WHERE DOES THE CAPITAL WANT TO GO OR, BETTER YET, WHERE IT NEEDS TO GO...

10-15-12
CREATIVE HOUSING ASSOCIATES

INTRODUCTION

• An alternative approach to traditional real estate development.

• Mission: Eliminate urban FWY’s by introducing mass transit & accompanied walkable multi-modal neighborhoods.

• Emphasize Community Partnership.

• Expertise in Public/ Private Partnerships.
TYPICAL CAPITAL STACK FOR CHA DEALS

- Patient Equity
- Public Financing
- Mezzanine Equity
- Debt
“Patient equity is that part of the development financing structure with no defined payback period. In the past, developers needed to invest patient equity in order to move projects forward, since generous bank debt was not as available. They understood such investment was key to what J.C. Nichols called “ENDURING VALUE,” allowing time to design and build high quality projects to weather the economic uncertainties endemic to the real estate industry.”

Christopher Leinberger, The Brookings Institute
CAPTURING ADDED VALUE OF TRANSIT

How new transit adds **VALUE**?

Why TOD’s achieve greater **VALUE**!

Enduring Value

Easier to underwrite

Premium due to eligibility for public financing

Public land adjacent to transit with little or no carrying costs

Eligible for “super-entitlements”

Source: Strategic Economics.
Awarded “Best Transit Oriented Development” by Urban Land Institute and Congress for New Urbanism, 2006
The town’s energy was on auto-dominated Fair Oaks Avenue, Mission Street and Meridian Avenue were dead.
Economic Conditions

- Retail Rents = +/- $1.00 sf.
- Rental Housing = $1.10 sf.
- Avg. Sales Price for Single Family Housing = $250,000 ($150 sf.)
- Note: Transit 6 years out at this time.
Urban Conditions

- Existing parking lot with chain link fence & overgrown weeds.
- Over-head utility wires.
- No precedent for mixed-use TOD projects in the City.
Urban Conditions

- Two dilapidated homes, later deemed historic in EIR, were on site.
- Built in 1880’s, two of the oldest homes in South Pasadena.
- Developer had to find solution or lose entire project.
CASE STUDY
MISSION MERIDIAN VILLAGE

1997 URBAN CONDITIONS

Turning Lemons into Lemonade

- Partnership with Heritage Housing Partners and City, homes were relocated and historically preserved just a block away from original site.
- Homes are now family owned by two first-time homeowners.
- Showed up near zero on proforma.
## CASE STUDY
MISSION MERIDIAN VILLAGE

### CAPITALIZATION PROGRAM

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer/Equity Partner</td>
<td>$2 million</td>
</tr>
<tr>
<td>MTA “Call for Projects” Grant</td>
<td>$2.5 million</td>
</tr>
<tr>
<td>City Match</td>
<td>$500,000</td>
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<tr>
<td>Caltrans Grant</td>
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<td>Mezzanine Equity</td>
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<tr>
<td>Construction Loan</td>
<td>$12 million</td>
</tr>
</tbody>
</table>

**Patient Equity**

- Developer/Equity Partner provided: $2 million

**Public Financing**

- MTA “Call for Projects” Grant: $2.5 million
- City Match: $500,000
- Caltrans Grant: $2 million
- Mezzanine Equity: $2.5 million
- Construction Loan: $12 million
Located adjacent to the Mission Station along the Metro Gold Line in South Pasadena, CA.
• Mixed - Use TOD serving the Gold Line's Mission Station in South Pasadena
• Designed by Moule & Polyzoides Architects & Urbanists and winner of 2006 Award of Excellence from Congress for the New Urbanism
• 1.6 acre site development program components:
  • 67 live/work lofts, flats, townhomes & single family homes
  • 5,000 sf. of retail
  • Subterranean public parking garage with 142 spaces reserved for Metro commuters
Fast forward 6 years...

Gold Line Opens in 2003:

- Retail Rents = $3.00 sf.
- Rental Rates = $2.25 sf.
- For Sale Condominiums = $300 sf.
Transit in full operation.

Hip factor introduced.

Mission Meridian Village outperformed all competition in market area by 30% during economic downturn.

Patient equity resulted in ENDURING VALUE.
Evidence of Enduring Value

Year | Average Price/SF Mission Meridian Village | Average Price/SF South Pasadena (excluding MMV)
-----|-----------------------------------------|----------------------------------
2005 | $300                                    | $350                             
2006 | $350                                    | $400                             
2007 | $400                                    | $450                             
2008 | $350                                    | $400                             
2009 | $300                                    | $350                             
2010 | $350                                    | $400                             
2011 | $350                                    | $400                             

Legend:
- Green Bar: Average Price/SF Mission Meridian Village
- Brown Bar: Average Price/SF South Pasadena (excluding MMV)
CASE STUDY
MISSION MERIDIAN VILLAGE

Total Development Costs = $21.5 million

Developer Equity = $2 million

Public Financing = $5 million

CalPERS + Wells Fargo = $2.5 million

Debt = $12 million

Investor Return = 24% (double proforma)
Multi-public/private partnership with City of Santa Rosa, Transit Authority (SMART) and State of California.
CASE STUDY
NEW RAILROAD SQUARE

SMART TRANSIT CORRIDOR

- Sonoma-Marin Area Rail Transit corridor will run 70 miles from Cloverdale in Sonoma County, California, southward to Larkspur in Marin County.

- The construction of SMART train commenced in February, 2012 after a 20 year, six election effort to gain public support.

- In 2006 CHA won first station TOD opportunity from SMART.

- In 2009, CHA partnered with John Stewart Company, expanding site and capital.
5-MINUTE WALK + SITE PLAN

- Located within the heart of Santa Rosa’s Railroad Square Historic District.
**CASE STUDY**

**NEW RAILROAD SQUARE***

**DEVELOPMENT PROGRAM**

- Mixed - Use TOD anchoring new SMART train station in downtown Santa Rosa
- Received $25 million in Federal, State & Local Grant Funding
- 400,000 sf. project on 7.5 acres including:
  - 279 units of affordable & market rate housing
  - 45,000 sf. office space
  - 44,000 sf. ground floor retail anchored by a public market
  - Large crescent plaza linking 70 mile bike path along Santa Rosa Creek
Total Public Financing Commitment = $27,750,000

Affordable Housing S/A = $4 million*

Infrastructure = $2.5 million*

AARA = $500,000

Community Facilities District = $2 million

Cal Reuse Loan = $150,000

Proposition 1C = $11.5 million

HUD 108 Loan & Grant = $7.1 million

* Pending decision by State of California Department of Finance
• **$6.1 million** in City coffer waiting to be swept by State of California Department of Finance.

• If we prevail, we will commence Phase I of project in 2013.
CHA selected by SMART to Master Develop Railroad Square.

Secure Cal Re-Use loan for Brownfield redevelopment.

CHA merges with neighboring property owner, John Stewart Company.

Prop M (1/4 cent sales tax) passes with 70% of vote, due to President Obama.

Secure State Prop 1C Grant-$11.7 million.

Secure Cal Re-Use loan for Brownfield redevelopment.

Prop M (1/4 cent sales tax) passes with 70% of vote, due to President Obama.

Secure State Prop 1C Grant-$11.7 million.

BEDI Grant/Loan from HUD - $7.1 million.

City commitments of $6.1 million jeopardized by Governor Brown’s abolishment of RDA’s in California.

Market tanks (thank you very much).
THANK YOU!

NOW LETS HEAR FROM YOU...