



Donating Property to SFCLT – What are my options?

One of the most incredible things you can do with your home is to use that asset to help create more affordable housing for other San Francisco community members. There are a range of options for homeowners who are thinking about donating property, outlined below. **PLEASE SEEK INDEPENDENT LEGAL AND TAX ADVICE BEFORE MAKING ANY DONATION.** This is a brief summary, and doesn't cover all the potential benefits and/or consequences of these options.

- I. **Outright Donation of Property:** *Owner donates an empty home to the Land Trust, which can then be used for affordable housing immediately.*

When you donate a piece of property outright to the Land Trust, there are real benefits – aside from knowing that you are making an amazing gift to the community. Owners who donate their property outright are typically entitled to an income tax deduction equal to the property's fair market value. In addition, donors avoid capital gains taxes they would have paid in a traditional sale.

- II. **Donate Today, But Stay!:** *Owner transfers property to the Land Trust, but remains living there for an agreed upon period of time/ for the rest of their life.*

A good option for owners with large homes who might welcome some other residents into that space, but who want to be sure they have a place to live for either the short or long term future. A lifetime lease at an agreed upon rate to the donating owner is one arrangement that can allow owners to gift their property to the Land Trust right away, but also ensure they have a home as well.

- III. **Donate Your Home In the Future:** *Owner transfers property to the Land Trust at some future time or upon some future event (often upon the passing of the owner).*

Many owners consider their estate plan the best place to set up a gift to the Land Trust – so that their property can be used for affordable housing after they pass (or move into another home). Transferring your property through your estate allows you and/or your heirs to avoid paying any estate tax on that property. While the impact is less immediate, this kind of planning for the future is essential to the Land Trust's long-term goal of removing as many units from the private, speculative market as possible.

- IV. **Sell Your Home at a Discount:** *Owner sells to the property to the Land Trust at a below market rate price, either now or in the future.*

For some owners, donating a property outright doesn't meet their financial goals and they need to achieve some value in the sale. Selling your home at below market rate is an especially important tool because it allows you the owner to retain some value without contributing to the speculative real estate market. Also, selling a building at below market rate to a non-profit may allow the owner

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to claim a charitable tax deduction for the remainder of the value. So essentially, the owner retains the full value of the building without allowing for speculation and artificial inflation to play a role in the sale.

- V. **Utilizing Your Home's Equity:** *Owner donates some of the equity in their home to the Land Trust, or lends the Land Trust money at a below market rate by securing a line of credit against their home.*

In the real estate game, it's all about your capital – homeowners can do a great service to the Land Trust by helping leverage the value you have saved in your home (your “equity”). The most common ways this is done is by either donating a portion of your earned equity outright to the Land Trust – or by lending the Land Trust money acquired via a homeowners line of credit to create more affordable housing at a below market interest rate.

As you think about these different ways you might use your home to help ease the affordable housing crises, there are some common factors homeowners consider when evaluating what type of contribution or gift to make.

IMPACT ON YOUR FAMILY → In addition to speaking with a lawyer and accountant, owners considering these gifts should also talk to their children or heirs so that the family can all be on board with the ultimate disposition of that asset as a donated property or sale below market rate.

LEGAL & TAX CONSEQUENCES → Once you've made a decision what you want to do with your home – TALK TO A LAWYER. The Land Trust can provide referrals to independent real estate counsel who can help you make the best decision for your family.

WHAT YOUR MORTGAGE ALLOWS → If there is a mortgage on any of your properties, contact the mortgage company before you start the transfer. You may need permission to add your living trust as a responsible party on the mortgage.

TITLE & INSURANCE ISSUES → Both your title insurance and homeowners insurance policies may have some restrictions or in some other way inform your options to donate your home. Be in touch with these entities as well as you consider your options.

Sample Language for Wills or Trusts

Again, the Land Trust STRONGLY encourages you to work with a lawyer anytime you are making changes or creating a will or estate. Should you decide to craft your own or are curious what the gifting language might look like, a short sample is below:

"I, _____ (*your name*) , give the real property described on the deed as _____ (*exact description of the property as it reads on the deed*), to the San
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Francisco Community Land Trust (<http://www.sfclt.org/>), for the benefit of the San Francisco Community Land Trust, to further the purposes and objectives of the Land Trust in providing affordable housing to low-income San Francisco residents.”

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