

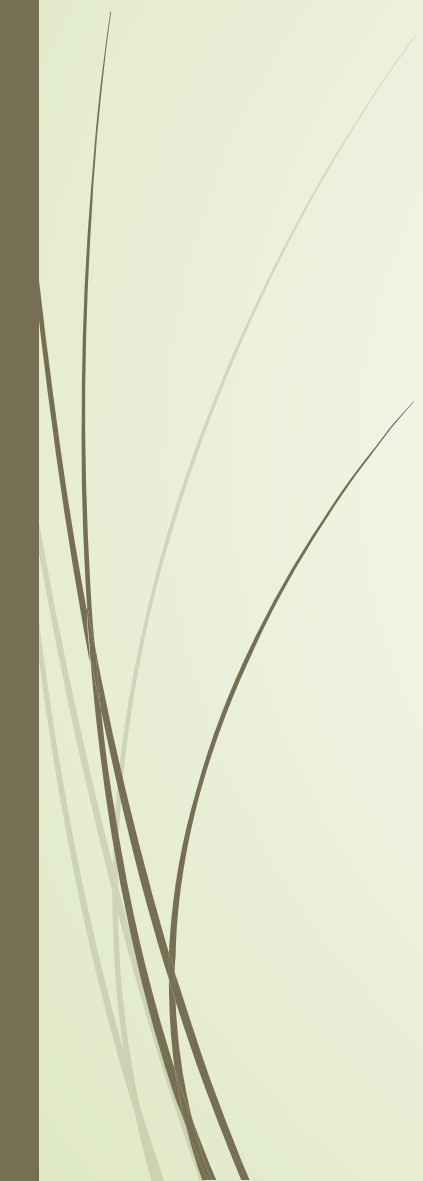


Preserving the Community Investment in Workforce Housing

City of Healdsburg in partnership with HLT



Why do we need a Community Land Trust to serve as an economic mechanism?

- Housing prices have been rising at a greater rate than people's incomes
 - Every year more people are priced out of the housing market
 - A mechanism is needed to recruit and retain our local workforce
 - The HLT provides a way to set aside some homes that will remain affordable forever
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Close of Escrow for Ground Lease

Land

Developer Deeds to City

City Deeds to HLT

HLT holds land in trust for community benefit

HLT Leases land to homeowner for 99 years-renewable

House

Developer sells to Buyer at an affordable price

Buyer has mortgage

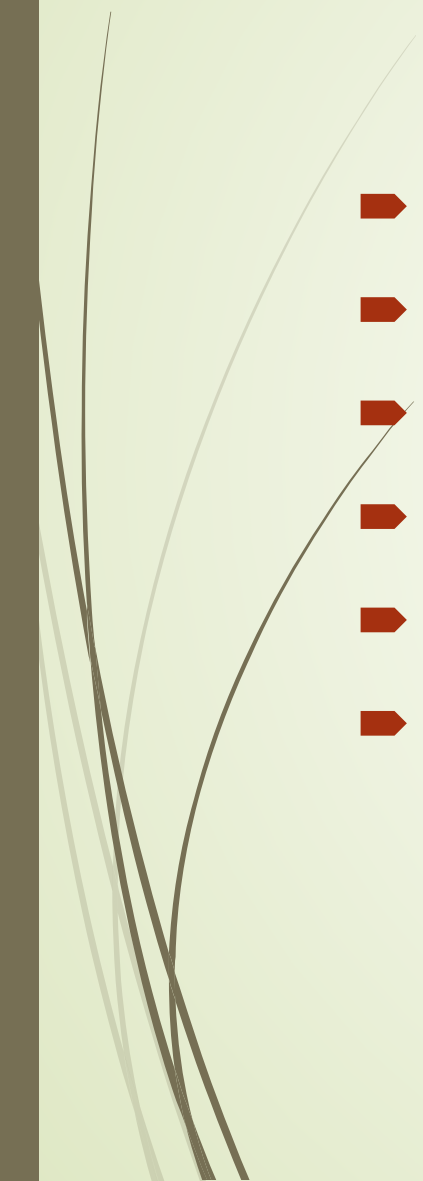
Assumptions:


- Household Size – 4 people
- Interest Rate – 5%
- Housing to Income Ratio – 35%
- Ground Lease - \$95/month
- Median 100% AMI 2015 - \$79,900

AMI	Annual Income	Monthly Income	Sales Price	Down Payment Required
120%	\$95,880	\$7990	\$417,000	0
130%	\$103,870	\$8655	\$442,000	0
140%	\$111,860	\$9321	\$475,000	0
150%	\$119,850	\$9987	\$500,000	0
160%	\$127,840	\$10,653	\$540,000	\$19,050



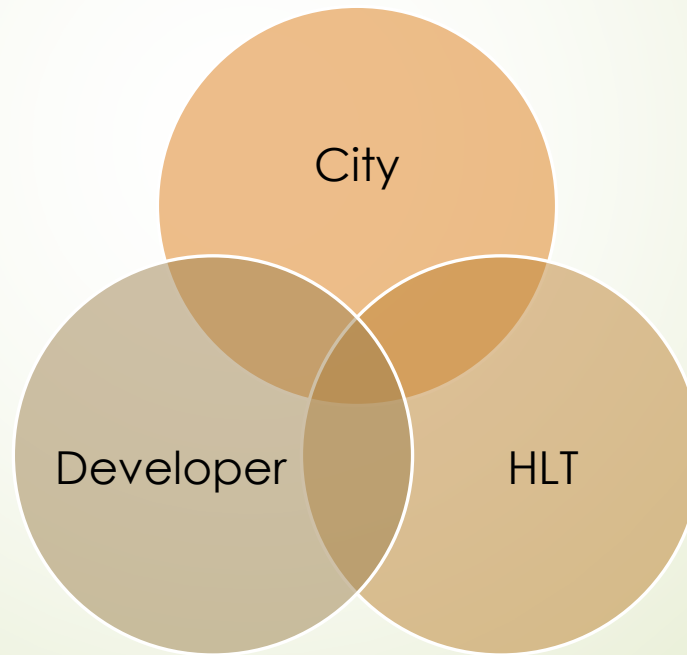
Benefits to Homeowners

- ▶ Long-term security of homeownership
 - ▶ Fixed housing expense
 - ▶ Tax deductions
 - ▶ Equity accumulation
 - ▶ Ability to live and work in the community
 - ▶ Create a healthy and vibrant community
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How do we create workforce housing to serve families today and in perpetuity?

PARTNERSHIPS





Instruments to Keep Workforce Homes Affordable

- Implement a ground lease with a 99-year renewable term to enforce the resale restriction
- Implement a Deed Restriction to implement long term affordability
- GOAL: Keep Workforce Homes affordable to same income level at initial sale and subsequent sale so the home is affordable for generations.

Example: Workforce Housing

- ▶ **140%** of Median Income **\$111,860**

Purchase Price = \$475,000

- ▶ **150%** of Median Income **\$119,850**

Purchase Price = \$500,00

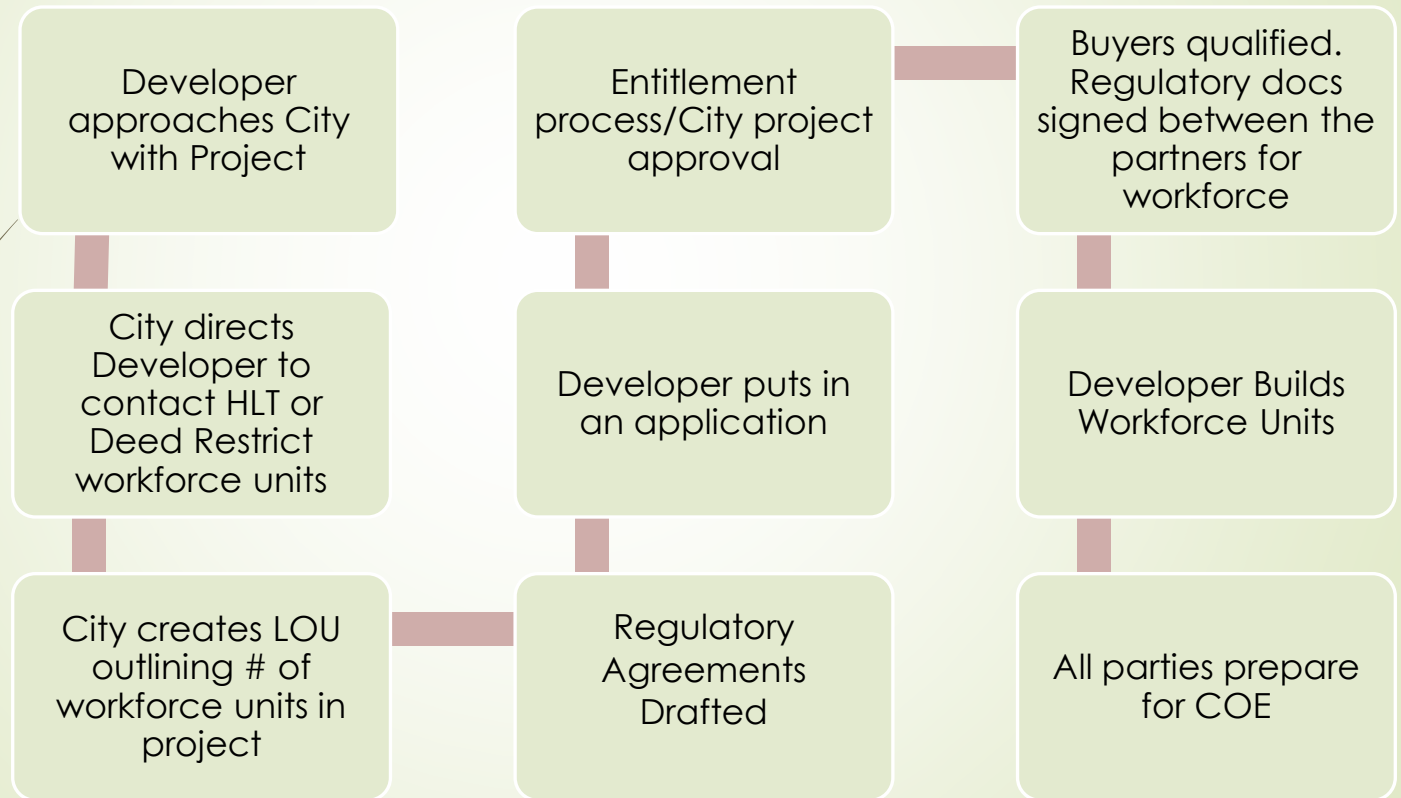
- ▶ **160%** of Median Income: **\$127,840**

Purchase Price = \$540,000

Market Rate Purchase Price = \$630,000 and up

- The developer is obligated to provide Inclusionary Zoning Units for Low to Moderate incomes and Workforce.
- HLT ground lease will ensure homes remain affordable in perpetuity or a deed restriction to keep the home affordable to the same income level.

The Process for Partners





What are the mechanics?

- ▶ Land Trust owns and holds title to the land forever; it serves as the steward of the land
- ▶ Land Trust leases the land to homeowners through a 99-year ground lease
- ▶ Deed Restriction is recorded, enforceable, legally-binding document
- ▶ Homeowners are asked to share the affordability that has been created with future homeowners
- ▶ The homes will be targeted to specific income levels to meet the housing needs in the City



Qualifying information compiled by lender and HLT:

- ▶ Date of Application
- ▶ Name of Applicants
- ▶ AMI %
- ▶ Number of people in household
- ▶ FICO Score
- ▶ Annual Income
- ▶ Qualifying ratios: % of housing costs to income & % of debt to income (ideally max 35%/43%)
- ▶ Purchase price
- ▶ Down payment
- ▶ Employer
- ▶ 1st Time homebuyer: Yes/No
- ▶ Live or work in City: Yes/No*

*Preference given to qualified applicants who have lived or worked in Healdsburg for a designated period of time, application open to all

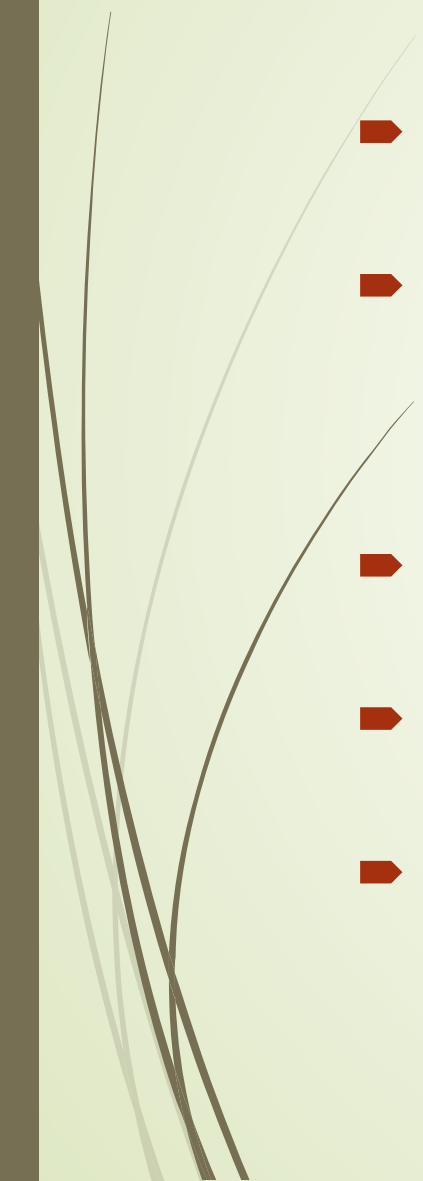


The Ground Lease: Rights, Responsibilities & Requirements

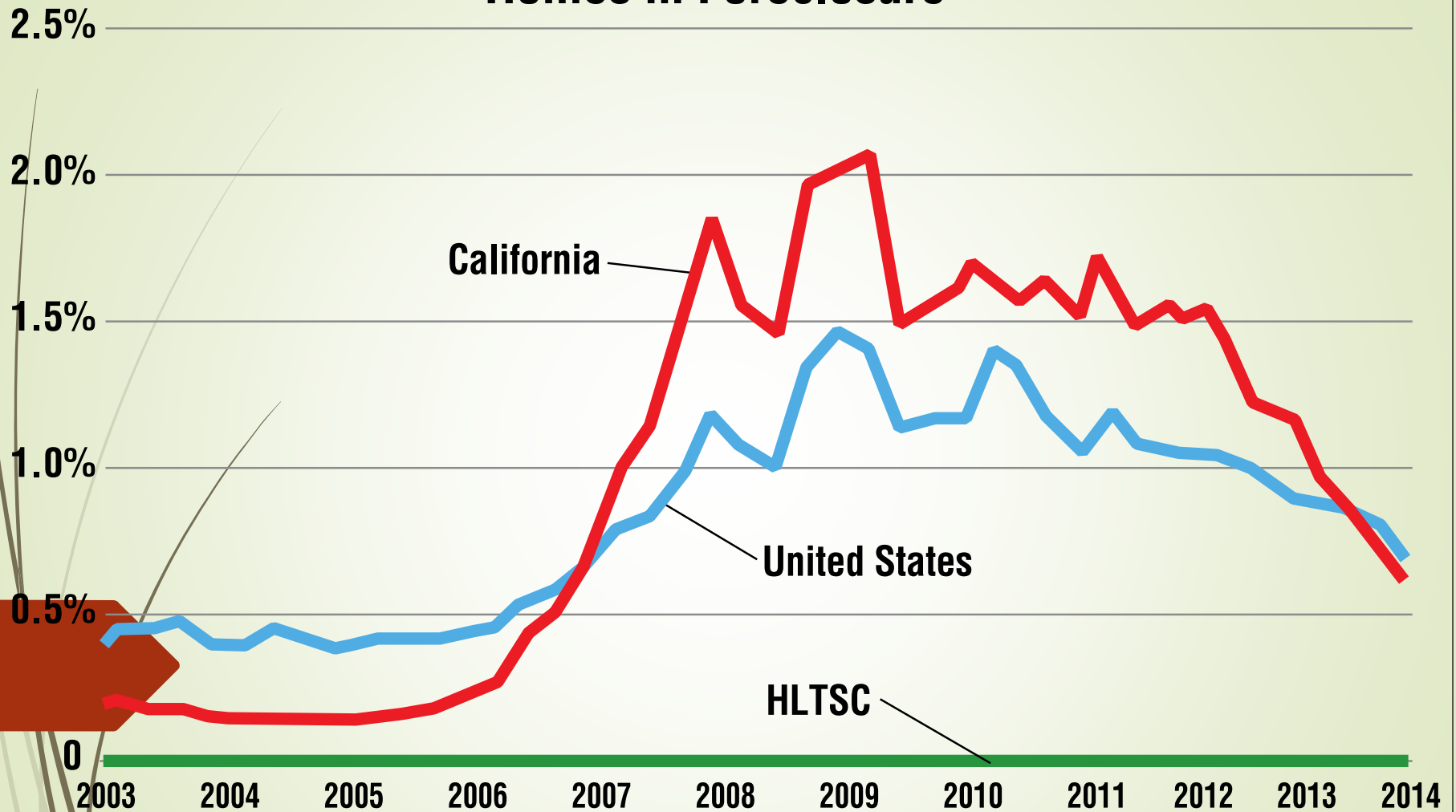
- **Primary Residence:** Homeowners must live in their home and may not rent out their home
- **Future Affordability:** Homeowners agree to share the affordability that's been created for them with the next homebuyer – for generations to come



What are we accomplishing?

- ▶ Creating community wealth by preserving land that will benefit the community in perpetuity
 - ▶ Partnering with a non-profit in HLT to steward a finite resource that serves as a permanent subsidy to individual families generation after generation
 - ▶ Make homeownership a reality for the workforce in our community
 - ▶ Deliver stewardship to families to ensure successful homeownership
 - ▶ Strengthening the fabric of our community by providing our workforce a secure place to live
- 

Homes in Foreclosure





How do we keep the home affordable for subsequent buyers?

- ▶ The price of the home is tied to the pay check, not the market. The index tied to resale is the Area Median Income (AMI)
- ▶ In order to keep the homes affordable to future buyers, homeowners agree to sell their home for a limited price when they decide to move
- ▶ The maximum price is calculated based on what was paid plus an annual increase based on the change in the area median income



Calculating the Resale Price

(Example)

- ▶ Initial Median Income in **2004** for Family of 4 at 140% AMI:

\$104,440

11 years later in 2015:

- ▶ Median Income in **2015** for Family of 4 at 140% AMI:

\$111,860

- ▶ Change in Incomes from 2004 to 2015=7.10%

(AMI chart comes out annually - could be more, could be less for future changes)

Source HUD Sonoma County AMI 3-6-15



Calculating the Resale Price

(Example)

Initial Purchase Price: \$443,000

If:

Change in Median Income = 7.10%

Then:

Maximum Sales Price = \$474,473.19

Total Appreciation from AMI = \$31,473.19

Total equity = Appreciation + Debt
Reduction + Down payment



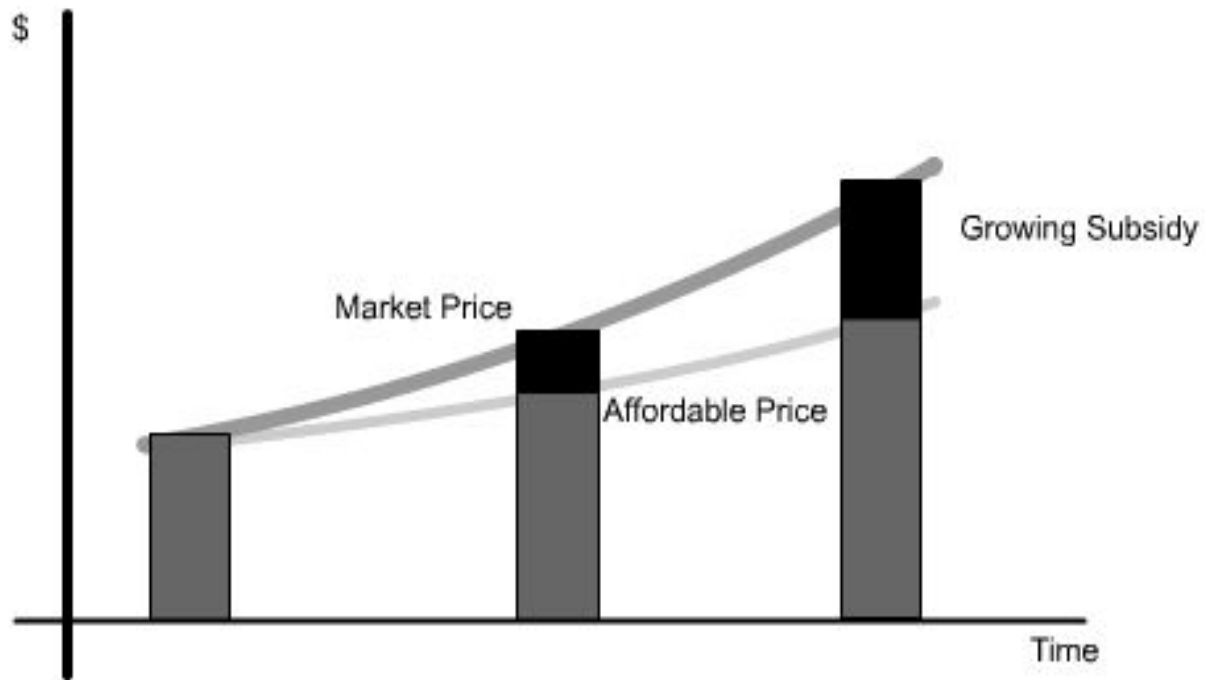
Why Does Subsidy Retention Matter? Protecting the Public Investment

- Eliminate the need for government & private subsidies in future years as units are resold
- Ties subsidy to the *unit*, not the family
- Maintaining income targeted workforce housing stock
- Creating community wealth *and* personal wealth while maintaining future affordability

Graph 1 –

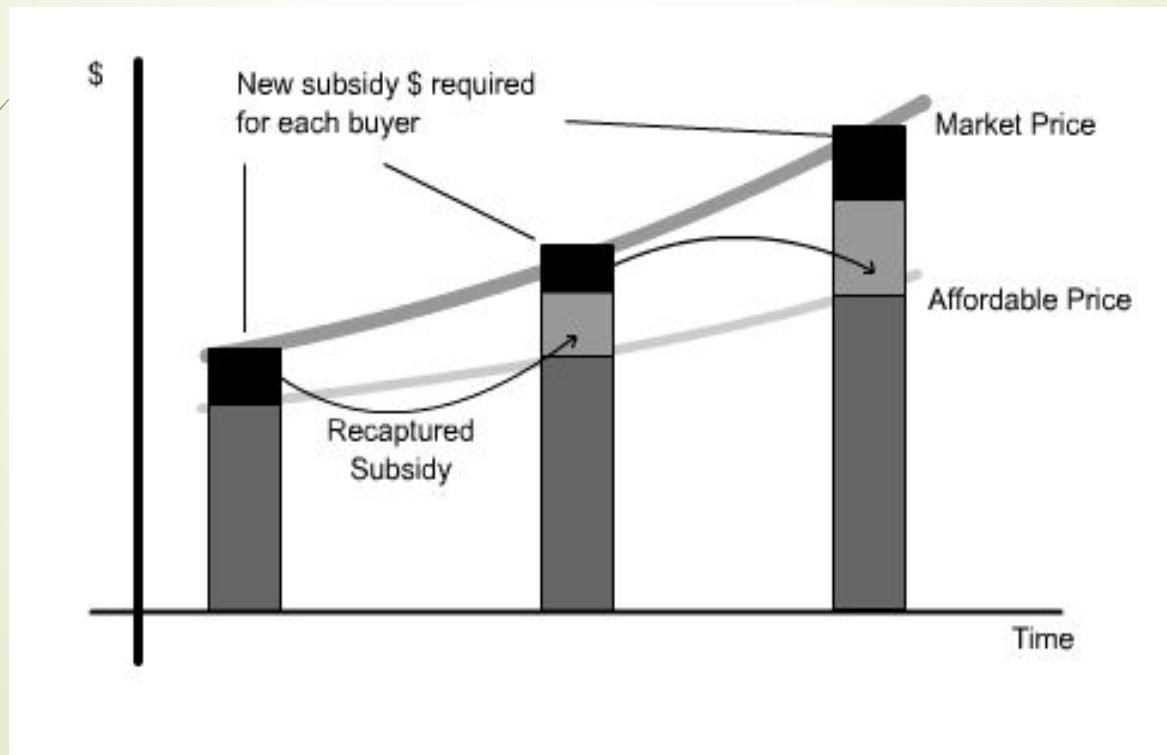
What Workforce Families can afford and what a market rate home costs

The gap between the market price and what people can afford keeps getting larger. This means the amount of subsidy required to make the house affordable keeps getting larger.



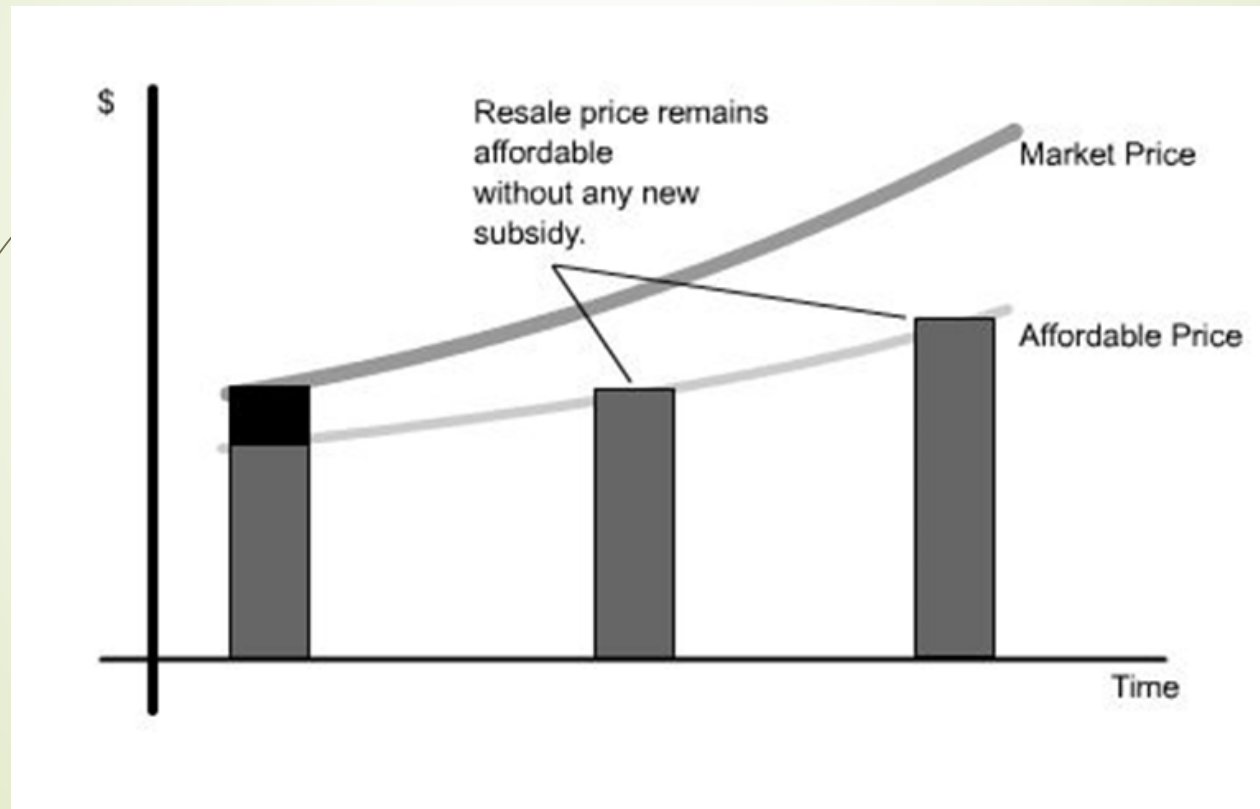
Graph 2 – Recaptured Subsidy

Some of the appreciation is recaptured when families sell their homes, but even when a share of the equity is recaptured still more subsidy is often required to keep the units affordable. As long as prices keep rising faster than incomes even this smaller gap keeps getting larger and larger.



Graph 3 – The Land Trust Model

The Land Trust Model: Works in a totally different way. The gap is filled once and requires homeowners to sell at an affordable price so that there is never a need for additional subsidy. The homes can stay affordable forever.



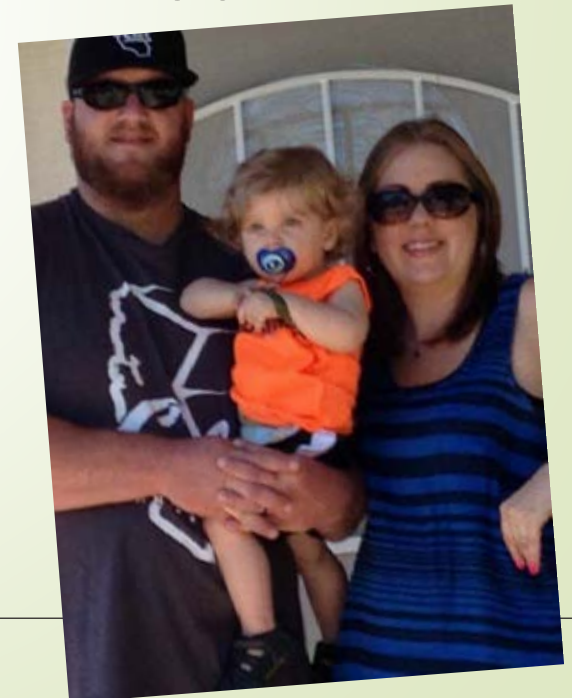
2005 - 2008

2010 - 2013

2008 - 2010



2013 -



**One House
Serving Four Families**

