



Opportunity Stability

Home

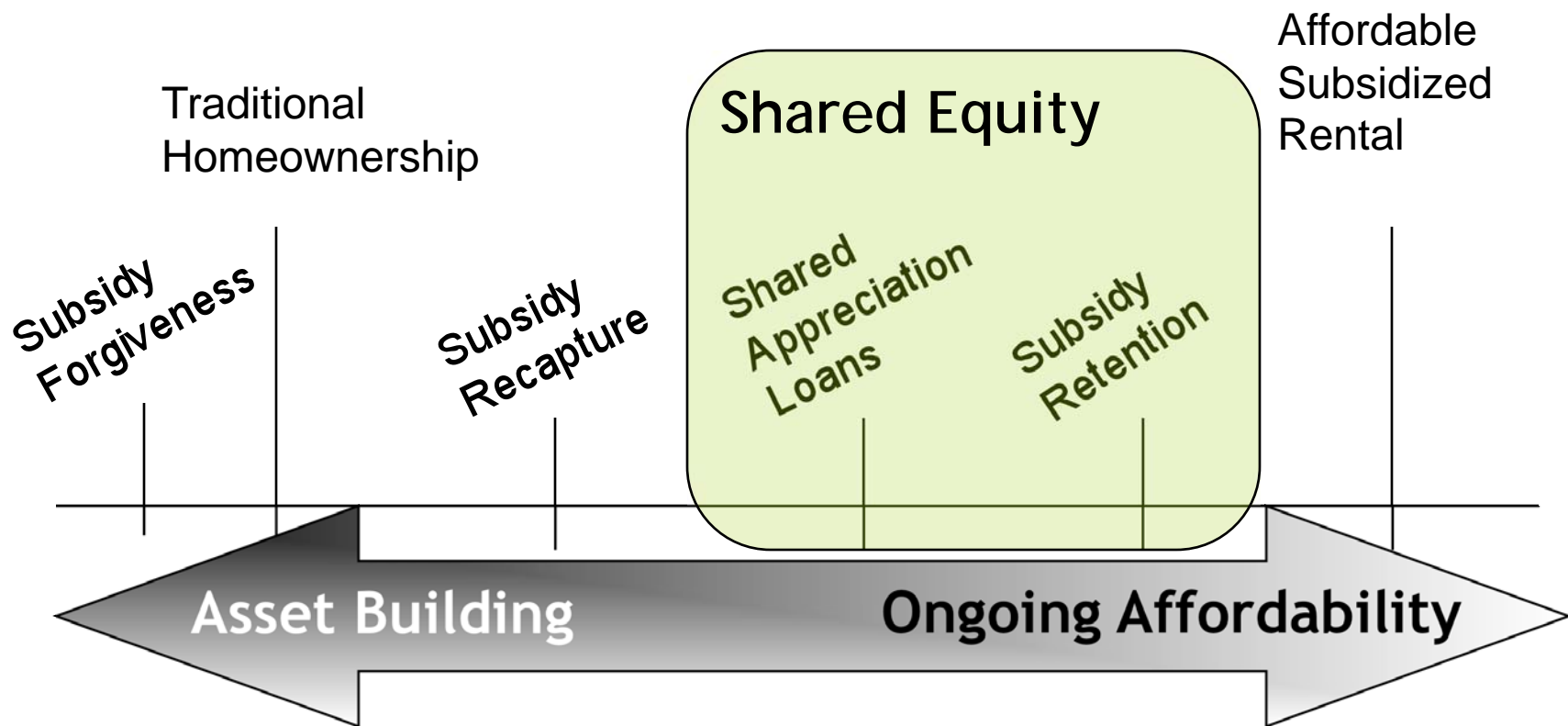
Creating Permanent Affordability

*Shared Equity Models:
Community Land Trusts*

Congress for New Urbanism
Austin, Texas
April 2008



Housing Market & Shared Equity Products

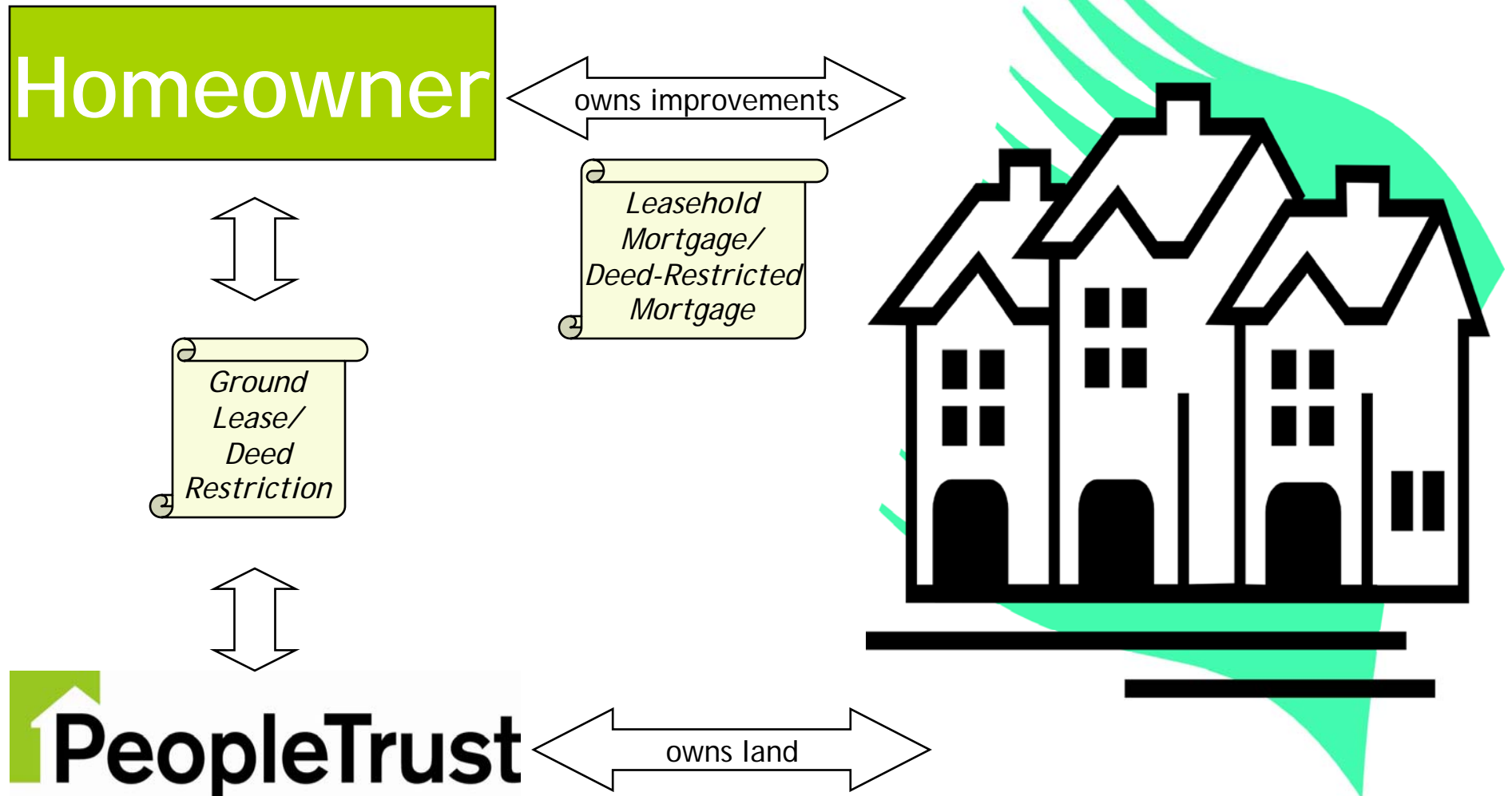


Shared Equity Product Types

- Shared Appreciation Loans
- Subsidy Retention
 - Limited Equity Cooperatives
 - *Community Land Trusts*



Community Land Trust Model



CLT Ground Lease/ Deed Restrictions

- Lease term/restriction is long-term; may be renewed
- Letter of Acknowledgment: Buyer's Representation
- Occupancy: Primary Residence + exceptions
- Reasonable Use and Compliance with Laws
- Inspection of Home by CLT
- Ground Lease or Deed Restriction Fee & Adjustment
- May have limits on construction & alterations
- Purchase Option Price (Resale Formula)
- Assignment & Sublease generally prohibited
- Foreclosure Prevention (Fannie Mae Rider)



Initial and Long-Term Affordability	CLT Model	Mortgage Subsidy
Acquisition/Development Cost		
Land	\$40,000	\$40,000
Improvements	\$80,000	\$80,000
Total Development Costs	\$120,000	\$120,000
Subsidy Provided		
Subsidized Land Costs	\$40,000	\$0
Gap Financing Loan (Mortgage Subsidy)	\$0	\$40,000
SALE PRICE TO QUALIFIED HOMEBUYER (BUYER #1)	\$80,000	\$120,000
Market Value At Original Sale	\$120,000	\$120,000
Market Value in Ten Years	\$214,902	\$214,902
Increase in Property Value (Appreciation)	\$94,902	\$94,902
Percentage of Appreciation Allowed BUYER #1 ("fair return")	25%	100%
Amount of Appreciation Taken by BUYER #1	\$23,726	\$94,902
Amount of Subsidy Payback	\$0	\$40,000
BUYER #1 Share of Increased Value	\$23,726	\$54,902
SALE PRICE TO BUYER #2	\$103,726	\$214,902

Performance Comparisons

	Grant Program	Deferred Loan	Shared Appreciation	CLT AMI Index Resale Formula
Initial Sale				
Market Value	250,000	250,000	250,000	250,000
Subsidy	50,000	50,000	50,000	50,000
Sales Price	250,000	250,000	250,000	200,000
Yr 7 Subsidy	130,000	80,000	55,000	0
Yr 14 Subsidy	262,000	132,000	66,133	0
Yr 21 Subsidy	478,000	216,000	83,841	0
Yr 28 Subsidy	820,000	342,000	101,313	0
Total Subsidy 35 yrs/5 families	1,740,000	820,000	356,287	50,000

When to Consider Subsidy Retention Products

- Subsidy amounts are high and concern that home prices may increase faster than incomes
- Preservation of a stock of affordable housing is a key goal
- Funds may not be available to re-subsidize assisted units at resale
- Limited future development opportunities may make it difficult to reinvest recaptured funds (in the same neighborhood/geographic location)



Housing Developers

Social Investors

Lenders



PeopleTrust

Homeowners

Local Government





**Permanently affordable
homeownership produces broad
social change with lasting impact,
changing communities forever.**

*A Dollar Invested Today,
Creates a Home Forever.*





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Shared Equity/CLT Resources:

www.clnetwork.org

www.nhi.org/policy/SharedEquity.html

www.nw.org/network/training/sharedEquitySymposium.asp

www.burlingtonassociates.com

www.lincolnst.edu/subcenters/CL/clt





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Coming soon: www.peopletrusthome.org

