



Community Land Trusts

Their Role in Addressing California's Housing Crisis & Their Challenges

CACLTNETWORK.ORG

What is a Community Land Trust?

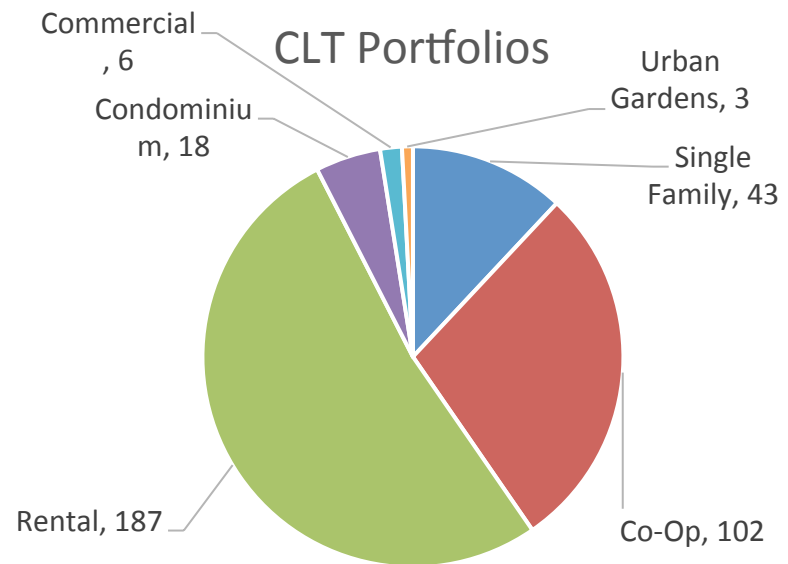
- The Community Land Trust (CLT) is typically structured as 501(c)(3) organization, either stand alone or municipally created
- Mission: create and preserve affordable ownership opportunities for working families
- CLT's stewardship includes:
 - Initial and on-going support to homeowners
 - Monitoring of improvements & maintenance
 - Intervention when financial problems arise
 - Neighborhood participation

CLT Background

- Developed by Institute for Community Economics in 1960s
- National Community Land Trust Network provides research, advocacy, education technical assistance & support to its member CLTs
- Over 250 Community Land Trusts (CLTs) nationwide
- Relatively new but growing concept in California
 - CLTs now exist from Northern to Southern California

CA CLTs now span from San Diego to Humboldt

- Bay Area Community Land Trust
- Beverly-Vermont Community Land Trust
- Bolinas Community Land Trust
- City of San Mateo
- Coachella Valley Housing Coalition
- Community Housing Land Trust of Santa Cruz Co
- Community Land Trust Association of West Marin
- Habitat for Humanity of Southern Santa Barbara Co
- Housing Land Trust of Sonoma County
- Humboldt Community Development Land Trust
- Irvine Community Land Trust
- Neighborhood Housing Services Silicon Valley
- Northern California Land Trust
- Oakland Community Land Trust
- T.R.U.S.T. South Los Angeles
- San Diego Community Land Trust
- San Francisco Community Land Trust



Over 1,600 CLT provided homes under construction or in the planning stage

The Community Land Trust Model

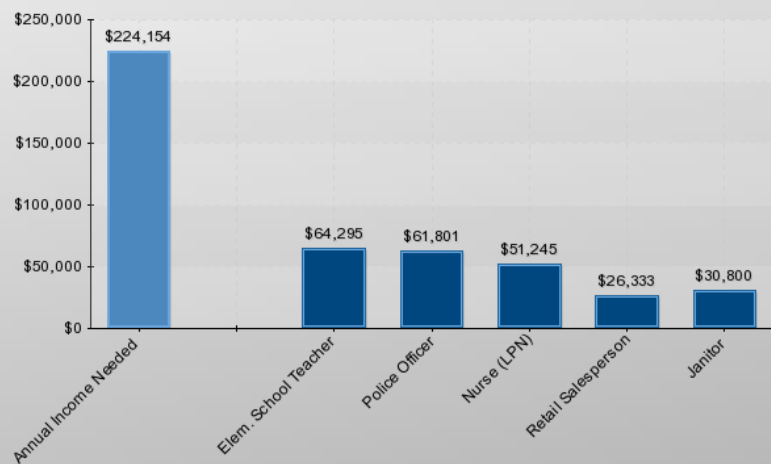
- What distinguishes CLTs from other affordable housing programs:
 - Dual ownership, long-term stewardship & sustainability
 - CLT retains ownership of land
 - Income-qualifying working families own home subject to long-term lease that includes provisions to ensure permanent affordability
 - Homeowners incented to move to market rate homes when possible (each unit provides benefits to many families)
 - ***More efficient public support than traditional down payment or mortgage subsidies***
 - Specifically targets community and homeowner Board representation
 - Leadership development & education
 - Prospective homeowner training on rights & responsibilities of homeownership
 - Prospective Board member training on Board member duties & responsibilities

Why Support CLTs In California?

- California's severe affordable housing crisis impacts many working families & businesses
- CLTs provide permanently affordable homes to California's working families

Paycheck to Paycheck: San Francisco, CA metro area
First Quarter 2014 Homeownership Market

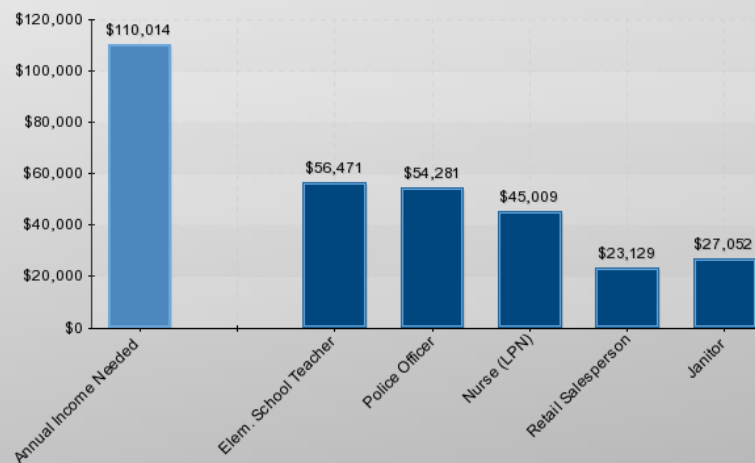
2014 Median Home Price: \$815,000



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Paycheck to Paycheck: San Diego, CA metro area
First Quarter 2014 Homeownership Market

2014 Median Home Price: \$400,000



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What CLTs Do Is So Important

- When California's working families suffer a severe housing cost burden:
 - Families struggle to balance housing costs, medical expenses, food & nutrition, transportation costs & other necessities
 - Long commutes contribute to traffic congestion, environmental degradation and a decline in working family's quality of life
 - Employers are likely to experience decreased productivity

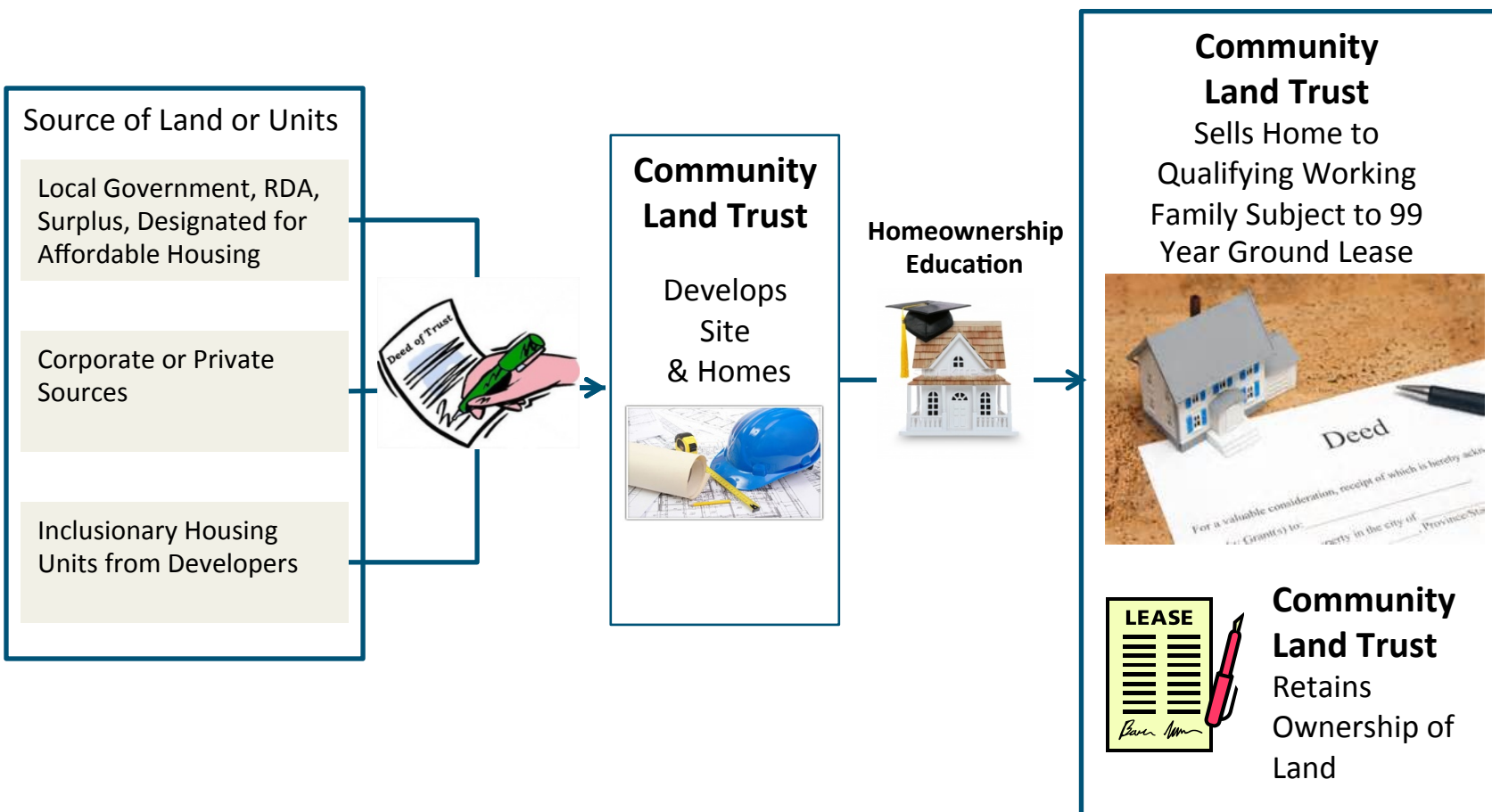
What CLTs Do Is So Important

- On the other hand, affordable ownership homes near jobs:
 - Stabilizes neighborhoods
 - Improves health & quality of life for working families
 - Improves educational outcomes for children
 - Reduces traffic congestion & improves the environment
 - Provides an opportunity for wealth accumulation
 - Reduces dependence on public services
 - Improves employee productivity for employers

What Do We Do? How Do We Do It?

- The typical CLT:
 - Acquires land or already built single family, condo or townhomes
 - Develops safe, healthy ownership/rental homes affordable to working families in California
 - single family, multi-unit, commercial or mixed use
 - Manages initial sale & resales to income-qualified families
 - Educates prospective homeowners about rights & obligations of homeownership
 - Monitors maintenance, improvements, occupancy, financing & resale restrictions through ground lease
 - Promotes homeowner and community participation
 - Provides a ladder from supported homeownership to market rate homeownership for California's working families

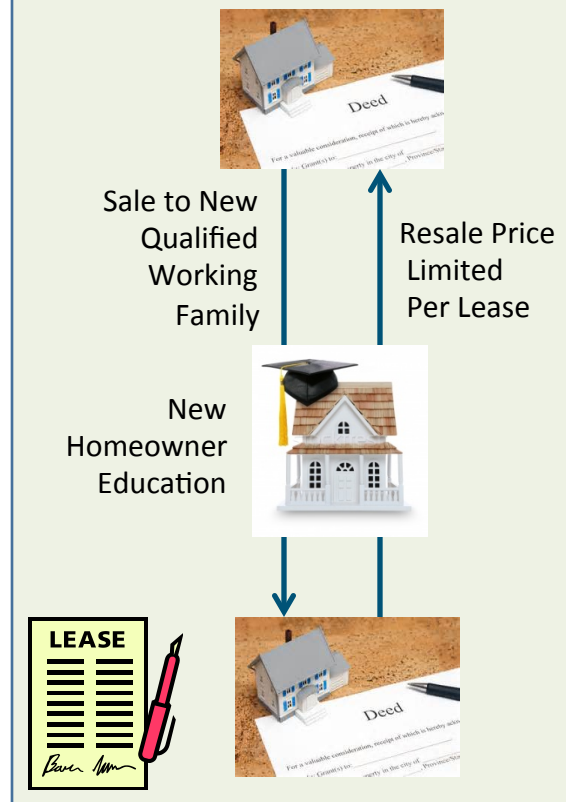
How Does The Typical CLT Transaction Work?



Typical Lease Term Summary

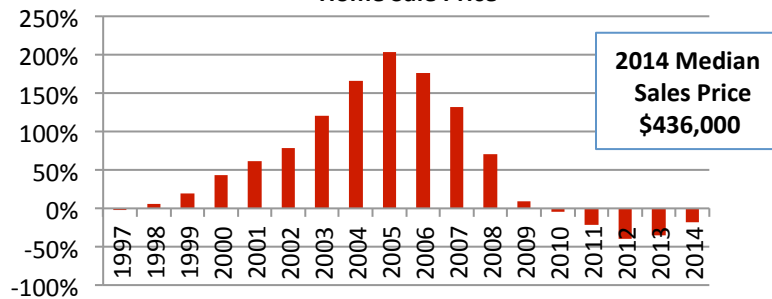
- 99 Year Term
 - Renewable & inheritable
- Occupancy, maintenance, improvement & repair obligations of homeowner
- Payment of ground lease and transfer fees
- Ownership of home subject to lease
- Allows for “Permitted Mortgages”
- Restrictions upon resale
 - Resale price limited to ensure continued affordability
 - Motivation to move to market rate unit
 - Transfer to income qualified purchaser
 - Purchaser to get new 99 year lease

Ground Lease Resale Restrictions Provide Permanent Affordability



Affordable Wealth Building: A San Diego Example

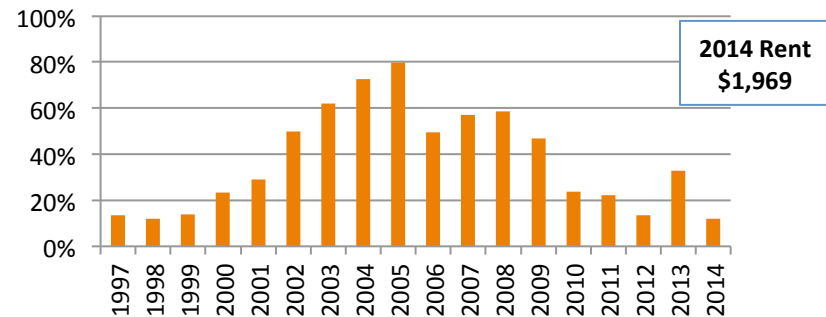
San Diego Home Prices Unaffordable for Many & Volatile
7 Yr Rolling Change in San Diego County Median Home Sale Price



- If a family could afford the median priced home in 1998 and sold it in 2005 they would have a gain of over 200% while Area Median Income only increased 25%
- However, if they bought in 2007 and sold in 2014 they would have a loss and may be underwater on mortgage

- If a family was forced to rent the median 3 bedroom rental in 1998 their rent would have increased over 80% by 2005
- However, even during the major recession, rents increased about 10% from 2007 to 2014 diminishing wealth

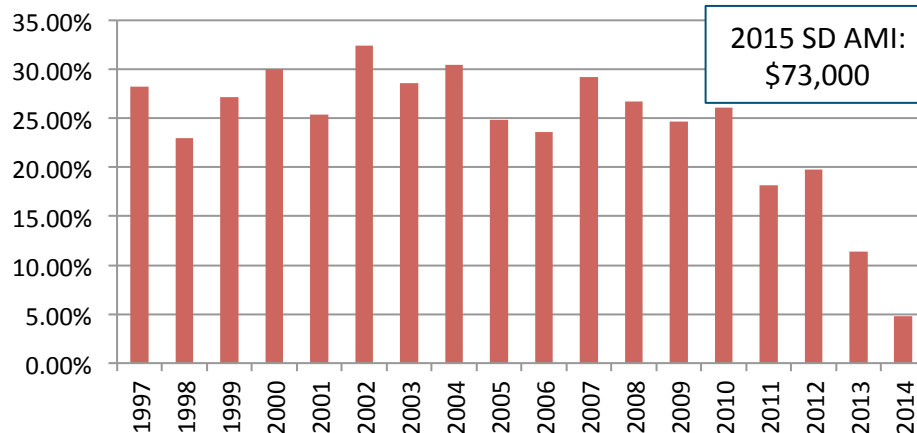
San Diego Rents Consistently Increase Diminishing Wealth
7 Yr Rolling Change in San Diego County 3 Bedroom Rent



Affordable Wealth Building: A San Diego CLT Example

SDCLT Resales Tied To AMI* Provides Stable Wealth Building Potential

7 Yr Rolling Change in San Diego County Area Median Income

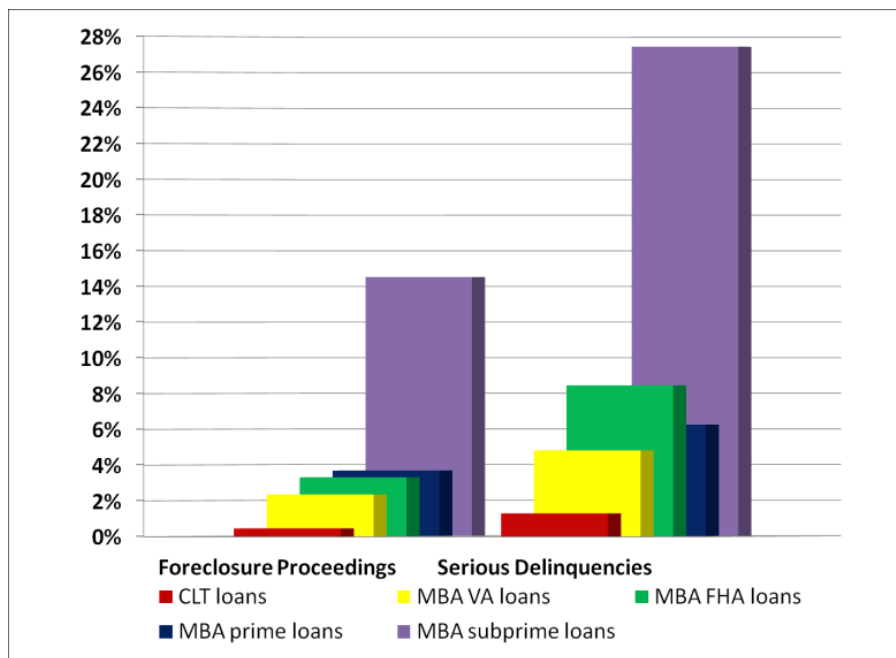


* Resale formulas vary but SDCLT has elected to tie resale prices to changes in San Diego Area Median Income

- Many working families can't afford median priced home & market does turn negative.
- Steady rent increases erode wealth.
- Resale provisions in CLT ground lease balance permanent affordability and opportunity for equity accumulation
- A SDCLT family that bought in 2007 and sold in 2014 would have realized a gain of about 5% even during the great recession
- Fixed rate mortgages for CLT homebuyers fix largest portion of home-ownership cost & principal amortization also contributes to wealth accumulation.

How Do Loans on CLT Properties Perform?

2010 Q4 Rates of Foreclosure Proceedings & Serious Delinquencies in CLT & MBA Loans



Conventional Mkt Rate Homeownership	CLT Homeownership
50% of lower income & minority homeowners did not retain ownership for 5 years	90% of lower income homeowners retained ownership for 5 years
8.57% of Q4 2010 mortgage loans across all incomes were seriously delinquent	1.30% of Q4 2010 mortgage loans held by CLT homeowners were seriously delinquent
4.63% of Q4 2010 mortgage loans across all incomes were in foreclosure	0.46% of Q4 2010 mortgage loans held by CLT homeowners were in foreclosure

Source: National CLT Network, MBA is Mortgage Bankers Association

How CLTs Can Benefit State & Local Governments

- CLTs can help local governments meet their affordable housing goals
 - low & moderate income Regional Housing Needs Assessment (RHNA) allocations
- CLTs provide permanently affordable homes unlike traditional subsidies
 - Resale restrictions ensure that public support continues indefinitely
 - Upfront sales price benefit continues to serve several families
 - Subsidy recapture programs like down payment assistance become less efficient as ever more subsidy is needed for subsequent support
- How state and local governments can help?
 - Policy, legislation and regulation supportive of CLT model
 - Surplus real estate suitable for homes or mixed use
 - Former redevelopment agency land designated for affordable homes or mixed use
 - Donation of land, discounted sale, forgivable loan, grants (HOME, CDBG, Housing Trust Funds), regulatory concessions

How CLTs Can Benefit Market Rate Builders?

- CLTs can help market rate builders meet their affordable housing obligations
- Depending upon the jurisdiction:
 - CLTs can build & manage permanently affordable ownership homes on land set aside for affordable housing as part of inclusionary housing program
 - CLTs can market to income qualified buyers, assume ownership & steward developer-built inclusionary housing homes using CLT dual ownership model
- CLTs may become the builder's affordable ownership housing partner in pursuing entitlement approval for their projects

How CLTs Can Benefit Financial Institutions

- CLTs can help meet Community Reinvestment Act obligations
 - Funding to support CLT property acquisition, construction, capacity building or other support
- CLTs can provide help in underwriting and originating loans on CLT projects
- Other ways CLTs can benefit financial institutions
 - Recipient of financial institution Surplus real estate or OREO properties

Key Issues Keeping CLTs From Doing More

- Real Property Taxation Issues
 - No consistent treatment across County Assessors
 - Lack of recognition of durable resale restrictions in valuation by County Assessors
 - Taxation of land held in advance of future development of affordable housing (welfare exemption)
- Impediments impacting housing cooperatives on CLT land
 - Regulatory and financing barriers for limited equity housing coops
 - [any thing else to add here]
- State and local agency understanding and acceptance of CLTs as a tool to address the state's severe housing crisis
 - Access to land and funding
 - Financing for CLT construction and mortgages

Next Steps

- California CLT Network members will be working on key legislative and policy issues to address impediments
- Proposed legislation to address property taxation issues likely priority
- As legislation and policy proposals advance we will be meeting with housing advocates and key legislators to answer questions and seek support