



Park Hill Station. Image retrieved from: <http://delwest.com/park-hill-west/>

## The Denver Regional TOD Fund: Lessons for Winnipeg

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### ABSTRACT

The Denver Regional TOD Fund was initially a \$15M fund created by several investors towards creating and preserving affordable housing in close proximity to future commute rail stations and high quality transit corridors. The fund allows local entities that are interested in creating affordable housing to compete against other developers to purchase land by reduced borrowing costs. As of 2014, the TOD fund borrowed \$15M for 8 land acquisitions which led to the creation and preservation of 570 affordable units, a new public library, and over 100,000 sq. ft. of community space.

As Winnipeg expands BRT, the funding model can help create a solution to preserve and create affordable housing while enabling TOD.

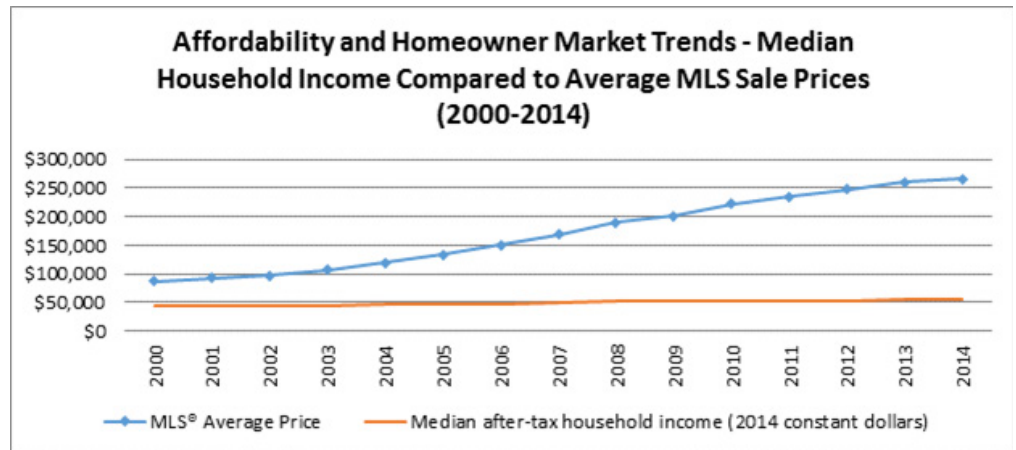
# BACKGROUND /CONTEXT

## The Importance of Affordable Housing

The role that housing plays for individuals is more than providing subsidized physical units. Housing is the centre of social, health, and economic well being and more broadly, the role of housing within communities have a role in community economic development, social development, health and educational outcomes (Manitoba Housing, 2009). However, the ability to produce these outcomes and create equitable communities is difficult because of the lack of support to encourage and enable developments to meet the affordable housing need. (Grant, 2016).

### Affordable Housing Challenges

Driven largely by immigration, Manitoba's population grew by 70,097 people (2011 to 2016) and this population increase has put pressure on the homeownership market. Between 2000 and 2014, the average Multiple Listing Service (MLS) home price in



Source: Statistics Canada (CANSIM table 206-0012) and CMHC Housing Market Outlook: Prairie Region Highlights

Manitoba rose 203% from \$87,884 to \$266,329, while median after-tax income only increased slightly.

The affordability gap between the price of homeownership and income is expected to continue to widen and there may be a higher demand for affordable housing in the rental market. Although government has a key role in enabling and providing tools to help meet the affordable housing need, there is a role for other organizations to contribute. Two approaches that can help meet the affordable housing need are improved financing to make development more feasible and unlocking land in desirable locations (Woetzel, Ram, Mischke, Garemo, & Sankhe, 2014).

### Importance of Transit for Affordable Housing

For households in need of affordable housing, the importance of accessing affordable housing in desirable locations near high quality transit translates to improved access to employment, opportunities, and services. An analysis of subsidized housing in Denver found that approximately 75% of the privately owned, federally subsidized affordable housing stock was located within a ½ mile of existing or proposed transit. Factors such as land speculation, increased housing demand near transit, and the need for significant repairs could put these units at risk of becoming market rental units or converted to condominiums. Managers of affordable rental units

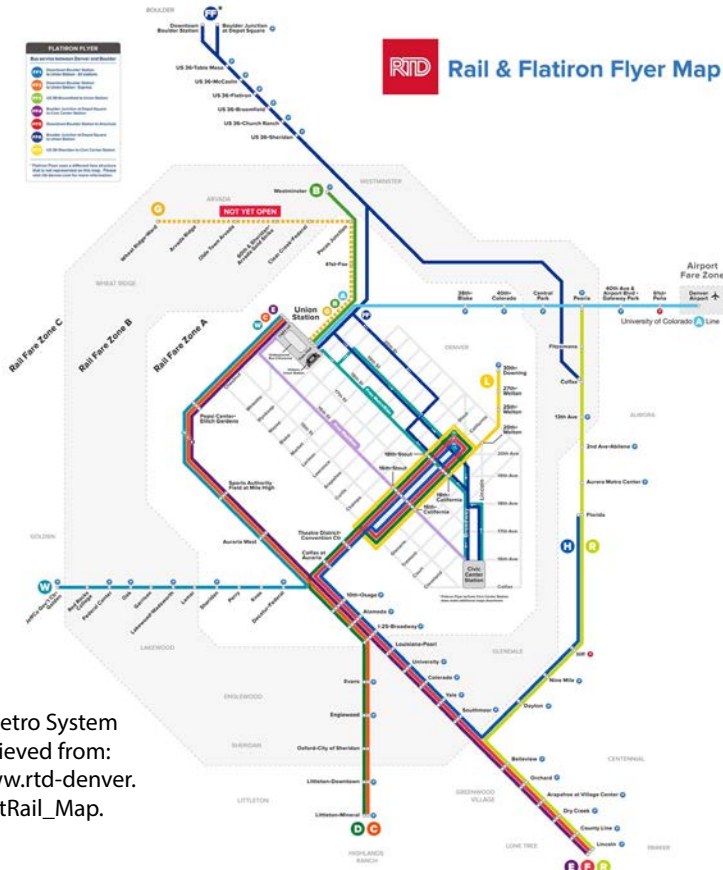
increasingly chose to opt out of affordable housing restrictions and subsidies to take advantage of improved market conditions in neighbourhoods with improved transit (National Housing Trust, 2010).

As a result, creating or preserving affordable units in these more desirable neighbourhoods can be difficult because land values are typically higher, making affordable housing developments less feasible. Observing and learning examples from other jurisdictions offer valuable lessons on how the previously

mentioned approaches can be implemented to support affordable housing developments. This case-in-point study focuses on the Denver Regional TOD Fund, which is a financing tool used to create and preserve affordable housing in high frequency transit areas in the Denver, Colorado area.

Denver has recently ramped up public transportation investment, including the construction of several commuter rail and Bus Rapid Transit (BRT) corridors throughout the metro area that has provided the opportunity to create more

dense, compact, and transit oriented neighbourhoods. However, a consequence of transit investment is land speculation, increased land value, and rising rental unit costs near the transit lines and stations. These consequences impact low and moderate income households in these neighbourhoods as they become at risk of being priced out by real estate investors that may not have the goal of providing or preserving affordable housing (Enterprise Community, 2018).



Denver Metro System Map. Retrieved from: [http://www.rtd-denver.com/LightRail\\_Map.shtml](http://www.rtd-denver.com/LightRail_Map.shtml)

## FACTS/ OUTCOMES

### Denver Regional TOD Fund Overview

The purpose of the Denver Regional TOD Fund is to give community and housing developers interested in creating affordable units the opportunity to access funds that will allow them to proactively purchase and hold strategic transit accessible land. Qualified borrowers are given flexible financing terms and a





Renaissance at North Colorado Station. Retrieved from: <https://www.urbanlandc.org/assets-investments/renaissance-apartments-at-north-colorado-station/renaissance-housing-colorado-eagle-award/>

streamlined underwriting and closing process to react and compete against private developers that may not be interested in creating or preserving affordable housing (Enterprise Community, 2018).

### Program Parameters

Developments that access the TOD fund must be within the Denver Metro area and must be located within a ½ mile distance of an existing or future rail station, or within a ¼ mile of a high frequency bus corridor. Organizations seeking to access the fund to purchase vacant or underutilized land must be developing projects that are multifamily affordable rental housing (with the possibility of for sale units considered) or mixed-use projects that provide space that benefits the community, such as childcare centres

or health clinics (Enterprise Community, 2018).

The TOD fund was created through several investors and partners that included municipal, non-profits, philanthropic, and private bank organizations that agreed to a set investment return. Investors that contributed funds negotiated their individual return rate from the fund borrower, which range from no or modest returns for quasi-public and philanthropic type investors, to higher returns for more traditional borrowers such as banks. All return rates are blended together to become the interest rate that is given to the fund borrower (Weinig & Bustos, 2018). The interest rate that is given to the borrower is typically lower than what would usually be made available, allowing the borrower to

purchase and hold land until a development can be created. Developers leverage private funds, state and federal housing tax credits, and the TOD fund to provide affordable housing that is long term and feasible.

### Outcomes

The Urban Land Conservancy (ULC), which was previously the sole borrower of the TOD fund, utilized the fund to purchase vacant land and buildings during the Great Recession from the late 2000s and early 2010s. These properties were purchased proactively in anticipation of an economic revival and possible future growth in these areas to warrant the need to preserve affordable housing. Developments that were created from these land purchases were mixed income, with some portion of affordable units, to utilize

revenues from market rental units to subsidize the affordable units. To ensure the long term availability of the affordable units, the ULC sold or leased properties to developers with the stipulation that the development will always have a component that benefits the community, such as affordable housing or community space (Weinig & Bustos, 2018).

As of late 2014, the TOD fund borrowed \$15 million to the ULC to make eight land acquisitions throughout the city of Denver. These acquisitions led to the creation and preservation of 570 affordable units, a new public library, and over 100,000 square feet of

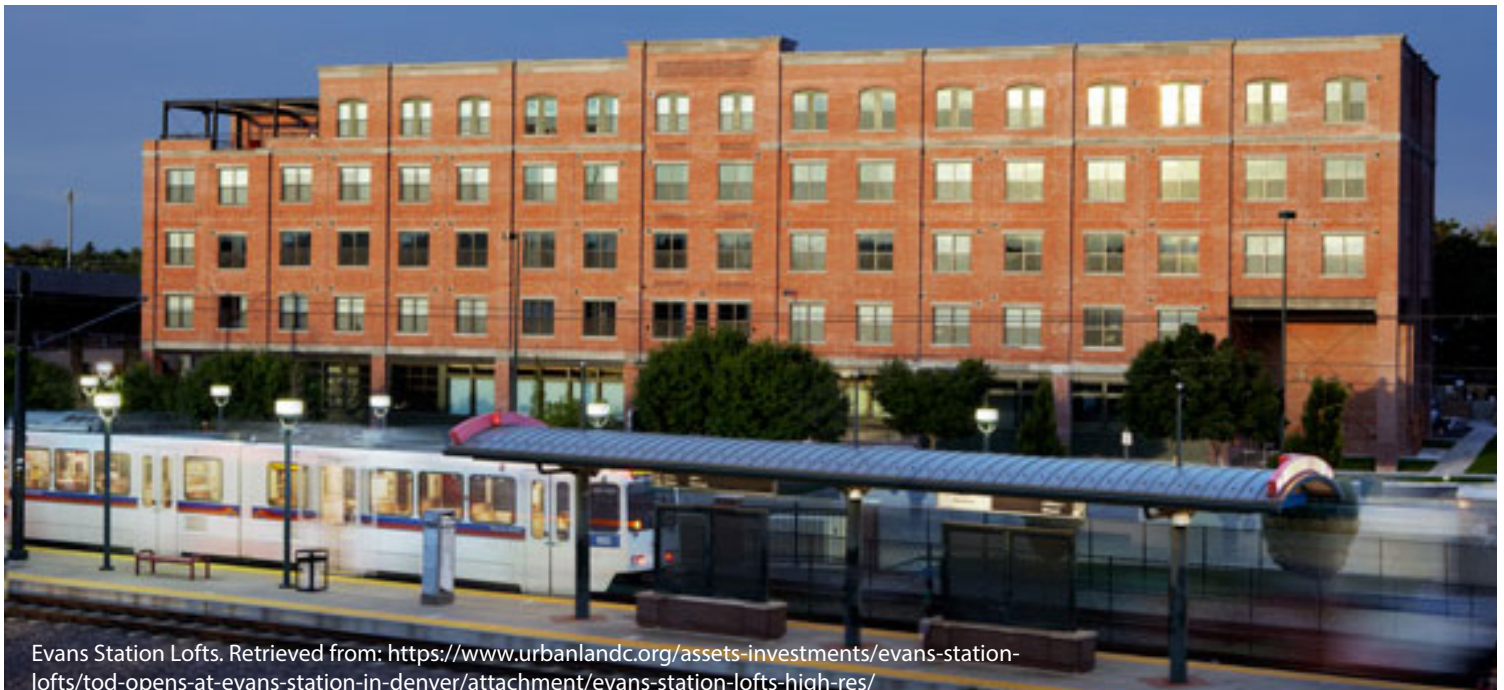
community space. Four of the loans have been repaid and can be reinvested into future projects (Enterprise Community, 2018).

The following are developments that have resulted from the TOD fund.

#### Evans Station Lofts

In 2011, ULC purchased a 1 acre site located across from the Evans Station on the Southwest Rail Line for \$1.2M using the TOD fund. In 2012, ULC selected Medici Communities as a developer because of their strong commitment to creating quality affordable housing with neighbourhood and community support. ULC sold the site to Medici Communities when the

developer was awarded annual tax credits from Colorado Housing and Finance Authority (CHFA) for the development, which was then used by ULC to repay the revolving TOD fund for future re-investment. Medici Communities then invested \$12M to construct the building, which was completed and 100% leased in 2013. Overall, the project received \$1.2M from the TOD fund, which was used to leverage \$12.3M and resulted in 50 affordable housing units serving households with incomes ranging from 30% to 60% of the area median income and 7,100 square feet of commercial space (Urban Land Conservancy, 2018).



Evans Station Lofts. Retrieved from: <https://www.urbanlandc.org/assets-investments/evans-station-lofts/tod-opens-at-evans-station-in-denver/attachment/evans-station-lofts-high-res/>



## Walnut (Blake TOD) Street Lofts

ULC acquired a 1.5 acre site close to the Blake commuter rail station in 2011, which has then since increased in value by over 500%. Due to the substantial increase in land value, ULC was able to retain the site into its land trust while selling the development rights in 2012 for a 99-year ground lease with the stipulation that the development must provide a community benefit such as affordable housing. The development would not have been possible if it was not for the foresight of purchasing the land before land values dramatically escalated. The 99 year land lease will ensure that affordable housing will be provided

to the community over the long term (Urban Land Conservancy, 2017).

# LESSONS LEARNED

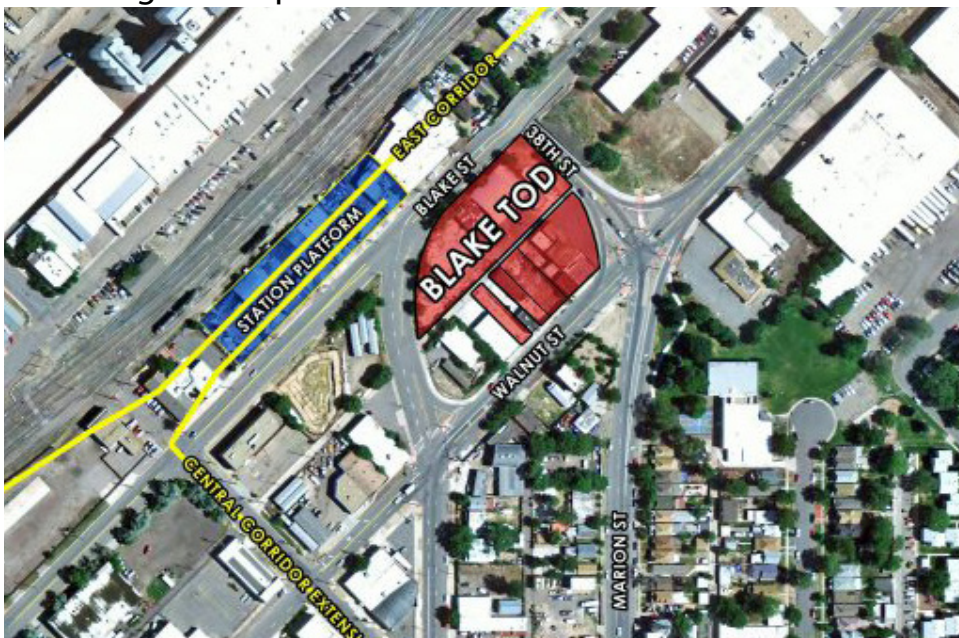
## Challenges and Benefits of the Denver TOD Fund

Although the TOD fund has been able to achieve examples of positive outcomes, the fund did not come without challenges. As the Denver TOD Fund and land trust was a relatively new method to create and preserve affordable housing, delivering the funding had implementation challenges because the process had to be created from scratch with no template to work

from. Another challenge was overcoming the risk involved in purchasing land speculatively, which was further compounded when considering that the development was going to be financed with an affordable housing component. However as previously mentioned, the result of overcoming these challenges proved to have great success and the TOD fund is now expanding to serve surrounding municipalities and borrowers outside of the ULC (Weinig & Bustos, 2018).

## The Winnipeg Context

Across Canadian municipalities, local governments are realizing the importance of affordable housing to create healthy, diverse, and competitive communities. The lack of investment from all levels of government in the creation and operation of affordable housing has created a situation where affordable units are falling in disrepair at the same time as longstanding affordable housing agreements between building managers and governments are expiring (Federation of Canadian Municipalities, 2016).



Blake TOD. Retrieved from: <https://www.urbanlandc.org/assets-investments/blake-tod/blake-timeline/>

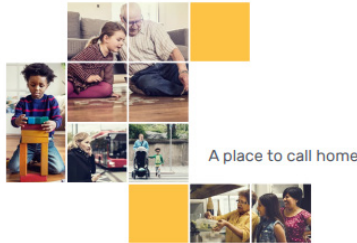
Existing planning frameworks such as the National Housing Strategy and OurWinnipeg, along with potential initiatives such as the Housing Investment Corporation, can be used to work towards addressing the affordable housing need while creating TOD in Winnipeg. The following documents are the National Housing Strategy, the Housing Investment Corporation, and OurWinnipeg, which are used to outline government priorities and tools to support affordable housing and TOD.

### National Housing Strategy

The Government of Canada's National Housing Strategy has indicated the creation of the National Housing Co-Investment Fund, which has the goal of creating up to 60,000 new units and repair 240,000 units of existing affordable and community housing (Employment and Social Development Canada, 2017). This fund is similar to the Denver TOD fund as it seeks to leverage funding contributions and partnerships from provinces, municipalities, non-profits and co-operatives, and the private sector to complete their goals and objectives.



### Canada's National Housing Strategy



[placetocallhome.ca](http://placetocallhome.ca)

### Housing Investment Corporation (HIC)

HIC is a dedicated, pooled lending institution for the affordable and non-profit housing sector. Its purpose is to help providers identify new opportunities to leverage their assets to effectively meet the affordable housing demands in their communities by offering low financing costs at longer terms that are customized to the affordable/social housing market (Housing Partnership Canada, 2018). HIC has met with affordable housing providers across Canada and has garnered close to \$200 million worth of projects for the first phase, most of which will include new builds. Although specific projects



Canada

have not yet been identified in Manitoba, a few Winnipeg based projects may move forward either later this year, or in 2019.

### OurWinnipeg

The City of Winnipeg's OurWinnipeg planning framework outlines priorities and objectives under the Complete Communities section, which align with the goals from the Denver Regional TOD Fund. These goals are to create and preserve affordable housing and to provide a diversity of housing types, tenures and costs in each neighbourhood (City of Winnipeg, 2011a). Further, core TOD principles outlined in Winnipeg's Transit-Oriented Development Handbook are to create mixed use, medium to high density, and compact pedestrian-



The role of government is important as low and moderate income households are often unable to access suitable, adequate and affordable housing within the private sector. As increased land and construction costs have resulted in higher price points in the rental and ownership markets, governments are called upon to fill the “gap” to incent private developers to offer units at affordable price points. The Denver Regional TOD model offers a promising model for Winnipeg, a city in the early stages of its

rapid transit development. Setting aside land and/or facilitating favourable financing conditions for affordable housing within proximity to rapid transit stations represents vision, foresight and a commitment to the public good in addition to meeting an identified need in the community (Holowchuk, 2018). Key challenges for developing affordable housing in the Winnipeg context include funding constraints, possible re-zoning requirements, environmental contamination, and the

availability of adequately served land. Even with preferred financing at lower costs and longer terms, proponents interested in developing affordable housing may still have a challenge developing feasible projects. However, approaches such as the Denver TOD Fund and the HIC can be a solution for private and non-profit proponents to leverage additional funds. These solutions can only be a positive in current times of public sector fiscal constraint (Rewniak, 2018).

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