



ALEXANDRIA
BIRTHPLACE OF
AMERICA

Community Land Trust

A Housing Alternative for Douglas County and Surrounding Communities

- Introductions
- WCMCA Background: Housing Programs
- Community Land Trust 101: What is it?
- Benefits of a Land Trust to both Home Buyers and the Community
- WCMCA CLT Development
- Questions / Answers



WEST CENTRAL MINNESOTA
Communities Action

AFFORDABLE HOUSING DEPARTMENT

**JOE NIEHAUS - Affordable Housing
Director**

**JANELLE BENNETT - Affordable
Housing Coordinator**

**MEGAN RADERMACHER- Affordable
Housing Administrator**



WEST CENTRAL MINNESOTA
Communities Action

WCMCA MISSION STATEMENT

*“Partnering to build
community and empower
people to overcome
poverty and achieve their
full potential.”*



WEST CENTRAL MINNESOTA
Communities Action

- ▶ Head Start
- ▶ Energy Assistance Program
- ▶ Weatherization Program
- ▶ Family and Community Services
- ▶ Free Vita Tax Clinic
- ▶ Transitional Housing (2 units this summer)
- ▶ More!



WEST CENTRAL MINNESOTA
Communities Action

56 Years!

WCMCA AFFORDABLE HOUSING PROGRAMS

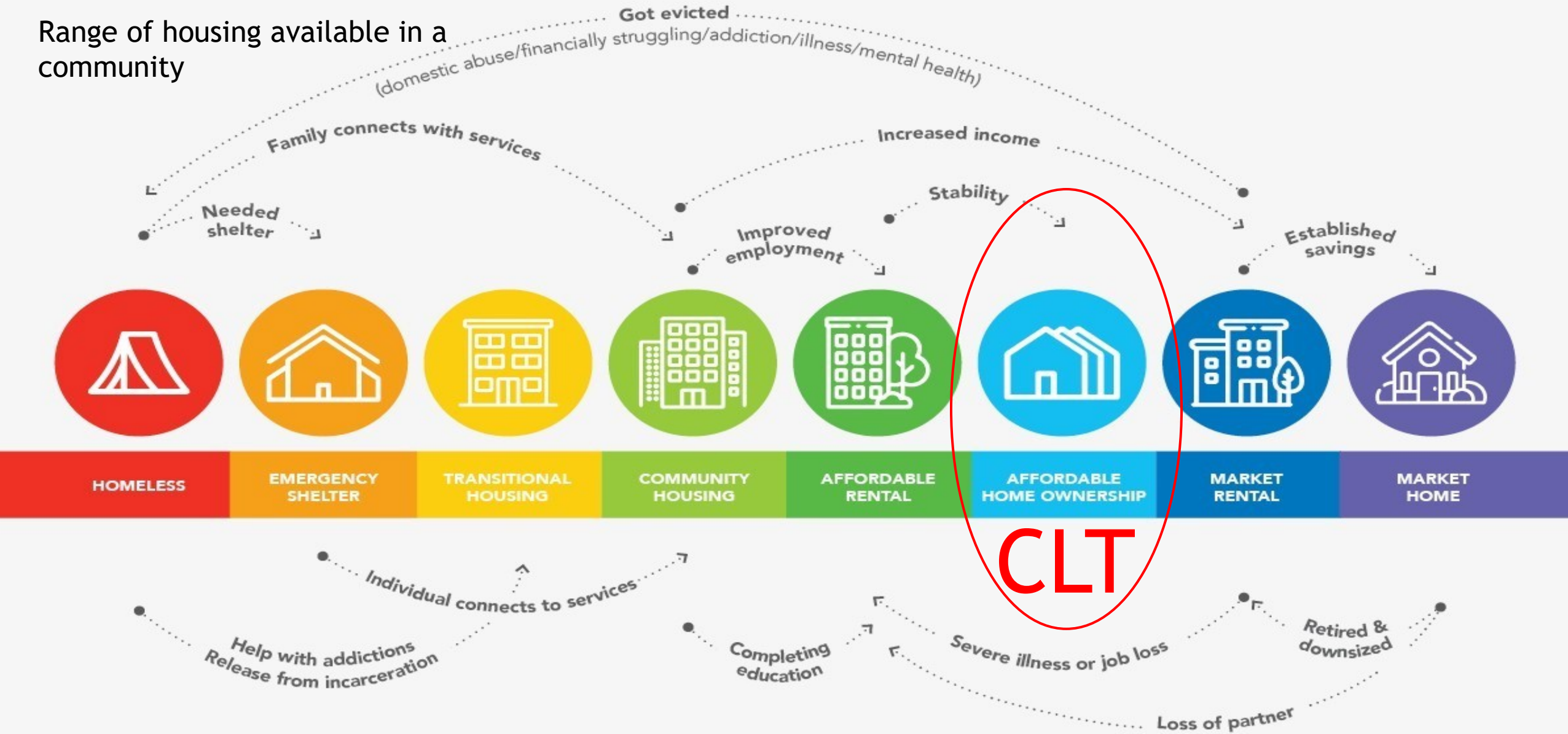
- ▶ REHAB LOAN PROGRAM
- ▶ MURL (Minnesota Urban and Rural Homestead Program) (29 homes)
- ▶ AFFORDABLE HOUSING PROGRAM
 - * Development
 - * Institution Community Work Crew (Lower Labor Costs)



New: Community Land Trust

HOUSING CONTINUUM

Range of housing available in a community



These are a few examples of how people might move within the housing continuum.

What is a “Community Land Trust?”

- Non-Profit (WCMCA)
- Board consisting of 1/3 CLT residents, 1/3 community residents, 1/3 public representatives

Committed Contractually through a Ground Lease:

- To preserve land for long-term community benefit
- To protect housing affordability
- To protect and leverage public sector and private sector resources invested in affordable housing
- To ensure that housing stock in a community is well-maintained
- To support and assist homeowners in their efforts to become and remain successful with homeownership

FOR 99 Years plus 99 Years

Lowers the purchase price of a home

20 - 30% below market rate

Homeownership is now possible for
low to moderately low-income families
- No longer “priced out” of the market -

How?

We bring funding to the closing table to buy down the price of the house by entering into a ground lease agreement with the buyer.

\$200,000 Current Market Value

-\$40,000 Funding, Grants, Donations, Etc.

\$160,000 Cost of House - New Owner's Mortgage

Why a Ground Lease?

Protect the Funding Used to buy down the cost

Protect the seller's right to earn equity

Permanent Affordability (the next buyer also benefits)

Transparency and clarity

HOMEOWNERSHIP IS A BUNDLE OF “RIGHTS”

Recognized rights include:

- **the right of possession:** the property is owned by whoever holds title
- **the right of control:** within the law, the owner controls the use of the property
- **the right of exclusion:** others can be excluded from using or entering the property
- **the right of enjoyment:** the owner can enjoy the use of the property in any legal manner
- **the right of disposition:** the title holder can sell, rent or transfer ownership or use of the property at will

Less Rights

More Rights



A Community Land Trust can Help Address these Challenges

Allows low to moderate income families to purchase homes at a significantly reduced price.

Designed to improve access of homeownership to families that would otherwise be denied

Offers stability to neighborhoods from rental property take-overs

Preserves the affordability of housing permanently

Community Land Trust

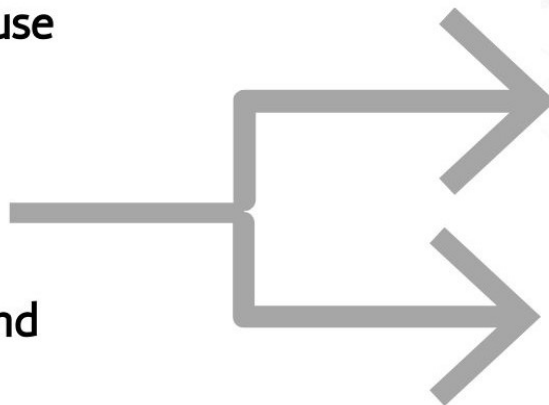
Makes Homeownership Possible

Initial Purchase

A buyer
purchases the house



and leases the land
from the CLT



Homeowner pays a
Minimal
Lease Fee
to the CLT
And the CLT retains
Permanent ownership
of the land

Example:

\$200,000	Current Market Value
-\$40,000	Funding, Grants, Donations, Etc.
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\$160,000	Cost of House - New Owner's Mortgage

Community Land Trust

Makes Homeownership Possible

Time of Resale

Current owner sells the house and earns all they paid towards mortgage plus a percentage of the increase in value*



The CLT can assist the owner in finding a buyer, retains ownership of the land, and offers the home/land at an affordable rate for the next buyer



An income-qualified buyer purchases the house at an affordable price...

\$171,250
(Market is \$245,000)



... and agrees to the same requirements around the resale

Example:	\$245,000	New Appraised Value of the Home (assumption)	\$45,000 x 25% = \$11,250	Seller's share of appreciated equity
5 Years	- \$200,000	Original Purchase Price	+ \$6,000	Seller's earned equity (assumption)
Later	<hr/>		<hr/>	
	\$45,000	Total Appreciated Equity	\$17,250	Seller's Equity

Similar to “conventional” homeownership



The homeowner obtains a mortgage through a lender



Homeowner accumulates equity through mortgage pay-down and appreciation



Home can be inherited by homeowner’s family



Homeowner pays property taxes



Homeowner can make alterations and improvements to the home and land



Homeowner may refinance at any point during homeownership



Lease is transferred at time of the sale

How a land trust is different compared to conventional homeownership

Purchase price is 20-30% below the market value

Eliminates the requirement for mortgage insurance

The Land Trust owns the land and the homeowner leases the land for a nominal fee

The resale formula ensures the home will remain affordable when it is sold in the future

When a land trust house is sold, the homeowner receives 100% of what they have paid off on their mortgage plus 25% of the increased value of the property

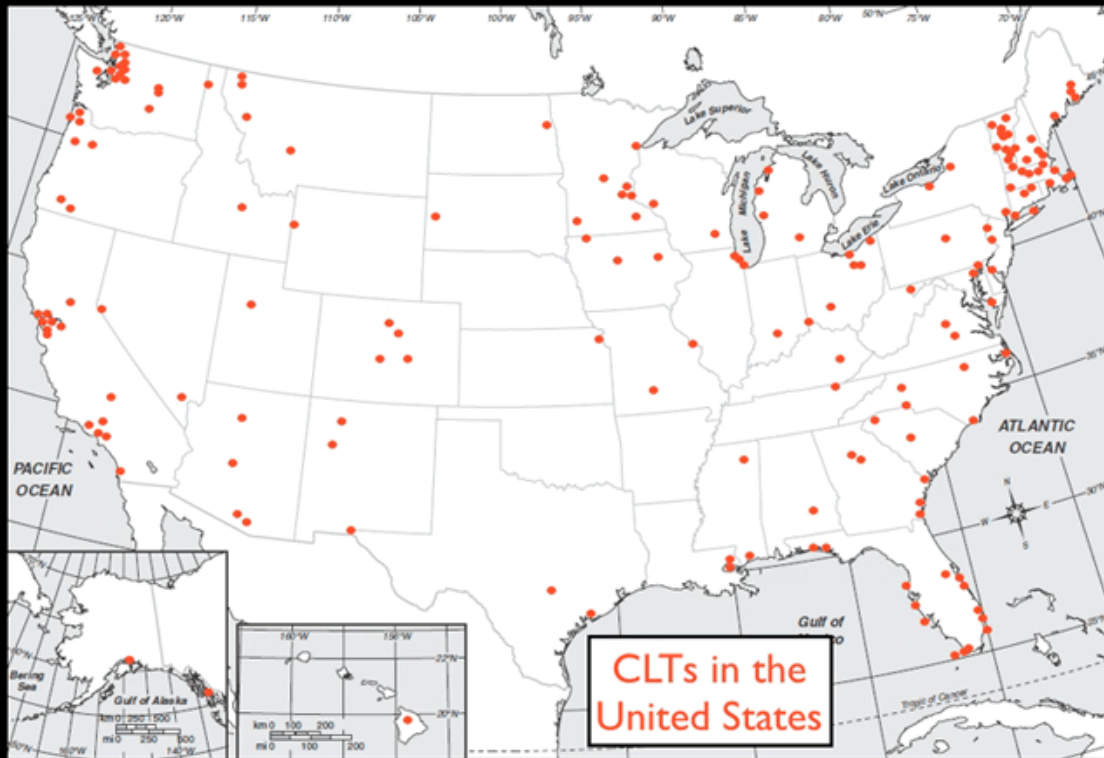
Homeowners also receive the full value of any qualified capital improvements

Must be owner-occupied (cannot be used as income property)

Must sell to a household meeting income guidelines

Homeowner is granted rights and use of the land through a 99 year, automatically renewable lease

300+ CLTs in the U.S.



Minnesota:

- One Roof (Duluth)
- City of Lakes (MPLS)
- First Homes (Rochester)
- Two Rivers (Lake Elmo)
- West Central CLT (Alexandria)

Benefits of a Community Land Trust



Creates a pool of qualified buyers that didn't exist before

The land trust product is a very appealing option for buyers

The land trust model helps maintain owner-occupied neighborhoods which may benefit the value of the community

The default rate of land trust homeowners is miniscule compared to the open market, due to organizational support of their mortgages

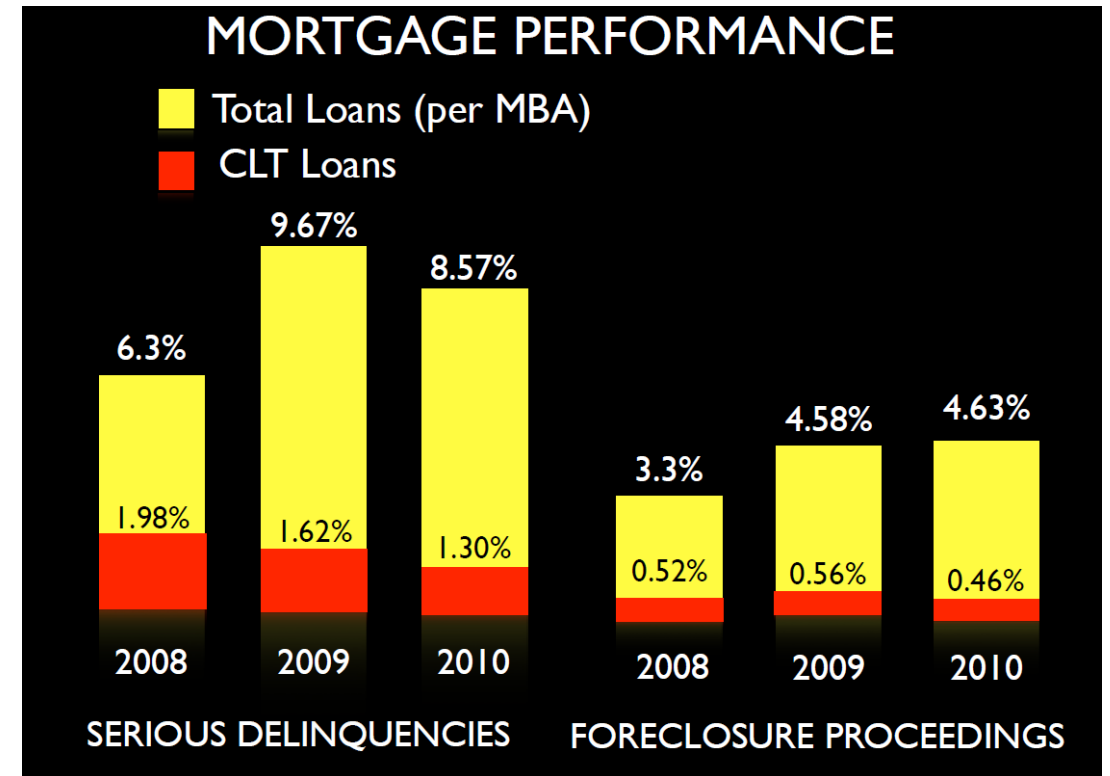
Maintains neighborhoods as being predominantly owner-occupied communities

Most land trust homes are rehabbed which can potentially increase the value of homes around it

Community land trust homeowners often become invested in the neighborhood and the community through volunteering and community organizing

Stability During Uncertain Economic Times

- ▶ CLT homes witnessed significant fewer foreclosure proceedings during the market crash
- ▶ The funding brought in to make home affordable helps provide a cushion so the “upside down” effect doesn’t happen as easily



West Central CLT

- ▶ First two Community Land Trust homes being built summer 2020
- ▶ Offering Pre-Purchase Buyer Consulting/Financing Education
- ▶ Down Payment Assistance may be available for income-qualified buyers up to \$8500

Questions?

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West Central MN Communities Action -

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