

Community Land Trusts



INCREASE YOUR
HOMEBUYER MARKET

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To provide and preserve quality, permanently affordable housing to low- and moderate-income households.

CLT Mission



History of CLTs



- CLT ownership is over 30 years old
- Began on the East and West Coasts.
- First CLT in MN started nearly 20 years ago.
- Nine CLTs in MN – Three in WI
- More than 600 CLT units in MN
- Over 200 CLTs nationwide



Community Land Trusts in Minnesota



- Carver County CDA
(Carver County, www.carvercda.org)
 - Central MN CLT
(St. Cloud Area www.cmhp.net)
 - City of Lakes CLT
(Minneapolis, www.clclt.org)
 - First Homes
(Rochester area,
www.firsthomes.org)
 - Homes Within Reach
(Hennepin Co,
www.homeswithinreach.org)
 - Northern Communities Land Trust
(Duluth area,
www.landtrustduluth.org)
 - Rondo CLT
(St. Paul and Ramsey co.,
www.rondoclt.org)
 - Two Rivers CLT
(Washington, Anoka, Pierce, & St. Croix Counties,
www.tworiversclt.com)
- Minnesota CLT Coalition
(www.mncltc.org)

What is a Community Land Trust?



THE BASICS:

- HOME OWNERSHIP
- REDUCED PURCHASE PRICE
- GROUND LEASE
- SHARED EQUITY



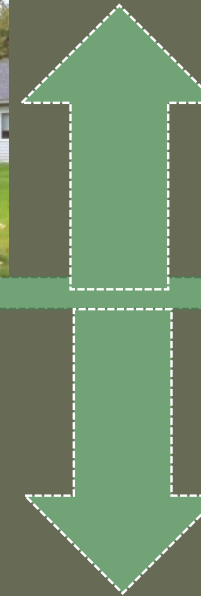
Ownership

The CLT owns the land under a home and the owner owns the house and any improvements to the property.

The homeowner pays a monthly ground lease payment of \$25-\$50 for the use of the land.



Ground



Homeowner

CLT

The ground lease ties the CLT and the homeowner together and defines the rights and responsibilities of and relationship between the parties.



Reduced purchase price

- CLTs sell the home at a reduced price to first-time home buyers.
- This makes homeownership affordable and available to households who could not afford to buy a home on the conventional market.

Total price of land and home
– Affordability funds from CLT

= purchase price for homebuyer

Example:

\$160,000 (Value of Land + House)

*- \$50,000 (Affordability funds,
paid by CLT)*

*= \$110,000 (homebuyer's purchase
price)*

*CLT homebuyers often do not need additional down payment



RESALE

In exchange for the lower purchase price, when the owner chooses to sell their home, he/she agrees to take the equity invested by paying down their mortgage, plus 25% - 35% of the increase in value of their home upon sale.

7 years later, the homeowner decides to sell the home to either the CLT or another income-qualified buyer.



First buyer: Purchases the home through the CLT. Land and home are worth **\$160,000** and assume the CLT contributes an affordability investment of **\$50,000**. The buyer pays **\$110,000**.

1



Let's now assume that the value of the home is **\$150,000**

3



Which means the home has increased **\$40,000** The homeowner's share of the increased value will be **\$10,000** ($\$40k \times 25\%$)

4



A new CLT income-qualified homebuyer will be able to purchase the home for what the 1st buyer originally paid (**\$110,000**)

5



PLUS the homeowner's share of the increased value of the home (**\$10,000**)



For a new maximum sales price of \$120,000
(\$110,000 + \$10,000)

7

CLT Homeownership Options

New Construction

- CLTs build new homes and sell them at a reduced price to eligible buyers.



Acquisition/Rehab

- CLTs purchase existing homes and land, complete necessary rehab, and sell at a reduced price to eligible buyers



CLT Homeownership Options



Homebuyer initiated program

- Eligible homebuyer wants to become a CLT owner.
- Homebuyer and the CLT choose a home to purchase in the community.
- The CLT provides affordability funds to lower the purchase price of the home.
 - Example: Funds available up to \$50,000 per household
- The CLT provides funds to complete necessary repairs and rehab work.
 - Example: Funds available up to \$25,000 per household
- The home becomes part of the Community Land Trust .



Benefits of CLT Ownership



- Homeownership at an affordable price with stable monthly payments.
- Tax advantages and opportunity to build equity.
- Ability to purchase a new or recently renovated home in good condition - Get More for your money.
- Access to fixed-rate, low-interest loans, and down payment assistance.
- Lower costs to enter homeownership. CLT contribution is often used like a Down Payment.
- Home and relationship to the land can be inherited.
- Ongoing support from CLT community.

Program Eligibility

- **First-time homebuyer**
 - Not had principle ownership for 3 years
 - Varies by CLT
- **Within income guidelines**
 - 50% - 80% Area median income
- **Credit is worthy of acquiring a mortgage**
 - fixed- mortgages only
- **Complete Homebuyer Education (HomeStretch)**
- **Complete CLT Application Process**

Income Guidelines *

Household Size	Gross Income
1	\$44,800
2	\$51,550
3	\$58,000
4	\$64,400
5	\$69,600
6	\$74,750
7	\$79,900
8	\$85,050

Metro Area Income Guidelines, check with your local CLT for current income eligibility



CLT Homebuyer Process

1. Attend Homebuyer Orientation
2. Fill out CLT Application
3. CLT Income verification- prep for lender approval
4. Attend Homebuyer Education class
5. Obtain mortgage Pre-Approval
6. Purchase CLT Home



Realtor Information



- Increase your homebuyer market
 - Serve buyers who can not afford to purchase market rate homes that meet their needs
- Provide more options to your homebuyers
 - Reduced mortgage payments
 - Homes in good condition
 - More home than they could afford at market rate
 - Access to products with down payment and closing cost assistance
 - ✦ Lenders who know 1st time buyer products and process
 - CLT helps 1st time buyers navigate the system and help get to closing
- Competitive fees
 - Fees listed on MLS for homes on the market
 - CLTs not on MLS also often pay competitive fees to buyer's agent

Market Rate Single Family vs. CLT



Same

- The homeowner obtains a mortgage with a bank.
- The homeowner accumulates equity.
- The home can be inherited by the homeowner's immediate family or other household member.
- The homeowner pays property taxes and is eligible for tax deductions.
- The homeowner can make alterations and improvements to the home & land.

Different

- Lower purchase price—about 20-30% below the market rate.
- The CLT owns the land and the homeowner leases the land for a nominal fee.
- Homebuyers are unlikely to pay private mortgage insurance.
- The homeowner receives:
 - 100% of their earned equity
 - 25%-35% of the increased value of the home.
 - the value of any qualified capital improvements that have been documented during the time of ownership.
- The remaining 75% stays with the home to keep it affordable for generations.

Other Shared Ownership vs. CLT



Townhomes and Condos

- Shared common areas
- Association Fees
- Exterior and land use restrictions determined by the Association
- Can make interior improvements
- Lawn/Snow Care often included

CLT Ownership

- Primarily Single-family
- Ground Lease Fee \$15-\$50
- Minimal land use restrictions
- Exterior restrictions are same as City/Zoning Code
- Can make interior and exterior improvements
- Homeowner responsible for snow/lawn care

Cost Analysis



Market Rate

- \$160,000 value
 - \$155,000 loan
 - ✦ Principle + Interest = \$855
 - ✦ Taxes + Insurance = \$215
 - ✦ Mortgage Insurance = \$60
 - ✦ Down Payment = \$5,000

Total Monthly Cost = **\$1,130**

Over 5 years = \$72,800
(includes down payment)

CLT OWNERSHIP

- \$160,000 value
 - \$110,000 loan
 - ✦ Principle + Interest = \$610
 - ✦ Ground lease fee = \$25
 - ✦ Taxes + Insurance = \$215
 - ✦ Mortgage Insurance = \$0

Total Monthly Cost = **\$850**

Over 5 years = \$51,000

Savings: \$21,800

Cost Analysis (Continued)



Market Rate

- 5 year cost = \$72,800
- Appreciation over 5 years (2.5% per year) = \$21,025
 - New value = \$181,025

+ Earned Equity = \$17,170

(includes down payment invested)

+ Appreciation = \$21,025

Total Benefit at Sale = \$38,195

Front end savings = \$0

CLT Ownership

- 5 year cost = \$51,000
- Appreciation over 5 years (2.5% per year) = \$14,455
 - New value = \$124,455
 - Share of appreciation = \$3,614

+ Earned Equity = \$8,636

+ Appreciation = \$3,614

Total Benefit at Sale = \$12,250

(\$25,945 less than market rate

Front end savings = \$21,800)

Remember, the CLT owner could likely not have afforded to purchase the market rate home

and the CLT provided an opportunity to benefit from homeownership that might not have otherwise existed