



February 27, 2021

Daniel Aiello
CMF Program Manager
CDFI Fund
US Department of Treasury
1500 Pennsylvania Ave, NW
Washington DC, 20220

Re: Notice of Information Collection and Request for Public Comment

Dear Mr. Aiello:

I am writing in response to the request for public comment posted on December 30, 2020 regarding the Capital Magnet Fund.

I write on behalf of the Massachusetts Association of Community Development Corporations. MACDC is an association of mission-driven community-based organizations dedicated to working together and with others to create opportunities for people of diverse incomes and backgrounds to access housing that is affordable, benefit from economic opportunities, and fully participate in the civic life of their communities. We represent all 63 state-certified Community Development Corporations in Massachusetts as well as 34 other non-profit organizations involved in affordable housing and economic development. Our members serve urban, rural, and suburban communities.

CDCs have been at the core of the Commonwealth's affordable housing eco-system since the mid-1970s when the Legislature enacted legislation codifying CDCs into state law and establishing a set of programs to support their activities (including the Community Development Finance Corporation, arguably the first CDFI-like entity created in the United States). In 2010, the Massachusetts legislature reaffirmed its commitment to CDCs when it modernized our enabling statute and established a certification program modeled in large measure after the National CDFI program administered by the Department of Treasury. The program seeks to ensure that CDCs are genuinely rooted in the community they serve, have a focus on serving lower income people and places, and have a primary mission of community development. [You can learn more about the CDC certification program on the state's website.](#)

State certified CDCs in Massachusetts have developed over 20,000 homes over the past several decades and currently own and manage about 18,000 apartments. CDCs produce about 25% of the affordable housing annually in the Commonwealth and about 50% of all the non-profit development affordable housing. MACDC collects extensive data on the work of our members through our annual GOALS survey – [Growing Opportunities, Assets and Leaders \(GOALS\)](#).

CDCs are not only effective at developing, owning, and stewarding affordable housing, but as community-based organizations they recycle their earnings to advance other community goals. The Commonwealth recognizes the value of such community-based leadership and ownership by awarding extra points to CDC applications in the state's Qualified Allocation Plan.

Yet despite the central role that CDCs have played in the Commonwealth's affordable housing sector for decades, not a single CDC has ever received funding from the Capital Magnet Fund. The Fund has awarded \$75,500,000 to Massachusetts-based organizations – but zero CDCs, zero affiliates of NeighborWorks America and zero organizations headquartered outside the city of Boston. Those that have applied were rejected but most have concluded that the application is too long and too costly to justify an application, especially when the odds of securing an award are so low. The program seems to clearly be designed for larger statewide and/or multi-state entities. The fact that the application allows entities to self-identify as statewide or multi-state entities but does not provide the option for “community-based organizations” speaks volumes about the intended beneficiaries of this program.

MACDC is not opposed to funding larger organizations. However, we are opposed to only funding larger organizations and ignoring a critical part of our affordable housing eco-system. By tilting the scales away from smaller, community-based groups – many of which are led by people of color and reach hard to serve communities in our rural towns and Gateway Cities – the Treasury Department is undermining key public policy goals related to community control, resident leadership, and comprehensive community development. The fact that smaller, community based CDFIs have successfully secured grants from other programs administered by the CDFI Fund makes the track record of the Capital Magnet Fund even more concerning.

MACDC urges the Treasury Department to reform its application procedures and guidelines to ensure that at least 50% of the funds go to community-based organizations, with perhaps additional targeting for organizations led by Black, Indigenous and other people of color communities. This could be done through various changes, but two options strike us as most plausible.

One option would be to create a “small organization” set-aside with a shorter, simpler application. Such a set-aside could be for organizations with less than (say) 2,000 units or CDFIs with an asset level below a certain level. A simplified application should not require 120 hours to complete, as the current one does, nor should it be necessary to hire an expensive consultant. The CDFI Fund should seek to develop an application that would take 40 hours or less to complete.

A second option would be to invite intermediaries to apply and allow them to distribute funds to local groups. Here in Massachusetts, we have several quasi-public agencies or private intermediaries that could effectively play this role, and of course, there are national intermediaries that could do this. Under this scenario, the program should require that at least 50% of the funds invested remain under the long-term control by the community-based organization, either by leaving the funds in a project and/or by ensuring that funds repaid or profits realized as a result of the investment are shared at least 50%.

It is common for the Federal Government to establish special programs for small entities – we have seen it in the Paycheck Protection Program and the Community Reinvestment Act regulations. It is simply unfair to ask a neighborhood-based CDC to compete with a multi-state development organization or to complete a 77-page application that takes 120 hours to complete, as estimated by the CDFI Fund itself.

The request for comment also asks whether the CDFI Fund should add so called “high opportunity” areas to the program. We urge the Department to avoid the use of this term, which is often inaccurate, confusing and reinforces negative stereotypes about certain people and places. We

believe the country needs affordable housing in every single community – urban, rural and suburban. We believe the key is to serve families and households who need assistance and to combine housing interventions with a range of other services and programs that enable affordable housing to serve as a platform for people to pursue their life goals and dreams. One of the reasons we are so passionate about community-based organizations is that they can tailor their approach to the specific needs and opportunities in a particular place. When done well, affordable housing can trigger multiplier impacts that benefit both the tenants and their neighbors and the CDFI Fund should be looking at these outcomes rather labelling some places as effectively “good places” and other places as effectively “bad places”.

Thank you for the opportunity to share our views on this program.

Sincerely,

A handwritten signature in black ink, appearing to read 'JKL' with a stylized flourish at the end.

Joseph Kriesberg
President & CEO