V.I., but the CDBG-DR activity encourages a sense of urgency, and calls for more frequent contact and education from the staff regarding the leveraging capability of the AHP program. (For reference, in the depths of the funding uncertainty following the hurricanes, just three projects in Puerto Rico applied for AHP funding in the 2018 round, and no applications came from the U.S.V.I.). The Bank will make a renewed, targeted effort to identify relevant organizations that could benefit from Bank funding streams, in conjunction with the priorities and activities related to the CDBG-DR funding, and to provide those organizations with technical assistance as needed.

ii. Decent, safe housing continues to test families' finances and options

A high proportion of district renters continues to be rent-burdened or extremely rent-burdened. The 2018 Community Lending Plan described the Housing Wage, a metric developed by the National Low Income

Housing Coalition (NLIHC). The NLIHC's annual Out of Reach reports provide data for states, municipal areas, and counties on the level of income needed to afford available rental housing there.[9] The hourly wage needed to afford a two-bedroom rental apartment at the fair market rate increased overall in both New Jersey and New York from 2017 to 2018, up to $28.17 in New Jersey and $30.03 in New York. For context, the average wage for renters in New Jersey is $18.21, and in New York it is $24.23. (Puerto Rico's housing wage decreased somewhat, to $9.24, though lack of availability certainly hurt renters there.)

The aggregate increases mask quite a lot of local variability — just as with the statistics on economic recovery discussed previously. The tables below show the three counties in each state with the greatest percentage change, both up and down, in the housing wage between 2017 and 2018. (An increase in the housing wage means housing is becoming less affordable.)

Table 1: New York counties with the greatest percentage change in housing wage (2017 to 2018)

	Change in housing wage for 2-bedroom	Change in work hours per week needed at minimum wage to afford 2-bedroom	Change in work hours per week needed at mean renter wage to afford 2-bedroom
Madison County (East of Syracuse)	+11%	+3%	+13%
Onondaga County (Syracuse)	+11%	+3%	+6%
Oswego County (North of Syracuse)	+11%	+3%	+10%
Clinton County (Plattsburgh)	-5%	-12%	-8%
Jefferson County (Watertown)	-8%	-14%	-11%
Hamilton County (North Country)	-9%	-15%	-18%

Sources: Data from NLIHC; FHLBNY calculations

According to these data, renters in Syracuse area have experienced significant new challenges in the past year. All of the boroughs in New York City saw their housing wage increase by 9%, also a drastic jump. This echoes the findings of New York University's Furman Center: that median rents have increased in New York City by twice the amount since the year 2000 as the increase in median renter incomes.[10]

However, renters in much of the North Country are facing fewer pressures today from rents increasing beyond their means to pay.

The same patchwork of challenges is evident in New Jersey. Renters in the northern part of the state are increasingly stretched thin, while those in New Brunswick and Trenton have not experienced such volatility.

[9] National Low Income Housing Coalition (2018), *Out of Reach 2018*, https://nlihc.org/oor.
[10] Laurie Goodman, Alanna McCargo, Edward Golding, Bing Bai, Bhargavi Ganesh, and Sarah Strochak (2017), *Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability*, Urban Institute, https://www.urban.org/sites/default/files/publication/94801/barriers_to_accessing_homeownership_1.pdf.

Table 2: New Jersey counties with the greatest percentage change in housing wage (2017 to 2018)

	Change in housing wage for 2-bedroom	Change in work hours per week needed at minimum wage to afford 2-bedroom	Change in work hours per week needed at mean renter wage to afford 2-bedroom
Warren County (North Western)	+10%	+8%	+11%
Bergen County (North Eastern)	+9%	+7%	+7%
Passaic County (Paterson)	+9%	+7%	+5%
Middlesex County (New Brunswick & Edison)	-2%	-3%	-3%
Somerset County (North Central)	-2%	-3%	+1%
Mercer County (Trenton)	-3%	-4%	-3%

Sources: Data from NLIHC; FHLBNY calculations

While these tables describe changes over time, the levels for the housing wages remain high for all areas in the district relative to national averages.

Low- and moderate-income renters looking to buy a first home in the district face severe barriers, as they do across the country.[11] Home prices that are affordable for these groups vary by region, in some cases greatly. Households receiving funding from the First Home Club (FHC) program must earn at or below 80 percent of the area median income. So data on purchases by these households are helpful in understanding a distinct band of the housing market's movement. As Figure 2 and Figure 3 below show, in nominal dollars there has actually been little change in average purchase prices over the past five years — again, for low- and moderate-income homebuyers.

Figure 2: Average FHC purchase price in New Jersey

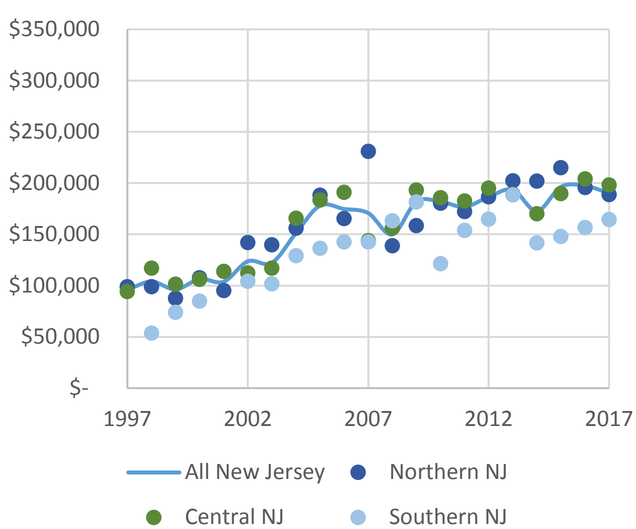
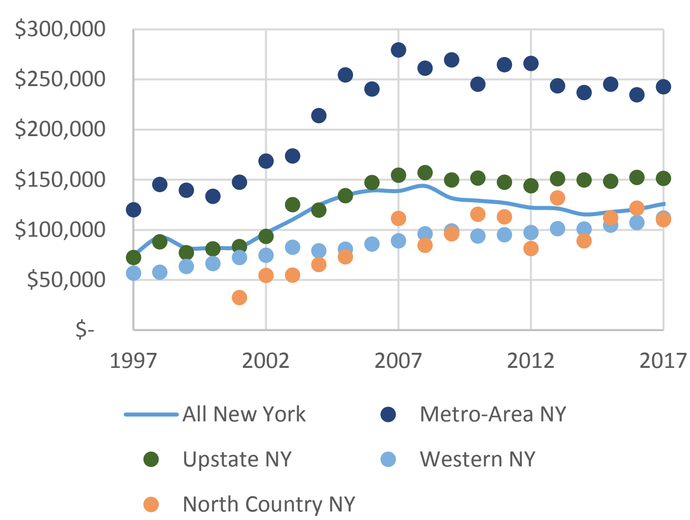


Figure 3: Average FHC purchase price in New York

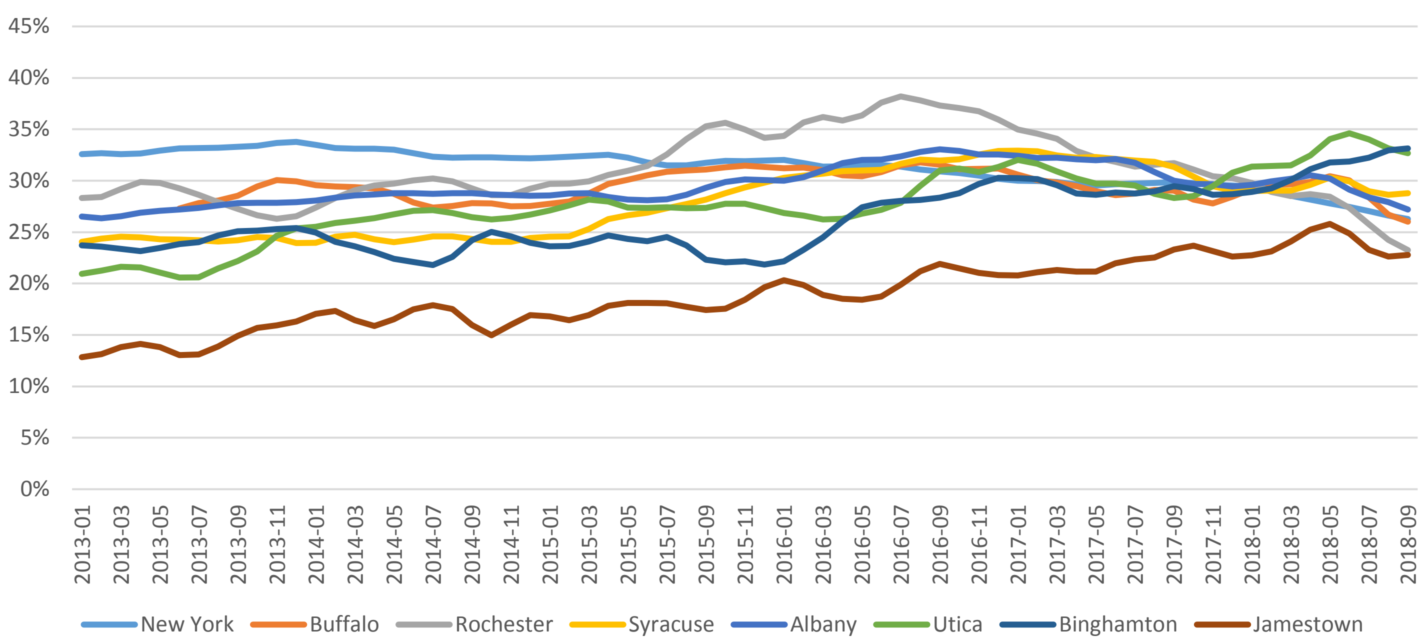


[11] Laurie Goodman, Alanna McCargo, Edward Golding, Bing Bai, Bhargavi Ganesh, and Sarah Strochak (2017), *Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability*, Urban Institute, https://www.urban.org/sites/default/files/publication/94801/barriers_to_accessing_homeownership_1.pdf.

While this sounds encouraging, it misses a critical piece: the availability of homes at these prices. Even if households in Upstate New York can afford $150,000 homes, that does not mean there is adequate inventory. Again, the FHC provides a clue: The program is used much more heavily in Western and Upstate New York than elsewhere in the district. While there certainly are other factors at play, part of the explanation for this geographic disparity is that few first-time homebuyers at these income levels are able to find homes in the district's higher-cost areas.

Data from Zillow bolster this analysis.[12] Figure 4 below shows the share of for-sale inventory that is represented by the lower third of home values in each area. An example: If there are six homes for sale, two each at $80, $90, and $100, then the lowest tier is represented by the $80 houses, and there are just as many of those houses for sale as in the other tiers. If, however, there is just one $80 house for sale, two $90 houses, and three $100 houses, the lowest tier is still $80 (based on the range between the highest and lowest prices), but there are fewer available low-cost houses than high-cost houses. This is the situation in many areas in the district: Buyers with big budgets can find homes, while buyers with tight budgets may struggle more.

Figure 4: Share of inventory for lowest tier home values (selected metropolitan areas in New York State)



Source: Zillow Data

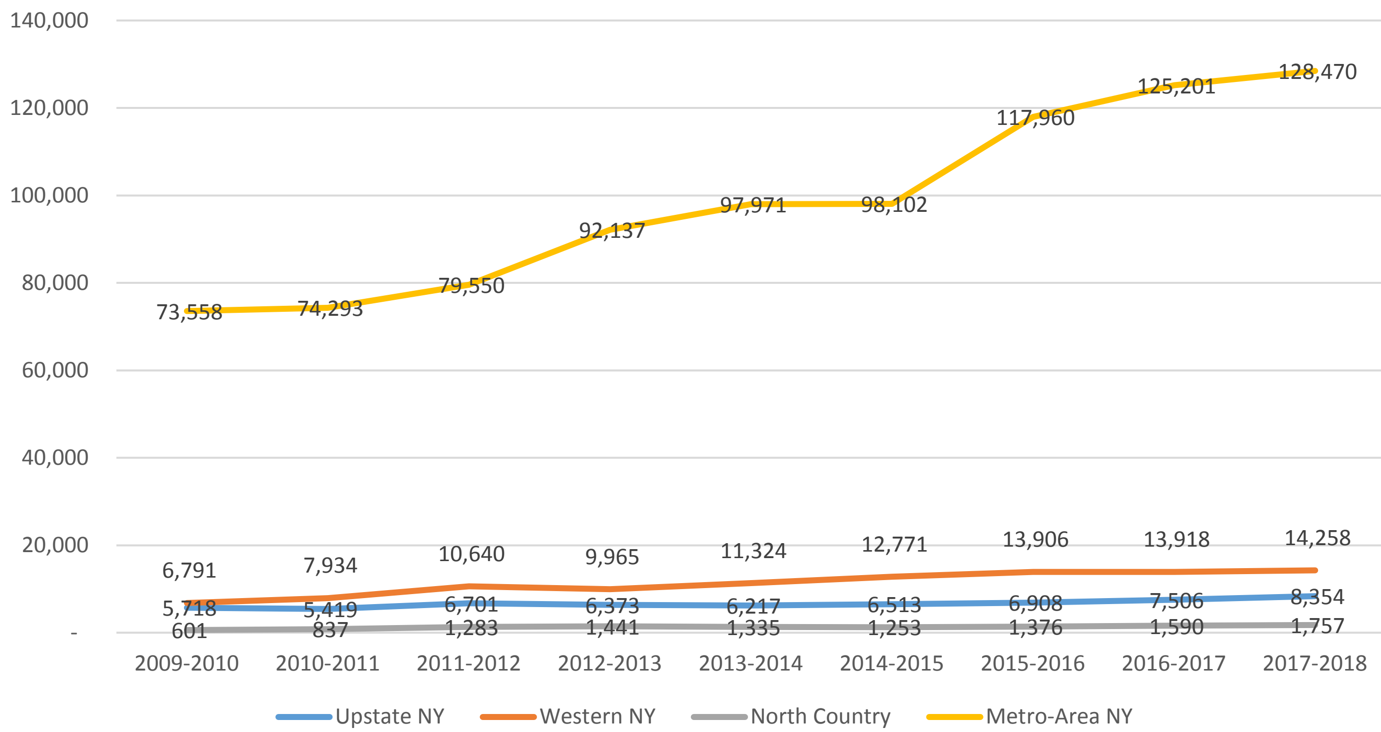
iii. Most vulnerable are daily reminders of inadequate response to homelessness crisis

The crisis of homelessness in the district continues largely unabated from the trends reported in the 2018 Community Lending Plan. Most concerning is the impact on children and families. In addition to well-studied

[12] "Homes Listings and Sales: For-Sale Inventory Tiers," (2018), Zillow Data, https://www.zillow.com/research/data/. See also Matthew Fix (Aug. 18, 2014), "Inventory Remains Low, Concentrated in Upper Value Tier," Zillow Research, https://www.zillow.com/research/inventory-price-tier-inequality-7394/.

impacts on children's long-term economic outcomes, it is likely that early adversity ripples through their physical health.[13] The number of school children in New York State who were homeless at some point during the school year rose again for 2017-2018, according to data compiled by the state's Education Department.[14] Figure 5 below shows steadily climbing lines for all regions of the state. The absolute number of affected children in New York City is hard to comprehend: As the New York Times noted, "That's more homeless students in New York City than the population of Albany."[15]

Figure 5: Total students in New York school districts who were reported to be homeless at some point in the year



Source: New York State Technical and Education Assistance Center for Homeless Students, FHLBNY calculations

Another recent New York Times article documented the connections between pregnancy and homelessness, showing how the costs and responsibilities of preparing for childbirth can compound the effects of poverty such as evictions and lack of access to healthcare.[16] The article noted: "The largest single population in New York City's shelter system is children under the age of 6."

[13] J. J. Cutuli, Sandra M. Ahumada, Janette E. Herbers, Theresa L. Lafavor, et al. (2017), "Adversity and children experiencing family homelessness: implications for health," *Journal of Children and Poverty* Vol. 23 Iss. 1, p. 41 – 55, http://works.bepress.com/jj_cutuli/28/.
[14] New York State Education Department (2018), "SIRS Data on Student Homelessness," https://nysteachs.org/resources/sirs-data-on-student-homelessness/.
[15] Eliza Shapiro (Oct. 15, 2018), "Homelessness in New York Public Schools Is at a Record High: 114,659 Students," New York Times, https://nyti.ms/2QT3Vh8.
[16] Nikita Stewart (Oct. 30, 2018), "Baby Antonio: 5 Pounds, 12 Ounces and Homeless From Birth," New York Times, https://nyti.ms/2CRkAh7.

More general statistics on homelessness in the district are also moving upward. In New York City, the daily shelter census shows gradual monthly increases in the sheltered population.[17] And in New Jersey, the January 2018 point-in-time count found a 9% increase in homeless individuals and a 10% increase in households.[18] (In New Jersey, a new law requires counties to provide emergency warming centers during extremely cold weather, perhaps making more homeless people visible during the count.)

As will be discussed later, in the 2018 round the AHP added a scoring category to reward projects providing supportive services to special needs populations. In many cases this could provide a double advantage in the competitive process to projects receiving points for reserving units for homeless residents, already one of the scoring categories. Perhaps this is part of the reason that 21 of the 49 projects receiving a commitment in the 2018 round have a homeless housing component.

The New York City government regularly revisits this crisis and develops new plans and programs.[19] The successful partnerships between the AHP and project sponsors in 2018 show that the Bank supports effective solutions and will seek ways to better contribute to those solutions.

C. Local partners identify important areas for potential Bank involvement

In addition to the three ever-present housing needs identified above, residents of the district face many other significant housing challenges. The Bank's partners, including the members of its Affordable Housing Advisory Council and the members of the Housing Committee of the Board of Directors, regularly advise Bank staff on new issues and new sources of information to better understand these issues. Bank staff are continuously focused on identifying new opportunities to leverage the affordable housing programs and refine the proper role for Bank programs in addressing emerging challenges.

i. Housing is a key piece of the support package for youth aging out of foster care

The AHP now incentivizes projects that provide housing for formerly homeless individuals and those that provide housing with supportive services for special needs populations. Some projects that address the needs of youth who are aging out of the foster care system do receive AHP commitments, but neither of these scoring categories specifically addresses this population. Bank staff are trying to learn if the existing program structure adequately responds to the unique housing needs of this at-risk population.

In both New Jersey and New York, youth can remain in the foster system until they are 21 years old. But as they exit the system, housing is often central to the challenges faced by these "transition-age" youth. During a

[17] New York City Department of Homeless Services, "Daily Report," accessed October 30, 2018, https://www1.nyc.gov/assets/dhs/downloads/pdf/dailyreport.pdf.
[18] Monarch Housing Associates (2018), *New Jersey 2018 Point-In-Time Count of the Homeless*, https://cdn.monarchhousing.org/wp-content/uploads/njcounts18/2018PITReportStatewide.pdf.
[19] Jeffery C. Mays (Oct. 30, 2018), "More Housing for New York's Homeless? Council Will Weigh Question Mayor Ignored at His Gym," New York Times, https://nyti.ms/2yGsSp7.

webinar hosted by the Corporation for Supportive Housing[20], Doreen Straka, the chief operating officer of the organization Jericho Project, described how young tenants at risk of homelessness differ from recently homeless adults, based on the organization's experience with its Walton House project, which received a commitment in the 2016 AHP round. Young tenants are more willing to engage with staff providing supportive services and to be hopeful of positive outcomes, perceiving permanent supportive housing as a short-term solution as educational and employment opportunities develop. However, these same youth expect more of the staff, such as significant life skills training and intervention on residential disputes and other day-to-day problems.

On a hopeful note, a study conducted in 2018 for the Office of the Mayor of New York City found that youth aging out of foster care were likely to have better outcomes, in terms of usage of supportive services, than youth who were previously in the shelter system.[21]

Local advocates, especially in New York, expect to get a significant boost for their efforts in the coming years. Together, New York City and New York State recently committed to developing 35,000 units of permanent supportive housing.[22] Some of these funds could go toward projects that in whole or in part target transition-age youth. As this new funding opportunity takes shape, Bank staff will continue engaging with partners to understand not only how providers of supportive services view this population, but also the extent to which these projects need new or different means of financing.

ii. Some efforts to reduce risks for those who rely on manufactured housing

The AHP can, by regulation, support manufactured housing, as either an owner-occupied or rental project in the competitive program or through the First Home Club.[23] Yet there has been little, if any, participation in Bank programs from owners or organizations concerned with improving the stock and quality of manufactured housing in the district. Bank staff are seeking to determine better targets for outreach, particularly in rural areas, where manufactured housing is often part of communities' response to affordable housing.

At first glance, the district is not perceived as a center of activity for manufactured housing. The Census Bureau conducts an annual Manufactured Housing Survey, which is a survey of manufacturers.[24] This makes the data comparable to data on new home construction (i.e. new inventory or sales, as opposed to existing

[20] Corporation for Supportive Housing (Oct. 31, 2018), "Strategies and Best Practices for Meeting the Service Needs of Transition Aged Youth," Webinar.
[21] Center for Innovation through Data Intelligence (2018), *A Typology of Transition-Age Youth*, https://www1.nyc.gov/assets/cidi/downloads/pdfs/a_typology_of_transition_age_youth.pdf.
[22] Mara Silvers (Sept. 27, 2018), "New York Takes Step in Long, Hard Journey to Supportive Housing Goal," WNYC News, https://www.wnyc.org/story/city-adds-hundreds-supportive-housing-units-15000-goal/.
[23] The common term is "manufactured housing," which refers to housing built since 1976, when manufacturers were required to adhere to strict building standards and when lenders switched from financing such housing as real estate, as opposed to property (like an automobile loan).
[24] U.S. Census Bureau, "Manufactured Housing Survey," accessed July 25, 2018, https://www.census.gov/programs-surveys/mhs.html.

stock). According to these data, New York and New Jersey have received relatively few new units of manufactured housing in recent years (Texas, Louisiana, Florida, and Alabama are the states with the highest volume), and the numbers have been essentially flat. Relative to other housing activity in the states, New York and New Jersey's figures are also low. The Census Bureau conducts an annual count of building permits for new residential construction.[25] When measured against this activity, over the four-year period of 2014-2017, shipments of manufactured housing to New York ranked on average 33 out of 50 states, and New Jersey was on average number 47.

However, many district residents do rely on manufactured housing — the stock is, in many cases, simply aging. The Census Bureau conducts a bi-annual American Housing Survey, which provides data on manufactured housing. The survey covers New York State and Northern New Jersey, as opposed to the whole state. As Table 3 below shows, there are indeed nearly 200,000 manufactured homes of some sort in New York State, and nearly 16,000 in New Jersey.[26]

Table 3: Manufactured/mobile home or trailers and total housing units (in thousands) (2015)

	Manufactured/mobile home or trailer	Total housing units	Proportion
New York State	188.5	7,487.0	3%
Northern New Jersey[27]	15.7	2,284.7	1%

In New York State, under one half of these units are in parks. That is where state resources have been directed to date.[28] For example, New York State Homes and Community Renewal offers programs to help owners of manufactured housing replace their dilapidated units[29], as well as a revolving loan fund that can be used by residents' associations, municipalities or non-profits to buy the underlying property of a manufactured housing community and to make infrastructure improvements. Importantly, the State of New York Mortgage Agency (SONYMA) grants mortgages to households purchasing or refinancing manufactured housing in a park community[30], and, just in November, Freddie Mac launched a pilot program to provide conventional financing to some manufactured housing.[31] These initiatives give purchases a viable alternative to loans from manufacturers and distributors.

[25] U.S. Census Bureau, "New Residential Construction," accessed July 25, 2018, https://www.census.gov/construction/nrc/index.html.
[26] U.S. Census Bureau, "American Housing Survey," accessed July 25, 2018, https://www.census.gov/programs-surveys/ahs.html. Note that as of Oct. 31, 2018, the Census Bureau had released aggregate, national-level tables from the 2017 survey, but it had yet to release most data from states and metropolitan statistical areas.
[27] Newark, NJ PMSA; Bergen-Passaic, NJ PMSA; Middlesex-Somerset-Hunterdon, NJ PMSA; Jersey City, NJ PMSA; Monmouth-Ocean, NJ PMSA.
[28] Interview with Dina Levy, New York Homes and Community Renewal Senior Vice President of Single Family and Community Development, Aug. 2, 2018.
[29] Mobile & Manufactured Home Replacement Program, http://www.nyshcr.org/Programs/MMHR/. See also New York State Homes and Community Renewal (March 30, 2017), "New York State Homes and Community Renewal Announces 28 Dilapidated Manufactured or Mobile Homes to be Replaced with New Manufactured, Modular, or Site-Built Homes Under New $2 Million Pilot Program," http://www.nyshcr.org/Press/news170330.htm.
[30] Manufactured Home Advantage Program, http://www.nyshcr.org/Topics/Home/Buyers/MHAP.htm.
[31] Ben Lane (Nov. 30, 2018), "Freddie Mac will now allow conventional financing for manufactured housing," HousingWire, https://www.housingwire.com/articles/47581-freddie-mac-will-now-allow-conventional-financing-for-manufactured-housing.

Further research is clearly needed to assess the challenges of an aging stock of manufactured housing in the district. For example, there does not appear to be a state- or county-level program in the district to provide funding for the rehabilitation of manufactured housing. There may be community groups that could organize an application for such funding from the AHP on behalf of many owners, as often occurs for projects involving site-built homes. The small share of manufactured housing relative to other housing types may ultimately mean that no new Bank initiatives are merited. But at minimum the Bank's existing programs should align with and support work for income-qualified households identified by other funding sources.

iii. Growing demand for home rehabilitation burdens areas with aging population

A 2016 report from the Harvard Joint Center for Housing Studies outlined complex challenges facing seniors, particularly in suburban and rural areas.[32] Among the issues: Many households enter their years of retirement, and fixed income, with remaining mortgage debt. This leaves precious little money, if any, in household budgets for home repairs, replacement of major systems like heating, or investments in energy efficiency like weatherization. At the same time, this study noted that aging households prefer to be near to their existing support networks — a preference that leaves many in unsafe or simply outdated housing.

These national trends are evident in the district, most notably in rural areas of New York State. Many counties and community organizations offer grant funding and other financing for rehabilitation and weatherization.[33] And the AHP routinely makes awards to owner-occupied rehabilitation projects. But today there is no explicit feature in the program to address housing rehabilitation for seniors. During 2019, Bank staff will investigate to what extent aging populations present unique issues for rehabilitation projects, and to what extent the existing funding options are adequately addressing the needs in the district. The Bank recognizes that the scale of this challenge will grow in the coming years, and its programs need to be ready to accommodate increased levels of interest from community partners.

iv. Public housing stock, especially in New York City, undercuts promise of quality

The most prominent issue in the local media regarding affordable housing in 2018 was the stream of revelations about deferred maintenance and mismanagement of public housing in New York City. The rolling scandals at the New York City Housing Authority, the nation's largest (Puerto Rico's is second-largest), ultimately cost the authority's head her job, even if the challenges were simply evidence of long-standing disinvestment and inattention by Congress and by city leaders.

[32] Harvard Joint Center for Housing Studies (2016), *Projections and implications for housing a growing population: Older households 2015-2035*, http://www.jchs.harvard.edu/research-areas/reports/projections-and-implications-housing-growing-population-older-households-2015.
[33] See, for example, Cattaraugus Community Action, Inc., http://www.ccaction.org/programs/energy-services/.

In May 2018, NYCHA and federal investigators agreed to a settlement that would require the city to spend $1 billion on maintenance and place the authority under the supervision of a federal monitor.[34] Applications for this new position were ultimately due in September.[35] In the months that followed, the city continued to push for a weaker federal monitor as it attempts to address issues on its own at NYCHA.[36] Then in November, a federal judge rejected the settlement, terminating the prospect of a monitor, and raising the possibility that the authority could be taken into receivership by HUD.[37] Just a few days later, the city announced that it would use the Rental Assistance Demonstration program, administered by HUD, to rehabilitate 62,000 NYCHA units, which would then be managed by private contractors but receive the affordability protections of Section 8 assistance.[38] It is unclear how all these conflicting initiatives will be resolved.

Relative to the authority's $17 billion in deferred maintenance, the funds available to any one AHP project may seem insignificant. But the number of affordable units at risk is truly staggering. With the deployment of significant resources a serious possibility in 2019, Bank staff will reengage with colleagues at the authority to determine if there is any meaningful and feasible role for the Bank's Affordable Housing Program.

v. New money and urgency (by court order) for affordability in New Jersey

After a torturous legal and political history[39], advocates for housing affordability in New Jersey claim a string of recent successes, and they believe many municipalities are on the cusp of making significant investments and creating actual new units.[40] From the perspective of the Bank's housing programs, these developments pose many questions, such as:

- What models of affordable housing will municipalities look to? Will many pursue mixed-income developments, or will they target specific populations, such as supportive housing, to fulfill their obligations? (The courts previously prevented municipalities from relying too heavily on housing for seniors.)
- What is the scale of the likely development, both in the aggregate and for individual projects? Will there be many 30-unit buildings, in conjunction with other kinds of economic development in core areas? Or will municipalities build a handful of units at a time, extending their fulfillment over many years?

[34] Luis Ferré-Sadurní and J. David Goodman (May 31, 2018), "New York Public Housing Set to Get Federal Monitor and $1 Billion in Repairs," New York Times, https://nyti.ms/2H9B02V.
[35] See https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-announces-extended-deadline-nycha-monitor-applications.
[36] Nolan Hicks (Oct. 17, 2018), "NYCHA chair wants judge to lower powers of federal monitor," New York Post, https://nyp.st/2Co7702.
[37] Luis Ferré-Sadurní and Benjamin Weiser (Nov. 14, 2018), "Judge Rejects Deal to Overhaul City's Public Housing," New York Times, https://nyti.ms/2z59ORG.
[38] City of New York Press Office (Nov. 19, 2018), "Mayor de Blasio Announces 62,000 NYCHA Apartments To Receive Comprehensive Repairs," https://www1.nyc.gov/office-of-the-mayor/news/565-18/mayor-de-blasio-62-000-nycha-apartments-receive-comprehensive-repairs#/0.
[39] Fair Share Housing Center (Undated), "What is the Mount Laurel Doctrine?," http://fairsharehousing.org/mount-laurel-doctrine/.
[40] Anthony Campisi (March 9, 2018), "Mercer County court upholds fair housing obligations in major win for working families," Fair Share Housing Center, http://fairsharehousing.org/blog/entry/mercer-county-court-upholds-fair-housing-obligations-in-major-win-for-worki/. See also Kevin Walsh (Dec. 29, 2017), "2017 accomplishments and forward to 2018!," Fair Share Housing Center, http://fairsharehousing.org/blog/entry/2017-accomplishments-and-forward-to-2018/.

- How will the projects be judged for their financial feasibility, and what is the true commitment of funds from the municipalities? This is especially relevant when bringing in outside funding, including from the housing finance agency or the AHP, where projections and actual expenses must stand up to rigorous analysis.
- Which types of entities will be selected to participate in the projects? Will developers be solicited from those experienced with affordable housing, or from those with other active business in the municipalities?

In both the 2016 and 2017 rounds, the AHP gave more awards, and more total subsidy, to projects in New Jersey than in New York — the first such instances in the program's history. However, in the 2018 round, New York received commitments for three times the number of projects and nearly twice as much subsidy as did New Jersey. A preliminary analysis of round applications gives some indications for the reasons for this regression. But it is certainly the case that with the gathering momentum around fair housing, the Bank should actively engage with new audiences about the potential benefits of the AHP and other Bank programs.

vi. Municipalities look for answers to restore zombie properties

The Bank's 2018 Community Lending Plan announced significant changes to the AHP's scoring criteria, many of them intended to help developers and municipalities address the challenge of zombie properties. These homes – abandoned by mortgage holders but not yet through the foreclosure process – are blights in their communities. Beginning with the 2018 Round, the AHP made it easier to receive points for having property donated or conveyed to a project, a key tool utilized by municipalities and, in the case of New York State, local land banks, which have a mandate to dispose of properties over which they have assumed control. The program also began to reward projects for owner-occupied housing and those with 25 or fewer units. The hope was that sponsors in the coming years would craft AHP applications to rehabilitate and sell batches of homes to low-income residents.

One year later, zombie properties continue to challenge towns across New York, especially upstate, and the metropolitan centers in New Jersey. Beyond the scoring changes, the Bank continues to engage with local partners to understand and support meaningful initiatives. The staff is trying to surface success stories and best practices with regard to financing solutions. Unfortunately, it is difficult to quantitatively track progress or identify outliers. New York State now requires banks to inspect delinquent properties and report vacant and abandoned properties to a database managed by the Department of Financial Services. The data are not publically available – the department is concerned that properties could become targets for squatters or looters – but rather are shared with local governments.[41] Without a comprehensive view, the new law is of little

[41] There are also concerns with the comprehensiveness and timeliness of the data. See Department of Financial Services (Dec. 14, 2017), "Guidance to Mortgagees and Servicers Regarding Property Maintenance Obligations for Vacant and Abandoned Residential Real Properties in New York ," New York State, https://www.dfs.ny.gov/banking/zombie_prop_maintenance_guidance.htm; Luke Stoddard Nathan (Jan. 19, 2018)" One year in, cities adapt to 'zombie' property law," The Alt, http://thealt.com/2018/01/19/one-year-later-cities-adapt-zombie-property-legislation/; and Barbara O'Brien (March 4, 2018), "Turning the Corner on Zombie Homes," The Buffalo News, https://buffalonews.com/2018/03/04/turning-the-corner-on-zombie-homes/.

import for Bank strategy; in both New York and New Jersey, anecdotal evidence continues to suggest a severe problem, but not much else can be said despite a year's engagement on the issue. In 2019, Bank staff will monitor developments at the local level, in collaboration with key members of the AHAC whose organizations are directly involved in the issue.

D. National-level forces loom large over the district's future

The Affordable Housing Program is not immune to national forces affecting the market for affordable housing. On the contrary, those forces strongly shape and constrain the options available to local developers and other sponsor organizations, and therefore the applications for funding submitted to the Bank.

i. Each dip in tax credit funding or pricing ripples across housing stock for decades

This connection is clearest through the lens of the Low Income Housing Tax Credit (LIHTC) Program, tailored and implemented at the state or local level but given its funding federally. The AHP staff are in regular consultation with New York State Homes and Community Renewal, New York City Housing Preservation and Development, the New Jersey Housing and Mortgage Finance Agency, the Puerto Rico Housing Finance Agency, and the Virgin Islands Housing Finance Authority because the impact of the AHP for large and medium-size projects depends in part on the success of these other agencies.

For the five-year period of 2014-2018, on average just under two-thirds (63%) of projects each year that received an AHP commitment also received LIHTC funding, and those commitments accounted for just over two-thirds (71%) of AHP funds each year. For projects receiving both AHP and LIHTC funding, the AHP subsidy accounts for, on average, 4% of the total development cost. (It is important to note that the percentage is not much higher for projects without tax credits: those projects use AHP funds for just over 5% of their budget. This means that in most cases, AHP depends on an active, resilient marketplace of willing developers and active funders.)

LIHTC funding, whether through the 9% or 4% programs, entails a commitment on behalf of the developer to preserve affordability for a certain period, as does the AHP. Hence as projects enter the program and come under its enforcement, other projects are exiting the mandates. Those projects may continue to offer affordable rents, owing to the owners' mission or another reason; they may re-enter the enforcement mechanism by receiving additional funding, something the agencies offer through dedicated programs; or they may truly exit the world of affordability, gradually or suddenly.[42]

[42] Joint Center for Housing Studies of Harvard University (2017), *America's Rental Housing 2017*, Chapter 5: Rental Affordability, http://www.jchs.harvard.edu/research-areas/reports/americas-rental-housing-2017.

Figure 6 below shows the stock of active LIHTC units in New York and New Jersey, as compiled in the National Housing Preservation Database[43] by the National Low Income Housing Coalition. (The database does not compile comparable figures for Puerto Rico or the U.S. Virgin Islands.) The lines in the graph show how the stock would deplete over time if no new funds were put into the program. The program is continuously fighting against these lines: if each year's funding allocation does not preserve or create enough units, the net result is a steady decrease in affordable housing stock.

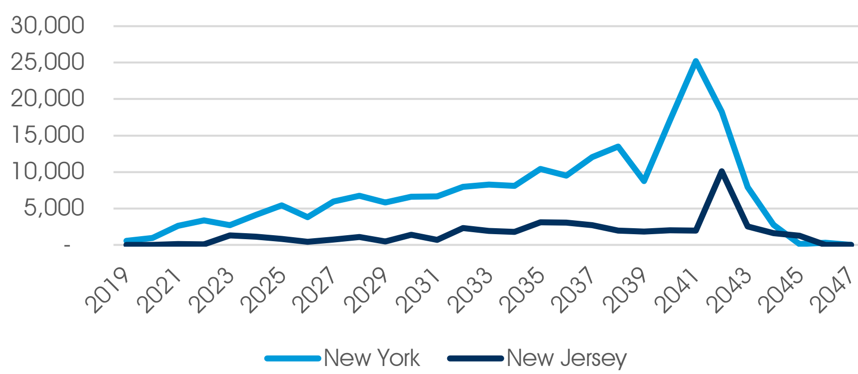
Figure 6: Stock of active LIHTC units (most recent commitment)

Sources: Data from NLIHC; FHLBNY calculations

The challenge is made more severe, ironically, by the LIHTC program's growth over time. Funding that is not maintained leads to the loss of affordable units as they are transitioned to market-rate housing.

Figure 7 below illustrates this dilemma. During the early days of the LIHTC program, relatively few units were being put into service. Hence large funding commitments today can indeed result in large increases in the stock. However, over the coming years, many units will leave their affordability protections. Even with large LIHTC allocations in those years, the available stock of affordable units could plateau.

Figure 7: Number of units exiting LIHTC protection



Sources: Data from NLIHC; FHLBNY calculations

[43] Public and Affordable Housing Research Corporation and the National Low Income Housing Coalition, "National Housing Preservation Database," accessed October 29, 2018, https://nhpd.preservationdatabase.org/.

The simple math of annual LIHTC allocation is increasingly complicated by recent fluctuations in LIHTC pricing, which dipped significantly in response to the tax cut legislation. Throughout 2018, developers in the district reported around a ten-cent dip in LIHTC equity because of the legislation. This makes it harder to put the same number of units into service with the same LIHTC allocation.

These threats to LIHTC mean that the Bank needs to celebrate the successes of LIHTC and, whenever it is appropriate to do so, advocate on behalf of the housing finance agencies. AHP staff will continue to seek out opportunities to collaborate and coordinate with colleagues at these agencies, sharing best practices, new ideas, and strategies to mobilize support for improving housing affordability.

ii. Opportunity Zones will require intentionality and coordination to deliver impact

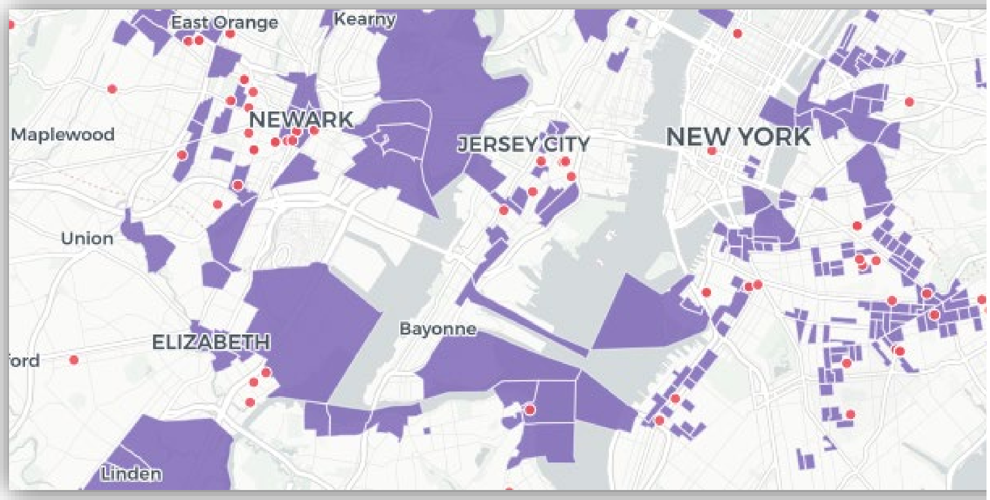
In October the Treasury Department published some proposed rules[44] to guide the Opportunity Zones program, outlined in the recent tax cut legislation. Quickly following the legislation, states submitted their lists of designated census tracts that would qualify as Opportunity Zones[45] for approval. To date, certain high profile investment firms have announced plans to participate in the program, as have some foundations and investment firms with a social impact mission, and even some state and local municipal groups said they planned to launch Opportunity Funds.[46]

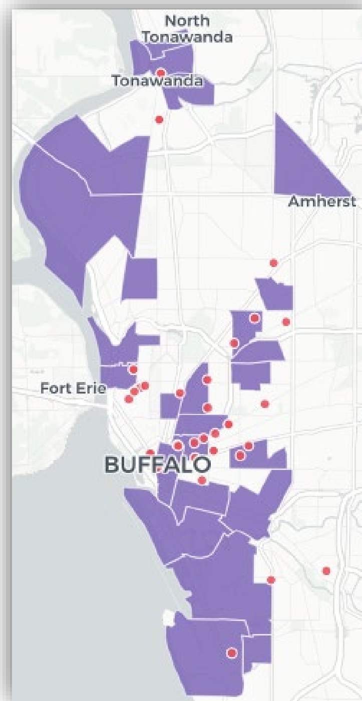
In the district, the relevant staff at the state housing agencies spent much of 2018 essentially waiting to see if their agencies would take an active role in shaping the kinds of investments that would be permitted or encouraged through the program. The release of the proposed rules, now under a comment period, mean that 2019 will likely see renewed energy from these individuals and teams. The states could very well choose to use the investment that will flow into Opportunity Zones to multiply the effect of existing state programs through choosing new priority areas, or they could devise new coordination mechanisms to channel investment into areas or projects that have state support.

For the Bank, 2019 will be a year of learning and strategizing, as well. As Figure 8 below shows, the Bank has experience with many of the areas designated as Opportunity Zones; it was the housing finance agencies, of course, that made the designations. But there are certainly areas that have received less Bank funding and attention. Hence part of the staff's outreach approach will entail understanding what differentiates these areas from similar areas nearby, and what non-profit housing organizations and other potential partners are in these areas and would benefit from better exposure to Bank programs.

[44] Internal Revenue Service (2018), NOTICE OF PROPOSED RULEMAKING AND NOTICE OF PUBLIC HEARING: INVESTING IN QUALIFIED OPPORTUNITY FUNDS, Department of the Treasury https://www.irs.gov/pub/irs-drop/reg-115420-18.pdf.
[45] Community Development Financial Institutions Fund, "Opportunity Zones Resources," Department of the Treasury, accessed October 30, 2018, https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx.
[46] For an updated directory of planned funds, see "Opportunity Zone Fund Directory," National Council of State Housing Agencies, accessed Nov. 12, 2018, https://www.ncsha.org/resource/opportunity-zone-fund-directory/.

Figure 8: Opportunity Zones and recent AHP applications (2014-2018)





Colored areas are census tracts designated as Opportunity Zones; red dots are the locations of recent AHP applications.

Another necessity for the Bank will be to understand the new types of investors attracted to Opportunity Zones. These investors, which must redirect a recent capital gain, may be different players from the typical sources of financing for affordable housing projects in the district. Will the qualified investments need a role for further subsidy from the Affordable Housing Program? Would projects in these areas be particularly competitive if they overlap with difficult-to-develop areas or qualified census tracts, already incentivized in the scoring criteria? Would such a partnership be attractive to non-traditional investors, and what implications would that have for the structure of partnerships and other aspects of deals of relevance to AHP analysis?

Beyond the AHP, the Bank could explore other potential roles in supporting Opportunity Zone investments. In particular, the Community Lending Programs could fund advances for loans to the same projects supported by Qualified Opportunity Funds. As Members investigate this new business line, which could overlap with existing programs such as New Market Tax Credits portfolios, the Bank has an interest in understanding the profile of these deals and the parties involved. The Bank's AHP staff will coordinate with colleagues across the Bank to share knowledge and opportunities.

iii. Community Reinvestment Act changes could alter the benefits of FHLBNY programs

In April 2018 the U.S. Department of the Treasury published a memorandum announcing its intentions to change key aspects of its enforcement of the Community Reinvestment Act (CRA).[47] For many of the Bank's

[47] U.S. Department of the Treasury (2018), COMMUNITY REINVESTMENT ACT - FINDINGS AND RECOMMENDATIONS, Memorandum for the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, https://home.treasury.gov/sites/default/files/2018-04/4-3-18%20CRA%20memo.pdf.

members, their CRA obligations are important factors driving their decisions to submit AHP applications on behalf of project sponsors, to make mortgages for low- and moderate-income first-time homebuyers, and to invest in areas that would qualify them to take discounted advances through the Community Lending Programs. Treasury's memorandum specified areas of concern, reflecting consultations with industry, and asked targeted questions to elicit public feedback.

Then in September the Office of the Comptroller of the Currency officially published a notice of proposed rulemaking, giving more definition to the ideas in April but notably refraining from announcing final decisions in some areas.[48] The comment period for this new rule ends in mid-November, and it is not clear when a revised enforcement mechanism would enter into force. Still, at this time, there are hints about what Treasury's direction could mean for the Bank's housing and community development programs:

- Members today describe their facilitation of AHP applications in their self-assessments, and, for relevant types of institutions, these partnerships do enhance Members' ratings in the "service" component of their CRA examinations. However, as the proposal notes, "For purposes of evaluating performance, [community development] services are not currently quantified in a standard way, such as by dollar value. Under a metric-based framework, how should [community development] services be quantified?" Whereas today a Member may believe supporting one or two AHP applications is sufficient, the new rule could give that Members an added incentive to increase their outreach to, and support of, affordable housing developers in their assessment areas.
- Institutions with CRA obligations are evaluated within the context of their assessment areas, defined primarily as their branch footprint. But the proposed rule highlights how bank's lending activity and other customer interactions can now, with internet and mobile banking, spread much more widely. If Members are permitted to broaden their assessment areas, they may feel less constrained by the CRA-qualified lending opportunities near their branches and seek to shift some of that activity to more traditionally promising investments in other areas. For now, the effect on the Bank's First Home Club program and Community Lending Programs is ambiguous: Members operating both in- and out-of-district could shift community development dollars elsewhere, or Members of other FHLBanks could look at opportunities in the district. But it seems clear that there will be some change in Members' incentives to take on investments in higher-risk areas. (Note that even CRA-qualifying loans must not jeopardize an institution's safety and soundness.)

When the new rule is published, Bank staff will consult with Members that are active participants in its housing and economic development programs to understand any changes to their propensity to participate.

[48] The Comptroller of the Currency (2018), ADVANCE NOTICE OF PROPOSED RULEMAKING: REFORMING THE COMMUNITY REINVESTMENT ACT REGULATORY FRAMEWORK, Docket Number OCC-2018-0008, https://www.federalregister.gov/documents/2018/09/05/2018-19169/reforming-the-community-reinvestment-act-regulatory-framework.

Output and Outcomes from 2018

The most significant new initiative the Bank's community investment group launched in 2018 was the suite of Disaster Recovery Grant programs, discussed in section 1A. The staff consulted with partners in Puerto Rico and the U.S. Virgin Islands, including the seven depository Member institutions there, and other FHLBanks that had experience with similar programs. Once the grant programs were ready to deploy, staff held detailed training sessions with Members. Now, as Members continue to submit applications on behalf of households and small businesses, the staff is in constant communication with their Member counterparts to ensure adherence to program guidelines and clarify and points of confusion with particular submissions. The smooth progress of the programs — and, most importantly, the clear benefits to people in the affected areas — is evidence of the staff's thorough planning, communication and execution.


A home in Ponce, Puerto Rico, that was damaged by Hurricane Maria (left) and the restoration, as supported by the Homeowner Recovery Grant Program and managed by the non-profit PathStone Corporation.

The Bank demonstrated this commitment to sincere, two-way communication and learning in three other key areas of focus during the year 2018.

A. Responding to urgent and unmet needs, the Bank pushed in new directions

The 2018 Community Lending Plan detailed the motivation for several important changes to the AHP for the 2018 round, particularly to the scoring criteria for the application process. Among the changes:

- Recognizing that few projects receive truly donated property, and hence rewarding projects that acquire property at a discount, under the assumption that those savings are passed along in the form of lower rents;
- Improving how the staff evaluates mixed-income projects, providing practical standards for economic diversity in both lower- and higher-income areas;
- Refining the requirements for demonstrating a project's readiness to proceed, thereby making that category more feasible for many types of projects while ensuring that projects are still able to meet their obligations throughout the program's lifecycle;
- Adding new scoring categories to reward project types that may have been at a competitive disadvantage in past rounds, such as projects for owner-occupied housing, supportive housing for special needs populations, and small projects;
- Encouraging projects to incorporate best practices in their planning, including siting near public transit and food retailers; and
- Increasing the maximum subsidy per unit from $30,000 to $40,000 and making other changes to better support projects with fewer other funding sources.

Importantly, these changes were announced in January 2018, just a few months before the launch of the AHP round. Many projects that submitted applications for the round were likely developed without knowledge of the new scoring categories. This may explain why the proportion of applications that qualified for points in the donated property category was about the same in 2018 as in the previous two rounds. More projects may benefit from the category in the 2019 round.

This round's applications and awards may not, therefore, be a fair description of how the program's new rules have changed decisions in the market. It would be more accurate to say that the data can reveal a clearer picture of the other incentives developers face, a clearer picture of the universe of affordable housing in the district. For example, since the program did not previously have a category specifically for supportive housing and hence did not ask sponsors if they were providing those services to residents, the Bank was essentially blind on the level and quality of its funding to supportive housing projects.

Among the learnings from the 2018 round:

- Most projects choose locations, where possible, near public transit and food retailers, and this is true for big projects with tax credit funding and small projects without those other incentives;
- Sponsors in New York are actively addressing the housing challenges of special needs populations, thanks to strong funding from state programs for supportive housing projects, but the degree of activity is less clear in New Jersey, where these projects were less well represented in the round; and
- The funding available at the state and local level can play a large role in not only the level, but also the types of applications the program receives from different areas.

Over the next year, the staff will be able to see the effects of the 2018 round as successful projects undergo further evaluation when they request their funds. And sponsors in the district will be able to absorb the program's new incentives as they plan future projects.

B. Technical assistance proves its worth for the Bank and its partners

The Bank's staff, across the AHP, the FHC and the CLP, are in constant communication with program participants.

For the AHP, the greatest credit to the staff's engagement is the record of success for projects that reapply to the program after being denied funding in a previous round. In the 2018 round, 33 of the applications had previously been submitted to the program, and 15 of these secured a commitment this time. In the first quarter of 2018, the team of analysts provided technical consultations to 30 of the previous year's unsuccessful applicants. And, during this same period before the launch of the round, the staff conducted a dozen large-group training sessions around the district, giving sponsors detailed insights on the application process and how to ensure a complete and effective application under the revised criteria. Just seven of the applications in 2018 were rejected because they did not demonstrate site control or because the sponsor lacked the capacity to execute the project, a level comparable to the 2017 round, a sign that sponsors now understand the rigor and objectivity the staff brings to the review process.

Engagement makes the program more responsive to district needs, too. In addition to the insights gathered from the members of the Affordable Housing Advisory Council, the staff holds purposeful interviews and discussions with sponsors to understand the nuances of certain project types. In 2017, this kind of engagement around the issue of so-called "zombie" properties in the foreclosure process led to the new rules on donated property, small projects, and owner-occupied projects, as well as the increase in the maximum subsidy per unit. In 2018, it included conversations with various Habitat for Humanity chapters to better understand their development cycle and how their particular structure might pose challenges for certain requirements of the AHP. A total of five Habitat for Humanity projects received AHP awards in the 2018 AHP round, compared with one in 2017 and none in 2016.

The staff of the FHC Program deals on a day-to-day basis with counterparts at Member institutions, constantly providing training and re-training to keep the quality of household enrollments high. As the staff has developed the parameters for the modified program, discussed below, they have also held a series of listening sessions with Members and homeownership counseling agencies across the district. These sessions have been instrumental in creating a program that partners can expect to be simpler to manage and more supportive of the participating households.

The Community Lending Programs operate within the strictures of the Bank's strategy and risk appetite: Like at other FHLBanks, the funding for the CLP is benchmarked against the rest of the Bank's advance business. The CLP team provides clear and timely guidance to the mortgage underwriting and finance staff at the Member institutions, providing them with the opportunity to access the CLP window of discounted advances as other advances are repaid, while also ensuring that the balance of total outstanding CLP advances remains within the Bank's desired tolerance.

These activities support the larger objectives of the programs, namely to build recognition and trust in the Bank's offerings and solidifying the Bank's role in addressing community needs in the district.

C. Significant learning efforts are underway to help shape the programs' futures

In 2018 the FHLBanks collectively opened the Affordable Housing Program's achievements up for rigorous academic evaluation. Researchers from Florida State University's Center for Economic Forecasting and Analyses spent much of the year cleaning, categorizing, and crunching data from all eleven banks. The series of reports they produced, titled *Enhancing Lives, Impacting Communities: The Federal Home Loan Bank System* [49], is the first to document the way the banks' funding reverberates within the market for affordable housing and other areas of the local economies.

The study includes estimates for the total economic impact of the programs (competitive and set-aside), the number of jobs created (full- and part-time, temporary and permanent), the labor income generated, and the overall multiplier within the district. The term "multiplier" refers to a specific kind of economic analysis that estimates, based on statistical tables, how many times certain kinds of spending (in certain industries) gets re-spent within an economy before leaving the area (for example, by going to a supplier located elsewhere). FHLBank funds in District II (including projects funded by other FHLBanks' competitive programs), have generated nearly $30 billion in total economic benefits over the life of the housing programs.

These findings capture the high-level impact of the Bank's housing programs. To understand the mechanisms behind this impact, though, it is essential to talk to developers, sponsors, and other partners about their decision making. To that end, in 2018 the Bank began a parallel learning effort to shed light on project types and particular housing needs that are most in need of Bank funding, where Bank programs could be more effective, and what practical improvements might look like. The staff hopes to learn about four different types of program impact:

Impact on the project level:

- In what cases are AHP funds the difference between a project's success and failure?
- What are the substitutes or competitors for AHP funds, and what are the tradeoffs of using these other sources?
- What project parameters are driven by the AHP?
- What is the extent of the impact of AHP funds on rents and long-term affordability?

Impact on the level of project sponsors:

- What is the level of effort (or contracted expense) of AHP throughout the lifecycle?
- Does the AHP have a brand-enhancing effect (i.e. crowd-in future investment)?
- Does the AHP have an impact on the viability or capacity of the organization as a whole?

[49] Center for Economic Forecasting and Analysis (2018), *Enhancing Lives, Impacting Communities: The Federal Home Loan Bank System*, Florida State University. Link not yet available at the time of publication.

Impact on the participating Members:

- What do Members see as the primary motivations for supporting AHP applications, and do they have evidence that those goals have been achieved?
- What risks do Members consider when deciding to participate in the program or with a given project, and have they assigned a quantitative cost to those risks?

Impact to the community:

- Are the residents existing members of the community, or have they relocated there?
- Are the residents employed in local businesses, and how could we quantify their economic contribution to the community?
- What permanent employment has been created that would not have existed a) without the project, b) with non-affordable housing, and c) with non-housing development?

The ultimate goal of this research effort is to put the Bank in a position to make evidence-based decisions about existing programs and even potential problems, as opportunities arise. Each program should have meaningful impact in supporting our Members in addressing the economic development and affordable housing needs of the district.

Strategic Outreach Efforts for 2019

In pursuit of the objectives outlined earlier in this Community Lending Plan, the Bank will undertake significant strategic outreach in 2019.

A. Create more touch-points for the competitive AHP

Many of the sections above describe discrete ways the Bank will try to more fully embed the AHP in the landscape of partners for affordable housing in the district. In addition to those activities, Bank staff are planning two more long-term efforts.

i. Seek opportunities to make diversity and inclusion more intentional as a purpose and effect of the program

Members of the Affordable Housing Advisory Council report that developers in the district are often required to seek out and partner with firms that are certified as Minority and Women Owned Business Enterprises (MWBEs), or those that are veteran- or disabled-owned. The state housing finance agencies in the district rely on other agencies of state government to perform these certifications and maintain registries for the purpose of building out a development team. The Bank and its housing programs share this important goal. However, many MWBEs do not bother applying for certification due to what they see as a complex, lengthy, and overly intrusive application process.

As the staff learns about this issue, some challenges of the existing systems and their incentives have begun to surface. For example, developers in rural areas struggle to identify local firms that are certified, especially those that would take on smaller projects. By the same token, small firms that would qualify for certification may find the costs of the certification process, which must be repeated regularly, are not justified — further limiting the pool of certified partners and obscuring whether or not the underlying goal is being achieved. In 2019, Bank staff will work with AHAC members and other partners to identify those business that are valid MWBEs despite not having the state certification. The Bank's objective is to raise the awareness of the AHP and its existing partners, and collaboratively develop effective ways to measure and improve the diversity and inclusiveness of AHP-assisted affordable housing development efforts.

ii. Broaden opportunities for the membership to support their communities

For the 2019 AHP round, the Bank plans to introduce a maximum limit on the number of applications any one Member may submit on behalf of project sponsors. This policy is something other FHLBanks have adopted to help improve the geographic distribution of applications and promote strong partnerships between Members and each of their AHP applicants.

For potential AHP sponsors, it will be important to know, early in the round or even beforehand, which local Members are willing to be active program participants. And for Members that may not participate much today or that have not participated at all in recent years, it will be important to identify, early, developers in their area with a need for additional equity funding. To make this possible, Bank staff will proactively seek out sponsors and Members in the areas most likely to be effected by the new limit during preparations for the launch of the 2019 round.

B. Delivering on the promise of an improved FHC

As the Bank detailed in a recent communication to its Members, it will begin converting the current First Home Club (FHC) program to a modified version set to rollout in mid-2019. Through the first quarter of 2019, the current FHC program parameters will continue to apply. The Bank will work to ensure that all participating Members experience a smooth transition, including continued support of remaining households enrolled under the current program through the completion of their lifecycle.

The changes are intended to broaden the program's reach across the district, deepen its impact on households, and significantly improve efficiencies in many areas, making it a far simpler program for both Members and the Bank to administer.

To support the program rollout, Bank staff will offer various training opportunities beginning in early 2019. This will include a series of large group presentations for Members and housing counseling agencies, online training tutorials and a program webinar. Members will receive details of the modified program lifecycle and step by step instructions on the new administrative process.

Lastly, Bank staff will work with colleagues in other Bank departments to expand Member participation in the FHC. The program will look and feel like an asset, a powerful benefit of Bank membership for those Members that make mortgages for low- and moderate-income homebuyers.

The activities in this Community Lending Plan are the result of careful deliberation about the capacity of the staff, the opportunities and challenges that are pending in 2019, and the best way to position the community investment programs to be the face of the Bank's mission.

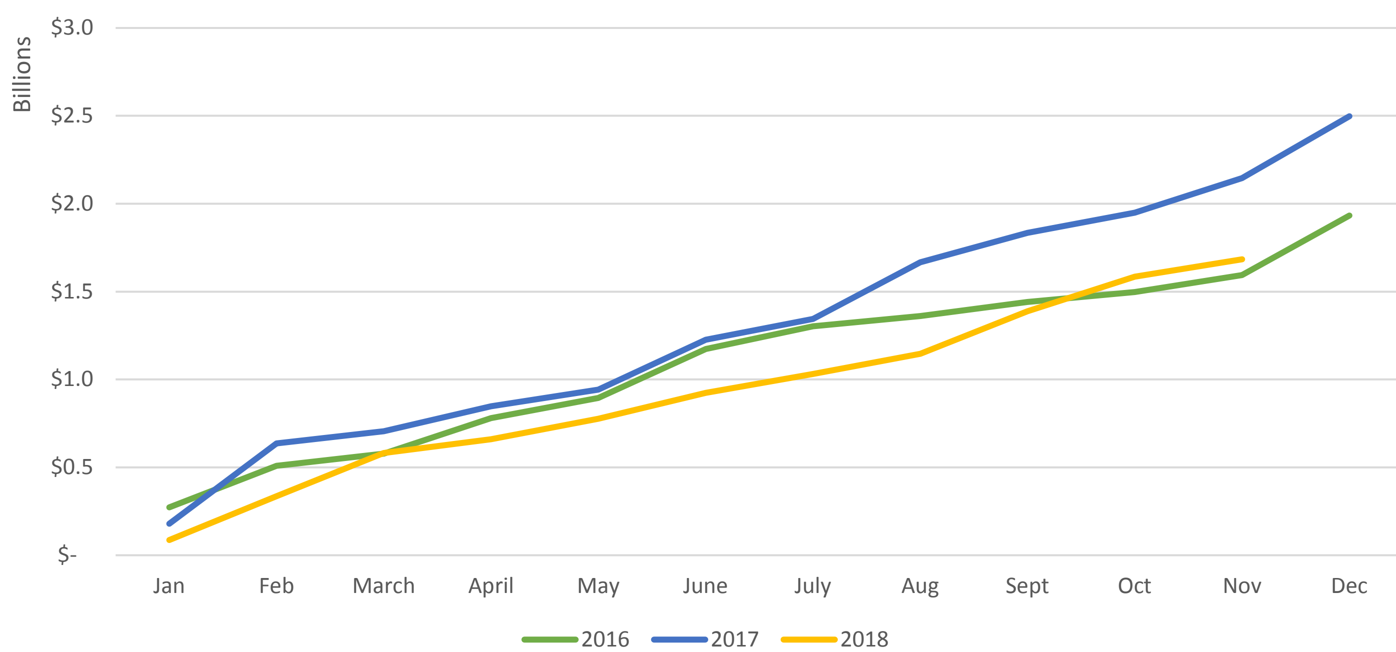
Goals for Community Lending Programs

From year to year the balances across the three community lending programs, CIP, UDA, and RDA shift depending on the lending activity of members. Though the mix varies across the programs and the term of the advances, the overall level of outstanding balances is tightly managed against the tolerance established by the Bank's Board of Directors. This section establishes the targeted performance goals for these three programs.

As of November 30, 2018, the Bank has approved $781 million in CIP applications, less than the $1.1 billion at the same time in 2017 (up to $1.4 billion by the end of that year) but around the same as the $734 million at the same time in 2016 (year-end total: $870 million). The UDA program has issued $896 million in discounted advances, again in between the $962 million level at the same period in 2017 and $859 million in 2016 (totals: $1.1 billion in both years). The RDA program is used much less often by Members, with just $6.7 million in advances issued to date in 2018; $50 million in advances were issued in all of 2017 and none in 2016.

Figure 9 below shows the cumulative advances issued by the three programs over the past three years. Not that some of the month-to-month variation observed in 2016 and 2017 seems to have smoothed in 2018, and this may reflect an improved ability to manage the program with active Members. The Bank will report year-end data in the Affordable Housing Advisory Council's annual report, to be issued in early 2019.

Figure 9: Cumulative CLP advances issued (all programs except Disaster Relief Funding), as of Nov. 30, 2018



For 2019, the Bank has set individual goals for each of these programs. Table 4 below shows the actual CLP advances activity over the past three years.

Table 4: Recent CLP activity and quantitative goals for 2019 (millions of dollars)

	2016 Actual	2017 Actual	2018 Actual (as of Nov. 30)	2019 Goals
Community Investment Program	$870	$1,373	$781	$875
Urban Development Advance	$1,063	$1,074	$896	$1,000
Rural Development Advance		$50	$7	$25
Total CLP	$1,933	$2,498	$1,684	$1,900

These goals recognize the limit on CLP advances established by the Bank's Board of Directors, while establishing an incentive for Bank staff to actively promote the programs to Members.

Annex

A. Recent resources for market information

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