

November 15, 2017

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RE: Mission-Driven Community Development Financial Institutions

Dear Chairman Price:

Per the charge set forth for the Affordable Housing Workgroup and its current legislative mandate to prepare a report and establish recommendations for consideration of the 2018 State Legislature, we offer the following observations and recommendation:

We would like to encourage the Affordable Housing Workgroup to **examine ways to increase affordable housing production volume through closer cooperation and collaboration between State Government and private mission-driven capital from Community Development Financial Institutions (CDFIs).**

CDFIs are mission-driven financial institutions committed to ensuring access to capital for affordable housing and other community development projects as a means of creating opportunity and dignity for all people. CDFIs achieve this mission through both financial and social impact performance. As nonprofits, we do not seek to maximize profits. Instead, the role of CDFIs is to generally provide capital, in revolving lending structures that allow this capital to be recovered and repurposed indefinitely over time, maximizing its use and impact while expanding CDFI financing to greater numbers of community development projects.

Since the early 1990s, the role and financial strength of CDFIs has grown both nationally and within Florida. **We believe CDFIs could complement and expand existing streams of the State's capital and subsidy dedicated to the production of affordable housing in Florida, and that through closer collaboration, both the State and our organizations can more efficiently and effectively pursue and achieve shared goals.**

Specifically, we ask the Workgroup to recommend in its report that the State:

1. Explore new and better ways to maximize the use of State dollars and private, mission-driven CDFI capital to develop affordable housing:
 - in general

- in areas of highest need
 - for highest needs population groups
2. Convene federally-certified CDFIs working in Florida with established and substantial track records in affordable housing financing to:
- explore leveraging opportunities
 - identify barriers that hinder co-financing of housing projects
 - consider efficiencies in underwriting, technical assistance and portfolio management services
 - explore joint RFAs, or other strategies that may be effective and possible

Background

Since 1996, FCLF has been certified as a CDFI by the U.S. Department of Treasury. We currently hold \$65 million in assets and \$336 million in assets under management. We have deployed \$306 million in financing throughout Florida, in support of projects totaling nearly \$1 billion in total project costs. Over the past seven years, we have also secured \$271 million in New Markets Tax Credit (NMTC) Allocation.

FCLF was the first entity in Florida to secure CDFI-specific guarantee bond funding from the U.S. Department of Treasury. The \$30 million bond guarantee will allow us, for the first time, to offer fixed-rate long term financing for affordable housing. Our loans to projects range in size from \$75,000 to \$3 million out of our general loan pool, or from \$6 to \$20 million through our NMTC program.

To-date, FCLF has helped finance:

- over 4,600 units of affordable housing for multifamily rental, single family homeownership, and supportive housing
- 121 Community facilities
- 24 NMTC projects

When the Sadowski Act was passed in 1992, FCLF did not yet exist. Twenty-five years ago, CDFIs like FCLF were virtually non-existent and inconsequential in the financial landscape of affordable housing in Florida. Today, however, there are CDFIs with significant track records, assets, and commitments to affordable housing in Florida. This list includes two homegrown CDFIs dedicated exclusively to the State of Florida: FCLF and Neighborhood Lending Partners (NLP). Both are leaders in mission-driven finance and both are currently members of the Federal Home Loan Bank of Atlanta.

Different from FCLF, NLP functions as a bank consortium through loan participations in individual projects. NLP holds net assets of \$14 million, a \$200 million loan pool, and reports the creation over 15,000 units of housing. Like FCLF, NLP has also facilitated \$1 billion in investments into low-income communities.



Beyond these homegrown CDFIs, national CDFIs including LISC, Enterprise, Mercy Loan Fund, Corporation for Supportive Housing, Raza Development Fund, Self-Help and New Jersey Community Capital, are or have been active in Florida in years past.

Rationale

The success and impact of CDFIs as vehicles for driving capital into low-income communities in general and affordable housing more particularly over the past several decades has been significant. While no two CDFIs are exactly alike—each with its own market footprint and product offerings—all share the common thread of dedication to serving low-income persons. CDFIs' interests and skill sets also align as we work to aggregate, blend, and leverage private mission-driven investment capital from banks, religious denominations, foundations, and other public and private sources. Our capacity to blend capital with specific housing resources such as SHIP/SAIL, HOME, CDBG, NSP, and LIHTC also sets our industry apart and ahead of developers unfamiliar with public programs and local conditions.

Perhaps more importantly, CDFIs secure capital from sources unique and exclusive to our industry alone, including several administered through the Treasury's CDFI Fund (CDFI Program, Capital Magnet Fund, and CDFI Bond Guarantee Program) and through our long-standing relationships with the banking sector. As the only eligible recipients for these awards and investments, CDFIs are the sole mechanism to access this money for Florida's most vulnerable populations, and we have extensive experience in leveraging funding in this manner. These industry-specific sources of capital do not in any way reduce other forms of conventional funding streams for affordable housing. We believe that there may be more deliberate ways to combine CDFI capital and conventional streams to augment and complement one another to increase production numbers. Therefore, looking forward, we suggest CDFIs together with State Government consider shifting the current paradigm that combines CDFI capital with State and local housing programs only after need has been established, to one that is more proactive. One that would increase the flow of non-traditional, non-conventional CDFI capital into affordable housing production through strategies that utilize the unique nature and financial strength of CDFIs in **upfront alignment** with State interests and entities in order to achieve a higher level of affordable housing production to better serve needs and demand.

Moreover, it is imperative to recognize the CDFI industry's capacity to mobilize our mission-driven capital does make a difference for our lower income neighbors. Our work is efficient and effective, and more importantly adaptable and scalable. The CDFI industry finances new construction, preservation, acquisition, and rehab, and has supplied funding for projects of all sizes and shapes, including:

- 100-unit multifamily rental projects
- special needs supportive housing for veterans
- transitional and permanent housing for the homeless
- mixed-use, transit-oriented developments
- smaller, naturally affordable rental stock
- single family homes in land trusts or subdivisions



- Habitat for Humanity houses, and
- inner city infill

Our range of response is considerable, whether in the form of front-end, patient capital, gap financing, bridge loans, lines of credit, or the willingness to take higher risk positions in projects. As financial intermediaries, CDFIs have proven underwriting and loan servicing capabilities, lower default rates than traditional market competitors, less utilization of loan loss reserves, better knowledge of the communities we serve, and experience in lending and risk management of both for profit and nonprofit developers.

Conclusion

We respectfully recommend the Workgroup to encourage the State of Florida and Florida Housing to engage in a fuller dialogue with Florida's mission-driven CDFIs. Through this collaborative, we seek to identify new and innovative ways to infuse our mission-driven capital into your statewide objective to increase the overall production of affordable housing, alongside and in addition to traditional Sadowski Trust Fund revenues.

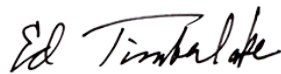
The need for affordable housing is great and deserves our dedicated, determined use of financial skill and resources toward our common cause.

We would like to thank the members of the Workgroup for their consideration, and the staff and leadership of Florida Housing for engaging in such an in-depth inquiry into our state's affordable housing needs and industry.

Sincerely,



Ignacio Esteban
Chief Executive Officer
Florida Community Loan Fund



Ed Timberlake
Board of Directors Chair
Florida Community Loan Fund

