Final Report Outline for Sub-Grantees

All sub-grantees must submit a final report at project close-out; a required deliverable included in all funding agreements. Sub-grantees must use the outline below to complete their reports. Sub-grantees must submit a draft Final Report to MTC for review at least one month before the end of the performance period of the sub-grant. The sub-grantee must submit a final version of the report, incorporating feedback from MTC, no later than one month after the performance period for the sub-grant ends. Please refer to the executed funding agreement for information on the performance period for your sub-grant.

Sub-grantees are also encouraged to share images from the project (in JPEG format) with MTC. These images may be submitted on a flash drive or compact disc.

A. Project Profile (1 page maximum)

Project Name:	Bay Area Consortium of Community Land Trusts - Sustainable Stewardship Program
Lead and Partner Organizations:	Northern California Land Trust (Lead) Bay Area Consortium of Community Land Trusts (Partner) (which incorporates following additional member CLTs: San Francisco Community Land Trust Bay Area Community Land Trust Housing Land Trust of Sonoma County
Primary Contact Person:	Francis McIlveen, NCLT, francis.mcilveen@nclt.org 3120 Shattuck Ave Berkeley, CA 94705 Ph: 510-548-7878 x369
Sub-Grant Program:	Housing the Workforce / Equity / Economic Prosperity
Project Type:	Acquisition & Rehabilitation Demonstration Deed Restricted Affordable Housing Policy Pre-Development Seed Funding
Total Grant Amount:	$60,000
Total Match (if any):	$60,000
Geographic Coverage of Project:	San Francisco, Alameda and Sonoma Counties
Brief Description (150 words maximum):	
	The Sustainable Stewardship Program has two closely paired objectives: 1) To steward existing permanently affordable ownership housing and community facilities by creating a shared stewardship and technical assistance capacity for member CLT's to provide ground lease/ deed restriction oversight; resale management; lender/funder/jurisdictional outreach and resident education. 2) To use those newly developed resources (case studies, project analysis and feasibility assessment tools) to catalyze

& support the development of 3 replicable pilot projects. With regional & technical support we have leveraged local CLTs' track records of creating small-scale urban infill limited equity ownership projects though partnerships in our local target communities which are both Priority & Transit development areas **and** Communities of Concern as identified in the Regional Early Warning System. Underpinning both objectives is the goal to share **replicable** models for small-scale permanently affordable resident and community driven projects that draw on the CLTs' historical project successes.

Images:	Attach Separately in JPEG Format

B. Project Description (1 page maximum)

1. Goals and Objectives
   Describe what the project expected to achieve, why there was a need for this project, who would have benefited, and how they would have benefited.

The goal of the project was to build basic infrastructure for the Bay Area Consortium of Community Land Trusts to share a dB of CLT units/projects (which now roll up into a nationwide dB of permanently affordable ownership units), and to share project & feasibility analysis tools (and training materials) for screening potential resident and community initiated CLT coop projects. Another was to lay the groundwork for creating an on-line repository of model CLT project documents to facilitate replication of our Sustainable Stewardship Model—all of which directly benefits low- and very-low income households living in rental properties at risk of becoming un-affordable through open market speculation.

2. Work Plan
   Describe the key tasks and deliverables for the project. Include information on outreach and engagement activities.

<u>Task 1: Develop Shared Technology Systems</u>
Northern California Land Trust (NCLT) coordinated with the Stewardship Coordinator (SC) to a) analyze existing unit tracking and database systems at land trust organizations, b) work with research and technical experts to identify specific data to be tracked, preferred technology solution and scope of work for the database, c) work with land trust organizations to oversee the development and implementation of a new database library, and d) migrate data to the new database library and train staff at land trust organizations on its use.
Deliverables: 1a. Scope of work and bid materials for database documents; 1b. Shared database implemented per plan; 1c. Training and data migration
<u>Task 2: Create Project Document Library</u>
The NCLT coordinated with the SC and land trust organizations a) to review completed Community Land Trust projects, b) to create a basic case study of the land trust project based on a template to be created. [A future grant will cover creation of an on-line document library (of all essential project documents, including legal and structure documents, budget, and outreach materials) along with commentary as to California specific features, and ultimately California specific model documents.]
Deliverables: 2a. Basic case study or review of existing CLT projects including unit numbers, development cost, timeline, affordability levels met, and project structure
<u>Task 3: Prospective Pilot Projects</u>
NCLT coordinated with land trust organizations to a) identify "opportunity groups" and/or sites for future land trust pilot projects, b) develop project analysis and feasibility benchmarks for prospective groups, and c) direct work with partners and evaluation of prospective projects.
Deliverables: 3a. List of "Opportunity Groups" and/or Sites for Pilot Projects, 3b. Memo Summarizing Project Analysis & Feasibility Benchmarks for Prospective Groups, 3c. Memo Outlining Work with Prospective Partners and Results of Evaluation of Prospective Projects

3. Role of Lead and Partners
   List the lead and partner organizations and briefly describe the role each organization fulfilled on the project.

The Northern California Land Trust (lead) coordinated the workflow of above tasks. Partner organizations participated in the tasks above (e.g. analyze dB needs & meeting to discuss various options, migrating data to new shared dB, and having staff trained). Additionally, SFCLT provided consulting services for the three tasks in Direct Costs (dB license & customization, workshop design & outreach, case study review). BACLT and SFCLT both provided critical guidance and support in creating the project & feasibility analysis tools, as well as workshop training materials (for prospective projects & groups). HLTSC provided key templates and policy guidance for City/CLT partnerships to permanently steward IZ units.

C. Challenges and Outcomes (1 page maximum)

4. Challenges
   Describe the main challenges faced of implementing the project. How did your team address them? Describe what worked well and what did not work. What would you have done differently if you could start over?

The main challenge was in getting the Partner organizations to devote time/energy to the various sub-tasks in order to keep the deliverables moving forward. Motivation was not a problem, but simply the chronic shortage of staff time. Most partners have very small staff (e.g. 2 to 4 staff). However, we feel that the project, overall, was quite successful in producing a strong foundation for the Consortium to replicate this model. All implemented items have greatly improved the efficiency & available staff time for partner CLTs.

5. Outcomes
   Describe key outcomes, achievements, successes, deliverables, findings and/or lessons learned for the project. Describe who benefited from this project (may be individuals, groups or organizations) and how.

Over the roughly 18 months of this grant, the Consortium identified 35 Opportunity Sites (ie. Small to medium sized multi-family rental projects where the residents want to acquire and convert to a CLT ownership project, such as a coop; or a project in partnership with a city and developer to turn IZ units into permanently affordable ownership units in the CLT [Community Land Trust] model). These 35 potential projects would create 258 units of *permanently* affordable *ownership* housing targeting AMIs from 50% to 80%, and a very small number targeting up to 120% AMI (in the case of Sonoma). Most of these potential projects are still in the feasibility analysis stage, but many are already moving forward.
To get to this, over the course of the grant, the lead grantee and partner CLTs all worked together, collaboratively, to lay the foundation for a stronger consortium of local CLTs:

- we successfully customized and fully adopted a cloud-based dB, linked to a national dB, tailored to permanently affordable housing. This will enable us to not only provide local policy makers with local data about the magnitude of subsidy retention achieved through the CLT model, but to put those successes in a national context.
- We also successfully created set of tools for efficiently & objectively vetting potential projects initiated by residents or community groups. This will greatly improve our process and free up precious staff time & resources to focus on the potential projects with the highest probability for success.
- Lastly, we began the laborious process of creating a set of template documents for replicating our model throughout the region and California: we conducted a basic case study review of completed projects, and compiled essential project documents.

Lessons learned: the process of creating workshop curriculum and materials demonstrated the importance of refining and paring down the 'message'—by doing so, we have been able to reach and educate far more people. Tailoring the workshops into an mutli-tiered process of 'escalating' complexity has both helped potential coop members (as well as community and municipal groups) understand and absorb a greater amount of information (and more in-depth information), as well as helped to screen out infeasible or incompatible potential projects or groups.
Through the review of case studies of past CLT projects that were not successful, key lessons learned were:

- Lack of structural or financial incentives for residents to convert to co-op—acquiring over-leveraged properties without sufficient permanent subsidy; lack of consequences to residents for failure to follow-through.
- Need to ensure compatibility between multiple layers of public subsidy (e.g. City and State)
- Weak tenant group, with only intermittent or tepid desire to become a co-op.
- Overly extended timeframe from acquisition to conversion to coop (& transfer to residents).
- Inconsistent timelines, benchmarks, expectations between CLT and residents.

D. Replicability and Dissemination (1 page maximum)

6. Replicability
   Describe what, how and where (within the region) the above mentioned project outcomes may be applied to address similar issues as your project.

The underlying goal of this project has been to create a replicable model that can be used through-out the Bay Area, and which is most feasible in jurisdictions with rent control, or neighborhoods which are in transition (i.e. at-risk of gentrification) where low & very-low income households will likely be displaced by rising rents.

The set of feasibility & assessment tools and the workshop curricula and materials can be tailored by any organization adopting the Community Land Trust model for quickly & efficiently vetting potential resident- or community-initiated projects (whether limited-equity coops, or resident-owned non-profits, etc.).

We also customized the cloud-based dB to be compatible with CLT coops—something with the national dB has already indicated it would like to replicate for other CLTs with coops.

7. Tools and Resources
   List the tools and resources developed through this project. These may include policies and strategies, analysis and communication tools, collateral material, key findings, etc. Please attach copies of the materials to this report.

- Shared database tailored to Community Land Trust ownership projects & units – greatly facilitates the ease of providing on-going stewardship of CLT (deed-restricted) units to ensure permanent affordable (e.g. at times of re-sale).
- Consortium social assessment tool – a set of questionnaires for CLT project managers, as well as for potential coop members to identify essential information for purposes of assessing the social capacity for a potential project (ie. The capacity of the group to function & make collective financial & property-related decisions; capacity of individuals in the group to provide or learn the skills necessary for creating & managing a cooperatively owned property, etc.)
- Financial Feasibility Worksheet – is a concise set of pro-forma and development project budgets to help quickly assess the likely financial viability of a potential project, particularly during the interim development period.
- Case studies—a succinct list of case studies from the four members of the Consortium, collecting in one document the common traits, patterns, financial and group capacity elements that help make small resident, community groups or local governments, effective and integral partners in the development process for creating *permanently* affordable *ownership* projects for *low & very-low* income households.
- Workshop curricula & materials—series of workshops targeted to tenant groups interested in becoming CLT coops, or for potential partners or ally groups. Series includes an intro to CLTs & coops; basic coop legal structure & formation; financial skills for managing a coop; basic property management.

8. Sharing and Dissemination
   Describe how and with whom you will share these tools and resources over the next 12 months. How can other communities access the tools and resources developed through this process?

These tools are already in use with the four member CLTs of the Consortium. They will (or already have been) also be shared directly with the tenant groups of the 35 opportunity sites and with the various partner organizations such as: SF Tenants Union, Tenderloin Housing Clinic, Housing Rights Committee, SOMCAN (South of Market Community Action Network), Eviction Free SF, ACCE (Alliance of Californians for Community Empowerment), Asian Law Caucus, EBCOHO (East Bay Co-Housing) to name a few.

It is also our intention & hope to share these resources through Bay Area Regional Prosperity Plan, and to see the policy recommendations incorporated into a regional best-practices for strategies to preserve affordability of housing and prevent displacement.

E. Recommendations and Next Steps (1 page maximum)

9. Recommendations
   List and describe the top four to five recommendations from your project. Recommendations may include but are not limited to (1) policies, projects and/or programs that may be adopted at the local and/or regional level (name agencies and/or organizations where possible); (2) tools, approaches and/or methodologies that may be adopted for analysis, communication and/or decision-making; (3) funding, capacity-building and/or engagement strategies for target communities (specify geographic areas where possible); and/or (4) implementation of specific projects and/or programs to support regional goals.

a) **Dedication of subsidy funding to Permanently Affordable Housing (at least 99 year term)**—through the course of the grant it has been clear that the single biggest impediment to helping tenant groups become successful owners in a permanently affordable ownership project (coop or RONP) is the lack of subsidy. Project financing is available (particularly in up-markets), but a subsidy which can stay in the project to protect permanent affordability is lacking. There has been an emphasis on revolving loan programs (e.g. Mortgage Assistance Pgms, MAP) targeted towards low-income homebuyers, but if governments were to instead place those subsidies directly into the land (via a CLT), the recurring transactions costs, as well as the ever-increasing discrepancy between subsidy available v.s. market rate property prices, both become irrelevant as the CLT model ensures perpetual affordability to particular AMI levels.

b) **Institute Inclusionary Zoning requirements for ownership projects**— Where cities have enacted inclusionary zoning requirements for ownership projects, and have coupled them with the requirement that IZ units are *permanently* affordable, Community Land Trusts have become a valuable partner in creating permanently affordable ownership units, with little- to no subsequent subsidy from cities (as would be necessitated when BMR projects' affordability covenants expire, or when MAP loans are re-deployed). The CLT provides on-going stewardship of the affordability covenants contained in the 99-year land lease.

c) **Incorporate the Community Land Trust model into city Housing Elements—**wherever there is a requirement or goal for affordable ownership units, it should be strengthened to require permanent (i.e. 99 year term) affordability. This ensures that any public subsidy put into affordable ownership projects will be retained in perpetuity, rather than lost to the single household lucky enough to own the unit when the BMR covenants expire.

d) **Convert BMR & RDA legacy units to Community Land Trust units—**While this is not directly possible, it is a great opportunity for recapturing the public subsidy, by instituting a purchase option, or right of first refusal, to enable a CLT the chance to acquire a BMR unit before it is lost to the open real estate market.

e) **Promote conversion of rental properties to permanently affordable coops**—Through changes in local and state regulations, policy makers could make a significant impact on the loss of affordable homes *over a greater period of time* by adopting policies promoting the conversion of rental housing to LEHC or RONP models—including streamlined subdivision process, streamlining permitting & financing requirements, amending rental conversion ordinances, and by combining these with strong protections for existing tenants and future affordability levels.

10. Next Steps
    Describe the next steps for your project and how the proposed recommendations will be institutionalized in your community.

The Bay Area Consortium of Community Land Trusts plans to expand its membership to three new CLTs (in Oakland, Marin, and East Palo Alto) with the plan to help in scaling up this resident-initiated coop model. Additionally we plan to create a set of model project document templates for same. Lastly we are working on creating revolving loan fund for quick bridge financing to respond to time-sensitive project opportunities.

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3c. Memo Outlining Work with Prospective Partners and Results of Evaluation of Prospective Projects

The Sustainable Stewardship Program ("SSP") is unique from other affordable housing models in that it focuses on acquiring existing buildings in which existing, long-time, lower-income residents are at risk of eviction or want to preserve their homes as permanently affordable. This MTC funded program has fostered the sharing of key tools/resources amongst the four member CLTs, which in turn has lead to the on-going refinement and expansion of resident-driven projects to preserve existing affordable homes at-risk of loss to market forces.

Below is a summary of the key partnerships and pilot projects under this grant, broken out by the key SSP partners (NCLT, SFCLT, BACLT & HLTSC). SFCLT and BACLT worked very closely on their pilot projects, and have reported their work jointly.
Distinct from the existing-site acquisition program, is the policy work done by HLTSC. Their focus has been to capitalize on Inclusionary Zoning jurisdictions, by offering the Community Land Trust model as a tool for turning IZ units into *permanently* affordable ownership units, thereby multiplying the nominal value of public subsidy over time, as the open market will likely continue to outpace income growth. Their pilot work under this grant forms the kernel for future IZ-targeted policy work in the other areas of this SSP partnership.

<u>San Francisco Community Land Trust and Bay Area Community Land Trust</u>

San Francisco benefits from collaborations with a number of community-based, tenants' rights organizations that have "community organizers" on staff, including:

- SF Tenants Union
- Tenderloin Housing Clinic
- Housing Rights Committee
- SOMCAN (South of Market Community Action Network)
- Eviction Free SF
- ACCE (Alliance of Californians for Community Empowerment)
- Asian Law Caucus

One significant component of SFCLT's project feasibility assessment is whether a project is supported by a community organization (e.g., one component of the "social assessment"). SFCLT occasionally meets with these community partners to review the Social Assessment "in-take and interview" form so that they are able to quickly assess whether a group of residents would be a good fit for the CLT acquisition/preservation model. This leverages our limited staff time and expands our eyes and ears in the community. SFCLT covers the costs of staff time and materials for community and resident "outreach & education" work through grants and contracts, which helps to subsidize the costs of the "pre-development" social assessment work.

SFCLT has found that its strong community partnerships have provided the following results:

- Identified and brought in new projects to SFCLT
- Ensured political support and pressure on public agencies to release funds
- Increased press coverage and community awareness of the CLT model in San Francisco
- Enabled SFCLT to initiate the feasibility process but deem a project as “infeasible” without losing trust from the residents and community partners.

Example Pilot Project: 3030B 16th Street (at 16th Street BART Station)

In March 2014, SFCLT was contacted by a resident of a collective living group in the Mission District who believed that the building owner was planning to sell the building in the near future, and feared that a new buyer would use the Ellis Act to evict the 11 low-income residents of this mixed-use building. The residents were interested in finding out if the Land Trust model could help preserve their homes through the cooperative, shared-ownership model. The property is located across the street from the 16th Street BART station, in a neighborhood that is experiencing the highest rates of evictions, displacement and gentrification in San Francisco.

SFCLT and BACLT interviewed the resident by phone and performed “Financial Feasibility” assessment and determined that there were no funding sources available for this small, mixed-use, commercial property that has housed 11 residents informally for 11 years, nor was there a community partner that would help to galvanize City support for the project.

The residents then reached out to “Eviction Free SF” (EFSF) to find out if they could support their effort. After EFSF decided to support the effort, the lead organizer contacted SFCLT to meet him and several residents to continue the feasibility process. In November 2014, SFCLT and BACLT met with the group. Together we reviewed the situation, identified big picture opportunities and challenges and mapped out next steps for the feasibility analysis process. The residents explained that they want to preserve their small, brick and timber loft/commercial space as it has been for 11 years. SFCLT explained that the project would require some form of public funding, and that current city priorities are to maximize “use”, especially near “transit-hubs”. SFCLT also explained the concept of “Transit Oriented Development" and increasing density and use by "building up". Although the residents were not happy with the concept of “building up” this 3-story building to 5-stories, to increase residential units, they were willing to consider it if it proves to be the only option for them to stay.

Together we determined the next steps to be:

1. Residents will share the meeting information with the rest of the residents to find out if they agree with this direction. If they agree, then we’ll schedule a larger group meeting with SFCLT and EFSF.

2. EFSF organizer will research and write a brief “social and physical feasibility analysis” of the project, including the advantages and challenges (e.g., historic use, current zoning and use, and future "best use").

3. BACLT & SFCLT will start the “financial feasibility analysis” (e.g., rental revenue, expenses and financing).

4. If the residents agree to move forward, we will schedule a meeting with their District Supervisor to ask for his support.

Results: Pending

Northern California Land Trust

Over the course of the grant period, NCLT has worked with various prospective projects at varying levels of involvement. Below is a summary of the most representative examples of those pilot projects:

Evaluation of Prospective Projects:

1. 839 Hearst St, Berkeley, CA
    a. This project was a large single family home, functioning as a multi-family rental serving between 4 to 6 households at a time. After a couple of initial meetings with owner of rental, and review of rental P&L, and financial feasibility worksheet, it was deemed that the project would not be feasible due to limited cash-flow, as well as limited interest from other households, and too little social capacity.
2. PAHALI
    a. This is an emerging Community Land Trust in East Palo Alto, with no staff, no properties, but nearly completed organizational structure & non-profit status. One of the founding board members approached NCLT with two potential single family homes to become CLT units: 798 Green St, and 2279 Clarke Ave. After conducting financial feasibility, it was decided to proceed, and NCLT will acquire the land under both homes, subject to a 99-year CLT ground lease, keeping them both permanently affordable. The interim goal is for NCLT to hold the land for 3 to 5 years, while the new CLT gets fully fledged, at which point NCLT will transfer the land and the affordability covenants to PAHALI. We anticipate opening escrow on the first property within the next 2 weeks, and transfer of the 2nd property within 2015. This project also capitalized on the SSP partnership, in that the social assessment for the low-income purchaser was performed by the HLTSC, with that information being passed on to NCLT.
3. Eastman Rd- Petaluma.
    a. This is a four-acre parcel with 11 existing units, on the market. There is a group of 7 households interested in purchasing into some form of cooperative ownership with affordability restrictions. The assessment tools have allowed us to quickly solicit useful information for determining feasibility, prior to

committing additional staff time to meeting with the group. If feasible, this could be a partnership project between NCLT or BACLT (as consultant to create structure of project) with HLTSC (as final steward of permanent affordability covenants).

4. Dead Rat Beach – Oakland, CA
    a. Another Single Family Home in West Oakland, serving 5 to 6 households, this has served as an informal cooperative/collective, providing very low cost housing to very & extremely low income households. The current owner is seeking to sell property, and two of the 5 current households have approached NCLT about acquisition & conversion to a CLT coop. If the property is not feasible, the group wants to keeping working with NCLT to identify/acquire another similar property.
5. East Bay Co-Housing / Planning for Sustainable Communities – 9 Unit, multi-structure property in Oakleyville area of Emeryville
    a. EBCOHO has approached NCLT about partnering to acquire a 9 unit property in Emeryville with the intention of converting to some form of permanently affordable ownership housing for a range of incomes (e.g. LEHC, condos or similar). Feasibility analysis is currently at the stage of seeking price subsidy to make units affordable to low-income households.

Housing Land Trust of Sonoma County

Our strategy is to seek out a partnership with a city as their go-to housing non-profit to implement their Inclusionary Zoning Ordinance. The process involves establishing services that HLT can deliver to the city and to the population served. The City has set certain Housing Element goals, has established ordinances and the staff/City Counsel may have certain goals for the population that needs to be served to have their housing needs met. It is HLT's job to identify all of the above items and create a tactical plan that is then presented to the City; the goal is to lessen the burden of government and serve as adjunct staff to meet the City's housing goal by partnering with the staff and City Counsel. The key component that HLT brings to the table is focus and capacity to meet the needs that have been identified by the City; we steward the entire process from soup to nuts, by understanding the prospective projects and working as the liaison with the developer and City for the affordable housing component of a homeownership project. From creating the initial Letter of Understanding draft, to working with the developer's team and the City Staff, HLT can facilitate communication and organize this portion of the project.

The ultimate goal is to formalize an on-going relationship between HLT and the City through a stewardship contract, so that all the projects that will serve our target group in the municipality are served by HLT in partnership with the City and the developer that is fulfilling their Inclusionary Zoning obligation. By facilitating this process we create a win-win situation providing stewardship in all phases of the project, selecting the buyers to ensure the City's criteria are met, delivering homeowner education, providing on going counseling during homeownership and managing future resales to ensure the home remains affordable in perpetuity and that the public investment is protected, serving future generations of homeowners.

2. Summary of work with prospective partners & results of evaluation of prospective projects:

Project Name		Project Address	City	Project Status
8060 Woodland Hills	8060	Woodland Hills Drive	Cotati	Green light: first of the 5 homes built. 1 family moved in – second family has received homebuyer education. Expected COE Feb 2015
East Cotati Ave/Ryan Lane		East Cotati Ave.	Cotati	Yellow light; looking for a development partner and funding. City is actively partnering with us.
Midtowne Project 1135 Healdsburg Ave.	1135	Healdsburg Ave.	Heald sburg	Received project approval in July; IZ docs going to consent calendar before CC on Nov. 17th and are working on Final Map approval; all plans have been delivered to the City. Green Light
Chiquita Project 100 Chiquita Road	100	Chiquita Road	Heald sburg	LOU written and reviewed by the City; now being reviewed by developer. Green light so far.
City of Healdsburg		City wide properties	Heald sburg	Ongoing exploratory process HLT named as partner specifically in the H'burg Housing Element for future projects. HLT just signed a stewardship agreement to steward all homeownership units for the City currently in their portfolio with the understanding that the homes will become HLT homes at resale so that they remain affordable in perpetuity under the mechanism of the ground lease implemented by HLT

Bay Area Consortium of Community Land Trusts
Sustainable Stewardship Program –

3b. Memo Summarizing Project Analysis and Feasibility Benchmarks for Prospective Groups

The Community Land Trust (CLT) model, as practiced in the Bay Area, utilizes an array of vehicles towards creating and stewarding permanently affordable ownership housing: acquisition and rehab of single family homes; multi-unit condominium (or similar HOA) developments; and limited or zero equity housing cooperatives. However, a unique aspect (from other affordable housing models) is the focus on acquiring existing buildings with existing, long-time residents who want to preserve their affordable homes, through either a rental or shared-ownership structure. Therefore, all prospective projects and groups of residents must be analyzed for not only financial and physical feasibility, but also for social capacity and feasibility.

The partners of the Sustainable Stewardship Program (Northern California Land Trust, San Francisco Community Land Trust, Housing Land Trust of Sonoma County, and Bay Area Community Land Trust) through a collaborative process, created the a set of Project Analysis and Feasibility Benchmark tools in order to share a standardized and objective means for evaluating the many prospective projects and resident groups which come to one of our organizations on a weekly basis, seeking to becoming a permanently affordable CLT ownership project. While ultimately, the decision to proceed with a particular project involves a much more complex set of variables, this set of Assessment Tools enables each member organization to quickly and efficiently screen potential projects, so that we can focus our limited resources on the projects most likely to succeed. The following is a summary of those tools, how they are employed, and utilized in the decision-making process for vetting potential projects.

<u>Limited Equity & Zero Equity Housing Cooperatives:</u>

The attached feasibility assessment tools include the following three components:

1: Financial Feasibility (tool: financial feasibility worksheet)

- Staff and Project Committee volunteers use the financial feasibility worksheet to analyze the purchase price, debt service, rent revenue, and estimated expenses as the first step in the process. Financial data is collected from internet research, tax records, conversations with residents and when available, records from the owner.

- The financial worksheet is sent to a lender to determine if there is a willing lending-partner for the project. The CLT then requests a "letter of interest" which must be included with any offer to purchase.

- If the purchase price is currently greater than what's feasible, the CLT doesn't make an offer until the property lingers and/or the price is reduced.

- The CLT's Project Committee makes a recommendation to the Board of Directors to make a resolution that empowers the Director to enter into a purchase contract for the specific property, not to exceed a maximum price. This way, the Board is assured that the project has been thoroughly vetted.

- The offer to purchase must include a “finance contingency” of at least 45 days so that the CLT can identify 100% financing for the acquisition and/or renovation work.

- If the CLT cannot identify the source of "gap" financing / funding by the time the "inspection contingency" must be removed (14 days into escrow), we cancel the purchase contract.

2: Physical Feasibility (tool: financial feasibility worksheet)

- To fully complete the financial worksheet’s “Total Development Cost” analysis the CLT must assess and include the estimated costs of physical renovation needed, as well as maximum “use” of the property (e.g., maximum occupancy). Staff and/or Project Committee visit the property to get a basic sense of its condition and size. Physical data is collected from visual inspection, department of building inspection data, and anecdotal data from residents.

- The CLT enters rough estimates into the financial feasibility worksheet; final data is not available until the CLT is in contract and completes full inspections (e.g., within 14 days of ratifying a contract).

- Inspections cost approximately $6,000, including but not limited to:

$1,200 = physical and pest inspection reports

$ 775 = structural engineer (if needed, usually for foundation checks)

$3,000 = capital needs assessment report and 20-year spreadsheet

$1,000 = Lead and Asbestos inspection and reports by American Air Testing

These costs are covered by acquisition financing if the project closes successfully, otherwise, covered by “pre-development” grant funding or unrestricted development reserves.

- If the building condition is severely decrepit to a point that would require major rehab and relocation, the project may be found to be “financially infeasible” due to cost or capacity for major rehab.

- Nonconforming units and shared housing are still a problem for some funding sources, but if there is enough social and political support for the building and residents, the CLT will move forward.

- The offer to purchase must include an “inspection contingency” of at least 14 days so that the CLT can identify the actual need and cost for any renovation work.

- Because the 3% deposit into escrow is usually required by the time the buyer removes the “inspection contingency”, it is important to decide whether to move forward or cancel contract by this date.

3. Social Assessment (in-take form and first meeting with residents)

- The CLT trains its Project Committee volunteers and other tenant rights groups on how to use these forms to save staff time and expand the CLT’s eyes and ears in the community.

- The CLT counts its first meeting with the residents as either "outreach" or "Intro workshop" and collect CDBG forms (if applicable) for income and reporting purposes (staff time at SFLCT is covered by program grant funding).

- The CLT will continue to meet with the residents as needed to make sure they understand the CLT model, and what will be expected of them as residents after purchase.

- Our CLTs often don't acquire buildings with fewer than four units because they’re much more expensive to buy and operate "per unit"; only if the residents already have a track record of self-managing and bringing their own equity to the building will the CLT consider a building of 2-3 units (no single family homes).

- if any one resident voices rejection over the CLT buying the building, the project is deemed infeasible.

- if fewer than 50% of the residents are willing to sign an MOU with the CLT, that states their support for the purchase of the building, and their willingness to participate, before the "inspection contingency" deadline (14 days into escrow), the project is deemed infeasible.

- if the current residents are operating any illegal activities on the premises, the project is deemed infeasible.

- if there is no other community organization (HRC, SOMCAN, etc.) that supports the CLT's acquisition of the property, the CLT will de-prioritize the property for other at-risk properties.

- if the building is not located in a priority neighborhood, the CLT will de-prioritize it.

- if the building is not at risk of Ellis Act Eviction (e.g., units that would not likely be marketed as "TIC" units), the CLT will de-prioritize it.

Rent Roll

Project Name		MSA/PMSA	San Francisco		

2014	Household size	1 Person	2 Person	3 Person	4 Person	5 Person	6 person	7 Person	8 Person
	50% AMI (HUD Very Low)	34,000	38,850	43,700	48,550	52,450	56,350		
	100% Area Median Income	68,000	77,700	87,400	97,100	104,900	112,700	-	-
	Half-person	72,850	82,550	92,250	101,000	108,800	56,350	-	

Number of Units	Bedrooms per Unit	Weighted Average Calculation	Assumed Occupancy per Unit (2 per bedroom)	Target AMI %	AMI Adjusted for Family Size	Target Income for Unit	30% Rent Cap	Total Rent Received for Unit	Rental Subsidy	Rent Paid by Household	30% Rent Test Pass/Fail
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
		0			0						
0	Income-restricted units							0			
	Average AMI										
	Average bedroom size										

Sources & Uses of Funds

Project Name		Total Units		Residential Square Footage	

			Sources of Financing					
New Construction?	No	**Uses of Funds**	**Co-op Equity**	**Mortgage**	**Bridge Loans**	**CLT Equity**	**Seller Credit**	**Balance**
Rehab?	Yes							
LAND COST/ACQUISITION								
Land Cost								-
Demolition								-
Closing Costs / Title-Recording								-
Total Land Cost		-	-	-	-	-	-	-
Existing Improvements								-
Off-Site Improvements								-
Total Land & Acquisition Costs		-	-	-	-	-	-	-
NEW CONSTRUCTION / REHAB								
Site Work								-
Structures								-
General Requirements		-						-
Contractor Overhead		-						-
Contractor Profit		-						-
Prevailing Wages								-
General Liabilities Insurance								-
Environmental Remediation								-
Hard Cost Contingency								-
Total New Construction / Rehab Costs		-	-	-	-	-	-	-
ARCHITECTURAL FEES								
Design								-
Supervision								-
Survey & Engineering								-
Total Architectural & Engineering Costs		-	-	-	-	-	-	-
CONSTRUCTION INTEREST & FEES								
Construction Loan Interest								-
Origination Fee								-
Credit Enchancement & Application Fee								-
Bond Premium								-
Taxes (COE thru tax year - 1.17%)								-
Insurance								-
Title & Recording								-
Total Construction Interest & Fees		-	-	-	-	-	-	-
PERMANENT FINANCING								
Loan Origination Fee (1.5%)								-
Credit Enhancement & Application Fee								-
Title & Recording								-
Other	Pre-paid Interest							-
Total Permanent Financing Costs		-	-	-	-	-	-	-
LEGAL FEES								
Lender Legal Paid by Applicant								-
Other	Co-op formation							-
Total Attorney Costs		-	-	-	-	-	-	-
RESERVES								

Sources & Uses of Funds

Project Name		Total Units		Residential Square Footage	

			Sources of Financing					
New Construction?	No	**Uses of Funds**	**Co-op Equity**	**Mortgage**	**Bridge Loans**	**CLT Equity**	**Seller Credit**	**Balance**
Rehab?	Yes							
Rent Reserves								-
Operating Reserves								-
Replacement Reserves								-
Total Reserve Costs		-	-	-	-	-	-	-
OTHER PROJECT COSTS								
Environmental Audit								-
Local Development Impact Fees								-
Permit Processing Fees								-
Capital Fees								-
Marketing								-
Furnishings								-
OTHER PROJECT COSTS (continued)								
Appraisal								-
Market Study								-
Relocation Expenses								-
Soft Cost Contingency								-
Other	Home Inspection							-
Total Other Costs		-	-	-	-	-	-	-
DEVELOPER COSTS								
Developer Fee (deferred to completion)								-
Consultant/Processing Agent								-
Broker Fees								-
Construction Management Oversight								-
Other								-
Total Developer Costs		-	-	-	-	-	-	-
Total Residential Development Costs		**-**	**-**	**-**	**-**	**-**	**-**	-
Commercial Costs								-
Grand Totals Sources and Uses		**-**	**-**	**-**	**-**	**-**	**-**	-
			Residual	Loan				

Hard Debt Terms					
Loan Term					
Loan Amortization Period (years)					
Initial Loan Rate Assumption					
Loan Pricing Index and Basis Point Spread					
Annual Debt Service (year 1) (calculate for hard debt only)	$ -	$ -	$ -	$ -	**$ -**
Loan Adjustment Period(s)					
Loan Adjustment Caps (basis points)					
Balloon Payments (term year)					

Resident Check-List - for use by SFCLT representative		Comments
How many tenants live in this building? How many units?	________ tenants/units	
How many tenants are at or below 80% AMI? How many are at or below 50% AMI? (see Chart)	________ below 80% ________ below 50%	
How much are people paying in rents? $_____ to $______	________ tenants	
Do any residents have special housing subsidies?	YES / NO	
Are all residents willing to follow the rules and restrictions that come with City funding?	YES / NO	
How long have tenants lived in this neighborhood?	________	
Is there overcrowding in any of the units?	YES / NO	
Are the tenants at risk of displacement?	YES / NO	
Are there any tenants with protected status?	YES / NO	
Do residents know their rights under the law as tenants and are they prepared to fight eviction over the long term?	YES / NO	
How many current residents want to stay?	________ tenants	
How many tenants are interested in buying the property?	________ tenants	
How many tenants have money for a down payment?	________ tenants	
How many residents know any individuals willing to personally invest money into this project?	________ tenants	
Are there tenants who may obstruct the acquisition/conversion?	YES / NO	
Are there concerning conflicts between the tenants?	YES / NO	
How many tenants want resident-managed housing, which requires many hours of training and volunteer work?	________ tenants	
How many tenants are interested in forming and participating in a co-op board, which requires significant leadership capacity?	________ tenants	
Are there any other issues faced by the community, residents, or property?		

SFCLT

Would acquisition/conversion of this property significantly advance SFCLT's mission?

Support

Is there potential political support for the project?

Is there neighborhood support for the project?

Are there special subsidies available to this project?

What subsidies may be available for the aquisition and conversion of this building?

Are there any potential political constraints for this project?

Property

Is the owner willing to sell the property below market rate?

Are there liens against the land?

How many units are there?

Is the owner genuinely willing to sell the property?

Do at least 75% of tenant households earn less than 80% AMI (adjusted for household size)?

What are issues faced by the community/residents/property?

Bay Area Consortium of Community Land Trusts (BACCLT) Case Studies:

Background:

Many of the projects undertaken by BACCLT member organizations have been unique, compelling examples of partnerships between the CLT, small resident or community groups, and existing property owners to create small-scale urban infill developments that provide permanently affordable housing in a variety of shared ownership models (co-operatives, single family homes and condominiums). Often these projects are overlooked by conventional affordable housing strategies with financial viability-due to their small scale-being a key reason. Our own project experience and history has shown that one of the key ways to overcome the fiscal limitations imposed by small scale projects are effective partnerships with resident, community groups and local government in the development process, coupled with long-term project stewardship. The following Case Studies were created to develop a data set based on historical projects to help prospective resident & small group partners self-identify some of the characteristics and qualities that have made for successful partnerships with CLT's.

Case Studies include a brief description of each projects history, financial structure as well as provides:

- Benefits of the project
- Project challenges
- Lessons learned from each project

The goal of the case studies is to help identify common traits, patterns, financial and group capacity elements that help make small resident, community groups or local governments, effective and integral partners in the development process.

Organization: San Francisco Community Land Trust (SFCLT)

SFCLT is a membership-based, non-profit 501(c)3 organization whose mission is to create permanently affordable, resident-controlled housing for low- to moderate-income people in San Francisco through community ownership of the land. SFCLT works to preserve San Francisco's diminishing affordable housing stock by acquiring and converting rental buildings into permanently affordable, cooperative housing, through which the existing residents share ownership of the building, while SFCLT maintains ownership of the land. Cultivating a sense of shared ownership, SFCLT engages the residents in extensive homebuyer education and technical assistance throughout the process to ensure long-term sustainability of the co-op. SFCLT remains the primary borrower of all debt secured on title, and transfers the exclusive use of the building to the resident-controlled co-op through a 99-year lease. To ensure long-term sustainability of these community assets, SFCLT monitors the general financial and physical health of the properties through regular financial reports, new homebuyer marketing and qualification, and capital needs assessments.

Case Study #1: Columbus United Cooperative (53 Columbus Avenue, San Francisco, CA 94111)

Description: Columbus United Cooperative is a 21-unit, mixed-use building at the edge of San Francisco's Chinatown. In 2005, staff from the Asian Law Caucus (ALC) approached SFCLT about working with the tenants of the building, mostly low- and very low-income Chinese-American families who were fighting to save their homes. The property was at risk of demolition by City College of San Francisco, which had purchased the building and other surrounding properties with the plan to turn the space into a parking lot for students and faculty. ALC had represented the property since 1998, when the City College bought the property and did the Majority of the negotiating with City College to end the demolition of the properties. ALC was originally trying to get a large buyout for the tenants, but ALC staff brought up the idea of the CLT helping to buy the building, so that the tenants could remain in their homes, as owners.

SFCLT provided ongoing pre-purchase training, while ALC continued to be the main representative for the residents while the tenants determined whether to move forward with the project. Twenty of the original twenty-one residents signed an MOU agreeing to move forward on the project with SFCLT. Through an extensive process of community collaboration, SFCLT secured public and private financing to purchase the building and worked with the residents and community partners to rehabilitate the building and complete the coop conversion. The rehabilitation included a gut renovation of all units as well as a seismic upgrade to the property.

To purchase the property and keep it affordable, SFCLT and their partners negotiated the purchase price for the 53 Columbus from $2.1 M to $1.4M. The Land Trust borrowed approximately $400,000 for the acquisition of the project and talked CCSF into deferring a $1M payment for at least 6 months at zero interest. This saved the project at least $200,000. 53 Columbus also became the first loan recipient for a new SSLP Program and was the first group to sign under the new terms, $400,000 for 55 years at 2% interest. With support and direction from the Land Trust, the residents formed a limited equity housing cooperative in 2011, in which they each bought a “share” for $10,000. The value of the co-op shares increase according to the annual Consumer Price Index. The building also includes a commercial space on the ground floor, which houses the Asian Law Caucus.

Ownership Structure: Limited Equity Housing Cooperative; 99-year Master Lease with SFCLT
Units: 21 units
Size: 1 - 4 bedrooms
Affordability: 40% AMI for 17 units, 80% AMI for 4 units
Acquisition Date: May 7, 2006
Acquisition Cost: $1,700,000
Renovation Cost: $5,900,000
Total Development Cost: $7,600,000
Cost per Residential Unit: $285,000
Finance Sources: The primary mortgage is from the Low Income Investment Fund, with subordinate, deferred financing from the City of San Francisco (ROOTS program and SSLP Program)
Timeline: 2006 – 2011

Benefits:

- Resident support: The residents from the beginning seemed to understand collective ownership and resident leaders garnered support from most residents.
- Strong relationship and funding partnership with the City of San Francisco.
- Staff and partner commitment: Partners, staff and individuals put in countless pro bono time to make sure the project completed.
- There was board community support for the project (from City, Chinese Community Development Corporation, Asian Law Caucus, etc.)
- ALC signed a 15-year lease for the commercial space to add additional financial stability to the project.

Challenges:.

- Funding issues: SFCLT applied for AHP for homeownership, but was rejected as the project looked like a rental. SFCLT applied a second time as a rental and were able to get the project funded through this. This took additional time to navigate how these programs worked.

- Existing Commercial use: There was a large mix of commercial properties located in the project: a resale shop, a sign shop, a sweatshop on the main floor and a sweatshop in the basement. The basement at the time was basically not used. SFCLT tried to figure out what to do with the commercial basement space and ALC committed to a 15-year lease at market rent for the commercial space on the main floor to ensure the financial stability of the project

Lessons Learned:

- The Limited Equity Housing Cooperative formation process is expensive and will not work for all properties.
- Strong partnerships are integral to ensure that a project this complex gets completed.

Case Study #2: Purple House Cooperative (966 Oak Street San Francisco, CA 94117)

Description: The purple house is a 10-unit Zero Equity Housing Cooperative located in San Francisco's Alamo Square neighborhood. In 2011, the residents approached SFCLT when the current owners were trying to buy them out in order to sell the property. Meanwhile, the owners stopped paying their monthly mortgage payments. SFCLT was able to acquire this property in April 2012, just days before it was scheduled for public foreclosure auction.

Resident support for this project was strong and 100% of the residents supported the acquisition and signed an MOU with SFCLT to move forward with the acquisition. Over the course of a year, SFCLT helped educate and build capacity with the residents through its education and outreach program, funded by the Mayor's Office of Housing, the San Francisco Foundation, and the Levi Strauss Foundation.

SFCLT signed the 99-year lease with the resident-controlled zero-equity co-op in January 2013. All 10 units are affordable for households earning less than 60% of median income. The primary mortgage is from Clearinghouse CDFI, a Community Development Financial Institution that provides affordable financing for innovative economic opportunities that improve the quality of life for lower-income individuals and communities that would otherwise not be able to experience these opportunities in the conventional market. The remaining funding came from institutional investors who provided short-term, bridge loans while SFCLT waits for funding to become available through the City of San Francisco's affordable housing program.

Ownership Structure: Resident Operated Nonprofit; 99-year Master Lease with SFCLT
Units: 10 bedrooms; one shared kitchen, four bathrooms
Size: Studio (comparable)
Affordability: 55% of median income
Acquisition Cost: $900,000
Renovation Cost: $600,000
Total Development Cost: $1,500,000
Cost per Residential Unit: $150,000
Finance Sources: The primary mortgage is from Clearinghouse Community Development Financial Institution. The remaining funding came from short terms investors including: RCIF, Seton Enablement Fund and Mercy Fund.
Timeline: 2011 – 2014

Benefits:

- Residents were already living cooperatively before the project formally became a zero equity co-op.

- 10 low-income residents were not displaced by the planned foreclosure and auction of the property.

Challenges:

- The Purple House Affordable Housing Corporation took a year and a half to obtain their Organizational Clearance Certificate (OCC) for their Welfare Tax Exemption, which has led to the project covering higher real estate tax bills for two years.
- The project is a communal shared building and does not currently quality for the requirements of City funding.

Lessons Learned:

- Wait to transfer ownership of the project to the Resident Operated Nonprofit (RON) until the nonprofit has received its OCC. The project can then qualify for the Welfare Tax Exemption with SFCLT, reducing the tax burden on the project during the transition.

Case Study #3: 534 Natoma Street (534-536 Natoma Street San Francisco, CA 94103)

Description: 534-536 Natoma Street is a 5-unit rental property in the South of Market Neighborhood. In 2009, SFCLT was asked by their community partners in the South of Market Area (SoMa) to help stabilize affordable housing for existing residents in this rapidly developing and gentrifying neighborhood.
Working together to identify a strategy for stabilizing existing residents and homes in the rapidly developing SoMa neighborhood, the San Francisco Community Land Trust (SFCLT), South of Market Community Action Network (SOMCAN), Asian Neighborhood Design (AND), and the Filipino American Development Foundation positioned themselves to take action when a low-income apartment building was at risk of losing its affordable units to the private re-sale market.

SFCLT competed on the private market and purchased a 5-unit rental property in January 2013 to stabilize five low-income families. All 5 units are affordable for households earning less than 50% of median income. The primary mortgage is from Clearinghouse CDFI, a Community Development Financial Institution. The remaining funding came from an individual investor who provided a short-term, bridge loan while SFCLT waits for funding to become available through the City of San Francisco’s affordable housing program. SFCLT plans to rehabilitate the building to improve the quality and extend the life of these affordable homes.

The acquisition and planned rehabilitation of this small property serves as a unique community strategy to counter rapidly changing market forces to ensure that long-time residents are not displaced, while ensuring that future low-income families have opportunities to live in the neighborhood.

Ownership Structure: Rental
Units: 5
Size: 1 bedroom
Affordability: 55% of median income
Acquisition Cost: $800,000
Renovation Cost: $600,000
Total Development Cost: $1,400,000
Cost per Residential Unit: $280,000
Finance Sources: The primary mortgage is from Clearinghouse Community Development Financial Institution. The remaining funding came from individual investors who provided short-term, bridge loans while SFCLT waits for funding to become available through the City of San Francisco’s affordable housing program.
Timeline: 2012 - 2014

Benefits:

- Five at risk low-income households were stabilized by this project.
- Strong Partnerships: The strong partnerships between SFCLT, other local SOMA based nonprofits and the SOMA stabilization Fund helped with the acquisition and dedicated take out funding was set aside for this project.

Challenges:

- Project is not yet eligible for Small Site Acquisition fund money for the permanent financing as the current City funding requirements require that are units are legal units.

Lessons Learned:

- The organization needs to be able to quickly respond to changing funding requirements to ensure that the project is eligible for City funding to take out bridge financing.

Organization: Housing Land Trust of Sonoma County (HLT):

Housing Land Trust of Sonoma County (HLT) is a private, nonprofit corporation established in February 2002. The mission of the Housing Land Trust of Sonoma County is to increase home ownership opportunities to low- and moderate-income families in Sonoma County while ensuring permanent housing affordability through the use of a land trust model. Their mission is based upon the belief that (1) all working families deserve a home of their own, and (2) communities with homeowners from a broad socio-economic range are the strongest and most vibrant.

HLT provides access to land and housing for people who are otherwise priced out of the housing market. The model employed helps people to purchase homes on affordable terms. The land beneath the homes is then leased to the homeowners through a long-term, 99-year, renewable lease.

A key benefit of HLT is the ability to ensure prices stay affordable: When the homeowners decide to move, they can sell their homes. The resale formula is designed to give homeowners a fair return for their investment, while keeping the price affordable for other lower income people. At the time of sale, the homeowner has the benefit of having equity and a possible small gain from the sale of the house.

Case Study #1: Kali Subdivision (Santa Rosa, CA)

Description: Kali Subdivision is a residential development located in Santa Rosa with ten single family homes. Housing Land Trust of Sonoma County (HLT) partnered with Habitat for Humanity of Sonoma County and the Housing Company to build the homes. Of the ten homes, Habitat for Humanity is the builder of six homes; and The Housing Company is the builder of four homes. Homeowners are people who currently work in the community but cannot afford to own a market rate home in the same community. The land is held permanently by HLT so that it will always benefit the community. The Kali Subdivision was the first project done by HLT. HLT was established in part to further Habitat for Humanity's mission to house very low-income families; by providing access to land for Habitat families HLT was able remove that barrier for Habitat. The goal of this first project was to have ten pad ready lots for this development with all CLT documents ready to go at the Close of Escrow. This goal was achieved and the pad ready lots were delivered to Habitat and the Housing Company a year and a half after land was purchased. Private financing funded the land acquisition and development for HLT. The Housing Company built four workforce homes by securing a construction loan and Habitat for Humanity built six homes through its funding model. . HLT wanted to create a prototype and a working model to then take to public funders to replicate throughout Sonoma County

Ownership Structure: Single Family Homes, 99-year renewable ground lease with HLT; homeowners selected by Habitat for 6 homes. Habitat homes are co-stewarded with HLT. 4 Workforce families were selected by HLT.
Units: 10 Single Family Homes
Size: 3 bedrooms
Affordability: 35%-120% AMI (35% AMI homes are Habitat for Humanity homes)
Acquisition Cost: $636,000
Development Cost: $800,000
Total Development Cost: $1,436,000
Construction Cost: $259,711.50 per unit; $2,597,115 estimated cost for 10 units
Cost per Residential Home: $ $349, 711 (For land, development and construction)
Finance Sources: Private financing for acquisition and development; construction financing from Exchange Bank for workforce homes built by for profit developer; fundraising and grants funding for 6 homes built by Habitat.
Timeline: 2003 – 2007

Benefits:

- Strong partners: HLT had a good attorney and a very knowledgeable CLT consultant. The greatest support for this project was working with consultant, Rick Jacobus.
- Clear and well thought-out legal documents.

Challenges:

- There was a steep learning curve since this was the first project.
- Legal costs: since this was the first project, the legal costs were high to set up all of the CLT legal documents.

Lessons Learned:

- Have a strong working board.
- Clearly understand all project documents.
- Work with a strong attorney, which understands complex CLT projects.
- Make sure that the project structure is simple so that it is easy to implement and replicable.
- Obtain an excellent general contractor since the first project is a prototype for all new projects.
- The nonprofit model needs to work for one full year before it can be considered it a success.

Case Study #2: Southgate (Petaluma, CA)

Description: Southgate is a development in Petaluma, which consists of 216 single family homes, 26 of which were set aside to be part of HLT as permanently affordable homes. The 26 affordable homes were built as part of the inclusionary zoning ordinance in Petaluma. HLT was able to secure an additional private donation for the project, which helped to subsidize the sales price of the homes, thereby making them more affordable. With this project, HLT conducted the family selection for the homes as well as provided ongoing stewardship to the owners. This was the first project in which HLT partnered with a City, creating a positive working relationship. With this second project, HLT was able to be included as part of the City of Petaluma's housing element. HLT also worked with the City to raise household income served from a maximum of 100% AMI to 120% AMI to accommodate the City's first responders that lived in the area.

Ownership Structure: Single Family Homes, 99-year renewable ground lease with HLT
Units: 26 SFH
Size: 3-4 bedrooms
Affordability: 80%-120%
Acquisition Cost: $64,000 in privately funded subsidy. This subsidy wrote down the price of some of the homes and stays with each home permanently. Subsidy is imbedded in the unit in perpetuity.
Development Cost: $0 – 26 lots donated to HLT through the City. Used the standard docs from their first project with revisions.
Total Development Cost: $64,000
Cost per Residential Home: 2,400
Finance Sources: Private donations for $64,000
Timeline: 2005 – 2008

Benefits:

- No development costs.
- Low legal costs to make revisions to the CLT legal documents for this project.
- Inclusionary zoning made it easier for HLT to acquire more units.
- With this project, the land trust model was included in the city housing element, which ensures that the CLT model can be used in the city for permanently affordable units.

Challenges:

- This is the first project where HLT partnered with City staff creating an opportunity to educate the Staff on the CLT model.
- No fees were earned on this project. HLT incurred the cost for the realtor fee as required by the City.

Lessons Learned:

- Land needed to be donated to the City and then to the Land Trust. This donation structure allowed HLT to receive a public donation so that it helped the nonprofit in its public support test.
- Ensure nonprofit IRS application includes information that keeps the activities of the organization as broad as possible. HLT revised their activities to serve the workforce by indicating through a City letter that they were “lessening the burden of government” through their partnership in the housing project.
- A project like this one, where a builder sells directly to the buyer does not need a realtor. The developers have their own in-house realtors, which can save costs.

Case Study #3: Ioli Ranch (Cloverdale, CA)

Description: Ioli Ranch Subdivision consists of two permanently affordable CLT homes in a larger subdivision. HLT acquired these two properties from an existing nonprofit, which was not able to keep the home affordable to the same income level. Rather than lose the unit to the private market, the City of Cloverdale, chose to keep the house in it's housing stock by partnering with HLT. Partnering with the HLT ensured that the current city subsidy stayed in the project in perpetuity. To facilitate the transfer, the previous nonprofit donated the land to HLT and the home was sold to a new income qualified household selected by HLT. This project preserved two existing affordable units.
Ownership Structure: 2 Single Family Homes, 99-year renewable ground lease with HLT,
Units: Single Family Homes
Size: 3 bedrooms
Affordability: 80%
Acquisition Cost: $0
Development Cost: $0
Total Development Cost: $0
Cost per Residential Home: $0
Finance Sources: $10,000 in subsidy from the City of Cloverdale to write down prices/unit
Timeline: 2007-2009

Benefits:

- This project strengthened HLT's relationship with the City of Cloverdale and with this project, Cloverdale put the Land Trust into its housing element
- City of Cloverdale put in money to write down prices for the homes in the amount of $10,000
- HLT received a project fee for doing this project.

Challenges:

- This project was a short sale, which brought its own challenges.
- The new lender on the project was unfamiliar with the land trust model and the docs for a ground lease.

Lessons learned:

- Know the market: HLT was supposed to have another project in **C**loverdale that was supposed to be 28-30 units and the land trust gave the land back to the City because the market had crashed and HLT believed that there was not a need for subsidized units due to the market correction in the private market; homes previously unaffordable were now within reach for families within their income level.

- Use your preferred lender to streamline the process.
- Make sure that there is at least a $50,000 difference between a CLT home and a market rate home.
- Partner with a local realtor who is willing to donate part of the services for property resale.

Case Study #4: Sonata Subdivision (Healdsburg)

Description: This project consists of six permanently affordable homes in a 37 home subdivision. This project was structured the same as the Southgate project. Six homes were set aside as permanently affordable through inclusionary zoning. This project was originally structured to assist households up to 120% AMI. Due to the end of the recession, HLT advised the City that there was no need to assist the 120% of AMI due to the market correction that occurred during the recession; homes previously unaffordable to household incomes of 120% AMI were now within reach in the private market. The City of Healdsburg agreed to write down the prices for the 120% AMI homes so that these would be affordable to 100% AMI households. The Developer didn't lose any money from the lowered prices as the City filled the gap.

Ownership Structure: Single Family Homes, 99-year renewable ground lease with HLT, Inclusionary zoning
Units: 6 Single Family Homes
Size: 3 bedrooms
Affordability: 50%-100%
Acquisition Cost: $0
Development Cost: $0
Total Development Cost: $0
Cost per Residential Home: $0
Finance Sources: City wrote down the price of the homes.
Timeline: 2011-2013

Benefits:

- No outside broker needed for project, as the builder sold directly to the buyer.
- City wrote down the purchase price, thereby making the property affordable to residents at 100% AMI, responding to the need in the community.
- Project was built due to inclusionary zoning.

Challenges:

- The marketing changed for this project as the project was originally targeted for up to 120% AMI. HLT had to do additional research and be quick on their feet to respond to the changing market.

Lessons Learned:

- Do the market research: If there is no market for a certain target AMI, work with the city to see how this can be changed to benefit to meet the current housing need in the community.

Case Study #5: Woodland Hills (Cotati, CA)

Description: Woodland Hills is a 5 unit single home project in Cotati. This project is a partnership between HLT and Habitat for Humanity of Sonoma County. This project is currently under construction and the first home of the project closed in 2014. HLT helped to secure the financing for this project and is working with the City to make sure the development process moves smoothly. The land for this development has been in the development process for many years, so this partnership was instrumental to getting the properties built.

Ownership Structure: Single Family Homes, 99-year renewable ground lease with HLT, Habitat owns the land and they are building housing; land will be donated to HLT and HLT will enter into a ground lease with homeowner at the Close of Escrow.
Units: 5 Single Family Homes
Size: 2-3 bedrooms
Affordability: 50-80%
Acquisition Cost: $150,000
Development Cost: $198,499
Total Development Cost: $ $356,831
Cost per Residential Home: $71,366.20
Finance Sources: Private donor, City, grants and fundraising ($700,000 facilitated by HLT) from the Land Trust to Habitat for development
Timeline: 2001-2014

Benefits:
- The strong relationship between HLT and the City has been instrumental to moving this project forward.

Challenges:
- The land at the project has been sitting undeveloped for so long due to infrastructure challenges on the property which make it more expensive to develop.

Lessons Learned:
- Strong partnerships between two housing nonprofits can help to further a stalled development.

Organization: Bay Area Community Land Trust (BACLT)

BACLT is a membership-based, non-profit 501(c)3 organization whose Mission is to create permanently affordable, limited equity, cooperatively owned and resident controlled housing in the East Bay Area; to establish Elder-friendly, diverse, multi-generational communities; and to provide education training and technical assistance for housing cooperative communities. Co-ops serve a sector of the low and moderate income population that can't afford a single family home and prefer to live in community. Co-ops are financed with a single blanket mortgage so an individual's credit is not a factor in obtaining a loan. Co-ops offer an environmentally sensitive home ownership where the residents share responsibilities for property management and maintenance. BACLT provides the residents with education and technical assistance to ensure long-term sustainability of the co-op, BACLT provides oversight financial and physical soundness of the properties by monitoring regular financial reports and replacement reserves.

Case Study: Derby Walker House Cooperative (2116 Derby Street, Berkeley, CA 94705)

Description: Derby Walker House Cooperative is a 3-unit building in Berkeley's South Campus Area. In 2010, BACLT was offered the donation of this property and asked to convert it to a permanently affordable limited equity housing co-op (LEHC). The property had been purchased in 1971 and owned collectively by 12 people, each of whom had put up $500 to $1,250 for the down payment to purchase the property. There was an agreement that the property would always be affordable housing. The mortgage was paid off by the residents in 1992.

Initially, the donation was supported by all the original owners or their heirs. Most had already quit-claimed their shares of the ownership. The children of one original owner changed their minds and demanded a sizable payment to release the property, and a legal fight took three years to resolve. BACLT remained in contact with the residents and the parties involved during the legal dispute and eventually negotiated that the property be donated to BACLT. There was no debt on the property at the time of the donation, but the building had significant deferred maintenance. BACLT arranged for financing to cover all closing costs and to perform significant upgrades to the building.

Before the acquisition of the property, all of the current residents signed an MOU stating that they supported BACLT's seeking financing for the repairs and working with the residents on legal documents, and what was involved in the process of working with the land trust. The property was finally donated to BACLT in October 2013 and BACLT transferred the building to the residents to form the first new LEHC in Berkeley in 18 years. The residents purchased shares at an average cost of $4,000, with the shares increase in value based on the annual Consumer Price Index.

Ownership Structure: Limited Equity Housing Cooperative; 99-year Ground Lease with BACLT
Units: 3 units
Size: 1 - 2 bedrooms
Affordability: 80% of AMI
Acquisition Cost: $0, donation
Renovation Cost: $90,000
Total Development Cost: $120,000 (including predevelopment)
Cost per Residential Unit: $40,000
Finance Sources: A private loan covered acquisition and rehab of the property and this loan was replaced with a permanent loan from Institute for Community Economics.
Timeline: 2010 - 2014

Benefits:

- The residents were living cooperatively for the most part. 2 of 3 units had turned over while they were in the purchase process and people that moved in were aware that the project was going to be a co-op.
- Property was donated so there was no purchase price.
- Preserved permanently affordable resident controlled housing as intended by original owners.

Challenges:

- 3 of the original residents were included on the deed, but none of them live there. This caused legal issues with Rents were extremely low and property had a lot of deferred maintenance.
- Over the four years trying to purchase the property, the property taxes skyrocketed.

Lessons Learned:

- Even with donated properties, there can be significant financial impacts form delays in transfer of property, including a sizable increase in the property assessed value, which affects property taxes.
- Be wary of having a resident of the co-op perform construction on a project, even if they are a licensed contractor, as there are potential conflicts of interest.
- Smaller co-op take as much time to develop and monitor as do larger projects, but It is more challenging to draw resources from a small project to cover time invested. Still, it is important to save smaller projects, as well.

Organization: Northern California Land Trust (NCLT)

NCLT is a community-based not-for-profit committed to making homes and community facilities permanently affordable through the community land trust (CLT) model. Throughout their history NCLT has been involved in dozens of community development projects and has developed more than 165 units of housing. NCLT's portfolio has several types of properties including homeownership and rental units. NCLT has also developed a homeless transitional house, affordable office space for nonprofits and small businesses, community gardens and an organic farm. NCLT revitalizes or develops properties and then sell the home at below-market cost to residents who have been trained by NCLT for home ownership responsibilities. Unlike most other affordable housing developers, NCLT retains the rights to the land below the house and ensures that the home is resold at similar, below-market rates to the next homebuyer, guaranteeing low-cost housing in perpetuity.

Case Study #1: Addison Court (1135-1139 Addison Court Berkeley, CA 94702)

Description: Addison Court is a 10-unit, Limited Equity Housing Cooperative (LEHC) in Berkeley. Addison Court consists of 2 5-plex one-story buildings with a wood frames and wood siding, which was originally built in the 1920's. In 1996, NCLT was approached by the residents of the building to convert the existing rental property into a Limited Equity Housing Cooperative.

The existing residents were already living cooperatively in the property, but needed the assistance of NCLT to purchase their property. The residents had bought an option to purchase the property in March 1996 and brought in NCLT to secure public financing for the purchase and rehab and to work as the Project Managers for the rehabilitation on the recommendation of the City of Berkeley.

NCLT secured public financing from the City of Berkeley for $200,000 as a second mortgage and a 1st mortgage of $285,000 from Bayview Federal to purchase the building, rehabilitate and transfer the building to the Limited Equity Housing Cooperative by 1998. $50,000 of the original City of Berkeley Loan was forgiven when the improvements were deeded to the cooperative, and the remaining $150,000 was assigned to the co-op. Rehabilitation at the property included updated electrical, insulation flooring, stairs and light plumbing and roof work.

Ownership Structure: Limited Equity Housing Cooperative, 99-year Land Lease with Northern California Land Trust
Units: 10 Units (2 5-plexes)
Size: 1-bedrooms
Affordability: Three units at 80% AMI, three units at 60% AMI and four units at 50% AMI.

Acquisition Date: November 1, 1996
Acquisition Cost: $350,000 total ($50,000 for NCLT's portion of property)
Renovation Cost: Approximately $135,000
Total Development Cost: $485,000 ($25,000 developer fee to NCLT)
Cost per Residential Unit: $48,500
Finance Sources: Primary Mortgage from Bayview Capital for $280,000 now with Chase (mortgage held by co-op only), City of Berkeley 2nd Loan for $200,000 for Acquisition and Rehab (DLA Transferred to Co-op after conversion) - $50,000 forgiven when improvements deeded to Co-op~~,~~
Timeline: 1996-1998

Benefits:

- 8 of 10 original residents involved in purchase
- Pre-existing incorporated Co-op
- Purchase and transfer were closed quickly due to the fact that residents had site control of the property before purchase (through purchase option)
- Residents had clear roles within Co-op.

Challenges:

- Construction started a few months later than expected and was behind schedule
- Mismatch of expectations between funding available, contractors, residents and lack of clarity of the costs of NCLT's role in development and training.

Lessons Learned:

- Define clear roles, expectations, and costs as early as possible in the development process between the residents and the Land Trust to clarify what training is desired/needed, and, what services are offered at what cost.
- Have residents be part of the construction communication and decision making process (if the capacity exists to do so)
- Ownership and financial structure (of having Co-op in charge of mortgages as is seen with Addison Court) creates more incentive to work well together, so that property is not lost due to lack of financial responsibility for the property.

Case Study #2: Baker's Dozen / East West House (733 Baker Street San Francisco, CA 94117)

Description: Baker's Dozen is a 13-unit, zero-equity cooperative building in the Western Addition neighborhood of San Francisco that has been a cooperatively-run rental property since the late 1960's. In 1998, NCLT was approached by the City of San Francisco and bankruptcy court to purchase a 13-rooom shared home from the current owners of the building, a nonprofit named Innovative Housing for Community, which had dissolved. The City and State, who held the mortgages with the property wanted to keep the building as affordable housing per the current loan requirements.

NCLT acquired the property in 1998 and assumed the original 1992 State and City Loans (including all deferred interest) previously held by the original owner along with a new loan from the City to purchase and rehabilitate the rental building. Baker Street has been operated as a rental by NCLT, but with the help of San Francisco Community Land Trust was able to form a Resident Operated Nonprofit (RON) at the beginning of 2013. NCLT had originally tried to set up the cooperative group with the residents, but due to resident and staff turnover, the co-op conversion never completed with NCLT.

This property went into default with NCLT's bankruptcy, but all outstanding default issues have been taken care of with the State and City Financing. NCLT has been in the process of trying to sell the property to SFCLT since 2010, but sales conversations have stalled due to the financing implications of the current loans (and all the deferred interest) on the property.

Ownership Structure: Zero-Equity Cooperative, No Master Lease with NCLT (was previously a rental and has not fully completed the Co-op conversion process)
Units: 13 Units – Single Room Occupancy, Shared house
Size: Shared house with individual bedrooms
Affordability: At or Below 16% AMI
Acquisition Date: April 3, 1998
Acquisition Cost: $682,701.00
Renovation Cost: Ongoing renovations completed by residents, costs unknown
Total Development Cost: $682,701
Cost per Residential Unit: $52,515
Finance Sources: Three Deferred Development Loans from City of San Francisco ($167,000 from 1992 (forgiveable), $75,700 from 1998 and $36,900 from 1998), California Department of Housing & Community Development – Contingent / Deferred Loan ($440,000 from 1992)
Timeline: 1998-2014

Benefits:

- The residents in the property had been living cooperatively since the 1960's with a strong focus on Eastern and Western philosophies, which still remains today.
- Property is affordable to residents under 16% of AMI for San Francisco.
- Residents self-manage and fill their own vacancies leading to less oversight for NCLT.

Challenges:

- Project from the outset (pre-purchase) had issues:
  - Location being across the Bay has created oversight issues with NCLT
  - Financial structure of the property with only State and City funding with no repercussions for default, create little incentive for residents and NCLT to maintain property and for residents to pay rent.
  - Structural issues of how the property was acquired gives residents little incentive to convert to a co-op and little incentive to increase rents.
- Unclear definition of Incomes targeted as different info used at the State and City level has led to conflicting regulatory requirements.
- When property was purchased, the property finances were already to the point of being over-leveraged.
- Lack of cohesive training and co-op conversion was passed on to many different staff, which prolonged process.

Lessons Learned:

- When purchasing a property with current public financing, be sure of the requirements and the financial structure implications (especially deferred interest) on property before executing deal.
- Create an incentive for residents to want to convert to co-op from the start (equity, ownership of improvements, etc.) and to create provide sufficient cash-flow in the event conversion is unsuccessful and the project continues as a rental.

Case Study #3: Unity Gardens (2425 California Street Berkley, CA 94703)

Description: Unity Gardens is a 6-unit, rental building in Berkeley, which was originally built in the 1960's. In 1994, NCLT purchased the abandoned and vacant building to convert the property from a rental property to a Limited Equity Housing Cooperative. Before purchasing the property, the property had been vacant for twelve years.

NCLT secured public and private financing to purchase and rehabilitate the building with a primary mortgage from Samco and a secondary mortgage from the City of Berkeley. NCLT marketed the building to people that were interested in forming a co-op after the rehabilitation completed in February 1995. Despite extensive training from NCLT, the residents never completed the process of Co-op conversion and the property remains a rental. The Co-op conversion was stalled due to financing issues, lack of incentive to convert and financial irresponsibility on behalf of the residents.

The residents tried to start the Co-op process again in August 2005 with the help of NCLT, but efforts got bogged down in conflicts over the process to move forward (e.g. scheduling & paying for additional financial/budgeting trainings). The property ran informally as a co-op and not a full LEHC until it was completely made a rental in 2005.

Ownership Structure: Rental (originally bought for Co-op conversion)
Units: 6 units
Size: 2-3 bedrooms
Affordability: One unit at 70% AMI, three units at 60% AMI, one unit at 50% AMI and one unit at 45% AMI.
Acquisition Date: June 24, 1994
Acquisition Cost: $280,000
Renovation Cost: $105,283
Total Development Cost: $385,283
Cost per Residential Unit: $64,213
Finance Sources: SAMCO Loan (now owned by CitiBank), City of Berkeley Housing Trust Fund loan ($185,000 and $200,000 HOME Loan)
Timeline: 1994-2005

Benefits:

- City mortgage set up to be assumable by the Co-op.
- Residents moved into the building with the intent of becoming cooperative members.
- NCLT had wider latitude in setting initial rents (yet was still restricted by affordability covenants in city loan docs); however, sometime in 2003 or 2004, Berkeley passed an ordinance which exempts properties restricted by a Berkeley DLA from the rent increase restrictions of the rent ordinance.

Challenges:

- NCLT took ownership of the property at inception, and, then brought individual residents in to form a new co-operative group, which led to extensive work trying to facilitate group formation on the part of NCLT.
- 1st mortgage was not assumable assumable by the future cooperative (like Fairview and Addison), which led to difficulty financing the prospective cooperative purchase.
- NCLT's acquisition took over a year due to initial financing difficulties
- No project structures that financially incentivized co-op conversion.
- Residents paid rent to NCLT but kept maintenance funds for maintaining building. The residents at the property had challenges with producing bank account records.
- Extended time of prospective transfer led to the initial resident training program needed to be repeated as residents / staff turned over. Later training was less than cohesive.

Lessons Learned:

- Projects can work successfully as a stable rental project.
- If cooperative ownership is really desired set up Co-op group before completing construction to create more cohesion between future residents (back in 1997-1998) or work with a pre-existing group.
- Institute better oversight of resident financial management when still a rental property.
- Create clear timelines, benchmarks and incentives for conversion along with options such as remaining a rental.

Case Study #4: Fairview House (1801 Fairview Street Berkeley, CA 94703)

Description: Fairview House is a 9-bedroom Limited Equity Housing Cooperative building in Oakland. Before working with NCLT, the property had effectively operated as an informal cooperative since the 1970s with a loose consortium of 3-4 previous residents holding title to the property. In the early 1990's, the residents of the property were interested in working with the City for funding to purchase the property from previous residents, who were still on title, to create a more stable ownership structure. The City suggested that Fairview House work with NCLT to obtain the City funding as a financial sponsor and to assist the residents with the rehabilitation of the property.

In 1996, NCLT was approached by the residents about assisting the Co-op members of the building to secure public financing from the City and to assist with the co-op formation process and Co-op DRE exemption. Upon the transfer of the improvements to the co-op, a portion of the City Loan was forgiven and the Co-op assumed the remainder of the loan.

Ownership Structure: Limited Equity Housing Cooperative, 99-year land lease with NCLT
Units: 9-unit shared property (single room occupancy rooms with shared kitchen and baths)
Size: Individual bedrooms in shared home
Affordability: 60% AMI
Acquisition Date: August 1, 1996
Acquisition Cost: $179,850
Renovation Cost: approximately $100,000
Total Development Cost: $279,850
Cost per Residential Unit: $27,000
Finance Sources: City of Berkeley Loan, Chase Loan (Previously held with Bay view Federal)
Timeline: 1996

Benefits:

- NCLT received a project where the residents were already living cooperatively and were interested and motivated to become a formal LEHC
- There was a single escrow where the sale went from the individuals on title to NCLT to the co-op. With the transfer the Co-op received the title to the improvements where NCLT kept title to the land. This made the process more seamless and motivated residents to complete process and rehab since their co-op was already on title, and thus ultimately financially responsible.
- Fairview residents handled the rehabilitation with NCLT as the financial sponsor.
- Purchase and transfer were closed quickly

Challenges:

- Fairview residents had the same fee for service expectation as Addison Court residents did (with the expectation that NCLT would be hands-off). Fairview did most of the construction work, but NCLT received most of the fees.
- NCLT wanted to train the residents in cooperative living, but the residents had a different expectation of NCLT's role in the conversion.
- Mismatch of expectations between contractors, residents and lack of clarity of NCLT's role in development and training

Lessons Learned:

- Define clear written expectations for training, construction and services offered / desired between residents and CLT before purchase of property.
- Define clear roles in construction process and reimbursement process, along with a clear outline of respective financial responsibilities / incentives between co-op and CLT.

Case Study #5: 1314 Haskell (1314 Haskell Street Berkeley, CA 94702)

Description: 1314 Haskell Street is a 3-unit, condominium building in Berkeley, which consists of a 2-plex and a cottage. In 1998, NCLT purchased the property, which was originally a home with a cottage behind it and renovated the property to add an additional unit.

Through an extensive process of community collaboration and input, NCLT secured public financing to purchase the building and worked with community partners including nonprofit contractor, Mustard Seed, to rehabilitate the building and complete the condominium project. The current property features two ground-floor wheelchair accessible units.

Ownership Structure: Condominium Project, 99-year Land Lease with NCLT
Units: 3 units
Size: 2 and 3 bedrooms
Affordability: 80% AMI
Acquisition Date: December 31, 1998
Acquisition Cost: $210,000
Renovation Cost: $262,355
Total Development Cost: $472,355
Cost per Residential Unit: $157,451
Finance Sources: Construction financing from Community Bank of the Bay, Permanent financing from City of Berkeley contingent/deferred loan, FHLB-SF AHP (Affordable Housing Program)
Timeline: 1998-2001

Benefits:

- Original residents of the rental property were given an opportunity to purchase their unit and given support in how to reach this goal.
- Since the project was only 3 units, it did not require going through the DRE process.
- Current residents were not displaced. Residents moved on if they were not interested in purchasing, but were not required to leave.

Challenges:

- Property was originally supposed to include 1320-22 Haskell, but due to neighborhood opposition to affordable housing and co-housing, the project had to be split into two distinct projects and co-housing elements removed.
- Nimby-ism created issues with trying to get the project accepted by the residents and the City, which added additional time to get the project completed.
- With project split in to two halves, this portion ran out of funding for construction, which led to not enough land subsidy for the project.

- Lack of funds and time line and small size of project made it hard for the project to attract a 1st quality construction firm familiar with city contracting requirements.

Lessons Learned:

- Spend time crafting a marketing plan to address neighborhood and City concerns.

Case Study #6: 1320 Haskell (1320-22 Haskell Street Berkeley, CA 94703)

Description: 1320 Haskell Street is a 5-unit, condominium development in Berkeley, which consists of two two-story wood frame buildings. In 1995, the Land Trust acquired both the 1320 and 1314 site with the intent to create an 8 unit affordable co-housing development. Through an extensive process of community collaboration and input, NCLT secured public financing to purchase the building and worked with a few contractors including nonprofit contractor, Mustard Seed, to rehabilitate the building and complete the condominium project. The current property features 2 ground-floor wheelchair accessible units. When the project was originally visioned, the multiple units were to be sold to Section 8 homebuyers. Unfortunately, only one Section 8 loan closed and the remainder of the units were marketed to low-income residents without Section 8.
Ownership Structure: Condominium Project, 99-year Land Lease with NCLT
Units: 5 Units
Size: 1 and 3 bedrooms
Affordability: 80% AMI

Acquisition Date: January 8, 1996
Acquisition Cost: $155,000 for 1320
Renovation Cost: $500,000
Total Development Cost: $655,000
Cost per Residential Unit: $131,000
Finance Sources: Construction financing provided by Mechanics Bank, City of Berkeley contingent/deferred loan, FHLB-SF AHP (Affordable Housing Program)
Timeline: 1996-2004

Benefits:

- Lots of community help to build the project.
- Down payment assistance and equity building through limited equity condominium model.

Challenges:

- There were multiple contractors involved with the project due to the bankruptcy of the original contractor shortly after the commencement of construction. Original contractor defrauded their firm (and other developers projects) and left with the construction money without providing all contracted construction services.

- Mustard Seed, the second contractor, ended up with less supervision capacity than anticipated and did subpar work on the property. Mustard Seed was a community –based job-training program, which often used lower skilled workers and volunteers.
- Turnover in NCLT staff exacerbated issues with sales (took property a long time to sell); but primarily the delays were caused by the acquisition of CalFed (by Citimortgage) during the sales process. Citimortage tried to pull out of the commitment to loaning on the units. NCLT filed a complaint with the OTS & OCC to leverage compliance w/ CRA requirements.
- Escrows moved slowly – Calfed as the Lender was bought out by Citimortgage.

Lessons Learned:

- Spend time crafting a marketing plan prior to site acquisition to address neighborhood and City concerns.
- Provide additional oversight of construction funds and contractor solvency to ensure that there are no cost overruns

Case Study #7: Haste Street (2207 Haste Street Berkeley, CA 94704)

Description: 2207 Haste Street is an 8-unit, single room occupancy supportive rental building in Berkeley. In 1991 the Land Trust purchased the property from the Haste Street Partnership. The Haste Street House is a collaborative project with the NCLT and the City of Berkeley Shelter-Plus-Care program.

NCLT provided a master lease at 2207 Haste Street to the Berkeley Ecumenical Chaplaincy to the Homeless to provide transitional housing for the homeless clients who are eligible for Shelter-Plus-Care. The program served disabled and non-disabled homeless individuals and served men only. There are seven bedrooms and a resident manager bedroom in the house. The building was originally constructed in the early 1900's.

The NCLT purchased the building in 1991 and major rehabilitation was completed in 1995 with a major amount of volunteer help from the community. No environmental review was required or conducted during either the purchase or rehab. The property is a large, three-story Victorian house located in the south campus area of Berkeley. The house was sold to NCLT with generous donations from the former owners and a private individual as well as a loan from the Low Income Housing Fund. The remodel was sponsored by San Francisco Federal Savings and Loan, through the Affordable Housing Program and the Northern California Community Loan Fund.

Ownership Structure: Owned 100% by NCLT. Supportive rental housing for Berkeley residents with Shelter Plus Care Vouchers. Master leased to operator Options Recovery Services
Units: 8 single room occupancy units
Size: individual bedrooms in a shared home
Operator: Berkeley Ecumenical Chaplaincy to the Homeless (1994-2000), Jobs Consortium (2000-2005), Rubicon (2005-2011), Options Recovery Services (2011-Present)
Affordability: 30% AMI
Acquisition Date: June 17, 1991
Acquisition Cost: 120,000
Renovation Cost: $52,000 (original rehabilitation), $154,000 (2000 rehabilitation)
Total Development Cost: $326,000
Cost per Residential Unit: $40,750
Finance Sources: Low Income Investment Fund provided original loan (refinanced with Washington Mutual and now with Chase), City of Berkeley Housing Trust Fund (154,000) rehabilitation loan in 2000.
Timeline: 1991-1995

Benefits:

- Project provides permanently supportive housing to residents that are transitioning out of drug rehabilitation programs.
- Though there has been a few different operators to the project, the original subsidy still remains in the property and each operator has provided important and successful services for the residents of the property - proving the success of the master-lease model.
- Rehab of the project was a community effort.

Challenges:

- The project has been through four nonprofit operators since NCLT purchased the property in 1991, which has been viewed by the City as an issue even though the project has worked well over the course of its time in NCLT's portfolio.

Lessons Learned:

- Clearly execute expectations of operators and longevity of operators with the City officials when setting up the project.

Case Study #8: Ashby-Dohr (1419 Ashby Street Berkeley, CA 94702)

Description: Ashby-Dohr was a vacant piece of property in Berkeley that NCLT purchased in 2000 with funding from the City of Berkeley to develop between 2-4 units of affordable CLT housing.

Through extensive pre-development research and conversations with City officials, it was determined that the project would be too expensive to develop as affordable housing. NCLT decided at this point to sell the property and return to the City in 2004 the funds borrowed for development. NCLT did complete the entitlement process during pre-development and was able to sell the property at a profit with the entitlements to a new buyer for $250,000 bringing a small profit to NCLT.

Ownership Structure: No longer owned by NCLT. Property was purchased on the private market by NCLT. When the property could not be developed NCLT sold to another private owner with the entitlements NCLT had approved. NCLT returned all city subsidies back to the City.
Units: Vacant Land. Project was supposed to build either 2 units or 4 units.
Size: Vacant Land
Affordability: N/A
Acquisition Cost: $116,000
Renovation Cost: $0 – Project never was constructed and land was sold back to the City.
Total Development Cost: $116,000 plus additional predevelopment costs (approximately $86,000)
Cost per Residential Unit: $0
Finance Sources: City of Berkeley, Additional??
Timeline: 2000-2004

Benefits:
- NCLT sold the property at the end of the entitlement process and was able to make a small profit on the property.

Challenges:
- Project ended up being financially unfeasible based on regulatory requirements for the project.
- Issue with lack of Developer Liability Insurance. Project would need to be Lease-Purchase to move forward.

Lessons Learned:
- More predevelopment research should be done prior to buying vacant land to see what governing bodies have say on the development of the property. In this case, having this be on an active highway (CA-13, under the jurisdiction of Caltrans), led to more requirements and higher development costs

Case Study #9: Linden Street (3032-3104 Linden Street Oakland, CA)

Description: 3032-3104 is a 2 building, 4-unit condominium building in East Oakland. In 2000, the Land Trust was approached by the owners of the two the buildings (which were single family homes), who were interested in converting the abandoned and run down properties into affordable condominiums.

The homes were approximately 100 years old, severely dilapidated and had been vacant for several years. One property was used as a crack house whereas the other property had been badly burned in a fire. The development added two new units by raising each existing unit and constructing new, wheelchair accessible units underneath. Construction included the raised units, new foundations and complete rehabilitation with special care taken to preserve the character of the historic homes.

In addition to the condominium units, there property was purchased under the condition that the lot between the properties be used as a community garden run by OBUGS, in honor of Paul and Inez Jones, who were local residents and musicians, and previous owners of the property. NCLT assisted in coordinating the construction, secure construction financing and provided homebuyer education to the prospective residents pre-purchase.

Ownership Structure: Condominium building, 99-year Land Lease with NCLT
Units: 4 units, 2-plex buildings
Size: 1-3 bedrooms
Affordability: 80% AMI
Acquisition Date: November 14, 2002
Acquisition Cost: $154,000
Renovation Cost: $600,000
Total Development Cost: $751,000
Cost per Residential Unit: $187,500
Finance Sources: City of Oakland from CalHFA - HELP loan, City of Oakland Community Economic Development Department, Alameda County Lead Poisoning Prevention Program and Union Bank
Timeline: 2000-2002

Benefits:

- There was a lot of community collaboration and involvement in the property.
- Project turned 2 dilapidated homes into 4 affordable homes with a garden for the community.
- The project spurred other local residents on the street to fix up their properties. These was a new sense of pride in the neighborhood following this development.

Challenges:

- Neighborhood had some crime issues, which has led to issues with security concerns for the residents.

Lessons Learned:

- Provide additional oversight of construction to ensure that there are no cost overruns and that work is done in a satisfactory manner.

Case Study #9: NCLT Commercial (3120 Shattuck Avenue Berkeley, CA 94705)

Description: 3120 Shattuck Avenue is a 5-unit, commercial building in Berkeley built in 1938, which houses four nonprofits. In 1982, the Land Trust purchased the building to house their offices as well as provide an affordable space for other local nonprofits serving the community. The organizations that rent in the property include the Northern California Land Trust, East Bay Community Law Center, Long Haul and the Berkeley Homeless Action Center.

Ownership Structure: NCLT owns property and has commercial leases with 3 nonprofit tenants
Units: 5
Size: 5 commercial rental spaces
Affordability: N/A
Acquisition Date: September 2, 1982
Acquisition Cost: $184,073
Renovation Cost: $0 for 1st five years, renovations over the years from 1988-2007 cost approximately $140,000
Total Development Cost: $320,000
Cost per Commercial Unit: $80,000
Finance Sources: The rehab and acquisition used a variety of community loan funds, the people's life fund, private lenders and donors, Community Bank of the Bay first mortgage.

Timeline: 1982-Current

Benefits:

- Concentrated secure and stable nonprofit office space in Berkeley for Nonprofits that provide social services
- Longevity of project

Challenges:

- Some tenants have withheld rent based on philosophical differences.

Lessons Learned:

- Set clear expectations with politically motivated tenants.

Case Study #10: Mariposa Grove (832-834 59th Street Oakland, CA)

Description: Mariposa Grove is a 6-unit, condominium project that was set up to be an intentional community in Oakland. The previous owner bought the property in 1999 when it was used as crack houses. The owner had rental residents moved in and work to fix up the property as sweat equity in the hopes that the units (or shares in an eventual coop) would eventually sell to the residents.

In 2004, the Land Trust was approached by the current owner of the property to work with the owner and current residents to turn the property from a rental to an affordable condo project, which was also to be an intentional community. The property was set up to have one of the units kept as a common unit, which could be used for guests and events.

The seller sold the property to NCLT at a discounted price (with the additional value of the property included as a donation). To receive the donation, the property was sold to NCLT and then sold to an LLC that was set up for the project. Upon the sale of the 1st unit, the land was transferred back to NCLT, so that NCLT could lease it to the residents. All of the original residents invested in the LLC, so everyone had skin in the project and was a member of the LLC. NCLT secured construction/soft cost funding from NCCLF to do the condo conversion and minor rehab of the project. The founder/original owner eventually became a board member of NCLT.

Ownership Structure: Condominium project with 99-year Land Leases
Units: 6 units
Size: 1-3 bedrooms
Affordability: 80% AMI for five units, 1 market rate unit
Acquisition Date: November 30, 2005
Acquisition Cost: $909,000
Renovation Cost: $758,518
Total Development Cost: $1,667,516
Cost per Residential Unit: $277,919
Finance Sources: Grant from Hank Obermayer ($711,000), $758,518 in construction financing from Community Bank of the Bay, carry back loan of $200,000 from Hank Obermayer (which was refinanced by NCCLF due to slow conversion process)
Timeline: 2004-2009

Benefits:

- Residents were a functioning intentional community before working with NCLT.
- The residents had a high capacity for working with the CLT to get the project done quickly.
- The bulk of the pre-NCLT-ownership rehabilitation was done by the residents.

- NCLT secured Calhome down payment assistance money to provide to residents, to provide significant ‘quasi-project’ subsidy. CalHome helped to fill gaps in funding for residents trying to close.

Challenges:

- Due to turnover during the conversion process, only a few of the original rental residents remained to purchase unit at the property.
- The Buyers’ escrow processes took over a year for several residents due to the financial crisis of 2008 and the downfall of WAMU, who was the 1st mortgage lender.
- Towards the end of the sales process, CALHFA temporarily froze the CHDAP program due to the fall of Lehman Brothers, which further delayed two escrows.

Lessons Learned:

- Secure multiple homebuyer lenders for a project, so that if there are issues with one lender, there is a back up to speed up escrow process.

Case Study #11: Noodle Factory (1255 26th Street Oakland, CA)

Description: The Oakland Noodle Factory was a 10-unit, live-work rental building in Oakland, which NCLT worked to covert into condominiums. In 2004, the Land Trust was approached by the current owner of the property about converting the blighted warehouse (with illegal units) into a seismically retro-fitted and up to code affordable residential property. The seller of the property wanted the property to be used for affordable housing as well as public performance space, rehearsal and work space. Rental residential residents were given First Right of Refusal to purchase their units upon conversion.

The purchase price for the property was set at $950,000 subject to an appraisal. The appraisal came in at $1,150,000, which was deemed to be additional donated value the CLT, so that the purchase price would not have to rise. Through an extensive process of community collaboration with many nonprofits, NCLT secured public and private financing to purchase the building and worked with community partners to rehabilitate the building and finish construction of the live / work units.

The units were completed at the end of 2008, right when the financial crisis happened. Due to the financial crisis, NCLT was unable to sell the units to repay the construction loans, and, because the project was originally funded as a homeownership development, NCLT was not allowed to lease the units, per the requirements of their construction lender. Prevented by the markets from selling units and by the construction funding from leasing, NCLT had to enter foreclosure on the property.

Ownership Structure: NCLT no longer owns this property. Was lost in foreclosure and bankruptcy. Project was structured to be condominiums with a 99-year Land Lease with NCLT.
Units: 11 live / work units, 2 commercial units
Size: 1-4 bedrooms
Affordability: 80% AMI
Acquisition Cost: $1,020,500 ($950,000 purchase price, $70,000 in transaction costs, $25,000 predevelopment costs)
Renovation Cost:$4,500,000
Total Development Cost: $5,500,000
Cost per Residential Unit: $420,000
Finance Sources: $625,000 in form of Interest only Seller loan with three-year term (bridge financing), NCCLF Loan for $425,000 and a construction Loan from a consortium of Lenders including NCCLF, Community Bank of the Bay and Mechanics Bank for $4,500,000
Timeline: 2005-2011

Benefits:
- The project would have provided live / work space for artists in Oakland.

Challenges:
- Financial Crisis lead to issues with finding buyers who could secure loans.
- Lenders on the project had different expectations on the project.
- Lack of funding from sales to pay of construction lender.

Lessons Learned:
- Be more assertive with construction contractors that are taking their time in the development process (let go of bad contractor at month two instead of month nine for example)
- Secure alternative construction take-out funds in advance of construction in the event that end purchaser financing is no longer available – eg frozen financing markets prevented any of the pre-qualified buyers from closing sales.

Small Site Acquisition Flow Chart

Action Step	Identify Property	Pre-Offer Research	Project Committee	Board of Directors	Purchase Offer	Ratified Contract	Loan Applications	3% Deposit	Inspection Cont	Appraisal Cont	Finance Cont	Close of Escrow
Time/Days	Day 1		Day 14	Day 15-20	ASAP	+1 to 14 days	Day 5	Day 10	Day 10	Day 30	Day 60	Day 75-90
Details	Property is at risk of sale or eviction	Research and Prepare Summary for Project Committee	Review and Recommend Board Action	Special Meeting of the Board	Work with Realtor to write Purchase Offer including Letter of Interest and Cover Letter.	$1,000 deposit to open escrow (refundable)	Submit Mortgage Application ($800) and SSP Application to MOHCD	Remaining 3% deposited when you remove the inspection Contingency	$1,200 Pest & Phys. $3,000 CNA by AND $800 Engineer/Lead		Remove Contingency only after receipt of loan approval from all lenders/sources	Secure Property Insurance before COE Sign loan docs 14 days before COE (MOHCD needs 2 weeks)
Social Assessment	Outreach to tenants (if they haven't already called)	Meet with Residents (Intro to CLT/Co-ops) Ask for their approval for SFCLT to make an offer on the property (Resident buy in)	Ask residents to let us know when they receive 24-hour notice to enter (sign of showing to buyers)	Present Brief Project Summary with Project Committee Recommendation.	Inform the residents that we've made an offer.	Inform the residents that we are in a legally binding contract with deadlines and need their participation.	Disclosures Tenant communication	Disclosures Tenant communication	Disclosures Tenant communication	Disclosures Tenant communication	Tenant communication	Tenant communication
Financial Assessment	MLS / Property research to determine market value range; run preliminary numbers; SSP eligible?	Determine Rent and Income levels (CDBG forms during Intro workshop)	Request Letter of Interest from CDFI/Lender		Appraisal Cont. 30 days Finance Cont. 60 days Close of Escrow 90 days	Disclosures Complete SSP Financials & Application	Disclosures Lender orders Appraisal	Disclosures	Send reports to Lenders Update Financials as necessary	Send reports to Lenders Update Financials as necessary	Send reports to Lenders Update Financials as necessary	
Physical Assessment	Visual assessment	Ask residents about leaks, mold, etc. On-site workshop will give entry to at least 1 unit. Check DBI online database for permit & complaint history			Disclosure Packet	Disclosures	Disclosures	Disclosures	Update the costs of renovation work (health & safety, foundation, roof, etc.)	Update the CNA and 20-year ProForma	Finalize the Budget, ProForma and CNA scope of work	
Risk/Cost	1 hour staff time	4 hours staff time	2 hours staff time	2 hours staff time	3 hours staff time	$1,000 deposit (refundable)	$800 Application fee $3,000 Appraisal fee (refundable through escrow) 8 hours staff	$40,000 deposit (refundable) 8 hrs/week staff	$5,000 inspection costs (refundable through escrow) 8 hrs/week staff	8 hrs/week staff	Once this contingency is removed, $41,000 is no longer refundable unless the Seller fails to perform. 8 hrs/week staff	$41,000 Deposit is returned after 110% financing is disbursed. 8 hrs/week staff
Decision	Staff decides whether to proceed or refer tenants to other organization (THC, Eviction Defence Attorney)	Staff decides whether to take it to Project Committee or not.	Recommendation for Board approval to move forward (or not)	Board Resolution to empower OD to enter into a purchase contract not to exceed $...price.				Remove Contingency, Request Extension or Cancel Escrow	Remove Contingency, Request Extension or Cancel Escrow	Remove Contingency, Request Extension or Cancel Escrow	Remove Contingency, Request Extension or Cancel Escrow	Close Escrow or Request Extension as necessary