SAN • LUIS • OBISPO • COUNTY
HOUSING TRUST FUND
"HOUSING FOR ALL"

May 5, 2010

Delivered via e-mail to cdfihelp@cdfi.treas.gov, original will not follow
Deputy Director of Policy and Programs
CDFI Fund
U.S. Department of the Treasury
601 13th Street, NW
Suite 200 South
Washington, DC 20005

Re: Comments regarding Capital Magnet Fund (CMF) Proposed Rules

Dear CDFI Fund representatives:

As the director of a small CDFI, I would like to make some comments on the proposed rules for the Capital Magnet Fund. I am limiting my comments to the issues that I believe are the most important. Overall, I think that the program should retain the greatest possible flexibility to allow grantees to use the funds to meet diverse local needs.

What objective criteria of economic distress should the CDFI Fund adopt?

Income alone is not an indicator of economic distress. For example, a family of four in San Francisco that earns $90,500 per year is considered "low income" by HUD. San Francisco's extremely high housing costs are why families that earn $90,500 per year are considered low income and have economic distress.

Because of the relationship between incomes and housing costs, I encourage the CDFI Fund to include the "housing stress"[1] definition use by the Economic Research Service of the USDA[2] as one of its criteria of economic distress. This definition is already used in the CMF definition of "underserved rural areas." It should be used for urban areas, as well.

Under the current rule, San Luis Obispo County is not an area of economic distress even though more than 36% of our low income households pay over 50% of their gross incomes for housing. HUD considers these households to have a "severe housing cost burden."

[1] Housing Stress Counties are those in which 30 percent or more of households have one or more of the following housing conditions: lack complete plumbing, lack complete kitchen, pay 30 percent or more of income for housing, or have more than 1 person per room.
[2] A map of both urban and rural counties with housing stress is available on the USDA Economic Research Service website at: www.ers.usda.gov/briefing/Rurality/Typology/maps/Housing.htm.

How should the CDFI Fund define ''rural areas?''

I encourage the CDFI Fund to define rural areas as areas that are eligible for USDA housing programs. Defining only non-metropolitan areas as rural areas excludes many undeserved rural areas from consideration, which I believe is in direct conflict with the enabling legislation. This is especially true in the western United States, where counties – the basis for most metropolitan areas – tend to be very large.[3] It baffles me that anyone would think that any part of the Grand Canyon, Death Valley, Chaco Canyon or the Navajo Indian Reservation are urban areas simply because they are in metropolitan counties.

Incidentally, Chaco may have been the most urbanized area in the United States 1000 years ago, but things have changed considerably since then.

The Act requires that ''funds be fairly distributed to urban, suburban, and rural areas.'' How can the CDFI Fund best achieve this outcome?

I encourage the CDFI Fund to divide CMF funding into two pools similar to the Core and SECA designations for the CDFI Program to help achieve this goal. One category would be for larger national or multistate organizations and the other for smaller state, local or niche organizations. While a national CDFI theoretically serves all areas of the nation, they really don't. They tend to have areas of concentration and typically cannot serve smaller and more remote markets. This is why I think that some CMF funding should be set-aside for smaller CDFIs that serve these markets.

I also encourage the CDFI Fund to allow applications from consortiums in the future. Through a consortium, two or more smaller CDFIs can collaborate to serve a number of adjacent or related markets more effectively. In addition, a larger CDFI can work with a number of smaller groups through a consortium to have greater diversity and penetration within their service area.

In addition, I think the CDFI fund should consider reducing the maximum award. I believe that allowing one organization to receive 15% of the CMF funds makes it difficult to fairly distribute the funds to urban, suburban, and rural areas throughout the nation.

What definition should the CDFI Fund use to assess what constitutes ''affordable housing?''

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[3] For example, San Bernardino County, California is larger in land area than Maryland, New Jersey, Delaware and the District of Columbia combined. Coconino County, Arizona is only 3% smaller than these three states plus DC. San Bernardino and Coconino are both metropolitan areas, but they have vast areas where the population density is less than one person per square mile. Coconino County, which includes part of the Navajo Reservation, has an overall population density of only 6.2 persons per square mile. Alaska has boroughs rather than counties. The Matanuska-Susitna Borough, Alaska, which is part of the Anchorage Metropolitan Statistical Area, is larger in area than West Virginia, yet has fewer than 60,000 people. Matanuska-Susitna Borough has a population density of only 2.3 persons per square mile but is considered urban for purposes of the CMF. For comparison, West Virginia has 55 counties, most of which are non-metropolitan, and an overall population density of 76 persons per square mile.

I encourage the CDFI Fund to be flexible and accept any and all of the definitions for affordable housing that are used by HUD, USDA and IRS plus the various state housing programs.

How should ‘‘preservation’’ be defined? Should it include the refinancing of single- or multi-family mortgages as eligible activities?

Preservation should be defined as broadly as possible, including refinancing of single-family homes and multifamily projects. I have reservations, however, about refinancing single-family mortgages with CMF funds. This is primarily because it will be difficult for this activity to meet the 10:1 leverage requirement.

How should this 10:1 standard be measured (e.g., on a project-by-project basis for each project funded, or on a collective basis for all projects financed)?

Leveraging should be measured at the program rather than project level. It will be difficult for some worthy projects to meet the 10:1 standard. This can be offset by projects that have higher leveraging.

What restrictions (if any) should the CDFI Fund place on the percentage of award dollars that an awardee may apply towards economic development activities and/or community service facilities?

Rather than place a restriction on these activities, I encourage the CDFI Fund to use the percentage of CMF funds that an applicant will use for economic development activities and/or community service facilities as a competitive rating factor for awarding CMF funds. Applicants who will use no CMF funds for this purpose will get the highest ranking on this criteria and those that will use, say 30% of the CMF funds for this purpose, will receive the lowest ranking.

Sincerely,

Gerald L. Rioux
Executive Director