

# OWNING THE LAND IN CONGRESS HEIGHTS

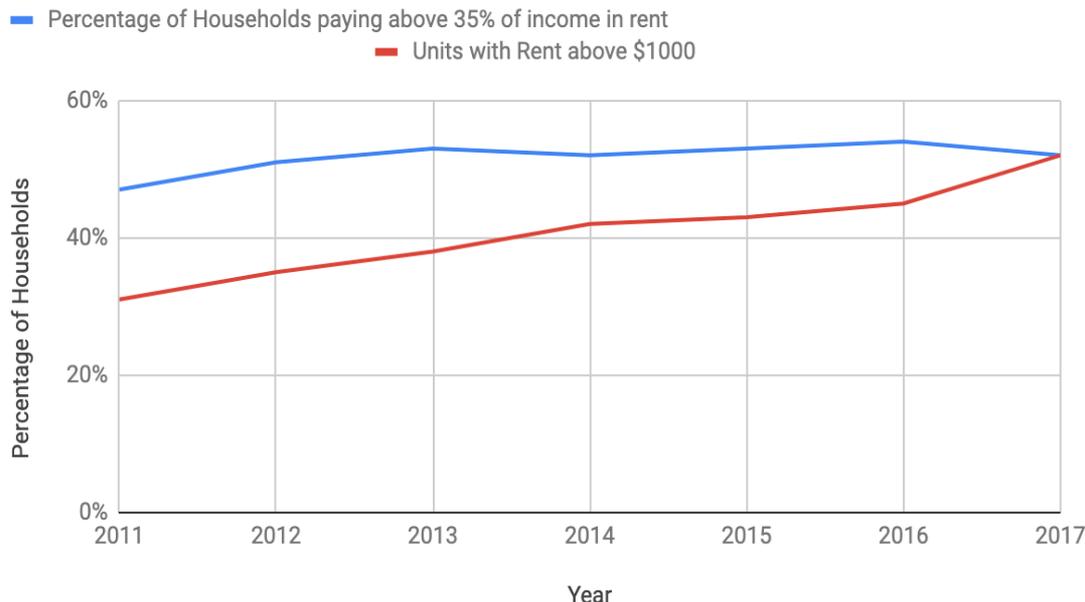
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# STATE OF HOUSING IN CONGRESS HEIGHTS

- According to data from the 2017 American Communities Survey, 51% of the Congress Heights population pays roughly 35 percent or more in gross rent as a percentage of household income.
- Roughly 80.1% of housing units are renter-occupied
- 51.7% of housing units in the neighborhood are estimated to have rents above \$1000.
- Median Income (\$35,047)

## Congress Heights Affordability

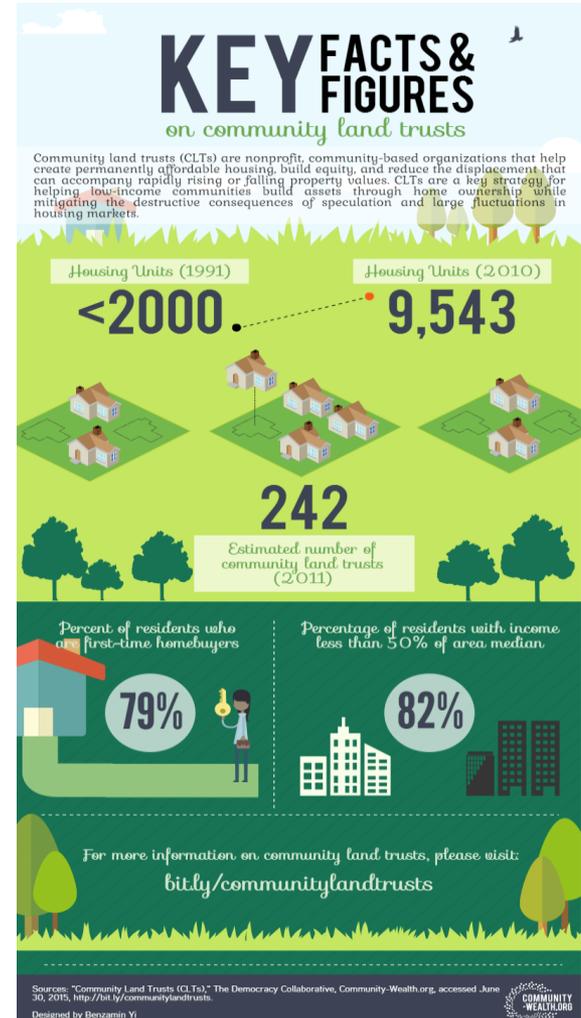


(American Factfinder graph developed utilizing ACS census data, 2017)

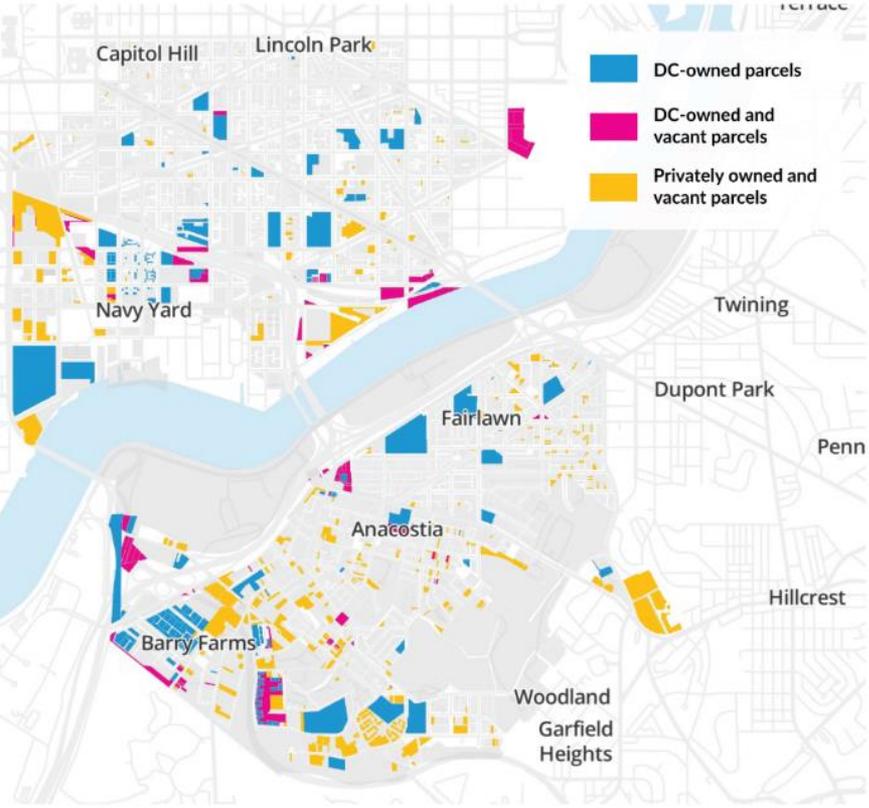


# WHAT IS A CLT?

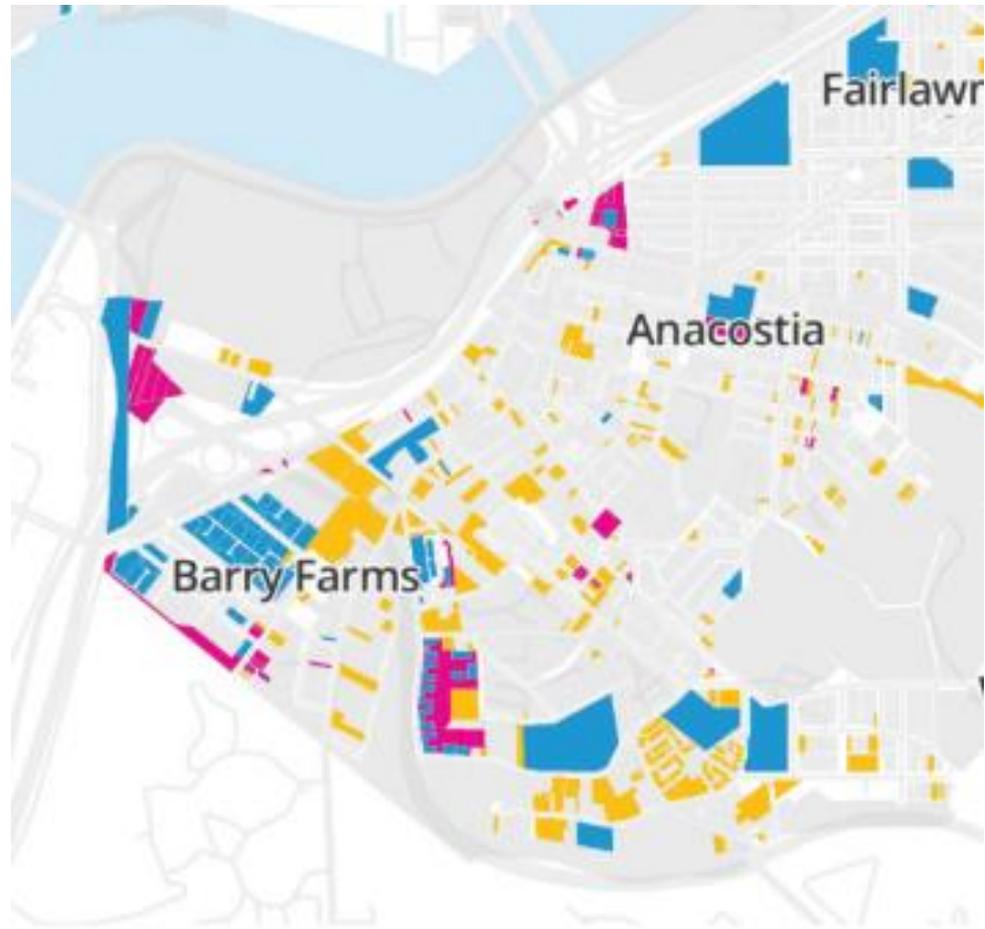
- ❧ A CLT is a nonprofit structure that develops and manages housing, commercial spaces, and community gardens through ownership of the land.
- ❧ A CLT can be thought of as a community developer that is an alternative to private development corporations. While private developers enter communities for the possibility of speculative profit, a CLT acts as a developer that represents the community.
- ❧ Unlike other affordable housing tools, community land trusts are administered by nonprofit organizations and overseen by an advisory committee largely consisting of community members. Typically, the board or committee making decisions are majority resident and community controlled, so decisions on where and how to buy, sell, and rent property are made in the interest of the community.



# DC-Owned and Vacant Parcels in the Bridge Park Impact Area



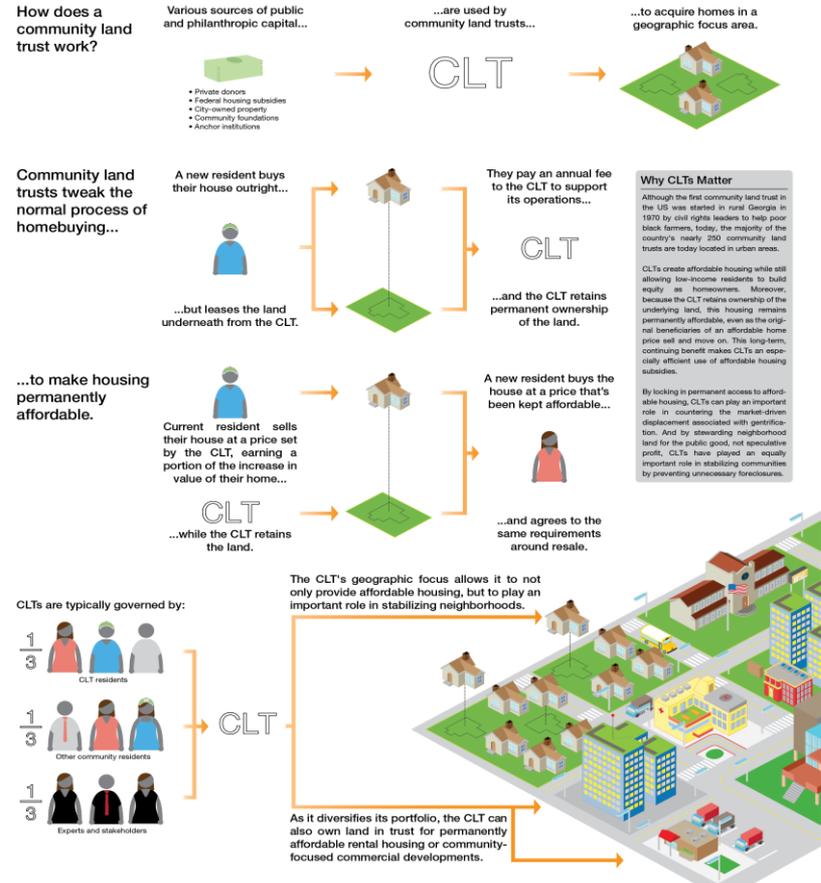
Sources: DC open data common ownership lots and DC real property data.



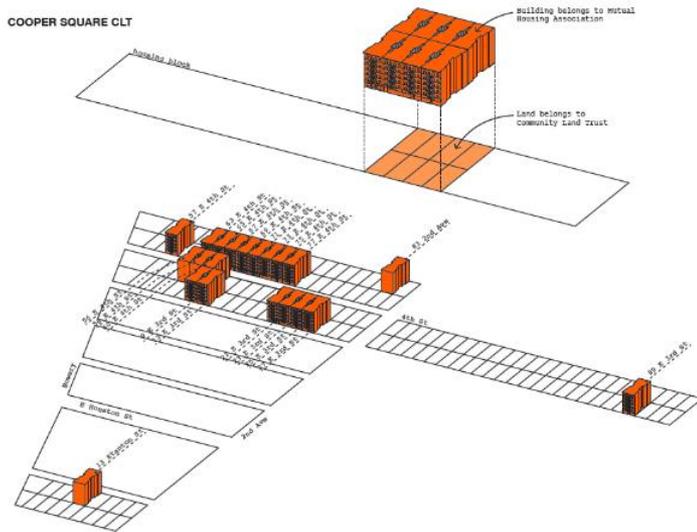
# COMMUNITY CONTROLLED DEVELOPMENT

- Roughly two-thirds of residential properties in CLT portfolios are rentals. The ground lease arrangement with CLTs gives tenants the added security that rent increases will be limited.
- CLT homeowners were ten times less likely to be in foreclosure proceedings at the height of the foreclosure crisis in 2009 and almost seven times less likely to be at least 90 days delinquent.

## Community Land Trusts



# CHALLENGES/BENEFITS OF CLT DEVELOPMENT



## Benefits

- CLT's have been proven as an effective tool to create wealth assets for Low income households (Bourrassa)
- CLT's are recession resilient (Minneapolis Fed)
- CLT's can be moderately profitable through dividend shares (Burlington CLT)
- CLT's can also be utilized as a stepping stone to buy a home in the private market. (Troy Gardens)
- CLT's can be incorporated among several available units, therefore making land purchases easy and flexible (Cooper Sq CLT)

## Challenges:

- Acquiring land is very hard and existing policies (like rent control) need to be present to establish a baseline of rent (Stein, Capital Cities 2019)
- CLT's can be undone by community tensions and local disinvestment. Community and public representatives on the board can lose interest and stop participating. Residents can also opt to stop paying mortgages.
- There's the possibility some CLT members will not receive appreciation (Bourrassa, Community Land Trust and Housing Affordability)



# WHY A CLT IN CONGRESS HEIGHTS?

Along with the 311 new units of housing centralized in St. Elizabeth's West, a CLT would provide a necessary additional stock of affordable housing and ownership structures in the community outside of the St. Elizabeth's site. Basically the fact that there is government participation is a benefit to create a base.

A CLT would a safety-net for community members who may not be eligible for new St. Elizabeth units.

A CLT would be a powerful tool to negate the negative externalities of real estate speculation by being a strong community group that can stabilize the housing market regionally.

CLT's can better gauge what local AMI (or MFI) is because its governing body is made up of community groups and residents.

A potential partnership with Douglass CLT can create regional affordability in the Ward 8 housing stock.



<https://www.longandfoster.com/DC/Washington/Congress-Heights>



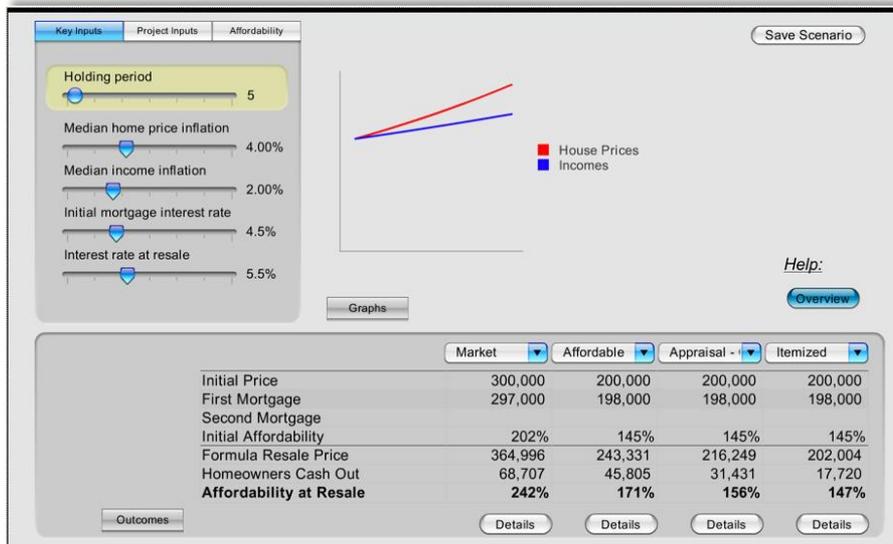
# LEGAL CREATION AND RESPONSIBILITIES

Three legal steps to begin creating a CLT:

1. Draft and file articles of incorporation.
  2. Draft and adopt bylaws.
  3. Prepare and submit application for federal tax-exemption. Both the articles and the bylaws must be submitted to the IRS with the application for tax exemption.
- Dual ownership model: The land portion of the parcel is severed from any improvement on the land, with the intention that the CLT will remain the owner of the land for the benefit of the community. The CLT then provides a ground lease (typically running for 99 years and is renewable and inheritable) to the owner of the improvement on the parcel of land.
  - CLTs retain the right to improve properties that fall into disrepair and, should the owner of the unit fail to meet the terms of a mortgage, the CLT retains the right to intervene and prevent the unit from going into foreclosure. The CLT retains a preemptive option to purchase the housing unit at a predetermined price designed to keep the housing permanently affordable.



# CALCULATING CLT VALUE



(Burlington Associates, *Interactive Resale Formula Comparison Tool*,/  
<http://www.burlingtonassociates.com/#>) (Link to interactive tool to  
calculate mortgage/affordability ratios)

CLTs use the traditional mortgage appraisal calculus to build equity for its residents with the only exception being that residents will be profiting from their housing structure rather than the land.

As an example from the Burlington CLT (BCLT), the CLT's ability to acquire vouchers and housing grants gives the non-profit the ability to provide residents a low-equity stake (traditionally 25%) on the property they reside in.



# ASSET BUILDING WITH A CLT

Similarly to a mortgage, a resident in a CLT who opts to have limited equity would ask to purchase the residence they live in, and through a period of amortization the resident can choose to either sell their asset for a profit, or continue to build value through the structure's appraisal.

Additionally the value of land can be recalculated into a base rent.

A rent in a CLT would be primarily calculated utilizing an individual's ability to pay.

In my calculation I factored an individual family earning \$34,000 annually

Original Value	Appreciated Market Value after 5 years	Amount of Appreciation	Share for resident (25%)	Rent-per-month- for 5 years
\$ 300,000.00	\$ 360,000.00	\$ 60,000.00	\$15,000.0	\$250/month (plus additional fees based on income)
\$300,000.00	\$ 370,000.00	\$70,000.00	\$17,500.0	\$300/month (plus additional fees based on income)

(Ingram, Gregory K., and Steven Bourassa. *Land Policies and Their Outcomes*. Cambridge, MA: Lincoln Inst. of Land Policy, 2007. Chapter 13: Community Land Trusts and Affordability, this table represents the itemized CLT formula with a 120k HOME grant )



# CONCLUDING POINTS

- 🔗 In effort to better address the needs of the 80% of residents who rent in the community, affordability strategies must adequately direct resources to provide economic relief and be able to transition renters into some form of landownership.
- 🔗 We believe a CLT as a wealth building strategy is the most effective tool to create this transition.
- 🔗 The creation of equity will allow the Congress Heights community to build the necessary tools to determine its own financial future in the face of gentrification.



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