

FILLING THE EQUITABLE TOD FINANCING GAP

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Citizens for Modern Transit

*Who Pays for It?— A Panel Discussion About
Financing Development Around Transit*

November 6, 2013



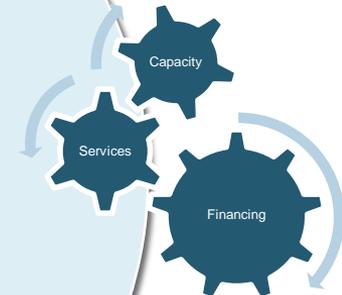
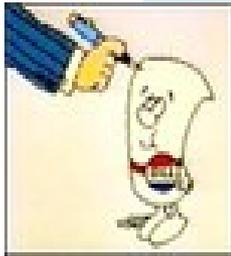
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THE ENTERPRISE MODEL

Connecting Capital

Harness investment capital to build healthy, sustainable communities.



Transforming Policy

Engage government to create and enhance policies that strengthen community development investment.

Innovating Solutions

Put ideas into action to create stronger, thriving communities.

• • • | What is equitable TOD?

Equitable TOD:

- Creates equal opportunities for people of all incomes, particularly low-income communities, by prioritizing affordable housing near transit;
- Provides transit-accessible services, such as schools, health clinics, childcare and grocery stores; and
- Enhances access for transit-dependent populations through connecting bicycle and pedestrian facilities.



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• • • | National White Paper

- Enterprise Community Partners (ECP) and the Low Income Investment Fund (LIIF), through their national TOD partnership, were asked by Living Cities to author a paper on TOD finance using capital absorption framework as a lens
- Objective: To review the equitable TOD finance system, identify gaps, and suggest innovative financial tools and potential federal, state and local policy solutions
- National focus and relevance with regional case studies: Atlanta, Denver, Minnesota-St. Paul, San Francisco Bay Area



A Model Equitable TOD Financing System Involves Coordination Among these Key Actors

- State/Local/Regional government
- Metropolitan Planning Organizations (MPOs)
- Transit agencies
- Philanthropy
- Business Community
- Community and Community Based Organizations
- Developers
- Financial Institutions
- National TA providers



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Implementation of an Equitable TOD System Must Include These Key Components

- Acquisition, predevelopment and remediation financing
- Infrastructure financing
- Debt/equity access during construction and permanent financing phases
- Philanthropic and public resources



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TOD financing systems need to be viewed holistically

- Greater need to look at the whole financing system, from predevelopment through permanent financing
- Focus too much on one stage of the development process
- Housing and business finance exist in silos
- Without a clear path to permanent financing, acquisition and development stall
- TOD Funds are not a panacea



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• • • | Project Level Challenges

- Scale, complexity and land assembly
- Mixing uses is difficult in practice
- Risk appetite does not meet developers needs
- Infrastructure and remediation sources are hard to find
- Reliance on unique gap funding difficult to replicate
- Sources of permanent financing are limited & competitive



Ways to improve equitable TOD financing at project and systems level

- Busting the housing and transportation financing silos
- Evolve local tools that work for multiple regions or national pools
- Test equity as an alternative to debt
- Evolve from grants to forgivable loans for remediation and infrastructure
- Expand tax increment financing to support all phases of equitable development



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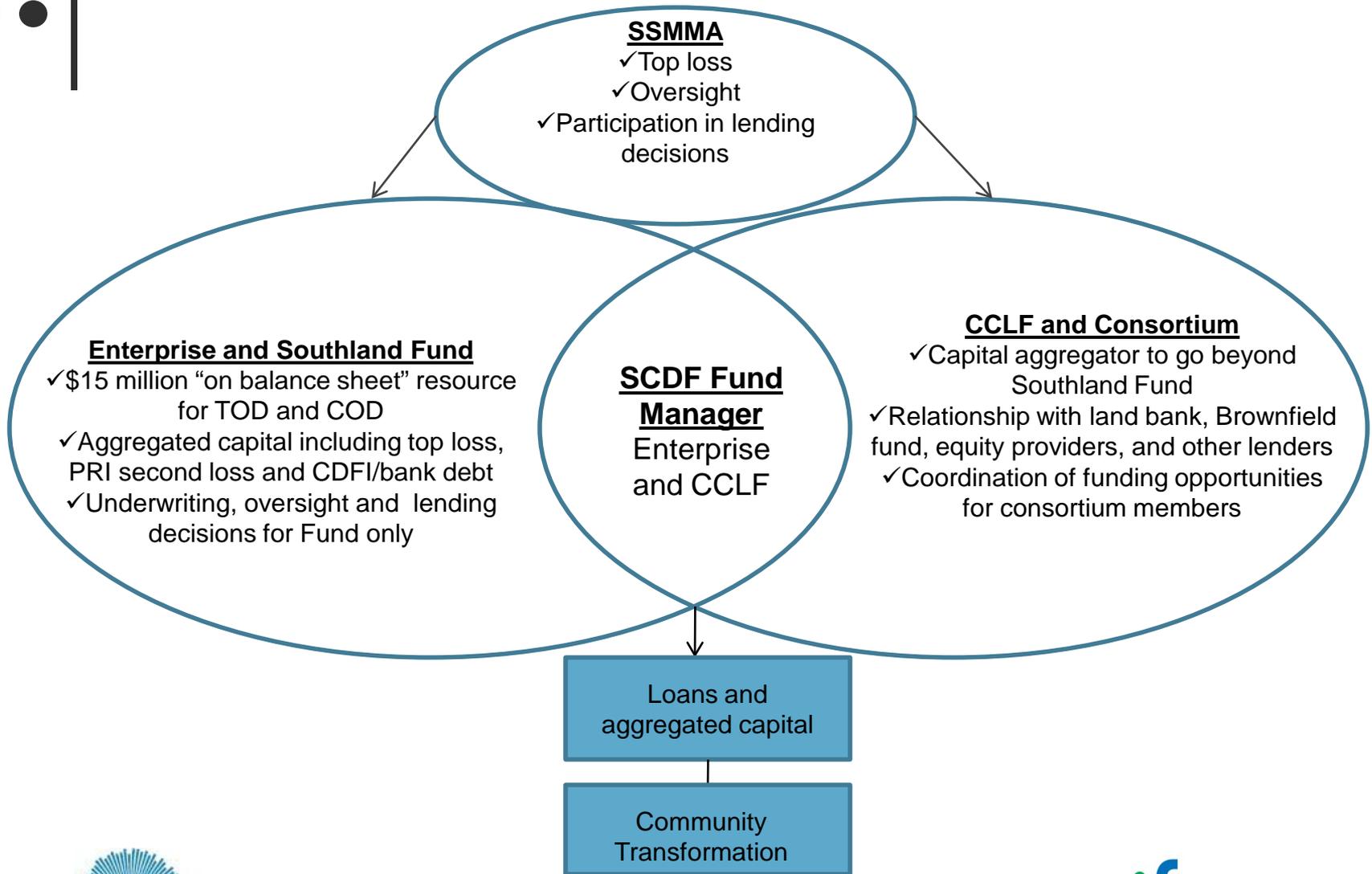


• • • | Recommendations

- Create a robust technical assistance and knowledge sharing platform.
- Advocate for greater federal, state, and local policies to encourage equitable TOD.
- Build on what we have learned – more equitable TOD demonstration programs across the country.



Southland Community Development Fund



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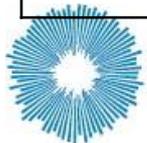
Enterprise



capital for healthy families & communities

Southland Fund Parameters

Eligible Borrowers	Established nonprofit and for-profit developers.
Project Types	Multifamily residential and/or mixed-use residential housing.
Transit Oriented Development	Projects must be located: ✓ Located within SSMMA member municipality ✓ Located within ½ mile of quality transit services (i.e. METRA) and major fixed-route bus transit.
Public and Private Support	Projects must be able to demonstrate: ✓ Local public support from municipality ✓ Significant public or private financing
Sustainable Communities Grant	All projects must support the goals of the SSMMA HUD Sustainable Communities Challenge grant and are subject to HUD requirements.



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Proposed Predevelopment Loan Terms

Eligible Uses of Loan Proceeds	Third party costs (e.g. architectural, engineering, market studies, zoning, and legal)
Maximum Loan Size	\$500,000, non-revolving
Interest Rate	Loans closed in 2013 are projected at 3.00%
Loan Term	Up to 3 years
Loan Fees	2% origination fee
Recourse	Full recourse to borrower, including guarantees from parent corporations. Unsecured loans are an option.



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Proposed Acquisition Loan

Eligible Uses of Loan Proceeds	Acquisition of vacant land or currently operating properties.
Maximum Loan Size	\$3,000,000, non-revolving including up to \$500,000 for predevelopment or rehab
Interest Rate	Variable and fixed rate options.
Loan Term	Up to 5 years
Loan Fees	2% origination fee
Collateral	1 st priority lien on any real estate or other acceptable collateral
Loan to Value	75% - 85% of collateral, appraisal required
Equity Requirement	15% - 25%, at least 10% cash equity
Recourse	Full recourse to borrower, including guarantees from parent corporations

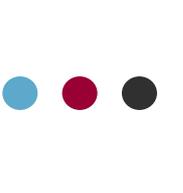
Opportunities and Challenges

- Increased developer interest in South Suburban Cook. Rental market is projected to grow modestly in south suburbs.
- HUD restrictions have required restructuring of the TOD Fund and the capital stack. Impact on long-term growth of Southland Fund. Availability of additional top-loss.
- Lack of development ready sites.
- Continue education of what is quality TOD and positive impact on communities.
- Strengthening options for take-out financing. Continued advocacy around TOD benefits and coordination with Cook County and South Suburban Land Bank Authorities.
- Opportunity for regional collaboration.



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