



# A Community Land Trust for Nassau County

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# Florida Community Land Trust Institute Primer

## Highlights:

- CLT overview and articles
- Model ground lease
- Sample SHIP strategy
- <http://www.flhousing.org/wp-content/uploads/2015/10/CLT-Primer-LINKED.pdf>



# What is a Community Land Trust?

- The vehicle of separating land...



# What is a Community Land Trust?

... from the building



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# 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 make homeownership more affordable
- To keep the home affordable forever



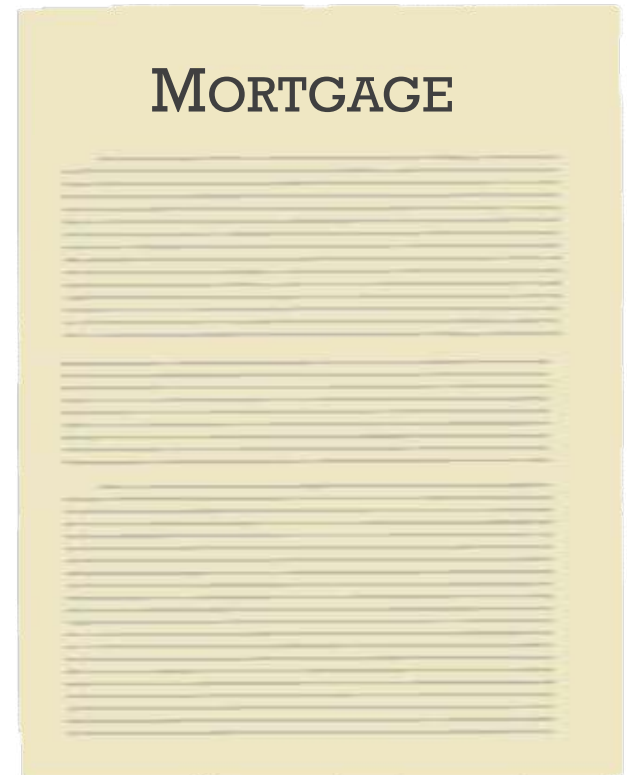
# How Does it Work?

- 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

# 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
  - Mortgage interest payments are deductible





# 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

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

# Understanding Subsidy Retention

Understanding Subsidy Retention

## How Subsidy Retention Works

\$

Remember the family buying a \$300,000 house?

\$215,000 mortgage

\$10,000 downpayment

225,000

MARKET RATE HOUSING

AFFORDABLE UNITS

Asset Building

Affordable Homeownership

Market Price

Market Price

Understanding Subsidy Retention Permanent Affordability

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# Key Provisions of the Ground Lease

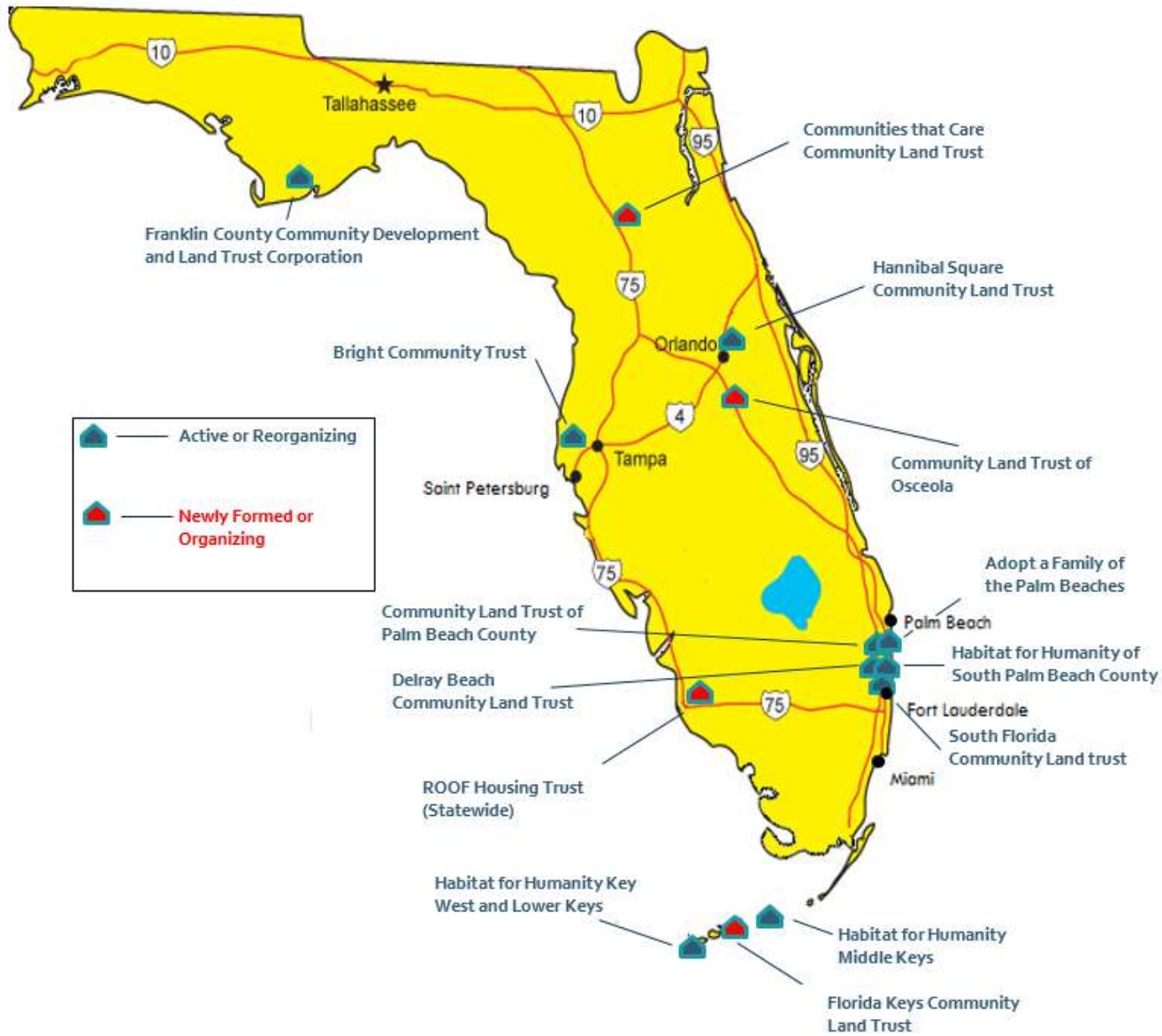


- Income eligibility restrictions
- Use restrictions (primary home)
- Taxes – who is responsible (more later)
- Inheritance - yes (with caveats)
- Ground lease payments
- CLT right to repurchase

# 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
  - **Appraisal-Based Resale Formula**
  - **Fixed-Rate Resale Formula**
  - **Indexed Resale Formula**

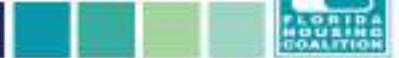
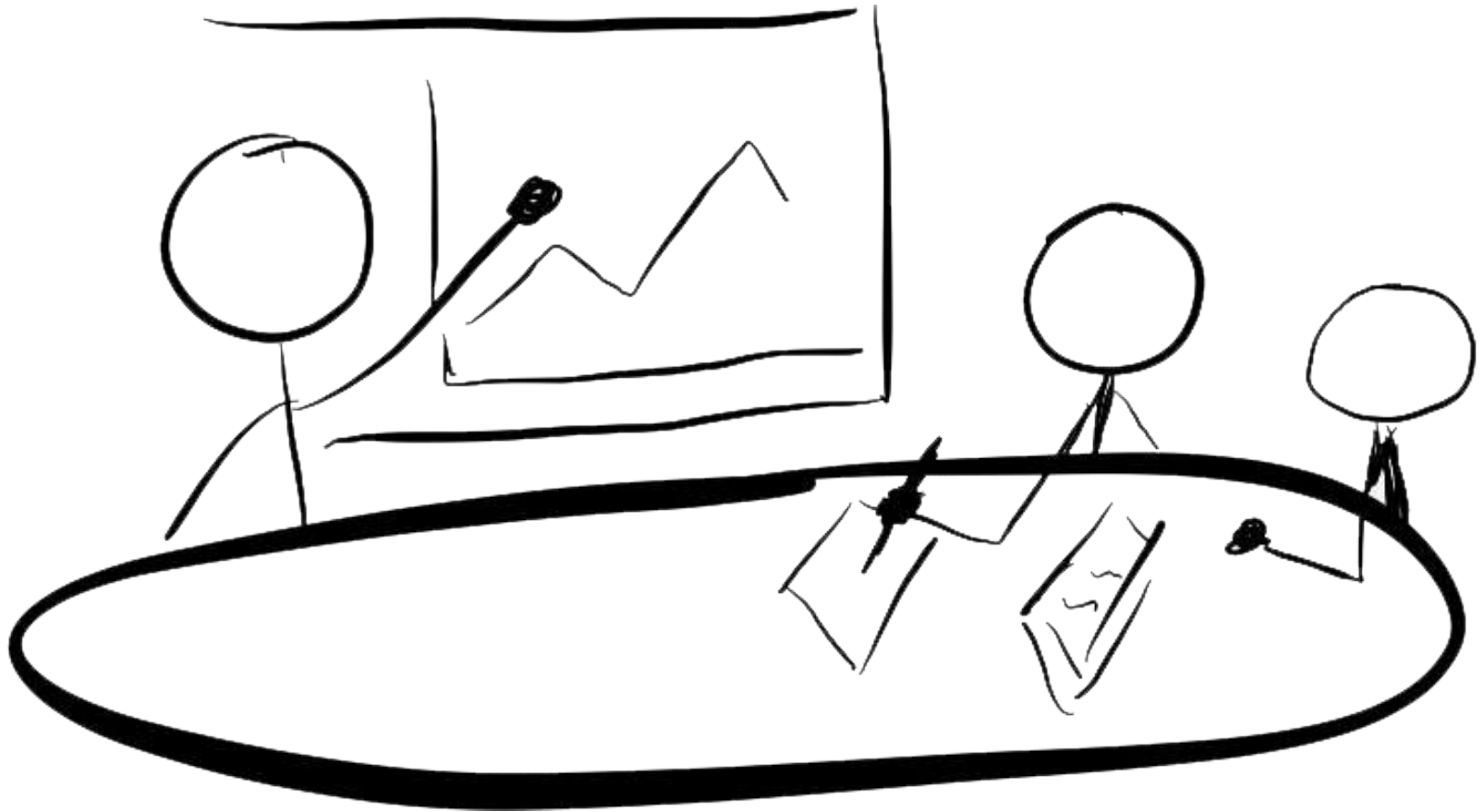


# How to Start a CLT

- Do you need a new organization?
- Incorporation of a 501(c)(3)
- Board Composition- What's Best?
- Membership Organization- Works well



# Homebuyer Education



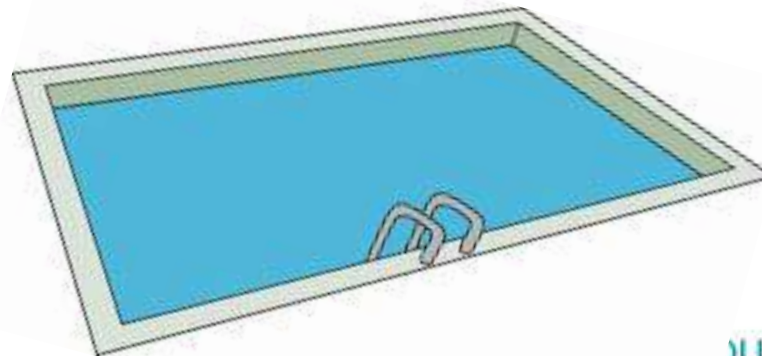


# Homebuyer Education for the CLT homebuyer

- **What are the CLT homebuyers' responsibilities?**
  - Making monthly lease payment to CLT
  - Making monthly mortgage payment to bank
  - Paying tax bill for land and improvement (on resale restricted value)

# Homebuyer Education for the CLT homebuyer (continued)

- What are the CLT homebuyers' responsibilities?
  - Making repairs – no landlord to call
  - Receiving CLT approval before making certain improvements
  - Notifying CLT when they intend to sell.



# Homebuyer Education for the CTL Homebuyer (continued)

- **CLT homebuyer must understand the difference between fee simple and CLT homeownership**
- **Specifically, understanding what money to expect upon resale**
- **And that depends on the resale formula**
- **So...ensure that the CLT homebuyer understands the resale formula that your CLT is using**

# What is the Role of Local Government?

- Local Government has obligations under Housing Element
- CLT helps the Local Government to meet it's housing needs



# How Does a CLT Help Local Government?

- Reduces the amount of financing needed
- Reduces the pressure on tight and expensive rental market
- Provides ongoing stewardship- an “insurance policy” to avoid foreclosure



# Why Should SHIP be Used for CLTs?



**SHIP**  
housing a stronger Florida

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# Compare Using SHIP for Fee Simple Homeownership



Easier than:

- Payback Loans- hard to administer
- Deferred Loans - deferred, then forgiven, ultimately lost subsidy
- Shared equity – can be complicated
- Grants help one family one time

# Why Invest SHIP in CLT Homeownership?



- CLT makes your SHIP \$ go farther;
- Meets the 65% homeownership set-aside
- One time infusion of cash for permanent affordability
- SHIP dollars stay with the house
- CLT stays involved - stewardship





# Local Government & Community Land Trusts - A Perfect Match

- Local government provides:
  - Funding for CLTs – SHIP; HOME; CDBG
  - Requirements for permanent affordability
  - Surplus land for affordable housing

# Local Government & Community Land Trusts- A Perfect Match

(continued)

- **CLTs Provide and Preserve:**
  - Permanent source of affordable Housing
  - Quality, sustainable affordable housing
  - Mechanism to preserve affordable units in neighborhoods undergoing gentrification
  - Leverage of subsidies for future buyers

# 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

# CLT Lending

- **CLT loans have much lower rate of foreclosure because of stewardship and right of repurchase**
- **Fannie Mae Rider- saleable on secondary market**
- **Portfolio loans**



# CLTs can be used for Rental

- **Permanent affordability** vs expiring LURA
- **Minimum Affordability Periods**
  - SHIP 15 years
  - LIHTC 50 year
  - other FHFC programs vary
  - HOME 5-20 years

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