

Land Acquisition Fund: A Tool for Tough Economic Times?

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Reflections on LA Funds

- Experience with numerous funds, including:
NYC, LLF, NCST (not specific to TOD)
 - Not for the faint-of-heart, or the impatient
 - Difficult to organize
 - Very difficult to structure
 - More difficult to close
 - Even more difficult to administer
 - Design process is never over

General Structure of Funds

- **Multiple tiers—usually three**
 - **Deeply subordinated public debt or equity**
 - **Subordinated debt from social investors**
 - **Private capital**
- **NYC: \$8M; \$32M; \$160M**
- **LLF: \$15M; \$7.5M; \$22.5M**

Lessons: Organizing

- **Begin with clarity about roles of orgs in each tier**
 - **Risk tolerance; constraints/flexibility**
 - **Leadership from public sector**
 - **Philanthropic pockets aren't that deep**
 - **Private sector has very different goals**
- **First challenge: leverage**
- **Second challenge: securing commitment**

Lessons: Structuring

- **Get expert advice on structuring**
- **Determine early on best management entity**
- **First strategic choice: syndicate each tier**
- **Second major issue: source constraints**
- **Third issue: honoring the constraints w/o being bound by them**

Lessons: Deployment

- ❖ **Should have funding structure in place before transportation planning is formalized and announced**
 - ❖ **Narrow window before one encounters speculative forces in market**
 - ❖ **Use LA fund as last resort—after every tool available to secure land is exhausted**
 - ❖ **Be ready to execute quickly once land is acquired—the clock is running**
- ❖ **Be prepared to incur transaction costs 3X what you think they will be**
- ❖ **Be ready to renegotiate terms with partners once fund is deployed**

What to think about

- ▶ **What is the “mission” of the fund?**
- ▶ **What is the cost of overly prescribing funds?**
- ▶ **Who is equipped locally to organize/structure/administer LA fund?**
 - ▶ **Should it be a public function? Private?**
- ▶ **What resources are available to support these efforts? What new resources can be tapped?**
- ▶ **How can we push policy agendas? Local? Federal?**