

In this week's Tax Credit Tuesday podcast, Michael J. Novogradac, CPA, discusses the fiscal year 2019 Capital Magnet Fund Awards and how to prepare for the fiscal year 2020 round. Then, he talks about the notice of funding availability for the CDFI program and the Native American CDFI Assistance program. He wraps up with news on updated guidance from HUD on how to layer subsidies for project-based voucher properties.

Summaries of each topic:

1. General News (2:05-10:53)
 - a. FY 2019 Capital Magnet Fund Awards (2:06-10:53)
2. Other News (10:54-13:21)
 - a. NOFA for Native American CDFI Assistance and CDFI Programs (10:54-12:28)
 - b. HUD Subsidy Layering Reviews (12:29-13:21)
3. Additional Resources

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GENERAL NEWS

Capital Magnet Fund Awards

- Last week the CDFI Fund announced \$130.9 million in awards through the fiscal year 2019 round of the Capital Magnet Fund.
- The Capital Magnet Fund is an extremely competitive award, so well done and congratulations to this year's winners.
- There were 113 organizations that applied under the fiscal year 2019 round and those 113 organizations requested more than \$522 million in awards.
- Out of those 113 applicants, 38 were awarded the \$130.9 million in Capital Magnet Fund grants.
- Awardees include 23 CDFIs and 15 nonprofit housing organizations.
 - Three of the 15 nonprofit housing organizations were state housing finance agencies.
 - Together, the 38 awardees serve 44 states, the District of Columbia and Puerto Rico.
- Many of our listeners are familiar with the Capital Magnet Fund as a critical tool for affordable housing and community development.
- The Capital Magnet Fund helps finance the development, preservation and acquisition of affordable housing for low-income communities.
 - Here at Novogradac, we often see Capital Magnet Fund dollars used in low-income housing tax credit investments.
 - Capital Magnet Funds are especially helpful to 4 percent low-income housing tax credit properties, which generally need significant gap financing.
 - This year's Capital Magnet Fund winners plan to develop more than 22,000 affordable homes—with 98 percent of units intended for low-income families.
- Up to 30 percent of Capital Magnet Fund awards can be used to finance economic development and community service facilities.
 - Eight percent of this year's awardees plan to invest in those types of related facilities, such as health care clinics and workforce development centers.
 - The intention is to have these related facilities complement affordable housing in distressed areas.
- What makes the Capital Magnet Fund such an effective tool is its ability to leverage other private and public investment.
- Capital Magnet Funds can be leveraged at both the loan fund level, and as applicable, the project level or property level.
- Program rules require Capital Magnet Fund awardees to leverage their awards by a ratio of at least 10-to-1.
- That's right, ratio of at least 10-to-1.
 - In practice, as you might expect, awardees typically far exceed that leverage ratio.
 - For example, let's apply the 10-to-1 minimum to this year's awards total and see what that leads to.
 - If we take about \$130 million in awards and multiply that by 10, we get \$1.3 billion in leveraged total investment.
 - But, awardees anticipate that they'll get nearly \$4 billion in total investment.
 - That's much more than three times the required investment amount.

- Over the past five rounds of the Capital Magnet Fund, awardees have pledged to leverage more than 20-to-1.
- Now with all of that said about the most recent round, I'd like to now take a moment to look ahead to the next round.
- I'd like to look toward the fiscal year 2020 awards.
- Novogradac expects there to be nearly \$172 million in grants available.
- How do we arrive at that figure?
- That figure is based on the Federal Housing Finance Agency's release of 2020 Capital Magnet Fund allocations last week.
- The \$172 million estimate is also based on recently released 2019 10-K filings for Fannie Mae and Freddie Mac.
- Deadlines for the 2020 round are not yet known.
- But, we can look to the 2019 round for clues.
- Last year's round, the 2019 round, opened June 25, 2019.
 - Applications were due two months later on Aug. 26.
 - With the awards being announced last week, which was about six months after the application deadline.
- Given all of this, Novogradac expects a similar time frame for the 2020 round.
 - This would mean the application round would open in the summer, with a two-month application period and an awards announcement about six months after the application deadline.
- Novogradac has an experienced team of professionals to help clients apply for Capital Magnet Fund awards.
- Our professionals have compiled some tips and best practices that I'll share for listeners thinking of applying for the 2020 round.
- Now to start, the application has three main parts:
 - Part one, is the business and leveraging strategy.
 - Part two: community impact.
 - And then part three is the applicant's organizational capacity or track record.
- With that in mind, our first tip: start the application early.
 - The CDFI Fund requires applicants to take certain steps before the actual application deadline.
 - For example, applicants must submit a form called SF-424.
 - SF-424 is a form that requests basic information on the applicant and the award request.
 - Applicants also need to set up an account on the website.
 - The website is grants.gov and applicants need to register with the CDFI Fund, among other matters.
 - These steps take time, so getting a head start can help ease some of the deadline pressure.
- Which leads me to Novogradac's next tip, this relates to the business and leveraging strategy portion of the application:
- You need to have your deal pipeline – or at least your business strategy – in mind before applying.
 - That means be sure to know what you plan to do with your award, if you get one.
 - Will you use it for predevelopment funding? Acquisition? Revolving debt?
 - You need to have answers to these questions to help you be more specific in your application to increase your chances of getting an award.

- You will certainly want to provide specific details in your application.
 - You'll want to know:
 - Your leverage multiplier,
 - Income thresholds you'll be serving and
 - Target populations, such as rural, distressed or others.
 - Providing certain details in your application certainly should give you an advantage in scoring preferences.
- Novogradac's next tip relates to the second part of the application, community impact.
 - In your application, you need to make sure to provide a detailed description of how your planned investments will directly benefit low-income communities.
 - Be prepared to share details such as expected job creation and other metrics.
- The third part of the application deals with an organization's track record.
 - The Novogradac tip on this point is to highlight your organization and team's experience in community development lending.
 - Even if your entity might be on the newer side, you can do this.
 - If your leadership and staff have a good track record, you should describe their experience in your application.
- Another tip is for entities planning to use proceeds in a different way than they have in the past.
 - The tip is to try generating some of those new loans now, before the Capital Magnet Fund application period opens.
 - Then you'll have a track record.
 - That's a good way of demonstrating at least some level of experience making the loans that you're applying to Capital Magnet Fund program to make.
- Now I have one last best practice to share.
- Work with an experienced consultant to help you with your application.
- To do that, I'd encourage you to contact a Novogradac office near you.
- We have professionals across the country to help assist you prepare your application.
- For instance, we have Bob Ibanez, he's a great resource.
- He was the new markets tax credit program manager at the CDFI Fund for a number of years and is very familiar with their grants programs including the Capital Magnet Fund.
- So is Brent Parker, a principal in our Novogradac Long Beach, Calif., office.
- I'll include their contact information in today's show notes.
- You can also read more about the recent Capital Magnet Fund awards in a Notes from Novogradac blog post by Novogradac's Peter Lawrence.
- I'll tweet a link to the blog post.

OTHER NEWS

- In other news, staying with the CDFI Fund for a moment, two weeks ago the CDFI Fund published a notice of funds availability for the Native American CDFI Assistance and CDFI programs.
- These CDFI Fund awards help certified community development financial institutions build their financial capacity.
- Specifically, the awards help CDFIs lend to eligible and target markets.
- This additional funding can be used to help close financing gaps for project developments.
 - Through the NACA program, the CDFI Fund awards up to \$1 million to certified CDFIs serving native communities.
 - NACA is the North American CDFI Assistance program.
 - The more general CDFI program also awards up to \$1 million to certified CDFIs to be used to serve their markets and for a variety of grants.
 - The NACA program is estimated to award \$40.5 million and the CDFI program will award an estimated \$184 million in fiscal year 2020.
 - The deadline to submit applications for funding is April 21.
 - I'll include links to the notices for funding availability in today's show notes.
 - For assistance with a NACA or CDFI program application, please reach out to a Novogradac partner near you.
 - You can start with Brent Parker as I mentioned earlier, or Bob Ibanez.
 - Or, as I noted, just call a Novogradac office near you and let them know that you need assistance.
- Now, let's move away from the CDFI Fund and move to HUD.
- Last Friday, HUD published a notice that updates administrative guidelines and requirements for subsidy layering reviews of project-based voucher properties.
 - Subsidy layering reviews are used by HUD to ensure that funding assistance is not more than what is necessary to make a project financially feasible.
 - These updated guidelines relate to:
 - new PBV housing assistance payment contract term provisions, and
 - subsidy layering review requirements for mixed finance projects.
 - If you need assistance with a project subsidy layering review please reach out to Novogradac.
 - One person to start with, is Susan Wilson in our Austin, Texas, office.
 - I'll include a link to the notice in today's show notes and tweet it out as well.

Related Resources

Notes from Novogradac

Notes from Novogradac Blog Series on How Community Tax Incentives Have Benefitted Primary States

- [South Carolina](#)
- [Nevada](#)
- [New Hampshire](#)
- [Iowa](#)

Capital Magnet Fund Awards

[FY 2019 Capital Magnet Fund Award Book](#)

[Email Bob Ibanez](#)

[Email Brent Parker](#)

[Notes from Novogradac blog post](#)

Notice of Funds Availability for CDFI Program, NACA Program

[Native American CDFI Assistance NOFA](#)

[CDFI Program NOFA](#)

HUD Subsidy Layering Guidance for PBV Properties

[HUD Administrative Guidelines: Subsidy Layering Review for Project-Based Vouchers](#)

Novogradac 2020 Affordable Housing Conference

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