



# FILLING THE EQUITABLE TOD FINANCING GAP

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**Andrew Geer, Enterprise Community Partners**

Citizens for Modern Transit

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

November 6, 2013



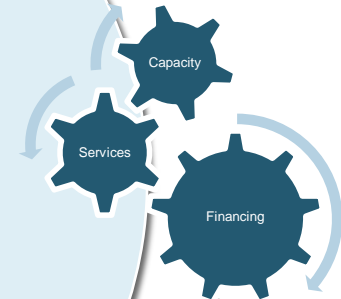
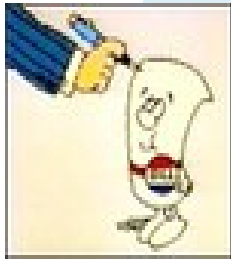
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# THE ENTERPRISE MODEL

## 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

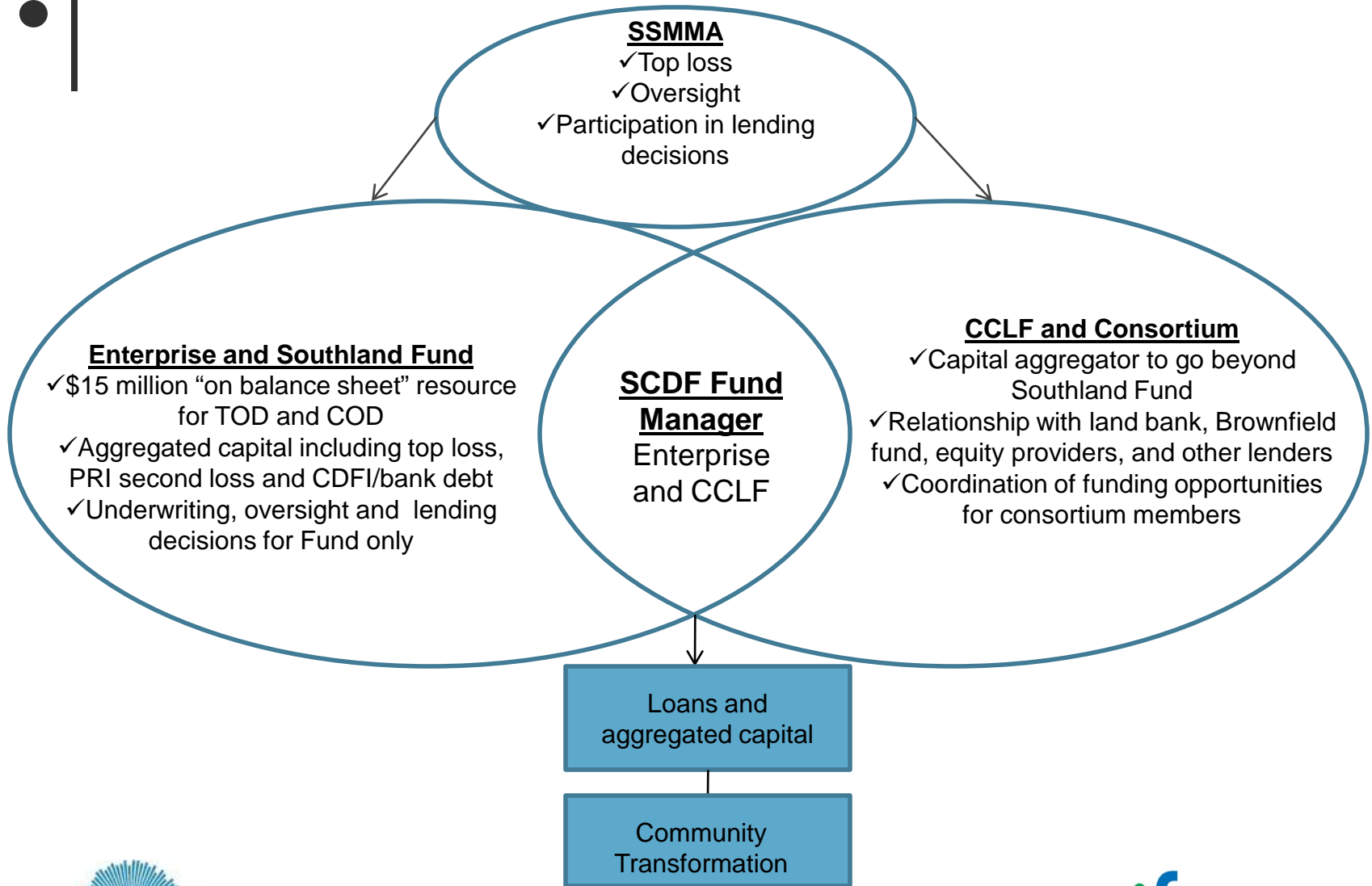
- Create a robust technical assistance and knowledge sharing platform.
- Advocate for greater federal, state, and local policies to encourage equitable TOD.
- Build on what we have learned – more equitable TOD demonstration programs across the country.



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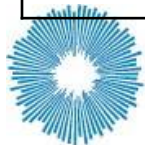


# Southland Community Development Fund



# 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: <ul style="list-style-type: none"> <li>✓ Located within SSMMA member municipality</li> <li>✓ Located within ½ mile of quality transit services (i.e. METRA) and major fixed-route bus transit.</li> </ul>
Public and Private Support	Projects must be able to demonstrate: <ul style="list-style-type: none"> <li>✓ Local public support from municipality</li> <li>✓ Significant public or private financing</li> </ul>
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 <sup>st</sup> 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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Andrew Geer

Vice President and Market Leader, Chicago  
Enterprise Community Partners

[ageer@enterprisecommunity.org](mailto:ageer@enterprisecommunity.org)

312.803.0790