

Community Land Trust Business Plan



Houston

Housing and Community Development Department



**GROUND
ED
SOLUTIONS
NETWORK**

strong communities
from the ground up

Introduction

Context

Public officials, philanthropic organizations, community leaders, neighborhood organizations, advocacy groups and others are committed to ensuring that Houston neighborhoods are diverse, asset rich and accessible to all Houstonians. With this in mind, the City of Houston and many of its residents are concerned about the growing shortage of quality, affordably priced housing across the city.

In many neighborhoods, particularly those closest to the urban core, both rental and homeownership housing is already expensive and becoming more so in the face of gentrification and market-fueled investments. In these neighborhoods, lower-income residents and home seekers are priced out of the market.

In other Houston neighborhoods, especially those further from the urban core, homes are less expensive, typically because they need considerable repair, rehabilitation and upgrades. These neighborhoods face the possibility of gentrification and the risk that neighborhood revitalization efforts would unintentionally displace lower-income households.

For some time, the City of Houston (the City), through its Housing and Community Development Department, has allocated considerable financial resources to help limited-income households purchase and own a home of their own. Through down payment and other assistance programs, the City has historically provided homebuyers \$15,000 to \$248,000 in assistance per home. Because these assistance programs typically carried short-term affordability restrictions, the City spent substantial resources with little success in creating a portfolio of homes that are affordable to working families of limited means both now and in the future.

Consequently, the City of Houston – particularly through the leadership of Mayor Turner and the efforts of the Housing and Community Development Department – is promoting the community land trust (CLT) model as a strategy to preserve housing affordability, prevent displacement, increase economic diversity and housing choice, and protect and leverage the municipal housing resources.



Process

The City of Houston's Housing and Community Development Department contracted with Grounded Solutions Network to assess the feasibility of a CLT in Houston and to identify and articulate the core business planning assumptions for establishing and operating the CLT. November 1-3, 2016, Beth Sorce, Capacity Building Director for Grounded Solutions Network and Michael Brown, a Partner in Burlington Associates in Community Development, were in Houston to educate the City and community stakeholders about CLTs and to solicit feedback and input regarding the potential for a CLT in the city.

In the weeks following this visit, Ms. Sorce and Mr. Brown worked with City staff to consider the critical issues regarding the feasibility of a local CLT (including mission and program priorities, service area and corporate structure) as well as the fundamental business planning assumptions on which this CLT initiative would be established and operated (including resource requirements, anticipated scale of activities, organizational capacity requirements and preliminary operating projections).

Decision: Feasibility Assessment and Business Planning

Upon the completion of this feasibility assessment and business planning process, the City of Houston's Housing and Community Development Department recommends proceeding with designing, establishing and operating a CLT to serve targeted neighborhoods and residents within Houston's city limits.



Community Context

Affordable Housing

Houston's urgent – and growing – affordable housing needs are well documented and consistent with what Grounded Solutions Network heard in stakeholder interviews. Challenges include:

- ▶ **Lack of affordability.** Households are experiencing the lack of housing affordability in at least three ways. First, many renter households are cost burdened, struggling to make ends meet and unable to save for a down payment. Second, it is difficult for low-income homebuyers to find an affordable, quality home to purchase in the neighborhood of their choice. Third, it is difficult for some existing homeowners, especially seniors, to cover the carrying costs of homeownership, including home maintenance and property taxes.
- ▶ **Need for subsidy retention.** Many stakeholders noted and agreed that there is a need to shift City policy toward retaining and preserving subsidy investments. Currently, the City provides subsidy to both low-income homebuyers and low-income homeowners with short affordability periods. This means that the home can be sold on the open market and all subsidy is lost in as few as five years.
- ▶ **Need for input, control and transparency.** Many stakeholders expressed a desire to have more input in and control over the type of development that happens in their community. They are especially interested in preserving neighborhood character. It seemed to stakeholders that a CLT built upon best practices with transparent policies could add an element of citizen participation in the development process that is currently perceived to be lacking.

Like many major metropolitan areas in the United States, the nature and scale of affordable housing needs in Houston vary considerably by geography, neighborhood and zip code. While portions of the city are upscale, expensive and already beyond the reach of households of limited means, there are two types of neighborhoods in Houston in which a CLT strategy could be particularly effective:

- ▶ **Strong-market neighborhoods.** There are neighborhoods, particularly inside the 610 Loop including parts of the Third Ward, that are rapidly gentrifying. In these neighborhoods, new development is quickly obliterating housing affordability, dramatically reshaping local demographics, and radically altering the character and culture of these neighborhoods. Limited-income households are unable to move into these neighborhoods, and, if they already live there, they are steadily being displaced.
- ▶ **Weak-market neighborhoods.** In other Houston neighborhoods, particularly those further from the urban core, housing is less expensive. However, the homes in these neighborhoods often need considerable repair, system replacements and substantial rehabilitation. However, reduced appraisal values frequently thwart efforts to make these home improvements. Finally, there is also the threat of gentrification or the unintended displacement of lower-income households resulting from well-intentioned neighborhood revitalization efforts.

Decision: Community Land Trust Priorities

Because of the critical shortage of quality, affordably priced housing in many neighborhoods throughout Houston, and because Houston's population base is anticipated to grow dramatically, the creation and preservation of affordably priced single-family homes will be a high priority for a comprehensive CLT strategy. Furthermore, the CLT will serve both strong and weak market neighborhoods with the intention of increasing housing choice for all Houstonians.



Organizational Context

Sustaining Community Land Trust Operations

Community land trusts make bold promises and are committed contractually to a broad range of critically important community outcomes. Among their many benefits, CLT's can:

- ▶ Protect housing affordability
- ▶ Prevent the unwanted displacement of low-income households
- ▶ Preserve land for a range of community uses
- ▶ Protect and leverage public sector resources invested to create these community assets
- ▶ Ensure that housing and other uses located on CLT-owned land are well maintained
- ▶ Support and assist homeowners and renters living on CLT-owned land and other CLT leaseholders in their efforts to become and remain successful¹

These assurances and commitments are designed to last for very long periods of time. For example, the typical land lease agreements between a CLT and a homeowner has a 99-year term, can be inherited, and can be renewed at the end of the first 99-year term for an additional 99 years.

What is a Community Land Trust?

A community land trust (CLT) is a community-based, nonprofit organization that stewards land and protects the affordability and access to housing and other community uses that are located on that land over the long-term. CLTs are place-based organizations, drawing their membership and leadership from their service area and maintaining ongoing accountability to local residents, organizations and political representatives. This core commitment to the community is the “c” in the CLT.

While there are many variations, “classic” CLTs provide affordable homeownership opportunities to households excluded from the market. To do this, CLTs: (1) buy or receive donated land; (2) build homes (or acquire and rehabilitate existing homes) and, (3) sell these homes to limited-income homebuyers at an affordable purchase price.

When selling the home, the CLT retains ownership of the land on which the home sits. The CLT leases the land to the homeowner through a 99-year, inheritable, renewable ground lease which conveys to the homeowner an exclusive right to occupy and use the land, along with most of the rights and responsibilities available to fee simple homeowners.

The CLT ground lease, however, lays out specific expectations and requirements regarding the homeowners' use and occupancy of the property and it limits the resale price of the home should the owner decide to sell. Because CLT homeowners do not finance the land cost (and frequently benefit from other additional subsidies), they agree to limit their equity return at resale so that the same opportunity and affordable price can be made available to another household.

To ensure that homes remain affordable and homeowners are successful over time, CLTs actively monitor program compliance and back-stop homeowners in times of need. This support, often referred to as “stewardship”, is critical to the CLT's mission.

Civil Rights leaders established the first CLT, New Communities Inc., in 1969 in Albany, Georgia. Since then more than 250 CLTs have taken up the call to promote land justice, increase individual and collective wealth and protect communities—especially historically African American neighborhoods. In addition to providing homeownership opportunities, many CLTs preserve land for affordable rental homes, urban farming as well as for commercial and mixed-use properties.²

¹ See Exhibit A, “Programmatic Requirements for Administering a Portfolio of Resale-restricted, Owner-occupied Homes”, for a more detailed of the stewardship responsibilities that a community land trust takes on once it has a portfolio of owner-occupied homes and homeowners.

² For more information on community land trusts, see Exhibit B: 2012 MarketWise Community newsletter from the Federal Reserve Bank of Richmond VA.



Community Land Trusts manage complex activities, have very long-term commitments, and are continually accountable to the communities they serve. For a CLT to be successful, it is imperative to establish substantial levels of organizational capacity from the onset, and to enhance and sustain this capacity for many years.

One of the fundamental challenges in designing a CLT strategy – especially one that serves multiple neighborhoods – is to determine how to respect

local community control and accountability at the neighborhood level, while ensuring the CLT remains financially and organizationally viable for years to come.

It makes little sense to foster the creation of multiple new CLT organizations, each of which would serve a specific neighborhood and all of which would compete with one another for skilled and talented staff, dedicated volunteers to serve on the board of directors, development opportunities and limited subsidies.

Decision: Community Land Trust Structure

The City of Houston will establish a single CLT entity that will serve multiple neighborhoods in the city and determine how – through consultation, representation, governance, ongoing communication, and regular and frequent interaction with local residents and nonprofit organizations – to build as much local ownership and accountability as possible in the neighborhoods in which the CLT would operate.



Community Land Trust Business Planning Assumptions

The core business planning assumptions upon which a community land trust in Houston would be established and operated are outlined below.

Mission

Why is a CLT needed? What would a CLT strategy look like? How would it operate and what are the specific functions that would need to be managed? How would the CLT's mission and activities be distinct from other nonprofit affordable housing organizations and efforts currently operating in Houston?

Implementation Strategy: The CLT will create, steward and preserve a permanent supply of affordable homes in multiple neighborhoods across the city to ensure that Houston neighborhoods are diverse and inclusive. The CLT's primary mission will be to provide homeownership opportunities for low-income households and, secondarily, to provide rental housing opportunities, steward non-residential community assets, and/or serve a higher income level to ensure neighborhood diversity. Initially, the Houston Community Land Trust³ will focus on preserving units that the Housing and Community Development Department created using municipal resources in order to maximize the City's return on investment.

Service Area

Should the CLT prioritize its activities in a single neighborhood in the city? Or should the CLT be structured to serve a larger, multi-neighborhood area from the outset? And should the outer limits of the CLT's geographic service area be the city limits of Houston?

Implementation Strategy: The geographic service area for the Houston Community Land Trust initiative will be the city limits, although the CLT may prioritize its activities in certain neighborhoods within the city. During the first few years of operation, the CLT may strategically target neighborhoods included in the city's Complete Communities initiative.

Corporate Structure

What entity will be responsible for the ongoing operation of the CLT and managing its critical stewardship functions? And what corporate structure would be most appropriate for a CLT to be successful, given the large geographic area in which it will operate?

Implementation Strategy: The City of Houston has determined to operate and manage the CLT organization for at least the first several years of its operations. Therefore:

- ▶ The CLT will be established as a nonprofit corporation that may be eligible for designation by the IRS as a charitable organization in accordance with IRC § 501(c)(3).
- ▶ The Houston mayor will appoint the CLT board of directors.
- ▶ The composition of the CLT's governing board will mirror the 'classic' CLT three-part governance structure, with one-third of the seats to be filled, eventually, by CLT homeowners and leaseholders; one-third of these seats to be reserved for community organizations and neighborhood leaders; and one-third of the seats to be reserved for individuals with expertise and experience that can enhance the CLT's prospects for success (such as lenders, attorneys, realtors and similar professionals).

Over time, the Mayor may choose to take steps to become more independent from the City in both its governance and operations. The triggers for this move have yet to be decided, but they could include reaching a certain number of homes within the CLT portfolio or having developed a certain level of internal capacity and financial sustainability. The CLT may choose to formalize these trigger points within its legal documents or may choose to simply re-evaluate these questions from time to time as is appropriate.

³ This business plan refers to the "Houston Community Land Trust." It is important to note that this name is a placeholder and that an official name will need to be selected before filing any incorporation paperwork.



Community Uses to be Preserved

What are the types of uses that will (or may) be situated on land owned by the community land trust and preserved for the long-term benefit of the neighborhood and communities in which these community assets are located?

Implementation Strategy: Given the nature and urgency of local affordable housing needs, the primary focus of the CLT's activities will be to create and preserve a permanently affordable supply of quality, energy-efficient, single-family (detached or attached) homes that are priced affordably for households that would not otherwise be able to purchase and own a home. This portfolio of affordable housing will be a combination of new construction and the acquisition and rehabilitation of existing homes.

The CLT may also create and preserve a permanently affordable supply of quality, energy-efficient rental units in both single-family and multi-family structures. When pursuing rental housing opportunities, the CLT may:

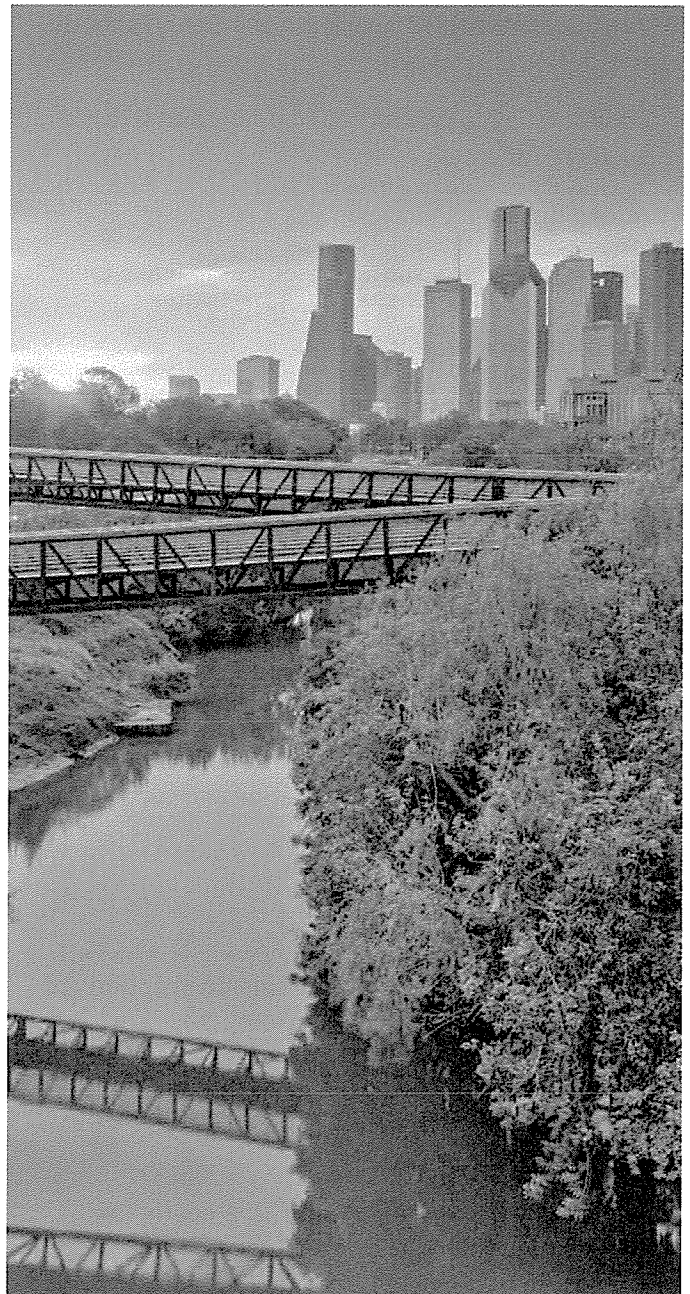
- ▶ Own both the land and the improvements on top of the land (the rental housing). In this case, the CLT will be responsible for operating the rental housing either directly or through a contract with a property management company.
- ▶ Own the land but not the improvements on top of the land. In this case, the CLT will allow a rental housing provider to create, own and operate rental units on top of CLT land, according to the terms of a long-term ground lease. The CLT will monitor and steward the property but will not be responsible for day-to-day operations.

Income Targeting

Who would be eligible to live in the owner-occupied homes that would be kept permanently affordable by the CLT? What would be the likely income ranges of households to be served by the CLT?

Implementation Strategy: The first priority for targeting the CLT's affordably priced homes will be households with incomes that meet the federal "low-income" definition – i.e., households with incomes less than 80% of the established annual median income for Houston, adjusted for family size. This includes rent-burdened households that live in the city and households that have moved away from the city but may be interested in moving back to live and work.

Additionally, the CLT will be designed to act entrepreneurially to meet ever changing community needs. To create and preserve diversity within neighborhoods, the CLT may also serve households with higher incomes (up to 120% or even 150% of AMI) in the event that they are, based on income, also unable to access market-rate housing. Given funding constraints, homes targeted at higher income households will be built on properties that are donated to the CLT and/or brought to the CLT through other for-profit, nonprofit, municipal or community initiatives.



Housing Development Strategies

How will affordably priced homes be brought into the CLT's portfolio? What roles, if any, might the CLT play in the process of developing the homes it will keep affordable over time?

Implementation Strategy: Initially, the CLT will not be directly involved in development activities. Rather, the CLT will serve as the long-term steward for homes developed by the City's Housing and Community Development Department. Over time and as the CLT builds capacity, the organization may decide to take on a more significant development role if deemed appropriate.

For the first few years of operation, the CLT will not be responsible for:

- ▶ Collaborating with local neighborhoods to select and acquire properties
- ▶ Arranging project financing
- ▶ Utilizing municipal subsidy resources to make these homes affordable for purchase by targeted, low-income households
- ▶ Partnering with local nonprofit and for-profit housing developers and building contractors to complete the actual rehabilitation of existing homes and the construction of new homes

However, the CLT will take a lead role in coordinating the marketing and sale of CLT homes including:

- ▶ Educating potential CLT homebuyers regarding benefits and responsibilities of CLT homeownership
- ▶ Ensuring that all CLT homebuyer have access to pre-purchase homebuyer education and counseling
- ▶ Arranging mortgage financing for qualified homebuyer households
- ▶ Selecting eligible households to purchase and own CLT homes in accordance with community priorities and Fair Housing requirements

The Housing and Community Development Department has identified potential strategies for developing CLT units, including:

- ▶ Implementing a buyer-initiated program for low-income households with school-aged children who would purchase, with affordability subsidies provided

by the city, a qualified home of their choice within walking distance of a quality school. In exchange for the affordability assistance, the homebuyer will agree to bring the home into the CLT's permanently affordable portfolio.

- ▶ Constructing new homes in soon-to-be designated "complete communities" on lots already owned or purchased by the City. Such a program could create affordable homeownership for local households with incomes below 80% AMI and could be incorporated into plans to design and build new, mixed-income developments and communities.
- ▶ Providing developers with an increased density allowance for new, single-family homeownership developments in exchange for a commitment to produce a percentage of all homes developed (up to the increment above the current homes-per-acre) restriction that, without additional subsidy, would be affordable to households at specified lower-income ranges.
- ▶ Allocating up to \$15 million of disaster recovery funds to acquire and rehabilitate scattered-site rental homes in the Fifth Ward. The CLT will own these homes (on CLT-owned land) and will be responsible for managing these homes as rental for a total of 10 years, after which these homes can be sold as CLT homes to qualified households if deemed appropriate.
- ▶ Acquiring and preserving existing small rental properties (30-50 units) to serve specific community needs, such as extended in-patient housing near healthcare centers or affordable rental units near colleges and universities for students with families.
- ▶ Constructing new homes on lots adjacent to owner-occupied homes that need to be demolished. Targeting senior homeowners and disabled households, the new home would be deeded to the owner-occupant of the adjacent, condemned home.

Since the CLT is not directly responsible for housing development, it is beyond the scope of this plan to fully assess the feasibility of these potential sources. However, based on information provided by staff and stakeholders, these possible programs (as well as others that may catalyze over time) could be strategies that, once refined and implemented, would contribute to a portfolio of homes that a Houston Community Land Trust could keep affordable forever.



Land Trust Partnerships

What are the agencies and institutions with which a CLT sponsored and operated by the City of Houston would likely need to partner in order to be successful in implementing its mission and carrying out its work plan? What are the specific services and types of assistance that these partner entities may be able to provide – either free or on a fee-for-service basis to the CLT?

Implementation Strategy: The CLT will need to forge critical partnerships with key community stakeholders in order for the community land trust to be both successful and achieve significant scale:

- ▶ **Land Assemblage Redevelopment Authority** – The Land Assemblage Redevelopment Authority (LARA) currently owns hundreds of parcels in the Acres Homes, Independence Heights, Trinity Gardens, Settegast, Near Northside, Fifth Ward, Denver Harbor and Sunnyside neighborhoods of Houston. Currently, these formerly tax-delinquent properties are made available at significantly reduced prices to adjacent homeowners and to interested developers with the intended goal of adding these parcels (and perhaps improvements to these parcels) back to local tax rolls.

Similar to arrangements where local CLTs have priority access to parcels available from local land bank authorities, LARA will be a potential source of land for a local CLT organization or project through donations or preferred access at significantly reduced prices. The CLT, in turn, would commit to protecting and leveraging these municipal contributions for the benefit of multiple generations.

- ▶ **Tax Increment Reinvestment Zones** – The City's Tax Increment Reinvestment Zones (TIRZ) are intended to function as an accelerated urban-renewal tool to attract new development and improve distressed and underdeveloped areas within the city. There are currently 27 of these zones operating in the city. Reportedly, millions of dollars could be made available from these funds to create a substantial number of homes that the CLT would keep permanently affordable.

Such an investment of resources would obviously impact the feasibility of a Houston Community Land Trust initiative. It would also boost the portfolio

of CLT homes to a level that could dramatically enhance the financial viability and ongoing sustainability of a local CLT strategy.

- ▶ **Nonprofit organizations** – Like other CLTs around the country, the CLT could partner with existing nonprofit community development organizations, including affordable housing organizations. Local community development corporations and nonprofit housing organizations – including Avenue CDC, Habitat for Humanity, Dominion CDC, and Project Rowhouse – expressed genuine interest in protecting housing affordability and preserving at least some of the private sector resources that are needed to create the initial availability and affordability of housing in Houston.

Additionally, it is likely that a City-sponsored CLT would rely on nonprofit organizations with particular expertise to manage some of its critical functions, such as providing pre-purchase homebuyer education and counseling and providing some of the 'backstopping' support and assistance needed to help CLT homeowners remain successful as homeowners.

- ▶ **Lending institutions** – Banks and other financial lending organizations can be valuable partners for CLTs, providing mortgage financing for qualified CLT homebuyers, project development financing, and organizational lines of credit. Additionally, these community institutions, and their staff and trustees, have broad connections in the community – connections that could clearly benefit the CLT.
- ▶ **Public sector and private sector funders** – In the start-up years, as with all new nonprofit organizations, a CLT established and operated in Houston would need to rely on private sector funders, in addition to the public sector, to support ongoing operation costs. The types of funding the CLT may be able to access include foundation grants, municipal operating grants, corporate sponsorships, private donations and in-kind contributions.

Both the Houston Endowment and the Kinder Foundation have indicated strong interest in a successful CLT strategy in Houston.



Houston CLT Core Functions

Critical Community Land Trust Functions and Organizational Responsibilities

Based on the core business planning assumptions on how a Houston community land trust will be established and operated and the best practices of many CLTs operating successfully across the country, the Houston Community Land Trust's critical functions will include both the start-up and ongoing responsibilities outlined below.



Start-up and Implementation Functions

As early in 2017 as possible, organizers of the Houston CLT will need—on a fast track—to establish the CLT organization, build the CLT's organizational capacity to enable it to operate as a CLT, and design and implement its residential programs. Primary implementation tasks include, but are by no means limited to, the following activities.

Build CLT organizational capacity.

Primary tasks include but are limited to:

- ▶ Determine start-up costs for CLT operations and identify and secure funding to cover these costs
- ▶ Develop and file Articles of Incorporation
- ▶ Appoint an initial board of directors with three designated categories of directors
- ▶ Develop and adopt bylaws to guide the ongoing operations of the CLT board of directors including: board composition, officers, quorum, meeting procedures, conflict of interest and accountability, personnel policies, etc.
- ▶ Draft IRS Form 1023 and required exhibits and submit to IRS seeking charitable 501(c)(3) designation for CLT
- ▶ Develop annual operating budgets for 2017 and 2018 and develop and implement a fundraising plan designed to secure sufficient funding to cover the CLT's organizational operating costs and reserve requirements
- ▶ Hire an Executive Director and Stewardship Coordinator, along with support staff to help manage stewardship functions and organizational administration tasks

Implement the CLT's housing development program. The City's Housing and Community Development Department will have overall responsibility for acquiring properties and arranging financing, subsidy investments and construction and rehabilitation of the homes to be brought into the CLT's portfolio. However, the CLT will need to at minimum:

- ▶ Coordinate the transfer of these homes from the City to the CLT
- ▶ Market these homes to prospective, eligible households
- ▶ Make legal arrangements for the CLT's acquisition of homes
- ▶ Build the internal capacity to manage these development-related responsibilities

Design CLT homeownership program. Primary tasks include but are not limited to:

- ▶ Determine the terms and conditions – including the resale formula – of the ground lease instrument to be used with first CLT homeowners
- ▶ Determine the eligibility criteria and selection process to be used to select CLT homebuyers
- ▶ Develop strategy and materials to orient potential homebuyer households about the benefits and responsibilities of CLT homeownership
- ▶ Develop stewardship policies and procedures
- ▶ Orient local lenders and secure commitments to originate leasehold mortgage financing for qualified CLT homebuyers
- ▶ Design materials and strategies to educate community development, real estate, appraisal and housing development professionals about the CLT, its mission and activities, and its anticipated outcomes

Design CLT rental program. Based on information from City staff, there is a high likelihood that the first units in the CLT portfolio will be rental homes. The CLT will own both the land and the rental units negating the need for a ground lease. Primary tasks include but are not limited to:

- ▶ Develop an asset management strategy
- ▶ Hire a property management company
- ▶ Determine eligibility criteria and process for selecting CLT renters
- ▶ Develop a lease-purchase or other program that will prevent displacement (if the rental units are projected to convert to homeownership in 10 years)

Design and implement CLT stewardship program. Primary tasks include but are not limited to:

- ▶ Develop strategy and materials to orient potential homebuyer households about the benefits and responsibilities of CLT homeownership (under the direction of the CLT Stewardship Coordinator)
- ▶ Arrange memorandums of understanding with qualified nonprofits to provide pre-purchase education and counseling for potential CLT homebuyers
- ▶ Develop detailed stewardship policies and procedures to guide the CLT's oversight of critical stewardship functions, including:
 - Monitoring and enforcing homeowner compliance with terms of lease agreements they signed
 - Providing or arranging for additional support and assistance to help enhance the prospects for the success of each CLT homeowner
 - Managing resales of CLT homes.
- ▶ Negotiate memorandums of understanding or contracts for service with qualified nonprofits to provide or arrange for additional support and assistance to help enhance the prospects for the success of each CLT homeowner



Design the CLT’s outreach and community education strategy. Primary tasks include but are not limited to:

- ▶ Determine key themes to be used to orient key stakeholder groups and community residents regarding the CLT’s mission, activities and benefits
- ▶ Design and implement a strategy to build a broad base of awareness and support for the CLT and its goals and efforts

Determine working relationship between City-sponsored CLT and neighborhoods. Because the City of Houston will invest tens of millions of dollars of resources (land and equity) to create permanently affordable homes, the City will incubate the Houston CLT during the initial years of operations until the CLT has the demonstrated capacity to operate independently. At the same time, community land trusts are place-based organizations that draw their membership and governance from communities and the neighborhoods they serve, in turn ensuring that they are accountable to these same communities and neighborhoods. The Houston CLT will need to pay considerable care and attention to determining how, during the first five years of operation and beyond, the centralized functions of the CLT will relate to and interact with Houston’s neighborhoods, their neighborhood associations and nonprofit organizations, and their leaders and residents – as well as with any local CLT initiatives that may evolve at the neighborhood level.

Ongoing Functions and Responsibilities

Once operational as a CLT, the Houston Community Land Trust – like all other CLTs – will be responsible for managing a range of critical functions on a day-to-day and month-to-month basis for a very long time. These core functions include:

Making CLT homes available and arranging their sale to eligible, qualified homebuyer households through the CLT strategy. Critical tasks include:

- ▶ **Marketing** – Create materials and develop and manage strategy to advertise available homes to the general public through local nonprofit agencies, civic organizations and local media. Ensure that the marketing strategy affirmatively furthers fair housing and complies with all applicable fair housing laws.

- ▶ **Land lease** – Annually review and evaluate terms of CLT land lease agreement for suitability and appropriateness and modify, as needed, for future use.
- ▶ **Homebuyer selection** – Establish and utilize a Homebuyer Selection Committee; annually review threshold eligibility and selection process for suitability and appropriateness and modify, as needed for future use; maintain waiting list of interested, eligible potential homebuyers.
- ▶ **Pre-purchase homebuyer preparation** – Ensure that eligible CLT homebuyers are prepared and fully understand the benefits and responsibilities of buying, owning and selling a CLT home, including:
 - Arranging for suitable pre-purchase education and counseling through qualified local agencies and providers
 - Developing materials and coordinating CLT-specific orientation for interested households through regularly scheduled public meetings and one-on-one sessions
- ▶ **Affordable pricing** – Ensure that all costs and fees (in addition to total development cost home) are accounted for, that suitable underwriting standards are used to determine initial price affordability, and that sufficient subsidies are available to create the affordable price needed for CLT’s target market and to create a marketing window.
- ▶ **Mortgage financing** – Continue to work with local mortgage lenders to ensure that leasehold mortgage financing – with fixed rates and 30-year terms that comply with “permitted mortgage” requirements stipulated in the CLT ground lease – are available to eligible, qualified CLT homebuyers.
- ▶ **Real estate sector orientation** – Continue to orient key individuals in local real estate sectors (e.g., appraisers, assessors, realtors, title companies) understand the benefits and requirements of CLT homeownership.



Provide ongoing stewardship to CLT homeowners and to the homes they occupy. Critical tasks include:

- ▶ **Stewardship policies and procedures** – Finalize policies and procedures to ensure effective stewardship of CLT homeowners and the homes they own; review annually and revise, as needed.
- ▶ **Monitor for and enforce program compliance** – Follow provisions in policies and procedures on a day-by-day and month-to-month basis, including:
 - Monitor responsible use by homeowners
 - Monitor owner occupancy and ensure no subletting
 - Conduct annual inspections
 - Collect and record monthly lease fees
 - Monitor homeowner payment of taxes (and assessments, if any)
 - Ensure each homeowner has adequate insurance coverage
 - Review requests to make capital improvements and approve/deny, as appropriate
 - Approve home equity financing and refinancing, as needed
- ▶ **Address events of noncompliance** – Intervene, as stipulated in policies and procedures, in event of homeowner noncompliance with one or more provision of ground lease agreement.
- ▶ **Manage transfer to designated heirs** – In event that the homeowner elects to transfer ownership of the home and the remaining term of lease agreement to heir(s), ensure that provisions stipulated in the lease are followed.
- ▶ **Manage resale** – Upon receiving notice of intent to sell from CLT homeowner, manage the resale process:
 - Order appraisal to determine market value
 - Determine whether to exercise CLT's preemptive option to purchase
 - Convene Homebuyer Selection Committee, review applications of households on waiting list and meet with prospective homebuyers

- Select and notify household to purchase the home and make sure this household is fully prepared to buy CLT home (e.g. complete pre-purchase homebuyer education and counseling, CLT-specific orientation, mortgage qualification)
- Arrange for pre-sale inspection of home and ensure that necessary repairs are made by homeowner
- Arrange closing; ensure that Purchase Option Price paid to homeowner complies with lease agreement; and enter into new, 99-year lease agreement with new homeowner
- ▶ **Provide homeowner assistance** – Provide or arrange for additional support and assistance to every homeowner living on land owned by the CLT.
- ▶ **Implement HomeKeeper** – Purchase this data management system and complete ongoing data input to collect, compile and analyze CLT homeowner performance.

Manage administration and operation of Houston CLT – as a nonprofit corporation, as a small business, and as a community land trust organization. Critical tasks include activities in the following areas.

- ▶ **Governance** – Ensure that:
 - CLT operating procedures are reviewed annually and amended, as needed, for maximum organizational efficiency
 - The number and composition of the board of directors stipulated in the CLT's bylaws is followed
 - Each person serving on the CLT board of directors is fully oriented regarding CLTs in general and the specific mission of the Houston Community Land Trust, in particular
 - Regular meetings are held to conduct business and corporate records are maintained, including minutes, resolutions, etc.
 - Annual meetings are held each year to designate new directors, as needed, and to elect officers
 - Committees are established, meet regularly and report to the advisory groups



- ▶ **Policies and procedures** – Ensure that operating policies (e.g., personnel; sexual harassment; conflict of interest; fiscal) are developed, reviewed annually and followed
- ▶ **Administration and financial management** – Ensure that appropriate, legal and fiscally sound practices are in place and followed including:
 - Complete monthly bookkeeping and accounting and report regularly to CLT board of directors
 - Set-aside sufficient revenue for completing and submitting tax filings and funding reports in a timely fashion and conducting an annual audit
 - Develop and implement staffing plan, with CLT board approval – including job descriptions for paid (or contracted) staff; compensation and benefits policy; timeline for retaining staff; affirmative recruitment plans; staff development and training plans; etc.
- ▶ **Fundraising** – Ensure that adequate funds are available to cover annual operating costs and reserve requirements including:
 - Establish and maintain a Finance and Fundraising Committee
 - Create and monitor annual operating budgets for approval by the board of directors
 - Develop a fundraising plan (cash flow requirements; annual revenue needs; list of potential funders) and utilize to secure required funding
 - Draft proposals and funding requests to public sector and private philanthropic funders
 - Maintain good relationships and provide up-to-date information to past, current and potential funding partners
 - Coordinate outreach to local donors and benefactors
 - Conduct local grassroots fundraising events
- ▶ **Planning and evaluation** – Ensure that ongoing planning for the future and assessment of progress and effectiveness is completed:
 - Plan and conduct strategic planning process in late 2017 and every other year thereafter
 - Develop and implement annual work plan for a two-year period based on strategic plan
- Conduct annual evaluation of organizational performance
- Conduct annual performance evaluation of Executive Director
- Develop framework for Executive Director to evaluate performance of other employees
- ▶ **Outreach and community education** – Develop strategy and materials to build broadest possible base of awareness and support for CLT and its operations as a CLT:
 - Establish an Outreach and Education Committee;
 - Develop ‘elevator speech’ bullet points for consistent messaging by CLT advisory ‘board’ and staff
 - Develop strategy and materials to get CLT’s message out to key constituencies and to the general public regarding its operations as a CLT; review annually and revise, as needed
- ▶ **Neighborhood collaboration**—Develop, implement and consistently refine strategy to craft working partnerships with local neighborhoods and their leaders, residents and organizations. Activities include:
 - Conduct outreach to targeted neighborhoods to provide accurate and current information about the CLT, its mission, goals and activities
 - Liaise with targeted neighborhood leaders and organizations to solicit feedback about CLT mission and goals and to identify priority CLT activities and initiatives in each neighborhood
 - Determine terms, conditions and requirements for establishing partnerships between the centralized Houston CLT and any neighborhood-based CLT efforts that may develop over time.
- ▶ **Coalition building and advocacy** – Maintain connections and working relationships with other community land trusts and participate in statewide, regional and national CLT initiatives to advocate for additional support and assistance. Activities include:
 - Maintain contact with existing CLTs and other CLT efforts that may develop in region surrounding Houston
 - Continue to advocate for additional subsidy resources and financial operating support from local foundations and state and federal agencies
 - Participate in national CLT conferences



Houston CLT Growth

Anticipated Pace and Scale of Community Land Trust Portfolio Growth

In order to accurately project the staffing requirements for the first several years of its operations as a CLT, certain assumptions need to be made regarding how quickly the Houston Community Land Trust's portfolio of homes is expected to grow based on the likely availability of subsidy resources needed to create the initial affordability of its CLT homes. According to projections provided by the City's Housing and Community Development Department, it can reasonably be expected that the CLT's portfolio of permanently affordable homes – and the homeowners who will own and occupy these homes – will grow at the following pace:

- ▶ **2017** — 245 owner-occupied homes + 110 rental homes
- ▶ **2018** — 380 owner-occupied homes
- ▶ **2019** — 450 owner-occupied homes
- ▶ **2020** — 620 owner-occupied homes
- ▶ **2021** — 622 owner-occupied homes

Based on these projections, the Houston Community Land Trust's portfolio of permanently affordable homes could grow to as many as 2,300 owner-occupied homes, plus 100 rental homes, by the end of 2021, which would make it the largest and fastest-growing CLT in the United States.



Houston CLT Organizational Capacity

Board of Directors

The composition of Houston Community Land Trust's governing board will mirror the 'classic' CLT three-part governance structure, with one-third of the seats to be filled, eventually, with CLT homeowners and leaseholders; one-third of these seats reserved for community organizations and neighborhood leaders; and one-third of the seats reserved for individuals with expertise and experience that can enhance the CLT's prospects for success – specifically people who bring expertise in real estate, residential development, financing, fundraising and public relations.

The total number of the individuals serving on the Houston Community Land Trust board of directors will likely be in the range of 9-12 directors. Quorum requirements for the conduct of business at any meeting will require a majority of the entire roster, provided that there is at least one representative present from each of the three categories.

Specific qualifications and skill sets needed for directors serving on the Houston CLT's governing board, especially in the first years of its operations, include:

- ▶ A fundamental understanding of the Houston Community Land Trust's mission and goals and a passionate and enthusiastic willingness to promote its launch and ongoing success
- ▶ Eagerness to engage with other directors on the Houston CLT board and lend expertise to its governance and direction
- ▶ Willingness to think and plan strategically about the Houston CLT and its work into the future
- ▶ Commitment to not micromanage staff and day-to-day operations
- ▶ Interest in encouraging an entrepreneurial spirit within the organization's culture
- ▶ Willingness to review materials, attend and participate in all board of directors' meetings and to serve on at least one board committee

Professional Staffing

In order for the CLT to be successful, the board of directors will need to hire a professional staff to manage the organization's core functions and responsibilities. The staffing roles required to care out these core functions include:

Executive Director. As a new organization in Houston the CLT will soon need a highly qualified, skilled, experienced and dynamic individual to serve as its Executive Director. This person will lead the organization, serve as its public face and assume responsibility for ensuring the consistent achievement of the organization's mission and financial objectives. The Executive Director will report directly to the CLT board of directors and will be responsible for hiring and supervising additional staff, contractors and volunteers, in addition to managing the day-to-day affairs of the organization. Primary duties for this position will include:

- ▶ Support the CLT board of directors. Develop agendas and materials for regular and special meetings; serve as member of each of the advisory board's committees; and engage the involvement of the advisory board in setting strategic direction for the organization and its activities.
- ▶ Work with the CLT board of directors to develop annual work plans to achieve the CLT's mission, carry out its charitable purposes, and coordinate, oversee and evaluate programs, projects and initiatives with these work plans. Provide staffing to standing and ad hoc committees established by the advisory board to carry out organizational mission and work plan.
- ▶ Develop annual operating budgets, assist the CLT board of directors in developing ongoing fundraising plans, coordinate efforts to expand operating revenue, and secure funding from public and private sources.
- ▶ Coordinate communication, outreach and education strategies and initiatives to broaden awareness and support for the organization and its CLT mission in the neighborhoods it serves, as well as to local organizations and small businesses, the City of Houston, funders and lenders, state and federal officials, and members of the general public.
- ▶ Inform and coordinate ongoing evaluation of organizational and program effectiveness.



Stewardship Coordination. Like all CLTs, Houston Community Land Trust's success will rely on its willingness and ability to manage stewardship responsibilities effectively. These responsibilities are outlined in detail in previous sections. Dedicated staffing resources need to be allocated to managing these non-negotiable tasks and responsibilities on a day-to-day and month-to-month bases in a level proportionate to the number of homes and homeowners in the CLT's portfolio.

- ▶ **Stewardship Director.** This full-time position manages the CLT's stewardship program and manages the CLT's real estate portfolio. The Stewardship Director, reporting to the Executive Director, will hire and supervise additional stewardship staff and will ensure the effective management of all stewardship responsibilities relating to CLT homes, owners and occupants including, particularly in the early stages of CLT operations, directly performing some of the CLT's critical stewardship functions.
- ▶ **Sales Manager.** This position will manage the marketing, sales and resales of all CLT homes. She or he will arrange and secure commitments from local lenders to originate permitted leasehold mortgage financing for qualified buyers of CLT homes, determine eligibility of prospective homebuyers and coordinate selection of all actual CLT purchasers.
- ▶ **Homeowner Orientation Coordinator.** This role coordinates the one-on-one and group orientations designed to ensure that potential CLT homebuyers understand the benefits and responsibilities of buying, owning and selling a CLT home.
- ▶ **Monitoring and Case Management.** Recognizing both the capacity and expertise of key nonprofit organizations in Houston and the importance of not duplicating services, the Houston CLT will contract with qualified nonprofit community organizations to provide backstopping support services to CLT homeowners and renters—assistance that is likely to include pre-purchase homebuyer education and counseling, training and workshops and information and referrals. While the details of these operating agreements between the CLT and designated nonprofits will need to be negotiated, the CLT will also need dedicated in-house staffing to monitor and confirm homeowner compliance with all terms of the signed agreement, CLT fee payments, tax payments, adequate insurance coverage and owner occupancy.

Additional stewardship responsibilities to be addressed by the CLT include, but are not limited to, intervening and addressing incidents of homeowner and occupant non-compliance as well as designing and implementing plans to remedy default, when appropriate, and declaring events of lease default as needed.

Communications Director. The unfamiliar and non-traditional nature of the CLT strategy combined with both the magnitude and the speed at which the CLT and its portfolio is projected to grow calls for dedicated, paid staffing to effectively oversee messaging and community outreach and education. The CLT will need specialized expertise to refine and articulate its messaging and focused, well-coordinated strategies to get this message out to specific stakeholders and constituencies in order to build the biggest possible base of awareness and support for its mission. While some of this messaging can be conveyed passively (e.g., websites, newsletters, etc.), an effective community education effort will require regular community outreach through public presentations, community and neighborhood meetings, and the like.

Community Liaison. Early in the organization's evolution, the CLT should designate a staff person to liaise with neighborhoods and neighborhood organizations. One of the lingering questions about a large, centralized CLT sponsored by the City— with a board of directors appointed by the Mayor and a portfolio of homes developed by the City – is how to maintain connections and lines of accountability with neighborhoods and residents. While it may not be possible for neighborhoods to have control over the CLT and its activities, at least in the initial years of operation, operating independently of neighborhood input may lead residents to perceive the CLT as just another branch of the local government. This staffing function could perhaps be combined with other communications, messaging and community outreach functions.

Administration and Operations. From the outset, the Houston CLT will need dedicated staffing to manage its organizational and operational responsibilities and to coordinate key aspects of the program's fundraising, communications and advocacy strategies. Key responsibilities include but are not limited to: providing administrative support to Executive Director and program staff as appropriate, supporting the Executive Director in fundraising efforts, coordinating CLT community events, ensuring sound financial management and coordinating preparation of reports to the board of directors, executive management, City partners, funders, policy makers, and others.



Community Land Trust Staffing Plan

Community land trusts cannot rely solely on the dedication and best intentions of volunteers. In order to be successful and grow, CLTs require paid professional staff – whether hired as employees of the CLT or retained as contractors on a fee-for-service basis. The level of staffing required is determined primarily by what the CLT organizations does (i.e., the functions it must manage) and how much the CLT does (i.e., the pace at which its portfolio of homes and homeowners is expected to grow).

Based on the assumptions outlined above, an initial plan for paid professional staffing for the community land trust to be established and operated in Houston, to develop, implement and manage the community land trust strategy in successfully the city over the next several years, is as follows:

2017. Based on the anticipated pace and scale of growth outlined above, the Houston CLT is expected to have 245 affordable, owner-occupied homes and 100 affordable rental homes in its portfolio by the end of 2017. In order for this to happen, a great deal of work needs to be done quickly and efficiently.

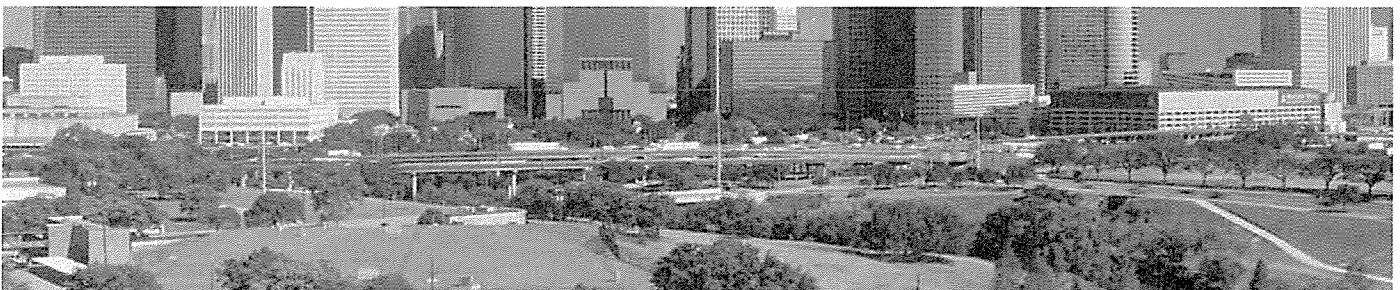
Ideally, the City Council will vote to establish and operate the Houston CLT in January. From that point through April, CLT founders will create the CLT's organizational structure (including incorporating the organization, designating and seating the initial board of directors, developing and adopting bylaws and electing officers, preparing and submitting an application to the IRS requesting charitable 501(c)(3) designation for the CLT), recruit and hire a talented Executive Director, design the CLT homeownership program (including the homeownership ground lease agreement), build a broad base of awareness and support for the CLT, and prepare for the conveyance of the first homes into the CLT's portfolio.

The Executive Director will be hired to begin leading the Houston CLT by May 1. Among all of the Executive Directors many priorities, one of the highest will be to recruit and hire additional program staff, particularly those responsible for managing critical stewardship responsibilities. By July 1, the CLT will fill the following full-time positions:

- ▶ Stewardship Director to oversee and coordinate all stewardship functions
- ▶ CLT Homes Sales Manager to manage the marketing and arrange for the sale of CLT homes
- ▶ Homeowner Orientation Coordinator to manage the outreach and education needed to help prospective homebuyers understand the benefits and responsibilities of CLT homeownership
- ▶ Stewardship Portfolio Manager to monitor homeowner well-being and enforce compliance with lease agreements
- ▶ Stewardship Compliance Manager to arrange and coordinate with nonprofit organizations providing assistance to CLT homeowners and renters on a fee-for-service basis
- ▶ Administrative and Human Resources Director to coordinate back-office responsibilities and assist with front-office tasks (to be hired on/ around July 1)

Additionally, the Houston CLT will contract with qualified nonprofit organizations to provide information and referral and as-needed support services for CLT homeowners and renters.

During the second half of calendar year 2017, the Houston CLT will have seven full-time, salaried, staff persons who will be responsible for managing the organization and the required programmatic functions for 100 tenant households and 245 homeowners and the homes they own.



2018. In 2018, the CLT is projected to add 380 affordable for-sale homes to the CLT, resulting in a portfolio of 625 permanently affordable owner-occupied homes plus 100 permanently affordable rental homes.

Houston CLT's organizational capacity will continue to expand as new homes are added, marketed and sold to CLT homebuyers. Thorough orientation and preparation of interested homebuyers will continue, stewardship responsibilities will expand, and CLT staff will continue to build a broad base of political, financial, and community support for the mission.

To effectively address the growing complexity of its operations and the reality of transitioning from a small nonprofit business into a larger and more dynamic nonprofit business, staffing capacity will continue to expand. The Executive Director will continue full-time, as will the Stewardship Director and his/her program staff as described above. Additional staff to be hired January 1, 2018 include:

- ▶ Communications Director, responsible for refining and articulating the CLT's messaging and coordinating focused strategies to get this message out to stakeholders and constituencies
- ▶ Community Liaison, designated to liaise with local neighborhood associations, nonprofit organizations, and community leaders to provide information about Houston CLT and its mission, to solicit input and feedback from neighborhoods, and to foster working relationships between the Houston CLT and neighborhood plans and initiatives

Additionally, the CLT will continue to contract with nonprofit partners that will provide information and referral and as-needed support services for CLT homeowner and renters.

2019. The Houston CLT is projected to add 450 for-sale homes to its portfolio in 2019, resulting in a portfolio of 1,075 owner-occupied homes and 100 rental homes by year end. This will make the CLT one of the largest – if not the largest – community land trust operating in the United States.

During this year of ongoing growth, the CLT will continue to manage its core functions and expanding responsibilities as a large, nonprofit business and as a community land trust with an expansive portfolio of homes and households. The staffing plan will continue the full-time positions in place during the previous

year and, in response to the needs and demands of its growing portfolio, the CLT will, add:

- ▶ One full-time staff person to assist with CLT homebuyer orientation
- ▶ One half-time staff person to assist the Sales Manager
- ▶ One full-time and one half-time Stewardship Associates and
- ▶ One full-time Office Coordinator

With these positions in place, the CLT will have thirteen FTEs. Additionally, the Houston CLT will continue to contract with qualified nonprofit organizations to provide backstopping support for CLT homeowners and tenants.

2020. CLT's portfolio is projected to increase dramatically in 2020 as 620 more owner-occupied homes are added, bring the combined portfolio to a total of 1,695 owner-occupied homes and 100 rental homes.

To respond to this 60 percent increase in its portfolio, Houston CLT will retain its core professional staffing from the previous year and add additional stewardship staffing. As a result, the staffing plan for Houston CLT in 2020 is expected to be 17 full-time positions, as follows:

- ▶ **Executive Director** – full-time position
- ▶ **Stewardship Director** – full-time position
- ▶ **Communications Director** – full-time position
- ▶ **Community Liaison** – full-time position
- ▶ **Home Sales Manager** – full-time position
- ▶ **Home Sales Assistant** – full-time position
- ▶ **Homeowner Orientation Coordinator** – full-time position
- ▶ **Homeowner Orientation Associates** – two full-time positions
- ▶ **Stewardship Portfolio Manager** – full-time position
- ▶ **Stewardship Compliance Manager** – full-time position
- ▶ **Stewardship Associates** – four (4) full-time positions
- ▶ **Administrative and Human Resources Director** – full-time position
- ▶ **Office Coordinator** – full-time position



As in previous years, Houston CLT will also continue to contract with qualified nonprofit organizations to provide backstopping support for CLT homeowners and tenants.

2021. Houston CLT's portfolio is expected to undergo another significant expansion in 2021, adding 622 owner-occupied homes, resulting in a combined portfolio totaling 2,317 owner-occupied homes and 100 rental homes by the end of its fifth year of operation.

The Houston CLT will retain the staffing plan implemented in 2020 and will add capacity commensurate with its organizational growth. Correspondingly, a staff of 19 full-time, professional positions is expected to be in place, follows:

- ▶ **Executive Director** – full-time position
- ▶ **Stewardship Director** – full-time position
- ▶ **Communications Director** – full-time position
- ▶ **Community Liaison** – full-time position
- ▶ **Home Sales Manager** – full-time position
- ▶ **Home Sales Assistant** – two (2) full-time positions
- ▶ **Homeowner Orientation Coordinator** – full-time position
- ▶ **Homeowner Orientation Associates** – two (2) full-time positions
- ▶ **Stewardship Portfolio Manager** – full-time position
- ▶ **Stewardship Compliance Manager** – full-time position
- ▶ **Stewardship Associates** – five (5) full-time positions
- ▶ **Administrative and Human Resources Director** – full-time position
- ▶ **Office Coordinator** – full-time position

As in previous years, Houston CLT will also continue to contract with qualified nonprofit organizations to provide backstopping support for CLT homeowners and tenants.



Houston Community Land Trust Organizational Operating Budget

Estimated Operating Expenses

The Houston Community Land Trust's plans for the future are unprecedented, both in the anticipated size of its portfolio of homes to be preserved and households to be served, and in the nature and depth of its strategic alliance with the City of Houston. With such a bold vision, the CLT will require considerable financial resources in order to build and maintain the organizational and programmatic capacity needed for success.

Because CLTs are high-touch, labor-intensive, service-enriched organizations, a substantial portion of any CLT's annual operating budget is the cost for paid professional staff. This is certainly the case with the Houston Community Land Trust as staffing is expected to expand from 3.75 salaried FTEs in 2017 (with total salaries estimated at \$332,500) to 19 full-time salaried professional staff in 2021 (with total salaries estimated at just over \$1.5 million), just five years after the CLT's launch.

In the preliminary annual operating budget projections for the first five years of the Houston Community Land Trust operations [attached as Exhibit C], annual salaries are estimated for each position, benefits are estimated at 33% of total salaries, and administration and overhead are projected at 25% of total payroll (i.e., salaries plus benefits) each year.

The preliminary budget assumes:

- ▶ \$75,000 in first-year start-up costs
- ▶ Contracting with qualified nonprofit providers to provide backstopping support and assistance to Houston Community Land Trust homeowners and tenants at a rate of \$1,000 per household
- ▶ Setting aside \$500 for each home brought into the CLT's portfolio to function as a Capital Asset Fund and a Repair and Replacement Reserve Fund for future access by Houston Community Land Trust homeowners

Based on these assumptions, the annual operating expenses for the Houston Community Land Trust are reasonably expected to range from \$995,000 in 2017 to just over \$4.3 million in 2021.



Operating Revenue Projections

Revenue to cover CLT operating expenses can be grouped into three categories:

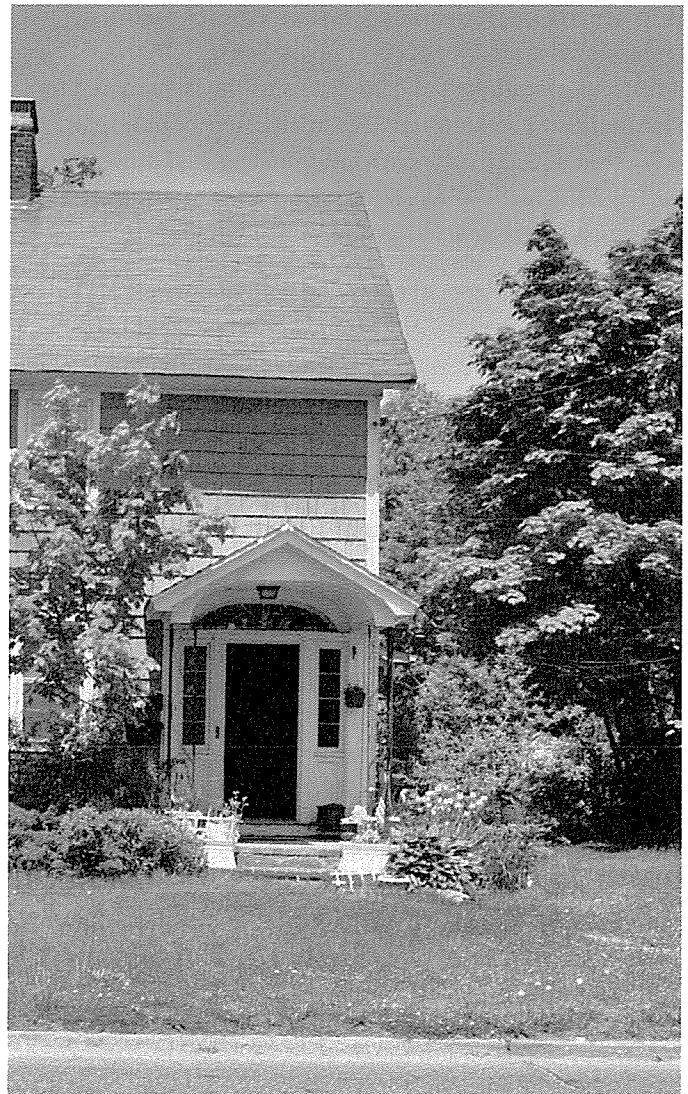
- ▶ Portfolio revenue – CLTs can generate fees through their real estate holdings. For example, CLTs generally assess a nominal monthly lease fee (typically in the range of \$15-\$50/month) to each homeowner leasing land from the CLT. Additionally, CLTs carry a preemptive option to purchase homes on leased land and, should a CLT homeowner ever elect to sell, the CLT has the ability (subject to the home's affordability) to add a small mark-up, or transfer fee, to the purchase price to the incoming buyer.

Decisions have yet to be made regarding an appropriate monthly lease fee to be paid by Houston Community Land Trust homeowners and the level of transfer fee that may be charged to subsequent homebuyers upon resale of each CLT home. The preliminary operating budget projections for the Houston Community Land Trust assume (a) a monthly homeowner lease fee of \$35 and (b) a projected resale transfer fee of \$5,000 to be paid by the incoming homebuyer household each time a CLT home is resold.

- ▶ Earned fee revenue – Like other nonprofit and for-profit businesses, some CLTs earn fees through activities they manage. Because the Houston Community Land Trust will not be responsible for developing the owner-occupied homes for its portfolio, it will not be able to collect developer fees added to the purchase price of each of the CLT homes as a revenue source. However, the CLT will steward (i.e., to protect and preserve the availability of) homes that are developed by the City of Houston's Housing and Community Development Department and, potentially, affordably priced homes developed by other for-profit and/or nonprofit housing developers.

While the CLT will not be able to count on revenue from developer fees, it is reasonable to expect the CLT will be able to charge a fee for its work to market the affordably priced homes that are added to its portfolio. The preliminary 2017-2021 operating budget assumes that Houston Community Land Trust will be able to collect 2.5% of the affordable purchase price for each of the homes it sells to qualified homebuyer households.

- ▶ External fundraising – Like other nonprofits, CLTs' operating revenue relies on external fundraising, including grants and operating support from foundations and other philanthropic sources, private individuals and corporate interests, and local municipalities. The City's Housing and Community Development Department has indicated that it will not only cover the cost of the technical assistance needed to create the CLT organization, to design and implement its homeownership and rental programs, and bring the CLT to the point at which it is operational, but it will also physically house the CLT's operations internally from May 1, 2017 (when the CLT launches its operations) through April 30, 2018.



Challenges and Opportunities

Challenges and Constraints

There are some obstacles that must be addressed in order for this city-wide CLT strategy to be successful in Houston. Challenges and constraints include:

- ▶ Although the CLT model has been around for over 40 years – and CLTs have been operating in many communities for 35 years or more – the CLT strategy is still non-traditional and unfamiliar. CLTs across the country find themselves swimming upstream against the current of skepticism, misperceptions, inaccurate information and suspicion. As with every other start-up CLT, defining the CLT message in Houston and communicating it effectively in order to build the broadest base of awareness and support possible will need to be an urgent, first – and ongoing – priority.
- ▶ While there does not appear to be dense nonprofit infrastructure in Houston, concerns may rise over the implications of creating another community-based nonprofit organization. The City, the CLT's board of directors and its staff will need to be clear, persuasive and strategic in building community awareness and acceptance of the CLT strategy, organizational approach and methodology.
- ▶ At their core, CLTs are place-based organizations rooted in – and accountable to – the communities and the neighborhoods they serve. As a large, centralized CLT founded by the City of Houston, the Houston Community Land Trust will be able to operate efficiently and effectively at considerable scale. In order to be successful, the CLT will need to determine, from the outset, how to relate to and interact with Houston's neighborhoods, their neighborhood associations and nonprofit organizations, and their leaders and residents. In addition, the CLT will need to determine how to relate to and collaborate with any local CLT initiatives that may evolve at the neighborhood level.
- ▶ Just as the development of a CLT strategy can be seen as an opportunity to create long-term, effective community solutions in neighborhoods in Houston, it may also be viewed as a challenge and a complication. There may be neighborhood residents, nonprofit corporations, municipal staff, and/or elected officials who dislike CLTs because of what they do or how they operate (e.g., separating ownership of land from improvements or limiting the amount of equity a homeowner is allowed to keep upon resale) or simply because it is different and non-traditional. Naysayers may decide to ignore or actively oppose the CLT's efforts to develop, operate and promote the CLT strategy.
- ▶ A CLT of this size, expected to grow this quickly, has never been implemented before. Large municipally sponsored CLTs were planned in places like Chicago, Illinois and Irvine, California and Sarasota County, Florida in the early 2000s. In each case, thousands of homes, made affordable with city and/or county resources, were expected to be brought into these CLTs. And, in each case, these plans evaporated when the economic recession, beginning in 2007 began wreaking havoc in housing markets across the country. The City of Houston's CLT effort is the first municipally sponsored CLT calling for a very large number of CLT homes to surface post-recession.

Additionally, with an expectation of creating over 2,300 permanently affordable homes on leased land, the Houston Community Land Trust will become the largest CLT in the country, quickly surpassing the larger CLTs currently in operation (the largest of which has some 600 CLT homes). There is no precedent for managing the stewardship responsibilities for thousands of CLT homes. Accordingly, the staffing plans outlined in this document are assumptions that can only be honed through experience as the Houston Community Land Trust continues to grow.



- ▶ It takes time, energy and commitment – as well as a substantial infusion of financial resources – to establish a new CLT organization and to build its organizational capacity to meet its ongoing administrative, programmatic and stewardship responsibilities, regardless of its service area. To date, there are no commitments for grant funding to support CLT activities and operations or project equity to fund its projects – at either the local level or at the regional level. A coordinated strategy to explain the CLT initiative to local, regional and national foundations and funders will be needed to dispel confusion and build support.
- ▶ Community land trusts make bold assurances to accomplish a set of measurable outcomes over a very long timeline, and they enter legally binding contractual agreements that obligate them to these outcomes for equally long periods of time. For this reason, it is imperative that the CLT strategy build and sustain the organizational capacity needed to manage the fundamental and non-negotiable activities and responsibilities of stewardship for the 198-year period following the signing and recording of CLT land lease agreements. This is not an easy task.

Strategic Opportunities

The potential for success of a CLT in Houston is enhanced by the prospect of a number of factors and circumstances, including:

- ▶ Many flourishing CLTs owe their success to an active and engaged partnership with their local municipality. Examples of these successful partnerships include Sawmill Community Land Trust in Albuquerque, New Mexico; the Housing Trust of Sonoma County in Petaluma, California; the Irvine CLT in Irvine, California; and Community Partners in Affordable Housing in Highland Park, Illinois.

In some situations, the local municipality led the effort to create a local CLT. The most notable example of this is in Burlington, Vermont where the City provided start-up funding in 1984 and has supported Champlain Housing Trust's operations and projects ever since. Most often, however, local CLTs are faced with trying to persuade reluctant (or resistant) public officials to fund their projects and support their operations.

Without question, Houston Community Land Trust's single biggest asset is the political, financial and resource-based support of the City of Houston. The City's vision, leadership and level of resources expected to be allocated to the Houston Community Land Trust are unprecedented. This high level of engagement and support for the principles and practices of a CLT will not only enable Houston Community Land Trust's success, but it will also create a model that can be replicated in other cities and counties across the United States.

- ▶ Implementing a CLT strategy in Houston is timely. Housing costs and values are increasing rapidly in a growing number of neighborhoods throughout the city, pushing homeownership beyond reach for both low-income and middle-class households. In neighborhoods where land and housing costs are lower and market values are reasonable, the CLT can help ensure that neighborhood revitalization efforts don't unintentionally displace lower-income households. Additionally, the City is considering new community development and affordable housing initiatives, and the CLT strategy has the potential to impact the policies and procedures that are still being developed.
- ▶ Nothing builds success like success. As many start-up CLTs across the country have demonstrated, the tremendous impact and benefits of the CLT model are evident when the first projects are completed successfully. Everyone may not become a CLT devotee, but the impact of CLT skeptics and naysayers is blunted considerably when delighted low-income homebuyers move into their CLT homes. Houston is committed to bringing a substantial number of homes into the CLT's portfolio in 2017, and to continuing to grow that number each year into the foreseeable future. This dynamic strategy will effectively and dramatically impact thousands of households and the communities in which they live for generations to come.



List of Exhibits

A Programmatic Requirements for Administering a Portfolio of Resale-Restricted, Owner-occupied Homes

A detailed overview of the CLT's primary stewardship responsibilities once it has a portfolio of owner-occupied homes and homeowners. Intended to provide context for the intensive nature of a CLT's stewardship obligations and commitments.

B MarketWise Community, 2012

An excellent overview of CLTs written and published by the Federal Reserve Bank of Richmond, Virginia, in its newsletter.



A

Programmatic Requirements for Administering a Portfolio of Resale- Restricted, Owner-occupied Homes

A detailed overview of the CLT's primary stewardship responsibilities once it has a portfolio of owner-occupied homes and homeowners. Intended to provide context for the intensive nature of a CLT's stewardship obligations and commitments.

Programmatic Requirements for Administering a Portfolio of Resale-restricted, Owner-occupied Homes

Programmatic Issues	Legal Requirements	Operational Requirements
Pricing of homes	Baseline price is sometimes inserted into the deed covenant, depending on resale formula that is adopted	<ul style="list-style-type: none"> • Ensure significant gap between the price of resale-restricted homes and the price of other publicly assisted homes with no restrictions on resale • Ensure significant gap between the “affordable price” for which the homes are sold and the maximum “eligible income” of the targeted buyers
Marketing of homes	Market homes in compliance with fair housing laws	<ul style="list-style-type: none"> • Marketing plan & marketing materials • Market study
Preparation of prospective buyers		<ul style="list-style-type: none"> • Homebuyer counseling (general) • Orientation of homebuyers to special restrictions and obligations of shared equity homeownership
Selection of prospective buyers	Select buyers in compliance with fair housing laws	<ul style="list-style-type: none"> • Selection policy and procedure • Grievance/appeals policy for applicants who object to <i>not</i> being selected
Disclosures to prospective buyers	Copy of deed, affordability covenant, deed of trust, and other documents provided to prospective buyers prior to closing.	<ul style="list-style-type: none"> • Disclosure document, summarizing special terms and conditions • Letter of agreement signed by home-buyer prior to closing
Legal counsel for prospective buyers		<ul style="list-style-type: none"> • Letter of acknowledgement signed by homebuyer’s attorney prior to closing
Restrictions on financing and re-financing	Provision in covenant pertaining to financing and re-financing of homes.	<ul style="list-style-type: none"> • Policy on financing and re-financing
Conditions in mortgage	Provision in <i>covenant</i> requiring steward to consent to mortgages that contain three lender obligations in default situations: <ul style="list-style-type: none"> • Notification of default • Opportunity to cure default • Opportunity to buy foreclosed property 	<ul style="list-style-type: none"> • Outreach, education, and cultivation of local mortgage lenders and state housing finance agency to ensure the availability of mortgages for resale-restricted homes • Release form from homeowner, allowing lender to disclose information to steward • Policy and procedure for handling home-owner requests for re-financing
Default and foreclosure	Provision in covenant for removing resale restrictions and occupancy requirements in the event of foreclosure	<ul style="list-style-type: none"> • Policy and procedure for intervening in defaults and foreclosures

	Programmatic Issues	Legal Requirements	Operational Requirements
Occupancy & Use	Occupancy requirements	Provision in covenant requiring owner to occupy home as "primary residence" for certain number of months each year	<ul style="list-style-type: none"> Policy and procedures for monitoring occupancy requirement
	Subletting of homes	Provision in covenant allowing, regulating, or prohibiting the subletting of the home	<ul style="list-style-type: none"> Policy and procedure for approving and monitoring subletting
	Residential uses	Provision in covenant restricting vehicles, pets, etc. even if allowed by zoning	<ul style="list-style-type: none"> Policy and procedures for monitoring residential use restrictions (if any)
	Non-residential uses	Provision in covenant allowing, regulating, or prohibiting non-residential uses like home businesses, even if allowed by zoning	<ul style="list-style-type: none"> If non-residential uses allowed (beyond zoning and building codes), policy and procedure for approving and monitoring non-residential uses
	Maintenance of homes	Provision in covenant setting the standard of maintenance for the home	<ul style="list-style-type: none"> Incentives that encourage good maintenance Penalties that discourage bad maintenance
	Inspection of homes by the steward	Provision in covenant allowing the steward to inspect the home	<ul style="list-style-type: none"> Policy and procedure for inspections
Resales	Resale price : what is the resale formula?	Resale formula embedded in the covenant that determines the price for which the home will be resold	<ul style="list-style-type: none"> Procedure for calculating the resale price upon receipt of notice of intent to sell
	Resale eligibility : what is the allowable income of the buyers of resold homes?	Eligibility criteria embedded in the covenant that determines the maximum income of any household who can buy the home, if sold directly by the present owner	<ul style="list-style-type: none"> Ensure significant gap between the "affordable price" and "eligible income" Policy and procedure for certifying income of prospective buyers
	Resale process : steward's repurchase vs. oversight of seller-to-buyer transaction?	Resale process specified in the covenant that determines: <ul style="list-style-type: none"> notification of intent to sell responsibility for appraisal Right of steward to inspect timeline for steward to exercise option right of owner to sell directly, if option is not exercised by the steward 	<ul style="list-style-type: none"> Waiting list of income-eligible, mortgage-ready buyers Policy and procedure for making (and paying for) necessary repairs at resale
	Resale contingency : what is Plan B if homes do not immediately resell?	Provision in covenant allowing the steward to market the home on the owner's behalf if a buyer has not been found right away	<ul style="list-style-type: none"> Policy and procedure for marketing homes on the owner's behalf in cases where the steward does not repurchase
	Resale fees : will steward collect a marketing fee or transfer fee at resale?	Provision in covenant specifying any fees that the steward expects the seller to pay at the time of resale	<ul style="list-style-type: none"> Policy and procedure for collecting fees at resale and on using those fees once they are collected

Programmatic Issues		Legal Requirements	Operational Requirements
Improvements			
Capital improvements allowed	Provision in covenant allowing, regulating, or prohibiting post-purchase capital improvements	<ul style="list-style-type: none"> Policy and procedure for reviewing and approving proposed improvements 	
Capital improvements valued	Provision in covenant (as part of resale formula) specifying which capital improvements may qualify for a capital improvements credit on resale and how those improvements will be valued	<ul style="list-style-type: none"> Published list of capital improvements that are eligible for a capital improvements credit? Policy and procedure for valuing capital improvements 	
Enforcement plan	<ul style="list-style-type: none"> Backstop covenant with deed of trust Provision in covenant for notifying owners who are not in compliance Provision in covenant for probationary period so owners can correct violations Provision in covenant for fining owners who do not correct violations Provision in covenant for removing violators from homes Provision in covenant for mediation and arbitration 	<ul style="list-style-type: none"> Policy and procedure for dealing with homeowners who fail to comply with restrictions and requirements Budget, staff, and attorney to deal with compliance issues 	
Miscellaneous			
Covenant fee/stewardship fee	<ul style="list-style-type: none"> Provision in covenant requiring payment of a monthly fee to the steward 	<ul style="list-style-type: none"> Policy and procedure for collecting fees and sanctioning non-payment 	
Partnerships	Memorandum of Understanding, Letter of Agreement, or Contract for Services between the steward and each partner	<ul style="list-style-type: none"> Procedures for staffing, billing, reporting, and coordinating among the partners 	
Homeowner involvement in governance or advisory committee of the steward?	Provision in the steward's bylaws, if homeowner involvement takes the form of representation on the steward's board of directors or participation in selection of the board	<ul style="list-style-type: none"> Policy, procedures, and activities for keeping homeowners informed and engaged 	
Taxation of resale-restricted homes		<ul style="list-style-type: none"> Negotiation with local tax assessor to ensure that taxation of resale-restricted homes takes into account their durable restrictions on use, price, and resale 	
Public education		<ul style="list-style-type: none"> Outreach, organizing, public relations, and documentation of success to win popular understanding and acceptance of an unfamiliar model of housing tenure 	

B

MarketWise Community, 2012

An excellent overview of CLTs written and published by the Federal Reserve Bank of Richmond, Virginia, in its newsletter.



The Federal Reserve Bank of Richmond

Community Land Trusts: An Alternative Approach to Affordable Homeownership and Neighborhood Revitalization

Despite the significant decrease in housing prices since the end of the housing boom, affordable housing remains a critical issue for low- to moderate-income families. Approximately 9 million homeowners and 10 million renters face severe housing payment burdens, with the share of severely burdened homeowners increasing from 9 to 12 percent over the past decade.¹ Current affordability issues are a result of the long-term, significant increase in housing costs coupled with weak income growth, particularly among low-income households. Because income gains have lagged behind housing prices for decades, it is likely that an increase in the number of severely burdened homeowners will continue, regardless of housing market dynamics.²

The conventional approach to making homeownership affordable is to provide some form of subsidy to the homeowner to reduce the costs associated with buying a house. For example, homeowners may receive down payment assistance or a subsidized mortgage. With this approach, the home's affordability is not maintained. At the point of resale, the home is sold at market price and the new buyer would have to qualify for assistance. The shared equity model is an alternative to the traditional homeowner subsidy approach. Shared equity models ensure that homes remain affordable in perpetuity by restricting resale prices. The Community Land Trust (CLT) is a specific type

of shared equity housing model that has been around since the 1960s, but has recently gained a lot of attention as a tool for promoting both affordable homeownership and neighborhood revitalization.³ In this issue of *MarketWise Community* we describe how CLTs operate, why they are gaining in popularity as a shared equity model and how different CLTs have evolved to address different housing market challenges.

COMMUNITY LAND TRUSTS AS A MODEL OF SHARED EQUITY HOUSING

Other common types of shared equity housing arrangements include deed restrictions and limited equity housing cooperatives. Deed restricted housing programs were established in the 1970s and have also gained in popularity since the 1990s. An estimated 200,000-350,000 exist.⁴ With deed restrictions, a subsidy is used to reduce the initial purchase price for homeowners. Restrictions on the resale price and stipulations that the units are sold to buyers meeting certain income qualifications are defined in the deed to maintain continued affordability.⁵

Limited equity cooperatives were established in the 1920s. Although most cooperative housing does not restrict the price of a unit at resale, the limited equity cooperative model is a unique approach designed to preserve affordability. A shared equity formula is applied to resale prices.⁶ In all other aspects, they operate in a similar manner to the more common co-op

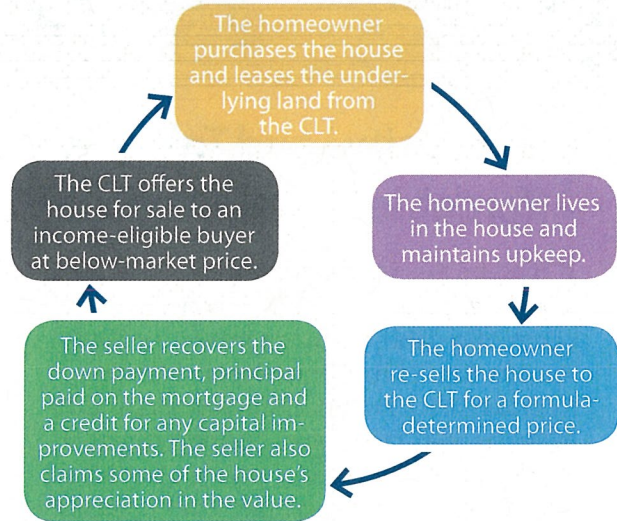


model. Cooperative members maintain the right to occupy a unit, vote on issues of common interest and have joint responsibility for common areas.⁷ According to The National Association of Housing Cooperatives, there are an estimated 1.2 million cooperative housing units in the United States, which includes approximately 425,000 limited equity housing cooperative units.⁸

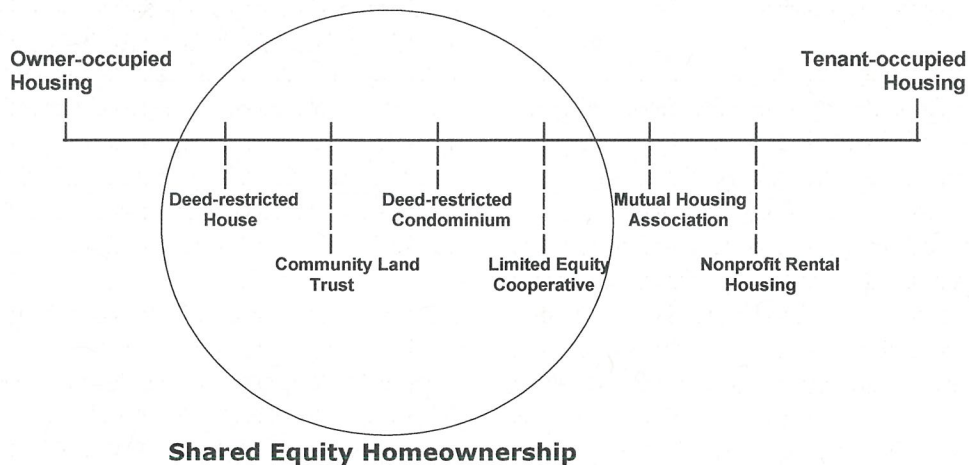
A CLT is a nonprofit organization that owns and manages the land on which affordable homes are built. These homes are sold to low- and moderate-income families, and the CLT maintains ownership of the land, which is then leased to the homeowner through a ground lease agreement.⁹ The U.S. Department of Housing and Urban Development Department (HUD) recognized CLTs and established federal definitions and guidelines in 1999.

There are currently 258 CLTs (about 9,000 units) in the U.S., distributed across 46 states and the District of Columbia.¹⁰

Sustainability of Owner-Occupied Housing in a Community Land Trust



Continuum of Third Sector Housing



Source: John Emmeus Davis. 1994. "Beyond the Market and the State." Chapter 2 in *The Affordable City: Toward a Third Sector Housing Policy*. Philadelphia: Temple University Press. [Figure 2-1. revised in 2008 by the author]



Ten Key Features of the Classic Community Land Trust

Excerpt from *The City-CLT Partnership: Municipal Support for Community Land Trusts* by John Emmeus Davis and Rick Jacobus.

1. **Nonprofit, tax-exempt corporation.** A community land trust is an independent, nonprofit corporation that is chartered in the state where it is located. Most CLTs are started from scratch, but some are grafted onto existing nonprofit corporations. Most CLTs target their activities and resources toward charitable goals such as providing housing for low-income people and redeveloping blighted neighborhoods, and are therefore eligible for 501(c)(3) designation.
2. **Dual ownership.** The CLT acquires multiple parcels of land throughout a targeted geographic area with the intention of retaining ownership permanently. The parcels do not need to be contiguous. Any buildings already located or later constructed on the land are sold to individual homeowners, condo owners, cooperative housing corporations, nonprofit developers of rental housing, or other nonprofit, governmental or for-profit entities.
3. **Leased land.** CLTs provide for the exclusive use of their land by the owners of any buildings located thereon. Parcels of land are conveyed to individual homeowners (or the owners of other types of residential or commercial structures) through long-term ground leases.
4. **Perpetual affordability.** By design and by intent, the CLT is committed to preserving the affordability of housing and other structures on its land. The CLT retains an option to repurchase any structures located upon its land if their owners choose to sell. The resale price is set by a formula in the ground lease providing current owners a fair return on their investments and future buyers fair access to housing at an affordable price.
5. **Perpetual responsibility.** As the owner of the underlying land and of an option to repurchase any building located on that land, the CLT has an abiding interest in what happens to these structures and to the people who occupy them. The ground lease requires owner-occupancy and responsible use of the premises. If buildings become hazardous, the CLT has the right to force repairs. If property owners default on their mortgages, the CLT has the right to cure the default, forestalling foreclosure.
6. **Open, place-based membership.** The CLT operates within the boundaries of a targeted area. It is guided by, and accountable to, the people who call this locale their home. Any adult who resides on the CLT's land or within the area the CLT deems as its "community" can become a voting member. The community may comprise a single neighborhood, multiple neighborhoods, or even an entire town, city, or county.
7. **Community control.** Voting members who either live on the CLT's land or reside in the CLT's targeted area nominate and elect two-thirds of a CLT's board of directors.
8. **Tripartite governance.** The board of directors of the classic CLT has three parts, each with an equal number of seats. One-third represents the interest of people who lease land from the CLT; one-third represents the interests of residents of the surrounding community who do not lease CLT land; and one-third is made up of public officials, local funders, nonprofit providers of housing or social services, and other individuals presumed to speak for the public interest.
9. **Expansionist program.** CLTs are committed to an active acquisition and development program that is aimed at expanding their holdings of land and increasing the supply of affordable housing and other structures under their stewardship.
10. **Flexible development.** While land is always the key ingredient, the types of projects that CLTs pursue and the roles they play in developing the projects vary widely. Many CLTs do development with their own staff, while others delegate this responsibility to partners. Some focus on a single type and tenure of housing, while others develop housing of many types and tenures. Other CLTs focus more broadly on comprehensive community development.

Source: Davis, John Emmeus, and Rick Jacobus. "The City-CLT Partnership: Municipal Support for Community Land Trusts." Policy Focus Report. Lincoln Institute of Land Policy (2008): 1-44. www.lincolninstitute.edu.



COMMUNITY LAND TRUSTS IN ACTION

Although facilitating affordable homeownership tends to be the primary purpose for developing a CLT, the model has also been adapted for broader neighborhood redevelopment and revitalization: eliminating vacant or abandoned properties in distressed neighborhoods, the preservation of historic neighborhoods and commercial redevelopment. Each CLT is unique in that it is created and structured to meet specific community goals and objectives.

Community Home Trust in Orange County, N.C.

CLTs often operate in expensive housing markets, where low-income households cannot afford to live in the community. Inclusionary zoning laws enable affordable housing to be constructed. Community Home Trust (CHT) is an example of a CLT operating in such a market.

In the 1990s in Chapel Hill, N.C., CHT — then known as Orange County Community Land Trust — formed a CLT to address the growing demand for affordable housing. The demand for housing generated by proximity to the University of North Carolina had significantly reduced the affordable housing stock. The town had instituted inclusionary zoning in previous years that required private sector developers to include affordable housing as part of larger developments. While this increased affordable housing options, many homes were eventually resold to families who were not in need of affordable housing. In order to retain affordability, the local governments asked a nonprofit affordable housing developer (now Community Home Trust) to create a community land trust. CHT sold its first CLT home in June 2000 and today has 194 homes in its inventory.

The main challenges in the early years for CHT were setting up the processes necessary to run a CLT, educating the community on the benefits of the CLT model, and learning how to sell

homes developed by the private sector as part of the town's inclusionary housing efforts.

Today, CHT is challenged by the economic downturn. Many low-income households seem to be less willing to consider homeownership. Though data suggests that declines in home values during recent years have affected higher-income buyers to a larger degree, when surveyed, 80 percent of homeowners with incomes above \$75,000 indicated they would purchase their current home if given the opportunity to make that decision again. In contrast, of those surveyed with incomes below \$30,000, just 62 percent indicated they would again make the decision to buy.¹¹ Additionally, some CLTs say that they are finding it more difficult to obtain loans from financial institutions to cover operating funds. According to Robert Dowling, executive director of CHT, this is a significant problem: "Raising the operating funds that are needed to maintain long term stewardship is key to a successful CLT."¹²

The Sterling Community Land Trust in Greenville, S.C.

In many cases, CLTs are an opportunity for community revitalization and redevelopment. The CLT evolves from grassroots leadership in an effort to reignite or stimulate reinvestment. The Sterling Community Land Trust (SCLT) is an example of this type of CLT.

SCLT is a unique community-based, inner-city land trust formed in Greenville, S.C., in 2010. SCLT's mission is to protect, preserve and promote the historic legacy of the Sterling community through economic development, education and historic preservation. Sterling is a historic neighborhood just outside downtown Greenville named after a high school that was destroyed in a fire in 1967. The loss of the school led to the beginning of the neighborhood's downward spiral into poverty, high



crime, decreased home ownership and a rise in slumlords leaving behind vacant and blighted housing. The concept of a land trust grew out of the return of Sterling high school graduates and older, more active residents who sought opportunities to revitalize this historic community. Neighborhood leaders, in partnership with other community stakeholders, formed the SCLT as a regional collaborative.¹³

The Sterling neighborhood is divided by city and county lines, making comprehensive revitalization a challenge due to different government policies and politics. The CLT presented an opportunity to bring together the city, the county, the residents and Bon Secours St. Francis Health System, a major anchor institution within the Sterling community. The number of vacant low-cost properties in the neighborhood presented a unique opportunity for SCLT to purchase properties for creative redevelopment strategies, including urban farming, historic preservation, mixed income housing and recreation. Vacant commercial properties are another economic development opportunity for SCLT in the future.

Although it was incorporated as a 501(c)(3) only recently, SCLT already has much of its legal documentation in place and is in the process of acquiring property for land banking, historic preservation, affordable housing and micro-enterprise opportunities. However, being a new entity, it still faces the challenge of getting buy-in from city and county administrations, making it difficult to raise funding for land acquisition. Maxim Williams, SCLT's director, explains, "It has been difficult to build community support since many of the neighborhood residents and community leaders do not understand the community land trust structure, or how it operates as a community-based initiative."¹⁴

The Atlanta Land Trust Collaborative

As communities seek additional tools to implement broader redevelopment efforts in larger urban areas, CLTs are more frequently being utilized as a means to maintain affordability in rapidly growing or redeveloping markets. For example, to prevent displacement of low- to moderate-income households along the Atlanta Beltline redevelopment corridor, a group of public, private, nonprofit and community partners established the Atlanta Land Trust Collaborative (ALTC), whose primary goal is the establishment of local community land trusts for the creation of permanently affordable homeownership opportunities and preservation and revitalization of existing neighborhoods in the area.¹⁵

ALTC's role is to create a favorable climate for CLT development, including advocating for and implementing local public policies that support CLTs, acting as a steward in neighborhoods where local capacity does not exist, and spurring the formation of several CLTs along the Beltline. ALTC currently has no homes in its portfolio; however, the unique model has resulted in approximately 23 new CLT homes in two key neighborhoods.

Currently, ALTC is working with both the Cornerstone Partnership and the National CLT Network to create a national model for Transit Oriented Development/CLT Housing Policy implementation.¹⁶ The Atlanta Beltline Partnership is an ambitious transit-oriented development project that targets the dilapidated 22-mile railroad corridor around Atlanta's downtown and midtown core, as well as surrounding neighborhoods.¹⁷ The Atlanta Beltline Partnership has committed to create over 5,000 units of affordable housing as part of the redevelopment project.



A large-scale approach to the redevelopment of the Atlanta Beltline does not come without challenges. ALTC faces the challenge of managing multiple partners and priorities while keeping affordable housing a top priority. Although the project is just under way, leaders describe the need to balance large-scale redevelopment with the desire to preserve historical neighborhoods and create mixed-income, mixed-use housing options as one of the most difficult challenges. Developing partnerships with so many diverse stakeholders takes time, patience and commitment to a common goal.

Tony Pickett, executive director of the ALTC, explains: "While a lack of awareness and general understanding of community land trusts in the Atlanta market continues to be a huge hurdle, the progress we have made to date with this large-scale initiative could not have been achieved without the essential support of partners like the Fulton County/City of Atlanta Land Bank Authority, and the coordination and cooperation of over 30 organizations during the past two years to discuss approaches to effectively solve affordable housing issues in the Atlanta area."¹⁸

City First Enterprises in Washington, D.C.

In keeping with its mission to build strong and economically diverse communities, City First Enterprises (CFE) launched its most recent subsidiary, City First Homes, in 2007, to address the city's increasing shortage of affordable housing.¹⁹ City First Homes is a community land trust aimed at providing permanent affordable housing to working families in the District. Executive director David Wilkinson explains that many low- and moderate-income families are priced out of homeownership, which is a challenge to community stability, school systems and urban economic health.²⁰ In response, City First Enterprises launched City First Homes,

which was selected by Washington's government to coordinate a replicable, large-scale workforce housing solution in the District.

"We focus on creating affordable housing in transitioning neighborhoods," says Wilkinson. "Over 90 percent of our homes are transit oriented. To adjust to the economic downturn, we adjusted our unit acquisition model to include foreclosure prevention and REO acquisition rehab, which accounts for nearly half the 80 units in our portfolio to date. The most challenging barrier is attracting the blend of subsidy and finance necessary to create affordable housing. With a dedicated financial source we could get to scale more quickly. For now, we work with a variety of partners, including institutional finance, private foundations, developers, housing advocates, local banks, tenant groups and local government to grow our program."²¹

City First Homes was recently selected by Cornerstone, an NCB Capital Impact consortium, for a grant through the Social Innovation Fund, which aims to identify and grow the nation's most promising and innovative community solutions.²²

POLICY AND FINANCING CONSIDERATION FOR CLTS

Although CLTs have existed for several decades, they are still a relatively unknown model. The legal and financial aspects of implementing CLTs tend to create barriers to widespread adoption of the model. While a lack of enabling legislation does not preclude a CLT from operating, it does make it more difficult to establish one and increases the likelihood that a CLT could be legally challenged. The passage of enabling legislation helps clarify the ground lease, terms, taxation, and resale conditions, and how resale at below-market prices will impact the assessments of neighboring properties.²³



Financing CLTs continues to be a challenge. The Institute for Community Economics (ICE) is a federally certified Community Development Financial Institution focused on financing permanently affordable housing. Over the past 30 years, ICE has loaned \$44 million dollars, primarily to community land trusts, limited equity cooperatives, and community-based nonprofits. Financial institutions that are not familiar with the CLT model may be reluctant to provide mortgage financing to potential buyers. Andy Slettebak, director of the ICE Revolving Loan Fund, notes, "Much of the financing for CLT mortgages has been due to relationship building between the local CLT and a local bank, which begins with the one-on-one relationships started by CLT staff and/or Board members that can help 'de-mystify' CLTs for those in the mainstream banking industry."²⁴

Critics of shared equity housing models argue that resale-restricted homes do not generate sufficient individual or community benefits. Owner-occupants of resale-restricted homes may gain stability, but forego full control over their home and total accumulated equity. Furthermore, some argue that these are potentially poor investments, building relatively little wealth for current or future homeowners.²⁵ Shared equity housing is intended to balance the interests of both individual homeowners and the larger community, creating fair and mutually beneficial outcomes for both.²⁶ In a weak housing market, shared equity housing can be utilized to stabilize and revitalize low-income neighborhoods. Jacobus and Lubell in a 2007 Center for Housing Policy report state: "Well-designed shared equity housing models can protect the value of public resources even in the face of rapidly rising housing prices while still offering homebuyers the benefits of homeownership, including the opportunity to build significant wealth."²⁷

CONCLUSION

An increasing number of state and local leaders recognize the potential for CLTs to address affordable homeownership, wealth creation for low-income households, and neighborhood revitalization. New research by the Urban Institute finds that CLTs have experienced lower rates of foreclosure than traditional homeownership models.²⁸ The full impact of CLTs on homeowners and their communities are the subject of future research. We know that as shared equity models increase in scale, enabling state legislation and access to sufficient capital will be keys to their success.

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RESOURCES:

For additional information on CLTs see:

The Institute for Community Economics, *Community Land Trust Handbook*. (1982). Emmaus, Pennsylvania. Rodale Press.

For additional information on the organizations mentioned in this article, please visit their websites:

Community Home Trust
communityhometruster.org

Sterling Community Land Trust
www.bshsi.com/healthy-communities-our-healthy-communities-south-carolina-sterling-greenville-projects-sterling-community-land-trust.html

Atlanta Land Trust Collaborative
www.atlantaltc.org

City First Enterprises
www.cfenterprises.org

Institute for Community Economics (ICE)
www.nhtinc.org/ice.php

National Community Land Trust Network
www.cltnetwork.org

Urban Institute Shared Equity Research
www.urban.org/sharedequity/

Endnotes:

¹ The Joint Center for Housing Studies of Harvard University. The State of the Nation's Housing 2011. June 6, 2011. www.jchs.harvard.edu. The report defines cost-burdened households as spending more than 30 percent of their pre-tax income for housing.

² Ibid.

³ Davis, John E. "Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing." National Housing Institute, 2006. Accessed June 7, 2012. www.nhi.org/pdf/SharedEquityHome.pdf

⁴ Ibid.

⁵ NCB Capital Impact. Accessed June 8, 2012. www.homesthatlast.org.

⁶ Ibid.

⁸ Ibid.

⁹ Sherriff, Ryan. "Affordable Homeownership." *Urban Land*, September 2009, 128-131. A CLT ground lease is a legally binding agreement that gives homeowners a long-term right to exclusive use of the land and full responsibility for the property.

¹⁰ National Community Land Trust Network. Accessed June 6, 2012. www.cltnetwork.org/index.php?fuseaction=Main.MemberList.

¹¹ Pew Research Center. "Five Years after the Bubble Burst Home Sweet Home. Still." *Social & Demographic Trends* (2011):1-31. Accessed June 8, 2012. www.pewsocialtrends.org.

¹² Robert Dowling, executive director, Community Home Trust, discussions with the editor in October, 2011.

¹³ Maxim Williams, director, Community Relationship Building for Bon Secours St. Francis Health System, Sterling Community Land Trust, discussions with the editor in October, 2011.

¹⁴ Ibid.

¹⁵ Cohen, Rebecca, and Emily Salomon. "Building in Affordability." *Shelterforce*, Winter 2010, 24-27.

¹⁶ Collaborative, Atlanta Land Trust. 2011 ALTC Overview. 2011. Accessed May 15, 2012. files.wcrpphila.com/Oct.6.2011Pickett.pdf

¹⁸ Sherriff, Ryan. "An Affordable Beltline?" *Shelterforce*, Winter 2010, 12.

¹⁹ Tony Pickett, executive director, Atlanta Land Trust Collaborative, in discussion with the editors on October 4, 2012 and May 18, 2012.

²⁰ City First Enterprises is the federally regulated holding company of City First Bank, one of the region's most innovative community banks.



- ²⁰ David Wilkinson, director, City First Enterprises, in discussion with the editor on June 11, 2012.
- ²¹ Ibid.
- ²² Ibid.
- ²³ Kelly Jr., James. "Maryland's Affordable Housing Land Trust Act." *Journal of Affordable Housing and Community Development Law* 19, no. 3 & 4 (Spring/Summer 2010): 345.
- ²⁴ Andy Slettebak, director, ICE Revolving Loan Fund, in discussion with the editor in October, 2011.
- ²⁵ Davis, John E. "Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing." National Housing Institute, 2006. Accessed June 7, 2012. www.nhi.org/pdf/SharedEquityHome.pdf
- ²⁶ Ibid.
- ²⁷ Jacobus, Rick and Jeffrey Lubell. "Preservation of Affordable Homeownership: A Continuum of Strategies." Center for Housing Policy. 2007. www.nhc.org/media/documents/Preservation_of_Affordable_Homeownership2.pdf
- ²⁸ Theodos, Brett. "Understanding Outcomes for Buyers in Permanently Affordable Homeownership Programs" (presentation, Shared Equity Housing: A Forum on Financing and Capitalization, Federal Reserve Board of Governors, June 22, 2012).



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