Key to owning your home in Tenderloin

COMMUNITY LAND TRUST

Geoff Link

Most Tenderloin residents seem to have about as much chance of owning a home as winning the lottery. But that doesn't stop them from dreaming about it.

Affordable homeownership is among the hottest topics in the city and there is an alphabet soup of ways to achieve it: HOT, HOPE, TIC.

But a mouthful of a plan – community land trust – was presented at the TAC (Tenant Associations Coalition) meeting on Aug. 1. It was the Community Land Trust Collaborative's premiere presentation, and the organization's Tom Wetzel did the honors. Wetzel told the dozen TAC members how a land trust works and how a trust can even turn people on a fixed income like SSI into homeowners.

"A community land trust provides affordable homeownership opportunities to tenants," Wetzel said, "and long-term housing affordability for the neighborhood."

The way it would work with a functioning apartment building, Wetzel explained, is that a nonprofit corporation, a community land trust, would be formed and it would purchase the land; the tenants would buy the building. This reduces the tenants' share of the property typically to two-thirds of the total purchase price. But in San Francisco, where land is more valuable than elsewhere, Wetzel said, the land is generally 40% of the total. On a $1 million property, the land would be worth only $600,000, which, surprisingly, suggests a community land trust in San Francisco would be more affordable for the tenants than in a less expensive city.

This enables tenants, collectively, to become homeowners for the price of their rent, Wetzel said. The amount that all of the tenants in the building pay for rent usually is enough to guarantee the mortgage payment – thus securing the bank loan.

But what about people in the Tenderloin? People who are on a fixed income – say, $685 or so a month on SSI? Could someone with that little money qualify for a bank loan to buy a home?

Not alone, for sure. But with the other tenants in their building they might qualify for a mortgage, Wetzel said.

The toughest part of the whole deal, Wetzel said, is finding a revenue source, such as the city or a private foundation, to enable the trust to buy the land. The tenants' reliability guarantees the bank loan. Together, the trust and the tenants form a co-op, but one in which the new homeowners do not get full market value in the event they want to sell their unit.

This limited-equity co-op ownership model, NOMPC member Susan Bryan reminded, was used successfully by the ILWU back in the early Sixties in the Fillmore District with the huge St. Francis Square apartment complex at Geary and Webster. And Wetzel mentioned Project Artaud, which converted in the 1970s.

Wetzel said there also is a limited-equity condo form of community land trust, but that requires the owner of each unit to carry a separate mortgage, so his presentation focused on the co-op concept.

The trust's governing body, Wetzel said, is composed of the owners of the units in the building and anybody else in the neighborhood who wants to join. The homeowners get one-third of the seats on the governing body, with the majority of the seats open to others in the neighborhood. This ensures long-term affordable housing Wetzel said, — the neighbors will make certain of that. But the residents – who have a minority voice in neighborhood issues involving the trust – have majority control of the building that they own collectively, each owner is in control of his, her or their individual unit.

The tenants, now homeowners, get tax benefits and accrue a limited amount of equity, which gives them a taste of property appreciation. They also have a home to pass along to their heirs.

Limited-equity, Wetzel explained, means that owners can't sell their units on the open market for full value. "The trust has the first option," he said, "and the seller gets only a percentage of the sales price plus equity."

"My concern," interjected NOMPC President Garrett Jenkins, "is that there are property costs that are passed along to the tenants." But no one could think of any except property tax, which all homeowners pay but can be taken as a deduction on their income tax, a benefit of owning your home.

"But I'm on a fixed income," said Marvis Phillips. "I can't afford it."

But maybe he could, Wetzel said. As long as he could afford the rent, his mortgage payment would be covered. "Even Section 8 certificates can be used to buy a land trust building," Wetzel said.

With health care, rent subsidy and other benefits to people on SSI, said TAC President Michael Nulty, "your income is worth more than you think it is."

"I'm also thinking of people on medical copayments," Phillips said. "Those go up each year."

"There's a good chance that with a trust you can get a rent subsidy," Jenkins said.

"What's the bad part?" J.R. Manuel wanted to know.

"Getting the funding stream to buy the land," Wetzel replied.

As the presentation went on, audience enthusiasm for the concept grew.

"The No. 1 thing is getting the community organized," said Manuel. "The local area to be affected must create a mechanism to get people to accept homeownership and show why it's good."

Wetzel said the Sierra Hotel in the Mission is being reopened as a land trust. And Marc Saloman said Supervisor Daly "wants to float a $250 million city tax bond to create a land trust."

Jenkins said, "I move TAC endorse the Community Trust Collaborative's efforts to create more affordable housing in San Francisco."

The motion passed unanimously. ■

Buy a home for $350 a month – it can be done, expert says

It is possible for fixed-income tenants to become homeowners in San Francisco through community land trusts, Michael Kyono, an agent with Starboard Commercial Real Estate, confirmed.

Kyono, who has been working with nonprofits in search of affordable office space, said, for example, that a $2 million apartment building – which could contain 30-plus, 600-square-foot units – might be doable for tenants pooling their resources.

The building would be worth about $1.2 million, requiring a $14,000-$16,000 mortgage payment. For $450 a month, these tenants could buy their buildings, Kyono said.

"If the building had more units, was not in the best shape or the location was less desirable, it could be even cheaper and affordable for people paying $350 a month," he added. "The bigest hurdle is finding an owner willing to sell such a significant investment property ."

—Geoff Link

How Daly kept his word – and TICS got controlled

Stan Hutton

He needed help from his District 1 counterpart Jake McGoldrick, but Supervisor Chris Daly made good on his campaign promise to put an end to the unregulated conversion of rental units to TIC (tenancy-in-common) units.

In February, Daly proposed an ordinance to bring TICs under the 200-a-year condo-conversion limit – which would have been a de facto ban on TIC conversions. Most observers saw the measure as a repeat of former Supe Sue Bierman's failed attempt last year to stop TICs and much like Proposition N, a ballot initiative rejected by 54% of voters in November 2000.

The TIC concept is simple. Buyers pool their resources to purchase a building. An agreement is drawn up assigning exclusive rights of occupancy to particular units. A single mortgage is obtained, and each of the TIC owners pays their share of the mortgage each month.

Condominium conversions, on the other hand, require that a building be subdivided into separate property units, each with its own sole owner and mortgage.

Daly's ordinance was referred to the Housing, Transportation and Land Use Committee chaired by McGoldrick, but McGoldrick failed to schedule a hearing on the issue. On May 14, a frustrated Daly, taking advantage of Board of Supervisors' rules, called the ordinance out of committee.

Daly's action apparently prompted McGoldrick to take some action of his own. Over the next few weeks, he crafted a compromise ordinance that would effectively ban TICs in 3-6-unit buildings but allow 200 additional condo conversions each year, albeit with severe restrictions on eligible units.

Daly's and McGoldrick's ordinances were both considered in a single committee hearing that stretched into the evening hours to hear testimony from tenants who had been evicted to make room for TIC owners and tenants who wished to become TIC owners themselves.

In the end, McGoldrick's ordinance won the day as committee members McGoldrick and District 3 Supe Aaron Peskin voted to recommend the measure to the full board. Daly, although voting against the compromise legislation in committee, gave his tacit support by asking to be named co-sponsor when the ordinance was presented to the board in early June.

A few weeks later, the Board of Supervisors fine-tuned the ordinance, then passed the measure on an 8-3 vote. (Supes Gavin Newsom, Tony Hall and Leland Yee voted nay.)

Mayor Brown vetoed the legislation, but the eight supes who supported the measure held firm to override the mayor.

Tenant activists believe the new ordinance will slow evictions under the Ellis Act, a state law in which property owners are allowed to evict tenants when taking their property off the rental market and which are widely thought to be motivated by TIC conversions.

Ellis Act evictions began climbing in 1998-99 following passage of Proposition M, a ballot initiative limiting owner move-in evictions to one per building. Evictions under the Ellis Act reached a peak of 879 units in 1999-2000, but last year plunged to 281.

One result is assured: Condo conversions will soar in the next 2 ½ years. McGoldrick's ordinance grandfathers in TIC units in existence before July 15, 2001, allowing owners to bypass the annual condo conversion lottery and apply for condo status during a two-year period beginning February 2002. No one knows how many TIC units will qualify under this clause; estimates range from 2,000 to 5,000 units.

And what about those additional 200 new TIC units that will be allowed to convert to condos each year because the TIC owners specify who will live in the building?

Those wishing to take advantage of this new allowance of condos will face a bewildering set of requirements and restrictions, from ownership tenure to the required number of purchasing tenants. There are owner-income requirements and the resale price of the units will be restricted for the next 50 years.

Buildings that meet the requirements will be entered into a lottery. Up to 200 units each year will be drawn from this pool and will be eligible to begin the property subdivision steps that lead to condominium status.

continued on page 6