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
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)
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
LIIF Programs

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

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

**Limitations**: Term and total $$ size
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
Example of a Fund Structure
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%
LACHIF LLC holds $19.8MM loan from LA County Fund, LLC.

- Up to $60MM fund
  - Class A Senior Lenders will lend up to $32.1MM; Class B Lenders up to $8.1MM; and LACHIF investment up to $19.8MM. Class B Lenders will share ownership of LA County Fund, LLC.
  - Pooled risk for Class A Senior Lenders. County funds will support Class A Senior Lender funds until all County funds are exhausted.

- Project loans will be funded by Class A lenders (53.5%), Class B Lenders (13.5%), and the County (33%).

Originating Lenders:
- LIIF (Class B Lender)
- Century Housing (Class B Lender)
- CSH (Class B Lender)

Mezzanine Position:
- LIIF (Administrative Agent and Master Servicer)

Project Loans:
- (Up to $5MM each)
Summary of Bay Area TOD Fund and Proposed Program
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
Components

- Loan Fund: $50MM or more
- Proposed Grant Pool
- Technical Assistance
- Program Assessment
- Learning through case studies, best practices and convenings
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
MTC Grants $10MM to LLC

Class A Senior Lenders will lend up to $25MM; Class B Lenders (originating CDFI/mezzanine) up to $7.75MM; PRI up to $6.5MM; Class C Lenders (originating CDFI) up to $750M and MTC investment (grant) at $10MM. CDFIs will share ownership of Bay Area TOD Fund, LLC.

- Project loans will be funded by Class A lenders (50%), Class B Lenders (15.5%), PRI (13%), Class C Lenders (1.5%) and the MTC (20%).
- Pooled Risk for Class A Senior Lenders. MTC funds will support Class A Senior Lender funds until all MTC funds are exhausted.
Fund Priorities

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

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