

REPORT

Bay Area Transit-Oriented Affordable Housing Fund Assessment and Lessons Learned



May 2013

Prepared for

Bay Area TOAH Fund

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Executive Summary

The Bay Area Transit Oriented Affordable Housing Fund (TOAH Fund or Fund) is a \$50 million public-private financing resource that provides up-front funding for the development of affordable housing and other community services near transit lines throughout the nine-county San Francisco Bay Area. From 2007 through 2011, the TOAH Fund progressed from concept to launch through the efforts of numerous key partners and stakeholders. This report describes why the Fund was formed, the key components and the critical steps in the Fund formation, the important lessons learned, and best practices utilized for its development.

Why is the TOAH Fund needed?

Although affordable transit oriented development (TOD) projects are being encouraged at the local, state and national level, limited financial resources are available to catalyze their development. Over the past 30 years, financial instruments that support socially responsible investment have become common and have helped facilitate development. In the past 10 years, mission-driven funds have emerged as attractive investment tools that allow foundations, public agencies, community organizations, community development finance institutions, and private investment funds to bridge critical gaps in the financing of community-oriented development.

The Bay Area’s high housing costs put significant pressure on working families. Half of all Bay Area households spend more than 30 percent of their income on housing costs. The housing and transportation cost burden is even greater for lower income households. One way to reduce this burden is to support mixed use developments that incorporate affordable housing and other community services in close proximity to high quality public transit. While the Bay Area has a sophisticated affordable housing development system, there continues to be a lack of affordable housing near quality public transit. The TOAH Fund is thus designed to encourage equitable TOD projects in the Bay Area and to ensure that lower income households share in the benefits of more walkable neighborhoods and connections to the larger regional economy.

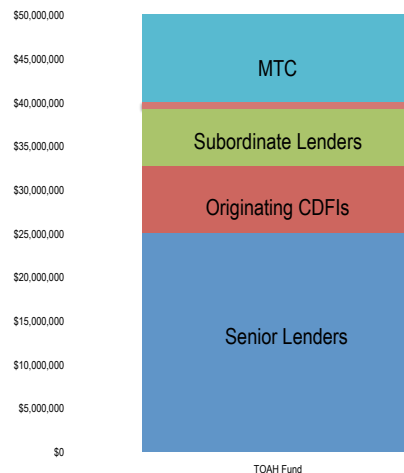
What is the TOAH Fund?

The mission of the \$50 million TOAH Fund is to promote affordable TOD across the nine-county Bay Area by catalyzing the development of affordable housing, community services, fresh foods markets, and other neighborhood assets (bayareatod.com).

TOAH Fund investments focus on projects located in areas planned for higher density, infill development with demonstrated local commitment to enhance the availability of housing, community services and pedestrian-friendly environments served by high quality public transit.

Through the Fund, experienced nonprofit and for-profit developers, municipal agencies and joint ventures of these entities can access flexible, affordable capital to purchase and/or improve available property near transit lines for development. The Fund offers five loan products for terms up to seven years: acquisition loans, predevelopment loans, construction bridge loans, construction-to-mini permanent loans, and loans at favorable interest rates to help bridge New Markets Tax Credits (NMTC) investments. Borrowers can access loans of up to \$750,000 for predevelopment costs and up to \$7.5 million for the other loan types.

Bay Area TOAH Fund Capital Stack



The TOAH Fund was made possible through \$10 million in seed capital from the Metropolitan Transportation Commission (MTC). MTC is the regional transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area, and it functions as both the Bay Area's transportation planning agency and metropolitan planning organization (MPO). The Low Income Investment Fund (LIIF) is the Fund Manager and an originating lender, along with five other leading community development financial institutions (Corporation for Supportive Housing, Enterprise Community Loan Fund, LISC, Northern California Community Loan Fund, and Opportunity Fund). Citi Community Capital, Morgan Stanley, the Ford Foundation, Living Cities, and The San Francisco Foundation provided key private capital investments for the Fund.

How was the TOAH Fund Formed?

The TOAH Fund progressed from concept to launch through the efforts of numerous key partners, stakeholders and regional public agencies to support affordable TOD, from 2006 through 2011. The Fund grew from advocacy work and research conducted by the Great Communities Collaborative (GCC) and its partners. In 2006, GCC members saw a need for greater equitable development in the nine-county Bay Area, which was in the midst of a strong housing market. CCI, CTOD and LISC completed a series of studies that provided the supporting data and analyses, as well as strategic recommendations, needed to develop a fund. These reports laid the groundwork for securing funds, selecting a Fund Manager and creating the Business Plan. As the idea for a fund dedicated to facilitating equitable TOD throughout the Bay Area began to take shape, local and regional agencies became involved. MTC's regional planning initiatives focus on the need to develop affordable housing near transit, which led MTC to commit \$10 million to the effort. TOAH leveraged MTC's initial support with \$40 million in private capital from local and national Community Development Financial Institutions (CDFIs), philanthropic organizations and financial institutions.

What were the Critical Ingredients to Fund Formation?

MTC's \$10 million seed investment and willingness to take the first loss position in the Fund were essential to the founding of the Fund and attracting other investors. MTC placed few restrictions on the use of funds in order to provide the Fund with maximum flexibility. In addition, capital investors were more comfortable with becoming involved in the Fund knowing that the MTC seed capital was in the first loss position. MTC's investment enables the TOAH Fund to have innovative loan products with longer terms, higher loan to value (LTVs) ratios and lower interest rates than other funding sources.

Extensive research and community engagement, accompanied by a well thought out business plan and tiered capital stack, garnered financial investment from a variety of sources to create a public-private funding mechanism for TOD. The TOAH Fund successfully progressed from dialogue and collaboration among a diverse group of stakeholders into an innovative \$50 million public-private financing resource. Throughout the formation process, important practices were utilized and lessons learned that should be considered when evaluating the Fund and developing similar funds. Four interrelated themes include: Shared Vision, Leadership, Action Plan, and Funding.

The TOAH Fund has embraced innovation from initial concept through implementation. A vast network of nonprofit, philanthropic, private, and public entities collaborated to create a Fund that assists in the development of equitable TOD throughout the nine-county Bay Area and reduces the housing-transportation burden for lower income residents in the region. To date, the Fund has awarded financing to four projects: Eddy and Taylor Family Housing, 5th and Howard in San Francisco, Leigh Avenue Senior Apartments in San Jose, and West Grand Development in Oakland.



I. Introduction

The Bay Area's high housing costs put significant pressure on working families. The housing and transportation cost burden is even greater for lower income households. One way to reduce this burden is to support mixed use developments that incorporate affordable housing and community services in close proximity to high quality public transit. While the Bay Area has a sophisticated affordable housing development system, there continues to be a lack of affordable housing near quality public transit, often leading to long commutes for working families.

Although transit oriented development (TOD) projects are being encouraged nationwide, limited financial resources are available to catalyze their development. In the past 10 years, mission-driven funds have emerged as attractive investment tools that allow foundations, public agencies, community organizations, community development finance institutions, and private investment funds to bridge critical gaps in the financing of community-oriented development.

Building on this experience, a diverse group of Bay Area organizations coalesced around the formation of a fund connecting housing to transit to encourage equitable TOD projects in the Bay Area and to ensure that lower income households share in the benefits of more walkable neighborhoods and connections to the larger regional economy. As a result of their collective efforts from 2007 to 2011, the Bay Area Transit Oriented Affordable Housing Fund (TOAH Fund or Fund) was formed as a public-private financing resource funded by government, philanthropic and financial entities for the development of affordable housing and community facilities near transit lines throughout the nine-county Bay Area.

The TOAH Fund, with LISC, one of the TOAH Fund financial partners, managing the process on behalf of TOAH, retained Seifel Consulting Inc. and ICF International (the Seifel team) to provide program evaluation and implementation consulting services for the TOAH Fund. Over the past nine months, the Seifel team has collected data and conducted stakeholder interviews to document the TOAH Fund formation process, including the goals of the Fund, the objectives and motivations of the stakeholders involved and the steps involved in its formation.¹

This report highlights the Fund's best practices and lessons learned during the TOAH Fund formation that can guide other organizations and regions to develop similar funds. The report begins with a description of the Fund's mission, goals and financial structure as well as the key stakeholders who participated in the Fund formation process. The report then outlines the critical steps in the Fund's formation and describes the important lessons learned and best practices utilized from its development.

Additional information about the Fund's eligible borrowers, eligible uses, targeted geography, investment priorities, loan products and fund structure can be accessed at the Bay Area TOAH website, <http://bayareatod.com/>.

¹ A list of the stakeholders interviewed in the Fund Formation documentation process are included in Appendix B.

II. TOAH Fund Description

The TOAH Fund's mission is to encourage the development of affordable housing and other vital community services near transit lines throughout the Bay Area. In order to achieve this goal, the Fund offers a broad range of products with flexible uses for developers and relies on the expertise of a diverse set of stakeholders. This section describes the Fund's mission and goals, loan products, fund partners, and fund structure. Appendix A provides additional information about the Fund's eligible borrowers, eligible uses, targeted geography, investment priorities, loan products and fund structure.

A. Fund Mission and Goals

The mission of the TOAH Fund is to promote equitable TOD across the nine-county Bay Area by catalyzing the development of affordable housing, community facilities, fresh foods markets, and other neighborhood assets near quality transit. To achieve this goal, the Fund provides flexible financing to develop permanently affordable housing and neighborhood-serving facilities located near quality public transportation. Projects must also be located in Priority Development Areas (PDAs) designated by the Association of Bay Area Governments (ABAG). PDAs are infill development areas located throughout the nine-county Bay Area with existing or planned public transit and a local commitment to developing more housing, amenities and services.

B. Loan Products

The Fund's loan products serve a diverse range of TOD projects in different phases of development. Eligible borrowers include nonprofit and for-profit developers, as well as public agencies. The Fund offers five loan products for terms up to seven years: acquisition loans, predevelopment loans, construction bridge loans, construction-to-mini permanent loans, and loans at favorable interest rates to help bridge New Markets Tax Credit (NMTC) investments. Borrowers can access loans of up to \$750,000 for predevelopment costs and up to \$7.5 million for other types, which help facilitate land assembly and provide time to secure a permanent public takeout source. These loans can be used for the development of multifamily rental housing, homeownership units, mixed use projects, and community facilities such as child care centers, health clinics, neighborhood retail, food markets, and other uses. In addition to the variety of allowable development types and financial products, the Fund offers loans at favorable interest rates, loan terms and loan to value (LTV) ratios.

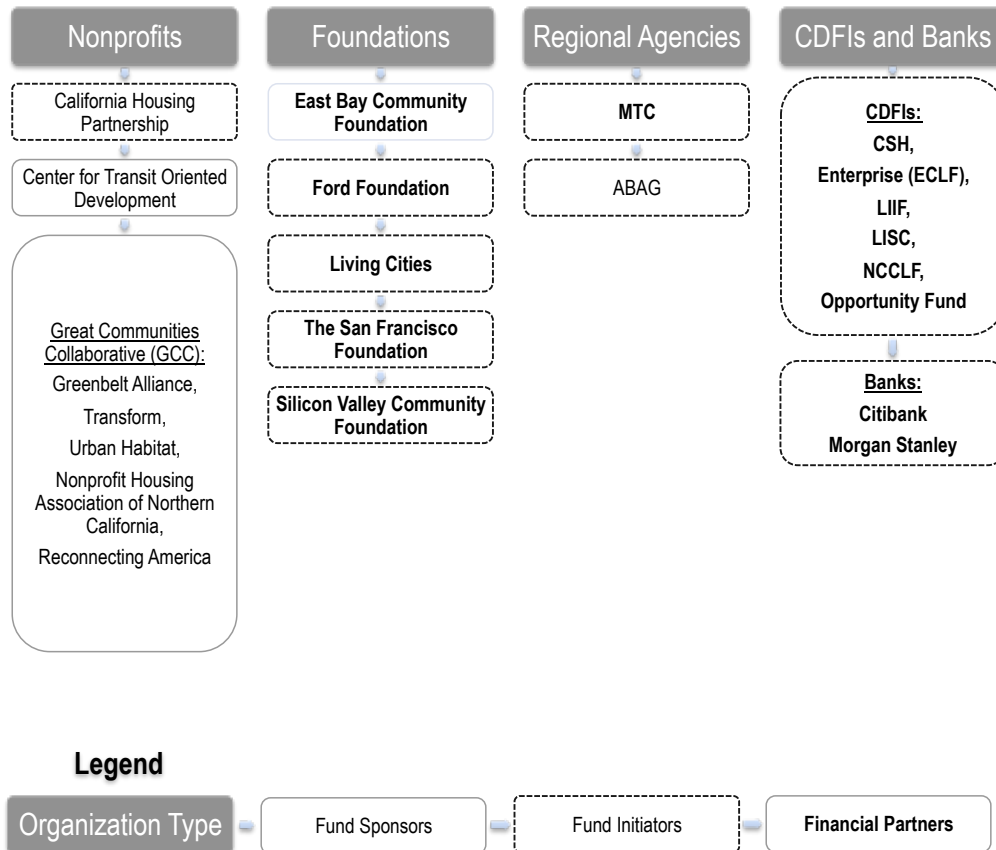
Depending on market conditions, commercial banks at times are unwilling to make acquisition and predevelopment loans for affordable housing and community facilities. Community Development Financial Institutions (CDFIs) offer products in this market but are unable to offer such long terms or high LTVs and are unable to match the Fund's loan sizes and interest rates. Thus, the Fund's loan products serve a critical need, and they appeal to project sponsors in different stages and types of development. In addition, Fund investors are able to diversify risk across geography, product types and asset classes.

C. Fund Partners

A diverse set of nonprofit and philanthropic organizations, public agencies, CDFIs, and banks were involved in the Fund's organizational development. Although these organizations represent a broad range of stakeholders and perspectives, they coalesced around the idea of creating a Fund to encourage equitable TOD projects in the Bay Area. Collectively, they provided the vision, leadership, expertise, and financial commitment to assure its successful launch and implementation.

Fund Sponsors were involved in advocacy work and research around TOD development and were critical to the TOAH Fund development. Fund Initiators include the six CDFIs that serve as loan originators as well as community partners who helped guide the business plan development and the Fund’s structure. Financial Partners include the Metropolitan Transportation Commission (MTC), philanthropic institutions, commercial banks, and CDFIs. Some organizations played multiple roles throughout the process, as shown in Figure 1 and further described in this section.

Figure 1
Organizations Involved in the TOAH Fund Development, Financing and Implementation



Note: Organizations listed here are directly related to the TOAH Fund. There are over 20 additional funders and organizations involved in the GCC’s work.

1. Fund Sponsors

Great Communities Collaborative (GCC)

The Great Communities Collaborative (GCC) acted as the organizing entity to build the policy and programmatic platform that led to the creation of the Fund and provided a start-up grant to the Fund. A core group of GCC members was instrumental in the Fund creation effort, including The San Francisco Foundation, the Nonprofit Housing Association of Northern California and Reconnecting America.

Founded in 2006, GCC brings together nonprofit and philanthropic partners in the Bay Area focused on ensuring that at least half of the Bay Area’s new homes built by 2030 are in walkable communities in

close proximity to high quality public transit, at prices affordable to all. At the time that the Fund was coming together, GCC membership included the following organizations:

- Funders: Led by two community foundations—The San Francisco Foundation and the Silicon Valley Community Foundation. In addition, the Ford Foundation, the Surdna Foundation and the William and Flora Hewlett Foundation supported the GCC.
- Core Partners: Initially comprised of five founding nonprofit organizations—Greenbelt Alliance, Nonprofit Housing Association of Northern California, TransForm, Urban Habitat, and Reconnecting America.

Metropolitan Transportation Commission (MTC)

As the region's Metropolitan Planning Organization (MPO), MTC is the transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area. MTC staff participated in the GCC Working Group that led the creation of the Fund. MTC's \$10 million seed investment and its willingness for the investment to take the first loss position in the Fund were essential to the founding of the Fund and attracting other investors.

As the Bay Area regional transportation planning agency, MTC is focused on transit ridership, the availability of affordable TOD and the access and mobility benefits of transit. MTC has been at the forefront of promoting transit oriented development in the Bay Area. MTC adopted a TOD Policy in 2005 that applies to transit extension projects in the Bay Area. MTC directs state and federal grants to local agencies to support their efforts to implement the regional plan, and along with ABAG, MTC provides support to local agencies to achieve their goals to promote infill development in PDAs.

Association of Bay Area Governments (ABAG)

ABAG is the regional planning agency for the nine counties and 101 cities and towns of the San Francisco Bay Area. ABAG leads FOCUS, a regional development and conservation strategy that promotes a more compact land use pattern for the Bay Area. FOCUS unites the efforts of four regional agencies, including ABAG and MTC, into a single program that links land use and transportation by encouraging the development of complete, livable communities in areas served by transit. The eligible geographies of the Fund are PDAs that encourage compact development in areas identified through the FOCUS program. ABAG also provided extensive technical support to the creation of the Fund.

2. CDFIs

Six CDFIs have provided a cumulative total of up to \$8.5 million of capital for the Fund. They also market loan products, originate loans and service loans for the Fund. The CDFIs have a history of serving underserved Bay Area residents and neighborhoods and have long-standing relationships with potential borrowers and other local public sector partners whose collaboration is essential for the Fund to succeed. The CDFI members are as follows:

- Corporation for Supportive Housing (CSH)
- Enterprise Community Loan Fund (ECLF)
- Local Initiatives Support Corporation (LISC)
- Low Income Investment Fund (LIIF)
- Northern California Community Loan Fund (NCCLF)

- Opportunity Fund²

The TOAH Fund is structured as a Limited Liability Company (LLC), the Bay Area Transit Oriented Affordable Housing Development Fund LLC, which consists of three members: a subsidiary LLC of LIIF, a subsidiary LLC of ECLF, and NCCLF's parent entity. LIIF's subsidiary LLC is the Managing Member. LIIF is responsible for raising capital, developing Fund legal documents and closing the Fund. LIIF also manages the Fund's day-to-day operations, including project loan approvals, financial management and reporting. CDFIs have two rotating seats on the five-member Credit Committee which includes LIIF in its capacity as Fund Manager and the two commercial banks. The Advisory Committee consists of representatives from the MTC, GCC member organizations, national and community foundations that are investors, and a local public sector representative, which provide programmatic guidance and advice to the Fund.

3. Financial Partners

Philanthropic and Program Related Investment Lenders (PRIs)

The Ford Foundation, Living Cities Catalyst Fund and The San Francisco Foundation have contributed up to \$6.5 million of capital to the Fund. In addition, the Ford Foundation, The San Francisco Foundation and Silicon Valley Community Foundation provided start-up grants to the Fund. The San Francisco Foundation provided technical assistance by connecting its grantmaking and investment expertise which nurtured the conceptualization and initiation of the Fund. When the TOAH Credit Committee is evaluating non-conforming loans, a representative from the philanthropic lender category joins the Credit Committee bringing it to 6 members.

Commercial Banks

Citi Community Capital and Morgan Stanley have each provided \$12.5 million, totaling \$25 million of senior capital for the Fund and serve on the Fund's Credit Committee.

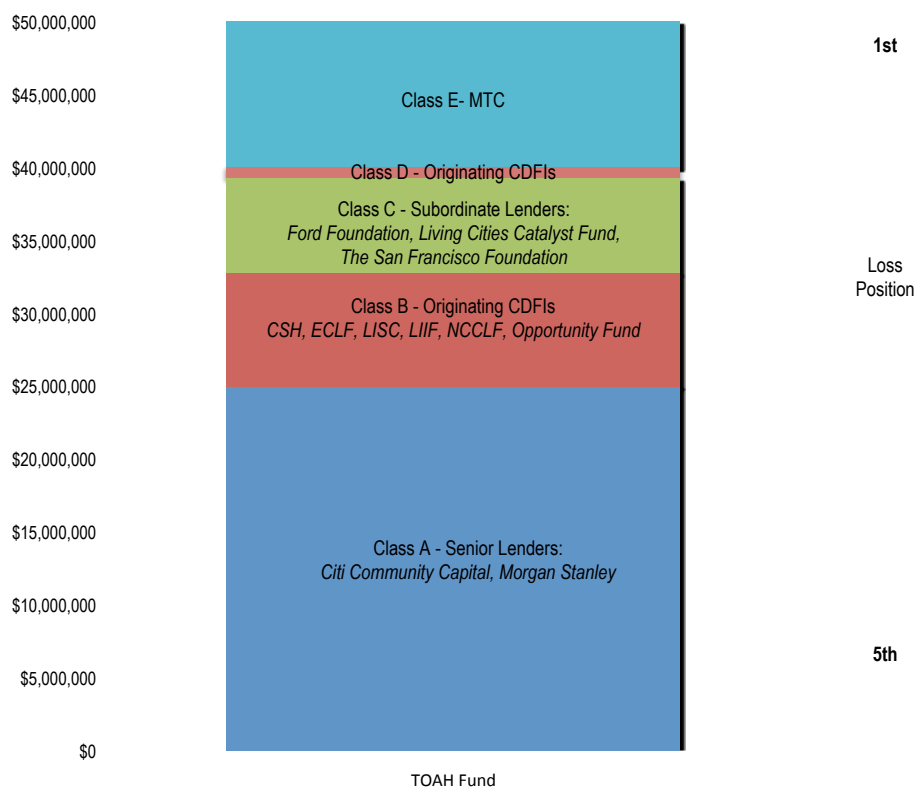
D. Fund Structure

MTC's top loss position in the capital stack was essential to attracting funding from banks and philanthropic institutions. The Fund was able to leverage \$40 million dollars from MTC's investment, exceeding MTC's minimum leverage requirement of 3:1 on its \$10 million investment. The Fund has a pooled risk structure and a unique accordion feature that will allow it to expand into a larger fund if the model is successful. The Fund is structured into five investment tranches: with Class A (Senior), Class B (Originating CDFIs), Class C (Subordinate Lenders), Class D (Originating CDFIs), and Class E (MTC investment through LIIF).³ The six CDFIs originate all loans for the Fund. Each CDFI fully funds the Class B and Class D tranches of the loans they originate. The Class C Lenders (philanthropic entities) requested that 1.5 percent of the CDFI loan capital (equal to the CDFI origination fee) be subordinated to their investment. The tranches of capital partners, total commitment and risk position are summarized in Figure 2.

² In October 2012, due to a change in their strategic priorities Opportunity Fund left the TOAH Fund.

³ Within the Class C tranche, The Ford Foundation and the Living Cities Catalyst Fund each provided \$3 million, and The San Francisco Foundation provided a \$500,000 PRI. The San Francisco Foundation PRI is subordinate to the other two lenders.

**Figure 2
Bay Area TOAH Fund Capital Stack**



III. Key Steps of Fund Formation and Timeline

The TOAH Fund has progressed from concept to launch as the result of the work of numerous key partners, stakeholders and regional programs to support TOD from 2007 through 2011. The Fund grew from advocacy work and research conducted by GCC and its partners. As the idea for a fund dedicated to facilitating equitable TOD throughout the Bay Area began formulating, local and regional agencies became engaged. MTC’s regional planning initiatives focus on the need to develop affordable housing near transit, which align with the Fund’s goals, and as a result, MTC committed \$10 million to the effort. TOAH leveraged MTC’s initial support with \$40 million in private capital from local and national CDFIs, philanthropic organizations and banks. The key documents that informed and contributed to the Fund formation are identified in Appendix B. Figure 3 outlines the key steps and timeline associated with the Fund’s development.

Figure 3
Bay Area TOAH Fund Formation Timeline

Activity	2006				2007				2008				2009				2010				2011
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr
1. Identification of Need for Fund																					
Formation of the GCC																					
2. Idea Formation and Coalition Building																					
Informal monthly meetings with stakeholders																					
TOD Report ¹																					
3. Start-Up Investment																					
4. Planning and Strategy Development																					
TOD Property Development Strategy Convening																					
Property Acquisition Report ²																					
Business Plan Framework ³																					
Bay Area TOD Feasibility Report ⁴																					
5. Due Diligence To Gauge Interest																					
6. Securing Funds and Fund Development																					
MTC identifies \$10 million and conditions of approval to the Fund.																					
MTC delivers \$10 million																					
RFP issued for TOD Fund Manager																					
TOD Fund Manager Selection Process																					
TOD Fund Manager selected																					
Grants and capital commitments secured																					
7. Business Plan Development																					
8. Fund Launch and Implementation																					
Bay Area TOAH Fund launched																					
Distributed funds to first project																					

Reports and Documents:

1. Transit Oriented For All: The Case for Mixed-Income Transit-Oriented Communities in the Bay Area (June 2007)
2. Property Acquisition Strategy for Transit Oriented Development Report for Bay Area (November 2007)
3. Mixed Income TOD Acquisition Fund: Business Plan Framework (November 2008)
4. San Francisco Bay Area Property Acquisition Fund for Equitable Transit-Oriented Development: Feasibility Assessment Report (January 2010)

Source: Enterprise, Bay Area LISC, Bay Area Transit Oriented Affordable Housing Fund Business Plan.

1. Identification of Need for the Fund

The Fund started as a result of dialogue and collaboration among GCC members in the early years of the collaborative. GCC members saw a need for greater equitable development in the nine-county Bay Area, which was in the midst of a strong housing market in the mid 2000s. GCC members noted that the Bay Area's land use policy environment and real estate market were moving towards smarter growth with more development around transit nodes. GCC members also noted a lack of housing affordable to lower income households near quality public transportation, which led GCC to shift its focus from planning to include more implementation to encourage equitable development.⁴ For example, GCC realized that in addition to identifying financial tools and resources, controlling land use and acquiring sites is often critical to ensuring that affordable housing, open space and community facilities are not left out, but rather go hand-in-hand with private market development.

Among the reasons for the promotion of smart growth in the Bay Area was the leadership of the regional planning organizations. MTC launched the Transportation for Livable Communities (TLC) program in 1998 to provide funding for transportation infrastructure improvements that are developed through an inclusive community planning effort and support connectivity between transportation investments and land uses. In 2004, the Bay Area's four regional planning organizations, MTC, ABAG, the Bay Area Air Quality Management District (BAAQMD) and the Bay Conservation and Development Commission (BCDC) formed FOCUS, a regional development and conservation strategy that promotes a more compact land use pattern for the Bay Area. FOCUS provides PDA planning grants to fund city-sponsored planning efforts for the areas around future transit extensions. These station-area and land-use plans are intended to address the range of transit-supportive features that are necessary to support high levels of transit ridership. FOCUS also provides technical assistance grants to support planning projects that will advance the implementation of PDA-related plans.

2. Idea Formation and Coalition Building

GCC became involved in monthly informal breakfasts (known as "muffin meetings") that brought together policy staff from various organizations, including San Francisco Planning and Urban Research Association (SPUR), the San Francisco Urban Land Institute, MTC, ABAG, BCDC, and BAAQMD. The group used the breakfasts to discuss regional work, policies and ideas, as well as to build relationships.

In 2007, the initial idea for a land acquisition fund was formed. The San Francisco Foundation and the East Bay Community Foundation provided critical initial seed capital during this time period to research the need for development of an acquisition fund. In June 2007, GCC commissioned a report authored by the Center for Transit Oriented Development (CTOD) and the Center for Community Innovation called *Transit Oriented for All*, which made the case that TOD is most effective when linked to equitable development.⁵

In October 2007, The San Francisco Foundation enlisted Bay Area LISC to organize a day-long convening to discuss the idea of an acquisition fund as an equitable development strategy.⁶ The convening, facilitated by CTOD, brought together experts involved in the New York City

⁴ Until this point, GCC was more involved with assisting in planning projects with local jurisdictions and regional agencies.

⁵ The Center for Transit-Oriented Development (CTOD) is a collaboration among Reconnecting America, Strategic Economics and the Center for Neighborhood Technology to devise strategies and solutions to implementing TOD.

⁶ This event was called the "TOD Property Acquisition Strategy Convening" and was held on October 23, 2007 in San Francisco.

Acquisition Fund, and regional stakeholders, such as nonprofit developers, transportation and housing advocates, and local government representatives.

The goal for the convening was to hear about other experiences around the country, solicit feedback on what type of fund would be most useful, explore the feasibility of developing a TOD land acquisition fund for the Bay Area, and discuss participant interest in participating in the development of the fund. Participants were enthusiastic about both the feasibility of the fund and contributing to its development. They realized from the research presented that no blueprints existed for a transit oriented affordable housing fund and that they would need to be trailblazers in the development of this type of fund. The New York City Acquisition Fund provided an example of a similar Fund, however its focus was on the preservation of affordable housing and not explicitly on real estate acquisitions near transit. A similar fund, the Mile High Transit Oriented Development Fund, was in its nascent stages of development in Denver. GCC members reached out to the founders of the Denver Fund to discuss the formation of a similar fund in the Bay Area and to build a relationship with the intention of sharing information in the future.

In February 2009, Living Cities, CTOD and Boston College's Institute for Responsible Investing hosted a two-day convening entitled "Fostering Equitable and Sustainable TOD" at the Ford Foundation in New York. Participants included people involved in the development of the Bay Area fund including staff from the Ford Foundation's Metropolitan Opportunities Unit, Surdna Foundation, CTOD, The San Francisco Foundation and approximately 20 other experts from infrastructure and affordable housing finance, philanthropy, banking, government, and academia. The convening in New York provided an opportunity to learn about the implementation of community investment funds across the nation and introduce the concept of a Bay Area fund to national foundation staff.

3. Planning and Strategy Development

After the October 2007 convening, LISC and CTOD were tasked to complete a series of studies in order to provide the supporting data and analyses, as well as strategic recommendations, needed to develop a fund. Three critical background reports that informed the Fund formation include:

- Property Acquisition Strategy for Transit Oriented Development Report (November 2007)⁷
- Mixed Income TOD Acquisition Fund: Business Plan Framework (November 2008)⁸
- San Francisco Bay Area Property Acquisition Fund for Equitable Transit Oriented Development: Feasibility Assessment Report (January 2010)⁹

According to GCC members, the studies created a forum for the GCC to start asking critical questions and conduct a rigorous needs assessment. These reports laid the groundwork for securing funds, selecting a Fund Manager and creating the Business Plan.

The studies revealed the significant impact of the Bay Area's high housing costs on working families. Half of all Bay Area households spend more than 30 percent of their income on housing costs. To afford housing, Bay Area residents must travel further to get to work, as numerous jobs have moved away from city centers. The number of Bay Area commuters traveling more than 45 minutes to work is the second highest in the nation. The housing and transportation cost burden is even greater for lower income

⁷ Prepared for The San Francisco Foundation by Bay Area LISC.

⁸ Prepared for The San Francisco Foundation by Strategic Economics/CTOD and Bay Area LISC.

⁹ Prepared for GCC by Strategic Economics and CTOD.

families. Bay Area households earning less than \$50,000 spend 63 percent of their household budgets on the combined costs of housing and transportation, the highest percentage in the country.

One way to reduce this burden is to support mixed use developments that incorporate affordable housing and are located in close proximity to high quality public transit. According to the November 2008 study by Reconnecting America and CTOD, a household could save over \$9,000 by using public transportation instead of driving. However, many households must drive because public transportation and necessary amenities and services are too far from their home. While TOD can benefit lower income households, the complex nature of building TOD projects and the high market value associated with living near public transit has meant most projects serve higher income clients. The study identified and mapped vacant and underutilized properties near transit sites in the region and found a lack of developable sites for affordable housing around the major transit nodes. According to the study, only about 3 percent of land in the Bay Area was considered vacant or underutilized and likely to be redeveloped, and of this, only 14 percent was near transit.

Although the Bay Area has a sophisticated affordable housing policy, finance, design, and development system, there is a lack of housing affordable to lower income households near quality public transit. For this reason, the Fund is designed to encourage equitable TOD projects in the Bay Area and to ensure that lower income families share in the benefits of more walkable neighborhoods and connections to the larger regional economy.

The Mixed Income TOD Acquisition Fund: Business Plan Framework addressed questions that GCC members had regarding the potential size of a fund and what type of targeting was needed in the Bay Area. It evaluated the types of opportunities and needs around the region.

The reports were also important to justify the need for a fund that prioritized the development of affordable housing over other competing community needs such as transportation projects or public facilities. Looking back, a GCC member observed, “The funding research and reports showed that you could meet that need [for affordable housing around transit] well with a narrow fund, and you should not spread it out or dilute.” The reports made a compelling data-based argument for the urgency of funding affordable housing development. The group discussed the benefits and limitations associated with a fund exclusively focused on affordable housing versus a fund including a mix of housing and non-housing projects. The demand study and feedback from developers supported offering funds to housing and non-housing projects. These findings led to the adoption of the Fund priority that 85 percent of the Fund’s loans must be used for the development of housing and 15 percent can be used for non-housing projects, such as child care centers, health clinics, community facilities, neighborhood retail, food markets, and other uses, unless the project has a compelling public or catalytic neighborhood benefit.¹⁰ At the time, the decision to create a Fund that provided funding to both housing and non-housing projects was groundbreaking as investment funds typically have a narrow focus.

The San Francisco Bay Area Property Acquisition Fund for Equitable Transit Oriented Development: Feasibility Assessment Report was developed to prove a case for a Bay Area TOD fund and to present the preliminary concepts for the Fund’s activities, governance, investors, and loan terms as well as next steps.

¹⁰ The Fund’s affordability targeting requirements are that at least 75 percent of the housing units financed by the Fund, in aggregate, should be designated for residents with household income equal to or less than 80 percent of the Area Median Income (AMI). For multifamily rental projects, at least 20 percent of the units should be designated for occupancy by residents with household income equal to or less than 50 percent of AMI, or at least 40 percent of units should be designated for occupancy by residents with household income not exceeding 60 percent of AMI. The Fund has a covenant mandating that, at a minimum, 66 percent of the housing units meet the affordability restrictions.

According to a GCC member, the 2010 report was created to show that the GCC had “really thought this through” and that GCC had a “compelling case and vessel built to circle back to investors” like MTC.

4. Securing MTC Funds

While MTC staff had been involved in the discussion of the formation of the Fund since its beginning and had identified potential funding sources to make an investment, The San Francisco Foundation guided the process leading up to the formal investment request to MTC’s Commissioners.

The San Francisco Foundation retained Imprint Capital to advise it and the Silicon Valley Community Foundation in the Fund formation effort, building on Imprint Capital’s prior experience with forming The San Francisco Foundation’s PRI loan fund.¹¹ CTOD and The San Francisco Foundation wrote the initial memo and conducted many meetings with Imprint Capital over the summer. In late 2009 and early 2010, a Fund Working Group consisting of staff from The San Francisco Foundation, CTOD and Imprint Capital met with MTC leadership to answer questions, discuss common goals and potential risks.

Fund supporters led by the Nonprofit Housing Association of Northern California (NPH) also encouraged MTC commissioners to support investing in the Fund in anticipation that some commissioners and MTC stakeholders could be reluctant to commit transportation funds to non-transportation projects. NPH’s advocacy was pivotal in getting the 19 commissioners’ votes. Commissioners were open to the idea of using MTC resources to fund non-transportation projects that promoted TOD, and MTC had already taken steps to justify and implement this strategy.

In 2008, MTC explored various options for establishing a more flexible funding mechanism that would leverage the core strengths of MTC’s existing Transportation for Livable Community (TLC) program but would do more to facilitate actual development near transit.¹² The resulting report, *Financing Transit Oriented Development in the San Francisco Bay Area: Policy Options and Strategies*, published in August 2008, recommended that MTC expand grant eligibility to include non-transportation projects that promote TOD. Examples of projects include infrastructure improvements, site acquisition and the development of affordable and accessible housing units near transit. In September 2009, the commissioners approved new TLC program guidelines that contain new funding categories, including non-transportation infrastructure and land banking, to respond to market conditions and encourage more TOD throughout the region.

In February 2011, MTC’s 19-member commission unanimously approved a \$10 million investment to the Fund and agreed for its grant funds to assume a first loss position. According to a GCC member, “There was a significant amount of work getting a unanimous vote. We needed to tell a story and show credibility to convince them that this is the right thing to do.”

A key factor in MTC’s decision to invest in the Fund was the Working Group’s guarantee of at least a 3:1 leverage on investment. Also, since MTC’s grant funds are being used to capitalize a revolving loan fund, it meant the initial grant would contribute to the development of multiple projects over time. Working Group members agreed to adopt the PDAs as the geographic investment areas for the Fund. The PDAs provided an existing regional approach and framework for Fund investment, which already

¹¹ Imprint Capital had advised The San Francisco Foundation in the development of its own PRI loan fund. GCC then contracted with Imprint Capital to advise the Fund Working Group led by The San Francisco Foundation.

¹² The TLC program provides funding for transportation infrastructure improvements that are developed through an inclusive community planning effort, provide for a range of transportation choices and support connectivity between transportation investments and land uses.

had buy-in from the community. MTC viewed participation in the Fund as an opportunity to attract other sources of funding to the FOCUS program and PDAs.

MTC considered providing a deadline to spend the grant funds but ultimately decided to place few restrictions on the use of funds to provide the Fund with maximum flexibility. The grant conditions included:

- Foundation and other sources of funding would be matched by MTC funds at least 3:1 to reach a minimum fund total of \$40 million;
- The funds would only be spent in PDAs and on projects that have the greatest potential to deliver affordable housing units; and
- MTC would be represented on the Fund Manager selection team and on the Fund's Advisory Committee.

5. Fund Manager Selection

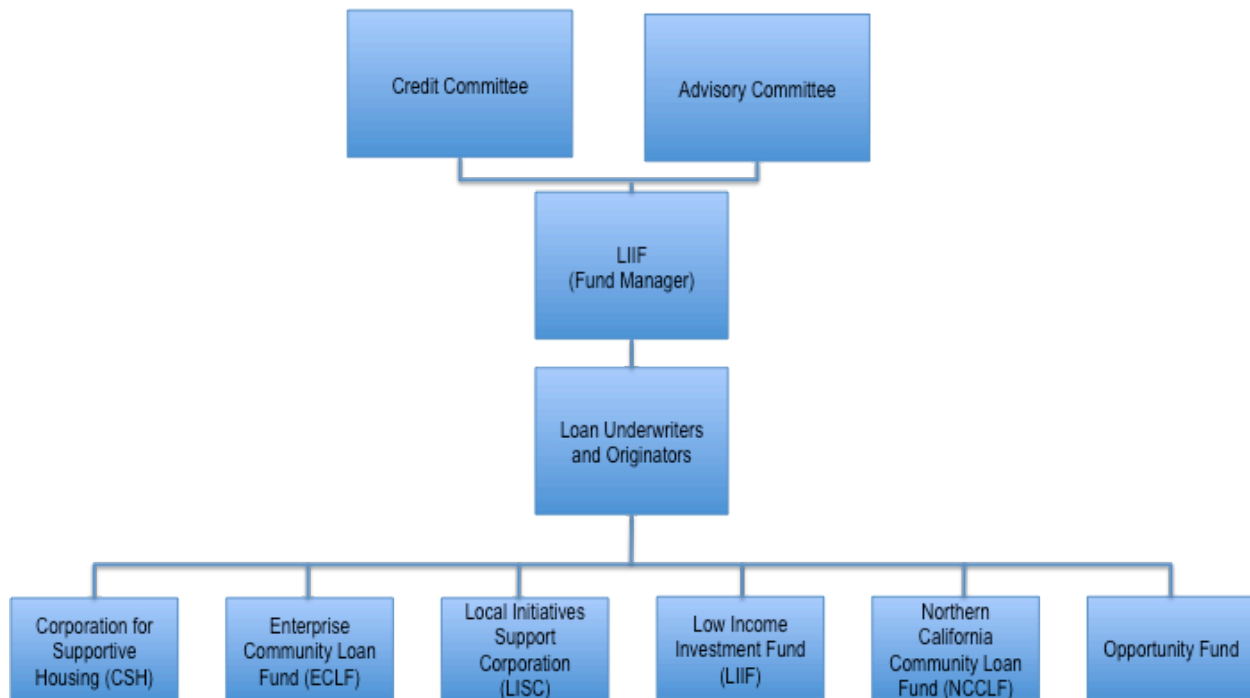
The Working Group, led by The San Francisco Foundation, carried out a Request for Proposals (RFP) process to select a Fund Manager. The San Francisco Foundation retained Imprint Capital to issue the RFP and host a bidder's session. Eight entities attended the session. GCC initially expected that the interested CDFIs would compete against each other. Instead, six CDFIs including LIIF, CSH, Enterprise Community Loan Fund, LISC, NCCLF, and the Opportunity Fund formed a consortium and submitted one proposal with each CDFI committing \$5 million to the fund.

The six CDFIs presented a deliberate strategy to work together and leverage the breadth and depth of each individual CDFI's experience. They had a history of working together on other projects, offer extensive knowledge of the Bay Area real estate market and are deeply experienced with the capital resources for affordable housing and mixed use development. In addition, they have long-standing relationships with potential borrowers and local stakeholders throughout the region. All of the CDFIs had extensive lending experience and had financed TOD in the past. They also collaborated to organize and implement various loan funds in the Bay Area and across the country. Collectively, they brought the combined financial and technical capacity necessary to navigate the real estate market and implement the Fund.

During the RFP due diligence process in which staff from all six CDFIs were interviewed, the committee looked at core competency and track record with TOD projects. A GCC member states, "LISC, Enterprise and LIIF, for example, had done work all over the country and had strength. The more local and smaller regional CDFIs were also good and close to ground. It felt like a natural having a combination of national and local CDFIs." After much deliberation and due diligence, including in-person discussions with Ford Foundation staff, the Working Group selected the CDFI Consortium as the Fund Manager in July 2010. MTC completed a separate due diligence review of LIIF as the transfer of MTC funds involved LIIF, MTC and the Fund. With the selection of a Fund Manager, the Working Group changed its designation to the Advisory Committee.

Figure 4 shows the Bay Area TOAH Fund's Organizational Structure, and Appendix A provides additional information regarding the Fund structure.

Figure 4
Bay Area TOAH Fund Organizational Structure



6. Business Plan Development

The business planning process was a collaboration among the CDFIs, MTC, GCC Working Group for TOAH (Reconnecting America and NPH as representatives), philanthropic lenders, and senior lenders (Morgan Stanley and Citibank). After brainstorming and discussion among all parties, LIIF took the lead and drafted the business plan and created the fund financial model. LIIF produced a draft business plan document that all parties used to negotiate the Fund mission, programmatic priorities, covenants, governance, and loan products. LIIF and the other CDFIs used the drafts of the business plan as a tool to build consensus amongst the CDFI consortium, the Advisory Committee, philanthropic investors, and commercial bank investors on the structure of the Fund and its priorities.

The CDFIs performed extensive outreach, research and financial analysis to develop the business plan. The consortium tested the project pipeline and stability of the external funding world through outreach to potential borrowers. The demand analysis and consultation with stakeholders occurred prior to the drafting of the business plan, and was summarized in the plan. They created a list of clients who would fit the criteria for potential borrowers and determined criteria for the types of projects that would be funded. They then reached out to 25 clients with whom they had previously worked to assess their interest in the Fund's products and to understand the funding needs for projects in the development pipeline.

The CDFIs were pleased to find that the potential project pipeline was much greater than \$50 million. The research conducted prior to the formation of the Fund suggested a need for other types of loan products beyond acquisition and predevelopment loans, and the CDFIs confirmed this finding during their outreach. The CDFIs proposed to expand the loan products to the current five offerings: acquisition loans, predevelopment loans, construction bridge loans, construction-to-mini permanent loans, and leverage

loans. During the outreach process, potential borrowers also expressed an interest in funding for community facilities. The CDFI Consortium proposed to build some flexibility into the Fund's eligible activities by allowing a percentage of the Fund to be used for the development of community facilities.

Throughout the business plan development process, the six CDFIs discussed major decisions together so they could make a consensus recommendation to the Advisory Committee, philanthropic investors, and commercial banks. With the assistance of the other CDFIs, LIIF drafted term sheets as a tool for agreeing upon key business terms. Issues discussed were the affordability targeting requirements and the maximum percentage of Fund resources that could be committed to community facility projects. The Advisory Committee had initially proposed a 100 percent affordability requirement. However, LIIF developed pro formas that clearly indicated projects would not be feasible with this requirement. The Advisory Committee did not want to design a fund that no one could use. After having several conversations about the required percentage of affordable units per project and across all funded projects, the percentages were lowered by consensus to the following targeting requirements:

- At least 75 percent of all housing units financed by the Fund, in aggregate, should be designated for residents with household income equal to or less than 80 percent of Area Median Income (AMI).
- For multifamily rental projects, at least 20 percent of the units should be designated for occupancy by residents with household income equal to or less than 50 percent of AMI, or at least 40 percent of units should be designated for occupancy by residents with household income not exceeding 60 percent of AMI.
- Homeownership units must target low to moderate-income households.

To provide the Fund with flexibility, these percentages are set as targets, but a minimum of 66 percent of all housing units funded must be affordable to households with income equal to or less than 80 percent AMI. In addition, the Fund's progress toward achieving these requirements will be evaluated collectively across its entire portfolio of projects rather than on an individual project basis to allow the Fund flexibility in the types of projects that it finances.

The business plan process entailed regular group phone calls, in person meetings and the exchange of written comments over a three month period. Since all of the Fund partners had been involved in the finalization of the business plan and loan term sheets, the Fund attorneys could concentrate on document preparation rather than negotiating business terms. By the time the business plan was completed in December 2010, all parties were clear on the Fund purpose and financial structure, including terms of capital from all lenders. After the business plan was agreed upon, Fund counsel drafted the Fund documents, including the credit agreement, which is the lender's central agreement. Because all business points were pre-negotiated, the legal documentation of the fund could be accelerated resulting in a March 30, 2011 closing, just eight months after the CDFI consortium was selected through the RFP process. As legal negotiations were limited, the legal costs for the Fund came in 25 percent lower than originally budgeted.

7. Commercial Bank and Philanthropic Investors

After being selected as Fund Manager, the CDFI consortium reached out to potential philanthropic investors and commercial banks to gauge their interest in investing in the Fund. The Ford Foundation, the Living Cities Catalyst Fund, and The San Francisco Foundation had been involved in various stages of the Fund formation. The foundations' experience working with the Advisory Committee members and managing consortium instilled confidence in their ability to implement the Fund. The Ford Foundation committed a \$3 million PRI. The Living Cities Catalyst Fund also committed \$3 million, and The San Francisco Foundation committed a \$500,000 PRI that was subordinate to the other two philanthropic lenders.

LIIF reached out to Citi Community Capital and Morgan Stanley because the banks were the most promising prospects. Citi Community Capital was a partner in several of the funds LIIF managed. Morgan Stanley's Global Sustainable Finance group recently entered the community finance market, and although LIIF had not worked with Morgan Stanley on a previous fund, it had worked with a key staff person prior to her joining Morgan Stanley.

Even though the Fund had a longer-term investment period than the banks typically provided, the banks had several reasons to participate in the Fund. Among the most compelling reasons was the MTC seed capital assuming the first loss position. The lenders were more comfortable with becoming involved in the Fund knowing that they were protected. The consensus building, outreach and data collection that had taken place during the previous five years convinced the banks that the Advisory Committee and CDFIs were committed to the success of the Fund and that the Fund had buy-in from public agencies, foundations and potential investors. The banks were impressed by the draft of the business plan they reviewed. It provided a clear road map for how the funds would be deployed and clearly articulated the Fund's purpose and management.

Although initially daunted by the number of CDFIs participating in the Fund, the banks ultimately saw the CDFI Consortium as a strength of the Fund because the CDFIs had a history of working together and a track record of success working in the local and national markets. The CDFIs' decision to create a consortium rather than compete against each other to manage the Fund also instilled confidence in the ability of the CDFIs to build consensus.

8. LLC Formation and Fund Launch

While preparing the business plan, LIIF began the process for creating the Bay Area Transit Oriented Affordable Housing Development Fund LLC. LIIF had to obtain a California lender's license, which took much longer (6 months) than anticipated as the structure of the LLC was not typical and the licensing agency required extensive documentation to demonstrate that the Fund met the requirements for a LLC. Ultimately, LIIF successfully formed the LLC, which consists of three members: a subsidiary LLC of ECLF, a subsidiary LLC of LIIF, and NCCLF's parent entity.

With the TOAH Fund LLC in place, LIIF signed funding agreements with the CDFIs, PRI investors, commercial banks, and MTC and launched the \$50 million Fund in March 2011.

9. Start-up Investment

Initially, the Fund required volunteer hours from committed members. Over time, the stakeholder organizations began to commit staff time and resources to the development of the Fund. In total, the TOAH Fund start-up budget was approximately \$550,000, aggregated in phases. The following organizations provided start-up funding:

- \$150,000 grant from the Great Communities Collaborative
- \$200,000 grant from the Ford Foundation
- \$100,000 grant from the Silicon Valley Community Foundation
- \$10,000 grant from The San Francisco Foundation and in-kind contribution of significant staff time
- \$90,000 in-kind contribution of time by the six CDFIs

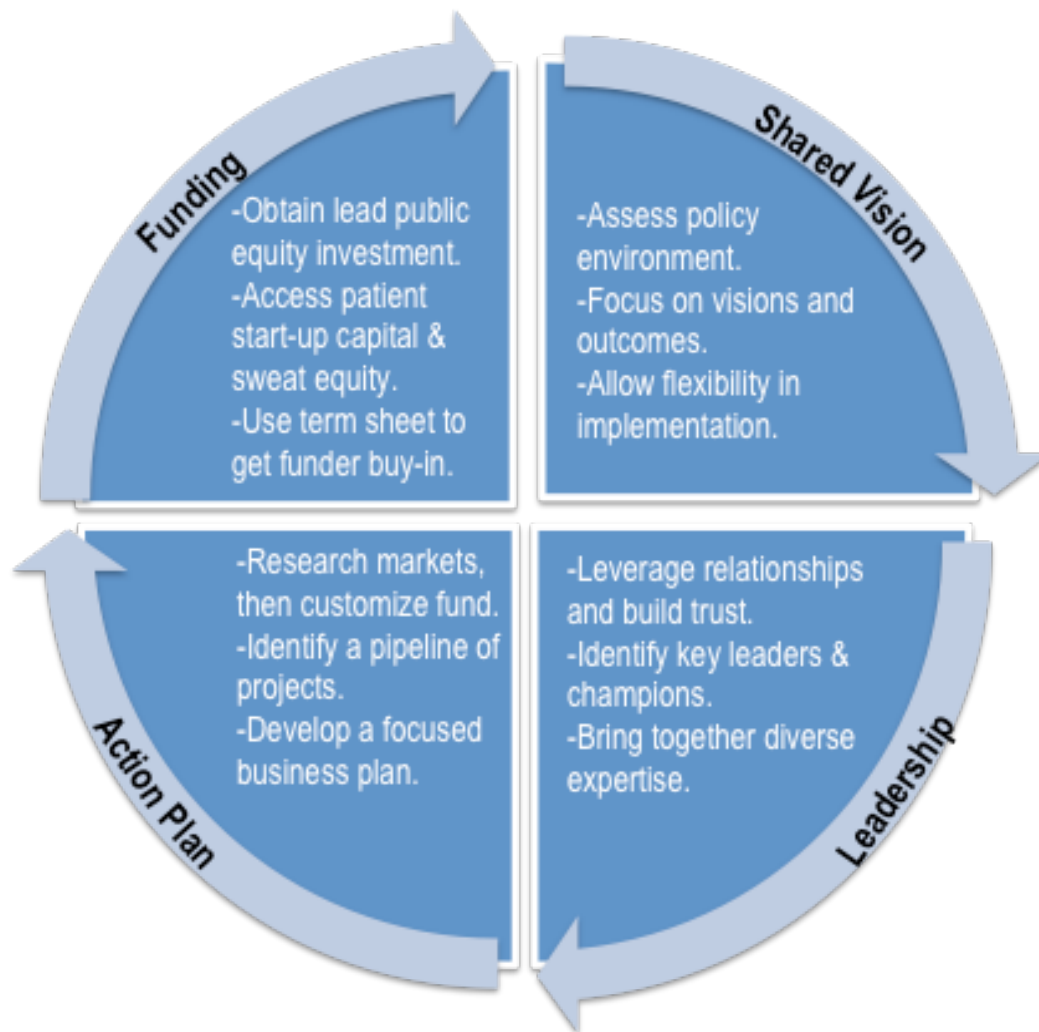
Start-up funds were used for the following purposes:

- Developing the Fund business plan and financial model (\$50,000): Tasks included the creation and negotiation of the Fund business plan with all Fund parties, including a demand analysis and the development of underwriting criteria, loan products and marketing plan. The Fund ran several different financial scenarios to ascertain the best financial model for the Fund, both from a product offering and a self-sufficiency perspective.
- Raising of grant and loan capital for the Fund (\$35,000): This work consisted of the marketing of the Fund to potential capital providers, preparation of all funding applications and underwriting packages for potential lenders/investors, and funder/investor negotiations during the documentation process.
- Structuring and closing the Fund (\$465,000): Expenses included \$200,000 in legal costs to structure and close the Fund, and for the necessary legal opinions. Other costs included LLC startup expenses, such as the provision of adequate liquidity (\$50,000) in the LLC to cover any early operating losses of the Fund, which typically occur in the first two years until the Fund has made enough project loans to support itself. In addition, LIIF received \$100,000 to serve as Administrative Agent, and each of the five other CDFIs received \$20,000 each at Fund closing to compensate them for time spent structuring and negotiating the Fund, external legal reviews and the establishment of a Fund administrative and reporting structure.

IV. Best Practices and Lessons Learned

With limited precedent to draw upon, the TOAH Fund progressed from dialogue and collaboration among a diverse group of stakeholders into an innovative \$50 million public-private financing resource for the development of affordable housing and other community facilities near transit lines throughout the Bay Area. Important practices were utilized and lessons were learned throughout the Fund Formation and should be considered when evaluating the Fund and developing similar funds. Twelve best practices utilized and lessons learned are interrelated and can be grouped into four themes: Shared Vision, Leadership, Action Plan, and Funding (Figure 5). Within each section, the TOAH Fund development's key takeaways and their relationships are bolded.

Figure 5
Best Practices Utilized and Lessons Learned in the Bay Area TOAH Fund Formation



A. Shared Vision

1. Assess Policy Environment

TOD is being encouraged at the local, state and national level throughout the United States. President Barack Obama has said:

When it comes to development—housing, transportation, energy efficiency—these things aren't mutually exclusive; they go hand in hand. And that means making sure that affordable housing exists in close proximity to jobs and transportation. That means encouraging shorter travel times and lower travel costs. It means safer, greener, more livable communities.¹³

In California and the Bay Area, a growing emphasis is being placed on long-range planning for sustainable land use, transportation and housing. California's 2008 Senate Bill 375 requires a reduction in greenhouse gas emissions and requires that each region develop a Sustainable Communities Strategy (SCS) that promotes compact, mixed use commercial and residential development that is walkable and bikable and close to public transit, jobs, schools, shopping, parks, recreation, and other amenities.

Although TOD projects are being encouraged, limited financial resources at the local, state and national levels and increasing development costs have required innovative project financing.

Over the past 30 years, financial instruments that support socially responsible investment have become common and have helped facilitate development. They run a continuum of return expectations from grants to investment funds with near-market rate returns. In the past 10 years, mission-driven funds have emerged as attractive investment tools that allow foundations, public agencies, community organizations, community development finance institutions, and private investment funds bridge critical gaps in the financing of community oriented development.

The TOAH Fund was created under favorable policy conditions and alignment, led by collaboration among a progressive regional transportation agency, its partner regional planning agency and a dedicated core of nonprofit organizations. The MTC has been at the forefront of promoting TOD in the Bay Area. According to a Fund Initiator, "timing worked out well. MTC's FOCUS program was in place, and it was an easy win to target PDAs."

2. Focus on Vision and Outcomes

The original vision came from the GCC, which is composed of a diverse group of community-based organizations and local foundations. The thread that connects all these groups is the commitment to social equity and justice and the need to distribute investments regionally. According to a Fund Initiator, "There was a process of educating all the GCC stakeholders. Getting the GCC on board was very important."

Once the GCC members were committed to creating a Bay Area fund that would encourage the development and preservation of affordable housing near quality transit, they became champions for the fund and were able to approach the MTC. **With so many stakeholders involved, it was important to have a clear focus on the common vision to avoid getting sidetracked in the details.** For example, from the beginning some stakeholders wanted to talk about interest rates, but these fine-tuning discussions needed to come later during the business plan development.

¹³ Urban Land Institute Terwilliger Center Research. *Bay Area Burden: Examining the Costs and Impacts of Housing and Transportation on Bay Area Residents, Their Neighborhoods, and the Environment*. President Obama quoted on July 13, 2009.

3. Allow for Flexibility in Implementation

Flexibility is important. The CDFIs pushed for flexibility in implementation, and MTC placed few restrictions on the use of funds to provide the Fund with maximum flexibility. According to a Financial Partner, “Originators did a great job of evaluating the market.” **The Fund’s loan products are not just for acquisition, but provide five different loan products designed to facilitate the development process. As the funding climate and market shifts, flexibility is important.**

B. Leadership

1. Leverage Relationships and Build Trust

The TOAH Fund’s stakeholders had an existing high level of trust among the various groups built upon many years of dialogue and collaboration focused on promoting infill development.

As mentioned above, GCC members undertook a process of forming a common vision around a fund for transit oriented affordable housing. Once the GCC members had a cohesive focus, they leveraged their relationship with MTC to get regional buy-in and the lead equity money. According to a Fund Sponsor, “Convening a diversity of players in the affordable housing community and having partners with a high level of trust, competency and a shared understanding of goals and the need to distribute investments regionally was critical in the Fund’s formation.”

On the Fund management side, a consortium of six CDFIs responded to the RFP for Fund Manager, as previously described in Section II.5 Fund Manager Selection. They deliberately decided to collaborate in order to leverage their experience at the local and national levels and their combined financial and technical capacity needed to administer the Fund. While administration is complex with six different organizations, they created a transparent internal governance structure that includes everyone in the decision-making process but maintains efficient operations. They also self-selected LIIF as the Fund Manager and their spokesperson. Although LIIF is the Fund Manager, developers can access the Fund through any of the CDFIs. Although the GCC did not anticipate that a consortium would apply, the combined core competency, track record with TOD projects, and local and national experience supported the CDFI Consortium’s selection.

One of the investors recalled that the initial reaction to the CDFI Consortium was skepticism about its ability to work effectively given the size of the group. “There would be too many cooks in the kitchen without strong leadership,” but the opposite has been true. “Having six CDFIs in the Fund gives it more exposure in the marketplace and allows for more breadth and depth.” The CDFIs are well-respected, have deep expertise and experience serving the Bay Area, and have long-standing relationships with potential borrowers and other local public sector partners.

2. Identify Key Leaders and Champions

TOAH succeeded due to the strong leadership of key stakeholders through the Fund’s formation stages. Initially, the path forward for the TOAH Fund was not clear. The San Francisco Foundation and Silicon Valley Community Foundation worked behind the scenes to bring interested parties together to discuss the potential for a Fund. The GCC was instrumental, because its members were key champions during the TOAH Fund’s formation process. The role of MTC also cannot be understated. It may have taken more groundwork for the TOAH Fund to convince transit authorities if MTC was not on board. Without such champions, the process could easily have floundered. Therefore, according to a GCC member, “there was a real need for someone with the charge to manage the process and bring it to conclusion.” **According to a Fund Sponsor, “It is critical to have key leaders with enough knowledge, leadership, credential,**

and capacity to be the project manager to make it happen. If there are differences in opinion, the goal is to move forward and not get stymied.”

3. Bring Together Diverse Expertise

The Fund’s formation process leveraged the diversity of organizations and specialties within GCC, which served as an “incubator” that enabled the Fund to access a variety of entities including philanthropists, organizations, developers, and affordable housing advocates, with extensive experience in housing, environmental justice, transportation, land use, and finance. MTC had experience creating smart growth and housing programs focused on transit. NPH provided affordable housing finance and development acumen. Reconnecting America was knowledgeable about TOD programs nationally. **The breadth and depth of stakeholder knowledge and experience enabled stakeholders to ask the right questions in the formation process and to complete research and analysis to inform the decision making process as the Fund developed from a conceptual conversation into a reality.**

C. Action Plan

1. Research Region’s Needs and Markets, Then Customize Fund

Before embarking on developing the business plan for the TOAH Fund, GCC stakeholders undertook a rigorous needs assessment process to understand that a fund offering flexible financing was needed to encourage transit oriented affordable housing development throughout the Bay Area. A GCC member advises studying the existing market before starting a fund, “Don’t assume that a fund is an answer to challenges. There is a unique economy, development community and investor community to each place, and the end product should be different in different places. As much as people want to streamline and start forming a fund, they need to understand the underlying needs and gap in the market.” The GCC and its consultants looked at vacant land surrounding transit nodes and a potential development pipeline. They interviewed developers, city leaders and other experts as part of the due diligence process.

Before deciding to join the TOAH Fund, the Ford Foundation “kicked the tires” by talking to Bay Area developers. In addition, the Ford Foundation spot-checked the TOAH Fund’s business terms with other comparable predevelopment financing in the Bay Area. The Ford Foundation had learned from participating in another fund that had not succeeded due to a lack of understanding about the market.

The region’s needs and markets should dictate the products offered by the fund, criteria used for projects and other key components of the fund. The size of the fund matters to achieve a certain level of scale and to be able to pay a Fund Manager. However, a Fund Sponsor says, “Don’t be afraid to start small. The TOAH Fund offers several financing options, but other funds may find it easier to take incremental steps. For example, another fund could focus on offering predevelopment loans.”

2. Build Demand and Collect a Pipeline of Projects

The pipeline was important for getting buy-in from funders and the GCC Working Group. Through the pipeline analysis, the Working Group established potential funding criteria and clients for projects, which exceeded \$50 million. **This pipeline analysis demonstrated demand for the Fund’s products and factored into investors’ decisions to participate in the Fund. The CDFIs were able to make loans right out of the gate due to the pipeline analysis that was completed when developing the business plan.**

3. Develop a Business Plan Articulating the Fund's Purpose and Management of Funds

The TOAH Fund's business plan builds upon the collaborative vision of the Fund Initiators and the research undertaken to identify development needs and funding gaps. The plan describes the mission, Fund priorities and Fund structure, as well as presents realistic operating, financial and marketing action-oriented plans. An investor recalls, "The business plan was well articulated and provided a sense of purpose and management of funds. The plan clearly laid out a roadmap for distributing funds. They are doing exactly what they said they would be doing."

Investors indicated that often other funds focus on accessing money rather than fund implementation and the underlying community and services that they will provide. Without an understanding of the market and fund structure, these funds have struggled to distribute funding.

D. Funding

1. Obtain Lead Public Equity Investment

According to key sponsors and funders, the MTC seed money was absolutely essential. The MTC's \$10 million grant as lead equity for the fund reflected the region's political and fiscal commitment to TOD development and laid the groundwork for other funders to join the TOAH Fund. Although MTC required a 3:1 leverage, MTC's top loss position in the capital stack was essential for attracting additional capital from philanthropic institutions and banks. As a result, the Fund was able to leverage \$40 million from MTC's \$10 million investment. **One investor says, "There is huge value to investors from MTC's first loss position. Conservative investors are more comfortable with becoming involved in the Fund knowing that they are protected." In addition, MTC's commitment enables the TOAH Fund to have innovative loan products with longer terms, higher LTVs and lower interest rates than other available funding sources.**

2. Access Patient Start-up Capital and Expect Need for Sweat Equity

GCC funders provided the start-up capital for the initial stages of the TOAH Fund's formation. This patient capital was critical, and as additional money was needed, GCC members agreed to provide more. In the initial stages, the Fund was in danger of petering out, but GCC provided more capital and time to allow the Fund to form. The original budget was carefully used and planned, and GCC members were careful to not "nickel and dime" the process. **In addition to patient start-up capital, many of the Fund Initiators involved in its formation provided many hours of in-kind support with their advocacy as well as contributing their expertise and insight to guide the Fund formation.**

3. Negotiation with Potential Funders Regarding Risk Positions and Return

When the Working Group transformed into the TOAH Fund Advisory Committee, investors were already interested in the Fund. Potential investors had been cultivated from the extensive research and outreach that had been done leading up to the TOAH Fund formation. While the Advisory Committee was in the process of defining the Fund mission, governance structure, and other aspects of the Fund, it was also negotiating the rates of return and risk positions with investors. According to one investor, "The TOAH Fund could have been better if the Business Plan was further along before asking the PRIs, foundations and other subordinate lenders to join and if there was a provisional term sheet when new funders came in."

When raising and structuring capital, there is a benefit to providing information upfront to potential funders regarding the Fund structure and terms, particularly the potential investment

risks and returns, and the loan products that will be offered to the end borrowers through the program. A business planning process, with the potential funders involved, can help accelerate the Fund formation process, and it provides clarity to all parties about the business strategies and tactics.

In addition, many discussions need to be held with each funder because each has unique needs and expectations, as well as a distinctive risk and return profiles. For example, while foundations and banks will look at many of the same facts when evaluating a lending or investing opportunity, they will accept different risk and return positions depending on their organizational objectives. Even among nonprofits, the priorities and appetites for accepting risk and return expectations will be different. Term sheets are a helpful way to make this process more transparent and clear. If capital providers are unable to reach consensus about how to share risk, a fund manager needs to play the role of “honest broker” and work with all parties to reach a compromise that works for all of them. There is no “right” answer to a capital structure, and it could look very different depending on the environment and the funders involved.

V. Conclusions (and What's Next?)

The TOAH Fund has embraced innovation from its initial conception through its formation and implementation. It has collaborated with a vast network of nonprofit, philanthropic, private, and public entities to create a Fund that assists in the development of equitable TOD throughout the nine-county Bay Area and reduces the housing-transportation burden for lower income residents in the region. Extensive research and stakeholder engagement accompanied by a well thought out business plan and capital stack garnered financial investment from a variety of sources to create a public private funding mechanism for TOD. To date, the Fund has awarded financing to four projects, as shown in Table 1: Eddy and Taylor Family Housing in San Francisco, 5th and Howard in San Francisco, Leigh Avenue Senior Apartments in San Jose, and West Grand Development in Oakland. (Refer to Appendix C for Project Loan Profiles for each of the four projects.)

Table 1
TOAH Fund Closed Projects, Through December 2012

Project Name	Project Sponsor	City	Loan Product	Asset Class	Loan Amount
Eddy and Taylor Family Apartments	TNDC	San Francisco	Acquisition	Affordable Housing	\$7,055,000
Leigh Avenue Senior Housing	FCH	San Jose	Acquisition	Affordable Housing	\$2,992,000
West Grand Development	EBALDC	Oakland	Acquisition	Affordable Housing	\$1,800,000
5th and Howard	TNDC	San Francisco	Acquisition	Affordable Housing	\$4,000,000

Fund Evaluation

The underlying vision of the TOAH Fund is clear, although additional data will be needed to determine whether its financial structure is a success. As the Fund matures and additional projects are funded and completed, a better understanding and evaluation of the Fund can be made.

Changing Market

The Fund has experienced a constantly changing real estate market. Since 2005 when market research for the TOAH Fund began, the market has peaked and hit the bottom, and now it is in a recovery period. The Fund has not experienced a stable market, and it is not known if these market shifts will impact the Fund's success. Furthermore, it will be important to see how the Fund adjusts over time in response to changing market conditions.

Project Vision and Criteria

The eligible projects must be located in PDAs, but several stakeholders indicated that additional site criteria could be beneficial. Some suggest using a rating scale to assess the quality of transit near a project to ensure access to transit that demonstrates a high level of service and that provides a convenient schedule. Others suggest focusing investment in mixed-income opportunity areas located near transportation, jobs, good schools, and community facilities.

Geographic Diversity

The Fund emphasizes the need for equitable TOD throughout the Bay Area. The first projects to receive funds are in San Francisco, San Jose and Oakland, yet there is an opportunity to further shift Bay Area development patterns by encouraging greater density in more suburban locations.

Loss of Other Funding Sources

Financing for affordable housing and infill development is difficult to obtain given high LTV ratios and long loan terms. As a result, many project sponsors rely on public funding, which is becoming harder to acquire due to limited availability of local, state and federal funds. Furthermore, the recent dissolution of California's redevelopment agencies, which annually offered about \$1 billion in funding statewide for affordable housing in Redevelopment Project Areas, has left a large void. For local governments the affordable housing set-aside from redevelopment was a critical source of funding to support affordable housing in their community. In addition, redevelopment funds were also used to build the infrastructure and other community assets that supported the housing. The TOAH Fund has \$50 million, but it alone cannot fund the pipeline nor can it replace the permanent funding that redevelopment has provided for affordable housing and infill development in the past. More public and private investment is needed in infill sites, be it through coordinated investment, like TOAH, reinvented redevelopment, or regulatory or underwriting reform.

Appendix A: Fund Program Structure

The mission of the TOAH Fund is to promote equitable TOD across the nine-county Bay Area by catalyzing development of affordable housing, community services, fresh foods markets, and other neighborhood assets near transit. This section describes the Fund's policies, loan products, capital structure, fund management, requirements to change Fund operations, and term sheets.

A. Fund Policies (Eligibility and Priorities)

1. Eligible Borrowers

Project sponsors/borrowers may be nonprofit or for-profit organizations, government agencies and/or joint ventures. Limited partnerships and limited liability companies affiliated with the project sponsor are also eligible. Project sponsors/borrowers must meet the following requirements:

- Minimum of three (3) years experience with affordable housing or non-housing related property development;
- For affordable housing projects, the sponsor/borrower should show evidence of successful completion of at least two (2) projects similar in scope. For community facility projects, the sponsor/borrower should demonstrate the capacity and development team to successfully execute the project;
- Successful track record of obtaining financing resources for similar projects (public and private);
- Good standing with the applicable county, and any other applicable federal, state and local agencies;
- No material defaults on development financing within the past seven years; and
- Not experienced a material adverse financial change, based on review of internally prepared and/or audited financial statements.

2. Eligible Uses

Eligible uses for the TOAH Fund include the following types of projects during acquisition, predevelopment or construction phase:

- Multifamily rental housing: The Fund prioritizes investing in projects that maximize affordability, including Low Income Housing Tax Credit (LIHTC) projects and other public/private partnerships;
- Homeownership: Homeownership projects must include a substantial amount of units for low-to-moderate income families;
- Mixed use projects: Mixed use projects must include affordable units and additional uses that service a community need such as neighborhood retail, childcare centers, or social services;
- Community facilities: Stand-alone facilities such as childcare centers, charter schools, health clinics, neighborhood retail, fresh food markets, or other community facilities that serve a non-housing community purpose are eligible for funding; and
- Other: Acquisitions of other property types, such as commercial properties, are considered on a case-by-case basis.

The Fund will consider acquisitions of vacant land, as well as operating housing or commercial properties where the intent of the acquisition of the operating property is to preserve and/or improve housing affordability or address another stated community need.

3. Targeted Geography

Projects must be located in a Priority Development Area (PDA) in the nine-county Bay Area, which consists of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, and Sonoma. PDAs are locally identified, infill development opportunity areas of at least 100 acres within communities with local commitment to developing more housing along with amenities and services to meet the day-to-day needs of residents in pedestrian-friendly environments served by transit. PDAs are more likely to have supportive policies, including zoning allowances and a more accommodating political environment as community planning processes and input from local stakeholders has occurred, which is critical to the equitable transit oriented development process. Generally, PDAs are approximately 100 acres, which is approximately a ¼ mile radius. A map of the PDAs is available at <http://www.bayareavision.org/pda/>.

In order for an area to receive designation as a PDA, a town, city or county government submits an application to the FOCUS program. The Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC) lead FOCUS, with support from the Bay Area Air Quality Management District (BAAQMD) and the Bay Conservation and Development Commission (BCDC). The FOCUS program unites the efforts of these four regional agencies into a single program that encourages future population growth in areas near transit and within the communities that surround the San Francisco Bay.

4. Investment Priorities

The Fund has established the following programmatic priorities:

Affordable Housing

The Fund's covenant requires that 66 percent of the housing units financed by the Fund are affordable, but the Fund targets that at least 75 percent of the housing units financed by the Fund, in aggregate, should be designated for residents with household income equal to or less than 80 percent of Area Median Income (AMI). For multifamily rental projects, at least 20 percent of the units must be designated for occupancy by residents with household income equal to or less than 50 percent of AMI, or at least 40 percent of units must be designated for occupancy by residents with household income not exceeding 60 percent of AMI. Homeownership units must target low to moderate-income households.

The Fund gives equal priority to the preservation of affordable housing and new construction of units. The Fund may be used for rental housing and homeownership projects, but the immediate preference, given market conditions, is for affordable multifamily rental units for families and individuals, including supportive housing. The Fund is open to catalytic opportunities in weaker real estate markets where mixed use development may create opportunities to revitalize distressed neighborhoods.

Complementary Neighborhood Uses

Loans to non-housing projects, such as child care centers, health clinics, community facilities, neighborhood retail, food markets, and other uses, should account for no more than 15 percent of Fund resources unless the project has a compelling public or catalytic neighborhood benefit. Full lender approval is required to exceed this percentage cap. Examples of catalytic neighborhood benefits include opening a fresh foods market in a recognized food desert, or the development of a childcare center near transit in an underserved community. The inclusion of neighborhood retail or other ground floor community services in affordable housing projects will be counted towards this maximum.

Geographic Diversity

The Fund makes every effort to ensure that the projects supported by the Fund represent the diverse geography of the Bay Area. All Fund projects must be in PDAs. Priority will be given to projects in the PDAs that already have an adopted land use plan.

High Quality Transit Service

All projects must be within a ½-mile of quality transit service, which includes heavy rail, light rail, bus rapid transit, and bus lines with frequent service. The Fund considers transit mode and frequency when assessing transit quality.

Needs Test

The Fund must assist in the creation of affordable housing and other eligible projects that the market would not otherwise create, as opposed to simply lowering the cost for developers. The borrower must demonstrate that the flexible terms and pricing of Fund products help make the project feasible, or assist the developer in accelerating the development schedule of the project and delivering deeper community benefits that may not otherwise have occurred for an indeterminate time period without Fund financing.

B. Loan Products

The Fund offers a broad range of products with flexible uses for borrowers. A term sheet for all loan products for calendar year 2012 is located in Section F. As of September 2012, the Fund's interest rates range between 4.80 percent and 7.00 percent depending on the loan type and term. An origination fee of 2.00 percent is charged to each loan. Origination fees are split between the originating CDFI (1.50 percent) and the Administrative Agent (LIIF) (0.50 percent).

1. Predevelopment Loans

Loan proceeds may be used for a broad range of activities, including but not limited to: architecture, engineering, environmental studies, soils reports, surveys, market studies, appraisals, deposits or other site control expenses, escrow, title, and brokers fees, hazard insurance, liability insurance, property taxes, site security, financing fees, and debt service expenses. The maximum loan term is seven years, and the maximum loan amount is \$750,000.

2. Acquisition Loans

Loan proceeds may be used for the acquisition of vacant land and/or real property and lot development expenses, including predevelopment expenses. The potentially longer term associated with these loans is intended to allow developers sufficient time to assemble multiple parcels of land into a single TOD project. The potentially higher loan-to-value will reduce the need for developers to line up multiple sources of financing, enabling them to make offers on available land quickly within a competitive timeframe. The maximum loan term is seven years, and the maximum loan amount is \$7,500,000.

3. Construction Bridge Loans

Loan proceeds may be used to bridge construction funding to either larger or longer-term financing. The loan purpose may be new construction or rehabilitation. It is anticipated that most construction bridge financing will be provided to borrowers that have permanent public funding sources identified and committed but are waiting for funding to occur. This product will help bridge the gap in the intervening time period. The maximum loan term is three years, and the maximum loan amount is \$7,500,000.

4. Construction-to-Mini-Permanent Loans

Loan proceeds may be used for construction financing (new or rehabilitation) followed by a mini-permanent takeout. This product will primarily be used for development of community facilities, childcare centers, and neighborhood retail, including fresh foods markets. The maximum loan commitment amount is \$7,500,000. The maximum construction loan term is two years, and the expected loan term for the mini-permanent phase is five to six years, depending on the length of the construction phase. The maximum combined construction-to-mini-permanent loan term is seven years.

5. NMTC Leveraged Loans

Loan proceeds may be used to fund eligible predevelopment, acquisition, construction, and/or mini-permanent financing to leverage an investment into a New Market Tax Credit (NMTC) transaction, which could be community facilities, neighborhood retail, fresh foods markets, child care centers, etcetera. The maximum loan term is seven years, and the maximum loan amount is \$7,500,000.

C. Capital Structure

The Fund has a 10-year term, and a five-year origination period. The TOAH Fund is structured with Class A (Senior), Class B (Originating CDFIs), Class C (PRI), Class D (Originating CDFIs), and Class E tranches. The six CDFIs originate all loans for the Fund, with each CDFI fully funding the Class B and Class D tranches of the loans they originate. The Originating CDFIs' piece is split into two tranches, Class B and Class D. The Class C Lenders (PRI) requested that 1.5 percent of the CDFI loan capital (equal to the CDFI origination fee) be subordinated to their investment.

The tranches of capital partners are summarized below:

- **Class A - Senior Lenders:** Provide up to \$25 million of senior capital to the TOAH Fund LLC. Morgan Stanley and Citi Community Capital are each taking \$12.5 million of the Class A tranche.
- **Class B - Originating CDFIs:** Provide up to \$7.75 million of capital to the Fund and serve as originators.
- **Class C - Subordinate Lenders:** Provide \$6.5 million of capital to the Fund. The Ford Foundation provided a \$3 million PRI, Living Cities Catalyst Fund provided \$3 million and The San Francisco Foundation provided a \$500,000 PRI that was subordinate to Ford and Living Cities. The Class C lenders are providing funds on a pro rata basis and assumes a third loss position.
- **Class D - Originating CDFIs:** Provide up to \$750,000 of capital to the Fund and serve as originators for the Fund. The Class D Lender will assume a second loss position.
- **Class E - LIIF/MTC:** LIIF loaned \$10 million to the Fund, and received reimbursement from the MTC for doing so. These funds capitalized the Fund upon inception and assume a first loss position.

The TOAH Fund is structured so that Class E dollars fund 20 percent of each Project Loan. Under the Fund's pooled risk structure, the \$10 million is a first or top loss for the entire Fund. If a Project Loan suffers a loss, the Class E funds would absorb the first 20 percent of losses. The Class D Lender (Originating CDFI) for each Project Loan would absorb the next 1.5 percent of losses followed by the Class C Lender (PRI) absorbing the following 13 percent of losses. The Class B Lender (Originating CDFI) would then absorb the next 15.5 percent of losses. Under the pooled risk structure, the Class E Funder would immediately reimburse Class A Lenders for any project loan losses, up to the amount of available unencumbered Class E funds. The Class E loss protection would be limited to the full \$10 million commitment to the Fund. At the Fund's maturity, any Class E dollars remaining in the Fund

will be used to pay off all unpaid Class A and Class C Lender (PRI) losses (if any), and then unpaid Fund administrative costs.

D. Fund Management

1. Bay Area Transit Oriented Affordable Housing Development Fund LLC

The TOAH Fund is structured as a Limited Liability Company (LLC), the Bay Area Transit Oriented Affordable Housing Development Fund LLC, which consists of three members: a subsidiary LLC of ECLF, a subsidiary LLC of LIIF, and NCCLF's parent entity.

2. Administrative Agent and Managing Member

LIIF's subsidiary LLC is the Managing Member and Administrative Agent. LIIF is responsible for raising capital, developing Fund legal documents, and closing the Fund. LIIF also manages the Fund's day-to-day operations, including project loan approvals, financial management and reporting.

3. Master Servicer

LIIF is the Master Servicer for the Fund and is responsible to the Fund parties for the servicing of all underlying project loans. LIIF enters into Subservicing Agreements with each of the CDFIs so that they can service the project loans that they originate.

4. Fund Originators

The six CDFIs are the designated originators for the Fund. Organizations applying for a loan from the Fund apply directly to a CDFI. After approving a loan application, the originating CDFI submits an underwriting memo and package to the Administrative Agent (LIIF), who reviews the package and manages the Fund credit approval process. The originating CDFI services the loans they originate.

5. Advisory Committee

The Advisory Committee provides strategic and programmatic guidance to the Administrative Agent and CDFI Consortium. The Committee serves as a forum to discuss substantive matters that may affect the Fund or its mission, and monitors the Fund's progress against the established programmatic priorities and the business plan. The Committee serves solely in an advisory capacity and does not have any legally binding authority on the Fund. The Committee does not review individual project transactions, nor does it have credit authority to approve/disapprove individual transactions or make any changes to the Fund's legal structure or procedures.

The Committee consists of 10-12 members, with representation from the MTC, GCC member organizations, philanthropic institutions that are investors into the Fund, and local public sector representatives. The Administrative Agent (LIIF), a second CDFI (rotating seat), and LISC (for program evaluation component) will be ex officio members. The MTC has a permanent seat. The capital providers to the Fund also retain permanent seats. Each Committee member who does not have a permanent seat has a term of a single-year, which may be renewed.

6. Credit Committee

The Credit Committee approves all prospective project loans and helps determine a course of action for delinquent loans. The Credit Committee is comprised of:

- Two rotating seats for the Class B/D Lenders who are not serving as the Originating Lender on the Project Loan (LIIF will not receive a Class B/D Lender vote as long as it retains its vote as Administrative Agent).
- One representative of the Administrative Agent (currently LIIF).
- One representative of the Class C Lenders (only for non-conforming loans).
- Two seats for the Class A Senior Lenders.

LIIF receives a maximum of one vote on the Credit Committee. If LIIF is the Originating Lender for a loan, it will recuse itself from voting on that loan, and an alternate CDFI will be added in its place. The Credit Committee must have at least three members at a meeting to represent a quorum, including one Class A lender. For a project loan request to receive approval, a supermajority (2/3s) of Credit Committee members must approve it, with a minimum of three yes votes. For a project loan request that does not meet the Fund's underwriting criteria, the supermajority approval must include votes from both (2) Class A Lenders and the Administrative Agent.

E. Requirements to Change Fund Operations

The consent of all capital partners who signed the original Fund documents is required for decisions that affect the structure, intent, operations or other significantly material aspect of the Fund's operations. For example, the following decisions require unanimous approval of all parties to the Fund:

- Fund structural changes (including such changes to the LLC).
- Changes to Fund agreements.
- Changes to Credit Committee composition or voting rights.
- Changes to Underwriting Criteria.
- Approval of new Originating Lender(s).

F. Calendar Year 2012 Loan Term Sheets

PROJECT LOAN TERM SHEET

– SECURED PREDEVELOPMENT

The following Term Sheet is provided for convenience only and does not constitute a commitment to lend or borrow or an agreement to issue or accept a commitment on these or any other terms or to arrange any financing and shall not create a binding or legally enforceable obligation on the Bay Area TOAH Fund or any other party in any way. The terms contained herein are of a summary nature and are not all-inclusive.

Originating Lenders:	Corporation for Supportive Housing, Enterprise Community Loan Fund, Low Income Investment Fund, Local Initiatives Support Corporation, Northern California Community Loan Fund, or the Opportunity Fund
Loan Type:	Secured Predevelopment
Loan Amount:	Maximum loan commitment amount of \$750,000. Non-revolving.
Development Parameters:	All developments must be: <ul style="list-style-type: none"> ▪ Located in a Priority Development Area (“PDA”). ▪ Located in the nine-county Bay Area, which consists of the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, including incorporated cities. ▪ Located within ½ mile of quality transit services, which includes BART, light rail, bus rapid transit, etc.
Public Sector Support Requirement:	The Fund will require the project has public sector support in the form of cash or commitment equal to or exceeding 10% of the acquisition price.
Zoning:	The Project Sponsor/Borrower must demonstrate that the site has already received all necessary zoning approvals or will receive the necessary approvals within 15 months of loan closing.
Loan to Value:	Nonprofit Borrowers: up to 110% of the lesser of the as-is appraised value or the purchase price. For-Profit Borrowers: up to 100% of the lesser of the as-is appraised value or the purchase price.
Equity Requirement:	Nonprofit Borrowers: 10% equity, can be in the form of subordinate soft debt from local government agencies, and grants to cover predevelopment costs For-Profit Borrowers: 10% cash equity to cover predevelopment costs
Eligible Use:	The following project types are eligible: <ul style="list-style-type: none"> ▪ <u>Multifamily rental housing</u> – The Fund will prioritize projects that maximize affordability. At a minimum, all rental units are restricted to households at 80% of AMI or below and either (A) at least 20% of the units must be designated for occupancy by residents with household income equal to or less than 50% of AMI; or (B) at least 40% of the units must be designated for occupancy by residents with household income that does not exceed 60% of AMI; ▪ <u>Homeownership</u> – Must target low to moderate income families; ▪ <u>Mixed-use projects</u> – Eligible for fund financing when housing component meets above criteria and additional uses, such as neighborhood retail, childcare centers or social services, meet community needs; and ▪ <u>Other</u> – Use for other property types, such as commercial properties, will be considered on a case by case basis. <p>Loan proceeds may be used for a broad range of activities, including but not limited to: architecture, engineering, environmental studies, soils reports, surveys, market studies, appraisals, deposits or other site control expenses, escrow, title, and brokers fees, hazard insurance, liability insurance, property taxes, site security, financing fees, and debt service expenses.</p>
Eligible Borrowers:	Eligible borrowers may be nonprofit or for-profit corporations, municipal agencies, and joint ventures comprised of such entities, with a track record of developing affordable housing or other projects that meet a community need (“Project Sponsors”). Limited partnerships or limited liability companies affiliated with the Project Sponsors are also eligible.

Sponsor / Borrower Requirements:	<p>Project Sponsors/Borrowers will meet the following requirements:</p> <ul style="list-style-type: none"> ▪ Three (3) years minimum development experience ▪ Successful track record of obtaining financing resources (public and private) ▪ For affordable housing projects, Sponsor shows evidence of successful completion of at least two (2) projects similar in scope. For community facility projects, Sponsor demonstrates the capacity and development team to successfully execute the Project. ▪ Sponsor/Borrower corporate status, tax-exempt determinations, business licensing requirements and good standing certificate in effect with applicable county and appropriate state and local agencies. ▪ Sponsor/Borrower has no material defaults on development financing within the past seven (7) years. ▪ Sponsor/Borrower has not experienced a material adverse financial change, based on a review of internally-prepared interim or audited financial statements.
Recourse:	Secured predevelopment loans will have full recourse to the Project Sponsor, including guarantees from parent organizations, if applicable.
Interest Rate:	Loan pricing will be fixed rate for the original term of the loan at closing. The interest rate for loans closed during calendar 2011 is projected to be between 4.80% and 5.75%.
Repayment:	<p>Interest-only payments, principal due at maturity or upon receipt of identified repayment source, including the closing of construction financing or internally generated funds.</p> <p>Interest-only payments may be made from an interest reserve funded through loan proceeds, or paid directly from the borrower. If interest is to be paid by directly by the borrower, the source of stable cash flow must be identified and underwritten.</p>
Fees:	The Borrower will pay an Origination Fee of 2.00% of the Project Loan, payable upon closing. The Originating Lender may charge an application and/or commitment fee, which will be credited against the Origination Fee.
Events of Default:	Standard.
Term:	The maximum secured predevelopment loan term is seven (7) years.
Security:	<p>All secured predevelopment loans will be secured by real estate in a first priority position. Other secured loans will be subject to subordination and standstill agreements.</p> <p>Additional collateral may also be required if available and appropriate.</p>
Loan Conditions:	<p>Loan agreements will require the following project-specific reports prior to closing:</p> <ul style="list-style-type: none"> ▪ Project milestone schedule ▪ Project draw schedule ▪ Standard financial covenants (to be determined) ▪ Standard reporting requirements (to be determined) ▪ Other reports as required by the Originating Lender
Third Party Reports:	<p>Summary appraisal with “as-is” market value for the land and any existing buildings.</p> <p>Environmental site assessment, geotechnical survey, and other reports as required by the Originating Lender.</p>
Reporting Requirements:	In addition to the standard reporting requirements for a loan of this nature, Borrower must agree to comply with any additional reporting requirements required by the Fund to document the impact of the Fund. All reporting requirements will be clearly defined in the loan documents.
Needs Test:	The Originating Lender must demonstrate how the proposed loan terms facilitate the development of affordable housing projects and other eligible projects.

PROJECT LOAN TERM SHEET - ACQUISITION

The following Term Sheet is provided for convenience only and does not constitute a commitment to lend or borrow or an agreement to issue or accept a commitment on these or any other terms or to arrange any financing and shall not create a binding or legally enforceable obligation on the Bay Area TOAH Fund or any other party in any way. The terms contained herein are of a summary nature and are not all-inclusive.

Originating Lenders:	Corporation for Supportive Housing, Enterprise Community Loan Fund, Low Income Investment Fund, Local Initiatives Support Corporation, Northern California Community Loan Fund, or the Opportunity Fund
Loan Type:	Acquisition
Loan Amount:	Maximum loan commitment amount of \$7,500,000, including a maximum of \$750,000 for predevelopment expenses. Loans of \$5,000,000 and less will be considered Conforming Loans.
Development Parameters:	All acquisition sites must be: <ul style="list-style-type: none"> ▪ Located in a Priority Development Area (“PDA”). ▪ Located in the nine-county Bay Area, which consists of the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, including incorporated cities. ▪ Located within ½ mile of quality transit services, which includes BART, light rail, bus rapid transit, etc.
Public Sector Support Requirement:	The Fund will require demonstration of local public sector support for the project. For a loan to be considered “Conforming”, a public sector agency must either invest cash or issue a commitment letter for an amount equal to or exceeding 10% of the acquisition cost of the land/property prior to the closing of the Fund loan. The Fund will consider projects that do not demonstrate this support, but these requests will be categorized as “Non Conforming.”
Zoning:	The Project Sponsor/Borrower must demonstrate that the site has already received all necessary zoning approvals or will receive the necessary approvals within 15 months of loan closing.
Loan to Value:	Nonprofit Borrowers: up to 110% of the lesser of the as-is appraised value or the purchase price, to include funds for predevelopment expenses. For-Profit Borrowers: up to 100% of the lesser of the as-is appraised value or the purchase price, to include funds for predevelopment expenses.
Equity Requirement:	Nonprofit Borrowers: 10% equity, based on total acquisition cost, can be in the form of subordinate debt from local government agencies, grants, and contributed land equity in lieu of some or all of the equity For-Profit Borrowers: 10% cash equity, based on total acquisition cost
Eligible Use:	The following project types are eligible: <ul style="list-style-type: none"> ▪ <u>Multifamily rental housing</u> – The Fund will prioritize projects that maximize affordability. At a minimum, all rental units are restricted to households at 80% of AMI or below and either (A) at least 20% of the units must be designated for occupancy by residents with household income equal to or less than 50% of AMI; or (B) at least 40% of the units must be designated for occupancy by residents with household income that does not exceed 60% of AMI; ▪ <u>Homeownership</u> – Must include low to moderate income families; ▪ <u>Mixed-use projects</u> – Eligible for fund financing when housing component includes affordable units, and additional uses, such as neighborhood retail, childcare centers or social services, meet community needs; ▪ <u>Community Facilities and Catalytic Neighborhood Projects</u> – Financing for stand alone childcare centers, health clinics, fresh foods markets, neighborhood retail, social services and other non-housing uses; and ▪ <u>Other</u> – Acquisition of other project types, such as commercial properties, will be considered on a case by case basis. <p>Fund will consider acquisitions of <u>vacant land and operating housing or commercial properties</u> where the intent of the acquisition of the operating property is to preserve and/or improve housing affordability or address another stated community need.</p>

Eligible Borrowers:	Eligible borrowers may be nonprofit or for-profit corporations, municipal agencies, and joint ventures comprised of such entities, with a track record of developing affordable housing or other projects that meet a community need ("Project Sponsors"). Limited partnerships or limited liability companies affiliated with the Project Sponsors are also eligible.
Sponsor / Borrower Requirements:	Project Sponsors/Borrowers will meet the following requirements: <ul style="list-style-type: none"> ▪ Three (3) years minimum development experience ▪ Successful track record of obtaining financing resources (public and private) ▪ For affordable housing projects, Sponsor shows evidence of successful completion of at least two (2) projects similar in scope. For community facility projects, Sponsor demonstrates the capacity and development team to successfully execute the Project. ▪ Sponsor/Borrower corporate status, tax-exempt determinations, business licensing requirements and good standing certificate in effect with applicable county and appropriate state and local agencies. ▪ Sponsor/Borrower has no material defaults on development financing within the past seven (7) years. ▪ Sponsor/Borrower has not experienced a material adverse financial change, based on a review of internally-prepared interim or audited financial statements.
Recourse:	Acquisition loans will have full recourse to the Project Sponsor, including guarantees from parent organizations, if applicable.
Interest Rate:	Loan pricing will be fixed for the original term of the loan at closing. The interest rate for loans closed during calendar 2011 is projected to be between 4.80% and 5.75%.
Repayment:	Interest-only payments, principal due at maturity or upon receipt of identified repayment source, including the closing of construction financing or internally generated funds. Interest-only payments will be made from a capitalized interest reserve funded through loan proceeds. The interest reserve may be reduced or eliminated if the Project Sponsor demonstrates the financial strength to make out of pocket interest payments, identifies another source to pay interest payments or there is a source of stable cash flow from the acquisition property. If interest reserve is exhausted, Borrower will make payments out of pocket.
Fees:	The Borrower will pay an Origination Fee of 2.00% of the Project Loan, payable upon closing. The Originating Lender may charge an application and/or commitment fee, which will be credited against the Origination Fee.
Covenants:	Standard for this type of loan.
Events of Default:	Standard.
Term:	The maximum acquisition loan term is seven (7) years.
Security:	All acquisition loans will be secured by real estate in a first priority position. Other secured loans will be subject to subordination and standstill agreements. Additional collateral may also be required, if available and appropriate.
Loan Conditions:	Loan agreements will require the following conditions prior to closing: <ul style="list-style-type: none"> ▪ Standard financial covenants (to be determined) ▪ Standard reporting requirements (to be determined) ▪ Other reports as required by the Originating Lender
Third Party Reports:	Summary appraisal with "as-is" market value for the land and any existing buildings. Environmental site assessment, geotechnical survey, and other reports as required by the Lender.
Reporting Requirements:	In addition to the standard reporting requirements for a loan of this nature, Borrower must agree to comply with any additional reporting requirements required by Fund to document the impact of this Fund. All reporting

	requirements will be clearly defined in the loan documents.
Needs Test:	The Originating Lender must demonstrate how the proposed loan terms facilitate the development of affordable housing projects and other eligible projects.

PROJECT LOAN TERM SHEET

– CONSTRUCTION BRIDGE

The following Term Sheet is provided for convenience only and does not constitute a commitment to lend or borrow or an agreement to issue or accept a commitment on these or any other terms or to arrange any financing and shall not create a binding or legally enforceable obligation on the Bay Area TOAH Fund or any other party in any way. The terms contained herein are of a summary nature and are not all-inclusive.

Originating Lenders:	Corporation for Supportive Housing, Enterprise Community Loan Fund, Low Income Investment Fund, Local Initiatives Support Corporation, Northern California Community Loan Fund, or the Opportunity Fund
Loan Type:	Construction Bridge
Loan Amount:	Maximum loan commitment amount of \$7,500,000.
Development Parameters:	All construction sites must be: <ul style="list-style-type: none"> ▪ Located in a Priority Development Area (“PDA”). ▪ Located in the nine-county Bay Area, which consists of the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, including incorporated cities. ▪ Located within ½ mile of quality transit services, which includes BART, light rail, bus rapid transit, etc.
Public Sector Support Requirement:	The Fund will require demonstration of local public sector support for the project, which could take the form of a financial commitment to the project or a Letter of Support on agency letterhead.
Loan to Value:	Nonprofit Borrowers: up to 110% of the lesser of the as-complete market value or the as-complete restricted value. For-Profit Borrowers: up to 100% of the lesser of the as-complete market value or the as-complete restricted value.
Equity Requirement:	Nonprofit Borrowers: 10% equity, based on total development costs, can be in the form of subordinate soft debt from local government agencies, grants, and contributed land equity in lieu of some or all of the equity For-Profit Borrowers: 10% cash equity, based on total development cost
Eligible Use:	The following projects are eligible: <ul style="list-style-type: none"> ▪ <u>Multifamily Rental Housing</u> – The Fund will prioritize projects that maximize affordability. At a minimum, all rental units are restricted to households at 80% of AMI or below and either (A) at least 20% of the units must be designated for occupancy by residents with household income equal to or less than 50% of AMI; or (B) at least 40% of the units must be designated for occupancy by residents with household income that does not exceed 60% of AMI; ▪ <u>Mixed-Use Projects</u> – Eligible for financing when housing component meets above criteria and additional uses, such as neighborhood retail, childcare centers, or social services, meet community needs, and ▪ <u>Other</u> – Construction financing for other types of property, such as commercial properties, will be considered on a case-by-case basis. <p>Loan proceeds may be used to bridge construction funding to either larger or longer-term financing. Loan purpose may be for new construction or rehabilitation.</p>
Eligible Borrowers:	Eligible borrowers may be nonprofit or for-profit corporations, municipal agencies and redevelopment agencies, and joint ventures comprised of such entities, with a track record of developing affordable housing or other projects that meet a community need (“Project Sponsors”). Limited partnerships or limited liability companies affiliated with the Project Sponsors are also eligible.
Sponsor / Borrower Requirements:	Project Sponsors/Borrowers will meet the following requirements: <ul style="list-style-type: none"> ▪ Three (3) years minimum development experience ▪ Successful track record of obtaining financing resources (public and private) ▪ For affordable housing projects, Sponsor shows evidence of successful

	<p>completion of at least two (2) projects similar in scope. For community facility projects, Sponsor demonstrates the capacity and development team to successfully execute the Project.</p> <ul style="list-style-type: none"> ▪ Sponsor/Borrower corporate status, tax-exempt determinations, business licensing requirements and good standing certificate in effect with applicable county and appropriate state and local agencies. ▪ Sponsor/Borrower has no material defaults on development financing within the past seven (7) years. ▪ Sponsor/Borrower has not experienced a material adverse financial change, based on a review of internally-prepared interim or audited financial statements.
Recourse:	Construction loans will have full recourse to the Project Sponsor, including guarantees from parent organizations, if applicable.
Interest Rate:	Loan pricing will be fixed rate for the original term of the loan at closing. The interest rate for loans closed during calendar 2011 is projected to be between 6.0% and 7.0%.
Repayment:	<p>Interest-only payments, principal due at maturity or upon receipt of identified repayment source. Repayment for rental housing will typically come from permanent or takeout financing identified prior to closing.</p> <p>Interest-only payments will be made from an interest reserve funded through loan proceeds. If interest reserve is exhausted, Borrower will make payments out of pocket.</p>
Fees:	The Borrower will pay an Origination Fee of 2.00% of the Project Loan, payable upon closing. The Originating Lender may charge an application and/or commitment fee, which will be credited against the Origination Fee.
Covenants:	Standard for this type of loan.
Events of Default:	Standard.
Term:	The maximum construction bridge loan term is three (3) years.
Security:	<p>All construction loans will be secured by real estate, cash, letter of credit or interest in other comparable collateral. Other secured loans will be subject to subordination and standstill agreements.</p> <p>Additional collateral may also be required, depending on the type of construction.</p>
Loan Conditions:	<p>Loan agreements will require the following conditions prior to closing:</p> <ul style="list-style-type: none"> ▪ Standard financial covenants (to be determined) ▪ Standard reporting requirements (to be determined) ▪ Other reports as required by the Originating Lender
Third Party Reports:	<p>Summary appraisal with “as-is” market value for the land and any existing building, an “as-completed and stabilized” market value for the proposed project and an “as completed and stabilized” restricted value, if applicable.</p> <p>Environmental site assessment, geotechnical survey, and other reports as required by the Originating Lender.</p>
Reporting Requirements:	In addition to the standard reporting requirements for a loan of this nature, Borrower must agree to comply with any additional reporting requirements required by the Fund to document the impact of the Fund. All reporting requirements will be clearly defined in the loan documents.
Needs Test:	The Originating Lender must demonstrate how the proposed loan terms facilitate the development of affordable housing projects and other eligible projects.

PROJECT LOAN TERM SHEET CONSTRUCTION-to-MINI-PERMANENT

The following Term Sheet is provided for convenience only and does not constitute a commitment to lend or borrow or an agreement to issue or accept a commitment on these or any other terms or to arrange any financing and shall not create a binding or legally enforceable obligation on the Bay Area TOAH Fund or any other party in any way. The terms contained herein are of a summary nature and are not all-inclusive.

Originating Lenders:	Corporation for Supportive Housing, Enterprise Community Loan Fund, Low Income Investment Fund, Local Initiatives Support Corporation, Northern California Community Loan Fund, or the Opportunity Fund
Loan Type:	Construction-to-Mini-Permanent
Loan Amount:	Maximum loan commitment amount of \$7,500,000.
Development Parameters:	All developments must be: <ul style="list-style-type: none"> ▪ Located in a Priority Development Area (“PDA”). ▪ Located in the nine-county Bay Area, which consists of the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, including incorporated cities. ▪ Located within ½ mile of quality transit services, which includes BART, light rail, bus rapid transit, etc.
Public Sector Support Requirement:	The Fund will require demonstration of local public sector support for the project, which could take the form of a financial commitment to the project or a Letter of Support on agency letterhead.
Loan to Value:	Nonprofit Borrowers: up to 90% of the complete restricted value. For-Profit Borrowers: up to 90% of the complete restricted value.
Equity Requirement:	Nonprofit Borrowers: 10% equity, based on total development cost, can be in the form of subordinate soft debt from local government agencies, grants, and contributed land equity in lieu of some or all of the equity For-Profit Borrowers: 10% cash equity, based on total development cost
Eligible Use:	The following projects are eligible: <ul style="list-style-type: none"> ▪ <u>Community Facilities and Catalytic Neighborhood Projects</u> – Financing for stand alone childcare centers, health clinics, fresh foods markets, neighborhood retail, social service providers and other non-housing uses; ▪ <u>Mixed-Use Projects</u> – Eligible for financing when housing component meets Fund criteria and additional uses, such as neighborhood retail, childcare centers, or social services, meet community needs; and ▪ <u>Other</u> – Construction financing for other types of property, such as commercial properties, will be considered on a case-by-case basis. <p>Mini-permanent funding will be included as part of the financing package.</p>
Eligible Borrowers:	Eligible borrowers may be nonprofit or for-profit corporations, municipal agencies and redevelopment agencies, and joint ventures comprised of such entities, with a track record of developing affordable housing or other projects that meet a community need (“Project Sponsors”). Limited partnerships or limited liability companies affiliated with the Project Sponsors are also eligible.
Sponsor / Borrower Requirements:	Project Sponsors/Borrowers will meet the following requirements: <ul style="list-style-type: none"> ▪ Three (3) years minimum development experience ▪ Successful track record of obtaining financing resources (public and private) ▪ For affordable housing projects, Sponsor shows evidence of successful completion of at least two (2) projects similar in scope. For community facility projects, Sponsor demonstrates the capacity and development team to successfully execute the Project. ▪ Sponsor/Borrower corporate status, tax-exempt determinations, business licensing requirements and good standing certificate in effect with applicable county and appropriate state and local agencies. ▪ Sponsor/Borrower has no material defaults on development financing within the past seven (7) years.

	<ul style="list-style-type: none"> ▪ Sponsor/Borrower has not experienced a material adverse financial change, based on a review of internally-prepared interim or audited financial statements.
Recourse:	<p>Construction loans will have full recourse to the Project Sponsor, including guarantees from parent organizations, if applicable.</p> <p>Mini-permanent loans will have full recourse to the Project Sponsor, including guarantees from parent organizations, if applicable.</p> <p>Additional guarantees from third parties may be required.</p>
Interest Rate:	Loan pricing will be fixed rate for the original term of the loan at closing. The interest rate for loans closed during calendar 2011 is projected to be between 4.80% and 5.75%.
Repayment:	<p><u>For Construction Phase:</u> Interest-only payments, principal due at maturity or upon receipt of identified repayment source. Interest-only payments will be made from an interest reserve funded through loan proceeds. If interest reserve is exhausted, Borrower will make payments out of pocket.</p> <p>Principal repayment will be the mini-permanent financing offered as part of the financing package.</p> <p><u>For Mini-Permanent Phase:</u> Principal and interest payments, based on level payment amortization schedule not to exceed 25 years, with or without a balloon. For mini-permanent loans with a balloon payment at maturity, the loan must be supported by a refinance analysis, assuming conventional financing terms.</p> <p>Additional principal curtailments may be made on a periodic basis if there are other identified repayment sources.</p>
Fees:	The Borrower will pay an Origination Fee of 2.00% of the Project Loan, payable upon closing. The Originating Lender may charge an application and/or commitment fee, which will be credited against the Origination Fee.
Covenants:	Standard for this type of loan.
Events of Default:	Standard.
Term:	<p><u>For Construction Phase:</u> The maximum construction loan term is two (2) years.</p> <p><u>For Mini-Permanent Phase:</u> The expected loan term for the mini-permanent phase is five-to-six (5-to-6) years, dependent on the length of the construction phase.</p> <p>Combined construction-to-mini-permanent loan term won't exceed seven (7) years.</p>
Security:	<p>All construction and mini-permanent loans will be secured by real estate in a first priority position, cash, letter of credit or first priority interest in other comparable collateral. Other secured loans will be subject to subordination and standstill agreements.</p> <p>Additional collateral may also be required, depending on the type of construction.</p>
Loan Conditions:	<p>Loan agreements will require the following conditions prior to closing:</p> <ul style="list-style-type: none"> ▪ Standard financial covenants (to be determined) ▪ Standard reporting requirements (to be determined) ▪ Other reports as required by the Originating Lender
Third Party Reports:	Summary appraisal with "as-is" market value for the land and any existing building, an "as-completed and stabilized" market value for the proposed project and an "as completed and stabilized" restricted value, if applicable.

	Environmental site assessment, geotechnical survey, and other reports as required by the Originating Lender.
Reporting Requirements:	In addition to the standard reporting requirements for a loan of this nature, Borrower must agree to comply with any additional reporting requirements required by the Fund to document the impact of the Fund. All reporting requirements will be clearly defined in the loan documents.
Needs Test:	The Originating Lender must demonstrate how the proposed loan terms facilitate the development of affordable housing projects and other eligible projects.

PROJECT LOAN TERM SHEET

– LEVERAGED LOAN

The following Term Sheet is provided for convenience only and does not constitute a commitment to lend or borrow or an agreement to issue or accept a commitment on these or any other terms or to arrange any financing and shall not create a binding or legally enforceable obligation on the Bay Area TOAH Fund or any other party in any way. The terms contained herein are of a summary nature and are not all-inclusive.

Originating Lenders:	Corporation for Supportive Housing, Enterprise Community Loan Fund, Low Income Investment Fund, Local Initiatives Support Corporation, Northern California Community Loan Fund, or the Opportunity Fund
Loan Type:	Leveraged Loan for a New Markets Tax Credit (“NMTC”) transaction
Loan Amount:	Maximum loan commitment amount of \$7,500,000.
Development Parameters:	All developments must be: <ul style="list-style-type: none"> ▪ Located in a Priority Development Area (“PDA”). ▪ Located in the nine-county Bay Area, which consists of the following counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, including incorporated cities. ▪ Located within ½ mile of quality transit services, which includes BART, light rail, bus rapid transit, etc. ▪ Located in a NMTC eligible census tract, or meets other NMTC eligibility criteria
Eligible Use:	Eligible project types include community facilities, child care centers, charter schools, arts facilities, health clinics, food markets, neighborhood retail and other uses that are desired by the residents of the neighborhood. Loan for NMTC eligible predevelopment, acquisition, construction and/or mini-permanent financing to an Investment Fund, LLC (“Fund, LLC” or “Borrower”) used to leverage an investment in a NMTC eligible transaction. Note that construction must be part of the project, per NMTC regulations.
NMTC Allocation:	Several of the Originating CDFIs for the Fund have received NMTC allocations. This leveraged loan product would be used only when one of the originating CDFIs was providing NMTC allocation for the transaction.
Eligible Borrowers:	Eligible borrowers may be nonprofit or for-profit corporations, municipal agencies and redevelopment agencies, and joint ventures comprised of such entities, with a track record of developing affordable housing or other projects that meet a community need (“Project Sponsors”). Limited partnerships or limited liability companies affiliated with the Project Sponsors are also eligible.
Sponsor / Borrower Requirements:	Project Sponsors/Borrowers will meet the following requirements: <ul style="list-style-type: none"> ▪ Three (3) years minimum development experience ▪ Successful track record of obtaining financing resources (public and private) ▪ For affordable housing projects, Sponsor shows evidence of successful completion of at least two (2) projects similar in scope. For community facility projects, Sponsor demonstrates the capacity and development team to successfully execute the Project. ▪ Sponsor/Borrower corporate status, tax-exempt determinations, business licensing requirements and good standing certificate in effect with applicable county and appropriate state and local agencies. ▪ Sponsor/Borrower has no material defaults on development financing within the past seven (7) years. ▪ Sponsor/Borrower has not experienced a material adverse financial change, based on a review of internally-prepared interim or audited financial statements.
Loan to Value:	No direct loan-to-value (“LTV”) calculation due to no direct real estate collateral for the Leveraged Loan. Maximum implied loan-to-value of 80%, based on appraised value of real estate collateral held by the Community Development Entity (CDE).

	At the CDE level, the Qualified Low-Income Community Investments (“QLICs”) LTV may be higher because this includes capital from tax credit equity that isn’t looking to the collateral for repayment.
Recourse:	Leveraged loans cannot be directly guaranteed by the Qualified Active Low-Income Community Businesses (“QALICBs”) but should be guaranteed by the Project Sponsor, or other related parties to the extent permissible under the NMTC structure. The CDE’s QLICs to a QALICB will be full recourse to the Financial Sponsor, including guarantees from parent organizations, if applicable.
Interest Rate:	Loan pricing will be fixed rate for the original term of the loan at closing. The interest rate for leveraged loans closed during calendar 2011 is projected to be between 6.5% and 7.5%. The lower tier QLIC loan(s) will be lower due to the blending of debt and equity, to be determined by the final NMTC structure.
Repayment:	Interest-only payments, principal due at maturity. No prepayments or principal repayments will be allowed due to the NMTC structure.
Fees:	The Borrower will pay an Origination Fee of 2.00% of the Project Loan, payable upon closing. The Originating Lender may charge an application and/or commitment fee, which will be credited against the Origination Fee.
Covenants:	Standard for this type of loan, at the QALICB level.
Events of Default:	Standard and customary, including any NMTC recapture event.
NMTC Standstill:	So long as a NMTC recapture event has not occurred, originating lender will agree to a Standstill Agreement through the date of expiration of the NMTC compliance period.
Term:	The leveraged loan term must be seven (7) years, matching the term of the NMTC compliance period.
Collateral:	Current regulations prohibit the direct assignment or pledge of real estate, or other collateral, held by the CDE. Instead, Borrower will grant and convey to originating lender a continuing first priority security interest in and to all of Borrower’s right, title and interest in: <ul style="list-style-type: none"> ▪ Borrower or Fund LLC’s CDE membership interest ▪ Any and all rights and privileges of Borrower with respect to the funds in any and all deposit and investment accounts ▪ Any and all proceeds of the foregoing of every type granted, assigned, pledged or otherwise encumbered as collateral security for the Leveraged Loan obligations In addition, the CDE will be required to make or have Qualified Investments or Qualified Loans to QALICBs, which will be loans secured by a first priority security interest in the underlying real estate.
Collateral Agent:	The originating lender should act as the CDE manager and if not, the originating lender should seek a role as collateral agent for the CDE.
Loan Conditions:	Customary affirmative and negative commercial loan covenants for QLIC loans, per NMTC standards.
Third Party Reports:	Appraisals, environmental site assessment, geotechnical survey, and other reports as required by the Originating Lender.
Reporting Requirements:	In addition to the standard reporting requirements for a loan of this nature, Borrower must agree to comply with any additional reporting requirements required by the Fund to document the impact of the Fund. All reporting requirements will be clearly defined in the loan documents.
Needs Test:	The Originating Lender must demonstrate how the proposed loan terms facilitate the development of affordable housing projects and other eligible projects.

Appendix B: Key Documents and Stakeholders that Contributed to the TOAH Fund's Development

- New Places, New Choices: Transit Oriented Development in the San Francisco Bay Area, November 2006.
http://www.mtc.ca.gov/planning/smart_growth/tod/TOD_Book.pdf
- Transit Oriented for All, Center for Transit Oriented Development and the Center for Community Innovation, June 2007.
http://communityinnovation.berkeley.edu/publications/GCCFramingPaper_FINAL.pdf
- Property Acquisition Strategy for Transit Oriented Development Report, Bay Area LISC, November 2007.
- Financing Transit Oriented Development in the San Francisco Bay Area: Policy Options and Strategies, Center for Transit Oriented Development, August 2008.
<http://ctod.org/pdfs/2008MTCFinancingTOD.pdf>
- Mixed Income TOD Acquisition Fund: Business Plan Framework, Strategic Economics/CTOD, and Bay Area LISC, November 2008.
<http://www.reconnectingamerica.org/assets/Uploads/2008AcquisitionFundBusinessPlan.pdf>
- Bay Area Housing and Transportation Affordability: A Closer Look, Center for Neighborhood Technology, November 2009.
http://www.mtc.ca.gov/planning/smart_growth/housing/Transpo_Housing_Affordability-FullRpt.pdf
- San Francisco Bay Area Property Acquisition Fund for Equitable Transit Oriented Development: Feasibility Assessment Report, Strategic Economics and Center for Transit Oriented Development, January 2010.
http://bayareatod.com/wp-content/uploads/2011/11/Bay_Area_TOD_Fund_DrftRprt_SE11310.pdf

Appendix C: TOAH Fund Project Loan Profiles

- 1. Eddy and Taylor Family Apartments**
- 2. Leigh Avenue Senior Housing**
- 3. West Grand Development**
- 4. 5th and Howard**

Bay Area Transit Oriented Affordable Housing Fund Project Loan Profile



Architect: David Baker + Partners Architects

Project Description	
<p>Tenderloin Neighborhood Development Corporation (TNDC), through an affiliate, borrowed \$7.0MM for a site located in the Tenderloin neighborhood of San Francisco, two blocks from the Powell Street BART station. The site currently operates as a parking lot but TNDC plans to develop the land into a 14-story, 157,000 square foot affordable family housing building with an estimated 153 units, and 8,000 to 13,000 square feet of commercial space on the ground floor. TNDC is targeting the ground floor to be a full-service grocery store, the first of its kind in a community considered a “food desert”. The site is also located in a transit-rich neighborhood, less than two blocks from the Powel Street BART station and the Market Street transit corridor.</p>	
Originating CDFI Lender:	Low Income Investment Fund
Project Name/Location:	Eddy & Taylor Family Housing, 168-186 Eddy Street & 238 Taylor Street, San Francisco, California 94102
Sponsor:	TNDC, a 501(c)3 nonprofit housing developer based in San Francisco
Loan Term Summary	
Loan Amount:	\$7,055,000
Type:	Acquisition – Affordable Housing for Families, 8,000-13,000 square feet of commercial space for grocery store
Term:	7-year term

Affordability:	Borrower plans on developing a project with rents that are affordable to persons at 15-60% AMI, including some units for formerly homeless individuals and families.
Notable Features:	Plan for first full service grocery store in the Tenderloin
Unit Mix	
AMI <30%	46
AMI 30-40%	59
AMI 40-50%	47
AMI 50-60%	0
AMI 60-80%	0
Total Affordable Units	152
Total Market Rate Units	1
Total Units	153
Total Supportive Units	31 (20% of total units)
Rental Comparisons	
<p>A market study has not been conducted for the subject property due to the lengthy time period between acquisition and development. In addition, the appraisal only considered the value of the undeveloped land. However, the developer provided some insight into comparable market rents in its development pro forma. In the third quarter of 2009 (the most recent data available at closing in summer 2011), the average rental rate for 2--bedrooms units in the San Francisco sub-market ranged between \$2,178 and \$2,544 per month. 2-bedrooms were analyzed because they are the largest part of the proposed unit mix at Eddy & Taylor. For comparison, proposed monthly 2-bedroom unit rents at Eddy & Taylor range from as low as \$337 for the formally homeless units up to \$1,227 for families at 50% of AMI.</p>	
Quality of Transit	
<p>The site is located in the City & County of San Francisco, Downtown Neighborhoods & Transit Rich Corridors, Priority Development Area (PDA). The subject site is well served by public transportation. The site is located 2 blocks (less than 0.2 miles) from the Powell Street BART station and the Market Street transit corridor. There are numerous bus lines and transit routes within a 3-block radius. The neighborhood also provides numerous amenities including parks, as well as services including community health clinics, schools and child care centers, and other social support services.</p>	
Borrower Capacity and Development Team	
<p>TNDC is a seminal nonprofit affordable housing developer that was established in 1981 to provide quality, permanent, affordable housing in the Tenderloin district of San Francisco and its adjacent neighborhoods. An anchor institution in the community, TNDC owns and operates 30</p>	

buildings serving 3,000 tenants. The vast majority of tenants have monthly incomes below \$1,000. These include seniors on fixed incomes, emancipated youth from the foster care system, families on tight budgets, people with HIV/AIDS, and formerly homeless individuals recovering from substance abuse or mental illness.

Supportive Services

The developer plans on setting aside 31 units for formally homeless individuals and families, including five studio, three 1-bedroom, eighteen 2-bedroom, and five 3-bedroom units. TNDC typically provides other support services at its development but the support services to be provided at the Eddy & Taylor Family Housing project have yet to be determined.

Neighborhood Impact

The project site is located on two parcels in the Tenderloin neighborhood in the northeast corner of Eddy Street and Taylor Street. The properties within the immediate vicinity of the property are primarily multi-story residential buildings with ground floor retail, a predominant amount of which are liquor stores. The surrounding blocks also contain commercial office, tourist hotels, and retail uses. In the neighborhood across Taylor Street to the west of the site is the Ritz Hotel (NOT related to the Ritz-Carlton), a five-story single-room occupancy (SRO) owned by TNDC, as well as a smaller apartment building and a senior community facility. Adjacent and to the east of the site is the William Penn Hotel, a four-story building owned by Chinatown CDC and a theater occupying ground floor retail space. Further eastward on Eddy Street are three more affordable hotels. Catty-corner from the site is TNDC's Franciscan Towers, which houses part of TNDC's offices and adjacent to it is TNDC's Curran House development. The Eddy & Taylor project will complement the existing housing stock in the neighborhood and will add much needed fresh food choices to the food desert that currently exists.

"But" For Analysis

The land was acquired by TNDC in late 2007 with financing support from the City of San Francisco and a commercial bank. The developer applied for but did not receive State HCD TOD financing in 2008 and was prepared to resubmit an application in 2009. However, the City notified the developer that it was unable to provide additional financial support at that time so development was put on pause. When the initial acquisition loan matured in early 2011, the commercial lender chose not to extend the loan. LIIF and the TOAH Fund stepped in to allow TNDC to maintain control of the property, giving TNDC and the City time to put together a financing and development package that makes sense for all parties involved. The City is extremely committed to the project and understands how important it is for TNDC to hold onto the property as an important community asset. The site is one of the last developable pieces of land in the Tenderloin. Without the TOAH Fund, the property would have had to been sold, potentially to a market rate developer and the community would have lost the opportunity to develop much needed housing to the homeless and working families as well as a neighborhood grocery store.

**Bay Area Transit Oriented Affordable Housing Fund
Project Loan Profile**



Architect: OJK Architects and Partners

Project Description	
<p>First Community Housing (FCH), one of the pioneers in green building and sustainable development in the Bay Area, received a \$2,992,000 four-year loan to pay for the acquisition of a vacant parcel located at 1030 Leigh Avenue in San Jose. The project will be a mixed-use development with 64 one-bedroom units for seniors age 55 and over, affordable to households that earn at or below 35-60% of AMI. Thirty-five percent of the units are set aside for residents who receive in home services. There will also be 7,000 square feet of dental offices on the ground floor. In addition, the development will be LEED Gold certified, and includes several green features, including a green roof and photovoltaic panels.</p>	
Originating CDFI Lender:	Opportunity Fund
Project Name/Location:	Leigh Avenue Senior Apartments, 1030 Leigh Avenue, San Jose, California 95113
Sponsor:	First Community Housing, a 501(c)3 nonprofit housing developer based in San Jose
Loan Term Summary	
Loan Amount:	\$2,992,000
Type:	Acquisition – Affordable Housing for Seniors, 7,000 square feet of health/medical space
Term:	4-year term with a 1-year extension option.
Affordability:	Borrower plans on developing a project with rents that

	are affordable to persons at 35-60% AMI.
Notable Features:	LEED Gold Certified Free Transit Passes for all Residents
Unit Mix	
AMI 30-40%	32
AMI 40-50%	32
AMI 50-60%	0
AMI 60-80%	0
Total Affordable Units	63
Total Market Rate Units	1
Total Units	64
Total Supportive Units	23 (35% of total units)
Rental Comparisons	
<p>A market study has not been conducted for the subject property. However, the appraisal provided several insights as to comparable rents. In the fourth quarter of 2010 (the most recent data available at closing in fall 2011), the average rental rate for one-bedroom/one-bathroom units at apartment complexes with less than 99-units, in the Santa Clara submarket, was \$1,228. The proposed rents for Leigh Avenue are as follows, with the percentage of market rent given in parenthesis after, 30% AMI units are \$550 (44% of market), 40% AMI units are \$750 (61% of market) and 60% AMI units are \$1,150 (89% of market). The supportive housing units will be restricted to 30% of AMI, but the developer is choosing to leave the affordability of the remaining units flexible, but under 60% of AMI. The Fruitdale Station apartment complex currently charges \$1,500 for rent for a one-bedroom/one-bathroom unit. This market-rate development is located across the street from the proposed Leigh Avenue site and has many of the same amenities.</p>	
Quality of Transit	
<p>The site is located in the City of San Jose, Consolidated Area Priority Development Area (PDA) on the southeast corner of Southwest Expressway and Leigh Avenue in San Jose. The subject property is located 0.4 miles from the Fruitdale/Southwest Expressway station of the Santa Clara Valley Transportation Authority (VTA) light rail system. The proposed tenants are only a five minute light rail ride from the San Jose Diridon transportation hub, servicing Caltrain, Amtrak, ACE and Santa Clara VTA. The Borrower plans to provide all residents with a free, annual VTA Eco-Pass providing bus and light rail transportation throughout Santa Clara County.</p>	
Borrower Capacity and Development Team	
<p>FCH is located in San Jose, and is organized and staffed to develop and construct multi-family affordable housing. Since 1986, FCH has created housing for more than 3,000 low-income residents in 15 affordable rental housing developments (over 1,200 units) throughout the San Francisco Bay region. FCH has become a pioneer in the affordable housing industry, by incorporating innovative, green features into their housing developments. The non-profit developer focuses on sustainable, affordable developments by incorporating green elements and</p>	

provides Santa Clara VTA Eco-Passes to all tenants in their housing developments. FCH has developed over 1,200 units for low-income households, with over 500 units in the pipeline.

Supportive Services

The services to be provided to the special needs occupants will be provided by outside service providers such as IHSS (In Home Supportive Services). These services will be contracted in compliance with the, as yet undetermined, financing sources utilized in the final development budget. IHSS for the 23 chronically ill seniors will include services according to the IHSS recipient's ability to perform daily activities, and can include feeding, bathing, dressing, housekeeping, laundry, shopping, meal preparation and clean up, respiration, bowel & bladder care, moving in and out of bed, rubbing the skin (to prevent skin breakdown), accompaniment to medical appointments, paramedical services, and protective supervision. Please note that the commitment is for 23 units to have this service, but it does not preclude any other senior from obtaining these services.

Neighborhood Impact

Immediately to the north of the project site is the Fruitdale Station apartment complex. This development was completed three years ago and was the first attempt to revitalize the neighborhood. The Leigh Avenue project will complement the market-rate Fruitdale Station development in this older area of San Jose. The land where this project will be built sits on a corner across the street from one of the city's light rail lines. There is an abandoned gas station across the street and there are several older retail and restaurant uses within a few blocks. The effect of this project will be to begin a process of revitalizing and adding a mixed-income component to the area. New residents who rely on public transit will need goods and services within walking distance which will help support businesses close by. There is a vacant site across the street that is likely to be redeveloped as well. It is reported that the owner is waiting to see what happens with the Leigh Avenue site before they decide where to go with their parcel.

"But" For Analysis

The Borrower entered into a contract to purchase the property on July 1, 2008. Initially, the close of escrow was contingent upon receipt of the appropriate entitlements. The Borrower received the necessary entitlements in July of 2009, but due to the downturn in the economy and the resulting lack of funds available from the City of San Jose, the closing date was extended. The borrower planned to acquire the site by using funds from the City of San Jose Redevelopment Agency ("RDA"). Because of the economic downturn, the RDA cannot fund additional projects. The Borrower made monthly payments to the Seller totaling over \$300,000 to keep escrow open, and was forced to push back the close of escrow several times, at great cost.

The term of the TOAH Fund loan provides a significant hold period for First Community and the City to put together a feasible development project. In addition, the pricing from the TOAH Fund helps keep total development costs down in an environment of limited resources. Without the TOAH Fund, the developer wouldn't have been able to maintain control of the property, especially as the cost of land near transit begins to escalate.

Bay Area Transit Oriented Affordable Housing Fund Project Loan Profile



Architect: McLarand Vasquez Emsiek & Partners Inc. (MVE Studio)

Project Description	
<p>East Bay Asian Local Development Corporation (EBALDC), one of the seminal affordable housing developers in the East Bay, received a \$1,800,000 four-year loan to pay for the acquisition of three parcels of land located near the San Pablo Corridor in West Oakland. The West Grand project is envisioned as a three-phase development, corresponding to the three parcels to be purchased (A-C). The improvements of at least two of the three parcels will include affordable housing—up to 65 units each on Parcels A and C and up to 52 units on Parcel B (with Parcel B housing over ground floor commercial/retail or community facilities). The targeted affordability for Parcels A and C will be at or below 60% AMI. The tentative development program includes collaboration with the YMCA, currently a tenant on Parcel B, for a ground-floor community center with a childcare center. Uses for Parcel C present a wider range of options, from substantially all housing, with ground floor retail/commercial, to all commercial/retail.</p>	
Originating CDFI Lender:	Northern California Community Loan Fund (NCCLF)
Project Name/Location:	West Grand Development / 2101, 2116 and 2201 Brush Street, Oakland, California 94612
Sponsor:	East Bay Asian Local Development Corporation, a 501(c)3 nonprofit housing developer based in Oakland
Loan Term Summary	
Loan Amount:	\$1,800,000
Type:	Acquisition/Mini-Permanent – Affordable Family Housing
Term:	4-year term

Affordability:	Borrower plans on developing a project with rents that are affordable to families at or below 60% AMI.
Notable Features:	Child care center
Unit Mix	
AMI 30-40%	0
AMI 40-50%	0
AMI 50-60%	128
AMI 60-80%	0
Total Affordable Units	128
Total Market Rate Units	18
Total Units	146
Total Supportive Units	0 (% of total units)
Rental Comparisons	
A formal market study has not been completed for the project however EBALDC is targeting families with incomes at or below 60% AMI. More information from EBALDC is forthcoming.	
Quality of Transit	
The site is located in the City of Oakland: West Oakland Priority Development Area (PDA). The location is within a block of San Pablo Avenue, a major rapid transit corridor. AC Transit runs multiple bus lines down San Pablo Avenue, including a fixed Rapid bus stop at the corner of San Pablo and West Grand Avenue. The 19th Street BART station is within 0.5 miles from the subject property and the Greyhound Bus station is within walking distance of the three sites.	
Borrower Capacity and Development Team	
Established in 1975, EBALDC is a community development organization serving the East Bay community, particularly the low income and Asian and Pacific Islander population, through development of physical, human and economic assets for individuals and community organizations. The organization's primary geographic boundaries are Alameda and Contra Costa counties, although some of its programs also serve the residents of San Francisco County. Ninety-four percent of EBALDC's clients fall below 80% AMI, and 90% are people of color. To date, EBALDC has developed over 1,400 units of affordable rental housing in 17 developments (of which 5 are historic structures), over 125 first-time home-buyer units and over 250,000sf of commercial space for community organizations. In addition to development, EBALDC overseas property management for most of its housing properties as well as for over 200,000sf of commercial and nonprofit space.	
Supportive Services	
While the West Grand development won't target specific supportive services, EBALDC sponsors programs and activities that foster economic development for individuals, families, small businesses and neighborhoods across all of its properties. Program areas include: <ul style="list-style-type: none"> - <u>Individual Development Accounts (IDA)</u>: This program assists adults and youth in building individual assets to invest in education, business or homeownership. 	

- Neighborhood Revitalization and Commercial Services: This program is focused on business development, merchant organizing, façade and streetscape improvements, job creation, community festivals, and technical assistance for businesses and residents of the East Lake/Lower San Antonio neighborhoods in Oakland.
- Social and Community Services: This program develops strategies to bridge gaps in local supportive service delivery for EBALDC residents and impacted communities. Activities include community and resident service planning engagement and organizing, particularly in relation to EBALDC housing development projects

In addition, a YMCA child care center is currently on the site and EBALDC hopes to incorporate the center into the development project.

Neighborhood Impact

West Oakland remains an inner-city neighborhood and one of the poorest in Oakland and in Alameda County. A declining quality of life is evidenced in nearly every indicator over the past decade, including income, employment, housing, environment, health and education.

The San Pablo Corridor has long been a “pass-through’ between downtown and points further north along San Pablo. As such, it has not been a focus for redevelopment or revitalization like downtown Oakland. Commercial vacancy is estimated to be 15-20% since the economic downturn. ‘Bad behavior’ as characterized by a local social service agency, is openly exhibited in some spots.

The West Grand project is part of EBALDC’s long-term plan for the revitalization of the San Pablo Avenue Corridor, in collaboration with efforts being undertaken by the City of Oakland and a group of community groups. The San Pablo Avenue Corridor reaches from just north of downtown Oakland to and into Emeryville. EBALDC is a founding member of the San Pablo Corridor Coalition. EBALDC’s affordable housing partners in the Corridor include Christian Church Homes and Satellite Housing, each an owner of affordable senior housing on San Pablo Avenue, and the Oakland Housing Authority, which owns 11 scattered site properties (subsidized through the Project Based Section 8 Program) as well as two HOPE VI sites in the Corridor. In addition, other collaborators with EBALDC in revitalizing the Corridor include St. Vincent de Paul, St. Mary’s Center, East Bay recovery Center, Mary Ann Wright Foundation, Attitudinal Healing Connection, the M. Robinson YMCA Center, Keep Oakland Beautiful and the Oakland Public Works Department.

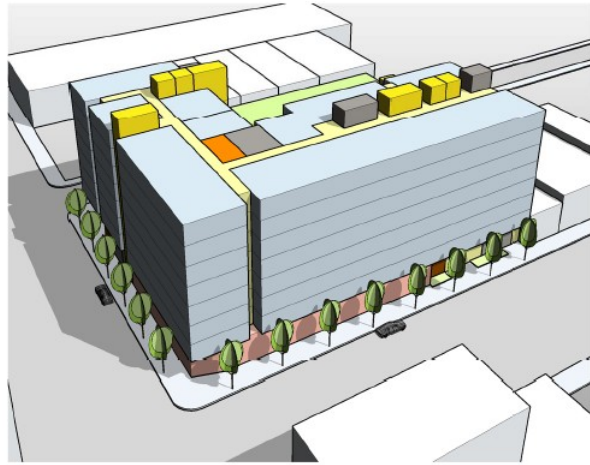
EBALDC owns and operates Avalon senior housing (67 units), the anchor at the north end of the Corridor. It will be joined by the Hotel California (EBALDC acquired in 2010 and currently renovating to create 130 units). At the southern end of the Corridor, EBALDC owns and operates the San Pablo Hotel, with 144 rooms (1955 San Pablo Avenue, just south of I-980). It will be joined in 2013 by EBALDC’s new headquarters at 1825 San Pablo Avenue. The three parcels that comprise the subject property represent a critical part of EBALDC’s long-term plan because this will be the next step in moving up the Corridor to establish a critically important affordable housing and community development presence north of Interstate 980.

“But” For Analysis

The subject property is close to the burgeoning Uptown neighborhood in downtown Oakland, which has seen market-rate rents increase significantly over the last two years, thereby increasing its attractiveness for a market-rate developer. Without the TOAH Fund, EBALDC might not have been able to hold onto the property for future development as part of its San Pablo Corridor plan and they stand to lose a fair amount of equity put into the acquisition.

The TOAH Fund provides very important patient capital that gives EBALDC and the City of Oakland a significant period of time to put together a feasible development plan for the three parcels. In addition, the low-cost financing from TOAH will help EBALDC keep total development costs as low as possible in a current economic environment that isn’t supportive of affordable housing development.

Bay Area Transit Oriented Affordable Housing Fund Project Loan Profile



Architect: David Baker + Partners

Project Description	
<p>Tenderloin Neighborhood Development Corporation (TNDC) has requested a \$4,000,000 acquisition loan to maintain ownership of a site located at 5th & Howard Streets in the south of Market area of San Francisco. The project is currently in the feasibility stage with TNDC assessing several scenarios for the development of the site. The most likely and preferred development option is a joint-venture partnership with a for-profit developer to build a 172 mixed-income rental housing project with 9,000 sq. ft. of ground floor retail space. Thirty-five percent of the total units would be affordable for households up to 55% of area median income. The San Francisco Mayor’s Office of Housing (MOH) fully supports the project, having provided \$4.73MM in soft debt for the acquisition which will stay in the project after the TOAH financing is repaid.</p>	
Originating CDFI Lender:	Enterprise Community Loan Fund (ECLF)
Project Name/Location:	5 th & Howard / 206-230 5 th Street and 909-921 Howard Street, San Francisco, CA
Sponsor:	Tenderloin Neighborhood Development Corporation (TNDC), a 501(c)3 nonprofit housing developer based in San Francisco
Loan Term Summary	
Loan Amount:	\$4,000,000
Type:	Acquisition
Term:	5 years (60 months)
Affordability:	Borrower plans on developing a project with 35% of units affordable to individuals and families between 50-55%AMI. The other 65% of units will be at market-rate.

Notable Features:	N/A
Unit Mix	
AMI 30-40%	0
AMI 40-50%	39
AMI 50-60%	20
AMI 60-80%	0
Total Affordable Units	59
Total Market Rate Units	113
Total Units	172
Total Supportive Units	0
Rental Comparisons	
A formal market study has not been completed for the project however TNDC is targeting families and individuals with incomes below 55% AMI for the affordable part of the project.	
Quality of Transit	
The project is located 0.3 miles from the Powell BART station that serves the wider Bay Area. Additionally, there are fifteen different Muni bus lines that are available within one block of the project site.	
Borrower Capacity and Development Team	
Established in 1981, TNDC's mission is to provide safe, affordable housing with support services for low-income people in the Tenderloin neighborhood of San Francisco and to be a leader in making the neighborhood a better place to live. An anchor institution in the community, TNDC owns and operates 30 buildings serving 3,000 tenants. The vast majority of tenants have monthly incomes below \$1,000. These include seniors on fixed incomes, emancipated youth from the foster care system, families on tight budgets, people living with HIV and AIDS, and formerly homeless individuals recovering from substance abuse or mental illness. TNDC is one of the largest and most well-regarded affordable housing developers in San Francisco.	
Supportive Services	
While no specific supportive services have been planned for the project, TNDC has several programs that it offers its tenants and the Tenderloin community as a whole, including the Tenderloin After-School Program (TASP), social work services, tenant activities throughout the year, and the Tenderloin People's Garden. TASP provides a safe drop-in space for children in the neighborhood and serves more than 250 youth ages 5 to 18. The community garden located near city hall has harvested over 2,500 lbs. of food distributed to 400 people since its inception in 2010.	
Neighborhood Impact	
The project is located in the South of Market (SOMA) area one block west of the Yerba Buena Gardens. This portion of SOMA is characterized by smaller light industrial and commercial buildings, large commercial buildings, hotels and residential uses. Over the past couple of years,	

several large tech corporations, such as Zynga, have moved their offices to the area, increasing the gentrification process that happened during the last business cycle. Additionally, because of the increased rental housing demand by high-paid tech company employees, rent prices in the area have increased dramatically over the last year. This project provides affordable housing to existing residents in a neighborhood that is becoming increasingly more expensive.

“But” For Analysis

TNDC acquired the site in 2009 and was in advanced negotiations with a for-profit developer to jointly develop a mixed-income apartment project (half of the units would have been affordable in this scenario). The partnership did not move forward because the for-profit organization’s leadership had a change in focus and also because of the lack of funding availability from the San Francisco Mayor’s Office of Housing (MOH). Around the same time in mid-2011, local government funding for affordable housing became increasingly scarce because the state of California dissolved local redevelopment agencies. This has made the funding environment for new affordable housing even more challenging. TNDC was able to access funds from the TOAH Fund to maintain its acquisition of the property in a highly-desired neighborhood close to several public transportation hubs, shopping, and entertainment centers. Had the TOAH Fund not been available, TNDC would not have been able to keep the land in order to eventually develop much-needed affordable housing in a neighborhood and city where affordable housing is scarce and rental/ownership costs are extraordinary high.