

# **Building Affordable Housing From the Ground Up: Developing a Community Land Trust in Minneapolis**

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## I. Executive Summary: Key Findings

### A. Why the Minneapolis Community Land Trusts Initiative (MCLTI) was started:

- To provide good quality permanently affordable housing in our communities
- To encourage neighborhood stabilization through supported homeownership and community building
- To provide an opportunity for low- and moderate income families a chance to benefit from homeownership
- To develop a smarter way to invest scarce resources
- To attract new resources to affordable housing, including a community's non-monetary resources
- To preserve affordability for future families
- To help neighborhood revitalization reach everyone, without displacement

### B. Comments from Community Stakeholders:

- There is broad consensus among practitioners and community organization staff and policy makers on value of a CLT as a new tool. Neighborhood activists are interested in the CLT as a way to increase and support new homeowners in their neighborhoods.
- There was broad support across all stakeholder types for one city-wide CLT. Efficiency of scale, interest and opportunities are city-wide, you can tap into a broader constituency and leadership base. Alternatively, some activists from Phillips worry about how community-based it can be if it is city-wide, and one CDC thinks they might be better off if they set up their own CLT.
- There was no consensus on how the CLT should be organizationally structured.  
The options discussed were:
  1. The CLT should be its own organization,
  2. The CLT should be placed within an existing organization (forever, or for a start-up period),
  3. The CLT should be a program of the Minneapolis Consortium of Community Developers.  
(In reality there are other options as well, which will be part of the deliberations.)
- On where the CLT can add value to the existing organizational environment and where it should partner with others. Again, people saw the value of a CLT in preserving long-term affordability of all types of housing units, the post-purchase support component and bringing new resources to housing affordability. The MCLTI was encouraged not to engage in program activities that were being effectively addressed by another program or organization.
- On the resale formula, people tended to support a more complicated formula that factored in larger improvements or additions.

People are concerned that the MCLTI set a resale formula that allows people to move from a CLT home to a conventional home.

- Many people had ideas about how they could take advantage of a future CLT. There are many partnership opportunities to pursue to add units to the trust once the CLT gets established.

### C. Feedback from Focus Groups:

Four focus groups were held through March, April and May of 2002: one each with PRG home buyer clients, the East African community, members of the Southeast Asian community, and one targeted to African Americans.

The participants were asked four questions:

1. Why were people interested in buying their own home?
2. What barriers were people experiencing in the current housing market?
3. What types of support people would like once they've purchased their home?
4. Were people willing to make the trade off between getting support on the front end, and limiting what they got on the back end?

The response:

- People were interested in buying their homes for family reasons: stability, room and privacy, and investment vs. giving money to a landlord each month
- The barriers people are experiencing are low incomes, high housing prices, and especially high housing prices in safe neighborhoods where they would feel comfortable raising their children
- Post purchase supports fell into two categories: first, maintenance of home and yard, second, financial support in case of a job loss or illness: can the CLT help pay the bills at a time of crisis?
- People were very willing to make the trade-off between receiving help to get them into the home and having to limit the equity when they sell the home. For several respondents, it was more important for them to get a house that met their family's needs in a place where they wanted to live. If the CLT could help them achieve that, they were willing to help make that opportunity available to another family. Most participants focused on the other benefits that you get from owning your own home: stability, pride of ownership, tax deduction, some appreciation, the chance to build a track record, etc.

*Three additional learnings:*

- Participants did not feel like they needed to live in close proximity to other CLT owners to feel like they were a part of the "community" part of a community land trust
- Many immigrant families are especially in search of large houses, for their many children and extended family members
- East African Muslims are desperately looking for a way to finance a house that does not involve paying interest.

#### D. Lessons from Burlington

Overview: The Burlington Community Land Trust was established in 1984. They are a full service community development corporation, which also serves as one of the major housing developers in the Burlington, Vermont and Greater Chittenden County area. BCLT's current portfolio includes 230 rental apartments, 65 cooperative homes, and 345 shared appreciation single-family homes or condominium units. Here is a summary of the lessons that were learned through the MCLTI's trip to Burlington.

**There needs to be financing tools for CLT buyers that help make the CLT home more attractive to buyers.** All Vermont CLTs can take advantage of downpayment/second mortgage grants for CLT buyers (up to \$26,500, depending on income and location), plus low interest mortgages from the state's HFA.

**What the CLT staff actually do:** 1) get land/units into the trust, 2) market the units, 3) Educate and orient CLT buyers, 4) coordinate sales and resales of CLT homes, 5) provide post purchase support, and 6) maintain the organization. They gave us a good picture of what staff does on a day-to-day basis.

**Community organizing tasks:** A CLT has three levels of constituents: CLT home owners, all members, and public at large. Different constituents get different outreach. The CLT does not need to be geographically constricted to have a strong organizing component to the CLT.

**2/3rds of Board is elected**, 1/3 nominated/appointed. The residents elect their own representatives, the full membership elects the community members, then those two groups nominate/appoint the remaining 1/3 public/professional seats.

Problems that CLT homeowners face come before the board because they are on the board, **including if they have issues with the resale formula.**

**Importance of homebuyer education workshops** as a way to find eligible CLT buyers. BCLT gives 15 minutes of 8 hours of their training for a CLT presentation. Those who are interested contact the CLT staff for a more in depth meeting. Also, other homebuyer counselors can recommend clients to the CLT.

**City policies are crucial:** adopting a goal of “*perpetually affordable*” housing, and an inclusionary housing standard help support both adding affordable housing units to the city’s stock, and support the land trust.

**Individual condos can be part of the trust**, and are kept perpetually affordable through deed restrictions that the CLT monitors. Owners are CLT members, and the CLT helps with the resale of the unit. (State law governs the maximum length of enforceability of deed restrictions.)

Grants would/could be structured as second mortgages that stay with the house.

**The CLT adds a “resale coordination fee” onto the price of the home that helps pay for the on-going work of the CLT.** Roughly, the CLT takes no more than the seller gets, and no more than 6% of the value of the home (what a Realtor would get). \$1,000 on each sale goes into a Stewardship Fund to help pay for needed maintenance on homes when they transfer owners.

**Funds are brought in through:** grants, lease fees, development fees, resale fees, membership fees and an annual fundraiser. About 100 units will support the stewardship work of the CLT – mainly the education and coordinating resales work.

#### E. The Local Housing Market

- Home prices are increasing at faster rates than family’s incomes: *From 1993 to 2001, the median sale price of a home in Minneapolis increased at an average of 10.8% a year, while the area median income for a family of four has increased only 4.08% a year.* (Even taking a longer view shows this trend: the average increase in home prices in Minneapolis for the past 30 years – from 1971 to 2001 – was about 7.5% a year.)
- In 2001, the median priced home in Minneapolis was \$157,836 and *affordable to a family making 70% of the Area Median Income (\$52,500 a year).*
- In 2008, if trends continue, *a family earning 80% of the AMI will no longer be able to afford the average priced home in Minneapolis* (projected to be \$262,000).
- That cut off point for families earning 65% of AMI came in 1998, and if past trends continue, by 2018, families earning 100% of AMI will no longer be able to afford the average priced home in Minneapolis.
- Some neighborhoods continue to be more affordable than others.

\*\*\* If the existing median priced home were placed in a CLT today, at a 25% resale rate, \*\*\*  
 it would not only keep it affordable into perpetuity, but it would become even more  
 affordable over time. By 2005, if past trends continue, a CLT home would be affordable  
 to a family earning 65% of AMI

If a \$30,000 affordability subsidy were used to help bring the cost of the house down,  
 even deeper levels of affordability would be reached.

F. The Existing Organizational Environment/Where a CLT fits in in Minneapolis

CLTs generally engage in six primary activities: *First*, get land and/or units into the CLT and under community stewardship; *second*, market the housing; *third*, educate and orient buyers to own a CLT home; *fourth*, provide on-going post-purchase support to CLT homeowners; *fifth*, coordinate the resale of CLT homes; and *sixth*, administer the organization and the board.

What already exists in Minneapolis:

- At least 17 CDCs do some type of housing development: new construction or rehab of single-family homes or multi-family buildings. In addition, several for-profit developers are interested in the CLT model
- Two provide home buyer training and counseling (in Minneapolis alone)
- Two provide foreclosure prevention services, from counseling to financial support
- Four organizations provide some form of post-purchase supports, from one-time classes available through NNHS, CASH, to miscellaneous services through GMHC’s Housing Resource Centers, to Habitat’s classes for their home buyers
- Several organizations provide information and access to low-interest home improvement loans
- Neighborhood organizations provide local forums and community input and connections
- Public agencies that support and/or are warming to the model
- Private funders that have already shown support for this model (through support for this initiative and VIP-One)

Options for roles and activities for the Minneapolis CLT, and Opportunities for Collaboration

<u>CLT Activity</u>	<u>Collaboration Opportunity</u>
<u>A. Get land and/or units into the CLT</u>	1. City and County could direct land they receive through tax forfeiture, HUD foreclosures or otherwise to the land trust at discounted rates. The land trust could either develop units or rehab the properties themselves, or hire another developer to do that work. 2. Work with existing developers, both non- and for-profit, to put units they are developing into the trust (PRG’s VIP, Sherman’s East Phillips Commons, MCDA’s HOW homes, etc.)
<u>B. Market the CLT housing</u>	1. This is a core CLT activity that the CLT should conduct on its own and in coordination with developer of the units, if different than the CLT. Collaboration could occur around marketing the units to clients and constituents of other organizations (such as PRG’s coop residents, CCHT’s rental residents, or MPHA residents).
<u>C. Educate and orient buyers to own a CLT home</u>	1. The general homebuyer training that CLT buyers need to have could take place within existing homebuyer training classes provided by PRG and NNHS. As in Burlington, the CLT could ask for time during the class to introduce the idea to people. Interested people could then set up an individualized CLT session. Existing homebuyer counselors could also refer eligible clients to the CLT.

	2. Education and orientation to the CLT “deal” should be done by CLT staff, as well as working with the buyer through the CLT eligibility and selection process.
<u>D. Provide on-going post-purchase support to CLT homeowners</u>	1. While the CLT will need to connect CLT homeowners with on-going post purchase support, the CLT does not need to provide the post-purchase support themselves. The CLT could send out regular newsletters with helpful tips for homeowners and information on available resources, and perhaps host other events themselves. The CLT can also partner with existing providers of post-purchase support programs, such as NNHS and CASH.
	2. There are several low-interest loan programs available for families needing to make home maintenance repairs. The CLT could actively inform their owners of these resources made available by others (and probably at some point in the future provide it themselves).
<u>E. Coordinate the resales of CLT homes</u>	This is another activity that is at the core of what a CLT is expert in and should keep in-house.
<u>F. Maintain the organization</u>	The organizational structure of the Minneapolis CLT will inform on whether this activity is done in partnership with an existing organization/s or not. See above section on Comments from Stakeholders for more information about the options and issues around the organizational structure question.

## **II. Introduction:**

In the Spring of 2001, four community-based organizations in South Minneapolis came together to explore setting up a community land trust to help preserve affordable housing in their neighborhoods. The organizations consisted of three community development corporations (Powderhorn Residents Group, Seward Redesign and Lyndale Neighborhood Development Corporation) and one neighborhood association (Powderhorn Park Neighborhood Association). Three represented individual neighborhoods (Redesign, LNDC and PPNA), with the fourth working in the entire metropolitan area (PRG). Despite their differences, they had one commonality: all had an interest in ensuring that housing in their communities remain affordable to those who lived in their communities, today and in the future.

While each organization had heard enough about community land trusts to think they were a good idea worth pursuing, no one organization felt they could, or should, pursue it on their own. Together the organizations worked to develop a collaborative project whose purpose was multi-fold:

- Provide good quality permanently affordable housing in our communities
- Encourage neighborhood stabilization through supported homeownership and community building
- Provide an opportunity for low- and moderate income families a chance to benefit from homeownership
- Develop a smarter way to invest scarce resources
- Attract new resources to affordable housing, including a community’s non-monetary resources
- Preserve affordability for future families
- Help neighborhood revitalization reach everyone, without displacement

As housing prices continued to soar beyond the means of many community residents, and as the benefits and promises of the CLT model became better understood, the project moved from *researching* the idea of establishing a CLT in Minneapolis to *developing and implementing* a CLT. PRG took on financial and administrative oversight of the project, funding was secured from a variety of public and private sources (thanks to Twin Cities LISC, the Minneapolis Empowerment Zone, the McKnight Foundation, The Minneapolis

Foundation, the HRK Foundation, the Otto Bremer Foundation and Hennepin County), staff was hired, and on October 1, 2001, the year-long Minneapolis Community Land Trusts Initiative was launched. The project is overseen by a Working Group comprised of the Executive Directors and key staff of the four partnering organizations, the Rondo Community Land Trust from St. Paul, and LISC.

The first task of the MCLTI was to learn enough about land trusts to be able to talk about them in an informed way, and with that information, develop a “road show” – a “Community Land Trusts 101” presentation for use at meetings and presentations with community stakeholders. The second task was to learn more about the specific situation in Minneapolis: the local organizational environment, the housing market, and what local stakeholders thought about the CLT model, to help inform how the local CLT should be structured. The MCLTI’s third task will be to take the research that has been done and use it to determine the model for the Minneapolis CLT; its service area, organizational structure, organizational roles and activities, board make-up and membership. Fourth, an Interim Board will be established that will make the final decisions about organizational policies and guidelines, such as by-laws, ground lease terms, target population, buyer selection criteria and process. By September 30, 2002, a CLT organization should be up and running and ready to start providing long term affordable housing to Minneapolis’s communities.

This report presents the findings of the second phase of our work. It is divided up into four main parts:

1. A quick primer on community land trusts, based on the road show developed in task one
2. What we heard from others; including feedback from community stakeholders and practitioners, results of a series of focus groups held with people who were interested in buying their own home, and what was learned from a trip to the Burlington Community Land Trust in Burlington, Vermont
3. Information about the local housing market; including housing prices, local income levels and how they match up now, with projections for the future
4. Options for roles and activities of a Minneapolis CLT, including an analysis of what activities CLTs typically engage in and what services are already available in the existing CDC environment in Minneapolis

Again, the information gathered here will be used to inform the project’s next phase: developing the model for the emerging Minneapolis CLT.

### **III. Community Land Trusts 101**

#### **A. What is a CLT?**

A Community Land Trust (“CLT”) is a non-profit community-based organization that holds land for the benefit of the community. The primary goal of a CLT is to provide permanently affordable housing to community members, though it can also be used for commercial properties, green space and however else a community would like to use its land.

How does it work? Simply, the CLT owns the land, but sells the home to a buyer that fits the criteria set by the CLT’s community-based board, usually includes income criteria and other factors. The homeowner then leases the land from the CLT through a 99-year ground lease that is renewable for another 99 years. (Essentially “99 years” is legalese for “forever”.)

The lease is the key to connecting the homeowner, usually a first-time low- to moderate-income family, to the community through their membership in the local CLT. The CLT then offers a range of post-purchase supports – such as classes on how to maintain your home, information on useful resources and low-interest financing – that will help them be successful homeowners. Further, the lease serves to keep the house permanently affordable by including a resale formula that determines the home's sale price and gives the family a share of the increase in the home's value when they decide to sell the home. In this way, the investment made in the home to make it affordable to the first family, remains with the home to make it affordable to subsequent families as well.

## **B. Key Features of a Typical CLT**

### 1. Community-based and controlled

- Community-based non-profit organization working in a given geographic area. It can be a stand alone organization, or the arm of an existing organization.
- Tripartite governance structure that pulls leadership from 1/3 lease holders, 1/3 other community members, and 1/3 other stakeholders. In this way, the board includes a balance of interests and skills, and remains accountable to the leaseholders themselves.

### 2. Dual ownership for ongoing stewardship

- Dual ownership of the land and building. Usually ownership is vertical, where the owner holds the home and the air above it, and the ground all the way to the center of the earth. The CLT model flips this over, and now ownership becomes horizontal: one entity owns the home, another the land on the community's behalf. They act as a team to make sure the home is owned and used for the community's benefit.
- Leased land provides exclusive, private, long-term use to the homeowner on terms that reflect the community's interest. Even though the CLT homeowner doesn't own the land, they have exclusive right to use it as if they owned it. The CLT homeowner is responsible for maintaining the yard according to local code (such as shoveling the walk after a snowfall).
- Perpetual responsibility by the CLT that helps support the homeowner and the community's interest in what happens on the land. Unlike many other affordable housing developers and program, the CLT doesn't just go away once the house is sold, but it is there, as a resource, to help steward the maintenance, affordability and community's interest in the home.

### 3. Perpetual housing affordability

- Targeted to low- to moderate-income families that wouldn't otherwise be able to become homeowners. A CLT helps potential homeowners, often renters, make that step between renting and owning, a step that is getting more difficult as housing prices continue to outstrip family incomes.
- The ground lease includes a resale formula that determines the home's sale price and gives the family a share of the increase in the home's value. Resale formulas can range across the board. But essentially, a portion of the appreciation in the value of the home between when the CLT homeowner buys the home and when they sell the home goes to the buyer (which is also the home's sale price) and a portion of the appreciation stays with the house in unrealized profit.
- Initial subsidy/community investment in the home remains with the home over the long term, doesn't get captured by the seller as soon as they decide to sell their home, and is available to make the home affordable to another family.

### 4. Support to the homeowner

- A CLT includes a community organizing and community building component that provides post-purchase support to CLT homebuyer, such as:
  - connecting homeowner to community resources, including people and low-interest financing, through newsletters, individual referrals and community events

- classes on how to maintain your home, such as How to Winterize Your Home, How to Garden or Financial Management. The CLT could provide the class directly, or link CLT homeowners with classes offered by others.
- foreclosure prevention. The CLT ground lease itself typically includes a provision that requires the mortgage lender to alert the CLT if the CLT homeowner falls behind in their payments. In this way, the CLT can step in and work with the CLT homeowner to get them back on track.

#### 5. Flexible development tool

- The CLT model can be used for single-family homes, coops, condos, apartment buildings, commercial properties, community green space, etc. It can also be coupled with other development tools to provide long-term affordability, such as deed restrictions or certain second mortgage financing products.
- Units can be scattered throughout a geographic area and be added through new construction, rehab of existing properties, donation, or buyer-initiated programs.

### **C. Why a CLT? The Benefits**

Early on, the four organizations that came together for this project identified the following benefits of a community land trust. A CLT:

- Offers community control of affordable housing resources
- Allows low- and moderate-income families a chance to benefit from neighborhood revitalization
- Builds and sustains stable families
- Provides support to new homeowners
- Preserves the public subsidy and makes homes affordable to future generations
- Could attract new resources to affordable housing

## **IV. Stakeholder Input and Feedback**

This section reports on what the MCLTI learned through conversations with others about the community land trust model and its possible application in Minneapolis. It covers what we heard from community stakeholders, through focus groups with potential CLT homebuyers and from a research trip to the Burlington Community Land Trust in Burlington, Vermont.

### **A. Comments from Community Stakeholders**

#### Overview

In early November 2001, the MCLTI sent out a letter announcing the project to a wide variety of community stakeholders, and asking to talk with them further about the project and the community land trust model. Over the course of several months, MCLTI staff held 96 meetings, reaching 225 individuals to orient them to the CLT model and get feedback on how they thought a CLT could work in Minneapolis. Additionally, the meetings were a great way for project staff to learn more about existing housing services, who is doing what, and neighborhood housing issues. Table 1 shows the break down of who participated, by area of Minneapolis and stakeholder group. Appendix A and B include the initial letter to stakeholders and the list of people and groups who provided feedback.

**Table 1: Conversation participants by area of Minneapolis and Stakeholder Group**

	<b>North</b>	<b>South</b>	<b>Neither/both</b>
<b>Policy makers</b>	3	11	
<b>Neighborhood/community</b>	48	93	8
<b>CDC practitioners/staff</b>	2	8	14
<b>Non-cdc practitioners/staff</b>		3	40
<b>Funders</b>			5
<b>Totals:</b>	<b>53</b>	<b>115</b>	<b>57</b>

The following is a summary of the comments that were heard.

### ***Broad Support for CLT***

Generally, there is broad consensus among practitioners and community organization staff and policy makers on value of a CLT as a new tool for preserving their work, preserving the public subsidy that goes into making a house affordable, and providing permanently affordable housing into the future. Concerns about the model centered on the issue of limiting a family's equity when they want to sell the house, and the possibility that buying a CLT home would make it impossible for them to earn enough equity to make the step into conventional home ownership in the future. The MCLTI group was encouraged to set a resale formula in a way that didn't limit a CLT family's ability to move into a conventional home at a latter date.

Additionally, neighborhood group activists were most interested in the CLT model as a way to provide more homeownership in their communities. They widely supported the post-purchase support component of a CLT and had a lot of questions about how a CLT could guarantee that a CLT homeowner would maintain their homes.

### ***On Geographic Coverage***

There was broad support across all stakeholder types for one city-wide CLT that offered the tool of community-controlled, perpetually affordable housing to neighborhoods and housing developers (both for-profit and non-profit) across the city. The benefits of a city-wide approach that people mentioned were:

**Efficiency of scale:** *One organization would gather the expertise, legal structures, versus several smaller organizations that would each have to recreate the wheel and capacity. Also, one organization would provide consistency of message, training, guidelines, and make it easier to establish working relationships with the city, county and state agencies, funders and mortgage lenders.*

**Interest and opportunities are city-wide:** *As the chart above shows, the MCLTI spoke with people from and who work across the city. In every community, people could identify potential uses for a CLT. Equally, the broader the geographic scope of the CLT, the more opportunities there are to add CLT units to meet the needs of Minneapolis's families.*

**Broader constituency and leadership base:** *A city-wide CLT would have a broader base of people to pull leadership from. Also, it may help in building a stable organization that will be able to avoid the type of disputes that have rocked some community-based organizations while also building a strong organization that will last long into the future.*

*An alternative perspective was heard from a few Phillips neighborhood activists (from East and Midtown), who expressed that it would be hard to root the CLT in "community" if it went much beyond their neighborhood boundaries. One CDC representative thought that each CDC should simply set up their own CLT to preserve the affordability of the units they each developed.*

### ***On Organizational Structure***

This topic provided the widest variety of feedback, and the least amount of consensus. There was no consistency from people about how the MCLTI should approach this aspect of a Minneapolis CLT, except that it should be one organization that coordinates and partners widely with others.

Here are the pros and cons of the most identified organizational structure options:

The CLT should be its own organization:

<b>Pro:</b>	<b>Con:</b>
Would have a separate identity and not be associated with another organization's baggage	Not much tolerance in the funding community for a new organization that has overhead costs of its own
Would sign the lease, as opposed to a parent organization, which some other CDCs, and potential leaseholders might have a problem with	The additional costs of a new organization limits the value that a CLT would bring to the affordable housing field
If not its own organization, it might be harder to develop partnerships with other developers, either CDCs or for-profit	
If not its own, it might encourage other CDCs to set up their own CLT structure	

Additional/Mitigating comments: The new CLT organization could be housed in an existing organization and have a more traditional fiscal agency relationship, maybe for 3-5 years through a start-up phase. This would allow the CLT to have a separate identity and legal structure, yet take advantage of an existing organization's administrative overhead structure and community development experience.

The CLT should be placed within an existing organization:

<b>Pro</b>	<b>Con</b>
Already have an organizational/administrative structure, non-profit status, by-laws, board (might need to be amended to allow for CLT activities and leadership make-up)	Carries organization's baggage (the flip side of the positive track record)
Have parent organization's track record, reputation, relationships, knowledge	Challenge for CLT to create own identity
Have immediate access to development experience	Could limit potential partnerships and getting units into trust if other developers are resistant to handing over properties to a different CDC
The approach strongly encouraged by funders	May encourage other CDCs to set up their own CLT
	Limited by parameters of existing organization
	CLT homeowners might not have as much ownership in an organization that already includes other activities

Additional/Mitigating comments: Would the CLT be a "program of" the existing organization, or would the organization transform itself into a full-fledged CLT? The parent organization may need to make some changes in its bylaws. Other questions include: who would govern the CLT? the parent organization's existing board? or would there be a new committee/governing body for the CLT program? What legal authority would the CLT's governing board have vis a vis the parent organization's board? Is it possible to have the CLT's governing body have a legal identity separate from the parent organization, for purposes of signing ground leases and owning land and being able to have a tripartite governance structure? What would the organization need to do to become the full-fledged CLT? Would they be willing to do that?

One person threw out the idea of having the Minneapolis CLT be housed in another CLT, such as the Rondo Community Land Trust in St. Paul, or the West Hennepin Affordable Housing Land Trust.

The CLT should be a program of the Minneapolis Consortium of Community Developers

<b>Pro</b>	<b>Con</b>
Exactly what the Consortium should be doing, could be doing	Wouldn't have development expertise in-house, could limit projects, production
No need in city for any new community developers	Might hinder partnerships with for-profit developers
Would get broader buy-in from area CDC, and be more likely to be used by all CDCs than if it were located in one (more units)	The Consortium's future direction is unclear right now.
	Are there other examples of CLTs being housed in a trade organization?

Additional/Mitigating comments: Until the Consortium's new leadership and future direction is identified, it is impossible to determine if this is even a feasible, or good, option.

***On what services the CLT should provide directly and where they should partner with others***

CLTs across the nation provide a wide variety of services through their work, depending on the local organizational climate, the CLT's goals and mission, and the local need. In this vein, when establishing the parameters of the Minneapolis CLT, we need to fully consider what services are already available through existing programs and organizations in the Twin Cities area. Many people encouraged us to not recreate the wheel and to partner with others where possible.

What the CLT should do directly:

- Bring affordability where the units aren't already affordable, and future affordability in a market where affordability is getting more and more rare
- Provide access to low-interest financing for home maintenance, especially because the model limits people's opportunity to get a full home equity loans
- Provide post purchase supports, especially regarding maintenance issues and financial management
- Recruit income eligible buyers, and educate and orient them for homeownership (through existing training programs), and prepare them to buy a CLT home (make sure they are fully aware what they are getting into). This is especially important when considering partnering with other developers
- Educate lenders to the CLT model, to make sure there are CLT-friendly mortgage products available to CLT buyers
- Educate other professionals in the home buying market to the CLT model: appraisers, title insurance folks, tax assessors, etc.
- CLT should have a pot of money for a variety of needs: to purchase properties for projects, or to provide affordability gaps to buyers or developers for CLT units
- Figure out a way to partner with folks who already own their homes: to get their homes into the trust while they are still living in them; to provide resources to encourage upkeep
- Find a way to set maintenance standards up front: maybe in ground lease? Maybe an annual house check? Maybe require buyers to set up a maintenance fund? (Habitat asks families to set aside \$50/month)

Where the CLT should partner:

- Don't do what someone else is already doing
- Connect with existing mortgage foreclosure prevention programs
- Partner with Habitat for Humanity to get at the families with lower incomes
- Community Action for Suburban Hennepin has good home maintenance courses
- GMHC's Housing Resource Centers
- Existing homebuyer training classes
- "Don't do your own development" (heard often)

### ***On resale formula***

Whenever a discussion got detailed about the resale formula, including what incentives there were for a CLT leaseholder to maintain their home, people tended to support a more complicated formula that factored in homeowner-financed improvements or additions. Also, someone mentioned that at the Rondo Community Land Trust in St. Paul, MN, the resale formula is a work in progress. The CLT will want to fully consider its resale formula so as to avoid continual revisions as much as possible.

Other, non-leaseholder captured add-ons to the sale price: The resale formula should include ability to add on to new sales price the cost of maintenance between sales, such as a new roof or furnace, if necessary. Also, we should include a fee for the CLT, to help pay for the on-going operations of the CLT. Need to weigh how it might cut into the future affordability of the home.

On shared appreciation factor: A few folks thought 25% was too low, and that 50% might be more reasonable (“you won’t find enough buyers who are willing to limit their take”). Others thought even less than 25% was fair. While many thought limiting equity for future affordability was fair and reasonable, several warned that we needed to make sure that people would be able to make the step to conventional homeownership in the future.

Someone thought the MCLTI should allow existing CLT owners the first shot at buying another CLT home that comes on the market, to give them a chance to move up/into a bigger house (though they would have to be income eligible at the time of the new purchase).

### ***On property tax issue***

Several people commented on the issue of property taxes for CLT homes. Even though the MCLTI’s current approach is to assume the CLT homeowner pays taxes on the full assessed value of the land and the home, people recognized that rising taxes could cut into the on-going affordability of the home, regardless of the low sale price. These comments should be considered during future conversations:

- At least the land should be taken off the tax roles (while the house remains);
- Property taxes should be less for CLT homes than other homes, to help retain affordability to the owners
- Pursue a “This Old House”-type property tax discount, where a portion of the value is not included in determining the final assessed value
- Re-institute the limit on annual property tax increases for CLT homes. (Property tax increases were capped at 8% a year in Minneapolis until last year.)

### ***On affordability***

This is another area where comments ranged across the spectrum. Affordable housing developers tended to argue that it is hard to provide ownership opportunities for families making below 80% of the area median income, though the CLT might just be the tool to help get at lower levels of affordability, around 50-65%. Alternatively, other (non-CDC) organizational staff, and many neighborhood activists thought the CLT should target lower incomes, look at Minneapolis median income rather than the metropolitan area median income, or even use the wage level that the Empowerment Zone targets for their employment programs then determine goal sales prices from that.

While the CLT will adopt its own affordability targets, at times a project’s affordability targets will be determined by the CLT’s development partners that are leading a specific project (such as PRG and the city and neighborhood in the case of Village in Phillips). That is, the CLT won’t usually be able to set the affordability levels themselves.

### ***On resources***

Stakeholders made the following recommendations for where the CLT could find resources to do its work (not comprehensive):

- Ask the Empowerment Zone for a flexible acquisition fund to finance a variety of activities designed to bring units into the CLT: buy land, finance rehabs, provide downpayment assistance to eligible homebuyers, etc.
- Get support from private foundations and the state to match this fund.
- Ask City Council to jumpstart this effort by donating 50 city-owned lots to the CLT
- Work with a collaboration of neighborhood groups to develop a proposal for the .NRP Affordable Housing Reserve Fund:
- Explore resources of the Midtown Community Works Partnership for potential housing along the Midtown Greenway (Jim Campbell from Wells Fargo heads it up).
- Contact the consortium of downtown churches that has been encouraging affordable housing: Basilica of St. Mary, St Luke's, Plymouth
- The Minneapolis Foundation's donor-initiated database

### ***On potential opportunities to add units***

Stakeholders identified the following projects that are in the pipeline, that could be opportunities to add units to the CLT (identified by others-not comprehensive)

- Franklin Gateway: part of CCHT's Portland and Franklin development, includes 20 units of townhomes mixed in with lots of rental and some retail, and Hope Community Court
- Lenox in Elliot Park: former Richmond row houses owned by CCHT – Elliot Park neighborhood wants ownership
- Village in Phillips: PRG's project – 28 townhomes in the first phase, 15 for families making below 50% and 80% of AMI
- East Phillips Commons (29<sup>th</sup> and Bloomington): Sherman and Associates mixed use, mixed income project, includes 4 live-work units and 32 townhomes
- Redevelopment along LRT: Edison/PPL site, Hi-Lake
- Redevelopment along Lake Street (mixed use)
- West Jordan: working with seniors to upgrade their homes or move into more appropriate housing. Also there are some empty lots and boarded properties (connect with St. Anne's Church, or funding sources linking this project to the County Road 81 transit way effort)
- Lyndale couple who may want to donate their duplex on Blaisdell
- Lyndale/Crosstown development: the triangle where Lyndale ramps up to the Crosstown
- Hollman/Heritage Park (mixed thoughts), or in adjacent neighborhoods
- Urban Ventures may have 7 duplexes donated, and some other homes moved for their proposed Colin Powell Center
- Nicollet and Lake: Sherman Associates project to reopen Nicollet at Lake, includes 400 units of housing, 148 targeted for affordable homeownership
- Lowell School site, pending developer selection by the neighborhood
- Vacant lots, especially in Jordan, Hawthorne and Central neighborhoods

### ***Misc Comments***

- Keep in mind that families include a wide variety of relationships (intergenerational). Duplexes and triplexes might be particularly appropriate for these and immigrant families
- Hennepin County Tax Forfeited Property Division could maybe be a partner in helping get properties to the land trust, or to community affordable housing developers to rehab then put into the trust (would need different policy direction from the board)

- CLT Board should include a member appointed from the mayor's office (that is, think strategically about the board make-up)
- Lots of people mentioned the issue of how could existing owners put their homes into the trust – what benefits would there be? Any chance of getting them funds for rehabbing their home? Etc.

## **B. Feedback from Focus Groups**

In March, April and May, the Minneapolis Community Land Trusts Initiative held several focus groups with people who were interested in buying their own home. The purpose was to hear from the target market for CLT units about whether this was a model that people were interested in. Specifically, participants were asked:

1. Why people were interested in buying their own home
2. What barriers they were experiencing in the current housing market
3. What types of support people would like once they've purchased their home, and
4. Were people willing to make the trade off between getting support to help them get into the home and limiting the amount they can sell the home for and to whom they can sell the home, to make the opportunity available to another family.

Four focus groups were held. The first was with people recruited from PRG's home buyer workshop, the second was with members of the East African community, the third was with members of the Southeast Asian community, and the final one was targeted specifically to African Americans who were interested in buying their own homes. In addition, MCLTI staff met with representatives from the Latino community on the particular issues facing that community. Notes from each focus group are included in this report as Appendix C.

### ***Common Themes***

Despite the broad diversity of the individuals who took part in the focus groups (from young singles, to artists, to recent immigrants, to young families, across the racial spectrum), participants across the board expressed similar perspectives and experiences.

On why people were interested in buying their own home: The most common response to this question was related to family needs. People wanted enough room for their family members (mostly children, but it also included a mother-in-law) and they wanted private space to call their own (gardens, yard for the children to play in, etc.). Additionally, people want to be able to make a long-term investment in something that they can hand down to their kids, and as opposed to paying rent to a landlord every month.

On barriers people were experiencing in the current housing market: "Lack of income", "low-income" and "not enough income" were the most commonly stated barriers to homeownership. The high price of housing was also frequently mentioned, along with the combination of those two factors: lack of sufficient income to be able to buy a home in the neighborhood they want to live in, whether it's because they like their current neighborhood, they want to be close to the kids' school, or they want to live in a safe neighborhood where housing prices tend to be further out of reach. Several people also mentioned that they didn't like some other housing programs that limited them to only buying in certain areas that they perceive as unsafe.

On post-purchase support: Comments about what type of post-purchase supports people thought they might need fell into two main categories: 1) help with maintaining the home, and 2) money to be able to pay the bills if they lost a job or fell ill. Many people were interested and willing to learn how to maintain the home themselves, but needed access to "how-to" classes. One participant mentioned wanting access to yard tools to be able to keep up with the yard work (snow blowers, rakes, etc.)

### On the trade-off between helping people get into the home and limiting equity when they sell the home:

Most people did not have a problem with limiting the equity they get when they were ready to sell their home – if they got a benefit at the front end, and if it meant that another family got an opportunity to get an affordable home. Several people expressed that it was important for them to get the home that they want in the neighborhood that they want – and that those things were much more important than getting full equity when they sell. (Most participants focused on the other benefits that you get from owning your own home: stability, pride of ownership, tax deduction, some appreciation, the chance to build a track record, etc.)

Were people willing to make the trade off themselves? Yes. Specific comments included:

- “This is a choice, people don’t need to be a part of it if they don’t want to be”
- “No problem with limiting appreciation. It protects the buyers and the organization.”
- “I plan on living there for a long time, and am concerned about future affordable housing.”
- “I do not have a starter home mentality, I don’t care about appreciation. The CLT is an opportunity that includes building community, so buyers would have to have a commitment to the mission and goals of the CLT.”
- “For me, I don’t care so much about the size of the house, but I need a house for my kids.”

### ***Unique responses***

Proximity to other CLT owners: One group was asked an additional question about if they thought it was important for CLT owners to be geographically close to each other. Participants in that focus group responded that they didn’t think so, and that you didn’t need all the CLT owners to be near each other to be able to feel like they were in a community together. Several people at that focus group expressed interest in becoming part of the community in which they bought a house, and knowing their neighbors regardless of whether they were CLT owners or not.

Needing space: A big issue for many of the immigrant families that participated in the focus groups expressed the need to have houses large enough for all the members of their family. Many of the East Africans in particular had 3-4 kids and two parents living in a two-bedroom apartment in a building that doesn’t have any outdoor space for the kids to play. This need was also expressed among the Southeast Asian participants, as well as some conversations that were held with representatives from the Latino community.

Religious ban on paying interest: East African Muslims in particular face the unique barrier of the religious ban on paying interest on mortgages. Participants in that focus group encouraged us to find or develop a way to provide housing financing that didn’t conflict with their religious beliefs.

## **C. Lessons from Burlington, A CLT Case Study**

In January 2002, Michele Wiegand, Executive Director of the Powderhorn Residents Group, Andriana Abariotes, Program Officer from Twin Cities LISC, Jeff Hayden, Powderhorn Park neighborhood activist and Aide to local Councilmember, and Cara Letofsky, Project Coordinator for the Minneapolis Community Land Trusts Initiative visited the Burlington Community Land Trust in Burlington, Vermont. Here is what we learned through meetings and discussions with Brenda Torpy, BCLT Executive Director; John Davis, Principal, Burlington Associates and BCLT co-founder; Colin Bloch, BCLT Homeland Coordinator; Nita Hanson, Homeownership Center; Bill Mitchell, Assistant to the Mayor; and Amy Demetrowitz, BCLT Project Developer

### ***Burlington Community Land Trust (BCLT) History and Evolution***

BCLT is one of the largest (and oldest) models of the “basic” or “classic” CLT, which includes a three-part board consisting of 1/3 CLT owners, 1/3 residents, and 1/3 public officials and other stakeholders; the CLT owns the land and sells off the building; resale of the buildings are below market (shared appreciation) which

in turns keeps the house perpetually affordable. It was established by the City of Burlington in 1984 with a \$200,000 seed grant. At that time, the city was experiencing a very low vacancy rate (.5%), redevelopment of the downtown and waterfront areas resulting in increased speculation in the housing market, and increasing absentee landlords in the city's Old North End neighborhood. City leaders and housing advocates were interested in developing housing products that could assist with redevelopment efforts within the Old North End without gentrifying the neighborhood.

Until 1984, the city's community development efforts were led and administered through the City's Planning Department. (Every City department had a commission that oversaw the budget and activities. The City Council had minimal authority, and council members are elected every two years--as is the Mayor.) In 1982, Bernie Sanders was elected mayor of Burlington by 10 votes and became the only socialist mayor in the country. He and his supporters felt that their ability to make any positive change could be limited to two years (his first term) so they set out to establish some major policy changes as well as administrative changes. This included establishing an Office of Community Development that would separate the functions of the Planning Department (i.e. determining the development activities as well as providing oversight to the various federal, state and city financing resources) and seeding community organizations that could carry on the work after the administration left office. At the time, there were no community development corporations in the area.

From that point, the city leadership and the housing advocates began to establish the Burlington Community Land Trust (BCLT). They thought the original target area would be saving and securing land and properties along the waterfront. However, they found that Vermont law helped secure much of the defunct railroad land in that area through eminent domain, so their attention turned to the Old North End neighborhood. They established the entire city as the BCLT's service area but targeted the Old North End for its first activities.

Over time, the BCLT has expanded its activities and service area in response to new opportunities and a changing environment. Now, BCLT is a full-service CDC, engaging in a wide variety of development activities in addition to single-family or condominium land trust units for home ownership. In the Old North End, BCLT focuses on the broadest range of community revitalization activities (that is, not just housing projects), whereas in the rest of Burlington and Chittenden County they focus on housing using the CLT model of perpetual affordability. They have developed Low Income Housing Tax Credit rental housing projects and redevelopment of commercial spaces. In the case of commercial redevelopment, land is put into the land trust with BCLT either leasing or selling the building to other nonprofit organizations (such as a local food shelf, and the Legal Aid office). BCLT will also act as developer for an organization who may then own the land and building outright (such as the local community health center). BCLT has also redeveloped park and green space ("pocket parks"). Other CDC's and housing developers in the Burlington area now include Cathedral Square Housing (Senior and special needs populations), Lake Champlain Housing (targets suburban development, new construction/LIHTC, etc.), Vermont Land and Housing Conservation Trust (statewide), Vermont Housing Finance Agency and Rural LISC.

BCLT's current portfolio includes 230 rental apartments, 65 cooperative homes, and 345 shared appreciation single-family homes or condominium units. They target their housing work at families that make 100% and less of area median income (\$55,000 for a family of four). (Currently, the median-priced home in Chittenden County where Burlington is located, costs \$155,000. This is a 32% rise in cost over the last decade. As in most areas of the country, incomes in the Burlington area have not kept pace with the rise in housing values.)

### ***BCLT's Structure***

- BCLT is governed by a board of 12 members. One-third of the board consists of residents (elected by all residents of the land trust). Another third is made of from the organization's "general membership", with the remaining third being "public seats" that includes housing/neighborhood advocates, bankers/industry representatives, and other community stakeholders that are nominated by the rest of the board.

- There are 1,900 members of the BCLT. This includes home owners and other stakeholders/supporters.
- BCLT's programs and activities include: homebuyer training classes and counseling through the Home Ownership Center, property management for BCLT-owned rental units and coops, property development, membership support, and administration. There are 26 staff members, including two Home Ownership Centers, a property management department, an Executive Director, Fund Development/Membership Support, Project Developer, Financial Manager, Property Managers, Coop Trainers, an Asset Manager, Construction Specialists, Maintenance, and Receptionist/Administrative Assistants.
- Approximately ½ of BCLT's budget comes from grants (e.g. state, federal, private, individuals) and developer fees. The other half of their income comes from property management fees. BCLT self-manages its properties and works with the land trust owners. The property management activities are subsidized somewhat as the rental cooperatives property management does not cover itself with fees generated. The Homeownership Center is grant supported, the BCLT Homeland Program pays for itself through resale fees. BCLT also runs an annual membership drive and an annual fundraising dinner. Both activities raise funds and publicity for the organization.

### ***Buying a BCLT Home***

#### Pre-purchase

- BCLT offers home buying counseling for residents of all incomes through the Neighbor-Works® Home Ownership Centers of Vermont. This is an 8-hour homebuyer workshop at which the CLT model is described as an option. Participants pay a \$50 workshop fee.
- If a participant is interested in the CLT, they are referred to the Homeland Coordinator at the BCLT where they receive a more intensive overview of the CLT model.
- The Homeland Coordinator works one-on-one with buyers to determine their ability to purchase a home and options. The buyer can either purchase existing CLTs or bring a new home into the BCLT as a "buyer-initiated" transaction.

#### Homeownership eligibility

- A homebuyer can purchase an existing BCLT home or bring a new home into the land trust (i.e. "buyer initiated" program.)
- Buyer eligibility criteria includes: Income must be under 100% of median income (\$55,000 for a family of four), buyers must participate in 10 hours of home ownership counseling, and buyers must become a member of the BCLT (min. \$1 membership fee).
- The CLT homebuyer enters into a 20-year perpetually renewable ground lease. (Vermont law supports the perpetually renewable ground lease rather than the 99-year renewable ground lease that is common with other CLTs.)
- Must agree to share the appreciation of their home with future owners.
- Once a homebuyer has purchased a BCLT home, their ground lease fees act as their organizational membership fees. For condominium owners, the perpetual affordability is secured with a covenant/deed restriction, and membership fee is billed twice a year.
- Buyer-initiated units can be no more than \$128,000 for a single family, or \$133,000 for a condominium.
- If an existing CLT owner wants to purchase another, different CLT home, they need to go through the qualification process again. BCLT has seen some return buyers, most notably divorced women. (Eligibility isn't limited to first time homebuyers.)

#### Post-purchase

- BCLT offers ongoing workshops (on home maintenance, personal finance, landscaping, etc.) and provides a quarterly newsletter to all of their CLT homeowners.
- They also run a small loan pool for repairs and maintenance of CLT homes.

- They engage in general foreclosure prevention efforts on an as needed basis with individual CLT homeowners.
- Nonpayment of the ground lease fee is a “red flag” that the homeowner may be in financial trouble. The BCLT and/or HomeOwnership Center staff can step in to offer assistance.
- There is a notice provision in the mortgage so that the lender must notify the BCLT if the owner is in default. The BCLT has the first right to purchase the house/condo if it goes into foreclosure. If for some reason the bank sells the property at market rate, the land is kept in the CLT and the ground lease fee is increased to a “market rate” fee.

#### Financial assistance for BCLT Buyers

- Low-interest Mortgages: The Vermont Housing Finance Agency (VHFA) has a mortgage program that was designed specifically for first time homebuyers who buy a CLT home. It is a stepped rate that increases ½% each year over four years as follows: year 1 5.05%; year 2 5.55%; year 3 6.05%; and years 4-30 6.55%. Vermont issues bonds to give these lower steps to the interest rate.
- Soft Second/Downpayment Assistance: The Vermont Land and Housing Conservation Trust offers grants to qualified buyers of CLT homes. It is \$17,000 for a family earning between 100% and 70% of AMI, and \$20,000 for families making less than 70% of AMI. The grant allows a family to buy a home that would then get placed into the land trust (“buyer initiated”), and gets transferred to future families who buy the home (the value of the grant grows over time). (BCLT has determined that the value of the \$20,000 grant is \$133/month, meaning people can buy \$133/month more house than they would be able to otherwise.)
- Bonus grant: There is an additional \$6,500 grant available to eligible families buying into targeted areas (the Old North End neighborhood).

#### Development of CLT units:

The City of Burlington has played a significant role in making properties available for development by the BCLT, particularly through tax forfeited property. Properties are also gained through foreclosure purchases from banks and HUD’s Asset Control Area program. The revenue streams for actual housing development are much like any other housing funding streams (i.e. Low Income Housing Tax Credits, CDBG, HOME etc.)

Burlington also has an inclusionary housing ordinance. For any development of new permanent, owner-occupied housing with more than 5 units, the developer must make 15% of the units affordable to families earning 80% or below of median income, and they must be perpetually affordable. The city then designates BCLT (as one option) as the organization that monitors the ongoing affordability of the units. In the case where the units are in multi-unit condominium buildings, BCLT holds and monitors the restrictive covenant/deed restriction to the unit and the owner becomes a BCLT member.

BCLT also develops multi-family housing, where the land is owned by the CLT but the housing on top of the land is financed and operates like any other affordable rental development. This includes cooperative housing that was converted into the BCLT.

#### Property Tax and Assessment

- CLTs in Burlington are taxed at 95% of the assessment value. The owner is billed separately for taxes on the house and the land but pays both.
- CLTs are assessed with “fee-simple” appraisals.

#### BCLT Stewardship Fund:

- As mentioned above, the BCLT Homeland Program funds itself through transaction fees on the resale of CLT homes. Additionally, the organization places \$1,000 per resale into a Stewardship Fund that helps pay for necessary repairs to homes between sales.

### ***CLTs and Local Housing Policy***

- CLT and affordable housing advocates in Burlington started by encouraging policy makers to establish a goal of “perpetual affordability” of housing where public dollars were used. This was elevated to the state level at which time they were able to join forces with the agricultural and environmental interests to broaden the issue to land conservation. This has led to policies that prioritize funding for perpetually affordable housing projects, and specific funding resources targeted to buyers of CLT homes.
- The City’s inclusionary housing ordinance is a significant vehicle for adding affordable units to the city’s housing stock, and getting units into the BCLT.

### ***Summary of Learnings from BCLT***

- CLTs generally engage in five primary activities: acquire land and develop housing on it, market the housing, train/educate buyers, provide post-purchase support, and coordinate resales.
- Ground leases vary CLT-to-CLT based on the specific CLT’s goals and state property law.
- Community land trusts are one rung on the housing tenure ladder (various forms of rental to straight homeownership.)
- A CLT is a model for community control (of the land). It can be a strong tool for fighting predatory lending and speculation. (“Wealth” can come at the expense of future generations’ (i.e. their kids) ability to own in the same community.)
- CLTs must strike a balance between a fair return vs. fair access to ownership.
- Tenure in a CLT home or condo mirrors other ownership models (i.e. people move every 5-7 years.) However, foreclosure rates are lower than average.
- Lawyers, lenders and title insurance folks can be key resources for CLTs (that are often overlooked). If they understand the CLT model they can be advocates for the buyers.
- BCLT staff have found that 100 units is the “break even” threshold for administering the CLT homebuyer program on fees generated (i.e. one full time person, plus additional administrative assistance in marking, counseling and transactions.)
- CLTs work best when the political and CDC environment supports the concept of perpetual affordability. Supporting the CLT can mean changing the use of other affordability tools, such as soft second mortgages, which compete with CLTs.
- Tripartite board adds a level of accountability – CLT owners’ issues are addressed at the board level because they are members of it, and people are more comfortable signing a ground lease with an organization that they are members of.
- If the CLT shuts down, another designated nonprofit could takeover monitoring the CLT ground leases.

### **CLT start-up considerations:**

- Governance
- Competing programs (within and among CDCs)
- Market for CLT and marketing of CLT homes
- The first CLT deals must be great!
- Post-purchase support for homebuyers
- Starting a CLT in a dense nonprofit/CDC environment could follow a number of approaches: 1) graft the CLT model/functions on to an existing nonprofit/CDC (by-law change); 2) make the CLT one component of a CDC; 3) CDC may act as an incubator for the CLT and spun off at a later date
- For city involvement, the city has to embrace the value of doing affordable housing in the first place (not market housing)
- Clarify the appreciation formula and valuation of other elements such as home improvements up front
- Buy-in from people on the grassroots community level is extremely important
- Balancing geographic size with accountability mechanisms.

## V. The Minneapolis Housing Market

Part of the MCLTI's analysis of where a community land trust would fit in to the Minneapolis environment required a clear understanding of the local housing market. While the MCLTI partners all had experience, some anecdotal, with providing affordable housing in their specific neighborhoods, the group wanted a broader, and more empirical, picture of the local housing market: What were housing prices in Minneapolis? Where were they going? What was happening with people's incomes? How could a community land trust help the situation? What follows is a step towards answering those questions.

The definition of affordable housing as no more than 30% of a family's income is comprised of two factors: the price of housing and a family's income. To help analyze the local housing market and determine the current and future need for affordable homeownership opportunities, information comparing income levels with housing prices in Minneapolis was gathered.

### **A. The Current Housing Market**

According to the US Department of Housing and Urban Development, the median income for a family of four in the Twin Cities Metropolitan Area in 2001 was \$74,700. A moderate-income family – defined as earning 80% of area median income (AMI) – earned \$59,760 last year, and a low-income family, who earned 50% of AMI, earned \$37,350. Historically, the Minneapolis median income tends to be about 50-60% of the area median. (Census income data by neighborhood is not yet available, but will likely show that families in many Minneapolis neighborhoods earn just a fraction of the metropolitan median.)

The amount of housing that families at these income levels can afford are \$238,000, \$185,000, and \$105,000 respectively, based on using 30% of gross income on a monthly housing payment, minus \$200 a month for taxes and insurance, at a 7.5% mortgage interest rate for a 30-year term, assuming no additional monthly debt. Table 2 shows how much house families at various incomes can afford.

Table 2: How Much House Can A Family Afford?

Income Level	Annual Amount	Monthly Amount allowed for hsg. (30% of annual/12)	Affordable Housing Price
100% AMI	\$74,700	\$1,868	\$238,482
80% AMI	\$59,760	\$1,494	\$185,065
65% AMI	\$48,555	\$1,214	\$145,002
50% AMI	\$37,350	\$934	\$104,939

2001 AMI numbers from the US Department of Housing and Urban Development. Subsequent calculations done by author. Affordable housing price based on 30% of gross income used for monthly housing payment, minus \$200 a month for taxes and insurance, at a 7.5% mortgage interest rate for a 30-year term, assuming no additional monthly debt. For each \$200 in additional debt, such as a car payment or credit card payment, you can afford about \$30,000 less house.

To further help translate income levels to the amount of housing a family at the lower end of the economic spectrum can afford, I looked at what employment opportunities currently exist for people with limited education. Here is a short list of the positions available, their wage levels and how much house that could afford (from employment ads from a recent Sunday's classifieds):

ACCOUNTING CLERK - \* UTILITY BILLING The City of Farmington is accepting applications for a people oriented accounting clerk needed to bill and service the City's utility accounts. Other duties include cashiering and departmental support including copying and light typing. Qualifications include H.S. Diploma; 2+ years accounting experience or equivalent; excellent customer service skills; 10-key proficiency; and PC computer skills required. Salary is \$13.82 plus excellent benefits package. *Can afford a \$79,000 home.*

CHILDCARE Preschool Teacher (North) Toddler Teacher (South) Must have CDA or ECE degree. Good writing skills. Supervises classroom staff. Provide copies of certification. Salary range \$10-\$13/hr. *Could afford a \$48,750 - \$72,500 home.*

**SECURITY BURNS/PINKERTON SECURITY** Now hiring Security Officers for Mpls Convention Center \* FT & PT \* All shifts including weekends only \* \$9.76-\$10.00/hr \* Downtown busable Other positions available throughout metro area. Health, dental, vision insurance and 401(K). Apply in person. *Could afford a \$46,900 - \$48,750 home.*

**TEACHER / FT** Plan, develop & facilitate fun & enriching activities for K-6th grade students in an educ. & rec. ctr. BA/BS degree in related field pref, min. 5 yrs exp working w/school agers req'd; exp supervising staff a plus. Must be flex. M-F, 6am-2:30 pm yr-around. Beginning sal. \$27K-\$30K DOQ + exc benefits! *Could afford a \$72,400 - \$83,800 home.*

Finally, statistics from the Minneapolis Area Association of Realtors for median home sale prices in Minneapolis, as a whole and by community (MAAR stats are based on data from the Multiple Listing Service) were used to determine past, current and future trends in the local housing market. In 2001, the median home sale price in Minneapolis was \$157,836, or affordable to a family that earned \$52,500, or 70% of AMI (the average home sale price was even less affordable at \$175,875). Table 3 shows the break down of median home sales prices by community, income needed to afford that home, and what percentage that is of AMI.

**Table 3: Income Needed to Buy Median Priced Home in Minneapolis, By Community, 2001**

Community	Average Home Sale Price	Income needed to afford*	Percent of AMI needed to afford
Calhoun/Isles	\$248,700	\$78,114	105%
Camden	\$116,950	\$40,967	55%
Central (Downtown)	\$176,000	\$57,616	77%
Longfellow	\$149,900	\$50,257	67%
Nokomis	\$162,000	\$53,669	72%
North	\$102,900	\$37,005	50%
Northeast	\$146,000	\$49,157	66%
Phillips	\$116,750	\$40,910	55%
Powderhorn	\$137,000	\$46,620	62%
Southwest	\$221,000	\$70,304	94%
University	\$170,000	\$55,924	75%
<b>City-wide median:</b>	<b>\$157,836</b>	<b>\$52,500</b>	<b>70%</b>

*Median sale prices from Minneapolis Area Association of Realtors Multiple Listing Service. Assumes no additional monthly debt, 30% of income used for housing payment, (including \$200 for taxes and insurance), on a 30-year term at 7.5 % interest. For every additional \$200/month debt, such as a credit card or car payment, an additional \$4,000 in income is required.*

These statistics show that, as of 2001, several Minneapolis neighborhoods were still affordable to families making 50% - 80% of the area median income. Tracking past and future wage and housing price trends, however, show that that affordability is rapidly disappearing.

**B. Past Trends in the Minneapolis Housing Market**

Comparing median incomes with median home sales prices over the past nine years shows shrinking affordability for Minneapolis’s families. Whereas, in 2001, the average priced home in Minneapolis required a family to earn 70% of the area’s median income to afford, in 1993, when the AMI was \$49,000 and the median home sale price was \$70,850, a family needed to earn only 57% of the AMI to be able to afford the median-priced home. Table 4 compares income levels to affordability and median home sale prices in Minneapolis, 1993-2001. (Prior to 1993, the Minneapolis Area Association of Realtors collected data by districts that were defined differently than after 1993, making it challenging to develop a longer trend line.)

**Table 4: Comparing income, housing affordability, average home sale prices in Minneapolis, 1993-2001**

Year	100% AMI	Can buy you...	Average Home Sale Price in Mpls	Income required to be able to afford	% of AMI needed to be able to afford
1993	\$49,000	\$146,593	\$70,850	\$27,968	57%
1994	\$51,000	\$153,744	\$70,772	\$27,947	55%
1995	\$51,000	\$153,744	\$72,042	\$28,305	56%
1996	\$54,600	\$166,616	\$84,327	\$31,768	58%
1997	\$57,300	\$176,269	\$87,055	\$32,538	57%
1998	\$60,800	\$188,783	\$99,282	\$35,985	59%
1999	\$63,600	\$198,795	\$120,862	\$42,070	66%
2000	\$68,600	\$216,672	\$134,244	\$45,843	67%
2001	\$74,700	\$238,482	\$157,836	\$52,495	70%

*Assuming 30% of gross income spent on housing payment, plus \$200/month in taxes and insurance, with a 7.5% mortgage for a 30-year term. In fact, mortgage rates tended to be higher in past years, which would cut into the amount of house a family could afford.*

The average annual increase in family median income from 1993 to 2001 was 4.08%, while the median sale price of a home in Minneapolis has increased an average of 10.80% a year for the same period. *As housing prices continue to increase at a higher rate than people's incomes, housing will become more and more unaffordable to our city's families.* Taking an even further look back shows the same trend, if at a less dramatic difference. Looking at annual changes in the average home sales prices for the 30-year period from 1971 – 2001, it shows an annual average increase of about 7.5%. (MAAR didn't track annual median home sales prices prior to 1989.) Compared to annual increases in family median incomes from 1981 to present of 4.72%, still shows that home prices are increasing at faster rates than family incomes.

**C. Future Projections**

Using the average increases in annual incomes and housing sale prices to develop projections into the future shows that indeed, if the trends continue, homeownership opportunities will become fewer and fewer for the city's families. While we cannot predict the future, these projections give us a starting point to discuss possible future scenarios.

Table 5 shows projects comparing projected incomes with projected median home sale prices in Minneapolis, 2002-2022. From these numbers, we can see the past trend of more and more income needed to by an average Minneapolis home continuing into the future.

**Table 5: Projections of income, housing affordability, home sale prices in Minneapolis, 2002-2022**

Year	100% AMI	Can buy you...	Median Home Sales Price in Mpls	Income required to be able to afford	% of AMI needed to be able to afford
2002	\$76,700	\$245,633	\$169,674	\$55,832	73%
2003	\$80,320	\$257,227	\$182,399	\$59,420	74%
2004	\$84,111	\$269,368	\$196,079	\$63,278	75%
2005	\$88,081	\$282,082	\$210,785	\$67,424	77%
2006	\$92,239	\$295,396	\$226,594	\$71,881	78%
2007	\$96,593	\$309,339	\$243,589	\$76,673	79%
2008	\$101,152	\$323,940	\$261,858	\$81,824	81%
2009	\$105,926	\$339,230	\$281,497	\$87,362	82%
2010	\$110,926	\$355,241	\$302,609	\$93,314	84%
2011	\$116,161	\$372,009	\$325,305	\$99,713	86%
2012	\$121,644	\$389,567	\$349,703	\$106,593	88%
2013	\$127,386	\$407,955	\$375,931	\$113,988	89%
2014	\$133,399	\$427,210	\$404,125	\$121,937	91%
2015	\$139,695	\$447,375	\$434,435	\$130,483	93%
2016	\$146,289	\$468,491	\$467,017	\$139,670	95%
2017	\$153,193	\$490,604	\$502,044	\$149,546	98%
2018	\$160,424	\$513,760	\$539,697	\$160,162	100%
2019	\$167,996	\$538,010	\$580,174	\$171,575	102%
2020	\$175,925	\$563,404	\$623,687	\$183,844	105%
2021	\$184,229	\$589,996	\$670,464	\$197,033	107%
2022	\$192,925	\$617,844	\$720,749	\$211,211	109%

*2002 AMI number is from HUD, other AMI projections based on a 4.72% annual increase – the average annual increase in AMI from 1981-2001. Increase in median home sale price in Minneapolis based on an 7.5% annual increase (average from 1971-2001). Assuming 30% of gross income spent on housing payment, plus \$200/month in taxes and insurance, with a 7.5% mortgage for a 30-year term, and no additional debt.*

If current trends continue, by 2018, a family making the area's median income will no longer be able to afford the median priced home in Minneapolis. For lower incomes, that balancing point where incomes can no longer buy the median priced home in Minneapolis came earlier. By 1993, families earning 50% and less of AMI were already priced out of the median priced home in Minneapolis. For families earning 65% of AMI, that tipping point came in 1998, and for families making 80% of AMI that is projected to happen in a few years, by 2008.

(Note that this future trend assumes a more conservative growth rate in housing prices than Minneapolis has actually experienced in the past nine years, so housing prices could very well increase at a faster rate. Another factor to consider is that some neighborhoods are more affordable than others, and families starting out in their first home should not necessarily expect to be able to live in the most expensive parts of town.)

#### D. With A Community Land Trust

The problem is clear: incomes are not going up as fast as housing prices, and more and more people will continue to be priced out of the homeownership market unless something changes. Enter the Community Land Trust.

Future projections, as explained above, run through a scenario of what would happen to the home's sale price and subsequent affordability if the home were placed into a community land trust in 2001, shows a possible solution. These projections, considering a variety of resale formulas and downpayment subsidies, shows how a community land trust can hold down the cost of housing to the level that more families can afford (see Table 6).

**Table 6: How a Community Land Trust Helps Provide Perpetually Affordable Housing**

Year	100%AMI	80% of AMI buys you...	65% of AMI buys you...	50% of AMI buys you...	Median home sale price in Mpls	With resale capped at 25%	With a 30K grant
2001	\$74,700	\$185,065	\$145,002	\$104,939	\$157,836	\$157,836	\$127,836
2002	\$76,700	\$190,786	\$149,650	\$108,515	\$169,674	\$160,795	\$130,795
2003	\$80,320	\$199,791	\$156,714	\$113,637	\$182,399	\$163,977	\$133,977
2004	\$84,111	\$209,221	\$164,110	\$119,000	\$196,079	\$167,397	\$137,397
2005	\$88,081	\$219,096	\$171,856	\$124,617	\$210,785	\$171,073	\$141,073
2006	\$92,239	\$229,437	\$179,968	\$130,499	\$226,594	\$175,025	\$145,025
2007	\$96,593	\$240,267	\$188,463	\$136,658	\$243,589	\$179,274	\$149,274
2008	\$101,152	\$251,607	\$197,358	\$143,109	\$261,858	\$183,841	\$153,841
2009	\$105,926	\$263,483	\$206,673	\$149,863	\$281,497	\$188,751	\$158,751
2010	\$110,926	\$275,920	\$216,428	\$156,937	\$302,609	\$194,029	\$164,029
2011	\$116,161	\$288,943	\$226,644	\$164,344	\$325,305	\$199,703	\$169,703
2012	\$121,644	\$302,581	\$237,341	\$172,101	\$349,703	\$205,803	\$175,803
2013	\$127,386	\$316,863	\$248,544	\$180,225	\$375,931	\$212,360	\$182,360
2014	\$133,399	\$331,819	\$260,275	\$188,731	\$404,125	\$219,408	\$189,408
2015	\$139,695	\$347,481	\$272,560	\$197,639	\$434,435	\$226,986	\$196,986
2016	\$146,289	\$363,882	\$285,425	\$206,968	\$467,017	\$235,131	\$205,131
2017	\$153,193	\$381,057	\$298,897	\$216,737	\$502,044	\$243,888	\$213,888
2018	\$160,424	\$399,043	\$313,005	\$226,967	\$539,697	\$253,301	\$223,301
2019	\$167,996	\$417,878	\$327,779	\$237,680	\$580,174	\$263,421	\$233,421
2020	\$175,925	\$437,602	\$343,250	\$248,898	\$623,687	\$274,299	\$244,299
2021	\$184,229	\$458,256	\$359,451	\$260,646	\$670,464	\$285,993	\$255,993
2022	\$192,925	\$479,886	\$376,417	\$272,949	\$720,749	\$298,564	\$268,564

*2002 AMI number is from HUD, other AMI projections based on a 4.72% annual increase (average from 1981-2001). Increase in median home sale price in Minneapolis based on a 7.5% annual increase (average from 1971-2001). Assuming 30% of gross income spent on housing payment, plus \$200/month in taxes and insurance, with a 7.5% mortgage for a 30-year term, and no additional debt. CLT resale amount is based on taking 25% of the value of the appreciation between the appraised (market) value of the home when it was purchased and when it is sold and adding that on to the initial sales price of the home. CLT resale formulas can vary widely*

With no up-front downpayment assistance grant for the CLT homebuyer, a CLT can make a home that is affordable today for a family making 70% of AMI even more affordable into the future. By 2005, the same

home, without any subsidy, would be affordable to a family earning 65% of AMI just by placing it in a community land trust and sharing the home's appreciation. With a \$30,000 affordability grant that gets passed on from owner to owner, the CLT can make today's median priced home affordable to a family earning just under 60% of AMI. Over the years, the affordability gets even deeper, and by 2015 the home is affordable to a family earning 50% of AMI, without any additional subsidy.

## **VI. Existing Community Development Landscape in Minneapolis**

The third area of research that was done to help inform the development of a community land trust for Minneapolis centered on understanding the roles and activities generally conducted by CLTs (and possible funding streams to support those activities), understanding of the roles, capacities and programs that are already provided by others in Minneapolis (including public agencies), and comparing them to determine where a CLT could add value to the affordable housing development and preservation efforts in Minneapolis.

Informing this was the belief of the MCLTI Working Group members that this effort to establish a CLT in Minneapolis would only be successful if the CLT becomes a tool for existing developers to use, which will require extensive partnerships, both in order to produce enough units for the CLT to be sustainable, and in order to provide the post-purchase supports necessary to make CLT homeowners successful. Equally, the eventual CLT organization will need to earn the support of the public sector and develop systems in which to integrate the CLT with existing processes and public resources available for affordable housing, without which a CLT will never even get off the ground.

### **A. What CLT's Do: Program/Staffing Roles and Activities**

#### **1. Get land and/or units into the CLT**

There are many ways that a CLT can get units into their trust: develop units on vacant property, rehab existing properties, partner with other housing developers to do those activities, establish a buyer-initiated program, or get units through donation. However the CLT gets units for their trust, a CLT needs to engage in some level of project development to work with government agencies, housing developers (non-profit or for-profit), and funders to get units into their trust.

*Funding options: If the CLT does its own development, it can earn a developer's fee for the projects they develop.*

#### **2. Market the housing**

Once the CLT has units to sell to buyers, a CLT needs to market the units to eligible buyers. This task can be contracted out to a Realtor, but many CLTs decide that they are the best people to sell CLT homes for several reasons. First, the CLT targets a specific market that might not be reached by conventional Realtor marketing techniques (such as "For Sale" signs in front of a home. Many CLT clients never think they will achieve homeownership so ignore those signs.). Second, buying into a CLT home requires more education and explanation up front. Both buyers and sellers need to be extremely clear about the CLT terms, and both need to be supportive of the mission and the goals of the CLT, as does the person who is marketing the units. Third, the CLT can earn a resale coordination fee for this work to help support the CLT organization.

*Funding options: Related to coordinating resales below, by acting as the Realtor, the CLT can charge a lease reissuance fee or sale coordination fee when the home is sold to help cover the costs of the CLTs work. This requires a significant number of units and resales to be able to cover the costs of one staff person (about 100 units according to one estimate).*

### 3. Educate and Orient buyers to own a CLT home

Typically, CLTs require buyers to go through a homebuyer training course to be eligible to purchase a CLT home. Additionally, with CLT home, there is another level of education that needs to take place to make sure that CLT buyers are fully aware of the ground lease terms, mission and goals of the CLT and general expectations of CLT buyers. Most CLTs require potential buyers to review the ground lease with their own lawyer and sign a letter of stipulation stating that they understand “the deal.”

There is also a selection process, informed by guidelines that have been adopted by the CLT Board of Directors and overseen by a CLT Selection Committee that reviews applications for buyer eligibility. This task is usually supported by a CLT staff person.

*Funding options: Some CLTs have contracts to provide homebuyer training to already interested homebuyers, not just CLT buyers, which helps pay for this cost. Minneapolis already has existing homebuyer training programs, so the Minneapolis CLT would be best served to coordinate with them, not attempt to provide the same service. Probably isn't a way to get income from this activity in this environment.*

### 4. Provide on-going post-purchase support to CLT homeowners

Post-purchase support to CLT homeowners can come in many forms. First, the CLT is there to answer questions that CLT owners have about whatever might come up in the course of them owning their home: ground lease and resale terms, questions about financing sources for a home improvement loan, how to fix a broken something, etc. The CLT might know the answer, or can refer the homeowner to another resource. Here you might imagine a magnet with the CLT's phone number on the refrigerator door.

Second, a CLT can engage in more proactive information sharing, to provide owners with useful information that they might need at some point in the future. The CLT can sponsor post-purchase support classes on a variety of topics such as how to winterize your home, Gardening 101, or financial management. To staff these activities, the CLT could have a staff person who coordinates events, develops a regular newsletter for CLT homeowners and encourages them to take advantage of the available resources.

*Funding options: Again, there are several post-purchase support classes already being offered by CDCs in the Twin Cities that the emerging Minneapolis CLT could connect to. However, there might be room to establish a more extensive curriculum and market the classes more broadly beyond CLT owners. In this case, there might be an opportunity to charge a fee for non-CLT owners or members to take the class.*

### 5. Coordinate the resale of CLT homes

Because the CLT is working with homeowners, and people who are interested and eligible to become CLT homeowners, they are in the best position to coordinate the resale of the home. As part of the process, the CLT determines the resale price (according to the resale formula in the ground lease), works with the seller to prepare the home for sale, and markets the units to new buyers.

*Funding options: Some CLTs include a lease reissuance fee, or resale coordination fee onto the sale price of the home in order to pay for the costs of this activity (as mentioned above).*

### 6. Maintain the organization

This task includes many activities, including:

- supporting the volunteer board and committees,
- administrative tasks involved in maintaining any organization,
- fundraising and membership recruitment and support.

In addition to maintaining the organization's internal workings, there also needs to be attention paid to the external environment, such as building the CLT's constituency and addressing potential policy issues that affect the CLTs work.

*Funding options: In addition to seeking funding from private foundations, income can come into the CLT through membership fees, lease fees, annual fundraising events.*

**B. Existing Activities, Services and Programs**

Minneapolis is blessed with a number of community-based community development corporations that engage in a variety of activities related to developing and preserving affordable housing as well as providing services to people throughout the home-buying process. While the capacity of each organization varies, as a whole, Minneapolis benefits from a well-trained, mature CDC community.

Seventeen CDCs engage in some level of housing development in Minneapolis, be it rehab of existing housing units or new construction. Two provide home buyer counseling classes with individualized follow-up counseling sessions available, and along with their St. Paul partners, people can take classes in English, Spanish, Khmer or Hmong. Two other organizations provide foreclosure prevention services, which include education, advice and financial assistance to help keep families that have hit a rough period in their home. Four organizations provide other forms of post-purchase support, which range from a walk-in service to help people find the resources they need for home maintenance, to Habitat for Humanity, which offers classes specifically for their homeowners on home maintenance and financial management, to a single three-hour course meant to introduce new homeowners to the basics of home maintenance. Additionally, several organizations provide information on low-interest loans that might be available to a homeowner in a particular neighborhood or circumstance. Table 7 summarizes these services that are available through existing CDCs.

**Table 7: Services Available Through Minneapolis Area Non-Profit Housing Developers**

<u>Name</u>	<u>housing rehab</u>	<u>New Cons</u>	<u>single family</u>	<u>multi-family</u>	<u>homebuyer Education</u>	<u>foreclosure prevention</u>	<u>post purchase</u>	<u>info on loans, etc.</u>
Am Ind HDC	X	X	X	X				
Artspace	X	X		X				
CCHT	X	X		X				
CASH							X	
Exodus CDC	X	X	X	X				
GMHC		X	X					
GMHC's HRCs							X	X
Green Institute	X							
TC Habitat	X	X	X			X	X	
Hope Community	X	X	X	X				
LNDC	X	X	X	X				
NNHS	X	X	X		X		X	X
NRRC	X	X	X	X		X		X
PRG	X	X	X	X	X			
PPL	X	X	X	X				
Riverton CHA		X		X				
Seward Redesign		X		X				
SNHS	X	X	X					X
West Bank CDC	X		X	X				

In addition to CDCs, there are a number of for-profit developers that along with market rate housing, develop affordable housing. Developers that have already expressed support for the CLT and may be interested in partnering on future projects include Sherman Associates and Brighton Development. (Hopefully this number will rise as the City of Minneapolis implements its inclusionary housing standards, which states that 20% of projects of more than 10 units need to be made affordable to families at 50% and less of AMI.)

Minneapolis’s neighborhood organizations also provide a unique organizational environment in which to establish a community land trust. Each spot of land in Minneapolis falls under the purview of a neighborhood

organization, which is governed by a community-based board that has its own set of goals and visions for its neighborhood, which may or may not coincide with an adjacent neighborhood's. This patchwork characteristic of neighborhood groups has sometimes led to them being described as fiefdoms and parochial. Where they relate to the community land trust, though, is that neighborhood organizations can provide the local communities in which CLT homebuyers engage. First of all, neighborhood organizations, through their committees, already provide local forums for the CLT to present proposals and get feedback on the community's wishes. Second, they provide existing support structures for CLT homebuyers, who are often first time home buyers. Many neighborhood organizations offer home improvement loans or grants for neighborhood residents. Some offer assistance with improvements that would improve safety in and around your home. And most neighborhood organizations offer numerous opportunities for a new CLT homebuyer to meet their new neighbors.

***A special note on the role of public agencies and private funders***

It is crucial for the CLT to gain support from the local public agencies – from the City of Minneapolis, Hennepin County, the Federally-designated Minneapolis Empowerment Zone and the State of Minnesota – for this effort to establish a CLT to be successful. It is not just about providing resources (thought that is important), it is also about providing legitimacy to this effort, and leadership in changing the way people think about, and the way resources are spent on, affordable housing. Indeed, the first step is to broaden policy makers' thinking about how affordable housing should be provided throughout a city. Then comes the value that subsidies for affordable housing should be spent on models that preserve both the affordability of the home and the public subsidy invested. Only at the end does the funder, whether public or private, start to see the real value in investing resources in community land trust homes.

Specific resources available from public agencies and private funders will be help support both the CLT organization and development projects that add CLT units. Hennepin County and the City of Minneapolis can help make land that they receive through tax forfeiture, HUD foreclosure and other mechanisms available at below-market rates. In addition to support for individual projects, public agencies and private funders could provide support to allow the CLT to provide large grants to new CLT homeowners, to purchase properties, provide gap financing for rehab or new construction, and other development activities. The City of Minneapolis and State of Minnesota could also provide low-interest mortgage financing to families buying a CLT home. All these tools will help provide homeownership opportunities not just for the first family to buy a CLT unit, but for future families as well. The investment will last at least 99 years!

**C. Opportunities for Collaborations and Partnerships**

Comparing the roles and activities that typical community land trusts engage in, with what is being provided in Minneapolis already, it is clear that there are many places for coordination between the CLT and existing programs. Table 8 lays out some preliminary thoughts on how the CLT could coordinate its work with existing players.

**Table 8: Options for roles and activities for the Minneapolis CLT, and opportunities for collaboration with existing organizations, programs and services**

Activity	Partnership Opportunity
A. Get land and/or units into the CLT	1. City and County could direct land they receive – through tax forfeiture, HUD foreclosures or otherwise – to the land trust at discounted rates. The land trust could either develop units or rehab the properties themselves, or partner with another developer to do that work.
	2. Work with existing developers, both non- and for-profit, to put units they are developing into the trust (PRG's VIP-One, MCDA's HOW homes, Sherman Associates' East Phillips Commons)

<u>B. Market the CLT housing</u>	1. This is a core CLT activity that the CLT should conduct on its own and in coordination with developer of the units, if it is someone else. Partnerships could occur around marketing the units to clients and constituents of other organizations (such as PRG’s coop residents, or CCHT’s rental residents, or MPHA residents, who may be ready to purchase a home of their own).
<u>C. Educate and Orient buyers to own a CLT home</u>	1. General home buyer training required for CLT buyers could take place within existing home buyer training classes provided by PRG and NNHS. As they do in Burlington, VT, the CLT could ask for 15 minutes during the whole class to introduce the option to people. Then, if people are interested, they can set up a more individualized session on the CLT. Also in Burlington, the general homebuyer counselors often refer eligible clients to the CLT trainer, so we could set up a system like that with all home buyer counselors.
	2. Education and orientation to the CLT “deal” should be done by CLT staff, as well as working with the buyer through the CLT eligibility and selection process. (This could include requiring the CLT buyer to review the ground lease with their own lawyer.)
<u>D. Provide on-going post-purchase support to CLT homeowners</u>	1. While the CLT will need to connect CLT homeowners with on-going post purchase support, the CLT does not necessarily need to provide the post-purchase supports themselves. So, the CLT can send out regular newsletters with helpful tips for home owners and information on available resources, and perhaps host events themselves, the CLT can also partner with existing providers of post-purchase support programs, such as NNHS’s HOPE program, CASH’s “Dream Home or Money Pit” and financial management classes.
	2. There are several low-interest loan programs available for families needing to make home maintenance repairs. The CLT could actively inform their owners of these resources made available by others.
<u>E. Coordinate the resales of CLT homes</u>	This is another activity that is at the core of what a CLT is traditionally expert in and should keep in-house.
<u>F. Maintain the organization</u>	The organizational structure of the Minneapolis CLT will inform on whether this activity is done in partnership with an existing organization/s or not. See above section on Comments from Stakeholders for more information about the options and issues around the organizational structure question.

## **VII. Conclusion**

Using this information, the MCLTI will tackle its next task: to determine the model for the Minneapolis CLT. The MCLTI Working Group will be expanded to bring in some additional expertise in community development and organizational development (including representatives from the Mayor’s Office, the Empowerment Zone, North and Northeast Minneapolis community groups). Through a series of meetings facilitated by a consultant from Burlington Associates (a national group that provides technical assistance to community land trusts), the group will make decisions about the CLT’s service area/community it will serve, organizational structure, organizational roles and activities, board make-up and membership.

Once the organizational structure questions are answered, the group will expand again – to add additional community members – to become the Interim Board. The Interim Board will be tasked with making the final set of decisions about organizational policies and guidelines, such as the terms of the ground lease, target population, buyer selection criteria and process. Who will the emerging Minneapolis CLT serve? What

should its resale formula be? How will buyers and members be recruited? How will other interested housing professionals (such as lenders, appraisers, assessors, title companies) be informed and educated about the community land trust?

By September 30, 2002, a CLT organization should be up and running and ready to start providing long term affordable housing to Minneapolis's communities.

As this is being written, the MCLTI Working Group is full of hope as to what the emerging CLT will be able to offer Minneapolis and its residents. There is a lot of work to do to make this hope a reality, but a solid foundation of understanding has been laid to date and the road ahead is clear. Soon, Minneapolis will be among the nation's municipalities who can offer long-term affordable housing to its residents today and in the future.

## **Appendix A: "Dear X" Letter to Stakeholders**

Monday, November 5, 2001

Dear Community Leader:

We are writing to you today to let you know about the Minneapolis Community Land Trusts Initiative, an exciting endeavor to explore establishing a community land trust (CLT) for long-term affordable housing in Minneapolis—and to ask for your help. As you may know, community land trusts are not new. In fact, CLTs have been formed and operated for the past 15-20 years across the country, and there are examples right here in the Twin Cities. The CLT model provides permanent affordable home ownership by placing land in community ownership, and is especially useful in neighborhoods that are facing rapidly increasing property values and gentrification pressures that threaten to make them unaffordable to existing residents.

Simply, with a CLT – a non-profit organization with a community-based board – an eligible buyer buys a house while the land underneath is held by the trust. The homeowner then leases the land from the CLT through a 99-year, renewable ground lease. The ground lease includes terms that allow the homebuyer to take a certain amount of appreciated equity upon the sale of the home, and requires the homebuyer, when they are interested in selling, to sell the home to another eligible family. In this way, the initial subsidy that made the home affordable to the first family remains with the house and makes the house affordable to subsequent families as well.

The benefits of a community land trust include:

- Building and sustaining stable neighborhoods and families by offering homeownership opportunities
- Offering community control of affordable housing resources through the CLT governing structure
- Providing support to new homeowners and connecting them to the larger community
- Preserving the public subsidy to make a house affordable for future families and generations
- Building and sustaining genuine mixed income neighborhoods

CLTs have been used in other neighborhoods and cities to encourage community-based neighborhood revitalization and community control of affordable housing resources, including St. Paul, MN, Burlington, VT, Madison, WI and Portland, OR. The model is most often used to offer permanently affordable homeownership opportunities in a neighborhood – through both new construction and existing buildings – and can also be used with commercial properties and community facilities.

The Initiative has brought together several community and neighborhood developers who are interested in pursuing CLTs as another potential tool to address affordable housing needs in our community. *We believe this model can help us address the situation many neighborhoods are facing in Minneapolis today:*

- **Increasing property values** that are already pricing people out of their neighborhoods, making it difficult for families to buy affordable homes
- **Large public investments**, such as in the Midtown Greenway and Hiawatha LRT lines, that will create pressures to push housing prices even higher
- **Tightened city resources** available for affordable housing and community development that makes it essential to find smarter ways to use the same public dollar.

*The Minneapolis Community Land Trusts Initiative will be engaging in a community-based effort to examine existing local and national CLT models, to identify issues relating to Minneapolis' neighborhood needs and local context, and to explore "on-the-ground" development opportunities.* To support this activity, most of our work for the Initiative during the next 2-3 months will involve engaging community members and affordable housing leaders in conversations about this exciting, potential affordable housing tool.

**This is where you come in.** *As a community leader or practitioner in the city's affordable housing discussion, we would like to talk with you further – pick your brain, really – about the CLT model and how it might be implemented here in Minneapolis.* Additionally, we are developing an email list so we can update people regularly on our progress. The project coordinator, Cara Letofsky, will be contacting you shortly to talk with you about the Initiative and CLTs. You can also reach her at (612) 724-5163 or [cletofsky@yahoo.com](mailto:cletofsky@yahoo.com) with your interest and questions. Also, please feel free to share this information with anyone else that may be interested in this project.

They say that the best time to plant a tree was 20 years ago. We believe the time is now to preserve our neighborhoods' affordability for future generations. We look forward to working with you to see how a CLT might happen in Minneapolis!

Regards,

Carol Mork  
*Lyndale Neighborhood Development Corp.*

Michele Wiegand  
*Powderhorn Residents Group*

David Rubedor  
*Powderhorn Park Neighborhood Association*

David Fey  
*Seward Redesign*

## Appendix B: List of Stakeholder/Community Meetings Held

### Conversations held, August 2001 to March 2002:

1. 8/9: Jerry Boardman, MCDA (Carol, Michele, Greg)
2. 8/9: Peter McLaughlin, Hennepin County Commissioner, Gary Cunningham (Michele)
3. 9/28: Carol Berde, The McKnight Foundation
4. 10/4: Bob Streetar, Minnetonka (Carol, Kris Madsen)
5. 10/8: Greg Finzell, Rondo Tour (Carol, Michele)
6. 10/22: Mark Lindberg, Otto Bremer Fdn (Michele)
7. 10/22: Gail Daneker, Former ICE president
8. 10/25: TMF site visit with Edwina Garcia (with David Fey, Carol, Michele)
9. 11/2: Frank Hornstein, Met Council
10. 11/7: Kris Madsen, Minnesota Housing Resources
11. 11/15: Gary Schiff, Councilmember elect (with Michele)
12. 11/20: Nancy Nagler
13. 11/26: Jim Scheibel, PPL (with Carol and Michele)
14. 11/27: Carol Pass (with Carol)
15. 11/27: Tom Streitz and other MPHA staff at MPHA offices
16. 11/28: Tim Springer, Midtown Greenway Coalition
17. 11/29: George Garnett, West Broadway/Met Council
18. 11/29: Natalie Johnson Lee, Councilmember elect (with Michele)
19. 12/3: Judy Borger, St Paul Pioneer Press
20. 12/4: Earcie Allen, Northside resident involved with the Northwest Area Foundation's project
21. 12/4: Whittier Alliance: Jeff Langaard, Patricia Fitzgerald, Dave Harstad, Bruce Rasmussen
22. 12/5: Bob Thompson, Lyndale Neighborhood Association (with Carol)
23. 12/5: Scott Russell, Southwest Journal (with Carol)
24. 12/5: Ralph Bruins, Urban Ventures
25. 12/6: Jan O'Donnell, Seward Redesign Board President
26. 12/6: Eric Guida and Bernie Waibel, Seward Neighborhood Group staff
27. 12/10: HACC: Elfric Porte and Georgianna Yantos (with David Rubedor)
28. 12/11: Paul Zerby, Councilmember elect
29. 12/11: Kristi Johnson, Corcoran Neighborhood Organization staff
30. 12/11: SNG Housing Committee
31. 12/12: KT Simon-Dastyeh, Longfellow activist
32. 12/13: Robert Lilligren, councilmember (with Michele)
33. 12/13: Dean Zimmermann, councilmember (with Michele and Jenny Heiser)
34. 12/13: EPIC Board/Community meeting
35. 12/13: PPNA Board Meeting!
36. 12/17: Tom Fulton, Family Housing Fund (with Fey, Carol, Michele and Andriana)
37. 12/17: Dan Niziolek, councilmember elect (with Carol)
38. 12/18: CCHT Development Team
39. 12/19: Sandy Colvin Roy, councilmember (with Fey)
40. 12/19: Chip Halbach, MHP
41. 12/19: Art Seratoff and Jim Cook, Sabathani Community Center
42. 12/20: Julie Gugin, TC Habitat for Humanity
43. 12/20: Shirley Heyer, Midtown Phillips
44. 12/26: Deidre Schmidt, Brighton Development
45. 12/26: Lisa Vecoli, Commissioner McLaughlin's aide
46. 12/27: Lisa Goodman, councilmember (with Fey)
47. 1/2: HACC's Housing Committee
48. 1/3: Jim Buesing, HOMS Initiative
49. 1/5: Rybak Housing Summit
50. 1/7: Michael Krause, Green Institute

51. 1/7: Corcoran's General Membership Meeting
52. 1/8: Marie Hauser
53. 1/9: Erik Takeshita, LISC/Rybak
54. 1/10: Patricia Mack, HUD Community Builder
55. 1/10: Jana Metge, Former ED of CNIA, Midtown Phillips activist
56. 1/10: EPIC, round two
57. 1/14: Michael O'Neal, Phillips resident
58. 1/14: Bob Miller, NRP
59. 1/14: Julie Ann Kenney, LCC Housing Committee, former Rondo staff
60. 1/15: Greg Luce, Project 504
61. 1/15: Char Perry (over the phone), JACC staff
62. 1/15: CARAG Board
63. 1/16: Carolyn Olson, GMMHC
64. 1/16: Ana Grassi, PRG staff, regarding affordability and who's looking for a home
65. 1/16: Franklin Baz, (over the phone) Chair, JACC Housing Committee
66. 1/17: Earl Rogers and Walt Gutzmer SHNS
67. 1/17: Margaret Metzdorf
68. 1/19: Jan Pearson, DeWayne Townsend and Marcea Townsend, LCC Board Members
69. 1/21: Alan Arthur, CCHT
70. 1/29: Councilmember Barb Johnson
71. 1/30: Russ Adams and Maura Braun, Alliance for Metro Stability
72. 1/30: Gina Streeter, HACC Housing Committee Chair
73. 1/30: Tim Mungavan, West Bank CDC
74. 2/5: LNDC Board
75. 2/6: Kim Havey, Empowerment Zone
76. 2/6: Presentation to Wells Fargo folks
77. 2/6: Kingfield Redevelopment Committee
78. 2/7: Jeff Strand, Camden and Henn County Tax forfeited properties division
79. 2/7: Village in Phillips project group
80. 2/14: NRP Staff mtg
81. 2/19: HACC Housing Committee folks
82. 2/19: Housing Committee of the Consortium of Community Developers (Brenda Reid from HOPE, and Robert Albee from AIHDC)
83. 2/20: Joan Pearson from MICAH
84. 2/22: CURA Housing Forum
85. 2/23: Seward folks (Diann Anders, Dick Westby)
86. 2/25: MCDA Staff (multi housing family folks)
87. 2/25: North East CDC group
88. 2/26: Henn Cty Commissioner Gail Dorfman
89. 2/26: Sue Watlov Phillips, Community Home Ownership project
90. 2/26: PRG Board
91. 2/28: Scott Benson
92. 2/28: Loren Bruggeman, Sherman Associates
93. 3/4: David Crockett, by phone
94. 3/4: Cam Gordon, Seward activist
95. 3/5: NRRC, Sherrie Pugh, Kevin Gulden, Lindy Garnett
96. 3/12: JACC Housing Committee

## Appendix C: Notes from Focus Groups

### Focus Group #1: Participants in PRG's home buyer workshop; Saturday, March 2, 2002

Participants: Stevens Meads, Jen Johansson, Joel Doeyou, Ammie Doeyou, Mary Christianson, Kristin Lindholm

Staff: Cara Letofsky, LoAnn Crepeau (note taker)

#### *Introductions/Why are you interested in owning your own home?*

- Returned to Minneapolis after living in New York, San Francisco, an artist (sculptor), wants studio space, really, with a corner to live in. Doesn't want to continue giving cash to the landlord, wants to make an investment in a home.
- Part of a young couple, he's a student, want to own their own place, though not sure it's feasible. Watching friends buy homes, then having them appreciate beyond their reach. Need to buy now – sooner rather than later because prices are only going up, and they can start earning some equity. Would love to stay in south Minneapolis (Grew up around here), but is OK with moving over north, too. (later mentioned that he has a friend who lives in a WBCDC house, controversy around their program. He thinks it makes sense to recapture part of the value for future families if you get help up front...).
- The other part of the couple says they are going to be starting a family, so more reason to get their own place, with a yard to garden in
- >From Liberia, live with wife and six kids in an uncomfortable apartment. Landlord is not so good, takes a long time to get something fixed, so wants to own his own place so things can get fixed when they need fixing (“won't need to wait for someone to come”). Start earning equity themselves, vs giving it to someone else.
- Lived in this county for two years, concerned about safety of the neighborhood in which they are currently living
- Young single woman, feels like she's wasting her money on rent. Would like to buy a place for her and her sister and her sister's kid, in the city (currently lives in the suburbs). Thinks she would enjoy learning maintenance and keeping up the yard. Wants to live in a central location.

#### *What are your barriers to homeownership?*

- Money, and access to money (no family support)
- Accruing the downpayment, could otherwise handle monthly payments. Get in now, once you're in, your appreciation gives you access to future houses
- Affordable prices
- Income and high price mismatch, also location drives up prices (south more expensive than north). People want to live in a safe environment
- Prices are too high in the areas they want to live in that they feel would be safe for their families

#### *What support do you think you might want after you buy the house?*

- Learning how to do home improvements (though she thinks she might really like to learn)
- Low interest loans for major repairs
- Would enjoy doing some of the construction work herself, has done construction for a living sometimes, and pretends that it's hers.
- Likes the idea of community support/connections through CLT, it is more important in low-income communities that have so many other stresses, wants to help build community and give back a little bit
- Home maintenance

*Question about limiting equity: how much is acceptable?*

- Resale cash out is not as critical for CLT buyers, they are going to be more interested in stabilizing their lives, gaining a credit history/track record. Attraction is more about getting your own place
- How can you make sure the CLT owner has access to their next home, larger
- Mary: I do not have a starter home mentality, doesn't care about appreciation, CLT is an opportunity that includes building community, buyers would have to have a commitment to the mission and goals of the CLT
- Need to make sure you maintain flexibility for buyers/sellers (her family moved around a lot as a child)
- Track record gives you credibility with lenders when you buy your next house
- Wants to live in a community that cares about their homes as much as she will care about hers
- Steven thought that the high housing prices are forcing people to move to less desirable areas of town, then having the affect of gentrifying them. Good because it improves neighborhoods, not good because it gentrifies them. Their own rent went from 650 to 1200 (in what period of time?)

---hum, she didn't capture people's feedback on limiting equity.... I remember Steven saying yes, even less percentage to the buyers would be appropriate, because you're giving them the opportunity (mentioned above)

*LoAnn asks: How important is proximity to other CLTowners?*

- Important, but more important not to limit the area of the CLT
- Not important, there are other ways to connect CLT owners with each other
- Need to provide opportunities for interaction (between CLT owners and between CLT owners and non-CLT neighbors)

*What are your reactions to the idea of buying into this type of arrangement?*

- No problem. Demand is so great, that as long as documents are carefully drawn (?? What does that mean?)
- This is a choice, people don't need to be a part of it if they don't want to be.
- No problem with limiting appreciation. Protects the buyers and the organization
- Make sure that people know that it is a lot of work to sustain a community-based group
- Be sure to pick your leadership appropriately

Focus Group # 2: Seward Towers Focus Group, targeted to the East African community; Wednesday, March 20, 2002

Participants: 28 (28!!! From three language groups!)

Staff: Cara Letofsky, Andriana Abariotes (note taker), Tav Buechler (Towers Advantage Center).

Introductions: Why do you want to own your own home? (Translated into "why is it important for you to own your own home?")

- Want to live in my own house
- It feels better to be in your own home, own garage, own garden
- Privacy
- Space for the whole family
- Have children, need a yard
- As a Muslim, there is a concern about paying interest – will this program address that?
- Have two active children
- Own home is something for my children's future, an investment
- Need a bigger place for my kids
- Have five people in a two-bedroom, need more space
- Own privacy, more room for kids

- There are six people in my family and we are not allowed to stay in our two bedroom, so need to find a new place to live
- Looking at this program as a possible option for me and provide a bigger place for my kids
- (Lots of comments from people who have large families and not enough space to raise them, for them to play and privacy.)

*What do you see as the barriers to homeownership?*

- Can't afford it
- Single mom, banks won't give a loan
- House values going up
- Loan that they can qualify for is too small to buy a house with in today's market
- The issue of the religious ban against paying interest. Is anyone working on this?
- "Not enough information out there" (I'm not sure what that means...)
- Even if you get approval from the bank for some amount, the only homes you can find at that price range are in bad, unsafe neighborhoods
- Areas are unsafe for kids. Seward is great, safe for kids, school is good. Kids want to stay in the same school with their friends, and ask their parents not to move somewhere else
- Some agencies and programs help with money, but don't give a choice of where to live. "I was given a loan, but had to walk away from it because they didn't give me a choice of where to live. I like this area."
- Seward is good for me, close to downtown, can walk places, kids go to Sullivan and I don't want to transfer them. I like this area.
- Seward is very expensive (woman mentioned the 3 bedroom house that was on the market for \$279,900 the previous weekend...)
- I've lived here for 10 years, about seven years ago, homes were selling for \$35-\$40,000, now it's over \$200K
- "I've been looking for four years"
- I don't want to have to work two-three jobs. I want to be with my kids. Working 16 hours a day is not good.
- People move to the suburbs to have better schools, safety. Example of a math contest where none of the teams from the Minneapolis schools won
- How is this different from Habitat?

*What kind of supports do you think you would need after you buy the house?*

- This question was slow to get responses...
- Snow blower to share, and other tools for keeping your yard up
- Help paying for utilities
- Maintenance, yes would need help with that piece, to learn how to take care of your home
- Would want to know a handyman

*Then there were a lot of questions:*

- Are we thinking of townhouses, or just single family homes?
- Would people be limited to a particular part of town? Suburbs?
- What happens if you get laid off and can't pay your bills?
- How does this organization get money?
- Do you have to live in the house for a certain period of time before you can sell it?
- How does the CLT get the houses?
- With a CLT House, do you get the mortgage interest deduction?
- Will there be help with credit?

*Considering the trade-offs, would you be interested in buying into this sort of situation?*

- YES.

(although there was one man who talked about the goal being to own your own land, too)

Focus Group # 3: *Community Neighborhood Housing Services, targeted at members of the Southeast asian community; Saturday, March 30-2002*

Participants: 11 people from the Hmong and Cambodian communities

Staff: Cara Letofsky, MCLTI, Chanta Koy, PRG, Pao Yang, CNHS, and Leah Goldstein Moses, note taker

*Introductions/Why are you interested in owning your own home?*

- Would like to get a house for kids, so each could have their own room, but can't afford it
- Same, would like a house for the family to grow in
- Would like a big house, has 8 kids, lives in Minneapolis
- Would like a new house for family; he's living with his uncle, and wants a house so he can bring his family here
- Would like a larger house to accommodate his mother-in-law, who lives with them
- Bigger house
- General issue of affordable housing: can afford something, and get pre-approved from a bank and all, but not enough of a loan to cover a house they want
- Same concern, rental and purchase prices are too high, so would like to explore affordable housing programs/options

Then Cara gave the presentation and asked if anyone had any questions:

- Are there income limits? Will anyone be able to work with the CLT? Are there other target groups?

*What have you experienced as the barriers to homeownership?*

- Low-income
- Price of housing is rising fast
- Low-income
- Low-income
- Low-income
- Worried about ability to pay for the house if she gets sick and is unable to pay the bills
- Prices and low-income

Further: have you tried to qualify for a mortgage and found that it wasn't enough to buy a house with?

- Yes, not enough income to buy a house
- High interest rates, half of payment is for interest
- Would be paying way too much for housing, not much left for food after you pay the housing bill
- Concerned about the payment
- When you have a low-income, you will have to get an old junky house, a nice house is too expensive
- Concerns that they will get sick and not be able to pay the bills and the house will get taken away from them
- If you buy one that fits your budget, then it is too small, it will need repairs, etc.

*What kinds of supports do you think you might need after you buy the home?*

- Making the payment
- Circumstances. If you get sick you won't be able to make the payment, will need support for that.

- Same concern, in case of emergency, lay off or illness, will there be help?
- Would like assistance temporarily in case of job loss or illness

*Can you live with this deal?*

- Doesn't matter how much you sell the house for if you can buy it cheap for a family
- Plan to live there for a long time, so would agree to any limits because of concerns of affordable housing
- If you get it at an affordable rate, wouldn't want to sell it on the market to make more money – agree to keep it affordable to the next family.

*Again, would you buy into this arrangement?*

- If it were a big enough house for my family, yes
- For me, I don't care so much about the size of the house, but I need a house for my kids

Lots of questions:

- Do you have the exact lay out/configuration of the homes, or will they be different?
- Different prices?
- What will the condition of the houses be?
- Will you be able to pick the house you want to live in?
- Can the buyer design a house (say, if there was an empty lot)
- Is there interest from any banks?
- Explained that people get mortgages from banks; financing doesn't come from CLT, so you've got to be credit-worthy
- Talked a little about the buyer-initiated
- What if you make a ton of money and want to get out of the CLT deal? (sorry! Breaks the chain of affordability)
- What if you make a ton of money and buy a new house in the suburbs?
- How can I sign up?
- If I want a \$200K home, how much can I get from the CLT?
- Are there limits on how long you need to live in the home before you can move?
- What if I put 11K of improvements into the home just before I want to sell it?
- Got into a real example: wants to buy a \$200K home, needs \$50K to get into it. What happens?

*Ended up that I answered as many of their questions as they did answer my questions. Seems like if we can provide the house that people want at a price they can afford, they are more than willing to share that help with a future family.*

Focus Group #4: *Southside Neighborhood Housing Services, targeted at the African American community, SNHS, Wednesday, May 1*

(organized by Earl Rogers, SNHS)

Attendees: Akhmiri Sekhr-Ra, Earl Rogers, Charles Dexter, Kia Dexter

Earl opened up the meeting explaining what SNHS does and why they are interested in the CLT model. They help folks with low-interest loans, home-buyer training, etc. They want people to get into their own homes, but it's getting harder and harder as housing prices go up and up. Wants SNHS to be involved in exploring other ways people can get into their home. Hosting this "informal conversation" to help support the effort.

Why are you interested in owning your own home?

Charles: Owning your home is part of the American Dream. Wants own home for himself and his family

Kia: Interesting in learning about what it takes to purchase a home. Knows she won't be able to do it for a couple of years. (She and Charles are both college students. It came out later that they are both very ambitious. He wants to be a psychologist, she a lawyer. They are in their second year of college and have a ways to go!)

Akhmiri: Landlord just raised rent, (515 to 625 – for a three bedroom! Still a deal) and wants more for the place she really wants (1200)! Still needs to learn, and is interested in whether anyone would even give her a house, considering her credit history.

What are you experiencing as the barriers to homeownership?

- Not working, so little income (students). Rent is currently paid through unemployment payments (though, I think they have grants for education costs)
- No credit history. Youth. Not enough of a record for lenders to see a history from
- Bad credit
- Not enough money

(None of the participants have gone through the home buyer trainings yet.)

What kind of support do you think you might need once you get into the house?

- Keeping it up, funds and knowledge to maintain it (Akhmiri)
- Would probably take advantage of classes
- Charles can do it himself!

*How important is it to own the land? (Specifically to this group)*

“It sounds like funny stuff is going on”

**Leads to other questions**

Does the owner pay property taxes on the land? Yes. People have exclusive, private right to use the land

What if you want to sell the house? Resale price is determined by taking a portion of the appreciation. That's also what the seller gets. CLT doesn't get it. The next family gets the benefit, but no one “gets” it.

What happens if the CLT disbands? In the case of any non-profit organization, there is a dissolution plan. Usually the assets get transferred to another organization, which continues the mission.

What are the qualifications to get into a house? Income? Criminal background? Need to qualify for a mortgage from a bank, but probably wouldn't be prohibited. Family size? Probably would have guidelines for family size matched to size of the house.

Where are the houses located? In the city of Minneapolis. Not suburbs, though there is a West Hennepin CLT.

**The whole limiting equity thing, what do people think about that? But helping you get into the house, is this something that you can agree with?**

That's not a problem in my eyes. I can see how it would be a problem for some people, that it would bother some people. But it's something that you'd have to buy into and be for if you are about affordable housing, if you understand that whole principle of what it's like out here.

Cara says: give me what I want, that meets my family's needs at a price that I can afford, who cares what happens when I want to sell it. (Agreement.)

What happens if you just stay in it? Can stay as long as you can pay the bills, you can leave it to your kids, etc.

Would you have to put money down? There are sources for downpayment assistance that can help low income people buy their homes. Most recommend that the buyer come with something.

What price are you thinking about? Using VIP as an example, appraised value will be 140K, we want to get it even lower. Charles says, You might be better off just paying 140K. Yes.

Cara explains the buyer-initiated idea.

In thinking about this limiting your equity, do you have any thoughts about the trade off? At what point is it not worth it?

- Hard to determine without seeing the numbers

What happens if your income goes up? Doesn't matter. Just need to be income eligible at the time that you purchase the house.

Charles and Kia ask about college students buying houses. Earl answers "I wish that I had had the insight about how important it was to have something that you could make some investment in."

Would be a better program if you helped people with there credit. There are programs out there that help you with that (through the home-buyer programs, where you hook up with counselors who help you understand your credit report and what you need to do to get it on track.) The CLT helps you stay in the house once you get in, with foreclosure prevention.

Earl says that they are working to set up a program to work with people on budgeting, credit issues, etc.

Encourages people to tell their friends about this project that's coming down the road, and thanks folks for coming!