



Common Origins
Koinonia Farm

Clarence Jordan

Clarence Jordan & Millard Fuller, 1968

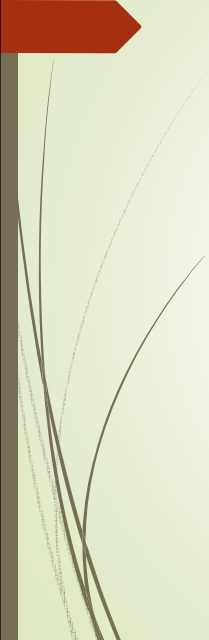
New Communities, Inc.
 “The land shall not be sold forever: for the land is Mine; for ye are strangers and sojourners with Me.”
 Lev. 25:23

Habitat for Humanity

“Take no usury of him or increase, but fear God; that thy brother may live with thee.”
 Lev. 25:36

ONE MORE TOOL IN THE TOOLBOX

- *Habitat For Humanity can utilize the Community Land Trust (CLT) model as the tool to create and maintain the affordable housing stock in perpetuity*



Benefits of Living on CLT Land

- Long-term security of homeownership
- Fixed housing expense
- Tax deductions
- Equity accumulation

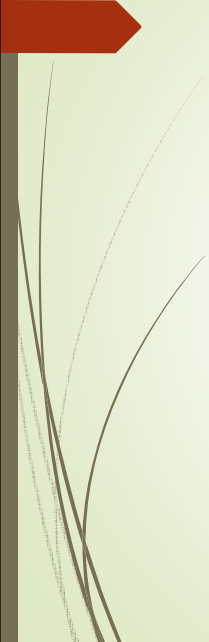
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The Ground Lease: Homeowner's Rights, Responsibilities & Requirements

- **Responsibility to Community:** Homeowners have the right to use the land in a responsible way
- **Landscape and Grounds:** Homeowners are responsible for maintaining their property
- **Ground Lease Fee and Property Taxes:** Homeowners are responsible for paying a monthly ground lease fee and all property taxes on land and home
- **Home Improvements:** Homeowners may, with permission, make improvements to their home
- **Primary Residence:** Homeowners must live in their homes and may not rent out their home without permission
- **Future Affordability:** Homeowners agree to share the affordability that's been created for them with the next homebuyer – for generations to come

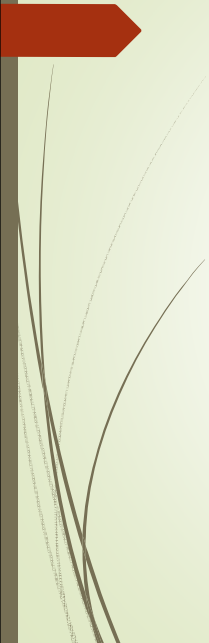
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How does the Land Trust keep housing affordable?

- In order to keep the homes affordable to future buyers, homeowners agree to sell their home for a limited price when they decide to move
- The maximum price is calculated based on what was paid plus an annual increase based on the change in the area median income

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Calculating the Resale Price

(Actual Habitat Family Resale Example)
Family of 3 - Santa Rosa, CA

Initial Median Income March 2007: \$33,800

9 years later – February 2016
Median Income is: \$37,200

(10.06% total increase – due to compounding)

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Calculating the Resale Price

(Actual - Habitat Family Resale with CLT Formula)

Initial Purchase Price: \$133,356.00 ^{3/8/07}
If 9 years later
Change in Median Income = 10.06% ^{2/1/16}
Then:
Maximum Price = \$146,770.51
Total Appreciation = \$13,414.51

Total equity = Appreciation + Debt Reduction + Down payment

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External CLT Partnership Structure

- Direct Ground Lease between CLT and Partner Family

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graph TD; CLT[CLT] -- Ground Lease --> Partner[Partner Family]; Partner -- Leasehold Mortgage --> Habitat[Habitat];
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Separate 501c3 Organizations

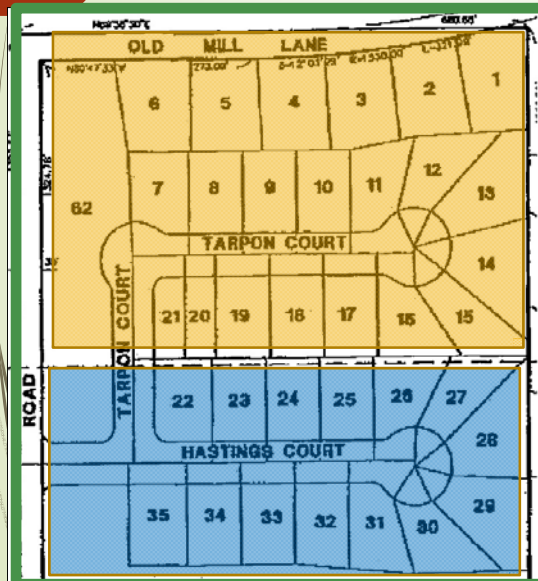


ROLES as Partners

- HLT does not build or develop
- Habitat Builds 80% below family with partnerships
- Habitat selects families with final CLT input
- Both organizations deliver homebuyer education
- Result: Homeowners has 2 organizations to steward them through the years. In cases where there is staff transition, families maintain a strong relationship with an organization
- If ever Habitat cannot find a new family or arrange financing the has the option to make that a non-Habitat house
- Habitat families have said "We have a mother and we have a father with Habitat and HLT"

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C.L.T. Partnership Example



Land Trust owns all the dirt. (Resale restrictions on land and improvements in perpetuity).

Private Developer @ 120% AMI

Habitat built @ 80% AMI

HLT is partnered with 9 of 7 Cities in Sonoma County What have we found?

- We deliver stewardship to the families
- Both partners, CLT & Habitat bring resources to the table: land, funding and building expertise
- CLT acts as adjunct staff to city staff
- CLT & Habitat are extended staff of one another
- Post purchase role: education, monitoring, repairs, board education, and maintenance of board relationships of both organizations
- In challenging times: one of the organizations is there to support the families
- Shared focus on Subsidy Retention, 1x investment for generations
- Mission alignment with "Heads on Beds in Perpetuity"

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Housing Land Trust of Sonoma County
P.O. Box 5431
Petaluma, CA 94954
Phone: 707-766-8875
Fax: 707-922-0171
Email: info@housinglandtrust.org
Website: www.housinglandtrust.org

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Habitat for Humanity and Community Land Trust Partnerships

Barbara Inman, President/CEO
Habitat for Humanity of Florida
Email: ceo@habitatflorida.org

My Background

- 23 Years with Habitat for Humanity – 4 different positions
- In California, we could deed-restrict affordability for 60 years (back in 1998!)
- Asked to become a land trust in 2004 by the City of St. Petersburg (Pinellas County)
- Worked instead with Pinellas County to establish a county-wide land trust
- CLT broke away to become its own non-profit entity in 2013 – mix of ownership and rental housing

U.S. Habitat affiliates and CLTs

- There were approximately 50 Habitat for Humanity affiliates in the United States who have some sort of relationship with a land trust (2014) – right now we count 40
 - The Habitat entity, or a legal arm of Habitat, is a CLT.
 - The Habitat affiliate partners with a local CLT.
 - The Habitat affiliate is contemplating partnering with a CLT.
 - The Habitat affiliate was involved with the start-up of a CLT.

U.S. Habitat affiliates and CLTs

- Conservatively, about 400 Habitat for Humanity units have been built under the CLT model as of 2016

Various ways Habitat affiliates participate with an outside CLT

- Be involved in formation of the CLT
- Possible Board member of CLT
- Habitat only builds units under a certain AMI %
- Make certain lease or resale clauses are ones that your affiliate will accept
 - Retain right to repurchase homes you have constructed
 - Perhaps a Master Lease from the CLT to Habitat, and sub-leases to your owners
 - You must agree on how you will handle equity caps or resale amounts

Varying levels of satisfaction with CLT

- Habitat Satisfaction with their Community Land Trust partnership depends on:
 - Mission alignment – affiliate ED and their Board must be sold on the land trust mission
 - Few overall units in the CLT can be an issue
 - Loss of control over selling/replacement of homebuyers can also be an issue

How to achieve satisfaction for the HfH-CLT partnership

- Establish Clear Roles and Lines of Communication
 - Stewardship roles (post-purchase education, monitoring, repairs, leadership- and changes in leadership)
 - Tax assessment issues
 - Leveraging the mortgage
- Determine the objective of each for the partnership
 - Habitat needs land?
 - CLT needs builders? Needs homebuyers?
 - Creative solution to disaster/foreclosures
 - City/County requiring assisted units be placed in CLT

Advantages to a CLT working with a Habitat affiliate

- Habitat affiliate likely writes its own 0% interest mortgage so finding a lender is not an issue
- Habitat can potentially provide a pool of buyers:
 - For Habitat-constructed units
 - For other units in the CLT
- Habitat has land that it might sell or donate to the CLT
- CLT purchase is less of an issue for a Habitat buyer because they are familiar with restrictions on resale

Advantages of CLT for Habitat

- Potential for relief for Habitat for the cost of land
- Possible larger pool of available land and access to desirable areas/schools
- Maintains affordable housing units in perpetuity irrespective of state law
- Might eliminate the need for a homeowners association; if so, Habitat can control maintenance and protect brand

Advantages of CLT for Habitat, cont'd

- Pools some of the best players in affordable housing together to address issues/needs
- Synergistic development of funding sources and accountability
- Potential to garner wide-ranging support – municipalities, corporations, congregations, individuals
- Some states have property tax relief (FL)

Advantages of a CLT, cont'd

- Popularity should increase land pool
- A certain portion of available land may be set aside for below 80% of AMI (our market)
- Possible relief from **land** loans/grants, etc. and the resulting administrative work
- Homeowners pay less overall for their housing, and leave with some appreciation (although not as much as in fee-simple homeownership)

Drawbacks for Habitat homebuyer (compared to fee simple ownership)

- Homeowner long-term typically realizes less appreciation (over fee-simple ownership)
- The public has little common knowledge of CLTs in some states
- Homeowner candidates may resist CLT property over the possibility of fee-simple ownership
 - This is a non-issue if all of the Habitat affiliate's properties are land trust properties
 - Land in fee-simple would be mortgaged at 0%

Drawbacks for Habitat homebuyer (cont'd)

- Habitat recommends that all homebuyers have their own legal representation at closing
 - Finding legal representation versed in CLTs might be tricky
 - Affiliate/CLT/pro bono legal services can be source

Homeownership in a CLT

- Increases affordability to the homeowner; in return:
 - Limits the equity available to the homeowner upon sale of the home
 - Many Habitat affiliates prefer that the homeowner sells improvements back to Habitat for sale to another qualified applicant
 - Requires that the resale price be affordable

Comparison of Habitat Current (fee-simple) vs. CLT Equity-sharing model upon sale

Habitat Sales Price	Owner Sell back to Habitat after X yrs	Fee Simple shared appreciation – entire property	25% cap CLT appreciation – improvements only
\$68,500 Land value \$17K	10	\$33,818	\$25,652
\$61,500 Land value \$8K	5	\$12,195	\$11,642
\$115,605 Land value \$55K	10	\$62,465	\$41,853
	4	\$15,414	\$16,663

Assumed future value = annual increase of 2% for improvements, 5% for land