

# ***TOD Revolving Loan Fund***

*Executive Committee*

*03/02/23*



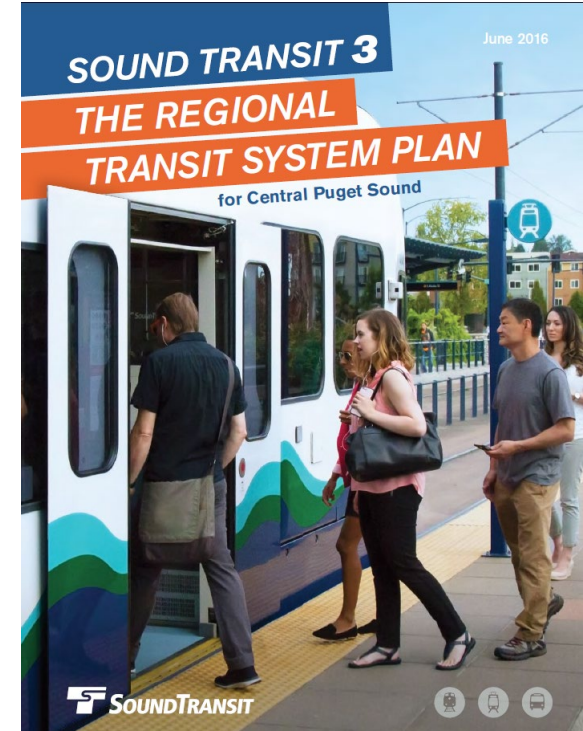
# *Why we are here*

Revolving Loan Fund for affordable housing transit-oriented development (TOD)

- Today we are here to provide an **informational update** and to request your **feedback** in advance of a **future request** to approve key business terms for the contribution of revolving loan fund dollars.

# Project Timeline

- **2015** State statute requires Sound Transit to contribute \$20 million to a revolving loan fund
- **2019** ST engaged in strategy development with LISC
- **2020** Original recommendation: create a new leveraged fund outside the typical funding paradigm
- **2023** Current recommendation: contribute to existing revolving loan fund(s)



# *Revolving Loan Fund Impact*

## Displacement risk is high

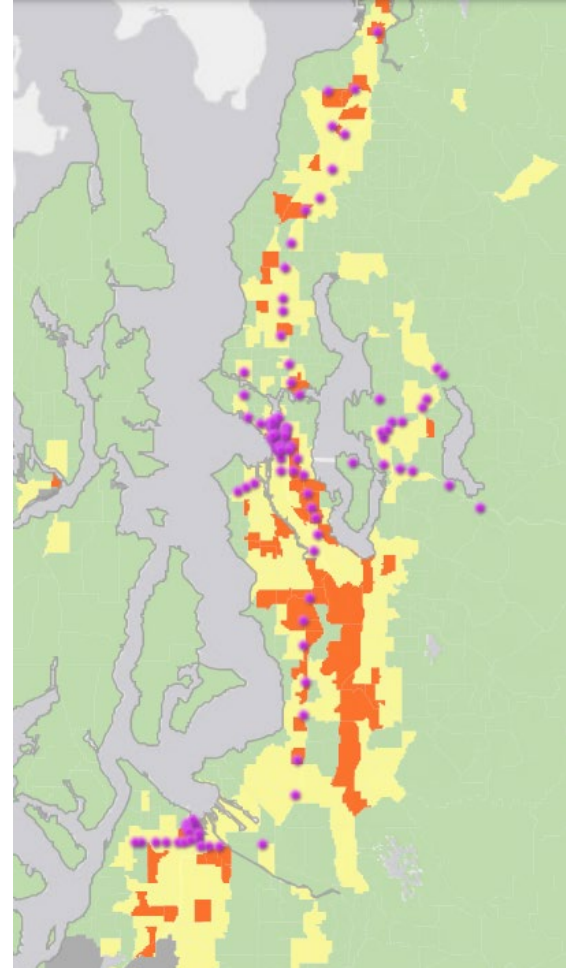
- Transit investment can contribute to **displacement**

## Affordable housing is complex

- Land is a single piece of the puzzle
- ST does not have land at all stations

## Developers need acquisition funds

- Developer-identified **high priority**



# *Previous Concept Explored*

## Leveraged Fund

- Agency TOD sites outside traditional funding paradigm
  - Innovative and forward thinking
- What we've learned
  - Developer enthusiasm for innovation waned
  - \$80MM **too small** to move the needle for A-Z funding
  - Funds would revolve **too slowly**
  - Low-cost acquisition and predevelopment capital are **urgent needs**

# Current Recommendation

## Direct investment into existing fund

- Sound Transit contributes \$20 million into one or more funds
  - **Acquisition** capital for non-Agency TOD
  - Potential for some **predevelopment** funds
- Developers support and use these tools



# *Benefits of Using an Existing Fund*

## Win-Win

- For Sound Transit and Affordable Housing
  - **Anti-displacement** strategy
  - Addresses **high-priority need**
  - Existing infrastructure in place
  - Strengthens Agency **partnerships**
  - **Expedites** deployment





# Risks

## Partnership Risk

- Trust and collaboration are key

## Investment Risk

- Borne by fund operator
  - Lending risk
  - Real estate risk





# *Recommended Loan Focus and Impact*

## Acquisition + Predevelopment Loan

- **Who:** Affordable housing developers
- **What:** Land for affordable housing
- **Where:** Land near ST station areas
- **Features:** Flexible underwriting, low cost of capital
- **Impact:** 10+ projects at any one time revolving over many years



# *Eligible Uses*

## Acquisition

- Securing land
- Land
- Transfer costs/fees
- Broker fees
- Consultant reports/studies
- Financing costs
- Legal costs
- Closing costs

## Predevelopment

- Feasibility reports
- Environmental studies
- Consultant reports/studies
- Architecture and Engineering
- Community engagement
- Permits/entitlement
- Financing costs
- Legal costs

# *Next Steps*

## Develop Key Business terms

- Partner with fund(s)
- Identify fund products and parameters
- Draft terms

## Seek Board approval

- Fall 2023



*Thank you.*



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