



# Public-Private Partnership to Finance and Promote Equitable TOD

February 2, 2012



METROPOLITAN  
TRANSPORTATION  
COMMISSION

Morgan Stanley

# Today's Panelists

Noni Ramos

Vice President & Chief Lending Officer  
Enterprise Community Loan Fund, Inc.

Brian Prater

Managing Director, Western Region  
Low Income Investment Fund

Lindy Hahn

Vice President, Global Sustainable Finance  
Morgan Stanley

Doug Johnson

Sr. Transportation Planner  
Metropolitan Transportation Commission



# The Bay Area

7 Million Residents

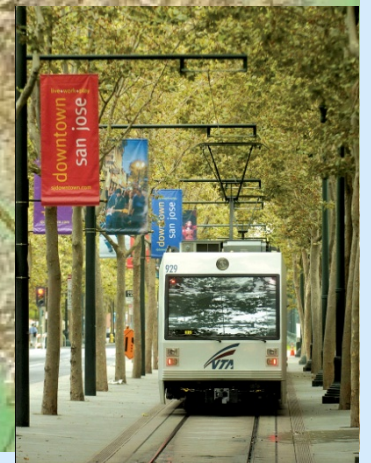
4 Million Jobs

101 Cities

9 Counties

26 Public Transit Operators

5 Regional Agencies





# Bay Area Housing Costs: 2007

Rank	Median Home Value	
1	San Jose—San Francisco—Oakland, CA	\$694,700
2	Salinas, CA	\$658,700
3	Santa Barbara—Santa Maria—Goleta, CA	\$641,800
4	San Luis Obispo—Paso Robles, CA	\$578,900
5	Honolulu, HI	\$574,400

Rank	Median Monthly Costs for Homes with a Mortgage	
1	San Jose—San Francisco—Oakland, CA	\$2,803
2	Santa Barbara—Santa Maria—Goleta, CA	\$2,471
3	Salinas, CA	\$2,438
4	New York—Newark—Bridgeport, NY—NJ—CT—PA	\$2,432
5	San Diego—Carlsbad—San Marcos, CA	\$2,412

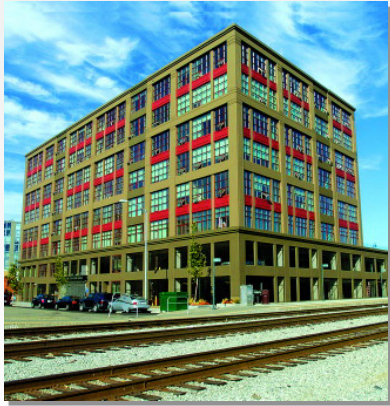
Rank	Median Gross Rent	
1	San Jose—San Francisco—Oakland, CA	\$1,221
2	Honolulu, HI	\$1,206
3	Santa Barbara—Santa Maria—Goleta, CA	\$1,205
4	San Diego—Carlsbad—San Marcos, CA	\$1,168
5	Los Angeles—Long Beach—Riverside, CA	\$1,099

Source: 2007 American Community Survey.



# Public-Private Partnership to Finance Equitable TOD

Brian Prater  
Managing Director, Western Region  
Low Income Investment Fund





# Overview of Presentation

- CDFIs and Equitable TOD
- San Francisco Bay Area fund
- Partnership between LIIF and Enterprise



# Low Income Investment Fund (LIIF)

- Community Development Financial Institution (CDFI)
- Mission-driven nonprofit founded in 1984 – national scope
- Array of activities: Financing, fund structuring, policy, technical assistance and program



# CDFIs and TOD

- Help convene national and regional partners
- Partner to provide federal, state and local policy support
- Aggregate capital into structures that distribute risk and benefits
- Paper: CDFIs and TOD





# Bay Area TOAH Fund Overview

- \$50 million equitable TOD Fund
- Nine-county Bay Area
- 10 year Fund; 5-year origination period
- Five loan products for affordable housing, mixed-income and mixed-use projects
- Closed on March 30, 2011



# TOAH Fund Priorities

- **Affordable Housing:** 85% of Fund capital is targeted to support the creation and preservation of affordable housing
- **Other Neighborhood Uses:** Up to 15% of Fund capital may be used to support community facilities, child care centers, health clinics, fresh food markets and other neighborhood retail
- **Geographic Diversity:** Fund is committed to deploying capital in Priority Development Areas (PDAs) in all nine Bay Area Counties



# TOAH Fund Partners

- Made possible by:
  - Great Communities Collaborative (GCC)
  - Metropolitan Transportation Commission (MTC)
- CDFI Consortium
  - LIIF is Administrative Agent
  - CSH, ECLF, LIIF, LISC, NCCLF and the Opportunity Fund are the originators
- Grants provided by 3 foundations:  
Ford, Silicon Valley & San Francisco



# TOAH Capital Stack



- **Public Sector** – \$10 million from the MTC
- **Philanthropy and CDFIs** – \$15 million from six CDFIs and Ford, SF Foundation and Living Cities (4 layers here)
- **Banks** – \$25 million from Morgan Stanley and Citi Community Capital



# TOAH Loan Products

- Acquisition Loans
- Predevelopment Loans
- Construction Bridge Loans
- Construction/Mini-Perm Loans
- Leveraged Loans for NMTC deals
- Product Highlights: Up to 110% LTV, 7-year terms and low cost



# TOAH Fund Update

- \$10 million or 20% of Fund deployed (2 projects) in first six months
- \$30-40 million in additional projects in pipeline
- Program evaluation underway
- Potential upsizing of fund

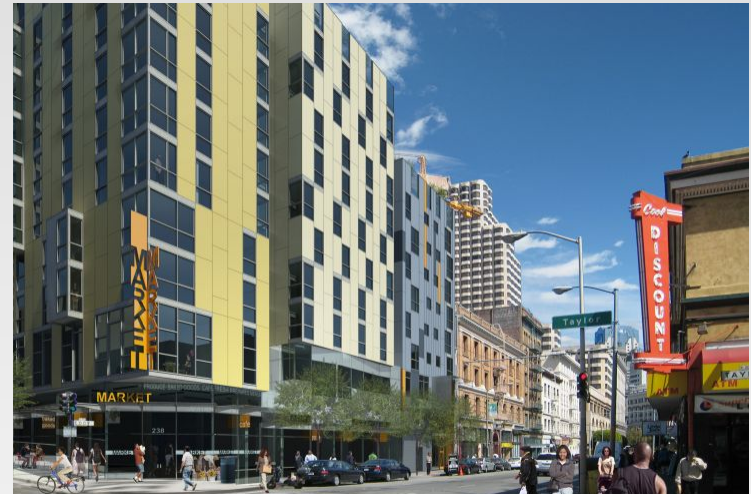


# Partnership with Enterprise

- LIIF, Enterprise Community Partners and the Loan Fund
- National scope
- Policy work knowledge sharing
- Regional equity collaboratives
- Capital raising and structuring
- Project financing
- Welcoming other partners

# Eddy & Taylor Family Housing San Francisco, CA

- **Financing**  
(1<sup>st</sup> TOAH Fund loan)
  - **\$7mm** acquisition financing
  - **\$5.9mm** subordinated financing from San Francisco MOH
- **Project:** Develop parking lot into 14-story building with 153 units of affordable housing & retail space for a grocery store
- **Borrower:** Tenderloin Neighborhood Development Corp. is a nonprofit developer that provides housing and support services in one of the poorest areas of San Francisco





# Leigh Avenue Senior Apartments San Jose, CA

- **Financing**
  - **\$3mm** acquisition loan
  - Future support from the City of San Jose
- **Project:** Develop vacant land into mixed-use project with 64 units of affordable senior housing & dental office; 35% of units reserved for chronically ill seniors needing in-home care provided by the County of Santa Clara
- **Borrower:** First Community Housing is a nonprofit developer in the South Bay Area; nationally recognized for architectural designs and green building practices



# Public-Private Partnership from the Private Side

Presented by Lindy Hahn, Vice President

Morgan Stanley

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# The 'Private Side' arrives at the party - what does that look like?

- Enters from a Highly Regulated Environment
- Highly Motivated and brings Capital
- Highly Motivated and offers Creativity

# The Private Side Gets Involved

## Understands the Essential Elements for a Successful Fund

- Community Support & Involvement
- Fund Structure that Addresses and Mitigates Risks
- Capable Partners

# The Private Side Gets Involved (con't)

## The Role & Content of the Business Plan

- The Mission: **Equitable Transit Oriented Development**
- The Structure & the Underwriting Parameters
- The Community Involvement & Demand Analysis
- Loan Products & Underwriting Criteria
- Fund Management & Governance
- Marketing & Outreach / Developer Response

# Private Side Values

- Has Confidence in the Lead Agent and the other CDFIs
- Has the internal Capacity to keep pace with the Fund Formation
- Able to bring Flexibility to the Capital Requirements
- Remains available during Deployment and Term periods to ensure that the we are part of the community solutions



Metropolitan Transportation Commission

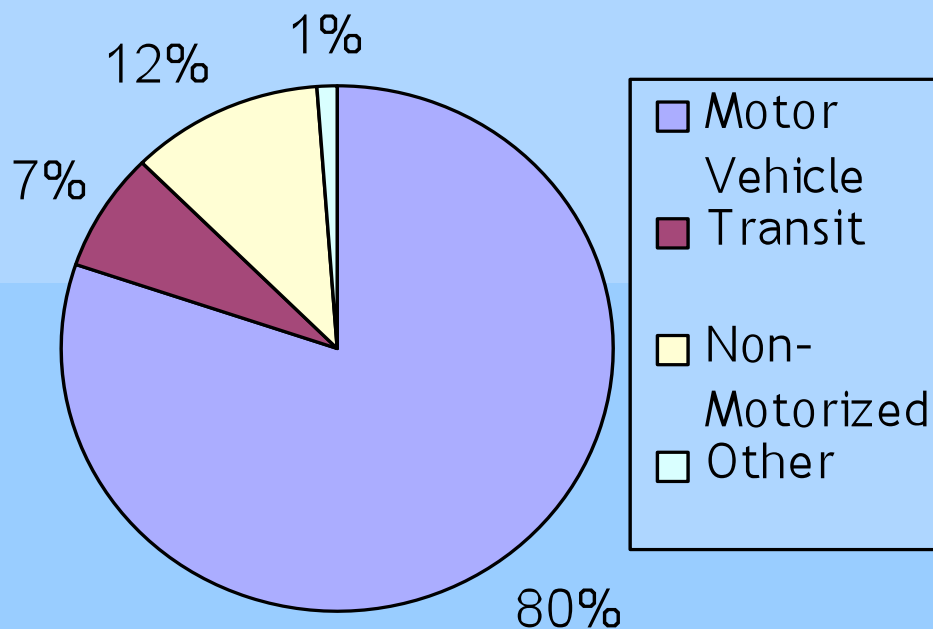
# Creating a Regional Affordable Transit-Oriented Development Fund

Doug Johnson

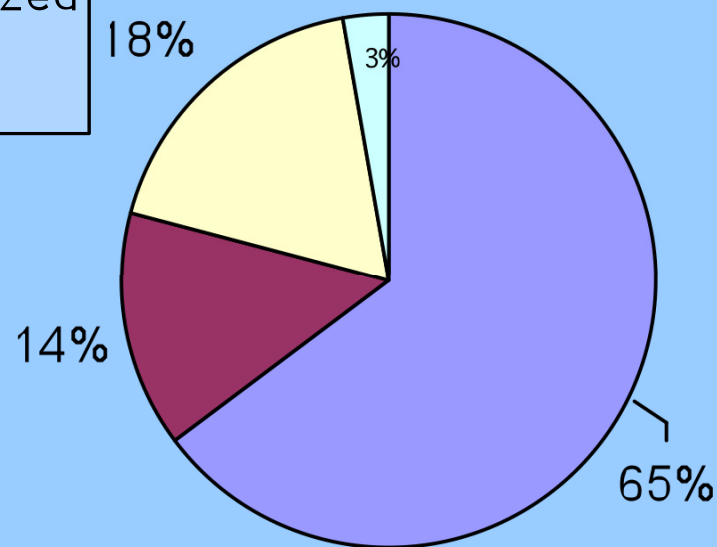


# Commuting in the Bay Area by Income

## Mode Split: All Households



## Mode Split: Low Income

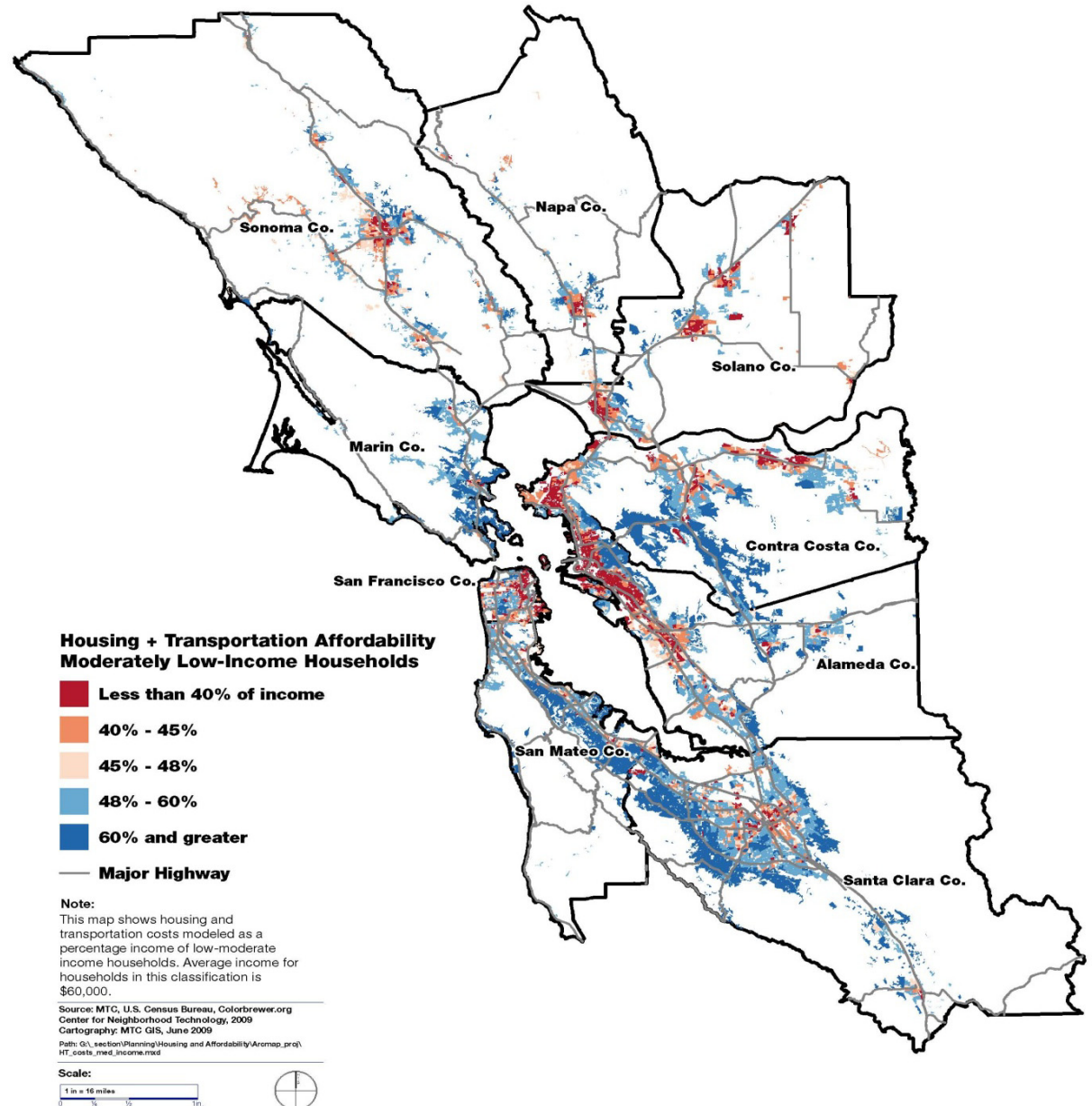






# H+T: Moderately Low Income

Housing + Transportation  
Costs as  
% of Income for  
**Moderately  
Low-Income**  
Households  
(\$35-60K)

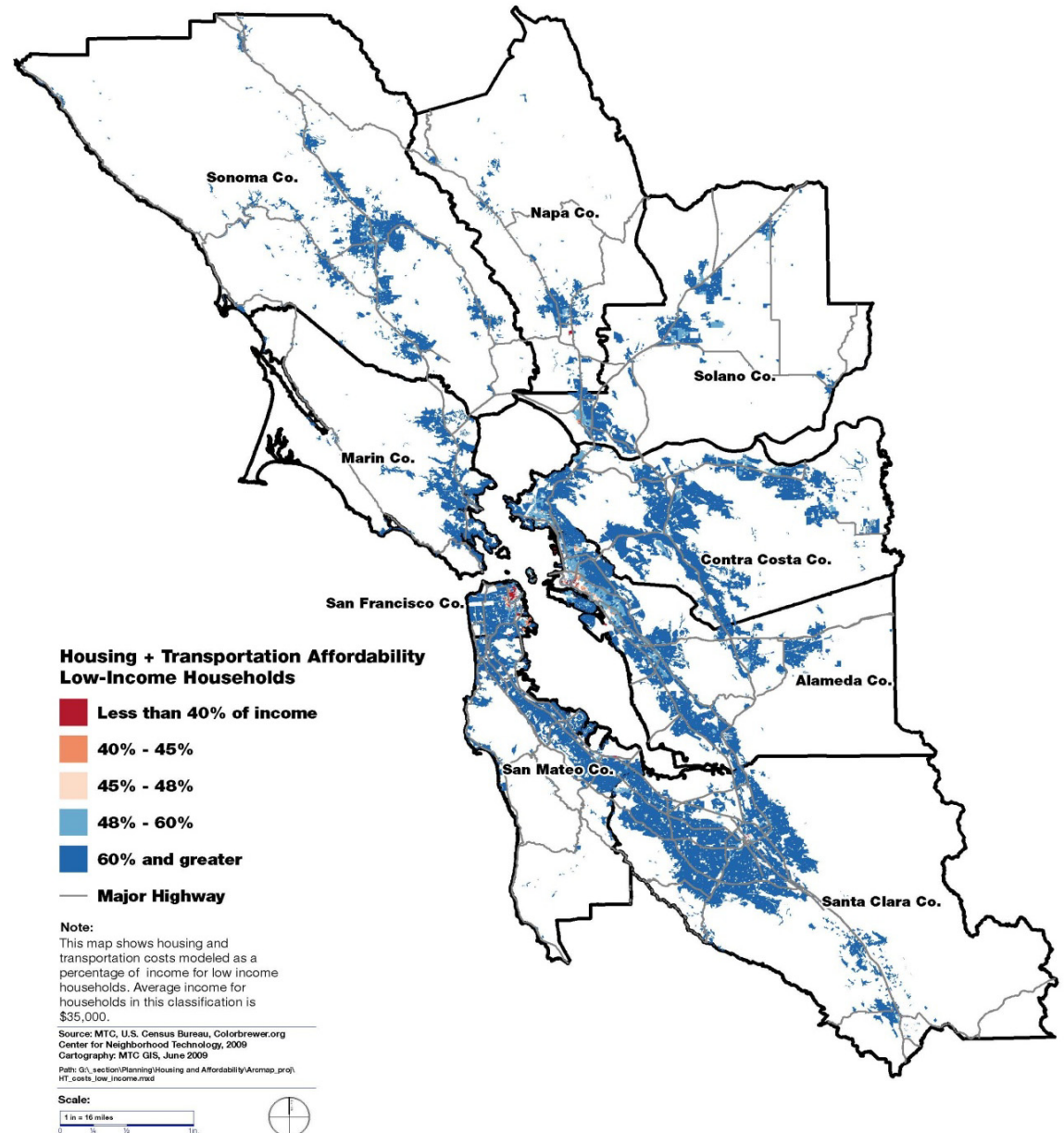




# Housing + Transportation Costs

- 4% of Region's Housing Units are Affordable by National Standards

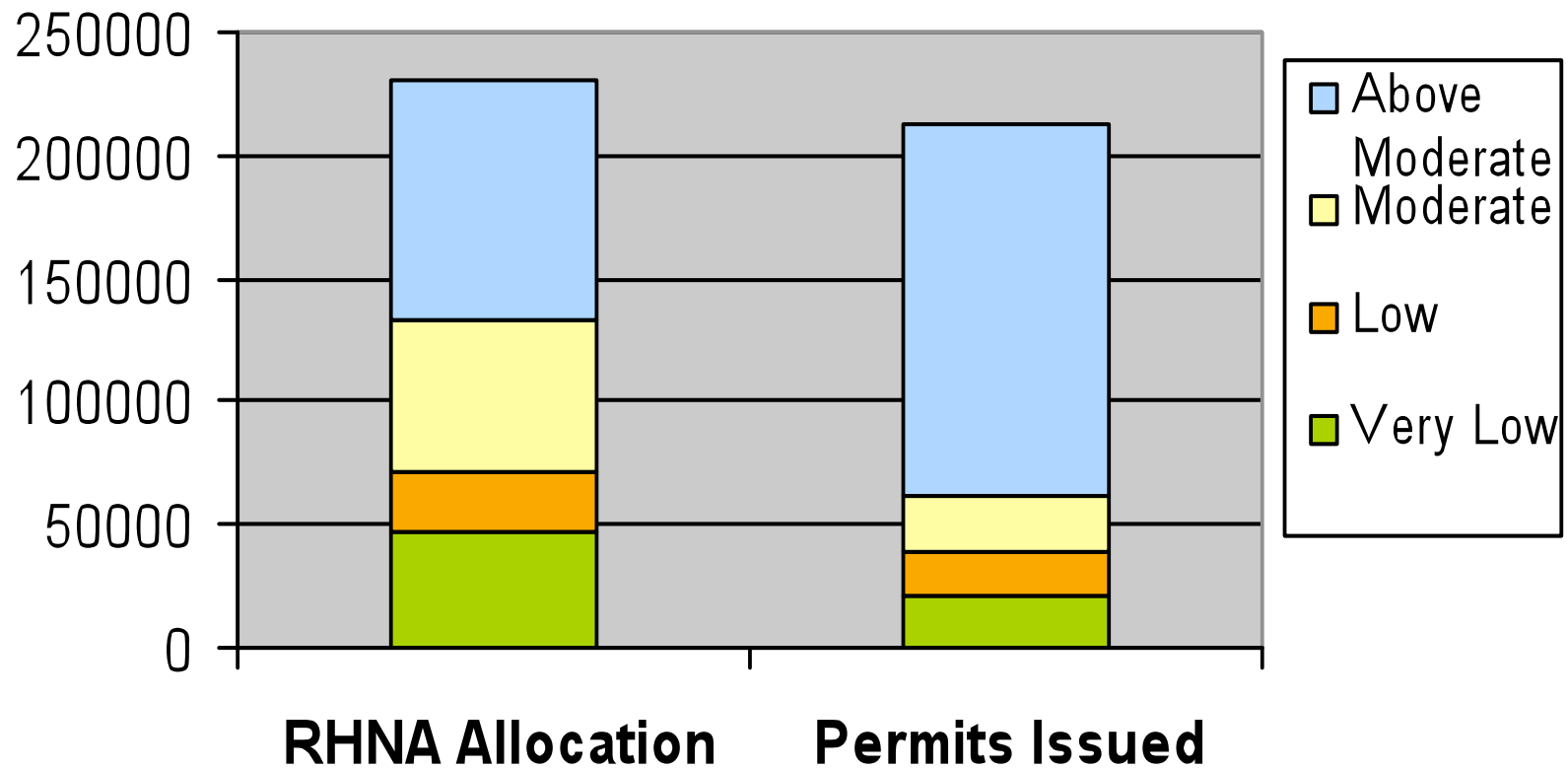
Housing + Transportation  
Costs as % of Income  
for **Low-Income**  
Households (<\$35K)





# Affordable Housing Track-record

## Regional Housing Need & Construction: 1999-2006



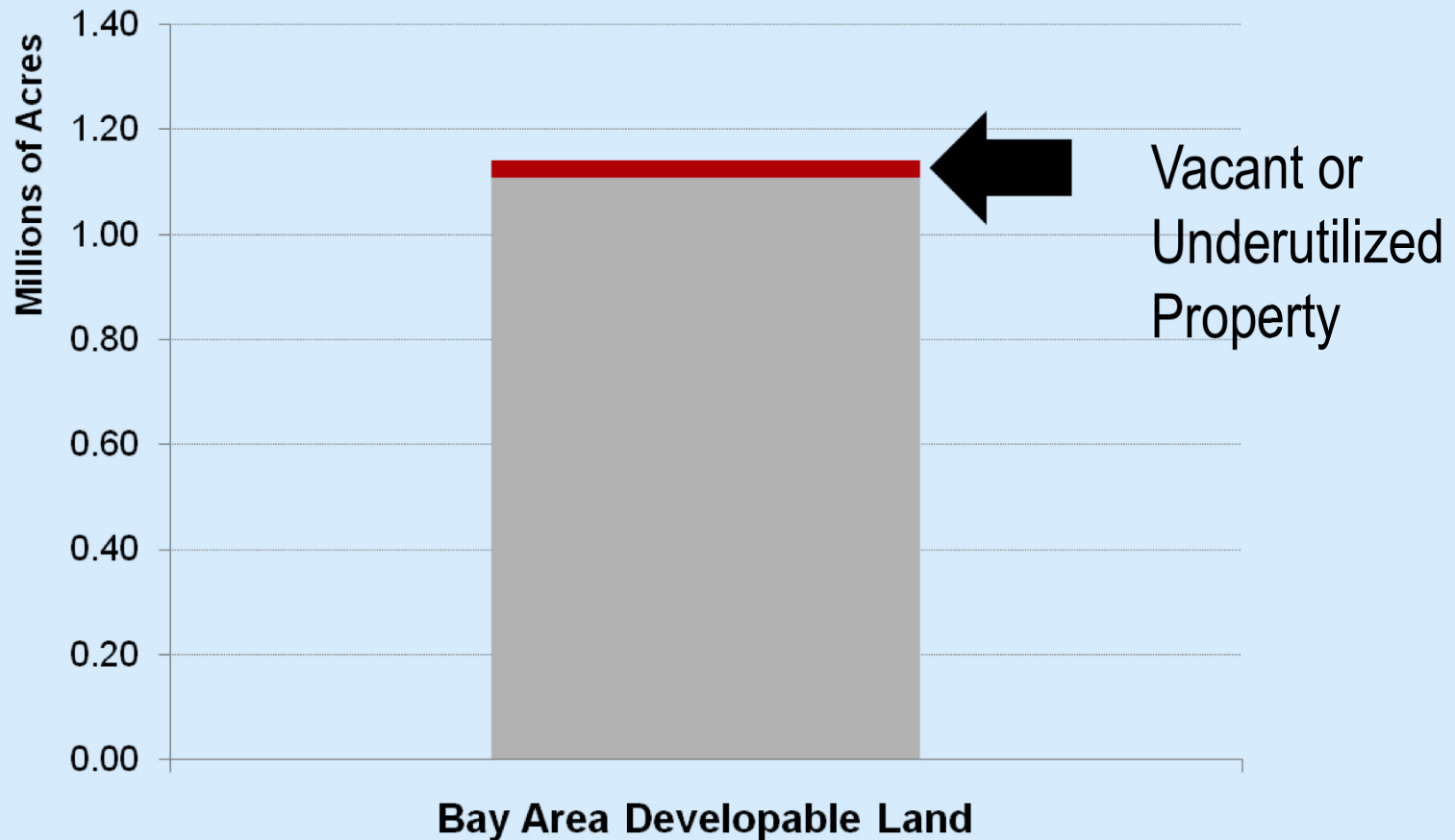


# Investing in Equitable TOD

- “Fix it First policy”
- Robust grant programs for TOD:
  - Land Use planning (1997)
  - Capital Grants (1998)
- Seek new, creative opportunities to support affordable housing development
- Condition \$12B in planned transit expansions on land use



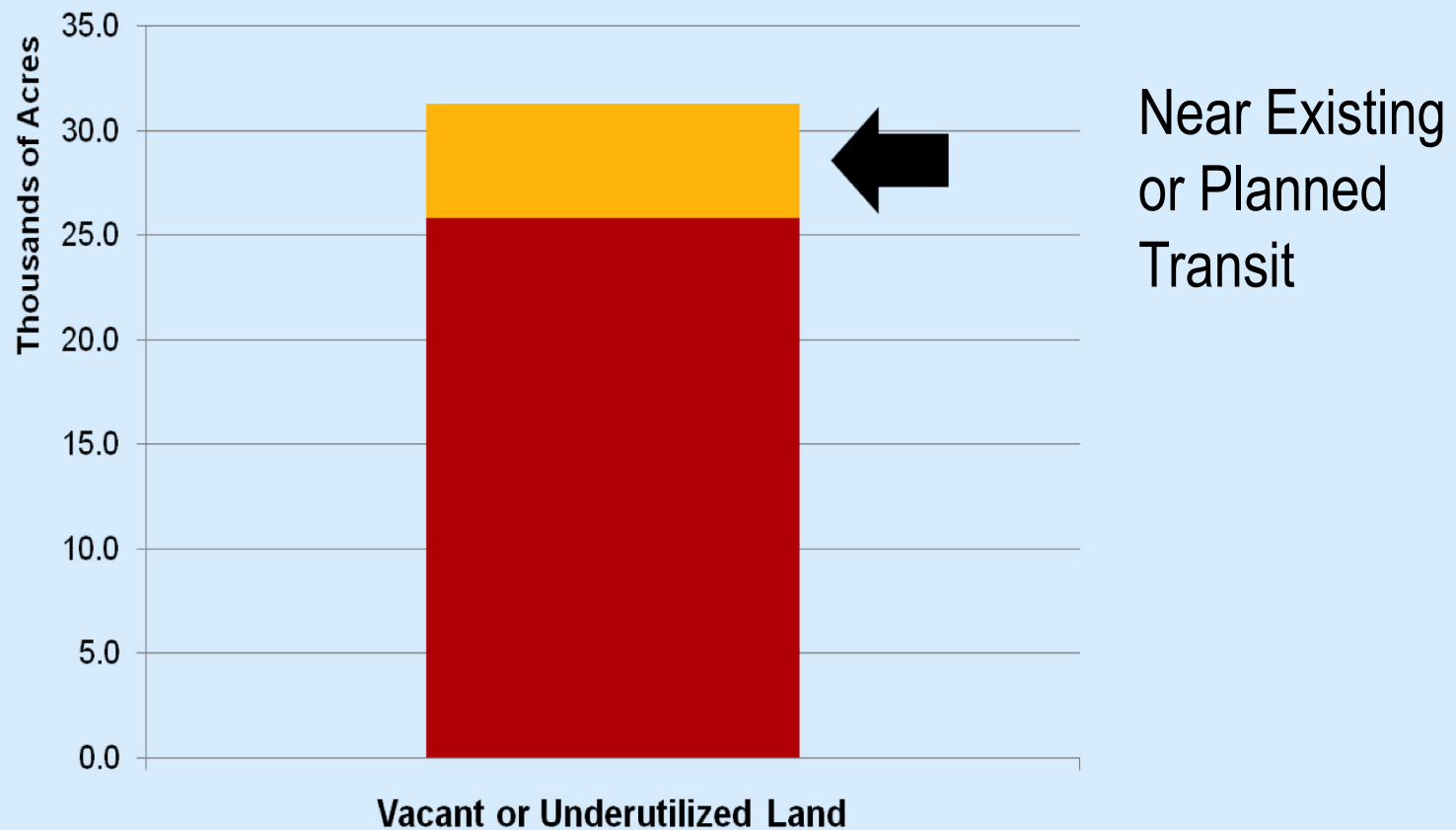
# Limited Infill Development Sites





# Bay Area TOD Opportunities

## Few Sites Near Transit





# Transit Oriented Affordable Housing Fund

- A Partnership Effort
  - Great Communities Collaborative (GCC)
  - Metropolitan Transportation Commission (MTC)
- Community Development Financial Institutions
  - LIIF is Administrative Agent
  - CSH, ECLF, LIIF, LISC, NCCLF and the Opportunity Fund are the originators
- Grants/low interest loans provided by three foundations: Ford, Silicon Valley, San Francisco & Living Cities



# Finding a Funding Partner

## Shifting Federal Transport Funds

1. Find a *federalized* project with local funds (cash transit fares, parking revenues, sales tax, etc)
2. Trade *federal* \$ for time (years)
  - (e.g. *federal* 2012/13 for local 2013/14)
3. Make a finding of public benefit with Commission approval of funding action
4. Execute agreement with local agency



# Contact Information

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