

A New Approach to Homeownership

Permanently Affordable Housing
&
Long-Term Stewardship

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THE UP-FRONT CHALLENGE

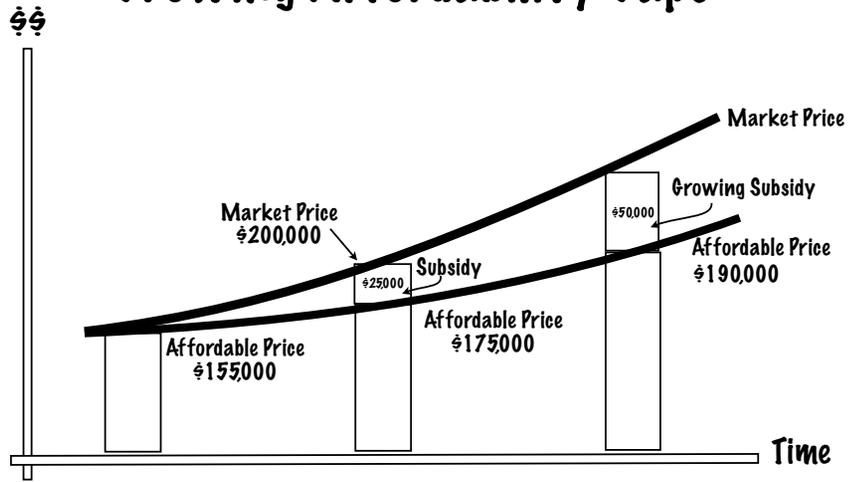
- * How to make homeownership affordable for households who cannot afford it?
- * In a hot market:
 - * how to bridge the gap between what housing costs and what working households can afford to pay?
- * In a weak market:
 - * how to bridge the gap between what housing costs to develop and how much the bank will lend?

THE BACK-END CHALLENGE

- * How to assure that public investment in creating affordability has a long-term benefit?
- * If the market appreciates:
 - * how to allow the homeowner to build equity while also keeping the home affordable ?
- * If the market stays flat (or gets worse):
 - * how to make sure that the home is maintained and the chances of foreclosure are reduced ?

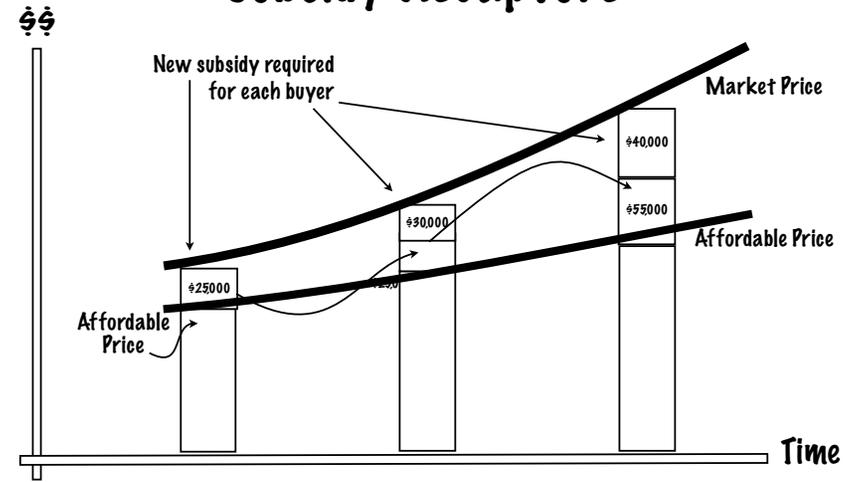
Subsidizing Homeownership in a Strong Market

Growing Affordability Gaps



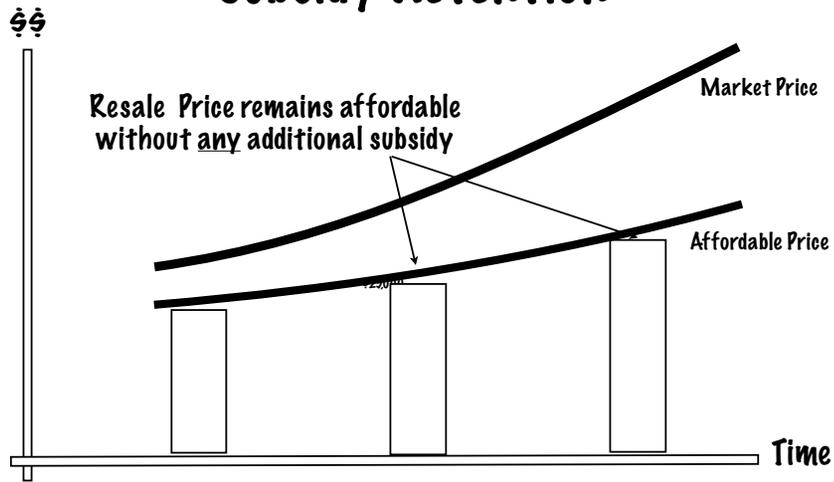
require growing levels of subsidy

Subsidy Recapture



still leaves growing gaps

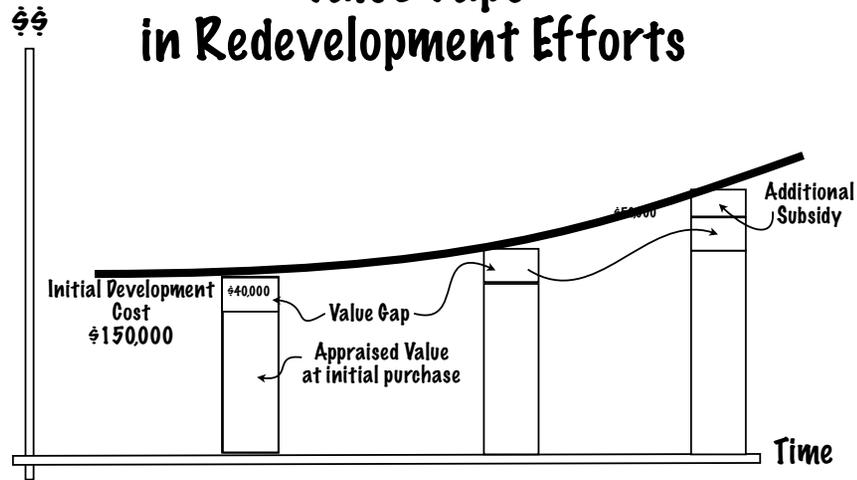
Subsidy Retention



creates permanently affordable housing

Subsidizing
Homeownership
in a
Weak Market

Value Gaps in Redevelopment Efforts



also need to be protected,
especially if redevelopment efforts are successful

Outcomes of Subsidizing Homeownership Without Restrictions in an Appreciating Market

- * At resale, house sells for whatever is its market value, making it less affordable for purchase by next limited-income buyer.
- * Subsidies provided at initial sale will disappear - to direct benefit of the original homebuyer household

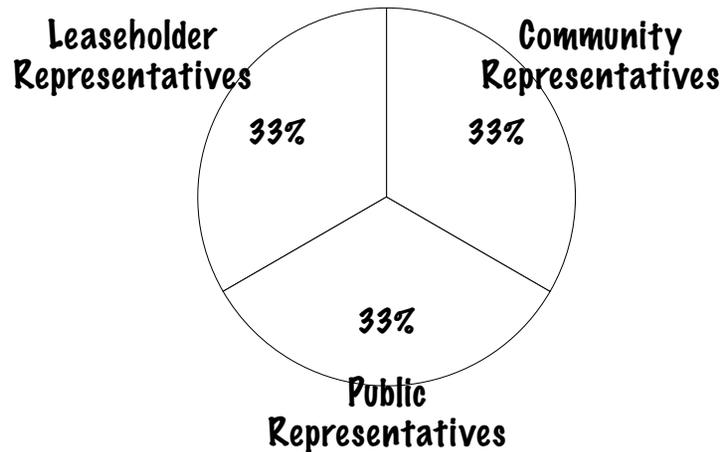
Outcomes of Subsidizing Homeownership Without Restrictions in a Weak Market

- * At resale, house sells for market value.
- * If market remains weak, there is increased potential for deferred maintenance & neglect of property, as well as foreclosure on the mortgage.
- * If market improves (i.e., if revitalization efforts are successful), affordability is lost and there is increased potential for displacement of lower-income households.

KEY CHARACTERISTICS of COMMUNITY LAND TRUSTS

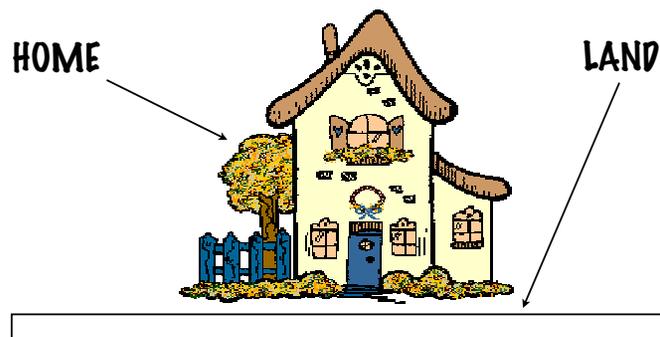
- * ORGANIZATION
 - * Nonprofit, tax-exempt community-based organization
 - * Place-based membership
 - * Resident control
 - * Tripartite governance

CLT Board of Directors



How the Community Land Trust works for single-family homeownership?

- * Subsidy is used to write down the purchase price of a home to a level that is affordable to households otherwise unable to afford to purchase.
- * CLT owns and holds title to the land forever.
- * CLT conveys use of lot to qualified homebuyer via a 99-year, inheritable, renewable ground lease.
- * Homeowner owns home and all improvements.
- * Ground lease (to land) and Deed (to home) are recorded in land records.



Community Separates Ownership of Land From Home
Community (CLT) retains ownership of land
Homebuyer buys - and owns - her home
Community (CLT) leases land to homeowner

How do CLTs keep single-family owner-occupied permanently affordable?

- * CLT asks homeowners to share with future homeowners the affordability that was created for them.
- * In order to keep homes permanently affordable, CLT homeowners agree to a ground lease resale formula that will be used to determine the home's sale price.
- * The benefit of public and private subsidies are preserved for future generations

What are the benefits of CLT homeownership for CLT homeowners?

- * Households otherwise locked out of market are able to purchase and own a home of their own.
- * CLT homeowners at resale are allowed to build - and keep - the equity that belongs to them:
 - * their cash equity
 - * their earned equity
 - * plus a share of any increase in value of their home during their ownership, as designated in the resale formula.

What are the benefits of CLT homeownership for CLT homeowners?

- * CLT homeowners are able to pass their home on to their heirs.
- * Should they ever choose to sell their home, CLT homeowners:
 - * have increased their personal wealth, in the form of equity
 - * they have passed the affordability "benefit" provided to them on to other limited-income households, leaving it in the home

Residential Community Land Trusts

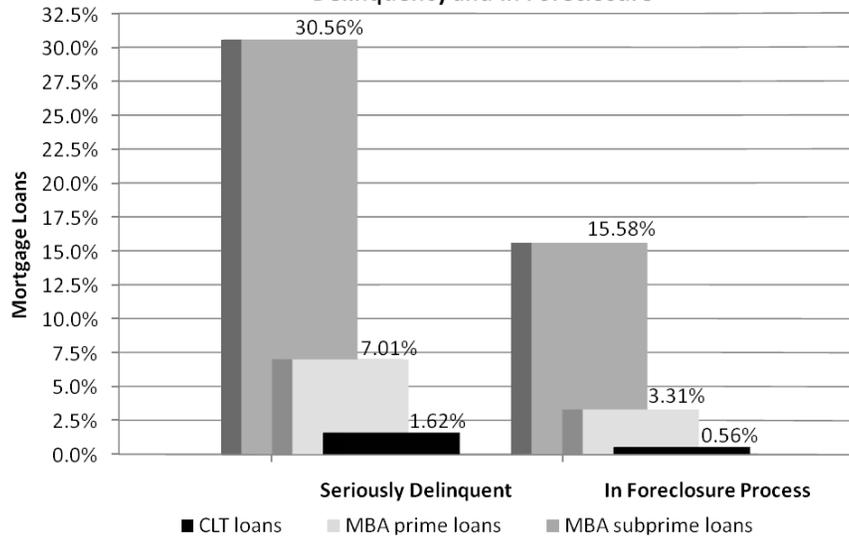
- ☑ Are not a housing production delivery system
- ☑ Are a 'high-touch', service-enriched strategy to assist people living on CLT-owned land to achieve their goals

CLT Mortgage Financing

- ☑ Leasehold - not fee simple - mortgage
- ☑ CLT contribution counts as equity - therefore, favorable LTV
- ☑ Backstopping of CLT homeowners
- ☑ CLT's ability to stall foreclosure process
- ☑ Removal of resale restrictions in event of foreclosure or taking of deed-in-lieu

CLT Mortgage Performance

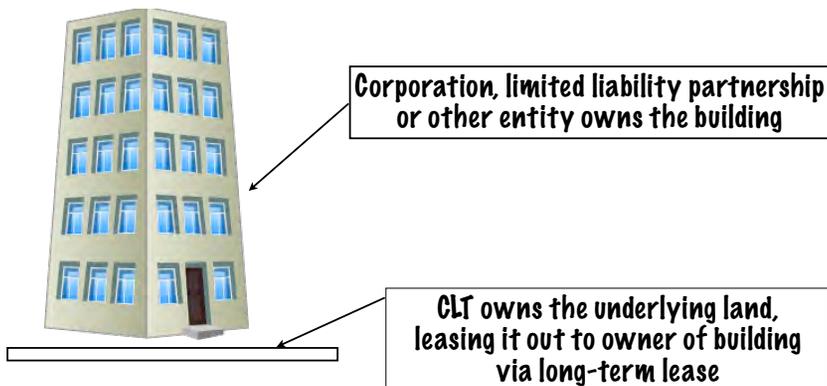
End of 4th Quarter 2009 Percentages of Mortgages in Serious Delinquency and in Foreclosure



Organizational Sustainability

- CLTs make bold promises & assurances
- CLTs obligate themselves to 99-year, legally-binding, enforceable contracts
- Implications of failure for:
 - Homeowner
 - Bank
 - Subsidy provider
 - CLT
 - CLT movement

Separation of Land & Improvements - Commercial Application -



CLTs in Action

**City of Lakes CLT
Minneapolis Minnesota**



**Northern Communities
Land Trust
Duluth Minnesota**



**Municipally-
Sponsored
CLTs**

**Irvine CA
Austin TX
Tucson AZ
Chicago IL**



**Whitefish MT
Lexington KY
Grand Forks ND**



**First Homes
Rochester Minnesota**



State Housing Finance Agencies



Troy Gardens
MACT
Madison
Wisconsin



Arbolera de Vida
Sawmill CLT
Albuquerque
New Mexico

New Orleans
Louisiana



Why Community Land Trusts?

- * **STEWARDSHIP:** preserving scarce resources
- * **SECURITY:** backstopping low-income households
- * **MOBILITY:** rebuilding the housing tenure ladder
- * **STABILITY:** giving communities greater control

Resources

- ☑ www.burlingtonassociates.com
- ☑ www.cltnetwork.org
- ☑ CLT Academy
- ☑ National CLT conference -
Albuquerque NM, November 8-12

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