

# Community Land Trust: Affordable Housing in Perpetuity



# What is it?

Community land trusts are a proven model for communities to control land and development.

Community land trusts (CLTs) are nonprofit organizations typically governed by a 3 part board consisting of:

- CLT residents,
- Community Members
- Public representatives

CLTs acquire, own, and steward land permanently for the common good.

CLTs can develop:

- rural and urban agriculture projects,
- commercial spaces to serve local communities,
- affordable rental and cooperative housing projects, and
- conserve land or urban green spaces.

**However, the heart of the work is in homeownership.**

# How does it work?

CLTs separate the ownership of the land from the ownership of the house.

- ❖ Using one-time public and private investment, the CLT purchases or builds the home.
- ❖ A homebuyer who qualifies for a mortgage buys only the house, but leases the land under it from the CLT for a modest fee.
- ❖ Leases are 99 year renewable ground leases (so forever or for as long as the owner wants to own the home).

CLT homes can be homes one neighborhood, condos, or single family homes mixed into market rate neighborhoods.

# How does it work?

In exchange for receiving this benefit, the homeowner agrees to pay it forward by:

- ❖ Selling the home to another low/moderate income buyer
- ❖ Selling the home at a price that is based on the resale formula

The resale formula provides wealth building equity to the owner but also allows another family to opportunity to purchase an affordable home.

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CLTs also benefit the larger community:

- preserving and protecting housing for long term residents
- creating strong, safe, diverse communities

Which contributes to :

- greater educational attainment,
- better employment opportunities
- better health outcomes



# Benefits of ownership

- ❖ Stable monthly mortgage payments that are affordable
- ❖ Opportunity to build equity
- ❖ Tax benefits of interest mortgage deduction
- ❖ Long term security
- ❖ Stewardship Support from CLT after closing
- ❖ Home is inheritable





# CLT vs. Conventional Homeownership

- ❖ Homes must be owner-occupied and cannot be rented for profit
- ❖ Price upon selling is based on the resale formula, not the market rate
- ❖ Home must be sold to another income qualified buyer



# Eligibility

## ➤ Income must be less than 80% AMI

In addition, HRB has some homes for families up to 120% AMI (no federal funding in these units)

## ➤ Employment (or other income)

Proof of steady employment or income for at least 2 years in order to secure a mortgage loan. This includes wages, social security, pension, disability.

## ➤ Debt

Total debt including housing costs can be no more than 35-40% of monthly income.

## ➤ Assets

Most CLTs and funding sources set asset limitations. HRB limit is \$300K in total assets



# Ground Lease

The Ground Lease is a legal document the buyer and CLT sign at closing.

It is recorded along with the deed and defines the ongoing relationship between the owner and the CLT.

Highlights:

- 99 year renewable ground lease.
- defines the ground lease fee and repair reserve payments.
- defines the resale formula.
- defines the process to follow if/when owner decides to sell
- defines who is a qualified buyer
- defines owner responsibilities around property taxes, insurance, maintenance

# Repair Reserves Overview

Repair Reserves are funds paid to CLT monthly by the owner for their home to help cover large home maintenance items needed in the future.

Can include things like:

- repair and replacement of the roof \*
- painting and maintenance of siding \*
- Replacement of windows and doors\*
- Replacement of appliances

Repair Reserves stay with the home when the owner sells it, allowing each owner to “pay for what they used” and not burdening a new owner with full replacement of these big ticket items.

Other home maintenance is the responsibility of the owner.

\* *Current repair reserves at FCV*

## Resale Formula

Formula that determines the sale price to subsequent buyers:

- Fixed rate formula (HRB's Formula)

initial sales price plus 1.5% compounded annually.

- Appraisal based formula

Owner and CLT share equity increase defined by appraisal

- Indexed formula

Ties appreciation to an index like CPI



# Stewardship

The ongoing role of the CLT is to steward homes and land in their portfolio to ensure that the public and private subsidy put into the creation of the home is retained at each sale, in perpetuity, for the benefit of the community the CLT serves.

- Supporting owners and providing education, tools and resources for home maintenance, budgeting, etc.
- Facilitating the sale of the home
- Ensuring future owners are income qualified
- Monitor to ensure owner occupancy
- Monitor to ensure mortgage is current
- Enforce the terms of the ground lease

# Homebuyer Preparation

When a prospective Homebuyer applies:

- Determine if eligible based on application provided
- Add to waiting list based on date of application
- Refer to approved lender
- Refer to budget/credit counseling if needed
- Assist with mortgage application/lender communication



## HRB's CLT

### Vineyard Lane:

- Originally 4 units purchased by HRB in 2007 and sold to owners
- Currently being sold out of CLT – not affordable because of HOA dues.

### Sparrows Condominium:

- 2 units
- Donated in 2009
- Sited in 2010 on Island Home Property

### Ferncliff Village:

- 40 homes (24 single family, 16 townhomes)
- Built in 2 phases from 2007-2017
- 6 acres of land donated



## HRB's Scattered Site Program

- HRB and/or qualified buyer will purchase homes in neighborhoods across the island. HRB will own the land and buyer the home.
- Functions as described previously
- Launching this program with proceeds from the sale of Vineyard Lane, and a grant from Bainbridge Community Foundation
- First 2 homes are in Wallace Cottages – a new development of 17 homes (construction starts summer 2020)
- Program still in planning phase

## References

Grounded Solutions Network:

[www.groundedolutions.org](http://www.groundedolutions.org)

Champlain Housing Trust:

[www.getahome.org](http://www.getahome.org)

OPAL Community Land Trust

[www.opalclt.org](http://www.opalclt.org)



Schumacher Center for New Economics

<https://centerforneweconomics.org/apply/community-land-trust-program/directory/>

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# Community Land Trusts (CLT):

## Just a thought..

“The first person who, having enclosed a plot of land, took it into his head to say this is mine and found people simple enough to believe him was the true founder of civil society. What crimes, wars, murders, what miseries and horrors would the human race have been spared, had some one pulled up the stakes or filled in the ditch and cried out to his fellow men: “Beware of listening to this imposter. You are lost if you forget that the fruits of the earth belong to us all and the earth itself to nobody.”

Jean-Jacques Rousseau,  
Discourse on Inequality, 1754

