

CAPITAL MAGNET FUND



Oakland Terrace, Jacksonville, Florida

The Capital Magnet Fund (CMF) provides flexible funds to attract private capital investment into affordable housing properties. Since 2008, the number of homes that are affordable to renters with incomes at or below 30 percent of area median income decreased by more than 1 million units, and a recent National Low Income Housing Coalition (NLIHC) report revealed that there is currently a national shortage of 7 million housing units affordable and available to extremely low-income renters. Lack of affordable housing is one of the biggest problems facing the United States today, and the CMF, by leveraging private sector capital, can help lessen this problem.

What is the Capital Magnet Fund?

- The CMF provides a source of funding for Community Development Financial Institutions (CDFIs) and nonprofit housing developers to finance affordable housing and related economic development activities. It is administered by the Community Development Financial Institutions Fund (CDFI Fund) of the Department of the Treasury.
- The CMF was authorized by Congress through the Housing and Economic Recovery Act of 2008 (HERA), and is funded with a small, annual assessment placed upon Fannie Mae and Freddie Mac.
- How the CMF works:
 - Through the CMF, the CDFI Fund provides grants to certified CDFIs and nonprofit organizations to support the financing of affordable housing and, in some instances, related economic development activities.
 - CMF awardees may use their award to (1) provide loan loss reserves; (2) capitalize a revolving loan fund; (3) capitalize an affordable housing fund; (4) capitalize a fund to support economic development activities or community service facilities; (5) provide risk-sharing loans; (6) provide loan guarantees; or, (7) support operations pertaining to the administration of the CMF award (no more than five percent of an award may be used for operations).
 - An organization must leverage its CMF award with other sources of capital; the **leveraged amount must be at least 10 times the amount of the award.**
 - The CMF funds must be committed for use within two years after the allocation of the award, and all projects must be completed within five years.

What are the outcomes?

- The CMF has awarded **\$434 million** through four funding rounds. The 2018 funding round was the largest yet with \$142 million awarded.
- CMF awardee **projects span 48 states, the District of Columbia, and Puerto Rico.** In every award round, more than twenty percent of recipients are investing the majority of their funds in rural areas.
- CMF awardees successfully leverage minimal federal support to fund transformative projects. Organizations have generated a total of **\$13.5 billion in outside capital** from the

What are the outcomes?

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first three rounds of CMF funding. **For every CMF dollar awarded, \$31 in outside capital has been invested, well above the \$10 required.**

- Projects support urgently needed housing. CMF awards are supporting the creation of **over 77,000 affordable homes** – over 67,000 rental units and over 9,000 single-family homes. 93 percent of the homes are

affordable for low-income families, and over half of rentals are affordable to very low-income and extremely low-income families.

- CMF projects create jobs in communities where they are most needed. Projects financed and placed into service through awards in the first two funding rounds have created nearly **33,000 jobs**.

What has been LISC's involvement?

- LISC has received three CMF awards totaling **\$17.3 million** focused on supporting affordable rental housing development.
- LISC's CMF awards have:
 - Supported **26 projects**
 - Created/preserved **1,952 units** of affordable housing, 60 percent serving ELI (30 percent AMI) and VLI (50 percent AMI) households
 - Created **657 construction jobs**
 - Produced **221,817 square feet** of commercial, retail and educational space
 - Leveraged **\$618.8 million** of total project costs for a total leverage ratio of **36:1**; of which, **70 percent** funded through private dollars
- Examples of LISC's CMF work include:
 - LISC provided CMF dollars to Ability Housing of Northeast Florida, Inc in Jacksonville, Florida, to finance the rehabilitation of **Oakland Terrace**, an affordable housing development for low-income and very low-income individuals and families. With the help of LISC's **\$990,000 CMF investment**, Ability replaced all its mechanical systems, kitchens, bathrooms, flooring, windows and doors, repaired its roofs, and provided several green improvements, in addition to



improving its community center and opening a playground accessible to children with disabilities.

- LISC provided a \$5.4 million predevelopment loan, which included **\$1.4 million of CMF dollars**, for **Ingraham Apartments**, the new construction of 120 units of permanent supportive housing developed by Single Room Occupancy Housing Corporation (SRO Housing). 60 units will be set aside for those experiencing chronic homelessness and affordable to households earning up to 30 percent AMI with 45 of those set aside for veterans. The **\$45.3 million** development is financed through Low Income Housing Tax Credits, City and County grants, and a private bank loan.

What can Congress do?

Support the Capital Magnet Fund. The funding stream for this program is provided through a very small, annual assessment on new business revenues generated by Fannie Mae and Freddie Mac. This funding source must be protected, and any subsequent reforms of the housing finance system should ensure a continued source of funding for this program.

LISC is a national non-profit housing and community development intermediary with offices in 35 different cities and a national rural network of 89 organizations.

For more information about the CMF, please contact Mark Kudlowitz at mkudlowitz@lisc.org.