Structure Overviews

- Investment property/rental scenario
  - Each investor - unique set of motivations/investment criteria
    - Neighbor, straight investor, exchange buyer, etc.

- Lease/purchase option

- Shared equity/TIC structure
  - 3 types, corresponding purpose
Structure Analysis

- Pros/cons of each structure
  - Investor standpoint
  - Occupant standpoint

- Returns/volatility
  - Investor standpoint
  - Occupant standpoint
TIC Agreement

- Need to think in terms of what is possible not what is probable

- Comments/concerns with agreement provided
  - Termination/exit
    - Net loss
    - Market value deterioration
    - Buyout/exit pecking order (first dollars out, etc.)
  - Changes suggested
Final Recommended Structure

- TIC/Shared equity agreement for security instrument
- Additional security – both parties on loan, investor co-signer
  - Needed for qualifying purposes
  - More favorable terms
  - Satisfies lender requirements, no attempt to defraud
- Investor 30% equity assumption, 5%+ occupant liquidity at close
- Preliminary mutual due-diligence screening period investor/occupant
Recommendations
Recommendations

- Shared equity agreements
- Establish SCN as 501(c)3 non-profit corporation
- Increase dues in neighborhood to pay for organizational and marketing costs
  - Transaction costs to be paid by buyer
Recommendations

- Target SDSU faculty and staff
  - Increase awareness of neighborhood
  - Market through Provost, word of mouth
  - Pamphlet w/ map
  - Professional website

- Recruit CVE residents to invest
  - Highlight benefits, expected returns and value to neighborhood
    - CVE newsletter
    - Monthly meetings
    - Word of mouth
Challenges and Hurdles

- Establishing relationships with co-investors
- Timing
  - Home selection / investor commitment
- Incentive for potential buyers to purchase in CVE and/or use SCN partnership
  - Large renovations / homes priced over $600K
- Investor buyout in flat or deteriorating market
- Increased SDSU enrollment without enough student housing
Questions