

Community Land Trusts for Affordable Housing in Ontario

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Foreword

This paper is written in partial fulfillment of the Master in Environmental Studies in Urban Planning, at York University. This program is self-directed and interdisciplinary. The subject of this paper, Community Land Trusts (CLT) for Affordable Housing, falls within the scope of Urban Planning and discusses sensitive issues that have major implications for low-income families who want to become homeowners. The purpose of this study was to explore CLTs as a remedial strategy for the affordable housing crisis in Canada.

During the past four months, I have been conducting research on CLTs. At the onset of this study, I had little knowledge about the concept of CLTs for affordable housing. Though, upon further exploration of CLTs and the use of CLT for affordable housing, I was able to gain more knowledge about CLTs. Through this journey I also realized that the use of CLT is an effective way to provide affordable housing.

In conducting research in this topic area, I was able to meet the following learning objectives:

- . To gain more knowledge about planning tools and practices.
- To learn about the ways to maintain and increase the availability of affordable housing through applying different methods and models.
- To acquire knowledge about how different levels of government function, particularly local government with respect to housing.

Learning about CLTs, as an affordable housing policy tool, had helped me gain a better understanding of planning tools and practices. Throughout this journey, I was also able to learn about ways to maintain and increase the availability of affordable housing through applying methods like CLTs. I also learned about the role of different levels of government with respect to housing, particularly local governments.

Abstract

For many, owning a home has become an impossible dream, particularly for low-income families who cannot afford buying a home out of their savings. Community Land Trusts (CLTs), which are an innovative form of tenure, provides an opportunity for low-income households to experience the benefits of homeownership. The purpose of this research paper is to explore solutions for providing permanent affordable housing through CLTs. This paper aims to provide information on CLTs including governance, operations and general funding mechanisms that could be useful for interested organizations, community groups and municipalities who wish to establish a CLT. This report does not encourage an alternative to existing housing programs; rather it aims to supplement existing programs with information about CLTs.

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Chapter 1

Introduction

Purpose

Community Land Trusts (CLTs) are one of the new forms of affordable housing provision that could help maximize housing opportunities for low and median income families in Canada. In the United States, a large number of communities have established CLTs to maximize their provision of affordable housing opportunities. With only a few numbers of CLTs operating across Canada, the model is still less established or used across the country. The purpose of this Major Research Paper was to conduct research on Community Land Trusts for affordable housing in Canada. This paper provides information about CLTs for community based groups or local governments to use if they choose to launch a CLT. The report also provides basic guidelines on the steps required for establishing a CLT. In addition to exploring the Community Land Trust model, the research investigates whether the Ontario's housing providers are willing to implement CLTs. Using a survey research method along with a few interviews with key informants, I was able to identify barriers and obstacles that have discouraged housing providers from implementing CLTs in the past.

What follows is a brief history of housing policy in Canada, which highlights the strong need for Canada to supply affordable housing. Within this context, CLTs are expected as one means of providing affordable homeownership.

Brief History of Canadian Housing Policy

Between 1950s and the mid 1980s, the federal government had played a major role in providing affordable housing by offering a broad range of programs that addressed

“neighborhood improvement, housing rehabilitation, native housing, non-profit and co-op housing”(Terashima 2005, p. 4). This was the time when the federal government funded large social housing projects, such as Regent Park (ON), Ahern Manor (NS), Gilbert Park (MB). Old neighborhoods were replaced by new social housing in the name of slum clearance or urban renewal.

In 1994, the federal government decided to withdraw from funding for new housing production programs. In 1996, the federal government decided to reposition the responsibility for housing on provinces and territories. As stated by Terashima (2005), “federal government devolution agreements phased out federal subsidies and allocated the management of social housing to the province. Under the agreements, federal subsidies must be used for social housing and assistance for low-income households” (p. 4). The federal government withdrawal from affordable housing production resulted in a lack of a comprehensive national approach to provide affordable housing. According to Ontario Nonprofit Housing Association’s (ONPHA 2013) waiting list survey report,

“housing is not being built to meet the need. Federal-provincial social housing production programs ended in 1995. Modest investments by Federal and Provincial governments since then have created some affordable housing units in Ontario, but not enough new affordable housing is being built” (p. 4).

The dwindling stock of affordable housing and rising costs of both rent and home prices are problems that local governments have been trying to address. Despite efforts by local governments, the need for affordable housing is skyrocketing. A look at the available statistics and documents, such as the Annual Waiting List Survey conducted by ONPHA, simply shows that there is an insufficient supply of affordable housing available to very low-income families and the availability of such units have continues to decline. For instance, the waiting list total has increased 1.3 percent between 2011 and 2013. The

need for affordable housing continues to grow faster than the rate of household formation and population growth.

Today, many supporters are pressuring the federal government to reassert itself in social housing funding and are calling for a common national strategy to address affordable housing concerns (Moskalyk 2008). For instance, The City of Toronto and Toronto Community Housing have launched a campaign called “Close the Housing Gap.” As stated on the City of Toronto’s (2014) website, “the campaign is to persuade the federal and provincial governments to continue funding social housing at existing levels and provide new, long-term funding for social housing capital repairs” (para. 8). However, the federal government has been hesitant to respond. This reality has led to the search for alternative strategies to provide affordable housing for low-income families. As mentioned, the purpose of this report is to explore CLT as one alternative to provide affordable housing in Canada. CLT for affordable housing provides an additional avenue for community based organizations or local governments to create affordable housing opportunities.

Currently, there are a number of community based and nonprofit organizations considering CLTs as a way to address the housing affordability issue. Parkdale Community and City of Hamilton, both, are at the onset of establishing an urban land trust for their communities. Toronto’s Community Housing Corporation (TCHC) was asked to consider the model as a possible solution to their housing affordability issue as well. The Special Housing Working Group, which was established by Toronto’s Council to investigate and make findings on the proposed sale of 619 Toronto Community Housing homes, recommended the CLT model to TCHC. The report, *Putting People*

First, which was done by the Special Housing Group (2012), did not provide any information or guidelines on the CLT model. The TCHC stated that the model needs further investigation to examine its viability for TCHC to address its capital backlog (Kate Smith, Personal Communication, June 2013). At the present time, TCHC is not pursuing the model.

CLTs are a cost-effective avenue to owning a home for many low-income families. CLTs provide affordable housing in perpetuity through land leasing and homeownership. CLTs own the land while leasing the land to the homeowners, who own the structure/house on the land. The separation in ownership of land and house is one of the strategies CLTs apply to keep the homes affordable for the future buyers. With this model, CLTs are continually able to maintain a stock of affordable housing. As previously mentioned, this report presents guidelines for interested groups or organization to follow if they decide to launch CLTs in Canada.

Chapter 2

Context

Problem Statement

Currently, there is a significant shortage of quality affordable housing in Canada. Canadian Mortgage and Housing Corporation (2010) developed their definition of affordable housing as dwelling units where total housing costs less than 30 percent of before tax household income. This means that people who spend more than 30 percent of their income on shelter expenses are having housing affordability problems. Twenty percent of Canadians have trouble affording these expenses due to the lack of affordable housing in Canada (Conference Board of Canada, 2010). More than 25 percent of Canadians rely on housing subsidies and housing programs; or experience periods where they spend more than 30 percent of their household income on housing (Conference Board of Canada, 2010). The province-wide waiting list statistics suggest that the need for affordable housing in Ontario is increasing tremendously. According to the Ontario Non-Profit Housing Association (ONPHA) yearly survey (2011), 156,358 households were on waiting lists as of December 31 2011. 56,130 were families with children, 39,463 were seniors and 58,995 were single people and couples under 65 years of age. The number of households looking for assisted housing across Ontario has grown by 14,723 households from January 2010. There is much debate around how Canada can address these affordability issues as the need for a variety of affordable housing continues to grow throughout the country.

Housing Affordability Issue in Canada

Given the wide acknowledgment of housing affordability issues in Canada, the need for effective and reasonable housing policies is apparent. Hulchanski (2005) argues that housing affordability has been an important housing policy issue for some time. The Canadian federal and provincial governments have been important contributors when it comes to housing policy in Canada. They have played a large role in providing affordable housing both as policy makers, funders and supporters.

Regardless of the role the federal government played in providing affordable housing for Canadians in the past, they decided in the late 1990s to cut transfer payments and shift responsibilities to the provincial level and then provinces handed their responsibilities to local municipalities (Tindal and Tindal, 2009). Figure 1 illustrates how the federal social housing funding has been decreased since 2000 in Ontario. The graph also shows that the funding will decrease by \$267 million over the next 10 years, declining to zero by 2033 (Ministry of Municipal Affairs and Housing, 2014). This means that the federal government would no longer be responsible for the stream of subsidies or financing housing. Most of the provincial housing policies and program changes also represent a withdrawal from helping those most in need (Hulchanski, 2003). The withdrawal of a strong federal effort in the public and social housing field is one of the main reasons why we are facing housing issues today. With no doubt, the evolution of Canadian housing policies has a significant negative impact on housing affordability.

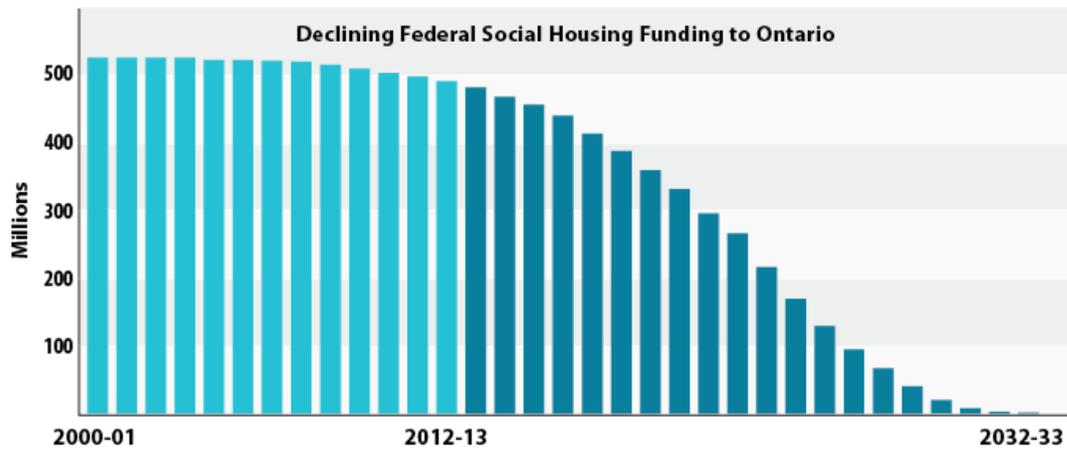


Figure 1. Source: <http://www.mah.gov.on.ca/Page10444.aspx>

Isin (1998) claims that the decentralization of power and downloading responsibilities to local municipalities can be understood in the context of broader transformations of neoliberal regimes of government. Tindal and Tindal (2009) note that since the expansion and penetration of capitalism, new public management initiatives occurring at senior levels of government have encouraged local municipalities to adopt a new public management as well. This means that municipalities applied a new public management approach to pursue alternative service delivery strategies, including privatization and public-private partnership (Tindal and Tindal, 2009). Consequently, municipalities decided to become more efficient and businesslike by separating their service delivery activities from policy making. For instance, the City of Toronto is working in partnership with the private and voluntary sectors on a range of affordable housing initiatives.

The Role of Local Government in Housing

The devolution process results in municipalities taking over the responsibility for the administration and provision of housing in Ontario. In the early 1990s, municipalities took over the responsibility to administer and fund existing social housing from the

provincial government (Starr and Pacini, 2001). Consequently, municipalities across Canada started to play a key role in meeting affordable housing needs. They began to undertake various initiatives and programs. Municipalities started to explore a wide range of regulatory approaches, tools, programs and financial incentives to meet the need and promote production of affordable housing for their local citizens.

Some municipalities have taken regulatory approaches to address the affordability problem within their own municipal boundaries. Some of these regulatory tools include inclusionary zoning, secondary units, rooming houses, mixed- use development and mobile homes (Starr and Pacini, 2001). Municipalities like the City of Toronto have also undertaken a leadership role in facilitating community partnerships. These municipalities encourage public- private partnerships, develop affordable housing and help tenants find affordable housing (Starr and Pacini, 2001). For example, Toronto City Council created the Affordable Housing Office in 2005. Their mission statement includes:

to work effectively with all housing stakeholders, expedite housing development, facilitate the development of new policy and work in partnership with the federal and provincial governments. The Affordable Housing Office facilitates the creation of affordable homes by working collaboratively within the City of Toronto with Planning; Finance; Economic Development; Parks and Recreation, Facilities and Real Estate (City of Toronto, n.d.).

Regardless of municipalities' programs and initiatives, the need for affordable housing is increasing (ONPHA, 2010). Some scholars argue that the nature of the housing issue is well understood; however, Canada has not responded well to the problem. It is argued that a country like Canada has the potential to solve the issue (Hulchanski, 2003). What remains unresolved is what pressure is needed for the government to address this issue?

The Community Land Trust Model

There are multiple strategies that non-profit organizations, community groups and government organizations have employed to provide affordable housing for low to moderate-income households, but one of the newest is Community Land Trusts. Community Land Trusts (CLTs) are one of several land use planning innovations that came into existence as an approach to providing affordable homeownership to low- and moderate- income households (Brown, 2007). CLTs are relatively new within the context of affordable housing. CLTs allow people to purchase a home while the land beneath is held in perpetuity by the trust. CLTs address the need for affordable housing while ensuring that homes governed by the trust will stay affordable permanently. Housing affordability is secured through limiting the resale value of the homes. Most CLTs use a shared equity model in which the buyer agrees to share any home price appreciation at the time of resale with the CLT organization (Davis, 2010). This helps preserve affordability for subsequent homebuyers. Through this model, owners can build equity in their homes, but a significant proportion of the equity growth stays with the trust and therefore benefits the next homebuyer.

There are currently a great number of CLTs in the United States that safeguard lands in order to provide affordable housing opportunities to low and moderate-income households. Davis (2010) states, “both communities and municipalities have adopted or can adopt CLTs. Many local governments in the United States have a long history of supporting homeownership programs and initiatives such as CLTs” (Davis, p.301). The City of Chicago is a prime example of a municipality adopting a CLT model to promote affordable housing for its residents. The Burlington Community Land Trust located in

Vermont, which is one of the oldest and most successful community land trusts in the United States, is another good example of a community that has adopted a CLT model for providing affordable housing.

CLTs for affordable housing are not new to Canada. In Canada, the oldest CLT that has been working toward ensuring permanent affordability is the Colandco Community Land Trust that was established in 1986. Colandco was created by the Co-operative Housing Federation of Toronto and combined a land trust with a sector-based development company (Bunce, Khimani, Sungu-Eryilmaz & Earle, 2013). Toronto Island Residential Community Land Trust is another example of a CLT that was established in 1993 in Ontario (Conelly, 2012). In Alberta, Calgary CLT was formed in 2002, which completed the following four projects: Sun Court (2006), Leo and Goldie Sheftel Court (2007), Kootenay Lodge (2007) and Bridgeland (2010). In British Columbia, Vernon and District Community Land Trust was established in the mid 2000s to address affordable housing crisis in the region of North Okanagan. They only completed one project called “Under One Roof”(Bunce, Khimani, Sungu-Eryilmaz & Earle, 2013). In 1986 the first Community Land Trust came into existence, and ever since there has not been a remarkable growth in the number of CLTs in Canada. Meanwhile, in the US, the numbers of CLTs are growing. There is an insufficient number of active CLTs and their portfolios in Canada.

In recent years, however, the rapid rise in home prices throughout the country has forced many local governments and community based organizations to look for new tools to make homeownership affordable and a number of communities have begun the process of developing CLT programs in Canada. For instance, the City of Vancouver is

partnering with four CLTs to build and deliver 355 units of rental housing, to be operated by the Community Land Trust Organizations (Wong, 2013). The City of Toronto is also looking at the CLT model as a tool for providing affordable housing. In March 2012, Toronto's City Council established a Special Housing Working Group to investigate and report findings, recommendations and solutions that could help the City with regards to emerging housing issues. Partnering with non-profit organizations, such as CLTs was one of the options that was offered to the City by the Housing Group.

In light of this, I was eager to know why a country claiming to be supportive of low-income families with a welfare system, lacks CLTs. The impetus for this research was my summer internship at the Affordable Housing Office in the City of Toronto where I was assigned to work on one of the Action Research Papers on CLTs for affordable housing. Doing an extensive research on Chicago Community Land Trust simply made me more interested in learning more about CLTs.

Methodology

My research was designed to find out how housing providers in Ontario think about the possibility of starting Community Land Trusts for affordable housing. Part of the research involved assessing housing providers' willingness to establish such a method for affordable housing and investigating the reasons why such efforts in Canada failed in the past. Investigating the underlying motives or factors that caused this failure is important for it shed light on a problem area that needed to be addressed. I chose to employ the survey research methodology because it drew attention to in-depth examinations of people or groups of people. The survey approach aligned well with the

purpose of this study because it drew detailed responses from my target group. With the help of survey research, I was able to learn about obstacles and barriers that have kept housing providers away from implementing CLTs in Ontario.

Methods

The three data collection sources that were used to investigate this problem area were: literature review, survey and key informant interviews.

Literature Review

A deep literature review was conducted using both primary and secondary literature sources, which helped place my research in the context of affordable housing in Canada. Upon careful review of the relevant literature, I saw the value in conducting further research within this field. Conducting a literature review was one way I was able to gather information regarding existing data in relation to this problem area. The literature review helped me to prevent “reinvent[ing] the wheel,” to borrow Bryman’s (2012) words. Integrating what others have done or said and building bridges between relevant areas of research helped me think of possible research questions that require further investigation. After developing my research questions, I continued conducting my literature review guided by these questions.

Following Punch’s suggestion (2012), I took five steps in conducting the literature review that included: searching; screening; summarizing and documenting; organizing-analyzing- synthesizing; and writing. Terms such as “land trusts”, “community”, “affordable housing”, “non-profit organization”, “sale restricted homes”, “shared equity homes”, “deed covenant”, “CLT Network” were used to search the database and those relevant to my research area were reviewed for the purpose of this study. I used the York

University library database. Unfortunately, the number of books that specifically talk about Community Land Trusts for affordable housing is very limited. Lack of existing published work on my area of interest was a challenge that I had to overcome. The most relevant sources that were reviewed were posted online. These sources include book chapters, published articles, governmental documents, newspaper articles and reports. Electronic databases also provided relevant sources. Although online sources such as websites or weblogs provide a wealth of material concerning this matter, these sources were carefully evaluated. As Bryman (2012) mentioned, “internet search engines are very useful for researching all sorts of things. However, they merely find sites; they do not evaluate them” (p.115). Following Bryman, Teevan and Bell’s (2009) recommendation for when internet documents are used, I considered criteria including authenticity and credibility of the websites. I had to be prepared to look critically at the sources I found online. It was my intent to find reliable online sources, as well as academic sources. As suggested by Bryman, Teevan and Bell (2009), the following points were considered to evaluate online sources.

- Recognizing the type of the website (academic site, government site, organization site).
- Identifying the author of the site and the motivation/intention for publishing the site.
- Looking at the time of the last update.

One of the most reliable online sources that I used for my literature review was the National Community Land Trust Network (CLT Network) website in which the most updated information was found. The National CLT Network is a U.S. organization that was incorporated in 2006 with a mission to provide support and leadership for CLTs around the U.S.

I also attended the National Community Land Trust Conference held by the CLT Network in Cleveland, Ohio, in order to learn more about the CLTs in U.S. and their operation, successes, issues, obstacles and any other relevant information concerning my research topic. Attending the Conference helped me learn about various aspects of Community Land Trusts that were not found in the literature.

Survey

Housing providers (mainly non-profit) in Ontario were invited to fill out an internet-based survey questionnaire. The purpose of surveying housing providers was to assess their attitudes and opinions toward implementing Community Land Trusts. The survey was designed in a way to assess the willingness of housing providers in terms of starting a CLT in their service area. Part of the survey was also designed to investigate the reasons that have kept housing providers away from implementing CLTs. I tried to keep the questions short and concise, as respondents were less likely to answer if a question was too long or they did not understand how they should answer. Likewise, I kept the answer choices short and concise, too.

The survey was administered via the internet (Google drive). I chose an internet-based survey approach for this study because the efficiency of online networks allowed participants to answer questions in less time. Beyond that, the cost effectiveness of the Internet based survey was advantageous especially since it allowed me to geographically disperse my sample. In order to keep the research feasible, the survey was done on a small scale. Therefore, 22 housing providers were selected to receive the survey invitation. In order to select the right participants, I used the snowball technique. The majority of participants had attended the Community Land Trust session at ONPHA

Conference 2013 in Toronto; a conference at which I volunteered and was able to obtain a list of attendees from those who worked at ONPHA.

Participants were given a cover letter inviting them to take the accompanied survey. Since CLTs, as a strategy for providing affordable housing, are relatively new to the affordable housing scene I designed an information brochure (Appendix A), which intended to provide basic information on what CLTs are and how they work. This ensures that all participants answer questionnaires with some knowledge on the concept. All the participants received a follow up phone call a week after they received the invitation letter (Appendix B). This was done with an aim to increase the response rate. Through this practice, more than 50 percent of the participants responded to the survey. Once they agreed to take the survey, participants received informed consent documents (Appendix C), which provided them with a brief description of the purpose(s) of my studies as well as what their roles entailed.

Interviews

Conducting interviews with key informants was helpful for me in order to gather first hand data that was not present within the reviewed literature. Key informants were selected based on two criteria (1) their amount of knowledge about the topic; and (2) their willingness to communicate (Klandermans & Staggenborg, 2002). For the key informant interviews, potential interviewees were selected based on their affiliation or knowledge about CLTs in Canada. Interviewees were informed about the nature and scope of the study and were recruited based on voluntary consent. Once the interviewees indicated a willingness to participate in the study, informed content forms were obtained and interviews were scheduled and carried out. The interviews were conducted in person as

this format provided a free-exchange of ideas and encouraged more detailed responses from participants. If a face-to-face interview was not possible, interviews were conducted using Skype. The interviews followed a series of questions, however the questions were designed to encourage open-ended conversation. Notes were taken during the interview and interviews were audio taped for clarification purposes, at the discretion of the interviewee. Interviewees were also asked to recommend additional people for interviews because I used the snowball sampling technique to recruit participants. After all of the interviews were completed, I analyzed the data and used it to write this report.

Interviewees received separate but related questions. Interview questions were designed based on Interviewees' knowledge of the CLT model. Questions were designed after the literature review to answer questions that were not present within the literature. (A list of interview questions can be found in the Appendix D.)

Chapter 3

Literature Review

Community Land Trust History

The Community Land Trust (CLT) model for affordable housing was developed out of a search for a creative and innovative way to address the housing problem at the time. However, the concept of community land trust is not new and has a long history that can be traced to patterns of common land use in Europe prior to the emergence of capitalism. A look at the evidence suggests that the common use of land was common among Native Americans as well. However, tracing the roots of the CLT model, as we know it today, suggests that CLTs were pioneered in the USA during the Civil Rights movement to give African-Americans in the South, who had lost their lands, access to affordable housing and farmlands (Davis, 2010 and Soifer 1990). The first CLT in the USA, New Communities, Inc. was established in 1969 in rural Georgia. Salter King, younger brother of Martin Luther King Jr., Bob Swann and Faye Bennett were the three main people who established the New Communities Inc.

The roots of the CLT model in the US can be traced back to several thinkers including Thomas Paine, Thomas Jefferson, Abraham Lincoln, Ebenezer Howard, Arthur Morgan, and Ralph Borsodi, and to social movements in the US and abroad such as the land and village-gift movement associated with India's freedom struggle against colonial rule (Davis, 2010). One person who had a great influence on the community land trust model was Henry George, who was a populist economist that believed the primary cause of poverty, was the unequal distribution of land. Henry George believed that one of the most significant factors in determining an individuals' ability to thrive is the cost of land.

Henry George also believed that the only remedy for alleviating poverty is land reform.

As Davis (2010) states, Henry George proposed a new tax form.

He proposed a single tax: Have government tax away the social increment, collecting for the benefit of the larger public all of the land gains that society itself has created. By George's calculation, this tax on the appreciating value of land would be sufficient to cover all of a government's costs of providing infrastructure, schools, and other public services (Davis, 2010, p. 6).

Henry George was the one who took this alternative conception of land the farthest (Davis, 2010). In his book, *Progress and Poverty*, Henry George argued that "the government should take a step and make lands part of the "common trust" to make it available for all people on an equal basis"(Soifer, 1990, p.238).

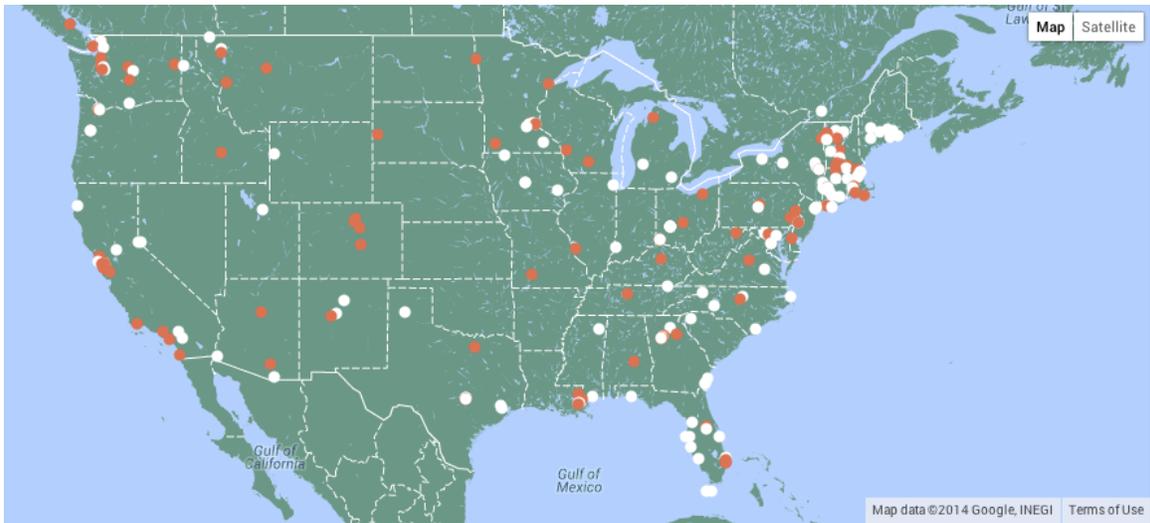
One of the followers of Henry George, Ebenezer Howard, also believed in capturing the social increment for public improvement. Howard, who is well known for his Garden Cities Concept, proposed that these Garden Cities be developed on land that was leased from a municipal corporation, where "men of probity" would serve as the "trustees" for this municipally owned land (Davis, 2010). Howard's proposal was different from Henry George's idea since it was not based on a single tax rather but on municipal land ownership.

Another thinker whose name cannot be ignored when tracing back the roots of CLT model in US is Arthur E. Morgan. Morgan was involved in planning two communities on leased land in Tennessee and North Carolina (Davis, 2010 Sungu-Eryilmaz and Greenstein, 2007). As mentioned earlier and suggested by Davis (2010), the Community Land Trust, as we know it today, has undergone many modifications. For instance, the old models were more planned communities on leased land rather than being *community* land trust, as we understand the term today. However, people like Bob

Swann, who strongly believed that the old model lacked the broad participation by the community, added organizational components that eventually made community a defining feature of the CLT. One of his greatest contributions to CLT models is the practice of open membership in the corporation bylaws to all people living in the region (Davis, 2010). This means that the community gets to vote in CLT's governing board election. In addition, according to this by-law, one third of the governing board has to be community members.

When the CLT model known today as the classic community land trust was in place, CLTs started sprouting up in the USA. I question how a model with unusual characteristics of ownership, operation and organization became so widely established and how it has survived? Davis (2010) says that some of the factors contributing to the proliferation of CLTs in US include the political climate of the time, cultivating best practices and dissemination of educational materials, decentralization, hybridization and the support from local municipalities.

Instituting community land trusts to maximize provision of affordable housing opportunities have become popular among different communities in the U.S. As Davis (2010) states, "the model was created by selecting favorable characteristics of ownership, organization, and operation from different strains of social change and combining them to form a new breed of tenure" (p.35). According to the National Community Land Trust Network in USA (2013), nearly 250 CLTs are known to have existed or still exist in the United States. The growing strength of this model with over 200 members serving urban, to suburban, to rural communities across the US is also being represented by the newly formed National Community Land Trust Network.



Alabama 1 CLT	Idaho 2 CLTS	Missouri 2 CLTS	Pennsylvania 4 CLTS
Alaska 2 CLTS	Illinois 2 CLTS	Montana 5 CLTS	Rhode Island 3 CLTS
Arizona 3 CLTS	Iowa 2 CLTS	Nevada 1 CLT	South Carolina 1 CLT
California 20 CLTS	Kentucky 1 CLT	New Hampshire 5 CLTS	South Dakota 1 CLT
Colorado 6 CLTS	Louisiana 4 CLTS	New Jersey 2 CLTS	Tennessee 2 CLTS
Connecticut 5 CLTS	Maine 7 CLTS	New Mexico 3 CLTS	Texas 3 CLTS
Delaware 1 CLT	Maryland 4 CLTS	New York 5 CLTS	Vermont 9 CLTS
District of Columbia 1 CLT	Massachusetts 9 CLTS	North Carolina 3 CLTS	Virginia 2 CLTS
Florida 10 CLTS	Michigan 2 CLTS	North Dakota 1 CLT	Washington 13 CLTS
Georgia 7 CLTS	Minnesota 6 CLTS	Ohio 3 CLTS	Wisconsin 2 CLTS
Hawaii 1 CLT	Mississippi 2 CLTS	Oregon 3 CLTS	Wyoming 1 CLT

Figure 2. The picture above suggests the CLTs concentration in urban areas in US, as well as rural areas where poverty or artificially inflated real estate markets price average residents out of decent housing. CLT network members are shown by orange dots and white dots are CLTs that are not members of the network. The picture is followed by a list of states and the numbers of CLTs that exist in the states (National CLT Network, 2012).

Source: <http://cltnetwork.org/directory/>

What is a Community Land Trust?

Davis (2010) defines Community Land Trust as “ a legal entity, a quasipublic body, chartered to hold land in stewardship for all mankind present and future while protecting the legitimate use rights of its residents” (p. 221). UN-Habitat (2012) defines Community Land Trust by breaking it into three words that make up its name:

Community: the word ‘community,’ which is an overused, confusing and ambiguous word, in the term community land trust refers to the people actually living on the land trust as residents as well as the residents’ community in the neighborhood.

Land: the word ‘land’ refers to common ownership of land. For CLTs, land is considered as common wealth.

Trust: CLTs hold land in trust for the community and do not treat land as a commodity.

Community Land Trusts (CLT) for affordable housing, which are usually developed by non-profit, tax-exempt corporations, are an innovative approach to providing affordable homeownership to low- and moderate- income households (Davis, 2007). CLTs allow people to purchase a home while the land beneath is held in perpetuity by the trust. CLTs address the need for affordable housing while ensuring that homes governed by the trust will stay affordable permanently (Davis, 2010). Leases typically last for 99 years unless a state law mandates a shorter duration. The reason that ground leases cannot last longer than 99 years is because the common law Rule Against Perpetuities prevents ground lease or deed restrictions (or other agreements) from lasting perpetually (Jacoub and Cohen, 2005). These leases are also renewable and inheritable. Absentee ownership is not allowed and subletting is severely restricted.

The ground lease typically includes three restrictions:

- a) The home must be occupied by the owner/family;
- b) The CLT must retain a preemptive right to purchase the home if the owner wants to sell; and
- c) The resale price must be calculated by a defined formula (Burlington Associate , n.d.).

CLTs do not resell land. Rights are conveyed through a title deed and the ground lease. Owners are free to conduct improvements unless they wish to conduct major improvements, which requires owners to get permission from their CLT (Jackson, 2007). CLTs also have the right to force repairs of hazardous buildings. As mentioned earlier, if an owner decides to sell his/her property, CLTs have first right to purchase the home according to a formulated price. This means that when CLTs' homeowners choose to sell their homes, they notify their CLT, which calculates the restricted resale value, helps sellers identify new buyers, and then generally manages the process of transferring ownership. Due to that fact that CLTs are the owner of lands, they are directly involved in each sale and are in a strong position to ensure that affordability restrictions are observed. Most CLTs also maintain a waiting list of potential buyers who are already familiar with the model and are interested in this type of homeownership (Jacoubs and Cohen, 2005).

Housing affordability is secured through limiting the resale value of the homes. Most CLTs use a shared equity model in which the buyer agrees to share any home price appreciation at the time of resale with their CLT, which helps preserve affordability for future homebuyers (Jackson, 2007 and Davis, 2010). Through this model, owners can

build equity in their homes, but a significant proportion of the equity growth stays with the trust and therefore benefits the next homebuyer.

As suggested by Reese (2008), there are elements that compose CLTs. These elements include “the non-profit entity, legal structure, the terms of the ground lease, who qualifies to purchase a home, funding sources for CLTs, availability of financing to homeowners and the resale formula”(p.15). Each of these elements could be changed or altered according to the specific goals of a community land trust and the needs of the community.

Legal Structure

The Institute for Community Economics (ICE) published the first Community Land Trusts Legal Manual in 1991. CLT pioneers and a group of attorneys prepared the materials for the original document (White, 2011). Since then, the Community Land Trusts Legal Manual has been revised in light of a growing body of practical experience with CLTs. ICE transferred its right to the Community Land Trusts Legal Manual to Equity Trust, Inc., since the ICE ceased to exist as an independent organization in late 2008. The National Community Land Trust Network and Equity Trust Inc., published the present Community Land Trusts Technical Manual used by many CLTs in which most materials from previous manuals have been retained (White, 2011). The following briefly explains the legal structure that Community Land Trusts choose to follow.

The choice of legal entity for a CLT, that is whether it should be established as a legal trust or as a non-profit or for-profit corporation, is depended on the context of the laws of the state in which the organization is chartered. As mentioned by Swann, Gottschalk, Hansch and Webster in *The Community Land Trust Tenure in America*

(2007) “some states require that a legal trust obtain court approval of each separate land transaction. On the other hand, a nonprofit corporation is required to file annual reports and impose certain additional restrictions”(p.31). For instance, contrary to a for-profit corporation, a non-for-profit corporation is restricted from distributing assets to members. As mentioned by White (2011), CLTs’ corporation articles must stipulate that no earnings of the corporation will be distributed to the members regardless of the corporation status. This means that “whether the corporation is qualified for federal 501(c)(3) tax-exempt status or not, their articles shall prohibit the inurement of earnings to individuals” (White 2011, p.1).

Nonprofit status is less restrictive than a legal trust and has a number of advantages in the area of taxation, donation and fundraising. For instance, donations to the CLTs are federally tax-deductible, with no capital gains tax liability for the donor. Besides, donors can also deduct 100% of the market value of the donation from their taxable income (Bunce, Khimani, Sungu-Eryllmaz & Earle, 2013). Although there are CLTs with different legal status, most CLTs are following nonprofit legal structure. Regardless of the legal formats that CLTs might choose, the legal formats must be designed to benefit a designated community rather than members, or any private individuals such as shareholders. The legal formats will dictate that any profit made by the CLT (and it should be planned that the CLT will make profit) will only be able to be used to further the objectives of the CLT. Therefore, as it was mentioned earlier, profits/surpluses will need to be reinvested in the CLT rather than shared amongst members as dividends (Swann, Gottschalk, Hansch and Webster, 2007).

Governing Board

The question of who should govern or participate in the initial planning of a CLT should be addressed early in the organization process. As suggested by White (2011), the general answer that can apply to this question is that “both people who have first-hand knowledge of the community’s needs and people who have the technical knowledge and skills required to address those needs effectively should be included in the organization” (p.9). In addition, the CLT program focuses on addressing the multiple needs of a particular low- income neighborhood. As suggested by White (2011), the involvement of people residing in that neighborhood is a necessary priority “and the more of them who are involved the better” a CLT will perform in terms of delivering its services (p. 8). However, the types of governance structure depend on the CLT’s corporate structure. The four main types of corporate structure that CLTs fall under are: classic CLT, CLT as a program of existing structure, CLT corporation established by a nonprofit, and CLT corporation established by government (White, 2011, Weiss, 2005 and David, 2009).

Classic CLT: designed as community-based organizations in which their membership is open to all who live in the geographic area defined as its community. Leaseholders or CLT property owners are always members by default. Members elect the governing board that is usually comprised of 1/3 homeowners, 1/3 local residents and 1/3 government officials, lenders, funders and developers. The final 1/3 of the governing board is usually elected by the first two thirds. The structure of the board is meant to balance the interests of the community with interests of the leaseholders (Davis, 2010 and Jackson, 2007).

CLT as program of existing organization/ nonprofit: in these cases, CLTs might

be applied as a mechanism by the parent organization. In this case, a board of directors, wholly or partially, is appointed by the parent organization. There are advantages and disadvantages to this type of structure. For instance, the parent organization may decide not to include the residents or homeowners in the governing board. Excluding the community from the trustee means that CLT residents will not have a voice in CLTs decision-making processes. Community residents will not have a vote in the board election process either. The fact that the boards of directors are given the full power to make the final decisions is a disadvantage. Within such a structure there can be no real assurance that boards of directors will see the CLT program as a high priority and in turn they may even choose to put the organization's resources elsewhere (White, 2011). Such organizations will not be qualified for receiving federal grants/funds under specific programs such as HOME. For the purpose of receiving funds to produce HOME-assisted housing, one third of CLTs governing board must be residents and members (White, 2011). But there are three advantages to such arrangement as well. One of the advantages of using an existing organization, as a trustee is that such an arrangement can be launched quickly and is relatively inexpensively. There will be no need to establish a new corporation and go through various steps including submitting a new application for tax exemption and such. The new CLT may not need to wait long to launch its first project as the parent organization has the resources available. Another advantage that is noteworthy is that these organizations are likely to have experience and contacts that will make grant money more readily accessible to them (Swann, Gottschalk, Hansch and Webster, 2007). For example, if a CLT is run by a municipality, they would not have as many problems seeking grants from governmental agencies at federal, provincial or local levels that a

nonprofit organization might have.

CLT corporation established by government: there are a number of local governments in the U.S. taking a lead in establishing CLTs. Although CLTs might be created as a separate corporation, yet local governments may retain full control of the organization, appointing board members and staff. The City of Chicago CLT is a prime example in which the mayor appoints all the board members and residents are not included.

The democratic, membership based governance structure characterized by the classic structure, which is strongly recommended by CLT experts and pioneers, is the most common type. According to a national study of community land trusts in the U.S. which was commissioned and sponsored by the Lincoln Institute of Land Policy (2007), more than 81% of existing community land trust organizations were established as a CLT corporation with classic governing board structure (Sungu-Eryilmaz and Greenstein, 2007).

Mechanism to Achieve Long-Term Affordability

The purpose of a CLT is to stabilize the market price of land and homes through removing it from speculative market forces. CLTs apply different techniques to ensure permanent affordability. CLTs apply resale price restriction methods to keep the homes affordable for the future potential buyers. As suggested by Weiss (2005), the resale price restrictions usually are implemented through three basic methods: 1) retaining a pre-emptive right to either purchase the home or find another income-eligible buyer to purchase the home; 2) imposing short term resale price restrictions either by deed restriction or restrictive covenant; and 3) using perpetual resale price restrictions that can

be implemented by restrictive covenants that run in perpetuity or by renewable ground lease.

The ground lease is however, the primary tool used by CLTs to ensure permanent affordability. The ground lease, which is generally 99 years, governs the relationship between the CLT and homeowners. Ground leases regulate the resale, which will be discussed later, and use of structures on leased land. Typically, this document is designed as a 99-year renewable lease and contains restrictions on resale price, buyer eligibility, and occupancy. The lease agreement also includes remedies for violation (Jackson, 2007 and Davis, 2010). Within this structure, CLTs are able to sell the title to housing located on the leasehold land while retaining the right to preserve the affordability of the housing by exercising “a long-term option to repurchase the homes at a formula-driven price homeowners later decide to move” (Davis and Jacobus, 2008 p.4).

Property taxes can directly impact the affordability of CLT housing. Establishing lower property tax for CLTs is another mechanism used by CLTs to achieve long-term affordability. There are several methods that may be used for taxing CLT properties and the methods used vary from area to area (Jackson, 2007). For instance, in Chicago, the assessors tax CLT land based on its affordable price. The OPAL CLT on Orcas Island in Washington State has its land assessed at 40 percent below market value (Jackson, 2007, Davis, 2010). The practice of taxing CLT properties below the market helps make CLT homeowners eligible for paying more affordable property taxes.

Financing

With no doubt, as Davis (2005) suggest, “homes for sale through CLTs are nearly always more affordable than market rate housing”(Davis, 2005, p.2). Yet, very few low-

income households will be able to afford to buy a CLT home with their own savings. They need mortgage financing. Regardless of the unique legal structure of CLTs that promotes an unconventional mode of homeownership, CLTs they still use the same sources of financing that are offered to any other homeownership program. Financing CLT homes is different from other conventional home mortgages. As suggested by Brown (2014), there are two factors that make financing for the purchase of CLT homes different from the more conventional home mortgages. As suggested by Burlington Associates (n.d.), these two factors include:

- 1) “The collateral for the loan does not consist of the fee interest in the land, but the improvements and the leasehold interest in the land.
- 2) Resale restrictions on the land and occupancy affect the value of the collateral further” (p.3).

These two factors, however, do not prohibit mortgage financing for CLT homebuyers, but may make lenders hesitant in lending mortgages to these types of housing.

Burlington Associates (n.d.) argues that one reason that lenders might be hesitant in financing CLT homes is because “most residential mortgage lenders have little experience in dealing with the issues involved” (p.3). As a result, CLTs have been trying working with appropriate mortgage lenders to find and arrange suitable mortgage financing for their homebuyers. According to Burlington Associates (n.d.), certain specific provisions for mortgagees are included in all CLTs’ ground leases. These provisions include:

- A) “assurance that the lease cannot/will not be terminated during or subsequent to a foreclosure process, and

B) assurance that certain restrictions such as, resale restrictions or occupancy will be completely removed in the event of foreclosure, so that the collateral can be freely liquidated if necessary” (Burlington Associates, n.d., p. 3).

The ground lease gives CLTs the right to declare default on the lease. In other words, at a time of mortgage default by a homeowner, CLTs have the right to interfere to either cure a mortgage default or work out a default situation. Brown (2014) insists that the presence of an interested third party in the lender-borrower relationship gives most mortgage lenders comfort by acting to cure mortgage defaults and prevent foreclosure. It could be said that the structure of the ground lease with certain specific provisions help CLT homeowners to find more mortgagors available for financing their homes.

With the help of the Community Reinvestment Act (CRA) implemented in 1997, most CLTs are able to find local lenders that would work with their homeownership. CRA is a U.S. federal law which intends “to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound operations” (Federal Reserve Board, 2014). The CRA was enacted in response to what is known as “redlining,” which refers to the banks drawing redlines around specific neighborhood (disfavored/usually minority) and would refuse to do business within these neighborhoods. According to the RCA, financial institutions are obligated to help meet the credit needs of the local communities in which they are chartered. Through this ACT, banks are being monitored and examined. This means that community groups and the public in general are allowed to submit written comments, concerns or complaints regarding the institution's lending and investment activities (Federal Reserve Board, 2014).

Many CLTs across the U.S. are able to use the help of national institutions to find financing properties. Some of these national institutions include, Fannie Mae, Federal Housing Administration (FHA), Freddie Mac and Veterans Administration loan (Brown, 2014). Yet, some CLTs tapped the private secondary mortgage institutions as a way to put financing in place for their homes and properties. Working with the National Institute has helped CLTs to work with private lenders as well. As Brown (2014) suggests in the National Community Land Trust Conference, “having less fear on the side of mortgage lenders when a national institute agrees to provide mortgages to CLT homes/properties has been one of the most important achievement that CLTs had” (P.5).

With the help of many state housing finance agencies, national agencies like Rural Development and Fannie Mae and private lenders, CLTs have been successful in terms of making mortgage financing available for homes located on land that is leased from a CLT. Yet, CLTs are concerned with finding affordable mortgages with underwriting criteria that does not exclude low- income homebuyers. This could be more discerned in an interview that Davis had with the Democracy Collaborative in 2011 where he says, “with the bursting of the housing bubble, lenders have tightened up on their underwriting and made it harder for our people to get loans – even though we have evidence that our homebuyers seldom default; and when they do, we are there to back them up and prevent foreclosure” (Dubb, p.10). For that reason, according to Emily Thaden (2014) the National Community Land Trust Network has been negotiating with FHA trying to get some changes to FHA rules to make it easier for lenders to use FHA insurance and products for financing resale-restricted Community Land Trust homes (National Community Land Trust Conference).

What Area to Serve? Who Will be Served?

The size of CLT target areas ranges from a single neighborhood to a whole city or region. Over the years, the typical size of CLT target areas has increased. As suggested by White (2011), there have been cases in which CLTs originally established as neighborhood-based organizations, but later enlarged their territories to include whole cities or their surrounding suburbs. As Davis (2007) says, “the process of deciding who the CLT should serve is usually driven by a compassionate assessment of a community’s needs” (p.26). However, the geographical scale of a CLT (tightly localized scale vs. greater geographical scale) depends on the CLT’s capabilities and community’s available resources. Some CLTs choose to serve a larger area (regional vs. local) in order to be granted more resources including federal funds/grants (David, 2007). There are also other advantages to a larger service area for CLTs. A number of advantages that are worth mentioning are as follows: lower land costs (outside of the urban core), greater choices for low-income seeking CLT homes, deeper pool of applicants, greater opportunities for collaboration with other non-profit organizations, and greater pool of funders.

Low and moderate-income tenants living in deteriorated housing in poor neighborhoods who are not able to afford regular homeownership are the main focus for CLTs. Most CLTs consider choosing their beneficiaries on the basis of income. Obviously, as Davis (2007) suggests, there is a wide range of choices when CLTs are targeting households based on their annual income. Qualified annual incomes range from 50% of Area Median Income (AMI) to 100% of AMI (or higher in some cases). CLTs use AMI charts (calculated by U.S Census Bureau) to calculate income limits for potential homebuyers eligibility. Income eligibility varies depending on the CLT

programs. For instance, the City of Chicago Community Land Trust, which delivers its CLT affordable homes through five different programs including Affordable Requirement Ordinance (ARO), Chicago Partnership for Affordable Neighborhood (CPAN), New Homes for Chicago, City Lots for City Living and HomeStart, has set different income qualifications for each program (City of Chicago, 2012).

There are some characteristics other than income that get prioritized by some CLTs. For instance, some CLTs use a geographic preference in defining their beneficiaries. In this way, residents who already work or live in a particular area get prioritized over families who are seeking to move into the area for the very first time (Davis, 2007). Some CLTs give priority to their beneficiaries on the basis of age or disability. Other CLTs, such as OPAL Community Land Trust in Washington, give priority to buyers with better credit scores (not lower than 640) and minimum debt (OPAL Community Land Trust, 2014). Regardless of the CLTs' target area, the primary objective of CLTs is to expand the supply of homeownership opportunities that are affordable for low and moderate-income people throughout a large area (Davis, 2009).

Resale Formula

There are different methods that CLTs apply at the time of resale. The four main resale formulas used to preserve the affordability of CLT homes are, mortgage based, index based, itemized, and appraisal based. Although the appraisal based is the most common resale formula among CLTs across the U.S, each formula will be briefly discussed here relying on a resale formula comparison chart prepared by Burlington Associate (n.d.). Symbolic descriptions for each resale formula can be found in Table 1.

Mortgage Based

The mortgage-based resale price sets the resale prices based on the amount of mortgage financing a homebuyer with a particular income level will be able to afford at the interest rate available at the time of purchase. The prime advantage of the mortgage-based resale formula is that it guarantees a given level of affordability at resale to perspective homebuyers with a particular income level. However, the major problem that comes with this type of formula is that the seller has no control over the variables involved, such as high level of interest rates that may negatively impact a seller's return. The mortgage based resale formula bases the resale price entirely on what works for the buyer and a seller may not receive a fair return. Another disadvantage is that mortgage lenders in particular may not like this resale formula since it could result in a resale price lower than the amount owed on the mortgage, particularly during a low interest period.

Index Based

The index resale formula is based on a single variable. As suggested by Burlingtone Associate (n.d.), the formula may be based on changes in income in the service area or changes in the costs of living. Consumer price index (CPI) and area median income (AMI) are the two main variables used for resale price calculation. CPI is an indicator of changes in consumer prices. As stated by the Statistics Canada (2014), CPI "is obtained by comparing, over time, the cost of services and a fixed basket of goods purchased by consumers"(para. #1). The index reflects the amount consumers typically spend on goods and services to indicate the rate of inflation (Statistic Canada, n.d.). AMI refers to the median income in a given geographic area and is based on total household income (City of Chicago, n.d.).

Although public affordable housing programs often use the index formulas, CLTs don't use the formula often. The index formulas are fairly simple. Therefore, there is no need for judgments by CLTs staff or professional appraisers, which could minimize occasions for disputes or misunderstandings. Yet, choosing the right index is really important when it comes to applying index formula. This means that choosing the wrong index can cause the loss of affordability. For instance, as Burlington Associate (n.d.) suggests,

Even median income can prove to be the “wrong” index, since low-income people often do not benefit from economic trends that increase median income for an SMSA or a county. An index that is accurate in tracking the income of low-income people may still fail to keep housing affordable, because other factors – most notably, increases in mortgage interest rates – affect the home's affordability (p. 3).

Another disadvantage that keeps CLTs away from using this formula is the fact that it could put the affordability under risk. For instance, a rise in the area's median income may price some buyers out of the market, as it will increase the resale price through generating more equity on resale. In addition, short-term owners may receive the same level of return as owners who have paid extensive mortgage debts. Therefore, this may encourage shorter terms of occupancy.

Itemized

The itemized resale price is adjusted by adding or subtracting factors. These factors include inflation adjustments, improvement credits, and depreciation deductions resulting from lack of maintenance, and penalties for atypical damage. These factors may vary widely from one CLT to another. The main disadvantage of this formula is that it may cause resale prices to rise beyond the reach of lower-income households. For instance, using inflation for price adjustment can push the prices beyond the reach of

people whose incomes do not keep up with the inflation. Accounting for too many improvements is also another index that may make a home expensive. This type of resale formula is also highly time consuming as it requires extensive record keeping of every little change to the house. As suggested by Burlingtone Associate (n.d.), “itemized formulas make enormous demands on CLT staff time, requiring extensive record-keeping and periodic calculations of great complexity – lots of moving parts to track, count, and explain” (p. 2).

Appraisal based

The appraisal-based formula sets the resale price based on the change in the market value of a property. Seller receives the original price plus some specified percentage of any increase in the appraised value. Most CLTs allocate 25% for the appreciated value, although there are CLTs that might allocate a higher percentage. In order to discourage short stays, some CLTs use a percentage that increases over time. What is unique about this formula is that appraisals, whether at the time of purchase or resale, are done for the buildings alone, not for the combined value of land and building. This is the most common formula used by many CLTs because the appraisal-based formulas are easy to explain and easy to understand. These formulas do not need the judgment of CLTs staff as they rely on professional appraisals, which reduce the chance of conflict between CLT and homeowners.

Appraising the real value of the home is hard though, particularly when the value of land must be distinguished from the value of a building located on that land. Therefore, it is common to find some CLTs having difficulty finding professional appraisers willing to do the job. Daniel (2014), who is a branch manager and loan officer

at iLoan Mortgage Company in Minnesota, says, “most appraisers don’t even know how to appraise them. The other problem is that there usually aren’t a lot of comparable sales and there must be leasehold sales in the appraisal; preferably CLT leasehold sales” (p. x). He further added, Fannie Mae and the Federal National Mortgage Association in the U.S., have established underwriting guidelines (Appendix F) on how properties under CLTs could be appraised, which has made the process easier for professionals who had difficulty putting a fair price on the properties (Daniel, Personal Communication, 15 April 2014). Homeowners usually recapture only a small portion of what they have invested in improvements. There is, therefore, a disincentive for making improvements and, perhaps, for replacements. Discouraging homeowners from making any improvements is a disadvantage since CLTs would like to keep their homes in good condition. Keeping homes in good condition is important to CLTs and for that reason, many CLTs make conditions at the time of sale that homeowners must agree to keep the homes in good condition.

Narrative Description of Mortgage Based Formula	Narrative Description of Index Based Formula	Narrative Description of Itemized Based Formula	Narrative Description of Appraisal Based Formula
<p>Resale price =</p> <p>price affordable to household at ___% of area median income adjusted for family size</p> <p>assuming the following conditions:</p> <p>housing costs= principal, interest, taxes, insurance, lease fee & any HOA fees</p> <p>___% front-end ratio</p> <p>___% of resale price to be covered by mortgage</p> <p>at prescribed terms and requirements for mortgage (e.g., 30-year term, fixed rate, etc.) at “current interest rate”, as defined</p>	<p>Purchase price x Change in index</p> <hr/> <p>= Resale price</p>	<p>Purchase price</p> <p>+ (Homeowner equity invested or earned to date x inflation factor)</p> <p>+ Value of improvements added by homeowner</p> <p>__Depreciation</p> <p>– Damage beyond normal wear and tear</p> <hr/> <p>= Resale price</p>	<p>Purchase price</p> <p>+ [(Appraisal2 – Appraisal1) x %]</p> <hr/> <p>= Resale price</p>

Table 1. Symbolic description

Source: Burlington Associate (n.d.). Available at:

http://www.burlingtonassociates.com/files/7313/4461/6217/2_Four_Resale_Formulas_-_Comparisons.pdf, June 2014

Funding

CLTs use a variety of funding sources to fund and support its projects and operations.

A) Projects

As suggested by Davis (2007), CLTs, just like any other nonprofit developer of affordable housing, will need funding, as equity and debt, to pay for the following:

- land acquisition;
- pre-development feasibility;
- architectural design;
- site preparation;
- infrastructure development;
- construction of residential (or commercial) structures;
- rehabilitation of residential (or commercial) structures (Davis, 2007, p.2).

CLTs have turned to both private and public funding sources to support their projects' development. All sources are briefly explained in a book chapter written by Davis (2007) called *Starting a Community Land Trust: Organizational and Operational Choices*. Materials from other experts were used alongside this book chapter in order to provide further insight into the areas that required further explanation.

CDBG & HOME

Community Development Block Grant and HOME are the two federal programs in the U.S. that CLTs have received to support their projects. In order for CLTs to qualify to take advantage of these two federal programs, they have to be designated "Community Housing Development Organizations" (CHDOs) by their Participating Jurisdictions (PJs) (Davis, 2007). In 1992, the Federal Housing and Community Development Act defined Community Land Trusts as a type of Community Housing Development Organization (CHDO), which made all CLTs eligible for receiving funds and grants under the HOME

program. CLTs are also eligible to apply and receive other HUD-funded technical assistance for organizational development or project development.

Federal Home Loan Bank

Federal Home Loan Bank's (FHLB) Affordable Housing Program has also been a source of funding that U.S. CLTs have been using to support their project development. FHLB is America's largest private source of funds for affordable housing, and has provided billions in grants through members that have benefited millions of American families (FHLB website, 2014).

Private Financial Institutions

CLTs also have used private lenders to support their project development. There are private lenders that have been financing CLTs' residential and commercial projects and issuing mortgages for CLTs' homes. The number of private lenders financing CLT properties or homes is limited due to its unconventional nature of homeownership. Most private lenders have little experience in dealing with these types of housing.

State Housing Finance Agencies

In the U.S, some states, including Colorado, Massachusetts, Michigan, Minnesota, New Hampshire, North Carolina, Oregon, Vermont, Washington, Wisconsin, and Wyoming, are receiving permanent financing for CLT homes through a program underwritten by State Housing Finance Agencies (SHFA).

Tax Increment Financing

CLTs have also been using Tax Increment Financing (TIF) for supporting their development. TIF is a public financing method that is used as a subsidy for

redevelopment, infrastructure, and other community-improvement projects in the U.S. Through this method, municipalities promote economic development by earmarking property tax revenue from increases in assessed values within a designated TIF district. Rules for tax increment financing vary across all the states in which the practice is authorized. This means that not all the states use this method (Dye and Merriman, 2006).

Housing Trust Funds

It is suggested that at both the state and municipal level, Housing Trust Funds (HTF) have provided extensive support for projects developed by CLTs. As stated by CMHC (2014), “HTFs are non-profit organizations provided with funding from a dedicated and on-going government source” (Para. 1). In Canada, the term is not widely used; however, there are several funds including Investment in Affordable Housing (IAH), Affordable Housing Initiatives (AHI) that operate in broadly similar ways, and several more under consideration (CMHC, 2014).

Municipally Mandated Donations by Private Developers

As a result of municipal intervention, some CLTs have received donations of land from developers. Developers have provided such property in exchange for approval, concessions, or density bonuses granted by city government. Some developers provide land to CLTs in form of donations in compliance with a municipal ordinance like inclusionary zoning or housing replacement.

Private Land Donations

Most non-profit organization have benefited from private donations. CLTs are not exceptions and some have benefited from the donation – or bargain sale – of real estate

owned by private individuals, religious orders, and private corporations.

ICE's Revolving Fund

The Institute for Community Economics (ICE), a U.S. certified financial institution, has financed CLT projects around the U.S. through its own a revolving fund. Since its creation in 1979, ICE's revolving loan fund has been providing financing to permanently affordable housing. Low-interest loans for the acquisition of land, the construction of affordable housing, and the development of community facilities on leased land have been provided by ICE (Slettebak, 2014). Figure 3 below illustrates the states that have been receiving low-cost capital needed to create affordable housing from ICE across the U.S.

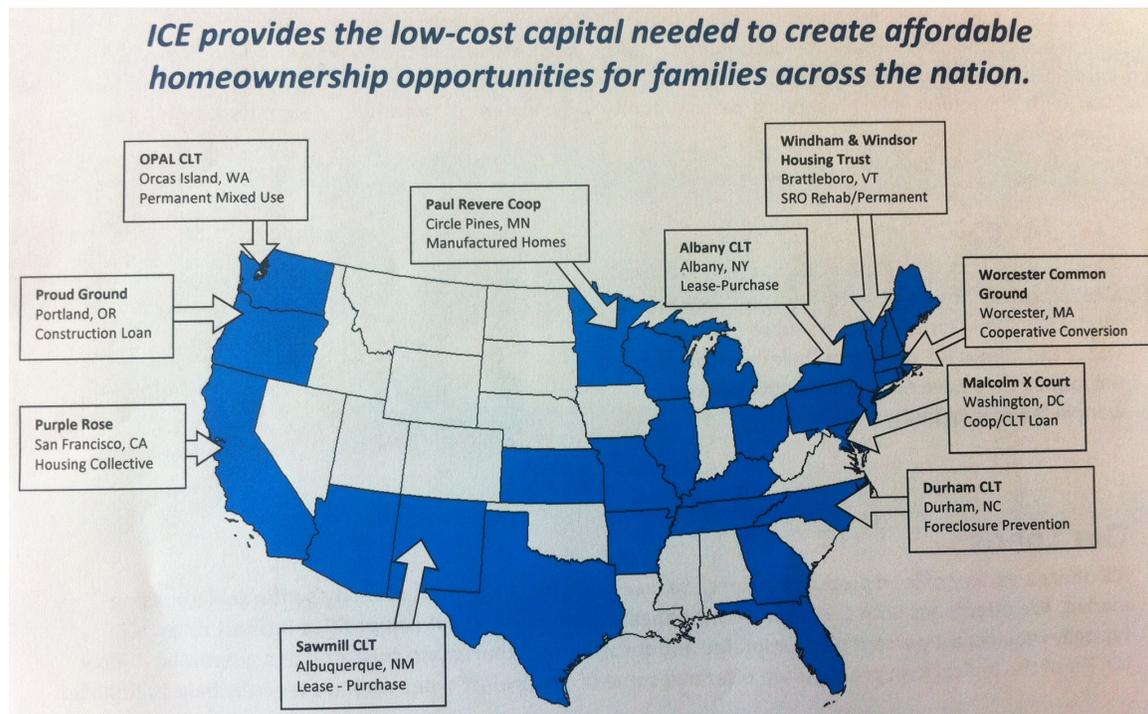


Fig 3. Source: Institute for Economics
Available at: <http://www.nhtinc.org/ice.php>, April 2014

Private Foundations

CLTs have benefited from private foundations as well. Grants for land acquisition or

project development have tended to come from foundations with a more local or regional focus. For instance, “one of the largest foundations, located in Rochester, Minnesota, is using a \$7 million gift from the Mayo Clinic and \$6 million from other donors to acquire land and to build affordable housing through its First Homes initiative” (Davis, 2007 p.5). A large number of units funded through this initiative are placed under the stewardship of a CLT.

B) Operation

It is common to find that most non-profit organizations face the challenge of raising funds to support themselves. Community Land Trust organizations are not exceptions and some have difficulties supporting their operation. Why is this important? As it was mentioned earlier, CLTs create a permanent institution performing their perpetual stewardship over lands and helping homeowners. Besides, CLTs need funds available to support some level of their ongoing staffing as well. As Jacoub and Cohen (2005) suggest, “although some CLTs may exist for a time with only volunteer or low-paid staffing, it is hard to provide adequate support and oversight to more than a handful of homes without paid staff” (p.24). Una Nueva Esperanza CLT in Salinas, which has only 11 homes in its portfolio, is a prime example of a CLT managed by volunteers. Una Nueva Esperanza have been successful in managing its units; however, they will need to raise operating funds as they develop new units.

Charging ground lease fees is one of the most common strategies that CLTs use in order to find a permanent source of funding for their ongoing support and oversight roles (Jacoub and Cohen, 2005, Davis, 2009). Monthly fees are generally kept low in the interest of affordability. Yet, they provide a regular stream of revenue that may insure

someone will be there to support owners and assist with the process of selling CLT units in the future. Ground lease fees might be a dependable source of funding for CLTs, however, for CLTs without a large portfolio of leaseholds, ground lease fees will not be enough. This is the reason why most CLTs, rather than setting lease fees at prohibitively high levels, seek operating support from other sources as well (Jacobus and Cohen, 2005). CLTs employ a variety of strategies and methods to support their operating costs, including donations by local municipalities or private parties, mandated donations by private developers, loans and grants from government, regulatory concessions, transfer fees, tax credits, tax increment financing, membership dues (Davis and Jacobs, 2008).

Why Start a CLT?

What makes CLTs distinctive is the unique opportunities that they provide for first-time homebuyers with modest incomes. CLTs also preserve the affordability when homeowners sell, and maximize the benefits of public subsidies. As Angotti (2007) states “public subsidies for the development of affordable homeownership through conventional means usually benefit only the first homeowners, and there are few guarantees of long-term affordability” (p.1). Primarily, low-income families who attempt to become homeowners without assistance tend to face difficulties and often find themselves renting once again. This is tragic because as a great numbers of studies have proved the social benefits of homeownership to both homeowners and the neighborhood. The CLT model uses subsidies to help low-income households become homeowners while preserving the same subsidies for future use. CLTs may be relatively new to the housing scene; experience from the USA demonstrates that over the past 30 years they have been highly successful in providing affordable home ownership for those who have

low income.

Community Land Trusts can be used for many different forms of development including commercial, retail and rental. Dudley Street Neighborhood Initiatives, formed in 1984, is a good example of a CLT that has commercial, residential and open space projects in its portfolio. Yet, most CLTs are working primarily towards promoting homeownership for low-income families. CLTs provide low and moderate-income people with the opportunity to build equity through homeownership. Besides, it is believed that homeownership can help low-income families to achieve long-term financial security.

There are other benefits that CLTs offer to the community it serves, such as preserving public investment. As Weiss (2005) mentions, public investment on affordable housing usually disappears upon sale of the property receiving the public investment. Once sold, however, the property no longer requires a low or moderate-income household to purchase the property, and the sale price is not required to be affordable. CLTs preserve the affordability through applying different techniques, which recaptures the public investment. In addition, due to the stewardship nature of the CLTs, they are helping in preserving scarce resources like lands while enhancing the housing continuum.

Chapter 4

Interest in CLTs in Ontario

Summary and Purpose

A survey research method was applied as a way to better understand the range of needs and degree of interest in CLTs. The purpose of the survey was not gauge the desirability of establishing CLTs in Ontario, but to gather information about barriers and obstacles that could discourage housing providers from establishing a CLT. A critical component of the survey was to target a broad range of participants, including practitioner advocates in all aspects of community development and housing. However, due to the limited time and resources, only Ontario's housing providers were invited to take the survey. A total of 22 housing providers in Ontario were invited to take the survey with 14 responses for a return rate of 63%. All participants were sent an invitation letter along with an informed brochure on CLTs. A few key informants were interviewed as well in order to gather first hand information about CLTs. As requested by participants, their names are confidential.

The survey comprised a 20-question survey-instrument (Appendix F) administered electronically in a "Google Drive" format. Topics addressed affordable homeownership, municipality long-term housing plan, construction cost, land availability and such. The survey compiled 14 responses from 14 housing providers in Ontario. The survey required all respondents to self identify their organizations type as NGOs, nonprofit, governmental, none or other. 50 percent (7 organizations) identified their organization's type as nonprofit, 36 percent (5 organizations) claimed to be governmental, with the remaining 14 percent (2 organizations) responding as none of the above. The survey asked respondents to self identify their services as either

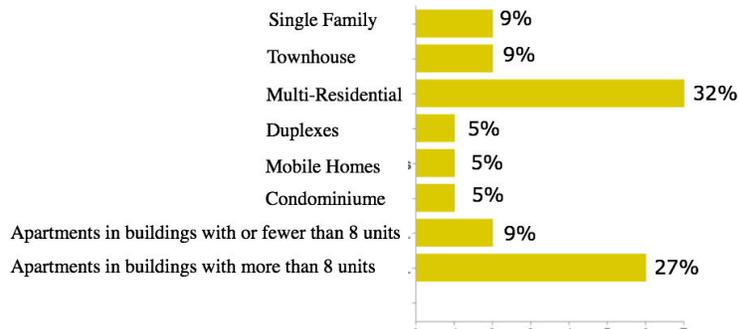
predominantly urban or predominantly rural. Out of 14 respondents, 91 percent identified their service area as predominantly urban, and the remaining 9 percent responding predominantly rural. Almost all of the respondents (91 percent) expressed interest in implementing CLTs to provide affordable housing.

Unmet Housing Needs

Respondents- from both rural and urban areas- identified the top unmet needs as affordable homes to purchase for special needs, single adults and families with children. Regardless of having a rural or urban service area, 42 percent of all respondents ranked unmet affordable housing need “extreme” and 57 percent “large.” Respondents identified people with disabilities and families with children as the groups most in need. The result was not surprising. As it was suggested in the literature and different studies, the current housing market in Ontario is failing to meet the needs of low-income families. As the crisis in housing affordability increases, investment in production of affordable homes in Ontario by the province and federal governments has been reduced.

Housing Types Needed

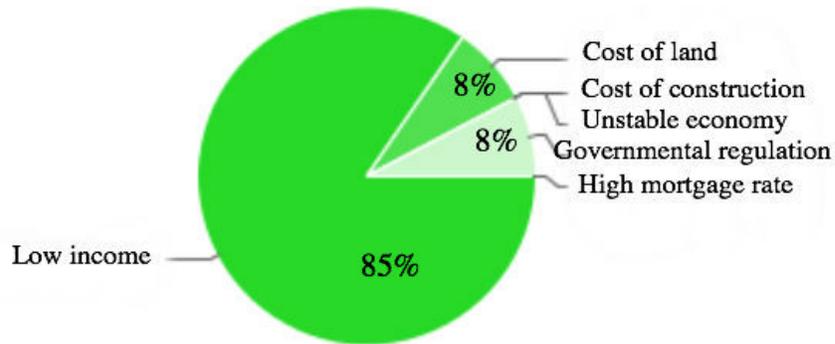
When it came to the types of homes most needed, most respondents expressed that; “multi-residential homes” are the number one priority followed by “apartments in buildings with more than 8 units.” The third most desired housing types identified by respondents was “single family home.” The graph below shows that no respondent listed other types of housing as desired for their community.



Graph 1. Types of Housing Needed
Source: Survey Data

Barriers to Affordability

85 percent of all respondents identified “low income” as the biggest barrier to affordability followed by “cost of land” and “governmental regulation.” Although the government of Canada takes different initiatives to provide Canadians with greater job prospects and higher wages, low income still is counted as the biggest barrier to affordability. Barriers to affordable housing may include other factors, such as specific land use control and lack of financial resources by housing providers. However, some individuals or families face barriers to adequate housing choice because of lack of availability or lack of access to affordable housing. With this in mind, alternatives and fair housing strategies, such as CLTs are expected to promote fair housing choices for low-income families. CLTs, just like other provincial housing programs, could impact fair housing choice for low-income families. Graph 2 shows barriers to housing affordability in Ontario.



Graph 2. Barriers to Affordability
Source: Survey Data

Barriers to Construction for New Homes

Barriers to construction of housing and factors relating to housing cost varied among respondents. Most respondents listed “construction cost” as the number one barrier to constructing new homes, with “cost of land” and “availability of land” a close second and third respectively. “Availability of contractors/builders” was listed as the last barrier to constructing new homes. Finally, other factors were listed as the last factor affecting construction of new affordable homes. Some of these factors, as stated by the respondents include:

- Insufficient government subsidy to incentivize and off set the costs to develop affordable housing
- High competition for funds
- Lack of political will; NIMBY
- Lack of government funding

More than half of the respondents claimed that lack of governmental funding is playing a major role as a barrier to constructing new affordable homes. One of the

respondents said:

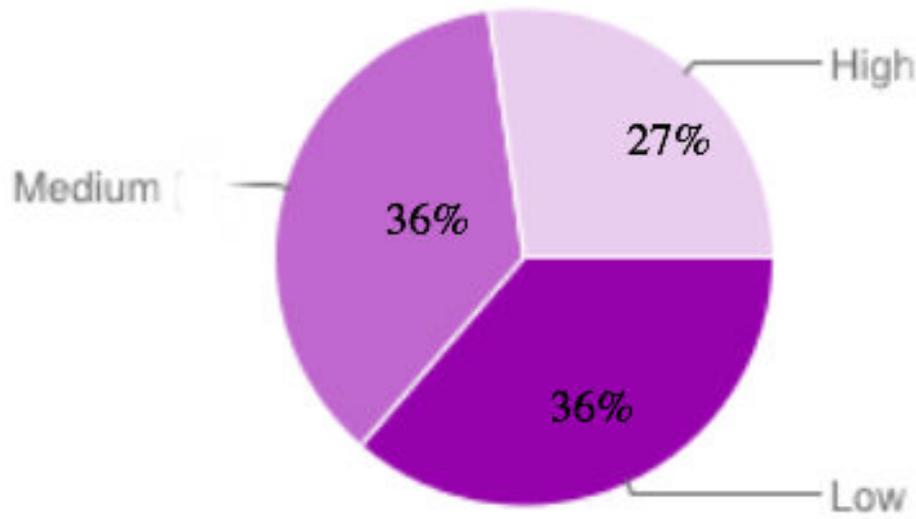
“Intersection of cost of land, construction and etc is compounded by the fact that there is no government program to provide funds for those with deep income need issues. The current Investment in Affordable Housing (IAH)¹ program does not include people with incomes under \$12,000. The IAH program is appropriate for working poor or lower middle class but does not include others and does not guarantee meaningful long-term affordability. We could not take advantage of IAH because we could not cover debt ratio using tenant rents or because we did not have sufficient capital grants to lower borrowing or mortgage costs to zero.”

A widely recognized, yet difficult to overcome barrier to affordable housing in Ontario is the lack of financial resources and funding from the federal government. Although Ontario receives funding from the federal, the province and its municipalities still are struggling to meet the need for affordable homeownership or rental housing due to insufficient resources. Federal resources are limited and have been shrinking for housing programs. This situation is expected to carry on for some time.

Overall Support of Municipalities for Affordable Housing

Respondents were asked to rank the overall support of their municipality for affordable housing. In all, only 11 organizations responded, which 36 percent ranked their municipality’s support as “low,” 36 percent “medium” and 27 percent responded “high.” All of the respondents claimed to be aware of long-term vision supported by their municipality with respect to affordable housing development. However, most respondents believed that the long-term vision of their municipality is not adequate given the need. Graph 3 shows the ranking for the overall support of affordable housing in their municipality.

¹ More information on IAH plan can be found at: http://www.cmhc-schl.gc.ca/en/inpr/afhoce/fuafho/iah/afhopracca/afhopracca_009.cfm



Graph 3. Ranking the overall support for affordable housing
 Source: Survey Data

The government of Ontario is working to improve access to affordable housing through providing various long-term housing programs including Investment in Affordable Housing for Ontario (IAHO), Long-Term Affordable Housing Strategy and other programs. However, it is apparent that these programs have not been adequate in meeting the demands for affordable homes. According to ONPHA yearly survey, regardless of provincial housing programs, the need for affordable housing among low-income families in Ontario is just increasing. One of the reasons why these programs have not been as successful as they were expected to be is that the programs are not based on long-term affordability. Public subsidies and findings that are used towards development of affordable homeownership through conventional means usually benefit only the first homeowner and there is no guarantee for long-term affordability (Angotti, 2007).

Providing affordable housing through CLT programs could be a good solution for meeting the needs of low-income families; especially since the model is based on long-term affordability. This could benefit both low-income families and the government by providing affordable homes while preserving the subsidies for future use.

Ontario Housing Providers and CLTs

One of the goals of the survey was to determine what organizations knew about community land trusts and to measure attitudes concerning the CLT concept. More than quarter of the respondents (77 percent) identified themselves as familiar with the Community Land Trust model concept for affordable homeownership. Only 15 percent identified themselves as unfamiliar with the concept, with the remaining 8 percent responded as not sure. Although more than 50 percent of the respondents claimed to be familiar with the concept, there is still a need for more commitment to the comprehension of CLTs and what they could offer.

In terms of familiarity with the concept being used for land conservation in addition to affordable housing, 69 percent of respondents stated that they are aware of the model being used for land conservation. A large number of housing providers (91 percent) held a favorable view of community land trust, but 9 percent were unsure. Only 55 percent responded that they had knowledge of organizations or individuals pursuing expertise in or the creation of a community land trust, with 45 percent stating that they have no knowledge of any organization exploring the set up for a community land trust. In terms of knowing any organizations or community groups that are actively engaged in beginning CLTs in their catchment area, 46 percent of participants stated that they know about organizations or community groups involved with CLTs. Of all respondents, 67

percent believed that CLTs would be a good strategy for their catchment area, with 33 percent being unsure due to their lack of knowledge about CLTs.

CLTs as a Strategy for Affordable Housing

Respondents were asked to explain reasons why they believe that CLTs would be a good strategy for their community service area. Below are a few comments from different organizations, which shows their attitudes toward CLTs.

“Any initiative that will create additional housing stock is welcome. It offers one more option” (Organization 1).

“CLTs are one of many different models that can be used to address affordable housing needs” (Organization 2).

“The major challenges in our community are capital and land availability. It is very difficult for these to come together at the same time. A CLT would facilitate matching land when capital is available for affordable housing” (Organization 3).

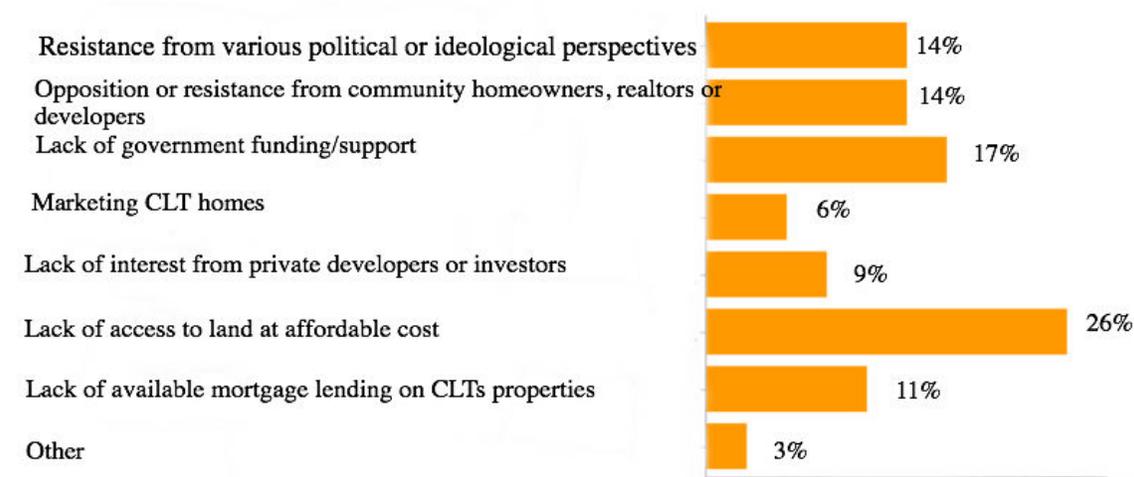
“The high cost of land in our area is the biggest barrier to anyone wishing to develop affordable housing in our community. The ability to spread the cost of development between the landowner, the developer and the potential owner - of the unit(s) seems to be a practical way to keep the cost affordable. I am very interested in the CLT model by the Burlington Community Land Trust in Vermont. The model has been used to successfully develop single detached, townhomes and multi-residential properties. With the land owned by the CLT and the homebuyer only responsible for the cost of the unit - with the ability to build equity and get a slight return upon sale seems to be a practical way of ensuring the unit remains affordable” (Organization 9).

Barriers to Implementing CLT in Ontario

Views on barriers to implementing CLT in Ontario varied among respondents. 25 percent of respondents listed “lack of access to land at an affordable cost” as the main barrier. According to the respondents, “lack of governmental funding/support” was the second most common barrier followed by “resistance from various political or ideological perspectives” and “opposition or resistance from community homeowners,

realtors and developers.” “Lack of available mortgage lending on CLT properties” and “lack of interest from private developers or investors” were placed as the fourth and fifth barriers followed by “marketing CLT homes” as the sixth. Respondents put “other” as the last barrier to implementing CLT in Ontario. The graph below shows some of the barriers cited to implementing CLTs in Ontario.

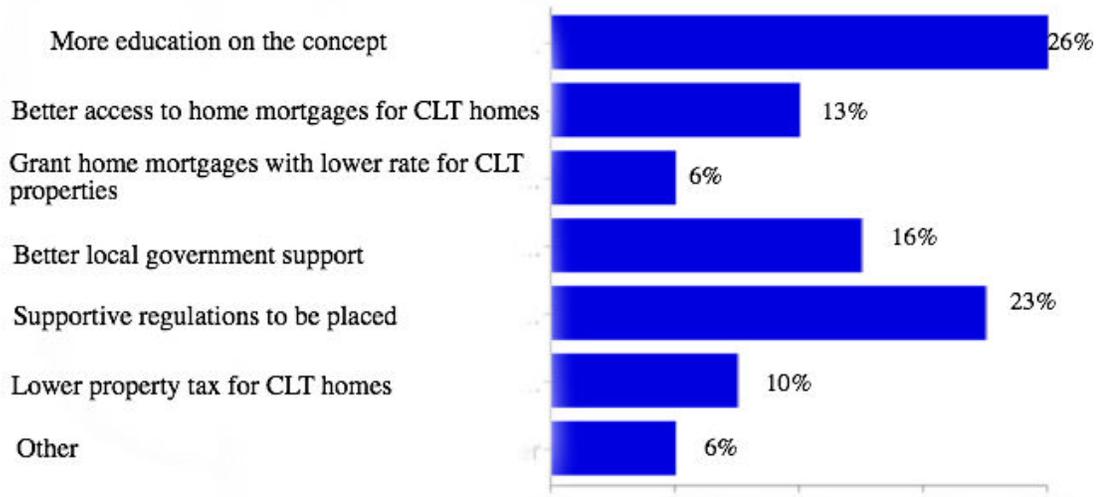
According to the participants, lack of access to land at affordable costs is the main barrier to implementing CLT in Ontario. This also has been a major barrier to the City of Chicago CLT when they started their operation in 2006. As a way to respond to this issue, the City of Chicago started partnering with developers by providing regulatory concessions and financial assistance such as, selling City-owned lands to developers for \$1 to promote and support affordable housing development. The City of Chicago started to sell off abandoned or City-owned lands to developers as a way to encourage development of affordable housing. As stated earlier, there are numbers of CLTs in the U.S. that are benefiting from private donations of land from private parties as well. Housing providers in Ontario might be able to apply the same strategies to overcome this barrier.



Graph 4. Barriers to implementing CLTs in Ontario
Source: Survey Data

Making CLT Implementation more Feasible in Ontario

When it came to changes housing providers would like to see implemented in order to make Community Land Trusts more feasible in Canada, 26 percent listed “more education on the concept” as the first change needed, followed by “supportive regulations to be placed,” “better local government support,” “better access to home mortgages for CLT homes and lower property tax for CLT homes,” “Grant home mortgages with lower rate for CLT properties” and “other” as second, third, fourth and fifth respectively. Graph 5 provides a visual of the results obtained from the responses:



Graph 5. Changes need to be implemented to make CLT more feasible in Canada
Source: Survey Data

As it was illustrated in graph 5, most of the participants believe that there is a need for more education on the concept. According to housing providers, more commitment to understanding the concept is needed. CLTs are a relatively new idea based on a very unconventional philosophy about affordable housing and homeownership; therefore a greater emphasis on providing education on the concept is needed. This can be achieved through providing programs including professional education workshops, seminars, or conferences. The question that remains is who should be responsible for providing education and outreach programs? The possible answer to this question is that a central organization such as the U.S. National CLT Network that offers educational programs to interested groups, organizations and communities is needed. The U.S. National CLT Network, a central organization representing CLT interests, provides training, advocacy and resources for its member organizations and interested individuals.

Other Challenges

The other challenges that were identified by interviewees included: lack of supportive mechanism, lack of knowledge from the lender's side, lack of supportive regulations and legal recognition. One of the interviewees suggested that the lack of supportive mechanisms is one of the major barriers that need to be addressed. He further suggested that a Network, such as National CLT Network in U.S. that could function as a technical resource through providing education could be a major help and support for those who decide to establish or run a CLT (Interviewee A. Organization 2.). In this regard, Interviewee B. Organization 9, who has been involved with CLT for 4 years, says, "U.S. CLTs are very lucky because of having a National Network that they could turn to if they needed. The National Network functions as the source for technical assistance, training, tools and resources" (Personal Communication, May, 2014).

CHAPTER 5

Conclusion

Key Findings

CLTs are a unique form of property ownership that provides the opportunity to create long-term affordable home ownership opportunities for social housing residents while the CLT retains control of land. As shown in the survey, there is potential for housing providers in Ontario to create CLTs as a means to provide and preserve affordable housing stock. As presented in the Community Land Trust for Affordable Housing survey, a large number of participants (90 percent) held a favorable view of CLT model for affordable housing. Roughly 80 percent believed that CLT would be a good strategy for providing affordable housing in their community. Data showed that there are considerable barriers that keep housing providers or community based organizations away from implementing CLTs. Lack of access to land at affordable cost was recognized as the prime barrier to implementing CLTs in Ontario, followed by lack of governmental funding. More than 50 percent of the participants identify themselves as familiar with the concept. As shown in the survey, the level of familiarity of Ontario's housing providers with CLT is very low. There is still a need for more education on the method.

In using this survey that was sent to housing providers in Ontario along with key informant interviews, I found that roughly more than half of the respondents had an interest in learning more about CLTs. I also found that most participants believed that CLTs might be a good strategy to increase affordable housing opportunities in their community. However, as stated by both key informants and survey respondents, there are

still major barriers and obstacles that need to be addressed for housing providers in order to be able to establish a CLT in Ontario.

Recommendations

What follows are some recommendations for interested organizations that want to implement a CLT for providing affordable housing in their community area.

A) National Network

Establishing a national “umbrella organization,” like the U.S. National CLT Network could be very helpful for organizations that decide to implement CLT. Having a national network that could focus on strengthening the work of individual CLTs and their presence is very important and necessary. The U.S. National CLT Network has been a house for resources, information, networking and support services that CLTs need.

Through the U.S. National CLT Network annual conference, CLT organizations, members, staffs and supporters get together from around the country and learn best practices from each other, understand challenges their CLTs are facing, and develop new strategies for overcoming such challenges. Creating partnership alliances seems to be a critical component, particularly for the funding and development of housing. In other words, CLTs can benefit from networking opportunities. As mentioned earlier, in the U.S., CLTs have benefited from networking opportunities, technical advice and financial support offered through the CLT National Network.

The U.S. National CLT Network has played an important role with respect to the growth of CLT organizations. The Network works with a number of different allies compiling data while providing guidance and grant programs to CLTs across the country.

A national CLT Network could act as an academy providing education and training to interested groups by offering workshops, webinar, conferences and online course. Active CLTs can also take advantage of these programs to advance their strengths and successes.

B) Supportive Policies

Supportive policies could promote the developmental climate for community land trusts. For instance, implementing a tax assessment policy for CLT properties could assist CLTs with respect to developing affordable homes. CLT properties and improvements on CLT lands that have resale restrictions placed on them could be assessed and taxed on their actual resale value rather than on comparatives that are made up of properties that are not resale restricted. There are a number of states in the U.S. that have applied this practice in order to help CLTs. Assessing CLT properties based on the initial below-market price and increasing that assessment no faster than the rate of increase in the resale price can strengthen the long-term affordability of CLT properties.

Other supportive land use policies that could help CLTs develop affordable housing include: inclusionary zoning and density bonuses. The City of Chicago CLT is a prime example of a CLT organization that has created most of its units through an inclusionary zoning program.

C) Municipal Support

During the planning and start up phases of a CLT, municipalities can provide support through offering administrative or financial assistance. Municipalities can offer donations of city-owned land, grants or low-interest loans for developing and financing CLT projects.

D) Determining Sponsorship

Determining sponsorship is one of the preliminary steps that every organization has to consider before establishing a CLT. Generally, CLTs get their start up funds from some sort of impetus initiated by different potential sponsors, such as institutions, investors or philanthropic organizations. This is very important for non-profit organizations, in particular, as if they do not have access to governmental funds and/or grants.

E) Defining Service Area and Identifying Beneficiaries

CLTs must define the geography within which they want to operate and serve at the early stage in order to be able to select their targeted beneficiaries. It is better for CLTs to decide early on who their target beneficiaries are. This will help the organization to determine the type and tenure of housing they want to provide. Determining their targeted beneficiaries could also help the organization to decide on the amount of subsidies or funding they might need. It also could help the CLT organization to come up with a proper design for resale formula, organizing strategy, marketing plan and selection criteria.

F) Community Support

CLTs are community based organizations and must build a base for community support. CLTs can benefit from a founding board- a broad range of stakeholders, such as community activists, political leaders, residents of the community to be served or philanthropic institutions. The Ontario community needs to be educated about CLTs for the model is an unusual approach to the ownership of land and housing.

Future Work

While this research study tried to identify some of the challenges that housing organizations might face while starting a CLT, in the future it may be helpful to study techniques or strategies that could be applied to make CLTs more feasible in Canada. A suggestion for further research is to focus on identifying additional gaps and creating a comprehensive program to help CLTs reduce potential barriers. There is a call within the literature I reviewed regarding a lack of information about the pattern of developers, investors and financial institutions that might choose to work with land trusts. In addition, many questions surrounding financing CLT homes have yet to be answered. As it was mentioned throughout the paper, CLTs are not new to the U.S. or Canada. Yet, more research still could be conducted around different aspects of CLTs.

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Appendix A:

Information Brochure

 <h3>CLT History</h3> <p>The Community Land Trust (CLT) model of affordable housing was born out of a search for a creative and innovative way to address the housing problem at the time. The first CLT in the USA, New Communities, Inc. was established in 1968 in rural Georgia. The roots of the CLT model in the US can be traced back to several thinkers including Henry George, Ebenezer Howard, Arthur Morgan and Ralph Borsodi and social movements in the US and abroad such as the land and village-gift movement associated with India's freedom against colonial rule. Nearly 250 CLTs are known to have existed or still exist in the United States.</p> <p>Photos © Microsoft</p>	 <h3>Why Community Land Trust?</h3> <p>The dream of becoming a homeowner has faded away for low and moderate-income families. Households who attempt to become homeowners without assistance tend to face difficulties and often find themselves renting once again. The CLT model uses subsidies to help low-income households become homeowners while preserving the same subsidies for future use. Community Land Trust is a viable option for affordable housing for low and moderate-income residents as the model can find a way to make homeownership a reality. Just producing affordable housing is not sufficient as the price of homes rise due to market factors. The central principle of CLTs is to control the cost and condition of housing over a long period of time, as successive owners move out and new owners move in.</p> <p>Contact info: hosseini.z@hotmail.com 416-875-4080</p>	<h3>Community Land Trust: An Innovative Model of Ownership</h3>  <p>Prepared by: Zeinab Hosseini York University</p>
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Q&A

Community Land Trust: An Alternative for Affordable Housing

What is a CLT and how does it Work?

Community Land Trusts (CLT), which are usually formed by non-profit, tax-exempt corporations, are an innovative approach to providing affordable homeownership to low and moderate-income households. CLTs allow people to purchase a home while the land beneath is held in perpetuity by the trust. CLTs address the need for affordable housing while ensuring that homes governed by the trust will stay affordable permanently. CLTs enter into a 99-year inheritable ground lease with the eligible homebuyers that typically include three restrictions: the home must be occupied by the owner/family; the CLT must retain a preemptive right to purchase the home if the owner wants to sell and the resale price must be calculated by a defined formula.

Housing affordability is secured through limiting the resale value of the homes. Most CLTs use a shared equity model in which the buyer agrees to share any home price appreciation at the time of resale with the CLT, which helps preserve affordability for subsequent homebuyers. Through this model, owners can build equity in their homes, but a significant proportion of the equity growth stays with the trust and therefore benefits the next homebuyer.

Acknowledgements: Swann, S., Gottschalk, Sh., Hansch, E., and Webster, W. (2007), Davis, E., J. (2009), White, K. (2011). [LDS-Habitat \(2012\)](#).

The purpose of a CLT is to stabilize the market price of land and homes through removing it from speculative market forces. CLTs apply different techniques to either acquire or purchase homes and sell them to low or moderate income applicants who meet the organization's requirements with regards to income, ability to care for the home and other criteria. The residents do not own the land. Rather, the residents lease the land for the amount stipulated in the ground lease. The ground lease, which is generally 99 years, governs the relationship between the CLT and the homeowners. CLTs may be relatively new to the housing scene, but experience from the USA demonstrates that over the past 30 years they have been highly successful in providing affordable home ownership for those on low income.

What makes CLTs distinctive is the unique opportunities that they provide for first-time homebuyers with modest incomes; that they preserve affordability when homeowners sell, and maximize the benefits of public subsidies. On the other hand, public subsidies for the development of affordable homeownership through conventional means usually benefit only the first homeowners, with few guarantees of long-term affordability.

What types of housing are developed on a CLT's land?

There is numerous variability in the types of housing CLTs develop (detached, single family houses, multi-unit residential projects like townhouses, condominiums and co-operatives and rental housing).

How do CLTs keep homes permanently affordable?

CLT homeowners agree to a resale formula that will be used to determine the homes' resale price. The benefit of public and private affordability subsidies is preserved for future buyers. (There are two common resale formulas; however, each organization creates its own resale formula).

Can the CLT model be used for providing rental housing?

Despite the apparent emphasis of CLTs on the promotion of homeownership, CLTs have developed rental housing to meet the needs of low-income households too.



Appendix B:

Invitation Letter

Invitation Letter

Date:

Name of Participant:

Address:

Dear,

I am a Masters student in Urban Planning at York University in Toronto, Canada. The purpose of my research is to promote solutions for providing permanent affordable housing through Community Land Trusts. This research is important as it can provide a practical planning tool to municipalities and communities to help meet affordable housing needs. I am writing this letter to ask if you would like to take part in the study by completing an online survey. The questionnaire will require approximately 5 to 10 minutes to complete.

If you agree to take part in my study, I will send you an informed consent letter along with the link to the questionnaire. I look forward to hearing from you. I will contact you to follow up in case if you had any concerns or further questions.

If you require additional information or have questions, please feel free to contact Dr. Rahder either by telephone at (416) 736-2100, extension 22612 or by e-mail (rahder@yorku.ca). This research has been reviewed and approved by the Human Participants Review Sub-Committee in the Faculty of Environmental Studies of York University and conforms to the standards of the Canadian Tri-Council Research Ethics guidelines. If you have any questions about this process, or about your rights as a participant in the study, please contact the Sr. Manager & Policy Advisor for the Office of Research Ethics, 5th Floor, Research Tower, York University (telephone 416-736-5914 or e-mail ore@yorku.ca).

Best,

Zeinab Hosseini

MES Planning Candidate 2014

zhossein@yorku.ca

hosseini.z@hotmail.com

416-875-40-80

Appendix C:

Survey Informed Consent Letter

Consent to Participate in Survey

My name is Zeinab Hosseini and I am a graduate student at York University in Toronto. The purpose of this research paper is to promote solutions for providing permanent affordable housing through Community Land Trusts. The research findings can provide a practical planning tool to municipalities and communities to help meet affordable housing needs. Your participation would contribute to improving communities and to help them to meet affordable housing needs. Because your organization is a housing provider, I am writing you to participate in this research by completing an electronic survey.

The following questionnaire will require approximately 10 to 15 minutes to complete. There is no compensation for responding nor is there any known risk. Participation is strictly voluntary and you may refuse to participate at any time. All the information will be kept confidential and unless you specifically indicate your consent, your name will not appear in any report or publication of the research. Confidentiality will be provided to the fullest extent possible by law.

Thank you for taking the time to assist me in my educational endeavors. The data collected will provide useful information within the context of affordable housing. Completion and return of the questionnaire will indicate your willingness to participate in this study. If you require additional information or have questions, please contact Dr. Rahder either by telephone at (416) 736-2100, extension 22612 or by email (rahder@yorku.ca). This research has been reviewed and approved by the Human Participants Review Sub-Committee, in the Faculty of Environmental Studies of York University and conforms to the standards of the Canadian Tri-Council Research Ethics guidelines. If you have any questions about this process, or about your rights as a participant in the study, please contact Sr. Manager & Policy Advisor for the Office of Research Ethics, 5th Floor, Research Tower, York University (telephone 416-736-5914 or e-mail ore@yorku.ca).

Sincerely,

Zeinab Hosseini
416-875-4080
hosseini.z@hotmail.com

Appendix D:

Interview Questions

1. Why were you interested in starting a CLT? What appealed to you about this particular form of development organization?
2. Is there any specific CLT program in Canada that you turn to as an example?
3. What mechanism would you use to preserve affordability? (Ground Lease/Covenant).
4. If it is ground lease, how are you planning to acquire land in the first place?
5. What is your target geography or population?
6. What were some of the obstacles/challenges you faced? What strategies have you used to overcome these obstacles?
7. What is your plan for getting the financing in place for CLT properties?
8. Did the City of Toronto (or your municipality) play any role in establishing your CLT organization?
9. In the end, some CLTs fail and others thrive. Do you have any ideas about why some have excelled and other failed in Canada? Can you explain what you think are the most critical elements for a CLT's success?

Appendix E:

Fannie Mae's CLT Appraisal Guide

B4-1.4-06, Community Land Trust Appraisal Requirements (04/15/2014)

Introduction

This topic contains information on special appraisal considerations for properties subject to a community land trust, including:

- Appraiser Qualifications for Appraising Properties Located in a Community Land Trust
- Appraisal Requirements for Community Land Trust Appraisals
- Comparable Selection Requirements for Determining Fee Simple Value
- Determining the Capitalization Rate
- Determining the Leasehold Value
- Addendum to the Appraisal Report

Appraiser Qualifications for Appraising Properties Located in a Community Land Trust

The lender must ensure that the appraiser is knowledgeable and experienced in the appraisal techniques, namely the direct capitalization and the market derivation of capitalization rates that are necessary to appraise a property subject to a leasehold estate held by a community land trust. Lenders must establish policies and procedures to ensure that qualified individuals are being selected in accordance with Fannie Mae requirements including the Appraiser Independence Requirements.

Appraisal Requirements for Community Land Trust Appraisals

The appraisal requirements for community land trust properties are as follows:

- The appraised value of the leasehold interest in the property must be well supported and correctly developed by the appraiser because the resale restrictions, as well as other restrictions that may be included in the ground lease, can also affect the value of the property. Fannie Mae has

developed the Community Land Trust Ground Lease Rider (Form 2100) that the lender and the borrower must execute to remove such restrictions from the community land trust's ground lease. The land records for the subject property must include adoption of the terms and conditions that are incorporated in that ground lease rider.

- The appraiser must develop the opinion of value for the leasehold interest under the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions that the ground lease rider removes when Fannie Mae has to dispose of a property acquired through foreclosure. (For additional information, see B5-5.1-04, Community Land Trusts (04/15/2014), for legal considerations.)
- The appraiser must use a three-step process to develop an opinion of value.

Step	The appraiser must determine
1	the fee simple value of the property by using the sales comparison analysis approach to value,
2	the applicable capitalization rate and convert the income from the ground lease into a leased fee value by using the market-derived capitalization rate, and
3	the leasehold value by reducing the fee simple value by the lease fee value. (For detailed information related to this process, see below.)

Note: When this appraisal technique is used, there is no need to document the actual land value of the security property.

On the actual appraisal report form, the appraiser must indicate "leasehold" as the property rights appraised, provide the applicable ground rent paid to the community land trust, show the estimated fee simple value for the property in the Sales Comparison Approach adjustment grid,

report the “leasehold value” as the indicated value conclusion, and check the box “as is” and include in the addendum the development of the capitalization rate and an expanded discussion of the comparable sales used and considered.

Comparable Selection Requirements for Determining Fee Simple Value

In determining the fee simple value of the subject property, the appraiser must use comparable sales of similar properties that are owned as fee simple estates. If this is not possible, the appraiser may use sales of properties that are subject to other types of leasehold estates as long as he or she makes appropriate adjustments, based on the terms of their leases, to reflect a fee simple interest. When the community or neighborhood has sales activity for other leasehold estates held by a community land trust, the appraiser must discuss them in the appraisal report, but must not use them as comparable sales because, in all likelihood, the sales prices will have been limited by restrictions in the ground lease. Therefore, these sales transactions would not be comparable to the hypothetical condition that the property rights being appraised are the leasehold interest without the resale and other restrictions on which Fannie Mae requires the appraisal of the subject property to be based. See B4-1.3-08, Comparable Sales (04/15/2014), for general requirements regarding comparable selection.

Determining the Capitalization Rate

When the community has an active real estate market that includes sales of properties owned as fee simple estates and sales of properties subject to leasehold estates other than those held by community land trusts, the appraiser can use the most direct method for determining the capitalization rate, extracting it from the market activity. To extract the capitalization rate, the appraiser must divide the annual ground rent for the properties subject to leasehold estates by the difference in the sales prices for the comparable sales of properties owned as fee simple estates and the comparable sales of properties subject to leasehold estates.

If there are no available comparable sales of properties subject to leasehold estates other than those held by a community land trust, the appraiser must develop a

capitalization rate by comparing alternative low-risk investment rates, such as the rates for long-term bonds, and selecting a rate that best reflects a “riskless” (safe) rate.

Determine the Leasehold Value

To determine the leasehold value of the subject property, the appraiser must first convert the annual income from the community land trust’s ground lease into a leased fee value by dividing the income by the market-derived capitalization rate. The appraiser must then reduce the estimated fee simple value of the subject property by this leased fee value to arrive at his or her opinion of the leasehold value of the subject property.

For example, assume that the annual ground rent from the community land trust’s ground lease is \$300, the market-derived capitalization rate is 5.75%, and the estimated fee simple value of the subject property is \$100,000:

$$\text{\$300 annual rent} / 5.75\% \text{ capitalization rate} = \text{\$5,217.39 (rounded to \$5,200)}$$

$$\text{\$100,000 fee simple value} - \text{\$5,200 leased fee value} = \text{\$94,800 (leasehold value)}$$

Addendum to the Appraisal Report

Because Fannie Mae’s appraisal report forms do not include space to provide all of the details required for appraising a property subject to a leasehold held by a community land trust, the appraiser must attach an addendum to the appraisal report to provide any information that cannot otherwise be presented on the appraisal report form. As previously mentioned, the appraiser must check the box “as is” and include in the addendum the development of the capitalization rate and an expanded discussion of the comparable sales used and considered.

The addendum must also include the following statement:

“This appraisal is made on the basis of the hypothetical condition that the property rights being appraised are the leasehold interest without resale and other restrictions that are removed by the Community Land Trust Ground Lease Rider.”

Appendix F:

Survey Questions

Community Land Trust for Affordable Housing

1. Please write your organization's name

2. Describe your organization's type

NGO
Nonprofit
Governmental
None
Other:

3. What would you consider your service area as?

Rural
Urban

4. How would you rank the unmet affordable housing needs in your community?

Extreme
Large
Small
No need

5. Are people moving out of your community or service area because of a lack of affordable housing?

Yes
No
Maybe
No opinion

6. How would you rank the overall support for affordable housing in your municipality?

Low
Medium
High

7. Are you aware of any long-term vision supported by your municipality with respect to affordable housing development?

Yes
No

8. If yes, do you believe that it is adequate given the need?

Yes
No
Not sure

9. Who are the people most in housing need in your community or service area?

Families with children
Singles adults
Seniors
People with disabilities
Others

10. What type of housing would you consider as the most needed housing type in your community?

Single family
Townhouse
Multi-Residential
Duplexes
Mobile homes
Condominiums
Apartments in buildings with or fewer than 8 units
Apartments in buildings with more than 8 units
No opinion

11. Which of the following would you consider the biggest barrier to affordability?

- High mortgage rates
- Low income
- Cost of land
- Cost of construction
- Unstable economy
- Governmental regulation

12. In terms of the cost of building new housing what are the major barriers in your community or service area (check all that apply)?

- Construction cost
- Availability of contractor/builders
- Cost of land
- Availability of land
- Other

If you answered other above, please specify

13. Have you heard about alternatives, such as Community Land Trust for housing?

- Yes
- No
- Not sure

14. Are you familiar with the Community Land Trust model being used for land conservation in addition to housing?

- Yes
- No
- Not sure

15. If you are familiar with the concept of Community Land Trust, what is your general impression?

- Favorable
- Unsure

16. Do you know any community group in your community exploring the start up of a Community Land Trust?

Yes

No

17. Do you know any organization or community group actively engaged in beginning CLT's in your or their community?

Yes

No

18. From what you do know about Community Land Trusts, do you think one would be a good strategy for your community or service area?

Yes

No

Don't know enough about CLTs

If you answered YES above, please give reason/s

19. What changes would you like to see implemented to make Community Land Trust more feasible in Canada?

More education on the concept

Better access to home mortgages for CLT homes

Grant home mortgages with lower rate for CLT properties

Better local government support

Supportive regulations to be placed

Lower property tax for CLT homes

Other:

if you have any suggestion, please specify

20. Which of the following would you consider as barrier for implementing CLT?

Resistance from various political or ideological perspectives

Opposition or resistance from community homeowners, realtors or developers

Lack of government funding/support

Marketing CLT homes

Lack of interest from private developers to participate

Lack of access to land at an affordable cost
Lack of available mortgage lending on CLT properties
Other:

If you are willing to participate in a follow-up interview or would like more information about CLTs please add your contact information.

Appendix G:

List of Organization Consulted

Georgian Triangle Housing Resource Centre
Mainstay Housing
City of Toronto, Affordable Housing Office
Toronto Women's Housing Co-op
Region of Peel
Affordable Housing Halton (backbone organization supporting the Halton Housing Alliance)
Canadian Housing and Renewal Association
Houselink Community Homes
Good Shepherd
CMHC
YWCA Toronto
Region of Waterloo