Alabama Caucus Agenda
Tuesday, July 9, 2024
9am-12pm Central (10am-1pm Eastern)
Montgomery Marriott Prattville Hotel & Conference Center at Capitol Hill
2500 Legends Circle, Prattville, Alabama 36066 - Salon A

1) **Welcome Guest Introductions** - Tim Thrasher

David Young – AHFA: David Young, Tabetha Sanford, other staff, AHFA, Michelle Battle, A Place For Bethany, Johnnie Sankey, Health Equity Institute of AL

CAUCUS TIME

30 minutes

2) **Fahe Membership Business**
   a. Approval of February Minutes ***pp. 3-8***
   b. Caucus Chair Election
   c. Around the Horn:
   In what innovative ways has your organization increased, or plan to increase, affordable housing in your community in the next year.
   d. Four Corners Working Groups Update
      i. Money – *Pete Stigers*
      ii. Capacity – *Aron Boldog*
      iii. Narrative – *Vonda/Lina – survey/discussion (note MEJ and AB have completed)*
      iv. People – *Mary Ellen Judah*

20 minutes

3) **Advocacy** ***pp. 9-11***
   a. State –AL Caucus Elevator Pitch

We seek to empower communities by eliminating poverty. We bridge gaps through education and collaboration because if not us, then who?

   b. Jim's Big Challenge – 2019-2023 – Maggie
      i. AL Impact One-Pager
      ii. Any regional or state vacancies to fill
   a. AL Advocacy Coalition Activities - Amaya Sizer
   b. Federal Update – Josh Stewart – Proposed HOME Rule

4) **AL Caucus – Supporting Members and Growth Opportunities 30-40 minutes**
   a. AHFA –
      i. Income averaging
      ii. Workforce Housing Tax Credits
      iii. Equity Pricing
      iv. DDA – front end basis boost
      v. Insurance costs – influence with Insurance Commissioner
      vi. Benefits of National Housing Trust Funds
   b. Affordable Housing Association – Tim Thrasher ***pp.12-30***
      i. Status of state housing tax credit
   c. USDA – status of FY24 and FY25 funding

15 minutes

5) **Research** – Katy
   i. Data Request - Economic Impact Analysis Project with Daniel Eads, WVU Extension
   ii. Show and Tell Tableau for Members (REED participation!)

15-20 minutes

6) **Member Interest/Focus Updates –** Traviss Witt
   a. Energy Opportunities – pending RFP from national Awardees
   b. PRICE – application due July 10
   c. ARC ARISE planning application funded (9-1-24 to 8-31-25)

25 Minutes

7) **Fahe Updates**
   a. How Fahe Works – Overview

8) Board Member Report – March, June 2024 - Mary Ellen Judah, Aron Boldog ***pp. 31-32***

9) Membership Committee - Mary Ellen

   -Caucus Affiliate Partners approved ***pp. 33-37***

10) Membership Updates
   - Reporting – QE 3-31-24 status- Vonda ***pp. 38-39***
   - Membership, Training - Jackie
   - Disaster Preparedness/Business Continuity Planning – Diedre Kendall, AmeriCorps VISTA
   - Member Disaster Risk Assessment – Jeremy Cornett VISTA
   - Health and Housing Intersection – Nicholaus Bormes
   - Updates to www.fahemembers.com – Nicholaus

11) Communication Round Up – Lina Page

12) REED, Research Evaluation Evidence & Data Cmte
    Next: Housing Economic Development Impact – discussed earlier
    Office hours: 1st Tues. 9:30-11:30am & 3rd Thurs. 1-3 pm
    Standing Committee (REED): 2nd Mon. of each month, 1:00-2:15 pm Contacts:
    kstigers@fahe.org cmoreno@fahe.org

   e. Lending – Community Lending and JustChoice Lending – Sade Wells ***pp. 40-41***

   f. Partners for Rural Transformation – see info from Sara Ball ***pp. 42-44***

Upcoming Events

- **Aug. 26-30**: NTI Pittsburgh, PA
- **Sept. 9-10-11** – Fahe Annual Meeting, Roanoke, VA
- **Nov. 1:** AL Caucus Meeting - virtual

Sign up for Fahe's Member Newsletter here: www.fahemembers.com/signup
Sign up for Fahe's Blog here: www.fahe.org/signup
WV Caucus page: https://www.fahemembers.com/state-caucuses/wv-md-member-information/

Alabama Caucus (Virtual) Minutes
Friday, February 9, 2024
9am-12pm Central (10am-1pm Eastern) Via Zoom:

https://us02web.zoom.us/j/82014840739?pwd=VmJMNVV0VEFaUk5GQ1l1RnVsNDhBQT09

Name	Organization	Name	Organization
Lisa Pierce	AL Rural Ministry	Jackie Weiss	Fahe
Carrie Lea	CAA Northeast AL	Jeremy Cornett	Fahe
Tim Thrasher	CAP North AL	John Niederman	Fahe
Aron Boldog	CAP North AL	Joshua Stewart	Fahe
Candy Ayers	CAP North AL	Katy Stigers	Fahe
	HERO	Kylie Milliken	Fahe
Mary Ellen Judah	Nbhood Concepts	Maggie Riden	Fahe
Carol Clark	NHS-Birmingham	Nicholaus Bormes	Fahe
Pete Stigers	Guest-Frontier Housing	Traviss Witt	Fahe
Andy Kegley	Guest-Open Door Comm.	Vonda Poynter	Fahe
Amanda Scalph	Fahe	Sara Ball	PRT
Amaya Sizer	Fahe	Theresa Mantiply	PRT
Diedre Kendall	Fahe		

5 of 6 Members represented = 83.3% attendance

1) Welcome (Tim Thrasher) – recognition of any guests.

CAUCUS TIME

2) Fahe Membership Business

a. Approval of Nov. Minutes - Mary Ellen Judah motioned to approve minutes; Carrie Lea seconded. Motion carried unanimously.

b. Around the Horn: Anything "sparking" for you in this new year; what are you planning?

- **AL Rural Ministry -** Lisa Pierce – re-charging – staff alignment – 25 years in 2023 and will be celebrating that; pull back on some programing to get infrastructure in place; historic church – be a housing HUB; affordable housing renovations on hold, Board is pressing that we complete and use it for rental income
- **CAA Northeast AL** - Carrie Lea – Two new programs, housing counseling – focusing on three more housing counselors getting certification, looking for grants to support that. About to submit application to become HUD certified counseling. 7 counties – need affordable housing. Brief pause to refocus and organize the affordable housing programs – CAPNA has been supportive – appreciate. Capacity is a barrier. Enjoy these meetings.
- **CAP North AL** - Candy Ayers – with Covid, the need is huge. Hoping single family project will happen this year. Seville will finish this year (SF) and look for the next project. Any suggestions for Carrie Lee – call Candy – the test is hard – the NWA training will help. Scholarships if in early. Scholarships – Fahe has those as well. Get as much experience as possible with folks who have taken the test.
- Aron Boldog (**CAPNA**) – working hard on tax credit apps, due in two weeks. Had some issues getting recertified with the state for CHDO. Going to submit a 56-unit CHDO application. Beltline Church of Christ for a HOME ARP due in April – single women at risk of homeless or homeless – great source of financing for this project based on the Action Plan associated. Meet with them this month. Commercial kitchen for Head Start –

Amanda Loop close out in the next few months. Increase on the tax credit limit is great but short round.

- **Neighborhood Concepts -** Mary Ellen Judah – 5 housing projects in pre-development, a tax credit app. 100-unit rehab. A HOME ARP – Wellstone (mental health) and New Fu8tures (homeless families together). Collaborative project, Limestone County. Huntsville Project with investor. Leads to what Lisa was talking about – Strategic Plan focuses on succession planning – short term and long-term – retirement (not soon) but as a flat organization, we are building up our loan Housing Specialist in December, Aaron, thank you to Fahe for scholarship money for San Fran NTI.
- Tim Thrasher (CAPNA) – January ice storm, six water mains broke, without water for two weeks. Replaced parts, parts were defective and contaminated the water. Was contacted for help, long term infrastructure plan. Tim noted capacity and tied to 4 Corners and wished folks a happy and productive 2024.
- **NHS-Birmingham** - Carol Clarke –Going through rebranding process, communications and strategic planning. Expect the board to approve the strategic plan in the February meeting to cement where they are going. Strengthen our core to support folks doing affordable housing – see innovation from partners on the production side – figuring out the modular – SIPs panel – to get production going. Working in severely distressed areas – they are place based and are determined to Navigate Affordable Housing, Bessimer Redevelopment Corp, Woodlawn United – going hard on the production side. Land Bank in Fountain Heights as a demonstration – areas need a lot of "selling" on the investment. One area – around the convention center. Protecting Life iInsurance and HFH – fortified roofs, NHSB has been doing and UAB with capacity building and partner – an area that will be gentrified – old hospital site and amphitheater – this is a focus for NHSB rehab side. Need conversation with the homeowners staying there.

3) **Fahe Executive Report -** Jim is CEO, more outward facing, Sara Morgan is President, more inward facing. Working on Four Corners, advocacy. Fahe partnership with PRT, rural equity framework. Going into the new strategic plan.

4) **4 Corner Working Group stories** – ***Capacity – Narrative – People – Money***
If not participating in a working group, would love your input, let Vonda or Jackie know. Had our first meeting in January, did a charge, goals are going to be set by the members. Want to take it to the annual meeting, present to the members 2-3 big ideas and talk about those.
   a. Capacity – Looked at the strain of resources, time, staff, money. Anticipate will meet with Money sometime since they overlap, others may overlap as well. Aron – What can we do to help our turnover rate, lose key staff every 3ish years. Mary Ellen said they use a PEO company which means they don't have to do the payroll, can offer life insurance, 401k, and because it's part of a bigger company, get benefits and discounts (Insperity).
   b. Narrative – Working on the charge of developing a new narrative to engage our audiences under leadership of Lina Page. Meeting again in March, devise 2-3 goals for Spring Retreat, Annual Meeting. There are certified storytellers. Tim will find out who the certification is through.
   c. People – Nailed down 3-4 quantitative goals, Member engagement, member growth, attracting partners and affiliates. How are we measuring engagement? How are we identifying new partners and members?
   d. Money – Talked about the different kinds of money, how to get it, what that might look like. Would like money to be flexible, frictionless, with ease of acquiring and use. Need operational support. Need money for what we actually do instead of chasing money for things other companies want us to do.

5) **Advocacy**

a. State –AL Caucus Pitch – are you using it?? – Maggie Riden

We seek to empower communities by eliminating poverty. We bridge gaps through education and collaboration because if not us, then who?

b. AL Advocacy Coalition Activities - Amaya Sizer
   i. Review of district and state one-pagers
      - Housing Matters one-pager.
      - Workforce Housing Tax Credit is advancing nicely. Workforce Development Plan provisions point to housing.
      - Mary Ellen was asked to sit at the PARCA meeting – topic this year is Alabama's Housing Workforce.
   ii. Discussion about legislative outreach
      - Been working on finding housing champions.
      - Reached out to HFA, were not able to attend, hoping to have a conversation in the future.
      - LICHA advocacy day is April 23rd from 10:00 am to 2:00 pm to be at the state house in Montgomery. #1 goal is fund Housing Trust Fund.
   iii. Bill tracking
   iv. Elections and filling vacancies – Maggie
   Time of transition, great opportunity to think about alternative pathways to power and influence. Even those running for the first time can be great future allies. Talk to them about housing, work we do, etc. It is often a time of turnover in leadership, promote or advocate for colleagues in the field to fill the positions.

c. Federal Update – Josh Stewart
   i. Introduced Kylie Milliken: kmilliken@fahe.org
   ii. Federal appropriations FY 2024 –
      - Currently under two continuing resolutions tied up in the budget negotiation deal. Expire March 1st and March 8th. Most programs we are concerned about are in the March 1st bill. A side deal being negotiated of extra 69B for things like vouchers being covered. Ag department – most of the cuts will probably be in the 502 program. There was a proposal to change the maximum interest rate for families from 1% to 2% but we have verbal assurance that provision will not appear in the final bill.
      - Tax Bill - Congress is working on a tax extender bill; the House has passed a bill that did include some LIHTC provisions. Continuation of raise of 9% tax credit ceiling increase, was moved up to 12.5%, extends it to 2025. Lowering of bond financing threshold. The current requirement is 50%, it would be lowered to 30% for bonds issued before 2026.
      - HUD Income Limits:
         - Artificially low – Rural Income Limits Fairness Act hopefully in the future, been working on since 2019. Last month, HUD put out a notice asking for feedback on how they calculate income limits. Fahe put in a big comment.
         - CRA Memo
         - Memo is available, went out with January member newsletter, did an in-depth look at it.
         - A lot of banks got downgraded in size, but banks are challenging the new CRA requirements in court.
         - Regulations are supposed to go into effect in January 2026. Might be under a stay if still in court at that point.
         - Federal Budget Webinar

- Coming up on 22nd of February about federal budget. Will talk about 2024 but also will be talking about 2025 deadlines coming up quickly.

6) **AL Caucus – Supporting Members and Growth Opportunities – check in**
   a. AHFA – invited to discuss income averaging option for LIHTC
      AHFA-Recap of 2024 Application Workshop on Feb. 8, Montgomery – Aron Boldog
      - Only 6.8 million in credits, so only a few projects, didn't share until yesterday. Want to get back on a normal cycle.

AHFA 2024 HOME-ARP Application Cycle Events	Dates
2024 HOME-ARP Application Release	3/1/2024
2024 HOME-ARP Application Question Deadline	4/12/2024
2024 HOME-ARP Application Deadline	4/24/2024
2024 HOME- ARP Award Announcements	TBD

   b. Affordable Housing Association – Tim Thrasher
      i. Status of state Workforce Housing Tax Credit
      ii. Lt. Governor's Workforce Report: **https://www.fahemembers.com/wp-content/uploads/Lt.-Governors-Workforce-Report.pdf**
   c. ADECA
      i. Going through things still.
      ii. Broadband – ongoing with state and caucus.
   d. USDA
      i. Waiting on the appropriations process. Pushing people to really use 502 funds.

STRENGTH IN NUMBERS

7) **Housing Needs Assessment - Mapping Discussion –** Katy Stigers
   Final Report: https://www.fahemembers.com/wp-content/uploads/Fahe-Final-Report-WVU-June-2023.pdf
   a. Link to the webtool – the census data is unsatisfying. Had the ability to inform the data we use by forming geographic areas. Narrowed down 32 different variables down to 10 by efficiency for final clustering. For AL, there were 728 total tracts, 64 tracts were included in clustering. Do the places make sense? Looking for feedback. https://arcg.is1OLSrn

8) **Member Interest/Focus Updates –** Traviss Witt
   a. **Organizational Strategies** – Drafts for Member Input
      i. Overarching strategic plan, membership side of things is looking at strategies we have. Public Health, Substance Use disorders, Infrastructure, Broadband, Residency/Fellowship/Leadership. Broadband and Public Health at the top.
   b. Workforce Development
   c. Energy Opportunities - anticipate funding announcements in March
      i. Fahe went on about 7 applications for Greenhouse Gas Reduction Fund. For anything related to greenhouse gas reductions, weatherization, lighting upgrades, solar, and more. Announcements are supposed to be in March.

9) **Fahe Updates**

a. Board Member Report – December, 2023 - Mary Ellen Judah, Aron Boldog
SOME CDBG funds for transitional housing, Jim's evaluation. Asked Fahe to be intermediary, when do you say yes and when do you say no?

b. Membership Committee - Vonda
Affiliate Partners (i.e.: housing/comm. dev. partners with shared interest in affordable housing) – attached for review. Give a thumbs up if think going in the right direction – affiliated partners are not on the board and do not vote, will have requirements. Thumbs up from Tim, Aron said it fits well.

c. Membership Updates
   - Reporting – QE 12-31-23 status- Vonda
     Across Fahe, a very low number of reporting, reporting is down. 67% of members overall, 83% of members reporting in AL. If didn't report for 12/31, report those numbers in March.
   - Membership, Training – Jackie
     Registration is open for Virtual Training Institute in May. There will be some level of funds for participation. When you register under Fahe umbrella, you get a discounted rate. Training calendar at bottom of agenda.
   - Disaster Preparedness/Business Continuity Planning – Diedre Kendall, AmeriCorps VISTA
     - Had three AL members show interest in planning, would love to see more members involved. Let Diedre know if interested: dkendall@fahe.org
     - If you want Diedre to look over your disaster plan, let her know, has a lot of training in that area.
     - Do you want to build relationships with Emergency Management Agencies? Tim has some relationships with EMA. Let Diedre know if want to explore.
   - Member Disaster Risk Assessment – Jeremy Cornett VISTA
     - Risk assessment packets – collection of existing tools for counties in member services footprint. Step 2 is to allow information from Step 1 to help direct questions Jeremy is going to ask members directly. Step 3 is compiling the two and analysis the findings and making specific hazard plans by fall 2024.
   - Health and Housing Intersection – Nicholaus Bormes
   - See the intersection of health and housing importance and foster relationships with health care organizations. Example Ballad – Has anyone made any connections with health care organizations? Mary Ellen – Wellstone for mental health provider, with Huntsville Hospital.
   - Carol – UAV – Life Healthsmart AL – demo neighborhoods in Birmingham. Wellness center bus – cohort of community leadership cohort – Mayor and president of the University have created a think tank around neighborhood revitalization – power company, etc. Send a slide deck as an outline. Carol chairs Property Advocacy – support the revitalization. https://www.uab.edu/livehealthsmartal/
     It's a big picture idea – time to foster relationships. Footprint of the University – south from Birmingham – areas like Selma which was devastated by the tornado.

d. Communication Round Up – Lina Page

e. REED, Research Evaluation Evidence & Data Cmte - Katy Stigers, Camila Moreno
Next: Housing Economic Development Impact
Research Evaluation Evidence and Data –CHP is part of REED committee, invite more members to join. 3rd Monday of each month 1:00 -2:00 pm, contact info is in packet. Also offer office hours twice a month.
Also has been hosting lunch and learns with external partners, creating opportunities for collaboration and generating ideas.

f. Lending – Community Lending and JustChoice Lending

g. Partners for Rural Transformation – Sara Ball

i. Just launched Comms and Funds development.

ii. Advocacy – working to uplift work members are doing, this fall PRT issued a comment to office of management, comment requested greater transparency with audits, fee costs, include accessibility and usability.

iii. Working on project management structure to have better accountability and impact. Have working groups.

Learn more about PRT:

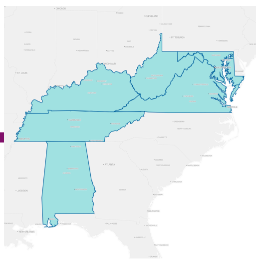
- Twitter: https://twitter.com/PfRTorg
- Facebook: https://www.facebook.com/ruraltransformation.org/
Instagram https://www.instagram.com/thepartners.pfrt/
- LinkedIn: https://www.linkedin.com/company/pfrt/?viewAsMember=true

Upcoming Events

- **Feb. 22, 11:30 am ET** - Fahe Advocacy Webinar– **Primer on the Federal Budget w/Josh Stewart**
- **Feb. 26-Mar 1** - NeighborWorks Training Institute (NTI) returns to San Francisco, CA
- **April 17-18** – Fahe Spring Retreat/Leadership Symposium, Berea, KY
- **May 6-10**: NeighborWorks America Virtual Training Institute (VTI)
- **May 21-24** – 2024 Alabama Affordable Housing Assoc. Conference, Sandestin, FL
- **June 14 – AL Caucus** – Potential to change to accommodate in-person meetings
- **Aug. 26-30**: NTI Pittsburgh, PA
- **Sept. 9-10-11** – Fahe Annual Meeting, Roanoke, VA
- **Aug. 26-30**: NTI Pittsburgh, PA
- **2024 Southern Conference** on Housing and Homelessness - TBD

Sign up for Fahe's Member Newsletter here: www.fahemembers.com/signup
Sign up for Fahe's Blog here: www.fahe.org/signup
AL Member Page: https://www.fahemembers.com/state-caucuses/alabama-caucus-information/

FAHE 5 YEAR IMPACT



$1.4 Billion

Investment

Between 2019 and 2023; Fahe invested nearly $1.4 Billion in funds to support affordable housing & community development.

Impact

This monumental investment impacted nearly 30,000 households across our footprint.

30,000

$268 Million

3,600 Units

Fahe deployed over $268 to create over 3,600 affordable units. in our footprint.

$730 Million

23,289 Units

Fahe invested over $730M to repair or rehab over 23,000 units in our foot print.

LENDING & INVESTMENTS

$138 Million

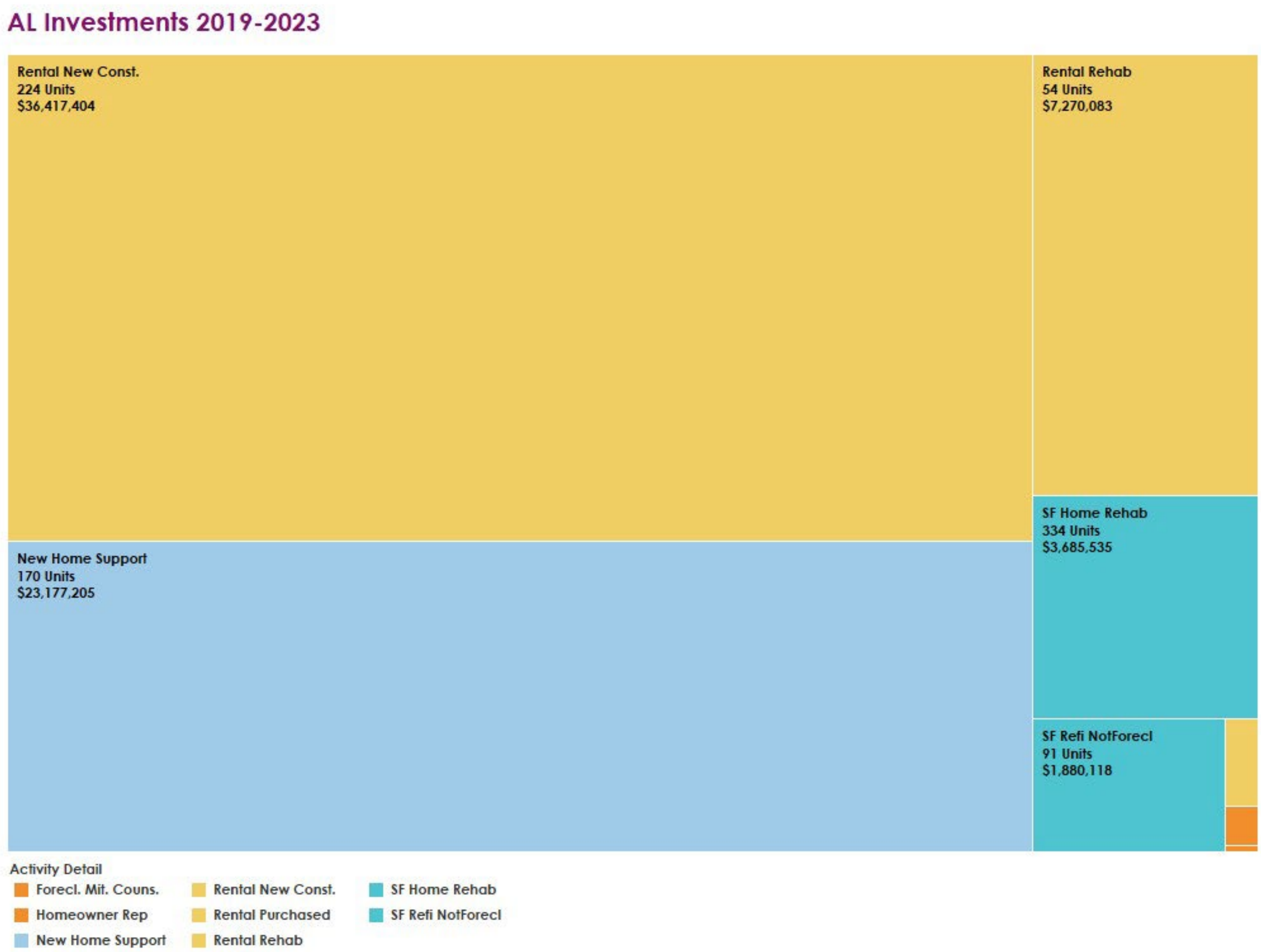
Invested in community lending

$157 Million

Mortgage lending activities

Fahe Impact: State of Alabama

Fahe is a Network of over 50 nonprofit organizations building thriving communities in Appalachia. We do this by channeling investments though our Community Development Financial Institution (CDFI), leading community and economic development work, and by building, repairing, and rehabbing homes that our neighbors can afford. **From 2019 to 2023, the Fahe Network invested nearly $81.8 million to change the lives of 978 households in Alabama:**



<u>Why Our Work Matters</u>

Despite the over $80 million we have invested since 2019, there is still much work to be done. Due to decades of underinvestment, Alabama is characterized by an aging and insufficient supply of housing, as reflected in the data on the next page. Greater public investments in workforce housing will allow employers to attract talent and empower local residents to find the stability needed to make long-term plans such as pursuing a career, starting a family, and achieving homeownership. Furthermore, construction is a common economic engine in every community, creating jobs, providing training and career development, and injecting funds via wages into local economies.

Housing Shortage in AL by the Numbers

Source: Statista Research, National Low-Income Housing Coalition tabulations of 2021 American Community Survey

- Rental shortage:
  - Short 86,632 rental units affordable to extremely low-income households (<30% AMI).
  - Short 70,765 rental units affordable to very low-income households (<50% AMI).
- Rent burden:
  - 29% of renters pay more than half of their income for rent + utilities.
  - 70% of extremely low-income renters pay more than half of their income for rent + utilities.
  - On average, a minimum-wage employee would need to work 100 hours per week to afford a two-bedroom apartment in Alabama.
- New home construction
  - AL is only building 4 new homes per 1000 people each year, ranking 26th nationally.
  - By comparison, top-ranking states are building over 10 homes per 1000 people annually.
- Aging stock:
  - 74% of homes were built before 2000 (at least 23 years old).
  - Of these, 58% were built before 1980 (at least 43 years old).

Building Thriving Communities in Alabama

RIGHT: Fahe Member Community Action Partnership of North Alabama operates the Country Club Cottages, a Low-Income Housing Tax Credit property in Clarke County (Thomasville) with 32 high-quality, accessible apartments available to elderly residents.

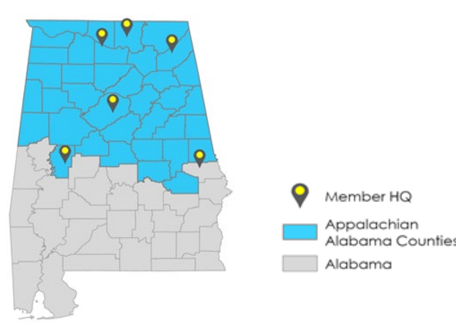
Units include dishwashers, washer/dryer hookups, patios, and high-speed internet access, and the property provides a sense of community for its elderly residents with social events utilizing the on-site clubhouse, picnic area, and cabana. Quality, accessibility and affordability in one!

LEFT: Fahe Member Neighborhood Concepts is partnering with Elmington Capital to construct the 198-unit Creekside at Monrovia development in Huntsville (rendering pictured).

Financed with multifamily bonds, 4% low-income housing tax credit, and HUD-insured mortgage, this beautiful, modern property will provide housing for families at or below 60% area median income.

Fahe Members Active in Alabama

Alabama Rural Ministries
Community Action Partnership of North AL (The Partnership)
Community Action Agency of Northeast AL (CAANEAL)
Hale Empowerment and Revitalization Organization (HERO)
Neighborhood Concepts, Inc.
Neighborhood Housing Services-Birmingham (NHS-B'ham)



MEMORANDUM

TO	Alabama Housing Finance Authority
FROM	Board of Directors of Alabama Affordable Housing Association
DATE	June 5, 2024
SUBJECT	Implementation of State Workforce Housing Tax Credit

The Alabama Affordable Housing Association ("AAHA") is pleased to present these recommendations, approved unanimously by its Executive Committee, to the Alabama Housing Finance Authority ("AHFA") for consideration in connection with developing an implementation plan for Alabama's new Workforce Housing Tax Credit Act (Act No. 2024-302, originating as HB346) (the "Act"), signed by Governor Ivey on May 9, 2024 and enacted by a nearly unanimous vote of the Alabama legislature. AAHA believes that this is a seminal step in state support for rental housing for working persons of modest means.

As you may know, AAHA is the leading trade group representing the interests of providers of affordable housing in Alabama and has been active for more than 40 years, pre-dating the advent of the federal low-income housing tax credit which now plays such a central role in the development of new and the rehabilitation of existing affordable housing in Alabama. AAHA's members are estimated to have developed or rehabilitated more than 80% of all affordable housing in Alabama over the last 20 years. AAHA's members consist of developers and property managers of affordable housing, as well as the institutions and professionals which support that activity, including many of Alabama's leading financial institutions, law firms and accountants. Collectively, AAHA's members manage more than 50,000 apartment units across Alabama and neighboring states.

AAHA was the catalyst for consideration by the Governor's office and legislature of the workforce housing tax credit. It plays a central role in the "Working for Alabama" plan of the Governor, Lieutenant Governor and Speaker of the House of Representatives to encourage greater workforce participation in Alabama. A key point in that effort is seeking to make available more affordable housing in areas which are in great need of additional employees. The Act seeks to do this through leveraging other available financial resources, namely, private activity bonds and the 4% federal low-income housing tax credits associated with them, while providing a meaningful boost to housing in rural areas which might not be able to satisfy the typical size requirements of a private activity bond financed project.

AAHA stands ready to work with AHFA as often and deeply as you wish to ensure that the implementation of the workforce housing tax credit in Alabama is successful, consistent with the objectives of the legislature, and timely. In that regard, we are mindful that the Act becomes effective on October 1, 2024, and the workforce housing tax credit under its terms sunsets in 2027. However, we are hopeful that a successful and timely implementation will result, as it has for many other Alabama state tax credits, in an extension of that sunset period, especially if the quality and cost effectiveness of the Alabama workforce housing tax credit is demonstrated.

With that background, AAHA has considered a number of preliminary points which it believes might be helpful to AHFA when beginning the process of developing the implementation plan. We recognize that the AHFA has been given broad discretion to craft the program which can be both a blessing and a challenge.

We begin with the general assumption that the Alabama workforce housing tax credit program, because it is subject to the same recapture rules as federal low-income housing tax credits, should generally operate in accordance with the same financial calculation rules and rent and tenant requirements as the federal low-income housing tax credit under Section 42 of the Internal Revenue Code.

AAHA makes the following specific recommendations:

1. Have a separate application cycle for the workforce housing tax credit, after October 1, 2024 but before the regular cycle that is coordinated with applications for private activity bond reservations. We recognize that the statute provides that AHFA may not accept applications before January 1, 2025, but we urge doing so as soon as possible thereafter. In addition, we recommend a pre-application process prior to Jan 1, 2025, similar to that effected in a number of other states. This pre-application process would address certain key scoring items, such as experience (including site control and a phase I environmental report) but not expensive items such as architectural or engineering plans) and would permit potential applicants to determine how competitive they may be and thus avoid the time and expense of filing an application if it appears, given the very limited amount of funding available (we anticipate three to six projects), that their application would not be successful. An early application would also permit AHFA to know how much "rural" set aside it needs for 9% cycle (because some bond projects might themselves meet "rural" criteria). As discussed further in item 5 below, coordinating with applications for bonds would pause or otherwise limit (based on calculations of how much bond cap may be needed to support a full allocation of workforce housing tax credits) the usual first come, first serve approach to allocating private activity bond cap availability. It would also require a modification to the current "first to close" approach.

2. Projects must be new construction only.

3. Projects must be family only (not elderly).

4. Determine "rural" status, for purposes of meeting the statutory set-aside, as a criteria separate from scoring *per se*. "Rural" is determined by same standards that the U.S. Department of Agriculture, Rural Development, uses for its Section 515 / 538 programs. This is a widely used, commonly known and easily accessible standard. We believe that this should be the same definition set forth for "Rural Area" in the United States Department of Agriculture Regulations at 7 C.F.R. § 3560.11 (January 1, 2023). *See* USDA Administrative Notice No. 4888 (dated October 27, 2022). *See also*

https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=mfhc. This would permit bond projects in portions of some counties where rent levels are sufficient to likely support bond financed projects, such as parts of Baldwin, Shelby, Madison and Limestone counties.

5. Applicants must contemporaneously file a bond application. AHFA should reserve a sufficient bond volume cap for the "competitive" bond cycle, associated with workforce housing tax credits, to fund all projects (but only those actually awarded workforce housing tax credits would receive a private activity bond cap allocation). Any unused bond cap could then be released thereafter. Projects receiving an award of workforce housing tax credits would be provided with inducement resolution and firm commitment for bond allocation. Consider whether inducement resolution could be made available prior to the application date so that all costs can be captured. To the extent that direction is needed about 2025 volume cap earlier than historically reserved, we recommend, and are prepared to assist in, working with the Governor's office to expedite this.

6. Bond/state workforce housing applications should be approved only for deals that demonstrate current financial viability, as evidenced by "soft" commitment letters for financing (including State HOME funds) of at least 90% (inclusive of developer fee) of costs, inclusive of any workforce housing tax credits awarded. For underwriting, we suggest an assumed price of 55 cents per state tax credit dollar.

7. Require income averaging, including an 80% AMI level, by applicants. AHFA may elect to charge a reasonably higher compliance fee to address additional compliance complexities. Requiring income averaging is consistent with workforce housing goals by permitting a broader income range. Subject to required income averaging offsets, prohibit deep rent skewing insofar as that is inconsistent with workforce aims where desired working tenants may not qualify under deep rent skewing requirements. Similarly, award 5 points for projects (excluding 9% projects in the rural set-aside) without project based rental assistance (HUD or USDA), 3 points if project based rental assistance is for less than 25% of units and zero points if more than 25% of units.

8. Calculate workforce housing tax credits at 4% of eligible costs (just like federal, including basis boost), subject to the award cap.

9. Require closing within 210 days of award, with extensions of up to 120 days for permitting delays subject to extension fees of $15,000 for each 30 days. Thereafter, any award is transferred to the next highest scoring project. Time for closing may be extended by AHFA without charge if for its internal reasons it cannot close within the applicable timeframe (e.g., signator unavailable).

10. Provide experience points in same way as ordinary cycle except award additional points for successful closing, i.e., issuance of bonds, of a 4% federal tax credit credit bond financed multifamily transaction (new construction or rehabilitation) in any state since January 1, 2021.

11. Projects should be required to track employment status/location of all adult household members at initial tenant certification and any subsequent certification.

12. Projects should be required to report (a) sales taxes paid, (b) increase in property tax, (c) construction wages subject to income tax, (d) ongoing wages (management/maintenance) subject to Alabama income tax, and (e) permit, tap / access fees and similar construction or development municipality fees.

13. For the after-school care component as referenced by the Act, for receipt of points (1) projects may either submit MOU (or more than one) with licensed, insured third party provider, at offsite location (including but not limited to after-school care programs operated by Alabama public schools) or for such licensed, insured third party provider at the property location. If onsite, the construction budget must include cost for space for 32 square feet per anticipated child (with anticipated child being units x 75% assumption of units with children x 50% utilization x 32 feet) plus space for bathrooms, kitchens, halls, offices and storage area.[1] (Note these are from daycare licensing standards, which may be more stringent standards than afterschool care.) In either event, the project may (but is not required to) establish a reserve in the sources and uses budget for up to the maximum statutory subsidy obligation ($150,000 or less) for after-school care subsidy. As part of the competitive allocation process, and to satisfy the Act's requirements for a preference for projects supporting after-school care, AAHA recommends, for instance, an award of 5 points for projects which provide an MOU with an after-school care provider for subsidized care at an offsite location and 2 points for an arrangement, including construction of an onsite facility, for after-school care for children of tenants. The higher point scoring for offsite programs is intended to reflect that onsite programs pose additional insurance, construction, zoning and similar issues which will adversely affect the cost, and thereby the effectiveness, of the overall workforce housing tax credit program. Moreover, research to date indicates that most communities already have established after school care programs which can be supported through the subsidy arrangement with them.

14. As part of the competitive allocation process, establish a point scoring system for key workforce criteria. We believe high-cost housing and local job growth are key criteria. For instance, award:

(a) 15 points for 17 counties with highest fair market rents (using HUD 2024 data for 2 BR units) plus any "ties"; 10 points for next 17 counties (plus ties); 5 points for next 17; and zero for all others. Note, top 17 covers Baldwin, Huntsville metro, Birmingham metro, Tuscaloosa metro, Pike, Lee, Mobile and Montgomery.

(b) Use a measure of overall year over year job growth (in absolute terms) by county to stratify counties and award points to the higher quartiles (17 county groups; 15-10-5-0 points). *See* https://www2.labor.alabama.gov/LAUS/clfbycnty.aspx

[1] https://www.daycare.com/alabama/state4.html#:~:text=There%20shall%20be%20at%20least,considered%20when%20computing%20play%20space.

15. For each cycle, permit no more than one or two deals (subject to a favorable market study) in a single county but permit deals to go forward without regard to status of any other deals under construction in the 9% tax credit program. That is, workforce housing tax credit deals should be in addition to any other county-by-county limits imposed, subject only to receipt of a favorable market study.

16. For rural set aside, determine how much is needed to be set aside after bond round. Target 21% total (reduced by any awarded in bond round). Make this available in 9% round as a source of funding that can be elected by applicants.

17. In the ordinary 9% competitive round, have a priority for rural deals (up to the target state credit amount remaining) using state workforce housing tax credits. Use usual ranking for 9% but then have added points on the same criteria as item 14 above. However, the points only apply for the deals actually awarded workforce housing credits and become moot after satisfaction of the required set-aside amount.

18. In the case of 9% deals, if state credits under the rural set-aside are available for them, consider using state credits as much as possible to fund without mixing use of HOME funds. This will preserve HOME funds for other purposes and also let projects keep 60% rents. As indicated above, 9% applicants are not required to request a possible award of workforce housing tax credits and, in such situation, can receive HOME funds as a priority.

We hope these points are helpful as you begin to design the implementation plan. We look forward to working with AHFA further on this.

June 10, 2024

Dear Representative-

The undersigned national real estate and housing associations and non-profit organizations represent a broad coalition of housing providers and lenders that are committed to working together with policymakers to promote sustainable and responsible solutions to address America's housing availability and affordability challenges. Today, we write to encourage the Administration, Congress, and all federal policymakers to address the causes of rising insurance premiums across the nation's housing market, and in particular the significant negative impacts such increases have had on all stakeholders, including, but not limited to, single-family, multifamily, and affordable housing developers, lenders, investors, owners and our nation's renters.

Ultimately, our primary objective is to ensure housing providers can meet the long-term housing needs of the nearly 40 million Americans who live in rental homes and continue to foster the growing contributions rental housing makes to our economy, which currently stands at $3.4 trillion annually.[1][2] The volatility in the insurance market over recent years hinders the ability of housing providers to deliver the housing that is so desperately needed. Rising insurance costs are one of several factors beyond the control of housing providers, driving price increases. Since housing costs are a major driver of inflation, addressing insurance and other operating costs challenges in the rental market will also have positive follow-on effects for the national economy. In this letter, we provide many policy solutions that have the potential to alleviate the impact of skyrocketing insurance costs on housing affordability nationwide.

Insurance Rates Have Increased at Unprecedented Rates in Recent Years

For the better part of a decade, owners, operators, and developers of for sale and rental housing have been hard hit by dramatically rising insurance costs. Coverage limitations, deductible increases, and often, the unavailability of an affordable or viable private insurance market have increased the financial risk borne by housing providers and strained property operations. As of the fourth quarter 2023, U.S. property insurance rates have increased for 25 consecutive quarters.[3] Likewise, U.S. casualty insurance

[1] 2021 American Community Survey, 1-Year Estimates, U.S. Census Bureau, "Total Population in Occupied Housing Units by Tenure by Units in Structure".

[2] Hoyt Advisory Services, National Apartment Association and National Multifamily Housing Council, "The Contribution of Multifamily Housing to the U.S. Economy", https://weareapartments.org/pdf/Economic_Impact.pdf.

[3] CIAB's Q2 2023 P/C Market Survey, https://www.ciab.com/resources/q2-2023-p-c-market-survey/ and NMHC State of Multifamily Risk Survey & Report, June 2023, https://pages.nmhc.org/rs/676-UDD-714/images/NMHC_InsuranceReport_2023.pdf (the 2023 NMHC State of Multifamily Risk Survey & Report). This study covered 160 respondents that covered a broad range of actors in the housing ecosystem, including, but not limited to, owning 1.6 million units; managing 1.5 million units, with the average portfolio containing 11,292 owned units and 18,973 managed units respectively.[3] The study also covered several types of housing classes, including Market-rate Class A; Market-Rate Class B, Market-Rate Class C; Subsidized/Affordable; Purpose-built Student Housing; and Age-Restricted (Seniors).

rates have increased for 17 consecutive quarters.[4] Further, over the past three years, insurance premiums have been subject to unprecedented increases, with providers reporting annual premium increases ranging from 30% to 100% for affordable rental housing communities.[5] The below highlights these rate increases for various types of insurance coverage:[6]

Type of Insurance Coverage:	Average Reported Percent Increase From the Previous Year:	Maximum Reported Percent Increase From the Previous Year:
Property	26.4%	120%
Liability	14.7%	133%
Umbrella	16.6%	226%
Earthquake	14.9%	55%
Terrorism	6.2%	80%
Cyber	24.4%	220%
Crime	4.7%	25%

The findings of NMHC's 2023 State of Multifamily Risk Survey and Report detailed that insurance market volatility and accompanying cost increases have only worsened over the last few years, leading policyholders to raise deductibles and insurers to limit coverage amounts and include new policy limitations. In the past three years:

- 61% of respondents[7] were forced to increase their deductibles to maintain affordability.
- 57% of respondents indicated their insurance carriers included new policy limitations to reduce their exposure.
- 34% reported their insurance carriers limited or reduced coverage amounts.

The situation is even more daunting in the affordable and workforce housing space. An October 2023 survey and report, commissioned by the National Leased Housing Association (NLHA) and supported by other affordable housing organizations, focused on the impact of the current insurance market challenges on affordable housing providers. The survey found that affordable housing providers are facing much higher premiums, with nearly one in every three policies experiencing rate increases of 25% or more in the most recent renewal period. Additional key findings include:

- For 2022-23 renewals, 29% of housing providers[8] experienced premium increases of 25% or more, compared to 17% the previous year.
- Limited markets and capacity are responsible for most premium increases, followed by claims history/loss and renter population.
- 67% of respondents reported increasing insurance deductibles to manage the increases followed by reducing operating expenses and increasing rent.

[4] https://www.marsh.com/en/services/international-placement-services/insights/us-insurance-rates.html
[5] *Id.*
[6] *Id.*
[7] NMHC launched the State of Multifamily Risk Survey in February 2023 and received 160 individual responses representing apartment firms of varying portfolio sizes and property types across all geographic regions.
[8] In August and September 2023, ndp | analytics conducted a survey on changes in housing providers' insurance premiums for 2020, 2021, and 2022 policy renewals. We received 418 responses from housing providers across the United States, who operated 2.7 million units, including 1.7 million affordable units.

Property Insurance Rates Largely Driven by Volatility in the Broader Market

The insurance markets are experiencing unprecedented volatility. Starting around 2017, the property insurance market began to destabilize as more frequent natural catastrophes occurred, in conjunction with the inflationary impact of higher material and labor costs—which was only further exacerbated by recent pandemic-related economic strife.[9] Insured losses arising from natural disasters were calculated at $121 billion and almost $125 billion in 2021 and 2022, respectively, which are both well above the 10-year average of $81 billion.[10] 2023 saw a record high 142 insured natural catastrophes across the globe, and insured losses exceeded $100 billion for the fourth consecutive year.[11]

As a result of this sharp upward trend, many insurers have simply ceased to underwrite multifamily or other similar property casualty policies. For example, at least 15 insurance carriers in Florida have become insolvent since 2020, including United Property & Casualty Insurance Company, a significant regional insurance carrier. In Louisiana during a similar time period, at least 20 insurers became insolvent or left the state entirely[12]. In California, major insurers such as State Farm, Allstate, and AIG all discontinued underwriting new homeowners' insurance policies due to several natural disasters.[13] And while these impacts have been publicized for their significant effect on the single-family housing market, the multifamily rental housing space has seen similar, if not worse, trend lines.

In addition, there are other property insurance market nuances that can contribute to higher insurance rates including the expansion of the litigation funding industry and the unique dynamics of insurers' investment portfolio performance. Litigation funding is a means to finance legal action using third-party investors who provide financial support for a lawsuit in exchange for an interest in the potential recovery in a case. Unfortunately, the rise of litigation funding has been linked to increases in insurance rates and the tightening of coverage requirements, which in turn has resulted in higher rates for coverage holders in the ordinary course of business. For example, in 2020, AM Best, an insurance industry rating agency, downgraded the "U.S. commercial general liability insurance segment, owing to unfavorable claims trends driven by social inflation and other factors such as third-party litigation financing."[14]

With respect to the nature of insurers' investment portfolio performance, insurers typically hold significant investments in corporate bonds and structured securities like collateral loan obligations, residential and commercial mortgage-backed securities, and asset-backed securities, among others. Due to today's higher interest rates, caused in large part by today's inflationary environment, the value of these investments has decreased over the last year to two years.[15]

Further, stubbornly high interest rates have raised the cost of borrowing and doing business for insurance companies nationwide, forcing these companies to find other means of raising capital and offsetting such costs. Unfortunately, for many insurers, the solution is to offset such dynamics by raising insurance rates for coverage holders and new applicants, even when applicable risks and the total insurable value (TIV) of an applicable property have not materially increased.

[9] *Id.*
[10] Swiss Re Institute, Natural Catastrophes and Inflation in 2022: A Perfect Storm, November 1, 2023, https://www.swissre.com/institute/research/sigma-research/sigma-2023-01.html
[11] Swiss Re Institute, New record of 142 natural catastrophes accumulates to USD 108 billion insured losses in 2023, finds Swiss Re Institute, March 26, 2024, https://www.swissre.com/press-release/New-record-of-142-natural-catastrophes-accumulates-to-USD-108-billion-insured-losses-in-2023-finds-Swiss-Re-Institute/a2512914-6d3a-492e-a190-aac37feca15b
[12] More insurance companies pull out of Louisiana: 'We are in a crisis', Fox Business, January 16, 2023, https://www.foxbusiness.com/features/more-insurance-companies-pull-out-louisiana-crisis.
[13] Uninsurable America: Climate change hits the insurance industry, Axios, June 6, 2023, https://www.axios.com/2023/06/06/climate-change-homeowners-insurance-state-farm-california-florida.
[14] AM Best, Best's Market Segment Report: AM Best Assigns Negative Outlook to US General Liability Insurance Market, December 15, 2020, https://news.ambest.com/PR/PressContent.aspx?refnum=30201&altsrc=9.
[15] "The Impact of Rising Rates on U.S. Insurer Investments," National Association of Insurance Commissioners, February 2023, https://content.naic.org/sites/default/files/capital-markets-special-reports-impact-of-rising-rates.pdf.

Rising Insurance Rates Are Harmful to All Stakeholders in the Real Estate and Affordable Housing Markets

Today, in more and more communities, hard-working Americans are unable to rent or buy homes due to increased housing costs driven by a lack of supply and today's current high mortgage rates. This lack of supply, in turn, is created by barriers to development that make it increasingly challenging to build housing at almost any price point.[16] And while policymakers at all levels of government must do more to remove barriers to housing production, they must also understand how operational costs like insurance —outside of the control of property owners—are exacerbating the situation and directly impacting the cost of housing. Unfortunately, the recent trend of unprecedented rising insurance premiums has been a significant contributor to disincentivizing housing providers from participating in the affordable housing market and rising rent inflation for residents.

The impact of rising insurance costs is further exacerbated in affordable housing communities. These challenges may cause housing providers to find operational cost savings in ways that negatively impact residents or to ultimately opt-out of the affordable housing market altogether.

- Due to income and rent restrictions in the Low-Income Housing Tax Credit (LIHTC) program, housing providers of affordable housing communities typically cannot pass through insurance rate increases to their residents via rent increases.
- Private- and public-sector lenders typically require housing developers to maintain property casualty and general liability insurance policies as a condition to receiving financing for the duration of the loan. Costs for these policies are often well above typical inflation metrics such as the consumer price index. Also, these lenders are requiring insurance policies up to 100% replacement cost, despite the resiliency and more favorable location of developments outside of flood zones and away from coasts. Consideration should be given to the actual cost of remediation and rehabilitation when determining required levels of insurance.
- In addition, housing developers and builders have seen significant increases in the rates for builders' risk insurance policies.[17] What is more, insurers have generally tightened the underwriting criteria for these risk policies.
- Many insurance providers are declining to underwrite general liability policies in affordable housing communities or in communities where subsidized housing is located, due to, among several factors, the use of the "crime score" methodology. This methodology can have a disproportionate impact on affordable housing growth and studies have raised concerns that it serves as de-facto discriminatory redlining of affordable housing communities[18].

Ultimately, unprecedented increases in property insurance rates coupled with other difficult economic trends have disincentivized housing providers from participating in the affordable housing market. This impacts not only housing providers, but also the residents they serve. As insurance rates rise and availability declines, housing providers have to either avoid or exit the affordable housing market, or in certain cases, raise rents or lower services, all of which harms residents nationwide in need of affordable housing opportunities.

[16] Urban Institute, Breaking Barriers, Boosting Supply, September 2020, https://www.urban.org/sites/default/files/publication/102963/breaking-barriers-boosting-supply_0.pdf

[17] Carriers Shift More Risk Onto Builders For Multi-Family Frame Projects, CRC Group, 2022, https://www.crcgroup.com/Portals/34/Flyers/Tools-Intel/Builders%20Risk%20SOM_Final.pdf?ver=2022-07-29-075543-540.

[18] Roberts, Jeffrey G., "10 Reasons to Carefully Consider How Insurance Carriers Use Crime Scores to Assess Risk in the Affordable Housing Industry".

Conclusion

The lack of affordability and availability of insurance options for property owners of all types increasingly puts insurance coverage out of reach for property owners and limits their ability to make needed investments in their properties and build new housing. This has both short- and long-term implications for the real estate industry's ability to address the availability and affordability of housing at all price points.

The solutions outlined in the appendix below are meant to serve as a starting point for consideration and the undersigned groups do not necessarily endorse each proposal. However, we stand ready to assist policymakers in this important work to explore these and other possible solutions. Only in partnership can the public and private sectors successfully identify solutions to this crisis and support housing providers as they work to expand the supply of quality housing.

Sincerely,

Affordable Housing Tax Credit Coalition
American Seniors Housing Association
Argentum
Council for Affordable and Rural Housing
Commercial Real Estate Financial Council
Enterprise Community Partners
Fairview Housing Partners
Housing Advisory Group
Housing Assistance Council
Institute of Real Estate Management
Leading Builders of America
Local Initiatives Support Corporation
National Affordable Housing Management Association
National Apartment Association
National Association of Home Builders
National Association of Housing Cooperatives
National Association of Residential Property Managers
National Housing & Rehabilitation Association
National Housing Conference
National Leased Housing Association
National Multifamily Housing Council
National NeighborWorks Association
Stewards of Affordable Housing for the Future
The Real Estate Roundtable

cc: Neera Tanden, Director, Domestic Policy Council
Lael Brainard, Director, National Economic Council
Adrianne Todman, Acting Secretary, United States Department of Housing and Urban Development
Tom Vilsack, Secretary, United States Department of Agriculture
Denis McDonough, Secretary, United States Department of Veterans Affairs
Janet Yellen, Secretary, United States Department of Treasury
Sandra Thompson, Director, Federal Housing Finance Agency

APPENDIX: Policy Considerations to Alleviate Rising Insurance Costs on Housing Affordability

Today's lack of capacity in the insurance and reinsurance markets has reached crisis levels and raises serious alarms across the entire financial system with trillions of dollars in uncovered or uncoverable risk across real estate. Policymakers must examine the state of the insurance market and look for ways to incentivize a more robust insurance and reinsurance market for all types of housing so that affordable, attainable, and quality lines of coverage are available to meet property needs and mitigate risk.

Given the unprecedented impact the increases in insurance rates are having on the housing and broader real estate markets, we respectfully offer the following policy solutions for the Administration, federal agencies, and Congress to consider. The solutions outlined below are varied and deserve serious consideration as policymakers and stakeholders seek to identify ways to alleviate the negative impacts of rising insurance rates on housing affordability, homeowners, residents, and the real estate markets nationwide.

Explore Establishment of a Federal Backstop/Guaranty

A federal backstop (i.e., guaranty) for catastrophic coverage above an established dollar amount threshold is an option that has been deployed in other instances where market solutions have been inadequate. Examples include terrorism risk insurance and national flood insurance, among others. The Administration and Congress could direct the Treasury Department's Federal Insurance Office (FIO) to explore the benefits and challenges of a federal backstop in addressing the insurance premium crisis. FIO is statutorily empowered to identify issues or gaps in the regulation of insurers that could contribute to a systemic crisis in the United States and monitor traditionally underserved communities' access to affordable insurance.[19] Both situations are relevant to today's insurance marketplace.

Ultimately, while FIO does not have direct supervisory authority over insurance companies, there is strong precedent for to examine the current state of the insurance industry. Specifically, FIO could help determine whether a federal backstop could help resolve the current insurance crisis, especially as it relates to affordability and availability in the housing market.

In September 2022, in response to a June 2022 GAO report, FIO issued a RFI entitled, "Potential Federal Insurance Response to Catastrophic Cyber Incidents"[20].The GAO report recommended that FIO and the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) conduct a joint assessment to determine "the extent to which risks to critical infrastructure from catastrophic cyber incidents and potential financial exposures warrant a federal insurance response."[21]

The September 2022 RFI asked the public to respond to several questions as FIO contemplated a federal insurance response in the cybersecurity space. In March 2023, the Treasury Department presented to the Federal Advisory Committee on Insurance a Summary of Comments on Request for Comments: Federal Insurance Response to Catastrophic Cyber Incidents.[22] Below is the list of ideas provided :

[19] 31 U.S.C. § 313.
[20] Potential Federal Insurance Response to Catastrophic Cyber Incidents, Federal Register, September 29, 2022, https://www.federalregister.gov/documents/2022/09/29/2022-21133/potential-federal-insurance-response-to-catastrophic-cyber-incidents.
[21] https://www.federalregister.gov/documents/2022/09/29/2022-21133/potential-federal-insurance-response-to-catastrophic-cyber-incidents#footnote-4-p59162
[22] Summary of Comments on Request for Comment: Federal Insurance Response to Catastrophic Cyber Incidents, Presentation to the Federal Advisory Committee on Insurance, March 29, 2023, https://home.treasury.gov/system/files/311/2023-03-27%20Presentation%20Summary%20of%20Cat%20Cyber%20RFI%20Responses.pdf.

- Create a new structure not modeled on any existing government program;
- Create a new structure loosely modeled on, but separate from, the Terrorism Risk Insurance Act (TRIA) and the Terrorism Risk Insurance Program (TRIP), dedicated to addressing catastrophic cyber risk. Modify TRIP as needed to coordinate programs (e.g., change TRIP's coverage of cyber terrorist attacks to eliminate overlap with new structure);
- Amend TRIA and expand TRIP to cover catastrophic cyber incidents more generally (i.e., no longer limit it to cyber terrorism incidents);
- Create a new governmental public-private partnership modeled on the UK's Pool Re;
- Create a new structure modeled on the Federal Emergency Management Agency (FEMA) National Flood Insurance Program (NFIP); and
- Create a new structure through a newly-created government-sponsored enterprise (GSE) analogous to Fannie Mae or Freddie Mac through which the federal government would assume catastrophic cyber risk.[23]

The findings and recommendations included in the 2022 report instructive when determining the potential for a federal response or backstop in the property casualty, general liability, and builders risk insurance spaces with respect to housing development and operation. Accordingly, the Administration and Congress more broadly should urge FIO and other federal agencies to act on their statutory authority to consider the merits of a federal backstop or other similar programs in the property casualty, general liability, and builders risk insurance spaces.

Adjust Operating Cost Adjustment Factor (OCAF) Methodology at HUD

Under Section 524(c) of the Multifamily Assisted Housing Reform And Affordability Act of 1997, the HUD Secretary is authorized to annually adjust rents for Section 8 housing contracts (following the initial renewal thereof) by an Operating Cost Adjustment Factor or on a budget basis upon the request of the applicable owner and approval by HUD.[24] HUD calculates applicable OCAFs for all states based on statewide data for inflation in various operating cost categories, including labor, insurance, and utilities.[25] While adjustments for inflation are critical, the inflation data that HUD uses to calculate such adjustments are based on consumer data (i.e., with respect to renter and household insurance), instead of commercial insurance rates, which are more relevant to the affordable housing market. Accordingly, in recent years, OCAF adjustments have not accurately reflected unprecedented increases in commercial property insurance rates nationwide. While HUD's decision in 2023 to use Producer Price Index (PPI) insurance data for OCAF calculations was a good first step, this change in methodology still does not fully reflect the realities in the property insurance market across the country.[26]

There are a number of actions that HUD could consider to ensure the program better reflects the realities of the current insurance markets and to alleviate the negative impacts those realities have on all stakeholders in the affordable housing ecosystem:

- Direct the HUD Office of Policy Development and Research (PDR)) to use industry data for direct property and casualty insurers, including the commercial multiple peril insurance series

[23] *Id.* at slide 4.

[24] https://www.hud.gov/program_offices/housing/mfh/RAD_Post_Conversion/Annual_Rent_Adjustments_and_Utility_Analysis_Requirements#:~:text=Contract%20Rents%20will%20be%20adjusted,not%20exceed%20the%20Maximum%20Rent.

[25] *Id.*

[26] Notice of Certain Operating Cost Adjustment Factors For 2023, Federal Register, November 15, 2022, https://www.federalregister.gov/documents/2022/11/15/2022-24845/notice-of-certain-operating-cost-adjustment-factors-for-2023.

from the Bureau of Labor Statistics and the Producer Price Index (PPI) as the underlying data behind calculation of OCAFs. This is the most accurate metric for insurance costs for properties of rental housing.

- Direct HUD to implement a one-time "true-up" adjustment for current OCAF methodologies that captures the difference between CPI and PPI based insurance for the prior years of 2020-2022. This would retroactively apply the revised FY 2023 methodological change that uses PPI insurance data to FY 2020-2022 OCAF determinations, and therefore, would help housing providers with costs associated with the years most impacted by the COVID-19 pandemic.
- Direct HUD (specifically PDR) to study public and private insurance data and methodologies to determine and finalize more accurate approaches to addressing insurance costs for applicable HUD programs.
- To the extent possible under current authorities, facilitate budget-based rent increases specifically to address markets and assets most impacted by rising insurance costs, particularly those markets where OCAFs are least reflective of market data.

Modernize and Coordinate Insurance Requirements under Federally-Backed Loans:

Several federal agencies, including HUD, FHA, Fannie Mae, Freddie Mac, Veterans' Affairs and USDA, among others, provide or guarantee federally-backed loans within the affordable housing market nationwide. However, many of these loans are subject to very stringent insurance requirements, including, but not limited to, minimum insurance coverage amounts for the term of the loan, maximum deductible amounts per occurrence, total insurable value minimums, coinsurance maximums, and minimum business income insurance covering perils including windstorms, floods, earthquake, and terrorism, among others.

In addition, other requirements include insurance coverage during construction or renovation via builders' risk insurance if the obtained property insurance is excluded during construction or renovation. Further, properties located in areas prone to natural disasters are often required to secure additional insurance. Lastly, property owners are generally required to carry property and general liability insurance policies as well.

Given the unprecedented increases in insurance rates and coverage limitations nationwide, it has become increasingly financially unfeasible for many housing stakeholders to meet these stringent insurance requirements. While some housing stakeholders can take certain steps to reduce insurance pricing, such as by taking on higher deductibles, self-insurance, pooled insurance strategies, or obtaining non-traditional insurance products, insurance requirements for federally-backed loans simply do not afford enough flexibility for housing stakeholders to offset the rising costs of insurance rates in today's economy.

Both USDA and Freddie Mac have made progress on this front, yet the lack of standardization across all federal agencies in this space continues to be problematic, costly, and burdensome. Accordingly, we urge the Administration and Congress to consider the below policy suggestions as a means of encouraging applicable federal agencies to revisit their insurance requirements:

- Convene a national working group made up of agency lenders, regulators, borrowers, insurers and/or other stakeholders to revisit lender insurance requirements and look for areas to harmonize across the federal landscape. Implement a process to revisit insurance coverage requirements on a regular basis to take into account changing market conditions and products/services' innovation.
- Urge federal agencies, including FHA, FHFA, HUD and USDA, to encourage agency lenders to design and pilot debt products that incentivize borrowers toward resiliency and risk mitigation

strategies. These pilot products and services should aim to design alternative insurance requirements that reflect effective implementation of such strategies.
- Urge FHA, USDA, Fannie Mae, and Freddie Mac to study their insurance-related and underwriting data to better facilitate product/services innovation. Also encourage these agencies to share such data with industry partners and other housing stakeholders to better facilitate innovations related to products/services as well as insurance-related guidelines.

Expand Reach of Existing Federal Grants and Programs

Given the multitude of legislation that has been passed in recent years, including the American Rescue Plan Act, the Bipartisan Infrastructure Law, and the Inflation Reduction Act, among others, a number of programs contained therein can be repurposed with congressional direction and/or through agency action that may help alleviate the crisis in the insurance markets.

- **Weatherization Assistance Program (WAP) Funds**: Under current guidance, WAP funds can already be used for life and safety issues. Prioritizing inflation-related work or further clarifying the term "life and safety" to be more inclusive of resiliency measures would permit federal agencies to deploy WAP funds under the Bipartisan Infrastructure Law towards this issue.
- **Community Development Block Grant (CDBG) (including CDBG-MIT, CDBG-CV, CDBG-DR):** As the Administration is aware, eligible activities under the CDBG program cover some traditional construction and rehabilitation activities that can be utilized by affordable housing developers and providers. However, the program also covers certain "development adjacent" activities as well. We urge the Administration and HUD to provide further administrative guidance that would permit such CDBG funding to be deployed for the purpose of subsidizing insurance costs and/or resiliency investments in the affordable housing market. Potential categories of eligible activities for amendment could include interim assistance, loss of rental income, privately-owned utilities, special economic development activities, planning and capacity building and other miscellaneous activities. CDBG Mitigation Funds, which are focused on increasing resilience to disasters and the reduction of long-term risk, seem particularly appropriate for additional focus.
- **Flood Risk Mitigation**: FEMA currently administers several mitigation grant programs for the purposes of reducing damages, claims, and overall risk in the event of a natural disaster such as flooding. As described above, pre-disaster mitigation programs and incentives to encourage the creation and implementation thereof would go a long way towards alleviating the insurance crisis currently facing the affordable housing market. However, FEMA's mitigation grant programs are overwhelmingly focused on primary, single-family and are not otherwise flexible enough to cover other types of affordable housing communities, including most notably, multifamily housing. As such, many of FEMA's recommendations or approaches in this space are likely impractical for non-single family housing communities and would not afford any flood insurance premium reductions despite the large cost of implementation. Accordingly, the Administration and Congress should consider directing FEMA to consider the following steps that would help alleviate impacts from the insurance crisis:
  - Direct FEMA to undertake further actuarial work and issue additional alternative mitigation guidance and technical assistance to multifamily communities, which is realistic, cost effective and would result in premium reductions under the NFIP and private sector insurance solutions.
  - Expressly authorize small businesses and apartment companies to be eligible for existing mitigation programs or consider establishing a multifamily and commercial property

specific mitigation grant program to address the unique challenges faced by these property owners.

- Raise the amount of the Increased Cost of Compliance (ICC) coverage under NFIP for commercial and multifamily properties to $500,000 and make such threshold a separate and optional limit that is not part of the current $500,000 maximum building coverage limit.
- Technical Assistance: Several federal government programs provide funding for technical assistance. Congress should consider directing applicable federal agencies like FEMA to prioritize or reallocate such funding toward incentives and educational outreach for sustainability/resiliency-oriented technical assistance related to loss mitigation best practices, insurance procurement strategies, risk modeling and other business operational strategies that may assist owners in better competing in the insurance marketplace and/or reducing the risk profile of their assets.

Expand the Liability Risk Retention Act (LRRA)

The LRRA should be revised and expanded to allow Risk Retention Groups (RRGs) to appropriately insure the property of affordable housing providers by offering coverage not presently available or affordable in the commercial market. This is a targeted approach – at no cost to the government – to help a segment of the market facing instability in the provision of its property/casualty needs.

The Nonprofit Property Protection Act (NPPA) has been introduced previously on a bipartisan basis and would allow 501(c)(3) nonprofits that acquire their insurance from their own RRGs to get the property coverage that fits their needs and would expand insurance capacity and risk management for nonprofits. Congress should consider expanding the availability of RRGs to affordable housing providers regardless of their tax-exempt status. In fact, RRGs already provide liability coverage options for Public Housing Authorities (PHAs) and Indian Housing Agencies (IHAs) and are utilized by many state PHAs across the country.[27]

Establish Federal Support for Community Based Insurance

Community-based catastrophe insurance (CBCI) is defined as disaster insurance arranged by a local governmental or quasi-governmental body or community group covering a group of properties within the community. There are two key features of CBCI:

- One, that it is purchased or facilitated by some type of community entity.
- Two, that it covers multiple properties.

Beyond these two features, there can be enormous flexibility in the structure and design of CBCI.[28] A CBCI policy could either replace or better still supplement insurance policies available in the private market where there is limited competition or protection gaps.

The Administration and Congress should take steps to allow federal agencies, like HUD, USDA, VA, FHFA, and the GSEs to help finance CBCI policies. Additionally, FEMA should be encouraged to exercise its existing authority that could help incentivize communities to take action on the risk they face. Specifically, Section 406(b)(3)(A) of the Stafford Act provides FEMA with the authority to increase

[27] 26 U.S.C. § 965.205

[28] https://www.marshmclennan.com/content/dam/mmc-web/insights/publications/2021/february/Community--Based--Catastrophe--Insurance--(Final).pdf

the minimum Federal share for Public Assistance on a sliding scale from 75% to 85% if a state has invested in resilience measures prior to a disaster.

By increasing the federal cost share for FEMA Public Assistance, communities that proactively implement resilience measures would be rewarded for the investments they make. These measures include tying risk transfer to risk mitigation. Pairing these federal and/or state grants with risk transfer solutions, such as a CBCI programs, can be a force multiplier. Additionally, applicants for Building Resilient Infrastructure and Communities (BRIC) should have the ability to use BRIC funding for insurance premiums to fund and pilot CBCI transactions that promote community-wide financial resilience.

Further study should be conducted to learn if federal entities can serve as community aggregators buying bulk insurance, which it can pass through to affordable housing borrowers (new or existing). The coverage could be mandatory or optional. The bulk coverage can target particular markets, particular types of insurance policies or tranches of risk within policies, ideally targeting types of coverage that are challenging/costly to obtain. Premiums can be passed through to borrowers via fees. These federal entities can potentially leverage their balance sheet or guarantee authority to lower the cost to the borrower and/or serve as reinsurance. Additionally, community participants could be required to undertake loss-mitigation training/technical assistance, resiliency scope of work, etc. The CBCI model could be tied to specific federal loan products (e.g., green loans, LIHTC investments, etc.), asset types (e.g., affordable housing broadly, affordable properties located in defined geographies, etc.) or leveraged across the federal government's entire affordable housing portfolio.

Support Affordable Housing through the Federal Home Loan Bank System

A recent report issued by the Federal Housing Finance Agency (FHFA) titled "FHLBank System at 100: Focusing on the Future" conducted a comprehensive review of the Federal Home Loan Bank (FHLB or FHLBanks) System and made several recommendations to bolster and improve the system. One key finding of the report was that "The FHLBanks should find innovative ways to increase the production, rehabilitation, and preservation of multifamily housing, particularly smaller multifamily properties." As recently as April 18 in a Senate Banking Committee Oversight Hearing FHFA Director Sandra Thompson called on the FHLB to double financing for affordable housing.

Insurance companies have been members of the FHLB system since its inception and over the past 20 years have become an increasingly large segment of its membership. FHLBanks offer insurance companies extremely competitive interest rates compared to commercial lenders, and recognition of this membership benefit continues to grow among insurers. Year-over-year growth of insurer membership in the FHLB system has been continually positive over the past 25 years. As of 2022 there were more than 565 insurance company members of the Federal Home Loan Bank (FHLB) System (up from roughly 50 in 2000). Over the past ten years an average of 27 new insurance companies have become members of the FHLB System annually.[29]

Insurance company members access low cost, flexible wholesale funding from the FHLBs as well as multiple forms of liquidity (back-up liquidity, emergency liquidity when needed or creating liquidity from illiquid assets).[30] Insurance companies have assumed an increasing role in the FHLBank system, with the share of advances held by insurance companies growing from 12.3 percent (as of 12/31/13) to 20.6 percent (as of 9/30/22) of total FHLBank System advances. In 2022, insurance companies took

[29] https://www.wellington.com/en-us/institutional/insights/federal-home-loan-banks-opportunity
[30] https://www.westernsouthern.com/-/media/files/fortwashington/fhlbspreadbasedborrowingprogram.pdf?rev=5bb59cf0007c4825874803c0d763b997

$137 billion in advances. FHLBanks do not restrict how their members use advances and as a result many of these insurance companies do little to support the affordable housing mission.

At the April 18 Senate Banking Committee hearing, FHFA Director Thompson shared that “We are going to promulgate rulemaking sometime this year to talk about membership [in the FHLBs], one, to define what the role is of membership and to also ask questions about what that threshold should be.” We believe this rulemaking is an excellent opportunity for FHFA to consider new requirements, incentives and/or mission goals insurance company FHLB members to directly serve affordable housing stakeholders. Critics of the current system say that other FHLB members such as depositories and CDFI’s have regulatory or mission driven reasons to support affordable housing but that insurance company members carry no such requirement. This presents an opportunity to have the insurance industry play a more prominent role in supporting affordable housing.

There is an opportunity to require property and casualty (P&C) members to provide a minimum level of flexible and/or subsidized coverage for affordable rental housing. Additionally, insurance FHLB members could be required to invest in and/or lend to affordable housing properties. This could mirror other federal government regulatory structures like the Community Reinvestment Act and/or the GSEs affordable goals. These incentives and requirements could be geographically or socially targeted either to underserved areas or communities and/or to the FHLBs’ geographic footprints.

Consider Expanding Fair Access to Insurance Requirements (FAIR) Plans

The Urban Property Insurance Protection and Reinsurance Act of 1968 established Fair Access FAIR plans (FAIR Plans) for states to adopt to provide more insurance options to homeowners and mitigate the costs of urban riots.[31] The plans were implemented in 26 states, Washington, DC, and Puerto Rico and have expanded to additional states. FAIR Plans are generally backed by all private insurers in a given state, and each insurer shares profits and losses proportional to its market in the state. Over recent decades, FAIR Plans have served as a source of insurance for homeowners who live in high-risk areas and own high-risk properties, often located along the ocean or near frequent wildfire areas. As a last-resort option for most individuals, the plans tend to be expensive and offer limited protections compared to the open market.

The specifics of FAIR Plans vary across states, as some states have only one state-run plan, and others have multiple plans run by private insurance companies. According to FIO’s 2023 report entitled, “Insurance Supervision and Regulation of Climate-Related Risks”, “States that have both residential and commercial FAIR plans include: Arkansas, California, Connecticut, Delaware, D.C., Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, Virginia, and Washington. Florida’s Citizens Property Insurance Corporation and Louisiana’s Citizens Property Insurance Corporation combine the FAIR and Beach plans. The Mississippi and Texas FAIR plans do not offer a commercial policy.”[32] Further, within the report, FIO recommended that “All state insurance regulators and the NAIC should monitor the growth and other trends in residual and surplus lines markets, and publicly report on how climate-related risks are currently affecting, and in the future may affect, these markets.”

[31] https://www.govinfo.gov/content/pkg/COMPS-10381/pdf/COMPS-10381.pdf
[32] Insurance Supervision and Regulation of Climate-Related Risks, Federal Insurance Office, U.S. Department of the Treasury, June 2023 https://home.treasury.gov/system/files/136/FIO-June-2023-Insurance-Supervision-and-Regulation-of-Climate-Related-Risks.pdf.

State trends indicate that as certain private insurers have left certain states, stakeholders in such states have increasingly relied on FAIR Plans for applicable insurance coverage. Given the increasing reliance on FAIR plans in certain states, we urge the Administration and Congress to investigate the potential for expanding FAIR plans that may serve as a compliment to the private insurance market and, in doing so, help alleviate the pressures of rising costs associated with insurance premiums, particularly in jurisdictions that are prone to natural disasters.

Leverage Federal Resources to Incentivize State and Local Relief

Legal Considerations. A significant challenge for housing providers, especially in the affordable and middle-income spaces, is the soaring cost of liability insurance and the often absence of policy options altogether. In particular, we urge the Administration and Congress to explore the relationship between insurance costs and the legal system and consider improvements in the legal landscape that protect parties from undue burdens.

Several states have attempted to address insurance-related challenges through legal reforms. For example, in 2023, Florida passed HB 837 in light of the insurance crisis in that state.[33] Other states, like Georgia, are considering more targeted measures that aim to protect claimants while reining in excesses that have driven liability insurance premiums to record levels or in some cases led insurance carriers to walk away from entire markets or market segments like affordable housing.

Previous efforts examining the impacts of legal reforms have found a correlation between certain policy changes and insurance costs. In 2004, the Congressional Budget Office found that "caps on damage awards reduced the number of lawsuits filed, the value of awards, and insurance costs."[34] Additionally, a 2009 study from the National Bureau of Economic Research (NBER) found that "caps on non-economic damages, collateral source reform and joint and several liability reform reduce premiums by 1 to 2 percent each."[35] Given the impact that legal system changes has had on other aspects within the insurance sector, the Administration and Congress should review solutions that can positively influence insurance premiums in the property insurance market and offer support for state and local consideration of such policies.

Property Tax Relief. The current insurance affordability and capacity challenges are being felt across the nation—in communities of all types. These same communities are confronting housing affordability and housing supply shortages decades in the making. Understanding the direct link between increasing property operations costs, like insurance expenses, and worsening housing affordability is important for policymakers. Industry data show an average expense increase of 9.3% for the 12 months ending June 30, 2023, with insurance, state, and local taxes, repairs/maintenance, administrative and payroll costs taking the lead.[36] Other cost drivers seeing significant increases, especially in urban markets, are utilities and the provision of security.

While particularly acute, insurance is not the only area of property operations seeing a significant increase in costs. Based on data from NAA's Income/Expense IQ, property taxes have surged by an average of 6.5% from 2021 to 2022. Notably, cities like Orlando, Norfolk, Va., Minneapolis, Riverside, Calif., and Salt Lake City have experienced double-digit increases.

[33] https://www.flsenate.gov/Session/Bill/2023/837/BillText/er/PDF.
[34] The Effects of Tort Reform: Evidence from the States, Congressional Budget Office, June 2004, https://www.cbo.gov/sites/default/files/108th-congress-2003-2004/reports/report_2.pdf.
[35] The Impact of Tort Reform on Employer-Sponsored Health Insurance Premiums, National Bureau of Economic Research, September 2009, https://www.nber.org/papers/w15371.
36 https://www.yardimatrix.com/Publications/Download/File/4486-MatrixResearchBulletin-Expenses-September2023

It is critical that policymakers at the state and local government level seek ways to ease the operational cost burdens that are negatively impacting housing affordability and preventing needed investment in new housing supply. One such example is from Harris County, Texas, which is home to the City of Houston. In August 2023, Harris County launched a new program that will reduce the county-related portions of property tax obligations for some affordable housing communities by half.[37] This type of effort has the potential to alleviate operating cost pressures and free capital that can be invested in property maintenance, resident services, and expanding affordable housing supply. The Administration and Congress should explore ways to support, incentivize, and replicate these efforts.

[37] https://www.houstonchronicle.com/news/houston-texas/housing/article/harris-county-cut-taxes-affordable-apartments-18438646.php

MEMO

To: Fahe Board of Directors
From: Vonda Poynter, Senior VP of Membership
Re: Affiliate Partner Process for Approval
Date: May 20, 2024

Purpose

The aid each Caucus to identify and attract regional housing, economic, and community development organizations, Fahe will launch the Caucus Affiliated Partner Program. The Affiliates will expand our understanding of local needs and further aid Fahe to nurture potential Members and assist with our leadership development/succession planning. This memo is to seek approval of the following recommendation from the Fahe Membership Committee, staff and Caucus organizations:

Approval of Fahe Caucus Affiliated Partner proposal with criteria and compliance process including eligibility, application and benefits

Background

Membership Committee had early input from the Governance Committee, more recently from the Fahe Board of Directors and from Caucus meetings and staff discussion identifying the need for a different type of relationship other than Membership that invites trusted partners to our table – these partners would be invited to Caucus meetings by Members. The Committee and staff have supplied the attached process and expectations that any organization requesting to be a Fahe Caucus Affiliate Partner would need to complete.

The Affiliate Partner Process documents were reviewed by each Caucus in the February, 2024, meetings and was accepted by each Caucus with the caveat that the Kentucky Caucus preferred to have the Affiliate Partners approved by the Board.

Upon taking that request to the Membership Committee, it is a unanimous recommendation of the Committee that the Affiliate Partner Process be vetted by state Caucus and membership staff. Should there be a multi-state affiliate partner request, it will be a joint Caucus decision. We anticipate that Affiliate Partners would be organizations that have similar interest, may not be nonprofit, may not have "housing" as a core activity, but overlap with Fahe in housing or other community and economic development activities (examples: Addiction Recovery Care in KY, Bennet Development Group in AL). As the Affiliate Partners are not Members, there is no requirement for Board approval; however, Membership will inform the Fahe Board of Directors within the Board reports and assure that the Board is informed on any and all Affiliate Partner requests and status of application.

The committee concentrated on the following in their review and preparation of the Affiliate Partner process to exemplify best practices in affordable housing and community and economic development in Appalachia:

Benefits of collaboration
Required documentation/material
Why documents are needed
Sliding Scale Dues for Affiliate Partner status

Membership is presenting this process to the Board for approval. In summary, upon submission of the required documentation and material by any perspective Affiliate partner, membership staff will work with Community Lending for any financial analysis of the perspective Affiliate Partner as well as a review of documents for completeness and best practice standards related to Fahe expectations. The analysis and recommendation from staff will be reviewed by Fahe Executive Leadership, Membership Committee and by the appropriate State Caucus. The Caucus will determine the appropriateness of accepting the organization as an Affiliate Partner by vote or consensus.

For Action

Based on the work of the Membership Committee and Membership staff, and each state caucus review, the Affiliate Partner Criterial and Process are recommended for approval.

Attachments

1. Affiliate Partner Process Documents

Fahe Caucus Affiliated Partner Criteria

To aid each Caucus to identify and attract regional housing, economic, and community development organizations, Fahe will launch the Caucus Affiliated Partner (identified as "Affiliated Partners") Program. The Affiliated Partners will expand our understanding of local needs and further aid Fahe to nurture future Members and help with our leadership development.

We appreciate your interest in becoming an Affiliated Partner of Fahe, we are building hope, building relationships, strengthening communities, and nurturing families through housing and support systems. By building on trusted relationships in Appalachia, we make more happen together. We work together and openly share brand, influence, and successful strategies. We speak with a strong voice and create dynamic impact, gathering expertise from each other. We envision Appalachia as a place proud of sustaining its culture and environment, where growth, opportunity and hope are balanced so that all people fulfill their potential with regard to housing, employment, education opportunity and quality of life.

Affiliated Partners are trusted organizations sharing a common goal with the Fahe Network to carry out activities related to the general betterment of the housing or community conditions for low-income families in Appalachia. A Prospective Affiliated Partner can be introduced/nominated by a Member or by Fahe Management. Below you will find additional details regarding the benefits, criteria and process associated with becoming an Affiliated Partner.

Benefits of being Affiliated with the Fahe Network:

- Access to open Fahe Meetings & Collaborative Opportunities:
    - Expertise among staff and peers
    - Networking through meetings events
    - Discounts for events
    - Access to Fahe-led Training
    - Shared Voice/Tools for Advocacy
    - Opportunities to connect to State/Regional/Federal Agencies
- Access to Capital: Lending and Equity products
  (subject to applicable rules/regulations)
    - Mortgages, including Broker/Loan Packager Relationships
    - Commercial loans, including Lines of credit, Construction Loans, Community Facilities Loans
    - Low Income Housing Tax Credit (LIHTC) expertise
    - Program Services by contract

Becoming an Affiliated Partner is a patient process, beginning with invitations to meetings, introductions, getting to know each other, and if interested, a formal letter of request to apply. Partnership is open to Nonprofit and for-profit organizations with a mission or purpose that fits with Fahe's vision for the region serving or investing in Appalachia and a demonstrated commitment to affordable housing.

Caucus Affiliated Partners Approval Process/Procedures

Eligibility Requirements:

- Organization type
  - Nonprofit corporation with 501(c)3 status
  - For profit corporation with a mission or purpose that fits with Fahe's vision for the region
  - Community Action Agency
  - Housing Authority
  - Other Governmental or Quasi-Governmental Agency
  - Other Organization types as approved on a case by case basis by the Board of Directors
- The Affiliated Partner must be serving and investing in Appalachia
- The Affiliated Partner must have demonstrated a commitment to affordable housing through one or more of the following activities:
  - Development
  - Preservation
  - Counseling
  - Financing
  - Property Management
  - Advocacy
  - Other Activities as approved on a case by case basis by the Board of Directors

Documents Checklist:

- Organizational Requirements
  - Goals and Objectives – should identify commitment to performance in furthering housing/community development
  - Map of service area indicating counties and cities served by the Organization
  - Must have a Conflict of Interest Policy and identify any potential conflicts of interest with Fahe/Members
- Financial Stability
  - Follows Generally Accepted Accounting Principles
  - Financially Sound
  - Must submit the current annual dues upon acceptance as an Affiliated Partner.
- Other Criteria
  - Identify all other membership/organizational affiliations i.e.: CDFI, LISC member, NeighborWorks America, etc.
  - Provide a summary of housing/community development work
  - The Affiliated Partner must not be involved in any pending litigation which would negatively impact the work of the organization and/or Fahe.

Application process:

1. Invitation/Introduction of Prospective Affiliated Partner to corresponding state caucus or Fahe Staff via referrals, meetings, events.
2. Visit/Call with Fahe Membership/Staff and Prospective Affiliated Partners Executive staff and/or key personnel. (this can happen elsewhere in the process)
3. Formal Letter of request to Fahe Membership Staff will result in the invitation to submit application materials for qualified organizations (per requirements above)
4. All applicable checklist materials submitted
5. Materials reviewed by Fahe Staff who provide summary of qualifications to present to the state caucus(es) for their consideration/recommendation and for input from Fahe Executive Team.
6. Prospective Caucus Affiliated Partner is invited to make a short presentation to appropriate state caucus(es) with summary material provided and Fahe Executive Team invited.
7. State Caucus discusses without Prospective Affiliated Partner(s) in the room.
8. If the Caucus agrees, an Action is recorded (vote or consensus) that the Prospective Affiliated Partner is approved by the caucus.
9. Affiliated Partner material is provided to the BOD in the Membership Report
10. Should the Affiliated Partner be multi-state, each appropriate Caucus must approve.

Compliance:

In exchange for these benefits, Fahe expects its Affiliated Partners to comply with Fahe Values, Mission and Vision, disclose conflicts of interest and to comply with any reasonable request that furthers Fahe's ability to provide resources to Members.

The Affiliate Partnership is an At-Will Relationship as either party can decide to end the relationship at any time.

Affiliated Partner Renewals:

Dues and documents (listed below) submitted no later than January 15

- Annual Report - If your organization does not produce an official annual report, please include a brief overall summary of this year's successes, highlights, accomplishments, challenges, etc., and/or include 2 or more of your most recent newsletters.
- Most Current audit
- Certificate of Good Standing with appropriate State
- Signed MOU

Exhibit A

Fahe MISSION, VALUES, IDENTITY AND CORE VALUES

Mission
Fahe brings people, organizations, and resources together to build homes, communities and a thriving Appalachia through expanding economic opportunity and security for all. As leaders we speak with a unified voice to influence policy, philanthropy and systems change.

Vision
We envision Appalachia as a place proud of sustaining its culture and environment, where growth, opportunity and hope are balanced so that all people fulfill their potential with regard to housing, employment, educational opportunity, and quality of life.

Identity
Fahe is building hope, building relationships, strengthening communities, and nurturing families through housing and support systems. By building on trusted relationships in Appalachia, we make more happen together. We work together and openly share brand, influence, and successful strategies. We speak with a strong voice and create dynamic impact, gathering expertise from each other.

Mission Purpose
Fahe believes that in implementing our mission we must maintain the integrity of individuals and families in terms of their physical, financial and socio-cultural needs as a whole and build the healthy communities they need to thrive, while empower them to create lasting change in their own lives and communities.

Our Core Values

- Fahe values a culture of warmth and belonging, where everyone is welcome. In doing so, we are committed to individual and organizational efforts to build respect, dignity, fairness, caring, equity, and self-esteem.
- Fahe values a culture of excellence where everyone has the freedom to pursue knowledge through innovation and creativity. In doing so, we are committed to develop a highly-skilled, dedicated, and diverse workforce that is empowered to achieve outstanding results.
- Fahe values a culture of accountability and transparency, where everyone is expected to act responsibly to guarantee integrity, trustworthiness, reliability and dependability. In doing so, we are committed to create a strong sense "organizational health and integrity" by holding everyone accountable to their duties, responsibilities, and commitments.
- Fahe values a culture of collaboration and partnership where everyone engages with respect, openness and trust in pursuit of a common purpose. In doing so, we are committed to do no harm to the communities we serve, act with political, ideological, and religious neutrality having regard for individuals, ideals, and the institution as a whole.
- Fahe values a culture of trust where everyone is being honest and ethical in all interactions, maintaining the highest ethical standards in public engagement and service. In doing so, we are committed to earn the trust of our staff, leaders, customers, Members and Partners through a pattern of unquestioned honesty and humility.

By signing below, We AFFIRM support for Fahe's Mission and Standard of Practice and our organization's responsibility to the Network.

I understand and accept the terms of being an Affiliate Partner with Fahe as outlined above. Furthermore, I certify that all of the information reported in these documents are true and accurate to the best of my knowledge as of this date.

____
Organization Name

________________________________ ________________________ ____________
President/CEO/ED (please **print** name) Signature Date

Fahe Updates

Quarterly Reporting – 3/31/24

State	Org Name	4/10/2024	4/19/2024	4/25/2024
AL	Hale Empowerment & Revitalization Organization (HERO)			
	Neighborhood Concepts, Inc. (NCI)			
	Alabama Rural Ministries (ARM)			
	CAA of Northeast Alabama (CAANEAL)			
NWOs	Comm. Action Partnership of North AL (CAPNA)			
	Neighborhood Hsng. Srv.-Birmingham (NHSB)			

Without NWOs		
Total Organizations	**47**	
Turned in by 7/10	11	*23.40%*
Turned in by 7/15	26	*55.32%*
Turned in by 7/25	27	*57.45%*

With NWOs		
Total Organizations	**55**	
Turned in by 7/10	19	*34.55%*
Turned in by 7/15	34	*61.82%*
Turned in by 7/25	35	*63.64%*

AL Organizations	**4**	
Turned in by 7/10	1	*25.00%*
Turned in by 7/15	2	*50.00%*
Turned in by 7/25	2	*50.00%*

AL Organizations	**6**	
Turned in by 7/10	3	*50.00%*
Turned in by 7/15	4	*66.67%*
Turned in by 7/25	4	*66.67%*

Fahe AmeriCorps VISTA project update (Jeremy Cornett):

In phase one of this project, each of our Members received a Risk Assessment Packet. If you have any questions regarding its contents, please feel free to reach out to Jeremy at jcornett@fahe.org for clarification and discussion.

During phase two, we've initiated conversations with Member Hazard Mitigation Planning representatives. We've compiled nearly three hours of audio dialogue between your organizations and Fahe Membership. If you have yet to participate in these discussions and would like to contribute your thoughts, ideas, and perspectives, we'd greatly appreciate and value your input. Additionally, there's a brief mobile-friendly text survey available for you to share your local knowledge regarding hazards and disasters. https://qualtricsxm37z9m7g3f.qualtrics.com/jfe/form/SV_5vT1HqE8lpIhJvo

Looking ahead to phase three, we will analyze the data and draft region-specific Hazard Mitigation Plans for each Member. The development of these plans will likely require follow-up conversations to further gather your viewpoints and boots-on-the-ground outlook toward the future. Your ongoing input is invaluable and has been instrumental in driving this project forward. Together, we can make a meaningful impact on the Appalachian disaster experience.

Community Lending FY24's: HIGHLIGHTS

Community Lending has closed over $49M in loans in 2024. $14M has gone to Members for Housing, Healthcare and Working Capital.

We are excited about the opportunity to reach and help Members, and we're equally excited that we're able to put those dollars into our communities; up and down Appalachia.

We continue to have different sources of funding available, with a continued emphasis on the Bond Guarantee Program. Here's a quick outline for the BGP:

- $3M still available
- Loan has to be for real estate, with an 80% LTV requirement
- Maturity is March 2049
- Rates are very favorable for Members, especially compared to banks and local credit unions

If you would like to discuss the Bond Guarantee Program, Community Facilities Funding (ideal for funding related to healthcare services) or other funding such as construction, working capital, and bridge loans. Please don't hesitate to reach out and we can discuss further.

Thank you!
Drew Pritchard

Drew Pritchard
Fahe – Community Lending
Business Development Officer
dpritchard@fahe.org
859-756-6255

Community Lending Products

fahe
Strength in Numbers

COMMUNITY FACILITIES PERMANENT LOAN

PURPOSE

Purchase, construct and/or improve essential community facilities where the borrower is a public body or nonprofit corporation located in a USDA eligible rural community of less than 20,000.

PROJECT TYPE

- Health Care facilities such as hospitals, medical clinics, dental clinics, nursing homes or assisted living facilities.
- Public facilities such as town halls, courthouses, airport hangers, or street improvements.
- Community support services such as child care centers community centers, fairgrounds or transitional housing.
- Public safety service such as fire departments, police stations, prisons, police vehicles, fire trucks, public works vehicles or equipment.
- Educational Services such as museums, libraries, or schools.
- Utility services such as telemedicine or distance learning equipment.
- Local food systems such as community gardens, food pantries, community kitchens, food banks, food hubs or greenhouses.

LOAN AMOUNT

$50,000-$,000,000**

INTEREST RATE

TB at ti e of closing

TERM

40 years

REPAYMENT

Monthly principal and interest

LOAN FEES

1% + legal/closing costs

COLLATERAL

First Lien position on the subject real estate or equipment with less than 80% LTV.

For more information on Fahe's loan products: Contact Drew Pritchard at dpritchard@fahe.org.

***Loans over $5,000,000 are possible and typically require participation by other lenders.*
****Discounts available with other lending services.*
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.25% conversion from Fahe construction to Rental Perm loan
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PARTNERS FOR RURAL TRANSFORMATION

1

Quarterly Update

It is PRT staff's desire to work with the Fahe to uplift the advocacy and comms efforts for the region. In the past quarter we released new stories on our Everything Else story map (Rural Voices – Partners for Rural Transformation) which now contains stories from Whitesburg, Kentucky, and Wytheville, Virginia. PRT staff have also pulled together a poster presentation that was accepted at the Richmond Federal Reserve Bank's Investing in Rural America Conference that highlights the work of Frontier Housing with their DreamBuild partnership with cdcb. These are the ways that we are uplifting the work and stories of local leaders in Appalachia to the national level.

PARTNERS FOR RURAL TRANSFORMATION

2

Quarterly Update (Continued)

There was a lot of change with PRT leadership in the preceding quarter and this quarter we have spent a lot of time ensuring that the work continues on and that staff are on target to meet grant deliverables. Right now, our largest piece of work is the second phase of our latest Robert Wood Johnson Foundation grant, that focuses on a research project. This research is being conducted by Fahe and PRT staff with six community partners across the regions, testing our Rural Equity Development Framework. This framework is our expression of the way that we think our work is best pursued, and you have heard it referred to as the three-legged stool. It could be the beginning of a really solid theory of change, and we hope to have the results of the research by the end of the current quarter (July 30).

3

How PRT Came to Be: Our Origin Story

PRT was birthed in 2014 as the "Persistent Poverty Working Group" at Fahe. Our six CEOs joined forces to focus on eradicating persistent poverty across their various service areas. In 2021, the PPWG formalized as Partners for Rural Transformation.

How We Began

PRT has grown to include a Steering Committee made up of our 6 CEOs and their deputies, 4 full time staff, and 15 regular partners at the local, regional, and national levels.

Where Are We Now

Every member of the Working Groups that are not PRT staff are from our partner CDFIs. However, they are all volunteers, meaning they willingly give their time to PRT and our efforts while performing their duties at their primary organizations. Currently, we have 80 collective members across our working groups.

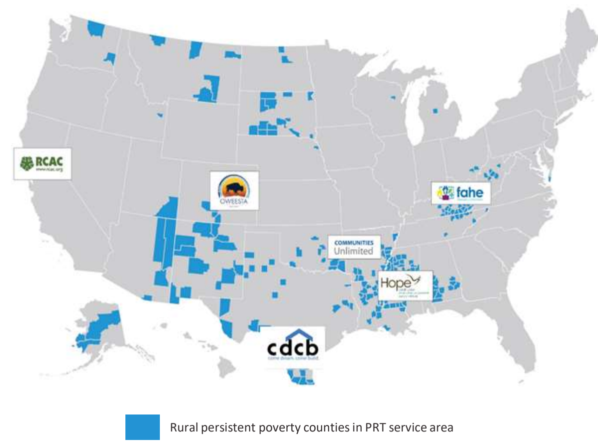
Our Membership

4

Who are the Partners for Rural Transformation?

- PRT is led by a steering committee of **six place-based community development organizations** that serve **78% of rural persistent poverty counties** across the United States.
- PRT envisions a future where everyone can have the opportunity to **build wealth, provide for their families** and **achieve their dreams** in the community they call home.

Despite current perceptions, rural persistent poverty areas **span the United States** - including Appalachia, the Mississippi Delta, the Deep South, the Rio Grande Valley, Native American communities, and the rural West.



PARTNERS FOR RURAL TRANSFORMATION

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