

# California Community Land Trust Network

# 2023 Conference

*October 19-20 • Oakland Museum of California*



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# Limited Appreciation TIC's

— A New CLT Model —

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# Presenters

- Arianne Dar – former Exec Dir of Bolinas CLT
- Maureen Sedonaen - CEO of Habitat for Humanity of Greater SF
- Jess Brown – Beverly-Vermont CLT
- Oscar Monge - T.R.U.S.T. South LA
- Tim Quinn – Self-Help Federal Credit Union

**Facilitator:** Francis McIlveen - Land + Liberty

# TICs - At a Glance

## Legal:

- TIC share owners own an undivided % share of the whole property (or in case of CLT / TICs, in the improvements)
- TIC agreement spells out their exclusive use (e.g. of a defined unit)

## Financial:

- Recent developments – more lenders doing 30 year, fixed rate fractional mortgages.
- Lender can foreclose on one fractional mortgage (in a property) without affecting other owners.
- Cost to create TIC structure just a fraction of condo conversion (e.g. 8 unit TIC soft cost budget ~ \$35-50K)
- Better for 80% AMI or higher buyers.

# Limited Appreciation TICs - At a Glance

## Aspirational Ideal:

- split title (land/imps) with a CLT land lease to ensure permanent affordability of TIC shares
- Similar to CLT condos, TIC share owner would have an 'undivided fractional leasehold interest' in the land. A separate CLT land lease with each TIC share owner.

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# *Bolinas CLT / Habitat for Humanity GSF - Partnership*



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## *Habitat was approached by BCLT leadership*

- Partnership built on shared values
- Leveraging each other's strengths
- Outlining roles and responsibilities



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# *Shared Equity-Shared Responsibility*

- We purchased the land and pre-fab homes from BCLT
- We set up a TIC for Homeowners (We typically do HOA's)
- The Habitat Homeowners own the land and homes with 99- year deed restriction on both





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# *Shared Equity-Shared Responsibility*

- Habitat has 1<sup>st</sup> right of repurchase
- We are modeling both land going with home and another project where land will stay with Land Trust, and we will align deed restrictions of 99 years



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## ***Conditions in Bolinas that lead to the use of a TIC model and a partnership with Habitat***

**The Goal:** to create an affordable home-ownership model that had not existed previously.

### **Building in Bolinas is highly restrictive:**

- Its in the Coastal Zone -
- 97% single family zone - meaning multifamily is not technically allowed
- Sewage is all on septic- very expensive to put in
- Water is via a highly restrictive water meter- which cannot be shared by adjoining properties



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### **Other models considered:**

- Condos - We could not subdivide land, septic and water
- LEHC - Less equity and independence for the unit owners, more required of BCLT to manage  
( also less clear path forward to structure)
- Private LLC- harder to resell and more complicated at in interpersonal level- more risky

### **Why a partner?**

- No lender would do a fractional TIC loan and a ground lease made that an even harder “sell”.
- The reserve need to self finance was prohibitive and too risky for non-traditional lenders.
- Need to get the project completed in a timely manner without too much more expense.

### **Why Habitat?**

- Record with homeownership,
- Financial ability to help finish the project at all levels ( structural as well as legal)
- Willingness to work from our waitlist and with our local people.
- Ability to maintain community control and involvement





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# BEVERLY-VERMONT COMMUNITY LAND TRUST



Exploring community  
ownership models in  
Los Angeles, CA



T.R.U.S.T.  
SOUTH LA

TENEMOS QUE RECLAMAR Y UNIDOS SALVAR LA TIERRA

# Connecting Capital & Community (3C) Initiative

JPMORGAN  
CHASE & CO.

Center for  
Community  
Investment

Little Tokyo  
Service Center

GENESISLA  
Capital. Capacity. Community.

TRUST  
SOUTH LA  
TENEMOS QUE RECLAMAR Y UNIDOS SALVAR LA TIERRA

COMMUNITY  
COALITION  
people. power. progress.

COALITION for  
RESPONSIBLE  
COMMUNITY  
DEVELOPMENT



TRUST SLA team host 3Cs team Resident Council Meeting/Dinner



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- 3 Yr initiative (Formation, Implementation, Systems Change)
- Bridge the racial wealth gap by creating a spectrum of ownership opportunities to support Black and Brown household wealth-building
- Preserve existing rental housing for households below 60% and expand opportunities for tenant ownership
- Explore Shared-Equity and Fractional Ownership models like TIC



# What Lenders are Looking for - Self-Help Federal Credit Union

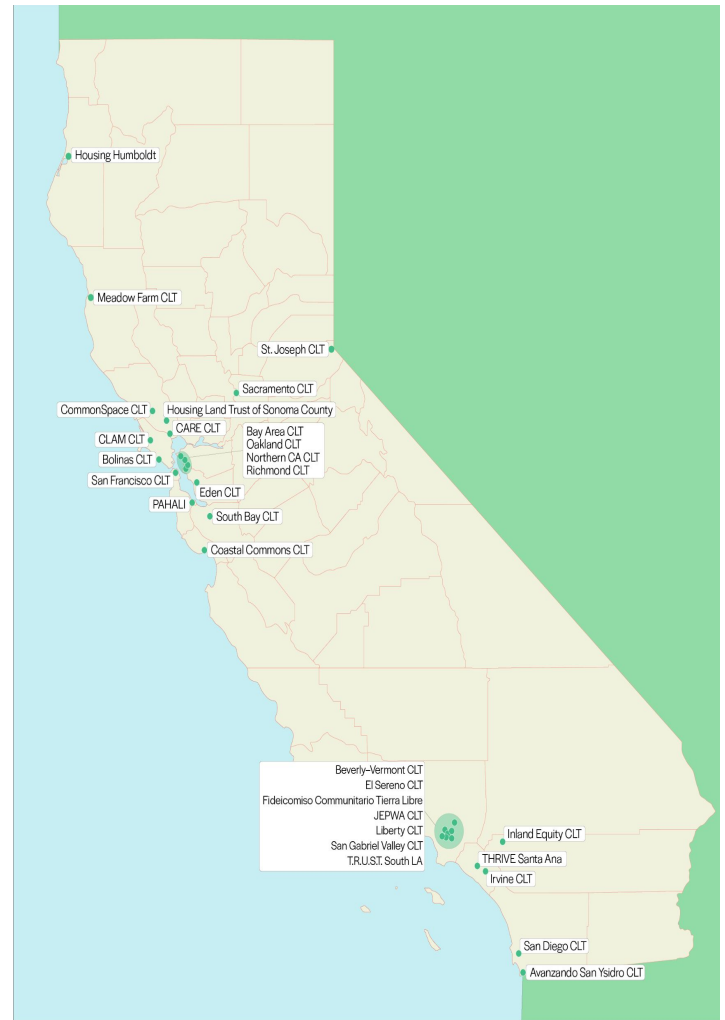


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*Ownership and economic opportunity for all*

# Q & A - straw poll

- Why a TIC v.s. a co-op? Based on income? (coop for lower income folks than TICs)?
- What is best strategy for CLTs to break into the TIC fractional loan market?
- What kind of compromises are CLTs willing to consider? E.g. adjustable rate mortgages? Default cure provisions? foreclosure mechanisms...e.g. Trigger a resale process or purchase option by the CLT? Offer something like the FNMA rider?
- Considerations for CLTs: Flesh out the parameters of target borrowers and TIC shares = AMIs, mortgage amounts, resale processes & mechanics;
- demonstrate a pipeline/demand by market (geography)



# The End

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