Bridging the Financing Gap:

Good news For housing, Community Development

IN THIS ISSUE

Urban agriculture: A tomato plant grows in Brooklyn... p. 36

Boston rebuilds transit, installs bike-sharing... p. 42

Preview: Financing Sustainable Housing & CD Conference p. 26

San Diego Unveils first Sustainable Communities Strategy ............... p. 32
In the face of attacks on federal spending for domestic programs, a brutal recession, and tighter credit for almost all real estate lending, Community Development Financial Institutions (CDFIs) may be poised for a major step forward.

CDFIs are a key source of lending and investment for the kinds of projects that make communities more sustainable. Although they have had federal government support since 1994, they are getting an important boost this year.

Not only are direct federal appropriations still flowing without severe cuts, but CDFIs are about to receive a substantial infusion of federally guaranteed bond financing. The Small Business Jobs Act of 2010 included a provision which allows the Department of the Treasury to guarantee bonds issued for economic or community development. The law allows the department to guarantee up to $1 billion per year in taxable bond authority for 2011, 2012 and 2013, with bond terms of up to 30 years.

If Treasury can issue the implementing regulations fast enough, the 2011 authority for $1 billion in guarantees could be deployed to finance projects in roughly a year’s time. The financing would be available on a competitive basis, and the hope is the rules will provide maximum flexibility.

This bonding authority is in addition to the long-standing programs operated by the Treasury’s CDFI Program, which came through the recent fiscal year 2011 budget battle with a $227 million appropriation (For details, see box).

Leaders of the CDFI industry say the money will go a long way to help them achieve their mandate of providing capital for underserved communities and people.

“This bond program is transformational. We think it has tremendous potential and are eager to get it going,” said Mark Pinsky, president of Opportunity Finance Network, which has 183 CDFIs as members.

CDFIs emerged from the recession in better shape than many regular commercial banks, partly because they work primarily in low-income or distressed areas in their normal course of business. In other words, they were well suited to dealing with the kinds of challenging situations that caught other lenders unprepared.

“They were proactive and confronted problem loans,” said Pinsky. The CDFI’s experience in dealing with credit problems showed that problems in the housing mortgage business generally could have been managed and did not need to lead to massive foreclosures. Another lesson is that government policies encouraging lending to low-income households were not at fault for the mortgage meltdown. “There is an effort to con the American public into thinking lending to low income communities caused the crisis. That’s nonsense,” Pinsky said.

Some CDFIs are depository institutions, which raise capital from individual depositors. For example, 200 credit unions...
Bridge the Financing Gap

DON’T MISS THE ONLY CONFERENCE ON
“FINANCING SUSTAINABLE HOUSING & COMMUNITY DEVELOPMENT”

Learn how to find financing and make the numbers work for sustainable development and green building in challenging times.... And enjoy all that San Francisco and Union Square have to offer.

**September 19-20, 2011**
**Marriott San Francisco at Union Square**

Sustainable development is the new paradigm in more and more communities, but how do we get there in an era of financing shortages and government funding cuts? Find out at the ONLY conference on Financing Sustainable Housing & Community Development. The conference will reveal new strategies for cities and developers to work together to get deals done by tapping new funding sources and finding new ways to collaborate.

**Register NOW** to lock in Early Bird Savings.
Go to www.p4sc.org

Provide your email and postal address and we will send you the Conference Program detailing sessions & speakers as well as a **FREE** issue of Sustainable Communities magazine.

Name & Title: ____________________________
Organization: ___________________________
Street address, City, State, Zip code: ___________________________

Email address: ___________________________

**Return by fax to: 415 453-4200**
**Or mail to: PSC, 900 Fifth Ave., Suite 201 San Rafael, CA 94901**

Get practical ideas that will help you survive the current hardships and expert advice to help you prepare for what’s coming next with three subject tracks of moderated panel discussions with great speakers, lively interaction and plenty of time for discussion:

- Emerging opportunities for infill, mixed-use, and transit-oriented development
- New strategies for affordable housing development & asset management
- Cities & Sustainability: The new economics of land use, transportation & development

**PLUS, Financing Sustainability Workshops**

These are small interactive discussions with active sources of debt, equity and grants or soft money where you can find out about deals that are going forward NOW, and ask questions about your own transactions.

The San Francisco Conference on Financing Sustainable Housing & Community Development is hosted by The Partnership for Sustainable Communities, a nonprofit based in San Rafael, Calif.

**Gold Level Sponsor:**
Reznick Group is a top 20 national accounting, tax and business advisory firm with exceptional depth of knowledge in real estate and tax credit services. www.reznickgroup.com

**Silver Sponsors:**
Gateway Planning Group
On-Site Insight

Other sponsors:
Local Government Commission
Low-Income Investment Fund
Nonprofit Housing Association of Northern California
have been recognized as CDFIs, according to the National Federation of Community Development Credit Unions. Other CDFIs make loans using capital they obtain from larger financial institutions, including banks that have a Community Reinvestment Act mandate to invest in low-income areas but lack the expertise on their staff.

What CDFIs finance

CDFIs finance a wide range of business ventures and real estate projects that benefit underserved places and people. The most common areas of focus include job creation, economic development, affordable housing, charter schools and daycare facilities.

CDFIs are the entities that carry out the federal New Markets Tax Credit (NMTC) program, which is administered by the federal CDFI Fund.

By the Department of the Treasury’s definition, a CDFI does not have to be a nonprofit, and many of the organizations that undertake NMTC projects are subsidiaries of banks or real estate companies.

TREASURY SUPPORTS CDFIs

The CDFI Fund was created for the purpose of promoting economic revitalization and community development through investment in and assistance to community development financial institutions (CDFIs). The CDFI Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994, as a bipartisan initiative.

The CDFI Fund achieves its purpose by promoting access to capital and local economic growth in the following ways:

1. through its CDFI Program by directly investing in, supporting and training CDFIs that provide loans, investments, financial services and technical assistance to underserved populations and communities;
2. through its New Markets Tax Credit (NMTC) Program by providing an allocation of tax credits to community development entities (CDEs) which enable them to attract investment from the private-sector and reinvest these amounts in low-income communities;
3. through its Bank Enterprise Award (BEA) Program by providing an incentive to banks to invest in their communities and in other CDFIs;
4. and through its Native Initiatives, by taking action to provide financial assistance, technical assistance, and training to Native CDFIs and other Native entities proposing to become or create Native CDFIs.

Since its creation, the CDFI Fund has awarded $1.11 billion to community development organizations and financial institutions; it has awarded allocations of New Markets Tax Credits which will attract private-sector investments totaling $26 billion, including $1 billion of special allocation authority to be used for the recovery and redevelopment of the Gulf Opportunity Zone.

Defend Sustainability: Join PSC

With budget battles raging in Washington, D.C. and many state capitols, the community sustainability movement faces severe setbacks.

If you care about making communities sustainable, now’s the time to act. Take a moment now to become a member of Partnership for Sustainable Communities®. Go to www.p4sc.org and click on “become a member” in the green bar at top, or call 415-453-2100 x 302.

You pay just $79 for an entire year. You will be supporting a good cause, and you will receive these practical tools you can use immediately to advance your organization’s goals:

- Receive six issues per year of Sustainable Communities magazine, the only magazine focused on planning and community development with sustainability in mind.
- Get access to our unique, 24/7 online Land Use Research Library
- Free access to premium content on our web site
- A free listing in our membership directory and
- A 25% discount on The San Francisco Conference on Sustainable Housing and Community Development” slated for Sept. 19-20

However, a large subset of CDFIs are mission-driven, not-for-profit organizations. For example, San Francisco’s Low-Income Investment Fund (LIIF) describes itself as providing “the fundamental supports for low-income people to more fully participate in the American economy.” LIIF brings capital and technical expertise to distressed
communities. It says its programs “form a comprehensive approach to community development based on a vision for healthy communities – green, economically vibrant places, where people live, learn and grow to their full potential.”

The $600 million Community Development Financial Institution uses its balance sheet and unsecured capital it borrows from other institutions to provide capital, primarily debt financing.

Many years ago, LIIF was focused on affordable housing. It has been expanding its activities for the past ten years under the leadership of Nancy O. Andrews, President and CEO, to help finance all these things:

- Affordable Housing
- Child Care facilities
- Charter schools
- Retrofits to make buildings more energy efficient
- Fresh food outlets in underserved communities.
- Transit-Oriented Development

Operating on the East Coast (New York, Washington, DC, and Boston) as well as California now, LIIF believes all those things are crucial to improving the quality of life in low-income communities.

Andrews champions a holistic vision of human development, in which buildings and neighborhoods are a way to organize and structure the full array of services required to make a difference in the lives of people and families.

In other words, it's not enough to build affordable housing. People must also have, early child care services, high quality, high performing schools, fresh food and health services.

“If you have that more holistic approach, you think of the work we do at the physical community revitalization level as one part of a larger coordination of community and human development.”

Andrews acknowledged the difficulty of implementing holistic approaches but says it’s the responsible thing to do. “We are beginning to see a lot of research evidence that tells us we cannot think one-dimensionally. We have to be proactive and aggressive in working collaboratively across the silos.”

LIIF’s newest venture is the (San Francisco) Bay Area Transit-Oriented Affordable Housing (TOAH) Fund. Developers can now access financing for affordable housing and vital community services near public transit hubs through the $50 million fund.

While the members of the Opportunity Finance Network and LIIF have very clear social goals, other CDFIs have their roots in the financial services industry and try to serve low-income people and neighborhoods while still making a profit.

For example, Clearinghouse CDFI prides itself on being well capitalized and profitable while it makes loans that create jobs, provide affordable housing and foster economic growth in low-income and distressed communities.

According to the firm, “Community development lending must be profitable in order to be sustained. As with conventional lenders, we carefully evaluate each applicant’s ability to repay the loan. Unlike traditional lenders, we do not have predefined loan programs. We analyze each loan application individually. Every loan we make benefits the community in a measurable way.”

Based in Lake Forest, Calif., Clearinghouse says it recently became the first non-depository CDFI to be able to borrow from a Federal Home Loan Bank. It said the achievement would “open the doors” for other CDFIs throughout the country to benefit from this new and most valuable source of liquidity.

The firm is active in the New Markets Tax Credit program. It received a 2010 allocation of $35,000,000 to finance Mixed-use (housing, commercial, or retail) that will create new construction and permanent jobs in “critically underserved markets with significant poverty and unemployment levels throughout the State of California.”

The CDFI has made a practice of financing housing for very low-income individuals with developmental disabilities. For example, it recently funded $1.2 million to Hallmark Community Solutions (HCS) in Hayward, California for the development of a facility to be operated as a crisis living home for very low-income individuals with developmental disabilities. The innovative loan structure of this project exemplifies the unique funding capabilities of Clearinghouse CDFI, according to the organization. The project carries a 186% loan-to-value ratio, mitigated by a lease assurance from the local regional center. This unique financing structure facilitates community development that would otherwise be unfeasible with traditional lenders.