Filling the Financing Gap for Equitable Transit-Oriented Development

Lessons from Atlanta, Denver, the San Francisco Bay Area and the Twin Cities

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During the past two decades, transit-oriented development (TOD) has emerged as a powerful tool for creating liveable communities near good public transit through the development of dense housing, work places, retail and other community amenities. As demand for liveable communities grows, land values near transit increase, which can sometimes lead to gentrification. Recently, a particular approach to TOD has been gaining greater attention: equitable TOD.

Equitable TOD prioritizes social equity as a key component of TOD implementation. It aims to ensure that all people along a transit corridor, including those who are low income, have the opportunity to reap the benefits of easy access to employment opportunities offering living wages, health clinics, fresh food markets, human services, schools and childcare centers. By developing or preserving affordable housing and encouraging locating jobs near transit, equitable TOD can minimize the burden of housing and transportation costs for low income residents and generate healthier residents, vibrant neighborhoods and strong regional economies.

Enterprise Community Partners (Enterprise) and the Low Income Investment Fund (LIIF) were engaged by Living Cities to write this paper identifying ways to make TOD projects that contribute to equitable TOD outcomes easier to finance and build. To this end, we have reviewed existing equitable TOD financing tools, using four regions as examples: Atlanta, Denver, Minneapolis-St. Paul and the San Francisco Bay Area. Our goal is to identify systemic financing
gaps, and recommend potential capital and/or policy solutions. The paper also seeks to identify important questions for further discussion and research.

Our research included interviews with several national TOD experts, as well as a wide range of partners in each of the four regions. The interviews spanned the private, public and nonprofit sectors, as well as the specialties of community development, health, environment, transportation, economic development and community organizing. The Center for Transit-Oriented Development (CTOD) supported us by compiling a literature review of the numerous studies that preceded our effort. We also engaged developers and other partners involved in the equitable TOD projects cited throughout this paper, discussing their individual challenges and successes during the development of those projects, and the impacts the projects ultimately are having on the neighborhoods, corridors and regions. We then spent several months synthesizing our findings with the support of the Living Cities TOD Working Group and CTOD.

As with any authors, we came to this effort with our own points of view, and, before describing our methodology and findings, we will share two of our positions:

1. We believe that equitable TOD is a strategy for approaching land use, economic development and community development that requires integration among disciplines that traditionally do not interact in ways that create the desired results. Financing equitable TOD is one of several important components of a strategic approach; others include planning, policy and community engagement. Many regions around the country are collaborating, studying and planning for TOD implementation. Regional visioning, in particular, is a useful organizing principle through which to view this work holistically – as more than simply a single real estate project or a collection of real estate projects. All of these functions are important precursors to the design of useful financial tools.

2. Regions across the country will differ in at least four critical variables that affect equitable TOD:
   1. Strong, moderate or weak economies overall, and economic variability along transit corridors;
   2. Existing level of political will to implement equitable TOD strategies;
   3. Existing level of capacity among stakeholders to sustain an equitable TOD vision and develop functional collaborations; and
   4. Nature of the transit system (e.g., bus rapid transit vs. light rail, frequency and extent of service). These factors dramatically influenced strategy, implementation and TOD outcomes in the respective regions.

We have organized this paper into the following four sections to help make the information more digestible:

First, in the section below, we define the actors and behaviors that we believe lead to successful equitable TOD outcomes. This model serves as a point of comparison to the conditions in the regions we studied, and allows us to comment across a set of defined terms. Next, we discuss a few key equitable TOD system-level findings that we think are important to provide context for our specific comments. Then, we identify key project level challenges and financing gaps and offer recommendations for consideration. Finally, in the conclusion, we offer three suggestions to advance our collective work. Four discrete case studies – one for each region studied – are included in an appendix.
Defining a model system that produces equitable TOD outcomes can be challenging because there are several workable alternatives. However, our objective is to be descriptive, not prescriptive. We offer the framework for a good regional equitable TOD financing system as a baseline for the observations we make about the existing equitable TOD finance system nationally and in the four regions examined in this report.

A regional equitable TOD financing system can be described either through the lens of the actors or in the context of the development finance process. In this section, we do both. The actors and processes outlined below are essential components of a robust and efficient system for financing equitable TOD projects. We list each of the actors and shared characteristics or approaches they could take to encourage equitable TOD development. Also, in this section, we discuss the development process.

- **State/Local Government.** Engaged elected officials will show the leadership and political resolve to implement equitable TOD in their city and support approaches that cross jurisdictional boundaries. Government officials will work across silos within and outside of their jurisdictions to integrate the goals of community development, economic development and transportation so a corridor is viewed holistically. Local and state government and quasi-government agencies will organize meaningful community engagement processes, pass supportive policies, redirect funding streams and allocate scarce resources to projects or corridor efforts that value social equity. This includes clear policies, approval pathways and zoning regulations for TOD projects that standardize the review process whenever possible.
and define clear processes and approval pathways when needed. Examples include zoning policies, density bonuses, flexible parking regulations and incentives for affordability.

- **Metropolitan Planning Organizations (MPOs).** MPOs will show vision in regional transportation planning and policy work, and understand the linkage between transit, the built environment around stations, the corridor and regional prosperity. MPOs will support regional cooperation and coordination, making the case for regional approaches that benefit local interests. This includes a willingness to use their dollars to create demonstration programs that help stimulate equitable TOD around critical stations. The MPO will look at traditional funding sources more imaginatively and/or champion the creation of new sources that can be aligned and leveraged. A good example is the Metropolitan Transportation Commission (MTC) in the Bay Area and its innovative Transportation for Livable Communities (TLC) program, which provides grant support to community-based transportation and development projects. Through this program, the MTC allocated $10 million in grant funds to catalyze creation of the Bay Area Transit-Oriented Affordable Housing (TOAH) Fund to finance equitable TOD projects, described below.

- **Transit Agencies.** Transit agency leaders will understand that their role includes development around transit stations and does not stop with ensuring all transit is operated “on time and under budget.” The conversation will focus on where to locate new transit stations to integrate into the community and catalyze well-planned development. For example, in the Twin Cities, MetroTransit, the regional transit agency, is engaged in a station visioning process with the community seeking to maximize the benefits of station location along the proposed new line in the Southwest Corridor. The vision will consider ridership and fare box revenue, but also will prioritize long-term solutions for the corridor and region, with social equity as a value. If the agency owns land or is interested in joint development, the vision should go beyond just receiving a fair market return on the land and consider the opportunity to generate a project that adds value to the lives of all residents, including those with low incomes.

- **Philanthropy.** Local, regional and national foundations and other social impact investors will show leadership in how the larger region develops, and commit intellectual, grant and debt capital to the advancement of a long-term vision. Local foundations, in our experience, can be wonderful conveners and holders of a vision because of their deep relationships within the community. In the Bay Area, the San Francisco Foundation and the Silicon Valley Community Foundation have been valuable leaders. In the Twin Cities, the McKnight Foundation, the St. Paul Foundation and the Family Housing Fund have either played those roles or helped other organizations lead.

- **Business Community.** In a successful equitable TOD system, the business community will be asked to engage in and will accept the responsibility to help incorporate social equity in planning and development to bolster regional prosperity by ensuring that all people – including those with low incomes – are connected to the regional economy. Major local employers or the Chamber of Commerce can assist with visioning, programs,
economic development activities and thought leadership around market disciplined approaches, and encourage businesses to locate near transit.

- **Community and Community-Based Organizations.** Residents and the organizations that advocate for and represent them will engage in meaningful community visioning processes that help define the types of uses and projects that are needed in a given corridor, and are willing to rise above narrow interests for a holistic agenda that benefits the neighborhood, corridor and region. Model systems will harness the concerns and realities of gentrification and displacement to collectively support the preservation of assets and new development that provides opportunity for all. In the Twin Cities, the Neighborhood Development Center (NDC) has played a significant technical assistance and incubation role for small businesses interested in locating at TODs, including Frogtown Square in St. Paul and the Midtown Global Market project in Minneapolis, both of which are mentioned in the attached Twin Cities case study.

- **Developers.** Local nonprofit or for-profit developers will possess the vision, experience, financial strength and willingness to navigate the many political, financial and technical hurdles of developing a complex TOD project. In Atlanta, for-profit developer Columbia Residential possesses these qualities, with a track record of quality - primarily affordable housing development in partnership with the transit agency, the City of Atlanta, local foundations and nonprofits. In Denver, a local nonprofit, the Urban Land Conservancy, emerged as equitable TOD became a regional concern, and has established itself as the leading organization. Other examples include BRIDGE Housing in the Bay Area and Sherman Associates in the Twin Cities.

- **Financial Institutions.** Banks, Community Development Financial Institutions (CDFIs), community land banks and other financial institutions will have the skills, capacity and willingness to engineer, champion and partner on new programs designed for the emerging equitable TOD space. Banks and CDFIs can be local, regional or national. The formula for success is associated more with vision, approach and openness to new ideas than with a particular organizational structure or footprint. In the Bay Area, Morgan Stanley and Citi Community Capital provided capital to the TOAH Fund. In Denver, U.S. Bank, Wells Fargo, First Bank (a state-wide institution) and the Mile High Community Loan Fund (a local CDFI), joined with Enterprise, philanthropy, the city, the Housing Finance Agency and the Urban Land Conservancy to establish the Denver TOD Fund.

- **National Capacity and Support.** Regions will have knowledge and resources to utilize the cadre of technical assistance providers and experts that can support their equitable TOD work. This includes partnerships with national providers to help frame regional visions, implementation strategies and other more technical components, like capital raising and development processes. These organizations can be instrumental in sharing best practices and maximizing regional impact.

The behaviors described above can contribute to a well-planned, inclusive equitable TOD visioning and planning process that leads to successful implementation. Collaboration among the actors often will require an entity with regional presence to play “quarterback” and be accountable for
coordination of the effort. Effective lead entities can be a special purpose collaborative or an existing agency. Better coordination helps the implementation effort - on a system-wide and project-specific basis - to be streamlined and efficient, thus minimizing the time to plan, assemble, approve and build TOD projects.

Successful implementation also requires that the following financial resources and products be available:

- **Acquisition, predevelopment and remediation financing.** Reliable, patient and efficient grant, debt and equity sources are needed to help acquire and assemble parcels for future development. This includes affordable, easy-to-use sources to enable clean-up and remediation of brownfield sites.

- **Infrastructure financing.** Loans, grants and special district financing mechanisms like tax increment financing (TIFs) can be used to pay for utilities, parking, bridges and other infrastructure in ways that help make equitable development affordable.

- **Debt/equity access during and after construction.** Equitable TOD projects require access to affordable debt and equity sources with terms that are long enough and flexible enough to address the special financing needs of such projects. For example, financial products should be able to cross silos (e.g., finance both housing and commercial space) and be used for multiple purposes and income levels without unreasonable complication. For example, some debt products will take full or partial subordinate and mezzanine level positions and be available for terms that are long enough to work for TOD projects.

- **Philanthropic and public resources.** Grants, credit enhancement and other resources will be available to experiment with previously untested products and fill financing gaps where needed in response to the perceived or actual risk associated with good equitable TOD projects.
We will begin our presentation of findings with some system-level observations and proceed to a more detailed project/product discussion in the next section. We hope these comments, taken in their entirety, spark discussions about the larger issues facing equitable TOD practitioners.

TOD projects are complex, in that they often involve multiple parcels, redevelopment of brownfield sites and several public and private partners. Projects are typically large and may involve a mix of uses, depending on the neighborhood scale and market. They can provide substantial community benefits, but also face additional obstacles and risks because of their ambition. However, the perceived and actual risks involved in large TOD projects do not have to be as great as they are currently. The lack of efficient and transparent planning, zoning and environmental approval processes adds a high level of unpredictability, time and risk to the development process. The additional risk has implications that ripple through the system and into the financing profile. We - and our partners - have discovered that many of our “innovative” financing tools or mechanisms simply serve as workarounds to mitigate the additional risks created by inefficiencies in the TOD development process. Streamlining these development processes will not entirely eliminate the need for creative financing, because, in some cases, the economics of a project still will not work, but it will greatly help in reducing the risk profile of such projects.

Another observation has to do with TOD’s evolution during the past decade. During our research, two things became clear: 1) the thinking around equitable TOD has advanced notably,
albeit unevenly, during this time; and 2) the TOD financing system and tools have not kept pace with the innovative thinking. For example, CTOD’s research, data and convening work during its first eight years has been catalytic and has reframed the TOD conversation from understanding the challenge to supporting implementation. The U.S. Department of Housing and Urban Development’s (HUD’s) creation of an Office of Sustainable Housing and Communities, bringing together multiple federal agencies around equitable TOD issues, has meaningfully advanced the coordination of housing, transportation and environmental funding. This work has ignited regional efforts throughout the country and helped create broad-based regional platforms for collaboration and planning. We have been fortunate to be part of thoughtful collaborations in the Puget Sound, Salt Lake City, Chicago, New York/Connecticut, Metro Washington, D.C., and the regions mentioned in this paper. In addition, we have heard many more examples of partners planning for “corridors” and not just individual real estate projects.

However, at the broader system-level, we still have much work to do. We are still learning how the different “silos” and programs housed in community development, economic development, environmental, human services or transportation departments can be coordinated for greater effectiveness. We are still not maximizing our TOD programs. In fact, many significant issues pertaining to financing and developing equitable TOD projects from ten years ago remain unaddressed today. That is not to say that there have not been great innovations happening during the past few years. There have, but progress remains episodic and not systematic. As an industry, community development practitioners (including our own organizations at times) still focus on individual real estate projects without viewing them as part of a larger neighborhood, corridor or region. The difficulty in spending several years arranging financing for a single project can cause project leaders to lose focus on the larger objective: healthy, walkable communities with connections to the regional economy. However, viewing the area around a transit station more broadly, as both a district and a single stop along a connected corridor, opens up additional planning and financing options. Corridor level planning also can more easily demonstrate to communities how everyone will benefit from positive developments at stops that may be outside of their jurisdictions.

We think another important observation is that regions vary considerably in their capacity to implement multi-sector equitable TOD strategies. Regions that possessed the leadership to conduct a thoughtful process to reach “clarity of intent” and identify the policy, program and financial problems they are trying to solve executed much more quickly and effectively than regions that did not. Also, capacity within local and state government, MPOs and transit agencies is a key determinant of progress. Equitable TOD has to be planned regionally and implemented locally. Affordable housing and other community development has long been planned locally and funded at local and state levels. Transportation has long been planned and funded at regional and state levels. The lack of coordination and regional focus leads to a variety of strategies for resource allocation and creates the difficult task of assembling uncoordinated resources. Much of the work of advancing financing for equitable TOD has focused on convincing regional organizations, particularly MPOs and transit agencies, that they have a stake in equitable
development, and that investing in it supports achievement of their missions, including increasing transit ridership and decreasing the environmental impact of transportation. Further, citizens may have conflicting goals for their neighborhoods, making implementation more complex.

While significant progress has been made in both the Bay Area and the Twin Cities on these points, the Denver and Atlanta regions still face many barriers to change. Lack of evolution has resulted in MPOs hesitant to invest resources in equitable TOD, and transit agencies’ narrow interpretation of federal joint development regulations. In Atlanta, the Metropolitan Atlanta Rapid Transit Authority (MARTA) continues to hold property that was acquired to build the original system. While MARTA has a policy goal of achieving 20% affordability on system-owned land, a more proactive approach of discounting or donating land to activate dormant property and achieving equitable development can easily be imagined. However, the current financial challenges for MARTA, like many transit agencies, have led their board to require that MARTA achieve maximum proceeds from the sale of their properties, a policy that could lead to less equitable TOD development. MARTA’s dilemma reflects the current financial and political realities that need to be understood by practitioners, so that strategies can be formulated to ensure that long-term opportunities are not lost for the benefit of short-term financial gain.

Part of the solution may involve taking a different approach. When local partners look to design an equitable TOD program in a region, they should seek to understand the constellation of functions that need to be performed to make the program successful. Examples include: TOD policy analysis and advocacy; convening, capacity building for local partners; broader planning, prioritization and strategy work around corridors and stations; and resource identification and assembly. An understanding of all the functions and actors and their ability (or lack thereof) to perform those functions in a region can lead to meaningful early decisions to bolster the region’s capacity to perform critical functions.

Achieving a comprehensive understanding of regional tools, capacity and potential can be one of the most difficult challenges a region will face. For example, all four regions struggled with the strength of their policies to promote equitable TOD. Ideally, policies designed to create inclusive communities, such as zoning and inclusionary zoning, should be in place at the regional level, but little precedent exists. The policies that do exist are incentive-based, and do not impose requirements. All regions studied also struggled with their local inclusionary zoning/housing ordinances, impact fee programs and other similar programs designed to support equitable development. If these programs were made effective and applied at the regional level, they would be the foundation for equitable TOD. In Denver, for example, the city is struggling to improve a weak ordinance that requires 10% affordability of for-sale developments of 30 units or more. The ordinance does not have a rental housing component, does not raise expectations in transit areas and does not apply at the regional level. The City of Denver adopted a form-based zoning code that further exacerbates the challenge by removing density incentives for affordability.

However, despite these significant challenges, equitable TOD has enjoyed some successes. In the Bay Area, the Great Communities Collaborative
(GCC) - a consortium of national and local partners who are advocating for equitable TOD - and the MTC cooperated to create several significant programs, including the Bay Area TOAH Fund. The $50 million TOAH Fund’s purpose is to provide innovative financing products to developers who are completing equitable TOD projects in the nine-county region. In its first 18 months, the TOAH Fund has approved five loans, which will help create 650 affordable housing units, a fresh foods market in a food desert, neighborhood retail, a medical facility and a childcare center. The Denver TOD Fund has acquired seven sites in two and a half years, enabling the preservation or development of nearly 500 affordable homes, a new library and a childcare center. The fund has also sparked surrounding investment, including a fresh food grocer in a previous food desert. The success of the fund helped to launch Mile High Connects, a collaboration of philanthropy, banks and nonprofits with a robust agenda, including the doubling of the fund to $30 million to serve the region. Finally, in the Twin Cities, several partners started the Central Corridor Funders Collaborative to plan for and promote equitable TOD along the new St. Paul-Minneapolis light rail line now under construction.

Our final system-level comment focuses more tightly on financing of these corridors and projects. During our conversations, we have realized that TOD financing systems typically have not been viewed holistically, i.e., from the predevelopment and acquisition phases through permanent financing. Community development practitioners have tended to focus too much on the acquisition of sites, and have given insufficient attention to other stages of the development process. Innovative construction and permanent financing options are critical for mixed-income, affordable housing and mixed-use projects. Without a clear path to permanent financing, acquisition and development inevitably stall. Further, structured funds have received considerable attention both for affordable housing and TOD. As mentioned above, LIIF and Enterprise have created different fund structures for these purposes, most notably in Denver and the San Francisco Bay Area. Funds can be effective, but they are not a panacea. Funds are one tool among many that may be required to serve a region’s needs. Structured funds have set a useful precedent: they allow us to collaboratively address early stages of the development process and shed light on critical gaps in the TOD delivery system. We must build on that success to overcome the more difficult challenge of meeting permanent financing needs.
While working for systems change, the actors involved in equitable TOD will also continue to advance TOD projects and corridor-level strategies. Therefore, we believe it is important to highlight the project-level challenges that consistently emerged across the four regions, as well as some potential opportunities to overcome them.

PROJECT CHALLENGE #1: Scale, complexity and land assembly issues are challenging to overcome.

An important mixed-use TOD that catalyzes successful development of a station area rarely comes entitled and subdivided, with completed infrastructure and a concise plan for implementation that reflects the social equity goals of the community. More often, developers are faced with large or multiple parcels with challenges that exceed their project experience. Developers with expertise in building affordable housing projects or community facilities, for example, often face needs in financing and planning for mixed-use and market-rate development that range far beyond their traditional activities. As a result, sites lie vacant despite apparent market demand, and sites that may have held potential to serve a variety of uses are developed instead for just a single use.

In Atlanta, the Lindbergh station area stands as a successful example of complex, integrated, mixed-use development, with a modest level of affordability. The success of this station and its ability to overcome size and scale obstacles was dependent upon a high level of coordination by MARTA, Atlanta’s public and quasi-public agencies charged with redevelopment and major tenants, including BellSouth (now AT&T). The project required...
many years of phased development; proactive infrastructure planning and implementation, including multiple parking structures; and patient land owners with the ability and commitment to recapture their investment over time through long-term land lease payments. The residential components of the project faced numerous hurdles, detailed in the case study that follows.

TOD often requires assembling multiple parcels of land, some under private and some under public ownership. All of the regions studied noted that the skill and appetite for risk necessary for land assembly are often missing in their communities. Land assembly challenges can add risk, cost and time, and may cause developers to abandon projects because of inability to meet the demands of a small number of owners. Many communities are fearful of utilizing their eminent domain authority, and only do so in cases of last resort. Indeed, some jurisdictions can only use eminent domain (legally) to support the transit system build-out itself, not vertical development around the stop.

In the Bay Area, BRIDGE Housing, one of the most sophisticated and well-capitalized nonprofit developers in California, needed more than a decade to plan, assemble parcels and break ground on the MacArthur Transit Village, a mixed-income, mixed-use project at the MacArthur stop (Oakland) of the Bay Area Rapid Transit (BART) system. Ultimately, the $370 million transit village project will provide up to 624 new housing units (108 affordable), a new 478-space parking garage, 42,500 square feet of neighborhood commercial and retail space and 5,000 square feet of community space. Without access to its own significant financial resources, $30 million in local redevelopment agency (RDA) funds and $40 million in grants through two state programs, BRIDGE would not have been able to assemble all of the parcels and proceed. At one point, BRIDGE had more than $7 million of its own cash in the project. In today’s climate, with constrained state resources and no RDA funds, it is unlikely that a project of this scale would begin at all.

**POTENTIAL SOLUTIONS**

Addressing the challenges of land assembly and project complexity requires that the financing system identify and deeply support capable for-profit and nonprofit developers with a track record for mixed-use, mixed-income development. With support, these organizations can more consistently play a master developer role across a region, managing entitlement, clean up, infrastructure and the numerous partnerships needed before development can occur, with opportunities for others to participate in their areas of expertise.

Mezzanine debt for land assembly. Developers engaging in complex, equitable TOD projects that include affordable and mixed-income housing need access to comprehensive financing solutions, including longer term acquisition loans that permit high loan-to-value (LTV) ratios. Such products may be part of TOD funds, or they could come in the form of mezzanine debt that fills an LTV gap when resources to fund a large portion of the acquisition are otherwise available in the market. Developers in the markets studied often accepted a lower LTV in exchange for other preferable terms, such as lower interest rates, a reduced level of recourse or lower fees. Rather than creating large-scale new funds, an alternative is to encourage developers to

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1 Mezzanine debt refers to an unsecured subordinated loan which may have equity-like characteristics.
utilize senior financing at the lower LTV, and then subordinate a secondary loan to fill the LTV gap, while still requiring developers to put in some of their own equity.

Organization-level investment. The MacArthur Foundation and others were early to recognize the need to invest deeply in strong developers with capacity to address the nation's affordable housing preservation crisis, rather than investing on a project-by-project basis. Similar examples exist in traditional commercial bank lending to homebuilders called "guidance lines of credit" and in the community facility space, particularly relating to turnkey developers for charter schools and other community assets. TOD lines of credit with good developers, such as those used in the Denver TOD Fund, may warrant wider adoption.

Joint development. Finally, in numerous regions, developers have agreed on certain development parameters and requirements in exchange for the transit agency providing land for little or no cost. The opportunity to assemble land for future development with a patient land owner who is able to discount cost in recognition of future revenue can make a tremendous difference in the economics of a project. Joint development arrangements can be very effective for all parties, if the requirements of the transit agency allow for a reasonable process that does not materially damage the economics of the development. (At the time of publication, the Federal Transit Administration (FTA) was about to come out with new rules regarding joint development that will dictate what transit agencies can do with land they own with respect to development. The FTA rules could impact this process.)

**PROJECT CHALLENGE #2:**

Mixing uses is difficult in practice.

TOD, given its dense design, often includes vertical development with a mix of uses. Many zoning codes, including those in the regions studied, incent or require ground floor uses such as retail that are difficult to implement, both because of lack of market demand and lack of developer experience beyond residential uses. In particular, many projects face challenges in integrating ground floor commercial uses.

Even in the Bay Area, a strong market, developers of TOD projects have a difficult time financing and filling ground floor commercial space because they have built in markets that lack demand or have a shortage of businesses interested in occupying the spaces. There are several examples of projects where retail bays sit vacant or underutilized and do not offer meaningful benefit to the neighborhood or cash flow to the project. In St. Paul, Frogtown Square, a mixed-use development on the planned Central Corridor line, leased its 50 affordable housing units, but took more than a year to fill its 12,000 square feet of commercial/retail space even with the active involvement of a strong nonprofit with great programs for small business development.

**POTENTIAL SOLUTIONS**

Understand the needs before mandating the uses. Communities often have unrealistic expectations about where it is feasible to create mixed-use development. Before requiring specific amenities, communities should understand what is available already at the corridor level. Only if there is a true gap in the community - such as a food desert - should incentives such as grants and
preferred financing be offered. The industry should examine feasibility analyses and market studies by experienced third parties before mandating commercial/retail uses. Otherwise, required commercial/retail spaces are likely to remain unoccupied and be a drag on project cashflows.

In cases where the commercial component of a project is being forced by zoning or financing, these requirements should be re-examined and made more flexible. Denver, after experiencing years of vacant ground floor commercial spaces in TOD properties, has taken two steps to address barriers to successful development. First, the city adopted a form-based zoning code that allows for much greater flexibility in use types at the ground level. Second, the Colorado Housing and Finance Agency examined and continues to review its Qualified Action Plan (QAP) for its Low Income Housing Tax Credits (LIHTC) competition to better accommodate a variety of ground floor uses near transit.

Improved coordination between residential and commercial owners. Many affordable housing developers lack experience in space planning, tenant identification, long-term leasing or using a condominium financing structure for retail and commercial space. Yet most of the communities we studied had capacity to deliver such services to the small business and nonprofit community. With modest funding, such groups could be incented to partner with residential developers. Such partnerships would allow developers to address community needs in ground floor spaces more successfully.

Improved coordination between and among public and private financing sources. Residential and commercial developers tend to operate in distinct silos with differing processes; they access funding and support from different divisions of their local governments and banks. Encouraging the different departments or silos to work together to offer comprehensive financing that can be applied in mixed-use developments would help small businesses interested in locating near transit to succeed. Many efforts around the country, including those in the Bay Area and Twin Cities, reflect deep understanding of the challenges and how they interrelate, but struggle to influence the disparate systems that support businesses across the region. Those that do understand the silos still face challenges in both developer expertise and market timing. In some instances, market demand for one component of a mixed-use development may exist, but demand for a second, but vertically integrated, component, may still be several years away, thereby posing a significant financing challenge.

Despite the challenges, there are good examples where developers have filled ground floor space with interim uses or nonprofit office space, including their own offices, and with community facilities, such as neighborhood health clinics or childcare centers. While these uses will not be a solution for every development, they may be for some, especially if approached systematically and not on a one-time basis. It is important to consider models for equitable TOD that are not so dependent on vertical integration of uses, but rather rely more heavily on neighborhood and station area planning processes that provide adequate detail, allowing development to occur in phases as need is evidenced, rather than building spaces that will sit vacant for several years. This way, the desired elements can be realized through growth in market demand.
PROJECT CHALLENGE #3: Developers need capital that is more risk tolerant.

Developers interviewed across the four regions view equitable TOD as a process slightly different than traditional development, in that its success is contingent upon all parties in the financing system - banks, CDFIs, government and philanthropy - taking new and different risk alongside the developer. In a few cases, innovative financing, particularly for acquisition, has been created with a shared risk model, but often developers find themselves searching for financing that does not exist and that lenders perceive they cannot provide because of risks, including a longer carrying period until permanent financing, difficult coordination with transit agencies and/or requirements for mixed uses and more.

In Lakewood, Colorado, just west of Denver, the Urban Land Conservancy (ULC) spent several months seeking financing to preserve a 100-unit multifamily property, affordable at market rate today, and home to over 30 HUD Section 8 voucher holders. The property is adjacent to the West Rail Line’s Wadsworth Station, scheduled to open in 2013. The existing Denver TOD Fund could not be utilized for this acquisition because it cannot fund projects outside the City of Denver. ULC was seeking an acquisition loan with the same level of limited recourse (shared risk-taking) that the TOD Fund provides. In order to make the acquisition, they had to identify a traditional bank loan from a local lender - presumably motivated by the Community Reinvestment Act (CRA) - as well as a secondary loan of over $1 million from the Colorado Division of Housing’s allocation of the U.S. Attorney General’s settlement for mortgage abuse, made available on a one-time basis in early 2012. This experience highlights the problems in the system in the Denver region, including the inability of a relevant financing tool to jump city boundaries in order to meet a need, which triggered a long, complicated process to aggregate multiple sources of financing - all to ensure that existing affordable housing near transit is not lost. (At the time of publication, the Denver TOD Fund had secured financing to catalyze expansion to the region.)

POTENTIAL SOLUTIONS

Credit enhancement or guarantees for catalytic projects. The Denver project example and a similar project in Atlanta demonstrate the need for more flexible bank, CDFI and philanthropic capital for TOD, including preservation projects. We believe there is an opportunity to use philanthropic or public sector capital to unlock funds that have not been deployed because the terms do not meet TOD needs. A credit enhancement or guarantee would help to address situations, such as a developer’s need to reduce financial exposure while juggling multiple projects or multiple components of a complex TOD. Making this capital available, both within and outside of fund models, is essential to testing new ways to deliver useful capital in all phases of the development process. The problem is that there is simply not enough capital available to test innovative new products and absorb risk on a scalable basis. More of this capital type could help creatively leverage millions of dollars into the equitable TOD industry.

Adapt local solutions to multi-region or national solutions. Most of the solutions to the lack of risk capital described above have been developed at the local and regional level, because most financing programs and products for TOD have required resources controlled by local governments to be deployed in a top loss or high-risk position.
These public resources have then been followed by a combination of local and national resources, often still with a local focus. One of the great challenges to scaling financing solutions for equitable TOD is the requirement to build these tools on a one-time, region-by-region basis. It is imperative that we seize the opportunity to explore national or multi-region capital solutions. These broader-based solutions could be segregated by product type or asset class to expand interest from capital providers and investors.

**Test equity as an alternative or complement to debt.** Debt sources alone will not be sufficient to bring more reliability and scale to equitable TOD. Many for-profit TOD developers have experience raising and utilizing equity, sometimes with a triple bottom line component (financial, environmental and social returns). However, investors often expect returns that are too high to make the funds useful to projects that are truly equitable in purpose. Many equity real estate funds are driven by the same CRA investors who support the debt side of community development. We see an opportunity to explore equity funds with a triple bottom line in the Bay Area or another strong market, with sources identified through the growing impact investing community or through our existing partners considering new approaches. An equity fund could be piloted at the national level as well, to serve strong, moderate and weak markets - the latter two of which have problems accessing reasonably priced equity products. For example, a prominent and very competent Twin Cities’ TOD developer lamented the lack of equity in the Twin Cities market, and saw a great need for a reasonably-priced product to spur equitable TOD development.
PROJECT CHALLENGE #4: Infrastructure and remediation financing sources are difficult to identify.

Developers who undertake complex TOD with equitable goals often have to assemble financial resources one phase at a time, working to keep their cost of capital as low as possible so that the project can include greater affordability of housing units and more community space. Developers of affordable housing have limited experience raising grants or taking on debt to fund environmental remediation and infrastructure to the scale needed for some large TODs. Yet, the need for these funds is significantly higher for TOD projects than for some other urban infill or greenfield projects.

In Denver, the ULC financed the acquisition of the future Mile High Vista mixed-use development with the Denver TOD Fund. The fund calculates maximum loan sizing based on appraisal, and has found that it is usually only able to cover acquisition costs. ULC worked with the City of Denver to identify special one-time resources, including both federal grants and local funds for over $1.5 million in remediation, predevelopment and site preparation work. Had these grant resources not come together, the project, which will include a public library, childcare, nonprofit office space and affordable housing, may not have come to fruition. In the Bay Area, the Tenderloin Neighborhood Development Corporation’s (TNDC) mixed-use project in San Francisco near the Powell Street BART station has been delayed partly because of the lack of grant funds to pay for infrastructure and site development. The proposed 153-unit affordable housing development includes a fresh foods market in a food desert, and applied to the State of California’s TOD and infill grant programs, but funding has not been available. TNDC is currently trying to identify other sources to complete the development budget.

POTENTIAL SOLUTIONS

The definition of infrastructure required for TOD needs greater clarity. Dena Belzer, President of Strategic Economics, describes infrastructure in three categories: “Gray” or underground infrastructure including utilities; “Green” including parks and parking; and finally “Gold” which includes housing and community facilities. Using this framework, it is clear that, while the community development industry has deep experience in “Gold,” the industry lacks experience, access to resources and development plans that will adequately finance “Gray” and “Green” infrastructure. For purposes of the following discussion, we suggest an addition to her framework - “Brown” to refer to the remediation of brownfield sites that is often necessary before developers can build vertically. Therefore, our understanding of remediation and infrastructure financing for equitable TOD is referred to as “Brown,” “Gray” and “Green” - with the understanding that “Gold” is the vertical development we have been describing throughout the paper.

Evolve from grants to forgivable loans. The challenge of securing funding for remediation and infrastructure for equitable TOD was identified in all four regions studied. The opportunities described below have potential, but are likely to require credit enhancement from the philanthropic sector before they can be tested widely and scaled. Developing models for site cleanup and remediation that are funded by recoverable grants or forgivable loans would help the industry scale. Developers across the surveyed regions provided examples of federal and local resources, primarily grants, identified
on a piecemeal basis to support remediation and underground infrastructure. A step in the right direction will be for the industry to test large scale commitments of predevelopment resources with forgivability features, as well as options for long-term repayment.

Expand tax increment programs to support all phases of equitable development. Three of the four regions studied employ tax increment financing (referred to as TIF or TAD, depending upon the region. We have chosen to use TI to encompass both acronyms) to support “Gray” and “Green” infrastructure. Little precedent exists however for utilizing TI programs to finance vertical development of community facilities, or “Gold” infrastructure.

We see two opportunities. The first is for TI programs to be tied more consistently to a commitment for equitable development near transit, regardless of whether the TI program actually allocates dollars to that development. In other words, the TI program’s revenues might not be committed to the capital stack of a particular vertical development, but for the developer to receive the benefit of the TI program, (s)he must commit to a level of community benefit that includes affordable housing, community facilities or other uses negotiated with elected officials and community members. We see this around the country and in the regions studied in the form of community benefits agreements that large scale developers often negotiate with communities on a project-by-project basis.

The second is for the TI program to directly dedicate a portion of its revenue to “Gold” infrastructure - in addition to the more traditional infrastructure uses. Regions including Denver and Atlanta have TI programs that are producing excess increment beyond initial projections. In some cases, it is unclear where the increment is being directed. In others, the excess increment allows TIF bonds to be repaid earlier than planned and the district to return to the standard city tax rolls. While the first impression would be that it is a success when a TIF prepays its bonds, our belief is that it represents a lack of foresight to include both “Green” and “Gold” components in the plans for uses of the increment.

Expand TI financing to the corridor level. We believe that there is also an opportunity to test a more expansive district definition, moving from a single TOD or neighborhood to a district or corridor. Emerging models at a district or corridor level have potential to take this concept to the next stage. Corridor level resources could provide badly needed gap financing and may allow for cross subsidy for all levels of infrastructure across a corridor. A significant challenge to making general or national suggestions for corridor level TI financing is that state rules on governing and spending TI funds vary widely; therefore, we note the opportunity, but are hesitant about the challenge of implementation.

Explore relevance of state infrastructure banks. A second major opportunity for innovation in this area is the exploration of state infrastructure banks as a resource. Forty states have them but they appear to be an underutilized asset. Infrastructure banks are designed to support infrastructure investments that can be repaid through user fees, such as monthly water or utility bills. As currently structured, non-revenue-generating infrastructure, including “Brown,” “Green” and sometimes “Gold,” is not well-suited for infrastructure banks. Recognizing that innovation is needed for such banks to support all types of infrastructure, CTOD has suggested
exploring whether the banks could aggregate small projects into a large bond issuance, thereby reducing transaction and interest costs for the small projects. This is a common practice in community development finance, and may be appropriate for infrastructure finance in California and other states.

**PROJECT CHALLENGE #5:**
Reliance on exceptional gap funding makes projects difficult and prohibits scale.

Funding sources for vertical development or preservation are difficult to identify. Traditional affordable housing sources, such as the federal HOME program and local and state funding, are over-subscribed. The higher cost of TOD often exacerbates lack of access to financing because gap funding providers are unwilling to fully support a project to its level of need. We often found developers who have attempted to break out of traditional financing mechanisms, but are experiencing substantial gaps that cannot be carried by traditional debt.

In Atlanta, the impact of the Zeist Foundation as an exceptional gap filler is evident in the Edgewood neighborhood, where the foundation and its for-profit development affiliate have acquired existing affordable housing and supported the development of new housing near transit. In both cases, the foundation provided critical capacity and financing for acquisition and permanent phases of development. The Zeist Foundation continues to be a thoughtful leader and voice as MARTA prepares for development on its underutilized station area parking.

In the Bay Area, the Ed Roberts Campus, which literally sits on top of the Ashby (Berkeley) BART station, needed New Markets Tax Credits (NMTCs) and more than $21 million in federal and state transportation grants to cover a large portion of its $50 million budget and pay for infrastructure and station improvements. The campus, which is a groundbreaking 501(c)(3) formed by seven organizations that serve people with disabilities,
contains 80,000 square feet of space for these organizations, community space, vocational training facilities and a childcare center. Without that significant grant support, the project would not have been possible, thus making this worthwhile enterprise very hard to replicate.

POTENTIAL SOLUTIONS

Align financing sources. There are many ways to approach the lack of predictable gap financing. The easiest is to make sure that existing federal, state or local programs are aligned so that the resources are used in an efficient manner. The lack of coordination among various gap financing programs was a complaint across all four regions. New collaborations at the federal level, such as the HUD Office of Sustainable Housing and Communities initiatives, are indications of progress in this area.

Provide greater flexibility for non-traditional financing sources. Another strategy is to make policy or programmatic changes to increase the pools of financing that could be used to fill gaps for equitable TOD projects. We think the key to this strategy is to expand the eligibility and flexibility of existing housing, transportation, environmental and other programs to give program administrators the option to use these programs in a more flexible and comprehensive manner. In addition, we hope to see all traditional capital sources for affordable housing and community facilities use the Housing and Transportation Affordability Index² or other means to incent location efficiency for new development.

Finally, equitable TOD advocates can approach this question from the expense side of the equation by ensuring that there is not the expectation that an individual TOD project “be all things to all people.” Several developers, nonprofit and for-profit, cited this mindset as one of the deterrents to taking on equitable TOD. While all members of the community want a TOD project to demonstrate value to the community, the approach needs to be balanced with economic realities. The danger is that the expectations of the project to provide equitable uses became so high that the project cannot deliver and still retain its economics. We have seen some projects collapse economically under the weight of unrealistic expectations or requirements. Looking at TODs on a district, neighborhood and a corridor level and not solely on a project level will ensure that each project addresses some community needs without an expectation that all will be addressed.

² See http://htaindex.cnt.org/. The Housing and Transportation Affordability Index is a tool to measure the affordability of housing based on its location. Initially developed by the Center for Neighborhood Technology, the tool is being assessed and tested for use at the national level.
PROJECT CHALLENGE #6: 
If they build it, will market rate renters come?

Developers and their financing partners in three of four markets studied (except the Bay Area) spoke of concern that market-rate housing components of equitable TOD may not achieve projected or desired rent levels, and may be inferior in pricing to non-TOD units with access to other amenities. This has much to do with the overall economic strength of the region and its real estate submarkets. In the Bay Area, which is a strong real estate market, rent premiums for market rate units could provide a lift to project cash flow. In moderate markets such as Denver and the Twin Cities, where TOD is not yet as accepted or as common, those rental premiums may not exist yet. The inability to garner greater cash flow from higher rents coupled with higher costs to develop the property creates considerable pressure on project cash flow and diminishes the economic incentives of developers to undertake TOD projects in certain markets or submarkets. This hesitation limits developers’ ability to combine financing sources that they believe are needed to innovate. For example, developers often spoke of their inability to utilize FHA multifamily mortgage loans in conjunction with HOME or other locally available financing to avoid having to compete for tax credits but still achieve a level of affordability.

In Arvada, Colorado, a city northwest of Denver with rail arriving in 2016, city elected officials, management and urban renewal agency staff spoke of the region’s most experienced multifamily market-rate developers rejecting the opportunity to develop adjacent to the future station out of concern that rents could not reach the level needed to support total development costs. This concern exists despite a successful market-rate rental and for-sale development adjacent to the future station and a newly opened, thus far successful, rental property one future station to the west. In the Twin Cities, several developers questioned whether they could achieve a “rent premium” for TOD multifamily apartments that would justify the extra costs to build the project and provide enough cash flow to pay obligations and meet a reasonable return threshold.

POTENTIAL SOLUTIONS

Just as we suggest mission-driven, risk-taking lenders consider making acquisition loans to fill the gap between traditional LTV-determined loans and developer equity, we believe there is an opportunity to test permanent mezzanine debt products that close the gap in permanent or semi-permanent financing. Mezzanine or gap financing was a big, consistent need cited in all regions.

We see three possible product types in this category, with varying levels of risk. First, we need flexible public transit-oriented products that help banks become comfortable with loans to TOD with lower parking requirements and other anomalies. In these cases, we need CDFIs with philanthropic credit enhancement or banks with flexible resources to provide three-to-five year loans that very likely would be taken out by more traditional permanent loans. In most cases, these loans would be the first mortgage on the project until a permanent loan source believes risks have been addressed. In others, they would hold the second mortgage and would likely eventually allow the first mortgage provider to expand its loan to cover the secondary tranche as the TOD stabilizes.

Second, we saw a need for bridge loans for mixed-income deals that last from construction completion
to lease-up, and then are taken out by conventional permanent debt. These loans would respond to the concern that TODs may take longer than traditional projects to achieve projected market or even higher Area Median Income tax credit rents, as described in the Arvada example above. In many instances, developers describing the need for these loans were bringing projects online just as new rail lines were opening - meaning that they would need time for the rail line to begin operating and attracting new residents.

Third, in some instances, developers need low interest (3%-7%), subordinate loans that stay in for a portion of or the full life of the senior debt. In this case, developers are typically responding to a lack of gap-filling grants or loans in their market, and thus have an LTV gap to fill.

PROJECT CHALLENGE #7:
Sources of permanent financing are limited and highly competitive, making it difficult to achieve scale.

As noted throughout the paper, competition for permanent financing, particularly LIHTCs for affordable housing and NMTCs for community facilities and commercial/retail is fierce in every market studied. The lack of predictability in resource allocation, and the reality that developers sometimes must wait several years before accessing an allocation, creates an enormous obstacle in expanding the reach of equitable TOD.

POTENTIAL OPPORTUNITIES

For community and commercial facilities, scarcity of NMTCs inhibits attainment of healthy communities’ objectives, such as access to supermarkets. Communities are seeking alternatives to NMTCs, such as fresh food funds, with funds already existing in Pennsylvania, New York and California and another emerging in Colorado. These efforts, while still new and therefore time-intensive to create, are demonstrating promising examples of loan and grant financing to encourage good eating and health. An opportunity exists to study these models and add resources to help them better orient to TOD needs.

Affordable housing developers’ preferred primary source for development is the competitive (9%) LIHTC. The scarcity of this resource prohibits the industry from going to scale. More reliable lending programs, both public and private, are needed. With credit to the HUD Office of Sustainable Housing and Communities and their partners in the FHA, steps have been taken to improve HUD mortgage
programs so that they are usable, and rules do not have the unintentional effect of discouraging use for TOD projects. Unfortunately, we found that developers continue to struggle to use FHA mortgages in the projects studied, primarily because they need to complement them with unavailable gap financing for the projects to break even.

In addition to mortgage lending, better implementation of the noncompetitive, 4% LIHTC, which is coupled with private activity bonds, is an important opportunity. Improving market use of this resource, which has been limited, would help finance more equitable TOD. The equity or mezzanine opportunities cited above could further this effort greatly, because the key obstacle to using the 4% tax credit program is secondary sources that provide the owner flexibility to serve a variety of income levels, both very low income and market-rate depending on the deal.

Finally, the real opportunity on the permanent financing side is to break out of the traditional resource silos for community development and access the broader capital markets to provide solutions for new models of mixed-income and mixed-use projects. In strong markets, this could mean new 50% affordable/50% market-rate housing projects with complementary uses. We have an opportunity now to innovate models in strong markets that potentially could be used in moderate and weak markets in the future as the value of living near transit is recognized, and the ability to cross-subsidize increases.
Conclusion

Our research during the preparation of this paper has left us encouraged about the prospects for equitable TOD and the possibility that it could have a dramatic impact on everyone, regardless of income, who wishes to live in walkable communities. Now more than ever, we, as practitioners, should seize the opportunity to collaborate and experiment to catalyze sustainable development along these important transit corridors. In this spirit, we think there are some next steps to consider:

- We need to help advance equitable TOD by providing a robust technical assistance and knowledge-sharing platform. Many regions - including some studied for this report - could benefit from additional knowledge and partnerships to clarify the goals of the planning stages of their equitable TOD strategies and help move to the implementation stage. As we have stated previously, the clearer the objectives of an equitable TOD strategy, the easier it is to develop financial and other solutions to help advance those strategies. Analyzing and determining regional needs, collaboratively planning regional or corridor developments to optimize TOD outcomes and then moving into a business planning process to build and finance the vision could help maximize efficiency and impact. This requires case-making, capturing and documenting successes and challenges and creating systems to collect and analyze meaningful data. HUD has started this work already, and the early returns have been very positive. In addition, we should explore the role of national subject-matter experts in partnership with local collaboratives.
to maximize capacity and positive outcomes. In each region, the partnerships could look different but have a shared goal of addressing all of the functions necessary to implement the work in a holistic way. Organizations such as CTOD, Enterprise, LIIF, Living Cities and its members and many others have gained considerable experience during the past several years, and we should maximize its use on the ground in our regions.

- We should also expand the collaborative effort to make federal, state and local policy changes to encourage - not inhibit - equitable TOD. Many of the organizations that care about equitable TOD currently collaborate on relevant policies and research, but we should redouble our efforts. Federal and local policy changes that provide more flexibility in how transportation, housing and other dollars are used could catalyze many regional efforts.

- We should create more equitable TOD demonstration programs across the country that build on what we have learned in the Bay Area, Denver and other places. We are not advocating for more funds in this instance, but for creatively using credit enhancement, program-related investments (PRIs), CDFI capital, public dollars and conventional capital to innovate new financial products and structures that mitigate risk and align objectives to maximize impact and leverage. We listed several possibilities in this paper. Let’s try some.

We are excited by these ideas and possibilities, and look forward to working with all of our partners to continue to evolve and move the equitable TOD industry forward.
INTRODUCTION

The four regions selected for the case studies - Atlanta, Denver, Minneapolis-Saint Paul and the San Francisco Bay Area - are economically, politically, geographically and socially diverse. Each region shares the objective of ensuring that TOD is equitable but possesses different strengths and weaknesses, which results in varying implementation strategies and tactics. For each region, we chose three TOD projects to profile and used the following general selection criteria.

APPENDIX:

Regional Case Studies
THE PROJECT:

- Illustrates an important system- or project-level challenge or opportunity;

- Represents diversity across the region and the transit system - geographically, demographically and at current level of completion;

- Includes equitable mixed-use development, either realized or planned;

- Represents diversity of housing types, including mixed-income and affordable, as well as new construction and affordable housing preservation;

- Cites examples, when possible, outside the center city and in neighborhoods; and

- Is a stated priority site for the region, identified by the transit agency, Metropolitan Planning Organization or local jurisdiction, and has the potential to enhance social equity.

Through these case studies, we were only able to share a limited amount of the material we gathered. To learn more about the four regions, please contact us.
The Atlanta region has the Metropolitan Atlanta Rapid Transit Authority (MARTA), an extensive transit system in place. They also have plans for additional service through the future Beltline and the downtown streetcar (currently under construction). The region clearly presents the differences between transit neighborhoods that have attracted capital (in the north part of the city), those that have lacked capital investment (the south) and those that face prospects for the most rapid change (the east).

Our research provided four primary lessons. First, the Atlanta region affirmed that transit agency-led joint development for a mix of uses can be successful and has potential to evolve to become more equitable and inclusive. Second, because the region was heavily impacted by housing foreclosures, stakeholders are grappling with balancing the need for new development with the need to stabilize existing economically-impacted neighborhoods near transit. Third, we observed that, as in Denver, a lack of policy and resources to preserve affordable, non-rent restricted housing in high-opportunity areas can lead to a loss of affordable housing stock. Finally, with stark differences in where and how development has occurred across the existing system, the Atlanta region demonstrated that low-income communities often are overlooked for development, are deeply impacted by withdrawal of jobs near transit and are not adequately engaged in developing plans for their future.

The Atlanta region highlights several project-level
challenges and opportunities. With the exception of the Lindbergh station, many areas, particularly surrounding weaker market stations, have difficulty overcoming the issues of scale, complexity and land assembly that are typical to large TOD developments. Another barrier to reaching scale in Atlanta is the competition for limited sources of permanent financing. Developers across the region note the shortage of competitive (9%) Low Income Housing Tax Credits (LIHTC), as well as other subsidy sources, constraining development. Few TOD incentives are available within existing highly competitive pools of funding.

MARTA is an active and engaged partner in the region with potential to be a national leader in policy and practice. Each of the following projects provides an example of transit agency joint development. With the leadership in place, Atlanta has the potential for creative use of MPO or transit agency resources as well as more refined uses of tax increment financing to support equitable development. Additionally, the 4% non-competitive LIHTC has been utilized successfully in submarkets of all strengths. As the market recovers, there are strong opportunities to model the use of the 4% LIHTC near transit, potentially with mezzanine debt.

The three projects that we focused on for the Atlanta region are:

- the Lindbergh MARTA Station (largely built out with preservation and some new construction opportunity remaining);
- the Edgewood Candler Park MARTA Station (several examples of neighborhood TOD new construction and preservation but joint development opportunities remain);
- and the Lakewood Fort McPherson MARTA Station (significant opportunity for additional development).
- all three stations fall within the City of Atlanta but represent a wide geography within the city.
Lindbergh is located at the north end of Atlanta in a stable, increasingly dense neighborhood. The station is within the Beltline Tax Allocation District (TAD). MARTA is the long-term land owner for much of the station area and is the developer for several projects, while private developers own both commercial and housing components at the station.

The Lindbergh Station is a mixed-use development, which includes residential, rental and retail spaces, a major employment center and a series of parking decks. The station is a major jobs center for both MARTA and AT&T. Approximately $120 million in infrastructure ($77 million for parking and $43 million for station area reconstruction) was invested by BellSouth (now AT&T) and MARTA to set the stage for one million square feet of office space, three parking decks and 205,000 square feet of retail space.

Housing in the station area includes about 700 market-rate rental units in two developments. One property was built with a 20% affordable component but lost the affordability requirement when the property went through foreclosure. The second property was planned as condominiums, but converted to rental during the recession. Both properties are stabilized today, with market rents averaging $1,200 per month for two-bedroom units. There are additional opportunities for affordable housing preservation, redevelopment and new development within the half-mile station radius.

Most of the immediate station area has been developed. New development within a half-mile radius continues, including a new development with 20% of its 296 units affordable. Across the major thoroughfare - Piedmont Avenue - there is a large, affordable at market-rate rental property. At the time of research for this paper, a developer was proposing to redevelop the property as 186,000 square feet of retail, 240 multifamily residential units and a park. There was concern in the community about the plans because the parking ratio for retail parking does not reflect the TOD location and there are no plans for replacement of the affordable housing units. Ultimately, the project did not receive council approval and the rental housing remains, although future attempts at redevelopment are likely.

CRITICAL PARTNERS.
MARTA, Carter (holder of largest ground lease within the station area), BellSouth (now AT&T), and two housing property owners are the main actors in the Lindbergh developments.
KEY LESSONS.
This project is a model of the return on investment in station area infrastructure. For its $120 million investment, MARTA initially recaptured over $48 million through land sales. Today, MARTA is gradually recapturing the remainder of its investment with annual lease revenues totaling $2.7 million from AT&T, retail providers, parking and a land lease for one of the residential properties. Lindbergh Station provides a caution on the importance of preserving long-term affordable housing in diversifying neighborhoods. The loss of affordable units within the station area because of the foreclosure of a newly developed property is an anomaly. However, the potential loss of a large, older multifamily property is typical of most of the regions studied. None of the regions, including Atlanta, have strong incentives or requirements to protect against the loss of market-rate affordable housing.

IMPACT.
Despite its lack of equitable development components, Lindbergh is an important example of the potential for TOD in the Atlanta region. The community frequently looks to the Lindbergh Station to understand what is possible in other areas of the city and region. The station area is admired for its balance of housing, employment and retail, which is often a challenge to create at the scale, mix and density found at Lindbergh.
Edgewood-Candler Park is located on the east side of Atlanta and the east line of MARTA. The neighborhood is historically racially and economically diverse and stable. Large, big box and smaller retail exist within a quarter mile of the station.

Edgewood-Candler Park offers an opportunity for development on excess parking in the immediate station area, as well as an opportunity to examine existing development - affordable housing preservation, new construction and community facilities - within the half mile radius of the station. The station area parking lot is only 30% utilized on a typical day. The planned development of the excess parking will include low- to mid-rise, mixed-use, multifamily residential housing, structured parking and common areas. The development may include affordable senior housing and market-rate rentals. Columbia Residential, in partnership with the Zeist Foundation supported by Mayson Avenue Cooperative, are the primary developers of multifamily rental housing in the neighborhood. The partners have plans for two multi-phase properties and may lead future development at the station. New development in the station area is in the planning phase and may be implemented as early as 2013.

CRITICAL PARTNERS.
MARTA, Invest Atlanta, Columbia Residential, the Zeist Foundation and Mayson Avenue Cooperative

KEY LESSONS.
There are three key lessons, experiences to learn from and opportunities for the future from Edgewood-Candler Park. First, the neighborhood is one of the most diverse studied across the four markets. A lesson to be learned is that investment in retail and commercial, coupled with attractive housing stock and a transit stop close to the city center make for an environment ripe for change. However that change can be to the benefit of all residents if organizations and residents with an eye on equity concerns are actively engaged. Going forward, prospects for gentrification in Edgewood-Candler Park are high, making it a key location to continue to demonstrate initiatives to minimize displacement, as new development gets underway and the single-family housing stock is increasingly desirable for households of all incomes. Second, the area provides a lesson on community versus institutional perception of need, and the need to listen to community members early on in a process. This is primarily so that plans can be adapted and support can be built over time. In early 2012, MARTA participated in an intense planning session that included proposing new development on the excess parking. The effort resulted in mixed, but often negative, opinions on both the process
and plans articulated by the community members interviewed. Community members questioned the need for senior housing in the neighborhood and believed that the uses were being driven by regional and city agencies rather than community understanding. Lastly, the neighborhood is Atlanta’s strongest example of the importance of place-based, philanthropic investment. The Zeist Foundation has been the leader of the neighborhood revitalization strategy, forming the Mayson Avenue Cooperative as a for-profit affiliate and on-the-ground resource. The Mayson Avenue Cooperative, in partnership with Columbia Residential, preserved 204 units of previously at-risk affordable housing and developed 140 units of LIHTC housing. Among a series of health and education initiatives, Mayson Avenue Cooperative and the Zeist Foundation have also successfully redeveloped a school-based clinic and funded the purchase of single-family homes to stop the increase of foreclosures. Columbia Residential has also developed two additional LIHTC properties, one for seniors and one for families, in the immediate neighborhood. The Zeist Foundation’s long-term support of multiple projects in the Edgewood neighborhood demonstrates the positive impact of a place-based funder while highlighting the challenges of reliance on non-replicable gap financing sources.

**IMPACT.**
The work of Mayson Avenue Cooperative, the Zeist Foundation and Columbia Residential has had a huge impact in stabilizing, preserving and improving the neighborhood in a manner that has reflected community preferences. The future impact of development in the immediate station area is unknown.
The Lakewood-Fort McPherson station is located on the southern border of Atlanta and along the south line of MARTA, a few stations north of the Atlanta airport. The neighborhood immediately surrounding the station is primarily lower income and lower density with a noticeable number of vacant, presumably foreclosed homes. The station is adjacent to Fort McPherson, a military base closed in 2011, and located within the Campellton Road Tax Allocation District.

Of the station areas studied in Atlanta, Lakewood-Fort McPherson is the most economically challenged. However, significant opportunity exists for community transformation. When the Fort McPherson military base closed, 4,000 jobs were eliminated and approximately 480 acres of land became available for redevelopment. Prior to closure, Fort McPherson was one of the top ten employers in the region. Thus, the Atlanta Regional Commission is studying the area’s potential to attract new, quality employers, including the expanding film and television industry. Fort McPherson will be master-developed by national developer Forest City. Plans include historic preservation, veterans’ apartments and new mixed-use, primarily market-rate housing. Community organizations have voiced concern about Forest City’s plan and have proposed alternatives they believe would better connect new development with existing neighborhoods. The community’s recommendations include clustering dense development closer to the transit station and reorienting plans for a grocery store, school and additional retail space.

The existing Columbia Residential development, Sylvan Hills, has 192 units. Columbia Residential purchased the land from MARTA in 2005 through MARTA’s joint development program for $992,000, which was fair market value. Capital improvements totaling $3.6 million were made within the station area to accommodate the development and meet Americans with Disabilities Act requirements. Sources for construction financing included tax-exempt bonds, 4% (non-competitive) LIHTC, and local subsidies. Sylvan Hills was completed in 2006. New development within the immediate station area or Fort McPherson is several years from implementation.

CRITICAL PARTNERS.
MARTA, Invest Atlanta, Columbia Residential, Forest City and the Atlanta Regional Commission
KEY LESSONS.
In contrast to other case studies in the Atlanta region, many people interviewed noted that the Fort McPherson area lacks retail and employment opportunities, and that a balanced approach to attracting all types of community investment is needed. The challenge of bringing together multiple land owners in a coordinated, large scale effort is evident at the station. New development remains on hold until the work begins with the Ft. McPherson base area, and timing for initiation of any level of construction remains uncertain.

A key challenge for development on the MARTA surface parking lots are the costs of needed station area infrastructure to connect future development to both the station and the surrounding neighborhood. Developers have found that the costs of infrastructure cannot be carried by the likely uses on the site, including affordable housing. MARTA would like to see a second phase of Sylvan Hills at the station. However, given MARTA’s revenue concerns, with infrastructure expenses and limited rental demand, the project is not a priority at this time. According to the developer, keys to success in the first phase were the relatively low cost of land, access to tax abatement and grants for infrastructure costs.

IMPACT.
The Sylvan Hills development has created new affordable housing in a challenged neighborhood with few amenities other than transit. However, in the long term, redevelopment of Fort McPherson, coupled with new station-area development, is likely to transform the neighborhood. It is too soon to say how this future development will affect the low and moderate income households living and working in the area.
The Denver region is in the middle of one of the most aggressive transit expansions in the country. The Regional Transportation District (RTD) is growing from a primarily bus-oriented system to a robust regional system with bus, bus rapid transit (BRT) and light and heavy rail. The Denver region, when compared with the others studied, has relatively weak policies for incenting or requiring equitable development at the local, regional or state levels. The region also has a relatively low level of public subsidy available for equitable development, with few sources beyond federal pass-through block grants and federal tax credit programs. Despite the challenges, voters have supported public transportation investment, primarily through the passage of a sales tax to fund the transit system build out, known as FasTracks, but leaders have been hesitant to go back to the voters for the additional support needed to fully build out the system.
We selected the Denver region as a case study to represent a moderately strong region where innovation in the equitable development space has occurred and is expected to continue. Although the Denver region has fewer nonprofit and for-profit developers with strong track records and balance sheets than the Bay Area, it still has generated enough activity in acquisition, remediation, infrastructure and vertical development to be worthy of study. Although the capital markets are far less eager to invest in the Denver region than in the Bay Area, local and national banks have made investments in recent years. Generally, the biggest obstacle to equitable TOD was not a lack of capital per se, but difficulties with the terms traditional capital providers were willing to provide.

The three projects we studied for the Denver region are:

- the Mile High Vista master development (Denver; under construction);

- Villas at Wadsworth Station (Lakewood; under contract for preservation at the time of publishing);

- and the Olde Town Arvada Station (Arvada; proposed).

The projects feature a different mix of uses. Each project provides opportunities to learn from successes and failures in capital aggregation, use of grant and loan capital, and developer and investor understanding of the market.
Mile High Vista is located on a 2.1-acre site in west Denver along Colfax Avenue, the region’s highest use bus corridor, and two blocks north of the West Rail Line, opening in Spring 2013. The Urban Land Conservancy (ULC), a local nonprofit and sole borrower of the Denver TOD Fund, acquired the site and served as master developer for the City of Denver and Del Norte CDC.

Mile High Vista is a mixed-use, master development incorporating a new Denver Public Library (under construction), and 70 units of affordable housing (LIHTC awarded in mid-2012), with integrated childcare and nonprofit office space and additional commercial space. The project is being developed on excess parking from an underutilized strip mall, which has since attracted a new grocer focused on the Latino community, addressing a longtime local food desert. The site had been vetted as a development opportunity for many years, but was finally placed under contract in 2010, with remediation finished in 2011 and completion of infrastructure and start of construction in 2012. The library, housing, childcare and nonprofit office space will be occupied by 2014. Total acquisition cost was $2.3 million. ULC incurred approximately $2 million in remediation, infrastructure, planning and holding expenses, funded through various federal and local grants, debt and equity. Total development costs for the mixed-use building are approximately $20 million and $175,000 per housing unit.
KEY LESSONS.
This project illustrates the challenges of mixed-use development. It required the aggregation of several one-time sources of grant funds to accomplish the site work and remediation, as well as the professional capacity to plan for and implement the project. The project demonstrated the importance of the Denver TOD Fund as a resource for acquisition and the value of the unique role that ULC is playing as sole borrower and master developer in the fund effort because numerous attempts to acquire the property had been made in the past, but those efforts had failed largely because patient, flexible capital willing to take on a site of this nature was not available. Also, this project shows the tension between a developer's desire to create market-rate housing outside of central Denver and the reality of limited demand for such housing. In Mile High Vista's case, the developer ultimately abandoned plans for mixed-income housing given the lack of market financing.

IMPACT.
This project brings new development to an important intersection along the West Colfax corridor, a neighborhood that can see the arrival of gentrification, moving from the north as the economy improves and rail arrives. Long-needed amenities, including a library, a grocer and childcare, demonstrate the value of quality master development and increasing density.
Denver Project #2:
Villas at Wadsworth Station

Villas at Wadsworth Station is an existing 100-unit multifamily rental property located in Lakewood, on Denver’s western border. The site is approximately five miles west of Denver’s central business district, and has direct access to the Wadsworth rail station, opening with the West Line in Spring 2013. The ULC acquired the property from a private owner in late 2012. They are working with two local nonprofit housing owners to eventually take ownership of the property.

This project preserves previously unsubsidized rental property that was renting to the market at 40% to 60% of area median income. About one-third of current residents have Section 8 vouchers. The plan for the property is to preserve it for long-term affordable housing, potentially utilizing the 4% LIHTC for rehabilitation when needed. ULC prevailed over heavy competition to secure the property at a purchase price of $7 million, or $70,000 per unit.

CRITICAL PARTNERS.
The project is notable for its lack of partners. The City of Lakewood was not able to identify HOME or other resources to support the deal under the needed timeline. The Denver TOD Fund could not be used outside the City of Denver and limited borrowers to $3 million per project. The acquisition was possible thanks to a local bank that made a relatively low interest, low level of recourse loan, and the Colorado Division of Housing, which awarded over $1 million from its share of the national mortgage foreclosure settlement.
KEY LESSONS.
Villas at Wadsworth Station is a prime example of a mission-driven acquirer seeking financing under terms that are largely unavailable in the market, adding time and complexity to raising subsidy sources for a large preservation transaction. While CDFIs and banks desired to provide the financing, few had the ability to do so at the terms requested. This project illustrated the need for the Denver TOD Fund to expand to a regional resource. It demonstrated that key preservation opportunities - both subsidized and unsubsidized - are often found outside of the City of Denver, in areas of the region where poverty is increasing, including Lakewood. It also highlighted the importance of creativity and willingness of a few key organizations - e.g., the local banking community and the Colorado Division of Housing - to make a difficult transaction happen when others could not assist. As with Mile High Vista, the project illustrated the important and unique community role of the ULC.

IMPACT.
This project ensures that 100 units of quality housing will remain affordable as the West Rail Line begins service.
Denver Project #3: Olde Town Arvada Station

The City of Arvada is approximately five miles northwest of Denver. The Gold Line, which will serve the Olde Town Arvada district, is under construction and will be completed in 2016. The future station lies between historic Olde Town Arvada and a large big box commercial area. At present, the city and the Arvada Urban Renewal Authority are leading the planning process with RTD. Discussions are underway with multiple potential developers with a master development selection process to be initiated in 2013.

At present, the site is vacant land and surface parking. Besides being close to neighborhood-serving retail, residential and big box commercial, the site is close to Wadsworth Boulevard, a highly utilized (60,000 cars per day) north-south corridor. The station area plan for Olde Town Arvada calls for a wide mix of uses. These include residential, hospitality and commercial/retail. There is a wide range of housing densities and options in close proximity to the station, including a successful market-rate housing development with for-sale and rental components. The city sees a need for a hotel and additional market-rate rental homes, but has struggled to identify developers interested in building or operating at or around the station. Approximate development cost for the infrastructure and vertical uses envisioned, including structured parking, are approximately $35 million.

CRITICAL PARTNERS.
The City of Arvada and the Urban Renewal Authority have led the development process in partnership with RTD and surrounding owners. The addition of a master developer and committed vertical developers is an essential step in the next phases of the work.
KEY LESSONS.
Olde Town Arvada demonstrates the current and future challenges of mixing uses including housing, parking, commercial and community facilities. Planning for parking and coordinating among government and quasi-government agencies is challenging but essential for future success of vertical development. As the city thinks about its desire for amenities, including a new hotel, it is interested in considering new partnerships. For instance, would the philanthropic community bring capital to the project - not available from the private sector - in return for a commitment for local hiring or new affordable housing? Such partnerships can be a good alternative to inclusionary policy and test the power of philanthropic investment. This project forced questions about attracting developers to markets that are less desirable than those in the central business district of a region and the level of subsidy required to attract market-rate development. These questions may be answered as a development team is selected in 2013. Olde Town Arvada is a good example of a project that would likely accelerate if bridge financing were available for developers who could replace the financing with conventional debt as new transit opens and stabilized occupancy is achieved.

IMPACT.
Since this project is in the planning process, its impact is still unknown.
MINNEAPOLIS–SAINT PAUL

The Minneapolis-Saint Paul (Twin Cities) region has a strong history of collaboration and consensus building. This culture of collaboration is reflected in its equitable TOD work. The construction of a new light rail line (Central Corridor) between the two cities led to the launch of the Central Corridor Funders Collaborative, a group of national and local funders who are promoting equitable TOD through advocacy and funding of affordable housing, local economic development and place-making efforts in neighborhoods along the new line. The Twin Cities has one existing light rail line, the Hiawatha Line, a 12-mile system that opened in 2004 and stretches from downtown Minneapolis to the airport and to the Mall of America. A third line - the Southwest Light Rail Transit (LRT) Line - is being planned, and will run for 12 miles and encompass 18 stations in the southwest metro area and into Minneapolis. The new line is scheduled to open in 2018. In addition, the Twin Cities have commuter rail service and high frequency bus routes.
The Twin Cities is a moderate to strong market where TOD is still relatively new. Many in the Twin Cities believe that the market demand for living near transit is growing but still not widespread. For example, some developers stated that mixed-income housing projects were still hard to make work economically, because the small rental premiums that tenants were willing to pay for market-rate units near transit often did not justify the extra expense of TOD. However, there was optimism that the economics will become more favorable as other examples of good equitable TOD projects are built. Lack of access to the appropriate financing tools for TOD was also cited as an area of concern. Due to the unfamiliarity of local lenders and investors with TOD projects, developers faced conservative underwriting standards that created gaps in project pro formas. Mezzanine debt, a triple bottom line (economic, environmental and social returns) equity product and more tools to support economic development along transit corridors were cited as significant needs. As in all of the four regions, infrastructure and remediation funding was a big concern in the Twin Cities.

The Metropolitan Council, MPO for the Twin Cities, and its 17-year-old Livable Communities program, which has awarded $27 million in grant support to equitable TOD projects, is seen as a significant asset. This program could serve as a creative source of capital to leverage and create some of the missing equitable TOD products cited above. Stakeholders in the Twin Cities are continuing to define their collective goals based on local TOD demand and to develop concrete financing solutions that meet those needs.

The three ventures selected for the Twin Cities region are:

- the Frogtown Square project, a mixed-use affordable housing project on the Central Corridor in Saint Paul;
- the Midtown Global Exchange project, which is a mixed-income, mixed-use project in the Phillips neighborhood of Minneapolis;
- and the Seward Commons project, which is a mixed-income, mixed-use project currently being built in phases along the existing Hiawatha light rail line in Minneapolis.
Frogtown Square is a 1.24-acre site located at the corner of University Avenue West and Dale Street North in the historic Frogtown neighborhood of Saint Paul. The project is located just outside of the Dale Street Station along the new Central Corridor light rail line (to be completed in 2014), and was developed by a group of four local nonprofits: Model Cities, Inc., Greater Frogtown CDC, Neighborhood Development Center (NDC) and Aurora/St. Anthony Neighborhood Development Corp, with NDC as lead developer.

Frogtown Square is a mixed-use project with 50 units of affordable senior housing, 11,700 square feet of ground floor retail for seven stores and an underground parking garage. The retail space is fully leased, and three of those tenants are alumni of NDC’s entrepreneur training program. NDC is the property and asset managing partner of the retail space, and Episcopal Homes, Inc. owns and manages the apartments. The idea for this project emerged in the mid 1990s as the four local nonprofits looked to revitalize the neighborhood that once was a vibrant hub, but had suffered from disinvestment and crime in the latter 20th century. The project broke ground in May 2010 and was completed in February 2011.

CRITICAL PARTNERS.

The partnership of the aforementioned nonprofits was the catalyst for the project vision and eventual completion. LISC, NDC and the Greater Metropolitan Housing Corporation all provided acquisition and predevelopment funds. The developers used federal funding from HUD and an FHLB grant for the residential construction. U.S. Department of Health & Human Services Office of the Community support grant, City of Saint Paul and other financing tools were used for the retail construction.
KEY LESSONS.
Frogtown Square has successfully leased its retail space, which has been a struggle for mixed-use TOD projects across the country. However, it did take several months, and benefited from the technical assistance, entrepreneurship, favorable financing and other programs offered by NDC and others. Another lesson is that the developers of the project worked with architects to create commercial/retail space that was well-designed, and, thus, attractive to potential tenants, as opposed to generic retail bays that plague many affordable housing projects. NDC tapped its “pipeline” of local entrepreneurs and provided them with an opportunity to occupy quality space. With the housing above and fully occupied retail at ground level, the project can serve as a good example of mixed-use TOD along the Central Corridor and potentially spur other projects.

IMPACT.
Prior to the Frogtown Square project, the site was occupied by four vacant, blighted buildings and a paved surface parking lot. Prostitution, pornography and drug dealing were commonplace at the corner of University and Dale. Frogtown’s art deco style building has replaced the dangerous corner with a positive alternative: locally and minority-owned small businesses and 50 units of affordable senior housing. Across the street is another recent development, Rondo Community Outreach Library, Saint Paul’s largest library branch, and University Dale Apartments, an affordable housing project for 98 families. The completion of Frogtown Square has given community residents a place to shop, walk and learn. It also serves as an example of building an economy from within a neighborhood and provides an example to aspiring small business owners along the Central Corridor.
Midtown Global Exchange is located along Elliot Avenue and Lake Street in the Phillips neighborhood of Minneapolis. The project is not on an LRT line but includes a new transit facility with two bus transfer stations where residents can connect to the city and region. Ryan Companies was the lead developer for the master project, with NDC as lead developer for the Global Market and Sherman Associates as the developer and owner of the affordable and market-rate housing rentals.

The historic 1929 Midtown Exchange building was vacant for years before the Ryan Companies served as lead developer for a $190 million redevelopment project that created 350 housing units (88 historic lofts, 219 affordable and market-rate rental units and 52 town homes; 411,000 square feet of office space for the Allina Healthcare headquarters; 10,000 square feet of office space for the Hennepin County Service Center; 71,000 square feet for the Midtown Global Market; a new transit facility with two bus transfer stations; and a parking garage with 1,900 spaces. Overall, the project created or retained more than 2,000 jobs, including 200 for local entrepreneurs at the global market. In 2003, the city was convinced to preserve the building. Construction began in 2004, and the Midtown Global Market opened for business on May 15, 2006.

CRITICAL PARTNERS.
The Latino Economic Development Center, NDC, African Development Center and the Powderhorn Phillips Cultural Wellness Center are prominent local organizations that convinced the city to preserve the building and use it for the Global Market. NDC, as property manager of the Global Market, has played a significant role in attracting and retaining local businesses and entrepreneurs to the market. LISC and Midwest Minnesota CDC provided NMTCs. Many local public agencies also contributed grants or favorable financing.
KEY LESSONS.
This project demonstrates how to overcome the challenges of mixing uses through coordination between nonprofit and for-profit developers and among public and private financial institutions. The Midtown Exchange required leaps of faith from several partners, who provided an array of traditional and non-traditional financing sources to make it happen. The diversity of financing sources mirrors the diversity of uses at the site, and can serve as a creative example of how to develop complex projects at scale. The affordable rental units were financed by the LIHTC program and a combination of local grants and loans. The Global Market was financed by NMTCs leveraged with NDC fundraising and other sources. Even with the creative financing, the Global Market has struggled to break even each year and requires ongoing NDC fundraising to remain open. The housing and office components of the project continue to do well, but the cash flows from those components are separate and cannot be used to help offset the expenses of the Global Market.

IMPACT.
This complex, multi-faceted project has brought mixed-income housing, community amenities, retail and more than 2,000 jobs to the community, spurring economic development activity in the Exchange itself and in the surrounding community. The Global Market houses 65 local businesses, serves more than 1.3 million customers annually, and has generated more than $65 million of sales since its opening. The mixed-income housing and jobs created have provided a stable neighborhood anchor on which to build.
Twin Cities Project #3:

Seward Commons

Seward Commons is a four-acre site at the Franklin LRT stop in the Seward neighborhood of Minneapolis. Redesign, Inc., a 501(c)(3) nonprofit commercial and housing real estate developer, is partnering with CommonBond Communities for Phase II of the project. Redesign acquired the property three years ago. Phase I of the project, 40 units of supportive rental housing, is under construction now. Phase II, 60 rental units for low income seniors, will begin in the spring.

The proposed project will be a green, sustainable, mixed-use development located next to the Franklin Station on the Hiawatha Light Rail Transit Line. The $60 - 70 million project will be a five-phase development that will create 200-250 multifamily housing units, with a mix of affordable and market-rate, rental and home ownership options available in the multiple buildings. At least 50% of the units across the site will be affordable. The project will include 20,000-30,000 square feet of commercial space and an underground parking garage, and will be adjacent to an existing bike and pedestrian path connecting to the Midtown Greenway bike path and Downtown Minneapolis.

CRITICAL PARTNERS.

The project’s first two phases were financed with traditional affordable housing financing sources: 9% LIHTCs for Phase I and HUD Section 202 financing for Phase II. Local city/county resources and Metropolitan Council funds also filled project budget gaps.
KEY LESSONS.
Redesign, Inc. commented that many TOD projects are often designed as too large, which limits a developer’s timing and development choices for the project. By designing a multi-phase project, and allowing for interim uses in the near term, the developer can wait until the market is ready and build for the right uses, rather than rushing and building out a project that only reflects current market conditions - which may not be the right long-term uses for the neighborhood. This project and design method illustrates one way of addressing the difficulties in building a mixed-use development.

IMPACT.
Seward Commons is meant to spur other developments in the Franklin Station area that incorporate the green and sustainable elements that are important to neighborhood residents. The project also will prioritize space for retention and expansion of local businesses, such as a graphic design and printing shop. The project has potential to become larger during the next 5-10 years as more sites are identified for possible development.
The San Francisco Bay Area, with its nine counties, represents one of the strongest economies on the West Coast, with an advanced regional transportation infrastructure consisting of the Bay Area Rapid Transit (BART) train system, commuter trains, Bus Rapid Transit lines (BRT), cable cars and light rail and regional and local buses. The Metropolitan Transportation Commission (MTC), the region’s MPO, has a history of funding projects that promote social equity near transit. In addition, the region has instituted a Priority Development Area program that provides a process for local jurisdictions to target areas for infill development.

We selected the Bay Area as a case study to represent stronger economic regions where more advanced equitable TOD can be attempted, including the addition of mixed-income housing. The Bay Area has many nonprofit and for-profit developers with the capacity to tackle large TOD projects, and good access to the private capital markets for traditional debt and equity products. However, even with its advantages relative to other regions, the Bay Area still struggles to meet its equitable TOD needs. Reasons for this include high land costs due to scarcity of developable land and an active private market for developers, speculators and investors. Further, recent state and local budget deficits have dramatically reduced the public subsidies available to fill equitable TOD project gaps.

Policies that would help accelerate equitable TOD
in the Bay Area are not as strong as they could be. In spite of this, or perhaps because of it, a group of local and national nonprofit organizations formed the Great Communities Collaborative (GCC) with a mission to ensure that the “San Francisco Bay Area is made up of healthy, thriving neighborhoods that are affordable to all and linked to regional opportunities by a premier transit network.”¹ The GCC collaborated with MTC to create the Bay Area Transit-Oriented Affordable Housing (TOAH) Fund. Although the fund is not a permanent solution to the dissolution of local redevelopment agencies and disappearance of state financing, it does provide needed capital for the acquisition phase for equitable TOD.

The three projects that we focused on for the Bay Area are:

- the Ed Roberts Campus in Berkeley (completed);
- the Eddy and Taylor family apartments in San Francisco (proposed);
- and the MacArthur Transit Village in Oakland (under construction).

These projects are located in different communities and reflect a diverse mix of uses and housing affordability levels.

Bay Area Project #1:  

Ed Roberts Campus

The Ed Roberts Campus (ERC) is a community facility located at the Ashby BART station in Berkeley, California. The project was developed by seven nonprofit organizations that share a common history in the Independent Living Movement of People with Disabilities.

The 80,000-square-foot project is a universally designed and environmentally sustainable two-story building that houses the offices of the ERC collaborating organizations. The project also incorporates exhibition space, community meeting rooms, a child development center, a fitness center, vocational training facilities and a cafe. The idea for the ERC surfaced in 1995 as a way to honor the life of Ed Roberts, an international leader and educator in the independent living and disability rights movements. Between 1995 and 2000, ERC worked with the City of Berkeley and BART to come to an agreement over land acquisition (then owned by BART) and air rights (owned by the city). Until the project broke ground in September 2008, the development team worked on financing the project, which opened in November 2010.

CRITICAL PARTNERS.

The City of Berkeley and BART were both project sponsors and conduits for federal, regional, state and local funds for the project. Of the $36 million required for construction, $21.75 million were grants from federal and state transportation authorities. The project also leveraged the NMTC program. Bridge loans were provided by Northern California Community Loan Fund and Wells Fargo. The total project cost was $49.64 million.
KEY LESSONS.
The campus is a great example of a TOD with a community facility at its centerpiece, of silo busting and of the extra financing sources that can be leveraged because of diverse uses. The public-private partnership between the ERC nonprofit organizations, the City of Berkeley and BART illustrates the successes that can result when the community facility and transportation financing silos are broken. Additionally, the City of Berkeley played a critical role in championing the project to the MTC. Given its location at a BART station and along several bus lines, this project was able to leverage federal and regional transit-oriented financing programs, leaving it with no hard debt to service. Had the project been built in another location (a site one block from the North Berkeley BART station was considered), the developers would not have been able to take advantage of as many federal transportation grant programs.

IMPACT.
The ERC helped create greater awareness of the issues faced by people with disabilities and has given the movement a central focal point. The ERC is an accessible central location for people with disabilities - often transit-dependent - to meet, receive services, take classes and obtain employment. Prior to moving to the ERC, none of the collaborating organizations were located near BART. Now people can access the center from two elevators within the station without having to cross the street or walk outside. In addition to the impact on people it serves, the development of the ERC has improved safety of the surrounding blocks of this lower-income South Berkeley neighborhood. Prior to ERC, the Ashby station experienced the most crime of any station within the BART system. Now, there is more lighting in the parking lot and more people are walking on the streets, and BART has put more effort into improving the station.
Bay Area Project #2:
Eddy & Taylor

Eddy and Taylor is a mixed-use project to be developed by Tenderloin Neighborhood Development Corporation (TNDC). The project is located in the Tenderloin neighborhood of San Francisco about two blocks from the Powell Street station for the BART train and Muni light rail and the Market Street corridor. The Tenderloin is one of the densest and poorest neighborhoods in San Francisco, but is located near Union Square, the financial district and the rapidly gentrifying Mid-Market neighborhood, and constantly receives gentrification pressure because of its location.

The site, currently a parking lot with billboards, generates more than $200,000 per annum in revenue that supports acquisition debt. TNDC plans to develop a 14-story building with 153 units of affordable rental housing and a 2,000-square-foot grocery store on the ground floor in a neighborhood that is considered a Limited Access Supermarket area. The project is fully entitled and contains no plans for parking because of its proximity to transit. The total development cost for the project is $82 million, with nearly $6 million from the city in favorable financing. Although TNDC hopes to get the project financed by 2015, it has thus far been unsuccessful in securing funds from the state’s TOD grant programs, which has led to project financing gaps.

CRITICAL PARTNERS.
The City of San Francisco Mayor’s Office of Housing provided a $5.7 million deeply subordinate loan. The city is very supportive of the project because of the much-needed affordable housing and also because of the addition of fresh foods to the neighborhood. Local area residents have also provided critical support – when the project required a variance to a city-wide shadow ordinance, neighbors provided key endorsements. The project also has a seven-year acquisition loan from the Bay Area TOAH fund to allow TNDC time to assemble financing so it does not lose this valuable site.

KEY LESSONS.
Eddy and Taylor demonstrates how difficult it is to finance a dense, complex mixed-use TOD even in a strong market area. The project is fully entitled, but the development budget is unworkable without a significant amount of gap-filling, soft dollars. TNDC is considering using NMTCs for the grocery to help fill some of the gap. The inability to secure gap funds has effectively stalled the project until another financing model can be created or soft funds can be identified. TNDC is considering a partnership with a for-profit developer, and conversion of the deal into a mixed-income transaction with the grocery market remaining.

IMPACT.
Additional housing units and a grocery market that offers affordable fresh produce and healthful prepared foods to the Tenderloin’s residents are much needed. The impact of the housing component will depend on the final breakdown of affordable vs. market-rate units. If market-rate units are added, TNDC is being careful to assess the impact that the units could have on a neighborhood that is under gentrification pressure. However, because there are so many affordable housing units in the Tenderloin already, there could be advantages to building a mixed-income project.
MacArthur Transit Village is a mixed-use project to be built on a 7.6-acre site in North Oakland adjacent to the MacArthur BART station, the busiest rail and bus hub in the East Bay. BRIDGE Housing Inc., a large Bay Area and statewide housing developer, is the master developer for the project. BRIDGE will be working with other developers to build out the five phases of the project over the next five years.

The $370 million-plus project consists of 624 new rental housing units (108 affordable); a new 478-spot parking garage; medical office space; 42,000 square feet of neighborhood retail/commercial, potentially including a childcare center; and renovation and reconfiguration of the station areas to make them more bike- and pedestrian-friendly. MacArthur Transit Village was in planning for 17 years until ground was broken on the parking garage in 2011. The parking garage is currently under construction. BRIDGE hopes to complete construction of the affordable housing component and the new streets project by mid-2013. Construction for the market-rate housing is scheduled to begin in 2014.

**CRITICAL PARTNERS.**

Partners include the City of Oakland, BART, the local redevelopment agency (RDA), and the state. The project has benefited from $30 million in redevelopment funds and $40 million in TOD and infill funds from the state. In an example of transit agency joint development, BART provided the land to BRIDGE in exchange for the construction of the parking garage.
KEY LESSONS.
This project illustrates the extended time period (17 years) and large amount of subsidy required to create a large, impactful TOD project. BRIDGE noted that they had learned not to underestimate the amount of time it takes to get approvals from various partners and start construction, especially when transit station improvements are involved. Despite best intentions, transit agencies and other public sector partners may have expectations, processes and timelines that differ from a developer’s standard practice, which can add risk, time and cost to the project. Planning for and streamlining these processes when possible is critical to project acceleration and success. A more efficient process can be a key outcome of silo-piercing strategies that educate all parties on the needs of their partners. Also, without the RDA and state funds, BRIDGE would not have been able to pay for infrastructure or assemble the multiple parcels required to complete the site plan. BRIDGE, a very high capacity developer, has put more than $6 million of its own funds into the project; smaller and less capable developers would not have been able to succeed in this case.

IMPACT.
This project has significant place-making potential for the MacArthur Station area because of its size and scope. The project will add jobs, childcare and affordable housing to a neighborhood that has recently faced rising market rents. It will also help increase transit ridership and improve walkability in the neighborhood by providing better pedestrian and bicycle parking areas. Because of its scope, this project could catalyze other development in the neighborhood.