

Converting Tenancies-In-Common (TICs) to Condos Is Painful; Refinancing Can Be Easy

Converting a TIC property into condominiums in San Francisco is not a “slam dunk.” Many owners must endure a complex process and are eligible only after they have met certain requirements, such as having a specific ratio of owners to tenants, a “clean” eviction record, and a certain number of years they have lived at the property. A sample of the conversion regulations can be seen below:

- 2-unit properties can convert if each unit has been owner-occupied for the past 12 months by separate individuals. Each individual must own at least a 25% stake in the property.
- 2-4-unit properties can qualify for conversion through three scenarios:
 - After the annual conversion lottery returns beginning in 2024.
 - Through the Expedited Conversion Program (ECP), wherein buildings owned as TICs as of April 15, 2013 can convert between 2013 and 2020 (Note: ECP applications are not being taken currently due to legal challenges of some provisions).
 - 2-unit properties can convert as stated in the first bullet point.
- 5-6-unit buildings are eligible for ECP (when it resumes), but will not be eligible for the conversion lottery when it restarts in 2024. Translation: 5-6-unit buildings that are not already TICs as of April 2013 cannot be converted into condominiums.
- Buildings with more than 6 units cannot convert under any circumstances in the current regulatory scheme.

Despite the complex process and regulations, converting to condo ownership has its rewards.

Buyers are generally more attracted to condos than they are to TICs. Additionally, owners may be able to apply the equity in their TIC to their condo loan, which may assist in providing better rates and terms for a condo loan. Condo loans generally have lower interest rates than TIC loans, so those going through the TIC-to-condo conversion process may end up paying less interest.

Bank of San Francisco specializes in financing TIC-to-condo conversions and has helped many clients complete the refinancing process. To learn more, contact Bank of San Francisco’s SVP, residential lending relationship manager Samuel M. Clonmell (NMLS ID: 742089) at samuel.clonmell@bankofsf.com.