

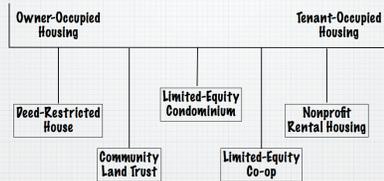
# Community Land Trust Ground Lease

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## CLT Ground Lease - Two-fold Function

- \* Serves as legal instrument conveying a limited ownership in land to homeowner
- \* Defines nature of on-going relationship between CLT (as lessor) and homeowner (as lessee)

## The 'Social Housing' Continuum



## Ground Lease Terms

- \* OCCUPANCY restrictions
- \* USE restrictions
- \* TRANSFER restrictions

## Ground Lease Decisions

Fair Return to Seller	_____	Affordable Price to Buyer
Encourage Stability	_____	Promote Mobility
"Hands On"	_____	"Hands Off"
Detailed, thorough, Fair	_____	Ease of: comprehension & administration. Avoidance of conflict

## CLT Ground Lease OCCUPANCY Requirements

- \* Owner occupancy typically required
- \* Subletting typically not allowed
- \* Payment of taxes, assessments; property insurance required
- \* Maintenance and upkeep required
- \* Monthly ground lease fee payments

## CLT Ground Lease USE Requirements

- \* Residential use only
- \* Owners responsible for behavior of everyone on premises
- \* Capital improvements require prior approval from CLT

## CLT Ground Lease TRANSFER Requirements

- \* Restrictions on transfer to HEIRS
- \* Restrictions on RESALE

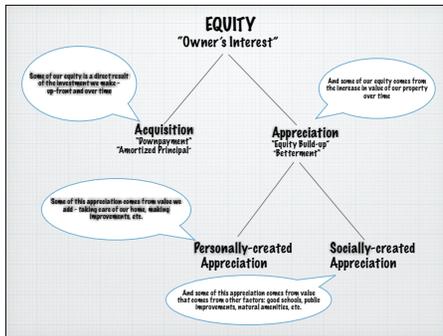
## CLT RESALE RESTRICTIONS

Fair Return to Seller \_\_\_\_\_ Affordable Price to Buyer

Encourage Stability \_\_\_\_\_ Promote Mobility

## EQUITY

A homeowner's equity is the value of the home minus any debt that encumbers the home - i.e., the amount of money an owner can expect to receive upon the sale of the home after all debt secured by mortgages or other liens has been paid off.



## Types of Resale Formulas

- \* Indexed
- \* Itemized
- \* Mortgage-based
- \* Appraisal-based

## Indexed Formula

$$\begin{aligned} &\text{Original Purchase Price} \\ &+ [ \text{Original Purchase Price} \\ &\quad \times \text{Change in Index} ] \\ &= \text{Resale Price} \end{aligned}$$

## Indexed Formula - Example

Original Purchase Price = \$100,000  
Index = Annual Change in Median Income

AMI increases 2.5%/year  
Change in AMI over 10 years = 25%  
 $25\% \times \$100,000 = \$25,000$

Resale Price = \$125,000  
( $\$100,000 + \$25,000$ )

## Appraisal-based Formula

$$\begin{aligned} &\text{Original Purchase Price} \\ &+ [ (\text{Appraisal \#2} - \text{Appraisal \#1}) \\ &\quad \times \frac{\%}{100} ] \\ &= \text{Resale Price} \end{aligned}$$

## Appraisal-based Formula - Example

Original Purchase Price = \$100,000  
Original Appraised Value = \$150,000  
Owner's Share of Appreciation = 25%

Resale 10 years later  
Value at Resale (by appraisal) = \$230,000  
Increase in Value ( $\$230,000 - \$150,000$ ) = \$80,000  
Owner's share ( $\$80,000 \times 25\%$ ) = \$20,000

Resale Price = \$120,000  
( $\$100,000 + \$20,000$ )

## Hybrids & Variations

- \* Appraisal-based: seller gets designated % of increase in value of improvements only
- \* Appraisal-based: % increases over time
- \* Appraisal-based: price-to-value ratio
- \* Indexed/Itemized: indexed resale formula plus value created by allowed post-purchase capital improvements

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## Designing a CLT Ground Lease

- \* What are you trying to accomplish?
- \* What are the most appropriate and most effective means to accomplish these goals?

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