



# Financing CLTs: Single Family Acquisition

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October 2022 CA CLT Network Workshop  
Presented by: OakCLT and CTY Housing,



# AGENDA

- I. INTRODUCTION
- II. REVIEW KEY FINANCIAL CONCEPTS
- III. CASE STUDY
- IV. Q & A



# OakCLT + ACCE Partnership

- 10+ years fighting together against speculation & wealth extraction
- Foreclosure crisis >>> displacement crisis
- Evolving tactics: Home *defense* to *control* + *ownership*
- Shared vision of building resident power
- Leverage strengths of each org to achieve shared goals



# FINANCIAL CONCEPTS

- VALUE-Appraisal confirms
- EQUITY-Value owned that does not require repayment.
- DEBT-Hard debt (must pay) vs. Soft debt (subsidy)
- NET OPERATING INCOME-Informs debt and value
- FEE- Owning land and building / improvements
- LEASEHOLD- Owning a building with a groundlease on underlying land

# FINANCING SOURCES

Funding Sources	How Used	Flexibility	Pricing	Loan Maturity in Years	Terms	Special Conditions	Loan Sizing	Time to Access
Banks	Construction and Permanent	Not Much	4%-5%	5-30	Must Pay	1st Lien	80%/1.15	4 weeks
Community Development Financial Institution	Acquisition/Pre-development/ Permanent	More than Bank	6%	2-10	Must Pay	1st Lien	80%/1.15	4-5 weeks
Foundations	General Operating/ PRI	More than CDFI	0%-2%	0-2	Must Pay	NA	>= 80%/1.15	3-6 months
Subordinate Lenders	Long-Term	NA	3%	55	Optional	Covenant	NA	1x-2x/year

# Single Family Acquisition- 2 Stages

## Stage 1) Buy and Temporary Hold:

- CLT acquires the land and improvements to prevent displacement.
- Financing structured as rental–value derived from net operating income.

## Stage 2) Conversion to Resident Ownership

- CLT sells improvements on a leasehold to residents.
- Ground lease creates affordability facilitates permanent subsidy
- Prepare residents for ownership and create affordability with financing.
- Residents get approved for mortgages.

# Development Budget-2 Houses

<b>Budget Uses</b>			<b><u>Budget</u></b>
Acquisition			\$797,000
Title / Escrow Closing Costs			\$20,978
Appraisal			\$2,900
Reserve and Property Tax -			\$16,119
Rehab			\$95,000
Legal +			
Financing			\$15,915
Developer Fee			\$40,000
<b>Total Project Cost</b>			<b>\$987,912</b>

# Income Schedule

Acquisition		
<b><i>Existing Rents</i></b>	MONTHLY RENT	ANNUAL INCOME
Unit 1-72% AMI	\$1,800	
Unit 2-87% AMI	\$2,189	
<b>TOTAL</b>	<b>\$3,989</b>	<b>\$47,868</b>
<b><i>Reduced Rents - OakCLT Purchase</i></b>		
Unit 1- 70% AMI	\$1,750	
Unit 2-73% AMI	\$1,825	
<b>TOTAL</b>	<b>\$3,575</b>	<b>\$42,900</b>



# Operating Expenses

	ANNUAL
Property Management	(\$2,160)
Legal Fees	(\$500)
less Insurance	(\$1,300)
Homebuyer Education	(\$1,000)
Maintenance	(\$1,500)
Trash	(\$1,200)
Property Tax	(11,557)
City and State Fees	(\$2,952)
Asset Management Fees	(\$1,560)
Replacement Reserves	(\$1,000)
<b>Total Expenses</b>	<b>(\$25,729)</b>

# How much mortgage can this project afford?

Property Revenue		\$42,900
Tax Reserve		\$11,557
Vacancy		(2,145)
Effective Gross Income		52,312
Expenses		(24,729)
Reserves		(1,000)
Net Operating Income		26,584
Debt Service	DSCR 1.16	(22,863)
Cash Flow		3,720

# Sources of Financing (Capital Stack)

Sources	Acquisition	Ownership Conversion
National Housing Trust	\$354,918	
SPARCC Capital Grant	\$ 79,978	
City of Oakland	\$549,616	\$549,616
OakCLT	\$3400	
Single Family Mortgage	0	\$432,620
Homebuyer Downpayment	0	\$13,380
FHLB WISH (matches 3:1)	0	\$40,140
TOTAL	<b>\$987,912</b>	<b>\$1,035,756</b>

# Ownership Conversion

	Initial Acquisition	Ownership Conversion
Land and Building	\$797,000	
Building+Leasehold		\$486,140
Land-Permanent Subsidy		\$481,000
Title,Escrow,Closing	\$20,978	\$28,222
Rehab, Appraisal,Legal	\$101,900	\$12,497
Reserves	\$16,119	\$16,119
Financing Costs	\$11,915	\$13,497
Developer Fee	\$40,000	
TOTAL	\$987,912	\$1,035,756





# Ownership Conversion

- Prior to Conversion
  - Address all rehab needs
  - Work with households to repair credit, if necessary
  - Homebuyer education
  - Mortgage qualification
- Transfer of ownership of home
  - Ongoing stewardship
  - Post-purchase support

# Discussion Topics

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1. Discuss the challenges in using 7 financing sources for 2 houses.
2. What are the most critical financing sources needed to achieve the affordability?
3. What are opportunities and barriers to replicating this in your community?
4. How can we achieve scale?

# Q & A



With Steve King, OakCLT  
Yasmin Tong, CTY Housing Inc.