California Community Land Trust Network

2023 Conference

October 19-20 • Oakland Museum of California
Limited Appreciation TIC’s

A New CLT Model
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.
Bolinas CLT / Habitat for Humanity GSF - Partnership
Habitat was approached by BCLT leadership

• Partnership built on shared values
• Leveraging each other’s strengths
• Outlining roles and responsibilities
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
Shared Equity-Shared Responsibility

• Habitat has 1st 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
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:
- It's 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
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 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
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

- 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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