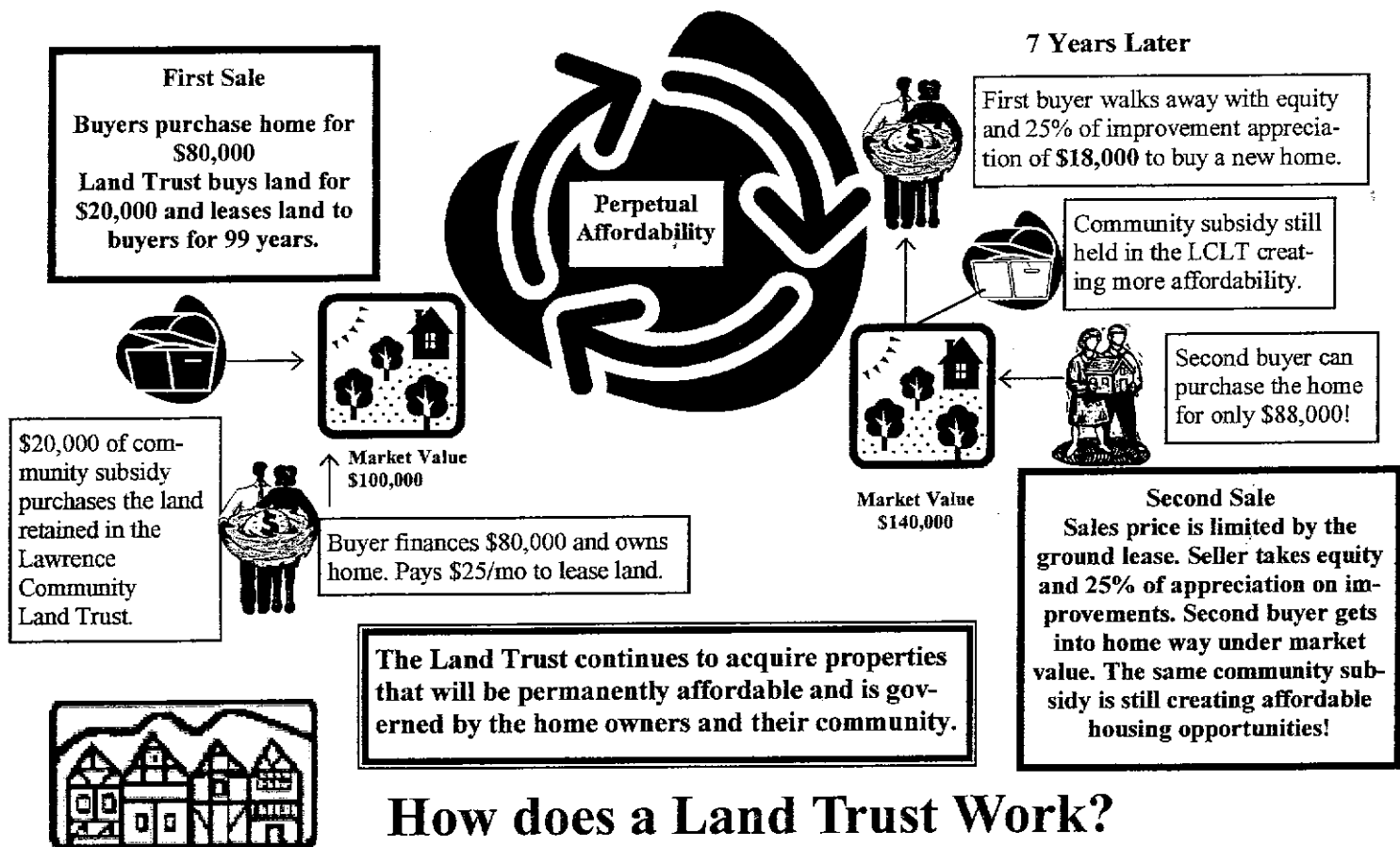


The Lawrence Community Land Trust



How does a Land Trust Work?

The Lawrence Community Land Trust and the homeowner will be partners in homeownership. The homeowners will own the home (structure and improvements) and the Land Trust will own the land. A small monthly payment will be made to the Land Trust to lease the land, and the resale price of the home is limited. In this way, the homeowner can earn some equity toward the purchase of a new home, and the Land Trust home remains affordable for the next homebuyer. The subsidy put into one Land Trust property is then recycled again and again to help lower income families become first time homeowners. Affordability is maintained through perpetuity, the community has an opportunity to create stable owner-occupied neighborhoods that reflect its diversity, and by focusing on longer term housing solutions, the community has an incentive to create more sustainable living space.



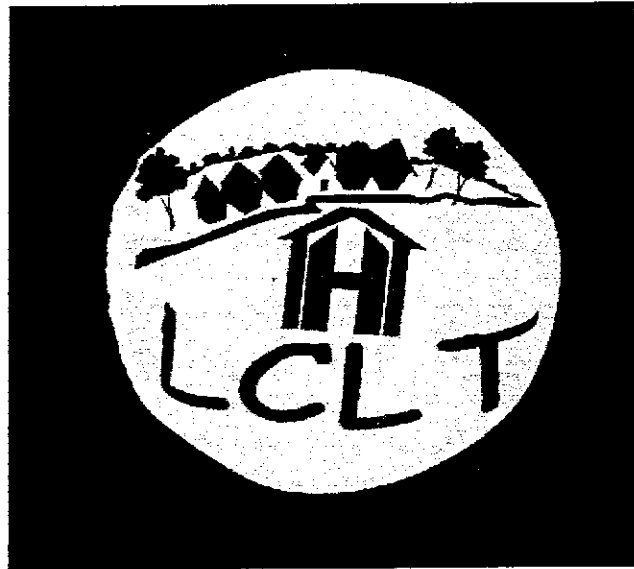
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The Lawrence Community Land Trust: A proposal for permanently affordable housing in Lawrence

The following report is in two parts: Part 1 includes practical general information on the land trust concept, and Part 2 is a description of The Lawrence Community Land Trust that Tenants to Homeowners, Inc., a Lawrence Community Housing Development Organization, is presently creating.



Tenants to Homeowners, Inc.
The Lawrence Community Land Trust
Primer



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PART 1:

THE LAND TRUST CONCEPTUAL FRAMEWORK

We are all familiar with the hard line economic and social realities we face in our 21st Century American society today. Housing costs have spiraled beyond the reach of an overwhelming number of working families and other households with limited incomes. Neighborhoods long victim to disinvestments and absentee ownership are now appealing to households with the means and desire to avoid long hours spent commuting. Many communities are facing a rapidly dwindling supply of buildable land, forcing the price of remaining, available lots ever higher. And, given the cutbacks in federal support for affordable housing and the limited supply of charitable dollars available from the private sector, subsidy funds are always in drastically short supply. Our neighborhoods and communities are caught in the squeeze.

Into this complex and troubling scenario a new set of questions is arising. What are the legitimate interests of ownership? How do we balance the rights of the individual with the collective rights of the neighborhood and community? Should we be focusing our efforts to create a stock of *permanently* affordable housing? Does it make sense to use limited public and private subsidies to create a unit that is initially affordable but becomes unaffordable the first time the ownership is transferred? Does it not make more sense to preserve these precious subsidies by locking the subsidy into the unit to keep the unit affordable *forever*?

Against this background, the community land trust has emerged. Community land trusts offer a practical means of preserving permanent housing affordability at the same time that they provide a new conceptualization of property and ownership,

Community land trusts (CLTs) typically acquire and hold land and sell off any residential or commercial buildings that are on the land. Title to the land is held in perpetuity by the CLT, governed by a community-based Board of Directors. Exclusive, possessory use of the land is conveyed to individual homeowners by means of a long-term (typically 99 year) ground lease that is assignable to the heirs of the leaseholder. In this way, the cost of land in the housing equation is minimized or eliminated, making the housing more affordable. Additionally, CLTs place equity limitations into the ground lease agreement that restrict the resale price of the housing in order to maintain its long-term affordability - in an attempt to balance the seemingly competing goals of providing a fair return on the initial owner's housing investment, on the one hand, and assuring that the housing unit is kept affordable for the next buyer, on the other. People who buy homes through a CLT are, in substance, selling their right for unlimited market-driven appreciation in exchange for significant upfront subsidy that allows them to own a home they otherwise would have been unable to finance.

And all of this is situated within a community-based, nonprofit organization governed



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by a Board of Directors that is broadly diverse and representative of the interests of the neighborhood or community that is served. CLTs develop affordable for-sale and rental housing, commercial space, and parks while promoting homeownership, housing stability, historic preservation, neighborhood revitalization and local control.

CLTs are currently operating in 31 states and the District of Columbia. In the past 20 years, their numbers have grown from fewer than 30 to over 130 today, with nearly 40 more CLTs in the preliminary stages of their development. While much of the initial interest and growth in CLTs was stirred by the socially progressive nature of the model (taking land off the speculative market under the direction of local, democratically-run nonprofit organizations), the past several years have witnessed a remarkable spike in interest fueled by municipal governments, funding organizations and housing developers who recognize the undeniable wisdom of locking limited public and private resources into housing that is kept permanently affordable.

This growth in interest in community land trusts—as well as their practical and successful applications—is happening in a broad array of community settings including core city neighborhoods, suburbs, small communities and rural areas. It is increasingly being recognized as a creative and effective tool to be used in local neighborhood revitalization efforts.

Key Features of the "Classic" CLT Model

A community land trust (CLT) is a private, nonprofit 501(c)(3) corporation created to hold land and to preserve the affordability of housing and other buildings located upon that land for the benefit of low and moderate income residents. The "classic" CLT - as that model has been described by The Institute for Community Economics over the last 30 years and as it has been defined in federal statute since 1992 - has ten distinctive features:

Nonprofit, Tax-exempt Corporation

A Community Land Trust is an independent, not-for-profit corporation that is legally chartered in the state in which it is located. Most CLTs target their activities and resources toward charitable activities like providing housing for low-income people or eliminating neighborhood blight, making them eligible for 501(c)(3) tax-exempt designation from the IRS.

Dual Ownership

A nonprofit corporation (the CLT) acquires multiple parcels of land throughout a targeted geographic area with the intent of retaining ownership of these parcels forever. Any building already located on the land or later constructed on the land is sold off to an individual homeowner, a cooperative housing corporation, a nonprofit developer of rental housing, or some other nonprofit, governmental, or for-profit entity.



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Leased Land

Although the CLT plans never to resell its land, it provides for the exclusive use of its land by the owners of any buildings located upon its parcels of land are conveyed to individual homeowners (or to the owners of other types of residential or commercial structures) through long-term ground leases. This two-party contract between the land owner (the CLT) and a building's owner protects the lessee's interests in security, privacy, legacy, and equity, as well as enforcing the lessor's (i.e., the CLTs) interests in preserving the appropriate use, the structural integrity, and the continuing affordability of any buildings located upon its land.

Perpetual Affordability

The CLT retains an option to repurchase any residential (or commercial) structures that are located upon its land should their owners ever choose to sell. The resale price is set by a formula, contained in the ground lease, designed to give present low-income homeowners a fair return on their investment, while giving future low-income homebuyers fair access to housing at an affordable price. By design and by intent the CLT is committed to preserving the affordability of housing (and other structures)—one owner after another, one generation after another, in perpetuity.

Perpetual Responsibility

The CLT does not disappear once a building is sold to a homeowner, a coop, or another entity. As owner of the land underlying multiple buildings and as owner of an option to repurchase those buildings, the CLT has a continuing interest in what happens to the buildings and to those who occupy them. Should property owners allow their buildings to become a hazard, the ground lease gives the CLT the right to step in and to force repairs. Should these property owners default on their mortgages, the ground lease gives the CLT the right to step in and cure the default, forestalling foreclosure. The CLT remains a party to the deal, safeguarding the structural integrity of the building and the residential security of the occupants.

Community Base

The CLT operates within the physical boundaries of a targeted locality. It is guided by—and accountable to—the people who call that place their home. Any adult who resides on the CLTs land and any adult who lives within the geographic area deemed by the CLT to be its "community" can become a voting member of the CLT.

Community Control

Two-thirds of a CLT's board of directors are nominated by, elected by and composed of people who either live on the CLT's land or people who reside within the CLT's targeted "community" but do not live on the CLTs land.



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Tripartite Governance

The board of directors of the “classic” CLT is composed of three parts, each containing an equal number of seats. One third of the board represents the interests of people who lease land from the CLT (“leaseholder representatives”). One third represents the interests of residents from the surrounding community who do not lease CLT land (“general representative”). One third includes public officials, local funders, nonprofit providers of housing or social services, and other individuals presumed to speak for the general public (“public interest representative”). Control of the CLTs board is diffused and balanced to ensure that all interests are heard but that no interest is predominant.

Expansionist Acquisition

CLTs are not focused on a single project. They are committed to an active acquisition and development program, aimed at expanding their holdings of land and increasing the supply of affordable housing under their stewardship. Most CLTs do their own development with their own staff. Others leave development to nonprofit or governmental partners, focusing their own efforts on assembling parcels of land and preserving the affordability of the housing upon it

Flexible Development

The CLT is a community development tool of great flexibility, accommodating a variety of land uses and a diversity of building tenures and types. CLTs around the country construct (or acquire, rehabilitate, and resell) housing of many kinds: single-family homes, duplexes, condos, coops, SROs, multi-unit apartment buildings, and mobile home parks. CLTs create facilities for neighborhood businesses, nonprofit organizations, and social service agencies. CLTs provide sites for community gardens and vest-pocket parks. Land is the common ingredient, linking them all.

Definition of a Community Land Trust in Section 233 of the Cranston-Gonzales National Affordable Housing Act—

(f) DEFINITION OF COMMUNITY LAND TRUST—*for purposes of this section, the term “community land trust” means a community housing development organization*

- (1) that is not sponsored by a for-profit organization**
- (2) that is established to carry out the activities under paragraph (3)**
- (3) that—**
 - (a) acquires parcels of land, held in perpetuity, primarily for conveyance under long term ground leases;**
 - (b) transfers ownership of any structural improvements located on such leased parcels to the lessees; and**
 - (c) retains a preemptive option to purchase any such structural**



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improvement at a price determined by formula that is designed to ensure that the improvement remains affordable to low-and moderate-income families in perpetuity

- (4) whose corporate membership that is open to any adult resident of a particular geographic area specified in the bylaws of the organization; and**
- (5) whose board of directors—**
 - (A) includes a majority of members who are elected by the corporate membership; and**
 - (B) is composed of equal numbers of (i) lessees pursuant to paragraph (3)(B), (ii) corporate members who are not lessees, and (iii) any other category of persons described in the bylaws of the organization.**

Part 2:

The Lawrence Community Land Trust

A brief description of what Tenants To Homeowners, Inc. (TTH) is presently doing to produce affordable housing is offered as a logical, and hopefully helpful, introduction to the description of how the staff and Board of Directors of TTH see the Lawrence Community Land Trust (LCLT) operating.

Besides administering the HOOT Program, TTH is building new housing and rehabilitating old houses. All of this new construction and rehabilitation of older houses takes place in the older neighborhoods. Unlike profit-driven development, all TTH new construction and rehabilitation is done with emphasis on energy efficiency, accessibility, green building and living principles.

This new construction and rehabilitated housing is then sold to low and moderate-income buyers using the City of Lawrence Neighborhood Resources' HOOT (Homeowners Out of Tenants) first time home buyer financing, sometimes with additional funding from Independence Inc.'s HOYO (Home Of Your Own) program for home buyers with disabilities. Some deals also include additional funding from TTH's Federal Home Loan Bank grant and often TTH will carry a third mortgage representing the cost of the lot or the excess cost over what the buyer can finance. These homes are sold at cost, which is often well below market price.

The buyers make payments on their first mortgage and are not required to make payments on the second, third or fourth mortgages which are subservient to their first mortgage with the bank. These subservient mortgages are only payable if the properties are sold. The purpose of this effort is to create homeownership among households who could not otherwise buy homes.

Rapid appreciation of housing in Lawrence has allowed a number of buyers to sell their



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homes at market price, pay off their subsidized mortgages, and realize thousands of dollars in gain. These houses that consumed such a large amount of the nonprofit organization's effort, money and volunteer resources are now back on the market at market prices and are no longer affordable to low or moderate income buyers. The affordable housing created in this case is only temporarily affordable, and would require much larger amounts of subsidy to be affordable again.

With the Lawrence Community Land Trust concept, the buyers would purchase the improvements on the land and have a 99-year lease (renewable for an additional 99-years) for the use of the land. This two-party contract is called the ground lease. This ground lease between the land owner, (the LCLT) and the owner of the improvements protects the lessee's interest in security, privacy, legacy, and equity, as well as enforcing the lessor's interests in preserving the appropriate use, the structural integrity, and the continuing affordability of the improvements on the land.

The Lawrence Community Land Trust will retain an option to repurchase the improvements located on the land, should the owners choose to sell. The resale price is set by a formula, contained in the ground lease, designed to give present low and moderate-income buyers a return on their investment, while giving future low and moderate-income homebuyers access to housing at an affordable price. By design and by intent, the Lawrence Community Land Trust is committed to preserving the affordability of the housing – one owner after another, one generation after another, in perpetuity. All Tenants to Homeowners, Inc. projects will be included in the LCLT starting with 1108 Connecticut. TTH is working with the city to begin putting HOME subsidies that currently go to help HOOT purchasers with a 20% buy down into purchasing land trust property that will be retained by the land trust for affordable housing in the community.

When a household decides to sell their land trust property (structure and improvements) the resale price will be enough to cover anything remaining on the first mortgage, any due on additional mortgages, the seller's equity and 25% of the market appreciation of the improvements.

As owner of the land and owner of the option to re-purchase, The Lawrence Community Land Trust has a continuing interest in what happens to the buildings and those households who occupy them. Should the property owners allow their buildings to become a hazard, the ground lease allows the LCLT to step in and force repairs. Should the property owners default on their mortgage, the ground lease gives the LCLT the right to step in and cure the default, forestalling foreclosure. The Lawrence Community Land Trust remains a party to the deal, safeguarding the structural security of the building and the residential security of the occupants.

However, the occupants will have much more control over their property than that of a tenant who rents. Since they own the improvements, they are responsible for



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maintenance, but that also means they can paint the home any color they wish. Lessees do not have to worry about getting a landlord's approval or being charged a much higher rent. Lessees are responsible for all taxes and insurance on the property as well as a \$25 per month lease payment for usury rights to the land. These will all be escrowed by the bank with the land trust mortgage, thus buyers will have to be eligible for approval of this total monthly payment. One third of the Lawrence Community Land Trust board will be lessees or appointed representatives of lessee members so that their interests can be heard throughout the Land Trust decision making process. Also, all rules that will apply to the Land Trust will be laid out in the ground lease.

LAWRENCE COMMUNITY LAND TRUST PROPERTY SALES EXAMPLE

The numbers speak for themselves. Below you can see how much more affordable a Land Trust property will be in 7 years compared to a subsidized property that return to the market. As a community concerned about creating affordable housing with ever shrinking resources, the Land Trust is the best use of our subsidies—one initial subsidy creates permanently affordable housing!

First Sale	1 st Sale	Second Sale	2 nd Sale in 7 Years	Compared to HOOT Now	In 7 years, the community would need to put \$64,609 in additional subsidy toward this property to make it as affordable as the LCLT property
Market Appraisal	\$125,000	Market appraisal	\$175,887	\$175,887 (\$1353/mo)	
Land Value 20% buy down to LCLT for land	\$25,000	Difference in improvement appraisal	\$40,709	20% HOOT 35,177	
Improvement Value	\$100,000	Seller's 25% appreciation	\$10,177	140,710	
Buyer Finance \$769/mo @ 6% IR	\$100,000	New Subtotal Sales Price	\$110,177	140,710 (\$1082/mo)	
City 2 nd Mortgage closing (\$3000)/rehab(\$7,000)	\$10,000	LCLT reissue fee 1%	1,101		
		New Sales Price \$745/mo @ 6% IR	\$111,278		
		Owes bank for 1 st mortgage	\$86,875		
		Seller gets -equity (13,125) -appreciation (10,177)	\$23,302		
		Owes City 50% of 2 nd mortgage	\$5,000	This \$5,000 would go to help next buyer with closing/rehab.	
		Seller walks w/	\$18,302		

The "WHY" of Community Land Trusts

1. Stewardship: Preserving Scarce Resources

- Preserving affordability one generation after another.
- Preserving public subsidies, lands, and inclusionary units.
- Preserving the condition and design of publicly-funded amenities.

2. Mobility: Rebuilding the Housing Tenure Ladder

- Multiplying the choices that low and moderate income families have when they seek to improve the type and tenure of their housing.
- Allowing low income people to step up into homeownership--in smaller steps.

3. Security: Backstopping Low-Income Households

- Supporting first time homeowners after they purchase a home.
- Intervening to cure defaults and prevent foreclosures.

4. Stability: Giving Communities Greater Control

- Allowing development without displacement, especially in "transitional" neighborhoods or "hot market" regions
- Ensuring accountability of the developer to the community

5. Flexibility: Adapting to Sites, Funds and Folks

- Abandoning a one-size-fits-all approach to community development
- Mixing uses of land and types of housing in scattered-site projects.



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