

Inside Real Estate News, John Rebchook

July 16, 2010

www.insiderealestatenews.com

TOD purchases uses innovative financing tool

The Urban Land Conservancy today announced it paid \$1.325 million for 1.2 acres at 5155 E. Yale Circle using Denver's Transit Oriented Development Fund. The fund, an innovative housing and economic development tool developed to provide financial protection against rising land prices near transit sites, was created in collaboration with Denver's Office of Strategic Partnerships, the Office of Economic Development, and Enterprise Community Partners .

"The property at Yale will ultimately provide important economic benefits for working households of Denver that depend on light rail transit for their work," said Aaron Miripol, President and CEO of the non-profit ULC. "Not only are needed homes getting built, but the community benefits of this development are important for Denver's economic recovery."

The property is adjacent to the Yale Light Rail Station. The TOD fund will cover 90 percent of the value of the land, and ULC will pay the remaining 10 percent plus pre-development and closing costs. The favorable terms of the TOD financing allow ULC to hold the property until a development partner is secured that will build housing on the site. ULC expects to hold the property for a few years to allow the developer time to create a solid plan. Housing constructed on the site likely will use financing from the Federal Low Income Housing Tax Credit (program for residents that earn 60 percent or below of area median income.) For a family of four in metro Denver in 2010, 60 percent AMI translates into \$45,540 per year.

Nurses, teachers could benefit

"We want our nurses, teachers and other workers vital to the economy of our city to be able to live in Denver," said Dace West, Co-Director of the Office of Strategic Partnerships. "The Yale property purchase is exactly what we hoped the TOD fund would support."

Housing can take up a disproportionate amount of income for those already struggling with basic such as health costs and feeding their families.

"Many low- and moderate-income families in Denver spend nearly 60 percent of their income on a combination of housing and transportation," said Karen Lado, vice president and regional operating officer, Enterprise Community Partners. "It's essential that we encourage the development of reasonably-priced housing in transit corridors, and the purchase of the property at Yale Circle will do just that."

TOD mission

Denver's TOD Fund was created for the purchase of property around transit stops including light rail, commuter rail, and high-frequency bus routes. The fund is capitalized at \$15 million, with a goal of \$25 million in total loan capital once it is expanded beyond Denver. Enterprise is responsible for assembling loan capital and serving as fund manager.

ULC was the first investor into the fund with \$1.5 million and is responsible for purchasing properties that meet the priorities of the TOD Fund. The City of Denver provided \$2.5 million in local loan funds to the TOD Fund as well. Other investment partners include Enterprise, the MacArthur Foundation, the Colorado Housing and Finance Authority, U.S. Bank, Wells Fargo, Mile High Community Loan Fund and Rose Community Foundation.

A 2010 study by the National Association of Home Builders looked at the economic impact of workforce housing along transit stops in Metro Denver, using the LIHTC program. The study reviewed 615 new apartments built annually between 2004 and 2009 and found that the one-year, indirect and direct economic benefits were \$57.6 million in local income, \$5 million in taxes and other revenue for local governments, and 732 local jobs.

Taxes, jobs generated by affordable housing

Elliot Eisenberg, a senior economist at NAHB and the author of the study, also estimated the annually recurring economic impact beyond the first year at \$16.7 million in local income, \$2.3 million in taxes and other revenue for local governments, and 192 local jobs. These impacts are the result of the new apartments being occupied and residents paying taxes and otherwise participating in the local economy year after year. This type of affordable housing also helps keep the local economy thriving by providing a place to live for employees, according to data from property managers at tax-credit housing communities, according to the study. About half of tax-credit housing residents work in the service industry, while the majority of the remaining is spread among the education, medical and state and local government fields. (For an earlier blog on this study, please visit [***Affordable Housing Helps Economy.***](#))

"I have lived in this community for 30 years and I support the ability of Council District 4 families to age in place," said Denver City Councilwoman Peggy Lehmann, Council representative for District 4, which includes the Yale property. "Multi-unit housing in my district will help ensure that our families have a reasonably priced option for their children when they become young adults and for older adults as they leave their single-family homes and want the convenience of being near light rail."

Another property near the purchased site was recently awarded an allocation of low-income housing tax credits from Colorado Housing and Finance Authority for the construction of senior housing. Combined, the projects will provide housing for a broad spectrum of Denver residents.

Contact John Rebchook at JRCHOOK@gmail.com or 303-945-6865.