florida community land trust INSTITUTE

Frequently Asked Questions

As Florida's historically high-cost housing markets recover from the foreclosure crisis, local governments and their nonprofit partners are examining alternative models for providing long-term affordable housing for residents least served by the prevailing market. A Community Land Trust can benefit low-income families by providing access to affordable housing in high-cost, service-industry dependent areas, while keeping housing affordable for future residents. Just as importantly, the CLT model can be used to capture the value of public investment for long-term community benefit.

What exactly is a Community Land Trust?

In the Community Land Trust (CLT) model, housing is made affordable by separating its value from the value of the land underneath it. A qualified low-income homebuyer can purchase the house, but the land is owned by a community-based nonprofit corporation, which provides a 99-year ground lease to the homeowner. Because the sales price of the home does not include the value of the land, the homebuyer has an affordable monthly mortgage payment and a nominal ground lease payment.

Many nonprofits that form a Community Land Trust are already involved with developing or maintaining affordable housing in the community they serve, and can easily adapt from producing and selling the house with the land to selling the house together with a 99-year leasehold interest in the land.

What is the role of a local government when forming a CLT?

Several local governments in Florida recognize that CLTs can play an important role as stewards of community resources for current and future residents. Local governments typically provide CLTs with essential resources for startup and sustained operation, including donating publicly owned land, providing construction financing, offering down payment assistance to CLT homebuyers, and providing ongoing administrative support to the CLT.

From the perspective of local governments, CLTs use public subsidies more efficiently than traditional homebuyer subsidies. In markets with rapidly increasing home values, recapture provisions for traditional down payment and closing cost assistance do not keep pace with the appreciation in value of the homes that low-income families buy. By taking a property out of the speculative market, a CLT is often able to recycle an initial subsidy from a local government for many subsequent homebuyers.

How large an area does a CLT serve?

Some CLTs serve a single neighborhood, like Hannibal Square CLT in Winter Park. Other CLTs serve a city or county, like Delray Beach CLT and the Community Land Trust of Palm Beach County, respectively. A CLT can extend beyond a single county; the largest CLT in the nation, Champlain Housing Trust in Vermont, serves a three-county area.

CLTs, when defining their boundaries, take into account the immediate interests of their founders, market characteristics such as household income and home sale prices, and availability of affordable housing opportunities in their potential catchment areas. In Florida, it is important to be mindful of the variety of submarkets in any community, each with unique economic conditions and political climate.

How does the CLT make sure that the home will remain affordable?

The terms of the 99-year ground lease place limitations on the resale of the home, requiring that the home be sold to another family that is income-qualified. The lease prescribes a "resale formula" that keeps the home price affordable to the next buyer while providing the seller with a fair return. There are several types of resale formulas, but most CLTs use what are called "appraisal-based" formulas. These formulas set the maximum price as the sum of what the seller paid for the home plus a certain percentage of any increase in market value (as measured by appraisals). Most local groups starting CLT programs spend a good deal of time examining various types of resale formulas before deciding on one that is right for them.

Is it really fair to restrict resale prices for lower income CLT homeowners when higher income conventional homeowners can sell for market-rate prices?

CLTs commonly operate in high-cost areas and serve families between 50% and 80% of area median income—families who might not otherwise be able to afford a decent home in a neighborhood with amenities such as good schools. For these families, CLT homes offer many advantages over renting, including proximity to employment, stability, a chance to build wealth, and an ability to pass the home on to their children. Fee simple homeownership has become more attainable for low-income families in Florida since the housing market downturn flooded the market with foreclosed homes; however, it may drift out of reach again as housing markets recover in high-cost areas. Moreover, although wealth creation in low-income communities is an important policy goal, local governments in rapidly appreciating housing markets may have limited resources for subsidizing individual buyers of market-rate homes. A CLT can allow a local government to assist many more homebuyers with the same amount of money.

Ultimately, a CLT will only work with the initiative and buy-in of the community it intends to serve. Each community must weigh the objectives of wealth creation and long-term affordability, and determine whether sufficient demand exists among low-income families for CLT homeownership.

How do property taxes work?

Typically, the homebuyer is responsible for the real property taxes on both the land and the home. The ground lease provisions adopted by the CLT will usually provide either that the real property taxes are spread out over 12 months and paid to the CLT together with the nominal ground lease fee, or the homebuyer will simply be responsible for paying the bills each year. In some jurisdictions, there will be one tax bill for the land and the house, while in others the tax office may send two bills. If a separate bill is sent for the land, it will most likely be sent to the CLT, as it is the title holder of record. However, a 99-year ground lease is treated as the functional equivalent of ownership in Florida, and therefore, the tax bill for the land may be sent directly to the homeowner.

In 2009, after many years of advocacy, the Florida Legislature provided statutory direction for assessing the taxable value of CLT properties. Florida Statute 193.018 instructs property appraisers to assess CLT properties in accordance with the resale-restricted value, rather than the price that the property would fetch on the open market. This statute simply codified what property appraisers in many Florida counties were already doing.

Can CLT homebuyers get mortgage loans even though they won't own the land outright?

CLTs have been able to negotiate mortgage agreements that address the basic concerns of lenders while protecting the CLT's long-term interest in the property. These agreements typically allow the CLT to take action, if necessary, to prevent foreclosure and the sale of the property on the open market. Such mortgages give the lender a claim on the borrower's house and "leasehold interest". The CLT's "fee interest" in the land is not mortgaged.

As mortgage lending standards have tightened in the wake of the recession, obtaining mortgages has become more challenging for CLT homebuyers. Prior to the recession, CLT mortgages were commonly purchased by Fannie Mae, which provided a CLT lease rider that allowed the mortgages to be sold on the secondary market. As Fannie Mae has tightened its mortgage lending guidelines, putting its mortgage insurance beyond reach of most first-time homebuyers, many CLT homebuyers have turned to the Federal Housing Administration (FHA) for mortgage insurance. However, FHA financing is unworkable for lenders wishing to sell CLT mortgages on the secondary market. As a result, CLTs are increasingly building relationships with banks willing to portfolio CLT mortgages.

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The Florida Community Land Trust Institute is a program of the Florida Housing Coalition which began in January 2000. The Florida CLT Institute provides training, technical assistance, and consulting services to government and nonprofit entities to assess if the CLT model is appropriate for their community.

For more information, call the Florida Housing Coalition at 850-878-4219 or email nesbitt@flhousing .org.