



M E M O

Submitted by: Ken Kirkey, Planning Director

Submitted to: ABAG Executive Board

Subject: Bay Area Affordable Transit-Oriented Development (TOD) Fund

Date: March 3, 2010

Executive Summary

On February 24th, 2010 the Metropolitan Transportation Commission (MTC) agreed to reserve \$10 million in regional Transportation for Livable Communities (TLC) funding for the creation of the Bay Area Affordable TOD Fund. The fund would be utilized to secure sites in Priority Development Areas (PDAs) for affordable housing development. The funds would only be spent in PDAs on projects that have the greatest potential to deliver affordable housing units. Interest on the part of regional and national foundations provides an opportunity to triple the TLC investment. Foundation and other sources of funding would be matched by TLC funds on a minimum 3 to 1 basis by August 31, 2011 to reach a minimum fund total of \$40 million. The ABAG Finance Authority has already made a commitment of \$1 million in matching funds for the program.

Next Steps

The Great Communities Collaborative (GCC) is a collaborative of 24 member organizations, including Reconnecting America (a national transit advocacy non-profit), housing and transportation equity and sustainability organizations, and three foundations (East Bay Community Foundation, San Francisco Foundation, and the Silicon Valley Community Foundation). In recent years the GCC has partnered with ABAG, MTC and numerous local jurisdictions to assist with the implementation of the Priority Development Areas (PDAs) as complete communities. The GCC is currently advancing a Request for Proposal (RFP) to hire a fund manager for the Bay Area Affordable TOD fund. The fund manager will secure matching grant and loan funding, prepare policies and rules for loan underwriting, and establish necessary oversight systems.



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Memorandum

TO: Planning Committee

DATE: February 12, 2010

FR: Executive Director

W. I.

RE: Investment in Bay Area Affordable TOD Fund; MTC Resolution No. 3940

Background

In September 2009, this committee approved new Transportation for Livable Community (TLC) program guidelines (see Attachment A) that contain some new funding categories, including non-transportation infrastructure and land banking, to respond to current market conditions and encourage more Transportation for Livable Communities (TOD) throughout the region.

According to ABAG's *A Place to Call Home*, from 1999-2006 the region produced 29% of the needed moderate income housing, 72% of low-income housing, and 35% of the needed very low income housing. In total, 40,088 of the needed 72,213 affordable units were built during the period. By comparison, the region produced 149,663 market rate units during the same period. While no organization tracks the exact location of all affordable units built in the Bay Area, property values closest to regional transit services typically have increased more than in the surrounding neighborhoods over the last twenty years. This puts tremendous financial pressure on the production and preservation of affordable housing in these locations for the households that have the greatest need to access transit.

Affordable TOD Fund Opportunity

While estimates indicate the region needs to produce housing for an additional 2 million residents by 2035, the Center for TOD estimates over 50% of the demand for TOD, or over 200,000 households, will come from households earning less than \$75,000 per year. In order to help address these challenges, staff have participated in discussions with members of the Great Communities Collaborative (GCC) to establish a land acquisition and land banking financing facility or fund (the TOD Fund) to maximize the production of affordable housing near transit stations, consistent with the new TLC guidelines. The GCC is a collaborative of 24 member organizations, including Reconnecting America, a national transit advocacy non-profit, four non-profit entities focused on sustainability and equity in housing and transportation, and three community foundations (the San Francisco Foundation, Silicon Valley Community Foundation and East Bay Community Foundation).

The fund would be established with a conditional grant from the regional TLC fund and would be leveraged at a ratio of at least three-to-one by various forms of grant and loan funds that would be raised by the TOD fund manager. The GCC is currently committed to hiring a fund

manager who would oversee the development of the fund, prepare policies and rules for loan underwriting, and establish necessary oversight systems. The fund manager selection process would be accomplished through an RFP process that is being led by the San Francisco Foundation, working closely with a sub-set of the GCC and MTC staff to draft an RFP and select an appropriately qualified fund manager over the next 3-4 months. As a funder, MTC would have an active role in these processes.

Similar funds have been established in Los Angeles, Minneapolis, New York, New Orleans, and Denver over the last six years. These funds, totaling over \$350 million, bring hundreds of millions in new funding from foundations, public agencies, program related investment funds, and commercial lenders to support the development of affordable housing. In both Denver and Minneapolis, the funds specifically target the need to provide new affordable TOD in concert with investments in their rail network to maximize the transportation benefits for all income groups.

At a time when lending, especially for affordable housing, is almost non-existent, this fund can serve a critical role to preserve sites for affordable TOD while the credit markets and bond institutions recover to support affordable housing construction in the years ahead. These sites, once secured, will still take time to go to construction, as they would still need to go through the local agency approval processes and the developer would still need to secure construction financing. However, staff believes with the opportunity to triple the TLC investment through this partnership with the foundations, and a slow housing market, the timing is good to make this investment. The TLC funding would be a catalyst for such a fund to be established. However, given the continuing uncertainty in the credit markets, there remains the possibility that the fund manager may not be able to raise sufficient additional capital to meet the expected three to one ratio for leveraging TLC funds.

Proposed TLC Grant Conditions

Staff proposes that the Commission agree to reserve up to \$10 million in regional TLC funds under the following conditions:

1. MTC is able to find a source of funds to exchange for the STP/CMAQ funds, since the proposed TOD fund is not an eligible expense for federal highway funds.
2. Foundation and other sources of funding would be matched by TLC funds on a minimum 3 to 1 basis by August 31, 2011 to reach a minimum fund total of \$40 million.
3. Consistent with Commission policy, the funds would only be spent in Priority Development Areas (both Planned *and* Potential) on projects that have the greatest potential to deliver affordable housing units.
4. MTC would be represented on the fund manager selection team and on the fund's advisory committee.
5. Staff would return to the Planning Committee in September 2011 with a report on the amount of funds raised and satisfaction of the above conditions before seeking Commission approval to release the exchanged monies to the TOD fund.

Additional information about this proposal is included in the attached slides and will be presented at the committee meeting.

Recommendation

Staff recommends that this Committee refer MTC Resolution No. 3940 to the Commission for approval, which reserves up to \$10 million from the regional TLC program to invest in the proposed Affordable TOD Fund, subject to the conditions outlined in this memo and as included in this resolution.

In the event the fund manager does not raise the required minimum of \$30 million or fails to meet any of the other conditions by August 31, 2011, the funds would be returned to the regional TLC program for distribution in subsequent grant cycles.

Steve Heminger

ATTACHMENT A

**Approved TLC 2.0 – Program Categories
Planning Committee, September 11, 2009**

Program Option	Streetscapes (current program eligibility)	Non-transportation Infrastructure Improvements	Transportation Demand Management (TransLink®, carshare, TOD parking, etc)	Density Incentives (Direct TOD funding Land Banking / Site Assembly
Grant or Loan	Grant	Grant or Loan	Grant or Loan	Grant or Loan
CMAQ /TE /STP Eligible	Yes	No	Yes	Only via transit operator joint development program
Example	Strengthen connection of existing program to new development in need of millions in new streetscapes such as San Jose midtown, Santa Rosa Railroad Sq. <u>Ensure high quality projects and maximum access for all users.</u>	San Leandro: sewer upgrades required for 2,500 new units in approved TOD plan; fee structures and redevelopment funds are not capable of covering full expense.	Oakland MacArthur BART: project replaces 300 of 600 surface parking spaces in a <u>priced</u> parking structure that creates site for 675 new housing units. TransLink® for TOD program expansion pending study results and/or support for a carshare vehicle for new or recent TOD residents)	Richmond approves 5-story, 70+ units/acre project (230 units) adjacent to BART & the transit village; developer unable to finance above 25 unit/acre project. City under pressure to deliver “something” on critical site, once in a generation opportunity site. San Bruno is interested in securing land near the re-located Caltrain station but is unable to fund the transaction. Similar stories to be found at numerous future transit stations.
Notes	Demand remains strong for this program element	Funding compatibility a challenge, high demand. <u>Directly leverages creation of TOD.</u>	Parking management is a critical component of a successful TOD. <u>Funded projects required to have priced parking and to employ other policies (e.g. Carshare, shared parking, parking maximums)</u>	<u>Holding title to land and land re-sale in cooperation with cities and/or transit agencies.</u> <u>Critical time to preserve key sites for future development.</u>