



Miami 2007

TOD Financing Challenges, Principles, and Tools



Chris Zahas, AICP

Leland Consulting Group
Portland, Oregon





Miami 2007

Presentation Outline

- The Challenge
- Guiding Principles
- Strategies and Tactics for Success
- Practical Toolkit



Dallas, TX

The Challenge

TOD and Mixed-Use:

- Physical development challenges
- Market challenges
- Financing challenges

Combined...

- Projects frequently don't "pencil"
- There's usually a financing gap



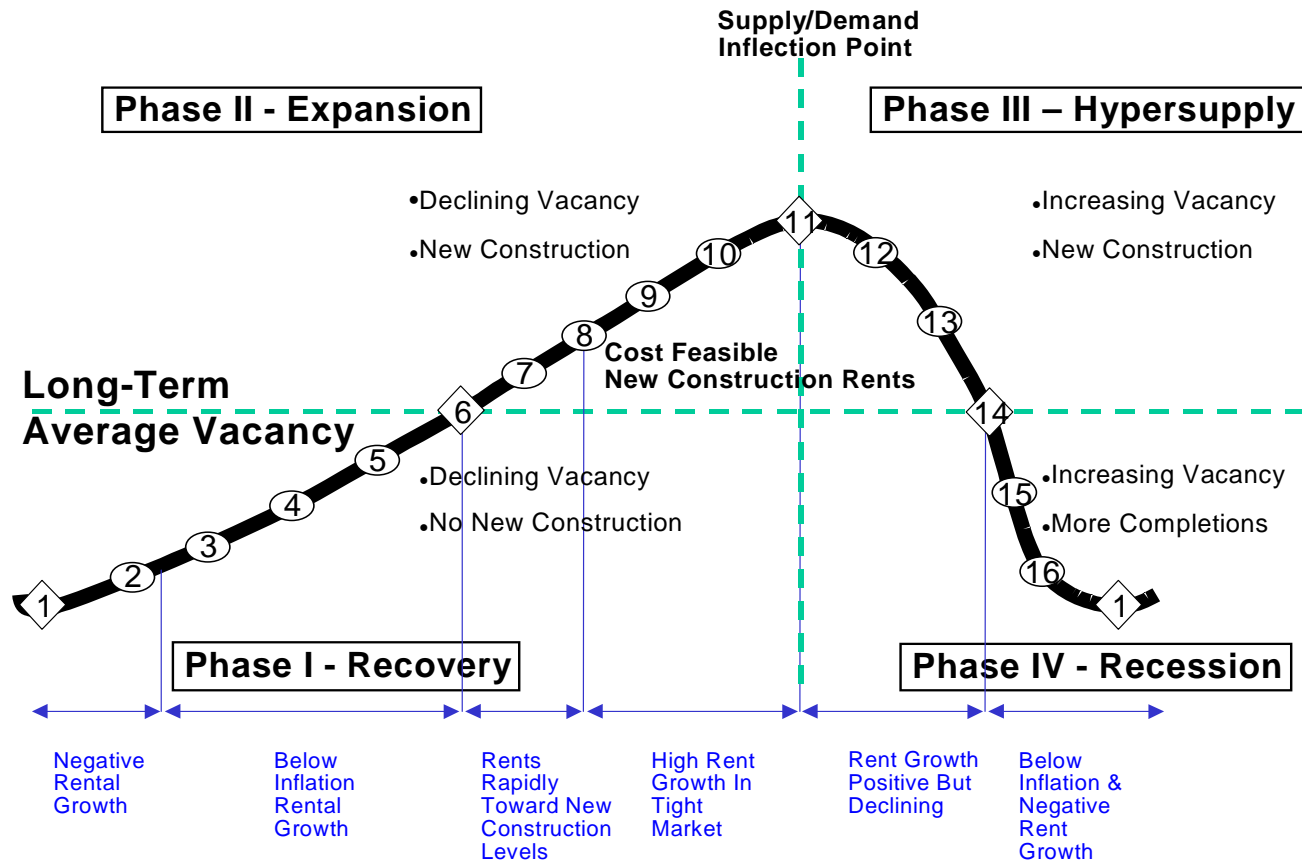
Development Challenges

- Typically higher costs
- Tougher entitlements
- Longer development process



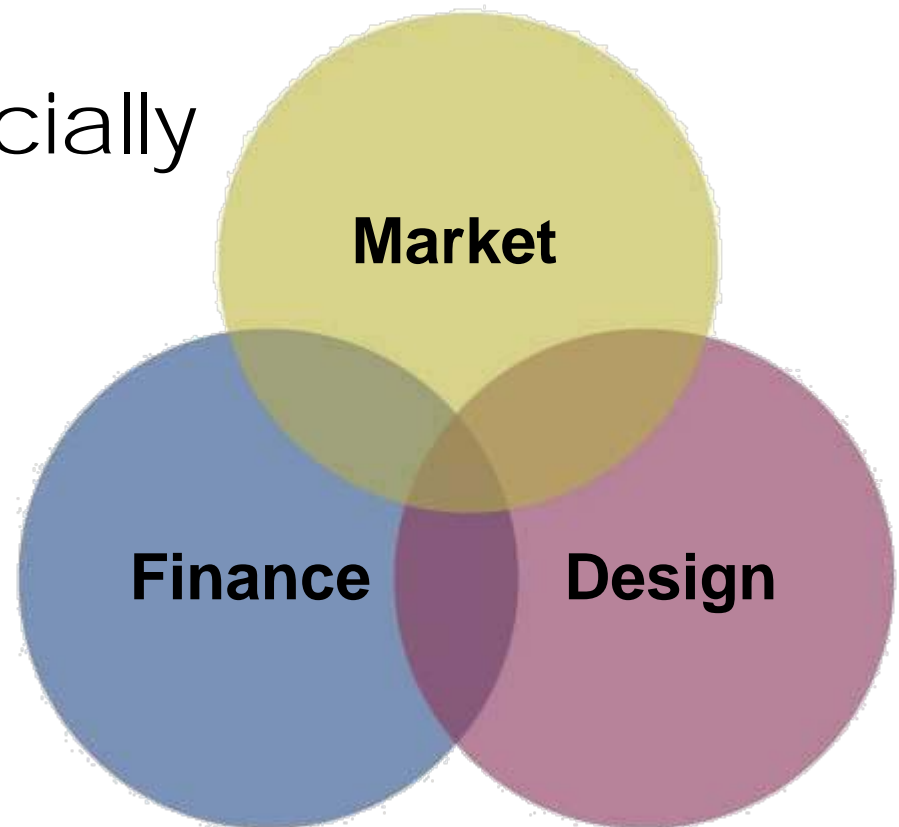
Market Challenges

- Markets move in cycles
- But not all at the same time...



Market Challenges

- Often no 'transit' premium in rents
 - Yet costs are higher
- Design driven vs. Market and Financially Driven



The Financing Challenge

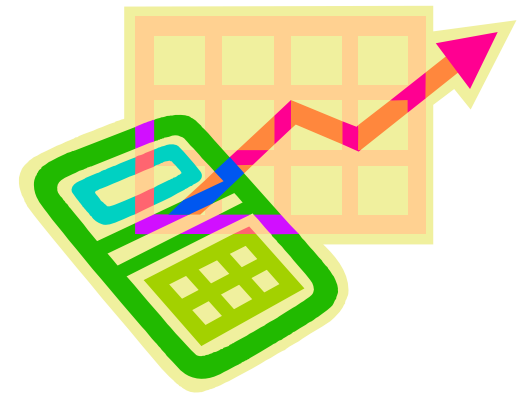
TOD and Mixed-Use

- Haven't historically fit the mold
 - Finance
 - Regulations
 - Product



Some Guiding Principles

- Understand the economics of development
- Respect the risk-return relationship
- Find partners (don't do it alone)
- Don't let the parts get separated!
- Be creative



Developer's Perspective

- Developers make market decisions not transit decisions
 - A project should be viable on its own:
 - Visibility
 - Access
 - Location
 - Parking (yes, parking)



Portland, OR

Strategies and Tactics

#1: Reduce developer risk

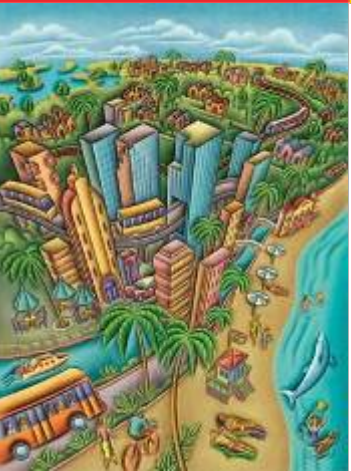
- Land assembly
- Accelerate entitlements
- Anchor project with public components
- Certainty in the process is money in the bank!



Charlotte, NC

Strategies and Tactics

- Enhance financial feasibility
 - Gap financing, low-interest loans
 - Land write-down
 - Density bonuses
 - Reduce parking ratios
- Get costs off the developer's balance sheet
 - Predevelopment planning
 - Build public realm elements
 - Build needed infrastructure
 - Build parking



Miami 2007

TOD Financing Toolkit

- Local
- Regional
- State/Federal

Local Funding Sources

- Tax Increment Financing (city)
- Local Improvement District (property owners)
- Tax abatement (multifamily)
- Development Fees
- Sales taxes
- Parking



Oakland, CA

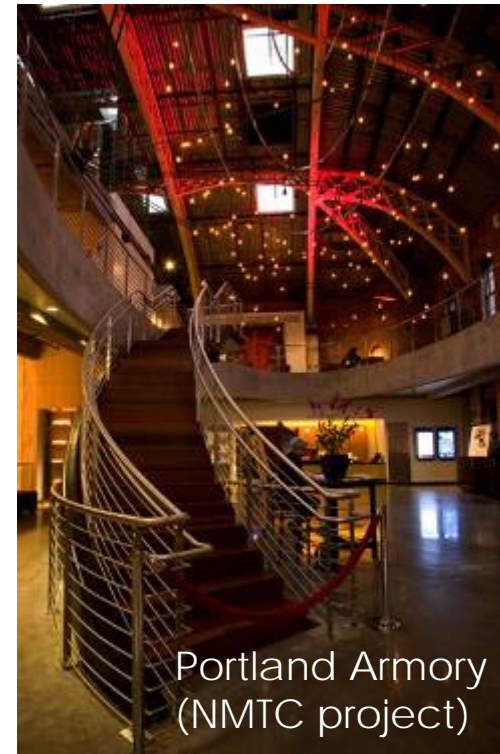
Regional Funding Sources

- Regional Smart Growth Initiatives
 - Metropolitan planning organizations
 - Often involves state money
 - Vary by region



State/Federal Funding Sources

- Tax credit programs
 - New Market Tax Credits (NMTC)
 - Historic Preservation Tax Credits
 - Low Income Housing Tax Credits
- Community Development Block Grant (CBDG)
 - Home Investment Partnership Program (HOME)
 - Low-income or affordable housing
- Air quality programs



Portland Armory
(NMTC project)

Federal Funding Sources

- Federal Transportation Administration (FTA)
 - Increasingly flexible
 - e.g., Livable Communities Initiative



Tampa, FL Streetcar

Federal Funding Sources

- Brownfields Initiative (HUD/EPA)
- Green and energy grants (State/Federal)



Tampa, FL Streetcar

Other Financing Sources

Specialized equity sources

- Pension Funds (e.g., state retirement systems, City View)
- Fannie Mae
 - Amer. Communities Fund
 - Housing Impact Fund
 - Comm. Dev. Financial Institutions (CDFI)



South Orange, NJ

Bottom Line for Successful TOD

- Every project is unique
- Cultivate partnerships
- Understand the market
- Galvanize your leadership
- Insist on quality
 - Design, developers, partners
- Be creative





LELAND CONSULTING GROUP

Urban Strategists

www.lelandconsulting.com

Portland • Denver • Boston • San Angelo • Mexico

