



## INTRODUCTION

The Bay Area **Transit-Oriented Affordable Housing Fund (TOAH)** launched in 2011 as a groundbreaking tool that expanded equitable and sustainable growth and opportunity in the San Francisco Bay Area and influenced equitable transit-oriented development (eTOD) financing nationwide.

TOAH is the product of a collaborative partnership of the Great Communities Collaborative (GCC). GCC brought together funders, advocates, public sector partners and financial intermediaries to nurture TOAH from concept to launch. This collaborative effort resulted in MTC providing the early seed funding for TOAH, with further investments from the Low Income Investment Fund, Enterprise Community Loan Fund, the Corporation for Supportive Housing, Local Initiative Support Corporation, Northern California Community Loan Fund, the Opportunity Fund and others in the philanthropic and finance fields.

With a \$10 million investment from MTC, the initial \$50 million revolving loan fund provided financing for the development of affordable housing and other vital community services near transit lines throughout the Bay Area. Through the TOAH Fund, for-profit and not-for-profit developers can access flexible, affordable capital to purchase or improve available property in Priority Development Areas and Transit Priority Areas for the development of primarily affordable housing and retail space and other critical services, such as childcare centers, fresh food outlets and health clinics. Given the Bay Area's affordability crisis, tools to support eTOD and affordable housing are needed now more than ever.

Based on six years of lessons learned from the initial TOAH Fund experience, as well as input from developers, in December 2017 MTC and fund manager the Low Income Investment Fund restructured TOAH to be more responsive to market conditions.

A streamlined \$40 million TOAH2 Fund has launched and continues to provide financing for the development of affordable housing, community services, fresh food markets and other neighborhood assets near transit lines throughout the Bay Area.

Get started with one of the TOAH 2 Fund partners at [bayareatod.com](http://bayareatod.com)

## TOAH IN PRACTICE

TOAH was developed to fill a gap in delivering eTOD by providing projects with early, flexible financing. Increasingly, the highly competitive public subsidies required to advance affordable housing and community facilities carry preferences for eTOD. TOAH works as a key regional tool that gives the Bay Area an advantage in leveraging these resources, creating greater capacity to acquire sites and making Bay Area projects more competitive for state and federal programs.

TOAH has originated nine acquisition or refinance loans to date. These projects have created and/or preserved nearly 900 units of affordable housing across San Francisco, Alameda and Santa Clara counties. Not only has TOAH been instrumental in helping to initiate these opportunities, it has also provided the funding flexibility to carry these projects through market and resource changes that may have otherwise eliminated them. This helped to position the Bay Area with a strong pipeline of eTOD projects when other funding opportunities, such as the Affordable Housing and Sustainable Communities (AHSC) program, were available. TOAH's \$35 million of investments has leveraged many times that amount in community development financing for the region, and has resulted in 63,980 square feet of community and retail space.

## TOAH-FUNDED PROJECTS

DEVELOPER	PROJECT NAME	LOCATION	AFFORDABLE UNITS	LOAN AMOUNT
Tenderloin Neighborhood Development Corp.	Eddy and Taylor Family Housing	San Francisco	112	\$7,055,000
First Community Housing, Inc.	Leigh Avenue Senior Apartments	San Jose	63	\$2,992,000
Easy Bay Asian Local Development Corp.	West Grand Development	Oakland	128	\$1,800,000
Tenderloin Neighborhood Development Corp.	5th and Howard	San Francisco	203*	\$4,000,000
Mercy Housing California	Laguna Senior Housing	San Francisco	110	\$4,460,000
East Bay Asian Local Development Corp.	Swans Marketplace	Oakland	19,980 sq. ft. retail space	\$3,237,850
First Community Housing, Inc.	Second Street Studios	San Jose	133	\$4,961,000
Meta Housing Corporation	Downtown Hayward Senior Apartments	Hayward	60	\$1,575,000
Allied Housing	Irvington Avenue Apartments	Fremont	90	\$5,280,000
<b>TOTAL</b>			<b>899</b>	<b>\$33,562,650</b>

\*Final project to include an additional 200 mixed-income or affordable housing

## CHALLENGES AND CHANGING ENVIRONMENT

While its successes are significant, TOAH was launched in a different economic and political environment than exists seven years later. The Bay Area is experiencing extreme job and population growth at a time when many state and federal funding sources for affordable housing have declined or disappeared.

Particularly relevant for TOAH is the increasing market demand for urban housing near transit, creating intense competition for limited sites and an abundance of market capital available for financing market rate opportunities. As a result, developers have had more difficulty acquiring eTOD sites for affordable housing development.

## LESSONS LEARNED

Several technical and programmatic lessons can be learned from the TOAH experience.

- **Early-stage financing drives a pipeline of eTOD opportunities.** TOAH has been a critical tool for acquiring and holding quality eTOD sites and bridging them to permanent financing. These sites would almost certainly have been lost to the market (through price or competition) had TOAH not offered the option of patient sustainable financing, as they have since tremendously increased in value due to the shift in market conditions. But this system is dependent on permanent financing sources to move the pipeline forward. When those sources virtually disappeared not long after TOAH launched, originations waned as developers were unable to create feasible pathways to new eTOD opportunities.
- **A structured, closed-end fund inherently contains a high degree of rigidity and process that creates competitive challenges within the market.** Some of TOAH's process challenges are inevitable when including banks and their regulatory requirements, but other structural lessons have led to favoring a structured participation model over a closed, proprietary fund. As capital markets loosened, alternative financing options — including banks and other community development financial institution (CDFI) programs — became more responsive to the market than TOAH for eTOD deals as innovation brought new products to the field. In some ways this is an indication of TOAH's success in proving the eTOD market.

## DOWNTOWN HAYWARD SENIOR APARTMENTS



Digital Rendering of the 808 A Street Project in Hayward

Meta Housing Corporation used a TOAH loan in 2013 to acquire a one-acre vacant lot located within three blocks from the downtown Hayward BART station.

Meta built a 60-unit affordable rental development for low-income seniors on the lot. The project is located in a commercial and retail corridor in downtown Hayward providing access to a wide-range of amenities including shops, parks, libraries, transit, grocery stores and restaurants.

Meta partnered with Alternative Home Care (AHC), a senior home care provider, to provide on-site supportive services to tenants ranging from non-skilled homemaker services to assisted living. EngAGE: the Art of Active Aging, provides voluntary wellness and community support services to all tenants including transportation coordination, health education, and adult day health.

Given that Hayward has a large population of senior renters, double the poverty rate of neighboring cities, and increasing rental prices, Downtown Hayward Senior Apartments provides seniors with needed affordable housing options.

This is the first affordable senior housing development in the city since 2008.

## EDDY AND TAYLOR FAMILY HOUSING



The Eddy and Taylor Family Housing Project in Progress

In 2011 during the Great Recession, the TOAH Fund provided financing to the Tenderloin Neighborhood Development Corporation's (TNDC) Eddy and Taylor Family Housing.

An example of TOAH's patience and flexibility, it took six years to break ground and begin transforming the half-acre parking lot into multifamily affordable housing. The project will include 113 units of affordable housing, a bicycle storage room, and a 5,000 square foot grocery store. This will be the first full service grocery store in the Tenderloin, a neighborhood classified as a "food desert."

The development, which includes 67 two-bedroom units and 15 three-bedroom units, will provide critically-needed homes for families as well as 30 units of housing for the homeless, formerly homeless, at-risk and disabled adults. While it is one of the poorest communities in San Francisco, the Tenderloin is a transit-rich location.

There are 28 transit routes within a three-block radius of the site. The TOAH Fund helped TNDC weather the uncertainty of recession and created a pathway to other resources, resulting in a successful mixed use development in a transit rich neighborhood.

## TOAH 2... THE NEXT GENERATION

As noted, TOAH2 has evolved to better address the current landscape in the Bay Area, namely a hot real estate market, widely available capital and increasing political support for affordable housing. Many recent changes to the eTOD environment reinforce a strong need for an early financing tool such as TOAH; most notably California's highly innovative AHSC program (funded at over \$300 million in 2016 and extended through 2030), and more than \$2 billion in Bay Area county housing bond approvals in response to the region's severe shortfall.

But while TOAH was originally created to overcome a lack of access to capital, the current hurdles have changed, primarily competing with the private sector. Originating CDFIs have engaged community developers to address their current needs and recognized that more nimble and flexible products and processes were needed to catalyze and accelerate eTOD in today's market conditions.

TOAH2 will better meet these new needs and opportunities through a streamlined origination process, building on the existing CDFI lending platforms and processes rather than adding to them, and leveraging greater CDFI access to capital than previously existed. The second generation of TOAH continues the vision and impact previously demonstrated by adapting to the Bay Area's dynamic real estate environment.



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San Francisco Bay Area's housing crisis continues to put significant gentrification and displacement pressures on families and communities across the region.

According to the Urban Displacement Project at the University of California, Berkeley, 62% of low-income Bay Area households live in neighborhoods at risk of or already experiencing displacement<sup>1</sup>.

To help stabilize communities and keep families in their neighborhoods, the Metropolitan Transportation Commission (MTC) has committed \$10 million to launch the Bay Area Preservation Pilot (BAPP). BAPP will provide financing for affordable housing in communities served by public transit that are affected by significant gentrification pressures.

Quality, affordable housing in the Bay Area is increasingly scarce, making it especially difficult for the region's most vulnerable residents to stay in their homes and communities. Affordable housing preservation is a strategy that emerged through partnerships among local governments, affordable housing developers, and advocates seeking to ensure housing remains affordable to low-income residents. The strategy seeks to acquire and protect homes on the market that are affordable to low-income households but not subject to affordability restrictions and therefore are at risk to speculative investors.



## BAY AREA LOSING AFFORDABILITY

The majority of low-income Bay Area families live in unsubsidized rental properties subject to rising rent prices and the possibility of a no-fault eviction. Meanwhile, the housing stock affordable to low and middle-income renters continues to fall short of the need, especially in hot real estate markets such as the Bay Area.<sup>2</sup> In 2016, the 9-county region was home to around 600,000 low-income households, but only 385,000 unsubsidized housing units were affordable and available to them.<sup>3</sup>

This represents a decline of over 80,000 such units since 2013, a period in which the affordability of roughly 27,000 unsubsidized units was lost annually due to rent increases and a variety of other factors. The region is losing more of these "market rate affordable" units than it is currently able to replace through new subsidized housing production.

1. <http://www.urbandisplacement.org/map/sf>

2. The Gap: A Shortage of Affordable Homes, March 2017. Accessible at: [http://nlihc.org/sites/default/files/Gap-Report\\_2017.pdf](http://nlihc.org/sites/default/files/Gap-Report_2017.pdf)

3. These numbers refer to units where rents are affordable to households earning 80% of their respective county's median income and the current occupants earn no more than 80% of the median income, the conventional threshold for "low income." This estimate is found by taking the total number of such units in the 9-county Bay Area according to the National Low-Income Housing Coalition's analysis of Census PUMS data, then subtracting all units subsidized by LIHTC, HUD, and USDA funding. Households receiving Housing Choice Vouchers are not included.



## MTC'S INVESTMENTS IN HOUSING

MTC has a strong track record of contributing to meaningful housing solutions. In 2008, MTC provided seed funding to create the groundbreaking Transit Oriented Affordable Housing (TOAH) Fund to build or improve affordable housing near transit in the Bay Area.

Capitalized at \$50 million, TOAH is projected to help create approximately 1,100 housing units to date, of which about 900 will be affordable. Similarly, BAPP responds to advocacy efforts from cities and community-based organizations to address gentrification pressures and the acute housing crisis in the region. As initially approved by MTC in July 2016, MTC's \$10 must be leveraged 5 to 1 and deployed in Transit Priority Areas and Priority Development Areas.

## PRESERVATION PILOT

Administered through community development financial institutions (CDFI) Enterprise Community Loan Fund (ECLF) and the Low Income Investment Fund (LIIF), BAPP will address a specific financing gap in the affordable housing market by offering 10-year term loans and a quick execution allowing mission-driven developers to compete for market-rate properties that currently offer affordable rents.

Once a property is acquired using a BAPP loan, developers will have up to 10 years to stabilize the property making sure residents are not displaced and also determine a financial plan to ensure the long-term affordability of the property. The loan will play the critical role of providing the financing needed to quickly acquire a property, financing acquisition costs, as well as carrying costs such as life and safety repairs and reserves.

Beyond 10 years, developers will secure Low-Income Housing Tax Credits and/or other existing sources of affordable housing financing at the local, state, and federal level to ensure long-term affordability.

### IMPACT

As a result of BAPP, LIIF and ECLF estimate between 200-400 homes will be taken off the speculative market and positioned to maintain permanent affordability through the 10-year pilot. The initiative's aim is to demonstrate that public sector investments can help stabilize communities and mitigate displacement pressure for the region's most vulnerable residents. If expectations are met, BAPP could be scaled for greater impact.



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