THE CASE FOR LAND ACQUISITION FUNDS FOR TRANSIT-ORIENTED DEVELOPMENT: AN EXAMINATION OF THEIR BENEFITS, BEST PRACTICES AND APPLICATION IN BOSTON, MASSACHUSETTS

by

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INTRODUCTION

With the recent high gasoline prices, an increasing number of motorists are looking more favorably towards public transit as a cheaper and viable mode of transportation. Numerous municipalities across the U.S. have taken the long-term perspective in regards to creating viable alternative forms of transportation that would strategically support future regional growth in a sustainable way. All facing population growth projections, cities such as Charlotte, Denver, and Houston have recently commenced large light rail expansion projects. Meanwhile, other cities with existing large rail networks such as San Francisco and Boston continue to invest and expand their public transportation backbones.

There are a myriad of factors that will influence how well the transit systems perform (from both the user and operator’s perspective) and how much they will actually aid in the sustainable growth of their cities and regions. Strategic zoning and land use plans will need to be conscientiously designed and considered on a variety of scales in order to direct the growth in appropriate areas. A strong component of this planning effort will be the allowed densities and amenities required in the surrounding areas of the various transit stops. Termed Transit-Oriented Development or TOD, the crux of the idea is that by encouraging an appropriate mixture of housing, retail and office space in the vicinity of the transit stops, vibrant and diverse communities will emerge. The result will be a reduction of living expenses by the decreasing the need for the automobile, expanding access to jobs, and reducing the tendency of communities to sprawl out (assuming a regional growth plan is in place), all in addition to increasing ridership and therefore supporting the public investment of transit.

Yet there are considerable challenges to creating vibrant TOD - from the acquisition of promising sites, to the common public aversion to increased density, to the ever-present issue of obtaining adequate financing. Because TOD projects can often take several years longer to complete than traditional developments, the risks and challenges are often heightened. However, with the growing recognition that our current transportation systems and spatial growth arrangements are not sustainable (or at least not desired by all), public transportation and its accompanying TOD, are being seen more and more as essential tools towards a better future. Many municipalities around the US have created specific corridor or neighborhood plans that concentrate development around stations; others have created specific funding sources to help catalyze their creation. As the acquisition, hold and preparation of land is often the biggest hurdle towards creating more TOD, several municipalities have created specific financing tools or funds to help with this process. Such TOD Land Acquisition Funds may not be the panacea to all financing problems, but they will certainly help address the critical pre-development and land acquisition funding gaps. With many federal and state funding sources shrinking in recent years due to budget cuts, these gaps will only widen which means the need for targeted TOD financing sources will only increase.

This paper will first review the benefits and challenges of creating more transit-oriented development before examining the common TOD funding sources (and importantly, identifying where the major funding gaps exist). Next, we will focus on TOD Land Acquisition Funds which are an innovative way to provide financing for the acquisition, hold, and preparation of land in order to foster the creation of more TOD. Since an understanding and examination of other national models and their lessons learned is vital, this paper will then explore a few of the common themes of three cities that have created land
acquisition funds -- San Francisco, Denver and Minneapolis – with the intent of better understanding how the Fund structure varies depending on the context specific needs and assets. Finally, we will examine the case of Boston which is currently organizing a land acquisition fund and exploring the viability of a few different options of how the fund might be structured. While Massachusetts has several pro-TOD programs and funding mechanisms already in place to facilitate developers focusing on TOD sites (see Appendix 9), critical pre-development and acquisition still need to be addressed. Since the structure of the fund is still under consideration, it affords us the opportunity to examine their organizational process and examine the different potential outcomes.
OVERVIEW OF TOD

What is TOD?

Transit-Oriented Development (TOD) generally refers to higher density, mixed-use development within ½ mile radius (i.e. walking distance) of transit stations. TOD focuses on the existing transit stations and infrastructure with a major goal of increasing the ridership, reducing automobile dependency and promoting vibrant, walkable communities with housing, jobs and shops all nearby.

Benefits

The benefits of TOD are numerous. First, by focusing the development around transit stops, TOD:

• Capitalizes on existing transit and infrastructure.
• Reduces sprawl and preserves open space (assuming there is a regional growth plan in place).
• Promotes more healthy lifestyles by increasing walking and biking, which may address the growing obesity epidemic facing America.
• Reduces our overall cost of living by reducing Vehicle Miles Traveled (VMT), which would in turn reduce the combined costs of housing and transportation.
• A reduction in VMT would also improve environmental air quality by reducing the greenhouse gas emissions and
• Eases traffic congestion.

Challenges

With the benefits of growing more sustainably by locating more densely around existing transit stops, there also come many challenges, such as expensive and fragmented land, extending the length of development, high upfront costs, and standard underwriting criteria not being suitable for TOD. This next section provides more detail about these challenges.

Expensive and Fragmented Land

Re-developable land near transit stations is usually limited and expensive. For example, a 2008 study by the Center for Transit-Oriented Development showed that of the 1.1 million urbanized acres of land in the San Francisco Bay Area, less than half of a percent of the land within ½ mile of a transit stop was both considered vacant or underutilized.1 In addition, the sites that are available are often small and/or in unorthodox parcel shapes. The city of Boston, which is quite built out, has had to frequently deal with this problem. While neighboring vacant parcels may be available, the presence of multiple land ownership can make the process of assembling enough land together to make the project viable, both financially and politically. For example, while the city of Minneapolis

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acquired several sites years ago specifically for future TOD, in today’s political and financial climate, they do not want to be perceived to be “in the land acquisition business”. This is due in large part to the checkered past of urban renewal efforts where many cities used eminent domain and residential displacement to “revitalize” neighborhoods in order to attract wealthier residents and promote economic development and greatly resulted in displacing lower-income residents. While the public sector is often apprehensive to get too involved with the outright acquisition of land, the private sector - especially thru land speculation – is often very active soon after the station locations are announced. They will purchase the sites (often primarily with private equity), drive up the prices and then sell for short-term gains. The result is a land market where developers without significant equity sources (and especially affordable housing developers) are priced out. Private banks are unfortunately not much help since this phase in the development process is perceived as extremely risky.

A Long Time-Frame

Transit stations can often take 15-20+ years from conception through construction. Mixed-use TOD projects can often take 7-10 years to reach build-out as compared with 3-5 years for traditional single-use urban development. This is often much longer than most lenders (particularly equity investors) are willing or able to wait for their return – especially in comparison to traditional construction types on a greenfield site.  

The longer time frame also increases the carrying costs involved (i.e. loan interest, maintenance costs, real estate taxes, insurance, and electricity/heating/cooling costs, etc.). As a result of the long time frame and the high up-front costs associated with TOD, it means that the majority of the returns will not be seen until the mid- to long-term. Because traditional investment criteria such as internal rate of return and discounted cash flow value early projects returns more than long-term returns (meaning that 1st year’s Net Operating Income (NOI) has a greater impact on the Internal Rate of Return than the 10th year’s NOI), this could adversely affect the ability of TOD developers to secure equity funding. In the end, the longer time frame increases the risk and IRR requirements from both the lenders and investors. For the larger projects, which include several buildings, while project phasing is often used to mitigate the risks, the need for more patient capital (i.e. equity or debt financing with low interest rates and long terms) remains.

Figure 1: Hypothetical Impact of Transit Infrastructure Investments on Land Prices - from Transit Announcement to Start of Operations


High Up-Front Construction Costs

There are many up-front costs associated with TOD. As discussed earlier, the land near transit is expensive. In order to make up for the high land costs through increased rental revenue, TOD tends to be high-density development. This often means significant infrastructure costs. For example, upgrading the capacity of the sewer system can be very costly. These costs are often onerous for most market-rate developers and too much for affordable housing developers. In addition, because the zoning does not frequently account for the proximity to the transit stop by lowering the required parking spots per unit or per building square footage, the provision of sufficient on-site parking can become a serious issue. In order to adeptly fit the parking and the development into the urban context, structured parking (at a cost of around $25,000 or more per space) instead of surface parking is often the only viable solution. The resulting cost of parking can often doom an otherwise feasible project.

As a result of the higher land prices, on smaller sites and those close to transit stations, TOD tends to take the form of vertical mixed-use development. The common mixed-use configuration for TOD is residential units over office and ground-floor retail. There are however many additional design and construction challenges that come with vertical mixed-use development as compared to traditional single-use or even horizontal mixed-use. The main problem concerns how the various uses will be “stacked” on top of one another and, if and how the mechanical and structural systems will align. Having to use “transfers” to connect the systems between the various uses can be very expensive. In addition, while residential units have small spaces (which often allow one to hide the columns in the walls), retail and office often desire larger, open spaces. Given the fact that these structural members need to support the weights of the floors above, open floor plans will often require more expensive spanning members in the floors. Also, depending on the needs for the various uses to have separate entries from the sidewalk, this can increase construction costs while simultaneously decreasing the percentage of leasable space.

Due to the increased up-front costs often required of TOD, lenders often impose stringent underwriting criteria such as high loan-to-value (LTV) terms which can cause great difficulties for the non-profit TOD developers, in particular. It is the equity and subsidy sources that are needed to bring down the LTV and these are hard to come by. Hoping to make up the high initial costs through higher rents can be difficult in this economy to realize, especially for retail.

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Standard Underwriting Criteria Not Suitable for TOD

Lenders want to make sure the project they finance fits into their loan portfolio and where it can be resold on the secondary market (which thus requires standard underwriting criteria). The secondary market is composed of permanent mortgage categories and loans are underwritten for these 19 standard product types to make it easier to sell to investors. The FDIC and Federal Reserve Board – both of who are involved in the oversight of the market - have pushed strongly for conforming in this respect. Otherwise, they require the lender to jump thru hoops by means of additional project tracking, oversight, and reporting to investors. The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) have also had a large impact on the conformism. Studies have shown that interest rates for conventional mortgages are 15-30 basis points lower than nonconforming mortgages, due to the finances provided by Fannie Mae and Freddie Mac. As a result, investors need to have a compelling reason (be it a choice property, a unique opportunity, perfect timing in the market, etc.) to underwrite mixed-use projects. Much of these requirements are due – not to the lack of familiarity of the product – but rather to the fact that there have been numerous examples poor performance of these types of projects, which may be due to the location, planning or execution. This has caused lenders to be wary moving forward.

In Summary

Given all of these financial challenges facing TOD developers, the question remains: despite the potential for high returns, why would a developer (and their investors) want to go through the impending bureaucratic red tape, a potentially strong community backlash, the uphill battle to get the necessary approvals, the mountains of paperwork, the increased expenses and the very long timeline? Put another way, why wouldn’t a developer take the safer and more hassle-free route of developing on the urban fridge (i.e. suburbia) where the risks of bureaucratic delay, loan defaults, site contamination, and cash flow problems, etc. are far less likely? Figure 3 above graphically shows the increased challenge that TOD projects have. Given the higher costs and the lower returns, they are immediately at a disadvantage given a comparable suburban development. While it is true that the returns can be greater for urban infill, it must be understood that potential TOD projects require even greater study and careful deliberation to be certain that all of the assumptions are indeed viable.

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Figure 3: Suburban Development’s Ability to Attract Equity Over Higher-Cost, Lower-Profit TOD

COMMON GAPS IN TOD FINANCING SOURCES

In reviewing the literature and various consultant reports as well as through interviews with various staff involved in the creation of TOD Fund across the country, certain financing gaps frequently came up. Many of these gaps are not unique to TOD but may be felt more acutely given the aforementioned challenges faced by TOD developers.

**ACQUISITION**

A report\(^7\) prepared for the Family Housing Fund in Minneapolis describes three different types of acquisition, with each requiring different types of financing. The best fit will depend on the projected interim hold (before commencing with construction), the current and interim use, the type of entity acquiring the property and finally, the ultimate plan for redevelopment.

**Type 1: Land Acquisition with Long-Term Hold**

This generally pertains to vacant parcels which are acquired with the intent of waiting until, for example, the nearby station or some other neighborhood lynchpin is designed and constructed before commencing with the development of the parcel. Private entities - unless stocked with ample sources of equity or patient debt - are usually unsuited for this type of acquisition. Unless the real estate market is particularly robust, even with adequate low-cost capital sources with which to acquire the land, the expenses required to cover the holding costs (i.e. loan interest, maintenance costs, real estate taxes, insurance, and electricity/heating/cooling costs) over the 5+ years very often makes this type of strategy very difficult, if not infeasible. As this type of acquisition is often quite difficult for private entities, it relies heavily on assistance from the public sector (since they do not pay property taxes and thus automatically have lower holding costs). However, while possible, there is generally a lot of political risk involved, particularly in today’s economic climate and for the historical reasons mentioned earlier. For example, while the city of Minneapolis acquired several parcels 20+ years ago (and has developed them since), there is no longer the political interest to continue this practice. This has led developers and neighborhood organizations to search for other funding sources or structures (i.e. public-private partnerships, joint developments, etc.).

**Type 2: Land Acquisition and Operation in the Interim**

When the property has a way of generating income in the interim before being redeveloped (i.e. thru rents, leases, and parking fees), the picture completely changes. This type of acquisition typically involves developers who have large sources of equity (generally 40-50 percent of the total development costs). No longer concerned with the financing of an empty parcel, here developers are focused more on increasing returns by better managing the asset (i.e. via increased cash flow) than through the sale of the asset (i.e. the disposition).

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\(^7\) Schmidt, Deidre. For the Family Housing Fund (Minneapolis). *Strategic Acquisition Fund for TOD – Understanding the National Experience, Exploring the Needs and Opportunities in the Twin Cities Region*. 2011.
Type 3: Quick Land Acquisition for Redevelopment

This type of acquisition requires pro-active and flexible funding sources which allow the developer to move quickly, assemble the financing sources, and close on a property (often before a permanent financing source has been secured). Unfortunately however, most financing sources have bureaucratic strings attached, or simply have an allocation process that is rigid and therefore unable to respond to the need for a quick turnaround (this point is further explored a little later in this section). These problems have become heightened due to recent tightening of lending by banks which has left many developers without sufficient working capital.

While the concept of the quick acquisition (possibly before permanent funding is in place) is frequently mentioned as a concern to TOD, there was some disagreement as to the viability of its occurrence. In the current economic climate, even market-rate developers are having trouble accessing capital, which has opened the door for affordable housing developers if they are able to access enough grant and debt sources. Given their small profit margins due to the rent caps that are imposed by such financing sources as the Low-Income Housing Tax Credits (LIHTC), they need to be able to take advantage of any opportunity to purchase land at a lower rate. The challenge is even greater due to the fact that they need to be able to borrow the necessary funds to acquire the land and begin the pre-development process while still looking for a construction loan. Unfortunately, federal as well as philanthropic funding sources have allocation schedules that are often too cumbersome and rigid to respond quickly.

One lender interviewed however, felt strongly that there really wasn't any reason for a developer to acquire the land before starting the feasibility and zoning work. He went on to mention that there were other ways to gain site control for planning and fundraising purposes which offered the developer more time to complete the preliminary steps – such as land options and rights of first refusal. Just because an attractive opportunity presented itself, didn’t remove the developer from the responsibility making sure all of the details and paperwork were in place before moving forward.

Another point of disagreement was the realistic upper limit of a long-term hold. Several lenders felt that without public involvement or substantial sources of equity, a hold longer than 7-8 years is generally infeasible. However one lender in Boston mentioned that the tightening of lending sources has not only increased the competitiveness over funding sources, but also resulted in lengthened holding periods necessary to endure the more protracted allocation process.

PRE-DEVELOPMENT

This is commonly viewed as the most risky phase of the development process which typically results in the fewest lending sources. It is the Loan-to-Value requirements of lenders that often present great problems to TOD developers of securing pre-development funds. The initial upfront costs that are often required by TOD projects (for infrastructure improvements, site preparation and higher holding costs) are often difficult to justify given existing property values. While it is assumed that the land values will adequately...

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appreciate to pay for these initial expenses, it does not always play out as recent activity has shown great fluctuation of property values along rail lines.9

**PERMANENT SOURCES**

Permanent bank loans readily available in today’s market, public and private subsidy sources (i.e. grants) of permanent financing are quite rare. Many developers and lenders involved with TOD point to this as a key issue. Without these subsidy sources, many of the most risky or less alluring TOD projects are not feasible. It is therefore of little surprise that there is great competition for these sources. Furthermore, this points to the importance of instituting allocation policies that prioritize TOD projects. This could be similar to expediting the permitting process or offering density bonuses for large civic investments or certain important projects. With all of the challenges that accompany TOD and vertical mixed-use construction, streamlining the process would at least improve what is already a rather protracted development process.

**SHRINKING FINANCIAL RESOURCES OVERALL**

While there are many parties involved in the creation of TOD in the various sectors - public, private and non-profit (see Appendix 1) and numerous sources available for the different phases of development (for sources in Boston, see Appendix 10), due to Federal and State budget cuts, many of these grant and subsidy sources are shrinking. For example, HUD has made cuts to its affordable housing HOME program and there have been changes in tax-credit pricing. One interviewee in Boston mentioned the despite the fact that fact that the City and State have dwindling funds, there are probably 3 years’ worth of projects in the pipeline currently applying for resources. In this most recent funding cycle, the City received 46 applications and was only able to fund 10. In addition, another deleterious effect of the tightening of lending and the increased competitiveness over surviving funding sources has been the lengthened holding periods necessary to endure the more protracted allocation process. Without sufficient reserves or capital sources to just ‘tread water’, more and more projects must be either mothballed or scrapped completely.

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9 Schmidt, Deidre. For the Family Housing Fund (Minneapolis). *Strategic Acquisition Fund for TOD – Understanding the National Experience, Exploring the Needs and Opportunities in the Twin Cities Region.* 2011.
STRUCTURED TOD LAND ACQUISITION FUNDS

As discussed above, TOD requires a longer time frame and higher inherent risk level than traditional development. However these factors are often at odds with bank loans, which are typically short-term, variable rates that require a predetermined exit-strategy and repayment plan. While these cautious lending terms are often unviable for affordable housing developers, the requirement of a predetermined take-out lender further hinders any opportunity of a quick land acquisition.10 Clearly there is a need for a flexible, patient and long-term capital source that would help cover the longer holding costs, allocated through a streamlined process. This is where a TOD Land Acquisition Fund would be critical

OVERVIEW

Structured funds are a pool of capital from several different funders (but technically kept off any of funder’s balance sheets).11 Through the formation of a capital stack, the different return requirements and risk thresholds of the lenders are accommodated by their different lien positions within the stack and the timing of their repayments. The intended result is a blended interest rate that is below-market. This is crucial. The below-market interest rates are typically achieved through the involvement of philanthropic foundations and their program-related investments (PRIs) (which usually seek a 1-2 percent return) as well as Federal, State and Local grants. In terms of organization, structured funds can take the form of a revolving loan fund or a one-time fund. This depends on the investment needs and long-term vision of the fund but will normally be decided from the beginning since it will heavily influence the terms and management.

The key component to a structured fund is the “top-loss” portion. In the event of a loan default, this money will be used to cover the repayments. Because it therefore holds the riskiest position in the capital stack, it is typically grant money from public agencies. Once the top-loss portion of the stack has been filled, other lenders, who are more risk-averse, are generally much more comfortable about getting involved with their funds now in a subordinate position. These other players often include community foundations project-related investments (as mentioned above), community development finance institutions (CDFIs) (also looking for below-market returns), and major banks typically looking to fulfill CRA requirements.12

Structured funds often have an expressed purpose of facilitating acquisition and development of real estate – usually with a focused application (affordable housing generation/preservation, TOD sites, etc.). Deidre Schmidt, in her 2011 report,13 investigated the viability of TOD Funds in the Twin Cities and pointed out the type of acquisition and length of the projected hold will affect how it is financed. Her investigation of national precedents found that:

11 Schmidt, Deidre. For the Family Housing Fund (Minneapolis). Strategic Acquisition Fund for TOD – Understanding the National Experience, Exploring the Needs and Opportunities in the Twin Cities Region. 2011.
13 Schmidt, Deidre. For the Family Housing Fund (Minneapolis). Strategic Acquisition Fund for TOD – Understanding the National Experience, Exploring the Needs and Opportunities in the Twin Cities Region. 2011.
o **Short-term acquisition financing** (1-5 years before potential construction) may not require a structured fund. It may instead be an issue of lender liquidity or the availability of existing tools;

o **Financing acquisition** 5-20 years before development is anticipated is often viewed as difficult without some type of income-generating sources due to the holding-costs (taxes, debt payments, maintenance costs, etc.) and the strength of the real estate market and;

o **Holds of ~10 years for non-income generating properties** are not possible with structured funds given the “terms of debt that generally would likely constitute the bulk of a fund.” (This will be discussed further below). Instead national examples [from San Francisco and Denver] have shown that having public sources equity (i.e. grants), make a longer-term buy-and-hold a more viable option.

The fund could be used to facilitate the acquisition of key parcels on which to develop one of several needed building types along transit corridors: affordable housing, mixed-use housing & neighborhood retail/commercial or community facilities. The fund might also provide pre-development capital to continue to help advance these the critical projects. Another key is to make sure these critical projects align well with State and Local funding allocation priorities to help ensure success.

**ADDRESSING THE FINANCIAL CHALLENGES**

TOD Funds provide access to lower cost capital thru an efficient process in order to help close the Loan-to-Value gap. The fund would streamline the process for the developer by pre-packaging the various sources of debt and equity into one “bundle”. Furthermore this bundle would leverage the capital, underwriting expertise, and technical assistance of the existing network of funders. By leveraging the public investment and private capital, it would also respond to the equity gap and capacity challenges faced by non-profit developers.

It would also manage risk in several ways. It would encourage alternative site control arrangements rather than immediate acquisition. By utilizing recoverable grant sources (via a revolving fund format), it would help cover the riskiest components of the funded projects, like option payments and other alternative site control arrangements. As mentioned earlier, the PRI investments would further lower the Loan-to-Value gap at a low cost.
CASE STUDIES: TOD LAND ACQUISITION FUND BEST PRACTICES FROM AROUND THE COUNTRY

According to the Center for Transit-Oriented Development (CTOD), as of 2010, there were 15 direct acquisition or affordable housing loan funds and one TOD property fund, either in operation or under development, in the US. Six of these funds are focused in part, or entirely, on transit locations. While their structures vary from revolving loan to direct acquisition to grant funds, when examining the TOD Funds in San Francisco, Denver and Minneapolis, certain common themes became apparent. While Appendices 3-8 contain a great deal more information on the Funds in these three cities, we will now explore a few of the common themes related to the development of a TOD fund: the type of projects that are targeted, the ability to swap federal funds with local funds, securing the top loss reserve portion, and the importance of getting everyone on-board early through a clear vision and mission.

TYPES OF PROJECTS TARGETED

While the distance of the geographic coverage around the individual stations of ½-¼ mile for fixed-rail and ¼ mile for bus stops was generally the same across all case studies studied, the types of projects targeted by the TOD funds primarily varied between two types: affordable housing and commercial development.

Affordable Housing

Minneapolis’s Land Acquisition for Affordable New Development (LAAND) (see Appendix 6) stipulates that its funds are eligible for acquiring sites specifically for affordable housing with a composition of at least 20 percent of affordable units in the final development. They define affordability as households earning 60 percent or less of the area medium income (AMI) in the Minneapolis Metro area and 80 percent in the Greater Minneapolis region. The LAAND Fund also notes greater prioritization to developers applying who would require the longest term of affordability of the units (with a minimum of at least seven years for ownership units and fifteen years for rental units).

Instead of defining the AMI requirements at the metro versus regional level as seen above with the LAAND Fund, the Denver TOD Fund (see Appendix 4) instead set the AMI requirements for their affordable housing in terms of the type of unit. Solely focused on housing, Denver’s Fund set itself the goal of creating or preserving more than 1,000 affordable units by 2020, with a maximum of 60 percent AMI for the rental units and 95 percent AMI for the ownership units. Recognizing the acute problem that exists for the lowest income bracket, the fund also set the goal of at least 15 percent of the units being set aside for households making less than 30 percent of the area median income.

San Francisco’s Transit-Oriented Affordable Housing (TOAH) Fund (see Appendix 3) took yet another approach by mandating that 85 percent of Fund capital be used to create and preserve affordable housing (the other 15 percent is to be used on community facilities,

child care centers, health clinics, fresh food markets and other neighborhood retail). In the loan documentation for each of the five loan products offered, they set the requirement that at least 20 percent of the housing rental units must be occupied by residents with household income less than or equal to 50 percent of AMI or at least 40 percent of the rental units occupied by residents with household income less than 60 percent of AMI. In terms of ownership units, they just mentioned targeting ‘low to moderate income families’.

Having perhaps the widest range of targeted property types, Minneapolis’s *Capital Acquisition Revolving Fund* (CARF) (see Appendix 6) focuses on mixed-income rental & ownership housing, mixed residential/commercial buildings, and new commercial projects (discussed below). For projects containing with residential units, they require at least 20 percent of those units to be affordable (defined as less than 50 percent Minneapolis Median Income (MMI), which is a city affordable housing policy).

**Commercial Development**

As noted above, while Minneapolis’s *Capital Acquisition Revolving Fund* (CARF) does include fund capital for the acquisition of land to be used for affordable housing, it also focuses on sites for new commercial buildings as well as mixed residential/commercial buildings. This makes a good deal of sense since the CARF Fund focuses on properties located on commercial or transit corridors or at major commercial nodes designated by *The Minneapolis Plan*, the city’s comprehensive plan and is irrespective of housing type (i.e. housing or commercial). Another land acquisition fund guided by the *Minneapolis Plan* is the *Great Streets Real Estate Gap Financing Program* (see Appendix 7). The Gap Program provides loans for catalytic commercial projects with the intent of spurring additional development. Projects must be located in areas designated as Great Streets eligible areas: commercial corridors, commercial nodes, activity centers and LRT station areas designated in The Minneapolis Plan for Sustainable Growth. To date the program has mainly supported neighborhood business districts.

**Other**

The only fund to break from the affordable housing/commercial development angle is Minneapolis’ *Hiawatha Land Acquisition LRT Fund* (see Appendix 5). Solely focused on properties within 1,500 feet of a transit stop along the Hiawatha Corridor, the Fund’s Grant Application Guide makes no mention of any specific type of development but rather just the goal of “leveraging local and private commitments to transit-oriented, pedestrian friendly development to reinforce the Metropolitan Council’s investment in Light Rail Transit.” Furthermore, the Fund is not open to private developers or neighborhood development organizations but would require them to partner with the funds only eligible recipients: the cities of Bloomington and Minneapolis Hennepin County (which includes their housing, redevelopment and economic development agencies).

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17 Metropolitan Council. Metropolitan Council’s Hiawatha Light Rail Transit (LRT) Land Assembly Fund Grant Application Guide.
THE ABILITY TO SWAP FEDERAL FUNDS WITH LOCAL FUNDS

Because federal grant funds come with many restrictions and reporting requirements, they can often hinder the process as much as they help. To overcome this, several funds have found a workaround by “swapping” federal funds with local funds. Doing so is possible when the eligible uses of the federal funds overlap those of the local funds. For example, San Francisco found great success and was able to quickly raise fund capital by swapping their allocated federal funds with parking meter revenue. The federal funds were then used on street improvement projects that were federally eligible.

While this type of circumnavigation would be top strategy of all federal grant recipients, only projects that have the close involvement of governmental agencies are able to take advantage of the opportunity – as it is only these agencies that are authorized to perform the exchange. In San Francisco, it was done by the Metropolitan Transportation Commission (MTC), the transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area and for federal purposes and, of note for this discussion, also the region’s metropolitan planning organization (MPO). In Minneapolis, the governmental agency was the Metropolitan Council (also the metropolitan area’s regional planning agency and MPO). When the Metropolitan Council ran into a federal conflict related to the disposition (i.e. eventual sale) of developer-led projects directly funded with federal funds (in this case these were Federal Congestion Mitigation and Air Quality (CMAQ) Funds), the Council was able to simply swap the CMAQ funds with local Hennepin Country funds that would have been used for transit operations. The result was an additional $3.8 million in funds that the Hiawatha Fund could use for land acquisition.

SECURING THE TOP LOSS PORTION

As mentioned above, one of the key components to a structured fund is the portion of the capital stack referred to as the “top loss” portion. Because these funds are the first to be spent to make up any shortcomings caused by a loan default, they are therefore the riskiest and therefore often the hardest to secure. Frequently they are typically grant money from public agencies, often the state or local government.

San Francisco’s TOAH fund undoubtedly had the easiest time securing their top loss portion due to the fact that the initial spark for the fund’s existence came from the Metropolitan Planning Commission and their willingness to put up the initial $10 Million and assume the risky, top loss position. As a follow up from the previous section, it is safe to assume that a large portion, if not all of this $10 million came from federal funds that had been swapped. The same can be said for the Hiawatha’s top loss portion coming from swapped CMAQ funds.

In Denver’s case, the City stepped in with $2.5 million in top loss reserves. The top loss portion is currently a topic of great debate as the Denver Fund looks to expand its geographic coverage beyond the city limits in order to accompany the expansion of the transit system. While some reports site an additional requirement of $12 to $15 million in funds, it will be a difficult sell for Enterprise and the Urban Land Conservancy (who manage and borrow from the fund, respectively). While they are now working alongside the Denver Regional Council of Governments (the region’s MPO) to make the process a little easier, it will still be quite difficult getting the neighboring municipalities to
contribute to the risky top loss pool.\textsuperscript{18} The process has been made even more difficult due to the fact that the TOD Fund is not considered an eligible use of federal transportation dollars, thus requiring all allocated federal funds be swapped with local funds if they are to be used.

While Minneapolis’ Great Streets Real Estate Gap Financing Program’s Community Development Block Grant (CDBG) funds are not top loss per say (due to a different structure), the federal funds have allowed the Great Streets Program to close funding gaps and fund 10 projects with a total of $1.5 million. In a conversation with a staff member working with the program, it was noted the CDBG funds “…are certainly not the easiest money in the world to use, but it can certainly close a gap in a project." While the CDBG funds have increased the paperwork and reporting requirements, they have also allowed the Great Street Program to extend its capacity and make riskier loans which is the same effect of the top loss portion.

\textit{Fostering Buy-in and Confidence with a Clear Vision and Mission}

With the myriad of actors involved throughout the process of TOD – each with their individual goals and interests (see Appendix 1) and the various scales at which TOD exists (regional, corridor, station area and site), it is vital for fund organizers to develop a clear vision for the fund early on. The planning process can be lengthy – as proven by the Denver TOD Fund and San Francisco TOAH Fund both requiring two to three years to go from initial conception to operation and loan deployment. Over that period of time, there are thousands of decisions that need to be made, priorities that need to be set, participants that need to be coordinated, etc. Therefore the importance of fostering a collective vision, although it may certainly evolve and change as the process moves along cannot be understated.

Given the network-like quality of transit systems and the intent of improving efficiency and the cost-effectiveness of transportation investments, successful TOD planning takes place at the regional level (often in concert with strategic or comprehensive plan).\textsuperscript{19} While some funds such as Minneapolis’ Hiawatha Fund are solely focused on a single transit corridor, others such as the San Francisco’s TOAH fund, need to coordinate and make loans over the entire 9-county Bay Area. While the Bay Area’s has a long history of advocacy around transit equity and affordable housing which has undoubtedly helped facilitate the public buy-in process by fostering a general level of education around the issues, building collaborating and consensus is a primary issue. It is therefore of little coincidence that an entity like the Great Communities Collaborative which is a collaboration of 24 advocacy organizations, transit advocacy and research non-profits and community foundations throughout the Bay Area was chosen to lead the organization of the Fund.

In Minneapolis, the Metropolitan Council, with its coverage of the Twin Cities 7-county metropolitan area in addition to its involvement in several of Minneapolis’ TOD funds, stressed a similar priority in collective planning. In Denver, while the geographic range of the TOD Fund is currently limited to City boundaries, once the Fund expands into the

\textsuperscript{18} Schmidt, Deidre. For the Family Housing Fund (Minneapolis). \textit{Strategic Acquisition Fund for TOD – Understanding the National Experience, Exploring the Needs and Opportunities in the Twin Cities Region}. 2011.

\textsuperscript{19} \textit{Transit-Oriented Development Tools for Metropolitan Planning Organizations}. Center for Transit-Oriented Development. 2010. Pg. 9.
neighboring municipalities, the challenge of developing a collective vision and coordinating the entire process will greatly increase. As noted above, the organizations involved with the Fund have already developed a working relationship with the Denver Regional Council of Governments to help facilitate the transition. One positive harbinger is the fact that metro Denver voters have already passed the half-cent sales tax increase to fund new transit infrastructure and thus shown their strong buy-in to the concept. The same level of optimism and collective support cannot be said for the land acquisition funds in the Minneapolis metro area. This is due in large part to voter - and therefore City - aversion to the acquisition of land for private development (as noted earlier). There is little doubt this is most likely to blame for the fact that the Hiawatha, CARF and LAAND Funds have not been able generate below-market interest rates (due to a lack of interest-free or cheap capital donations from the City) and therefore have not made a loan in almost a decade, if at all. Speaking with several of the staff involved in Minneapolis’ Funds, it became clear that until there is a change of opinions from the general public, the Funds would remain unused, no matter how well conceived and structured they are.
CREATING A TOD FUND IN BOSTON

Over the past years, there has been growing interest and attention in Boston around the effort to increase the ability of TOD developers (particularly those building affordable housing) to access necessary capital sources - predevelopment, acquisition, construction and permanent financing. There was a strong desire expressed by the development community for: (1) low interest, patient and flexible capital, (2) Higher loan to value limits; and (3) Help with carrying costs. In order to galvanize interest and organize the effort regionally, the Metro Boston Consortium for Sustainable Communities (headed by The Metropolitan Area Planning Commission - the region’s MPO), assembled an advisory committee to design the new TOD funding program. The Committee was composed of the Massachusetts Department of Housing and Community Development (DHCD), quasi-public finance entities, Boston LISC, neighborhood CDCs, philanthropies, the City of Boston, and local municipalities among others. Their goal was to decide if a completely new structured funding source (i.e. a TOD Fund) was needed or instead if efforts to better supplement, support and coordinate the various existing TOD financing sources was a best strategy moving forward.

In order to help define the scope of the fund early on, five corridors were selected to be eligible to use TOD Funds (see list below). They were selected due to the fact that they contained over 1,600 units of affordable & mixed-income housing and over 300,000 square feet of commercial space (either currently in the development pipeline or already planned).

- **The Fairmount Corridor** – This would include the entire 8-mile commuter rail line in south Boston which currently has four new stations under construction and will soon switch to light rail.
- **The Orange Line** – This would focus on the southern portion of the Orange Line - particularly the Jackson Square and Forest Hills stations.
- **Green Line Extension into Somerville/Medford** – This would include the 3½-mile rail extension to the existing Green Line (from the existing terminus of Lechmere station in East Cambridge northward to a new terminus on College Avenue in Medford, MA).
- **Chelsea/Revere Transit Corridor** – This would include the transit (the Blue Line) and the key bus routes (potentially the 111, 116 and 117 routes).
- **The Dudley Square Area** – This would mainly focus on the area immediately near the intersection of Washington St., Dudley St., and Malcolm X Blvd. in south Boston (exact limit of coverage area not yet determined)

Through discussions amongst the various stakeholders, including lenders, developers, city staff, and local CDC staff over the past year, it has become evident that a structured fund (like the San Francisco, Denver and Minneapolis models, with numerous sources of capital and complicated risk waterfall structures) was probably not the best and most favored option for Boston. This was due in part to the perception that these types of funds are very complicated to operate in addition to the fact that some of the lenders may have been resistant to the idea of having to accept different underwriting criteria or give up control of their own capital once it was included in the Fund’s pool.

Another factor was the different set of assets and shortcomings in Boston. Whereas the Twin Cities TOD Fund report recommended a structured fund to help address liquidity problems of some of the CDFI lenders, this is not the main issue in Boston due to the strong network of pre-development and acquisition lenders (see Appendix 11). Instead, Boston’s main lending shortcoming falls in the loan-to-value (LTV) gaps. Due to the increased up-front costs often required of TOD, the high LTV imposed by lenders has caused great difficulties for the non-profit TOD developers, in particular. It is the equity and subsidy sources that are needed to bring down the LTV and these are hard to come by.

To address the issue of the LTV gap, LISC has proposed a version of a Credit Enhancement Fund that would provide participation loans which would come in behind the lead lender’s mortgage in order to make up the difference between what is needed and what developers can currently borrow from the array of lenders in Massachusetts. The idea is that if a developer could get an 80-90 percent LTV acquisition loan from the lender, the Fund would come in with a loan that would both close the gap (by covering the residual up to 100 percent LTV) and also provide additional funds (up to 110-120 percent LTV) with the purpose of covering some of the carrying and pre-development costs (in addition to the built-in interest reserve).

The “participation” aspect comes from the fact that one of the lenders in the Fund network would buy a portion of the lead lender’s (i.e. the first lender) loan - in this case of Boston, usually 30-40 percent of the LTV. These types of sales are typical in the industry as it is a way for lenders to deploy their capital by making such investments. The process is documented via a "participation agreement" with the lead lender outlining the terms of the participation, participation rate, reporting requirements and default provisions. The advantage to this setup is that it allows the borrower to shop around for the best lending rate in addition to the fact that it should result in some level of lending competition which will help keep lending rates low. It also allows the purchasing lender to deploy capital while at the same time freeing up capital for the lead lender to use elsewhere.

While the fund is working behind the scenes to help fill the gap, it will be ‘invisible’ to the borrower as he or she will only interact with the lead lender and not through the Fund’s structure. In exchange for this increased work and responsibility, the lead lender has the right to approve the purchaser of the share of the loan. In conversations with LISC Boston, it became clear that while they proposed a participation structure, it was just one of several ways to bring some credit enhancement to this specific group of loans. The loans could also be made as second mortgages instead but this would result in largely the same thing (since the participation agreement would put it in the top loss position anyway).

SITE ACQUISITION FINANCING SOURCES IN BOSTON

While there is an abundance of financing sources commonly used by developers – both market-rate and especially affordable housing, that list dwindles considerably when only counting the number that may be used to acquire, hold, and prepare land near transit stations for TOD. Further, many traditional funding sources— including Community Development Block Grants (CDBG), and HOME Investment Partnerships Program, cannot be used to purchase and hold land. The list below is an abbreviated sample of funding sources that are available in the City of Boston. See Appendix 12 for more information.

Note: this list includes only sources that are available to secure site control or acquire property as opposed to permanent sources that include acquisition as an eligible cost.
• **Neighborhood Stabilization Funds** - A component of the HUD’s Community Development Block Grant Program, the Neighborhood Stabilization Program (NSP) is focused on the stabilization of communities that have suffered from foreclosures and abandonment. NSP Funds can be used to establish a land bank for foreclosed homes and properties.

• **Priority Development Fund** – Funds from this City program can be used to assist communities identify and implement strategies to increase the production of affordable housing, both rental and homeownership. Eligible uses include gaining site control, site analysis, and other activities associated with the production of affordable housing in municipally owned/controlled sites.

• **Leading the Way III Program** – This City program is a partnership of the Boston Redevelopment Authority and the Department of Neighborhood Development. As part of the Leading the Way III program, the City will be making multi-property purchases of Real Estate Owned (REO) (i.e. bank owned) properties directly from the lenders. The properties will then be made available to homebuyers, contractors, developers, and non-profits for renovation and re-occupancy. While this is more directed at stabilization and quick turnaround, there may be opportunity for a joint development or public private partnership.

• **General Fund Revenues or General Activity Bonds** – Traditionally the most common source of funding for infrastructure and other large price tag aspects associated with TOD (i.e., parking decks, public amenities, etc.).

• **Developer Working Capital** – This is the developer’s own equity reserves. Generally, the larger and better established developers usually have the advantage of possessing larger equity reserves from which to draw from in times of need.

• **The Various CDFIs and Quasi-Public Agencies listed in Appendix 13** – These groups provide a great deal of the financing – mostly pre-development and acquisition financing for TODs (which is often deemed too risky for traditional lenders – i.e. banks).

• **Dudley Street Neighborhood Initiative’s Community Land Trust** – The Dudley Neighbors Inc. has the power to use eminent domain to acquire privately-owned vacant parcels within the “Dudley Triangle” of South Boston. The Trust is focused on preserving affordable housing.

**ORGANIZING THE BOSTON FUND**

On March 14th, 2012, a TOD Finance Working Session was convened by the MAPC on behalf of the Metro Boston Consortium for Sustainable Communities. Several staff from TOD Fund programs across the country presented on their experiences and best practices. At the meeting, Boston LISC proposed a plan of how the TOD fund would look like credit enhancement aspects^21^; that plan is outlined below:

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Proposed Terms

- **Rate**: CDFI lenders: 6 to 7 percent, LISC: 4.5 to 6 percent, PRI lenders: 2 percent. The goal is a weighted net average of around 5 percent.
  - LISC mentioned that it was still too early to know if the 5 percent interest rate was possible. In addition to several lending requirements still needing to be nailed down, the cost of funds and administrative fees still needed to be included in the interest rate calculation.
  - Due to the fact that the foundation PRI low-interest money will enable much of the fund, the final structure and arrangement will greatly depend on their risk tolerances and underwriting preferences.

- **Term**: 3-5 years
  - LISC mentioned that project holds near or around 10 years simply wouldn’t work);

- **Loan to Value**: Up to 110-120 percent on secured loans;

- Unsecured predevelopment loans may be available for public land;

- Loans would be made for the *Acquisition* of strategic properties, *Predevelopment* and *Holding Costs*;

- **Eligible Uses**: Affordable housing, mixed use housing and neighborhood retail, commercial or community space (non-housing investments to be limited to a small percentage of fund);

- Repayment will be due at project construction closing.

### Figure 4: A Basic Breakdown of the Fund’s Capital Stack

<table>
<thead>
<tr>
<th>Position</th>
<th>Organization</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Loss</td>
<td>A Still-to-be-Determined Public Source</td>
<td>$1-$2 Million</td>
</tr>
<tr>
<td>PRI capital</td>
<td>Foundations</td>
<td>$4-$6 Million</td>
</tr>
<tr>
<td>CDFI Funds</td>
<td>CDFIs</td>
<td>$25+ Million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$30-35 Million</strong></td>
</tr>
</tbody>
</table>

The Boston TOD Fund Capital Stack is anticipated to initially be around $30-35 Million (with plans to scale up as it gains traction). It is projected to require a top loss portion of about $1-2 Million. Although a source has yet to be identified, the Advisory Committee has been in discussion recently with the Massachusetts State Executive Office of Housing and Economic Development (EOHED) who has recommended the Committee work with either MassDevelopment or MassHousing in order to fill the gap. Both of these quasi-public entities were recommended due to the fact that they have their own lenders and investors as well as their own capital sources which would lend a degree of flexibility to the Fund. However, until a donor is secured and their lending requirements to the TOD
Fund are nailed down, everything is really up in the air and, therefore, a hypothetical exercise. The foundations with their vital PRI funds have made it clear that they will not commit funds until the public sector commitment to this top loss piece.

Philanthropic Project Related Investments (PRIs), seeking a 1-2 percent return, would make up about total of about $4-6 million. It is this below-market portion, in addition to public grants, as previously mentioned, that allow the overall blended rate of a Fund’s entire capital stack to fall below-market. Finally, the remaining $25 million would come from CDFIs and private banks. (See Appendix 13 for a list of both the potential Philanthropic as well as CDFI lenders).

While San Francisco had great success by “swapping” restricted federal funds with more flexible locally generated funds, LISC mentioned an aversion to working with Federal funds due to the accompanying restrictions and reporting requirements. Either way, the option to do so does not exist in Boston due to the fact that unlike the MTC, LISC is neither an MPO nor a governmental agency which means that they are not an eligible conduit for this type of action. While the TOD Fund could partner with the Massachusetts Bay Transportation Authority (MBTA) to swap funds, the MBTA is unfortunately in extreme financial difficulty which nullifies any possibilities there. Instead, LISC has expressed a desire to have the TOD Fund work alongside various existing sources (like the Community Challenge Grant money).

**Oversight (Fund Management)**

As currently proposed, LISC will manage the investment pool of PRI and top loss funds, participate with originating lenders, and manage the complementary recoverable grant program. Their administrative fees will be covered by the grants or public equity sources as well as loan fees. As mentioned earlier, the underwriting process will be coordinated directly with CDFI first lender for the sake of efficiency.

**IMPACT ON TOD IN BOSTON**

The fund is expected to have an immediate impact due to the fact that it was explicitly sized to close the pre-development or acquisition gaps that existed for any TOD project along the specified corridors. Appendix 14 shows the pre-development and acquisition gaps for 11 projects along the Fairmount Corridor. On the acquisition side, the chart shows a total budget for the 11 projects of $6,177,300 with $6,037,929 (i.e. 98 percent) committed. On the predevelopment side, a total of $6,849,701 is budgeted with only $4,340,405 (i.e. 63 percent) committed. However, when the total potential combined acquisition and pre-development costs are calculated (and the Total Project Acquisition Budget is factored in, a total potential need of these 11 projects of $13,884,155 is the result. This $13.8 million is commensurate given the fact that LISC anticipates the total fund budget to fall somewhere between $25 and $35 million for all five corridors.

It was pointed out during interviews that this TOD fund is really for the smaller developers who do not have a strong balance sheet and therefore do not have access to other sources of capital (like for example banks) to cover all of their pre-development and acquisition

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22 It should be noted that this chart is about 5 months old and in the interim, three or four of the projects have become no longer viable.
needs. While the financially stronger, more stable and generally larger developers & CDCs will probably be able to get by without the Fund.

One illustrative example of where the Fund would play a vital role pertains to an ongoing project of a CDC in Boston which currently has $50,000 of outstanding expenses that (for reasons unknown) the lender will not fund. Unless the CDC can find a way of securing the $50,000 which is owed to current participants (attorney, architect, engineer, transportation and traffic planner) those parties will not continue to work and probably pursue legal avenues. Being a smaller CDC who does not have the ability to start a line of credit from MassHousing Partnership or one of the banks that has been traditionally loans to the CDC, means they have a serious issue moving forward. Beyond the anticipated issues and challenges that accompany TOD and are planned for well in advance, such a TOD Fund can be a valuable resource when surprises pop up as well.

Beyond the provision of new housing units, the Fund would also help preserve affordable units along the five corridors. As is too often the case, in order to cover the high costs associated with TOD, the rents in the new developments are often too high for existing residents to pay. Even if one’s apartment or home is not bought up and redeveloped, the increased property taxes in the neighborhood that often result from the new development can also have the deleterious effect of effectively pricing out the established residents. Unless protected by inclusionary zoning policies or incentive programs to promote the construction of new affordable units, it can lead to displacement. The sad thing is that it is often these low-income residents who rely the most on the transit as their sole mode of transportation. Therefore, one of the goals of Boston’s TOD Fund is to help protect the affordable units along the five corridors and protect the residents from displacement once the housing market improves and the development pressures return.

**REMAINING DECISIONS AND NEXT STEPS**

- **Filling the Remaining Financing Gaps** - In conversations with LISC, it was mentioned that foundation PRI, top loss and recoverable grant funding still needs to be secured. In addition, it will need to be determined if HUD Community Challenge Planning Grant money could be used to help fill the top loss portion. Both the City of Boston and the City of Somerville were recently awarded Community Challenge Grant money from HUD. While it is quite possible that these funds could be used to help fill the Top Loss portion, there is some degree of uncertainty as to whether the TOD Fund would be considered an eligible use. While currently under investigation, one interviewee mentioned a potential work-around whereby the funds might be able to be “housed” at LISC instead of in the TOD Fund. This is due to HUD’s aversion to having its funds intermingled with other funds.

- **Aligning State and Local TOD Policies with the Fund** - Continue the work currently underway by the Metro Boston Consortium for Sustainable Communities Advisory Committee of aligning the policies and focus of the Fund with the TOD policies as well as funding policies of the region and state. Yet in addition to aligning the TOD Fund with the State’s policies, there are also lobbying efforts to get the State of Massachusetts to explicitly prioritize TOD in its funding allocations. While there currently are points for TOD in the State LIHTC Qualified Allocation Plan (QAP), in a few of the interviews, it became clear that there is a general frustration with the way
that the QAP’s 182 points are awarded (in order to rank projects for funding). Several people mentioned that the way the points are allocated, made it difficult for TOD projects to claim their legitimate share while others mentioned the lack of transparency in the allocation process. While discussions are currently underway in addition to the fact that there are several high-level staff members at the State level sympathetic to TOD, it is not certain if things will change anytime soon. However, if TOD did become a priority for state funding, it would potentially both lower the holding costs and shorten the holding period for the projects that were able to receive funding. Interestingly TOD becoming a State priority would also potentially reduce the need for a TOD Fund as the State funding would overlap that of the TOD Fund. This would of course be a good problem for the Fund to have.

- **A Business Plan needs to be created for the fund.** A business plan specifically identifies the development opportunities around the various transit stations. Progressing from earlier preliminary meetings, the creation of the Plan is generally seen as an important step whereby many of the initial ideas are analyzed and explored in context. It will undertake a regional analysis of the station areas in terms of housing stock, land supply, income, relevant public policies, etc. These results will further inform the goals of the Fund. Finally, the Business Plan can help define the operations of the fund as well as next steps moving forward.

- **Launch the Fund** - LISC has indicated that the Fund is anticipated to launch in later 2012 or early 2013.

**CONCLUSION**

Speaking with several people involved with the creation of the Boston TOD Fund, one gets the impression that while there are several pieces of the Fund still to be decided, that a Fund will eventually be created. Learning from their national peers, understanding the realistic limits of their own capabilities as well as the unique strengths and weaknesses of the lending environment in Boston, LISC’s proposed structure has taken the Fund in a different direction that most others, yet one that better utilizes Boston’s current funding assets. Already several years of study and analysis into the process, some of the participants are growing frustrated with both the pace and the distant projected completion date. Yet the vast majority also understands the potential for immediate impact with 1,600 units of affordable & mixed-income housing and over 300,000 square feet of commercial space either currently in the development pipeline or already through the planning process along the five corridors. According to the Boston Foundation’s 2002 Boston Indicators Report, Boston is the fourth most expensive housing market in the US, 181 percent above the national average. The report also notes that a minimum-wage worker would need to work 153 hours each week to afford an average, market rate two-bedroom in Boston. This sheds more light on the vital importance for the TOD Fund to succeed. Once the economy recovers and the TOD Fund is in place and fully operational, exciting change will occur around the city. Come 15 years’ time, things should look quite different in Boston.

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APPENDICIES

APPENDIX 1: BACKGROUND – HOW TOD IS NORMALLY FINANCED

On the surface, the financing of TOD is no different than any other real estate project. Land needs to be acquired and the construction and permanent loan secured. Debt and Equity sources must be sourced as needed. One area where the financing does differ however is when the TOD involves affordable housing. These projects are eligible for an additional range of financing that market rate developers are not. Many of the finance sources and tools that will be discussed later on will deal with the unique challenges to an affordable housing developer as they compete for funding with everyone else.

PUBLIC SECTOR
- Public Agencies
- Transit Agencies – through Joint developments of publicly-held land, will leverage the direct investment in TOD for increases in ridership or revenue
- Metropolitan Planning Organizations (MPOs) – often invest in development projects that shape land use and transportation patterns
- Housing Authorities
- Urban Redevelopment/Renewal Authorities
- Local Governments - through TIFs or other public investments

PRIVATE SECTOR
- Market-Rate Developers
- Affordable Housing Developers
- Philanthropic Foundations – through such investment vehicles as Project Related Investments (PRIs).
- Lenders (i.e. Banks, CDFI’s, etc.)

NON-PROFIT SECTOR
- Non-Profit Agencies
- Non-Profit Community Investment or Revitalization Funds

Figure 5: The myriad of actors participating in the creation of TOD:

## APPENDIX 2: TOD IMPLEMENTATION STEPS: THE REAL ESTATE DEVELOPMENT PROCESS

<table>
<thead>
<tr>
<th>Implantation Step</th>
<th>Actions</th>
<th>Components Financed</th>
<th>Primary Financing Step</th>
<th>Secondary Financing Step</th>
<th>Key Finance Criteria</th>
<th>Criteria Influence</th>
<th>Impacts on TOD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land Assemblage</strong></td>
<td>Master Plan with land use phasing, Private land acquisition, “Joint Development” agreements, Housing or redevelopment agency land acquisition</td>
<td>Land procurement, Development project planning &amp; zoning</td>
<td>Banks</td>
<td>Private equity</td>
<td>Feasibility of real estate development</td>
<td>Land purchased where government is willing to rezone for density</td>
<td>Some stations have little or no development</td>
</tr>
<tr>
<td><strong>Infrastructure Development</strong></td>
<td>Municipal improvements (utilities, arterials, etc.), Other improvements funded thru privately funded Special Districts</td>
<td>Roadways, Sidewalks, Bike lanes, Bus stops, Parking, Open space, Trails, Parks</td>
<td>Public Infrastructure Bonds</td>
<td>Region, Local, Developer, Transit</td>
<td>Level of earmarked revenue from general fund of property assessment districts</td>
<td>Quality of infrastructure determined by real estate tax potential of new development</td>
<td>Development must have high-end component because commercial property values are determined by profitability</td>
</tr>
<tr>
<td><strong>Vertical Development</strong></td>
<td>Environmental Impact Report, Detailed market analysis, Parking phasing, Community benefits, Detailed design, Project construction</td>
<td>Design, Entitlements, Sustainability infrastructure, Affordable housing, Local &amp; Social equity goals, Construction</td>
<td>Banks</td>
<td>Private equity, Foundation grants, State &amp; Local programs, LIHTC, NMTC</td>
<td>Net Operating Income (NOI)</td>
<td>Development occurs in profitable locations (high revenue, low cost)</td>
<td>Development may or may not occur because station area may not be as profitable as other sites</td>
</tr>
</tbody>
</table>

APPENDIX 3: CASE STUDY: THE SAN FRANCISCO TRANSIT-ORIENTED AFFORDABLE HOUSING (TOAH) FUND

(ToAH Fund Website Link)

The Bay Area Transit-Oriented Affordable Housing Fund was created in 2011 to promote the creation of equitable TOD across the 9-county Bay Area. It targets the acquisition of property for affordable and mixed-income housing sites located near transit.

Participants: Great Communities Collaborative, Metropolitan Transportation Commission, and the Association of Bay Area Governments were leaders in the fund. The by three foundations: Ford, Silicon Valley and San Francisco The Ford, Silicon Valley and San Francisco Foundations as well as the Living Cities Catalyst Fund provided start-up grants. Originating loans came from the CDFI Consortium: the Low-Income Investment Fund (LIIF), the Corporation for Supportive Housing (CSH), the Enterprise Community Loan Fund (ECLF), the Local Initiative Support Corporation (LISC), the Northern California Community Loan Fund (NCCLF) and the Opportunity Fund. Finally, senior lenders involved were Citi and Morgan Stanley. One of the reasons for the high investment of the banks was due to the fact that much of their CRA investment requirements were within the 9-county area.

Geography: Eligible properties for the fund are sites within one-half mile of fixed-rail transit stations or within one-quarter mile of major bus stops. The fund manager, the Low-Income Investment Fund (LIIF), is responsible for making sure that the funds are distributed across the area.

In terms of funding priorities, the fund targets 85 percent of Fund capital towards the creation and preservation of affordable housing and the other 15 percent towards community facilities, health clinics, child care centers, fresh food markets and other neighborhood retail.

Process

The initial spark for the fund came from the Metropolitan Planning Commission and their willingness to put up the initial $10 Million and assume the risky, top loss position. They sent out an RFP soliciting other donors (as they wanted to leverage their resources 3:1). Incredibly, the entire process took just 11 months. A major factor in this lightning speed was the groundwork laid by the previous decades of transit equity and affordable housing advocacy. There was a strong level of understanding by all parties. They also benefited greatly by having the MTC - a strong, well-respected and well-connected regional planning organization - leading the effort. Having the MTC on board from the beginning not only have the Fund a presence and a strong leader but greatly facilitated the adoption across the 9-county area.
**Fund Structure**

The Fund’s investment horizon is 10 years with an estimated 5 years being required to deploy the initial round of loans. At the end of the investment period, any remaining MTC funds (minus expenses and fees), may be returned to MTC, who may decide to reinvest them at that time.

**Figure 6: Breakdown of the TOAH Fund’s Capital Stack**

<table>
<thead>
<tr>
<th>Type</th>
<th>Organization</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity or Grant Funds</td>
<td>Metropolitan Transportation Commission (City of San Francisco)</td>
<td>$10 million</td>
</tr>
<tr>
<td>Foundation PRIs and Flexible Loans</td>
<td>Ford Foundation, San Francisco Foundation, Silicon Valley Community Foundation, and Living Cities Catalyst Fund plus previously mentioned CDFI originator/investors: (Local Initiative Support Corporation (LISC), Enterprise, Corporation for Supportive Housing (CSH), Opportunity Fund and Northern California Community Loan Fund (NCCLF)</td>
<td>$15 million</td>
</tr>
<tr>
<td>Commercial Debt</td>
<td>Citi and Morgan Stanley</td>
<td>$25 million</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>$ 50 Million</strong></td>
</tr>
</tbody>
</table>

**Oversight:** The fund is managed by LIIF (also an originating lender) who has past experience of raising and managing several structured funds. For higher-level oversight, the TOAH Fund has both an Advisory Committee and a Credit Committee. The 12-member Advisory Committee focuses on the programmatic oversight and evaluation (with no legal authority over the fund) while the 6 member Credit Committee focuses on reviewing potential investments.

**Products and Terms**

The TOAH offers 5 different loan products including: Predevelopment, Acquisition, Construction, Mini-Perm and Leverage (with New Markets Tax Credits) loans (see Figure 7 below). The wide range reflects the variety of applications as needs as well as the desire to diversify the fund’s investments. The maximum loan term for all of the loan choices is seven years. The Fund is open to both for- and non-profit private and public entities. It is noted that developers are the targeted borrowers due that fact that they are perceived as being best able to assess and manage risk.25

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## Figure 7: The Various TOAH Loan Products

<table>
<thead>
<tr>
<th>Type</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predevelopment Loans</td>
<td>These loans may be used for a broad range of activities, including but not limited to: architecture, engineering, environmental studies, soils reports, surveys, market studies, appraisals, deposits or other site control expenses, escrow, title, and brokers fees, hazard insurance, liability insurance, property taxes, site security, financing fees, and debt service expenses. They are generally secured loans. The CDFIs provide additional unsecured loans.</td>
</tr>
<tr>
<td>Acquisition Loans</td>
<td><strong>Eligible Uses:</strong> Multifamily rental housing; Homeownership; Mixed-Use Projects; and Community Facilities and Catalytic Neighborhood Projects. Acquisition of vacant land and operating housing or commercial properties, including predevelopment expenses, will be considered where the intent is to preserve and/or improve housing affordability or address another community need. The potentially longer term associated with these loans is intended to allow developers sufficient time to assemble multiple parcels of land into a single TOD project. The potentially higher loan-to-value will reduce the need for developers to line up multiple sources of financing, enabling them to make offers on available land quickly within a competitive timeframe. Terms: Up to 110 percent LTV, 7-year term, and a 4 to 4.5 percent interest rate. The maximum loan commitment amount is $7,500,000, including a maximum of $750,000 for predevelopment expenses. Repayment: Interest-only payments with principal due at maturity.</td>
</tr>
<tr>
<td>Construction Bridge Loans</td>
<td>These loans may be used to bridge construction funding to either larger or longer-term financing. The loan purpose may be new construction or rehabilitation. It is anticipated that most construction bridge financing will be provided to borrowers that have permanent public funding sources identified and committed but are waiting for funding to occur. This product will help bridge the gap in the intervening time period.</td>
</tr>
<tr>
<td>Construction-to-Mini-Permanent Loans</td>
<td>Up to 7 years, 4-6 percent interest rate Loans may be used for construction financing (new or rehabilitation) followed by a mini-permanent takeout. This product will primarily be used for development of community facilities, child care centers, and neighborhood retail, including fresh foods markets.</td>
</tr>
</tbody>
</table>
**Leveraged Loans**

These loans may be used to fund eligible predevelopment, acquisition, construction, and/or mini-permanent financing to leverage an investment into a New Market Tax Credit (NMTC) eligible transaction, which could be community facilities, neighborhood retail, fresh foods markets, child care centers, etc.


**Activity to Date**

Currently, TOAH has closed two loans (which are outlined below), approved 2 others and has 3 more in the immediate pipeline. Together, these 5 projects represent approximately $17.5m or 31 percent of the total fund. Interestingly, half of the projects have some means of interim income generation, be it via billboards, parking, etc.).

One of the factors for success has been the stability and strength of the San Francisco real estate market. Despite the recent economic downturn, because the prices have remained relatively quite stable, investors have felt less risk-adverse and therefore willing to invest.

**Project: Eddy & Taylor Family Housing**

**Location:** San Francisco, CA

**Financing:**

- (1st TOAH Fund loan) A $7.2 million TOAH acquisition loan
- The project received another $5.8 million in subordinated financing from San Francisco’s Mayor’s Office of Housing (MOH)

**Housing Units:** 153

**Retail Space:** 12,000 square feet

The nonprofit developer Tenderloin Neighborhood Development Corp. is developing a parking lot into a 14-story building with affordable housing and retail space planned to attract a grocery store to this underserved community. The site is located just two blocks from the Powell Street BART station, a major transit hub in San Francisco.

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Project: Leigh Avenue Senior Apartments

Location: San Jose, CA

Financing:
- A $2.9 million TOAH acquisition loan
- Future support from city of San Jose

Housing Units: 64
Retail Space: 7,000 square feet

Non-profit and pioneering Bay Area green building developer, First Community Housing, will build a mixed-use, affordable, green, senior housing development in San Jose. All 64 units will be affordable, senior housing and 35 percent will be dedicated to residents needing in-home services. The commercial space will house dental offices. The development is located near a VTA Light Rail station and the developer plans to provide free transit passes for all residents.

Key Take-Aways

- Importance of regional buy-in and communication throughout the process. This will greatly facilitate not only the creation of the fund but the management as well.

- A key and innovative factor that facilitated the rapid creation of the fund was the ability to substitute local funds for federal funds. Because federal grant funds come with many restrictions and reporting requirements, they can often hurt as much as they help. However, by “swapping” federal with local funds (in essence, switching the use of each of the funds, capital flexibility can be restored). This ability to swap the funds was due to the fact that MTC is a governmental agency. MTC was able to swap the federal money with meter revenue and use the federal funds on street improvement projects that were federally eligible.
The original catalyst for the fund was an effort to leverage (and therefore win) a $2.25 million MacArthur Foundation *Windows of Opportunity* grant (which targeted the preservation of affordable rental housing). The Fund was intended to help direct future development along the ambitious public transportation plans of 122 miles of commuter and light rail, 18 miles of bus rapid transit service, and 57 new rail stations that were anticipated in the Denver region by 2018. (This was enabled in 2004 by Denver voters who passed a sales tax referendum valued at $4.7 billion). Its goal was to support the creation and preservation of over 1,000 affordable housing units through strategic property acquisition along both current and future transit corridors (at the time, affordable units made up less than 5 percent of the proposed or built units along the corridors). The TOD Fund provides a mechanism to purchase land that is located a half-mile or closer to current and planned light rail stations and bus stops for the creation of new affordable homes, as well as to preserve existing affordable rental housing in these corridors. The $30 million investment will leverage over $500 million in local economic development activity, serving many economically challenged neighborhoods in Metro Denver with construction and permanent job creation. The Fund will also directly benefit low-income households that on average spend 60 percent of their gross income on housing and transportation expenses combined.

*Participants:* Urban Land Conservancy, Enterprise Community Partners, the City and County of Denver and several other investors

*Geography:* Eligible properties for the fund are sites within one-half mile of fixed-rail transit stations or within one-quarter mile of major bus stops. The fund manager, the Low-Income Investment Fund (LIIF), is responsible for making sure that the funds are distributed across the City. The funds targets properties whose tenants earning or less than 60 percent AMI for rental units and at or less than 95 percent AMI for ownership units (at the household level).

*Target property types:*
- Existing federally-assisted rental properties;
- Existing unsubsidized, below-market rate rental properties;
- Vacant or commercial properties to be converted to new affordable housing;
- Rehab and redevelopment of units.

*Fund Structure*
The Fund is managed by Enterprise Community Partners (who also is a contributor to the fund via $2 million in second loss capital and $3 million in senior debt). Currently, the Urban Land Conservancy (ULC) - which is the fund’s initial investor (via 10 percent cash contributions to each transaction) and a non-profit organization focused on real estate for the community - is the sole borrower of the fund. They are responsible for property acquisition & disposition (agreed upon by the partner developer), as well as establishing partnerships with local partners for site redevelopment. While the fund currently has $15 million currently capitalized, it is now evolving towards $30 million in total loan capital. The rest of the contributors can be seen below.
Figure 7: Breakdown of the Denver TOD Fund’s Capital Stack

<table>
<thead>
<tr>
<th>Position</th>
<th>Organization</th>
<th>Amount</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>Urban Land Conservancy</td>
<td>$1.5 million</td>
<td>0%</td>
</tr>
<tr>
<td>First Loss</td>
<td>City of Denver</td>
<td>$2.5 million</td>
<td>0%</td>
</tr>
<tr>
<td>Second Loss</td>
<td>Enterprise Community Partners</td>
<td>$1 million</td>
<td>2%</td>
</tr>
<tr>
<td>Third Loss</td>
<td>MacArthur Foundation</td>
<td>$2 million</td>
<td>PRI 2%</td>
</tr>
<tr>
<td>Third Loss</td>
<td>Colorado Housing &amp; Finance Agency</td>
<td>$2 million</td>
<td>2%</td>
</tr>
<tr>
<td>Third Loss</td>
<td>Rose Community Foundation</td>
<td>$500,000</td>
<td>2%</td>
</tr>
<tr>
<td>Forth Loss (Senior Debt)</td>
<td>Enterprise Community Loan Fund (with Wells Fargo and US Bank)</td>
<td>$5 million</td>
<td>5%</td>
</tr>
<tr>
<td>Forth Loss (Senior Debt)</td>
<td>Mile High Community Loan Fund</td>
<td>$500,000</td>
<td>4%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$15 Million</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

The lenders have committed for 10 years, with sub-loans being made to ULC anywhere from 3-5 years at up to 90 percent loan-to-value. For the first 5 years, the funds will revolve. After the fifth year, the lenders will be principal repayments in order of seniority. It is expected that the capital will take three years to be deployed with 75 percent remaining deployed after five years.27

Products and Terms

The Denver TOD Fund is unique in the fact that it is a revolving fund with only one eligible borrower: the Urban Land Conservancy. ULC targets three types of properties: existing federally-assisted rental properties; unsubsidized rental properties that are currently affordable for 60 percent area median income population; and vacant or commercial properties with desirable locations for the development of new affordable housing.

Eligible activities include acquisition, holding costs, and predevelopment costs. The Fund allows ULC to control property through acquisition (up to 5 years) before either partnering with or selling the property to another community-minded development entity, who will ensure the long-term affordability of rent and / or ownership units. Having this long-term entity identified at the beginning is not the time of approval and closing. Efforts to preserve the sites in perpetuity will be made through land leases where possible. ULC has the ability to serve as master developer when appropriate.

The Fund also sets thresholds for ULC: they must maintain a debt-to-equity ratio not more than 3:1, a minimum equity balance of the greater of 93 percent of the outstanding balance

27 Schmidt, Deidre. For the Family Housing Fund (Minneapolis). Strategic Acquisition Fund for TOD – Understanding the National Experience, Exploring the Needs and Opportunities in the Twin Cities Region. 2011.
or $10m, and a liquid investment balance equal to, or greater than, one year’s interest on operating properties (those with a) 1.1 debt, and 2 years interest reserve on non-income generating properties.28

Ultimately, the Fund lends at 90 percent LTV with a 3.5 percent interest rate.

**Oversight:** The ULC is responsible for identifying desirable properties to acquisition as well as finding the take-out developer or long-term owner (who would acquire the property after the five year window is up). Enterprise Community Partners is responsible for underwriting the individual transactions according to details of the fund that were negotiated with the Fund’s investors. They are also responsible for monitoring ULC’s compliance with the equity requirements noted in the previous section. Lastly, Enterprise – rather than the investors - is responsible for loan review and approval. The intent is to keep ULC unburdened and able to react to market conditions.29

**Activity to Date**

(Linked Denver TOD Fund Activity Website)

To date, the Mile High TOD Fund has enabled ULC to acquire six properties; two of which are preservation projects and four are vacant parcels. These 6 projects total approximately $8.8m which is about 60 percent of the total fund. One of the developments has now received a tax credit allocation which will trigger a permanent take out of ULC and the Fund, and other sub-loan is expected to be partially repaid via a sale of a portion of a property to the City of Denver for construction of a new library.

To date, the Mile High TOD Fund has enabled ULC to close on 5 properties; two of which are preservation projects and three are vacant parcels – with an additional vacant property currently under contract, scheduled to close in November 2011. One of the developments has now received a tax credit allocation which will trigger a permanent take out of ULC and the Fund, and other sub-loan is expected to be partially repaid via a sale of a portion of a property to the City of Denver for construction of a new library.

**Project: Dahlia Apartments**

**Location:** 33rd & Dahlia, Denver, CO

**Housing Units:** (36) 2-bedroom apartments

**Financing:**

- A $450,000 HUD Neighborhood Stabilization Funds (NSP) offered leverage.
- Enterprise Community Loan Fund, provided a Total Acquisition and Rehab: $1.75 million

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28 Schmidt, Deidre. For the Family Housing Fund (Minneapolis). *Strategic Acquisition Fund for TOD – Understanding the National Experience, Exploring the Needs and Opportunities in the Twin Cities Region.* 2011.

29 IBID
This property was the first to utilize financing through the TOD Fund. In December of 2009, ULC acquired this Northeast Park Hill property located at 33rd & Dahlia – one block north of Martin Luther King Blvd. It was foreclosed upon in 2008 qualifying it for the Neighborhood Stabilization Program. The property consists of six buildings with a total of 36, 2-bedroom family apartment homes and serves over 100 residents. The Dahlia Apartments provides 4 permanent jobs. To date, $320,000 has been expended on improvements to Dahlia, primarily focused on needed health and safety repairs, roofs, drainage, landscaping, and environmental remediation. This work has created more than 25 project related jobs for contractors.

**Project: Land Purchased at I-25 and Yale Light Rail Station**

**Location**: 33rd & Dahlia, Denver, CO

**Total Project Costs**: $10 million (Total redevelopment investment)

The TOD Fund was used to purchase this 1.2 acre piece of land adjacent the existing light rail station at I-25 and Yale for $1,325,000. In an innovative step, the Regional Transportation District (RTD) voted unanimously to execute an agreement between RTD and Yale TOD Partners (2 private developers) to create a Transit-Oriented Master Plan for the Yale Station area. This site includes parcels of land owned by the Partners: Urban Land Conservancy, Koelbel and Company and Mile High Development. The Master Plan process will involve area evaluation including the engagement of property owners in the vicinity. ULC will work with the Yale TOD Partners to create a framework for the future development of the RTD owned property, the property owned by the Partners and potentially additional properties in the vicinity. This is an ideal site to develop into a mixed use, transit-oriented community supportive of RTD’s TOD policy and the growth of light rail ridership. ULC plans to develop 100 workforce homes on the site and up to 30,000 square feet of commercial space creating 100 jobs during the development of the site and 35 permanent jobs once the construction is complete.

**Project: Villa TOD**

**Location**: 5 Blocks from the 10th & Osage Light Rail Station

**Total Project Costs**: $2.3 million (for Acquisition and Redevelopment)

This 0.31 acre mixed use property purchased in August, 2011 for $1,350,000 is located in the Santa Fe arts district and includes 16 units of workforce housing and 7,400 square feet of commercial space. ULC plans to partner with NEWSED in the short term to manage the necessary rehabilitation work, and Denver Inner City Parish who will provide housing services programs for the long term take out. Villa TOD is on the Santa Fe bus corridor and 5 blocks for the 10th and Osage light rail station.
Moving Forward

There are currently plans underway to expand the scope of the TOD Fund beyond the existing boundary of the City limits and into the surrounding communities. Reports have estimated the total regional fund around $25 million by 2012 and a goal to generate 1,500 affordable homes by 2021. The Fund is projected to leverage $150 million in investments and create more than 2,200 jobs.

The intent of the expansion is to parallel and accompany the development of the new regional light rail transit lines. While the estimated price tag of $15 in capital that will need to be raised is an issue, there are also several other challenges that accompany this development. With the initial fund, it was the City of Denver that provided the initial $2.5 million in first loss funds. Now, the neighboring municipalities will need to contribute to this top loss portion in order to make it happen. With this anticipated to be an extremely challenging process, Enterprise and the Urban Land Conservancy (who manage and borrow from the fund, respectively) are now working alongside the Denver Regional Council of Governments (the region’s MPO) to facilitate the process. The process has been made even more difficult due to the fact that the TOD Fund is not considered an eligible use of federal transportation dollars, thus requiring all allocated federal funds be swapped with local funds if they are to be used.

There is also discussion of expanding the list of eligible borrowers beyond the ULC. The reason is to expand the purchasing capacity of the Fund. This will depend on the financing and development capacity of these new borrowers.

APPENDIX 5: CASE STUDY: THE MINNEAPOLIS HIAWATHA LAND ACQUISITION LRT FUND

(Hiawatha Land Acquisition LRT Fund Link)

While Minneapolis has several TOD Land Funds, the Hiawatha Land Assembly Fund, has been the most active. The land assembly grant fund is meant to leverage local and private commitments to transit-oriented, pedestrian friendly development to reinforce the Metropolitan Council’s investment in light rail transit (LRT). The original $5 million infusion came from Federal Congestion Mitigation and Air Quality (CMAQ) Funds. The first $1.2 million in CMAQ funds was allocated to the Metropolitan Council and were used to acquire a city project nearby the Downtown East LRT station. While there was interest expressed to continue and expand the financing sources to more projects, when the remaining $3.8 million of funds was received and directed towards developer-led projects, this conflicted with Federal disposition requirements. The problem was solved by swapping the Federal CMAQ funds with local Hennepin County funds that would have been used for transit operations.

Currently there is up to $3.5 million available for land assembly projects (involving one or more properties/land parcels) for the purpose of creating TOD along the Hiawatha Corridor (generally, within 1,500 feet from LRT stations). Each individual land assembly project’s grant request must have a local match of at least 20 percent of the total acquisition price.

Geography: Target properties (generally within 1,500 feet) of a LRT station along Minneapolis’ Hiawatha Corridor.

Eligible Participants: The cities of Bloomington and Minneapolis, and Hennepin County (and their housing and redevelopment authorities, port authority, and economic development authorities) are eligible recipients. Neighborhood development organizations and private sector developers/partners are not directly eligible for the land assembly funds, but could work in partnership with the city or county as a “sub-recipient” of these funds.

Activity to Date

Project: Currie Park Lofts

Location: 515 15th Ave. S

Financing:

- $1,720,000 in Hiawatha LRT Land Assembly Funds
- A $400,000 Affordable Housing Trust Fund loan from
- $341,341 in LCDA Grant from the Metropolitan Council.
- $370,000 Hennepin County TOD grant.
APPENDIX 6: CASE STUDY: MINNEAPOLIS’ THREE OTHER TOD FUNDS

THE LAND ACQUISITION FOR AFFORDABLE NEW DEVELOPMENT (LAAND) PROGRAM

(LAAND Fund Website Link)

A collaboratively funded program of Minnesota Housing, the Metropolitan Council and the Family Housing Fund (collectively, the “Funders”), that provides loan financing to assist communities in meeting their affordable housing needs by taking advantage of current land prices to purchase land to be held for future affordable housing development. The objectives of the LAAND Initiative support and are consistent with those of the Corridors of Opportunity Initiative.

Funding for the 2011 LAAND Initiative is provided through resources from the Funders as follows:

- Metropolitan Council - $1,956,500
- Family Housing Fund - $1,000,000
- Minnesota Housing - an eligible activity under the Consolidated RFP

Eligible Uses: (1) Land acquisition; (2) Costs related to acquisition and holding – these include appraisals, environmental site assessments, taxes, insurance and site maintenance

Ineligible Uses: (1) Refinancing the subject property; (2) Reducing land or financing costs for development in progress; (3) Other pre-development costs such as platting, interest, demolition or soil correction; (4) Holding costs paid by the recipient that are greater than five percent of the loan award.

Funding Requirements:

- LAAND funds can only be used to acquire sites for affordable housing that are consistent with the community’s future affordable housing needs and the stated strategic growth goals.
- Land costs in the area of the proposed project must be an impediment to affordable housing development.
- Projects constructed on land acquired through the loan program shall have a minimum of 20 percent of housing units developed for affordable units. Units shall be affordable to households earning 60 percent of area median income (AMI) in the Metro area and 80 percent of AMI in Greater Minnesota.
- A seven (7) year minimum period of affordability is required for homeownership units. The affordability term for rental housing projects will be a minimum of fifteen (15) year affordability. Highest priority will be given to applicants who require the longest term of affordability of the units.

Loan Repayment Terms

- Land must be purchased within two years of the LAAND funding commitment. Development of the land for affordable housing may not commence within one year of execution of the loan agreement, but must commence within five years of execution of the loan agreement.
A Phase I Environmental Site Assessment will be required before the loan is disbursed to purchase the land.

*Activity to Date:* The Fund has yet to make a loan

**THE CAPITAL ACQUISITION REVOLVING FUND (CARF)**  
(CARF Website Link)

Created in 2006 by the Minneapolis City Council, the Capital Acquisition Revolving Fund targets the acquisition of property or financing of property acquisition for redevelopment of sites located on commercial and transit corridors and at commercial nodes (designated in *The Minneapolis Plan*) for mixed commercial and residential use. Funds will be used to assemble or aid in assembly of larger sites for development of new commercial buildings, mixed residential and commercial buildings and mixed-income rental and ownership multifamily housing. At least 20 percent of the housing units must be affordable at <50 percent MMI (city affordable housing policy). Though it is meant to be used by either the city or a private developer some strategic acquisitions, to date it has only been used by the city for acquisition purposes.

*Eligible Uses:* Redevelopment for either commercial use or mixed commercial and residential use that is: (1) Located on a commercial corridor or at a commercial node designated in *The Minneapolis Plan*; or (2) Located on a major transit corridor.

*Eligible Costs:* Acquisition, relocation, demolition, property holding management costs, gap financing for private acquisition and assembly.

The Fund has about $1 million and the lending interest rate depends on the associated risk of the project. It has a short-term (3-5 years), so it would need to be the "right type of projects" for it to make sense.

*Activity to Date:* The Fund has yet to make a loan

**GREAT STREETS REAL ESTATE DEVELOPMENT GAP FINANCING PROGRAM**  
(Great Streets Program Website Link)

The Gap Financing Program provides loans for catalytic commercial projects where investment will likely spur additional development. Projects must be located in areas designated as Great Streets eligible areas: commercial corridors, commercial nodes, activity centers and LRT station areas designated in *The Minneapolis Plan for Sustainable Growth*. To date the program has mainly supported neighborhood business districts. Projects have one or more public benefits including job creation, blight removal, tax base enhancement, etc. The typical loan size is $150,000 - $450,000 and all loan rates thus far have been below market (see Loan Terms for more info). This financing is typically the most at-risk in a project because the Gap Financing Programs usually assumes a subordinated (i.e. 2nd-3rd) mortgage. If there is funding participation by a government entity (i.e. a county funding source), there may be some ability to negotiate where they are in the stack, but in general the public sector will always have the most risk. The program generally tries to add some security, by getting a personal guarantee from the developer.
In the past the program was financed by local money and CDBG grants but due to cutbacks, it is now just CDBG funds. The program currently has $1.5 million and makes loans from $150,000-$450,000 depending on projects size and needs. One person involved with the program commented that because CDBG funds are federal funding source, there are lots of requirements that go along with it. "It is not the certainly not the easiest money in the world to use, but it can certainly close a gap in a project." Since is a relatively new program having begun in 2010, it has only made about 10 loans.

Activity to Date
The Gap Financing Program has funded 11 projects to date; a sample is below. Please see Appendix 8 for a complete breakdown of the project financing to date.

2823 East Franklin Avenue Seward Coop

This project consisted of the expansion and relocation of the Seward Co-op to the east end of Franklin Avenue. It replaced the run-down, vacant buildings with a colorful, sustainable structure that serves the community with healthy food, a community gathering space, and nutrition classes. The co-op secured $656,000 in public funding and $9,768,620 in private financing, over $1 million of which was in the form of member loans. The Great Streets Program was involved with a $150,000 loan and the project was completed in January of 2009.

See Links for Other Similar Projects:
- Seward Coop
- 1200 West Broadway/Kindred Kitchen
- African Development Center
- Chicago Avenue Fire Arts Center
- Five Points
- Master Engineering
## Appendix 7: Minneapolis, Minnesota’s Four Land Acquisition Funds

<table>
<thead>
<tr>
<th>Fund &amp; Location</th>
<th>Goal</th>
<th>Initiation Date &amp; Origin of Fund</th>
<th>Fund Type &amp; Size</th>
<th>Fund Manager</th>
<th>Capital Stack/First Loss Position</th>
<th>Affordability or Other Key Project Requirements</th>
<th>Terms</th>
<th>Number of Loans Made</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hiawatha LRT Land Assembly, Minneapolis, MN</strong></td>
<td>Financing for mixed-use, pedestrian and TOD projects located near Hiawatha LRT transit stations.</td>
<td>In 2005, the City of Minneapolis issued an RFP requesting for land acquisition proposals</td>
<td>Grant Fund; $5 million</td>
<td>Minneapolis Metropolitan Council</td>
<td>N/A</td>
<td>Either: 20% of units must be affordable (&lt;50% MMI). Legal commitment to build affordable units elsewhere in the City, or $80,000 per un-built affordable unit. 15-year affordability restriction.</td>
<td>One time grant</td>
<td>3 grants</td>
</tr>
<tr>
<td><strong>Capital Acquisition Revolving Fund, Minneapolis, MN</strong></td>
<td>Land acquisition financing for commercial, mixed-income, rental and multifamily homeownership properties in commercial and transit corridors</td>
<td>In 2006; created by the Minneapolis City Council</td>
<td>Revolving Loan Fund; $1 million</td>
<td>City Community Planning and Econ Dev. Dept.</td>
<td>Top Loss: City of Minneapolis</td>
<td>At least 20% of housing units at &lt;50% Metro Median Income (MMI)</td>
<td>N/A</td>
<td>0</td>
</tr>
<tr>
<td><strong>Land Acquisition for Affordable New Development, Minneapolis, MN</strong></td>
<td>Land acquisition financing for affordable housing projects.</td>
<td>In 2007, established by the Metropolitan Council</td>
<td>Revolving Loan Fund; $4 million</td>
<td>Minneapolis Metropolitan Council</td>
<td>Minnesota Housing, the Metropolitan Council, Family Housing Fund</td>
<td>20% of units at 60% AMI in the Metro area and 80% of AMI in Greater Minnesota; 7-year affordability restriction for homeownership projects.</td>
<td>Construction between Year 1 to Year 5; Repayment based on appraised value of the site at the time of repayment</td>
<td>0</td>
</tr>
<tr>
<td><strong>Great Streets Real Estate Development Gap Financing Program, Minneapolis, MN</strong></td>
<td>For real estate development and development acquisition for transformative commercial development projects located on designated commercial corridors, nodes, and LRT station areas.</td>
<td>May 2010</td>
<td>City Community Planning and Econ Dev. Dept.</td>
<td>N/A</td>
<td>1% origination fee. The typical loan size is $150,000 - $450,000.</td>
<td>10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## APPENDIX 8: GREAT STREETS GAP FINANCING LOAN TERMS BY PROJECT*

<table>
<thead>
<tr>
<th>Area Category</th>
<th>Date</th>
<th>Loan Amount</th>
<th>Total Project Cost</th>
<th>Leverage</th>
<th>Security (Position)</th>
<th>Interest Rate</th>
<th>Amortization Period</th>
<th>Balloon</th>
<th>1st Period</th>
<th></th>
<th></th>
<th>Job Created</th>
<th>Job Retained*</th>
<th>Construction Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Interest Rate Period Payments</td>
<td>Interest Rate Period Balloon</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seward Co-op</td>
<td>1/1/2008</td>
<td>Support $150,000</td>
<td>$9,800,000</td>
<td>$9,650,000</td>
<td>4.00% 2 yrs interest-only</td>
<td>4.00% 10 yrs at year 7</td>
<td>Wrapped up in NMTC</td>
<td>75</td>
<td>85</td>
<td>157</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chicago Ave</td>
<td>6/2/2009</td>
<td>Intervene $425,000</td>
<td>$1,000,000</td>
<td>$375,000</td>
<td>4.00% 2 yrs interest-only</td>
<td>4.00% 30 yrs at year 10</td>
<td>Subordinate mortgage (3rd) w/2% in 2nd position</td>
<td>3</td>
<td>0</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire Arts</td>
<td>Early 2010</td>
<td>Support $300,000</td>
<td>$30,000,000</td>
<td>$30,500,000</td>
<td>0.00% 2 yrs no payments</td>
<td>4.00% 13 yrs</td>
<td>Subordinate mortgage on property (2nd)</td>
<td>95</td>
<td>0</td>
<td>495</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Longfellow Station</td>
<td>9/3/2010</td>
<td>Monitor $245,000</td>
<td>$1,678,084</td>
<td>$1,433,084</td>
<td>4.00% 2 yrs interest-only</td>
<td>4.00% 20 yrs at year 7</td>
<td>Subordinate mortgage (3rd) w/2% in 2nd position</td>
<td>7</td>
<td>0</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Greenleaf</td>
<td>9/3/2010</td>
<td>Intervene $200,000</td>
<td>$11,650,000</td>
<td>$965,000</td>
<td>4.00% 4 yrs interest-only</td>
<td>4 or adj% 3 yrs at year 7</td>
<td>Subordinate mortgage (3rd) w/2% in 2nd position</td>
<td>4</td>
<td>7</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African</td>
<td>3/1/2009</td>
<td>Intervene $200,000</td>
<td>$2,032,831</td>
<td>$1,582,831</td>
<td>3.25% 2 yrs interest-only</td>
<td>3.25% 25 yrs at year 10</td>
<td>Subordinate mortgage on property (2nd) and personal guaranty</td>
<td>80</td>
<td>0</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>5/22/2009</td>
<td>Intervene $450,000</td>
<td>$2,650,000</td>
<td>$2,200,000</td>
<td>3.25% 2 yrs interest-only</td>
<td>3.25% 25 yrs at year 10</td>
<td>Subordinate mortgage on property (2nd)</td>
<td>32</td>
<td>25</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catalyst</td>
<td>1/1/2008</td>
<td>Support $103,000, with 2nd advance up to $497,000 on sale of City parcel = $600,000</td>
<td>$4,900,000</td>
<td>$4,300,000</td>
<td>0.00% 42 months after City obtains ROW for East 22nd Street deferred, loan to be repaid primarily from land sale proceeds</td>
<td>4.00% 10 yrs at year 10</td>
<td>Subordinate mortgage</td>
<td>32</td>
<td>27</td>
<td>78</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bystrom (Phase I - Touchstone)</td>
<td>6/2/2009</td>
<td>Support $350,000</td>
<td>$1,073,400</td>
<td>$723,400</td>
<td>4.00% 4 yrs interest-only</td>
<td>4.00% 6 yrs at year 10</td>
<td>Subordinate Mortgage</td>
<td>14</td>
<td>10</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Master</td>
<td>3/9/2007</td>
<td>Intervene $165,000, $82,500 can be forgiven</td>
<td>$700,000</td>
<td>$355,000</td>
<td>4.00% 20 yrs principal and interest</td>
<td>Subordinate mortgage on the real estate (4th), FFE and assignment of leases and rents</td>
<td>3</td>
<td>5</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering</td>
<td>6/10/2007</td>
<td>Intervene $350,000</td>
<td>$55,799,315</td>
<td>$55,449,315</td>
<td>4.00% 2 yrs interest only</td>
<td>4.00% 15 yrs</td>
<td>Mortgage on real estate (3rd) - not yet closed borrower must have all funds in place to cover project costs prior to closing</td>
<td>345</td>
<td>0</td>
<td>895</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Juxtaposition Arts</td>
<td>3/9/2007</td>
<td>Intervene $350,000</td>
<td>$55,799,315</td>
<td>$55,449,315</td>
<td>4.00% 2 yrs interest only</td>
<td>4.00% 15 yrs</td>
<td>Mortgage on real estate (3rd) - not yet closed borrower must have all funds in place to cover project costs prior to closing</td>
<td>345</td>
<td>0</td>
<td>895</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* N.B. This chart is about 5 months old and in the interim, three or four of the projects have become no longer viable.*

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**Expected to close when project is fully funded (early 2012)**

Leverage = Total Project Cost - City Investment
### APPENDIX 9: TOD & AFFORDABLE HOUSING POLICY, FINANCING & FUNDING TOOLS, FAIRMOUNT INDIGO LINE, BOSTON, MA.

<table>
<thead>
<tr>
<th>Tool</th>
<th>Intended Funding Agent/ Implement Agent</th>
<th>For use by:</th>
<th>Policy</th>
<th>Funding/ Financing</th>
<th>Affordable Housing</th>
<th>Mixed-Income Housing</th>
<th>TOD</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOD Planning Manager</td>
<td>City, Transit agency</td>
<td>City, Transit Agency</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>An employee funded by the Office of Commonwealth Development and the Massachusetts Bay Transportation Authority (MBTA) to serve as TOD planning manager. An intermediary between the private sector, City, State and Transit Agency. Works with private developers to understand their needs and address their concerns. Provides education about TOD and helps developers find funding sources.</td>
<td>Tad Read</td>
</tr>
<tr>
<td>Linkage Program</td>
<td>City, Developer</td>
<td>CDCs, Developer</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>The linkage program is meant to balance large-scale commercial development with needed residential construction. Linkage is a fee ($7.87 per square foot for housing programs and $1.57 for jobs programs) exacted from all new large-scale commercial real estate development exceeding 100,000 square feet. The linkage requirement can be fulfilled with a cash payment or through direct creation of housing or a job-training program. The housing is to be built within a mile and a half of the commercial development that generated the funds.</td>
<td>Dudley Village Housing Project is a mixed-use development containing 50 new affordable rental housing units, 7,700 square feet of commercial space, a computer center for the residents, outdoor play space, and bicycle storage. Linkage fees were used to build the affordable units.</td>
</tr>
<tr>
<td>Tool</td>
<td>Intended Funding Agent/Implement Agent</td>
<td>For use by:</td>
<td>Policy</td>
<td>Funding/Financing</td>
<td>Affordable Housing</td>
<td>Mixed-Income Housing</td>
<td>TOD</td>
<td>Description</td>
<td>Example</td>
</tr>
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<td>---------</td>
</tr>
<tr>
<td><strong>Chapter 40R: Smart Growth Incentive Zoning</strong></td>
<td>State</td>
<td>Municipality</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Passed into law in 2004, it provides for direct payments to municipalities that adopt smart growth overlay zoning districts in downtowns, commercial centers, and around transit stations and issue building permits in these areas to create new opportunities for housing. The Zoning Incentive Payment is based on the number of net additional housing units allowed by newly adopted zoning. Density bonus payments are tied to the issuance of building permits for new housing units. A payment of $3,000 is made to the municipality for each new unit that is permitted.</td>
<td>On May 20, 2006, the Town of Plymouth approved at Town Meeting a Chapter 40R District for Cordage Park, which will allow for the development of 675 units of housing, 50,000 square feet of retail, and 600,000 square feet of office uses next to Plymouth Station on the Plymouth/Kingston Commuter Rail Line.</td>
<td></td>
</tr>
<tr>
<td><strong>Chapter 40B: Comprehensive Permit Law</strong></td>
<td>State / Local Government</td>
<td>Developer</td>
<td>X</td>
<td>X</td>
<td>Encourages the development of affordable housing in communities that currently lack economic diversity. Allows developers to apply for expedited permit review process. Allows an appeal of a local government decision about permits. Allows developers to build affordable housing at greater densities than is allowed under local zoning. To qualify, generally the affordable homes in a development must have &gt;=25% of units affordable to low- and moderate-income hhds</td>
<td>From 2002-2006, 30% of all new housing construction in the state and 80% of all low and moderate income housing outside of larger cities was built under 40B. Construction of 30,000 affordable units over the past 35 years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tool</td>
<td>Intended Funding Agent/Implement Agent</td>
<td>For use by:</td>
<td>Policy</td>
<td>Funding/Financing</td>
<td>Affordable Housing</td>
<td>Mixed-Income Housing</td>
<td>TOD</td>
<td>Description</td>
<td>Example</td>
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</tr>
<tr>
<td>Chapter 40S: School Cost Insurance Policy</td>
<td>State Municipalities</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Designed to cover the unfunded costs of educating any school-age children who move into Chapter 40R Smart Growth Zoning districts. Qualifying communities will be reimbursed for the net cost of educating students living in new housing in smart growth districts</td>
<td>No funding for schools from 40S yet</td>
</tr>
<tr>
<td>Chapter 90E</td>
<td>State DOT</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>&quot;The [transportation] commissioner shall make all reasonable provisions for the accommodation of bicycle and pedestrian traffic in the planning, design, and construction, reconstruction or maintenance of any project undertaken by the department.&quot;</td>
<td>Resulted in a new statewide &quot;Project Development Guide&quot;, which takes a &quot;complete streets&quot; approach to street design, with attention paid to pedestrians, cyclists and transit-users.</td>
</tr>
<tr>
<td>Commercial Area Transit Node Housing Program (CATNHP)</td>
<td>State Municipality, CDC and developer</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>Bond program to support first-time homebuyer housing through new construction or acquisition and rehabilitation. Only residential projects, 25 units or more, within neighborhood commercial areas and in proximity to public transit nodes. At least 51% of the units in the project must be affordable.</td>
<td>Developers used CATNHP funds for the Ashmont TOD, a mixed-use development including 116 new housing units, 74 affordable rental units, 42 market rate for-sale condominiums, and 10,000 sq ft of retail space.</td>
</tr>
<tr>
<td>Tool</td>
<td>Intended Funding Agent/Implement Agent</td>
<td>For use by:</td>
<td>Policy</td>
<td>Funding/Financing</td>
<td>Affordable Housing</td>
<td>Mixed-Income</td>
<td>TOD</td>
<td>Description</td>
<td>Example</td>
</tr>
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<td>------</td>
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</tr>
<tr>
<td>Smart Growth Technical Assistance</td>
<td>State</td>
<td>Developer, Municipality, Community Organization</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>The TOD Planning Manager at the Office of Commonwealth Development provides technical assistance for local communities to facilitate access to State resources, such as the Priority Development Fund, the Chapter 40R, and surplus MBTA Property to help catalyze TOD.</td>
<td>In the City of Attleboro, the Technical Assistance Grant is being used for planning, urban design, financial feasibility analyses, and traffic studies for 26 acres of land between Ten Mile River and the downtown Attleboro Commuter Rail station to allow for 300 to 500 housing units as well as 35,000 square feet of retail development.</td>
<td></td>
</tr>
<tr>
<td>TOD Infrastructure &amp; Housing Support Program (TOD Bond Program)</td>
<td>State</td>
<td>Developer</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Multi-year funding to finance pedestrian improvements, bicycle facilities, housing projects, and parking facilities in mixed use developments located within 1/2 mile of a transit station. The TOD Bond Program is designed so that projects located in an existing or proposed Chapter 40R Smart Growth Overlay District receive more points in the scoring system. At least 25% of the units in housing projects must be affordable to households earning up to 80% of the area median income.</td>
<td>Dudley Village Housing Project is a mixed-use development containing 50 new affordable rental housing units, 7,700 square feet of commercial space, a computer center for the residents, outdoor play space, and bicycle storage.</td>
<td></td>
</tr>
<tr>
<td>Tool</td>
<td>Intended Funding Agent/Implement Agent</td>
<td>For use by:</td>
<td>Policy</td>
<td>Funding/Financing</td>
<td>Affordable Housing</td>
<td>Mixed-Income</td>
<td>TOD</td>
<td>Description</td>
<td>Example</td>
</tr>
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</tr>
<tr>
<td><strong>Massachusetts Affordable Housing Trust Fund</strong></td>
<td>State / Local Government</td>
<td>Developer</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>A flexible funding source that can be used to produce and preserve rental and ownership units for households with incomes of up to 110% of the area median income, adjusted for household size. It can also be used to provide down payment assistance for homeownership.</td>
<td>The Affordable Housing Trust Fund has provided funding for 5,527 units of housing, 4,542 of which qualify as affordable. Twenty-four percent of the units serve families and individuals with extremely low incomes, those who make less than 30% of the area median.</td>
</tr>
<tr>
<td><strong>Priority Development Fund: Capital Grants and Planning Assistance Grants</strong></td>
<td>State / Local Government</td>
<td>Developer, Municipality, CDCs</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>$100 million of state funding including $75 million for mixed-income communities throughout the state where at least 20% is affordable. $3 million for comprehensive planning for communities looking to develop affordable housing plans. $22 million to fund the development of new affordable rental housing located near transit stations. And grants of up to $50,000 per project for financial assistance for planning, education, outreach, financial feasibility analyses and other planning activities related to increasing housing production through planning and zoning changes.</td>
<td>Cordovan at Haverhill Station, involves the conversion of a mostly vacant historical property into 146 1-and 2-bedroom rental units of which 85 are market rate and 61 are affordable.</td>
</tr>
</tbody>
</table>

### APPENDIX 10: VARIOUS LENDERS IN BOSTON FOR THE VARIOUS STAGES OF PROJECT DEVELOPMENT

<table>
<thead>
<tr>
<th>Feasibility / Planning</th>
<th>Pre-Development</th>
<th>Acquisition</th>
<th>Construction</th>
<th>Mini-Perm</th>
<th>Permanent</th>
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<tbody>
<tr>
<td>• LISC</td>
<td>• LISC</td>
<td>• Cities/Counties</td>
<td>• MassHousing</td>
<td>• Banks</td>
<td>• Banks</td>
</tr>
<tr>
<td>• Philanthropy</td>
<td>• CEDAC</td>
<td>• Private Banks</td>
<td>• Banks</td>
<td></td>
<td>• MassHousing</td>
</tr>
<tr>
<td>• Chapter 40R (Smart Growth Zoning Act)</td>
<td>• Cities/Counties</td>
<td>• Boston Community Capital</td>
<td>• MHFA</td>
<td></td>
<td>• HUD</td>
</tr>
<tr>
<td>• Cities/Counties</td>
<td>• Philanthropy</td>
<td>• CEDAC</td>
<td>• Land Banks</td>
<td></td>
<td>• Fannie Mae</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Life Initiative</td>
<td></td>
<td></td>
<td>• Freddie Mac</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Property and Casualty Initiative</td>
<td></td>
<td></td>
<td>• Life Insurance/ Pension funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• MHIC</td>
<td></td>
<td></td>
<td>• Mortgage REITs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• LISC</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• MassHousing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Private Banks</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Boston Community Capital</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• CEDAC</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Life Initiative</td>
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<tr>
<td></td>
<td></td>
<td>• Property and Casualty Initiative</td>
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<tr>
<td></td>
<td></td>
<td>• MHIC</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• LISC</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• MassHousing</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 11: Various Acquisition and Pre-Development Lenders in Boston (2010)

<table>
<thead>
<tr>
<th>Lender / Source</th>
<th>Program Description</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEDAC*</td>
<td>Term: 2 years (may be extended); <strong>Rate</strong>: 7%; <strong>LTV</strong>: Can be up to 100% (with Home Funders)</td>
<td>Limited Home Funders money and only for family projects. More capital available at standard rates but underwriting is tougher. MacArthur preservation funding is slightly below market.</td>
</tr>
<tr>
<td>LISC*</td>
<td>Term: 2-3 years; <strong>Rate</strong>: 5.75% (less for Harvard money); <strong>LTV</strong>: Up to 90%</td>
<td>Limited Harvard University funding only in certain locations; NY review of loans</td>
</tr>
<tr>
<td>Boston Community Capital</td>
<td>Term: 2-3 years; <strong>Rate</strong>: 7%; <strong>LTV</strong>: 75%</td>
<td>Recourse and 2nd re-payment source sometimes. Much more aware of risks and concerned about borrower capacity and take-out financing.</td>
</tr>
<tr>
<td>Life Initiative</td>
<td>Term: 2.5 years; <strong>Rate</strong>: 6.5%; <strong>LTV</strong>: 75%-80%</td>
<td>Have been more patient as necessary</td>
</tr>
<tr>
<td>Property and Casualty Initiative</td>
<td>Term: 2-3 years; <strong>Rate</strong>: 6-7% (not tied to index, tries to be competitive and risk aware); <strong>LTV</strong>: 70-75%</td>
<td>Generally in collaboration with other lenders but will do single placements.</td>
</tr>
<tr>
<td>MassHousing</td>
<td>Term: 2-3 years; <strong>Rate</strong>: 6-7% (slightly lower on NSLF); <strong>LTV</strong>: Depends on deal and cash flow</td>
<td>Still open for business and has capital. Notes that occupied properties a plus for carrying costs: lease or strong business plan for commercial properties.</td>
</tr>
<tr>
<td>Conventional Banks</td>
<td>Term: Varies; tend to be shorter; <strong>Rate</strong>: 3% (Citizens, no longer available)-others prime or LIBOR-based rate; <strong>LTV</strong>: Varies; lower usually than quasi’s and intermediaries</td>
<td>More risk averse especially now.</td>
</tr>
<tr>
<td>City/BRA</td>
<td>Term: Frequently turned into grant; <strong>Rate</strong>: 0%; <strong>LTV</strong>: Usually only a portion of loan</td>
<td>No longer available; program lacked transparency of allocation process</td>
</tr>
</tbody>
</table>

* Only CEDAC & LISC provide both Pre-Development and Acquisition Funding; all others provide only acquisition.

**APPENDIX 12: FINANCING TOOLS AVAILABLE FOR THE ACQUISITION, HOLD, AND PREPARATION OF LAND FOR TOD IN BOSTON**

**Note:** this list below includes only sources that are available to secure site control or acquire property as opposed to permanent sources that include acquisition as an eligible cost.

<table>
<thead>
<tr>
<th>Source</th>
<th>Program Description</th>
<th>Relation to TOD and Focus on Land Acquisition</th>
<th>Eligibility</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Neighborhood Stabilization Funds</strong> (HUD)</td>
<td>A component of the CDBG, the program is focused on the stabilization of communities that have suffered from foreclosures and abandonment. Generally the grant money must be used to buy, fix up, and resell foreclosed and abandoned homes. USE: Affordable Housing, Land Acquisition.</td>
<td><strong>Focus on Land Acquisition:</strong> NSP Funds can be used to establish a land bank for foreclosed homes &amp; properties. There is a 10-year limit on land banking and property end-use must be consistent with program requirements.</td>
<td></td>
<td>Using new funds from this program as well as its own funds, the City will be offering up to $15,000 in financial assistance to homebuyers purchasing real estate owned (REO) properties (i.e. bank-owned foreclosed properties) in high-foreclosure areas, and will also provide up to $50,000 in renovation assistance to these buyers.</td>
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<tr>
<td><strong>Priority Development Fund</strong> (DHCD)</td>
<td>The Priority Development Fund (PDF) was created in 2004 by MassHousing to provide funding to assist communities identify and implement strategies to increase the production of affordable housing, both rental and homeownership. The goal of the PDF Planning Assistance funding is to increase the supply of affordable housing in the Commonwealth by encouraging community-based planning that will lead directly to affordable housing production.</td>
<td><strong>Focus on Land Acquisition:</strong> PDF Funds can be used for gaining site control, site analysis, financial feasibility analysis, preliminary architectural and engineering studies, and legal review.</td>
<td><strong>Eligible Applicants:</strong> Consist of cities and towns within the Commonwealth. Municipalities may enter into third party agreements with consultants approved by DHCD, however only a municipality will be allowed to enter into a contract with MassHousing regarding the distribution of funds.</td>
<td><strong>Award Amount:</strong> Up to $15,000. <strong>Eligible Activities:</strong> Activities associated with the production of affordable housing in municipally owned/controlled sites, including: Gaining site control, site analysis, financial feasibility analysis, preliminary architectural and engineering studies, and legal review.</td>
</tr>
<tr>
<td>Leading the Way III Program, Reclamation Efforts, Multi-Property Purchases by the City&lt;sup&gt;31&lt;/sup&gt;</td>
<td>The City of Boston’s comprehensive three-year housing strategy designed to increase the production of new housing within the city.</td>
<td>Focus on Land Acquisition: With help from Federal Neighborhood Stabilization Funds (available thru HUD), the City will be making multi-property purchases of Real Estate Owned (REO) (i.e. bank owned) properties directly from the lenders. The properties will then be made available to homebuyers, contractors, developers, and non-profits for renovation and re-occupancy.</td>
<td>• While this is more directed at stabilization and quick turnaround, there may be opportunity for a joint development or public private partnership.</td>
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<tr>
<td>Dudley Neighbors, Inc. Community Land Trust</td>
<td>Run by the Dudley Street Neighborhood Initiative (DSNI) (a Community Development Corporation in South Boston), the 121A Corporation has the power of eminent domain to acquire privately-owned vacant land in the area designated as the “Dudley Triangle”.</td>
<td>Focus on TOD: The Dudley Triangle includes the land around the immediately adjacent to the Upham’s Corner MBTA stop on the Fairmount-Indigo Line.</td>
<td>• DNI is structured as a Community Land Trust (CLT) • It is focused on preserving affordable housing and providing residents with a way to control the development process in the neighborhood. • DNI leases land initially to developers during construction, and subsequently to individual homeowners, cooperative housing corporations and other forms of limited partnerships. Through its 99-year ground lease, DNI can require that its properties be used for purposes set forth by the community.</td>
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APPENDIX 13: PROJECTED BOSTON TOD FUND PRI AND CDFI-ORIGINATING LENDERS

PRI LENDERS:

- Hyams Foundation,
- Boston Foundation
- Other local or national foundations

POSSIBLE CDFI-ORIGINATING LENDERS:

- **Boston Community Capital** (BCC) – a CDFI who provides a wide range of debt and equity products for low-income communities and individuals and for emerging businesses and entrepreneurs.
- **Community Economic Development Assistance Corporation** (CEDAC) - a public-private, CDFI that provides technical assistance, pre-development lending, and consulting services to non-profit organizations involved in housing development, workforce development, neighborhood economic development, and capital improvements to child care facilities.
- **Life Initiative** – a $100 million dollar community investment fund created by life insurance companies in order to support affordable housing developments, commercial properties, businesses and community facilities in low and moderate income communities and households.
- **Property and Casualty Initiative** (PCI) – a state wide community loan fund created specifically to promote economic development by providing loans that improve the health and welfare of low income residents and communities across the Commonwealth.
- **Local Initiatives Support Corporation** (LISC) – Provides funding, financing, and technical assistance to Community Development Corporations (CDCs), Non-Profit Developers, and Policy & Advocacy Organizations in Greater Boston.
- **Mass Housing Investment Corporation** (MHIC) - a private lender and investor specializing in the financing of affordable housing and community development throughout Massachusetts & New England.
## APPENDIX 14: ACQUISITION AND PRE-DEVELOPMENT SOURCES FOR PROJECTS ALONG THE FAIRMOUNT CORRIDOR

<table>
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<tr>
<th>Project Name</th>
<th>CDC</th>
<th>Project Type</th>
<th>TOTAL Project Acquisition Budget</th>
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<th>LISC</th>
<th>Bostonそ屬</th>
<th>MHIC</th>
<th>LRIC</th>
<th>Initiative</th>
<th>DEVEN</th>
<th>CDIT</th>
<th>Sale</th>
<th>Financing</th>
<th>Total</th>
<th>SPK</th>
<th>Sponsor/Developer</th>
<th>Sponsor/Developer</th>
<th>Income</th>
<th>Planned Change</th>
<th>Enterprise</th>
<th>CAI</th>
<th>BID</th>
<th>ARI</th>
<th>TOTAL</th>
<th>TOTAL ACQUISITION NEED</th>
<th>TOTAL ACQUISITION+PRE-DEVMPT NEED</th>
<th>POTENTIAL COMBINED ACQ AND PRE-DEV NEEDS</th>
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| TOTAL ACQUISITION NEED       |     |              | $13,027,081                      | $2,730,500 | $2,819,334 | $0      | $499,000 | $116,500 | $350,000 | $650,000 | $862,500 | $178,500 | $125,000 | $125,000 | $250,000 | $845,000 | $125,000 | $845,000 | $10,378,334 | 83% |
| POTENTIAL COMBINED ACQUISITION + PRE-DEVELOPMENT NEED |     |              | $13,884,155                      | $2,886,927 | $2,984,667 | $0      | $511,167 | $13,884,155 | 83% |

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<table>
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<tr>
<th>Fund &amp; Location</th>
<th>Goal</th>
<th>Initiation Date &amp; Origin of Fund</th>
<th>Fund Type &amp; Size</th>
<th>Fund Manager</th>
<th>Capital Stack/ First Loss Position</th>
<th>Affordability or Other Key Project Requirements</th>
<th>Terms</th>
<th>Number of Loans Made</th>
<th>Lessons/ Complexities</th>
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<tr>
<td><strong>Lower San Antonio Community Development Fund, Oakland, CA</strong></td>
<td>Pre-development and land acquisition financing for affordable housing</td>
<td>In 2005; initiated by the Annie E. Casey Foundation and Evelyn &amp; Walter Haas, Jr. Fund.</td>
<td>Loan fund; $8 million</td>
<td>Northern California Community Loan Fund</td>
<td>Loss reserve given by the Evelyn &amp; Walter Haas, Jr. Fund.</td>
<td>Borrowers are individually pre-approved and underwritten.</td>
<td>Max. loan term: 3 years; max. loan amount: $1.5 mil per project ($3 mil per borrower); loan-to-value (LTV): 100%; Interest rate: 5.5%; loan loss reserve: 5%</td>
<td>Two; One pending</td>
<td>Omitting private bank Involvement protects the fund from regulatory requirements for private lenders.</td>
</tr>
<tr>
<td><strong>LA County Housing Innovation Fund, LLC, Los Angeles, CA</strong></td>
<td>Pre-development and land acquisition financing for supportive affordable housing projects.</td>
<td>In 2007; invested in by the Los Angeles County Board of Supervisors</td>
<td>Revolving Loan Fund; $60 million</td>
<td>Corporation of Supportive Housing and Wells Fargo</td>
<td>Top loss: L.A. County (33%); Second loss: CDFIs (13%each); Senior lenders (53%)</td>
<td>N/A</td>
<td>Max. loan term: 5 years; max. loan amount: $500k; LTV: 100%; Interest rate: stuck</td>
<td>N/A</td>
<td>N/A</td>
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<td><strong>New Generation Fund, Los Angeles, CA</strong></td>
<td>Pre-development and land acquisition financing for affordable rental or homeownership housing.</td>
<td>In 2008; initiated by the City of Los Angeles and Enterprise Community Partners.</td>
<td>Loan fund; $150 million</td>
<td>Forsyth Street Advisors</td>
<td>By project, Top loss: City of Los Angeles ($10 Million guarantee fund outside of transactions); equity: borrowers (5%)</td>
<td>N/A</td>
<td>Max. loan term: 3 years; Max. loan amount: $10 million; Interest rate: 30-day variable rate or 12 month fixed rate; Max. LTV: 130% (non-profit borrowers) or up to 95% (for-profit borrowers)</td>
<td>Two ($5.85 million and $9.55 million)</td>
<td>N/A</td>
</tr>
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<td>Metro TOD &amp; Centers Program, Portland, OR.</td>
<td>Land acquisition and holding for housing and mixed-use developments in transit corridors and commercial nodes</td>
<td>In 1998; established by FTA funding</td>
<td>Direct Acquisition; $5 million every two years</td>
<td>The Metro, using Metro Transportation Improvement Funds</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>11 projects funded</td>
<td></td>
</tr>
<tr>
<td>Washington State Land Acquisition Program, WA</td>
<td>Land acquisition financing for multi- or single-family affordable housing.</td>
<td>In 2007; funds appropriated by state legislature</td>
<td>Rolling Revolving Loan Fund; $6 million</td>
<td>Washington State Housing Finance Commission</td>
<td>N/A</td>
<td>Target of up to 80% AMI; 30 year affordability restriction</td>
<td>Max loan term: 4-8 year; construction between year 4 and year 8; Interest rate: 1%; Repayment: 4-6 years from proceeds of construction financing</td>
<td>N/A</td>
<td>N/A</td>
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<td>Rapid Response Program, WA</td>
<td>Land acquisition financing for affordable housing and community facilities in areas with rapid gentrification.</td>
<td>In 2008, WSHFC announced the creation of the new fund.</td>
<td>Loan Fund; $10 million</td>
<td>Washington State Housing Finance Commission</td>
<td>N/A</td>
<td>N/A</td>
<td>Priority to: mobile home parks facing closure; King County areas facing gentrification or redevelopment; City of Spokane areas facing displacement due to loss of affordable units</td>
<td>N/A</td>
<td>N/A</td>
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<td><strong>Mid-Western States</strong></td>
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<td>Louisiana Loan Fund, New Orleans, LA</td>
<td>Pre-development and land acquisition financing for affordable and mixed-income housing affected by Hurricanes Katrina &amp; Rita</td>
<td>In April 2007, LISC &amp; Enterprise approached the State of Louisiana</td>
<td>Loan fund; $47 million, $2M for predevelopment</td>
<td>2 pools administered by LISC itself &amp; by Enterprise LLC</td>
<td>$17M - State of Louisiana (CDBG) - first 1/3rd of losses, limited to 1/3 of each project loan</td>
<td>51% of units at 80% area median income, majority of funds to used in 8 parishes most affected by Katrina</td>
<td>Predevelopment - $200,000 at 0% interest for 12 mos., Acquisition - $3 million at 5.5% interest for 24 mos., Loan to Value 100% for non-profits &amp; 95% for for-profits</td>
<td>N/A</td>
<td>State CBGB Funding complicates and limits project loans.</td>
</tr>
<tr>
<td>Denver TOD Fund, Denver, CO</td>
<td>Property acquisition for the preservation and creation of affordable housing along existing and planned transit corridors.</td>
<td>Established in 2003 and staffed in 2007; run by the Urban Land Conservancy (ULC), a nonprofit that supports the Denver Community Foundation</td>
<td>Direct Acquisition; $17 million</td>
<td>ULC</td>
<td>Equity: ULC ($1.5 mil); First loss: Denver ($2.5 mil); Second loss: foundations &amp; housing finance agency ($4.5 mil); Senior Debt: Enterprise &amp; Mile High Community Fund ($6.5 mil)</td>
<td>In 2008, over 80% of very low income households were served; 350 very low and extremely low income (below 30%AMI) people served. 15% of fund is focused on households below 30% AMI.</td>
<td>Interest rate: 2-3%; Max. LTV: 100%; Equity: $1 mil; when possible, uses a 99-year land lease to ensure permanent public benefit</td>
<td>Sole Borrower is the ULC</td>
<td>N/A</td>
</tr>
<tr>
<td>Capital Acquisition Revolving Fund, Minneapolis, MN</td>
<td>Land acquisition financing for cmlc, mixed-income, rental and multifamily homeownership properties in commercial and transit corridors</td>
<td>In 2006; created by the Minneapolis City Council</td>
<td>Revolving Loan Fund; $1 million</td>
<td>City Community Planning and Econ Dev. Dept</td>
<td>Top Loss: City of Minneapolis</td>
<td>At least 20% of housing units at &lt;50% Metro Median Income (MMI)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<td>Hiawatha LRT Land Assembly, Minneapolis, MN</td>
<td>Financing for mixed-use, pedestrian and TOD projects located near Hiawatha LRT transit stations.</td>
<td>In 2005, the City of Minneapolis issued an RFP requesting for land acquisition proposals</td>
<td>Grant Fund; $5 million</td>
<td>Minneapolis Metropolitan Council</td>
<td>N/A</td>
<td>Either: 20% of units must be affordable (&lt;50% MMI). legal commitment to build affordable units elsewhere in the City, or $80,000 per un-built affordable unit. 15-year affordability restriction.</td>
<td>One time grant</td>
<td>3 grants</td>
<td>N/A</td>
</tr>
<tr>
<td>Land Acquisition for Affordable New Development, Minneapolis, MN</td>
<td>Land acquisition financing for affordable housing projects.</td>
<td>In 2007, established by the Metropolitan Council</td>
<td>Revolving Loan Fund; $4 million</td>
<td>Minneapolis Metropolitan Council</td>
<td>Minnesota Housing, the Metropolitan Council, Family Housing Fund</td>
<td>20% of units at 60% AMI in the Metro area and 80% of AMI in Greater Minnesota; 7-year affordability restriction for homeownership projects.</td>
<td>Construction between Year 1 to Year 5; Repayment based on appraised value of the site at the time of repayment</td>
<td>N/A</td>
<td>N/A</td>
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</tbody>
</table>

### Eastern States

<p>| New York City Acquisition Fund, New York, NY                              | Pre-development and land acquisition financing for affordable housing in five boroughs of NYC. | In March 2006; created by the Corporation for Supportive Housing, Enterprise, LISC, NYC HDC, and LIIF. | Early stage capital for loans; $243.1 million | Forsyth Street Advisors | Risk Waterfall: Borrower Equity (5%), Recourse to the Borrower (25%), Originating Lender (2%), Fund Balance ($8 mil Public and $32 mil PRI funds), Senior lenders (Bottom 50%) | All loans must meet the Fund's charitable purpose requirements. | Max. Loan Term: 3 years; Max. loan amount: $400,000-750,000; Interest rate: Variable; LTV: 130% (Non-profit Borrower) or up to 95% (For-profit) | 23 projects funded | As loans are Credit-enhanced, Underwriting was crucial for senior lenders to be comfortable with loan approval process and credit enhancement. |</p>
<table>
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<tr>
<td>Atlanta Acquisition Pool, Atlanta, GA</td>
<td>Property Acquisition financing for affordable and mixed-income housing</td>
<td>In 2008; announced by the City of Atlanta, ACoRA, and Enterprise Community Partners</td>
<td>Loan fund; $25.5 million</td>
<td>Enterprise Community Loan Fund</td>
<td>Borrower minimum 4% equity</td>
<td>Units in mixed-income &lt;60% AMI; Units in rental: 20% affordable if funded by the city and &gt;30% if funded by ACoRA; Homeownership units: 30% to households up to 115% AMI and &gt;50% units &lt;80% AMI with ACoRA funding</td>
<td>Max. loan term: 2 years; Max. loan amount: $3 million; Interest rate: 6-7%; Repayment: construction/equity financing; 2% commitment fee; LTV: &lt;120% of collateral</td>
<td></td>
<td>At the end of 2008, Two projects Were approved totaling $1.6 million.</td>
</tr>
<tr>
<td>Washington D.C. Preservation Loan Fund, Washington D.C.</td>
<td>Provide acquisition and pre-development financing for existing multifamily affordable and mixed-income properties</td>
<td>N/A</td>
<td>Loan fund; $28 million</td>
<td>Enterprise Community Loan Fund</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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