Financing Livable Communities
Brian Prater, Managing Director, Western Region
October 17, 2012
Low Income Investment Fund (LIIF)

- Community Development Financial Institution (CDFI)
- Mission-driven nonprofit founded in 1984 – national scope
- Array of activities: Financing, fund structuring, policy, technical assistance and program
Impact Pathways

STORIES OF SUCCESS

POLICY
GREEN
HOUSING
CHILD CARE
EDUCATION
HEALTH
TOD
What We’ve Done

• $20 billion in family & societal benefits
• 1 million people served
• $6 billion leveraged for distressed communities

To support:

• 56,000 homes
• 190,000 child care slots
• 58,000 spaces for students
• 75,000 jobs
Great Communities Collaborative

**Key Partners**

**Nonprofit Partners**
- Greenbelt Alliance, Nonprofit Housing Association of Northern California, TransForm, Urban Habitat, and Reconnecting America
- In early 2012, joined by: Asian Pacific Environmental Network, Low Income Investment Fund, Silicon Valley Leadership Group, Working Partnerships USA, and Youth United for Community Action

**Government Partners**
- Association of Bay Area Governments
- Metropolitan Transportation Commission

**Mission**
Ensuring that the San Francisco Bay Area is made up of healthy, thriving neighborhoods that are affordable to all and linked to regional opportunities by a premier transit network.
GCC Framework for Our Theory of Change

STRATEGIES

INFLUENCING

LOCAL POLICY & PLANNING WORK

THINKING & CREATING

CONVENING & MOBILIZING

FINANCE TOOLS

REGIONAL POLICY & PLANNING WORK

INFLUENCING
How We Work

- Instigate inclusive local station area planning for specific TODs
- Increase flow and focus of private and public funding (TOAH fund)
- Convene local stakeholders to promote equitable TOD
- Influence federal, state and regional policies and plans that impact TOD on local level
Bay Area TOAH Fund

Overview

• $50 million equitable TOD Fund
• Nine-county Bay Area
• 10 year Fund; 5-year origination period
• Five loan products for affordable housing, mixed-income and mixed-use projects
• Closed on March 30, 2011
TOAH Fund Priorities

**Affordable Housing** – 85% of Fund capital is targeted to support the creation and preservation of affordable housing.

**Other Neighborhood Uses** – Up to 15% of Fund capital may be used to support community facilities, child care centers, health clinics, fresh food markets and other neighborhood retail.

**Geographic Diversity** – The Fund is committed to deploying capital in Priority Development Areas (PDAs) in all nine Bay Area Counties.
TOAH Fund Partners

- Made possible by:
  - Great Communities Collaborative (GCC)
  - Metropolitan Transportation Commission (MTC)

- CDFI Consortium
  - LIIF is Administrative Agent
  - CSH, ECLF, LIIF, LISC, NCCLF and the Opportunity Fund are the originators

- Grants provided by 3 foundations: Ford, Silicon Valley & San Francisco
TOAH Loan Products

- Acquisition Loans
- Predevelopment Loans
- Construction Bridge Loans
- Construction/Mini-Perm Loans
- Leveraged Loans for NMTC deals

**Product Highlights:** Up to 110% LTV, 7 year terms and low cost
The Fund Structure

1. Equity or Grant $
   - Citi Community Capital - $12.5MM
   - Morgan Stanley – $12.5MM

2. Program-Related Investments and Flexible Loans
   - 6 CFDIs – $8.5MM
   - Ford Foundation - $3MM
   - Living Cities - $3MM
   - The San Francisco Foundation - $500,000

3. Senior Loans

Banks
- Citi Community Capital - $12.5MM
- Morgan Stanley – $12.5MM

Foundations and Intermediaries
- 6 CFDIs – $8.5MM
- Ford Foundation - $3MM
- Living Cities - $3MM
- The San Francisco Foundation - $500,000

Agency
- Metropolitan Transportation Commission - $10MM

TOTAL = $50MM
TOAH Fund Update

• $10 million or 20% of Fund deployed
• $6.2 MM additional approved
• $15 MM in near term pipeline
• San Francisco, San Jose and Oakland
• 704 housing units (84% affordable), 30k square feet of community and commercial space
• Program evaluation structure underway
Eddy & Taylor Family Housing
San Francisco, CA

Financing:
(1st TOAH Fund loan)
- $104 mm total development cost
- $7 mm acquisition financing
- $5.9 mm subordinated financing from San Francisco MOH

Project: Develop parking lot into 14-story building with 153 units of affordable housing and retail space for a grocery store.

Borrower: Tenderloin Neighborhood Development Corp. is a nonprofit developer that provides housing and support services in one of the poorest areas of San Francisco.
Leigh Avenue Senior Apartments

San Jose, CA

Financing

• $21.5 mm total development cost
• $3 mm acquisition loan
• Future support from the City of San Jose

Project: Develop vacant land into mixed-use project with 64 units of affordable senior housing & dental office; 35% of units reserved for chronically ill seniors needing in-home care provided by the County of Santa Clara.

Borrower: First Community Housing is a nonprofit developer in the South Bay Area; nationally recognized for architectural designs and green building practices.
Rail-Volution
Building Livable Communities with Transit

2012 National Conference
Financing Livable Communities:
A Fresh Look at the Basics

Richard Manson, Vice President
People, Not Just Places, Need to Prosper

Building Sustainable Communities

A New Strategic Direction

- Launched in 2007
- Responds to changing on-the-ground needs of communities
- Driven by LISC’s best local program work
- Builds on CCRP Bronx model and Chicago NCP model adaptation
- Economic and housing crisis reinforce the need for comprehensive approaches

“LISC understands that if you want to make a difference at the local level, whether it’s housing, schools or anything else, you have to look at the broader community and the other needs in that community.”

Shaun Donovan
Secretary, U.S. Department of Housing and Urban Development
How LISC Works

**Funders & Investors**
- LISC assembles capital for community investment

**Community Development Organizations**
- LISC invests financial and technical resources to maximize results

**LISC**
- Provides advice on market activities and policy trends

LISC works by assembling capital for community investment. It provides advice on market activities and policy trends, and invests financial and technical resources to maximize results. This collaborative approach ensures that investments are directed towards community development effectively.
Benefits of National – Local Partnership

1. LISC invests *national* grant money *locally*.

2. LISC’s *pooling of investment capital* encourages participation by a more diverse group of funders.

3. LISC brings *national best practice models* to local efforts.

4. LISC provides its partners with local *management & stewardship*.

5. LISC’s *broad constituency* helps overcome difficult public policy obstacles.
## LISC By the Numbers

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
<th>Since 1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>What we’ve invested</td>
<td>1.1 Billion</td>
<td>12.0 Billion</td>
</tr>
<tr>
<td>$ Leveraged</td>
<td>1.5 Billion</td>
<td>21.9 Billion</td>
</tr>
<tr>
<td><strong>Total Dev Costs</strong></td>
<td>2.6 Billion</td>
<td>33.9 Billion</td>
</tr>
<tr>
<td>What we’ve accomplished</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Units</td>
<td>14,270</td>
<td>289,000</td>
</tr>
<tr>
<td>Sq. Ft. of Commercial Space</td>
<td>3.0 million</td>
<td>46 million</td>
</tr>
<tr>
<td>Schools Financed</td>
<td>14</td>
<td>153</td>
</tr>
<tr>
<td><strong>Students Impacted</strong></td>
<td>6,500</td>
<td>56,700</td>
</tr>
<tr>
<td>Childcare Facilities</td>
<td>10</td>
<td>174</td>
</tr>
<tr>
<td><strong>Children served</strong></td>
<td>1,300</td>
<td>18,900</td>
</tr>
</tbody>
</table>
LISC TOD
By the Numbers

$138M in Direct LISC Investments
- $23M in loans and grants
- $85M in Low Income Housing Tax Credits
- $19.5M in New Markets Tax Credits

Which has leveraged nationwide:
- $791 million in total development activity

What we’ve accomplished:
- 2,250 Affordable Homes and Apartments
- 570,000 Sq. Ft. of Commercial Space
Five Program Goals

1. Expanding investment in housing and other real estate
2. Increasing family income and wealth
3. Stimulating economic activity, locally and regionally
4. Improving access to quality education
5. Fostering livable, safe and healthy environments

Building Sustainable Communities
What Does it Take?

Key Elements of the Model

- Fostering *increased and sustained resident engagement* – creating a sense of ownership and accountability – relational organizing model

- Developing and implementing a *comprehensive neighborhood plan* with clear goals, action steps and outcomes

- *Connecting a broad base of implementation partners* and working across silos – collaboration is value added

- *Targeting multiple investments in concentrated areas*

- *Broadening the engagement of public and private partners* as funders and systems change advocates
The Real Estate Development Process

Concept

- Organizational Goals
- Marketing
- Architectural Design Issues
- Managing the process

Deal making/ Negotiations

- Acquisition contract
- Final Plans and Specs
- Assembly of Financing

Project Construction & Management

- Complete on time and within budget

Feasibility

- Site Control
- Capital Budget
- Operating Assumptions

Operation or Sale
Why Transit Oriented Development

Environmental Reasons
• Reduction of vehicle miles traveled
• Reduction of carbon footprint

Social Equity
• Increase disposable income for low and moderate income families and individuals
• Provides ownership opportunities for nonprofit institutions accountable to low income leadership

Diversity
• Encourage racially and economically mixed communities

Accessibility
• Improves access between residential locations and modes of employment
LISC’s Role

Strategic Leadership
- Underwriting/ financial modeling
- Broker/ convener (who needs to be at the table)
- Risk/ Patient Capital
- Advocate for Social Equity & Environmental Justice

Land Use Planning
- What problems are we trying to solve
- Best practices nationwide
- Shaping local interventions
- Assess & recommends options
Financing Timeline

Pre Development
- Preliminary plans and specifications
- Environmental Review
- Legal
- Site Control
- Application Fees
- Project Administration

Acquisition
- Timing

Construction Financing
- Loan to Value issues
- Completion Guarantees

Permanent Financing
- Loan to Value
- Guarantee and Reserves
Philadelphia, PA

- **Project:** 9th & Berk TOD
- **Developer:** Association de Puertoriquenos En Marcha & Jonathan Rose Companies
- **Description:**
  - Mixed use, mixed income residential and commercial development
  - 120 residential units, (53 affordable/67 market sale),
  - 30,000 sq ft. Of commercial space
- **Location:** Adjacent to the (9th and Berk Regional Rail Stop)
- **Total Dev Costs:** $48.6 Million, $291/ unit

<table>
<thead>
<tr>
<th>Budget</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$1</td>
</tr>
<tr>
<td>Construction</td>
<td>$34,700,000</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>$8,400,000</td>
</tr>
<tr>
<td>Fees</td>
<td>$5,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$48,600,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard Debt</td>
<td>9,500,000</td>
</tr>
<tr>
<td>2nd Position Debt</td>
<td>3,000,000</td>
</tr>
<tr>
<td>NMTC</td>
<td>8,000,000</td>
</tr>
<tr>
<td>LIHTC</td>
<td>11,000,000</td>
</tr>
<tr>
<td>Grants for NMTC</td>
<td>7,500,000</td>
</tr>
<tr>
<td>Grants for LIHTC</td>
<td>4,520,000</td>
</tr>
<tr>
<td>Additional Grants</td>
<td>2,600,000</td>
</tr>
<tr>
<td>Reinvested Sub Loans</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$48,600,000</strong></td>
</tr>
</tbody>
</table>
Boston, MA

**Project:** 157 Washington St.

**Developer:** Codman Square Neighborhood Development Corp.

**Description:** 24 low income tax credit rental units in conjunction with tenant established limited equity cooperative

**Location:** 1.5 blocks from the proposed Four Points Fairmount Commuter Station

**Total Development Costs:** $9. million, $405k/unit

**Budget**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$1,300,000</td>
</tr>
<tr>
<td>Construction</td>
<td>$5,250,000</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>$2,250,000</td>
</tr>
<tr>
<td>Fees</td>
<td>$800,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$9,600,000</td>
</tr>
</tbody>
</table>

**Sources of Financing**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAP 1st</td>
<td>$600,000</td>
</tr>
<tr>
<td>City of Boston</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>DHCD Home</td>
<td>$550,000</td>
</tr>
<tr>
<td>Sponsor Loan</td>
<td>$700,000</td>
</tr>
<tr>
<td>DHCD- AHTF</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>GP Equity</td>
<td>$100,000</td>
</tr>
<tr>
<td>LIHTC</td>
<td>$4,800,000</td>
</tr>
<tr>
<td>Deferred Dev. Fee</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$9,600,000</td>
</tr>
</tbody>
</table>
Phoenix, AZ
Phoenix, AZ

Project: Divine Legacy

Developer: Native American Connections

Description: 65 Unit mixed income residential dev (6 market, 54 LIHC)

Location: Central & Campbell
Light Rail Station

Total Development Cost: $15.9Mil/ $244k per unit

Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Construction</td>
<td>$11,000,000</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Fees</td>
<td>$1,700,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$15,700,000</strong></td>
</tr>
</tbody>
</table>

Sources of Financing

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>AZ Multi Bank</td>
<td>$1,300,000</td>
</tr>
<tr>
<td>City of Phoenix</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Arizona Dept of Housing</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>AHP</td>
<td>$750,000</td>
</tr>
<tr>
<td>Developer Com</td>
<td>$50,000</td>
</tr>
<tr>
<td>GP Equity</td>
<td>$100,000</td>
</tr>
<tr>
<td>LIHTC</td>
<td>$8,900,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$15,800,000</strong></td>
</tr>
</tbody>
</table>
Contact Info

Richard Manson
Vice President
212-455-9589
rmanson@lisc.org
www.lisc.org
Financing Livable Communities: Developer & Public Agency Roles
Developers Role in Equitable TOD

- For-profit developers are typically largest provider of private investment capital for TOD projects
- Developers look to maximize returns, minimize risk
- Contribute to equitable TOD consistent with market, feasibility, financing, risk considerations
  - By ordinance: inclusionary housing; commercial linkage fees; living wage
  - Development agreements: training, hiring, other workforce programs; contracting set-asides; community facilities
For projects with market, feasibility, or other challenges, public assistance can be key to feasibility.

Public-private partnerships leverage public contributions – land, financing - for public benefits.
- Applicable to for-profit developers, non-profit affordable housing developers or community development corporations.

Public-private partnerships require negotiation of an agreement defining roles, responsibilities, benefits.
Public Private Partnerships

- **Key questions:** who controls the revenue flow and growth; costs; and allocation of risk
  - Risks: design; construction cost; interest rates; ridership; operating; maintenance capital costs; political

- **Needs to be evaluated on a case-by-case basis**
  - Look at alignment of parties goals, interests, responsibilities
  - Match capabilities and demonstrated experience
  - Agreements need to spell out oversight, caps on contribution, buy-out/termination
Public Finance – Tax Increment Finance

- **TIF is the most powerful tool but has its challenges**
  - Captures growth in property tax above a baseline assessment – for a project or for a district
  - Revenues can be used to finance infrastructure, affordable housing, community facilities, acquire sites, support projects
  - Revenues take time to build, so bridge financing is needed

- **Range of limits on its use, varies state by state**
Many forms – special assessment, community facilities, local or business improvement districts, etc.

- Property tax surcharges, these are creature of State laws that can limit scope, amount, etc.
- A form of value capture
- Typically rely on property owner authorization - challenges of getting a large number of owners to agree

Can be spent on capital improvements or operations & maintenance, depending on relevant law
Public Finance – Other Tools

- Credit enhancements, guarantees, loan funds
- Real estate transfer taxes
- General fund
- Grant funding – federal, state, or local
Timing Challenge for Public Agencies

- Taking action to stabilize a neighborhood’s residents and businesses before speculation occurs
- Need to understand tenure patterns, at-risk affordable housing units, local business needs
- Challenge to assemble funds from multiple sources to cover a range of strategies – roles for non-profits
Seattle’s Neighborhood Equitable TOD Initiative (NET)

- $3M HUD Sustainable Communities Challenge Grant - match with other public, private funds
- Focused on neighborhoods impacted by Central Link Light Rail
- 3 year $8.9M program that includes:
  - TOD acquisition loans for 3 – 4 sites to build 200 units of affordable housing
  - Commercial stability strategy to provide business technical assistance, real estate consulting to create affordable space
  - Planning for a shared cultural center, feasibility study
Community Benefits Agreements

- Negotiated agreements with developers to provide benefits that can advance equitable TOD goals:
  - Training and hiring
  - Contracting set-asides; contractor and tenant requirements
  - Community facilities and programs

- More commonly associated with large projects

- Challenges of monitoring and ensuring performance of longer-term requirements
Importance of Community Engagement

- Community members need to be engaged at each stage in making equitable TOD work
  - Visioning and planning
  - Negotiation of agreements
  - Long-term monitoring

- Conditions can change, public financing sources can be impacted, agency focus and priorities can shift
  - Creating equitable TOD is an ongoing effort
Questions & Discussion