LIIF

Low Income Investment Fund

Not for the Faint of Heart: Affordable Housing TOD Property Acquisition Funds

Rail~Volution

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Low Income Investment Fund

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Low Income Investment Fund (LIIF)

- National Community Development Financial Institution (CDFI)
- 501(c)3 nonprofit organization
- Headquartered in San Francisco, with offices in LA, New York, and D.C.
- Primarily work on Eastern seaboard and in the Western U.S.
- Founded in 1984 (26 years old)

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LIIF's Activities

- Mission-driven organization
- Poverty alleviation
- Financing – loans, grants, other
- Fund structuring and management
- New Markets Tax Credits
- Technical Assistance
- Federal and State policy work

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LIIF Programs

- Affordable housing
- Education
- Childcare and child development
- Green and sustainable development
- Transit-oriented development (TOD)
- Healthy foods

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What We've Done

- Invested $900 million in communities nationwide
- Leveraged $5.4 billion of additional investments
- Partnered to help create 55,000 units of housing, 159,000 childcare spaces, and 50,000 seats for students

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Equitable TOD

- TOD projects have historically benefited affluent populations
  - Market rate/high end housing and shops
- Yet TOD can greatly benefit low income communities
  - Families making $20,000 to $50,000 pay as much as 57% in housing + transportation
  - Public transportation can save families as much as $9,000 annually
  - Connect LMI people to the regional economy

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The Context of TOD

- Regional Perspective
- Multiple partners and interests
- New funding and policy arenas
- Crossing of “networks” or convergence opportunities
- Complexity of projects

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CDFIs and TOD

- Partner to deliver needed program, policy and technical assistance support
- Consult with partners and design tools to deliver needed financial products
- Aggregate public, CDFI and/or private capital into structures that share risk
- Assist in identification of new sources for community projects
- New paper: CDFIs and TOD

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Possible Needs for TOD

- Low cost, patient capital for predevelopment and acquisition
- Creative solutions to “carry” problem
- Flexible capital to fill construction period gaps
- Mini-perm or permanent capital to complement other sources
- Methods to share risk across partners
- Regional solutions

CDFI Financing Tools

- Fund and fund-like structures
- Direct loans, including bridges
- Syndications/participations
- New Markets Tax Credits
- Other facilities with top loss
- <u>Limitations</u>: Term and total $$ size

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Acquisition Fund Market Scan

- Short-term acquisition funds in Los Angeles and New York
- Emerging TOD funds in Denver, Twin Cities and SF Bay Area
- Brain damage and potential rewards
- Top loss as catalyst
- Clarity of purpose
- Fund manager capacity

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Example of a Fund Structure

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LA County Housing Innovation Fund

- $60MM, 5 year fund
- LIIF, Century Housing, CSH, LA County, Citi, and OneCalifornia Bank
- $20MM County, $8MM CDFI, and $32MM of private capital
- Layered structure to provide risk protection to private capital
- Delivers acquisition/predevelopment loans of up to 100% LTV at 6-6.5%

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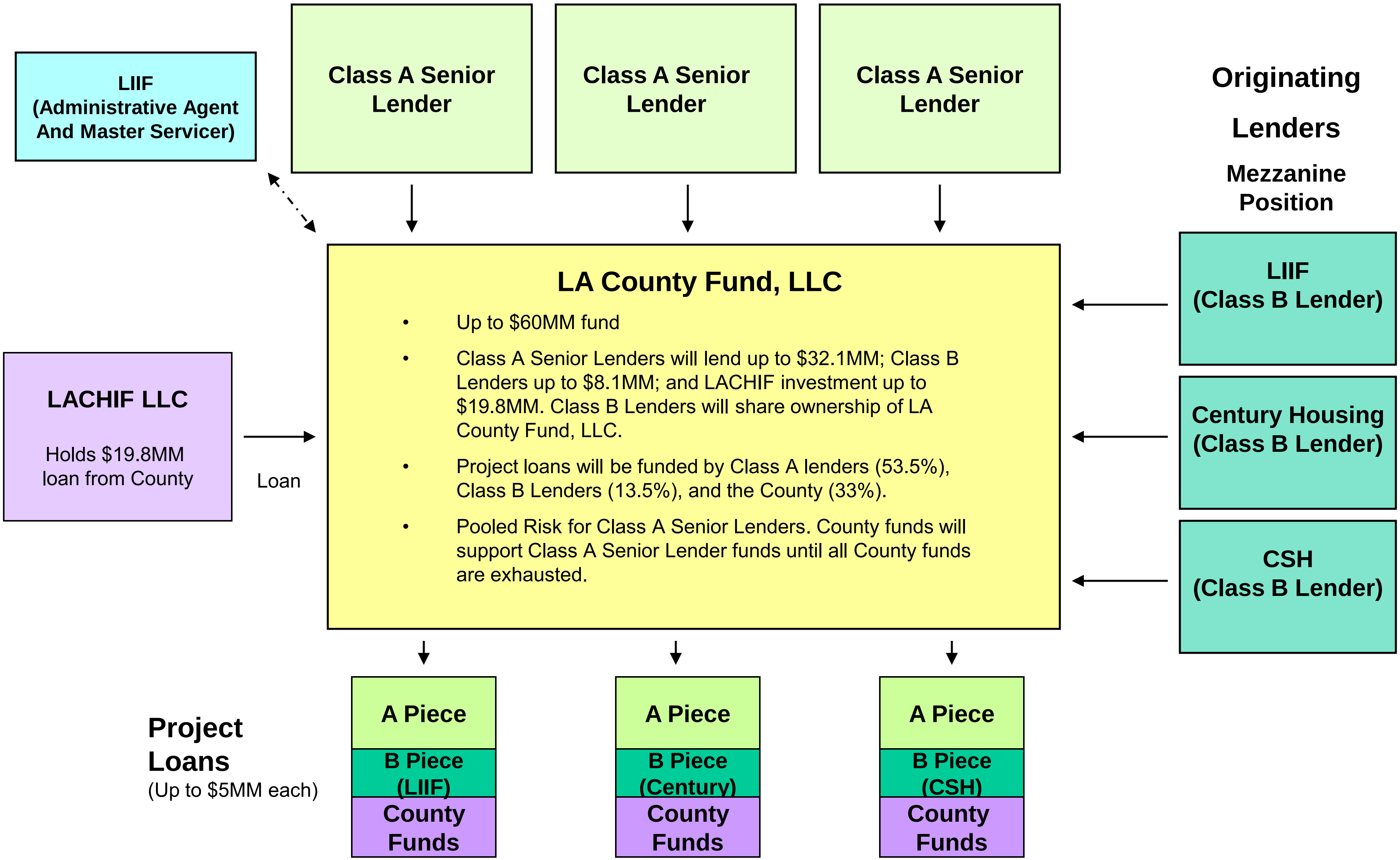
Los Angeles County Housing Innovation Fund Structure



Summary of Bay Area TOD Fund and Proposed Program

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Program/Fund Overview

- Competitive RFP for $10MM in MTC grant funds (catalytic funding)
- CDFI Consortium – comprised of six CDFIs with complementary skills
- Partnership among foundations, CDFIs, banks, and the public sector
- Regional scale – 9-county Bay Area

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Components

- Loan Fund: $50MM or more
- Proposed Grant Pool
- Technical Assistance
- Program Assessment
- Learning through case studies, best practices and convenings

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Loan Fund Structure

- Multiple sources of capital
- Maximizes ability to attract investors through risk structure
- Reduces costs to borrowers
- Allows more flexibility of loan products
- Ensures fund sustainability

Loan Fund Structure

- MTC - $10MM top loss (equity) pooled risk protection
- Program Related Investments - $6.5MM from foundations
- Originating CDFIs - $8.5MM
- Senior Lenders - $25MM from banks and other sources

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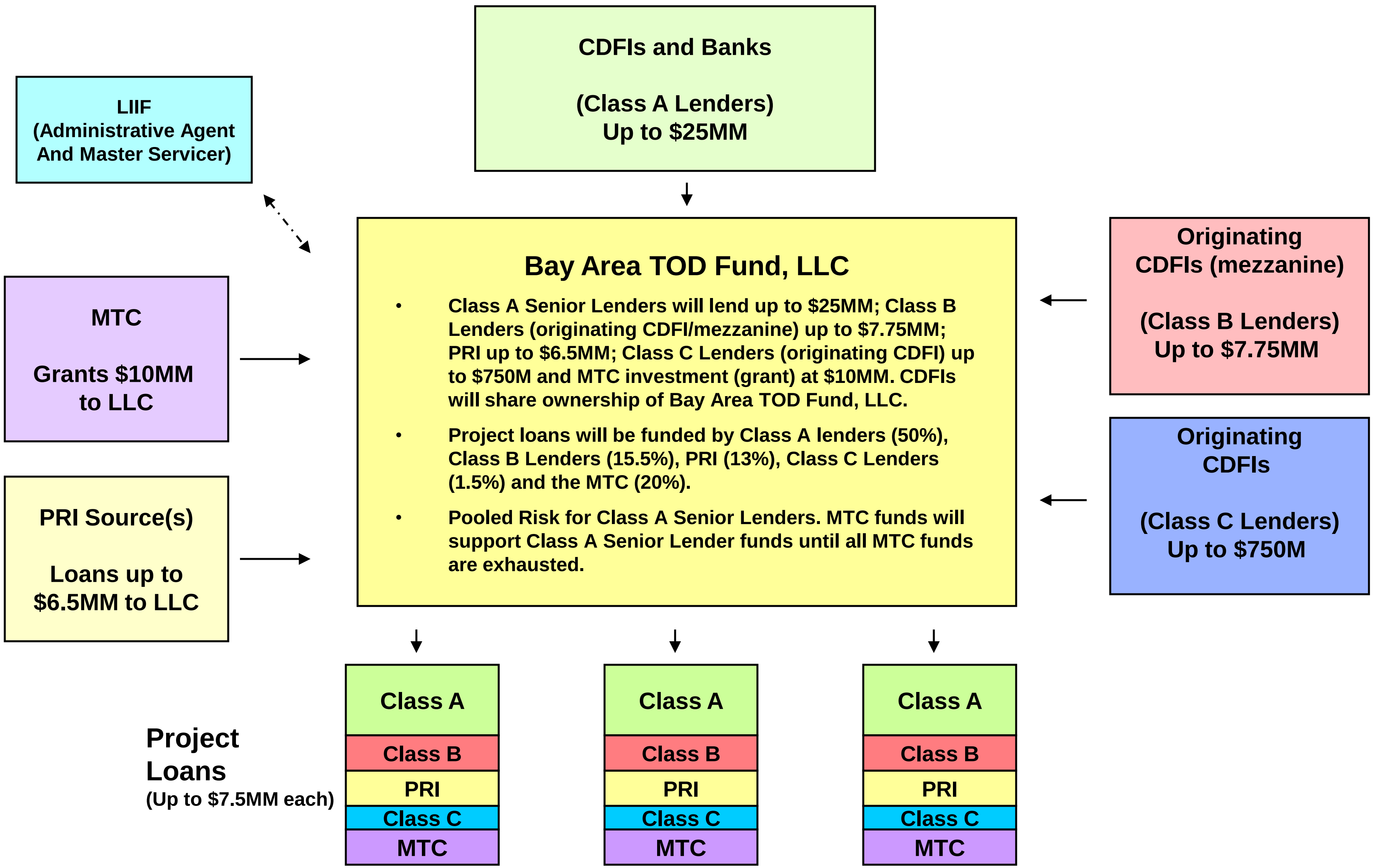
Bay Area TOD Fund Structure
($50MM Fund)



Fund Priorities

- Creation and preservation of affordable housing
- Mixed-income housing
- Complementary services, such as childcare, health clinics, etc
- Healthy foods
- Neighborhood retail

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Loan Fund Products

- Maximum loan size up to $7.5MM
- Acquisition
- Predevelopment
- Construction bridge loans
- Leverage loan (NMTCs)
- Mini-permanent loans

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Favorable Product Terms

- Better than standard CDFI products
- Up to 110% Loan-to-value
- Interest rate of 5% to 6%
- Terms of up to 7 years
- Potential for larger financing packages
- Multiple takeout scenarios

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Timeline

- Finalizing capital stack
- Negotiation of program priorities
- $45MM in preliminary pipeline
- Geographically diverse projects
- Nonprofit and for profit developers
- Projected fund closing 1st quarter 2011

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