

# **Community Land Trusts**

## **Key Concepts & Foundational Decisions**

**Van Temple, Diamond State Community Land Trust  
& National CLT Network**

South Carolina  
Community Economic Development  
Conference  
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# Session Plan

1. What is a Community Land Trust?
2. Types of CLTs - *examples*
3. The Case for CLTs
4. Foundational Decisions

# Session Plan continued...

5. Nuts & Bolts of Starting a CLT or CLT Program

6. Sustainability?

7. Biggest Challenges Today

# What is a Community Land Trust?

- Non-Profit Organization Holds Title to Land:
  - Land Used For... **help me out here...**

# Land Used For...

- Affordable Homeownership
- Neighborhood Stabilization
- Economic Development
- Protection Against Gentrification
- Workforce Housing
- Communities of Choice
- Community Control & Involvement
- Other Purposes?

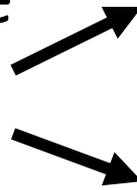
# CLT MODEL - Dual Ownership

- Individual owns house and leasehold interest
- CLT owns the land



# CLT MODEL - Dual Ownership

Ground Lease ties house  
& land together



- Lease is long-term
- Lease is balanced
- Lease is inheritable

# What is a Community Land Trust?

*A Growing Movement In Affordable Housing  
That Matches a Fiscally Conservative Mind Set  
and a Unique, Progressive Land Use and  
Homeownership Model.*

# Types of CLTs

- Neighborhood Based - *examples?*
- CDC with CLT Program -
- City/County Program -
- Regional or Statewide -
- Transit Oriented -
- Central Server -
- Commercial, Agricultural -
- Others?

# *Statewide* - Diamond State CLT (DE)

- Partnership Model
- Scattered Site Homeownership
- 24 Homes in Inventory
- Buyer-Initiated Programs - currently
- NSP1, 2, & 3
- Partnerships with Habitat & other N-Ps
- 50 Unit New Subdivision – New Horizons

# The Case for CLTs

- Investment Efficiency
- Longer Term Results
- Lower Foreclosure Rates
- Higher Success Rate
- Helps Families Build Wealth
- Community Control, Involvement
- Indirect Measures (Educational Achievement, others...)

# Investment Efficiency

Impact of public investments are further illustrated by this look at how many more households over traditional affordable housing can be served with \$1 million:

<b>Affordable Housing Approach</b>	<b>Public Investment</b>	<b># HHs Served - Project</b>
Diamond State CLT	\$1,000,000	91
HUD-HOME Minimum Affordability Controls	\$1,000,000	13

# Longer Term Results

Affordable Housing Approach	Public Investment	Units	Affordability Period	Unit Years*	# HHs Served <sup>+</sup> per house
Diamond State CLT Home	\$75,000	1	99 years	99	14
HUD-Based HOME Minimum Affordability Controls	\$75,000	1	15 years	15	2

\* typically housing production is measured in terms of units created. A broader measure of true impact is unit years – the actual number of years that affordability for low-income households is perpetuated.

<sup>+</sup> the number of families served over time is a powerful measure of investment efficiency. The average tenure of CLT homeowners is about 7 years, exactly the same as the market at large.

# Lower Foreclosure Rates

- In 2010... 1/10 the National Average!  
*- see handout -*
- Standard 30-Year Fixed Mortgages
- Refinance Only with Permission of the CLT
- Homebuyer Counselor that Never Goes Away
- CLT Steps in When Assistance is Needed

# Higher Success Rate

- Traditional Affordable Housing – after 5 years, less than 50% remain homeowners
- 70% of Homeowners Leaving CLT Homes Purchase Fee-Simple, Market Rate Homes

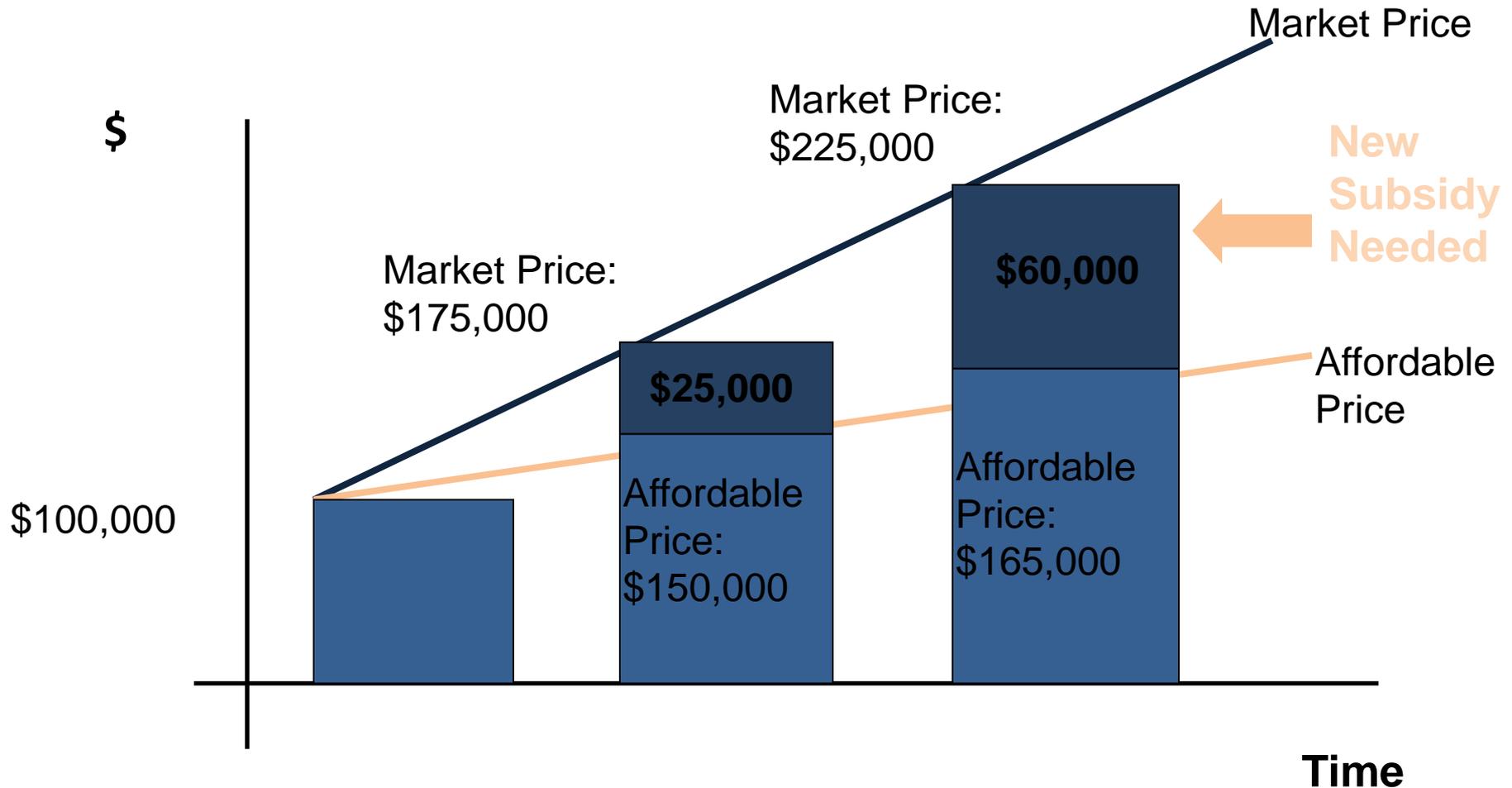
# Investment Alternatives

- **Recapture** – Affordable Housing Model Typically Used for HOME, CDBG, FHLB...
  - Forgivable Loans, other short-term controls
  - Limited Term Benefit
- **Retention – Community Land Trusts**
  - Permanent Affordability
  - Serves Generation after Generation

***Retention is Far More Cost Effective Than Recapture***

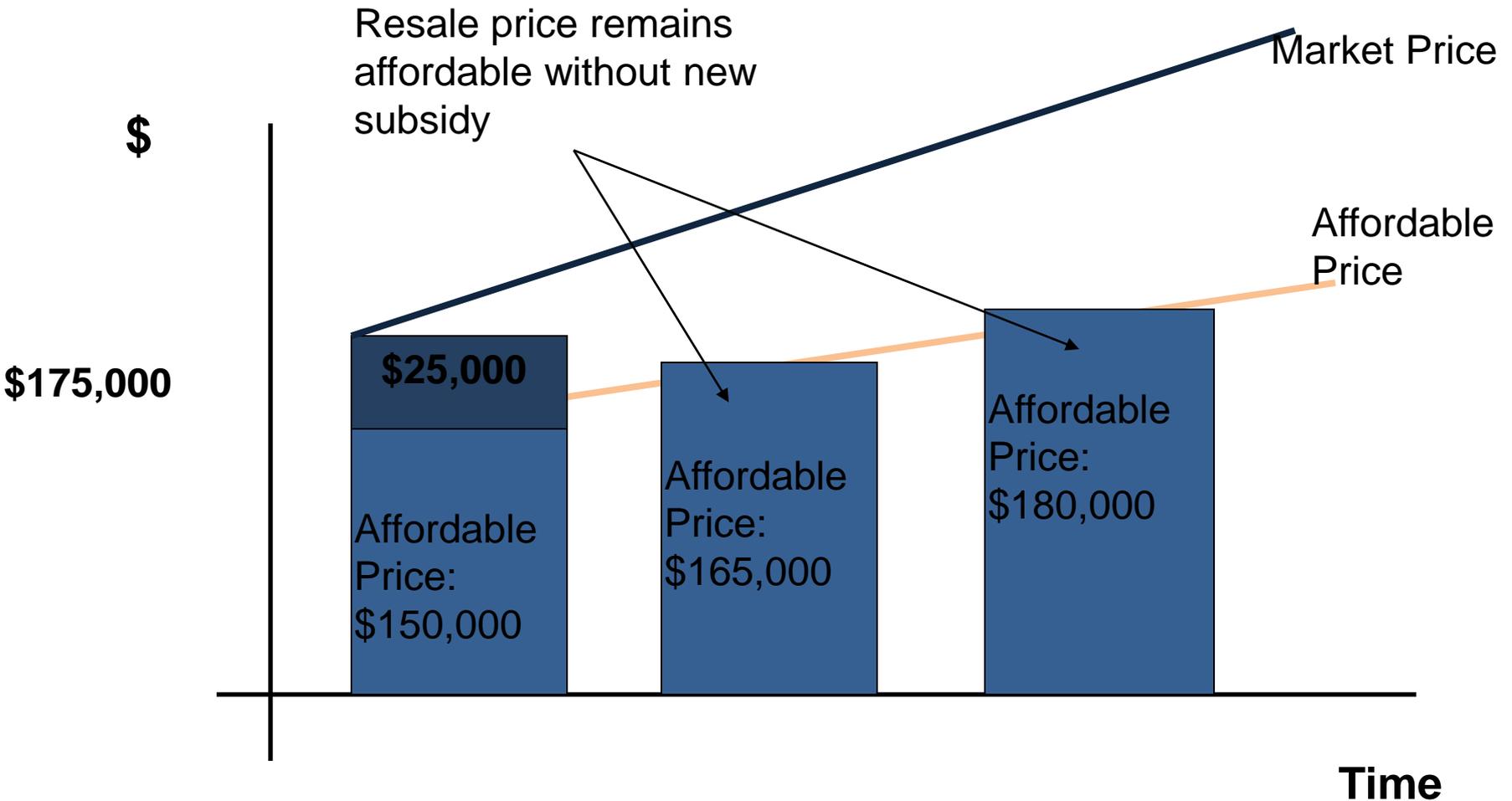
# Traditional Affordable Housing

*Requires More Subsidy with Each Sale*



# Permanent Affordability

## *One-Time Subsidy Keeps Homes Affordable*



# Consider the Possibilities...

- Federal Gov. invests a Billion/annually in Homebuyer Assistance to Local Gov.
  - 5-15 Year Affordability Requirements
  - Assists 30,000 of Several Million Eligible Families
- **What if that same Billion was invested in permanently affordable homeownership?**
  - After a few years over 285,000 homes would become available for new buyers each year, forever.

# Foundational Decisions

- Product & Services Mix
- CLT Essentials – Stewardship of Land & Relationships, Post-Purchase, Re-Sales
- Everything Else – Develop Housing, Train
- Who Does What? Partner? Self-Develop?
- Service Area – Size & Composition

# Nuts & Bolts

- Model Ground Lease & Commentary
- Fannie Mae Ground Lease Rider
- Fannie Mae Appraisal Guidelines
- Resale Formulas (Appraisal-Based, Indexed, Itemized,  
& Mortgage-Based)
- Development & Sales Proforma - *Example*
- CLT Legal Manual & Network Best Practices

## EXAMPLE: CLT Buyer #1

Year			
		\$100,000	Initial Purchase Price
2010	/	\$150,000	Appraisal of Home & Land at Initial Purchase
		<u>67%</u>	Portion of Total Value Owned by Homeowner
2021		\$200,000	Appraisal at Resale Time
2010	-	\$150,000	Initial Appraisal
		\$50,000	Appreciation
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	x	<u>67%</u>	Portion of Total Value Owned by Homeowner
		\$33,333	Increase in Value Attributed to Portion Owned by Homeowner
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	x	<u>45%</u>	Shared Appreciation Factor
		\$15,000	Homeowner's Share of Appreciation
		\$100,000	Initial Purchase Price
	+	\$15,000	Homeowner's Share of Appreciation
		<u>\$115,000</u>	Sales Proceeds to 1st CLT Owner & Base for Resale Price

Shared Appreciation keeps the price affordable for Buyer #2 and so on...

### Shared Appreciation Factor

25%	0-5 Years
35%	6-10 Years
<b>45%</b>	<b>11-15 Years</b>
55%	15+ Years

# Development & Sales Proforma

- *See example*

# Sustainability

- Stewardship Sustainability – the tipping point
- Sustaining Operations –
  - 60/40 Earned/Contributed

# Sustainability

- Earned Revenues:
  - Developer Fees (small & large scale projects)
  - Ground Lease Fees
  - Lease Reissuance Fees
  - Marketing Fees
  - Fee for Services

# Sustainability

- Contributed Revenues:
  - Foundations
  - Banks & Bank Foundations
  - Businesses
  - Individual Contributions
  - Memberships
  - In-Kind

# Methods of Growing Inventory

- Inclusionary Zoning Programs
- Deed Restricted Programs
- Expiring LIHTC Projects
- Neighborhood Stabilization Program
- Transit Oriented Opportunities

*See Handout – Supporting Sustainable CLT  
Growth*

# Methods of Growing Inventory

- Partnerships with F-Ps & N-Ps
- Land Banking
- Links to Hospitals, Colleges, Military Bases, Large Employers

*See Handout – Supporting Sustainable CLT  
Growth*

# Biggest Challenges Today

- Non-access to FHA-insured Mortgage Products
- Mortgage Industry Tightened Standards, Automated Underwriting
- Belt-Tightening at Federal Level
- Uncertainty in Jobs Market
- Un-Resolved Mortgage & Foreclosure Crisis

# Resources

## How to Start a Community Land Trust...

- **National CLT Network -**  
[www.cltnetwork.org](http://www.cltnetwork.org)
- **Shared Equity Coalition/NCB Capital Impact -**  
[www.homesthatlast.org](http://www.homesthatlast.org)
- **NeighborWorks America -**  
[www.nw.org/foreclosure](http://www.nw.org/foreclosure)  
[www.stablecommunities.org](http://www.stablecommunities.org)
- **Burlington Associates -**  
[www.burlingtonassociates.com](http://www.burlingtonassociates.com)

# More Resources...

- Will Make Available through Website...

# Questions ?

