



CREATING A HOUSING CONSERVANCY TOOLBOX

A HOUSING ROUND-TABLE WEBINAR

July 9, 2020, 2:00 p.m.





WEBINAR REMINDERS

- Please be sure your microphone is muted
- Submit questions during the presentation via the Chat function
- Answer the Poll questions at the end of the presentation- we will show the results
- Questions will be answered after the presentation as time allows

*Thank you
for joining us!*



Creating pathways and partnerships
for housing in Northwest Michigan.





AWARENESS

Outreach, messaging & communications tools for communities, developers, other partners

ADVOCACY

Identify and influence policy that impacts development opportunities in rural Michigan.

CAPACITY & RESOURCES

Work with partners to develop and share new tools and explore funding options for housing

A HOUSING CONSERVANCY

What's In the Toolbox?



- **Deed Restrictions** to ensure long-term affordability and year-round occupancy
 - Steve Schnell, Charlevoix County Housing Ready Program
- **Community Land Trust** to retain ownership of the land and ensure long-term affordability
 - Jane MacKenzie, Northern Homes Community Development Corporation
- **Land Bank Partnerships** to support land acquisition and development in partnership with county land bank authorities and local units of government
- **Housing Fund** to support predevelopment, land acquisition, and development costs
 - Sarah Lucas, Housing North



Deed Restrictions

Primary Residence Deed Restriction Program in the City of Charlevoix

Steve Schnell, Charlevoix County Housing Ready Program



CITY OF CHARLEVOIX YEAR-ROUND HOUSING DEED RESTRICTION PROGRAM

- City has been proactively creating more housing opportunities
- Focus has been on year-round housing and workforce housing
- Charlevoix Housing and Business Park Initiative
- Need: method to ensure long-term housing availability for workforce



VAIL InDEED

- Town of Vail uses revenue from sales/real estate taxes to purchase deed restrictions
- Property must be occupied as a primary residence by a person who works at least 30 hours per week in Eagle County
- There is no price appreciation cap



VAIL InDEED: HOW DOES IT WORK?

- Each restriction is negotiated, beginning with an appraisal of the property
 - Typically about 15% of the home's value (~\$50,000)
- Must meet Town priorities/alignment with adopted housing strategy
- Stays with the title and survives ownership



VAIL InDeed: HOW DOES IT WORK?

- Can utilize existing homes and land
- Can be implemented at purchase to close funding gap
- OR payments to existing residents, enabling home improvements



VAIL InDEED: ENFORCEMENT

- Annual review conducted by Housing Department to require proof of occupancy
- Noncompliance can result in forfeiture of property



Response to a Challenge: Growing percentage of summer homes and vacation rentals...

CITY OF CHARLEVOIX PRIMARY RESIDENCE DEED RESTRICTION PROGRAM

- City of Charlevoix, Housing North, Charlevoix County Community Foundation working together
- Primary goal: Create more housing that will always be a primary residence
- More housing available for workforce



CITY OF CHARLEVOIX PRIMARY RESIDENCE DEED RESTRICTION PROGRAM

Funding

- Private donations to Housing North via Charlevoix County Community Foundation

Stewardship

- Deed Holder and Stewardship by Housing North Staff
- Annual compliance monitoring
- Enforcement, could include efforts by City as third-party beneficiary



CITY OF CHARLEVOIX PRIMARY RESIDENCE DEED RESTRICTION PROGRAM

- First project – April 2020
- Formerly a church, to become 3-unit apartment building
- Rental units must be primary residences for lessees
- Payment to owner = 15% of purchase price
- Project to start in spring of 2021



Community Land Trust & Northern Homes Community Land Trust

Jane MacKenzie, Northern Homes Community Development Corporation



MISSION

To create and preserve quality affordable housing opportunities for Northern Michigan residents through education, development, and partnering with local communities.

COMMUNITY LAND TRUST (CLT)

- CLTs are nonprofit, community-based organizations designed to ensure community stewardship of land.
- CLTs can be used for many types of development but are primarily used to ensure long-term housing affordability.



<https://groundedsolutions.org>

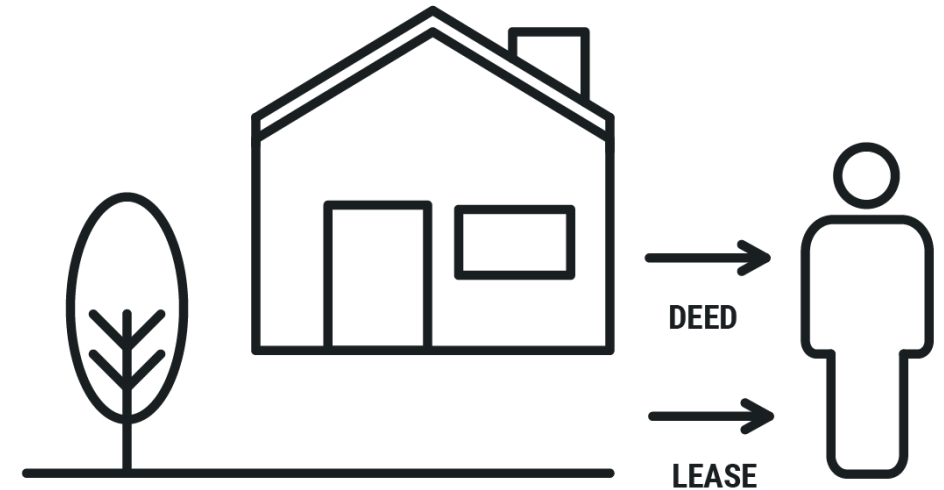
COMMUNITY LAND TRUST

TRADITIONAL PURCHASE



In traditional Real Estate transactions, the homeowner owns the house and the land that it sits on.

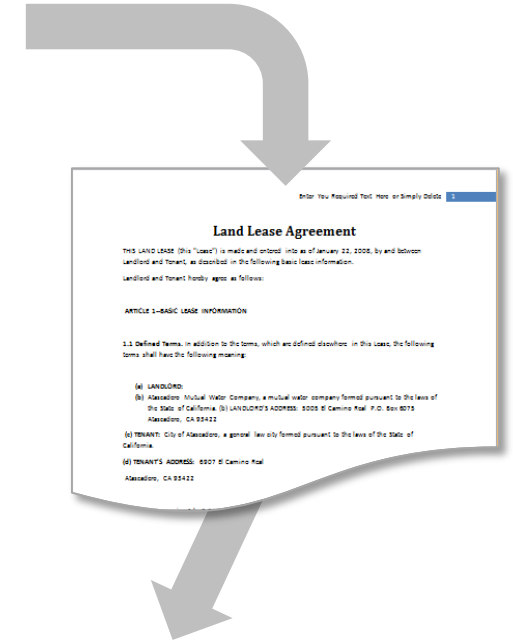
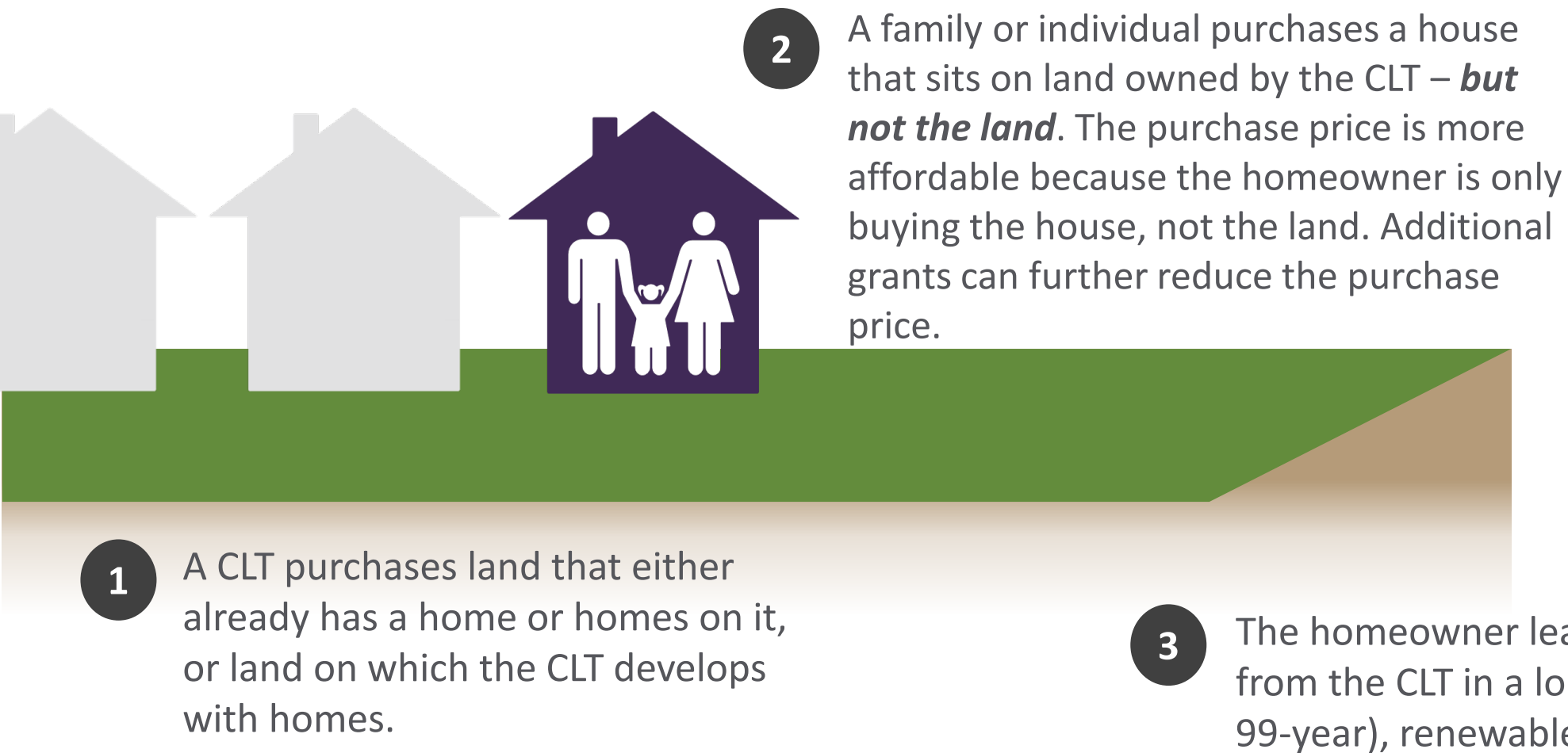
COMMUNITY LAND TRUST



The CLT separates ownership of the land from the buildings that sit upon it. The CLT retains ownership of the land and leases it to the homeowner.

COMMUNITY LAND TRUSTS (CLT)

A typical CLT for affordable housing works like this:



NORTHERN HOMES COMMUNITY DEVELOPMENT CORPORATION COMMUNITY LAND TRUST PROGRAM

- Program began in 2003
- A scattered-site Community Land Trust
- 15 homes in 4 communities in 2 counties



East Jordan
Rehab by Northern
Homes CDC



PROCESS FOR A NEW CONSTRUCTION HOME

- ✓ Buy the land
- ✓ Build the house
- ✓ Enter into a 99-year ground lease with stipulations on use, ownership, occupancy, ground lease fee and resale of the home
 - ... Ongoing Stewardship includes: monitor tax payment, ground lease fee payment, refinance requests and resales

At sale of the home...

- ✓ Sell improvements only
- ✓ Retain the land



Boyne City
New
Construction



GROUND LEASE STIPULATIONS

- Owner occupied
- Principal place of residence (not a 2nd home)
- Cannot increase the footprint of the house
- Sell to household with income < 80% of the area median income

NHCDC RESALE FORMULA

The appraisal at the time of purchase is compared to the appraisal when selling the home. The owner receives 22% of the increase in value. The remainder of the increase in value stays with the property to keep it affordable.

- If you do not have a goal of affordability, then the resale formula can be set up differently. Resales still need to be monitored.



EXAMPLE OF A RECENT RESALE

Appraisal at Sale (2020) **\$202,200**

Initial Appraisal (2006) 14 yrs. **\$140,000**

Shared Appreciation Calculation

Seller Receives (their share of the appreciation in value plus the equity they earned by paying the principle on their mortgage)

$$\text{\$202,200} - \text{\$140,000} = \text{\$62,200}$$

$$\text{\$62,200} \times 22\% = \text{\$13,684}$$

Original Purchase Price (much lower than the appraised value, additional subsidy at construction allowed us to sell it for less)

\$92,000

New Sale Price

$$\text{\$92,000} + \text{\$13,684} = \text{\$105,684}$$

**Mackinaw
City New
Construction**



COMMUNITY LAND TRUSTS (CLT)




- If the homeowner chooses to sell, the CLT retains the right to re-purchase the structures for an agreed-upon formula giving the homeowner partial equity. The remaining equity stays with the CLT, and the structure is re-sold below-market rate.
- The cost of the land and shared equity is forever retained within the trust.
- The long-term ground lease continues to be the standard method by which CLTs establish and enforce restrictions on ownership.



Partnerships with Land Banks & Housing Fund

Sarah Lucas, Housing North

URBAN LAND CONSERVANCY OF DENVER

An aerial photograph of Denver, Colorado, showing a dense urban landscape with a mix of modern glass skyscrapers and older brick buildings. In the foreground, there's a large green park area with winding paths and trees showing autumn colors. A river or stream flows through the bottom right corner. The sky is clear and bright.

Urban Land Conservancy (ULC) is a nonprofit organization established in 2003, that focuses on creating equitable communities through affordable real estate in urban Denver communities. ULC acquires, develops and preserves real estate assets for long-term community benefit.

URBAN LAND CONSERVANCY OF DENVER

- Acquire, preserve, and develop real estate to under-served areas for long-term community benefit in the greater Denver and Front Range area.
- Fix up vacant or blighted properties with environmental remediation or infrastructure improvements
- Staff expertise ranges from construction, development, planning, community development, real estate financing, sale and acquisition, and leasing.
- Work with developers that buy the development rights or the fee title with ULC retaining a 99-year ground lease to ensure the space is used for community benefit regardless of circumstance.

URBAN LAND CONSERVANCY BENEFITS

- ULC strategically acquires property and holds it until there are partners and funding available for development
- Ownership of the land gives ULC control over what happens on the property and the ability to leverage additional funds

WHAT IS A LAND BANK?

LAND BANKS act as a legal and financial mechanism to transform vacant, abandoned and tax-foreclosed property back to productive use.



LAND BANK AUTHORITY (LBA)

- Group organized by a county to manage tax foreclosures
- Provides important development tools that can support local goals for housing and economic development
- Can hold land tax-free until the property is ready to be developed; can clear titles
- Land Bank properties are automatically classified as “brownfield” sites, which comes with certain financial tools and the ability to offset development costs

BROWNFIELD LAND

In urban planning, brownfield land is any previously developed land, not currently in use, that may be potentially contaminated.

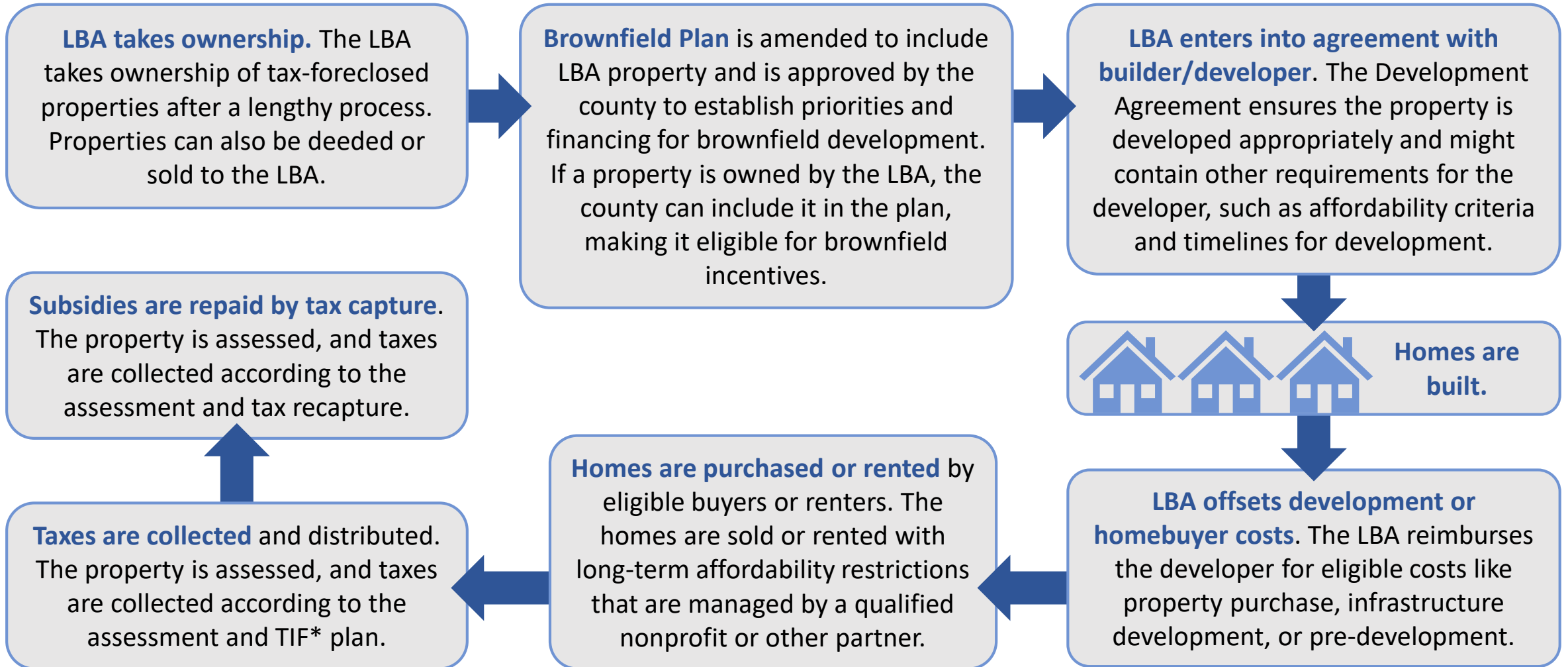
NORTHWEST MICHIGAN LAND BANK PROJECTS

Providing land (tax-foreclosed or publicly owned) to nonprofit housing developers...

- **Depot Neighborhood:** LBA provided dollars for Habitat and Homestretch to purchase the property and acted as a development partner
- **Leelanau County:** LBA provided land, tax increment financing to support Habitat and Leelanau REACH projects



LAND BANK AUTHORITY (LBA) RE-PAYMENT PATH



*TIF = Tax increment financing

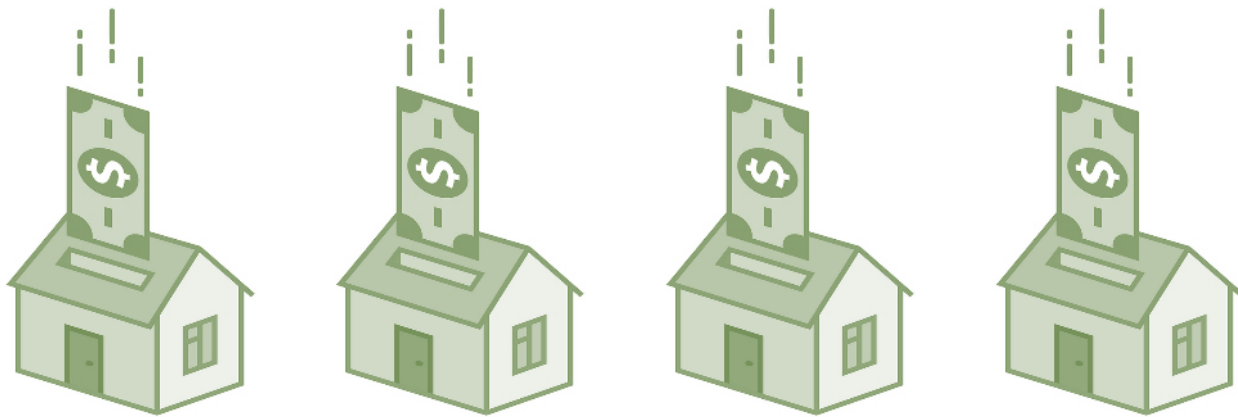
LAND BANK PARTNERSHIPS

- Encourage private sector development by providing funding or land
- Deed restrictions/CLT can ensure long-term affordability
- Third party/nonprofit can work with private sector, LBA, and other partners to facilitate development, incentives, and partnerships



WHAT ARE HOUSING FUNDS?

Housing Trust Funds are established by city, county or state governments to receive ongoing dedicated sources of public funding to support the preservation and production of affordable housing and increase opportunities for families and individuals to access decent affordable homes.



LOCAL/REGIONAL HOUSING FUNDS: WHY DO WE NEED THEM?



- Public funding for housing development is scarce and competitive local/regional housing funds can be designed to meet specific needs
- Local funds can fill gaps in financing and leverage additional dollars
- Finance predevelopment, land acquisition, or other costs to initiate development
- Act as a risk pool

EXISTING & POTENTIAL FINANCIAL PARTNERS: EXAMPLES

	INSTITUTION	SPECIALTY
	Banks	Conventional Financing
	Community Development Finance Institutions (CDFIs)	Patient Capital, Low-Interest Loans, Technical Assistance
	Public Sector Partners (MEDC, MSHDA)	Grants, Low-interest Loans
	Philanthropy (Community Foundations)	Grants
	Employers & Other Investors	Grants, Loans, Patient Capital

HOUSING FUNDS: A FINANCIAL PARTNER FOR DEVELOPMENT



Identify donors and investment partners and conduct fundraising/fund development plan



Work with CDFIs to administer funds



Support community foundation participation by connecting grants with other investment

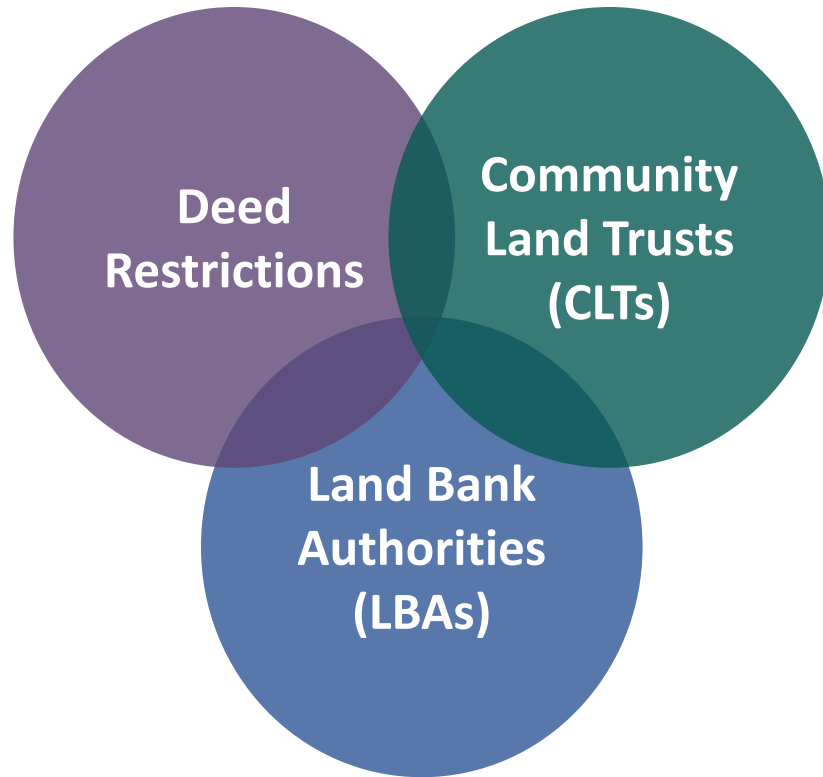


Provide a vehicle for new/nontraditional investment – from employers, community investors, and others



Facilitate land donation/acquisition and work in partnership with land bank authorities

HOUSING CONSERVANCY/FUND CONCEPT



A hybrid model that employs concepts from each tool (**Deed Restrictions**, **Community Land Trusts**, and **Land Bank Authorities**)

- Create a vehicle to which people can make donations of land or housing.
- Work in partnership with CDFIs and other funders to administer
- Act as a third party that can support predevelopment work, feasibility planning, fundraising, land procurement, due diligence, and relationships between developers, funders, communities, and local advocates or committees... **(PHEW!)**

NEXT STEPS

- Explore CDFI partnerships
- Identifying total funding needs and geographic considerations
- Build capacity and structure for fund development/capitalization





Please take a moment to answer some questions

We will show the answers and wrap up soon after....



Thank you!

Your support and advocacy are keys to our success!

QUESTIONS & ADDITIONAL INFO

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Creating pathways and partnerships
for housing in Northwest Michigan.

Data available at:

www.housingnorth.org

www.homesforourfuture.org