Community Land Trust

Program Information
What is a community land trust?

• A community land trust (CLT) is a nonprofit, community-based organization that works to provide perpetually affordable home ownership opportunities.

• In the truest sense, a CLT acquires land and removes it from the speculative, for-profit, real estate market.

• CLT’s hold the land they own “in trust” forever for the benefit of the community by ensuring that it will always remain affordable for homebuyers.
How does CLT home ownership work?

• Homebuyers with CLT programs receive affordability assistance from the land trust and enter into a long-term agreement to preserve the affordability of the home.

• CLT homes are sold to households with limited incomes. When a CLT household decides to sell a CLT home, they pass the home and the long-term affordability agreement on to another household with a limited income.

• The sales price is determined by using the CLT resale formula. The home stays affordable for future generations.
The CLT Perpetual Affordability Cycle

- The CLT provides a one-time affordability investment in a home.

- An income-qualified CLT buyer purchases the home for an affordable price.

- The CLT and the homebuyer enter into a long-term agreement to preserve the affordability of the home.

- The homeowner receives ongoing post-purchase education and support from the CLT as long as they own a CLT home.

- When the CLT homeowner wants to sell their home, the CLT resale formula is used to calculate the sales price.
Why do CLT’s use a resale formula to calculate the sales price?

• The resale formula preserves the affordability for the next family who will buy the CLT house. Essentially, by agreeing to the resale formula, CLT homebuyers are agreeing to help another limited income family purchase a home in the same way they were helped in purchasing their home.

• The CLT resale formula gives the CLT homeowner 100% of their earned equity (the amount they have paid down on their mortgage) PLUS 50% of any market equity (the change in market value for their home).
What is the long-term agreement?

- CLT homeowners enter into a long-term agreement (99 years) with the CLT to preserve the affordability of the CLT home.

- With single-family homes and townhouses, the CLT homeowner owns just the house and the CLT owns the land beneath the home. The CLT is holding the land in trust for the benefit of the greater community. Because a CLT owns the land and the homeowner owns the home, a CLT and the homeowner sign a Ground Lease that defines the roles and responsibilities of both the CLT and the homeowners.

- The Ground Lease allows the homeowner secure, long-term rights to use the land. CLT homeowners have full use of the land, and they have full responsibility for the property. Homeowners pay a ground lease fee.
Rights, Responsibilities and Requirements

• Responsibility to Community: You have the right to use the property in a reasonable way. This includes not damaging the land or common space, being a good neighbor in your community, and using the property primarily for residential purposes.

• Landscape: You are responsible for maintaining the property so that it is safe and decent. Like any homeowner, you have the right to make improvements to your yard (gardening, planting, landscaping), that in turn may increase the property value.

• Owner-Occupancy: Your home must be your primary residence. You must live in the home for at least eight months out of each year.
Rights, Responsibilities and Requirements

• Home Improvements: You agree to seek permission from and provide information to the CLT before making any improvements/remodel to your home. Design guidance or suggestions may be offered to help increase the value of your modifications.

• Loans: No loan for any improvements (either interior or exterior) can be tied to (or secured by) the land under the home.

• Solving Problems: You agree to workout any disputes that may arise between you and the CLT through an arbitration process, which involves impartial mediators instead of lawyers and judges.

• Future Affordability: Should you ever decide to sell your home, you will work with the CLT to ensure that your home will remain affordable for future low- to moderate-income households by giving the CLT the first option to purchase it for a price (based on market appraisal) which will enable the CLT to sell to other low- to moderate income households.
What are the benefits of CLT home ownership?

• Affordability. CLT homes are more affordable than homes purchased on the open real estate market because the CLT provides affordability assistance to its homebuyers.

• Mortgage. Consistent and affordable housing payments.

• Support. CLT homebuyers have the support of the CLT and its staff as long as they own their homes. The CLT provides a wide array of support to its homeowners. The CLT is also available to help homeowners in dealing with financial problems and foreclosure prevention.

• Stability. Homeownership provides stable housing costs and security from eviction. With this stability, homeowners have a solid foundation that can allow them to pursue other dreams, like going back to school and getting better jobs.
Other Details

• The CLT homeowner pays all the taxes associated with the property. As with all homeowners, property taxes and mortgage interest are tax deductible. Many CLT homeowners may also be eligible for a property tax refund from the state of Minnesota.

• The CLT makes a long-term commitment to its homeowners. Types of support offered by CLT’s to homeowners after they purchase their homes include education and resources. CLT’s have helped homeowners with foreclosure prevention, property tax refunds, and re-financing options.

• When a CLT homeowner wants to move the home is put on the market and sold directly to an income-qualified buyer, or it can be given to other qualified heirs of the homeowner. The sales price for the house is determined using an independent appraisal of the value of the house and the resale formula outlined in the Ground Lease.