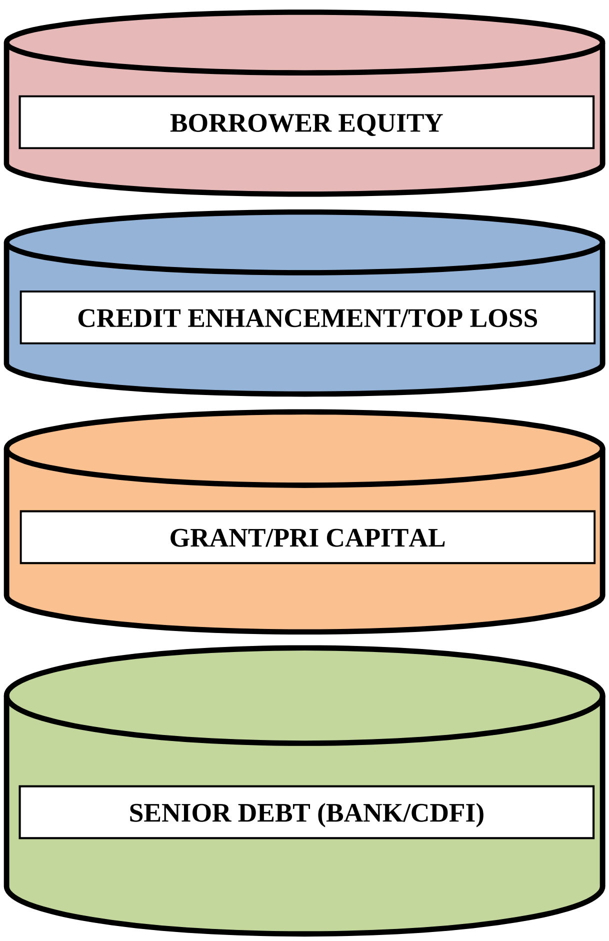
Introduction

In order to effectively create and preserve affordable housing and community development near transit, the proposal will bring together a CDFI identified as (The **Great Lakes Capital Fund**), the City of Indianapolis and County of Marion, and a well-capitalized nonprofit (WCN) identified as (**INHP**) to partner with a host of organizations including Foundations, *Indiana Housing* & Community Development *Authority* (IHCDA), and financial institutions (BANKS) to create the Indianapolis TOD Fund (The Fund). Structured as a unique blend of risk and return requirements, the Fund will be capitalized with at least $15 million. The Fund's initial goal is to support the creation and preservation of over 1,000 affordable housing units through strategic property acquisition in both current and future transit corridors in Indianapolis and to create multi-use development to enhance neighborhoods.

With help from foundations, banks, community development financial institutions, and additional community developers, we have an once-in-a-lifetime opportunity to ensure that the region's rapidly expanding transit system truly benefits people from all socioeconomic backgrounds, providing access to jobs, education, services, better health and the opportunity for a higher quality of life.

Indianapolis Transit-Oriented Development (TOD) Fund

TOD Fund Structure (Simplified)



- Borrowers contribute at least 10% cash equity for each property acquired utilizing Fund
- Responsible for putting together development plan and permanent financing
- First phase the well capitalized nonprofit (WCN)is sole borrower, regional fund someday will be open to more

- Public/Quasi-public dollars leverage private capital by providing credit enhancement via loan-loss absorption and low returns
- City of Indianapolis and IHCDA

- Foundation/Philanthropic capital, typically lent via Program Related Investments seeking modest financial return
- Maximizes impact via leverage and return of capital

- More traditional loan capital from banks and CDFIs
- CRA eligible lending
- Brings real estate transactional expertise & oversight
- The CDFI is Fund Manager, lends its own capital

Benefits of Structure

- Loan terms up to five years
- Up to 90% Loan to Value (LTV)
- Interest-only at low interest rate (goal under 3%)
- Partial recourse to borrowers
- Delegated and expedited underwriting allows borrowers to compete in open market

Solution Summary:

For a Well Capitalized and Patient non-profit ("WCN") to commit to being the sole borrower of a $15 million plus revolving loan fund managed by a Community Development Financial Institution ("CDFI") where the investors consist of the following;

WCN:	$1.5 Million
City and County	$2.5 Million
Foundations and Government Agencies	$5.5 Million
Senior/CDFI Capital	$5.5 Million

In addition, grants would be obtained for a $1.5 million pre-development expense fund and $400,000 for the first three years of operational costs until the WCN earns development fees from the developed projects and the land bank becomes self-sustaining from a cash flow perspective.

The TOD Fund Goal is to establish **site control** through a **market-based** tool to:

Preserve and create 1,000 units of affordable housing units near transit, prevent gentrification pressures from displacing current L-I residents and discouraging future L-I residents, and to ensure equitable access to jobs, education, community services, healthcare as well as create multi-use developments designed to enhance the neighborhoods serviced by the transit stations.

Fellowship Deliverable:

Background:

Low income families spend **60%** of gross income on housing and transportation.

They are more likely to utilize transit regularly, increasing & **stabilizing ridership** for IndyGo.

Transit **improves access** to education, jobs, and food, healthcare and community services. Transit Oriented Development encourages smart/compact growth, **decreases congestion, enhances air quality and Increases community health** through walking, bicycling, and interaction.

The Red Line is a proposed 28-mile, $100 million electric bus route from Westfield to Greenwood with several dedicated lanes and raised platforms. Nearly 170,000 people work within a half-mile of the route, and tens of thousands more live close to it, many in low-income neighborhoods. The Red Line would be one of five transit lines crisscrossing the city in the $1.2 billion system — called Indy Connect — and it's anticipated that the transit lines will prompt development nearby.

Thus, the Indianapolis TOD Fund would be used as a revolving line of credit to enable a WCN to purchase land to freeze the value and prevent speculation and to control the use of the land to focus the development of the designated parcels on projects and design that would enhance the neighborhoods surrounding the transit stations.

Results of Fellowship:

The Indianapolis TOD Fund Structure (simplified) consists of four tiers, as follows;

Borrower/Non Profit Equity (WCN)
First Tier Capital
Second/Third Tier Capital
Senior/CDFI Capital

The Denver TOD model stacked the tiers in terms of risk with the Borrower/Non Profit taking the most risk and the Senior/CDFI Capital taking the least amount of risk. The Denver stacking was necessary when the Denver TOD model was created in order to attract the investors, in particular the Senior/CDFI Capital because there was no previous model for this type of fund and the stacking was necessary to attract the investors to the fund. The Denver TOD model has been very successful and it appears likely that the stacking of the tiers for the Indianapolis TOD model may reflect more of a shared risk model than a tiered risk model based on the success of the Denver TOD Fund.

Borrower/Non Profit Equity (WCN) Tier update:

We have identified an interested WCN (Indianapolis Neighborhood Housing Partnership “INHP”) who would act as the sole initial borrower of the fund. INHP has expressed an interest in moving from “interested” to “more interest” and informed their Board of their exploration actions at a Board Meeting on August 13, 2015. The INHP representative (Joe Hanson) traveled to Denver with the fellowship team and participated in the planning and research for this fund.

INHP is convening an innovation team in the next few months that should result in a recommendation for a commitment from INHP to become the WCN.

There are two options for the Borrower Tier. The first option would be for a WCN to be the sole authorized borrower. The second option would be for the WCN to be one of the borrowers and allow any third party to apply to the TOD for funds. The first option is preferable because it allows the WCN to work closely with the neighborhoods on the use of the acquired land to make sure neighborhood needs are met and the development enhances the amenities necessary for a thriving community. The next step would be to address any remaining issues to the satisfaction of the interested WCN that will result in a commitment from the WCN to act in the Sole Borrower role and a financial commitment of at least $1.5 million into the loan fund (or essentially into the land investment that would be returned upon the resale of the land at the eventual development).

First Tier Capital City and County Tier Update:

Samantha Spergel, MPA attended the Denver meeting with the TOD Team. Samantha is the HOME Grant Manager and the Promise Zone Chief Coordination Officer. Our efforts have received support from the Department of Metropolitan Development. We have not yet identified the source of the City $2.5 million of investment. However, the support exists to uncover or create a funding source and I am optimistic based on the desired result. In Denver, the $15 million TOD fund resulted in over $240 million of development projects in the first five years. There is a strong incentive for the City to invest into a revolving loan fund that will pay back the principal at the conclusion of the fund operation.

Second/Third Tier Capital Tier Update:

The Indiana Affordable Housing and Community Development Fund ("Development Fund") was established in 1989 to provide financing options for the creation of safe, decent, and affordable housing and for economic development projects in Indiana communities. We meet with a representative from The Indiana Housing and Community Development Authority (IHCDA) who indicated that the Indianapolis TOD Fund goals and objectives matched up well against the Development Fund objectives and expressed interest in exploring the investment opportunities in the fund. The Development Fund is just one of at least two State funding possibilities. In the meantime, we also reached out to a few local nonprofit organizations and The Central Indiana Community Foundation and The Clowes Fund expressed an interest in learning more about a program related investment in the Indianapolis TOD Fund. The CDFI role will include attracting National Foundation funding to the fund investment pool and we have access to the contact list for the National Foundations that invested in the Denver TOD fund. The goal is to attract at least $5.5 million for this tier.

Senior Debt/Bank/CDFI Tier Capital Update:

Great Lakes Capital Fund (GLCF) is a full service community development finance institution that has been in operation for 20 years and manages over $2.7 billion in the community redevelopment space. GLCF has a strong presence and a very experienced Indianapolis based Office with a team that includes Fred Hash. GLCF has expressed an interest in a commitment to act as the Indianapolis TOD Fund Manager. The role of the Fund manager is to attract investors to the fund in each of the tier in order to fully fund the $15 million or more for the Indianapolis TOD fund. Recently, we conducted a focus groups and met with several local banks who all expressed interest in learning more about investing in the Indianapolis TOD Fund to assist in this tier of $5.5 million. GLCF is also creating a new $80 million investment fund that would be available to invest in the Indianapolis TOD Fund. There is every expectation that full funding will be available at this tier level from GLCF and the Banks.

Other Funding:

The assembly of land involves costs beyond the simple acquisition. These costs include Phase One Environmental Studies, legal costs, additional Phase Environmental Studies, and other expenses. The Denver TOD team created a predevelopment expense fund of $1.5 million as a separate fund to cover these expenses. Many of these types of expenses are recoverable at the sale of the property to the developers. However, these expenses operate outside of the investment fund and require a separate fund raising strategy mainly in the form of grants or recoverable grants that are forgiven if not recoverable. Many of these grants receive matching opportunities and there are several creative sources for these types of funds.

Additionally, the WCN (in our case INHP) is intended to earn at least 10% of the developer fee earned at the completion of each development on each parcel of land acquired. Since it will take time between the actual acquisition of parcels and the completion of each development, there is no immediate cash flow to INHP for being the “manager” of the land bank, accepting the risk as an investor and operating the administration of the role. Therefore, it is our intent to fund at least three years of estimated operating expenses in the amount of $400,000 to provide a positive cash flow to INHP until a reasonable time that the development fees will begin to pay and allow INHP’s role in the fund to be sustainable through revenue earned and positive cash flow.

Public Participation update:

The Indianapolis Plan 2020 Fellowship award for this project was $10.000. I was able to leverage the $10,000 award and attract an additional $10,175.00 for a total of $20,175.00, as follows:

		Detail other sources of funding **Amount**	**Source**
		$1,675	INHP-legal documents
		$1,650	ULI-luncheon
Other		$2,500	City of Indianapolis- Denver consultant expenses and focus groups
		$ 350	LISC-luncheon
		$4,000	Great Lakes Capital-Denver trip
		$10,000	Greater Indianapolis Progress Committee Plan 2020 Fellowship
Total Project Costs		$20,175.00	

The Grant from the City of Indianapolis required a public element. Therefore, the Urban Land Institute created an event for their membership involving speakers and a panel discussion to discuss the proposed Indianapolis TOD Fund and the redline with TOD initiatives. The initial expectation was 40 people and the event venue was changed twice to accommodate 200 attendees. The City of Indianapolis Grant paid for the consulting, speaking, travel and related expenses for the President of the Denver TOD Fund to speak at the luncheon. In addition, we created three focus group meetings that occurred prior to and after the luncheon, including a

Bank Focus Group, a Foundation and State Agency Focus Group and a Real Estate Developer Focus Group.

Recommendation:

Strategy: Create Indianapolis Transit Oriented Development Fund

Tactics:

Obtain Commitments from INHP to assume role of WCN and Great Lakes Capital to assume role of CDFI and fund manager.

Work with Great Lakes Capital to secure funding for each tier.

Desired Results:

Duplicate or improve on Denver TOD results, as follows;

The latest affordable housing report presents estimates of the local impact of building 539 new, and rehabilitating 371 rental apartments under a subsidized housing program in the Denver-Aurora-Lakewood and Boulder Metropolitan Statistical Areas (MSAs).

Conducted by Chief Economist Elliot Eisenberg, Ph.D., of the economic consulting firm GraphsandLaughs LLC, this is the third metro Denver study since 2010 demonstrating how affordable rental home building creates substantial local economic activity, including new income, local jobs, and additional revenue for local governments.

The data in the study indicates that in year-one, the economic impacts of building 539 new affordable rental apartments at TOD in metro Denver provides $77.8 million in local income for residents, $8.1 million in taxes and other revenue for local governments, and 1.053 local jobs. Dr. Eisenberg estimated the annually recurring impact beyond the first year is $14 million in income, $1.9 million in taxes, and 222 jobs. Rehabilitating 371 affordable rental apartments equates to $30.0 million in local income, $2.8 million in taxes and government revenue, and 416 local jobs.

The cumulative impact of both new and rehabilitated housing over a 5-year period is $598 million in local income and 7,345 local jobs.

The National Association of Home Builders has developed a model to estimate economic benefits which captures the effect of the construction activity itself, the ripple impact that occurs when income earned from construction activity is spent and recycles in the local economy, and the ongoing impact that results from new homes becoming occupied by residents who pay taxes and buy locally produced goods and services. To fully understand the economic impact residential construction has on a local area, it is important to include the ripple effects and ongoing benefits.

New Subsidized Rental Apartments:
The estimated one-year local impact of building 539 new subsidized rental apartments in metro Denver include:
• **$77.8 million** in local income

• **$8.1 million** in taxes and other revenue for local governments
• **1,053 local jobs**

The **additional, annually recurring** impacts of building 539 subsidized rental apartments in metro Denver include:
• **$14 million** in local income
• **$1.9 million** in taxes and other revenue for local governments
• **222 local jobs**

Rehabilitated Subsidized Rental Apartments:
The estimated one-year local impacts of rehabilitating 371 rental apartments under the subsidized housing program in metro Denver include:
• **$30.9 million** in local income
• **$2.8 million** in taxes and other revenue for local governments
• **416 local jobs**

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