

Affordable Housing Revolving Loan Fund

Executive Committee Briefing

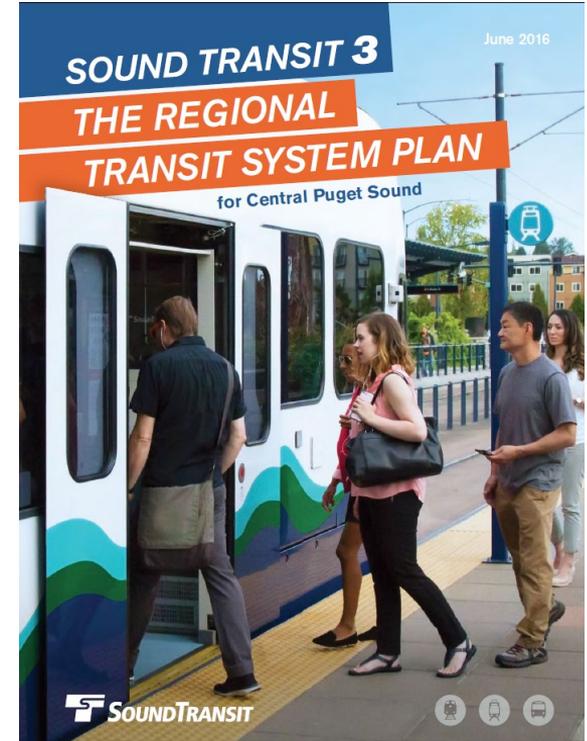
11/5/2020

Why we are here

- Review Sound Transit's requirements for a contributing to a revolving loan fund for affordable housing and the steps that the agency has taken to date to develop a business plan
- Discuss the programmatic direction that would be explored in the next phase of work for developing the business plan

Review of state statute requirements

- Contribute at least \$4 million each year for 5 consecutive years beginning within 3 years of voter approval of the system plan.
- Revolving loan fund to support the development of affordable housing opportunities related to equitable TOD within Sound Transit district.



What is a revolving loan fund?



An affordable housing revolving loan fund issues debt to housing projects that repay principal and interest to the fund, which is then recycled by issuing new debt to additional projects. There are a variety of fund structures and loan products to address the different needs of both housing projects and fund investors.

What we've done to date

- Reviewed goals with Executive Committee in November 2018
- Issued request for proposals and selected Local Initiatives Support Corporation (LISC) to develop business plan
- Completed regional affordable housing finance needs assessment
- Identified options for programmatic development

Goals for fund

- Identify **partnership opportunities** for the programmatic development and administration of the RLF.
- **Self-replenishing pool of money**, utilizing interest and principal payments to issue new ones.
- **Leverage contribution** to the RLF by seeking additional funding from public and private sources.
- **Facilitate the development** of equitable transit-oriented development **on Sound Transit properties**.
- **Minimize displacement** of individuals from properties near Sound Transit investments.

Brought on a fund development partner

- Received feedback from existing funds and other affordable housing stakeholders on program development process
- Issued Request for Proposals for fund partner to guide agency through business planning for contribution, which could include contributing to existing funds
- Selected Local Initiatives Support Corporation (LISC)

Brought on a fund development partner

Local Initiatives Support Corporation (LISC)

Approach



Pool public and private dollars



Work with local partners



Support people and places

Results



\$22 billion invested

\$60 billion leveraged

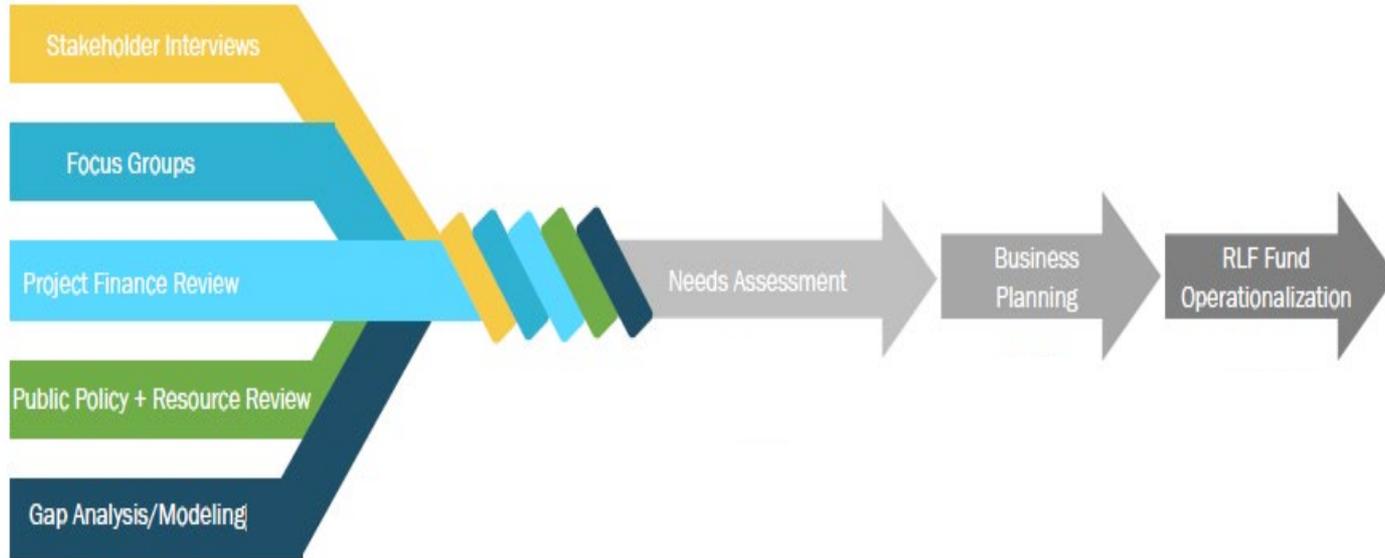


410,000 homes

20,000 homes (2019)

Completed a Needs Assessment

Reviewed regional funding system of affordable housing



Completed a Needs Assessment (cont.)

Reviewed existing affordable housing funding tools

- 9 revolving loan funds, including REDI, housing trust funds, etc.
- 10 programs, including levies, bond funds, tax exemptions, etc.

Interviewed stakeholders

- 27 total interviews of non- and for-profit developers, housing authorities, affordable housing development trade organizations, and community development finance institutions.

Reviewed funding of 15 local affordable projects

Needs Assessment identified most acute issues for financing affordable housing



Land Costs

- *High land costs are a barrier to creating affordable housing*
- *Lots of competition for land near stations*



Direct Subsidy

- *Most affordable housing projects require subsidy, even when land is discounted*
- *Existing subsidy sources are oversubscribed*



“Patient” Capital

- *Each phase of project often separately funded, adding cost*
- *There is a need for loan products that cover more project phases*

Identified and evaluated programmatic options

Contribute to existing fund

Contribute funds directly into housing projects

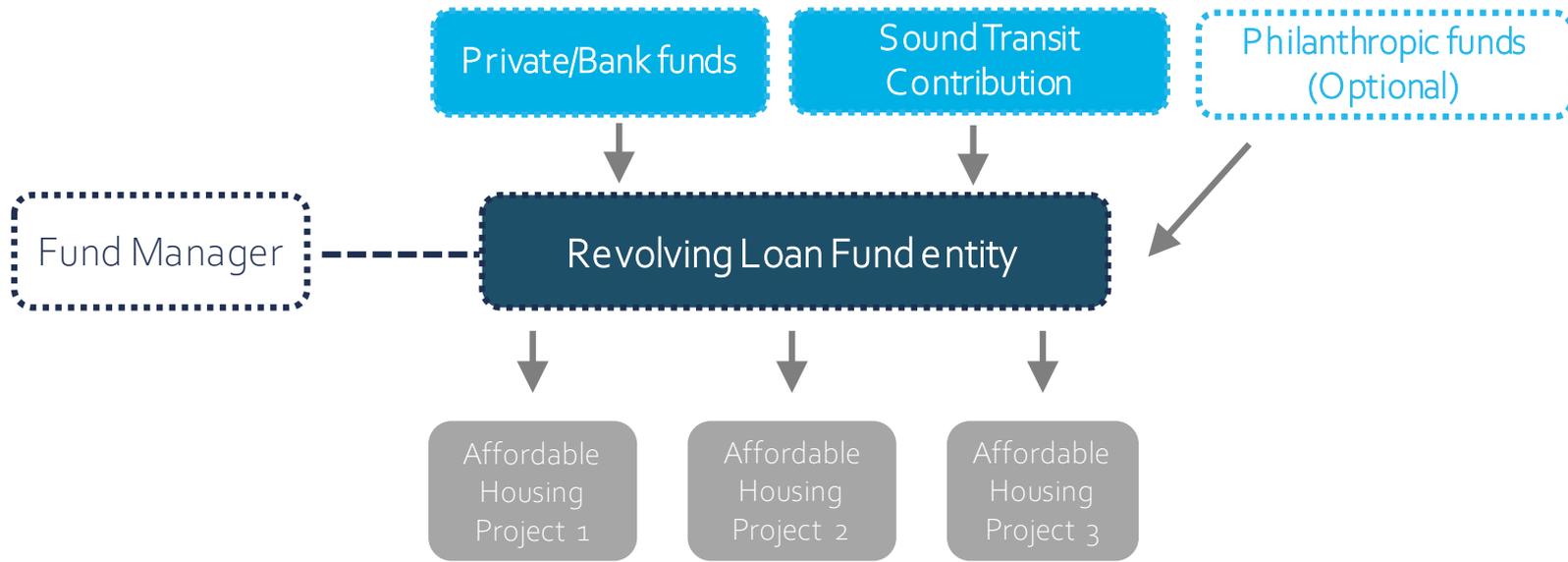
Contribute to a new leveraged fund

Evaluation of programmatic options

	Existing fund	Direct in projects	Leveraged fund
Goal 1: External management	High	Medium	High
Goal 2: Funds revolve	High	High	High
Goal 3: Leverage	High	Low	High
Goal 4: Support agency TOD sites	Low	Medium	High
Goal 5: Minimize Displacement	TBD	Low	Low

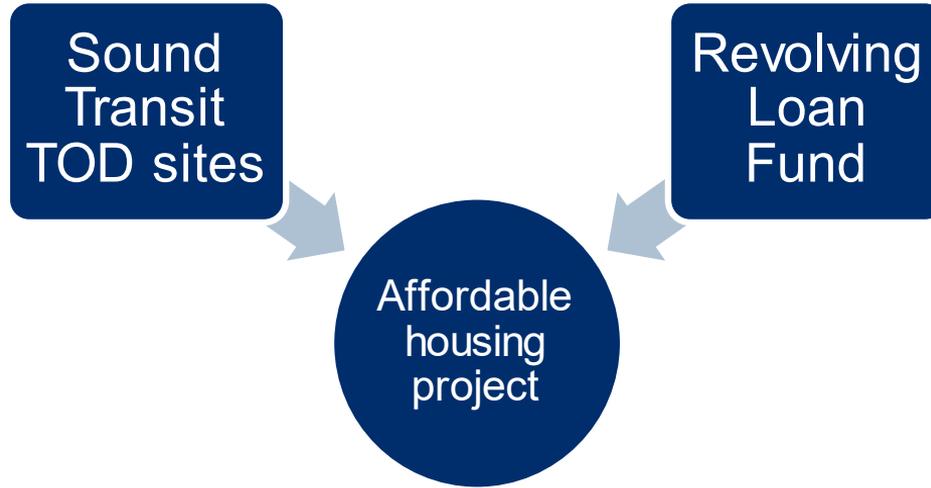
Leveraged fund structure

Combines public and private funds together for greater impact



Leveraged fund and TOD sites

Match certain Sound Transit TOD sites with Revolving Loan Fund to create more affordable housing units in station areas



Complete a draft *Business Plan Framework*

Framework components include:

Product Type

- What type of product should be offered based on Needs Assessment?
- How do we manage the risk when lending funds?

Governance

- What role will Sound Transit have in the day-to-day management?
- What are the legal mechanisms for establishing a fund?

Housing Affordability

- What income-levels should the fund target?
- How does this fund create additive value to regional affordable housing?

Geographic Focus

- What limitations/restrictions should Sound Transit consider with regard to geographical targets?

Investor Focus

- Who is the target investor if funds are leveraged?
- What risk and rate of return will be attractive to investors?

Next steps

Q4 2020 – Q1 2021

Conduct Phase II Outreach with Stakeholders

Q4 2020 – Q1 2021

Develop a draft Business Plan Framework

Q1 2021 – Q2 2021

Engage Board on Business Plan Framework

Thank you.



 [soundtransit.org](https://www.soundtransit.org)

