Realities with TOD and Affordable Housing Development
Mockingbird Station - Dallas
Barriers to Transit Oriented Development

Infrastructure is very costly
- Streets, sidewalks
- Utilities- sewer, water, storm drainage

Value of development is not easily proven
- No comparables for real estate development
- Market not fully developed
- Typical market analysis for retail, housing development not relevant
  - Capture area for analysis is not typical market area
  - Car centric suburban context - difficult to transition attitudes

Public Investments and public funds are not strategically deployed
- Many and competing priorities
- Development time is lengthy with public-private partnerships

Public benefits are difficult to monetize
- Health
- Environment
- Mobility
TOD Finance Tools

DEBT
- Traditional Debt - Commercial Banks
- Bonds
- Revolving Loan Funds
- Community Development Financial Institutions (CDFI) loans
- Private Debt Funds

CREDIT ASSISTANCE

VALUE CAPTURE
- Tax Increment Finance Districts
- Special Assessments

DIRECT FEES
- User Fees - Parking, etc
- Congestion Pricing
TOD Finance Tools

**EQUITY**
- Public Private Investments
- Infrastructure Investment Funds
- EB-5 funding
- New Markets Tax Credits
- Federal & State Historic Tax Credits
- Low Income Housing Tax Credits
- Private Investment Funds

**GRANTS**
- Council of Government Grants
- Community Development Block Grants (CDBG)
- EPA Brownfields Grants
- Efficiency Grants
- Philanthropic Grants or EQ2s

**EMERGING**
- Land Banking/Land Trusts
- Reduced Parking requirements
Reality Check
Funding Gap Analysis for Affordable Housing

When a development project incorporates affordable units, the revenue for the project decreases but the costs remain the same. This typically lowers the yield below what investors are willing to accept in achieving a return on their investment.

The funding gap ranges widely based upon the type of development, the level of household income (AMI) targeted, and the percentage of units rented at those targeted affordable rates.

<table>
<thead>
<tr>
<th>Stick (Low Rise) Building Development Example</th>
<th>High Rise Building Development Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>338 Units, $57.97M total project cost</td>
<td>350 Units, $87.75 M total project cost</td>
</tr>
<tr>
<td></td>
<td>20 percent of Units Affordable</td>
</tr>
<tr>
<td>No. of Units</td>
<td>68</td>
</tr>
<tr>
<td>5 percent of Units Affordable</td>
<td>17</td>
</tr>
<tr>
<td>40 percent AMI</td>
<td></td>
</tr>
<tr>
<td>Total Funding Gap</td>
<td>$14,888,073</td>
</tr>
<tr>
<td>Funding Gap Per Unit</td>
<td>$218,942</td>
</tr>
<tr>
<td>120 percent AMI</td>
<td></td>
</tr>
<tr>
<td>Total Funding Gap</td>
<td>$1,255,555</td>
</tr>
<tr>
<td>Funding Gap Per Unit</td>
<td>$18,464</td>
</tr>
</tbody>
</table>
Value Capture
TOD Tax Increment Finance District- Dallas
TOD TIF

• Provides a source of funding for public infrastructure improvements along rail line
• Encourage mixed use transit oriented development
• Links higher opportunity development sites with emerging neighborhood sites
• Encourages seed project development to catalyze other area development
• Encourages other public funding
Creative Options
Parkland Clinic at Hatcher Station
Parkland Clinic at Hatcher Station Finance Tools

Developer Frazier Revitalization, Inc. - a 501 © 3 nonprofit organization

$18.1MM - 45,000 Square Foot clinic providing medical and wellness services to families in Southern Dallas adjacent to light rail line.

Layered Financing Tools

- TREC Community Fund - CDFI provided land acquisition loan
- $15MM New Markets Tax Credit allocation from Dallas Development Fund
- $2MM City of Dallas Funding - HUD Challenge Grant
- $1.1MM Bank Loan
What it takes

- **Mind Shift** - not all affordable is equal. Affordable housing is any housing that costs more than 50% of your income monthly not including transit costs.

- **Transit** comprises 30% of a typical family's monthly budget - you decrease transportation costs - you create opportunities for their ability to have truly affordable housing.

- **Organization by Commercial Real Estate Companies** - deal by deal negotiation is not efficient.

- **Political Will**

- **Variety of creative funding and financing options**

- **Partnership with local philanthropists, investors (institutional and private), developers, government**
QUESTIONS??
The Real Estate Council

Linda McMahon, President & CEO

lmcmahon@recouncil.com

Recouncil.com