



TOD Loan Fund Feasibility Study

bae

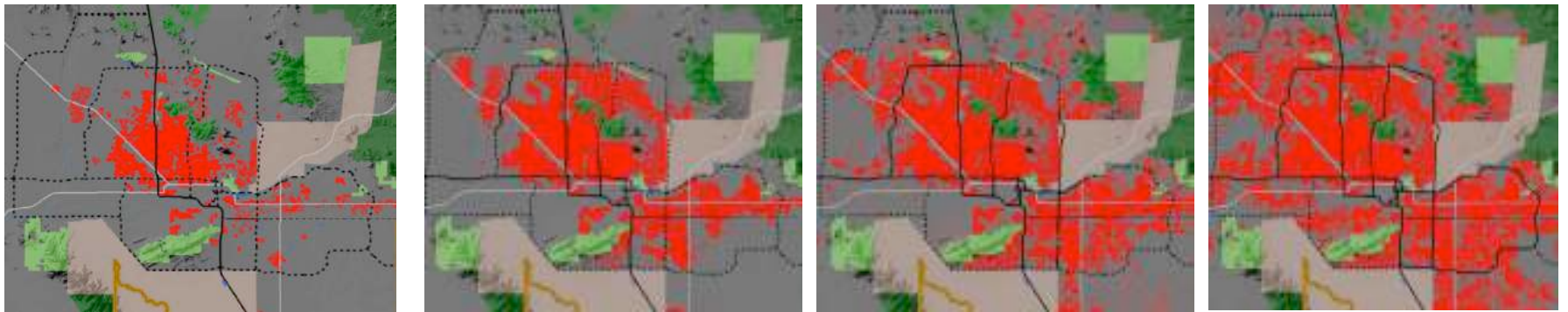
Sustainable Communities Working Group, 2/7/2012

Study Purpose

- **Define market for affordable and mixed-income housing near existing and planned light rail transit stations in Phoenix, Mesa and Tempe**
- **Survey the TOD development landscape and evaluate financing needs for TOD projects**
- **Develop case studies of comparable efforts in other regions**
- **Assess investor/lender willingness to participate in a fund**



Population Growth in the Valley: 1975-2010



The TOD Opportunity: Transit Access

- Major new investment (\$1.4 B) in light rail transit and related infrastructure development
- Ridership has exceeded expectations – 12.8 million boardings in 2011
- Final light rail system will be an extensive system of 63 stations
- College students and workers are the two largest categories of users

Top 10 Stations by Ridership, 2011

<u>Station</u>	<u>Weekday Ridership</u>
Sycamore/Main	84,144
Montebello/19th	75,344
University/Rural	63,925
5th/College	46,121
McDowell/Central	39,196
Priest/Washington	38,862
Thomas/Central	38,314
19th/Camelback	36,209
McClintock/Apache	35,881

Source: Metro, 2011.

The TOD Opportunity: Job Access

- **200,000 jobs within ½ mile of light rail transit stations as of 2005 (MAG)**
- **15 percent of all jobs in the three cities**
- **Office and public-sector jobs most common**
- **Education and health care constitute fastest growing industry sectors (Urban Institute, 2012)**



The TOD Opportunity: Job Access

Jobs Distribution Within 1/2-Mile from Existing Light Rail Stations, 2005 (a)

	<u>Retail</u>	<u>Office</u>	<u>Industrial</u>	<u>Public</u>	<u>Other</u>	<u>Total</u>
All jobs in						
Phoenix	200,642	268,050	199,146	124,125	145,219	937,182
Tempe	42,662	50,735	66,996	24,889	12,961	198,243
Mesa	<u>82,478</u>	<u>29,403</u>	<u>32,345</u>	<u>36,135</u>	<u>37,724</u>	<u>218,085</u>
Total	325,782	348,188	298,487	185,149	195,904	1,353,510

Jobs located within 1/2-mile of existing light rail stations (b)

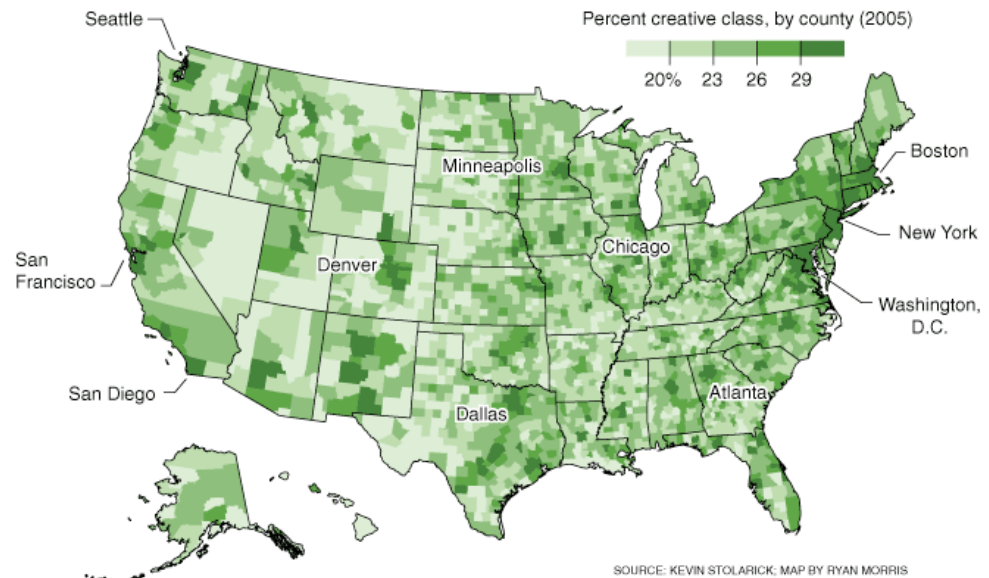
Phoenix	16,039	75,525	12,480	21,588	28,828	154,460
Tempe	7,499	9,268	5,025	14,151	2,895	38,838
Mesa	<u>3,278</u>	<u>-</u>	<u>1,657</u>	<u>1,451</u>	<u>506</u>	<u>6,892</u>
Total	26,816	84,793	19,162	37,190	32,229	200,190

% of all jobs in city within 1/2-mile of existing light rail stations (b)

Phoenix	8%	28%	6%	17%	20%	16%
Tempe	18%	18%	8%	57%	22%	20%
Mesa	<u>4%</u>	<u>0%</u>	<u>5%</u>	<u>4%</u>	<u>1%</u>	<u>3%</u>
Total	8%	24%	6%	20%	16%	15%

The TOD Opportunity: Urban Vitality





- **Future of urban work: physical, social and technological connectivity**
- **Dense, walkable places foster collaboration and creativity**
- **Dynamic urban neighborhoods and business districts key to regional economic competitiveness**



www.WhosYourCity.com

The TOD Opportunity: Housing Choice

- **Current lack of choice for most consumers seeking housing in transit accessible locations**
- **Opportunity to provide broader housing choices for individuals and households across the income spectrum**

	<u>Moderate Income: 80% to 120% AMI</u> Law Clerk \$39,202 Middle School Teacher <u>\$37,073</u> Household Income: \$76,275		<u>Very-Low Income: 50% AMI</u> Office Clerk \$27,690 Housewife <u>\$0</u> Household Income: \$27,690
	<u>Low-Income: 60% AMI</u> Child Care Worker \$18,781 Veterinary Assistant <u>\$19,769</u> Household Income: \$38,550		<u>Extremely-Low Income: 30% AMI</u> Single elderly on SSI <u>\$13,000</u> Household Income: \$13,000

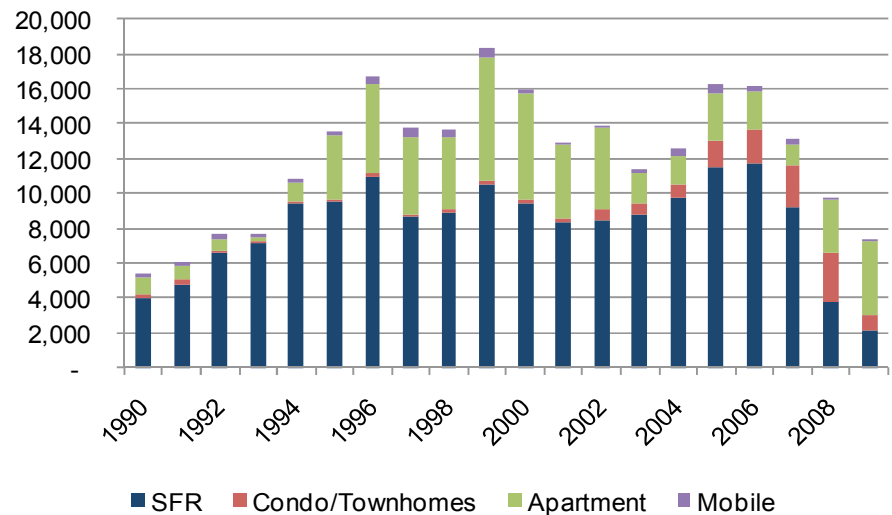
Market Study Approach

- **Focus on market conditions and economic trends in the three SCWG Cites**
- **Define “net potential demand” for housing near light rail transit rather than gross demand for broadly defined transit household categories**
- **Segment demand by affordability level, household type and tenure**



Key Market Findings: Supply Trends

- **Multifamily housing increasing as a share of overall housing stock in the three cities**
- **Highly amenitized rental housing performing relatively well despite downturn**
- **Some evidence that condominiums and townhomes in urban locations have retained value comparatively well**



Demand for Transit Housing: Transit Household Typology

- **Households with no vehicle**
- **Households with one or more people using transit to get to work**
- **Households with more workers than vehicles available**
- **Total demand = pent-up demand plus new demand from transit households**



Demand for Transit Housing, 2010-2040

- **Total Demand =130,699 HHs**
- **4,300 HH per year**
- **2,000 HHs average per station area**

Elderly (65+)	25%
Small Households (2-4)	38%
Large Households (5+)	11%
Other (including singles)	26%
Total	100%



Demand for Transit Housing by Income Level

	#	%
0-30% AMI	46,399	36%
30-50% AMI	30,611	23%
50-80% AMI	24,634	19%
80-100% AMI	8,398	6%
100-120% AMI	6,343	5%
120% + AMI	14,314	11%
Total	130,699	100%

**(Phoenix MSA Area Median Income
2011= \$65,500)**



(MAG, 2011)

Development Needs Survey: Approach

- **Based on outreach to SCWG partners**
- **Fifty plus interviews conducted since September, 2011**
- **Broad-based outreach to development community, public sector, financial institutions and community organizations**
- **Ongoing, dynamic process of collecting feedback**



(MAG, 2011)

Priority Development Needs: Findings

- **Strong interest in transit locations and in new infill development types**
- **Rising demand for mixed-use places with homes, jobs, services and community amenities**
- **Extensive feedback from development community on land use, zoning and regulatory obstacles to infill development impacting feasibility**



(MAG, 2011)

Priority Financing Feeds: Findings

- Acquisition financing for land around transit stations
- Increased gap financing for residential projects (affordable and mixed-income)
- Construction bridge financing for commercial and community facilities projects
- Financing for amenities needed to support infill development in urban settings



(MAG, 2011)

Priority Financing Feeds: Findings

- **Developers are seeking flexible, long-term financial products**
- **Unsecured debt**
- **Limited or no recourse loans**
- **Need for creativity in financing of TOD**



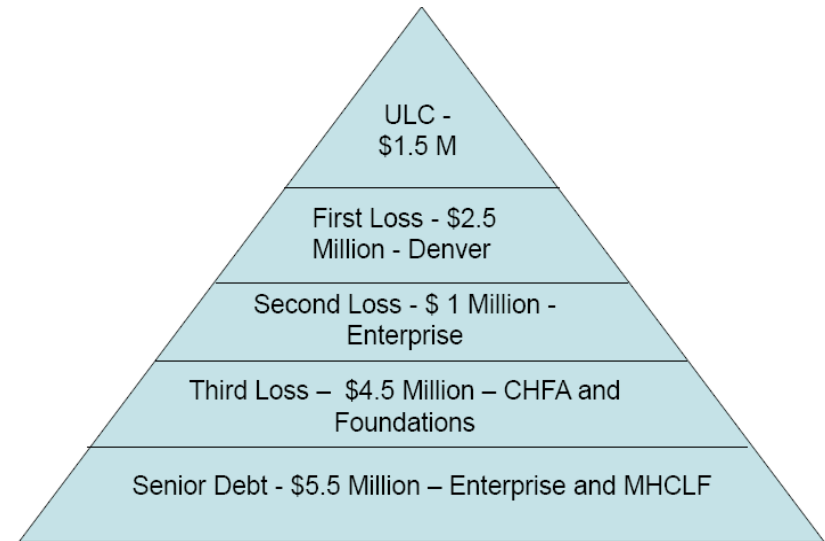
Case Studies

- **Surveyed TOD loan funds across the Country: DC, LA, NY, Denver, Bay Area**
- **Each fund is unique and tailored to the specific market needs of the city or region**
- **Strong public sector involvement key to formation of fund in every case**



Case Studies: Denver

- **Fund Purpose: finance property acquisition for the preservation and creation of 1,200 affordable housing units along Denver's transit corridor**
- **Fund Capitalization: \$15 Million**
- **Eligible uses: acquisition of vacant sites and acquisition/rehab of existing housing**
- **Governance: Enterprise Community Partners is fund administrator and Urban Land Conservancy is sole borrower**



Case Studies: Bay Area

- **Fund Purpose: Promote equitable TOD by catalyzing development of affordable housing, community services, and other assets by transit**
- **Fund Capitalization: \$50 Million**
- **Partners: regional transportation agency (MTC); Non-profits; CDFIs; Foundations.**
- **Eligible uses: acquisition; predevelopment; construction bridge; construction to mini-perm; NMTC leverage loan.**
- **Originating lenders: LISC, LIIF, Enterprise, NCCLF and Opportunity Fund.**



Bay Area TOAH funded senior housing in San Jose, CA

Alternative Models: Twin Cities, MN

- **Central Corridor Funders Council**
- **Fund capitalization: \$10 million**
- **Collaborative: not a loan fund**
- **Partnership of philanthropic groups to support “corridor-wide strategies and innovative policies and programs”**
- **Focus is on capacity building and small business support**
- **Partners: Annie E. Casey Foundation; Ford Foundation; Living Cities; Knight Foundation; Local Foundations and Investors; Metropolitan Council.**



Funder Outreach: Findings

- **Strong interest in new development types and TOD investment opportunities**
- **Extremely cautious about short-term investments in housing**
- **Some see community facilities and job-generating land uses as the short-term development priority**
- **Interest in public sector leadership/support for TOD**
- **Desire to see more creative and flexible financial products**



Discussion



- **What are the priority development and financing needs in the SCWG cities in relation to TOD?**
- **What lessons from other regions can be applied to the Phoenix metro region?**
- **What is the most feasible approach to identifying a “top-loss” investor in a potential fund and/or to bringing in increased philanthropic support for capacity building?**