

Bay Area



Impact Investing Initiative

## BAIII Infrastructure Strategy

March, 2018 update

Infrastructure investing comes in many forms. In this model infrastructure strategy, we identify a variety of options for investment across the liquidity, risk and return, theme, and impact spectrum. We describe several Bay Area regional infrastructure examples that could be part of a Bay Area focused infrastructure portfolio:

- Housing + Transit: Bay Area Transit Oriented Affordable Housing Development Fund
- Environmental resilience: BCDC
- California Infrastructure Bank bonds - water, power
- Renewable Energy: Mosaic Solar, CalCEF
- Public Private Partnerships: The Presidio Trust, The Grand Boulevard

The Bay Area Transportation Oriented Affordable Housing Development Fund, TOAH

[www.bayareatod.org](http://www.bayareatod.org)



- San Francisco, CA
- Eddy & Taylor Family Housing
- TOAH Fund Financing: \$7.2 million
- Housing Units: 153
- Retail Space: 12,000 square feet

The \$50 million **Bay Area Transit-Oriented Affordable Housing (TOAH) Fund** is a CDFI that provides financing for the development of affordable housing and other vital community services near transit lines throughout the Bay Area. Through the Fund, developers can access flexible, affordable capital to purchase or improve available property near transit lines for the development of affordable housing, retail space and other critical services, such as child care centers, fresh food outlets and health clinics.

The \$10 million initial investment by MTC to the housing fund was leveraged four-to-one with funds from the private sector and foundations to increase the fund's value to \$50 million. Thus far, the fund has provided loans for a 153-unit high-rise for low-income families located two blocks from a major transit station and for a 64-unit building for seniors close to a light rail station that will provide free transit passes for all residents.

The Tenderloin Neighborhood Development Corp. is developing an old parking lot into a 14-story building with affordable housing and retail space planned to attract a grocery store to this underserved community. The site is located just two blocks from the Powell Street BART station, a major transit hub in San Francisco.

BCDC: Bay Conservation Development Commission for resilience around sea level rise

[www.bcdc.ca.gov](http://www.bcdc.ca.gov)

The San Francisco Bay Conservation and Development Commission (BCDC) is a California state planning and regulatory agency with regional authority over the San Francisco Bay, the Bay's shoreline band, and the Suisun Marsh. BCDC was created in 1965 and is the nation's oldest coastal zone agency.

Its mission is to protect and enhance San Francisco Bay and to encourage the Bay's responsible and productive use for this and future generations. State law requires sponsors of projects that propose to fill or extract materials from the Bay to apply for a BCDC permit. In addition to minimizing any fill required for an appropriate project and ensuring that the project is compatible with the conservation of Bay resources, BCDC is tasked with requiring maximum feasible public access within the Bay's 100-foot shoreline band. Throughout its existence, BCDC has approved projects worth billions of dollars, and the Commission continues to work closely with all applicants – private and public – from a project's initial stages to ensure that they comply with state law. In addition, the Commission leads the Bay Area's ongoing multi-agency regional effort to address the impacts of rising sea level on shoreline communities and assets. Its authority is found in the McAteer-Petris Act, the San Francisco Bay Plan, and other special area plans and laws and policies.



BCDC's \$12 parcel tax approved for the 9 counties surrounding the Bay:

- Raises \$500 million over the next 20 years
- To build levees and restore thousands of acres of wetlands and tidal marshes as buffer to storm surges and floods in all Bay Area counties
- Required a 2/3 majority vote, which was approved by voters in all 9 Bay Area counties in June 2016

California Infrastructure and Economic Development Bank: The California I-Bank

[www.i-bank.ca.gov](http://www.i-bank.ca.gov)

The mission of the I-Bank is to finance public infrastructure and private development that promotes a healthy climate for jobs, contributes to a strong economy and improves the quality of life in California communities. The I-Bank has extremely broad statutory powers to issue revenue bonds, make loans and provide credit enhancements for a wide variety of infrastructure and economic development projects and other government purposes. As we approach \$34 billion in various financings, we continue to be motivated by the financing challenges faced by infrastructure projects throughout our State.

The 'Big Three' credit rating agencies – Standard and Poor's (S&P), Fitch and Moody's – have all awarded top ratings to the I-Bank's approximately \$97 million series 2014A infrastructure state revolving fund (ISRF) bonds. The I-Bank's ISRF Program provides loans to finance a wide range of infrastructure and economic expansion projects to local governments and other eligible borrowers expand in California.

IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds. IBank's current [programs](#) include the [Infrastructure State Revolving Fund \(ISRF\) Loan Program](#), [California Lending for Energy and Environmental Needs \(CLEEN\) Center](#), [Small Business Finance Center](#) and the [Bond Financing Program](#). Here are some examples of infrastructure financings around the Bay Area:

## San Francisco PUC –Wastewater Infrastructure Bonds



- \$240 million Wastewater Revenue Bond will fund eligible projects in sustainable stormwater management and wastewater projects

- The first certified green water bond to finance sustainable water infrastructure

Green infrastructure is a stormwater management tool that takes advantage of the natural processes of soils and plants in order to slow down and clean stormwater and keep it from overwhelming the City's sewer system

## Richmond, CA bond for LED Lighting: a Qualified Energy Conservation Bond (QEBC)



- Issued \$1.05 million of 15 year QEBCs as a lease-purchase agreement.
- Notes priced at 6.79%, and the city is receiving a 4.06% interest rate subsidy, for a net interest rate of 2.73%
- Over \$500,000 from the issuance used for street lighting upgrades
- Average energy savings of 45% in street lighting

The California Infrastructure Bank has a website for mapping infrastructure projects in the Bay Area and across California. Here are a few more Bay Area examples:

link: <http://www.ibank.ca.gov/ibank/isrf-map#advanced>

<p>DATE APPROVED: 12/17/2002 BORROWER NAME: Redevelopment Agency of the <b>City of Novato</b> COUNTY: Marin CITY: Novato INFRASTRUCTURE CATEGORY: <b>City Streets; Drainage, Water Supply, and Flood Control</b> PROJECT NAME: Grant Avenue Improvement Project AMOUNT APPROVED: \$3,700,000</p>
<p>DATE APPROVED: 8/19/2014 BORROWER NAME: <b>City of Pittsburg</b> COUNTY: Contra Costa County CITY: Pittsburg INFRASTRUCTURE CATEGORY: <b>Water Treatment and Distribution</b> PROJECT NAME: City of Pittsburg Water System Modifications Project AMOUNT APPROVED: \$12,000,000</p>
<p>DATE APPROVED: 12/15/2015 BORROWER NAME: Coastside County Water District COUNTY: San Mateo County CITY: <b>Half Moon Bay</b> INFRASTRUCTURE CATEGORY: <b>Water Treatment and Distribution</b> PROJECT NAME: Coastside County Water District System Reliability Improvements Project AMOUNT APPROVED: \$5,628,000</p>

Mosaic Solar [www.joinmosaic.com](http://www.joinmosaic.com)

Mosaic Solar connects investors to high quality solar projects in its mission to open up clean energy investing and fundamentally change the way energy is financed. The fundamentals of solar makes it an attractive component of a diversified investment portfolio: reliable technology, predictable energy output, and stable cash flows. Every Mosaic project is carefully vetted and structured to minimize risk while maximizing benefits to investors and to the planet.

<p><b><u><a href="#">47 KW on Youth Employment Partnership, Oakland, CA</a></u></b>  <b>Yield:</b> 6.38%  <b>Term:</b> 60 months  100% funded  \$40,325 invested</p>	
<p><b><u><a href="#">55 kW on an Affordable Housing Complex in Corte Madera, CA</a></u></b>  <b>Yield:</b> 4.5%  <b>Term:</b> 109 months  100% funded  \$40,350 invested</p>	
<p><b><u><a href="#">102 kW on an Affordable Housing Complex in San Bruno, CA</a></u></b>  <b>Yield:</b> 4.5%  <b>Term:</b> 109 months  100% funded  \$92,250 invested</p>	

CalCEF: California Clean Energy Funds Initiative [www.calcef.org](http://www.calcef.org)

When the BAIII approached CalCEF to be included in the model infrastructure portfolio, the CalCEF team was managing and had invested \$30 million in 25-30 companies through three venture capital firms. Given its mission to jump-start cleaner energy and clean-tech solutions through early stage and venture capital, it was devoted to encouraging new technologies. CalCEF also had an Angel network syndicate to invest alongside, and an 'evergreen' mutual fund for other outsiders' participation, bringing its total assets under management to about \$50 million.

Those funds reached their 10+ years and were distributed. CalCEF is looking to solve the three major pain points in the ecosystem of new technology development and finance:

1. Having capital at the earliest stages for new ideas emerging from labs so CalCEF started a program called CalSEED
2. Better incubation and resources to help companies accelerate their technologies, with collaboration among 20 countries, called New Energy Nexus
3. Help the Batteries technologies by connecting early stage startups, larger more resourced companies, and the Department of Energy Labs in the Bay Area at Berkeley, Livermore, and Stanford's Llinear Accelerator.
4. A new fund is under consideration at CalCEF, and the BAIII would hope to include it in a future portfolio.

Bay Area Public Private Partnerships are transforming the Bay Area. From Hunters Point and Bay Meadows to the Presidio and the Grand Boulevard, we see examples of solutions and collaboration around the Bay Area. Investors, public policy makers, private enterprises and philanthropic interests can come together to share in the creation of the future we want. Building a Bay Area Impact Investing Infrastructure portfolio would include participating in a variety of financing opportunities in housing, transit, renewable power, water management and climate change consequences.

#### Presidio Trust: A remarkable Bay Area public private partnership example

The Presidio of San Francisco is managed by two federal agencies in partnership: 300 acres along the coast are managed by the National Park Service, while the rest of the Presidio, 1,191 acres, is managed by the Presidio Trust. Both agencies work in close collaboration with the Golden Gate National Parks Conservancy, a non-profit organization that provides indispensable philanthropic and programmatic support.

The Presidio Trust is an unusual federal agency. In our founding bipartisan legislation, Presidio Trust Act, the Trust was charged with operating the park without taxpayer support. Funds earned through leasing homes and workspaces and operating hotels, a golf course, and venues are used for park management and upkeep.

Over the past two decades, the Trust and our partners have converted this former military post into a welcoming national park in an urban area. The Presidio is home to a large community of residents and tenants, and offers unique recreation, hospitality, and educational opportunities to people throughout the San Francisco Bay Area and the world.

#### The Presidio: Guardian of the Golden Gate





To this:



The Grand Boulevard Task Force is a broad federation of interested public and private parties that challenges communities to rethink the corridor's potential for housing and urban development, balancing the need for cars and parking with viable options for transit, walking and biking.

Stretching from Daly City to San Jose, the vision is of a boulevard that connects communities by a mix of land uses designed to attract people. Cities are encouraged to design for neighborhoods that include high quality building designs and diverse land uses, preserve historic buildings and places, and enhance our economic and cultural diversity, with the broad involvement of residents, workers and local businesses. Rail stations and bus facilities are valued not only as vital transportation services, but as public gathering places and assets to spur transit oriented development. Roadway improvements will be context sensitive while continuing to meet the need to move people and commerce and preserve environmental resources. Above all, change will recognize and incorporate our history and create a sense of community.

The Grand Boulevard initiative will succeed only with the enthusiastic support of public agencies, leading businesses, non-profit agencies, neighborhoods and community advocates. The Task force endeavors to coordinate planning efforts, develop incentives and other mechanisms, and secure funding to make this vision a reality.