

Community Land Trusts FAQs

WHAT EXACTLY IS A COMMUNITY LAND TRUST?

A community land trust refers to the vehicle of separating land from building (house) for the purpose of transferring title to the house without selling the land. It also denotes the nonprofit organization that holds title to the land and manages the ground leases on community land trust properties. Frequently, the nonprofit organization is already involved with developing or maintaining affordable housing in the community it serves, and can adapt easily from producing and selling the house with the land to selling the house together with a 99 year leasehold interest in the land.

WHAT IS THE ROLE OF LOCAL GOVERNMENT WHEN FORMING A CLT?

A growing number of local governments recognize that CLTs can play an important role as stewards of community resources and that property and funds allocated to a CLT can benefit not only present community residents but future residents as well. In addition to providing construction financing and down payment assistance to buyers of CLT homes, through housing programs such as SHIP, local governments can support CLT activities by providing land on which the housing can be built, and ongoing administrative support to the CLT that is providing services which would otherwise fall upon the local government to perform. Local government support will greatly enhance the initial and long-term affordability for its residents; a community land trust provides an essential service in meeting present and future community needs.

HOW LARGE AN AREA DOES A CLT SERVE?

A CLT can serve a single neighborhood or particular geographical area. It can also serve an entire county, or even span several counties. How a CLT's territory is defined is shaped by the immediate interests of its founders, market characteristics which involve household income, land values and sales prices, and availability of affordable housing opportunities. In Florida, it is important to be mindful of the variety of submarkets, each with unique economic conditions and political climate. The decisions that go into tailoring the end product, resale provisions, and caps on appreciation and equity sharing arrangements must take these factors into consideration.

HOW DOES THE CLT MAKE SURE THAT THE HOME WILL BE AFFORDABLE AND AVAILABLE FOR OTHER LOWER INCOME HOUSEHOLDS?

The terms of the 99 year ground lease place limitations on the resale of the home - preventing resale to a household that is not eligible under the terms of the ground lease (for example, the ground lease may provide that the home must be sold to very low, low, or moderate income households). The lease includes a "resale formula" that determines the maximum allowable price. In the typical ground lease, if a family member who inherits the CLT property is not income eligible, they may continue to live in the property but can only sell it to someone who is income eligible at the restricted resale price.

HOW DO RESELL FORMULAS WORK?

Each CLT - given its own goals and local circumstances - designs its own resale formula to set maximum prices that are as fair as possible to the seller while staying affordable for the next buyer. There are several types, but the majority of CLTs use what are called "appraisal-based" formulas. These formulas set the maximum price as the sum of what the seller paid for the home plus a certain percentage of any increase in market value (as measured by appraisals). Variations on these and other types of formulas are possible. Most local groups starting CLT programs spend a good deal of time examining the various possibilities before deciding on a formula that is right for them.

IS IT REALLY FAIR TO RESTRICT RESALE PRICES FOR LOWER INCOME CLT HOMEOWNERS WHEN HIGHER INCOME CONVENTIONAL HOMEOWNERS CAN SELL FOR MARKET-RATE PRICES?

If a potential homebuyer has the financial ability to purchase a fee simple home of their choice there would be no reason for them to purchase a CLT home unless it was for personal philosophy- in the same way that some homebuyers are choosing to move to much smaller living spaces, not because they can't afford the larger home, but because they want to be part of the movement to reduce personal carbon footprint.

Setting aside the desire to be part of the CLT movement, and assuming the issue of homeownership is strictly financial, a homebuyer who could qualify for fee simple homeownership should not opt for a CLT as the return on investment is much lower for CLT homeownership. The return on the sale of a CLT home is indeed fair because the alternative is the return on renting- which is zero. Homeownership through a CLT provides many advantages not enjoyed by tenants - long-term security, a chance to build substantial assets through affordable monthly payments, and the opportunity to leave these benefits to their children. But, as with any investment, potential buyers should look at the advantages and disadvantages of all their options, and make their own decision after fully understanding the CLT model, including advice from legal counsel.

HOW DO PROPERTY TAXES WORK?

Thanks to a multi-year legislative campaign by the Florida Community Land Trust Institute and Representative Keith Fitzgerald, Florida CLT homeowners will receive a property tax bill based on the resale restricted value of their property, not the higher value that would have attached to the property had it not been resale restricted. This law passed in 2009 and can be found in section 193.018, Florida Statutes.

Typically, the homebuyer is responsible for the real property taxes on both the land and the home. The ground lease provisions adopted by the CLT will usually provide either that the real property taxes are spread out over 12 months and paid to the CLT together with the nominal ground lease fee, or the homebuyer will simply be responsible for paying the bills each year. Usually, the homebuyer's first mortgage lender will have an escrow account for taxes and insurance. In some jurisdictions, there will be one tax bill for the land and the house and in others the tax office may send two bills. If a separate bill is sent for the land, it will most likely be sent to the CLT, as it is the title holder of record, but the ground lease will provide that the homeowner is responsible for the taxes on both the land and the house. A 99 year ground lease is treated as the functional equivalent of ownership in Florida, and therefore, the tax bill for the land may be sent directly to the homeowner, as the public records will reflect that the homeowner is the lessee under a 99 year ground lease.

HOW ARE COMMUNITY LAND TRUSTS DIFFERENT FROM CONSERVATION LAND TRUSTS AND FLORIDA LAND TRUSTS?

Conservation trusts are concerned with preserving open space, ecologically fragile, or unique natural environments. CLTs, on the other hand, are concerned with acquiring developed or developable land to preserve affordable community residential use. These concerns are not mutually exclusive, and some land trusts, notably in Vermont, combine these purposes, preserving some land in a natural state while leasing other land. The Florida Land Trust Act is found in Chapter 689, Florida Statutes and is concerned with ownership and transfer of ownership by a "trustee". There is no statutory framework for Community Land Trusts beyond all the laws that pertain to Florida Not For Profit Corporations found in Chapter 617, Florida Statutes, and a few statutory references which are included in the Florida Community Land Trust Primer.

The Florida CLT Institute is a program of the Florida Housing Coalition. Attorney at Law, Jaimie Ross, President/CEO of the Florida Housing Coalition established the Florida CLT Institute in January 2000. Training and technical assistance on community land trusts is also provided by the Florida Housing Coalition.

For more information, call the Florida Housing Coalition at 850-878-4219, or email ross@flhousing.org.

Local Government Innovation: Preserving Subsidy and Affordability with a CLT

By: Anthony Jones, President/CEO, Bright Community Trust



After serving local government for almost 30 years, as the Director of Community Development for Pinellas County, and overseeing the administration of over \$40 million dollars in federal, state, and local funding, I helped launch the Pinellas County Land Trust in 2008. Why? Because I realized that if local government continues to put financial subsidy into the development of affordable housing that does not remain affordable in perpetuity we would continue to lose subsidy, lose affordable homes, and never come close to meeting the affordable housing needs in the community. I saw the community land trust as a way to preserve both public subsidy (costing less in taxpayer funds) and providing opportunities for permanently affordable homeownership and rental housing that benefits the residents directly served and the community at large.

Rethinking how subsidy is provided.

In 2005, a broad-based Community Housing Workgroup convened by the Pinellas County Commission made a series of findings related to the affordable housing crisis. One of those was that while the community had been fairly effective at producing affordable housing, preservation of that housing, and the associated subsidies, continued to be at risk. There had been a significant loss due to price appreciation, condo conversion, and expiring use covenants on affordable rental housing. The loss had displaced working families from whole neighborhoods. Preservation of affordable housing was clearly as high a priority as producing it.

The Workgroup found that permanently affordable housing programs, such as the Burlington Community Land Trust, were especially effective in preserving affordability. The County Commission directed staff to research forming a Community Land Trust for Pinellas County. Bright Community Trust (then known as Pinellas Community Housing Foundation) was formed in May 2008 as a 501(c)(3) non-profit subsidiary of the Housing Finance Authority of Pinellas County. The founding purpose was to stem the loss of affordable housing units and prevent displacement of working families in areas experiencing rapidly rising prices.



Also in 2008, Congress passed the Housing and Economic Recovery Act creating the Neighborhood Stabilization Program. The County Commission saw this as an important tool to increase affordable housing while stabilizing home values in at-risk neighborhoods. The Commission wanted to invest in both single family homeownership and affordable rental housing; they recognized that the Community Land Trust would preserve their investments.

Using the CLT for Homeownership Housing.

Following the Burlington Vermont model, all single family homes receiving subsidy were placed into the Community Land Trust. They were renovated and sold to working families using an equity sharing model. The price of the land was removed from the transaction, significantly increasing affordability. Homebuyers enjoyed all the benefits of homeownership in a heavily discounted, completely renovated or newly constructed property. They received a reasonable return on their investment and agreed to pass a share of any price appreciation on to the next homebuyer who would meet the same affordability requirements.

Using the CLT for Rental Housing.

Preserving rental housing for the Pinellas workforce was also a heavy focus of Pinellas County's NSP program. In the past, rental housing had been supported primarily by providing soft mortgage gap financing. However, as properties went into foreclosure or changed hands, they were often lost to the affordable market. One very large property was converted to condos. Another went to foreclosure sale and the subsequent owner raised rents far above affordable levels. These events clearly illustrated the need to have a stronger preservation strategy. Past strategies tried to preserve affordability at the end of the period when the owner had many options from which to choose. The community land trust model preserved the affordability from the beginning.

The County then changed its subsidy strategy. Instead of providing the classic soft second mortgage, the County purchased the land and put it into the community land trust with the developer given a 99 year ground lease. This was a win for both sides. The developer had no land costs, making financing costs much lower. And, the value of the land increased the equity brought to the table. For the local government, affordability was preserved up front and in perpetuity. Future purchasers would have to respect the County's affordability covenants. The County also had great leverage if properties were not properly managed or maintained.

Local Government Leadership.

I am so passionate about the importance of community land trusts that I currently serve as the Executive Director of the Bright Community Trust, the successor nonprofit for the Pinellas County CLT, which had its genesis as an idea initiated and supported by a local government. Today the Bright Community Trust stewards over 520 apartments and over 35 owner-occupied homes. The program continues to grow with close to 60 additional rental and 20 home ownership units expected to come into service by mid 2016. Properties currently serve the full range of affordable housing needs from homeless populations up to 120% of area median income.

When the Community Housing Workgroup was formed, one of the first discussions was to define government's role in housing. One of those roles was to provide leadership. Bright Community Trust is an example of how that leadership can result in successful replicable models that allow the non-profit sector to do what they do best, while preserving public investment.



The Community Land Trust of Palm Beach County, Inc.

Community Land Trust Accomplishments: Palm Beach County

Through the commitment of its all volunteer Board of Directors, the dedication of its staff, and support of its members, the CLT of Palm Beach County has been able to accomplish the following:



- **Davis Landings**, a 25 unit affordable multi-family rental community in suburban Lake Worth. The project was financed with \$5.7 million in Federal Neighborhood Stabilization 2 (NSP2) Program Funds passed through by Palm Beach County Department of Economic Sustainability. The development attained a Florida Green Building certification and includes such amenities as a community room, a playground/tot lot, an outdoor grilling area, exercise walking path and onsite property management. 25% of the units are set aside for households with incomes at or below 30% AMI. 55% of the units are set aside for households with incomes at or below 50% AMI and 65% of units are aside for households with incomes at or below 60% AMI.

- The acquisition and rehabilitation of 20 vacant and foreclosed single family homes in the urban redevelopment area of Palm Beach County for resale under the community land trust model of homeownership. The project was financed with \$1.02 million in Federal Neighborhood Stabilization 1 (NSP1) and \$2.4 in Federal Neighborhood Stabilization 2 (NSP2) funds passed through by Palm Beach County Department of Economic Sustainability. All units were rehabbed at a minimum for hurricane hardening and energy efficiency. 10 of the units are set aside for families with incomes at or below 120% of the AMI and 10 of the homes are set aside for families with incomes at or below 50% of the AMI. These units are resold under the community land trust model of homeownership thereby ensuring they remain affordable in perpetuity.



- Lajoya Villages**, a 55 unit multi-family affordable rental development in Lake-Worth Florida. To develop this project, the CLT of PBC partnered with a private partner, Realtex Southeast. The \$11 million dollar project was financed with 4% tax credits and tax exempt bonds, NSP2 funding from the Lake Worth CRA, a HOME loan with Palm Beach County, and grants from the Federal Home Loan Bank of Atlanta, the Community Foundation of Palm Beach and Martin Counties, and the Housing Partnership. Project amenities include a community garden, art studio, splash area and picnic area, history labyrinth, living wall, metal roof and high energy efficiency appliances. Twenty five percent of the units are set aside for households with incomes at or below 50% of the AMI. The remaining units are set aside for households with incomes at or below 60% of the AMI. Ten percent of the units are set aside for veterans. Construction was complete in April 2015 and the project is fully leased.



- The CLT of Palm Beach County is in the process of developing **Davis Landings West**, a 24 unit CLT homeownership community just west of Davis Landings. Project financing includes a \$1,440,000 Federal HOME Loan through Palm Beach County, \$132,551 in impact fee assistance from Palm Beach County, \$500k Predevelopment Loan from Florida Housing Finance Corporation and \$3.4 million in private financing from the Housing Finance Authority of Palm Beach County. Construction is scheduled to begin in November 2015.





Community Land Trust Accomplishments: Bright Community Trust

In the words of Bright Community Trust Homeowners:

“I am a veteran. Most importantly, I needed to feel safe and peaceful. Finally, at the age of 52, I found my home.”



“Before I purchased, I was a single mom for ten years and struggling. Then I found the man of my dreams, we were engaged with a baby on the way. Purchasing was stress enough and the thought of having to do major repairs to a home that was just purchased made my stomach ache.

I was excited to have found this place and able to focus on my wedding.

Thanks Bright Community Trust!”



“I can honestly say that someone was looking out for me. I am a hard working middle class worker and a single father. My daughter’s mother and I had recently divorced; I had to find a home for my daughter. I wanted her to have her own room, feel safe and create a stable environment. Owing on my own was worrisome; not having a second income, a second person to rely on if things went wrong. I decided to bite the bullet and start looking. I expected to experience the same as when I purchased my first home; dead ends. But that wasn’t the case, I got lucky.

I purchased the first house my Realtor showed me! It was move-in ready, newly renovated, clean and I was able to afford it. My daughter and I love our home and the responsibility of owning a home is well worth the rewards.”



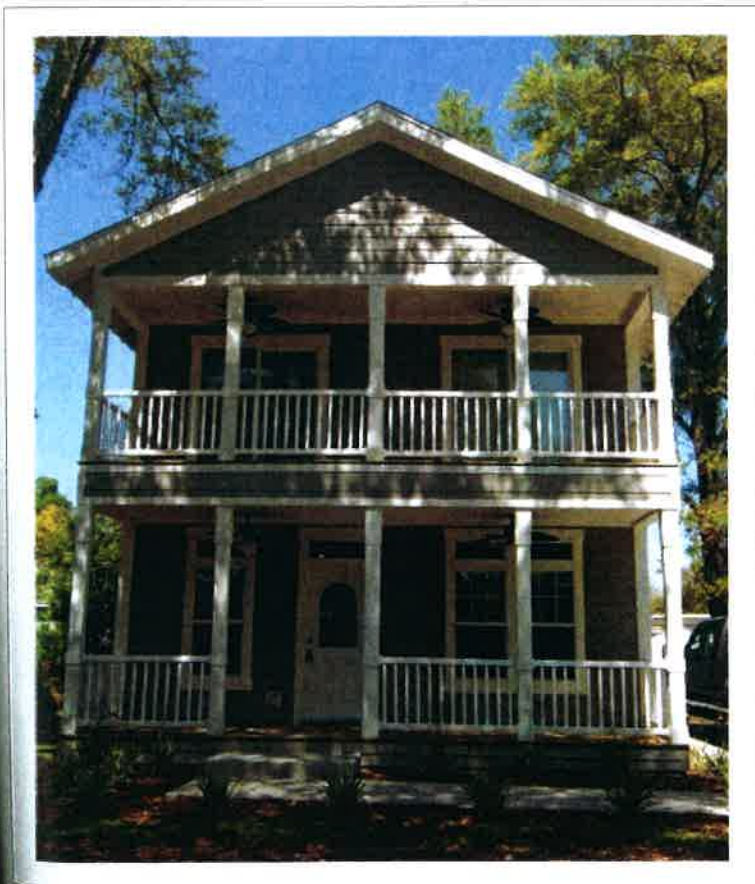
Community Land Trust Accomplishments: Hannibal Square

Since November 2014, the Hannibal Square Community Land Trust has celebrated:

- 10 amazing years!
- 21 homes provided
- 0 foreclosures
- 1 resale
- Currently finishing 2nd veteran home for a disabled veteran.



These pictures are some of our beautiful properties:





Community Land Trust Accomplishments: Community Housing Trust of Sarasota County, Inc.



“We never thought that it would be possible to own a home. We spent the weekend building a swing set for our son!”

- CHT homeowner, JL

“I’m very happy with my house, the neighborhood, my neighbors and overall with the process of obtaining my 1st home.”

- CHT Homeowner, BT

“As my disability advances, it will be important to me to own a home. I’m near public transportation, I know the house, and I know the neighbors.”

- CHT Homeowner



Community Land Trust Accomplishments: Habitat for Humanity of Key West & the Lower Florida Keys, Inc.

Key West & the Lower Florida Keys Habitat put all of our homes built in 2010 into our Land Trust. When we recycle a home on our other development, we will move the home into the Land Trust. It is critical for us to preserve in perpetuity all affordable home ownership that we partner to create.





Community Land Trust Accomplishments: Delray Beach Community Land Trust

Sarah Ferrer was getting frustrated.

Despite having a good job as the community relations specialist for the Drug Abuse Foundation of Palm Beach County, Sarah and her long-time boyfriend, Balarama Almeida, couldn't find a home they could afford. While they searched, they lived with Sarah's parents in a spare bedroom, a situation that was less than ideal. "We really wanted a place to call our own," she said.

Then Sarah heard about the Community Land Trust and the opportunity to buy a home that was affordable.

Because she owns just the building, not the property below it, Sarah was able to get the home she always wanted with a very reasonable mortgage. "One of the things about the Land Trust is that they make sure you're in a home you can afford," she said.

For Sarah and Balarama, the townhome is more than just a place to live. To them, it symbolizes stability and moving forward into the next chapters of their lives. "Having a home gives you that feeling of progress," Sarah says.

"Now we're able to make life plans because we have stability."



The Dosina family (low income, 4 member household) completed a homebuyer application in 2012, with the dream of owning a new home. But all they could afford was a loan in the amount of \$60,000.00 which was insufficient to purchase a home in the community. With pre-purchase counseling, they took the necessary steps to strengthen their financial position and in 2014 the Dosina's received a pre-qualification from Florida Community Bank in the amount of \$110,000.00. After more than two and a half years on April 14, 2015 they successfully achieved their dream of home ownership through the Delray Beach Community Land Trust.



Community Land Trust Accomplishments: Neighborhood Renaissance Helped Single Mom to Purchase Home

Neighborhood Renaissance helped Janita Finley, a radiology clerk to purchase a newly built Community Land Trust home for her and her daughter Brandy through a Lease - Purchase Program. The program allowed Ms. Finley to rent her home for 3 years while she saved the money she needed for down payment and closing costs. This property is located in the Northwood neighborhood of West Palm Beach and is part of the agency's Community Land Trust (CLT). United Way provided a 2-1 match for each dollar of Ms. Finley's down payment savings and Palm Beach County provided SHIP funds to help construct the homes.

About Neighborhood Renaissance, Inc.

Founded in 1992, Neighborhood Renaissance is a proven community based organization dedicated to building and supporting strong economies and diverse communities in Palm Beach County (PBC) through the development of quality homes that are within the financial reach of low and moderate-income working families. We have a history of working with residents, government, and businesses to reclaim troubled properties while helping families to become economically self-sufficient. Our efforts have helped over 100 families to become homeowners. We have built or rehabilitated over 140 homes. In the past 4 years we reinvested over \$18.5 million to help build stronger neighborhoods.

Our targeted efforts in Northwood resulted in a nationally recognized Model Block that added 40 owner occupied homes, rehabbed 14 properties and completed comprehensive neighborhood improvements for an investment of over \$8 mil. To keep homes affordable for generations to come, we created a Community Land Trust that helped 15 low-income families to purchase homes. In the past year, we reclaimed 14 distressed properties in the Northwood area for low and moderate-income first-time homebuyers.

To help breathe new life into the Westgate Community Redevelopment Area we built 13 green certified homes on vacant lots for low-income home buyers in partnership with Palm Beach County. We also acquired and renovated 85 distressed homes through a \$15 million Neighborhood Stabilization Program for the county's Urban Redevelopment Area (URA) that was hard hit by foreclosures.

New initiatives include a partnership with the City of Boynton Beach for the Poinciana Model Block, which includes streetscape improvements and 13 new homes that are underway. We are also working with the Lake Worth Community Redevelopment Agency to develop the West Village, 11 affordable work/live flats for artists with ground floor commercial/gallery space. In addition, we are working to develop a 40 unit affordable rental community located in the county's URA.

-Terri Murray, Executive Director – Neighborhood Renaissance

