Shared Equity and Community Land Trusts



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THE FLORIDA HOUSING COALITION



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Catalyst Training Schedule



www.flhousing.org



Poll #1: Who Are You?

- Local Government
- Lender/Private-Sector Funder
- Nonprofit
- Other



Poll #2: Why are you attending today?

- To learn about community land trusts first time
- Interested in starting or supporting a community land trust
- Other reason



Today's Agenda

- What is shared equity
- What are community land trusts
- Interest in CLTs and public sector role
- Support for CLTs in lending community





Shared Equity

What is it? Why implement it? How is it accomplished?



How is equity created in homeownership?

- Investments by the homeowner
 - Paying down of mortgage debt
 - Improvements to the property
- Public Assistance
 - Down payment assistance
 - Development subsidies
- Other public investments
 - Infrastructure improvements
 - Economic development activities



Poll #3:

If equity is created by the public, should the public receive benefit in return?

- Yes
- No
- It depends
- I don't know



What is Shared Equity

- Sharing of equity between the seller and the community
- Sometimes used synonymously with "shared appreciation", but not the same
- Includes <u>both</u> the amount of public assistance and increase in value of the home (appreciation)

How is Shared Equity Accomplished?

- Three main models for shared equity and permanent affordability:
 - Limited Equity Cooperatives
 - Deed restrictions
 - Community Land Trusts



Community Land Trusts

Most familiar and effective form of subsidy retention



Subsidy Recapture or Subsidy Retention?

- Subsidy recapture
 - Repayment of the subsidy alone will not be enough.
 - Reasonable return on public investment to provide same level of assistance to the next household
- Subsidy retention
 - One-time subsidy in unit
 - Creates permanently affordability

Why should we consider Subsidy Retention?

- Housing prices generally increasing at greater rate than income
- Diminishing value of public assistance
- Helps meet obligations of Housing Elements in Comprehensive Plans
- Affordable housing promotes stability
 - Community
 - Family
 - Economy



Subsidy Retention and Permanent Affordability

- Uses mechanisms in legal documents to retain public subsidy in the housing unit
- Can implement with all housing types
- Creates permanent inventory of affordable housing available to the community

What is a Community Land Trust?

- The vehicle of separating ownership of the land from the building
- The nonprofit that holds title to the land and administers a ground lease



How Does it Work?

- A CLT acquires and retains ownership of land
- The improvements are sold or leased to income eligible households
- Owners have the right to use the land by virtue of a 99-year lease agreement with the CLT (functional equivalent of ownership)

How Does it Work for Homeownership?

- A CLT acquires and retains ownership of land
- The improvements are sold to income eligible households
- Owners have the right to use the land by virtue of a 99-year lease agreement with the CLT (functional equivalent of ownership), requiring them to sell to other incomeeligible purchasers at an affordable price

How Does it Work for Rental?

- A CLT acquires and retains ownership of land
- The improvements leased to income eligible households
- Owners have the right to use the land by virtue of a 99-year lease agreement with the CLT requiring rental to income-eligible households for duration of the lease

How is permanent affordability accomplished?

- Resale restrictions
 - Income eligibility of subsequent buyers
 - Limit on resale price
- Use restrictions (must be primary home)
- Reduced property taxes
- CLT right to repurchase



Retaining the Subsidy for **Permanent Affordability**

Initial	Purchase
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\$175,000 TDC

- \$ 40,000 Land Value

\$135,000 Sales Price

- \$ 25,000* Purchase Asst.

\$110,000 Base Price

Resale

Base Price \$110,000

1.5%

Comp. Rate

Resale Year

\$118,501 New Price

+\$ 25,000 Purchase Asst.

\$143,501 CLT Purchase

Option Price

*Assumable

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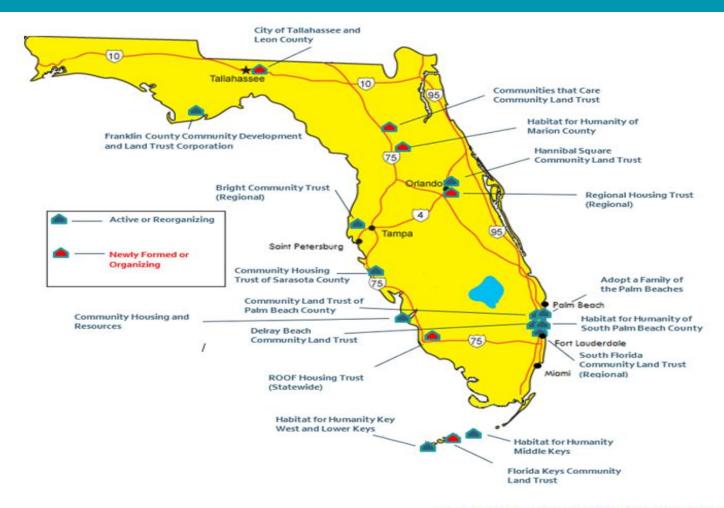
CLTs for Rental

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



Garden Trail, Clearwater, FL

Growing Interest in CLTs



Local Government Perspective

Every jurisdiction in Florida has the obligation to provide for housing its entire current and anticipated population, including the most vulnerable, such as those with special needs and farmworkers.

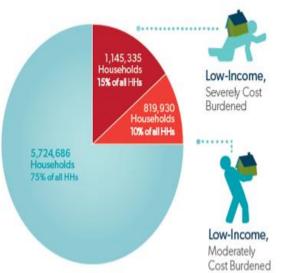
- Chapter 163.3177(6)(f)



The Need for Affordable Housing

Requiring permanent affordability protects investments in affordable housing and increases the affordable housing stock

25% of Floridians Struggle to Pay for Housing









Key Benefits of the CLT: for the Public



- Permanent stock of affordable housing is created
- Reduces the amount of subsidy needed to serve the same number of households
- A nonprofit is providing stewardship to help the homeowner to be successful
- Reduces the rental crisis by moving renters into CLT homeownership



Homebuyer Perspective

Consider another city

Nearly eight in 10 nonhomeowners say they would be willing to accept their second choice of a city or town in order to afford their own home.



Forgoing amenities

Nearly three quarters of nonhomeowners say they would be willing to buy a smaller home with fewer amenities.



Taking on side gigs

49% of Americans saving to buy or renovate a home have done work outside of their job to help pay for it:

Selling items online	37	%
Starting a small side business	21%	
Driving for a rideshare company	8%	
Dog sitting/walking 16	%	

Cutting expenses

72% of Americans say they would give up something to save for a down payment:

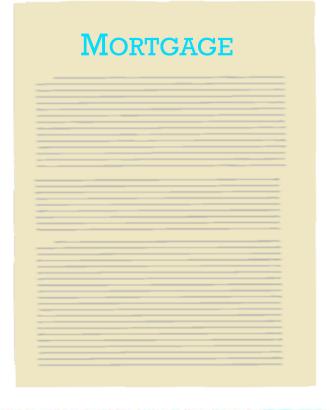
Dining out		44%
Going to events		43%
Taking vacations	38%	



Key Benefits for the Home Buyer

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- 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





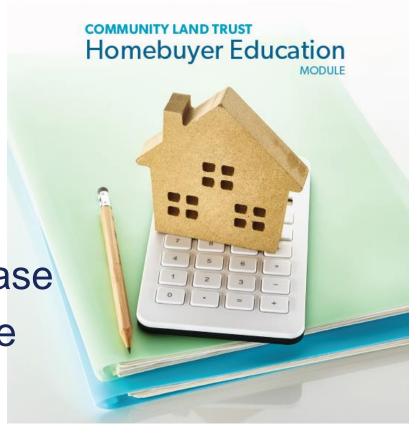
Key Benefits for the Home Buyer (continued)

- Return of equity upon resale
- Financial stability— able to save without fear of rent increases or loss of housing

Homebuyer Education

Highlights:

- Available August 2019
- Supplements general homebuyer education
- Understanding ground lease
- Transitioning to fee simple homeownership





Local government's role in supporting a CLT

No CLT currently serving your community

- Does a CLT work for your housing market?
- What role should you play in launching a CLT?
- Do you need a new organization?
- Incorporation of a 501(c)(3)
- Board Composition- What's Best?
- Membership Organization-Works well

Existing CLT serving your community

- How can the CLT complement your other affordable housing tools?
- How can you help to scale up the CLT so that it is sustainable?



CLT & SHIP Purchase Assistance Strategies

- CLT makes your SHIP \$ go farther;
- Meets the 65% homeownership set-aside
- Subsidy retention
 - One-time subsidy in unit SHIP dollars stay with the house
 - Creates permanently affordability
- CLT stays involved stewardship

Model DPA Strategy with CLT Add-On Language

Summary:

Funds will be awarded for down payment and closing costs for new and existing homes, including homes purchased from a community land trust (CLT). Home rehabilitation is also an eligible use, as needed when purchasing existing homes. To be eligible, existing homes must be in need of and receive at least \$2,500 in rehabilitation paid within 12 months by SHIP, CDBG, HOME, the seller, the buyer or another source.



Model DPA Strategy with CLT Add-On Language (cont'd)

Recipient Selection Criteria:

 CLT homebuyers must attend a homebuyer education class that contains a community land trust component and/or session with the CLT in addition to a homebuyer education class that requires CLT buyers to demonstrate and attest to a clear understanding of the terms of community land trust homeownership.

Model DPA Strategy with CLT Add-On Language (cont'd)

Special terms for CLT Home Purchases:

- SHIP assistance is assumable to an incomeeligible purchaser with approval by the CLT.
- No repayment required during the term of the loan, provided the loan remains in good standing.
- Exhibit Additional Instructions and Information for Down Payment Assistance for CLT Purchases



What is "surplus land?"

Government-owned property that is obsolete, or the continued use of which is uneconomical or inefficient, or that serves no useful function. The government, in its discretion, may classify property as surplus, and may offer surplus property to other governmental units for sale or donation, or may offer the property to private nonprofit agencies.

§274.05, Fla. Stat.



How is surplus land made available for affordable housing?

Every 3 years since July 2007, each Florida county and city must prepare an inventory list of all real property owned within its jurisdiction that is appropriate for use as affordable housing.

§125.379, Fla. Stat. (Counties) §166.0451, Fla. Stat. (Cities)



How is surplus land made available for affordable housing?

The properties on the inventory list may be...

- offered for sale and the proceeds used to purchase land for development of affordable housing, or to increase the local government fund earmarked for affordable housing;
- sold with a restriction that requires development of the property as permanent affordable housing;
- donated to a nonprofit housing organization for the construction of permanent affordable housing;
- otherwise made available for production and preservation of permanent affordable housing.

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§125.379, Fla. Stat. (Counties)
§166.0451, Fla. Stat. (Cities)
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Why CLTs are Good for Inclusionary Housing

- Can perform program management and compliance functions
- Can provide pipeline of qualified buyers/renters
- Right-of-purchase provisions preserve affordability
- Ground lease effective form of enforcement
- One-time subsidy for permanent affordability



Example: Jupiter, FL

- Requires 6% of all developments of 10 units or more as Workforce Housing units
- For-sale units must remain affordable in perpetuity
- Ordinance calls for contract with Community Land Trust for program administration



Examples of how LGs have supported CLTs in Florida

- Seed money
 - Collier County issued an RFP to establish a non-profit CLT - \$100,000 commitment
- Project funding
 - CDBG, HOME, SHIP, Other
- Donation of surplus land and buildings
- Housing policies
 - Inclusionary Housing



CLT Capacity-Building

Florida CLT Training and Certification Program

- Collaboration between FHC and Freddie Mac
- To be launched August 2019
- Training and Organizational Assessment based on industry best practices
- To ensure that CLTs have the ability to carry out stewardship responsibilities and minimize risk of loan default
- Benefits for the CLT, local governments, and lenders



Key to the Success of the CLT

Partnership and support of the local government

- Donation of land to the CLT
- Financing from federal, state, and local sources
- 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





Support for Shared Equity Models in Lending Community



CLT Lending - Specifically

- Major advantages to CLT loans :
 - Extremely low foreclosure rate
 - Right of repurchase
- Major challenges:
 - Reluctance of lender involvement (lack of understanding and program uniformity)
 - Lack of scale
 - FHA pull-back
- Portfolio loans



FHFA Duty to Serve



- Requires the enterprises, Fannie Mae and Freddie Mac, to provide leadership to facilitate the secondary market for mortgages to verylow-, 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



FHC CLT Program Review



- Pilot started August 2018
- Lenders can deliver loans under pilot until August 2020
- Any Fannie Mae-approved lender can deliver loans under this pilot, provided they are active in CLT lending in Florida
- CLT's must meet underwriting considerations in Selling Guide and criteria for Duty to Serve credit



Fannie Mae Approved CLTs



As of August 2019

https://www.flhousing.org/clt-program-reviews

Passed Review	Geographic Service Area
Bright Community Trust, Inc.	Pinellas County, Hillsborough County
CLT of Palm Beach County	Palm Beach County
Delray Beach Community Land Trust	City of Delray Beach
Hannibal Square Community Land Trust	Winter Park, City of Orlando, Orange County
South Florida Community Land Trust	Broward County, Miami-Dade County



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



Lenders that work with CLTs in Florida

























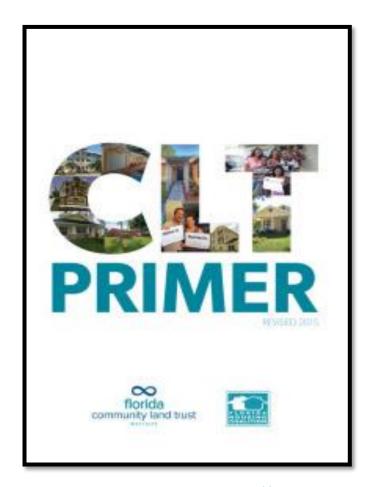


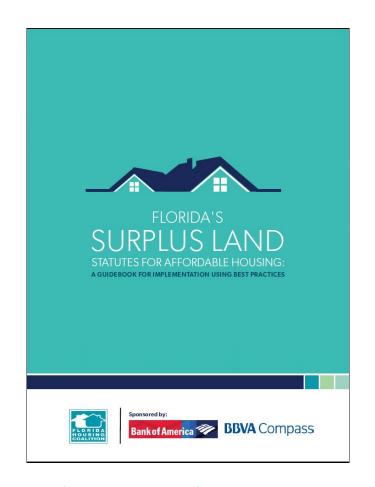
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FHC Statewide Annual Conference



AUGUST 26-28, 2019 Rosen Centre Hotel, Orlando

www.FLHousingConference.org

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To become a member, contact Johnitta Wells at wells@flhousing.org.



Upcoming Trainings

- WEBINAR Working with the New SHIP Annual Reporting System – August 13th @ 2 PM
- WEBINAR Accessory Dwelling Units
 Providing Affordable Housing September 17th
 @ 2 PM

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INSTITUTE

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