



May 5, 2009

Deputy Director of Policy and Programs  
CDFI Fund  
U.S. Department of the treasury  
601 13<sup>th</sup> Street NW  
Washington, DC 20005

Dear Deputy Director

The National Low Income Housing Coalition is submitting these comments on the Capital Magnet Fund in response to the request for comments published in the Federal Register March 6, 2009 by the Community Development Financial Institutions Fund (CDFIF).

The National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes.

The March 6 notice seeks information and suggestions as to how the CDFIF should implement the Capital Magnet Fund (CMF). The CMF was created in the Housing and Economic Recovery Act (HERA) in conjunction with the National Housing Trust Fund (NHTF). The NHTF is designed primarily to develop, rehabilitate and preserve rental housing to those with the lowest incomes. These comments below reflect a desire to have the CMF and the NHTF work in tandem to meet the needs of very low and extremely low income families.

The purpose of the CMF is to provide competitive grants to attract private capital for and increase investment in “(1) the development, preservation, rehabilitation, or purchase of affordable housing for primarily extremely low-, very low-, and low-income families; and (2) economic development activities or community service facilities, such as day care centers, workforce development centers, and health care clinics, which in conjunction with affordable housing activities implement a concerted strategy to stabilize or revitalize a low-income area or underserved rural area.”

### **Affordability**

The notice seeks guidance as to the definition of “affordable housing” including guidance as to the “affordability thresholds or restrictions” that should be required and the duration of any such requirements. In addition the notice seeks guidance as to the meaning of “primarily.”

The need for housing for those with the lowest incomes is well documented. Nationwide, 9 million extremely low income renter households compete for only 6.2 million rental homes they can afford. Hundreds of thousands of people are on waiting lists for rental assistance, with only one out of four persons eligible for such assistance actually receiving the assistance.

Given this tremendous need, CMF resources should be targeted to meet the greatest need: housing for person with extremely low incomes. NLIHC recommends that 90% of CMF funds be targeted for housing and 75% of those funds be targeted to those with incomes at or below 30% of area median income (AMI). The remaining 25% should be targeted to those at or below 50% of AMI. Of the 10% that is not targeted to housing, and thus can be used for economic development activities or community service facilities, all these funds should be used for those at or below 50% of AMI.

Protecting the investment of federally-designated resources is essential. Even if federally appropriated funds are not used, the CDFIF should ensure that any funds designated by Congress remain available for their original purpose as long as possible. We recommend that the period of affordability be a minimum of 50 years, with a preference for projects that commit to even longer terms of affordability.

Affordability also applies to the rents that are paid by those who are served in the homes that are created. Rents should be set so that they do not exceed 30% of the income of people who live in the homes produced by these funds.

### **Economic Development Activities or Community Service Facilities**

Capital Magnet Fund grants may be used to finance economic development activities and/or community service facilities “in conjunction with affordable housing activities.” The notice seeks guidance on the whether these activities must be developed in conjunction only with CMF funded projects or can they be related to other types of housing such as Low Income Housing Tax Credit Projects, HOPE VI projects or private housing. The notice also asks for guidance on how to define “in conjunction with” and “concerted strategy.”

Expanding the economic development activities to include other federally funded housing seems reasonable so long as targeting and other requirements are met, but in all cases these economic development activities or community service facilities should be on the premises of or adjoining the affordable housing which they support. Having these community development activities close to the housing they support will help ensure that the targeting requirements are met and that the residents of the affordable housing projects have access to the services they need.

In defining “concerted strategy” the CDFIF should recognize the requirement in federal housing programs for communities to develop a Consolidated Plan (ConPlan) that assesses local housing needs and sets forth a 5-year strategic plan for addressing those needs. In addition, each year jurisdictions must develop a an Action Plan which indicates how federal housing resources, HOME, Housing for Persons with AIDS, Community Development Block Grant and Emergency Shelter Grant funding, will be used to meet the goals and plans set forth in the jurisdiction’s ConPlan. In determining whether a proposed activity is a part of a concerted strategy to stabilize or revitalize a low-income area or underserved rural area, the CDFIF should look to this planning process and require that any expenditure of CMF in an area de consistent with and provided for in the ConPlan for the jurisdiction where the investment is to be made.

Section 1339(e) of the Act states that Capital Magnet Fund grants may only be made to a nonprofit organization having as one of its principal purposes the development or management of affordable housing. The notice seeks guidance as to how to determine if a nonprofit meets such criteria.

To meet this criteria, the CMF should look to the provisions of the NHTF which require that eligible grantees have demonstrated experience and capacity in developing and managing affordable housing, the ability and financial capacity to undertake, comply, and manage the housing and demonstrated familiarity with the requirements of any other Federal, State, or local housing program that will be used in conjunction with CMF grant amounts. The non-profit could also be required to have as one of the purposes in its by-laws the development or management of affordable housing.

### **Geographic Diversity**

Section 1339(h)(2)(A) of HERA states: “The Secretary of the Treasury shall seek to fund activities in geographically diverse areas of economic distress, including metropolitan and undeserved rural areas in every State.” HERA provides that the objective criteria of economic distress may include: (1) the percentage of low-income families or the extent of poverty; (2) the rate of unemployment or underemployment; (3) the extent of blight and disinvestment; (4) projects that target extremely low-, very low-, and low-income families in or outside a designated economic distress area; or (5) any other criteria designated by the Secretary of the Treasury.

The notice seeks guidance as to how to interpret and apply this requirement, including how to define rural areas.

CMF resources should be distributed in a manner that ensures that they will reach areas with the most pressing housing needs. The NHTF formula is designed to ensure that Trust Fund resources are targeted to such areas. While the NHTF does not allocate funds to local jurisdictions, prioritizing the use of CMF funds consistent with the criteria of the NHTF formula and each state’s NHTF allocation plan will ensure that CMF resources are directed to areas of greatest need and that CMF funds will to the maximum extent possible be used in coordination with NHTF resources.

The need for housing in rural areas targeted to those with the lowest incomes is substantial. The distribution of CMF funds should recognize the needs of rural as well as urban areas and the needs of Native Americans on reservation lands. NLIHC recommends that CDFIF allocate CMF dollars based on relative need in rural and urban areas. However, “geographic diversity” is not a reason to require that every state receive CMF funds.

### **Documentation Requirements**

NLIHC, like the CDFIF, wants to ensure that that the data and information necessary to track CMF grant funds are collected and available to the public. To that end, we propose the attached data collection requirements.



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NLIHC appreciates the opportunity to provide these comments.

Yours truly,

A handwritten signature in black ink that reads "Sheila Crowley". The signature is written in a cursive, flowing style.

Sheila Crowley  
President  
National Low Income Housing Coalition

## Data Collection Requirements

1. Project-level data collected from the owner/developer by the state agency
  - a. Unique CMF ID
  - b. Name
  - c. Address
  - d. Owner name
  - e. Owner contact info
  - f. Minority status of owner/developer
  - g. Type of owner (nonprofit, for-profit, etc.)
  - h. Is there an approved affirmative marketing plan for the property? (yes/no)
  - i. Manager name
  - j. Manager contact info
  - k. Type of structure (high-rise, townhomes, etc.)
  - l. Year built
  - m. Occupancy rate of assisted units
  - n. Length of waiting list for assisted units, where applicable and available
  - o. Start and end dates of the CMF affordability period
  - p. Income targeting of assisted units ( $\leq 30\%$  AMI,  $\leq 50\%$  AMI)
  - q. Target population (family, elderly)
  - r. Number of total units by size (studio, 1-bedroom, etc.)
  - s. Number of assisted units by size
  - t. Monthly rent for assisted units by size
  - u. Number of assisted units accessible to disabled individuals
  - v. Fields indicating the presence/absence of other project-based subsidies
  
2. Project-level data supplemented by HUD
  - a. ID consistent with HUD datasets (where applicable)
  - b. Latitude/longitude
  - c. Physical inspection (REAC) scores
  - d. Any notice of intent filed by the owner to prepay/opt-out of/terminate any subsidy associated with the property
  - e. Fields indicating the presence/absence of other project-based subsidies
  
3. Summary characteristics of tenants



- a. Race/ethnicity of tenants (as detailed as possible)
- b. Race/ethnicity of applicants/households on the waiting list (as detailed as possible)
- c. Family composition
- d. Age
- e. Household income
- f. Other forms of rental assistance
- g. Disability status