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)

Due Dilligence 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

No Clowns!
Feasibility Analysis

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

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
**Use a Checklist**

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

Property Search
Work with broker to search for properties (MLS, Redfin, Loopnet, Zillow, etc.) meet parameters: price, geography, health/availability criterion, zoning, AMI, etc.

Consultation with Lender + CD Team & CDWG/Committee
Any acquisition, the team meets to discuss feasibility and disbursement requirements.

Feasibility Analysis
Our team gathers rent roll details from broker, calculates feasibility via proformas, reviewed by consultants and partners.

Additional oversight from CD Team & CDWG/Committee identify funding mechanism for property purchase.

Site Analysis and Offer
A site visit is requested, many owners will not allow site visits until after offers are made to navigate a competitive market. Hire consultants to do our due diligence.

Inform Casa Familiar Board
Utilizing our feasibility analysis, approval from lender, and Committee we submit an offer at the reviewed price. Negotiations or acceptance.
S.24th Street | two-story triplex
Acquired: February 2022
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 ProcessProcesso de Adquisiciion 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://youtu.be/Yo0Qth4dfXM)
- Financing SMMF Preservation
  - [https://www.youtube.com/watch?v=8kbQmPakiNg](https://www.youtube.com/watch?v=8kbQmPakiNg)
  - [https://www.enterprisecommunity.org/sites/default/files/2023-02/Preservation-Academy-Session4-Financing-SMMF-Preservation.pdf](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.xlsx
- FIHPP_Draft Operating Budget_8_29 Exercise.xlsx

CACLTN database of lenders:
[https://www.cacltnetwork.org/finance-database](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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