

Community Land Trust Workshop



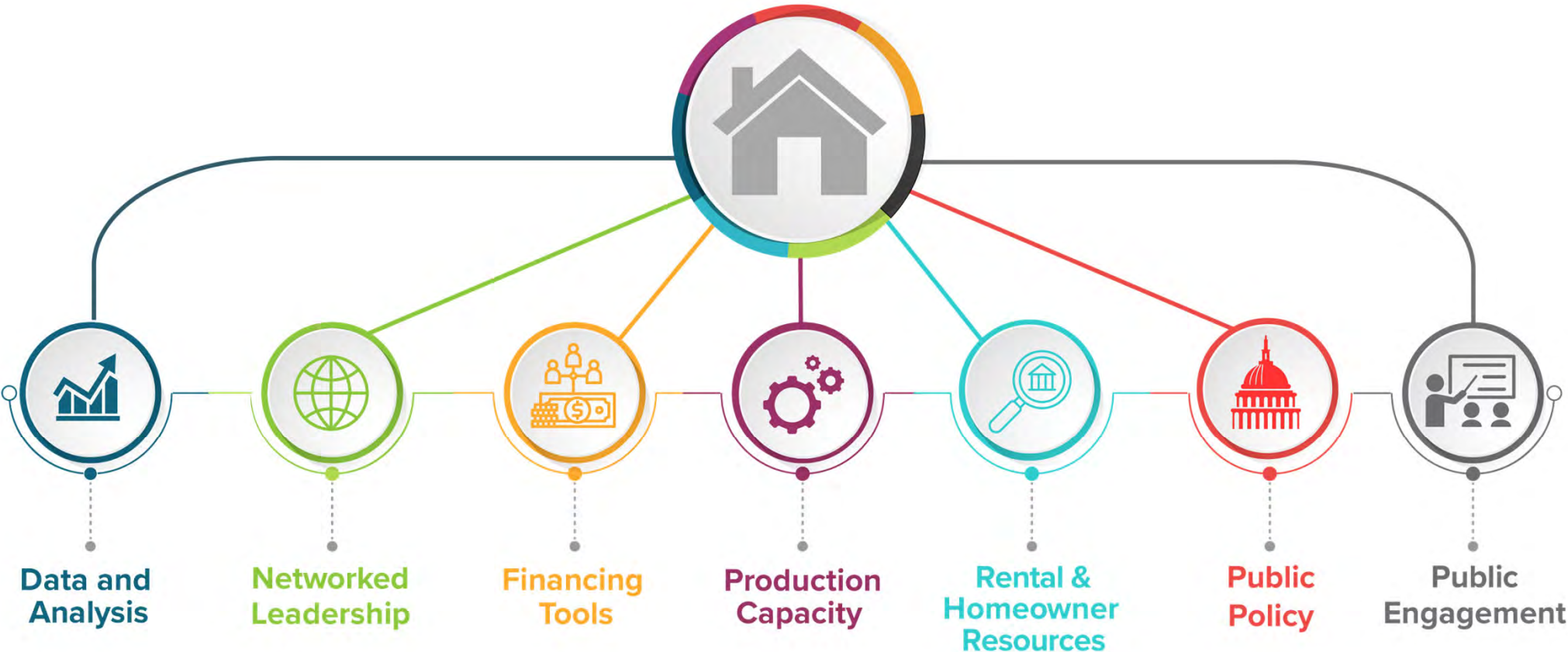
LISC
GREATER KANSAS CITY

MCLT
Marlborough Community Land Trust

MARC
MID-AMERICA REGIONAL COUNCIL

Hosted by the GKC
Regional Housing
Partnership (RHP)

RHP FRAMEWORK & STRATEGY



FINANCING TOOLS

Business plan for a regional community land trust framework or similar model



Community Land Trusts & Community Development

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What are CLTs and why do we need them?

A CLT is a type of shared equity homeownership entity that acquires and owns real estate in perpetuity in order to pursue some specific community-focused goal.

Classis CLTs are characterized by dually owned property. Land owned by the Community Land Trust. Home owned by buyer who earns below the Area Median Income.

CLTs are a controlled response to a real estate market that has been heavily focused on profit and has excluded low-income buyers.

Origins of CLTs

1968: New Communities, Inc. implements community-owned rural agricultural property with privately owned improvements to assist black farmers with wealth building land ownership.

1981: First Urban Community Land Trust started in Cincinnati, Ohio, to prevent gentrification and displacement

Today: 260 CLTs in the U.S. (County Health Rankings 2021)



Benefits of CLTs

- Increases access to home ownership and safe rentals.
- Increases personal wealth and community wealth.
- Stabilizes households and communities.
- Retains public funding.
- Provides opportunity for community control.



Increases Access to Homeownership and Safe Rentals

- Over the past two decades, access to homeownership is more difficult for all Americans. However, interest in homeownership remains strong (Joint Center for Housing Studies of Harvard University 2018).
- In turbulent housing markets, families that are younger, lower income, and people of color have particular difficulty accessing homeownership opportunities (Simmons 2014).
- Shared equity homeownership programs make homes affordable to lower income families by investing public resources to reduce the initial prices. They keep the prices affordable to all future homebuyers through resale restrictions.

Increases Personal and Community Wealth

Overall, housing equity makes up about 2/3 of all wealth for typical (median) household.

The median net worth of homeowners was \$231,000 in 2016 compared to \$5000 for renters (Federal Reserve Bank 2017).

Government and banking policies prevented BIPOC buyers from acquiring homes and reinforced the racial wealth gap (Thompson 2018).

FIGURE 1

Median and average wealth, by race

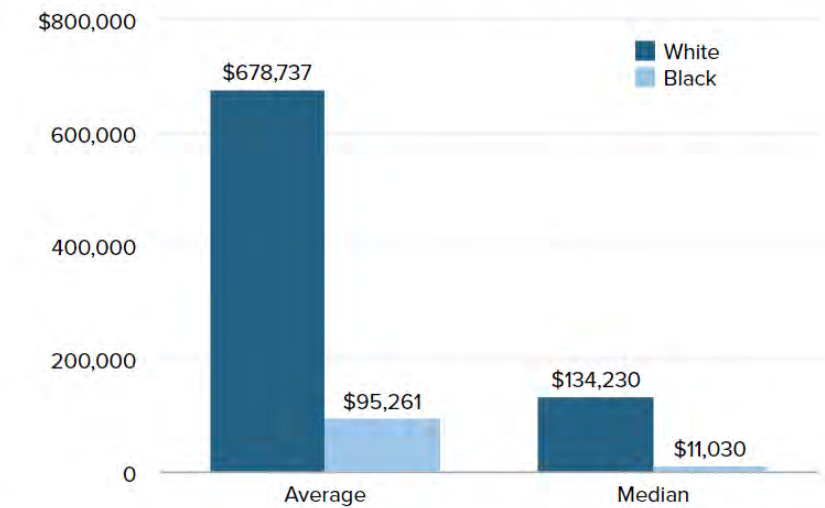


Chart Data

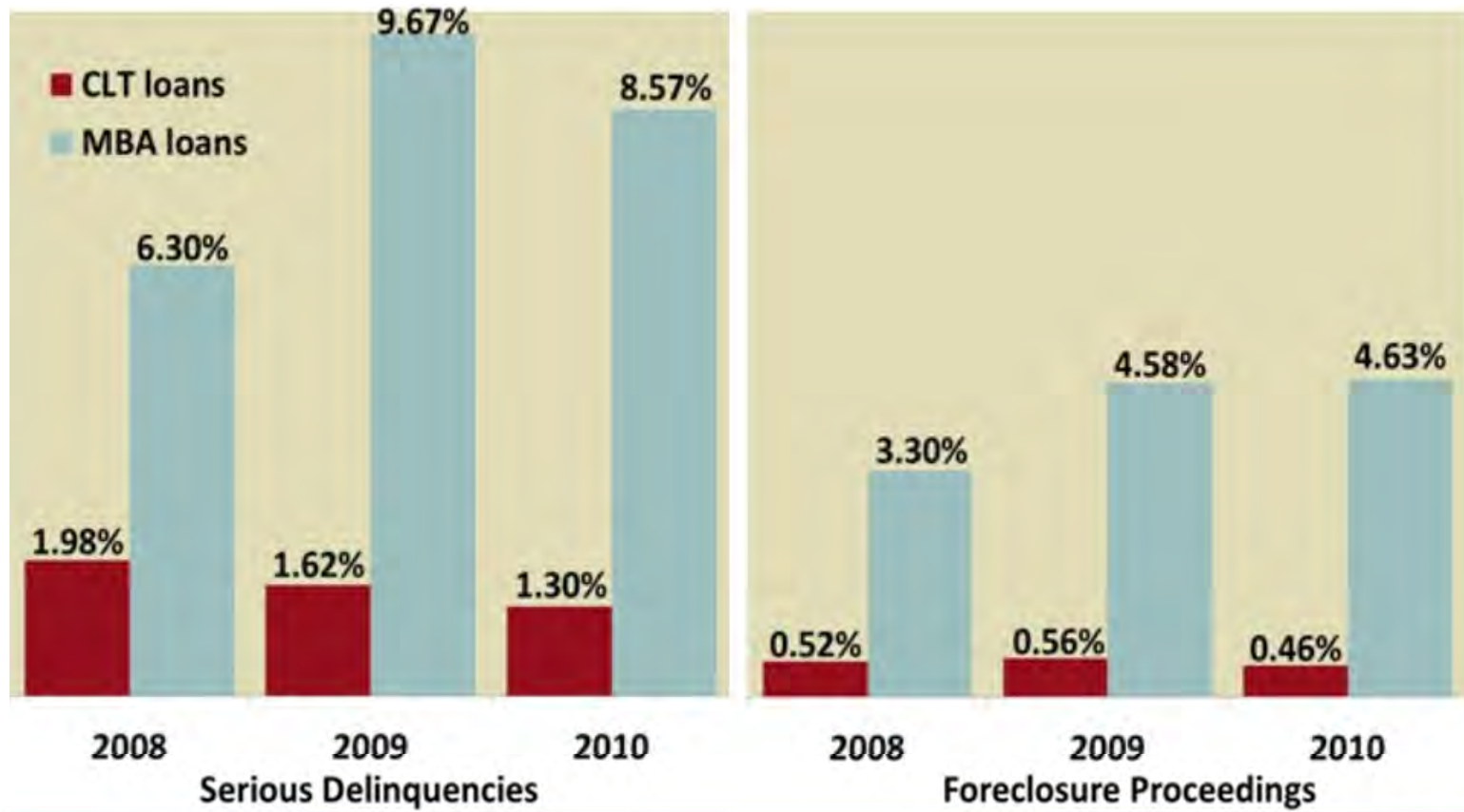
Source: Survey of Consumer Finance Combined Extract Data, 2013.

Economic Policy Institute

Stabilizes Households and Communities

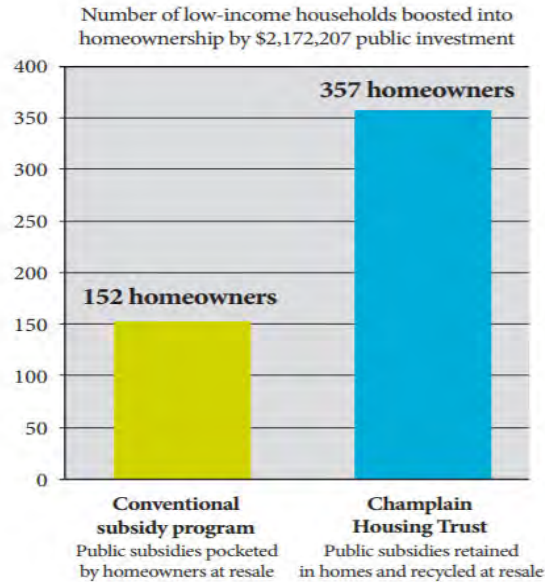
- From 1995-2017 the average annual move rate in the shared equity sample is 2.6%. By comparison, 14% of households nationwide moved on average each year. 74% of shared equity homeowners stayed in the same house for at least six years (Wang 2019).
- Secure housing is central to families' physical and mental health, educational opportunities for children, employment options for parents, commercial investment and safety in a neighborhood.
- CLT homes create a thriving community. Poor children that grow up in thriving neighborhoods are more likely to be economically stable as adults than poor children that grow up in economically depressed neighborhoods.

Stabilizes Households and Communities



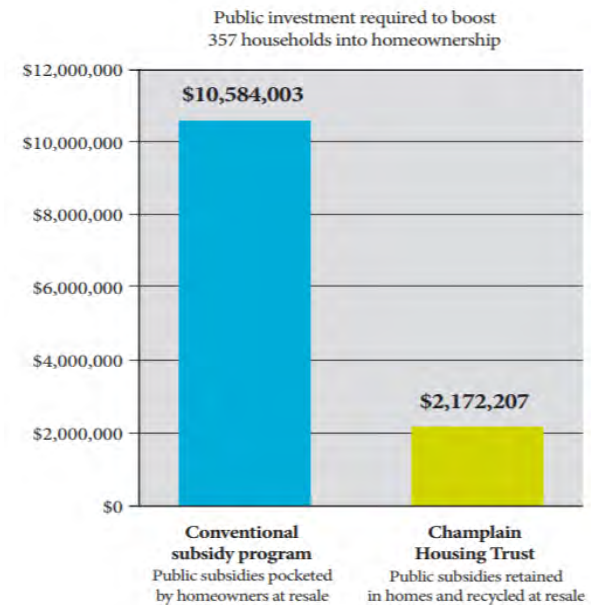
Retains Public Funding

Figure 3.5a
More families served in a shared-equity homeownership program



Source: John Emmeus Davis and Alice Stokes, *Lands in Trust, Homes that Last*. (Burlington, Vermont: Champlain Housing Trust, 2009).

Figure 3.5b
More subsidies needed in conventional homeownership programs






Source: John Emmeus Davis and Alice Stokes, *Lands in Trust, Homes that Last*. (Burlington, Vermont: Champlain Housing Trust, 2009).

Community Control

- Governed by Board of Directors 30% CLT homeowners, 30% neighborhood residents, 30% affordable housing community experts.
- CLT provides financial backstop to prevent loan defaults, reviews homebuyer loan products to prevent predatory lending and sets aside funds for ongoing home maintenance.
- Balances individual asset accumulation with other community goals of stabilization, revitalization, affordability and home quality.

Typical CLT buyers

-  First-time buyer with limited funds for down payment, has a good job history and credit to qualify for a mortgage. Able to be pre-approved by bank offering CLT loans.
-  Buyer ready to purchase but can't find anything of good quality in their price range.
-  Buyer willing to complete MCLT application, Homebuyer Education Class and CLT orientation prior to closing.

The CLT Homeownership Process Begins



MCLT

- Tax exempt non-profit organization acquires property to create affordable home.
- Renovates or builds new home.
- Sells home at subsidized price to eligible low-income, first time home buyers.
- Retains title to the land

The CLT Homeownership Process Continues



ELIGIBLE BUYERS

- Receive MCLT Board approval
 - Receive Deed to house
- Agree to 99 year Ground Lease requirements
- Use land as their own
- Pay real estate taxes
- Enjoy full support of MCLT



WHEN SELLING

- Owners sell house pursuant to Ground Lease resale formula
- Owners keep portion of appreciation; majority of appreciated value stays with house



NEW ELIGIBLE BUYER

- New safe, clean affordable home no additional subsidies needed

Sample CLT Resale Formula

1. A family of three with an income of \$40,000.00 per year apply and receive board approval to purchase a MCLT house
2. The MCLT house has a market appraised price of \$100,000
3. The MCLT subsidized home price is \$80,000, reflecting a \$20,000 affordability subsidy
4. The Ground Lease allows for MCLT lessees retains 25% of increase in market value
5. The Eligible Buyers buy the house and live there for seven years
6. After seven years the house has a market appraised price of \$150,000, giving it a market increase in value of \$50,000.00
7. Seller's share of this increase in value is \$12,500.00
($\$50,000 \times 0.25 = \$12,500.00$)
8. New sales price is original subsidized price
($\$80,000 + \text{Seller's share } (\$12,500.00) = \$92,500.00$)
9. Seller receives \$12,500 plus all retired mortgage installments and down payment. A new eligible buyer (80% or below of the AMI) can access homeownership and build wealth subject to the same restrictions
10. Cycle repeats



The CLT Homebuying Process



MCLT

- Tax exempt non-profit organization acquires property to create affordable home.
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SAMPLE RESALE FORMULA

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HUD 2022 Income Limits

FY 2022 Income Limit Category	Persons in Family							
	1	2	3	4	5	6	7	8
Very Low (50%) Income Limits (\$)	33,900	38,750	43,600	48,400	52,300	56,150	60,050	63,900
Click for More Detail								
Extremely Low Income Limits (\$)*	20,350	23,250	26,150	29,050	32,470	37,190	41,910	46,630
Click for More Detail								
Low (80%) Income Limits (\$)	54,250	62,000	69,750	77,450	83,650	89,850	96,050	102,250
Click for More Detail								

Ground Lease Governs the Shared Equity

ARTICLE 7: The Home

- 7.1 HOMEOWNER OWNS THE HOUSE AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND
- 7.2 HOMEOWNER PURCHASES HOME WHEN SIGNING LEASE
- 7.3 CONSTRUCTION CARRIED OUT BY HOMEOWNER MUST COMPLY WITH CERTAIN REQUIREMENTS
- 7.4 HOMEOWNER MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST LEASED LAND OR HOME
- 7.5 HOMEOWNER IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS
- 7.6 A REPAIR RESERVE FUND IS ESTABLISHED TO SUPPORT FUTURE REPAIRS
[This section must either be completed in accordance with the CLT's repair reserve policy, or omitted entirely. See Commentary on this Section 7.6.]
- 7.7 WHEN LEASE ENDS, OWNERSHIP REVERTS TO CLT, WHICH SHALL REIMBURSE HOMEOWNER

ARTICLE 8: Financing

- 8.1 HOMEOWNER CANNOT MORTGAGE THE HOME WITHOUT CLT'S PERMISSION
- 8.2 BY SIGNING LEASE, CLT GIVES PERMISSION FOR ORIGINAL MORTGAGE
- 8.3 HOMEOWNER MUST GET SPECIFIC PERMISSION FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES.



Sources of Funds for Property Acquisition and Rehab

- — Abandoned Property Act Lawsuits.
- — Land Bank lots.
- — CDBG, HOME, HUD funds.
- — Line of Credit from Financial Institution.
- — Foundations and Community fundraising.

BEFORE AND AFTER



BEFORE AND AFTER



What Questions Do You Have?



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