



Planning Commission

Briefing on the Thurston Housing Land Trust (THLT)

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Title

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Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Receive a briefing on the Thurston Housing Land Trust. Briefing only; no action requested.

Report

Issue:

Whether to receive a briefing on the Thurston Housing Land Trust.

Staff Contact:

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Presenter(s):

Dan Rubin, President, Thurston Housing Land Trust
Susan Davenport, Board Member, Thurston Housing Land Trust
Ally Upton, Housing Director, South Puget Sound Habitat for Humanity

Background and Analysis:

Thurston Housing Land Trust is a not-for-profit community land trust (CLT). Our mission is to create, develop, and preserve affordable housing for low to moderate income people using the community land trust model. We will operate throughout Thurston County. Like other types of not-for-profit land trusts (focused on such missions as preserving farmland, environmentally sensitive land or historic sites), CLTs retain ownership of the land in perpetuity, outside the speculative market. Unique to CLTs is the focus on applying this very long-term perspective to affordable housing. There are over 300 CLTs nationwide. About 30 are in the Pacific Northwest (many profiled in a Northwest Community Land Trust Coalition brochure we provided to staff).

THLT was formed over the past two years by a small group of local people with strong and often very

long-standing desire to take speculative pressures out of at least some residential properties. One of our founders, Susan Davenport, will address her own history of interest in this area.

Like most CLTs, we use a highly democratic governance model. Our Board, currently numbering nine Trustees, is equally divided among three groups, all elected by our Members: (1) actual homeowner lessees (or before there are enough, others able to represent their interests); (2) other THLT members; and (3) Trustees who represent the interest of the public, providing viewpoints and knowledge we need.

Affordability in Community Land Trusts

Housing becomes permanently affordable under the Community Land Trust model based on a unique ownership arrangement whereby the land under a house is owned by the Trust. Homeowners hold a ground lease with the trust. This is a well-established legal mechanism for separating very long-term rights to the home and use of the land (typically 99-year leases with possibility of renewal) from the Trust's perpetual ownership of the land itself. Similar mechanisms are used for different reasons when a large business chooses to lease rather than buy its own special purpose buildings.

Three mechanisms, typically, make the house cost less - sometimes a great deal less.

First, a home buyer pays only the cost of the dwelling, not the land. The homeowner leases the land and the rights for residential uses. Homeowners hold mortgages and build equity on their dwelling. Homeowners who sell have the benefit of the equity they have built, as well as a (limited) portion of the value of market appreciation over time, but within the terms of an agreement to assure future affordability.

Second, subsidies can greatly reduce eligible home buyers' mortgages. The deeper the subsidies available, the farther we can go into low-income populations where homeownership otherwise is frankly impossible. Some subsidies come from governmental funding sources, within each source's broader allocation process. Subsidy also can come in the form of donations of land and homes. We already are in discussion with individuals who would consider donating their property, whether soon or through bequest. Many CLTs around the country also receive local government donations of property for various reasons.

Third, initial cost reductions are passed forward permanently through contractual agreements that limit how much can be charged to future homebuyers. THLT is working to finalize its own ground lease but it will fall in the range of many CLTs. In a rising market, homeowners selling a THLT home will be able to recover their investment (down payment, paid-off mortgage), plus probably 25% of the increase in appraised value for the portion they own. We are considering allowing full recovery of expenses for CLT-approved improvements by the homeowner (say, an added bedroom).

This last factor, the "resale formula," does not increase affordability for the first purchase - but think what it means in ten or twenty years if the market rises 20% (or 50%). Nationally, CLT homeowners sell on average after seven years. Looking into the future, this is an extremely potent strategy for tomorrow's affordability - far outstripping the staying power of low-income "set-asides" of limited duration, or home-buying subsidies that allow mobility for an individual family but do not benefit future owners. The return on community investment is magnified by this long-term dynamic.

Low to Moderate Income Focus

We aim to provide affordable housing for people between 30% and 120% of area median income (AMI). Our attachments include a table showing dollar income levels, by family size, that correspond to various AMI percentage levels commonly used in funding and prioritization. Most CLTs focus on achieving the level of subsidy necessary to assist homeownership in the 60 to 80% AMI range. Our vision is broader. As resale limitations increase affordability over time, and sometimes through generous donations, we hope in time to be able to reach families with even lower income. A couple of the approaches now under discussion are worth special mention:

- We are working with residents of several shared houses where low-income people live cooperatively as renters. They are studying the feasibility of a model where residents become member owners of a legal cooperative, which in turn can purchase their home through a ground lease with THLT.
- We also are in discussion with some parents with adult disabled children (all very low-income) who are looking for ways to give or bequeath personal homes in a way that would ensure housing for their own child and others of like needs.

No homeownership-oriented program, including Thurston Housing Land Trust, is an immediate response to homelessness. However, it is a very important component for a long-term balanced approach that provides somewhere to go after homelessness for people move forward with their lives but need support. Like other CLTs, we will develop home-buying preparation and homeowner “back-stopping” services that greatly enhance success in owning and maintaining a home. This is one of the areas where we are working with Habitat for Humanity, which now operates similar programs in our community. Due to such programming, the default rate among CLT homeowners is much lower nationally than for others of similar income, often leading to greater lender willingness to consider issuing a mortgage.

At the other end of our intended income spectrum, our mission includes affordable housing for moderate income families in the 80% to 120% of AMI range. Escalating real estate prices and demographic shifts southward in the Puget Sound basin mean that being of “moderate income” no longer guarantees the ability to own a home. We will be balancing efforts and benefits in order to maintain a strong low-income focus, but realistically we do not want to let the pace of major subsidy funding to prevent us from moving forward - recognizing that today’s “moderate income” home may, with resale price limitations, become tomorrow’s low-income home under Trust stewardship.

Other Areas of Programmatic Focus

The ground lease we are developing goes beyond the resale formula. Other provisions, for example, require sale to only income-eligible purchasers; maintain residential use; guard against long-term or profit-oriented rental or sub-leasing; restrict unsustainable second mortgages; and require Trust approval for major structural changes. However, it is a lease geared to home ownership, much longer-term and generally less invasive than a rental contract.

THLT is in start-up mode and currently has no property. We expect to begin assembling an affordable housing inventory by 2020 if not 2019, and for this to continue at an increasing pace. The first housing resources held in trust by THLT will likely be “scattered site” or individual homes, with any

development limited to special opportunities created by land donation. Farther down the road development of new housing stock is possible, especially on a partnership basis. While THLT is oriented to homeownership, we don't exclude the option of partnering on affordable rental housing. In that case another non-profit organization would hold the ground lease with THLT. Whatever the details, we would be looking for a pathway to very long-term affordability.

Partnership and Alignment

This concept is very important in understanding our mission and prospects. We hope we can create collaborative opportunities that may not exist now in our community. In addition to individuals, we can work with other affordable housing organizations, groups of people with a common goal (such as cooperatively-owned households and parents with disabled children) and to organizations that conduct other socially beneficial activities. We are working now with Habitat for Humanity, the Northwest Center for Cooperative Development (NWCDC) and participate in the Housing Action Team of Thurston Thrives. Ally Upton, the Housing Director of South Puget Sound Habitat for Humanity, is one of our trustees and will provide examples of how partnership can work.

We welcome other partnership discussions, including with Olympia and other local governments. There are examples of municipal partnerships with CLTs in Northwest communities of similar size to Olympia (such as Bellingham and Bend) as well as in large cities (such as Seattle and Portland) and rural areas (such as Chelan, Methow Valley and the San Juan Islands).

Specific to Olympia, when we look at the Comprehensive plan we see a number of themes that align well with THLT potential, including:

- Affordable housing for all economic segments
- Preservation of existing housing stock as well as adding units
- Providing for varied lower income needs, including family housing, group homes, aging individuals, college students and senior citizens
- Dispersion of special-need housing (scattered site)
- Promotion of home ownership
- Within zoning and other policies, allowing for subdivision of larger older homes, accessory housing and other strategies for increasing density without violating neighborhood character.

Where We Are in Our Evolution

We are a new organization. THLT incorporated as a Washington State not-for-profit corporation in May of 2018. We elected our first Trustees in early June and all positions will be refilled by election at our Annual Meeting on December 8. During this start-up year we have operated as a volunteer organization with about \$5,000 of cash donations as operating funds. Early in 2019 we expect milestones including adopting our basic ground lease and resale formula and filing a 501 (c) (3) application with IRS (now mid-stream in preparation), we hope to be able to add staffing sometime in 2019.

Being a new organization means a lot of work before results become dramatic, but it also offers great opportunities to develop partnerships which support our own, and others', long-term vision to build and develop enough properties to significantly increase the amount of affordable housing stock in Thurston County, far into the future. We are very interested in working with the City of Olympia to this

end.

Attachments:

Thurston Housing Land Trust Articles of Incorporation
Accomplishments Overview