

WHO PAYS?

Federal Financing Options for the Interagency Partnership for Sustainability Agenda

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Session Objective

To share strategies and mechanisms available at the Federal level to finance affordable housing projects in close proximity to transit

The Challenge

How can the Federal government incentivize transit oriented development projects when resources are scarce?

Discussion Topics

- ✓ *Federal Partnerships and Initiatives*
- ✓ *Funding Programs for Financing TOD*
- ✓ *Best Practices*
- ✓ *Local Strategies*
- ✓ *Research and Evaluation*

FEDERAL INITIATIVES

- ✓ *Partnership for Sustainable Communities*
- ✓ *HUD's Office of Sustainable Housing and Communities*
- ✓ *DOT's TIGER II Grant Program*
- ✓ *Livable Communities Private-Public Partnership*

HUD-DOT-EPA Partnership for Sustainable Communities



MISSION STATEMENT

To meet the President's challenge for our agencies to work together to encourage and fully assist rural, suburban and urban areas to build sustainable communities and to make building these communities as commonplace as the current predominant style of development in the United States.

SIX GUIDING PRINCIPLES

1. **Provide more transportation choices**
2. **Promote equitable, affordable housing**
3. **Enhance economic competitiveness**
4. **Support existing communities**
5. **Coordinate policies and leverage investment**
6. **Value communities and neighborhoods**

FUNDING PROGRAMS

1. **HUD's Office of Sustainable Housing and Communities**
2. **DOT's TIGER II Discretionary Grant Programs**
3. **FTA Incentive Programs**
4. **Other HUD Initiatives**
5. **Other Federal Partnerships**

HUD's Office of Sustainable Housing and Communities Initiatives

FY 2009 Appropriations - \$150 Million:

- 1. Regional Planning Grants - \$100 Million**
- 2. Community Challenge Grants - \$40 Million**
- 3. Research and Evaluation - \$10 Million**

**DOT's Transportation Investment
Generating Economic Recovery
Competitive Grant Program (TIGER II)**

FY 2009 Appropriations - \$35 Million:

Planning grants used for activities related to the planning, preparation or design of Eligible projects – transportation corridors or regional transportation systems.

FEDERAL TRANSIT AUTHORITY (FTA) INCENTIVE PROGRAMS

- ✓ **Formula Programs**
- ✓ **New Starts/Small Starts Program**
- ✓ **Planning Programs**
- ✓ **Flex Funding**
- ✓ **Joint Development and Transit-Oriented Development**

FTA PRIMARY FUNDING PROGRAMS

Formula Programs:

- Metropolitan and Statewide Transportation Planning
 - Joint provisions w/ FHWA
- “Section 5307” -- Urbanized Area
 - Capital funds for area >200k in pop.; capital & operating funds for areas 50 – 199,999k in population
- “Section 5311” -- Nonurbanized Area Grant
 - Capital and operating to States for areas <50k in population
 - Tribal transit
- Fixed Guideway Modernization
 - Capital funds for rail/subway/busway systems reinvestment and repair

FTA PRIMARY FUNDING PROGRAMS

Targeted Population Programs:

- “Section 5310” -- Elderly Individuals and Individuals with Disabilities
 - General para-transit
- “Section 5316” -- Job Access and Reverse Commute
 - Low-income individuals and families
- “Section 5317” -- New Freedom beyond ADA requirements

Discretionary Programs:

- Bus and Bus Related Facilities
- Major Capital Investment Grant (New/Small Starts)

FTA's New Starts/Small Starts

Purpose:

Supports the development and construction of major “fixed guideway” transit capital projects.

New Starts are projects $> \$250$ million in total project cost ($> \$75$ million in FTA 5309 funding); Small Starts are projects $< \$250$ million in total project cost ($< \$75$ million in FTA 5309 funding). Projects seeking $< \$25$ million are exempt from evaluation.

Implementation:

Projects become candidates for funding under this program by successfully completing the appropriate steps in the New Starts planning and project development process, including evaluation and rating.

Projects receive funds through a full funding grant agreement (New Starts) or project construction grant agreement (Small Starts) that defines the scope of the project and specifies the total multi-year Federal commitment to the project.

HUD PROGRAMS

- ✓ **HOME Investment Program**
- ✓ **Community Development Block Grant Program**
- ✓ **HOPEVI Program**
- ✓ **Low-Income Housing Tax Credit Program (LIHTC)**
- ✓ **FHA Programs**
- ✓ **Role of the GSE's (Fannie and Freddie)**

HOME Investment Partnerships Program (HOME)

- ✓ \$2 billion annually in formula grants to states and localities to build, buy, and/or rehabilitate affordable housing
- ✓ States are automatically eligible and receive either their formula allocation or \$3 million, whichever is greater
- ✓ Localities eligible for at least \$500,000 under the formula can receive funding.
- ✓ Communities that do not qualify can join with other neighboring localities to form a consortium
- ✓ The eligibility of households for HOME assistance varies with the nature of the funded activity

Community Development Block Grant Program

- ❑ A flexible program that provides communities with resources to address a wide range of unique community development needs.
- ❑ Ensures quality affordable housing, services to low-income communities, creates jobs through the expansion and retention of businesses
- ❑ 70% of CDBG funds are formula allocated to entitled communities; 30% of funds are given to states to be distributed to non-entitled areas by formula.
- ❑ Additional programs, including Section 108 Loan Guarantees and Disaster Recovery Assistance, fall under the CDBG umbrella.

HOPE VI COMPETITIVE GRANT PROGRAM

**Targeted to Public Housing Authorities (PHAs)
designed to transform Public Housing by:**

- ✓ changing the physical shape of public housing
- ✓ promoting self sufficiency through variety of services
- ✓ combating poverty and promoting mixed-income communities
- ✓ forging public and private partnerships
- ✓ supporting major rehab, new construction
- ✓ providing assistance to smaller communities for affordable housing

Low-Income Housing Tax Credits (LIHTC)

- ✓ The primary source of Federal funding used to finance affordable housing.
- ✓ Administered by state housing finance agencies that serve households at 30-60 percent of the area median income (AMI).
- ✓ Tax credits typically leveraged with other funding sources, including grants, low-interest loans and other forms of debt capital.
- ✓ Used by both non- and for-profit entities and public housing authorities.

The Role of the Federal Housing Administration (FHA)

- ✓ **Mortgage Insurance Program for Rental Urban Renewal Rehabilitation Projects (Section 220)** – insures loans for multifamily housing projects in urban renewal areas. May be used to finance, construct or rehabilitate detached, semi-detached, row, walk-up, or elevator type rental housing.
- ✓ **Mortgage Insurance for Single Room Occupancy Projects (SRO): Section 221 (d)(3) and 221 (d)(4)** – insures mortgage loans for multifamily properties consisting of single-room occupancy (SRO) apartments with no Federal rental subsidies involved.
- ✓ **FHA** insured nearly 30 percent, or 1.9 million, single family mortgage loans in 2009, up from 1.1 million in 2008.

The Role of the GSEs (Fannie Mae and Freddie Mac)

- ✓ Fannie and Freddie play major roles in financing housing generally, including affordable housing around transit.
- ✓ Provide a secondary market outlet for mortgages on owner- and rental-occupied housing.
- ✓ Invests in LIHTC investments.
- ✓ Role is to ensure liquidity and facilitate nationwide credit flows.
- ✓ Also direct investments for housing for low-income families.

A BEST PRACTICE EXAMPLE

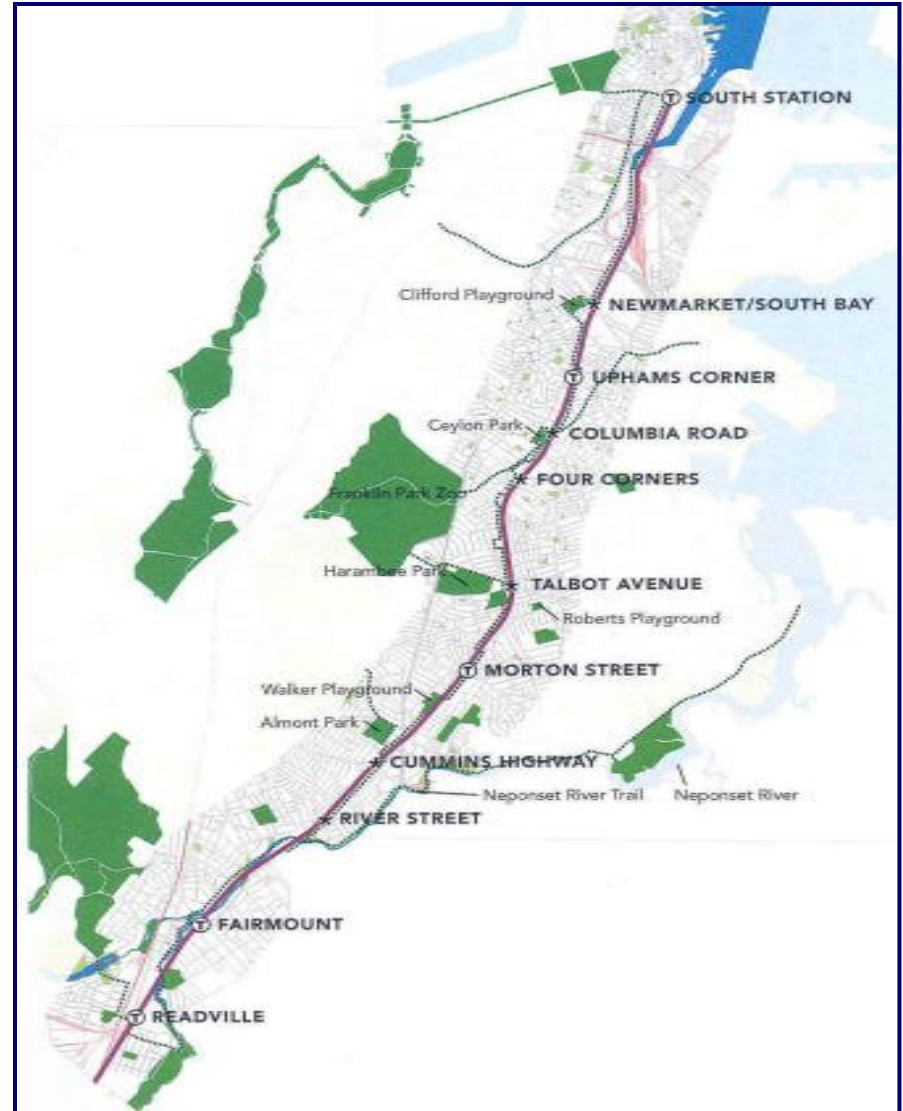
*How to use Federal funding
streams to leverage TOD projects*

The Boston Fairmount/Indigo Line

FTA Investments

\$37.3M infrastructure investment:

- ◆ Station rehab at Uphams & Morton including construction of high level platforms
- ◆ Rehab/replacement of 6 functionally obsolete bridges
- ◆ Construction of an interlocking & signal system at Columbia Rd. Jct.
- ◆ FTA's initial investment will leverage an additional \$135M for construction of 4 new stations.



The Boston Fairmount/Indigo Line EPA Investments

- Brownfields Program funded cleanup at station area development sites
- \$720K in ARRA funds for cleanup at sites near future Talbot & 4 Corners Stations
- Fairmount/Indigo Line selected for competitive *Sustainable Communities Pilot Program* award



The Boston Fairmount/Indigo Line HUD Investments

City of Boston	HOME	CDBG	Section 202
HOMEOWNERSHIP	\$13,725,045	\$1,671,785	\$0
RENTAL PRODUCTION	\$19,907,691	\$2,358,233	\$10,136,897
RENTAL HOUSING PRESERVATION	\$3,371,093	\$0	\$0
TOTAL:	\$37,003,829	\$4,030,018	\$10,136,897

Economic Development:

CDBG: \$1,698,000

Section 108: \$2,350,000

EDI: \$1,775,000

LOCAL TOOLS AND STRATEGIES

- ✓ **Special Assessment**
- ✓ **Tax Increment Financing**
- ✓ **Joint Development**
- ✓ **Developer Impact Fees**

Special Assessment Tax

A tax assessed on parcels identified as receiving a direct and unique benefit as a result of a public project. A community typically creates a Local Improvement District (LID), used to finance capital improvements in transportation infrastructure.

Example: Seattle's South Lake Union Street Car

Tax Increment Financing

TIF is a method to use projected revenue raised from property taxes to finance infrastructure projects. When a development or public project is carried out, there is often an increase in the value of surrounding the project.

Example: Phase I of Portland's Street Car Development

Joint Development

A cooperative agreement between a public agency (Transit Agency) and a private developer or property owner(s) to build mixed-use development projects on land that has been purchased by the agency. (The agency often donates the land for the project.)

Example: Miami's Civic Center Rail Station

Developer Impact Fees

A fee assessed on new development within a jurisdiction, used to offset the cost of extending public services to the development site. Local developers typically bear the costs of this new development.

Example: Arborpoint at Woodland Station, Newton, MA
(deferred ~\$4 million)

MODEL PROGRAMS

Minneapolis-St. Paul, MN – Metropolitan Council's Livable Communities Demonstration Account – funded by a regional tax levy, parking fees, and a grant by the Advisory Committee.

Denver's FasTracks Rail and Bus Rapid Transit – Funded by private entity (Enterprise Communities), city, county, state funds and Project Based Section 8 from HUD.

Castro Valley BART Station – Funded by a land lease to nonprofit entity and developer Bridge Housing.

Austin-San Antonio Rail – Funded by a projected \$2.5 billion tax base, or \$265 million over 30 years in TIF financing and private stakeholders.

FEDERAL RECOMMENDATIONS

1. Address and remove existing barriers
2. Align federal programs and policies
3. Enhance existing incentives
4. Reward communities that do good work
5. Create private-public partnerships to strengthen capacity

Recommendations Specific to HUD

- ✓ **FHA insurance programs – permit higher commercial share of space or rent; allow for TOD projects under mortgage insurance programs for multifamily**
- ✓ **FHA’s Location Efficient Mortgages (LEMs)**
- ✓ **LIHTC program – housing and transportation projects in state Qualified Allocation Plans**
- ✓ **Allow for more flexibility for Community Development Grant Program (CDBG) activities**

Recommendations Specific to DOT/FTA

- ✓ Encourage more flexibility for Joint Development Policies to include Affordable Housing and mixed uses near transit
- ✓ Reauthorize “New Starts/Small Starts” programs to include language in support of affordable housing goals.
- ✓ Incentivize the adoption of affordable housing goals by local transit agencies’ guidelines or policies

Resources:

HUD's Office of Sustainable Housing and Communities:

www.hud.gov/sustainability

Federal Transit Administration

www.fta.dot.gov/funding

U.S. Department of Transportation

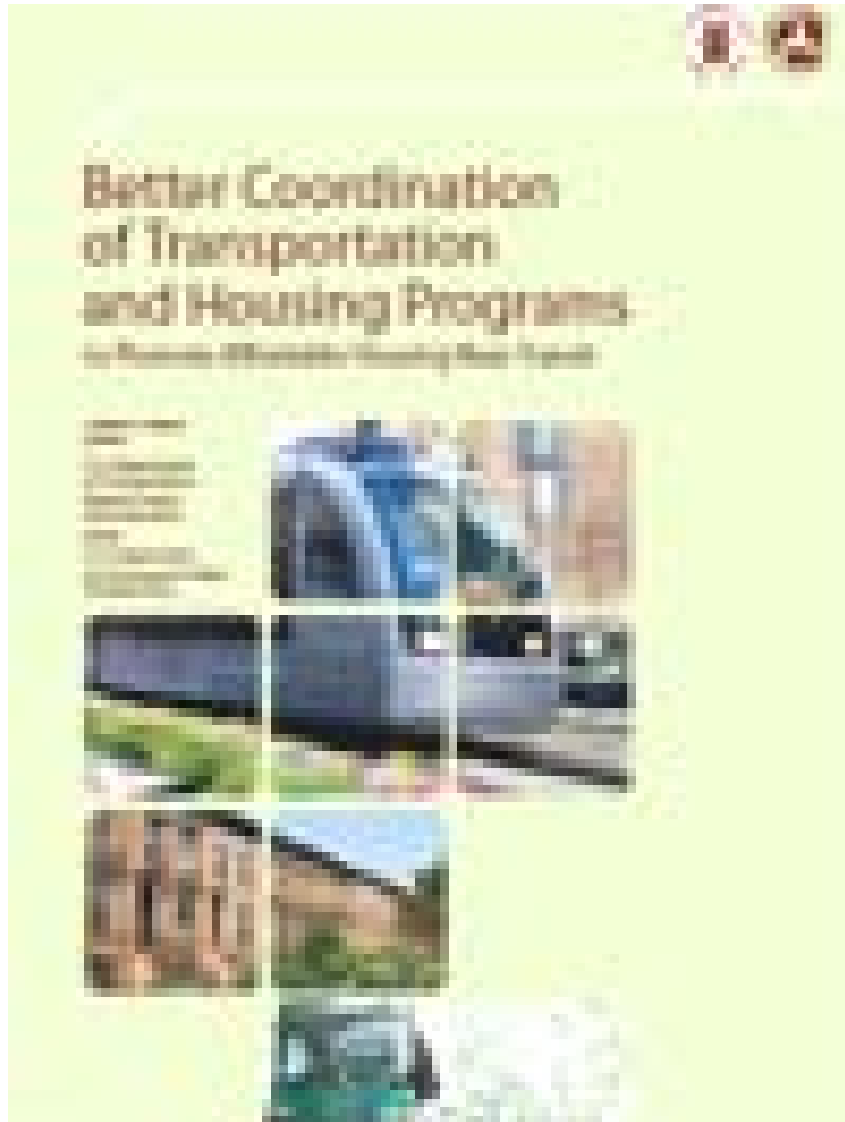
www.dot.gov

Environmental Protection Agency

www.epa.gov/sustainability

Federal Government Grants

www.grants.gov



2008 Report to Congress:

- ✓ *FTA and HUD*
- ✓ *Action items to encourage integrated housing and transportation planning at the local level.*
- ✓ *Research on expanding the supply of affordable housing near transit*
- ✓ *Strategies for financing TOD*
- ✓ *Removing Barriers*
- ✓ *Best Practice Manual*
- ✓ *Stakeholder Outreach*

www.huduser.org

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