



Social Mission.
Private Enterprise.

August 1, 2016

Marcia Sigal
Capital Magnet Fund Program Manager
Community Development Financial Institutions Fund
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Ms. Sigal,

Housing Partnership Network (HPN) appreciates the opportunity to comment on the Capital Magnet Fund application, annual report and information collection.

HPN is a member-driven organization comprised of nearly 100 entrepreneurial, high-capacity nonprofits that operate all across the country. The members are diversified social enterprises combining a mission focus with business acumen, including community development financial institutions (CDFIs) and other high performing affordable housing nonprofits. HPN members' businesses include multifamily and single family housing development, lending, property management, and housing counseling. All of our members work to link their communities to services – education, workforce development, and health care. Collectively, HPN members have developed or rehabilitated more than 400,000 affordable homes, and assisted 11.4 million people through housing, community facilities, and services.

HPN is best described as a business collaborative. The members' senior leadership comes together with their peers to exchange information, solve problems, and share best practices. Their collaborations have spawned member-owned businesses that improve member operations and advance innovations in the practice of affordable housing and community development. For example, when members realized a need for long-term, low-cost capital they formed a multifamily real estate investment trust (REIT) called the Housing Partnership Equity Trust (HPET). HPET enables its 12 mission-driven nonprofit partners to quickly and efficiently acquire multifamily housing. Other businesses that have emerged from these collaborations include a group buying service and a new web-based approach to homebuyer education.

HPN is happy for the additional opportunity to comment on the Capital Magnet Fund Program (CMF). Many of the suggestions in this letter come directly from our May 6, 2016

letter regarding the Capital Magnet Fund Interim Rule (RIN 1559-AA00) and are being repeated here for ease of reference.

Overall, HPN members found portions of the 2016 CMF application confusing and difficult to complete. Mortgage lenders, multifamily and single-family developers, and CDFIs that finance community facility projects all have very different financial profiles and strategies which should be taken into account when drafting the application.

For example, CDFIs had difficulty filling out the pipeline questions in the 2016 CMF application. It is not possible for CDFIs to accurately provide the requested level of detail on specific deals and leverage during the application stage. Allowing for a less specific pipeline information from CDFIs would provide a better depiction of the types of deals the CDFI would like to finance with CMF dollars without requiring false precision.

Similarly some nonprofit developers that do not have a loan portfolio had difficulty completing the loan portfolio tables.

Possible solutions to both of these concerns could be to have alternate questions depending on the type of applicant or allow the applicant flexibility on the type of information they need to provide in each section.

Information Collection

HPN members identified certain application sections that could be improved for future rounds. In particular, HPN members found the leverage calculations unclear and suggest that the CDFI Fund add the leverage formulas to the application spreadsheet so the applicant knows how their leverage numbers will be treated. Entering data from Excel tables into the AMIS “Related List” format was time consuming and inefficient. It would be easier for the applicants to submit Excel tables as attachments through the AMIS system or find another less cumbersome alternative.

In some instances additional information such as charts or maps could assist in the clarity of the application and HPN would request a portion of the application where optional supporting materials could be uploaded.

Definitions

In future application rounds HPN members would like further clarity on application terms to ensure that the application reflects the intended use of funds as closely as possible. For example the distinction between “preservation” or “rehabilitation” projects caused confusion for some of our members. Likewise the distinction between project level and pre-investment level leverage is murky in certain cases and could use further explanation of what is required for leverage to be “pre-investment.”

Areas of “High Housing Need”

The definition of targeted areas of “high housing need” in the 2016 CMF application is overly restrictive and should be expanded to allow CMF recipients the flexibility to best to address the housing needs of extremely low-, very low- and low-income people in their community.

In particular the use of census tracts for determining targeted investment areas is too narrow and can result in neighborhoods where one side of the street would count as a high housing need area while the other side would not. This ignores the reality of neighborhoods and compounds the difficulty of creating and preserving affordable housing where it is most needed. One way this could be addressed is through using zip codes, which cover a larger geographical area, instead of census tracts. Also, the characteristics of high poverty neighborhood is not the same across the country and should be expanded. For example, in some tight rental markets there are not any neighborhoods with high vacancy rates, but there are neighborhoods with great need for more safe and affordable housing.

HPN also recommends expanding the CMF targeted investment areas to include affordable housing in high opportunity areas and mixed income developments in areas of concentrated poverty. Recent rule making by the Department of Housing and Urban Development¹, the Federal Housing Finance Agency² and a decision by the United States Supreme Court³ all emphasize that some low-income families fare better when they have the chance to move to higher-opportunity areas. Our members agree that paying attention to the siting of affordable housing in order to maximize the benefits for residents is an appropriate policy goal and we acknowledge that defining areas of opportunity is difficult. Many states are adding “access to opportunity” scoring criteria to their Qualified Allocation Plans for LIHTC. These criteria vary depending on local market factors. It might make sense for the CDFI Fund to allow recipients to use CMF in areas that align with the applicable state criteria. Over time, as more research is done on “access to opportunity”, the CDFI Fund or other government agencies may be able to create an “opportunity index” that is broadly applicable. The Housing Partnership Equity Trust is currently working on such an index for our real estate investments and would be happy to share the data points we use.

Timing of Applications

In future years, HPN would urge you to consider spacing out applications for the various CDFI Fund programs. HPN members are often applying to multiple CDFI Fund programs in a given year and having applications due in rapid succession does not allow for the strategic planning or thoughtful attention each application deserves.

¹ Affirmatively Furthering Fair Housing, Final Rule, 24 CFR Parts 5, 91, 92, 570, 574, 576, and 903. July 16, 2015.

² Enterprise Duty to Serve Underserved Markets, Notice of Proposed Rulemaking, 12 CFR Part 1282. December 18, 2015.

³³ Texas Department of Housing and Community Affairs v. Inclusive Communities Project, 135 S. Ct. 939 (2015).

CMF Reporting Requirements

HPN believes it is premature to comment on the CMF Annual Report without any practical experience with the proposed report. We are happy to provide input after the first reports from the 2016 CMF round are completed

Future Input from Stakeholders

HPN urges the CDFI Fund to continue this dialogue with stakeholders regarding the CMF application, data collection and reporting. We recognize that the formal comment process has limits and encourage you to consider additional methods of feedback including online surveys and in-person focus groups. Since the CMF is open to a variety of organization types and uses, the CDFI Fund should actively seek input from CDFIs and housing nonprofits that work in both single family and multifamily housing. HPN members include a variety of CDFIs and housing nonprofits and we would be willing to discuss this further or connect the CDFI Fund staff with our members.

Thank you for your consideration of these comments and your work on this crucial affordable housing program. Please feel free to contact me at ross@housingpartnership.net if you have any questions or wish to discuss further. HPN stands ready to share information and practitioner feedback on these important issues.

Sincerely,

Shannon Ross

Director, Government Relations