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eligible under the stipulations of the ground lease. This provision may restrict the sale to households with very low, low or moderate incomes, depending on the level of subsidy provided. The lease sets forth a 'resale formula' that determines the maximum allowable price. CLTs usually maintain the right of first refusal to purchase the property and provide assistance finding qualified buyers.

Second, restrictions govern resale prices and shared appreciation on the homeowner's equity. Each CLT designs its own resale formula based upon various factors and goals. Two primary goals in designing a CLT resale formula are: (1) to ensure fair access to homeownership for subsequent lower-income residents by maintaining the affordability of the CLT home over time and (2) to give the present homeowner a fair return on their investment when the CLT home is sold.

Developing this formula is clearly a difficult undertaking and must balance the needs of the homeowner with the overall goals of the CLT to provide affordable housing for the community that it serves. An important secondary goal of CLTs is to encourage long-term occupancy by

CLTs Keep Housing Affordable

Housing prices are soaring in many Sixth District states, making it difficult to recruit and retain lower-wage workers including police, public safety workers and teachers.

One of the most dramatic examples is in Florida, where the average price of an existing single-family home has jumped 80 percent since 2002, greatly outpacing the 1.4 percent increase in median family income.

As local and state governments, the nonprofit sector, and private business interests look for solutions to this crisis, one of the newest tools under consideration is the community land trust (CLT).

A community land trust is a nonprofit that acquires and holds land for the benefit of its local community, with the particular goal of making land and housing more affordable for those who have been priced out of the market. CLTs will either buy vacant land for the development of housing or buy land and buildings together. When a CLT sells a home, it leases the underlying land to the homeowner through a 99-year renewable lease. The CLT continues to hold title to the land and manages the ground leases on the properties.

The most important component of a community land trust is its ability to maintain affordability of the unit for future low- and moderate-income homebuyers. Many affordable housing programs impose limited affordability restrictions, usually in the form of 'soft second' mortgages with a term of five to ten years and no shared equity component. In contrast, the terms of the CLT's 99-year ground lease place limitations on the resale of the home. These restrictions are particularly important in regions where housing prices are appreciating rapidly.

Ground lease restrictions preserve affordability

Community land trusts typically impose two types of restrictions. First, limits can be placed on the resale of the home, preventing transfer to a household that is not

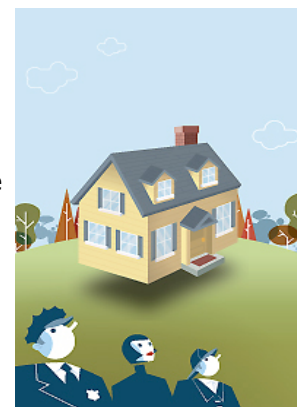
A Few Common Issues for CLTs

Marketing and education: Buyers must be fully aware that in choosing a land trust home they must adhere to the resale formula established by the land trust. There are also other restrictions on alterations to the property, transfer to heirs, and membership in the land trust.

Maintenance and major modifications: The community land trust resale formula can impact whether and how the home is maintained. For example, if the resale formula provides the same resale price to the homeowner whether the home is in good repair or disrepair, there may be a disincentive to maintain the home.

Conversely, if the home has been too luxuriously renovated, the new buyer won't be able to afford the home. Consideration of the consequences of the resale provisions and reaching the proper balance for maintenance and major modifications is a thoughtful process.

Price points: Setting the purchase price for affordability and the target market are often debated by newly formed land trusts. Some communities have found that higher-income households who can manage a traditional home purchase would not choose to buy a community land trust home. For



imposing disincentives for quick resale (flipping). Ultimately a CLT aims to maintain stable communities and long-term security for the families residing in the neighborhood.

CLTs provide another option

The community land trust concept is another important tool in creating and sustaining affordable housing. While it does not offer fee-simple ownership and may not afford the ability to create substantial wealth, it does provide low- and moderate-income individuals an alternative to rental housing in high-cost areas along with a somewhat modest return on their investment. Additionally, CLTs make it possible for government and private funding sources to underwrite permanent affordable housing units with a one-time subsidy. Through CLTs, communities with high housing costs gain another option for recruiting and retaining essential workers.

lower-income households the community land trust may be the only alternative to renting other than moving elsewhere. For those earning upwards of 140 percent of the area median income, there may still be traditional mortgage opportunities.

Excerpt from "Community Land Trusts are Springing up in Florida" written by Gladys Schneider with Florida Housing Coalition.

This article was written by Janet Hamer, regional community development manager in the Atlanta Fed's Jacksonville branch.

Burlington Community Land Trust: A Case Study

Burlington Community Land Trust is the oldest and largest community land trust (CLT) in the U.S. Located in Burlington, Vt., this CLT has developed and sold over 250 single family houses and condominiums to first-time homebuyers since 1984. All of these owner-occupied properties have been subject to permanent resale restrictions.

In 2002, a study was conducted to determine the success of this affordable housing model. Based on the 97 houses and condominiums that had been resold, the research evaluated affordability, subsidy retention, wealth creation and residential mobility.



Located on the shores of Lake Champlain in Burlington, the Waterfront Apartments has won numerous awards.

- **Continued affordability:** Affordability continued between successive generations of low-income homebuyers. The initial homebuyer's average household median income stood at 62 percent, while those purchasing units for resale earned on average 57 percent of the area's median income.
- **Subsidy retention:** Public subsidies invested in the initial cost of the land trust remained in the properties at resale and grew in value, eliminating the need for further public investment.
- **Wealth creation:** Most homeowners had more wealth at sale than at the time of purchase. Their net equity gains were modest compared with unrestricted market rate sales, but the annual rate of return averaged 30 percent on the 97 resales studied.
- **Residential mobility:** The majority of homeowners bought market rate homes after leaving the land trust.

The Burlington Community Land Trust merged with Lake Champlain Housing Development Corporation on October 1, 2006, to create the Champlain Housing Trust. The Champlain Housing Trust is a membership-based organization with resident leadership and has a portfolio of over 2,000 homes in northwestern Vermont.