

Community Land Trusts

A Presentation from
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for Leon County HFA
January 10, 2019





Community Land Trusts

Most familiar and effective form of subsidy retention
Taking land out of the speculative market for generations

What is a Community Land Trust?

- The vehicle of separating land...



What is a Community Land Trust?

... from the building



THE FLORIDA HOUSING COALITION



What is a Community Land Trust?

.. And...the nonprofit that holds title to the land and leases the improvements subject to restrictions that keep the improvements affordable in perpetuity



What is the Purpose of a CLT?

- To provide an **alternative to renting** through an alternative form of homeownership.
- To make homeownership more affordable
- To keep the home affordable forever



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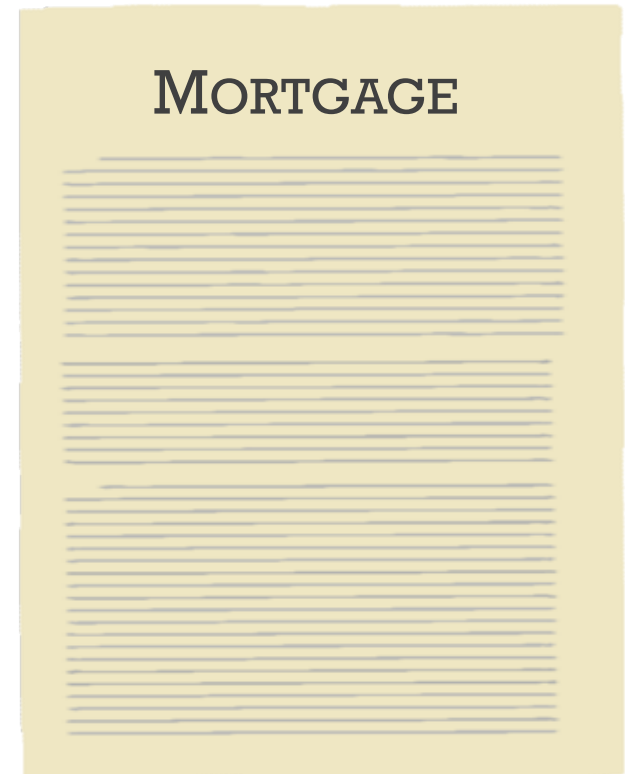
How Does it Work?

- A CLT acquires and retains ownership of land for the benefit of the community and sells or rents the improvements to income eligible households
- Homebuyers purchase the house and have the right to use the land by virtue of a 99 year lease agreement with the CLT
- Fee simple to the house; Leasehold interest in the land

Key Benefits for the Home Buyer



- Price of the home is now more affordable
- Staying in the community without being a renter means:
 - Mortgage payments instead of rent payments



Key Benefits for the Home Buyer (continued)



- Return of equity upon resale
- Financial stability— able to save without fear of rent increases or loss of housing
- **BUT.... The buyer of a CLT home is a homeowner, which means he/she is responsible for all homeowner expenses—such as maintenance and repairs.**

Key Benefits for the Public



- Permanent stock of affordable housing is created
- A nonprofit is providing stewardship to help the homeowner to be successful
- Reduces the rental crisis by moving renters into CLT homeownership

And.....



Reduces the amount of subsidy needed to serve the same number of households

- **Understanding Subsidy Retention Video**

Understanding Subsidy Retention

The video player shows a video titled "Understanding Subsidy Retention: How Subsidy Retention Works". The video content features a black background with a white vertical line and a red square at the bottom. The text on the screen reads: "If the formula price is based on increases in income not the housing market, the house remains affordable".

Below the video, there is a "More videos" section with four thumbnails:

- Thumbnail 1: A person sitting on a bench.
- Thumbnail 2: A person in a yellow shirt with a speech bubble containing the text "कबल सुन करे वसु के मितल में".
- Thumbnail 3: A person in a yellow shirt with the text "टर्म इन्शोरेंस का सच" and "An Eye Opening Video".
- Thumbnail 4: A blue ring on a metal rod.

The video player interface includes a progress bar at the bottom showing 5:49 / 7:59, a volume icon, a play button, and a YouTube logo.

Key Provisions of the Ground Lease



- Income eligibility restrictions
- Use restrictions (primary home)
- Taxes – 193.018 F.S.
- Inheritance - yes (with caveats)
- Ground lease payments
- CLT right to repurchase

And.....



- **Resale Formulas-** an agreement as to how the CLT (the nonprofit) and the CLT homeowner share in the sales price paid by the next buyer

Other Uses

- CLTs can be used for
- Rental Housing; and
- An anti-displacement strategy for redevelopment/gentrification

Key to the Success of the CLT



Partnership and support of the local government

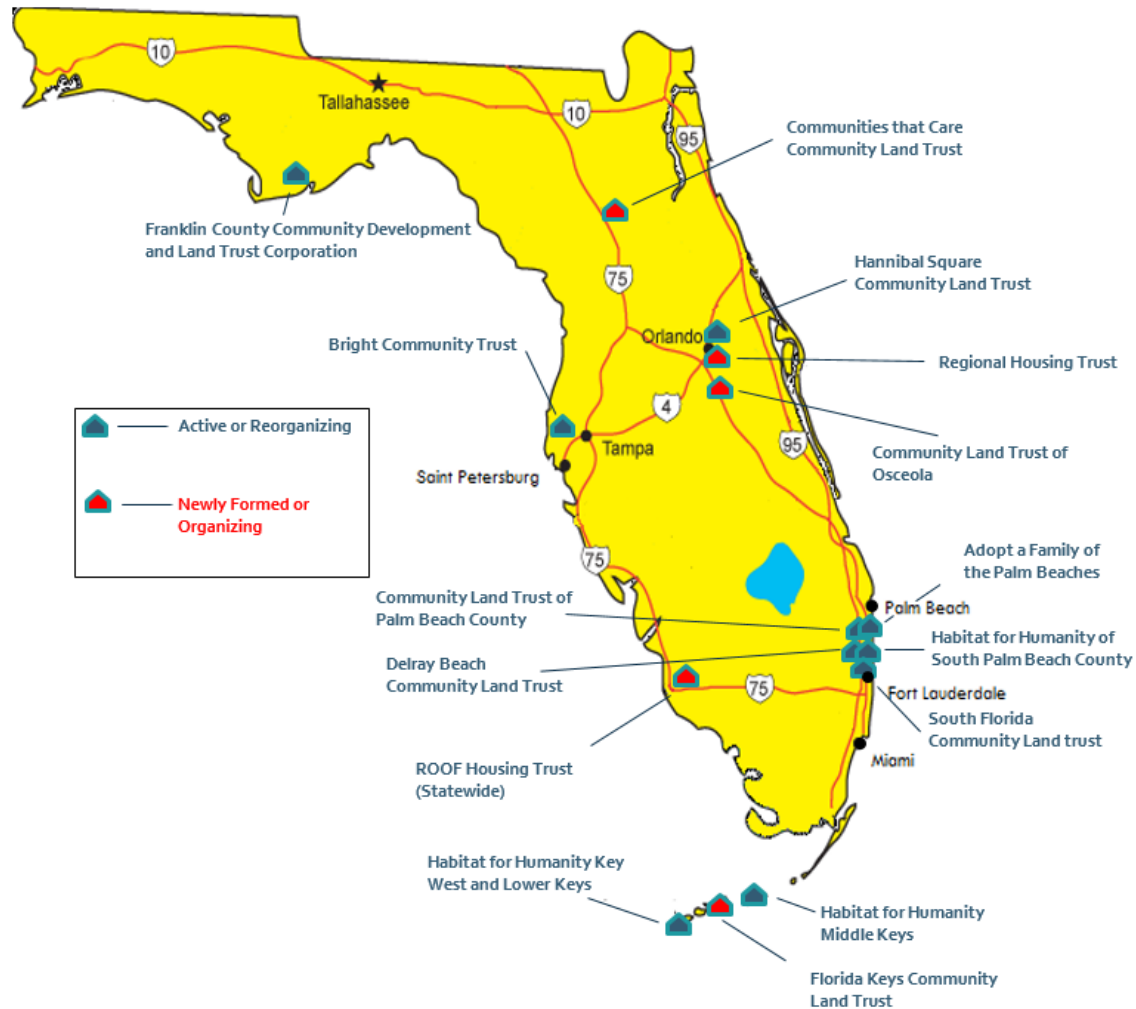
- Donation of land to the CLT
- A highly functioning nonprofit with the ability to provide a pipeline of qualified home buyers
- A fully informed and engaged community of prospective home buyers
- A fully informed and engaged lending community
- Financing from federal, state, and local sources



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Community Land Trusts in Florida



Local Government Incubation Example: Bright Community Trust



- Began as Pinellas Community Housing Foundation, Inc. in 2008
 - For the benefit of the Housing Finance Authority, who was its sole member
 - Pinellas BOCC authorized HFA to utilize 99-year ground leases
 - Means for HFA to implement 99-year ground lease to create permanent affordability
- Housed and staffed by the Housing Finance Authority for first four years of operation, then went independent

Existing Nonprofit Example: Heartfelt Florida Housing



- Founded by Habitat for Humanity of South Palm Beach County in 2010
- Formed as separate nonprofit (separate Board)
- Housed and staffed by Habitat
- Membership open to community as well as lessees

New Nonprofit Example: South Florida Community Land Trust

- Originally established in 2006
- Regionally focused, serving Broward and expanding into Miami-Dade
- Rental makes up majority of current portfolio
- Rental income serves as source of operating income for CLT

Florida Community Land Trust Institute Primer

Highlights:

- 2015 update
- CLT overview and articles
- Model ground lease
- Sample SHIP strategy



Inclusionary Housing and CLTs

- **CLTs can perform program management and compliance functions**
- **CLTs can provide pipeline of qualified buyers/renters**
- **Right-of-purchase provisions preserve affordability for housing created by inclusionary ordinances**
- **Ground lease more effective for enforcement than deed restriction**
- **One-time subsidy for permanent affordability**

Example: Jupiter, FL



- Requires 6% of all developments of 10 or more units as Workforce Housing units
- For-sale units must remain affordable in perpetuity (99-years); rental units must remain affordable at least 30 years
- Specifically calls for contract with a Community Land Trust for program administration

Example: Delray Beach, FL



- Requires Workforce Housing units in exchange for increases in height and density as well as for developments in specific districts
- Minimum 40-year affordability period
- Community Land Trust has right of first refusal for all for-sale units



Lending for Community Land Trust Homeownership

CLT Lending - Specifically

- **Major advantages to CLT loans :**
 - Extremely low foreclosure rate
 - Right of repurchase
 - Ability to sell on secondary market (FNMA lease rider)
- **Major challenges:**
 - Reluctance of lender involvement (lack of understanding and program uniformity)
 - Lack of scale
 - FHA pull-back
- **Portfolio loans**

Lenders that work with CLTs in Florida





FHFA Duty to Serve

- Requires the enterprises, Fannie Mae and Freddie Mac, to provide leadership to facilitate the secondary market for mortgages to very-low-, low- and moderate-income families in three underserved markets:
 - Manufactured Housing
 - Affordable Housing Preservation
 - Rural Housing

Duty to Serve – Fannie Mae



- Work to increase liquidity for shared equity models such as community land trusts and resale restricted properties
 - Fannie Mae ground lease rider previously in use
 - Publicly promote the strength of shared equity portfolio
 - Plan to streamline eligibility for loans in shared equity program to access Fannie Mae products
 - Research ways to increase liquidity for shared equity and multifamily, specifically for limited equity cooperatives
 - Ultimately accomplish goal of significant increase in purchase of loans from shared equity programs

Duty to Serve – Freddie Mac



- **Work to increase liquidity for shared equity models – focus on standardization and scaling up**
 - **Develop product flexibilities to facilitate greater number of loan originations**
 - **Purchase more loans under shared equity programs to inform product design**
 - **Support standardization and data collection at transaction level**
 - **Promote market awareness of shared equity programs**