

Community Land Trusts:

A Tool for Reducing the Need for Tax Dollars

By Jaimie Ross, President & CEO; Founder of the Florida Community Land Trust Institute

Financial subsidy for the development of new construction or the rehabilitation/preservation of existing housing whether homeownership or rental, is the primary way that housing is made affordable. These financial subsidies are derived either by the federal Low Income Housing Tax Credit program (which reduces tax revenue available to the Treasury) or through direct appropriation of tax revenues generated at the federal, state, and local level, such as HOME, CDBG, SAIL, and SHIP. Government agencies administer these dollars to help meet the housing needs in their communities.

One way that government is able to stretch tax dollars is through leverage with private sector funding; Florida has been doing an excellent job of using government funding to leverage private monies with SAIL and SHIP. But Florida continues to lose ground in the affordable housing battle. Florida is a beautiful state surrounded by water on three sides; the desirability of our lifestyle drives an increase in population and pushes the prices of our housing upward while the incomes of our workforce remain relatively low.

How Does a CLT Save Taxpayer Money?

Under traditional homeownership subsidy programs, the subsidized home can be sold at the market appreciated sales price, with recapture of the original subsidy upon resale. Because of market appreciation, the recaptured subsidy is wholly inadequate for the local government to get another family into homeownership. The local government or other subsidy provider must then expend an even greater amount of subsidy to provide a homeownership opportunity to the next homebuyer. It is this massive drain on already depleted public resources which is driving local governments to increasingly explore the CLT option.

Using a community land trust is a way to stop losing ground both figuratively and literally. The nonprofit CLT retains ownership of the land to remove this subsidized housing from the speculative market so that the homes remain permanently affordable.

The CLT approach results in permanent nonprofit ownership of the land, which is leased to lower-income households, who

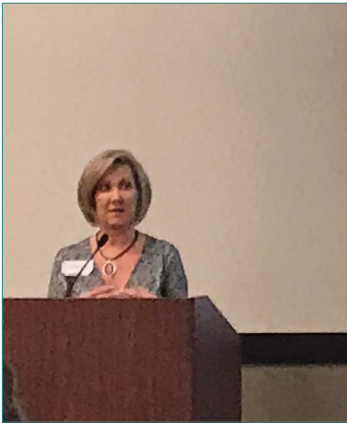
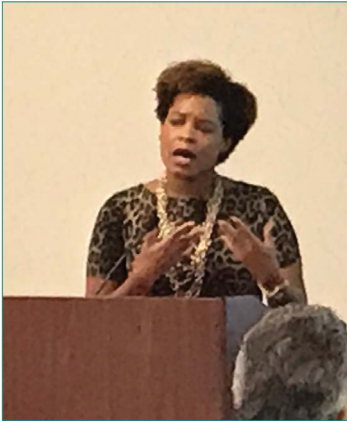
are assisted in buying homes developed on the CLT land. The CLT will transfer title of the house to an income qualified buyer but retains title to the underlying land. By excluding the price of the land and arranging additional subsidies to assist the buyer purchase the house (such as SHIP), the overall purchase price is made affordable and the monthly mortgage payments are often more affordable than renting.

In return for the significant subsidies required to develop this affordable homeownership opportunity, the CLT ground lease includes resale restrictions on the sale of the home to ensure that the property will remain affordable in perpetuity. The owner of a CLT home is required to sell to a similarly qualified buyer at a restricted price, determined by a resale formula found in the ground lease. By limiting the appreciation, the homes remain affordable to new homebuyers without significant additional subsidies.



The CLT model of homeownership is clearly not for everyone. If a family can purchase a home without substantial subsidy they should certainly be encouraged to do so. The resale restrictions would prove frustrating to a homeowner who could have purchased a market priced home and realized full appreciation. However, for many working families traditional homeownership is completely out of reach and will remain so for the foreseeable future. The CLT model provides the attributes of homeownership, including mortgage interest and property tax deductions, freedom from rent increases and devastation of eviction, coupled with long-term affordability. HNN

The Florida Housing Coalition held a one day workshop on Community Land Trusts in Jacksonville sponsored by the FHFC's Catalyst Program.



The Florida Housing Coalition is ecstatic to announce a grant from Wells Fargo to support the statewide work of the Florida Community Land Trust Institute

With the financial support of Wells Fargo, we are now able to provide in-depth assistance to communities throughout Florida. Whether you want to explore starting a CLT or fine tune an existing CLT, give us a call. With support from Wells Fargo, we can help you!



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Jaimie A. Ross is the President & CEO of the Florida Housing Coalition. Nationally, she serves on the Boards of Grounded Solutions Network and the Innovative Housing Institute. Ross is the past Chair of the Affordable Housing Committee of the Real Property Probate & Trust Law Section of the Florida Bar. She is a nationally recognized expert in avoiding and overcoming the NIMBY syndrome.