COMMUNITY LAND TRUSTS
CYCLICAL THREATS TO AFFORDABLE HOUSING

- In appreciating housing markets, how to create *lasting* housing affordability?
- In depreciating housing markets, how to preserve housing condition and quality?
- And, in either type of market, how to prevent the displacement of households of limited means?
Assistance is provided to limited-income homebuyer - to bridge affordability gap or value gap (or both) as:

- Grant to homebuyer or

- Forgivable or deferred loan to homebuyer

No long-term protections are put in place to preserve, over time, the initial affordability assistance provided

Little, if any, ongoing support and assistance is provided to homeowners after move-in
COMMUNITY LAND TRUSTS

- Preserve affordability & access to community properties
- Protect & leverage subsidies invested to create these community assets
- Help residents, occupants and users of these community assets become and remain successful
COMMUNITY LAND TRUSTS

- Take a unique and long-term approach to community developing - by restructuring:
  - How property ownership is structured
  - How public and private subsidy investments are applied
  - How long-term relationships with residents, occupants, and users are nurtured and maintained over time
COMMUNITY OWNERSHIP OF LAND

- Acquire and retain ownership of targeted land parcels within its service area
- Remove this land from the speculative market forever
- Place long-term safeguards against sale of land
- Agree to lease land for uses deemed appropriate by local community
Typically, community-based, nonprofit corporation serving a specified service area.

Primary mission is to acquire, retain ownership, and lease the use of land for community purposes.

Mission typically qualifies for 501(c)(3) “charitable organization” designation.
MEMBERSHIP & GOVERNANCE

Typically, CLTs are place-based membership organizations:

Anyone living or using CLT-owned land

Anyone living in CLT service area

Membership elects board of directors

Representative, three-part governance
CLT Board of Directors

- Leaseholder Representatives: 33%
- Community Representatives: 33%
- Public Representatives: 33%
COMMUNITY LAND TRUSTS

A VARIETY OF COMMUNITY USES
AFFORDABLE HOUSING
COMMUNITY LAND TRUST

IMPROVEMENTS

LAND
CLT separates ownership of land from improvements
Local community retains ownership of land
Improvements are owned by individual(s) or corporation
CLT leases land to owner of improvements
PERMANENTLY AFFORDABLE HOMEOWNERSHIP

- Subsidy is used to write down the sales price of the home to an affordable *purchase* price

- CLT homeowners, by signing the ground lease:
  - Agree to share with future homebuyers the affordability that was initially created for them
  - Agree to a resale formula that will be used to determine the price at which they can sell their homes

Public (and private) homeownership subsidies are preserved for benefit of future homebuyers
RESALE FORMULA
Example

Original Value (by appraisal) = $160,000
Minus Subsidy: ($45,000)
Original Purchase Price = $115,000
Owner’s Share of Appreciation = 25%

Resale
Value at Resale (by appraisal) = $200,000
Increase in Value ($200,000 - $160,000) = $40,000
Owner’s share ($40,000 x 25%) = $10,000

Resale Price = $125,000
($115,000 + $10,000)
POST-PURCHASE STEWARDSHIP

CLT lays out clear expectations - and monitors - and enforces - compliance

CLT enters into long-term, mutually accountable relationships with homeowners

CLT stands behind - and backstops - its homeowners, to ensure their success.
CLT HOMEOWNERSHIP
--TANGIBLE OUTCOMES --
HOMEOWNER SECURITY

Over 90% of CLT homeowners remain in their homes at least five years.

Historically, the average tenure of CLT homeowners is seven years.

Over 70% of CLT homeowners, when they sell their CLT homes, purchase an unrestricted, market-rate home.
CLT HOMEOWNER MORTGAGE PERFORMANCE
STEWARDSHIP OUTCOMES
MORTGAGE PERFORMANCE

- Total Loans (per MBA)
- CLT Loans

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Loans</th>
<th>CLT Loans</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
<td>6.3%</td>
<td>1.98%</td>
</tr>
<tr>
<td>2009</td>
<td>9.67%</td>
<td>1.62%</td>
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<tr>
<td>2010</td>
<td>8.57%</td>
<td>1.30%</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Foreclosure Proceedings</th>
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<tbody>
<tr>
<td>2008</td>
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<tr>
<td>2009</td>
<td>4.58%</td>
</tr>
<tr>
<td>2010</td>
<td>4.63%</td>
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</table>

SERIOUS DELINQUENCIES FORECLOSURE PROCEEDINGS
COMMUNITY LAND TRUSTS & MULTI-FAMILY AFFORDABLE HOUSING

CLT owns the underlying land, leasing it out to owner of building via long-term lease

Corporation, limited liability partnership or other entity owns the building
URBAN FARMING & MIXED USE
CHALLENGES

Community assets must be *made* available and affordable before the CLT can *keep* them available and affordable.

Significant organizational capacity is required.

CLT makes bold promises.

Promises be kept over a long, long time.
CLT OUTCOMES

- Key community assets are preserved and kept accessible forever
- Housing affordability and quality is preserved
- Public (and private) investment is leveraged
- CLT homeowners are successful homeowners and renters have security of long-term affordable rents
- Communities benefit by not being vulnerable to gentrification and displacement
- CLT provides flexible strategy for multiple community uses
COMMUNITY LAND TRUSTS
Real Estate Market (2014)

- High-water mark: $470,000
- LLCs responsible for 106 residential purchases
- Percent of sales over $250,000 has doubled from 2012
Median Home Sales Prices

’07–’14

Lower Lawrenceville

Central Lawrenceville

Upper Lawrenceville

2007

2012

2014
Perception vs. Reality

- 20% Neighborhood Wide Poverty Rate
- 90% of students at Arsenal Elementary eligible for Federal Free and Reduced Price Lunch
- 427 Tax Delinquent Properties
- 27% of Owner-Occ homes owned by seniors
Affordable Housing Tools

• LIHTC
  – Need willing development partner

• 2\textsuperscript{nd} Deferred Mortgages
  – Straightforward
  – Do they work?
2\textsuperscript{nd} Deferred Mortgages

- 27 2\textsuperscript{nd} Deferred Mortgages given from 1993-2005
- 17 of those properties have transacted at least once after the subsidized sale
- What are the results for those 17?
2nd Deferred Mortgages (cont.)

- $433,000 for 17 properties
- Average ownership length of 9 years
- Original owner walked away with a $53,000 profit
Why a CLT?

• Locks in subsidy

• Still a neighborhood of need

• PERMANENT Affordability
Larimer
Snapshot

- 90% Population Loss in 40 Years
- Population: 2010: 1,700  1940: 13,300
- 284 acres or 0.4 mi$^2$
- 85% African-American
- 26.6% over 65 years old
- Unemployment – 19%
- Less than High School – 30%
In the fall of 2007 community stakeholders embarked on a community plan. The plan outlined challenges and outsets, and resulted in the creation of the Larimer Consensus Group Action Teams.
Larimer Vision Plan

In early 2009 the Action Teams outlined a need for a land use plan and market study. The vision plan includes recommendations for new housing and green space.

Spring 2009
The Housing Authority of Pittsburgh and Larimer Community’s Planning Team undertook a comprehensive transformation plan in preparations for the Choice Neighborhood Grant application.
Acquisition in Larimer

October, 2006
- 89 Parcels in Zone
- 17 are Publicly Owned
- 37 requested in September/December Treasurer’s Sale

July, 2007
- 184 Parcels in Zone
- 51 are Publicly Owned
- 52 requested in March/May/August 2007 Treasurer’s Sale

October, 2008
- 184 Parcels in Zone
- 101 are Publicly Owned

April, 2010
- 193 Parcels in Zone
- 105 are Publicly Owned
4 Years Later... 54% Public Ownership
Choice Neighborhoods Initiative

- 350 Units Mixed Income development
- Housing, Green, Commercial
Now What?
Why a CLT?

• Preserve Green
  – Stormwater management
  – Fresh Food

• Protect long term residents

• Provide permanent community voice in and control over own destiny