



ADVANCING RURAL DEVELOPMENT

Community Land Trusts & Housing - FAQs

CLTs – What are they?

At the most general level Community Land Trusts are a legal and organizational model to permanently hold lands for “public benefit”.

In Canada, many individuals are familiar with land trust organizations – like the Nature Conservancy Canada and The Nature Trust of BC - that obtain and hold lands for environmental conservation purposes. These lands are often donated by private individuals or organizations; or are purchased by the land trust organization using cash donations from individuals and organizations. These organizations are widely seen as useful vehicles to help transfer environmentally significant lands from private to permanent public ownership and control. These land trust organizations also typically have registered charity status so that they can issue tax receipts for land and cash donations.

In the U.S., the community land trust model has been used extensively to also facilitate the provision of affordable housing. There are now over 200 housing CLTs spread out across the U.S., many operating in rural communities and areas.

CLTs – How do they Typically Operate?

In the U.S. most housing CLTs are independent non-profit housing organizations. They are usually created because of local concerns and issues of housing affordability. The CLT organization often receive initial donations of land and/or houses and then rely on volunteers, government grants and donations to help pay administrative costs. Once the CLT has obtained land holdings it uses donations, grants, government programs and traditional bank financing to build housing. Typically, housing CLTs will build a mix of housing types including single family homes, duplexes/triplexes and row housing. CLTs homes are then either rented or sold to residents meeting pre-determined income tests.

The fundamental common elements to all housing CLTs are two key principles:

- 1.) The land always remains under public ownership and the control of the CLT organization; and
- 2.) If the CLT homes are sold to the residents, there are legal covenants on the deeds that restrict who the home can be re-sold to and the sale price.

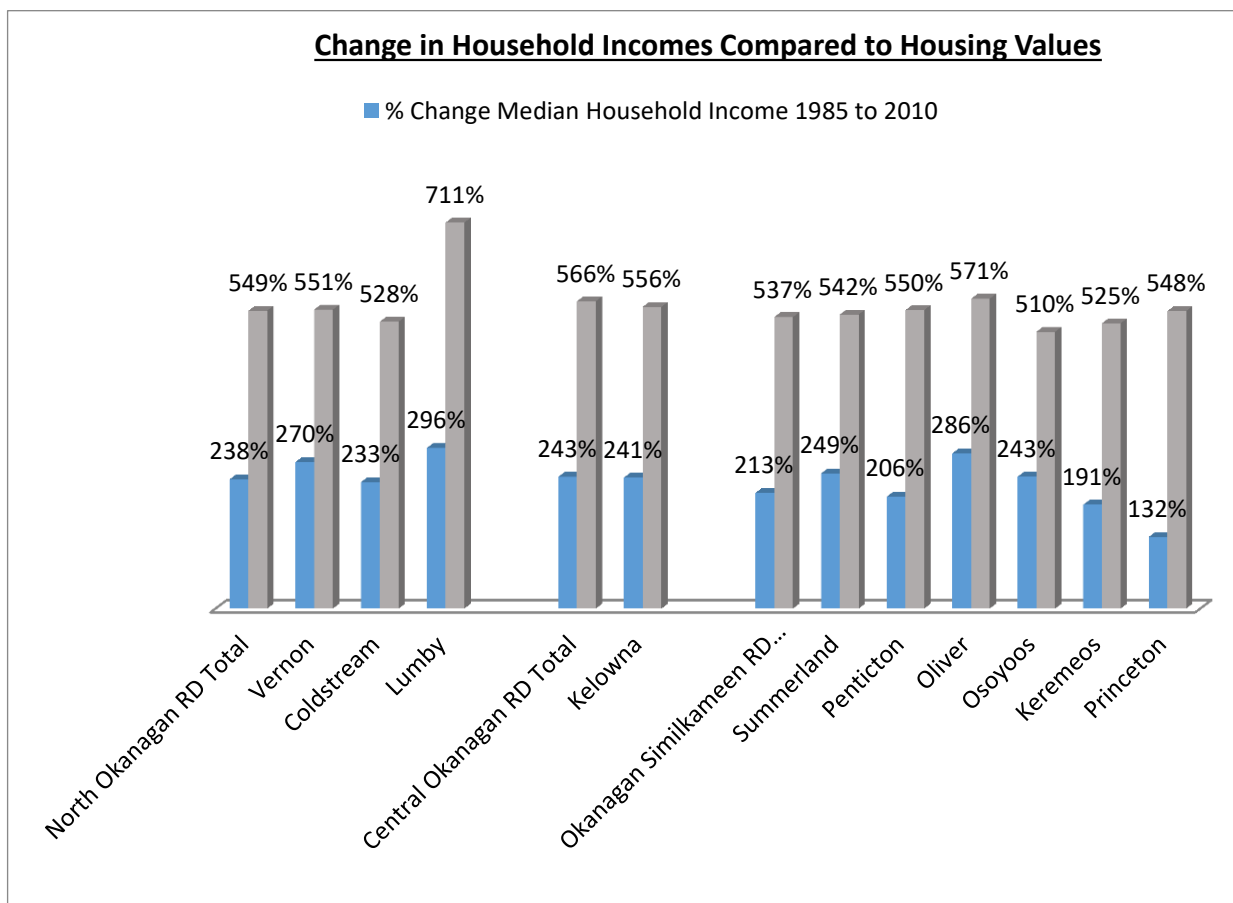
These two principles in combination ensure that the CLT homes remain affordable in perpetuity.

Why would a Housing CLT be needed?

In BC, there has been extensive coverage of the need for increased affordable housing in the greater Vancouver and Victoria regions. While six or seven years ago the focus was primarily on housing for homeless and government assistance individuals – most recently the discussion has expanded to include the inability of middle income earners and families to be able to purchase homes in these markets.

While the media focus has been primarily on the rapidly increasing house values of the lower mainland, the reality is that housing affordability has become an issue in many interior communities as well.

What isn't perhaps fully understood is that house prices have far out-paced increases in household incomes over the past several decades – as shown in the following graph:



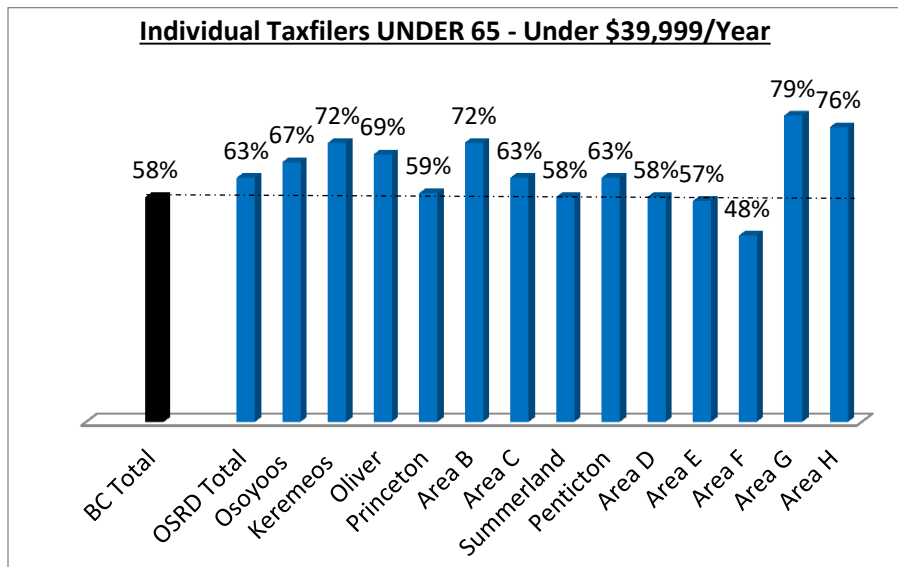
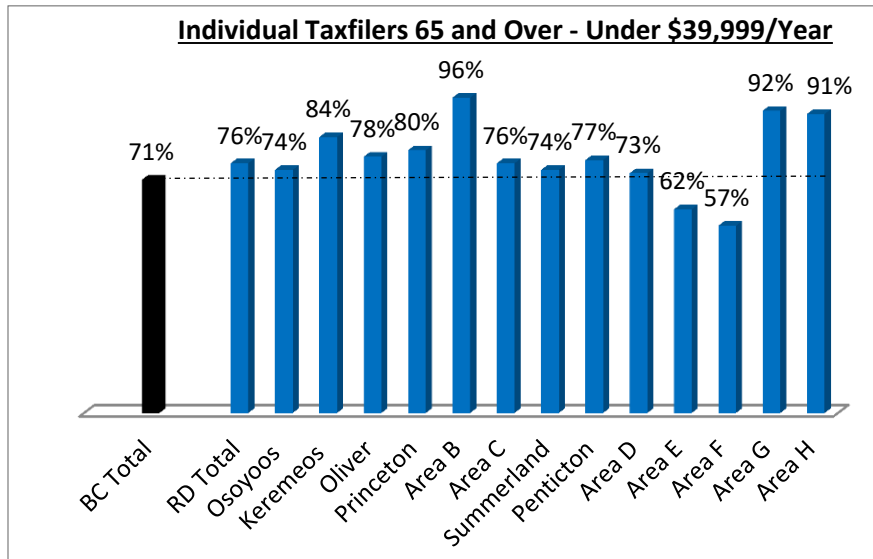
As a result, it is becoming increasingly difficult for workers with lower to middle annual incomes to qualify for high enough mortgages to purchase an average single family home in some communities.

For example, in Penticton in 2013 the average sale price of a single family home was \$374,676 and the average annual household income was \$59,570. Therefore, even with a \$75,000 cash down payment and minimal other debt, a family with an annual income of \$59,570 would only qualify for \$209,335 traditional 25 year mortgage – a shortfall of \$115,341 (30%) from the average single family home selling price.

As research by the BC Seniors Advocate Office has demonstrated there is also a lack of appropriate seniors housing in much of rural BC. While most seniors would prefer to remain in their homes for as long as possible this will in many cases require renovations and increased cashflows for home maintenance and home care

support. However, many rural seniors are living on limited fixed incomes and would have difficulty raising significant levels of cash unless they can arrange a reverse mortgage on their properties.

As shown in the graphs below a significant portion of both the over and under 65 age groups are living on relatively modest annual incomes.



Why would I want to Buy a House where I don't own the land?

For many rural residents, it may seem like a very odd concept to buy a home where you don't own the land beneath it. But in reality we have built homes on leased land in BC for quite some time. A lot of BC's interior lakeside recreational homes were originally built on leased provincial government land. Much more recently, many thousands of BC residents now own their homes on First Nations' lands on long-term renewable land leases.

How do CLTs fit with other forms of Subsidized Housing?

It must be recognized that BC already has a host of housing organizations and models – many focussed on serving specific target groups. The majority of BC’s current subsidized housing focusses on rentals to lower income individuals and families. Many communities have also looked to using incentives to private developers to encourage them to provide more affordable housing units. A few communities – like Whistler – have formed and operate independent Housing Authorities.

Obviously housing CLTs are only one potential model to facilitate the provision of affordable housing - and various models will be needed to address the variety of housing needs in rural BC.

However, CLTs can offer a model that could assist in facilitating housing in several ways:

- 1.) A CLT model can help facilitate the donation of private lands and houses to public control;
- 2.) The CLT model can be useful in the provision of affordable housing by removing the cost of land from housing construction costs;
- 3.) The CLT model can be an effective model to provide housing for moderate income earners. In the U.S., housing CLT homebuyers often can cover up to 75% of the housing construction costs through personal individual mortgages;
- 4.) Where a housing CLT offers a home purchase option it can help middle income home buyers build personal equity. In some cases, this may help some CLT homeowners to ultimately transition into the traditional housing market;
- 5.) A regional CLT organization might be a model that helps provide additional required housing development capacity to very small rural communities; and
- 6.) In the rural BC context perhaps a CLT organizational model could help bridge and transition over time rural single family home ownership from seniors to younger families.

What Does it Take to Make a CLT Organization Effective?

Evaluation of successful U.S. CLTs and a much smaller number of Canadian CLTs have indicated several factors contributing to CLT effectiveness:

- 1.) Strong community leadership and support for the CLT
- 2.) Development of a Sustainable Business Plan for the CLT
- 3.) Strong administrative support and external expertise to guide the CLTs operations
- 4.) Supportive on-going private and government funding to assist with land accumulation, housing construction and CLT administration
- 5.) Supportive policies and mortgage support to assist CLT homebuyers
- 6.) Effective partnerships with local and senior governments and housing support organizations.