

California Community Land Trust Network

2023 Conference

October 19-20 • Oakland Museum of California



Preservation Projects – An Acquisition Road Map

— An Overview —

Presenters

- Faizah Barlas – Beverly-Vermont Community Land Trust
- Mia Carbajal - RichmondLAND
- Francis McIlveen – Land – Liberty (CLT focused consulting),
and former Director of Real Estate Development at NCLT

Pre-Acquisition Prep: Finding the Property & the Funding

Line up Probable Funding Sources:

Get to know your likely lenders & Subsidy programs well in advance



Identify Property



- Tenant Groups
- Market research (property radar)
- Partner organizations

Pre-Acquisition Prep: Building your Team

RE professional (Broker/Agent or Attorney)



No Clowns!

Due Dillgence Consultants

- Appraisal
- Pest, property, and roof inspection
- CNA or contractor to walk site & give high-level needs estimate
- Hazmat & mold assessments
- Title/escrow company

Potentially needed:

- Engineer
- Architect
- Surveyor
- Phase 1 Environmental Report

Feasibility Analysis

- Financial Feasibility
- Resident Outreach/Survey
- Social Assessment & Feasibility
- Review/Rank suitability viz Mission/Goals

15-YEAR OPERATING PRO FORMA										Show/Hide Instructions
Assumptions										
Rent Annual Growth Rate	2.00%									
Other Income Annual Growth Rate	2.00%									
Expenses Annual Growth Rate	3.00%									
Vacancy Rate	5%									
Cash Flow Summary										
Total Cash Flow over years 1-10	(\$77,316)									
Total Cash Flow over years 1-15	(\$115,974)									
Total Cash Flow After Obligations over years 1-10	(\$77,316)									
Total Cash Flow After Obligations over years 1-15	(\$115,974)									
Return Summary										
Cash-on-cash Return on Equity (Year 1, excluding tax credits)										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rent Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Vacancy Loss	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Eff. Gross Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Annual Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Operating Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)
Bridge Loan Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Coverage Ratio	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash flow Available	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)
Projected Payments from Cash Flow										
Deferred Developer Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Soft Debt #1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Soft Debt #2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Partnership Management Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Asset Management Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Remaining Expected After Payments	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)	(\$7,732)

Many Iterations of Financial Feasibility Assessment (increasing accuracy)

- For initial assessment & prior to making offer
- For loan & subsidy applications
- Prior to releasing financing contingency (and after verifying rents, getting better operating & rehab cost estimates, etc.)

Negotiations & Making an Offer

What sellers (usually) care about most...



Price & Net
Proceeds



Timing



Probability of
Sale

“Do the Due” - Due Diligence / Inspection Contingency

Use a Checklist

Due Dilligence - Small Site / Preservation Projects		
Vendor/Consultant Reports	Priority	
Pest & Property Inspections	1	2
Roof Inspection	1	2
Capital Needs Assessment (CNA, aka PNA)	1	2
HAZMAT testing (lead & asbestos) - if rehab indicated	1	2
Mold assessment (if indicated)	1	2
Site survey (if major rehab indicated or possible)	1	2
Engineering report (for seismic issues)	1	2
Phase 1 Environmental Report	1	2
Natural Hazard Disclosure	1	2
Appraisal Report	1	2
Title Report (aka Prelim)	1	2
From Seller		
Property financials (income & expense statements)	1	2
List of major repairs/capital improvements & costs	1	2
Seller's Disclosures (TDS etc.)	1	2
Tenant Estoppel Certificates	1	2
Copies of all current leases	1	2
Public Records Searches		
Permit history/record & Certificate of Occupancy and/or 3R or 9A report	1	2
Sewer lateral report/certificate	1	2
Other Local ordinance requirements (triggered by transfer)	1	2
Notices of Violation/Abatement	1	2
Financial Feasibility		
Pro forma (15 or 30 year, per lender requirement)	1	2
Sources & Uses	1	2
Social & Mission Feasibility		
Social Assessment of Residents (resident & developer perspectives)	1	2
Suitability with organizational mission/priorities	1	2



Schedule Inspections, Appraiser & Others as soon as contract is ratified.

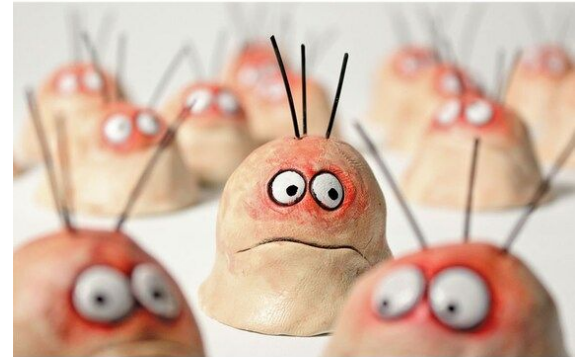
Due Diligence (continued) - Appraisal & Financing Contingencies

Appraisal

- Good appraisers model operating expenses based on comparable properties (not just taking seller's #s)
- Review these for your own pro-forma/feasibility
- What if it "doesn't Appraise"?!

Financing Contingency

- Don't remove contingency until you get a commitment letter / approval.
- Prepare responses to any 'warts' on your financials



Planning & Prep for the transition to Ownership

Property Management

Resident Relations

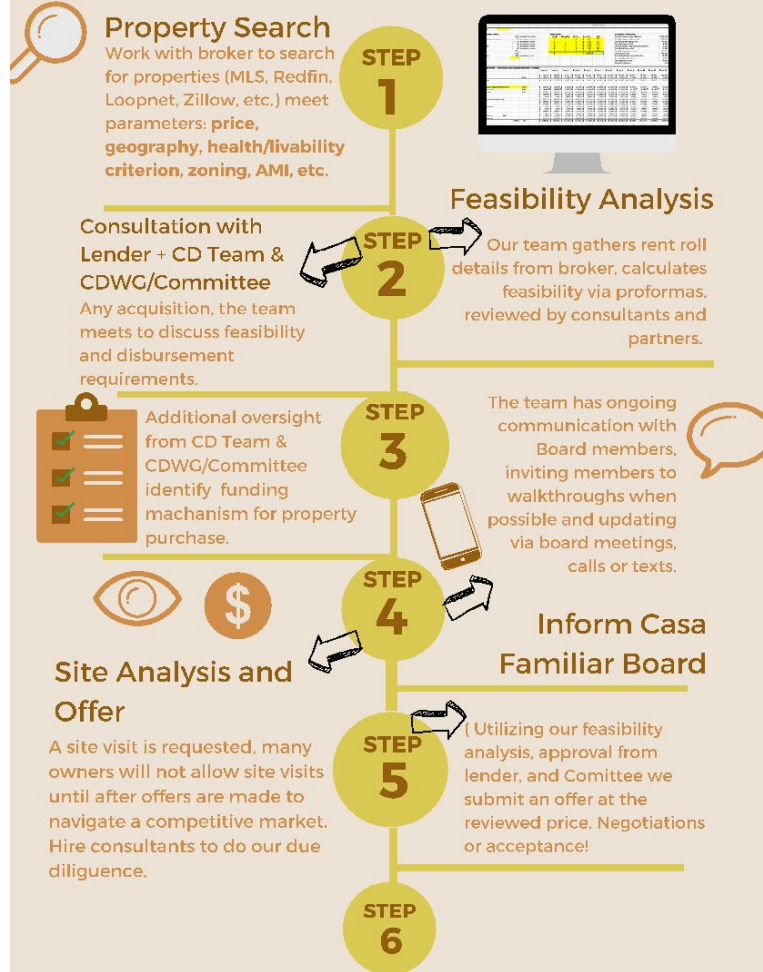
Set up Asset Management

**Immediate Repairs (& Utility
Transfer)**

Escrow Closing & Transfer

- **Funds for closing**
- **Final Walk thru**
- **Keys & confirm they all work**

Roadmap to Acquisitions



Courtesy: Diana Jimenez, formerly of Trust south LA



BEVERLY-VERMONT COMMUNITY LAND TRUST



BVCLT





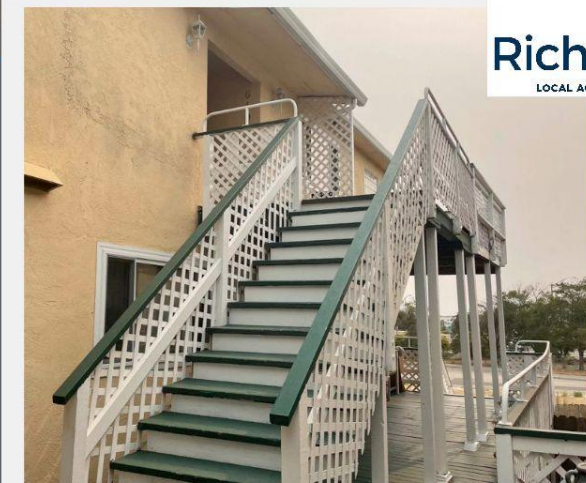
S.24th Street | two-story triplex

Acquired: February 2022



RichmondLAND

LOCAL ACTION IN NEIGHBORHOOD DEVELOPMENT



Q&A



Resources

General

- 2023 Conference Web page (will have this slide deck & other resources)

Checklists

- Acquisition-Due Dilligence_Preservation projects.xlsx
- Acquisition-Due-Diligence-Checklist_ACRE.xlsx - for larger projects with construction; can assign roles

Feasibility

- Potential Project - Evaluation Criteria & Selection Process_DRAFT - an example for organizations to set project selection criteria
- Resident Survey & Social Feasibility Analysis.xlsx - tools to adopt for surveying & assessing residents & social dynamic

Overview & Guides

- Casa Familiar_Community Mosaic Expansion Acquisitions ProcessProceso de Adquisicion para Expansion de Comunidad Mosaica.pdf - good visual for board members
- CLT Development Finance Guide_KH.docx - nice overview of preservation acquisition process

Resources

Overview & Guides (cont) - Preservation Next webinars & slide decks

- **Acquisition, Property Identification, and Evaluation of SMMF Properties -**
 - <https://youtu.be/Yo0Qth4dfXM>
 - <https://www.enterprisecommunity.org/sites/default/files/2023-05/Preservation-Academy-Session3-Property-Identification-Evaluation-and-Acquisition.pdf>
- **Financing SMMF Preservation**
 - <https://www.youtube.com/watch?v=8kbQmPakiNg>
 - <https://www.enterprisecommunity.org/sites/default/files/2023-02/Preservation-Academy-Session4-Financing-SMMF-Preservation.pdf>

Financing & Financial Feasibility

Likely FIHPP model tools (early draft):

- preservation_next_financial_model_-_blank.xlsm
- FIHPP_Draft Operating Budget_8_29 Exercise.xlsx

CACLTN database of lenders:

<https://www.cacltnetwork.org/finance-database/>

Smaller list of CLT friendly lenders (project, mortgage & coops):

- Lenders for CLTs_Commercial-Coop-Residential_2023

The End

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