



FILLING THE FINANCING GAP FOR EQUITABLE TOD

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• • • | Paper Summary

- Enterprise Community Partners (ECP) and the Low Income Investment Fund (LIIF), through their national TOD partnership, were asked to author a paper on TOD finance using capital absorption framework as a lens
- Objective: To review the equitable TOD finance system, identify gaps, and suggest innovative financial tools and potential federal, state and local policy solutions
- National focus and relevance with regional case studies: Atlanta, Denver, Minnesota-St. Paul, San Francisco Bay Area



• • • | What is equitable TOD?

Equitable TOD:

- Creates equal opportunities for people of all incomes, particularly low-income communities, by prioritizing affordable housing near transit and access to jobs;
- Provides transit-accessible services, such as schools, health clinics, childcare and grocery stores; and
- Enhances access for transit-dependent populations through connecting bicycle and pedestrian facilities.



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A Model Equitable TOD Financing System Involves Coordination Among these Key Actors

- State/Local/Regional government
- Metropolitan Planning Organizations (MPOs)
- Transit agencies
- Philanthropy
- Business Community
- Community and Community Based Organizations
- Developers
- Financial Institutions
- National TA providers



Implementation of an Equitable TOD System Must Include These Key Components

- Acquisition, predevelopment and remediation financing
- Infrastructure financing
- Debt/equity access during construction and permanent financing phases
- Philanthropic and public resources
- Access to resources for businesses disrupted during construction of new transit lines/stations



• • • | Systems Level Findings

- TOD financing system and tools have not kept pace with the innovative, new thinking over the past decade
 - Still focus on individual real estate projects
 - Greater need for corridor and regional level planning
 - Continued silo piercing
 - Broader planning helps demonstrate how everyone benefits from positive developments at stations that may be outside of their jurisdictions



TOD Projects are typically large, mixed-use infill projects

- These projects face additional obstacles and risk
- Lack of efficient planning, zoning, and environmental approval processes adds unpredictability, time and risk
- Many "innovative" financing tools simply serve as workarounds to mitigate the additional risks
- Streamlining development processes will help reduce risk profile

Regions' strategies and challenges to execute equitable TOD vary

- Strong, moderate or weak economies
- Variable levels of political will to implement equitable TOD strategies
- Nature of the transit system
- Capacity within local and state government, MPOs, and transit agencies
- Variable levels of community engagement



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TOD financing systems need to be viewed holistically

- Greater need to look at the whole financing system, from predevelopment through permanent financing
- Focus too much on one stage of the development process
- Housing and business finance exist in silos
- Without a clear path to permanent financing, acquisition and development stall
- TOD Funds are only one option not a panacea



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• • • | Project Level Challenges

- Scale, complexity and land assembly
- Mixing uses is difficult in practice
- Risk appetite does not meet developers needs
- Infrastructure and remediation sources are hard to find
- Reliance on unique gap funding difficult to replicate
- Sources of permanent financing are limited & competitive



Ways to improve equitable TOD financing at project and systems level

- Corridor-level perspective
- Mezzanine debt to fill LTV gaps
- Organization level investment
- Busting the housing and transportation financing silos
- Credit enhancement or guarantees to turn unused capital into deployment



Ways to improve equitable TOD financing at project and systems level

- Evolve local tools that work for multiple regions or national pools
- Test equity as an alternative to debt
- Evolve from grants to forgivable loans for remediation and infrastructure
- Expand tax increment financing to support all phases of equitable development

• • • | Policy & Practice Opportunities

- Joint development
- Study and document the need before mandating the uses
- Better coordinate among different types of owners and tenants to plan early for successful development
- Explore new models

• • • | Recommendations

- Devote more time to help regions understand WHAT should be financed before focusing on the HOW
- Create a robust technical assistance and knowledge sharing platform.
- Advocate for greater federal, state, and local policies to encourage equitable TOD.
- Build on what we have learned – more equitable TOD demonstration programs across the country.



Case studies: Atlanta

- Extensive transit system run by Metropolitan Atlanta Rapid Transit Authority (MARTA), with plans for expansion
- Weak equitable TOD policy
- Success of transit-led joint development
- Stabilization of neighborhoods hit by foreclosures



Case studies: Minneapolis – St. Paul

- Expansion of light rail systems
- Creation of Central Corridor Funders Collaborative
- TOD is relatively new
- Rent premium for TOD projects?
- Need for mezzanine debt and equity products until market proves out



Case Studies: SF Bay Area



- Advanced regional transportation infrastructure
- Progressive MPO but lack of public sector gap \$\$
- Strong economy with high capacity non-profit and for-profit developers
- Active private market for developers, speculators
- Preservation and gentrification concerns

Case Studies: Denver



- Moderately strong economy
- Undergoing aggressive transit expansion
- Weak policies and low levels of public subsidy available for equitable TOD
- Denver TOD fund expansion
- Terms of current financial products fail to meet needs
- Preservation successes