
TOAH Fund Business Framework For Metro Vancouver

March, 2019

FINAL REPORT

Prepared for:

Metro Vancouver



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Executive Summary

To advance policies relating to its *Regional Affordable Housing Strategy*, Metro Vancouver is exploring the development feasibility of transit-oriented affordable housing (TOAH) across the region. Prior research has shed light on the challenges facing lower-income households in the region, and complementary research is exploring policy tools Metro Vancouver and its partner jurisdictions can implement to advance their affordable housing goals.

A TOAH Fund – a financing mechanism that aids affordable housing development to incentivize production near high-capacity transit – is one potential tool and the subject of this report. Through conversations with local policy makers, experts, and developers, research into the fund typologies applied in the U.S., and considerations of the implementation steps and decisions needed, this report presents a business framework for Metro Vancouver and its partners to use as progress on a regional TOAH Fund concept continues.

The TOAH Fund concept sits at a critical intersection of policy and business. Blending multiple sources of private and public capital to offer attractive loan products that will increase the development of affordable housing in transit-oriented locations, a TOAH Fund will need to satisfy the goals and requirements of many interested parties:

- **End users:** The units need to have rents affordable to households making less than 80% of the regional median household income (equivalent to \$60,000 as per the 2016 Census).
- **Policymakers:** The development projects need to meet key policy and planning goals regarding location, populations served, affordability, and sustainability, among others.
- **Housing developers and operators:** The loans offered need to solve critical development challenges and be financially feasible in a project's proforma.
- **Investors:** The fund needs to have terms attractive to private investors so that it can raise enough capital to meaningfully affect the development pipeline and overall supply of affordable rental housing units.

Addressing the diverse interests of all parties simultaneously requires careful consideration of the fund's goals, the development challenges, and the financial terms that will both work in a proforma and satisfy investors' own financial requirements. The two critical elements, however, are *meeting policy goals* and *addressing key affordable housing development challenges*. Without meeting important policy goals, the fund will not achieve the public investment and support it needs to get off the ground, and without filling key development gaps, the affordable housing sector may not need or use the fund and it will not make an impact on unit production.

The fund's ability to meet policy goals is well established but its ability to address development challenges needs to be further refined. The consulting team believes the key precursors to a TOAH Fund exist in the Vancouver Metro region, but recommends additional discussions to determine whether a post-construction / permanent financing fund or a fund offering general development preparation financing will be best.

With meaningful public sector input and research already completed, future TOAH Fund discussions need to shift from the policy development process to the business development process. Investors will be approaching a TOAH Fund like any business deal – considering bottom-line financial requirements, negotiating fund terms, and signing capital agreements. Developers equally need to be involved in planning discussions to ensure that the financial terms that satisfy investors will also work in a proforma to increase unit production in the desired locations.

Going forward, Metro Vancouver should continue to convene and encourage ongoing conversations, but given that it does not have a stated position regarding managing the fund, its focus should shift to coordinating stakeholders and securing a public investment that will lower the fund's blended cost of capital. Additional steps Metro Vancouver and its partners should take to advance conversations around the fund concept include: 1) assess partner capacity and formalize an advisory body; 2) secure the fund's foundation via a catalytic public investment and obtaining a fund administrator; 3) raise capital, secure additional investors, and negotiate terms; and 4) execute deal agreements, draft the business plan (including operating guidelines governing investments and eligible activities), and close the fund.

A TOAH Fund can help to incentivize the affordable housing development industry, but cannot solve all of the gaps and limitations facing the sector. The fund will be one of many tools and strategies that, together, can help encourage transit-oriented affordable rental housing development across the Metro Vancouver region.

Even in the areas where a TOAH Fund is a great match to meet a development financing need, it will likely face several headwinds that need policy interventions: the limited development capacity and knowledge of the local non-profits; regulations that have many requirements on developments (thereby reducing project feasibility); and the high-cost land and construction markets in the Metro Vancouver region. A TOAH Fund should be pursued in tandem with complementary policies (included here and in the other Phase 2 research) that help to address the development sector challenges that a TOAH Fund may not address.

Momentum exists, as evidenced by the strong attention to issues surrounding housing affordability in the Metro Vancouver region. It is clear that the affordable housing development industry is engaged and driven to find solutions. Yet, this process can be time consuming, requiring robust dialogue as details are negotiated and agreements are reached. In spite of the considerable effort that lies ahead, a TOAH Fund has the potential to be a meaningful new source of funding that directs development toward transit-oriented sites and increases the overall supply of affordable rental housing for low-income residents in the Metro Vancouver region.

Glossary of Terms

Throughout this report, γ denotes that a term is defined in this glossary.

PLANNING TERMS

AFFORDABLE HOUSING In the study, “affordable housing” refers to rental housing that households earning up to 80% of the regional median household income (equivalent to \$60,000 per year as per the 2016 Census) can afford by paying no more than 30% of their pre-tax income on rent.

FREQUENT TRANSIT NETWORK A network of corridors where transit (bus, SkyTrain, SeaBus) runs at least every 15 minutes in both directions throughout the day and into the evening, every day of the week.

MARKET RENTAL HOUSING Rental housing where rent is set out by the building owner to reflect market conditions; typically developed by for-profit developers.

METRO 2040 The regional growth strategy approved by the Metro Vancouver Regional District Board in 2011 that sets out the land use framework and actions to accommodate growth to 2041. It is a statutory plan required by the Province.

REGIONAL AFFORDABLE HOUSING STRATEGY Adopted by the Metro Vancouver Regional District Board in 2016, this non-statutory plan sets out actions to address housing affordability, focusing on rental housing. Goal 4 is to increase the rental housing supply along the Frequent Transit Network.

TRANSIT-ORIENTED DEVELOPMENT (TOD / ETOD) Development located within walking distance of the Frequent Transit Network (e.g. within 400 meters of frequent bus stops or 800 meters of rapid transit stations). ETOD stands for *equitable* TOD, which approaches TOD with an equity lens to ensure that all communities, particularly minority, low-income or historically marginalized communities, benefit from transit investments and transit-related development.

URBAN CENTERS AND FREQUENT TRANSIT DEVELOPMENT AREAS Policy growth areas identified in Metro 2040 into which the majority of residential and employment growth are intended to go. Most Urban Centers and all Frequent Transit Development Areas are served by the Frequent Transit Network.

DEVELOPMENT TERMS

COVENANT A restriction placed on the title of a property that, depending on the provision, maintains the affordability of the affected housing units in a predetermined amount of time (e.g. 50 years).

CROSS-SUBSIDIZE A mixed-income development with market rate and rent restricted units may be able to cross-subsidize its revenues. The market rate units charge high enough rents to offset some of the lost revenues associated with lower rents in the affordable units.

DEVELOPMENT PHASES The typical phases are predevelopment, construction, and operation. Predevelopment can be split into early-stage predevelopment (project visioning, design, and concept planning) and late-stage predevelopment (securing project funding, securing sites, permits, and entitlements such as zoning or rezoning). Early-stage predevelopment projects often end up infeasible and cannot carry debt.

DEVELOPMENT PIPELINE Development projects that are expected to happen in the near future (e.g. under construction, received funding awards, permitted, etc.).

FEASIBILITY A project needs to be financially feasible, demonstrating that the revenues generated from rents are sufficient to cover operations, debt servicing, and capital reserves. A project's development team will create a pro forma to determine feasibility and adjust the number of units, size, rents, and construction costs until the project revenues match expected operating costs (often referred to as “penciling out”). Funders need to understand financial feasibility before they will award a project funding.

MISSION-BASED DEVELOPERS Refers to public or non-profit organizations working on affordable housing initiatives. These developers may sacrifice financial return for the positive social impact of providing affordable housing.

PREDEVELOPMENT EXPENSES The costs associated with activities prior to construction, such as planning, engineering, and architectural reports and drawings. It can also include the cost of holding a property prior to completion – the largest components being property taxes and any site remediation costs.

ZONING / REZONING Regulations set out by a local government on the allowable land uses and density on a parcel of land. Landowners can apply to their local government to change the zoning of their parcel of land (whether a specific use and/or the density).

FINANCE TERMS

AMORTIZATION The process of paying back a loan over the specified period of time.

CAPITALIZATION RATE Ratio of net operating income (NOI) to property asset value. Also called “cap rate.” Buyers want to have a high cap rate, meaning the value of the property is low. Sellers want to see a low cap rate because the selling price is high.

CAPITAL STACK The mix of funding sources either in a fund or used to pay for construction of a development project. Different types of funding are “stacked” together. Each type of funding sits at a different level in the stack corresponding to risk and rate of return (lower risk corresponds with lower return and vice-versa). See pages 6-7 for examples.

CLOSING A FUND A fund that has “closed” refers to financial closing. That is, all legal and financial documents have been executed and required conditions have been met; the fund can formally begin operations.

CONSTRUCTION LOAN A short-term loan used to finance the construction phase of a project. Typically three to five years during the construction period. The permanent loan is used to pay off the construction loan.

CONVERTIBLE DEBT Debt that initially requires repayment, but converts to equity in the deal at a specified time. This is favorable to the borrower since it can reduce total borrowing costs, and is favorable to the lender because the debt becomes equity when the property is worth more (after operations stabilize), and because debt is senior to equity in the event of a liquidation, so there is less risk in a debt position than equity.

CREDIT ENHANCEMENT Public or philanthropic funding that is used to offset the risk of lending to less-creditworthy borrowers in a fund. This funding source is high-risk but often very low-return. It is not lent out to development projects, but there to offset risk.

DEBT SERVICE COVERAGE RATIO (DSCR or DCR) The ratio of project debt to project operating cash flow. This is a measure of the “cushion” that a project has to pay its debt after paying for operations. Lenders want to see about 1.10-1.20 DSCR. A ratio of less than 1 would mean the project does not have enough cash flow to pay its debt obligation. Equal to net operating income (NOI) divided by total debt payments.

EQUITY can be preferred or sponsor equity, and sits at the top of the capital stack. It is riskier than debt, because it is repaid last in the event of a liquidation, but generates the highest return for investors.

FIRST LOSS CAPITAL Often public or philanthropic funding that sits at the bottom of the capital stack. This funding would be the first loss in a loan default. This is high-risk but often very low-return and is used to offset risk for other investors.

GAP FUNDING A relatively flexible funding source that is applied after major funding programs (government or philanthropic) are awarded and after NOI determines how much debt the project can handle. Gap funders are usually mission-based and fill the remaining gap with low cost financing to get the project to be financially feasible.

IMPACT INVESTING Mission-oriented investors who are willing to sacrifice financial return on investment by funding projects that will generate positive social returns (e.g. affordable housing, community development, etc.).

INTEREST RATE The cost of borrowing to fund a project. Mission-based lenders may offer lower interest rates or below-market interest rates for affordable housing projects or development that has a positive social impact. Interest rates can be fixed (they do not change over the course of the loan) or variable / floating (tied to federal interest rates or other variable rates). Interest payments can be partially or completely deferred until the loan matures.

LOAN-TO-VALUE RATIO (LTV) Equal to the loan divided by the appraised value of the property.

MEZZANINE DEBT is a secondary debt position, and would be repaid after senior debt in the event of a liquidation. It is more risky than senior debt, and acts more like equity with deferred payments on the loan. Often called “mezz debt.”

NET OPERATING INCOME (NOI) Equal to rental revenue less operating expenses. The amount of permanent financing that can be obtained is determined by the NOI.

PERMANENT DEBT / PERMANENT FINANCING / TAKE-OUT FINANCING A long-term loan (maturity of 15-30 years) that is obtained after completion of construction. It is used to repay the short-term construction loan.

PROJECT EQUITY The amount of money that a housing project owner is bringing to the table (ownership stake).

RETURN ON EQUITY Measure of profitability: net income as a percent of the equity that went into the project.

REVOLVING LOAN FUND A pool of money from which loans are issued to eligible recipients for specific uses. In the case of transit-oriented affordable housing revolving loan funds, the loans have lower interest rates and more generous terms compared to market loans. When the loans are repaid, new loans can be issued. See page 6 for a detailed description.

SECURITY / RECOURSE The collateral attached to a loan. In the event that the borrower defaults on their loan, the lender can claim the collateral as recourse or security on the loan.

SENIOR DEBT Sits at the bottom of the capital stack and is repaid first in the event of a liquidation. Because it is lower risk, it has a lower interest rate returned to lenders.

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Introduction

Background

The Metro Vancouver region is characterized by a beautiful natural setting, growing urban centers and transit corridors^y, and a strong economy with global reach. Amidst this positioning, many households in the region struggle with high housing and transportation costs. With few affordable housing choices and growing commutes, the Metro Vancouver regional government set out to advance policy goals surrounding compact urban growth, strong high-capacity transit, smart planning and development, and influencing the housing stock. Two regional strategies – the *Metro 2040 Regional Growth Strategy* and the *Regional Affordable Housing Strategy* – led by Metro Vancouver chart the course for planning transit, housing, and development around these goals.

To advance policies relating to its *Regional Affordable Housing Strategy*, Metro Vancouver is exploring the development feasibility of transit-oriented affordable housing (TOAH) across the region. Understanding that housing and transportation costs are closely linked and represent the two highest costs for most working households in Metro Vancouver, the regional government is interested in encouraging more purpose-built rental housing developments that are affordable to households making less than 80% of the regional median household income (equivalent to \$60,000 per year as per the 2016 Census), in transit-oriented locations in the Metro region.

The first phase of Metro Vancouver's work – the *Transit-Oriented Affordable Housing Study Phase 1* – evaluated the development feasibility of new rental housing affordable to lower income households in transit-oriented locations across the region. Collaborators identified several potential tools that could aid rental housing development, including a revolving loan fund^y focused on financing TOAH development. Such funds have been established elsewhere, including several major U.S. metropolitan areas, and could have direct relevance in the Metro Vancouver region.

Phase Two Research

The second phase of research relating to the *Regional Affordable Housing Strategy* includes two parallel processes that will highlight for policymakers and practitioners, key information and points of leverage relating to the effectiveness of several tools that could incentivize or encourage TOAH rental housing across the region. These processes are:

- A. Research by a team of Canadian consultants exploring the integration of policy tools that can help to encourage TOAH development across the Metro Vancouver region.
- B. This research considering the applicability of one tool in the region: a revolving loan fund that would finance the development of TOAH rental housing across the region.

The results of Research Process A are expected in Spring 2019. This report summarizes the findings and recommendations from Research Process B.¹

Research completed in Process B of this phase includes the following steps, which are described further below.



U.S. TOAH Funds Memorandum

Enterprise Community Partners, a U.S.-based affordable housing fund administrator and syndicator, prepared a memo and matrix (see Appendix B1) that evaluates the U.S. context for TOAH funds, identifying key takeaways and learnings from its perspective. The memo highlights the characteristics of seven U.S. TOAH funds and the specific conditions that informed their implementation, including fund size, goals, implementation timelines, public/private capital split, performance to date, loan types and amounts, typical terms, business structure, risk tolerance, key partners, and conditions unique to each geography and market. These findings guide discussions around the key conditions that must be present for a TOAH Fund to be successful in the Metro Vancouver region.

The memo also identifies six key lessons from transit-oriented development of affordable housing in the U.S., highlighting the importance of (1) aligning funds with public policy priorities, (2) tailoring a fund to suit its context, (3) having clear fund goals to fill a development gap or leverage a new opportunity, (4) planning for dynamic markets, (5) keeping simple structures, and (6) dealing with common challenges.

Local Context Memorandum

CitySpaces, a local Vancouver-based planning consulting firm prepared a detailed and comprehensive memo outlining the characteristics of the local affordable housing development sector (see Appendix B2). The memo details existing development funding sources, their eligibility requirements (borrowers and projects), risk tolerances, typical capital stack²/deal structures, available funding amounts, development stages³, and typical lending terms. The memo summarizes the key limitations of the industry, shedding light on struggles that local

¹ This Business Framework Report includes several policy recommendations that work in tandem with TOAH Funds in the U.S., and could be implemented to further increase the applicability of a fund in the Metro Vancouver region. These policy recommendations are meant to complement the work done in Research Process A.

This Business Framework Report departs slightly from the original scope of work which sought a complete business case for a TOAH Fund in the region. As the consulting team started researching and talking with key project partners and industry stakeholders, it became apparent that the industry was not yet in agreement about key details needed to write a business case – namely the key fund goals (what challenges the Fund would help the development sector address), the fund products it would offer (loans and associated terms), and the likely scale of investment (who and how much would be invested at what terms). Without agreement on these aspects, the consultant team lacked key information needed to make the business case for why and how the fund should advance.

affordable housing developers encounter and the typical funding gaps⁷ they face. It also summarizes key opportunities for the industry that may aid development in the near future. The challenges identified in this memo provide a foundational understanding for how a TOAH Fund concept may be a solution to the development sector and increase the development pipeline⁷ of affordable housing units in the region.

Data informing this memo came from industry research, interviews with key players in the sector, and CitySpaces' knowledge of affordable housing development in Metro Vancouver. The full team contributed to and reviewed the interview questions. This memo also included case studies of two recently completed affordable housing projects.

Experts' Round Table

The primary tool for assessing the applicability of a U.S.-style TOAH fund to address the gaps in the Metro Vancouver market was an Experts' Round Table discussion that took place in Vancouver in November 2018. The consulting team presented draft findings from the U.S. TOAH Fund and Local Context memos to solicit feedback from key industry leaders, policymakers, developers (both mission-based⁷ and market rate), and philanthropic and public funders. Participants confirmed the gaps identified in the Local Context memo were correct and listened and provided feedback on the applicability of U.S. TOAH fund structures.

Additionally, the consultant team guided a robust discussion about the applicability of three hypothetical revolving loan fund concepts (an acquisition fund, a predevelopment fund, and a post-construction / permanent financing⁷ fund), to get direct feedback on how a revolving loan fund might or might not encourage the development of affordable rental housing in the Metro Vancouver region. In this part of the Round Table, participants rotated through three breakout groups to consider how these three fund models might meet local affordable housing sector needs.

Implementation Considerations Memorandum

The consultant team provided a third memo (see Appendix B3) summarizing the key findings from the Experts' Round Table event including the applicability and implementation considerations needed for a potential TOAH Fund in the region. This memo combines the development gaps identified in the Local Context memo and the potential solutions offered from U.S. TOAH Fund models, and identifies the most likely fund products to move forward.

Review and Synthesis of Prior Steps

A broad group of stakeholders, including public sector partners, potential fund investors, and existing affordable housing developers and funders, reviewed each of these memos. Their comprehensive feedback offered critical insight as to the fund concepts with the most potential, the bottlenecks in the development process, and the local affordable housing development sector context. The refined thinking expressed in these memos forms the basis for the materials in this report.

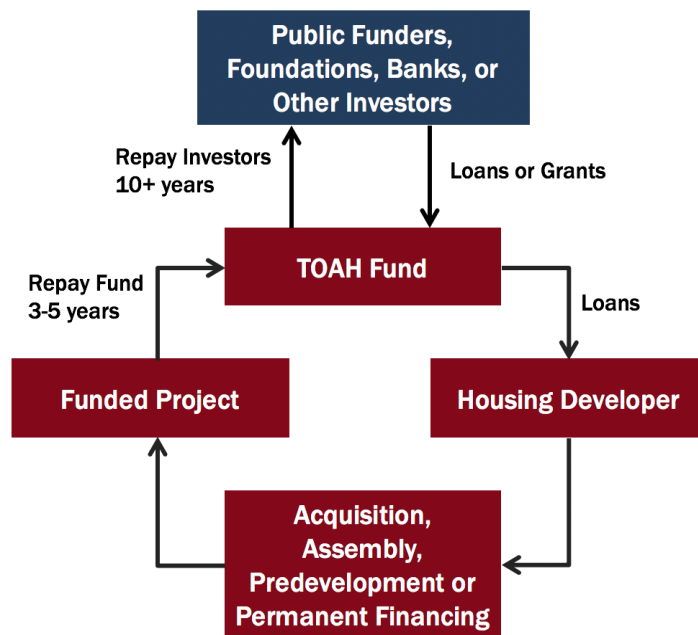
Purpose of this Report

This report synthesizes all the prior research and feedback received to date to recommend the TOAH Fund products that may be the most successful in addressing the affordable housing sector's development challenges and unlocking capital to increase the supply of housing. The consulting team evaluated the potential effectiveness and deliverability of a fund, and identified pathways for implementation on a regional scale. This succinct report is organized as follows:

1. Introduction, Background, and Purpose
2. The TOAH Fund Development Process
3. Key Conditions for TOAH Fund Success
4. Recommended Solutions
5. Recommended Implementation Steps
6. Conclusions
7. Appendices

What is a TOAH Fund?

We define a TOAH Fund as a revolving loan fund that invests in affordable housing near high-capacity transit. A TOAH Fund blends capital from numerous investors: public funders, philanthropic funders, banks, financial institutions, or other investors (see capital stack⁷ below). These investors are often called impact investors⁷ because they are willing to sacrifice some financial return on investment (compared to other investment funds), for a positive social impact (e.g. affordable housing).



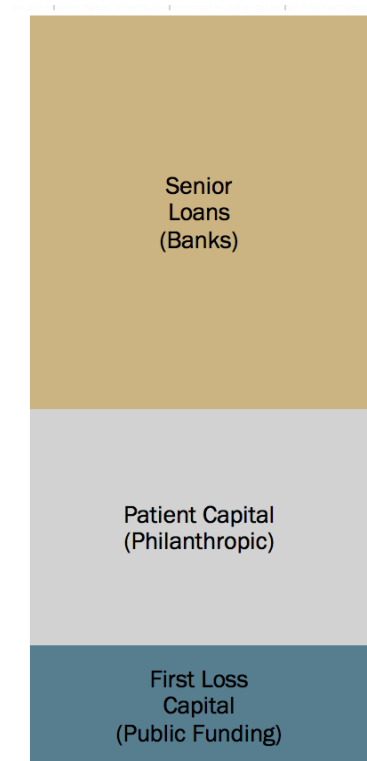
By working with impact investors, a TOAH Fund is able to lower interest rates to affordable housing projects. The rates offered depend on the capital sources and the investors' funding requirements.

These lower rates of return are passed on to developers as below-market interest rate loans. The TOAH Fund lends out capital to eligible borrowers for qualifying development projects. These below-market interest rate loans reduce the cost of capital and help improve project feasibility, thereby increasing the supply of affordable housing units.

As a *revolving* loan fund, investors are repaid after a specified period of time. Grants, zero-interest loans, or other types of funding that are not repaid or do not generate a financial return would not be considered "a fund" under this definition.

A typical TOAH Fund in the U.S. will blend several layers of funding, depending on its investors. These layers have different levels of risk and require different rates of return from the fund. Public or philanthropic funding is usually first loss capital⁷ or credit enhancement.⁷ This has the highest risk and is used to enhance the credit of a less-qualified borrower, or to absorb any losses if a loan cannot be repaid.

The investors and the capital they bring to the TOAH Fund, set the tone for the types of loans the fund can make and ultimately the types and amount of affordable housing that can be built.



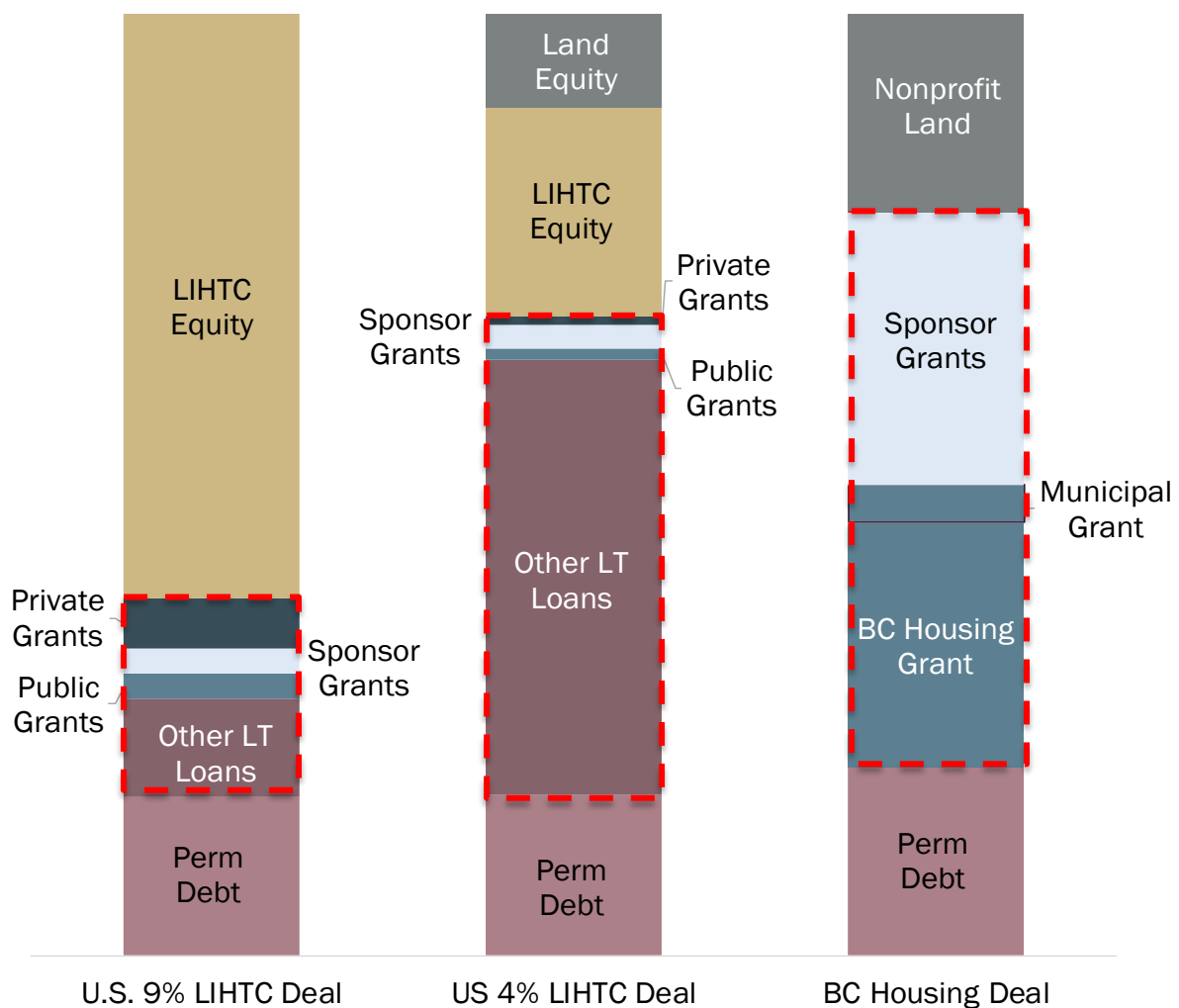
Typical U.S. TOAH Fund

Sources: Enterprise, REDI Fund Business Plan

Understanding the Capital Stack

Development products need to identify the sources of capital that will fund the construction of the property – this is called the capital stack. The following diagram provides example capital stacks for two typical U.S. affordable development deals alongside a typical Canadian affordable deal.

Affordable housing developments need lower cost financing because their reduced rents limit the amount of debt they can repay. This often requires layering multiple low-interest loans, grants, or development incentives together to complete the financing package. In the U.S., the Low Income Housing Tax Credits (LIHTC) program is the largest source of affordable housing development funding in the nation, offering two tax credit values – a 4% and a 9% tax credit. These programs provide meaningful equity into affordable housing developments, but no similar program exists in Canada.

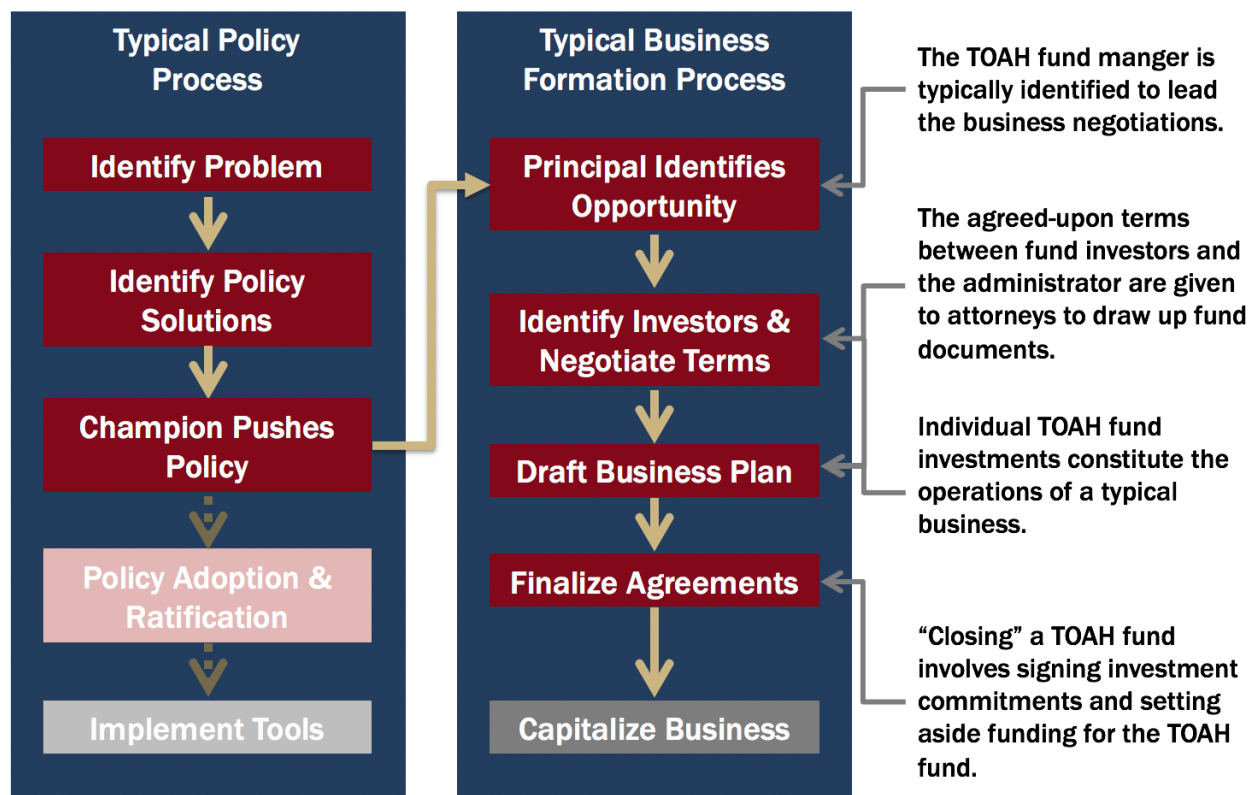


The TOAH Fund can help to improve project feasibility by offering below-market interest rate loans to a development and filling gaps in the capital stack (dotted red lines). The interest rates the Fund is able to offer depends on its capital stack and the investors' own required rates of return (see page 6).

TOAH Fund Development Process

The TOAH Fund concept sits at the intersection of policy and business. Phase one research identified a TOAH Fund as a potential tool to solve an important societal problem that Metro Vancouver is trying to address: the lack of affordable housing for low-income households in transit locations. Thus far, Metro Vancouver is leading the efforts behind a TOAH Fund. However, because the fund will very likely require private sector capital and operators to achieve an impactful scale in the market, the time to transition from public sector policy development to private sector business formation is quickly approaching. Figure 1 below demonstrates how the TOAH Fund bridges the policy development process and the business deal development process.

Figure 1. The TOAH Fund Development Process Combines Policy Process and Business Negotiation



In the U.S. TOAH Funds memo (Appendix B1), Enterprise elaborated on the development process and common obstacles to creating a public-private effort such as a TOAH Fund.

With meaningful experience advising and guiding communities through the implementation and development process, Enterprise reports that creating a TOAH Fund can take two-to-three years to identify the capital intervention and project requirements, raise capital, create the business plan, draft documents, and close the fund.

The process of designing, structuring, and closing a TOAH Fund can be long and laborious even under the best circumstances. This is in part due to the fact that each party joining the fund will come to the table with different priorities, requirements, and limitations. The fund will likely have investors and participants from several separate sectors (e.g. mission-driven nonprofits, market rate developers, or transit agencies), who all must agree on the operating guidelines, investment terms, and overarching goals.

“Each TOAH fund in the U.S. is unique because these funds are directly shaped by the local goals and the market in which they are designed to operate.”

- U.S. TOAH Funds memo

Public funders can expedite the early stages of a TOAH Fund’s concept refinement and help to identify private capital by offering clear leadership on the fund’s policy goals and making an early commitment to provide a substantial public contribution. The number of investors can also dramatically affect the time and cost of getting to fund closing,⁷ as additional sources typically add reviewers and use constraints, lengthening the process.

Drawing on best practices and common challenges from TOAH Funds in the U.S., the U.S. TOAH Funds memo also advises against the mentality of “if you build it, they will come” for two key reasons: investors may be unlikely to join a fund without a clear understanding of the benefit to them, and borrowers may be reluctant to use a new financing tool that is not vetted.

Raising Capital and Bringing on Investors

Investors will be signing legal agreements committing capital to the TOAH Fund. As such, they will be negotiating the deal terms to ensure their funds are used appropriately, generate sufficient return, and meet their own bottom-line goals. Ongoing conversations and thorough market research will be necessary to understand the terms that will be sufficient to meet all the different investors’ capital needs. A substantial part of the capital raise is the iterative work to align priorities, draft the operating guidelines, and reach common investment terms.

Deploying Capital and Lending to Developers

On the borrower’s side, housing developers may be hesitant to work with a new product and be the “guinea pigs” for a new lending process. Ongoing conversations and research will be necessary to understand whether the terms that meet investors’ capital needs will be sufficient for developers’ needs. This is also where alignment between the capital strategy and other policy efforts is critical. Limiting risk and increasing certainty around permanent funding, entitlements, and other bottlenecks in the development process can make capital tools significantly more impactful. Without this, the TOAH Fund will have a limited impact deploying funds and actually spurring new development.

Key Conditions for TOAH Fund Success

In the U.S. TOAH Funds memo (Appendix B1), Enterprise outlines the key conditions necessary for a successful TOAH Fund based on the U.S. context and experience.

The memo outlines several best practices and lessons learned – some that are internal to the fund operations and flexibility, and others that are external to the market and policy environment.

The internal fund operations and policy guidelines for a TOAH Fund in the Metro Vancouver region will be developed at a much later stage based on the needs and funding requirements of the partners. Therefore, the consultant team cannot evaluate these conditions. However, we step through the following external (market and policy) considerations to evaluate whether a TOAH Fund may be successful in the local context:

“When a fund is clear on its objective, either filling gaps or leveraging new opportunities, this goal should connect throughout all elements of TOD fund design and operations, including its business plan, the design of its products, the capital raise goals and process, and its marketing and pipeline development.”

- U.S. TOAH Fund Memo

1. Does the fund fulfill strategic policy goals?
2. Does the fund address specific development challenges in the affordable housing sector?
3. Can a TOAH Fund Thrive Given Local Housing Market Conditions?
4. How much capital could the TOAH Fund reasonably raise? Is this sufficient?

Does the Fund Fulfill Key Policy Goals?

The answer to this question is yes. A TOAH Fund could address specific policy goals in the Metro Vancouver region, particularly if deployed in tandem with other non-capital strategies.

The policy goals surrounding the TOAH Fund are clear, have wide support in the Metro Vancouver region, and were thoroughly researched in Phase 1 of this project. The two regional strategies led by Metro Vancouver – the *Metro Vancouver 2040 Regional Growth Strategy* and the *Regional Affordable Housing Strategy* – describe the region’s growth and housing goals, with the most relevant policy goals summarized here. Key planning terms are defined in the glossary on pages iv-v.

Metro 2040 describes the development and planning goals adopted by the different municipalities that comprise the regional district. The relevant housing and development goals and strategies are:

- Create a compact urban area
 - Contain urban development within the Urban Containment Boundary
 - Focus growth in Urban Centers and Frequent Transit Development Areas
 - Protect rural, agricultural, and conservation/recreation areas from development
- Support a sustainable economy

- Promote land development patterns that support a diverse regional economy and employment close to where people live
- Develop complete communities
 - Provide diverse and affordable housing choices
 - Develop healthy and complete communities with access to a range of services and amenities
- Support sustainable transportation choices
 - Coordinate land use and transportation to encourage transit, multiple-occupancy vehicles, cycling and walking
 - Coordinate land use and transportation to support the safe and efficient movement of vehicles for passengers, goods and services

The *Regional Affordable Housing Strategy* focuses on the rental housing stock, and identifies the following five goals:

- Expand the supply and diversity of housing to meet a variety of needs
- Expand the rental supply and balance preservation of existing stock with redevelopment while supporting existing tenants
- Meet housing demand estimates for very low and low-income earners
- Increase the rental housing supply along the Frequent Transit Network
- End homelessness in the region

A TOAH Fund could help to finance the development of housing affordable to Metro Vancouver households earning less than 80% of the regional median household income (equivalent to \$60,000 per year as per the 2016 Census). Thus, it is clear that a fund could meet many of the growth, development, and housing goals set forth in these regional strategies.

Does the Fund Address Specific Development Challenges in the Affordable Housing Sector?

The answer to this question is maybe. On its own, a TOAH Fund cannot fully address any of the development challenges facing the sector. If created in conjunction with other solutions (policy changes or more development subsidies), a TOAH Fund may be able to partially address a few of the development challenges facing the affordable housing sector.

While a TOAH Fund's ability to meet certain policy goals is clear, its ability to address specific development challenges that limit affordable rental housing development is less obvious.

CitySpaces' Local Context memo outlining the characteristics of the local affordable housing development sector identifies the opportunities and challenges preventing more affordable rental housing development in the region (Appendix B2). The Implementation Considerations

memo (Appendix B3) pairs these development challenges with TOAH Fund considerations in a table that is revisited below (see Table 1).

The table considers whether each challenge could be addressed by a *capital* or *subsidy* solution to meet the needs of the local affordable housing sector. It is color coded: red indicates the TOAH Fund would not be a solution and yellow indicates it could potentially help.

- A *capital solution* source of funds is one that expects a return and repayment. Investors providing capital to developers for this type of solution would charge interest and expect some measure of financial return on their investment. This solution does not include zero-interest loans, forgivable loans, or grants, and ultimately adds to project costs (unless it replaces higher cost financing).
- A *public subsidy solution* source of funds is one that does not expect a financial return or repayment. This source of funding would likely come from public or philanthropic organizations that would expect a social return on their investment. These could be early grants, zero interest loans, or additional permanent subsidy for projects.

Table 1. Matrix of Local Affordable Housing Sector Challenges and Potential Fund Solutions

#	Development Challenge	Capital Solution	Public Subsidy Solution
1	Non-profit development knowledge capacity	Maybe (Fund could be momentum needed to grow non-profit development capacity; growing non-profit assets could improve development knowledge / sophistication)	Yes (Grants for technical assistance, capacity building, or training)
2	Non-profit financial / competitive capacity	Maybe (Line of credit / faster moving acquisition funds to increase non-profits' ability to compete)	Maybe (Flexible funds to increase non-profits' ability to compete)
3	Access to early-stage predevelopment funds	Maybe (Forgivable loans if project ends up infeasible)	Yes (Subsidy does not need to be repaid if project ends up infeasible)
4	Access to acquisition funds	Maybe (Patient equity to procure land – difficult if land is costly or unavailable)	Yes (Patient equity to procure land – difficult if land is costly or unavailable)
5	Rigid public sector terms (e.g. income levels, populations served, energy efficiency requirements)	No (New capital cannot affect other existing public sector terms)	No (Public subsidies will likely carry the same terms)
6	High construction costs in TOD markets	No (Interest-bearing loans are not a good financing mechanism to address high costs)	Yes (Gap subsidy or operating subsidy to cover high costs and service additional debt)
7	Limited private sector funds	Maybe (Consider PPPs or public sector alternatives, consider credit enhancement)	Yes (Offer gap funding ⁹ as either grants or loans)
8	Policy tools are constrained	No (New capital cannot affect other policy tools; fund could create momentum to spur policy changes)	No (Alone, new subsidies in the industry cannot affect other policy tools; could create momentum to spur policy changes)

See the glossary for definitions of key development and lending terms.

A TOAH Fund is one type of capital solution. Multiple investors lend into the fund, the fund blends these sources of capital, and then distributes capital to eligible development projects. All of the fund's investors must agree on repayment terms, risk limits, the fund's administration and oversight guidelines, as well as the types of borrowers and projects that are eligible, loan amounts, interest rates, and numerous other aspects of borrowing. These investors expect repayment and a return on investment.

"There is an opportunity to support the transformation of the not-for-profit sector from housing operators into asset managers and real estate developers. This requires a change in perspective on the role, the risk profile, and the approach of not-for-profits."

-Local Context Memo

Because a TOAH Fund and other capital solutions charge interest on their loans, they are best suited to address gaps in the existing development capital landscape to improve project feasibility. They can be targeted to areas where no one is willing to lend or lend into a project where the cost of capital could be substantially reduced to get a deal to 'pencil.' Capital solutions like a TOAH Fund are not the best financing option to meaningfully reduce the cost of land or affect development construction costs.² A public subsidy solution that does not charge interest and is patient with a long payback period is the most efficient way to address high land costs or high development construction costs.

In the U.S. TOAH Fund context, public and or philanthropic investors usually make an early, large, and catalytic investment in the fund without expecting a financial return (or they expect very little). This commitment helps attract additional investors and brings down the overall interest rates charged to development projects. If this catalytic amount is large enough and the fund is structured appropriately, small grants could be a product of a TOAH Fund. To recognize this potential, a capital solution is listed as 'maybe' for addressing access to early-stage predevelopment capital (development challenge #3) and access to acquisition funding (development challenge #4). However, due to the extremely high costs of land in the Metro Vancouver region, a 'capital solution' addressing acquisition funding (#4) is much less feasible.

Can a TOAH Fund Thrive Given Local Housing Market Conditions?

The answer to this question is yet to be determined. A TOAH Fund will be limited in its ability to thrive given some of the market conditions in the Metro Vancouver region (e.g. regulatory barriers, long zoning processes, nonprofit development capacity, and high labor and land costs). To some extent, the Fund's ability to deploy capital will depend on the investors and sources of capital. However, a suite of policy tools and regulatory solutions could help the Fund overcome other challenges limiting development.

In order to successfully develop new units and make an impact on affordable housing supply in the area, a TOAH Fund needs to raise capital from investors and deploy that capital to

² Since it charges interest, a capital solution like a TOAH Fund is not a good financing mechanism to reduce the cost of land or cost of construction. However, a fund could be used to reduce the cost of borrowing on projects of any size, scale, or cost, which may allow developers to spend marginally more on land while remaining financially feasible. This may enable development on more sites, but because the cost of land remains high, finite funding sources can only support a limited number of projects and may contribute marginally to the overall supply of affordable units.

developers. Investors will want to know that their capital will be used to create positive social impacts and developers will want to know that the Fund offers products that meet their needs or address their challenges.

Some of the Fund's ability to successfully deploy capital may depend on the sources of capital and the requirements on that funding (e.g. the rate of return needed, the risk tolerance, the recourse⁷ required). These aspects will be determined when the fund is raising capital and executing investor agreements.

As Table 1 demonstrates, a TOAH Fund on its own cannot help affordable housing developers address their challenges without additional subsidies or policy interventions. Challenges relating to the housing market and policy environment – such as regulatory barriers, long zoning processes, nonprofit development capacity, and high labor and land costs – will be headwinds for a TOAH Fund to deploy capital and make an impact on affordable housing supply. However, a suite of policy tools could help to ease some of these challenges.

Policy Solutions to Assist in Local Housing Market Conditions

Table 2 displays policy and other solutions that could be combined with a TOAH Fund to address some of the affordable housing development sector challenges. These policy solutions could help the development sector *regardless* of whether a TOAH Fund is operating in the area. If enacted *in addition to* a TOAH Fund these changes could improve the affordable housing development process thereby leveraging the fund capital and improving its efficacy. Policies that reduce costs, time to completion, or complexity can help to improve an affordable rental housing project's feasibility.

Metro Vancouver could lead these regulatory changes, but to have a regional effect, member jurisdictions and agencies will need to agree. To the extent that these policies may already be in place in some areas, Metro Vancouver, as the regional federation of local governments, can set the tone and encourage wider implementation.

As mentioned in the background section (page 2), a companion research process is evaluating policies that could encourage TOAH developments as part of Phase 2 Research.

The policies listed here are lessons learned from the U.S. context, and are suggested as specific ways to increase the efficacy of a TOAH Fund. These policies are meant to complement those advanced in the companion research.

Creating a TOAH Fund and implementing policies to improve development feasibility have a causality dilemma – either could come first. Advancing conversations around a TOAH Fund and demonstrating the potential impact it could have (researched at a later stage in the fund development process) could be a useful way to encourage policy implementation. However, advancing policies that ease the development process could go far in generating interest in the TOAH Fund, recruiting investors, and leveraging its potential impact. In either case, these policies build off the lessons learned in the U.S. context and are recommended as ways to increase the efficacy of a potential TOAH Fund in the Metro Vancouver region.

Table 2. Matrix of Local Affordable Housing Sector Challenges and Policy Solutions

#	Development Challenge	TOAH Fund Considerations	Other Solutions
1	Non-profit development knowledge capacity	- Limited ability for a fund to help - Fund could generate momentum needed to grow non-profit development capacity - Growing non-profit assets could improve development knowledge / sophistication	Other Solutions: Grants for capacity building, technical assistance programs, or training
2	Non-profit financial / competitive capacity	Without development capacity or knowhow, limited ability for funding to help	Policy Solutions: - Policy requiring nonprofits the first right of refusal to acquire TOD land for sale - Policy that requires banks or lenders to invest in their local communities - Fast-track review processes or permitting
3	Access to early-stage predevelopment ⁷ funds	- Early-stage predevelopment grants are needed - Without development capacity or knowhow, fund is limited	Other Solutions: Grants are needed for early-stage predevelopment if the project is infeasible
4	Access to acquisition funds	- Without development capacity or knowhow, limited ability for funding to help - If land is expensive and hard to come by, limited ability for a fund to help - Most nonprofits offer land to the deal	Other Solutions: - Dedicate transit-oriented public land - If transit-oriented sites have existing non-housing uses, consider financing the relocation of these uses to redevelop the land (case-by-case basis)
5	Rigid public sector terms (e.g. income levels, populations served, energy efficiency requirements)	Limited ability for a fund to help because public investment may carry same terms and additional investors will have additional terms	Policy Solutions: - Modify terms and requirements to improve feasibility - Consider reducing energy efficiency or building requirements, or require only a portion of regulations to be met (efficiency measures can generate new maintenance expenses, some efficiency standards may be inappropriate for the local market).
6	High construction costs in TOD ⁷ markets	TOAH Funds will have limited reach in high cost markets	Policy Solutions: - Modify zoning regulations - Modify rent limits - Establish housing geographic focus areas - Offer financial incentives for development
7	Limited private sector funds	TOAH Fund could offer gap funding	Policy Solutions: - Incentives for specific lending products - Educate private sector on TOAH's lower risk profile of TOAH
8	Policy tools are constrained	TOAH Fund has limited ability to help other than advancing conversations around policy change	Policy Solutions: - Incentives for TOAH development - Modify zoning regulations - Modify rent limits - Establish housing geographic focus - See other policy solutions below

Policies to Leverage a TOAH Fund and Increase its Efficacy

Regulations and Project Requirements

Numerous ways exist to reduce costs, quicken the development process, or reevaluate project and development requirements that hinder feasibility. Metro Vancouver can work together with the affordable housing sector, member jurisdictions, and public funding partners to evaluate regulatory, policy, or zoning barriers that impede project feasibility. Understanding that each municipality can implement their own approach, Metro Vancouver can lead and encourage region-wide adoption of policies relating to affordable housing development, such as:

- Evaluate requirements imposed by different funding sources (e.g. target populations, income levels, energy efficiency targets) to understand how, together these negatively impact project feasibility. Consider whether projects could meet a portion (e.g. meet three of five requirements) rather than all requirements.
- Evaluate regulations offered in each jurisdiction that either impede or aid feasibility (e.g. parking requirements, permitting and design review processes, inclusionary housing requirements).
- Evaluate the feasibility of other financing mechanisms, such as tax increment financing tools, partial or full tax abatement programs, or allowing development cost charges as levies or waivers of other permitting/regulatory fees.
- Evaluate zoning changes that could help projects avoid lengthy and costly rezoning processes, or that overrule regulatory requirements for transit-oriented affordable housing development.
- Encourage more municipalities to offer density or height bonuses⁷ in transit-oriented locations. Affordability requirements can also reduce land prices in the long term, though they may not have a significant effect in the near term.
- Consider establishing an expedited development review process for affordable housing projects or nonprofit applicants. Speeding up the application, permitting, design review, and other regulatory or zoning processes could reduce predevelopment costs.

Development Capacity in Non-Profit Sector

Once the regulatory environment is more streamlined, the region can work toward improving development knowhow in the mission-based nonprofit sector. Metro Vancouver can work together with the affordable housing sector to encourage development training at smaller, mission-based non-profits. There are several ways this can be done, including:

- Metro Vancouver and its partners can hold workshops on development knowledge, focusing on a single aspect of the process at a time (e.g. zoning and parking requirements, targeting for income limits, permitting and design review processes, best practices from the larger developers, etc.).
- Public funders could provide grants for technical assistance, trainings, conferences, or consultants to help improve the development capacity of the smaller non-profit sector.
- Public funders could encourage partnerships, mergers, or acquisitions between smaller non-profits that own land and larger nonprofits with development capacity.
- For jurisdictions that fast-track applications, waive development, permitting or processing fees, and encourage wider adoption or streamlining across boundaries to reduce complexity and uncertainty for developers.

High Construction and Land Costs

Limited tools are available that allow Metro Vancouver and its industry partners to affect the high construction costs and high land costs in the region. However, progress can be made working with the cities and towns that comprise the region, to ease the development regulations governing affordable rental housing development. From zoning and parking requirements to regulations on income levels or populations served to environmental sustainability targets, project feasibility can improve for the organizations already developing and operating this type of housing. Rental-only zoning may also reduce the market prices for sites where strata development is presently the highest value use of land.

How Much Capital Could the TOAH Fund Reasonably Raise? Would this be Sufficient?

The answer to this question is unclear. It is unclear if a TOAH Fund could raise sufficient capital to adequately address development needs given the region's high costs of transit-oriented land and construction.

A firm understanding of the capital potential for a TOAH Fund in the Metro Vancouver region will come at a later stage of the fund development process. The type and number of investors interested in the fund, and the amounts they will invest will depend on many factors internal to the fund (such as operations, the chosen administrator, structure, and risk tolerance), as well as external factors (like the economic strength, housing market conditions, and interest rates). At this time, the consulting team does not have enough information on the fund's goals, the potential investors, or the typical costs of development to estimate the amount of capital a fund could raise. This was beyond the scope of this research, but should be evaluated at a later stage.

A TOAH Fund would need to raise different amounts of capital depending on its goals, but the extremely high cost of land in the region relative to development subsidy makes some fund concepts less viable.

Summarizing Conditions in Metro Vancouver Region

As discussed above, answering several critical questions can help stakeholders assess the key conditions necessary for a TOAH Fund to be successful in the Metro Vancouver region:

1. **Does the Fund fulfill key policy goals?** Yes, a TOAH Fund could address specific policy goals in the Metro Vancouver region, particularly if deployed in tandem with other non-capital strategies.
2. **Does the Fund address specific development challenges in the affordable housing sector?** Maybe, on its own a TOAH Fund cannot fully address any of the development challenges facing the sector. In conjunction with other solutions, a TOAH Fund could partially address a few of the development challenges facing the affordable housing sector.

3. **Can a TOAH Fund Thrive Given Local Housing Market Conditions?** It is yet to be determined if a TOAH Fund will be able to thrive given some of the market conditions in the Metro Vancouver region (e.g. regulatory barriers, long zoning processes, nonprofit development capacity, and high labor and land costs). To some extent, the Fund's ability to deploy capital will depend on the investors and sources of capital. However, a suite of policy tools and regulatory solutions can help the Fund overcome other challenges limiting development.
4. **How much capital could the TOAH Fund reasonably raise? Would this be sufficient?** It is unclear if a TOAH Fund could raise sufficient capital to adequately address development needs given the region's high costs of transit-oriented land and construction. Additional dialogue is needed with public funders, the fund administrator and potential investors to clarify the Fund's vision, mission, and goals.

In the following section, the consulting team offers recommendations on how Metro Vancouver should proceed to address uncertainties highlighted by these critical questions. In spite of these uncertainties, a TOAH Fund implemented in conjunction with key policy changes could be an important tool for encouraging transit-oriented affordable rental housing development in the region.

Recommended Solutions

Based on all of the evidence gathered to date, the consultant team believes the key precursors to a TOAH Fund exist in the Vancouver Metro region, though more exploration is necessary. We have identified critical gaps, potential funding solutions to those gaps, and received preliminary indication that partners are interested in further discussions about a TOAH Fund.

Notably, we have learned that the predominant models provided by U.S. TOAH Funds are not directly transferable to the Metro Vancouver context. A TOAH Fund structured primarily to address challenges related to acquiring land on the open market, which is common practice among U.S. TOAH Funds, may be limited in the Metro Vancouver region. While these U.S. funds address the speed with which affordable housing developers can act and bridge a timing gap between land purchase and take-out financing, Metro Vancouver faces fundamental issues related to the overwhelming expense of developable land near high-quality transit facilities and limited take-out financing that covers high land costs.

Additional conversations are needed with public funders, the fund administrator, and potential investors to clarify the Fund's vision, mission, and goals. Once these guiding principles are determined and stakeholders are able to align their missions and mandates, the Fund's structure, potential products, and key terms will be more easily identifiable.

Continue Evaluating Fund Concept

At this point, the consulting team does not have enough insight to identify whether a post-construction / permanent financing fund or a fund offering general development preparation financing is most appropriate for funding affordable housing development near transit. We recommend that Metro Vancouver and its partners continue to evaluate these two fund concepts. As detailed in the following pages, an acquisition-only fund concept is not recommended.

The permanent financing fund received the most agreement amongst participants at the Experts' Round Table event, but many considered predevelopment and acquisition financing to be worth additional exploration. These funds would achieve different outcomes, would attract different investors, and would require different levels of effort to get started. We outline several options for how Metro Vancouver and its partners could proceed in evaluating these two concepts in the Implementation Steps section on page 27, but offer the following recommendations on terms and supplemental policies for each potential fund.

Recommended Terms

At the intersection of policy and business, the investment terms of the TOAH Fund will depend on the partners that invest and their bottom-line capital requirements. These blended capital requirements – the total fund size, the rate of return needed, the risk tolerance, the recourse

required, etc. – will then determine many of the lending requirements such as eligible borrowers, qualifying projects, loan terms, loan size, and many other structural requirements.

Although these terms will be settled amongst the investors, the consultant team offers the following recommendations for the post-construction / permanent financing fund and the general development preparation fund to help Metro Vancouver and its partners identify the best path forward.

Post-Construction / Permanent Financing TOAH Fund

A TOAH Fund focused on post-construction and permanent financing could be structured to fill a need for lower cost, permanent debt for affordable projects as a means to reduce ongoing operating expenses. This debt would be amortized^y over the life of the project – 20 to 35 years – and would need to target properties with sufficient cash flow to cover debt service obligations.

Mixed Income Opportunity

“Targeting a mix of moderate- and lower-income households in a project effectively acts as a direct operating subsidy for affordable housing projects.

This approach is increasingly mandated or supported by senior funding programs and could be explored further.”

-Local Context Memo

The fund could have a more flexible structure than other funding sources, allowing developers to be creative in how they reduce rents, cross-subsidize^y units, and put the development deal together. As many other funding sources have strict rent and income requirements, layering in additional, flexible funding could allow developers more freedom in their development financials. Safeguards from the investors and operating agreements would protect affordability goals, but more flexibility could allow cross-subsidizing of market and affordable units, or other creative solutions to closing funding gaps.

The Local Context memo did not directly identify this type of financing as one of the challenges limiting affordable housing development (see Table 1 on page 12). However, the low-interest loans and flexible terms proposed below could be used to address challenge #2, limited nonprofit financial and competitive capacity, and challenge #7, limited private sector funds.

When discussed at the Experts’ Round Table, project partners considered this to be the best potential financing vehicle structured as a simplified convertible debt^y product or a mezzanine debt^y product offering permanent gap funding^y but operating more like equity with deferred payments (see the diagrams on pages 6-8 or the glossary for more information on these terms). Partners suggested that this fund should focus on non-profit borrowers delivering non-market projects. Table 3 outlines the consultant team’s recommended terms for this type of fund.

Table 3. Recommended Post-Construction / Permanent Financing TOAH Fund Terms

Category	Recommendation	Rationale
Borrowers	Mission-driven, non-profit borrowers with a strong track record of success with mixed-use TOD projects	Fund could serve market-rate developers, but policy goals shared by stakeholders suggested it should focus on bolstering prospects of non-profits
Interest Rate	Fixed rate; potentially higher than typical floating products	Rate will be determined by fund's capital stack, but fixed-rate makes this product attractive to risk-averse non-profit borrowers
Loan Term	5-7 years; includes construction period	Convertible debt (construction + permanent) product that helps projects reach stabilization through year five when they would be eligible to refinance
Fund Size	\$200 million or more	Deal sizes could be very large. This plus longer terms will limit total number of deals
Recourse/ Security	Would likely be project and borrower specific	Depends on fund investors' risk tolerances
Repayment	Fixed payments structured to start after the project receives its certificate of occupancy and reaches stabilization	Convertible debt product incorporates aspects of construction financing and permanent financing

See the glossary for definitions of key terms.

The consulting team finds this TOAH Fund concept to have the most near-term potential to shift current affordable housing development toward transit-oriented sites. Because permanent financing vehicles already exist, this fund concept may not increase the total supply of new units developed over the longer term. Instead it would likely consolidate existing sources and shift the development pipeline toward transit-oriented sites.

Funding sources for permanent financing already exist, so getting this type of fund off the ground would likely require less effort than developing an entirely new concept. The largest hurdle would likely be getting different funders to agree to fund terms and operating guidelines.

Additional Policies Needed

As mentioned, this fund concept does not directly address many of the development challenges outlined in Local Context memo (Table 1 on page 12). Additional policies, described above and outlined in the companion research of Phase 2, could bolster the effects of this TOAH Fund concept and help to leverage its development impact.

General Development Preparation TOAH Fund

A TOAH Fund offering general development preparation financing could be structured to fill several needs in the pre-development and pre-construction time period, including due diligence, site assembly, acquisition, relocation, preservation, or redevelopment of existing sites. Keeping this open, we do not call this a "Predevelopment Fund" for two key reasons:

Broader Concept

We imagine that this fund could finance a broad array of needs that may vary from project

to project. Feedback from the Experts' Round Table suggest the industry has funding needs for multiple types of pre-construction costs, from funding lengthy permitting and entitlement processes, to relocation or redevelopment costs, to site assembly and smaller site acquisitions. While the consulting team does not recommend that the TOAH Fund focus exclusively on acquisition funding, acquisition, site assembly, and preservation or redevelopment of existing sites could be a part of the fund's overall concept.

Terminology

The second reason is because many partners pointed to the need to separate predevelopment into two distinct phases: early-stage project visioning and planning, and later-stage project entitlement (e.g. rezoning and permitting) and applying for funding awards. The former cannot carry debt since the funding is not tied to a concrete project. But the latter has other funding available.

The affordable housing financing industry in the region appears to have less general development preparation funding available at present. Vancity offers grants for early-stage visioning, and the Canada Mortgage and Housing Corporation (CMHC) offers seed funding for later-stage predevelopment due diligence, but these sources have eligibility criteria and many caveats that effectively exclude, sometimes unintentionally, potential project proposals.

Although access to early-stage predevelopment was identified as one of the challenges facing the affordable housing development sector (see Table 1 on page 12), a TOAH Fund could not be structured to solely address this need. Feedback from partners suggests that it is common for envisioned projects to end up infeasible, thereby preventing the project from repaying loans to the fund. In addition, the fact that early-stage predevelopment loans are not present in the industry means that the TOAH Fund could not gather and blend existing funding sources to include in the fund. Starting a fund focused on this type of lending would be a heavy lift and would require convincing funders to extend their capital into unknown, risky territory. Financing at this stage would be better served with a subsidy solution from either public or philanthropic funders who do not expect a financial return on investment.

Table 4 outlines the consulting team's recommendations for a general development planning TOAH Fund.

Table 4. Recommended Financing Terms for General Development Planning Fund

Category	Range	Rationale
Borrowers	Mission-driven, non-profit or for-profit borrowers that meet minimum covenants and criteria to ensure that there is sufficient financial strength, organization experience, and staff capacity	Larger for-profit developers report sufficient access to capital but at a high cost of capital that ultimately is borne by project pro forma
Interest Rate	Fixed preferred, rate may need to be higher to accommodate higher risk product	Rate will be determined by fund's capital stack, but fixed-rate makes this product attractive to risk-averse non-profit borrowers The larger issue is availability of capital rather than cost of capital (as long as affordability levels are still achieved)
Loan Term	3-5 years, extensions written into loans on a case-by-case basis	Sufficient time to get through project entitlement (e.g. rezoning and permitting), raise capital, and begin construction
Fund Size	\$10 million or more	Deal sizes would be smaller (e.g. \$1-\$1.5 million). This plus shorter terms will allow a larger number of deals This fund size would allow for product exploration and refining before scaling up
Recourse/ Security	Initial assessment costs non-recourse, loans more than \$50-\$100,000 would likely be secured by site, may consider recourse for for-profit developers	Public or philanthropic capital may be needed to assess redevelopment feasibility Recourse and security will depend on fund investors' risk tolerances
Repayment	Interest paid from capitalized interest reserve for some period, current payments may be appropriate if property has current cash flow	Intent of loan is to supplement operating capital

See the glossary for definitions of key terms.

Additional Policies Needed

This fund concept could help to address the need for early-stage predevelopment funding as outlined in the Local Context memo (Table 1 on page 12). However additional policies, described above and outlined in the companion research of Phase 2, could bolster the effects of this TOAH Fund concept and help to leverage its development impact.

Much of the risk with this fund concept is that the projects will stall and will not repay the fund. Policies that improve project feasibility would reduce the risk profile of this fund. In fact, there may be many policies that would reduce the likelihood of projects stalling or failing, which include policies to reduce predevelopment “friction” (e.g. entitlements, rezoning and permitting) in conjunction with securing adequate construction or take-out financing.⁷

Acquisition-Only Focus Not Recommended

Many TOAH Funds in the U.S. finance land acquisition and site assembly for affordable housing development. However, the consulting team does not see an acquisition-only TOAH Fund functioning well in the Metro Vancouver regional context for two key reasons: 1) insufficient permanent public sector subsidies, and 2) uncertain partner buy-in.

Insufficient Permanent Public Sector Subsidies

Acquisition lending is a short-term bridge tool that is repaid, with modest interest, by the permanent financing sources and subsidies in the completed project. The overwhelming consensus of the three focus groups at the Experts' Round Table was that the existing permanent funding (subsidies or low-cost permanent loans) for affordable housing in Metro Vancouver is insufficient to cover the cost of land at market value. In many cases affordable housing development is feasible because land is granted to projects.

Regardless of the terms, purchasing land on the open market with an acquisition loan translates to higher overall costs compared to getting free or no cost land. The permanent financing needed to repay such a large acquisition loan would overburden a property's proforma, particularly with revenues reduced for affordable rents. Therefore, a TOAH Fund offering interest-bearing acquisition loans would not help project feasibility given the extremely high cost of land in the region and is not recommended.

U.S. Context Does Not Fully Translate

TOAH Funds have been successfully used in high-cost markets in the U.S., some of which are profiled in the U.S. TOAH Funds memo. However, a major difference in the U.S. context is the availability of substantial project equity through the Low-Income Housing Tax Credit (LIHTC) program, the largest affordable housing development financing program in the U.S.

Projects utilizing LIHTC equity in the U.S. 1) need to fill smaller funding gaps with grants and low-cost loans (see diagrams on page 7), and 2) face a timing gap between acquiring land and receiving LIHTC equity. Both of these challenges can be addressed with a short term loan from a TOAH Fund.

Without a similar source of significant capital infusion into projects, affordable housing developments in Canada have larger gaps to fill with grants and loans to get to feasibility, and do not have the same source of low-cost permanent financing or subsidies.

Another benefit of the LIHTC program is that it adds certainty to projects upon allocation. Once projects receive their LIHTC award, they have overcome their largest financial hurdle and have proven financial feasibility to other funders. Coming to a TOAH Fund with this assurance and asking for smaller gap loans, makes many projects much less risky for a TOAH Fund to consider.

In high-cost market conditions, land needs to come to the deal at a discount or be financed by capital that does not expect a financial return, such as grants, public subsidies, or zero-interest loans. Until regional policies and or subsidies address the extremely high cost of land near transit infrastructure, an acquisition loan product from a TOAH Fund will face headwinds.

Uncertain Partner Buy-In

At the Experts' Round Table, the consulting team heard mixed sentiments on the appropriateness of an acquisition fund. Some participants dissented, pointing to the region's very high land costs as a hurdle for interest-bearing revolving debt. Others pointed out that land acquisition is not a common development challenge for the sector (many non-profit organizations come to a deal with land already secured). Still others thought it merited further exploration. Without certainty around the need for, and feasibility of, land acquisition financing, the consulting team does not recommend this be the sole focus of the TOAH Fund.

However, land acquisition could be an opportunistic aspect of a wider focus for a general development preparation fund (described above) or could be a strategy if the market conditions in Metro Vancouver shift favorably.

The first iteration of the Bay Area TOAH Fund in San Francisco, California serves as an example. The first iteration of this fund successfully raised capital with a focus on financing acquisition, but was unable to deploy this capital due to the difficulty of operating in such a high-cost market with limited take-out funding. The fund ran out of time to deploy capital and had to recapitalize with a new set of investors and public funders. Right around the time that the TOAH II fund was recapitalized and launched, billions of new state and local public subsidies were approved in California providing take-out funding. With these two changes, the TOAH II Fund has been able to adjust back to execute land acquisition for affordable housing development and preservation near transit.

Acquisition Financing Options

If the policy imperative for Metro Vancouver is still focused on advancing financing tools for land acquisition on the open market, the following next steps could be considered individually or in some combination:

1. **Further analysis to test the conclusions of the round table discussions.** This report (and the Implementation Considerations memo) relied on the accumulated expertise of developers and industry leaders, rather than direct market and pro forma analysis. Participants at the Experts' Round Table event were clear that they did not see debt financed land as a path to increase the production of affordable housing in transit-oriented locations. However, further market analysis and pro forma studies could potentially identify overlooked market opportunities (such as smaller projects in outlining bus corridors) and prove to be feasible. This research might also highlight the development pipeline and/or borrower base that would need to be identified as a precursor to creating a fund.

2. **Explore additional local subsidies to directly buy down the cost of land.** Acquiring something, even with very favorable debt, does not reduce the cost of that item. The developers we talked to are not currently buying land with debt because the projects do not have enough sources to repay debt at this magnitude. Lending for land acquisition becomes more viable when sufficient take-out financing is available to cover the cost of that land (e.g. subsidies covering the cost of land).
3. **Public sector land acquisition and disposition for affordable housing.** Rather than leveraging public funds with private debt, Metro Vancouver or other local jurisdictions could provide publicly owned land or use unlevered public funds to purchase land directly and sell it to affordable housing developers with covenants on its use. This could reduce the holding costs to the project, but comes with other risks. The public sector carries the full risk of take-out financing, is at risk of overpaying for land if purchased directly, and may have political risk if multiple jurisdictions pool funding that ultimately goes to a specific site located in one jurisdiction.
4. **Right of first refusal for affordable housing.** To complement any of the strategies noted above and as mentioned in the policy suggestions in Table 2, local jurisdictions could implement a policy requiring sellers of transit-oriented sites to offer a first right of refusal to non-profits and government agencies.

Recommended Implementation Steps

The consulting team recommends that Metro Vancouver and its partners continue to evaluate the applicability of a TOAH Fund and refine the fund concept that would best meet the needs of the affordable housing sector. Many of the details governing the Fund's operations, lending terms, accountability and governance, and structure will be negotiated at later stages of implementation with a number of interested parties at the table. But additional conversations surrounding the Fund's guiding principles (vision, mission, and goals. Once these) should continue to happen now. Once missions and goals are aligned the Fund's structure, potential products, and key terms will be more easily identifiable.

The consulting team recommends the following implementation steps to guide additional discussions, clarify roles, and frame the conversations that need to happen to understand the Fund's potential. Since the consulting team does not have enough insight as to whether a post-construction / permanent financing fund or a fund offering general development preparation financing is most appropriate, Metro Vancouver and its partners have several options for how to proceed.

Advance Both Fund Concepts

Metro Vancouver and its partners could begin advancing discussions on both fund concepts and let one concept emerge over time. It may be that when discussions reach the point of partners committing capital the reality and financial implications of each option would result in a clear answer. Further, a deeper understanding of development capital needs – size per project, maximum interest rates, number of projects per year, etc. – could help Metro Vancouver and its partners identify the best option to advance.

Having led conversations and convenings on the potential TOAH Fund so far, Metro Vancouver could stay in a leadership position as both concepts advance. Metro Vancouver will need to see if it has the internal capacity and political will to continue advancing these discussions (perhaps over the next six to eight months).

Identify a Champion

A key element in this TOAH Fund context that differs from funds started in the U.S. is that Metro Vancouver is the driving entity, rather than the private non-profit developers and policy advocates from the affordable housing industry. In the U.S., these innovative, collaborative efforts are generally led by the industry players who push government to act and demonstrate how government actions and investments can unlock development that meets numerous strategic goals for the region. The implication of this difference is that in the U.S. context, a strong and organized effort, knowledge of the gaps and ideal solutions, and momentum to act are already in place by the time the government gets involved.

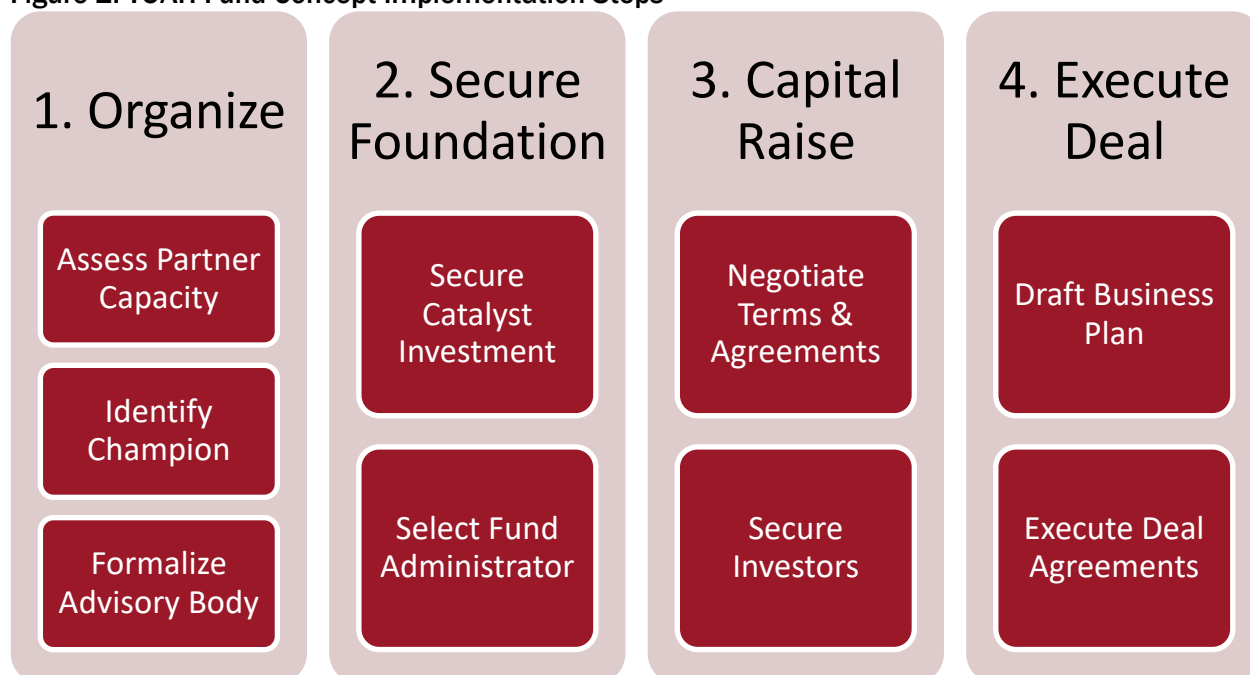
Since project inception Metro Vancouver staff have been clear that the regional district has not stated a policy position regarding administration or fund ownership. It is likely that as conversations and research into the fund concept continue, partner roles and positions will be clarified. At a minimum, Metro Vancouver could continue to champion and advocate in collaboration with other partners to support overall alignment of missions and principles as discussions advance.

A critical first step for Metro Vancouver and its partners is to identify a TOAH Fund champion – an organization that has the potential, wherewithal, and (ideally) the capital to be a lead investor and or fund administrator. Passing leadership and organizing efforts to an organization that has a fiduciary stake in the TOAH Fund could quickly narrow down the most viable option to get to fund closing.

TOAH Fund Implementation Steps

As the TOAH Fund Development Process diagram demonstrates (see page 8), the TOAH Fund concept began the policy development process and is now transitioning to the business development process. The policy goals have been established and the business opportunities have been identified. Now, as described in Figure 2, the next steps of the process involves organizing partners, securing the foundation of the fund (its catalyst investment and fund administrator who will have a large effect on securing investors), raising capital with committed investors, and executing the deal. In the US context, many of these activities have been carried out by non-profit organizations that approach this work as a mission-aligned but entrepreneurial endeavor. The TOAH Fund effort in the Metro Vancouver context may need to assess the ideal roles for partners and determine which partners are best suited to lead each aspect of the work ahead.

Figure 2. TOAH Fund Concept Implementation Steps



These steps are organized in a somewhat linear process. However, the fund will come together best when it is approached from both ends; understanding what the policy and development goals are at the outset and understanding what types of development loans are needed at the back end, will be critical when bringing investors to the table and negotiating terms and agreements that meet both needs.

Step One: Organize

Assess Partner Capacity and Identify Champions

Given that one clear TOAH Fund concept has not yet emerged to address a key bottleneck in the affordable rental housing development sector, Metro Vancouver should evaluate capacity internally and with its partners to see where capacity exists to take over discussions and convenings. It should identify fund champions in the private sector. Ideally, this will be the party that ends up managing and administering the fund, but at a minimum, this champion needs to understand the negotiations that need to take place, how to bring funders to the table, and how to guide discussions to arrive at the final funding agreements.

Metro Vancouver has led meaningful organizing work already. However, regional staff were clear from project inception that the Board does not have a stated position regarding management of a TOAH Fund. Given that a clear leader or potential fund administrator did not emerge from conversations at the Experts' Round Table, we recommend as a first step identification of a Fund champion to take over the organizing and eventually lead and administer the Fund.

BC Housing and Vancity may be contenders to administer the TOAH Fund.

Both have access to existing funding sources and the necessary infrastructure and wherewithal to oversee fund operations.

At a minimum, Metro Vancouver should continue to champion and advocate for the affordable housing industry as discussions around the TOAH Fund concept continue. Metro Vancouver should also lead on the policy front, working with its jurisdictional partners to create and implement policies that will address the development sector challenges that a TOAH Fund may not address.

Based on Enterprise's experience organizing fund implementations with industry groups, and administering funds in the U.S., developing a TOAH Fund can take 1-3 years of active organizing. In this implementation and organizing role, Enterprise has found that these efforts require dedicated staff (0.25 to 0.5 FTE) and require significant legal fees/in-kind contributions. The TOAH Fund concept in the Metro Vancouver region may move quicker than this, as the region already benefits from strong governmental leadership, a group of interested and engaged industry leaders, and meaningful public attention on the need for more affordable rental housing. But additional concerted work needs to be done to ensure that the industry agrees on the most pressing needs and solutions, and is ready to dedicate time, staff, and effort to building this fund from the ground up.

Formalize an Advisory Body

It is clear that an engaged affordable housing development and lending community exists in the region and is interested in advancing the TOAH Fund concept. Metro Vancouver and the TOAH Fund champion should work to formalize this group into an advisory body. This body – usually volunteer – would consist of members from each investing organization, industry advocates, developers, and any public stakeholders with the expertise and interest to actively monitor the fund and its investments.

Fund ownership, oversight, and governance will remain with the investors; investors with capital committed to the fund are unlikely to give meaningful authority to advocates and outside stakeholders who do not have a fiduciary stake in the fund. However, this advisory body could offer policy advice and high level guidance working alongside investors and the public. The activities of the advisory body could include:

- Work with policymakers to determine fund priorities
- Monitor developments for compliance
- Modify or adjust priorities and terms as needed, (e.g. to accommodate changes in the market or policy agendas).
- Other activities as needed or determined by project partners.

Step 2: Secure Foundation

Secure Catalyst Investment

After the industry agrees on the most pressing needs for the Fund, and agrees that the identified fund terms will meet those needs, the TOAH Fund would need an early, large, and catalytic public investment to set the stage and reduce uncertainty or fears in the fund's potential that may exist from private capital investors. This seed funding will help get the fund off the ground and will encourage other smaller investors that there is meaningful scale to make an impact. A public investment will also demonstrate that other investors' funds can be leveraged and will be used efficiently to meet industry needs and achieve policy goals.

Importantly, the public funders that contribute to the fund will have requirements on how these funds are spent, and will likely have the greatest impact in determining the spending priorities and goals. For this reason, fewer, larger public investments will be easier for the Fund to manage (and spend) than many investments of smaller scale. Geographic requirements rent and income requirements, considerations on financial and social return, and numerous other requirements that meet public goals will need to be agreed upon at this stage and will affect the willingness of other investors to participate. The eventual capital stack, including the leverage ratio of private to public sources, should be driven by the ideal mix and cost of capital needed to make development deals work.

Select Fund Manager

Once the public investment is secured, the collaborative should identify a fund manager. This organization will need to fundraise the private capital and set up the formal structure of the fund in concert with the public sector investors. In the U.S. there are several national entities that have enough fund management, lending, and underwriting experiences to merit a competitive process (e.g. request for proposals) to select the manager. In the Metro Vancouver context, this is not likely needed. At the Experts' Round Table both BC Housing and Vancity were identified as contenders for fund manager. Both have access to existing funding sources and the necessary infrastructure and wherewithal to oversee fund operations. Both appear amenable and willing to take on this important leadership role. Selecting the fund manager should be a key part of immediate ongoing conversations.

Ideally a fund manager would have enough experience managing third-party funds to make investors comfortable with their administrative capacity. Having an in-house legal team would likely simplify document creation and reduce the set up costs of a fund. Existing and efficient loan origination, credit underwriting, and approval structures would allow the fund administrator to avoid having to create a new process for a TOAH Fund. Lastly, the relationship with public entities should be thoughtfully managed. Some funds, including the New Generation Fund and the REDI Fund, use the role of the public partner to increase certainty of take out financing and to streamline the pipeline. Having a public entity in an administrative or decision making role should be an intentional decision.

In Enterprise's experience, the cost of staff time, and administrative and legal fees necessary to fundraise private capital and reach fund closing (fund set up) can range between \$100,000 and \$500,000, depending on several factors (e.g. the fund size, structure, and number of investors). Some funds have been able to reach program decisions and raise public resources much more quickly, thus reducing start up costs. The bulk of these costs are associated with set up, structuring, and closing the fund. It is not likely these funds can be repaid, so grants from public or philanthropic organizations will likely be needed.

Step 3: Capital Raise

Negotiate Terms and Agreements and Secure Investors

The next step, and initial effort of the fund manager, is to fund raise additional capital to meet the financial and leverage goals of the Fund. The TOAH Fund will likely need to draw from existing, similar funding sources (e.g. Vancity's predevelopment fund) and pool different sources together to leverage the seed investment. From conversations at the Experts' Round Table, as well as the prior research performed to date, the likely list of funders includes:

- BC Housing,
- Canada Mortgage and Housing Corporation,
- Metro Vancouver,
- Province of British Columbia,

- Vancity Credit Union,
- New Markets Funds Platform, and
- Philanthropic organizations focused on housing, transportation, or anti-poverty measures.

Step Four: Draft Final Business Plan and Execute Deal Agreements

The last implementation step for creating a TOAH Fund is to finalize the operating guidelines in the business plan and execute the deal agreements. The deal agreements will be legally binding documents outlining the terms and details of each investor's committed capital. The business plan will outline the fund's operations, oversight, and product offerings, thereby creating the framework in which the fund, its manager, and its investors operate. These documents set the stage for the types and location of housing that the fund invests in, as well as how much investment is placed in each project, and for how long, thereby impacting how many projects the fund can serve over time.

The number of public funders with requirements on their investments have a large effect on the complexity of the fund structure, as well as the ultimate development feasibility (if too many requirements are placed on each project). The number of private investors impacts this as well, but to a lesser extent. Depending on the final fund structure and the fund manager's experience, this stage of the implementation process can be lengthy as the fund gets to its close.

Conclusions

The TOAH Fund concept sits at a critical intersection of policy and business. Numerous examples of U.S. TOAH Funds exist. The funds have raised millions of dollars to fund the development, acquisition, and preservation of affordable housing. However, one key difference in the Metro Vancouver region is that the public sector is the driving entity exploring the TOAH Fund concept. In the U.S., these types of innovative, collaborative efforts are typically driven by private non-profit developers and advocates, who push the government to act. Often, these stakeholders present the government with a strong and organized case outlining the development gaps and ideal solutions, and demonstrate how government actions and seed funding can unlock development that meets numerous strategic goals.

In this case, with the public sector leading the efforts, Metro Vancouver must work to understand the gaps and funding sources to understand the opportunity for a TOAH Fund in the region. As is the case with U.S. TOAH Funds, a TOAH Fund in Metro Vancouver will need to satisfy the goals and requirements of many interested parties in order to blend multiple sources of private and public capital and offer attractive loan products that will increase the development of affordable housing in transit-oriented locations:

- **End users:** The units need to have rents affordable to households making less than 80% of the regional median household income (equivalent to \$60,000 as per the 2016 Census).
- **Policymakers:** The development projects need to meet key policy and planning goals regarding location, populations served, affordability, and sustainability, among others.
- **Housing developers and operators:** The loans offered need to solve critical development challenges and be financially feasible in a project's proforma.
- **Investors:** The fund terms need to be attractive to private capital sources so that they invest sufficiently for the fund to meaningfully affect the development pipeline and overall supply of units.

Addressing the diverse interests of all parties requires careful consideration of the fund's goals, the development challenges, and the financial terms that will both work in a proforma and satisfy investors' requirements. The two critical elements, however, are *meeting policy goals* and *addressing key affordable housing development challenges*. Without meeting important policy goals, the fund will not achieve the public investment and support it needs to get off the ground, but without addressing key development challenges, the affordable housing sector may not need or use the fund and it will not make an impact.

The fund concept's ability to meet policy goals is well established, particularly with the public sector in the lead. But the fund concept's ability to address development challenges needs to be further refined through ongoing conversations with all interested parties. Before committing capital, investors will need to see that these two goals are clearly met. Investors will be approaching a TOAH Fund like any business deal – considering bottom-line financial requirements, negotiating fund terms, and signing agreements.

Going forward, Metro Vancouver needs to transition the TOAH Fund discussions from the policy development process to the business development process. Metro Vancouver and its partners have generated meaningful research and support for the TOAH Fund concept thus far. However, since the Metro Vancouver Board does not have a stated position regarding fund management, a fund champion must emerge. Metro Vancouver should continue to convene and encourage ongoing conversations, but its focus going forward should shift to coordinating stakeholders and securing an investment that will lower the cost of capital. It should also lead on the policy front, working with its jurisdictional partners to create and implement policies that will address the development sector challenges that a TOAH Fund may not address.

The consulting team believes the key precursors to a TOAH Fund exist in the Vancouver Metro region. We recommend advancing conversations to determine whether a post-construction / permanent financing fund or a fund offering general development preparation financing will be best, and have described potential fund terms to guide these discussions. The consulting team does not recommend a TOAH Fund focused solely on acquisition financing due to the extremely high cost of land near transit in the region and inadequate take-out funding for these costs. We also suggest Metro Vancouver and its public partners amend policies that can reduce development bottlenecks to lower the overall cost of developing affordable rental housing.

A TOAH Fund cannot solve all of the gaps and limitations of the local affordable housing sector, but it can help address some issues. The fund will not be able to operate effectively in a vacuum; it must be one of many tools and strategies that, together, can help encourage transit-oriented affordable rental housing development across the Metro Vancouver region.

Even in the areas where a TOAH Fund is a great match to meet a development financing need, it will likely face several headwinds that need policy interventions: the limited development capacity and knowledge of the local non-profits; regulations that have many requirements on developments (thereby reducing project feasibility); and the high-cost land and construction markets in the Metro Vancouver region. Advancing policies that address several of these headwinds can help to leverage a TOAH Fund's overall impact, while advancing a TOAH Fund concept can also help motivate those same policy reforms. The bright spot is the strong attention on the issue of housing affordability in the Metro Vancouver region, and the desire to find innovative solutions.

It is clear that the affordable housing development industry is engaged and driven to find solutions. Yet, this process can be time consuming, requiring robust dialogue as partners negotiate details and reach agreements. In spite of the considerable effort that lies ahead, a TOAH Fund has the potential to be a meaningful new source of funding that directs development toward transit-oriented sites and increases the overall supply of affordable rental housing for low-income residents in the Metro Vancouver region.

Appendices

B1. U.S. TOAH Funds Memorandum

This memo highlights the characteristics of seven U.S. TOAH Funds and the specific conditions that informed their implementation. It also identifies key lessons from transit-oriented development of affordable housing in the U.S.

B2. Local Context Memorandum

This memo outlines the local Canadian affordable housing development sector, including funding sources and requirements, development challenges and opportunities.

B3. Implementation Considerations Memorandum

This memo builds on memos B1 and B2, summarizes the key findings from an Experts' Round Table event, and outlines the applicability and implementation considerations for a potential TOAH Fund in the region.