



Community Land Trusts and COVID-19 A Policy Brief from the Florida Housing Coalition

Community land trusts are nonprofits that hold title to land and provide a leasehold interest to the homeowner, ensuring through ground-lease provisions that the home attached to the land will remain affordable in perpetuity. Community land trusts (CLTs) remove the land from the speculative market and play a stewardship role to assist the homeowner in times of trouble or to repurchase the property if needed.

The Florida Housing Coalition recommends that:

- 1. Federal, state, and local dollars should give a preference to developments built on CLT owned property, whether rental or homeownership.**
- 2. In addition to transferring publicly owned land to CLTs, when real estate prices are depressed, every effort should be made by government and philanthropy to purchase/obtain as much property as possible to be held by CLTs.**
- 3. CLTs should receive assistance from government and philanthropy to keep homeowners in their current housing or help in repurchasing properties when needed.**
- 4. When CARES Act funding is used to provide rent assistance to market rate landlords it should come with affordability requirements. If local government needs assistance with income compliance for the affordable units created, a CLT can provide those services.**

CLTs Assist Homeowners in Times of Crisis.

The stewardship role of the CLT permits the nonprofit to cure homebuyer mortgage defaults by temporarily making mortgage payments on behalf of the homeowner. Community land trusts, through their ongoing relationship with the CLT homeowner, can provide mortgage assistance, housing counseling, and other services in times of crisis. This stewardship role of the CLT leads to successful outcomes for CLT homeowners. In the aftermath of the 2008 Recession, CLT homes had fewer



foreclosures, fewer delinquencies, and greater cure rates than most market-rate loans.¹ This was attributed largely to the prevalence of stewardship activities among the nation's CLTs.

Households across the country, both renters and homeowners, have seen a reduction in their income because of COVID-19 and are struggling to meet their rent and mortgage obligations. Rent, mortgage, and other assistance will be necessary to prevent people from being displaced from their homes due to this crisis. Through their prominent stewardship role, Community Land Trusts can effectively deploy resources directly to the homeowners living on CLT property or to the renters, if the CLT also has rental housing in its portfolio.²

The CLT has a vested interest in the success of the homeowner, as the house sits upon land owned by the CLT. If it appears the homeowner will not be able to sustain homeownership, the CLT also has the right to repurchase and transfer title to another income eligible homeowner. In this way, the homeowner is able to avoid the costs of a foreclosure and the negative credit score consequences, the lender avoids foreclose, public subsidy is not lost, and the home remains affordable.

CLTs Assist the Local Housing Market in Times of Crisis.

The health crisis that is COVID-19 is causing a housing crisis from loss of employment. Mortgage forbearance will not last forever. Eviction moratoriums will not last forever. Ultimately, we can expect to see evictions, foreclosures, a reduction in land values, and the same sort of large-scale, profit motivated, land buying we experienced in the 2008 financial crisis. As renters and homeowners are evicted or foreclosed upon, there is a real possibility that the housing they leave behind will be purchased by Real Estate Investment Trusts, removing homeownership opportunities and charging rents that are out of reach for many lower income households.

Community land trusts are able to help homeowners during this current crisis and perhaps, more importantly, community land trusts should be used to remove as much land as possible from the speculative market when property values fall and buying opportunities abound. Government, lenders, and philanthropy can act together to find opportunities for creating permanently affordable housing in a depressed real estate market.

The CARES Act and subsequent COVID relief packages will provide an influx of dollars to local governments. These monies can be used for various housing purposes, depending on the funding source. For example, over \$79 million will be deployed to 83 cities and counties from the first allocation of CDBG funds under the CARES Act, averaging over \$900,000 per jurisdiction. Another \$16.6 million of CDBG dollars is going directly to the State of Florida. Over \$45 million will be granted to the state and applicable local governments for the first batch of new ESG funding. Another \$8 billion is to be deployed to Florida through the Coronavirus Relief Fund, not including the remaining CDBG, ESG, and HOPWA that is yet to be allocated. This is all money that can be spent on housing for a variety of purposes but is up to government to decide how much will be used for housing and in what way it will be used.

¹ "Outperforming the Market: Delinquency and Foreclosure Rates in Community Land Trusts." <https://www.lincolnst.edu/publications/articles/outperforming-market>. Lincoln Institute of Land Policy. Modified (n.d.), Accessed on 5/12/2020

² In response to the current crisis, many CLTs have also raised funds to assist their homeowners and residents with food and utilities.



These funds will provide much needed relief, but not enough. Local governments will need to deploy these resources in a cost-effective manner to ensure the subsidy is used in the most fiscally responsible manner. Financial institutions and philanthropic networks are also looking for avenues to invest in a cost-effective and impactful manner. The CLTs model of creating permanent affordability by leasing the land and ensuring ongoing affordability is the most fiscally responsible tool to preserve financial subsidy and meet the needs of lower income families.

Through a CLT, instead of a subsidy being tied to a particular homebuyer, like in traditional down payment assistance programs, the subsidy is linked to a specific unit. The resale formula contained in the ground lease, which dictates the price at which the current homeowner is able to sell, subtracts all government subsidy from the resale price. This allows the public resource to be retained in the home that continues to be affordable to a subsequent income eligible family, regardless of the rise in home prices.

By taking a property out of the speculative market, a CLT can recycle the initial subsidy for one buyer after the next. This is particularly important in the rebuilding phase after a disaster. Mortgage assistance, down payment assistance, or other subsidy will not only benefit the current CLT homeowner but will aid future homeowners for generations. Through a CLT, government resources are spent on homes that will be permanently affordable for the community.

After the 2008 financial crisis, large scale investors bought up foreclosed homes and land, a trend which led to rising unaffordability throughout the 2010-2020 recovery. Without intentional prevention and preservation measures, the same cycle will repeat after the COVID-19 crisis: people will lose their homes, large investors will acquire real estate at a low cost, and as the economy recovers low and moderate income households will struggle to afford housing.

Government, Financial Institutions, and Philanthropy Should Assist CLTs in Times of Crisis.

The real estate crisis that is likely to follow COVID-19, is not unlike the real estate crisis that follows a hurricane. After a destructive hurricane, there is an opportunity to rebuild vacant, demolished, or otherwise undervalued property with high end development that can drive out residents. This new influx of investment can displace existing communities and make it even harder to provide housing affordable for the lower paid workforce. The Florida Housing Finance Corporation did an excellent job of avoiding that problem when it provided a preference for CLTs in the tax credit development cycle it ran with disaster funds from Hurricane Irma.

The Florida CLT Institute, a program of the Florida Housing Coalition, advocates for the inclusion of permanent affordability preferences or requirements in local affordable housing programs and regulations, such as requirements for surplus land and inclusionary housing. The Institute further provides training, technical assistance, and consulting services to develop effective community land trust strategies. For more information on CLTs, training and technical assistance, please visit our website at <https://www.flhousing.org/community-land-trusts/> or contact us at (850) 878-4219.

