

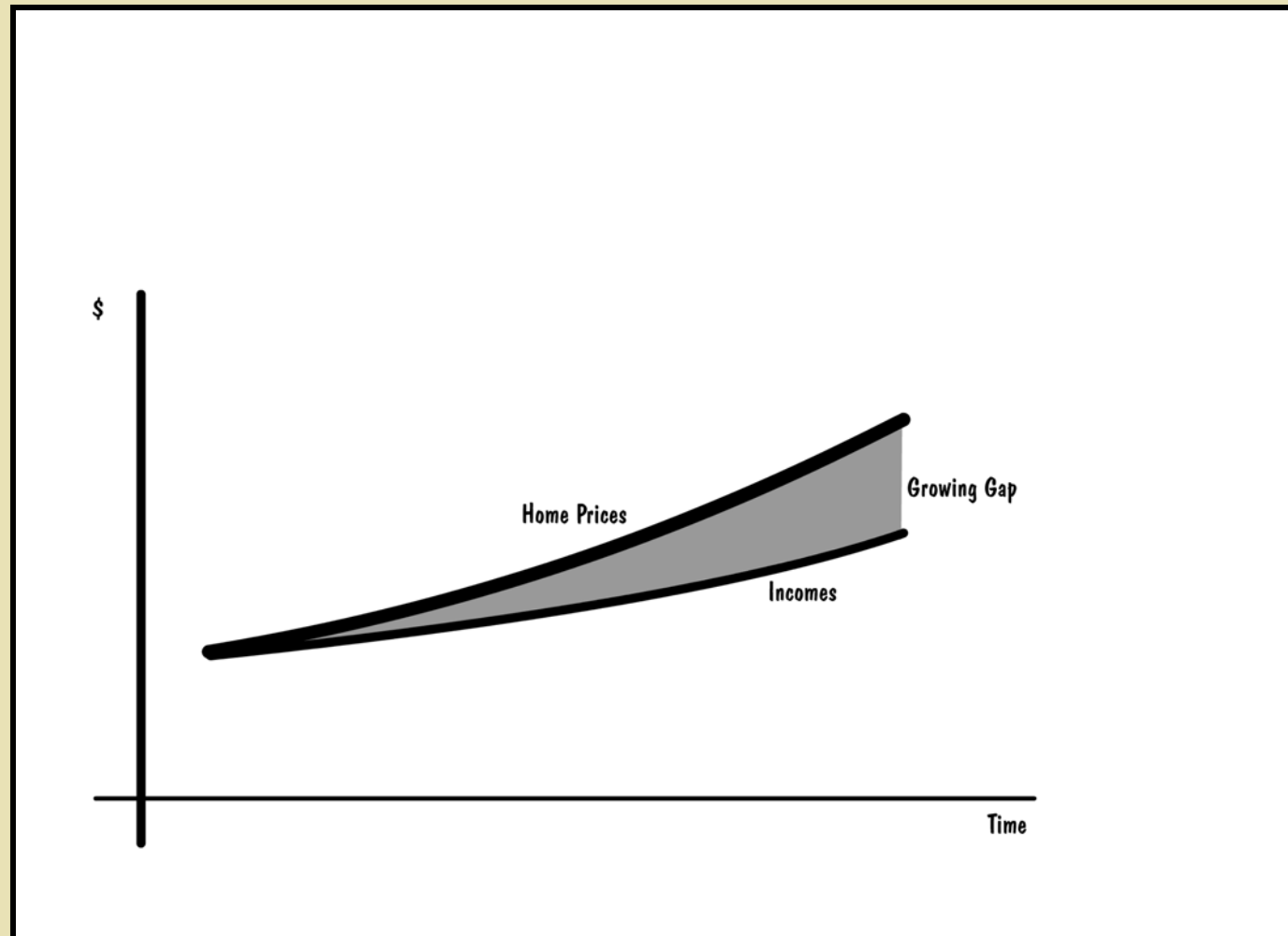


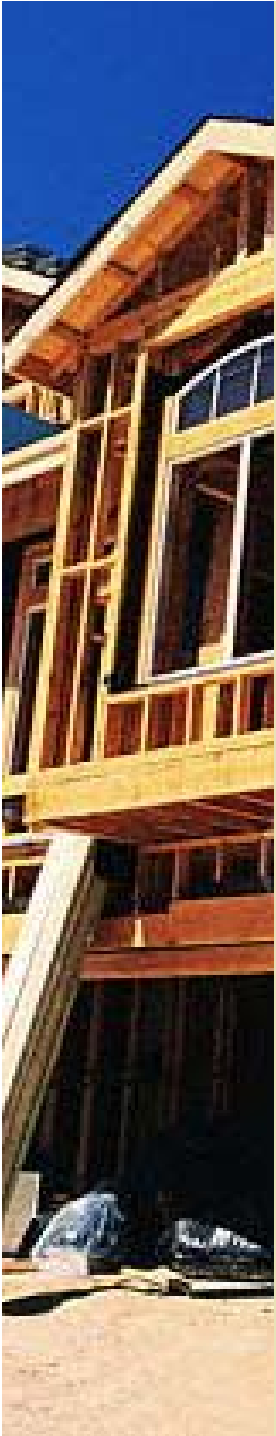
# What is a Community Land Trust?



# The Problem

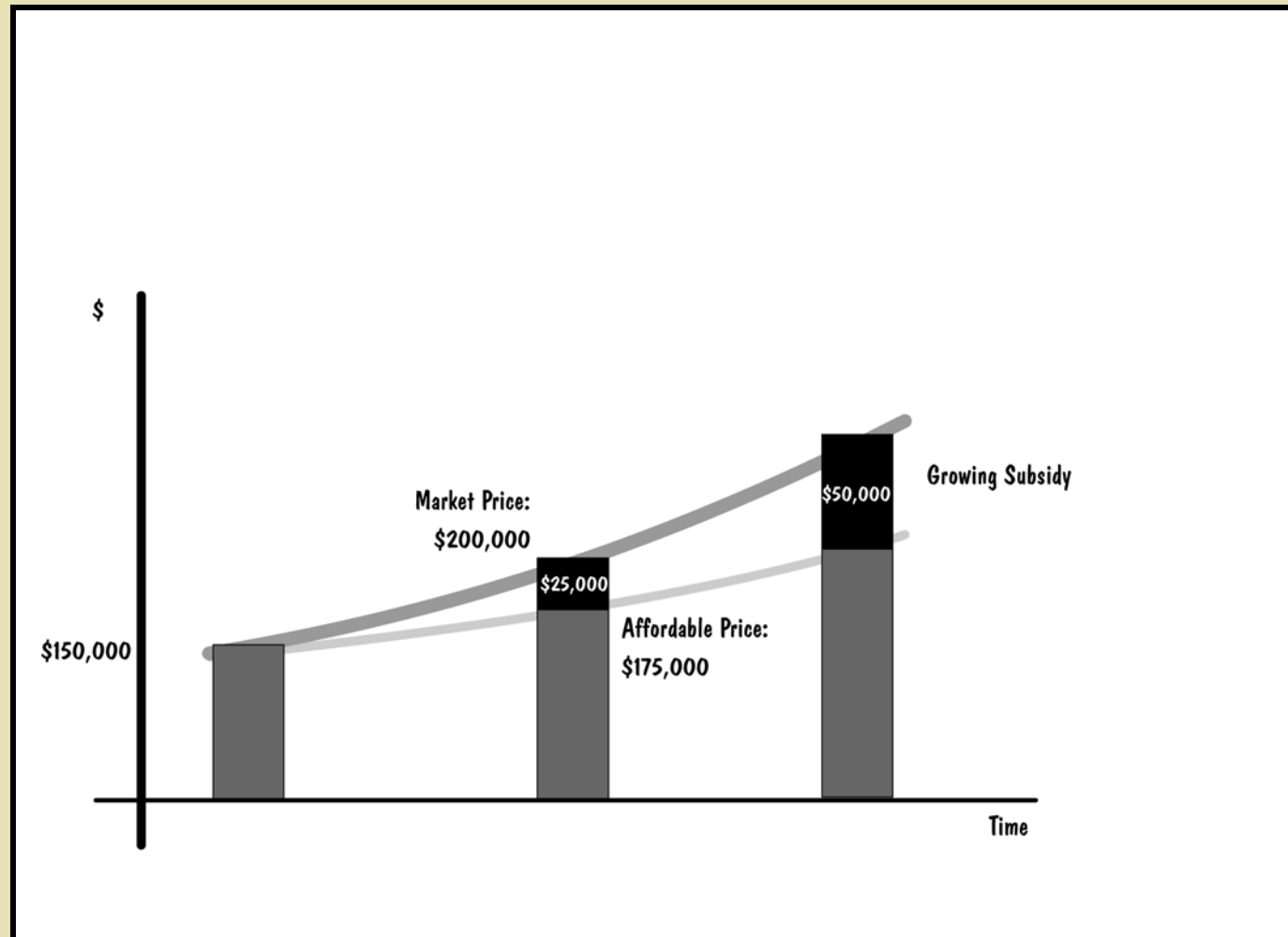
## *Growing Affordability Gap*

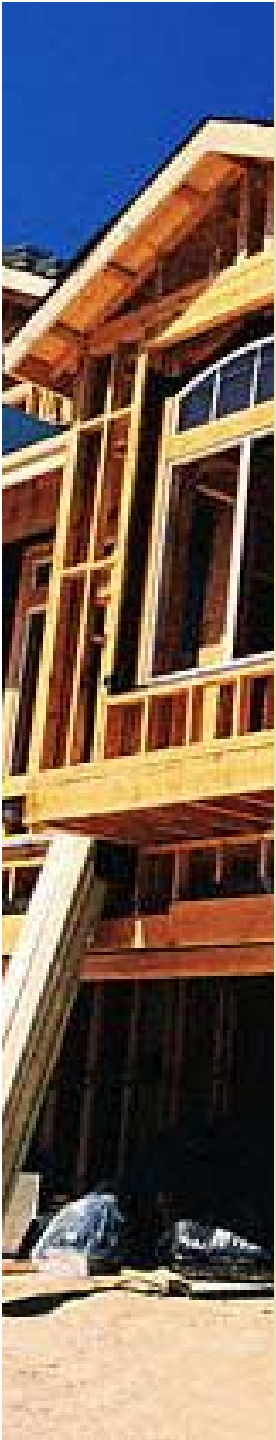




# Increasing Subsidy

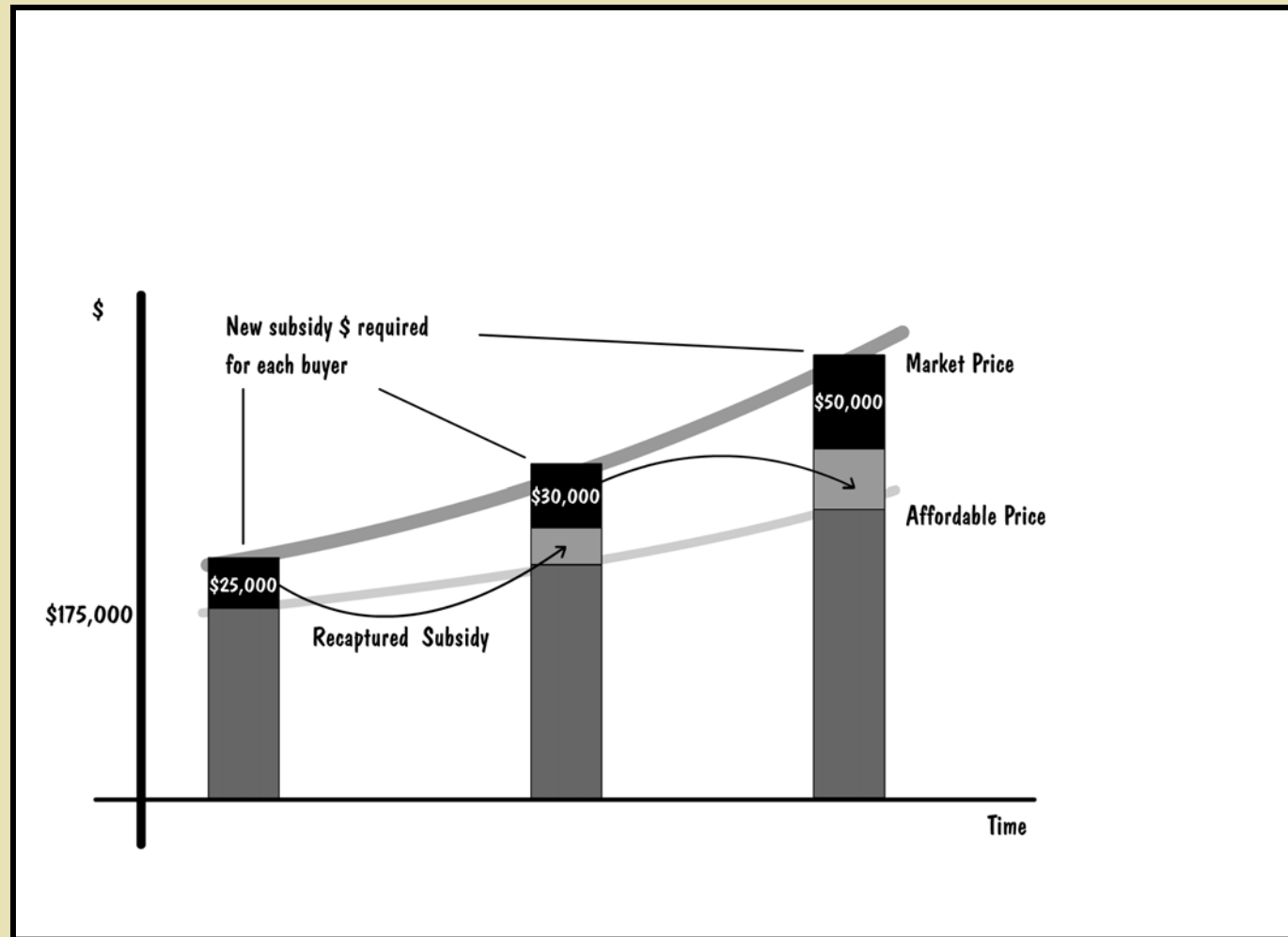
*More Subsidy Required With Each Sale*

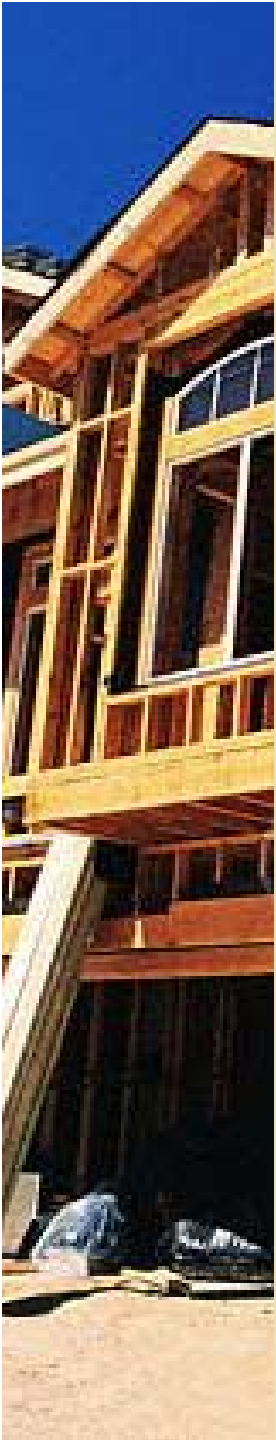




# Subsidy Recapture

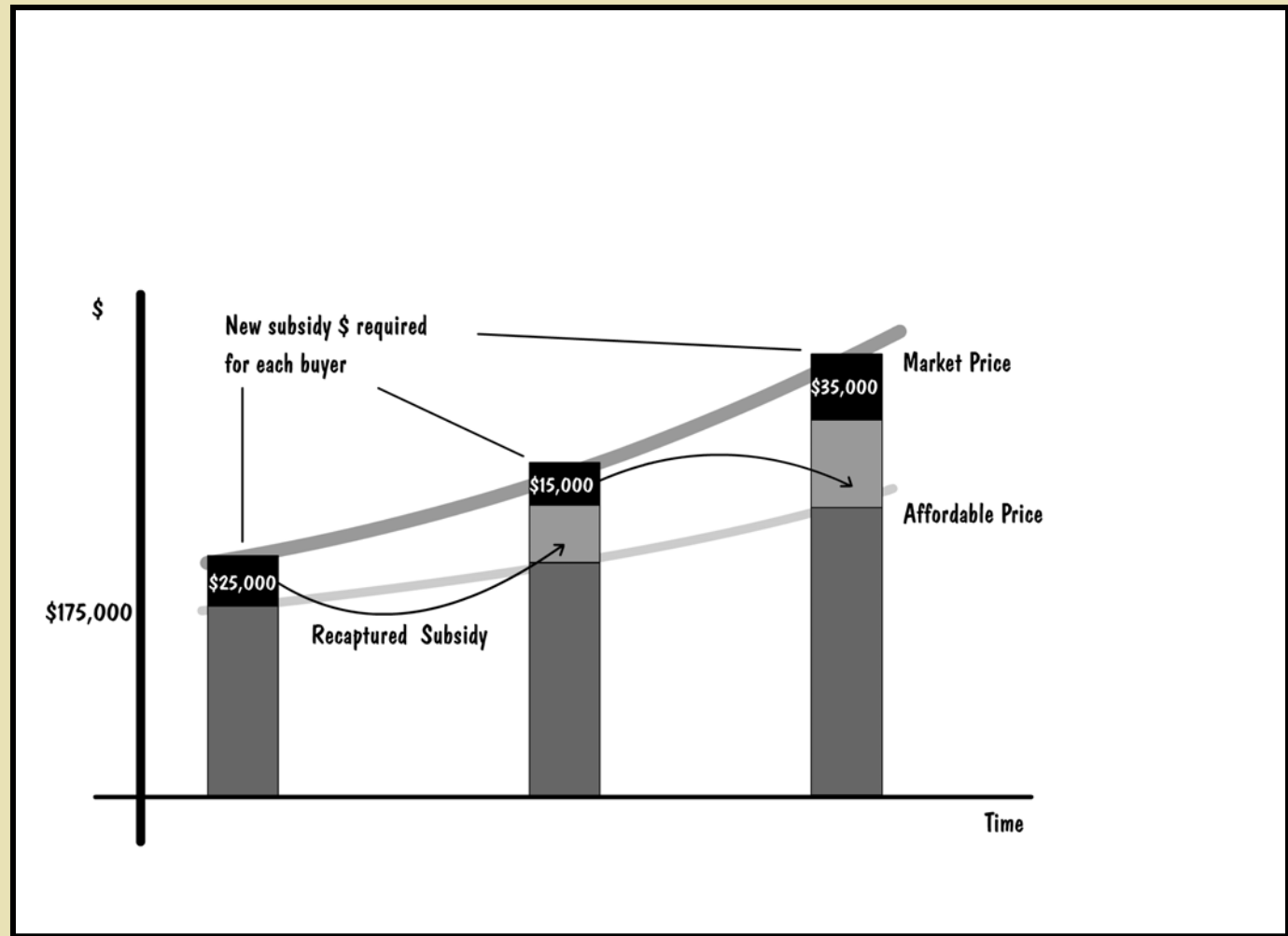
*New Subsidy Required Even If Funds Recaptured*

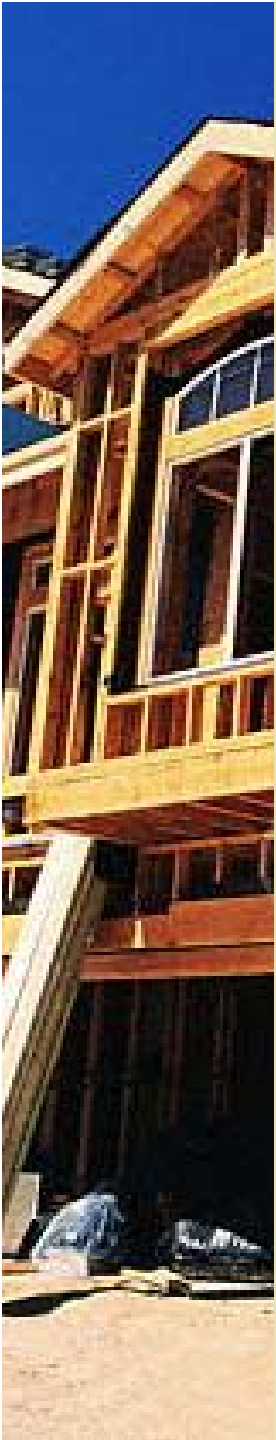




# Shared Appreciation

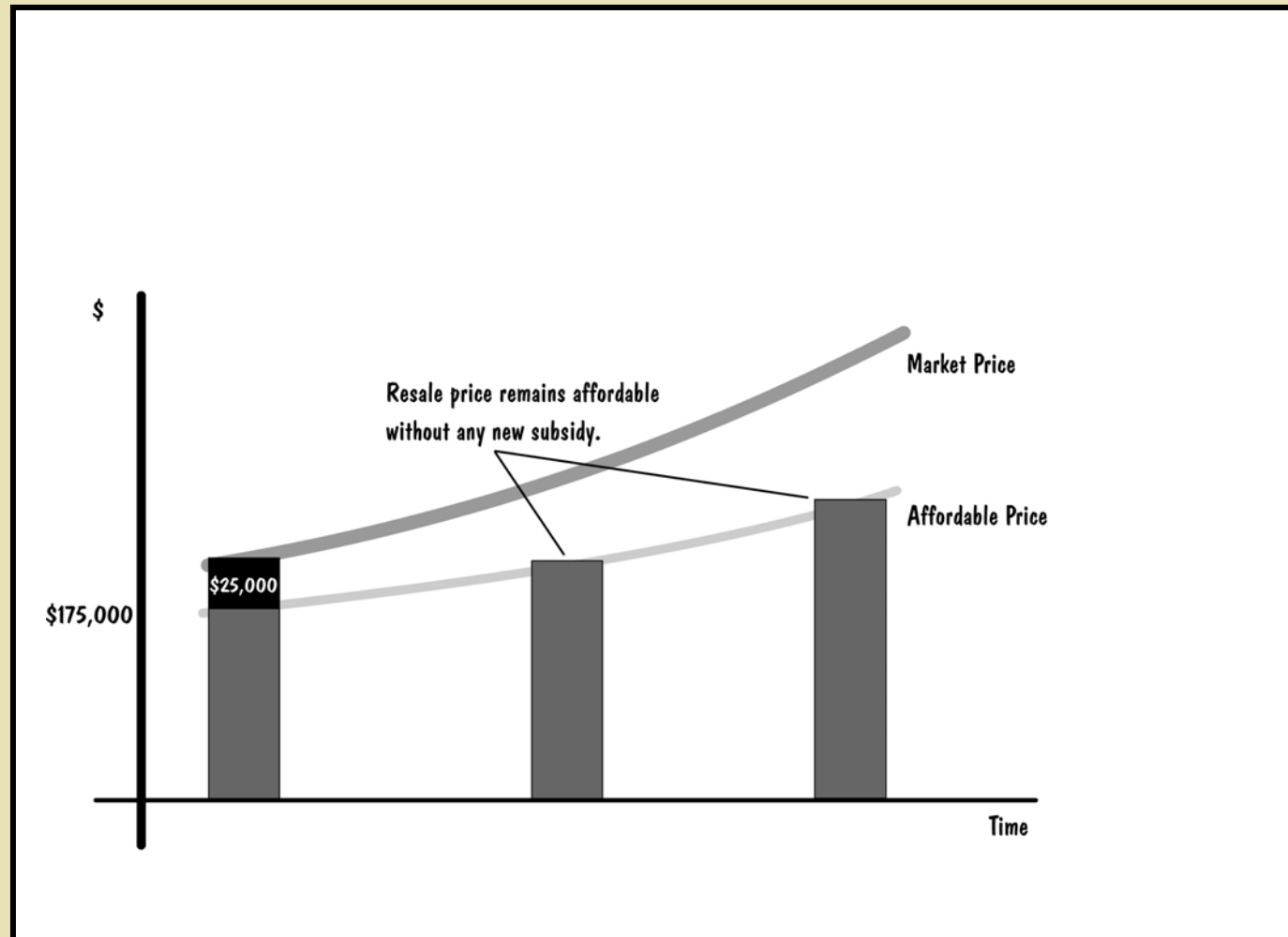
*Increasing Subsidy May Still Be Necessary*





# Permanent Affordability

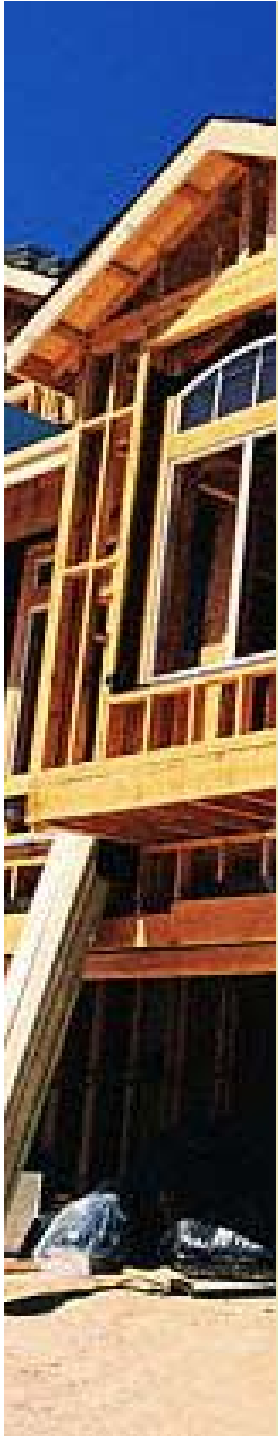
*One Time Subsidy Keeps Homes Affordable*



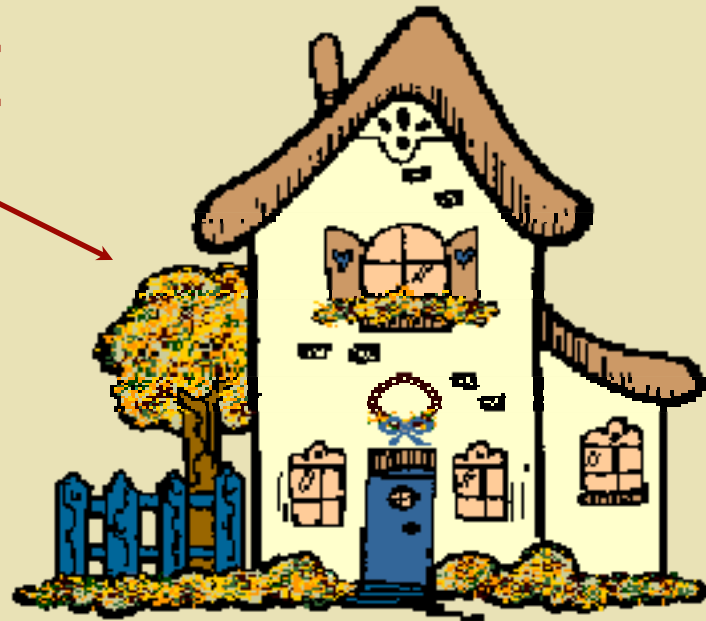


# Community Land Trusts

- ◆ Acquire land through donation or purchase
  - ◆ removing land from the market
  - ◆ placing long-term control of land in hands of local community
  - ◆ allowing community to control use, disposition and affordability of buildings located on CLT-owned land



HOME



LAND

---

CLT Separates Ownership of Land From Home

Land Trust retains ownership of land  
Homebuyer buys - and owns - the home  
Land Trust leases land to homeowner



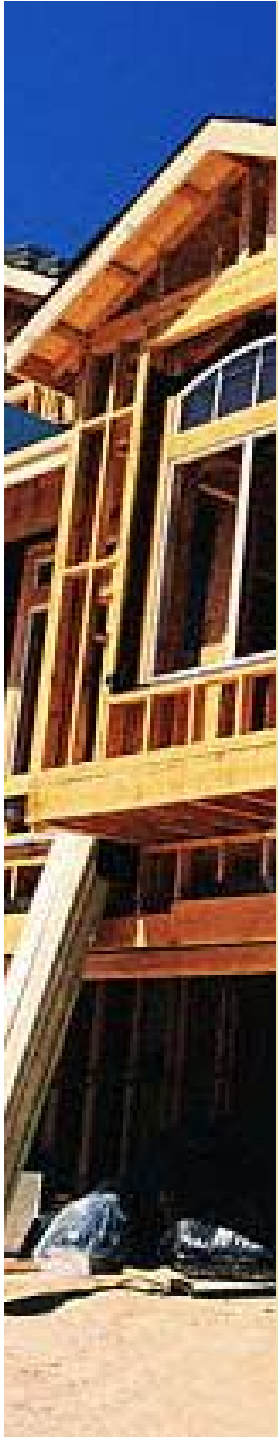
# Objectives

- ◆ Preserve Affordability for Future Residents
- ◆ Promote Homeownership for Low-Income Households
- ◆ Protect Housing Security for First-time Homebuyers
- ◆ Retain the Value of Scarce Public Subsidies
- ◆ Provide Safety Net for Residents



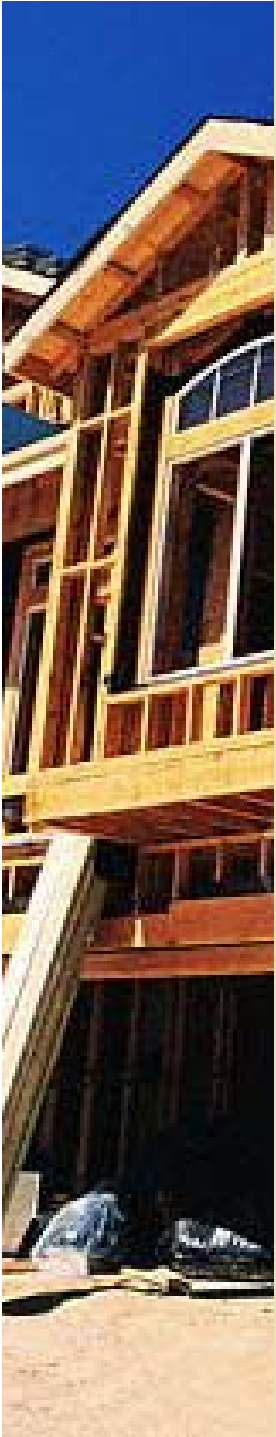
# Development Type

- ◆ Limited Equity Houses
  - Stand alone, Duets, etc.
- ◆ Limited Equity Condominiums
- ◆ Limited Equity Cooperatives
- ◆ Mobile Home Parks
- ◆ Lease-to-purchase
- ◆ Rental Housing
- ◆ Non-residential Properties



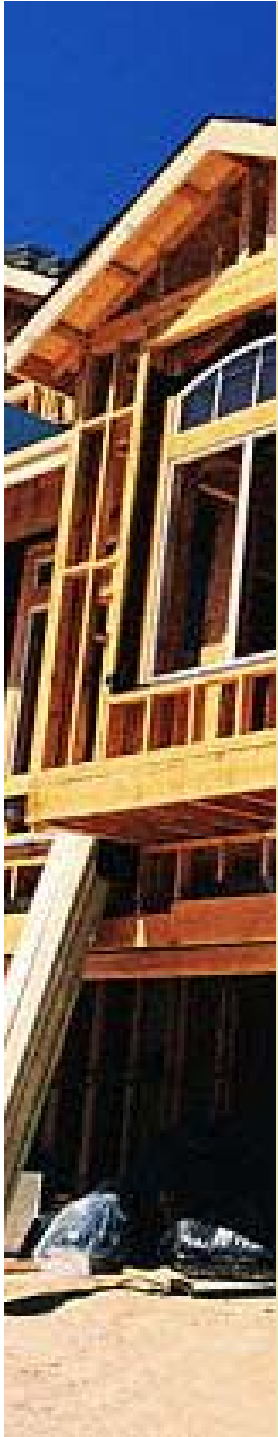
# Development Strategies

- ◆ CLT Initiated Development
- ◆ Municipally Initiated Projects
- ◆ Developer Initiated Projects
  - Inclusionary Housing
- ◆ Partnerships
- ◆ Buyer Initiated Acquisition



## How does a Community Land Trust work for single-family homeownership?

- ◆ Subsidy is used to remove or reduce land cost from the home purchase price
- ◆ CLT owns and holds title to the land forever
- ◆ CLT conveys use of lot to qualified homebuyer via a 99-year, renewable, inheritable ground lease
- ◆ Homeowner owns home and all improvements
- ◆ Ground lease (to land) and Deed (to home) are recorded in land records.



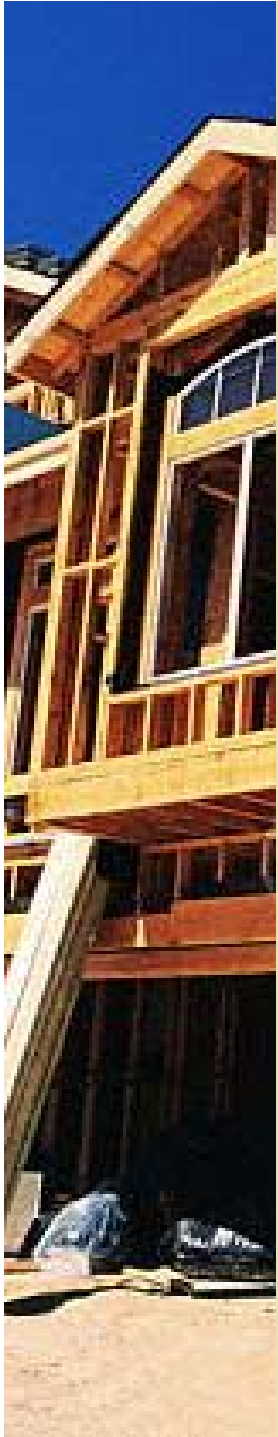
## How does the CLT keep for-sale housing permanently affordable?

- ◆ CLT asks homeowners to share with future homeowners the affordability that was created for them
- ◆ In order to keep homes permanently affordable, homeowners agree to limit the price at which they can sell their homes
- ◆ The benefit of public and private subsidies are preserved for future generations



## How does a Community Land Trust work for rental housing?

- ◆ Subsidy is used to remove or reduce land cost from total development cost
- ◆ CLT owns and holds title to the land forever
- ◆ CLT conveys use of land to building's owner via a long-term master lease
- ◆ Unit rents are lower due to reduced debt service for project



## How does the CLT keep rental housing permanently affordable?

- ◆ CLT is “silent partner”, as long as owner/landlord keeps rents affordable, in accordance with master lease
- ◆ CLT, as lessor, can prevent owner from raising rents to unaffordable level, converting to condo, etc.
- ◆ The benefit of public and private subsidies are preserved for future generations



# CLT Ground Leases

- ◆ Balance lessee and community interests
- ◆ Long terms; often 99 years
- ◆ Model lease for homeownership
  - Institute for Community Economics
- ◆ Tried and true approach nationally



# CLT Ground Leases

- ◆ Protecting the homeowner's interests:
  - Security, privacy, equity, legacy
  - Reasonable rate of return on investment
- ◆ Protecting the CLT's interests:
  - Resale restriction to protect affordability
  - Incentives for lessee to maintain, improve



# Financing CLT Homes

- ◆ No magic answers – can't just 'take the land out of the equation'
- ◆ CLT does not reduce the need for initial subsidy – it protects it over time.
- ◆ Subsidy sources:
  - HOME/CDBG
  - Redevelopment
  - Housing Trust Funds
  - Inclusionary Housing



# CLT Roles

- ◆ Project Identification
- ◆ Land Acquisition
- ◆ Securing Project Subsidies
- ◆ Project Development
- ◆ Homebuyer Outreach/education/screening
- ◆ Homebuyer Financing
- ◆ Lease Administration
- ◆ Ongoing Monitoring



# CLT Stewardship

- ◆ Monitoring
  - Insurance, occupancy, maintenance, etc.
- ◆ Resale Administration
  - Receive notification
  - Calculate resale price
  - Identify eligible buyer – from waitlist(?)
  - Manage transfer – issue new lease
  - Conflict resolution, when necessary



# Protecting the Public Interest

- ◆ City loans funds to CLT to buy land/subsidize units
  - Or facilitates donation of land
- ◆ Regulatory Agreement requires CLT performance
  - Protection of affordability
  - Support in finding eligible buyers
  - Monitoring, reporting, etc.
- ◆ City retains option to purchase land (with lease in place)



# Advantage for Local Governments

- ◆ Creation of *permanent* stock of affordable housing
- ◆ Greatly reduced administrative responsibility for local government
- ◆ Improved homebuyer education
- ◆ Stronger enforcement mechanism
- ◆ Community involvement in potentially contentious policy decisions



# CLT vs. Deed Restriction

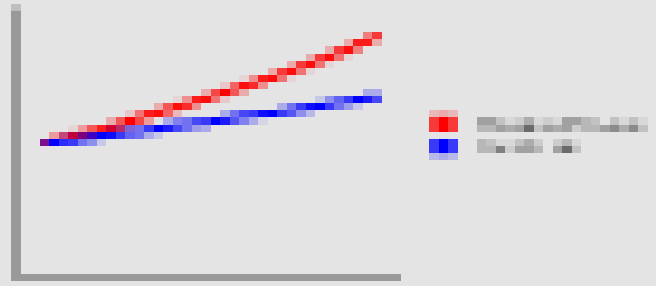
## Deed Restriction

- ◆ Can preserve affordability for a fixed period of time (ex. 50 years)
- ◆ Relies on Title co. to enforce restrictions
- ◆ Frequently rely on sellers to find buyers
- ◆ Monitoring and administration generally staffed by local government
- ◆ No dedicated revenue for administration

## Land Trust

- ◆ Can preserve affordability for an indefinite period of time
- ◆ Land ownership insures enforcement
- ◆ CLT generally finds eligible buyers
- ◆ Specialized stewardship entity (CLT) responsible for monitoring and administration
- ◆ Ground Lease fees support admin costs

Different programs, frequently use different standards when calculating their own gross profit. Some groups in order to compare different markets are specifying the definition of standard is applied to all the calculations, and then to calculate what market share given of the contribution to



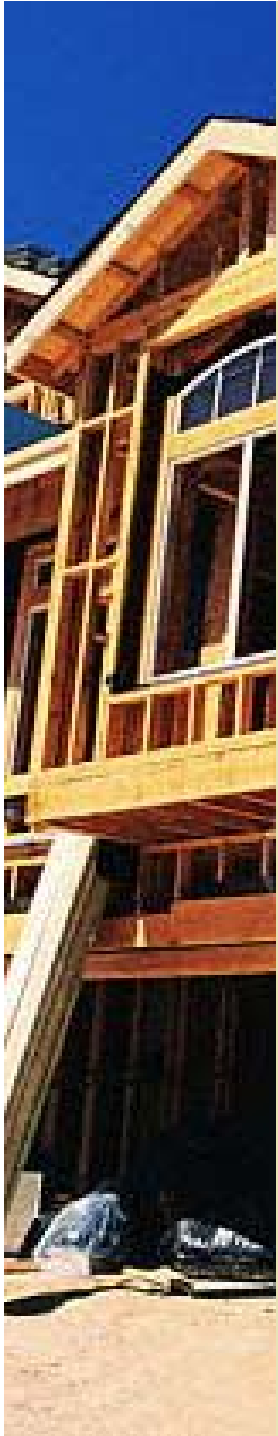
Help

Account

These items are also available in the account. In the account, the account manager can calculate the gross profit. The account manager can also see the gross profit of the account.

	Market share	Market cap		Market
Initial Price	100000	100 000		100 000
First Adjustment	100000	100 000		100 000
Second Adjustment	100000			
Initial Contribution	100%	100%		100%
Current Market Price	100000	100 000		100 000
Market share, calculated	100%	100 000		100 000
Other adjustment in price	100%	100%		100%

Buttons: Home, Account, Market, Market



Burlington Associates in  
Community Development

[WWW.BurlingtonAssociates.com](http://WWW.BurlingtonAssociates.com)

For More Information:

Rick Jacobus

510-653-2995

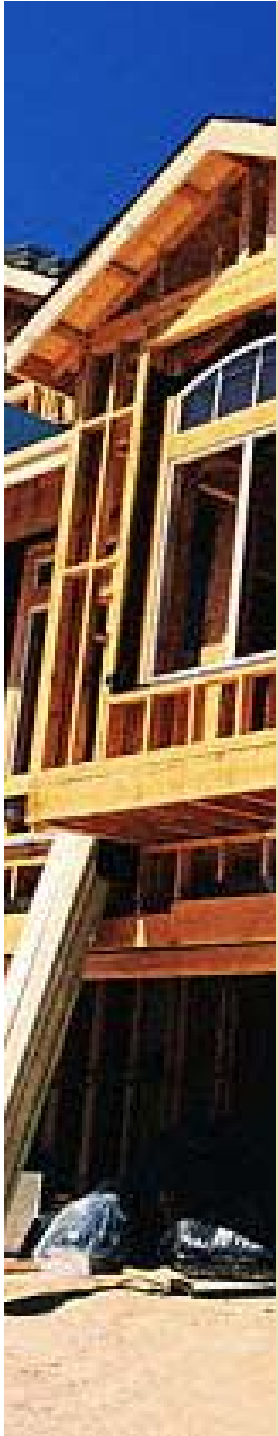
Rick@rjacobus.com

# COMMUNITY FOUNDATION LAND TRUST

## Preserving Affordability in Homeownership



Presented by  
Ann Sewill, President  
Community Foundation Land Trust



## COMMUNITY FOUNDATION LAND TRUST

# Preserving Affordability in Homeownership

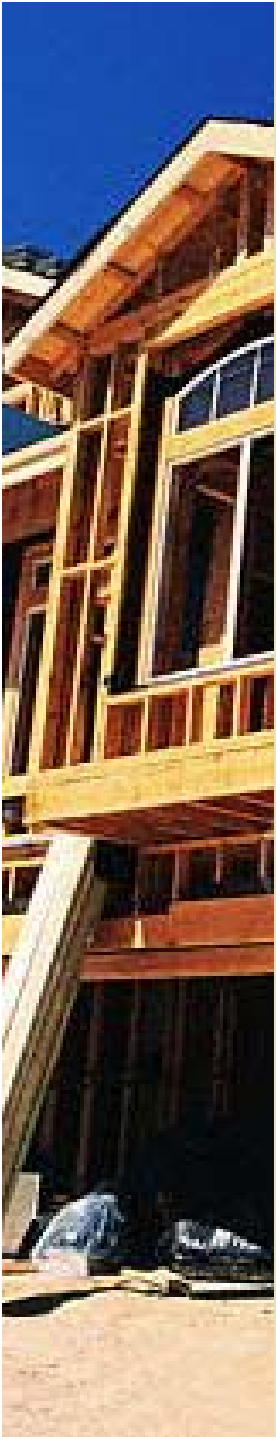
### **Needs:**

- ◆ Increase homeownership opportunities
- ◆ Invest in communities
- ◆ Create more wealth-building opportunities for families
- ◆ Best use of government subsidies – short-term and over time

### **How City / Developers Have Responded Historically:**

- ◆ City is responsive to opportunities identified by Developers. Sometimes there is very little going on in the pipeline, as opportunities are better elsewhere.
- ◆ City provides subsidy with up to 10 year shared equity provisions. After 10 years, all equity goes to initial buyer, and sales to new families are not affordable.
- ◆ City / Developer have very little interaction with buyers after sale closes.

### **What Do the Numbers Look Like?**



## COMMUNITY FOUNDATION LAND TRUST

# Preserving Affordability in Homeownership

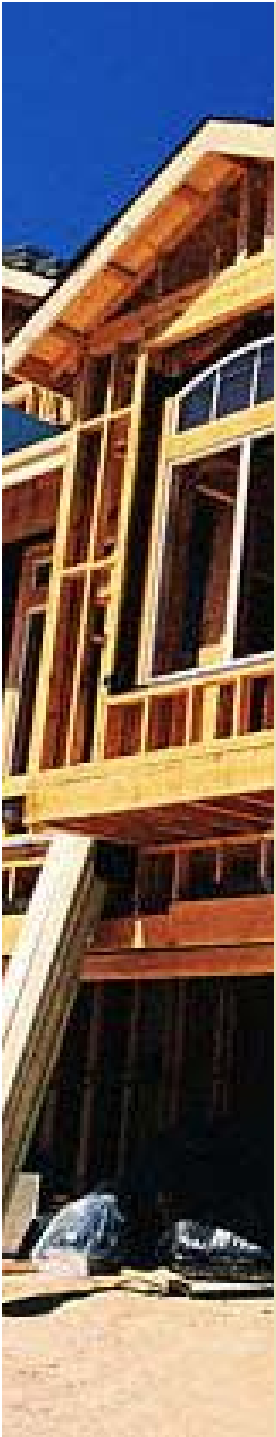
### Development Cost of Typical Home

Land	\$ 62,500
Construction	\$212,500
Soft Costs	\$ 40,000
Fees	<u>\$ 25,000</u>
Total	\$340,000

### What Families Can Afford

Los Angeles Median Income	\$61,300
Affordable to ___% AMI	80%
Family's Income	\$49,040
What % Goes for Housing?	35%

Mortgage Payment	\$ 1,006
Property Taxes	\$ 361
Insurance	<u>\$ 63</u>
Total Housing Cost	\$ 1,429



COMMUNITY FOUNDATION LAND TRUST  
**Preserving Affordability in Homeownership**

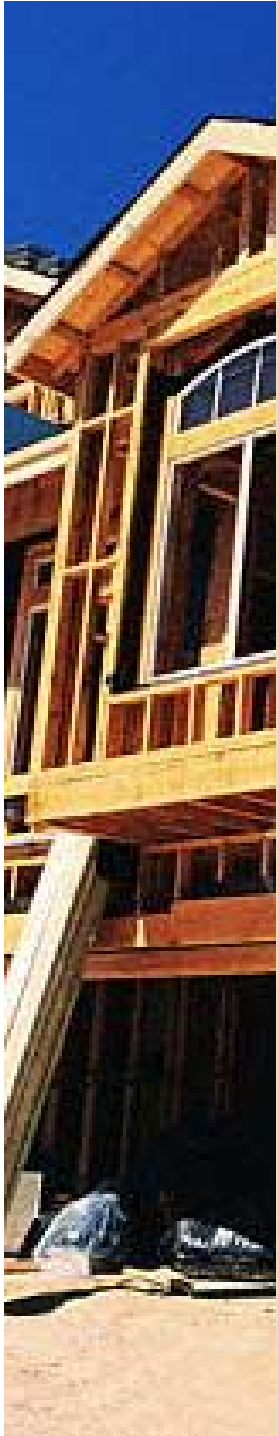
**What Can the Family Get From the Bank?**

Interest Rate	6.5%
Term(Years)	30
Maximum Mortgage	\$159,160

What About This Gap? -\$180,840

Land Trust (City or Private Subsidy)	\$ 62,500
Family Down Payment	\$ 8,340
City Subsidy Program	\$ 95,000
AHP	<u>\$ 15,000</u>
Total	\$180,840

**No Gap! Happy Family! Happy City!**



COMMUNITY FOUNDATION LAND TRUST  
**Preserving Affordability in Homeownership**

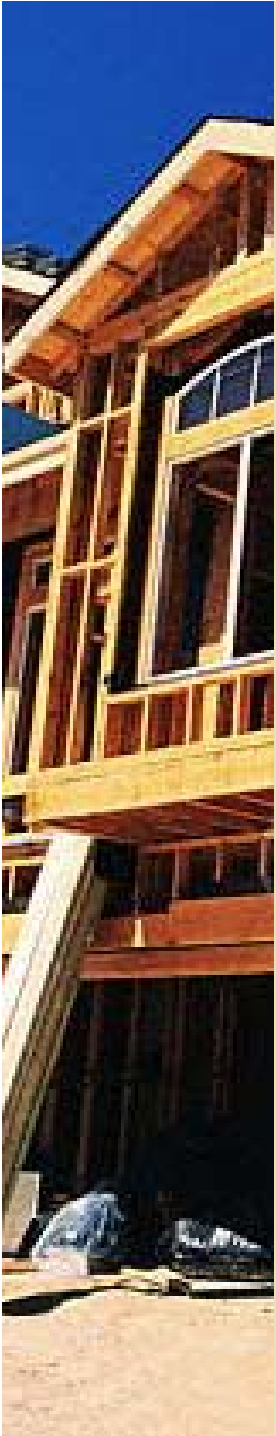
**10 Years Later**

Kids off to college. Dad changing jobs. Family needs to sell the house ...

Land Appreciation Per Year	4%
Income Appreciation Per Year	3%
New Median Income	\$ 82,382
New Mortgage Amount for Buyer	\$299,809

**With No Land Trust**

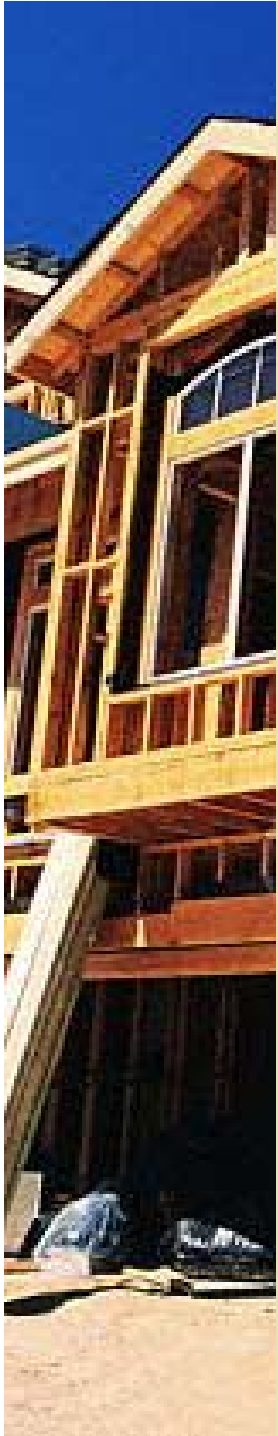
New Value / Sales Price	\$503,283
Pay Back Mortgage	-\$159,160
Pay Back City Loan	-\$ 95,000
Total Family	\$249,123
Subsidy Needed for New Family	\$203,474
Additional City Funds Needed	\$108,474



COMMUNITY FOUNDATION LAND TRUST  
Preserving Affordability in Homeownership

**With Land Trust**

New Value / Sales Price w/o Land	\$372,297
Pay Back Mortgage	-\$159,160
Pay Back City Loan	-\$ 95,000
Total to Family	\$118,777
Subsidy Needed for New Family	\$ 73,128
Additional City Funds Needed	-\$ 21,872



## COMMUNITY FOUNDATION LAND TRUST

# Preserving Affordability in Homeownership

### Responses:

- ◆ Permanent Subsidy model – Foundation taking on role of long-term subsidy provider
- ◆ Catalytic Investment model – Foundation taking on risks of acquisition, holding period, sometimes of development; partnerships with local government for subsidies.

### Examples:

- ◆ 84th and Compton Home, Los Angeles
- ◆ Skyview, Lancaster

### Benefits:

- ◆ CFLT supports creation of a pipeline.
- ◆ CFLT maintains contact with Buyers to prevent predatory lending problems, maintenance problems, and identify pre-default situations.
- ◆ Best short-term and long-term use of City resources.

COMMUNITY FOUNDATION LAND TRUST  
Preserving Affordability in Homeownership



Land Trust Home  
Los Angeles, California

For more information contact:  
Ann Sewill  
213.413.4130  
[asewill@ccf-la.org](mailto:asewill@ccf-la.org)