



May 5, 2009

Matthew Josephs
Deputy Director of Policy and Programs
CDFI Fund
U.S. Department of the Treasury
601 13th Street, NW, Suite 200 South
Washington, DC 20005

Dear Mr. Josephs:

On behalf of Enterprise, I appreciate the opportunity to respond to the CDFI Fund's Request for Comments published in the *Federal Register* on March 6, 2009 regarding the Capital Magnet Fund Program.

Enterprise is a leading provider of capital and expertise to develop affordable housing. To date, Enterprise has helped build more than 260,000 affordable homes and invested more than \$10 billion in communities across the country. Our success reflects a unique structure that blends social mission with financial innovation.

Enterprise's subsidiary, Enterprise Community Loan Fund, offers flexible and innovative loan products to finance affordable housing. These products include unsecured early predevelopment and property acquisition loans. The Enterprise Community Loan Fund is one of the largest nonprofit loan funds in the country and is a U.S. Treasury Department-certified Community Development Financial Institution. Since its inception, the Enterprise Community Loan Fund has loaned over \$820 million in low-income communities to help build or renovate 96,000 homes.

Enterprise has worked closely with the Opportunity Finance Network (OFN) and other CDFIs that belong to the Capital Magnet Fund Working Group. We have endorsed their comment letter and encourage you to follow their guidance on the extensive list of questions posed by the CDFI Fund regarding the implementation of the Capital Magnet Fund Program. These organizations worked closely with Congress to create the Capital Magnet Fund, and their collective experience with lending in low-income communities should be very helpful to the CDFI Fund as the final regulations are drafted.

In general, we strongly urge the CDFI Fund to use definitions and criteria from existing programs and regulations, such as its own CDFI Program (financial assistance and technical assistance), when possible. **The core concept underlying the Capital Magnet Fund Program is to provide capital at the institutional level rather than directly into real estate projects. This successful approach allows federal grants to be deployed more effectively and flexibly to leverage private capital and to achieve larger-scale impact.**

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The purpose of the Capital Magnet Fund Program is to use federal funding to leverage private and other public funding sources for affordable housing and economic activities in support of affordable housing. This increases the power of the original investment to expand much-needed affordable housing development and concerted community revitalization. The Capital Magnet Fund Program capitalizes on what CDFIs and nonprofit affordable housing developers do best -- leverage a small federal investment with other funding. This is essential to the success of the Capital Magnet Fund Program. Again, we stress that the concept for the Capital Magnet Fund Program was based on the CDFI Program and regulations should closely follow the guidance of this program whenever possible.

Enterprise's long experience with affordable housing as part of neighborhood revitalization plans and our track record of leveraging public resources with private investment capital cause us to emphasize certain points that were also included in the Capital Magnet Fund Working Group letter.

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

The CDFI Fund should support what the law clearly states, "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." There is nothing in the statute to support a restriction of such activities and certainly nothing that allows an arbitrary percentage of the total award.

The law makes it clear that economic development activities and community service facilities must be linked to affordable housing through a concerted community revitalization strategy. To ensure this linkage, the CDFI Fund could require that a grantee has previously supported or is simultaneously supporting affordable housing activities in a given community under such concerted strategy if it is to support Capital Magnet Fund assisted economic development or community services facilities. It was the intent of Congress that non-residential developments complement or support affordable housing, recognizing that low-income families and communities have needs in addition to housing. Because of this, the Capital Magnet Fund statute authorizes the use of funding to go to concerted community revitalization activities that support/complement affordable housing.

Should the CDFI Fund support economic development activities/community service facilities in conjunction with affordable housing activities financed by sources other than Capital Magnet Fund grants or solely in conjunction with Capital Magnet Fund grants?

Again, any economic development/community service facilities must complement and support affordable housing under a concerted community revitalization strategy. In the many cases where other resources are available for affordable housing, it would be inefficient and burdensome to require that Capital Magnet Fund grants specifically support the housing. As a practical matter, we believe that the majority of total Capital Magnet Fund grant dollars will in fact support affordable housing because of resource availability, marketability, and grantee capacity. However, the Capital Magnet Fund should support activities/community service facilities in conjunction with affordable housing activities financed by other sources if such other funding is available.

How should the CDFI Fund define "in conjunction with?"

As it relates to community development activities or community service facilities, *in conjunction with* means that the activity should be proximate and reasonably available (but not restricted) to the residents in the affordable housing. For example, a childcare center or family health clinic near family-oriented housing and designed to be affordable to the residents would be appropriate, but use of the childcare center or health clinic should not be restricted to residents of the housing. Proximity would depend on context. For example, in an urban neighborhood, the housing should be located within the primary market area for a retail business (e.g., supermarket) or service facility, and location in the same or a contiguous census tract could be a safe harbor. However, more flexibility may be appropriate in a low-density rural context.

How should the CDFI Fund define "concerted strategy?"

A concerted strategy to stabilize or revitalize a low-income area or underserved rural area should: Be a written plan adopted by either a state or local governmental agency or a nonprofit community based organization with significant input from community residents and stakeholders. Describe community conditions, strengths, weaknesses, and needs including the needs of low-income residents. Establish focused and coherent strategies to address priority needs, including at minimum, affordable housing and either economic development or community services. Identify at least some specific project/program opportunities to implement such strategies.

What documentation should be required to demonstrate a leveraging ratio of 10:1 of "total aggregate costs?" How should this 10:1 standard be measured?

Leverage should be measured in aggregate across a program assisted by the award. Documentation should include total project cost (acquisition plus development) of all projects leveraged by the award divided by the award amount. The documentation of the total project costs should be certified by the chief executive officer of the CDFI or nonprofit affordable housing developer receiving the award. Again, the CDFI Fund should follow current regulations for the CDFI Program that clearly advises that the program is *not* project based, "Under the Community

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Development Financial Institutions Program, the Fund will provide financial and technical assistance to Applicants selected by the Fund in order to enhance their ability to make loans and investments and provide services.” While project data will be necessary to calculate aggregate leverage, no minimum leverage requirement should be set for a given project. “Grants are awarded based on merit and documentation should be part of the Assistance Agreement which will require it to achieve performance goals negotiated between the Fund and the Awardee and abide by other terms and conditions pertinent to any assistance received.”

In most cases, it will not be possible or practical to know all the sources of leverage at the time applications are submitted. In many cases, a grantee will make financing products available after receiving awards, and these financing products will provide only a portion of the total financing for projects. The specific projects (and other financing sources) will be determined only after that point. Accordingly, the CDFI Fund should consider:

- 1) The track record of applicants in financing activities that have attracted financing from other sources;
- 2) The financing products the applicant proposes to offer;
- 3) The types of projects it expects to support;
- 4) The likely sources (or types of sources) of other financing; and
- 5) Any pipeline of identified potential projects.

The Capital Magnet Fund Program, which provides enough flexible funding to support a wide variety of housing and community revitalization options and encourages significant leveraging of federal dollars, is likely to be one of the best tools available to help low-income people and neighborhoods survive our current economic crisis. We encourage you to finalize regulations for this program as soon as possible.

Thank you for the opportunity to comment. Please do not hesitate to contact Kristin Siglin at (202) 649-0389 or ksiglin@enterprisecommunity.org if you have questions or need additional clarification.

Sincerely,



Lori Chatman
President
Enterprise Community Loan Fund