Creating a Community Land Trust in Scott County

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Building community-university partnerships for sustainability

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The contents of this report represent the views of the authors, and do not necessarily reflect those of RCP, CURA, the Regents of the University of Minnesota, or Scott County.

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Research on Potential Resources and Best Practices

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On Behalf of

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Executive Summary

The Community Land Trust (CLT) model is a framework for shared-equity homeownership aimed at maintaining, or even increasing, the affordability of homes in a community. Since the price of land is removed from the purchase price of the home, homes can be sold at a lower price and are available to buyers who could not otherwise afford homeownership. The resale restrictions allow the CLT to continue subsidizing homes, keeping them affordable for future buyers.

Nine existing CLTs across Minnesota leverage community partnerships and multiple state funding sources to help over 1,250 middle- to low-income families achieve homeownership. Although these CLTs prioritize different kinds of property and target different kinds of homeowners, all allow their clients to start building wealth while still maintaining the property's long-term affordability. This helps low- and middle-income families achieve the dream of homeownership while also strengthening the entire community.

By drawing on the experiences of Carver County, which has operated a CLT since 2011, and researching best practices from across the country, we have found the following:

- Impact Funds offered by Minnesota Housing represent the largest source of state CLT funding. Awarded through a competitive RFP process that begins every spring, funds only go to projects meeting income cap (115% AMI) and environmental efficiency requirements.

- Since Impact Funds also prioritize projects with non-state funding, most successful applications have community partners and private financial support. Many CLTs partner with large area employers and affordable housing coalitions to get projects off the ground.

- Although CLT properties can be acquired in many different ways, Carver County focuses on "buyer-initiated" acquisitions that are initially selected by qualifying homebuyers while also trying to allow any "naturally-occurring affordable homes" (NOAH) to remain on the market.

- Resale formulas for CLT homes determine the percentage of the land or structure's appreciated value CLT owners can keep upon sale. Carver County balances homeowner wealth building and long-term affordability by allowing sellers to keep 25% of the appreciation of both the land and structure.

- Most CLT owners move out of their shared-equity homes after five years, meaning that the average CLT home will serve a total of four families over a 20-year period. 80% of these owners then go on to buy market-rate homes. Through a CLT, a relatively small public investment can give multiple people access to a lifetime of wealth building.

Introduction

Background

What is a Community Land Trust?

The Community Land Trust (CLT) model is a shared-equity homeownership framework with the goal of maintaining or increasing the affordability of homes in a community. While many variations on the model exist, the basic components are as follows:

1. The CLT owns the land
2. The homebuyer owns the home (the "structure")
3. The CLT executes a ground lease with the homebuyer upon purchase that includes restrictions on the amount of appreciation that the buyer keeps upon resale, with the remaining appreciation returning to the CLT. Resale restrictions fund affordability of the CLT home for future homebuyers.

Because the price of land is removed from the purchase price of the home, homes can be sold at a lower price and are available to buyers who could not otherwise afford homeownership. The resale restrictions allow the CLT to continue subsidizing homes, keeping them affordable for future buyers.

Benefits of Homeownership

Just like traditional homeownership, CLT homeownership confers multiple benefits upon the homeowner, including wealth-building and housing stability. Although most CLTs impose resale restrictions, CLT homeowners still build wealth--as opposed to renters, who pay rent each month while building no equity. Additionally, affordable homeownership can offer stability that renting cannot by factoring out the possibility of rent hikes, evictions, and the whims of landlords.

CLT homeownership also confers benefits upon the community in which the CLT operates. These include maintaining affordable homeownership options amidst rising land and home prices, stabilizing neighborhoods that may be experiencing displacement, and transforming vacant or blighted properties into usable and affordable homes.

Research Goal and Scope

The goal of this report is to provide information and recommendations to the Scott County Community Development Agency (Scott County CDA) as they prepare to launch a CLT in 2019. Scott County is a suburban county to the south of the Twin Cities. The Scott County CDA is interested in the CLT model as a way to increase affordable homeownership options in the county, which is experiencing rising land and home prices as the area continues to develop and grow. In this report, we aim to provide guidance on best practices regarding CLT resources, potential partnerships, implementation, and marketing, as well as insight on determining the demand for CLT housing.

Methodology

Research on best practices and resources

We conducted internet-based research on CLT best practices, drawing from literature and resources with a national focus as well as information about CLTs operating in Minnesota.

Interview with Carver County CLT staff

To supplement our internet-based research, we spoke with Brenda Lano, the Community Development Manager at the Carver County CDA. Carver County is a suburban county that neighbors Scott County, and has been operating a CLT since 2011. This conversation is included as an appendix to our report, and key takeaways are interspersed throughout.

Potential Resources

Over 48 communities across Minnesota already use land trusts to leverage public and private funding and help over 1,250 middle to low-income families achieve homeownership (Minnesota Community Land Trust Coalition, 2018). The state not only provides multiple funding sources that are available to CLTs, but Minnesota is also home to several private companies, nonprofits, and housing coalitions that help support shared-equity models.

Funding Sources

Federal Funds

Although many CLTs are able to take advantage of the Department of Housing and Urban Development's Community Development Block Grants and HOME Investment Partnership Program, Scott County has not yet reached entitlement status. However, Scott County is projected to surpass the required urban population threshold of 200,000 residents by 2040 (Maxfield Research and Consulting, 2016).

Some CLT owners have been able to access FHA insured mortgages, but the process has become increasingly difficult as resale formula goals change. Current FHA regulations state that "the mortgagor may be prohibited from selling the property at a greater price than...the sum of the mortgagor's original purchase price, the mortgagor's reasonable costs of sale, the reasonable costs of improvements made by the mortgagor, and any negative amortization on a graduated payment mortgage." The strict application of these requirements has caused many CLT resale formulas to be rejected by the FHA in recent years (Burlington Associates, 2017).

Housing Infrastructure Bonds

Housing Infrastructure Bonds (HIBs) are governmental, 501c3, and private activity bonds that serve as deferred no-interest loans for the construction, rehabilitation, and acquisition of land for affordable housing. Created by the state legislature in 2012, HIBs are limited-obligation bonds

administered by the Minnesota Housing Finance Agency (Minnesota Housing.) Principal and interest are paid directly by legislative General Fund appropriation, and proceeds can be used to support the acquisition or rehabilitation of foreclosed or abandoned housing, as well as the creation of permanently-supportive housing that meets the needs of target populations, such as:

- Families without permanent residences
- Individuals with behavioral health needs
- Senior citizens

During FY 2017, Minnesota Housing provided $383,821 in grants under the HIB program for the acquisition of land by CLTs, which led to the creation of 14 shared-equity homes (with an average of $27,416 awarded per household.) In FY 2018, the Legislature increased HIB funding from $55 to $80 million, and Minnesota Housing expects to have at least $60 million in HIB resources available in 2019. They predict this funding will allow them to support the development and rehabilitation of approximately 551 units over the next funding cycle (Minnesota Housing, 2019 (1)).

In addition to covering acquisition costs, loans funded by HIB proceeds can also be used for demolition and site clearing or establishing utility connections (Minnesota Housing, 2019 (2)). HIB loans are awarded through Minnesota Housing's annual multi- and single-family Request for Proposal (RFP) process, which generally begins in April of each year. For governmental entities, loans are forgivable or repayable at maturity. Qualifying owner-occupied housing projects funded with HIB proceeds are currently limited to 115% of the state median income and must meet Minnesota Housing's Green Communities requirements for sustainability and energy efficiency (Minnesota Housing, 2019 (3)).

Impact Funds

The largest state funding source available to CLTs, The Community Homeownership Impact Fund (Impact Fund) is an umbrella program for Minnesota Housing's single-family funding sources aimed at increasing the supply of affordable owner-occupied housing across the state. Impact Funds can be used by local governments, housing and redevelopment authorities, nonprofits, and private developers to acquire, construct, and rehabilitate owner-occupied single-family housing. Funds can also be used to reduce interest rates on Community Fix Up home improvement loans (Minnesota Housing, 2019 (4)). A list of required HIB loan and Impact Fund application documents, as well as a timeline of the 2019 RFP process, are included in the appendix.

Economic Development and Housing/Challenge Funds

Minnesota Housing's Economic Development and Housing Challenge (EDHC) Program supports regional economic development and job creation goals by addressing locally identified housing needs (Minnesota Housing, 2019 (5)). EDHC funds both renter- and owner-occupied housing through grants and deferred loans, and the program provided over $5.6 million in loans and grants to 275 homes (an average of $20,550 each) in FY 2017. However, Minnesota Housing estimates a $4 million dollar reduction in program funding this year and only anticipates having $16.6 million available for FY 2019.

EDHC funds are also rewarded through a competitive RFP process every spring and, in addition to meeting income and energy-efficiency requirements, at least 50% of funds for qualifying projects must also come from non-state sources. Preference is given to applicants who are able to leverage the largest non-state match.

Single-Family Interim Lending

Single-Family Interim Loans are largely used by smaller nonprofits to buy, fix-up, or construct owner-occupied housing. Interim Loans have 26-month terms, and Minnesota Housing expects to have $1.9 million available for approximately 19 administrators in FY 2019. A large majority of loans made in previous fiscal years went to projects at 80% AMI or below, but Minnesota Housing predicts that the growing need for workforce housing will lead to the approval of more loans for projects closer to 115% AMI in the future.

Technical Assistance and Operating Support

Impact funds also include grants to help community development agencies and other housing organizations build capacity. Although there is limited information about the specific types of applications that Minnesota Housing might prioritize, there will be an estimated $2.5 billion in grants available under this program during FY 2019 (Minnesota Housing, 2019 (1)).

Workforce Homeownership Program

The Workforce and Affordable Homeownership Development Program (Workforce Homeownership) Fund uses deed and mortgage registration tax revenue to fund grants of up to $375,000 for affordable housing projects aimed at regional workforces. Initiated as a pilot program with a one-time appropriation of $750,000 in 2016 (HF 2967 (89 R), Art.7, Sec. 5, Clause (c)) funds could be used for acquisition, construction, and rehabilitation.

The Workforce Homeownership Fund does not currently have an available balance, but proposals to expand and make the fund permanent are part of an ongoing debate at the State Capitol. Bills to continue the Workforce Homeownership Fund filed during the 2019 Legislative Session include HF 2601 by Schultz and HF 1151 by Hausman et. al., which is an omnibus affordable housing bill that would dedicate $1 million to the fund in 2019 and make an ongoing appropriation of $500,000 (as engrossed on April, 3 2019).

Potential Partnerships

Although there are multiple sources of state funding, finding private and nonprofit partners is an essential part of establishing a successful CLT. Banks and large employers in the area can help new homeowners find mortgages and help the CLT achieve its funding goals, while other CLTs and regional groups focused on affordable housing can provide invaluable resources and expertise.

Private Partners

Not only is private funding often necessary to get projects off the ground, but the most competitive RFP applications for Minnesota Housing's Impact Funds demonstrate an ability to leverage non-state financial support (Minnesota Housing, 2019 (1)). Most guidance on establishing new CLTs also recommends building relationships with private lenders early on to ensure that new owners have access to affordable mortgages. The following banks have partnered with other CLTs in the region or helped new homeowners qualify for their first mortgage under Minnesota Housing's Community Activity Set Aside (CASA) Program:

- Alerus Mortgage
- Bremer Bank
- Fairway Independent Mortgage
- KleinBank
- US Bank
- Wells Fargo

A full list of 2012 CASA participants in the Twin Cities metro area is included in the appendix. The Minnesota Homeownership Center has an extensive directory of affordable loan products offered by area banks that is updated regularly on their website (www.hocmn.org/industry-partners).

A 2016 survey found that Minnesota CLTs received between 10 and 70% of their operating revenue from foundation grants, corporate donors, and individual contributions. As 501(c)(3) charitable organizations, CLTs can solicit tax-deductible donations from private sources.

Carver County, which is a growing suburban county much like Scott County, has operated a county-wide CLT since 2009. According to a 2018 proposal submitted to the City of Watertown, some of Carver County's private partners have included Ridgeview Medical Center, KleinBank, and CCR Homes (Carver County CDA, 2018).

Many CLTs across the country partner with private developers, who often have to meet their own long-term affordability requirements. Developers can often donate properties or services to access density bonuses or comply with local inclusionary zoning ordinances (Lincoln Institute of Land Policy, 2008).

Connecting with large employers in the area can also be a mutually beneficial way to address workforce housing needs. The First Homes CLT in Rochester, MN was created as a partnership between the city and the Mayo Clinic to address employee housing needs (Davis, 2006). Similarly, Carver County CLT partnered with the Ridgeview Medical Center, one of the county's major employers, on the construction of four townhomes in Waconia (Metropolitan Council, 2014). Notably, Scott County is also home to a large hospital, St. Francis Regional Medical Center, that employs over 850 staff. Other major employers include:

- Cyberpower Systems Inc.
- Goodwill Industries

- Shutterfly
- SMSC Gaming Industries
- TE Connectivity Networks Inc.

A full list of the top 15 employers for each city in Scott County as of 2016 is also included in the appendix.

Nonprofits

Several CLTs across Minnesota have also been able to team up with various nonprofits, faith-based organizations, and housing advocates to form creative partnerships. The following are some nonprofit resource groups of note:

> The Minnesota Community Land Trust Coalition gives members the opportunity to pool resources and share technical assistance (Minnesota Community Land Trust Coalition, 2018).
>
> The Homeownership Opportunity Alliance connects local governments and community organizations, including several CLTs throughout the region, with trainings, financial counseling programs, and outreach support (Homeownership Opportunity Alliance, 2019).
>
> Members of the Metropolitan Interfaith Council on Affordable Housing (MICAH) connect churches and community partners to address housing needs (MICAH, 2018).
>
> The Minnesota Housing Partnership provides research and advocates for affordable housing reforms at the state and national level (Minnesota Housing Partnership, 2014).
>
> The Family Housing Fund and Land Bank Twin Cities connect governments and nonprofits with developers, properties, and financing to enhance affordable housing opportunities for people of color and other marginalized communities (Family Housing Fund, 2019), (Land Bank Twin Cities, 2019).
>
> The Grounded Solutions Network has an extensive resource library that includes tool kits, case studies, worksheets, guides, and templates (Grounded Solutions Network, 2019).

Implementation

Implementation of a Community Land Trust encompasses multiple decisions and processes including developing clear goals for the CLT, developing a property acquisition strategy, developing home buyer criteria and a screening process, creating a resale formula, and offering ongoing support systems for CLT homeowners. Best practices for these steps will be discussed in detail below. The categories below are adapted from the Grounded Solutions Community Land Trust Technical Manual (White, K. 2018 (2)) and the Burlington Associates in Community

Development Community Land Trust Resources collection (Burlington Associates in Community Development, Undated (1)).

Articulating Goals

When implementing a CLT, it is important to clearly state specific short-, medium-, and long-term goals, including the target demographic of CLT homeowners. These goals will guide subsequent decisions regarding various aspects of CLT operations, such as property acquisition, homebuyer selection, resale formula design, and marketing.

Acquiring Property

The CLT should consider the factors and property characteristics to prioritize when acquiring property and the various means of property acquisition. The characteristics that the CLT looks for in potential properties will depend on the overarching goals of the CLT. Acquisition will depend on the availability of properties that have the desired characteristics (Burlington Associates in Community Development, Undated (2)). Characteristics to consider include:

- Acquisition cost
- Rehabilitation cost
- Whether to prioritize existing homes or new development
- Locational attributes, such as proximity to employers, retail, services, and amenities

Figure 1 is an example of a tiered system for ranking property characteristics. Figure 2 is an example of a rating system that ranks various characteristics from excellent to poor.

Tier 1 Properties	Tier 2 Properties	Tier 3 Properties
• Clustered with at least three other properties in the same neighborhood AND • Within one half mile of at least two of the following: grocery store, park, bus stop, or community center AND • Median household income is above $35,000 to create greater opportunity for mixed income communities	• Clustered with at least three other properties in the same neighborhood AND • Within one half mile of atleast one of the following: grocery store, bus stop, park, or community center	• Scattered site properties • Clustered properties in very low- income communities

Figure 1: Example system for ranking potential CLT properties (Bates 2015, p. 41).

Selection Criteria	Excellent	Good	Fair	Poor	Notes
Location					
Flexibility/adaptability of space					
Acquisition cost					
Rehab costs					
Size					
Parking					
Community impact					
Potential for public and private investment					

Figure 2: Example of selection criteria for potential CLT properties (City of Lakes Community Land Trust, Commercial Land Trust Advisory Committee 2019, p. 11).

CLTs acquire property in many ways. Below are descriptions of several potential strategies for acquiring properties.

CLT-initiated purchase on the open market: Once the CLT has decided on property characteristics to prioritize, it can seek out and purchase properties as they become available through the traditional real estate market.

Developer Initiated: CLTs can partner with developers to acquire property. As mentioned above, developers can sometimes donate units in order to access density bonuses or comply with local inclusionary zoning ordinances.

Homebuyer Initiated Program (HIP): The CLT can acquire properties that potential homebuyers select. After being pre-qualified for a mortgage as well as grants or loans offered through the HIP program, the prospective homebuyer selects a home that meets CLT qualifications, which the CLT will then purchase, sell the structure to the homebuyer and execute the ground lease (Burlington Associates in Community Development, Undated (2); White, K. 2018 (2)). The City of Lakes CLT, the Rondo CLT, and the Carver County CLT have offered HIPs (City of Lakes Community Land Trust 2012; Rondo CLT, Undated).

Properties in foreclosure: CLTs can buy properties that have been foreclosed upon if these come available.

Foreclosure prevention: The CLT can identify homeowners at risk of foreclosure and offer to purchase the property and sell back the structure while keeping the title to the land, thus allowing the homeowner to avoid foreclosure. We found limited information on this acquisition method and recommend further research.

Donation: The CLT can solicit donations of property from individuals or organizations, which could result in a tax deduction for the donor. We found limited information on this acquisition method and recommend further research.

Precedent from Carver County CLT:

- When the Carver County CLT was first started as the Chaska CLT, most homes were newly constructed in new developments. This was a time of booming growth and Carver County was trying to ensure that new neighborhoods had affordable homeownership opportunities.
- Since Carver County took over, they have done some infill building in townhome developments.
- When acquiring new property, they try not to buy NOAH (naturally occurring affordable housing) homes so that these homes stay available on the open market.
- After the foreclosure crisis, they only bought foreclosed and blighted properties.
- Currently, they focus on buyer-initiated acquisition.

Homebuyer Criteria

The CLT should determine the minimum and maximum income thresholds for potential CLT homeowners. Income minimums reflect the minimum income level needed to qualify for a mortgage and afford monthly payments; maximum income levels take into account the target demographic and the affordability need of the area's population as well as requirements from funders. Of the five community land trusts in Minnesota that listed income qualifications on their websites, all five have an income maximum of 80% of the AMI adjusted for household size (Carver County CLT, City of Lakes CLT, Two Rivers CLT, West Hennepin CLT, AND Rondo CLT).

If the CLT faces a choice between multiple qualified buyers, secondary characteristics or priorities can be taken into account. These could include:

- Home's proximity to homebuyer's employment
- Existing local residency
- Match between home size and household size
- First-time homebuyer status (White, K. 2018 (2))

Precedent from Carver County CLT:

- The Carver County CLT follows the Impact Fund guidelines, which stipulate a maximum income of 80% AMI in the 11 county Twin Cities Metro Area.

- Impact Funds also stipulate that CLT homebuyers must spend at least 25% of their income on housing payments, regardless of their income.
- The Carver County CLT does not have a set minimum income, but they mostly serve those in the range of 50%-80% AMI based on the affordability of homes in their service area.

Resale Restrictions

The goal of the resale formula should be to balance affordability for future buyers with a fair return for the seller. The balance between future affordability versus homeowner wealth building is dictated in part by the CLT's goals and priorities. Below are descriptions of four commonly used types of resale formulas:

> *Appraisal-based (most common in MN)*: "Appraisal-based formulas adjust the original purchase price of a CLT home by adding a certain percentage of any increase in the home's market value, as measured by market appraisals at the time of purchase...and at the time of resale… The percentage of this appreciated value allocated to the homeowner is stipulated in the formula (25% [of the structure appreciation] is common, although some CLTs allocate a higher percentage)."
>
> *Itemized*: "Itemized formulas adjust the original purchase price by adding or subtracting factors that affect the value of the owner's investment in a home and the value of the home itself." Factors commonly include an inflation adjustment, credit for improvements, deduction for depreciation, and penalty for unusual damage.
>
> *Indexed*: "Indexed formulas adjust the original purchase price by applying a single factor – the change in a particular index between the date the homeowner purchases his/her home and the date s/he resells that home… Indexed formulas pegged to AMI are increasingly being used in rapidly appreciating markets."
>
> *Mortgage-based*: "Mortgage-based formulas adjust the resale price based on the amount of mortgage financing a purchaser of a given income level will be able to afford at the current interest rate." (Burlington Associates in Community Development, Undated (3))

A comprehensive description of the advantages and disadvantages of each formula type can be found in the appendix (Appendix 6).

When using appraisal-based formulas to determine the homebuyers' share of appreciation, it is important to take into account the appreciation of the land versus the structure. Land typically appreciates at a faster rate than structures, especially in metro areas with high growth, because land is a fixed good (there is only so much of it) whereas structures are not (they can be continuously built). Structures can even depreciate over time (Peterson 2010).

Figure 3 shows the homeowners' share of appreciation and whether it is calculated based on land and structure, or structure alone, for eight MN CLTs as of 2010.

CLT	Homeowner's Share of Appreciation	Appreciation on Land and/or Structure?
City of Lakes CLT (Minneapolis)	25%	Land and Structure
Central Minnesota CLT	25%	Structure
Rhondo CLT (St. Paul)	25%	Structure
Carver County CLT	25%	Land and Structure
West Hennepin Area Housing Land Trust	35%	Structure
Two Rivers CLT (Washington County)	25%	Structure
First Homes CLT (Rochester)	50%	Homeowner's Share
Northern Communities CLT (Duluth)	30%	Structure

Figure 3: Resale restrictions of Minnesota CLTs as of 2010 (Peterson 2010 p. 7).

If limiting appreciation to the structure alone, a study by Minnesota Housing recommends allowing the seller to retain 50% of the structure's appreciation, a figure that allows for wealth accumulation while also maintaining affordability under most market conditions according to the author's model (Peterson 2010 p. 15-19). Further research is needed into real estate market trends and land versus structure appreciation in Scott County in order to determine the homeowners' share of appreciation that best serves the Scott County CLT's goals.

Precedent from Carver County CLT:

- Carver County CLT's ground lease was designed by Grounded Solutions and follows their guidelines.
- The seller keeps 25% of the appreciation of both the structure and the land.
- There is also a clause for capital improvements made to the property.

Ongoing Support for CLT Owners

In keeping with best practices, the CLT should offer ongoing support to CLT homeowners to ensure that they are able to stay in their homes. Because the Scott County CDA is a HUD Housing Counseling Agency that already offers homeownership counseling services, they are well positioned to offer support to CLT homeowners by tailoring existing programs to their needs.

Precedent from Carver County CLT:

- Like the Scott County CDA, the Carver County CDA is a HUD Housing Counseling Agency offering services such as rehabilitation loans, referrals for repairs, and help with budgeting. They do not offer CLT-specific programming but are available to CLT homeowners who reach out to request their services.

Determining Demand

Scott County is the fastest growing county in the Twin Cities metro, and demand for over 21,000 new ownership units is projected by 2040 (Maxfield Research and Consulting, 2016). Much of this demand will be driven by an increased need for workforce housing, as the county is projected to have 127,949 new job openings by 2026. Establishing a CLT can not only help stabilize the housing market but also assist current residents already struggling with affordability and address disparities in access to homeownership.

Although Scott County has a much higher proportion of homeowners than most other Minnesota counties, almost 12,000 of its 47,864 total households are currently cost burdened (Minnesota Housing Partnership, 2018). These households spend more than 30% of their monthly income on housing, which leaves very little for other necessities such as food and transportation. In 2018, Scott County also had the 10th highest rate of foreclosure statewide with 70 total (Minnesota Homeownership Center, 2019). Such housing security challenges indicate that there would be high demand for the kind of homeownership assistance CLTs can offer in Scott County.

The region is also expected to see a significant increase in residents of color, with a 47% increase in the POC population expected by 2035 (Minnesota Housing Partnership, 2018). Yet even as Minnesota and Scott County become more diverse, the state's homeownership rates by race continue to represent one of the largest disparities in the country. Whereas 75% of Scott County's white households are homeowners, only 39% of POC households own their homes (Maxfield Research and Consulting, 2016). POC households continue to encounter considerable barriers to homeownership, including low generational wealth inextricably linked to historic discrimination in home opportunity and ownership and lower incomes on average, but CLTs can help bridge this gap and help make communities more equitable.

CLTs are able to assist residents most effectively in areas where the rising cost of land starts to make up a significant portion of homes' total price (Peterson, 2010). In Scott County, lot costs factor significantly into the increasing price of new single-family homes. According to a 2016 market study, the price of land accounts for $65,000 to $81,250 of the average $325,000 needed to buy a new house in the county (Maxfield Research and Consulting, 2016).

Marketing

The following marketing best practices are drawn from Burlington Associates in Community Development, Grounded Solutions CLT Technical Manual, and research through the Resilient Communities Project investigating CLT best practices for Carver County (White, K. 2018 (2), Brown, M. Undated; Clowdus 2016).

> *Identify the target demographic:* When marketing CLT homes, the CLT must first identify its target demographic. Potential CLT homeowners will likely be people who would not otherwise consider homeownership within reach due to financial constraints. This means

that the CLT cannot restrict advertising to traditional venues where homes for sale are advertised.

Go where your target demographic is: This could mean community centers, apartment complexes, workplaces, schools, places of worship, community events, nonprofits that serve your target demographic, etc.

Focus on the benefits of the CLT model compared to renting: Because many CLT homebuyers will be transitioning from rental housing, it is important to frame CLT homeownership as a financial alternative to renting and as a way to build equity. Additionally, affordable homeownership can offer stability by factoring out the possibility of rent hikes, evictions, and the whims of landlords.

Explain finances in relatable terms: For example, it is often easier to conceptualize a monthly mortgage payment compared to a monthly rent payment, rather than simply presenting the total price of a home.

Explore partnerships with employers: Partnering with employers in the area can be a mutually beneficial strategy for both parties. For more details, see the previous section on Private Partners.

Market Continuously: By one estimate, a CLT needs to reach 75 people in order to orient 30 people to the CLT model in order to pre-qualify six to eight people in order to sell one home (Brown, M. Undated).

Precedent from Carver County CLT:

- Carver County CDA lists available CLT homes on their website
- Some community partners also list the Carver County CLT on their websites
- The CLT does outreach to local lenders who can lend to CLTs and to real estate agents.
- The CLT promotes the program through newsletters to their affordable rental units in the county.

Benefits of the CLT Model

CLTs provide moderate- and low-income households with initial access to homeownership and continued wealth building. As of 2017, families needed to make an estimated $50,746 a year to afford a median-priced home in the Twin Cities Metro, yet CLT homeowners in Minnesota only have an average annual income of $33,000 (Minnesota Land Trust Coalition, 2017). CLTs help families who otherwise could never afford a home achieve the dream of homeownership. Although wealth accumulation is limited when owners only keep 25% of the structure's appreciated value, according to the Minnesota Community Land Trust Coalition, almost 80% of

CLT owners go on to buy market-rate homes (Minnesota Community Land Trust Coalition). CLTs allow families to get their foot in the door, and most are able to continue on to a lifetime of homeownership.

CLTs' long-term affordability allows one investment to assist multiple families within the community. Most CLT owners move out of their shared-equity homes after five years, meaning that the average CLT home will serve a total of four families over a 20 year period (Minnesota Land Trust Coalition, 2017). This allows a relatively low and public investment to help several people over time. If the CLT retains 75% of the home's appreciation, the unit's affordability will not only be maintained but will actually increase over time without any additional funding (Peterson, 2010).

Conclusion

CLTs help stabilize volatile housing markets while encouraging more equitable and sustainable development in areas of high demand. As Scott County's high growth continues to make it harder for working-class families to find affordable homes, we believe the CLT model can help Scott County CDA meet these challenges head-on. A CLT can help provide long-term affordability while the region continues to grow and prosper, ensuring that everyone has access to the wealth and stability of homeownership *and* that Scott County continues to be a great place to live for many years to come.

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Appendix

1. Interview with Brenda Lano, the Community Development Manager at the Carver County CDA
2. Required Program Documentation for Impact Funds and Housing Infrastructure Bonds, Minnesota Housing
3. Impact Fund 2019 RFP Timeline and Award, Minnesota Housing
4. 2012 Community Activity Set Aside Program Matrix for the Twin Cities Metro Area, Minnesota Housing
5. Top 15 Major Employers in Each of Scott County's Cities 2016, Scott County 2040 Comprehensive Plan
6. Resale Formula Comparisons, Burlington Associates in Community Development

Conversation with Brenda Lano, Community Development Manager for the Carver County CDA

Conducted on 4/29/19. The conversation has been condensed for clarity.

Q: What is the overall goal of Carver County CLT? (increasing affordability, increasing homeownership, etc) and what is the target population?

A: It is not about increasing overall homeownership--rates are very high in Carver County--but about increasing **affordable** homeownership.

Q: What is the CLT's strategy for property acquisition? (Do you prioritize certain communities, neighborhoods, locational attributes, size, other characteristics? Do you have experience with buyer-initiated acquisition?)

A: The Carver County CLT started as the Chaska CLT. Most properties were new builds--new affordable homes in new developments/neighborhoods. Growth was booming, and they were trying to make sure new neighborhoods had affordable homeownership opportunities. Since then, the CLT has walked a fine line of being mindful not to take NOAH (naturally occurring affordable housing) homes out of the market.

Since Carver County took over the CLT from Chaska, they have done some new building on infill lots in a townhome development where the developer could not build them out. After the foreclosure crisis, the CLT only bought foreclosed and blighted properties.

Currently, about 90% of housing stock that comes on the market is not affordable, so right now the CLT focuses on homebuyer initiated acquisition with pre-approved, income-qualified buyers, based on what the buyer is interested in that meets CLT requirements.

Q: How do you screen and/or prioritize homebuyers? What are your income qualifications?

A: The Carver County CLT follows the Impact Fund guidelines which stipulate a maximum income of 80% AMI (area median income) for the 11 county Twin Cities Metro Area.

There is no set minimum income, but the prices of homes dictate who can afford them. The CLT mostly serves those making between 50 and 80% AMI, and those with lower incomes on a case by case basis based on availability of CLT funds and homes.

Impact Funds also stipulate that homebuyers must spend at least 25% of their income on housing payments--so even if they meet minimum AMI requirements they can't buy a CLT home if their monthly payment would be less than 25% of their monthly income.

The lending product most often used by the CLT is a conventional mortgage product provided through a lender that utilizes Minnesota Housing Finance Agency products.

Q: How has Carver CDA marketed CLT homes and to whom?

A: The CLT is on the CDA website, and is listed on some community partners' websites. Additionally, they belong to the Minnesota Community Land Trust Coalition. They also do outreach to local lenders who can lend to land trusts, and to real estate agents. They also promote the program through newsletters to their affordable rental units in the county.

Q: Do you offer any ongoing support programs for CLT homeowners?

A: The CDA is a HUD housing counseling agency, so they offer services like rehabilitation loans, referrals for repairs, and help with budgets. CLT homeowners can reach out whenever they need something.

Q: How did you develop your resale formula and what is its goal (to preserve or increase affordability? To allow the seller to build wealth? Both?)
How much appreciation do the sellers get? Land vs structure?

A: They follow Grounded Solutions guidelines. Grounded Solutions designed their ground lease. The seller keeps 25% of the appreciation of the structure and the land. There is also a clause for capital improvements.

Q: Has the Carver County CLT taken advantage of any state funding such as Housing Infrastructure Bonds or Impact Funds? If so, what was that application process like?

A: Yes, they use Impact Funds and Housing Infrastructure Bonds. The process is fairly streamlined. The CLT also gets a small amount of funding from the Metropolitan Council using the new "Super RFP."

Q: Has Carver County ever received technical assistance or operating support from MN Housing?

A: They are not aware of the availability for technical assistance in operating a CLT through MN housing. MN Housing does provide assistance on the administration of funding grants.

Q: Are there any funding proposals or bills that you are currently tracking or any future funds you anticipate having access to?

A: As a member of the MN CLT coalition, they support the work of WHOM (Workforce Homeownership Opportunities MN) and Homes For All. These groups are actively advocating at the state capital.

Q: Have you partnered with any employers in Carver County on workforce housing? What kind of support, if any, have you received from local businesses?

A: Carver CLT continues to partner with larger employers that support homeownership. Several of the CLTs grants have had the support of a local hospital. Support staff at the hospital make less than 80% AMI AND travel from outside the area to work because they can't afford to live nearby.

Q: What is the interest and demand for CLT homes in Carver?

A: There is a lot of interest, but the problem comes with connecting people that need housing with housing that is available. Stipulations from funding sources can create barriers. Another barrier for lower income people is debt-to-income ratio and less than perfect credit, which can make it harder to access CLT lending products (which are harder to get than FHA loans). Additionally, a lot of people making over 80% AMI still cannot afford to own a home in Carver County, but are unable to access CLT homes due to the program model and funding source stipulations.

Q: Do you have any other suggestions for Scott County as they begin their CLT?

A: Become part of the Minnesota Land Trust Coalition! The network is very open and willing to help. It's very inexpensive to become a member, and it's a really a great resource for getting those odd questions answered and bouncing around ideas. Additionally, the coalition has advocated at the state capital successfully: for example, CLTs did not used to get State Infrastructure Bonds and now they do.

There will always be naysayers who think CLT homeownership is too big of a tradeoff regarding resale restrictions. In reality the tradeoff is not so great. If a buyer who can afford a 125k mortgage purchases a 200k CLT home, they're getting a bigger, better, nicer home than their 125k could buy. And if they sell in 10 years, the tradeoff in appreciation is minimal. Scott County should be prepared to have this kind of information available for those that question the model.