California Community Land Trust Network

2023 Conference

October 19-20 • Oakland Museum of California

Innovative Fundraising Strategies for CLT Acquisitions

Friday, Oct. 20

Factors that Shape CLT Project Financing

- What rents or unit acquisition revenues are expected?
- How much construction/rehabilitation is required?
- Operating costs for the building
- Do the residents want to convert the building to homeownership?
- Cost of ongoing stewardship
- Availability of local subsidy

Why do we have to be innovative?

- CLTs are perceived as new, less established, and risky
- Low-income residents can't be trusted with homeownership, renting is "better"
- Grants for real estate are uncommon
- Public investment in housing is limited
- Real Estate requires some sort of return on investment → higher costs
- LIHTC can be challenging with CLTs

Bay Area CLT Rehab Project

What's up with LIHTC?

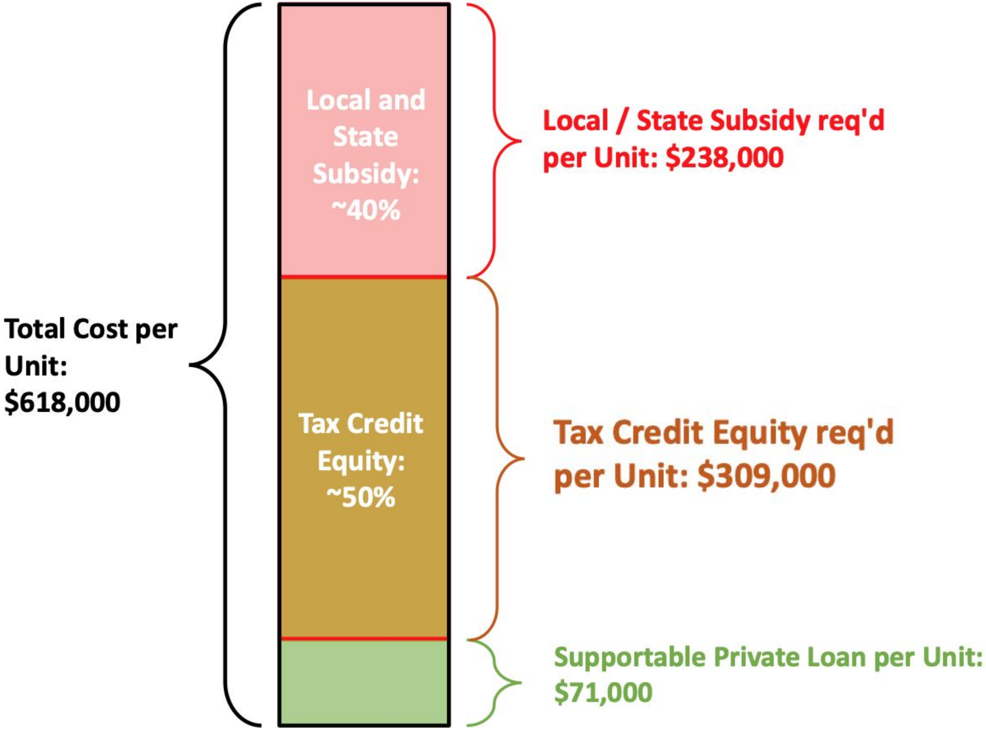
- The Low Income Housing Tax Credit (LIHTC) is the primary source of $$$ for affordable housing in the US.
- Financed through complicated investor tax-writeoffs
- Rent restrictions expire after 55 years, very difficult for ownership
- Generally used for larger developments, not small sites
- Strict income limits can lead to evictions
- Popular → competitive

This makes it hard/unattractive for CLTs to utilize LIHTC and requires other sources of financing and innovative strategies for bringing land into the CLT

Credit: CTY Housing

Typical LIHTC Financing

Number of Households Served: 47



Acquisition Cost per Unit:	$61,000
Construction Cost per Unit:	$412,000
Other Costs per Unit:	$145,000
Total Cost per Unit:	**$618,000**

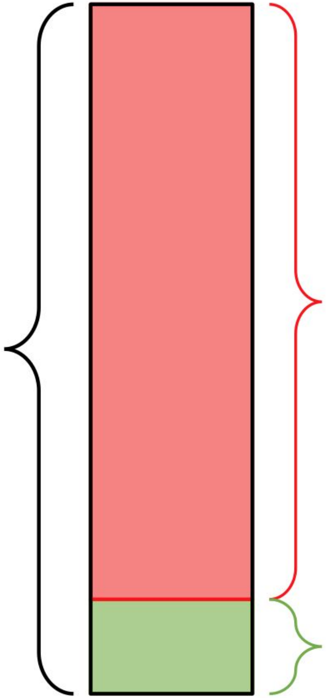
*Assumes each unit is rented at affordable price to households w/ annual income ranging from $27k - $65k

Acq-Rehab of 10-Unit Building Without LIHTC

Credit: CTY Housing

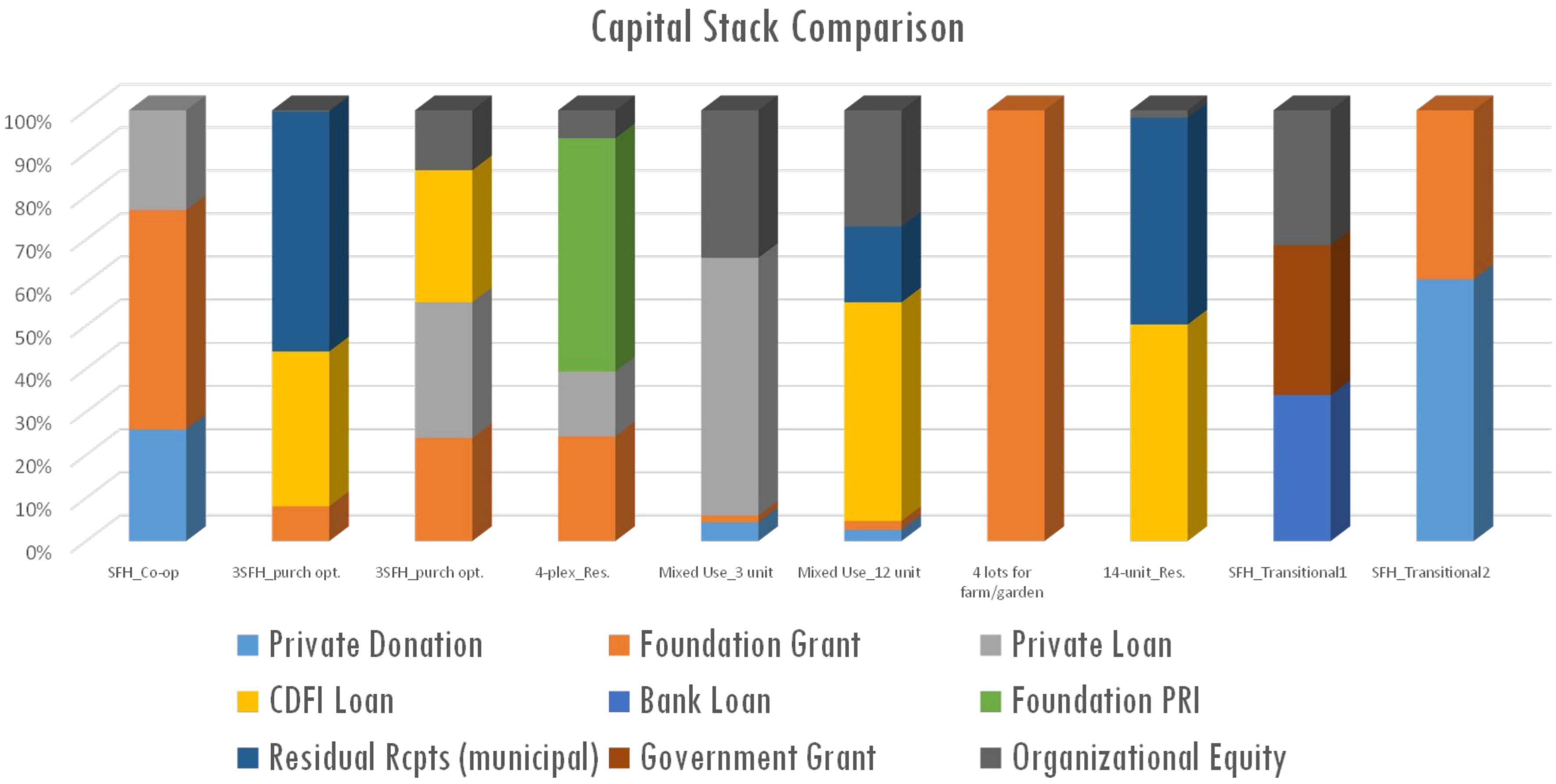
Number of Households Served: 10

Acquisition Cost per Unit:	$253,000
Rehab Cost per Unit:	$60,000
Other Costs per Unit:	$84,000
Total Cost per Unit:	**$397,000**



How do we *fill* this gap OR *shrink* it?

*Assumes each unit is rented at affordable price to 4-person household w/ annual income of ~$48k


Capital Stack Comparison
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
SFH_Co-op
3SFH_purch opt.
3SFH_purch opt.
4-plex_Res.
Mixed Use_3 unit
Mixed Use_12 unit
4 lots for farm/garden
14-unit_Res.
SFH_Transitional1
SFH_Transitional2
Private Donation
Foundation Grant
Private Loan
CDFI Loan
Bank Loan
Foundation PRI
Residual Rcpts (municipal)
Government Grant
Organizational Equity

San Francisco Community Land Trust (SFCLT)

285 Turk street
&
LEHC co-op conversion

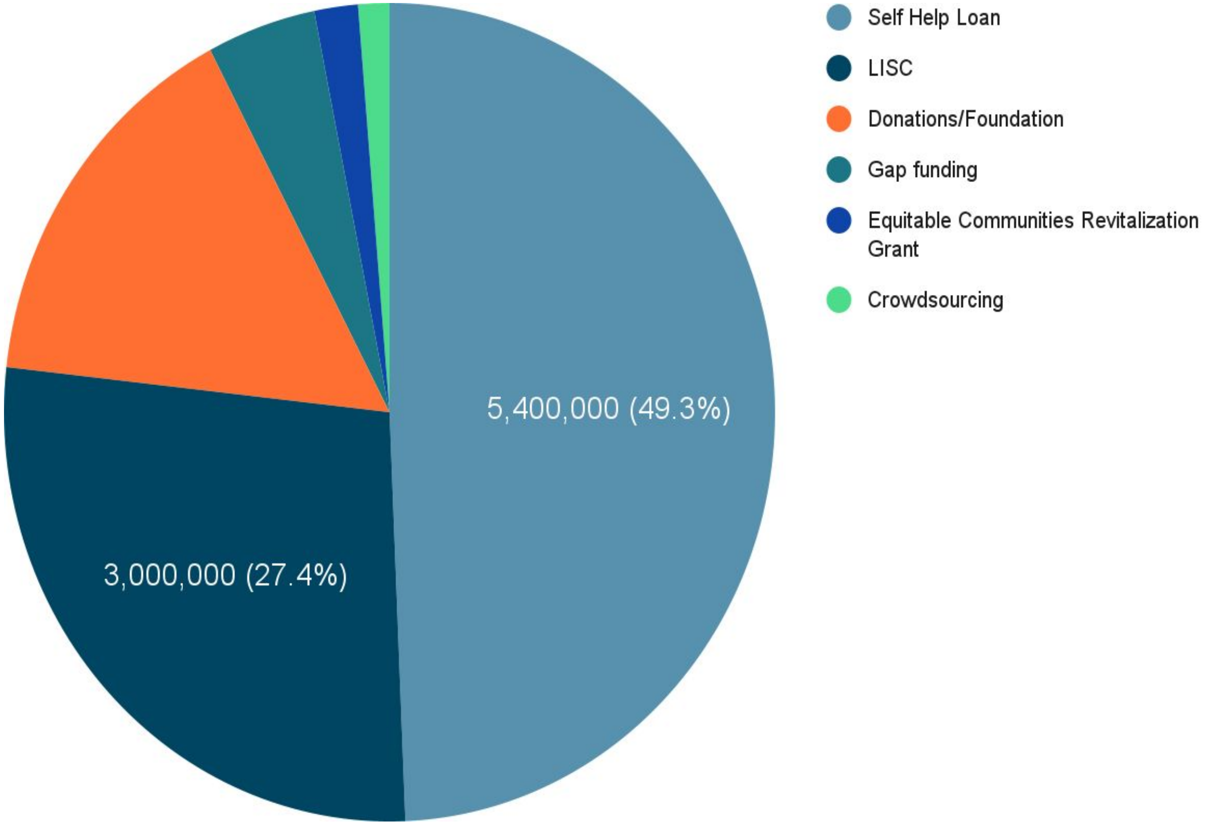
SFCLT mission

- City-wide Preservation
- LEHC creation
- 14 buildings and counting

285 Turk st.

- Centering racial equity at the heart of our acquisition strategy
- 40 units, majority Filipino, Black, Indigenous to the Yucatan peninsula/Latinx
- 5-year timeline to LEHC conversion
- Replicating CUC's REOC

285 Turk St Capital Stack



- $9.3 mil Acquisition
- $1.7m raised in donations
- Post-purchase budget of $600K
- $200K environmental remediation
- Total of $10.1mil

Oakland Community Land Trust

OAK CLT

Hasta Muerte Coffee Collective:
Purchase utilizing an assignable first right of refusal and funded through private offering

TIMELINE

Oct 2016: Hasta Muerte signs lease on commercial space at 2701 Fruitvale

Dec 2017: Hasta Muerte Cafe opens after over a year of build out, permitting

April 9, 2018: 2701 Fruitvale listed for sale by owner

May 17, 2018: Purchase offer accepted by owner

May 21, 2018: HMC exercises 1st right of refusal, assigns contract to OakCLT

July 11, 2018: OakCLT closes on purchase of 2701 Fruitvale

Takeaway #1:
Right of 1st Refusal

SFGATE

Newsletters

Local

Hasta Muerte, Oakland cafe that refused to serve to cops, faces uncertain future

Annie Vainshtein, SFGATE

June 4, 2018

rent payment shall be on March 1, 2017.

5. 1st Right of Refusal - The Tenant shall has the right to purchase this property at the exact same terms and conditions contained in an offer that the owner has received (and wants to accept) from another buyer.

Takeaway #2: Community Solidarity

BEST OF THE EAST BAY 2018

Best Cafe Against Gentrification

Hasta Muerte Coffee

2701 Fruitvale Ave., Oakland, 510-689-2922, HastaMuerteCoffee.com

Hasta Muerte made headlines earlier this year when they made it known that they do not service police in uniform. But that is just one aspect of their business that illustrates Hasta Muerte's commitment to their community. Hasta Muerte is a worker-run coffee shop whose collective business model focuses on keeping money in their East Oakland community rather than handing it over to large (and sometimes racially insensitive) corporations. They offer more than just coffee and pastries and occasional pop-ups — part of the space also acts as a radical bookstore, so you can educate yourself and stay woke. And earlier this month, in the ultimate act of anti-gentrification, Hasta Muerte bought their building — in partnership with the Oakland Community Land Trust — so that the coffeeshop can avoid the all-too-common threat of displacement. You may find that coffee tastes better while you're dismantling the hetero-patriarchal capitalist system.

EATER SAN FRANCISCO

CITIES ▾

Oakland Cafe Criticized for Policy Against Serving Police Officers

"For the physical and emotional safety of our customers and ourselves"

by Caleb Pershan | Mar 9, 2018, 12:43pm PST | 4 comments

SHARE

Tripadvisor

Hotels Things to Do Restaurants Flights Vacation Rentals Travel Stories

California (CA) > Oakland > Oakland Restaurants > Hasta Muerte Coffee

"Most hostile coffee shop in town"

Review of Hasta Muerte Coffee

Hasta Muerte Coffee

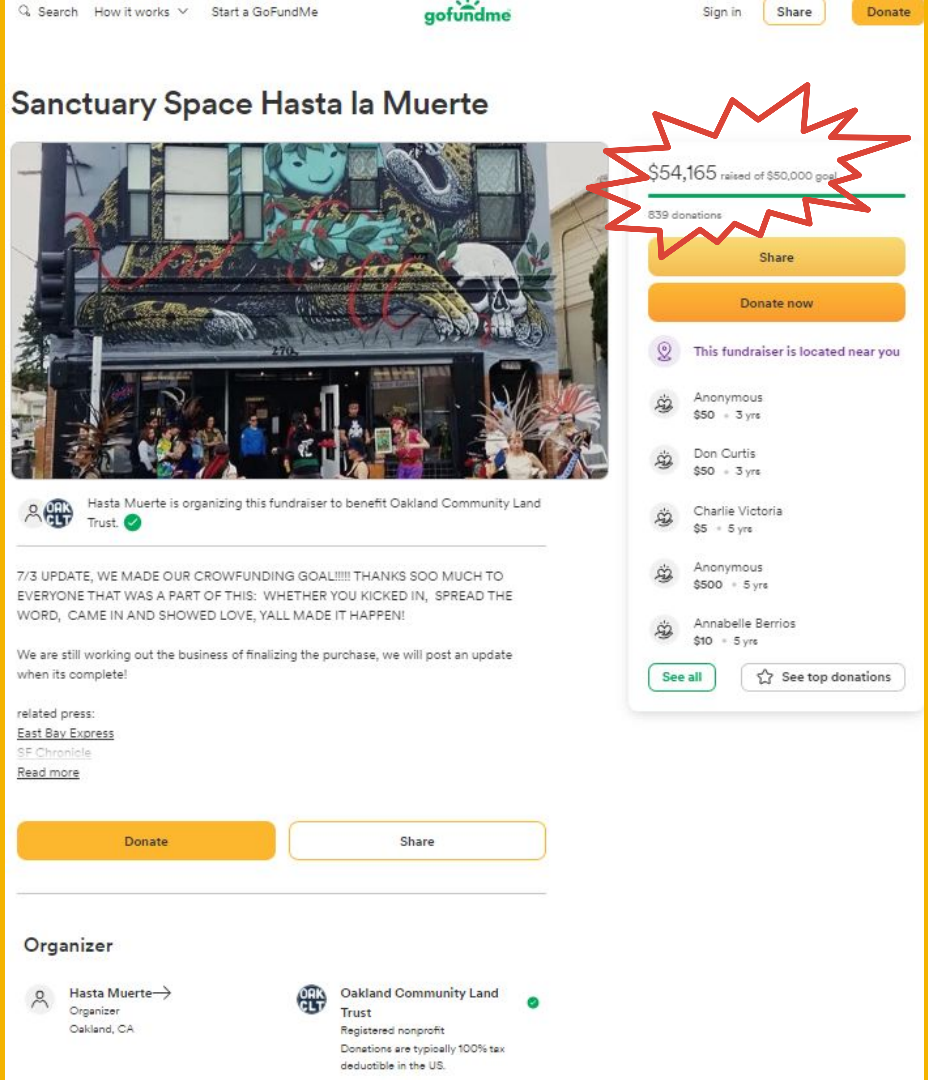
2701 Fruitvale Ave, Oakland, CA 94601-2048

Challenge #1:
How to buy a building in < 45 days?

1. Match existing terms of accepted offer
2. Close in a little over a month
3. Do it without a traditional lender

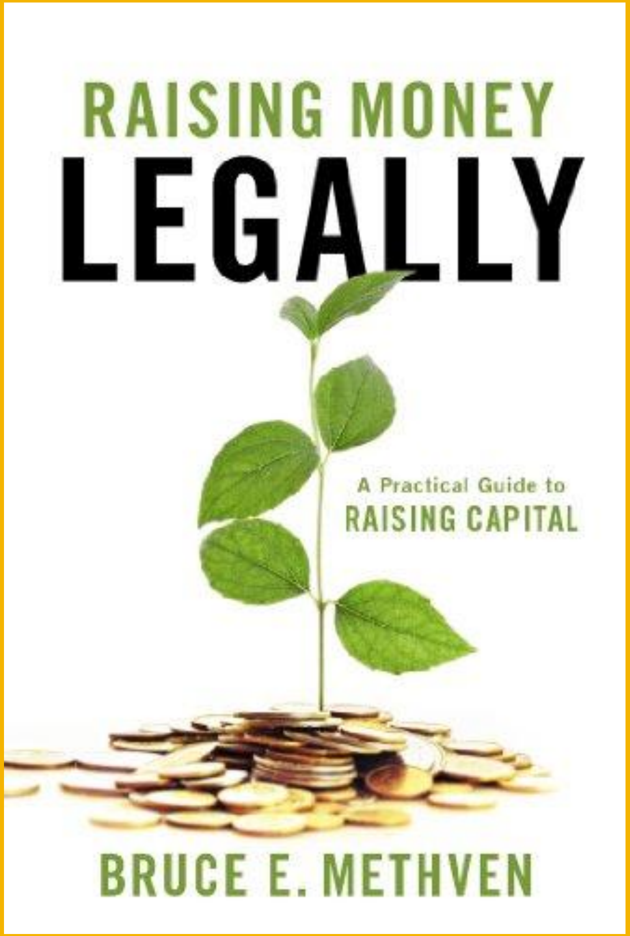
Crowdfunding Campaign:

$54,165 raised
839 donations
30 Days



Community Lending Campaign:

OakCLT's Private Placement Offering



Key Steps for OakCLT

- Hire attorney specializing in Securities Law (draft docs, advise on process)
- Form new single-member LLC to pool loans from individuals (support from OakCLT's general counsel)
- *Direct* outreach + communications with potential lenders
- Screen investors based on required qualifications of private placement (i.e., friends, family, colleagues; accredited v. non-accredited)
- Herd cats: answer questions, get all docs signed, make sure $ is transferred/wired

Acquisition Budget

Total Cost:

$973,206

SOURCES:

Private Offering:	$570,800
Donations:	$198,802
OakCLT Equity:	$203,606

USES:

Sale Price:	$960,000
Transfer Tax:	$7,200
Title/Escrow:	$6,006

OakCLT - Amigxs de Hasta Muerte

Private Placement

$570,800 total

5 year term

22 Investors

$306k @ 0% interest (10 investors)

$264,800 @ <4% interest (12)

Blended Interest Rate = 1.065%

OakCLT - Amigxs de Hasta Muerte

Private Placement

Original 5 year term ended 7/1/23

OakCLT Question to Investors:

- Donate, Extend, or Repay?

Outcome:

- $220k donated!
- $269k extended for new term
- $81k repaid

Proposed Ownership Structures for 2701/2703 Fruitvale Ave

Unit A Ownership

Unit B Ownership

Residential HOA (Units A&B)

Hasta Muerte Coffee Ownership

Combo Residential/HMC Ownership

OakCLT Ownership (Land)

Supportive Housing Community Land Alliance

CALIFORNIA COMMUNITY LAND TRUST NETWORK CONFERENCE| OCTOBER 19, 2023


shcla
Supportive Housing
Community Land Alliance
SHCLA
2023

Mission

Supportive Housing Community Land Alliance (SHCLA) is a membership-based community land trust whose mission is to increase access to mental health services for low-income people living with serious mental health challenges in Alameda County by creating and stewarding permanently affordable housing. The homes on our land will provide safe, secure, and supportive housing for residents whose income is 30% or less of the Alameda County Area Median Income.

Vision

- SHCLA will create and steward permanently affordable housing through the community land trust model by maintaining ownership of the land.
- Using art therapy, biophilic design and access to high opportunity neighborhoods, residents in SHCLA properties will thrive and achieve higher quality of life outcomes as we create integrated community settings.
- The CLT model will ensure the homes on the land provide safe, permanent, and supportive housing for residents whose income is 30% or less of the Alameda County Area Median Income.

“being with” — the french word avec evokes — embodies the project’s ethic of collaboration, acceptance and community

AVEC Acquisition

CCE Application

- PROPOSAL
  - 8 units
    - Four family units
    - Four coordinated entry/board and care units
      - These units have shared bedrooms
  - $2.7 million in acquisition and rehab funding requested
- ISSUES
  - Does this represent our programmatic objectives?
    - E.g., is it okay to provide this benefit to families with resources without greater public benefit?
    - Integrated settings best practice
    - Long term financial feasibility
  - High acuity clients from coordinated entry
    - increased services and operating costs

Operating Expenses

- RESIDENT ASSISTANT
    - $30/hr + $1,000 bonus
    - Health, vision, dental benefits
    - Rent-free unit
    - $41,000 annually
- OTHER MAJOR EXPENSES
    - $12,000 cleaning and janitorial
    - $20,000 utilities
    - $7,000 insurance
    - $4,500 replacement reserves
    - $5,000 asset management fee
- TOTAL OPERATING EXPENSES
    - $137k annually

Lifetime Lease Terms

Payment Terms	Deposit	Monthly	15-Year Total	Description	Constraints
Base Assumption	100,000.00	500.00	205,127.60	At year 15, family has option to move resident or pay another $100K deposit; this assumes the $500/mo rent is increased 2.5% per year	Requires additional $1M fundraising before year 15 to cash flow through year 28
Alt 1 ($200K upfront deposit)	200,000.00	500.00	410,255.20	Family makes one $200K deposit which covers up to 30 years of occupancy at AVEC with no additional lump sum required; this assumes the $500/mo rent is increased 2.5% per year	Does not require additional fundraising during operations; cash flow through year 27 achieved
Alt 2 ($150K deposit; $1K/mo)	150,000.00	1,000.00	577,860.80	Family makes one $150K deposit which covers up to 30 years of occupancy at AVEC with no additional lump sum required; this assumes $1000/mo rent escalated at 2.5%	Cash flow through year 30 achieved with significant funding remaining in reserve ($430K at year 30)
Alt 3 (two families subsidized)	"	"	"	Families of four residents pay same as above; two residents are subsidized (no deposit, no monthly family support)	Requires additional $550K fundraising before year 24 to cash flow through year 30

Feasibility Deal Points V2

305 Vernon Lifetime Lease Scenarios - 30-year Cash Flow Deal Points & Family Cost Summary

Feasibility Deal Points				Family Cost Calculator		
Scenario	**Lifetime Lease Terms** *Note 1: assumes five families pay lifetime lease fee and family subsidy which increases 2.5% annually* *Note 2: four units must be subsidized by vouchers* *Note 3: one 1BR must be adapted to two studios* for a total of ten units (9 affordable and 1 manager)	**Additional Fundraise**		**Lifetime Lease Fee**	**Monthly Subsidy**	**15-Year Total**
V1	**Deposit:** $100K **Monthly Subsidy:** $1000 (2.5% annual increase) **Addtl fundraising need:** $200K	$200,000		100,000	1,000	313,930
V2	**Deposit:** $75K **Monthly Subsidy:** $750 (2.5% annual increase) **Addtl fundraising need:** $675K	$675,000		75,000	750	234,298

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Pam from CLAM
Community Land Trust Association of West Marin

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OF WEST MARIN

West Marin Co.

- **Development Constraints:**
  - Rural
  - Coastal Zone
  - High Fire
  - Septic (no Sewer)
  - Only Low Density Zoning
  - High AirBNB Rates
  - High Real Estate Values
  - Lack Subsidy
  - No Capital

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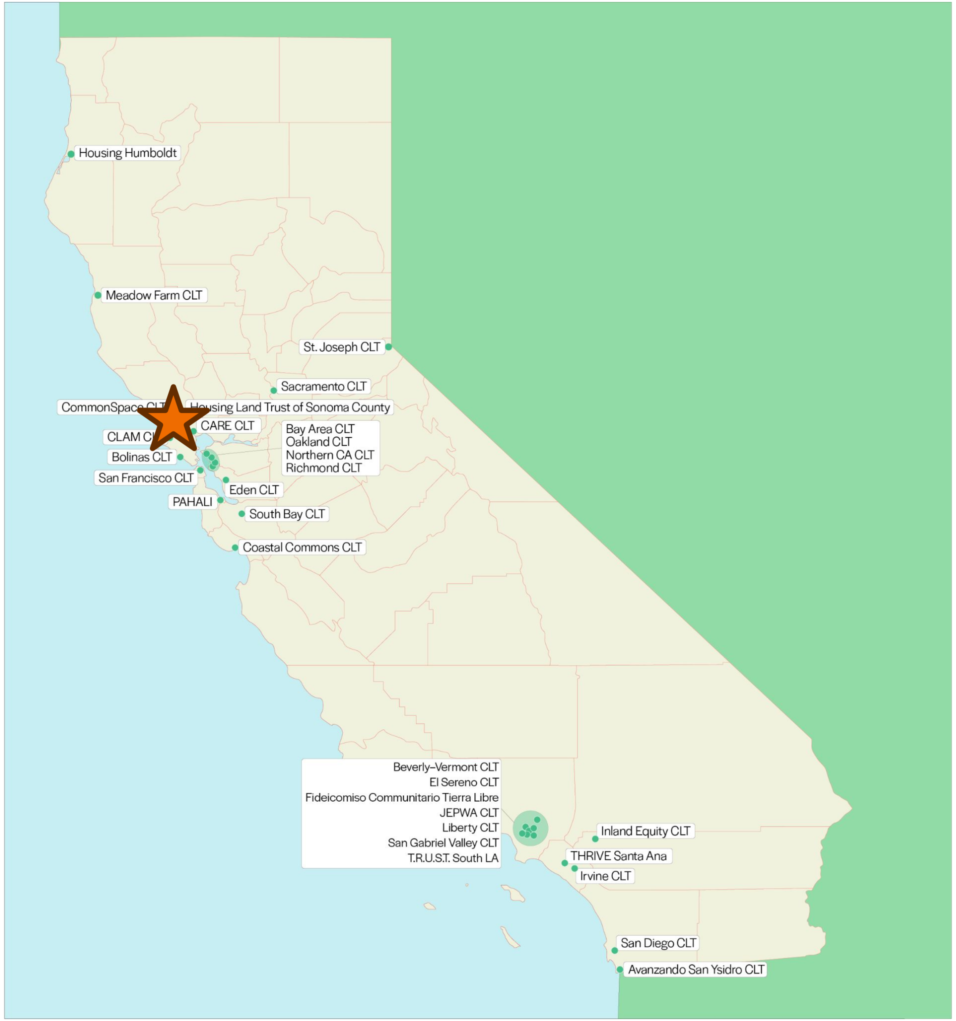


TORCH
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Natalia
Meyerson


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Planned Giving Approaches – Why Planned Giving?

For CLT's

- Take homes out of speculative market, preserve for future affordability
- Small sites acquisition planning
- Mutual benefit for CLT and community member
- Cost effective, asset acquisition strategy

For Donor's

- Legacy-building
- Piece of mind if they have no heirs or a few heirs, clarify estate intentions
- Financial benefit (mutual benefit)
- "Everyone can contribute" to fostering a sustainable community

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Planned Giving Approaches

Real Estate & Gifting Transfer Scenarios	
Gift at death	Owner does not need income now. Intends to hold property
Option at death	Owner does not need income now, and desires to leave some equity as inheritance
Age in Place	Owner needs additional retirement income, has house as main asset. CLT purchases the property and title transfers at death
CLT Reverse Purchase	Owner sells/transfers property to CLT. CLT splits title, sells improvements back the home. Convert home to a Community Land Trust property.
Gift: Non-real estate	Stock, cash, other

Planned Giving Scenarios:

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Real Estate transfer scenarios	Upfront cost to CLT	Immediate revenue to CLT	Owner collaboration / involvement	Real Estate Mechanisms	CLT risk & management capacity
Gift upon death	No	Yes	No	Will or Trust; Attorney transaction	Maintain donor relationships; List interested parties; Confirm
Option to purchase upon death	Yes *Advise future terms*	Yes	Establish terms affordable to the CLT	Will or Trust; Attorney transaction	Financial match, readiness to fund
Age in Place	Yes *Negotiate purchase*	No	Yes / High	Retained Life Estate; Reverse Mortgage Broker or Attorney	Collaborator capacity; intimate partnership
CLT reverse purchase + ground lease	Yes *Negotiate purchase*	CLT lease fee or Rent back to seller	Yes / Low	Purchase, CLT ground lease or rent back to seller Broker Transaction	Heirs may not be happy. Should be included in decisions.

Planned Giving Case Studies:

Cypress
Retained Life Estate with existing owner
Acquisition:
- Purchase $350,00
- Construction improvements $150,000
- Existing ADU & detached room rental

Deliverable:
- Owner & tenants remain - tenant income is owner's
- Property transfer to CLAM after death.

Fig
Option to Purchase in Trust

Acquisition:
- $500,000 or ⅔ Appraised value
- Construction improvements $250,000
- Add ADU

Deliverable:
- CLT rental, main & ADU

Redwood
Bargain sale

Acquisition:
- Purchase
- Construction Improvements for $400,000
- Add ADU

Deliverable:
- CLT home ownership & ADU rental

Criteria for Age in Place

Age In Place Criteria (EXAMPLE)	Desirability High	Low
Donor age threshold	80+	70
Capacity to serve multiple households	3 HH	1 HH
Property considerations	Maintenance & location	remote/expensive/complicated
Critical repairs status	under $50k	over $100k
Energy efficiency	well insulated/tight	no insulation/single pane
Owner AMI	under 80%	over 120%
Owner alignment to CLAM mission	high level	reluctance
Heirs	none, or accepting	tensions present
Subsidy needed to bridge resale value	none	>$200K
Long term care funds available	income and/or savings	no asset other than home

Key Concepts in Planned Giving

Your interest is in impact, not financial implications

- **Your job is to excite the donor about the opportunity to leave a lasting legacy they can be proud of, that carries their values and connections forward. Your job is to inspire the donor.**

- **When you visit with planned giving prospects, you have two objectives:**
  - Bring out information about the donor's experiences, values, worries, needs, desires, money, relationships, and the condition of financial/legal/tax/retirement/estate plans
  - Learn what the donor wants to do in the world, what the donor wants to give to leave as a legacy, and where your organization can help to accomplish any of those things.

- **Your duty is not to advise the donor on the inheritance and tax implications of planned giving. Lawyers and financial advisors do that.**
  - Always recommend the donor consults with their own advisors to ensure there is no conflict of interest in how your organization's real estate advisors are putting together the agreement

Options for Covering Costs

- **Planned Gift/Bequest:** Donor makes plans to leave the property to the organization in their will
- **Per Project Fundraising:** Organization needs to raise money to acquire the property and conducts a special fundraising campaign for this specific property/project. The timeline may be tight for this.
- **Acquisition Fund:** In order to acquire multiple properties in a year, the organization creates a fund that can be used for purchases and fundraises around the overall concept, rather than per project. Ideally this fund is proactively filled so the organization can remain flexible to opportunities as they arise.

Reminders:

Be mindful of impact, reputation AND financial implications

- Know your donors
  - Keep a list - interested planned givers
  - Maintain relationships
  - If possible, confirm the heirs are aware of the gift arrangement. Get it in writing if possible.
- Work your proformas
  - Ownership and/or rental future options
  - Be clear on financial feasibility with donors
- Consider solutions outside "planned giving" that may also have impact
  - Co-ownership
  - Add ADU/JADU


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TOMALES
Braves

CLAM