

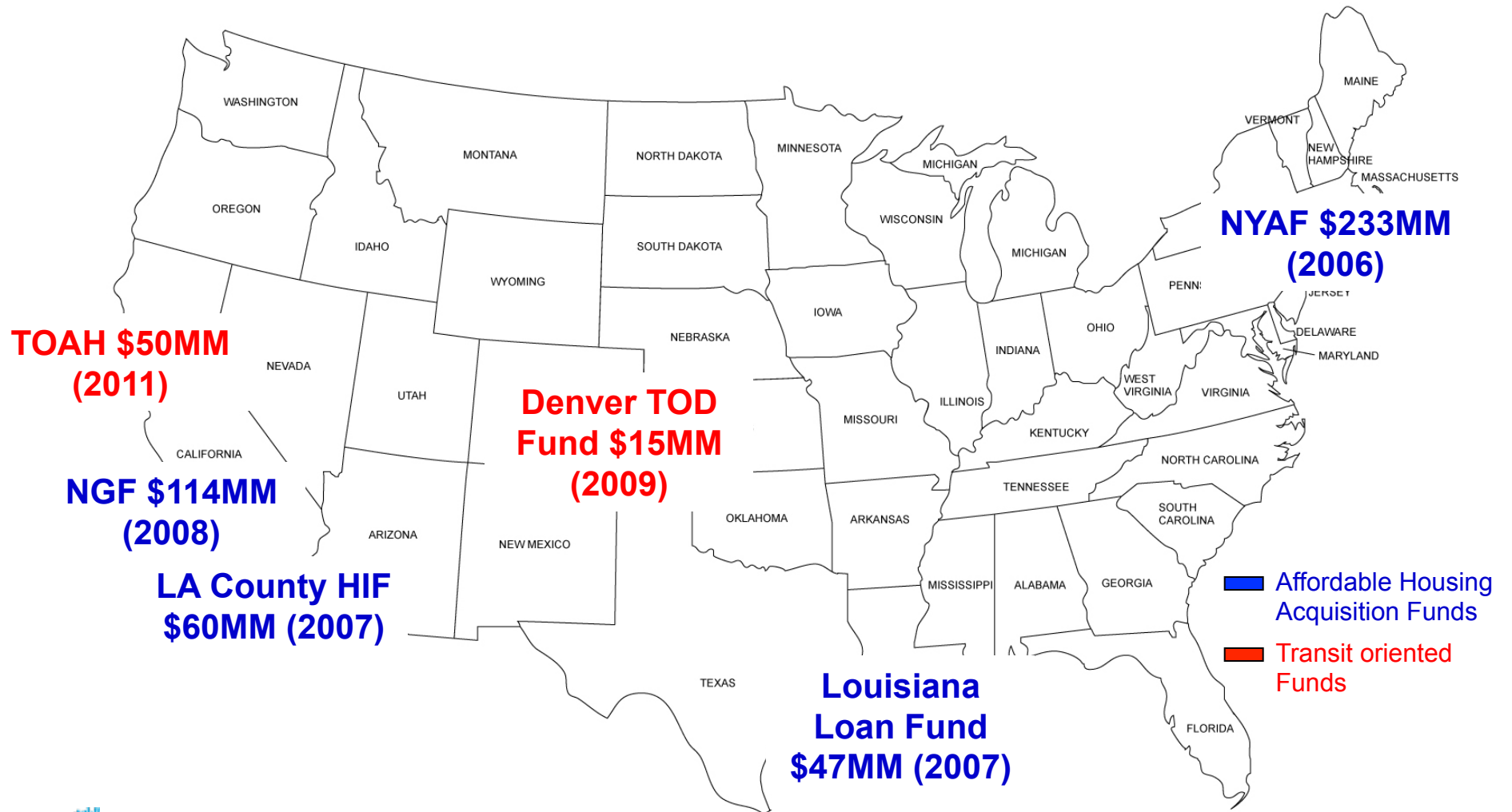
# Structured Funds Analysis

Central Corridor Funders  
Collaborative Meeting

June 9, 2011



# Growing Use of Structured Funds



# Agenda

- What is a structured fund?
- What are the pros/cons of structured funds?
- What can regions considering structured funds for TOD learn from prior experiences?

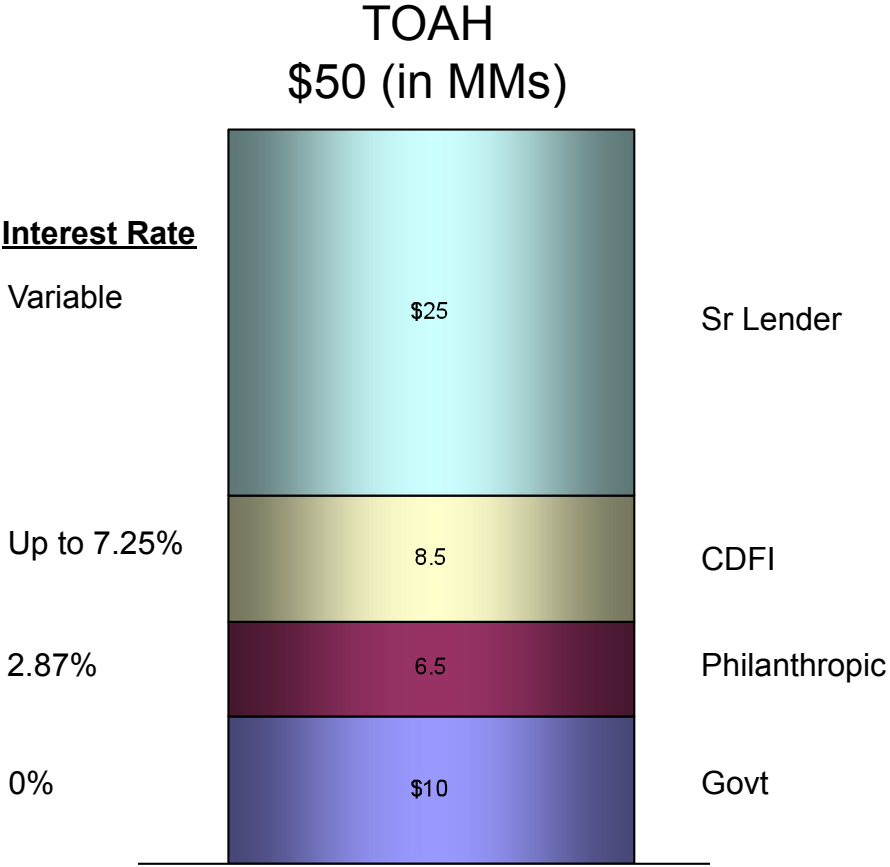
# What is a Structured Fund?

- A dedicated pool of capital with a defined set of investment activities
- Combines multiple funding sources with different risk and return parameters
- Organizes repayment priority to reflect each investor's risk/return profile; mitigates risk to maximize leverage
- Operated by a designated fund manager according to agreed-upon rules and processes

# Features of Structured Funds

- Capitalization
- Product types
- Governance structure
- Underwriting criteria
- Repayment waterfall
- Reserves

# How Does a Structured Fund Work?



Aggregates Capital – Large capital pool formed from multiple funding sources in an “off balance sheet” entity

Blends Capital – Each capital source charges a different rate, producing a *blended* rate for the fund

Mitigates Risk – Attracts private capital by prioritizing repayment to senior tranche

# Benefits of Structured Funds

**Scale**

**Subsidy**

**Coordination**

**Timing**

# Structured Funds: Challenges

- Credit Enhancement
- Expense
- “Too many cooks”
- Demand
- Flexibility
- Dependence on local ecosystem

# TOD Funds Comparison

	Denver Fund	TOAH Fund
<b>Size</b>	\$15 Million	\$50 Million
<b>Government Stake</b>	\$2.5 Million	\$10 Million
<b>Senior Lenders</b>	2	2
<b>Originators</b>	2	6
<b>Geographic Coverage</b>	City of Denver	9 Counties
<b>Products</b>	Property Acquisition Affordable housing only	Predevelopment Property Acquisition Construction Mini-perm NMTC Leverage Loan
<b>Terms</b>	10 Years Max. Amt - \$3 million	10 Years Max. Amt - \$7.5 million

# Key success factors

## For fund-raising:

- Strong, experienced fund manager
- Sufficient funding to provide “top loss”
- Fund structure that appropriately mitigates key risks
- Initial grants to develop business model

## For deployment:

- Capable local developers
- Fund products responsive to market demand and appropriately priced
- Fund is flexible enough to respond to changing market conditions
- Response to applications from potential borrowers is predictable and fast
- Local government support
- Availability of take-out finance
- Strong communication and coordination among funding partners and projects

# Contact Information

John Moon  
Living Cities  
646-442-2236  
Jmoon@livingcities.org