Public-Private Partnership to Finance and Promote Equitable TOD
February 2, 2012
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

### Median Home Value

<table>
<thead>
<tr>
<th>Rank</th>
<th>Location</th>
<th>Median Home Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>San Jose—San Francisco—Oakland, CA</td>
<td>$694,700</td>
</tr>
<tr>
<td>2</td>
<td>Salinas, CA</td>
<td>$658,700</td>
</tr>
<tr>
<td>3</td>
<td>Santa Barbara—Santa Maria—Goleta, CA</td>
<td>$641,800</td>
</tr>
<tr>
<td>4</td>
<td>San Luis Obispo—Paso Robles, CA</td>
<td>$578,900</td>
</tr>
<tr>
<td>5</td>
<td>Honolulu, HI</td>
<td>$574,400</td>
</tr>
</tbody>
</table>

### Median Monthly Costs for Homes with a Mortgage

<table>
<thead>
<tr>
<th>Rank</th>
<th>Location</th>
<th>Median Monthly Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>San Jose—San Francisco—Oakland, CA</td>
<td>$2,803</td>
</tr>
<tr>
<td>2</td>
<td>Santa Barbara—Santa Maria—Goleta, CA</td>
<td>$2,471</td>
</tr>
<tr>
<td>3</td>
<td>Salinas, CA</td>
<td>$2,438</td>
</tr>
<tr>
<td>4</td>
<td>New York—Newark—Bridgeport, NY—NJ—CT—PA</td>
<td>$2,432</td>
</tr>
<tr>
<td>5</td>
<td>San Diego—Carlsbad—San Marcos, CA</td>
<td>$2,412</td>
</tr>
</tbody>
</table>

### Median Gross Rent

<table>
<thead>
<tr>
<th>Rank</th>
<th>Location</th>
<th>Median Gross Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>San Jose—San Francisco—Oakland, CA</td>
<td>$1,222</td>
</tr>
<tr>
<td>2</td>
<td>Honolulu, HI</td>
<td>$1,206</td>
</tr>
<tr>
<td>3</td>
<td>Santa Barbara—Santa Maria—Goleta, CA</td>
<td>$1,205</td>
</tr>
<tr>
<td>4</td>
<td>San Diego—Carlsbad—San Marcos, CA</td>
<td>$1,168</td>
</tr>
<tr>
<td>5</td>
<td>Los Angeles—Long Beach—Riverside, CA</td>
<td>$1,099</td>
</tr>
</tbody>
</table>

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

1. Equity or Grant $  
   - Public Sector – $10 million from the MTC

2. Program-Related Investments and Flexible Loans  
   - Philanthropy and CDFIs – $15 million from six CDFIs and Ford, SF Foundation and Living Cities (4 layers here)

3. Senior Loans  
   - 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**
  (1st 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
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

Morgan Stanley
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

Morgan Stanley
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

Morgan Stanley
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 we are part of the community solutions

Morgan Stanley
Creating a Regional Affordable Transit-Oriented Development Fund

Doug Johnson
Commuting in the Bay Area by Income

Mode Split: All Households
- Motor Vehicle: 80%
- Transit: 12%
- Non-Motorized: 7%
- Other: 1%

Mode Split: Low Income
- Motor Vehicle: 65%
- Transit: 14%
- Non-Motorized: 3%
- Other: 18%
H+T: Moderately Low Income

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

- 4% of Region’s Housing Units are Affordable by National Standards
Affordable Housing Track-record

Regional Housing Need & Construction: 1999-2006

RHNA Allocation vs. Permits Issued

- Above
- Moderate
- Low
- Very Low
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

Vacant or Underutilized Property

Bay Area Developable Land

Millions of Acres
Bay Area TOD Opportunities
Few Sites Near Transit

![Graph showing few sites near transit](https://example.com/graph.png)
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
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