

# Does Your Community need a Community Land Trust?



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# Panelists

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# Catalyst Training Schedule

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# Agenda

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- How a community land trust operates
- How a community land trust can benefit your community
- Assessing your community – trends, need, capacity, and interest
- Considerations for getting started
- Featured CLT – Community Land Trust of Palm Beach County

# Evolution of CLTs in Florida

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- Providing homeownership opportunity in high cost areas
- Preserving neighborhoods historic/culture
- Creating permanently affordable rental housing
- Preventing displacement from gentrification for homes and businesses
- Responding to real estate opportunities in economic downturns from disasters for the benefit of lower income populations

# How a CLT Operates

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- Ownership of the land is held by a nonprofit. The home is deeded together with a 99- year leasehold interest in the land



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# How Does it Work for Homeownership?

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- A CLT acquires and retains ownership of land
- The improvements are sold to income eligible households
- Mortgage the fee simple interest in the improvement and the leasehold interest in the land
- 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 income-eligible purchasers at an affordable price

# CLT Ownership is an Alternative to Renting

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- Makes homeownership more affordable
- Keeps the home affordable forever



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# Key Provisions of the Ground Lease

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- Income eligibility restrictions
- Use restrictions (primary home)
- Reduced property taxes (193.018 F.S)
- Property can be inherited (with caveats)
- Ground lease payments (nominal)
- Resale Formula
- CLT right to repurchase (stewardship)

# How Does it Work for Rental?

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- CLT owns the land
- The Developer/Owner of improvements could be:
  - For-profit
  - Nonprofit
  - The CLT
- Ground lease provides permanent affordability in contrast to LURA
- CLT provides compliance monitoring function for income eligibility of tenants and unit set-aside requirements

# What Local Government Programs can a CLT Improve?

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- Surplus Lands Program
- Inclusionary Housing Policies
- Anti-displacement and reinvestment
- SHIP or any homeownership assistance
- Disaster Recovery

# CLTs Can Maximize Use of Surplus Land for Affordable Housing

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- Refer to Florida Statutes Sections 274.05, 125.379 and 166.0451 for definition and requirements
- Best Practices:
  - Place all developable land on the inventory list
  - Include preference for permanent affordability
  - Partner with CLT for disposition of properties



Example of a vacant residential lot in Gainesville, FL

# CLTs can Steward Affordable Housing as Part of Community Infrastructure

- Infrastructure surtax funds can be used for land acquisition for affordable housing (Refer to Florida Statutes Section 212.055(2)(e))
- Resource can be provided through a ground lease program that maintains affordability in perpetuity



Garden Trail Apartments in Clearwater is funded by Pinellas County's Land Assembly Program and will remain affordable in perpetuity. Source: <http://pinellascounty.org/hfa/>

# CLTs and Inclusionary Housing Policies

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- Inclusionary housing policies requires some (not all) market rate housing developers to include a percentage of affordable housing within the market rate development
- Who is going to build those units?
- Who is going to handle income verification?
- Flexibility: offsite, in-lieu of fee, land donation, mix of incentives

# Inclusionary Zoning and Essential Services



- Master-planned communities need services to create and maintain live, work, shop, play
- What is “essential”?
  - Schools
  - Public Safety
  - Healthcare
  - Recreation
  - Food
  - Retail/Entertainment

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# Best Practices for Inclusionary Housing

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- All large-scale developments/new towns created typically in rural areas
- All TND/New Urbanism communities
- Compliance with HB 7103- land value capture and developer incentives
- Promote potential for new partnerships
- Long Term or perpetual affordability is key



# New Towns; New Urbanism Seaside

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# Baldwin Park, Orlando

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# What CLTs Can Do for Inclusionary Zoning

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- Monitor and preserve long-term affordability
- Provide a source of income-eligible renters or homeowners
- Provide income eligibility verification so that the market rate developer is relieved of these duties
- Receive land in-lieu
- Stewardship

# CLTs can Stabilize Declining or Disinvested Neighborhoods

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- Opportunity for low-cost acquisitions
- CLT provides housing, preserves affordability, and government investment as neighborhood improves



Home for sale in northern Springfield neighborhood in Jacksonville, previously disinvested and now on the rise (source: Realtor.com)



# CLTs can Contribute to Equitable Redevelopment

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Home in Little Haiti neighborhood in Miami, FL; increased in value from \$50,000 in 2013 to \$300,000 in 2019 (source: Zillow.com)

- Can prevent displacement of long-time residents of gentrifying neighborhoods
- Preserves housing affordability in neighborhoods of choice
- Can help preserve community character (race/ethnicity)

# CLT as Tool for Equitable Recovery from Natural Disasters

- Significant increase in government funding made available for short- and long-term recovery
- May present opportunities to acquire vacant properties, rehabilitate existing housing, fund new construction
- CLTs preserve current investment in housing so that affordability remains for future events



Florida Keys Cottage developed by the Florida Keys CLT. Source: <https://www.affordablekeys.org/>

# CLT as Tool in Response to Economic Downturns, such as Caused by COVID-19

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- Potential loss of homes to foreclosure, not unlike hurricanes
- During downturns, CLTs keep homeowners stable through stewardship- and preserve the local government investment
- REITs, cash investors jump on real estate opportunities from depressed market
- Perfect time to purchase land to create a permanent stock of affordable housing

# Community Assessment Factors

Determining your need and approach to a community land trust



# General Population and Housing Characteristics

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- Projected population growth
- Change in median income
- Number and percentage of households by income level
- Size, type and age of housing stock
- Proportion of homeowners to renters
  - Community at-large
  - At the neighborhood level
  - Change over time

# Homeownership Characteristics

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- Change in median value or sales price for homeownership
- Rate of change in median income compared to rate of change in median sales prices
- Median income and household size of homeowners
- Monthly housing costs as a percentage of household income (cost-burden)

# Rental Characteristics

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- Change in fair market rents over time
- Rate of change in median income compared to rate of change in fair market rent
- Median income and household size of renters
- Monthly housing costs as a percentage of household income (cost-burden)

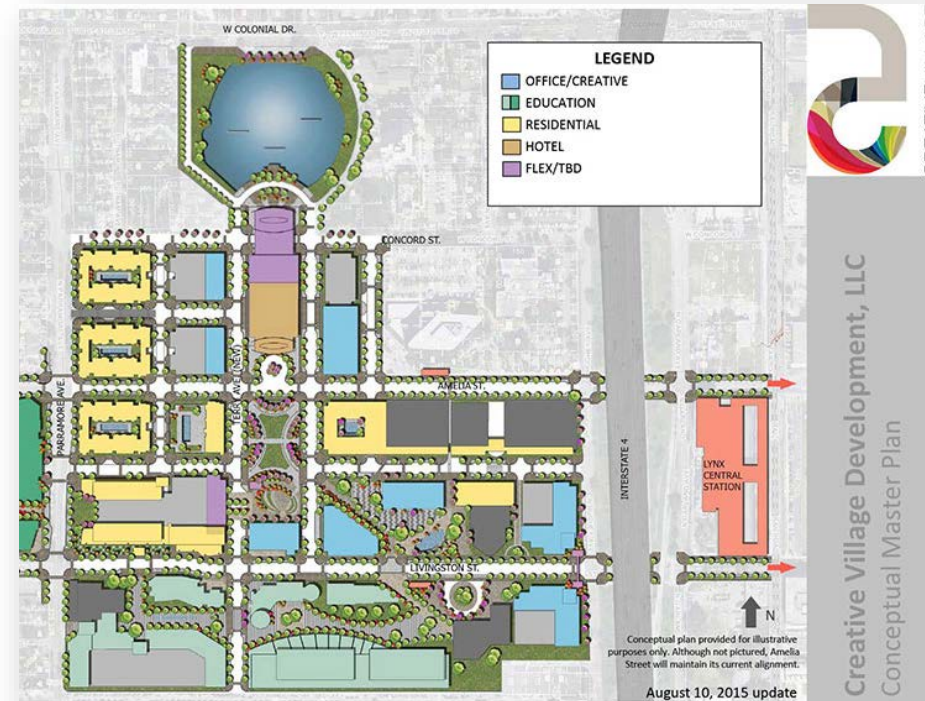
# Local Economy

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- Employment growth
  - New/expanding employers
  - Types of jobs experiencing the most growth
  - Location of job growth
- Employment stagnation or contraction
  - Sectors of stability or growth amid slowing market

# Local Economy (continued)

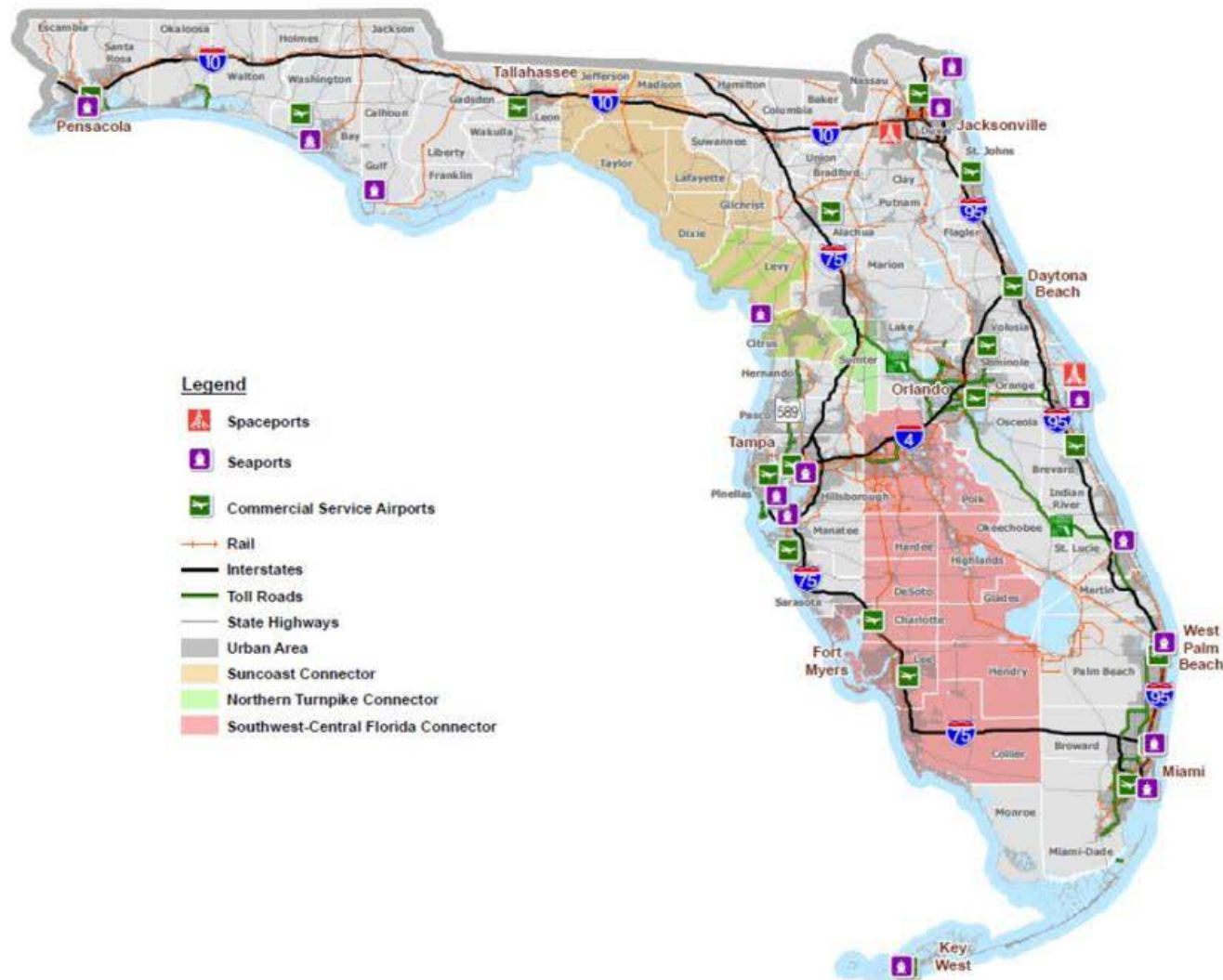
- “Hot” neighborhoods
- Neighborhoods of opportunity
- Large-scale (re)developments
- Public investments














Master plan for Creative Village, a large-scale redevelopment underway in Orlando, FL near the low-income community of Parramore (Source: <https://creativevillageorlando.com/vision/gallery/>)

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#### Legend

-  Spaceports
-  Seaports
-  Commercial Service Airports
-  Rail
-  Interstates
-  Toll Roads
-  State Highways
-  Urban Area
-  Suncoast Connector
-  Northern Turnpike Connector
-  Southwest-Central Florida Connector

#### STUDY AREA COUNTIES

##### Suncoast Connector

- Citrus County
- Dixie County
- Gilchrist County
- Jefferson County
- Lafayette County
- Levy County
- Madison County
- Taylor County

##### Northern Turnpike Connector

- Citrus County
- Levy County
- Sumter County

##### Southwest-Central Florida Connector

- Charlotte County
- Collier County
- DeSoto County
- Glades County
- Hardee County
- Hendry County
- Highlands County
- Lee County
- Polk County

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# Available Resources

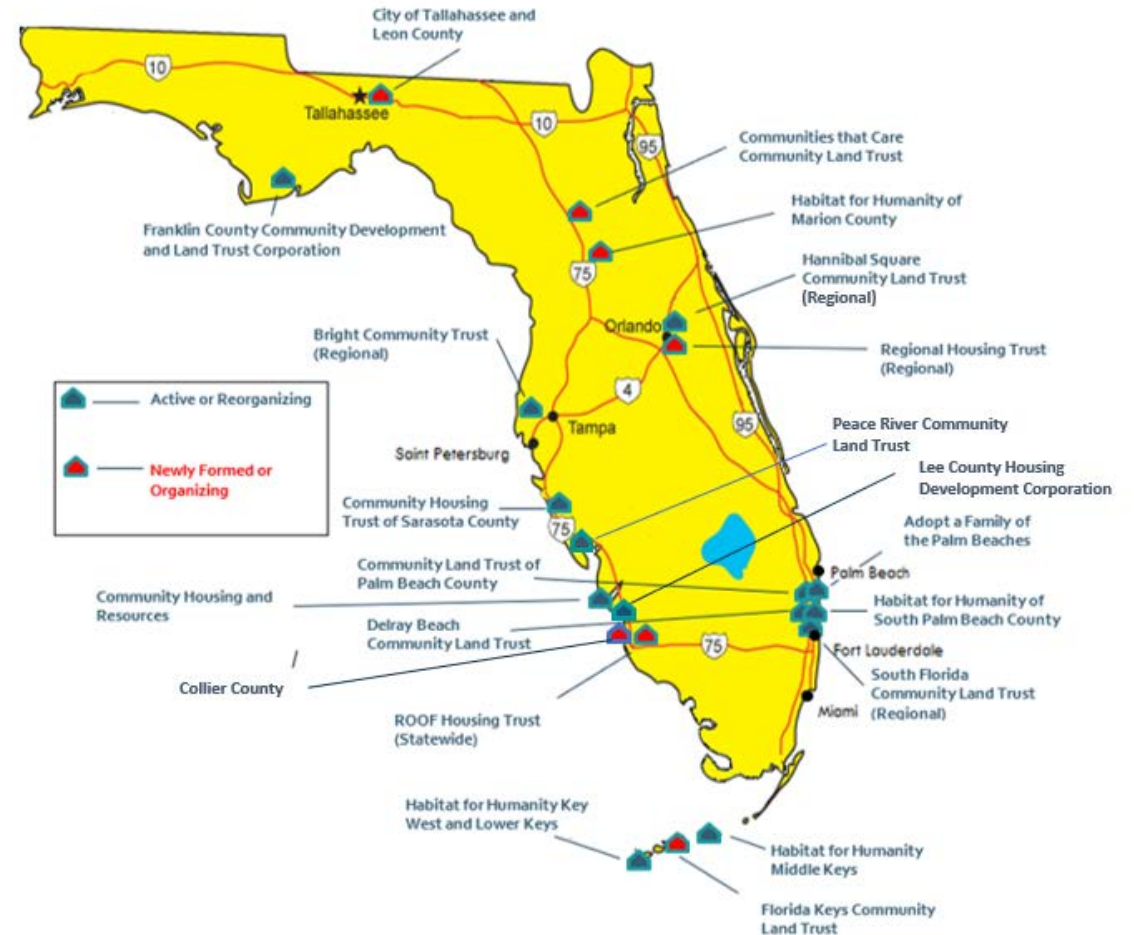
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- Availability of land
- Purchase assistance programs
- Developer assistance programs
- Other local funding, for example:
  - Infrastructure surtaxes
  - Bonds
  - General Revenue



# Existing Organizational Infrastructure

- Is there a CLT nearby?
- Involvement of lending community
- Interest of elected officials and residents
- Existing nonprofit with capacity and interest
- Support of philanthropy in local affordable housing efforts



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# Getting Started

Key decisions and issues to address when starting a CLT

# Key Decisions When Starting A Community Land Trust

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- What will it focus on?
  - Geographic coverage
  - Homeownership, rental or both
  - Stewardship only or active in development
- Where will it be housed?
  - Within an existing 501c3
  - Form a new 501c3
  - Program of local government

- How will it be governed?
  - Traditional tri-partite board
  - Other board composition



# Key Decision for CLT Homeownership: Resale Formulas

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- Three (3) main types
  - Appraisal Based Resale Formula
  - Fixed-Rate Resale Formula
  - Indexed Resale Formula
- In all cases:
  - Value of the land part of the initial subsidy retained in the home
  - Value of the initial subsidy appreciates over time

# Factors in Deciding a Resale Formula Approach

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- Program priorities

- Balancing wealth-building and promoting mobility with maintaining affordability
- Target income level of buyers

- Market forces

- Rate of market appreciation
- Job market
- Typical resale timeframe

- Administrative considerations

- Ease of understanding
- Potential for disputes (want to limit)
- Recordkeeping



# 3 Keys to the Success of the CLT

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- Partnership and support of the local government
  - Donation of Land
  - Purchase assistance programs
  - Other funding sources
- Pipeline of qualified, educated home buyers
- Informed and engaged lenders

# CLTs Retain Subsidies to create Permanent Affordability

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- Initial subsidy retained in unit by the ground lease
- Income eligibility and limits on resale price for the term of the ground lease create permanent affordability
- Can implement with all housing types

# Purchase Assistance Strategies

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- Allow down payment assistance for CLT purchases (subsidy retention)
- Utilize Model CLT Add-On Language for SHIP Purchase Assistance Strategies
- Apply similar language to other programs

# Retaining the Subsidy for Permanent Affordability

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## Initial Purchase

\$175,000 TDC  
- \$ 40,000 Land Value  
\$135,000 Sales Price  
- \$ 25,000\* Purchase Asst.  
\$110,000 Base Price

\*Assumable

## Resale

\$110,000 Base Price  
1.5% Comp. Rate  
5 Resale Year  
**\$118,501 New Base Price**  
+\$ 25,000\* Purchase Asst.  
\$143,501 CLT Purchase  
Option Price

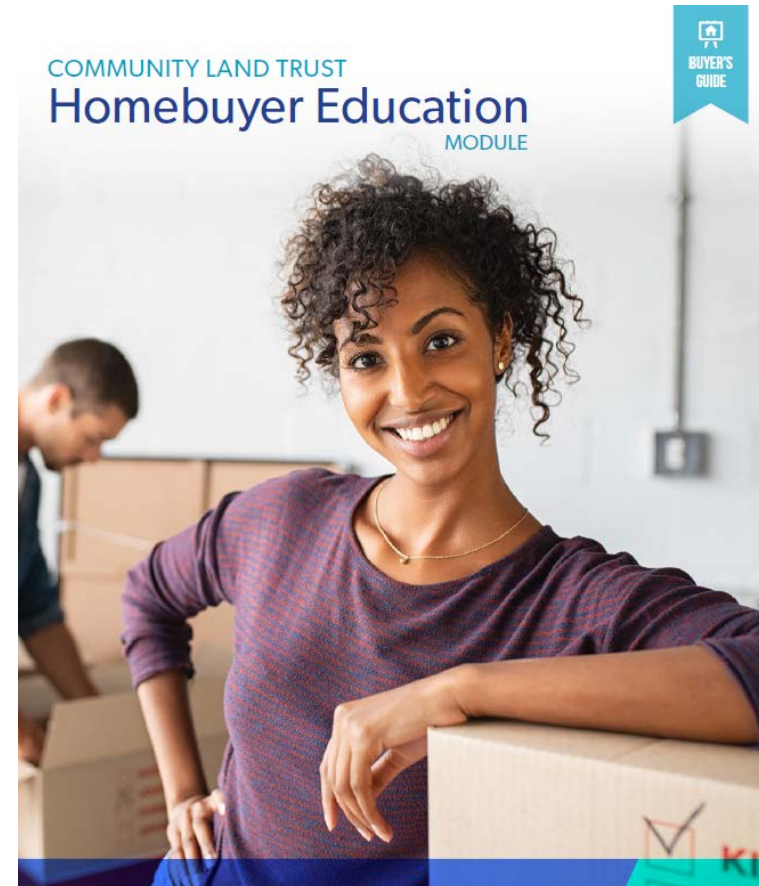
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# Pipeline of CLT Buyers

- Work with providers of Homebuyer Education and Counseling to inform buyers of the CLT option
- Recommended approach:
  - Introduce CLT as part of the standard class
  - Provide more detail through one-on-one counseling
- Require buyers to attest to understanding of CLT homeownership and resale formula prior to purchase



# Lending for CLT Purchases

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- Major advantages to CLT loans :
  - Extremely low foreclosure rate
  - CLT's right of repurchase
- Loans may be portfolio or sold on the secondary market
  - Both Fannie Mae and Freddie Mac facilitate through ground lease riders
  - CLT must meet underwriting requirements

# Growing number of Lenders that work with CLTs in Florida

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# Florida CLT Certification Program

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- Collaboration between FHC and Freddie Mac
- Launched August 2019
- Training and TA to improve CLT performance
- Organizational Assessment to determine CLTs ability to carry out stewardship responsibilities and minimize risk of loan default
- Assessment of CLT's ability meet Freddie Mac requirements
- Based on industry best practices
- Benefits for the CLT, lenders, and local governments



# Featured CLT: Community Land Trust of Palm Beach County

Cindee LaCourse-Blum, Executive Director

Christina Hewitt, Housing Manager

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# About Us

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- Created by Palm Beach County in 2006 as a separate 501(c)(3)
- 61 Resale Restricted Single-Family Homes and Townhomes
- 80 Multi-Family Affordable Rental Units
- 24 Single Family and Townhomes in process/pipeline



# Davis Landings West

- County donated site
- built 16 single family homes and 8 townhomes
- HOME funding was provided as gap financing.



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TION





# Kirk Rd CLT Homes Project

Palm Beach County donated several road right of way parcels and provided HOME CHDO dollars



4 single family units and a two unit duplex were built.



Two additional single family units in process.

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# Our Rate of Return on Public Investment

**\$8.5 Million**

CLT of PBC property  
value at purchase

**\$9.9 Million**

CLT of PBC property  
value in 2019

**\$1.4 Million increase in value**

**\$1.24 Million** retained for future affordability

with **\$3.45 Million** initially invested that is a

**36.8% Return on Community Investment**



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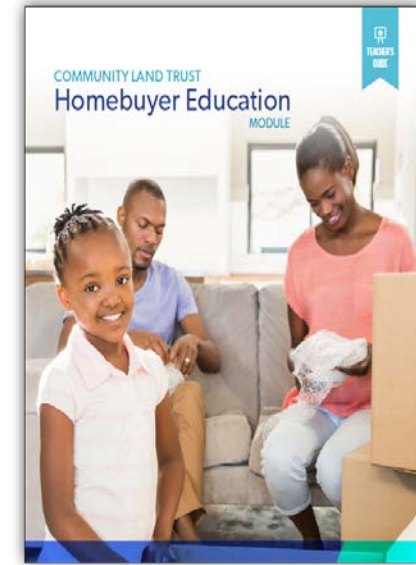
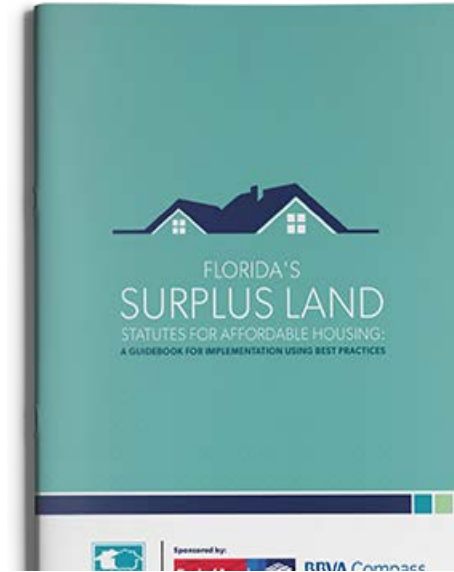
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# florida community land trust INSTITUTE

Visit Our Website – [www.flhousing.org](http://www.flhousing.org)

- Florida CLT Primer
- CLT Homebuyer Education Module
- Model CLT Down Payment Assistance Strategy
- Sample Legal Documents for SHIP Purchase Assistance Programs with a CLT Strategy
- CLT Review Program
- CLT Training and Certification Program



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