Land Acquisition Fund: A Tool for Tough Economic Times?

2009 Rail-Volution Conference

Boston, MA

October 2009
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?