

Dwelling Place Community Land Trust Business Plan

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Dwelling Place of Grand Rapids NPHC
Board of Directors



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Executive Summary

As part of a growth strategy established in Dwelling Place's 2019 - 2022 Strategic Plan, Dwelling Place will initiate a new line of business in 2020 with the formation of a regional Community Land Trust (CLT). Consistent with its strategic goals for growth of up to 400 units in the next four years, Dwelling Place is piloting this initiative to address a broader array of affordable housing needs and in areas where traditional rental housing may not be feasible across its 15-county footprint. In conjunction with its Real Estate Development and Asset Management Committee, Dwelling Place has retained consulting services from Michael Brown of Burlington Associates, an organization with more than four decades of experience in offering technical assistance for the development and operation of CLTs across the United States.

Community Land Trusts are non-profit, tax-exempt entities that enable affordable home ownership based on a shared equity model of ownership. Simply stated, the size of the mortgage a homebuyer must qualify for is much lower for two reasons:

- The CLT owns the land and leases it to the homeowner for a nominal monthly fee.
- The CLT sells the actual home to the homebuyer for a price substantially below the home's appraised value.

In exchange for affordability, the homeowner agrees to a resale formula, defined in the land-lease, which allows the homeowner to recoup their principal payments but just 25% of any appreciation (based on an appraisal at sale) gained since they purchased the home. By retaining 75% of the appreciation on resale, affordable homeownership is sustainable over many years for future buyers. While this model for homeownership has been in use across the United States for more than four decades, it is new to West Michigan. The Inner City Christian Foundation, another community development corporation in Grand Rapids, is piloting a similar initiative using a recently purchased inventory of single-family homes in Grand Rapids.

As one of the largest community development organizations in Michigan with more than \$123 million in assets in 2019, Dwelling Place is uniquely suited to undertake this innovative housing program. Interest in this model of affordable housing is widespread at both the local and national level. To date, Dwelling Place has secured \$100,000 and \$50,000 in grant support from Downtown Grand Rapids Inc. (DGRI) and NeighborWorks respectively to help plan and implement this program.

Dwelling Place intends to create a CLT program that is sustainable, replicable and scalable. According to Burlington Associates, community land trusts with portfolios less than 100 homes struggle to generate revenue sufficient to cover the cost of minimally managing their core stewardship responsibilities. Initially, Dwelling Place plans to convert 45 existing apartment units from rental to home ownership in the CLT model. These apartment communities include Martineau Apartments, New Hope Homes and Grandville Homes. A single Community Land Trust with a single Board of Directors will be created as part of this process. Converting apartments already owned by Dwelling Place, with no conventional debt, makes it possible to use existing equity, (mostly created with past public and private subsidies) to pilot a CLT while minimizing financial risk for Dwelling Place. Assuming current residents are interested, Dwelling Place will offer these units for sale to them if they qualify for mortgage financing and agree to the terms of the land lease and home ownership training requirements. Those who are not interested or who cannot qualify for mortgage financing will be able to remain as renters for as long as they wish. Their apartment/home would convert to homeownership whenever a vacancy occurs. Dwelling Place plans to collaborate with the Inner City Christian Federation's Home Ownership Counseling Center for CLT home ownership counseling. Renovation and updating will occur in each unit prior to any sales.

Community Context

[Affordable Housing Needs in Grand Rapids and Western Michigan](#)

The supply of affordable homes for sale in Michigan is not meeting demand, and the share of Michigan citizens who own a home is falling as a result, according to a homeownership study commissioned by the Michigan State Housing Development Authority, released in 2019.

https://www.michigan.gov/documents/mshda/MSHDA-Michigan-Homeownership-Study-FINAL_653599_7.pdf

The study defined affordability as “the relationship between household income and monthly housing expenditures.” Specific to the study, affordability was examined, using Department of Housing and Urban Development Area Median Income data, which is based on specific geographies: state, metropolitan region and county levels. The study identified three primary housing markets in Michigan: those below 80% of AMI, between 80% and 120% of AMI, and those earning more than 120% of AMI.

According to the study, statewide sales prices for single-family homes rose by 71% between 2012 and 2017, with the median sales price of a single-family home being \$156,560, compared to the median sales prices of a newly built home, which is \$307,970. Similarly, the statewide condominium market experienced price increases of 73% over the last six years. In 2017, the median sales price of a condominium statewide was \$161,710 while the median sale price of a new condominium was \$276,550. That is a 71% price difference between existing and new units. The upward pricing trend is one of the most significant barriers to entry for households across the state. Costs to build a new home or rehabilitate an older home continue to rise, and population and job growth in urban centers put additional pressure on housing prices.

The study also projected Michigan’s population will grow by 8% between now and the year 2045. The number of jobs is expected to increase by 4% in the same period. Approximately one-third of those projected jobs are in sectors that tend to pay lower wages on average, like food services, administration and support services, and local government. The state’s median household income of \$50,803 provides enough money to afford a house priced around \$175,000, yet the median sale price for a new single-family home in Michigan is just over \$330,000. Additionally, one-third of all employment growth in Michigan is expected in the professional and technical services sector, which has an average wage of more than \$100,000.

In Grand Rapids

Over the last 10 years, Grand Rapids’ total population grew by 2%, compared to the state’s overall population, which did not increase at all. In particular, Grand Rapids residents ages 25-34 increased by 15% over the same period. Driving some of this change is Grand Rapids is home to 15 higher education institutions in the metro area with a combined 40,000 students. Some of these students may be staying in the city after school for job opportunities.

The number of Grand Rapids residents ages 55 and older is growing, as well. Between 2011 and 2016, the city saw an increase of 11% in this population. The population changes and economic opportunities in Grand Rapids have inspired developers to invest in new multifamily rental and condominium buildings. Neighborhoods like the downtown core and the West Side have seen new apartments, condominiums and mixed-use developments, which include stores, restaurants and other amenities catering to young professionals and retirees alike.

Even though employment has increased in Grand Rapids, median household income continues to fall behind the states median, with \$42,019 in Grand Rapids, compared to \$50,803 for the state. From 2011 to 2016, the housing market in Grand Rapids has seen a shift in ownership patterns with the share of owner-occupied homes declining by 6% — from 42,025 in 2011 to 39,655 in 2016 — compared to the region and state at 1% and 3% percent, respectively. At the same time, renter-occupied housing has increased by 8% — from 31,064 to 33,413 — and vacant properties experienced a dramatic decline over the last decade with a decrease of 21%, or 6,651 from 8,471. The drop in vacancy highlights the desirability and strength of the city’s housing market. The overall increase in rental units is a result of a combination of new apartment construction around Grand Rapids and the ever-increasing occurrence of single-family homes that were once ownership units being converted to rental units.

[Why a Community Land Trust for Grand Rapids and Western Michigan?](#)

The board of directors and staff of Dwelling Place have expressed interest in establishing and supporting a local community land trust (CLT) sponsored by Dwelling Place. To do so will require that Dwelling Place build its capacity to create and preserve the availability and affordability of owner-occupied homes targeted to limited-income households in Grand Rapids and elsewhere in Dwelling Place's service area. The primary drivers for the interest and commitment for doing so include:

- Desire to protect and preserve the affordability of first 45 CLT homes: Martineau Apartments (23 units); New Hope Homes (12 units); and Grandville Homes (10 units) – the first homes to become part of the CLT's portfolio.
- Desire to protect and leverage the investment of public sector and private philanthropic resources secured by Dwelling Place to make these initial 45 CLT homes affordable and available in the first place, as well as future subsidy resources that could be raised to create additional owner-occupied homes to be brought into the CLT's portfolio. Through the CLT, these homes will remain well maintained, their resale prices will remain affordable over time, and owners of these homes will have access to the resources needed to be successful as homeowners and as residents of their community.
- Recognition that there is currently limited stewardship capacity for permanently affordable owner-occupied housing in Grand Rapids and in western Michigan.
- Acknowledgement that the community land trust provides a nationally accepted and proven framework to establish, maintain and sustain the organizational and technical capacity needed to ensure the ongoing stewardship of permanently affordable homes and their owner-occupants forever.

Organizational Context

Community Land Trust Operations

Community land trusts are place-based organizations, drawing their support and leadership from the geographic areas they serve and maintaining ongoing accountability to residents, organizations, and political representation in their service areas. This core commitment to the local community is the “C” in Community Land Trust.

At the same time, community land trusts make bold promises and commit themselves contractually to a broad range of critically important community outcomes. These long-term assurances and commitments include:

- Preserving land for long-term community benefit
- Protecting future housing affordability while also protecting and leveraging the public and private sector resources invested to create this affordability in the first place
- Ensuring that housing and other uses located on CLT-owned land are well maintained, and
- Supporting and assisting homeowners and other residents living on CLT-owned land in their efforts to become and remain successful.¹

These assurances and commitments are designed to last for *very* long periods, as land lease agreements between a CLT and its homeowners have an initial 99-year term, can be inherited, and can be renewed at the end of the first term for an additional 99 years.

Community Land Trusts

A community land trust (CLT) is a community-based organization established to serve as the long-term steward of land and to protect long-term affordability and access to housing and other community uses that are located on that land. There are nearly 300 community land trusts currently in operation in cities and towns across the United States.

A community land trust provides affordable homeownership by writing down the purchase price of newly constructed homes and/or fully rehabbed existing homes to an affordable level, using public and/or private subsidies. At closing, the CLT sells the home at an affordable price to an eligible, qualified homebuyer household but retains ownership of the land parcel on which the home sits, leasing the parcel to the homeowner through a 99-year, inheritable, renewable ground lease. The ground lease conveys to the homeowner an exclusive, durable, enforceable right to occupy and use the land, along with most of the rights and responsibilities available to traditional, fee simple homeowners. At the same time, the CLT ground lease details specific expectations and requirements regarding the homeowner’s use and occupancy of the property while they own their home and limits the resale price of the home, should the homeowner ever decide to sell. In exchange for the opportunity to purchase a home they would not have otherwise been able to afford, CLT homeowners agree to limit the amount of equity they will keep through the sale of their home at resale, thereby allowing other incoming limited-income homebuyer households the same opportunity and affordable price initially made available them.

Additionally, CLTs play an active and ongoing role in assisting and supporting homeowners in their efforts to remain successful as homeowners. This same mechanism is used by a growing number of CLTs to preserve the affordability of rental housing, mixed-use and commercial properties, urban farming, community gardening, and green space.²

¹ See Exhibit A, “Programmatic Requirements for Administering a Portfolio of Resale-restricted, Owner-occupied Homes”, for a more detailed of the stewardship responsibilities that a community land trust takes on once it has a portfolio of owner-occupied homes and homeowners.

² For more information on community land trusts, see Exhibit B: 2012 *MarketWise Community* newsletter from the Federal Reserve Bank of Richmond VA.

Dwelling Place Community Land Trust

A stewardship entity is needed in Grand Rapids and Western Michigan to preserve the affordability of homes forever. Consequently, the following goals have been established for the Dwelling Place-sponsored community land trust as the entity responsible for the ongoing stewardship of affordably priced homes and their owner/occupants within Dwelling Place's service area:

1. The governance structure of the CLT will consist of a volunteer board of directors, initially appointed entirely by Dwelling Place. A tripartite board will eventually replace the initial board and be comprised of three equal categories:
 - 1/3 of the seats reserved to eventually be filled by actual CLT homeowners
 - 1/3 of to be appointed by Dwelling Place
 - 1/3 to be filled by persons from the community with skill sets and representing specific constituencies that will enhance prospects for the CLT's long-term success
2. Charitable designation by the IRS will be secured, in accordance with §501(c)3 of the Internal Revenue Code and consistent with the income targeting of households to be served by the to-be-named and to-be-established CLT.
3. Paid, professional staffing will be hired who are dedicated to managing the CLT's core administrative, development, and ongoing day-to-day and month-to-month stewardship functions and responsibilities for the life of executed lease agreements.
4. Dwelling Place and the CLT will commit to forging and nurturing working partnerships with local government and with key private sector entities, including employers, funders and other local nonprofit community organizations with similar or compatible missions and work plans.
5. A well-developed CLT homeownership program will be formed with the following key program components:
 - A customized ground lease agreement with a balanced and fair resale formula
 - Detailed written and digital materials and information to orient interested potential homebuyers regarding the benefits and responsibilities of buying, owning and selling a CLT home
 - Written and carefully monitored homebuyer selection policies that incorporate community preferences while complying with Fair Housing requirements
 - Stewardship policies and procedures that are used to:
 - Guide CLT communication and interaction with homeowners
 - Monitor and enforce homeowner compliance with the ground lease agreements they signed, and
 - Procedures for providing or arranging ongoing support and assistance for CLT homeowners
6. The Dwelling Place CLT will advocate with local and state elected and appointed officials, to create a public policy preference or mandate for permanently affordable shared equity housing in the communities in which the CLT operates.
7. The Dwelling Place CLT will create a portfolio of CLT homes that is large enough to be *manageable, impactful* and *sustainable*.

In the spring of 2019, Dwelling Place contracted with Burlington Associates to coordinate the feasibility, assessment and business planning process for development of a CLT entity and to assist with implementing and building the capacity of the CLT organization and designing its CLT homeownership program.

Since March of 2019, Dwelling Place staff, members of the Dwelling Place Real Estate Development and Asset Management Committee, several community members and Michael Brown of Burlington Associates, have met virtually (via web conference and conference call) to consider the critical issues regarding the mission and viability of Dwelling Place-sponsored CLT. These discussions have focused on:

- Mission and program priorities
- Service area
- Governance
- The feasibility and methodology for bringing the first 45 homes into the CLT's portfolio, and
- The fundamental business planning assumptions on which this CLT initiative would be operated including:
 - Resource requirements
 - Anticipated scale of activities
 - Organizational capacity requirements, and
 - Preliminary operating projections

The results of this deliberation and planning process are articulated in this document.

Community Land Trust Operating Assumptions

Based on the goals and priorities of Dwelling Place and the unique opportunities and challenges it faces, as well as the best-practice experience of community land trusts operating across the country over the last several decades, the operating assumptions for a “to-be-established” community land trust will incorporate or otherwise be based on the following elements.

Mission

The Dwelling Place-sponsored community land trust will be operated with an initial and primary mission to preserve the quality, availability and affordability of owner-occupied homes and rental homes made and kept affordable for households that meet the federal ‘low-income’ definition (with incomes below 80% of area median income). The CLT’s first priority will be to preserve the affordability of 45 units in the Martineau Apartments, in New Hope Homes, and in Grandville Homes: to be deeded to the CLT by Dwelling Place. The CLT’s portfolio is expected to one day include additional for-sale and rental homes to be targeted to low-income households or households in the ‘missing middle’ (i.e., households with incomes between 80%-110% of local median income) within its service area. Additionally, it may possible for the community land trust organization to assume responsibility for the stewardship for other affordably priced housing created through public-sector and/or private sector initiatives in the area.

Corporate Structure

The CLT organization will initially be incorporated as a nonprofit corporation structured as a subsidiary of Dwelling Place, with a mission that will qualify the organization for charitable designation by the IRS in accordance with §501(c)(3) of the Internal Revenue Code. The CLT will be governed by a board of directors initially appointed by Dwelling Place, with the expectation that the CLT may one day, when deemed mutually appropriate by the both Dwelling Place and the CLT, “spin off” into its own separate corporate entity. For as long as it is operated as a subsidiary of Dwelling Place, Dwelling Place will provide CLT staffing on a contract-for-services basis.

Governance

Once the CLT is incorporated, a small working board of directors will be appointed by Dwelling Place to complete the design and implementation of the organization and its operations, to develop its homeownership program, and to oversee its initial operations. Sometime after the CLT has its first homes and homeowners, the board of directors may be structured with the 3-part composition that is characteristic of community land trusts – with up to 1/3 of the director seats to eventually be elected by – and filled by – CLT homeowners. The remaining 2/3 of the board seats are to be filled by persons appointed by Dwelling Place, with skills sets and expertise that will help enhance the prospects for the organization’s long-term success and sustainability. These will include persons representing key stakeholder groups, such as municipal officials, lenders and funders and other nonprofit housing partners. Dwelling Place expects to maintain the right to appoint at least 1/3 of the director seats at least as long as the CLT remains as a wholly owned subsidiary of Dwelling Place. The Dwelling Place Board will maintain the sole right to make that determination when and if it seems appropriate.

Service Area

Once operational, the new community land trust organization will focus its activities initially in Grand Rapids, the location of the first 45 CLT homes. As needs warrant and opportunities present themselves, the CLT will expand its activities and portfolio into other neighborhoods in Grand Rapids as well as other communities within Dwelling Place’s 15 county service area in western Michigan.

Program Priorities

Stewardship of CLT Homes and Homeowners

The CLT’s primary focus will be preserving the affordability and condition of the affordably priced owner-occupied homes, including detached and attached homes, as well as condominiums it is able to bring into its portfolio. The CLT’s portfolio will also include rental housing from the outset in the Martineau Apartments, New Hope Homes and Grandville Homes. Each unit in these properties will continue to rent affordably to the tenant household until either the unit is purchased affordably by it occupant(s) or the occupying tenant household moves out, at which time the CLT will seek to arrange the purchase of the unit by an income-eligible, qualified buyer.

Advocating for Permanently Affordable Housing in Grand Rapids and in the Region

Because of its mission and with the support and commitment of Dwelling Place, the new CLT organization will also champion and promote income-restricted, resale-restricted, permanently affordable CLT housing within the regional service area of Dwelling Place. By example and through advocacy, the CLT will build awareness and support in the region to preserve housing affordability. It will

permanently protect and leverage affordable housing subsidies available from public sector and private sector sources as well as municipal initiatives to mandate affordable housing (e.g., inclusionary housing) and/or to incentive the development of permanently affordable housing (e.g., fee waivers, zoning variances, increased density allowances); and support and assist first-time homebuyer households.

Increasing the Local Pool of Permanently Affordable Homes to Achieve Scale and Sustainability

By building a broad base of awareness and support for permanently affordable housing and the public policy benefits of protecting and leveraging private sector and municipal resources invested to create housing affordability, the CLT may be able, when appropriate, to expand its activities more broadly throughout the region. In so doing, the new CLT may grow its portfolio of permanently affordable homes, providing housing that will remain affordable for generations of limited-income households. At the same time, it can enhance the potential for the CLT to reach a scale sufficient to sustain its ongoing stewardship responsibilities to these homeowner households and the homes they own.

Key Community Partnerships

In order for the community land trust to demonstrate initial success and long-term sustainability, a number of strategic partnerships will need to be forged and nurtured, including:

- Dwelling Place - First, the CLT will benefit from its close association and ongoing partnership with Dwelling Place, which is a highly respected affordable housing and community development with an impressive and dedicated record of accomplishment in Grand Rapids and the surrounding region.
- Local municipalities – To expand its portfolio of permanently affordable homes beyond the first 45 homes provided by Dwelling Place, the CLT would need access to political and financial support that city and county governments can provide to create the affordability and availability of this housing. The CLT should explore and advocate to become a priority recipient of housing subsidies that could be made available by local units of government as well as state-provided resources including:
 - HOME funds
 - CDBG funds
 - Funding raised through issuance of municipal bonds or tax levies
 - The donation of tax-delinquent properties and/or other City-owned properties
 - Affordably priced homes created through municipal initiatives tied to inclusionary zoning or incentivized housing development approvals and/or private sector resources from employers and philanthropic organizations.
- Private sector funders – As with all nonprofits in their start-up years, the CLT will also need private partners to provide the funding needed to support its ongoing operations. The types of funding the organization will need to access include foundation grants; municipal operating grants; corporate sponsorships; private donations; and in-kind contributions.
- Lending institutions – The community land trust will also need the support and engagement of local banks and credit unions and community development financial institutions (CDFIs) to provide mortgage financing for qualified CLT homebuyers, financing for acquisition and project development financing, and organizational lines of credit. Additionally, these community institutions and their staff and trustees, have broad connections in the community; connections that will benefit the CLT. Lenders also typically have access to programs that can educate prospective homebuyers and help working households to improve and build their credit in order to better qualify for homebuyer purchase financing.

Organizational Capacity

Critical CLT Functions and Organizational Responsibilities

The new CLT entity will need organizational and technical capacity to manage a range of start-up and ongoing operational functions. These critical tasks will include:

Start-up and Implementation Functions

Before launching the community land trust and operations, including preparing to market and sell its first homes, a number of critical tasks need to be completed. These tasks, which can be completed in the first quarter of 2020, in many cases with the technical assistance of Michael Brown of Burlington Associates, will include:

- ❑ *Developing the CLT's organizational capacity* – Tasks to be completed include:
 - Develop and file Articles of Incorporation, creating CLT organization
 - Develop bylaws and seat initial board of directors to adopt bylaws
 - Finalize projections for start-up costs for CLT operations and identify funding potential sources to cover these costs
 - Develop annual operating budgets for 2020 and preliminary annual budget projections through 2024
 - Finalize and submit an application to the IRS, seeking charitable 501(c)(3) designation for the CLT
 - Finalize plan for CLT staffing to be provided by Dwelling Place
 - Finalize annual costs for contract staffing, and
 - Finalize terms and conditions of contract for services to be executed between Dwelling Place and the CLT for staffing services.

- ❑ *Designing the CLT's homeownership program* – Tasks to be completed include:
 - Finalize details regarding the affordable purchase price of the first 45 homes to be brought into the CLT's portfolio and develop affordable pricing policy for CLT homes
 - Determine the terms and conditions – including the resale formula – of the ground lease instrument to be used with the CLT's first homeowners
 - Determine eligibility criteria and selection process to be used to select CLT's first homebuyers in the event that existing residents in the first 45 CLT homes are unwilling or unable to purchase the homes they occupy
 - Orient local lenders and secure commitments to originate leasehold mortgage financing for qualified CLT homebuyers
 - Design materials and strategies to educate key professionals in the community development, real estate, appraisal, and housing development sectors regarding the CLT and its mission and activities and anticipated outcomes
 - Develop plan to identify and secure sufficient subsidy resources that may be used to create the initial affordability for future homes to be brought into the CLT's portfolio, as well as a policy to be adopted for future selection and acquisition of CLT properties.

- ❑ *Designing and implement the CLT's stewardship program* – Tasks to be completed include:
 - Develop strategy and materials to orient potential homebuyer households regarding the benefits and responsibilities of CLT homeownership
 - Arrange agreements with qualified local nonprofit organizations to provide pre-purchase education and counseling for interested, potential CLT homebuyers
 - Develop detailed stewardship policies and procedures to guide the CLT's oversight of critical stewardship functions, including:
 - Monitoring and enforcing homeowner compliance with terms of lease agreements they signed
 - Providing or arranging for additional support and assistance to help enhance the prospects for the success of each CLT homeowner, and
 - Managing resales of CLT homes.

- ❑ *Designing the CLT's outreach and community education strategy* – Tasks to be completed include:
 - Determine key themes to be used to orient key stakeholder groups and community residents regarding the mission, activities and benefits of the community land trust.
 - Design and implement a strategy to build a broad base of awareness and support for the CLT and its goals and efforts.

Ongoing CLT Functions and Responsibilities

Once operational, the new CLT organization – in partnership with Dwelling Place for the foreseeable future, will be responsible for ensuring the day-to-day and month-to-month management of a range of critical functions for the effective life of its homes and beyond. These core functions, to be managed while the CLT is operated as a subsidiary of and staffing is provided by Dwelling Place include:

- **Making homes available and affordable and arranging their sale to eligible, qualified homebuyer households through the community land trust strategy** – Essential tasks to be completed include:
 - *Land lease* – Annually review and evaluate terms of the land lease agreement for suitability and appropriateness and modify, as needed, for current use.
 - *Housing development* – After the first 45 homes are sold and occupied, coordinate activities, as deemed appropriate, to acquire and rehab existing homes or construct new homes on vacant infill lots and coordinate with Dwelling Place and/or other local developers and contractors to complete the development and completion of CLT homes.
 - *Homebuyer selection* – Establish and utilize a Homebuyer Selection committee; annually review threshold eligibility and selection process for suitability and appropriateness and modify, as needed for future use; maintain waiting list of interested, eligible potential homebuyers.
 - *Pre-purchase homebuyer preparation* – Work to ensure that eligible homebuyers are prepared and fully understand the benefits and responsibilities of buying, owning, and selling a CLT home.
 - Arrange for suitable pre-purchase education and counseling by local nonprofits and financial institutions.
 - Develop materials and coordinate CLT-specific orientation for interested households through regularly scheduled public meetings and one-on-one sessions.
 - *Affordable pricing* – Ensure that all costs and fees (in addition to home’s total development cost) are accounted for, that suitable underwriting standards are used to determine initial price affordability, and that sufficient subsidies are available to create the affordable price needed for the CLT’s target market for the number of homes projected to be marketed and sold each year.
 - *Mortgage financing* – Work with local mortgage lenders to ensure that leasehold mortgage financing – with favorable terms, fixed interest rates and 30-year terms that comply with “permitted mortgage” requirements stipulated in the CLT’s ground lease – are available to eligible, qualified CLT homebuyers.
 - *Real estate sector orientation* – Continue to orient key individuals in local real estate sectors (e.g., appraisers, assessors, realtors, title companies) understand the benefits and requirements of CLT homeownership.

- **Providing ongoing stewardship to CLT homeowners and to the homes they own** – Essential tasks to be completed by designated CLT staff include:
 - *Stewardship policies and procedures* – Annually review policies and procedures – and revise, as needed – to ensure effective stewardship of CLT homeowners and the homes they own.
 - *Monitoring and enforcement* – Follow provisions in policies and procedures on a day-by-day and month-to-month basis, including:
 - Monitor responsible use by homeowners.
 - Monitor owner occupancy and ensure no subletting.
 - Conduct annual inspections.
 - Collect and record monthly lease fees.
 - Monitor homeowner payment of taxes (and assessments, if any).
 - Ensure adequate insurance coverage is in force with each homeowner.
 - Review requests to make capital improvements and approve/deny, as appropriate.
 - Approve home equity financing and refinancing, as needed.
 - *Address events of noncompliance* – Intervene, as stipulated in policies and procedures, in event of homeowner noncompliance with one or more provision of ground lease agreement.
 - *Manage transfer to designated heirs* – In the event that the homeowner elects to transfer ownership of home and remaining term of lease agreement to heir(s), ensure that provisions stipulated in the lease are followed.
 - *Manage resale* – Upon receiving notice of intent to sell from CLT homeowner, manage the resale process:
 - Order appraisal to determine market value (unless an indexed resale formula is used).
 - Determine whether to exercise CLT’s preemptive option to purchase.
 - Convene Homebuyer Selection committee, review applications of households on waiting list and meet with prospective homebuyers.
 - Select and notify household to purchase the home and make sure this household is fully prepared to buy CLT home (e.g., pre-purchase homebuyer education and counseling; CLT-specific orientation; mortgage qualification).

- Arrange for pre-sale inspection of home and ensure that necessary repairs are made by homeowner
 - Arrange closing; ensure that Purchase Option Price paid to homeowner complies with lease agreement; and enter into new, 99-year lease agreement with new homeowner.
 - *Homeowner assistance* – Provide or arrange for additional support and assistance to every homeowner living on land owned by CLT.
- Managing administration and operation of CLT – Essential tasks to be completed include:
 - *Governance and program management* – Ensure that:
 - CLT’s affiliate relationship with Dwelling Place, including the contract for staffing services, is reviewed annually and updated, as needed, for the mutual benefit of both organizations.
 - The number and composition of the board of directors as stipulated in the bylaws is followed.
 - Each person serving on the CLT board of directors is fully oriented regarding community land trusts in general and the specific mission of this CLT organization, in particular.
 - Regular meetings are held to conduct business and corporate records are maintained, including minutes, resolutions, etc.
 - Annual meetings are held each year to designate new directors, as needed, and to elect officers.
 - Committees are established, meeting regularly, and reporting to the board of directors.
 - *Policies and procedures* – Ensure that operating policies (e.g., sexual harassment; conflict of interest; fiscal) are developed, reviewed annually, and followed.
 - *Administration and financial management* – Ensure that appropriate, legal and fiscally sound practices are in place and followed
 - Annual review and evaluation of CLT’s affiliate relationship with Dwelling Place, including the contract for staffing services (including job duties and requirements, FTE allocations, performance standards, and annual costs) is reviewed annually and updated, as needed.
 - Monthly bookkeeping and accounting is completed and reported to CLT board of directors.
 - Sufficient information is provided to CLT board of directors to ensure that tax filings and funding reports are completed and submitted in a timely fashion and an annual audit is conducted.
 - *Fundraising* – Ensure that adequate funds are available to cover annual operating costs and reserve requirements.
 - Create and monitor annual operating budgets, in collaboration with Dwelling Place, for approval by the CLT board of directors.
 - In concert with Dwelling Place, develop an annual fundraising plan, including cash flow requirements; annual revenue needs; list of potential funders; etc.
 - *Planning and evaluation* – Ensure that ongoing planning and assessment of progress and effectiveness is completed.
 - Plan and conduct strategic planning process in late 2020 and every other year thereafter.
 - Develop and implement annual work plan, including portfolio growth projections, for two-year period based on strategic plan.
 - Conduct annual evaluation of organizational performance, including contracted staffing.
 - *Outreach and community education* – Develop strategy and materials to build broadest possible base of awareness and support for CLT and its operations as a community land trust.
 - Develop ‘elevator speech’ bullet points for consistent messaging by CLT board and contracted staff.
 - Develop strategy and materials to get CLT’s message out to key constituencies and to the public regarding its operations as a community land trust – and review annually and revise, as needed.
 - *Coalition building and advocacy* – Maintain connections and working relationships with other community land trusts and participate in statewide, regional, and national CLT initiatives to advocate for additional support and assistance
 - Maintain contact with existing community land trusts and other CLT efforts in the state and in the region.
 - Continue to advocate for additional subsidy resources and financial operating support – including from, foundations, and local city and county, as well as state resources.
 - Participate in national CLT conferences.
- Increase the local pool of quality, affordably priced, owner-occupied for-sale homes, as appropriate – By preserving housing affordability forever and ensuring that housing affordability resources invested will be protected and leveraged for maximum impact over time, the community land trust will almost likely foster the creation of additional housing affordable for local households otherwise priced out of the housing market. The CLT and Dwelling Place will need to jointly determine the extent to which both agencies will:
 - Encourage local municipal governments to use their regulatory powers, as well as their land and financial resources, to spur the creation additional affordable for-sale housing to be kept permanently affordable.

- Solicit and secure additional affordable housing resources from public sector sources (such as the Michigan State Housing Development Authority) and private sector sources (such as the Federal Home Loan Bank, local employers, and private donors and benefactors) to create additional permanently affordable owner-occupied homes.

Anticipated Pace and Scale of CLT’s Portfolio Growth

Based on the information currently available, the anticipated growth of this new CLT organization’s portfolio of permanently affordable homes is projected, as follows:

- | | |
|-----------------|-----------------|
| ➤ 2020 15 homes | ➤ 2025 15 homes |
| ➤ 2021 25 homes | ➤ 2026 15 homes |
| ➤ 2022 22 homes | ➤ 2027 15 homes |
| ➤ 2023 23 homes | ➤ 2028 15 homes |
| ➤ 2024 25 homes | ➤ 2029 15 homes |

Dwelling Place and the eventual CLT board of directors are confident that the CLT will be able to bring 185 permanently affordable homes into its portfolio within the first ten full years of its operations.

CLT Organizational Capacity Requirements

Board of Directors

Throughout most of 2020, the CLT’s governing board of directors appointed by Dwelling Place will be kept relatively small and actively engaged in making the critical decisions needed to build the capacity of the organization and design its homeownership program, laying the groundwork for the first 45 CLT homes and homeowners.

As homes and homeowners are added to the CLT and the CLT’s responsibilities expand, the governing board will also need to grow to 9-15 directors, expanding to include individuals who bring technical skills and experience specific to the organization’s mission, functions and activities. Specifically, the CLT should recruit board members who bring real estate, residential development, financing, fundraising, and public relations expertise, as well as owners of homes located on CLT-owned land. In keeping with CLT best practices, the board of directors will eventually transition to governance with three equal categories of directors. One third of the seats reserved for eventual CLT homeowners (or persons who can reasonably represent their interests) and the remaining two thirds of the director seats to be stipulated in the CLT’s bylaws to be filled by Dwelling Place appointees and other community representatives. Community representatives should incorporate key community interests and local stakeholder entities and bring specialized expertise to enhance CLT’s capacity to carry out its mission and work plan effectively. The bylaws will stipulate the ability of Dwelling Place to appoint all of the directors at least until the CLT has 50 homes and homeowners in its portfolio. As homeowners purchase units, they will be invited to serve as members of the board until they comprise one third of the board membership. Thereafter, residents who serve on the board will continue to comprise one-third of the board seats but elected by their peers. The remaining two thirds of the board shall be appointed by Dwelling Place and remain in place until 2022, at which time, member slots will be created for public and private sector members of the board (elected or appointed officials, lenders, funders) to be elected from the community by the full board thereafter. These “community” seats on the CLT board shall comprise one third of the board. The remaining one third of the CLT’s directors each year thereafter shall be appointees by Dwelling Place, if and when the CLT is no longer a wholly owned subsidiary of Dwelling Place, a decision to be made by the Dwelling Place Board in consultation with the CLT Board.

Once there are three categories of directors, quorum requirements for the conduct of business at any meeting of the board of directors will require a majority of the entire roster, provided that there is at least one representative present from each of the designated categories of directors.

CLT Staffing Plan

In order for the CLT to achieve its purposes and to design and implement annual work plans focused on doing so, its board of directors will need to ensure professional staffing is in place to manage the organization’s core functions and responsibilities. As with

any organization or business, the staffing roles needed to carry out the CLT's core functions will be tailored and scaled to the organization's mission, work plan, and projected growth.

Based on a realistic assessment of the work to be completed and the anticipated pace of its growth, the plan for staffing the community land trust shall be managed through a contract for services with Dwelling Place.

CLT Staffing Responsibilities

- ❑ Executive Management - The CLT will need a qualified, skilled individual to lead the organization under the direction and oversight of the board of directors. This individual hired by Dwelling Place to be the CLT Coordinator shall:
 - Serve as the CLT's public face demonstrating expertise with its purpose, design, structure and operations
 - Oversee the implementation and management of the organization's annual work plan, consistent with the mission and financial objectives as adopted by the board of directors
 - Manage its homeownership program, including provision of appropriate stewardship services for the CLT homes and homeowners, and
 - Ensure efficient and cost-effective management of critical CLT functions and day-to-day responsibilities of the organization as a nonprofit corporation, as a community land trust and as a small business.

- ❑ Stewardship Management – An intensive set of stewardship responsibilities must be managed diligently, thoughtfully and consistently on a daily and long-term basis. These responsibilities include:
 - Orienting and qualifying interested homebuyers
 - Assisting CLT homebuyers through purchase closing and move-in
 - Monitoring and enforcing homeowner compliance with the terms of the ground lease agreements they signed
 - Addressing incidents of non-compliance and default
 - Providing and/or arranging for ongoing support and assistance to homeowners, as needed, to help ensure the prospects for their success as homeowners, and
 - Managing the resale and transfer of CLT homes in accordance with lease-stipulated procedures, in the event that a homeowner ever decides to sell or to pass his/her home on to a designated heir

- ❑ Administrative Management – To ensure efficient and cost-effective management of its general administration, the CLT will require a certain level of administrative coordination, particularly related to the CLT's governing board and the CLT's community outreach and reporting tasks.

CLT Staffing Levels

1. Executive Management – To complete the work needed to launch the CLT successfully and bring the first homes into the CLT's portfolio smoothly and successfully, a full-time Coordinator should be hired to manage the CLT as soon as possible. The CLT Coordinator shall be assigned to work within Dwelling Place's Real Estate Development Department.

2. Stewardship Management – The CLT 'best practice' rule of thumb for determining the level of staffing required to manage the pre-purchase and post-purchase stewardship responsibilities for a community land trust is that one full-time, dedicated staff person (1 F.T.E.) is required for every 75 homes and homeowners in the CLT's portfolio. While this ratio can vary up or down, depending on local circumstances and community partnerships, the best practice CLT experience is that stewardship staffing is not where corners should be cut. As it is projected to add 185 homes and homeowners (of the 45 homes in the three properties to be deeded to the CLT by Dwelling Place) and a significant number of these units will be condominiums, the CLT will need a quarter-time (1/4 F.T.E.) Stewardship Coordinator, beginning in 2020, to manage its stewardship responsibilities with these households and the units they own and occupy. This position will be expanding annually in direct proportion to the CLT's portfolio growth. The existing Dwelling Place properties being considered for initial inclusion in the CLT are presently occupied by renters who may not be interested in participation with a CLT or who may not qualify as eligible for participation in the CLT. Given this likelihood, Dwelling Place expects a period of time when the existing property management staff will provide some of the stewardship functions as well as attending to the landlord responsibilities for the CLT units occupied by renters.

3. Administrative Management – 20% time (8 hours weekly) – Dwelling Place will temporarily assign these responsibilities to one of its existing three Administrative Assistants.

CLT Implementation Timeline

The timeline for implementation of the CLT over its first few years of its operations will be determined primarily by:

- ❑ How quickly (and how many) of the tenant households living in the three properties to be deeded to the CLT by Dwelling Place are interested and able to qualify to purchase the units they occupy, and
- ❑ The CLT's interest and ability, once these first 45 units are occupied, to secure additional housing affordability subsidies and complete additional homes to be sold to interested, eligible, qualified homebuyer households and added to the CLT's portfolio.

Based on the current assumptions for the CLT to add 110 homes and owner households to its portfolio by the end of 2024 – and a total of 185 homes by the end of 2029 – the plan to develop, implement and staff this new CLT organization is anticipated as follows:

2020

The first priority in 2020 will be to secure approval from the Dwelling Place Board of Directors to proceed with establishing the new community land trust to be sponsored and staffed by Dwelling Place. This “Go” “No Go” decision is expected to be made in February 2020, based on recommendations made by the Real Estate Development and Asset Management Committee.

Activities anticipated for completion in the first nine months of 2020 include:

- ❑ Draft and file Articles of Incorporation and draft by-laws
- ❑ Seat an initial working board of directors appointed by Dwelling Place that will finalize and adopt the CLT's bylaws.
- ❑ File application to the IRS seeking charitable 501(c)(3) designation for the CLT.
- ❑ Design the CLT's homeownership program, including the ground lease and resale formula to be used for its first homeowners as well as developing stewardship policies and procedures.
- ❑ Finalize the CLT's affordable pricing policy and determine pricing for each of the first homes to be made available for sale to current tenants and other interested, qualified homebuyer households.
- ❑ Finalize operating budget projections for 2020 and annual projections from 2021-2024.
- ❑ Develop and finalize a staffing plan and a contract for services to be executed between the CLT and Dwelling Place for critical staffing needed by the CLT for the homes and homeowner households to be added.

By August of 2020, the CLT will be operational and will have laid the groundwork needed for staffing and adding the first homes to its portfolio. Ongoing consulting services to assist in development of the CLT organization, designing its homeownership program, and continuing to build its organizational and technical capacity will be facilitated by Burlington Associates, under the existing contract for services³.

The CLT will officially begin operations as a community land trust organization during the last quarter of 2020. Additional critical tasks to be completed in 2020 will include:

- ❑ Ensuring that dedicated, professional staffing in place (under contract with Dwelling Place) to manage the CLT's ongoing responsibilities.
- ❑ Finalizing and utilizing homebuyer selection policies to select eligible households purchase and own CLT homes.
- ❑ Completing the orientation and all required steps to complete the sale of all of the first CLT homes.
- ❑ Orienting interested homebuyer households regarding the benefits and requirements of CLT homeownership
- ❑ Selecting homebuyer households and assist them through closing process
- ❑ Managing CLT's ongoing stewardship responsibilities.
- ❑ Identifying and recruit additional directors to be added to the governing board, to bring specific perspectives and skill sets to enhance the prospects for CLT's short-term and long-term success
- ❑ Securing firm commitments from local lenders to originate leasehold mortgage financing to qualified, selected buyers of CLT homes and from local appraisers to properly establish the value of CLT homes on leased land.
- ❑ Conducting community outreach designed to build a broad base of awareness and support throughout the region for CLT and its mission and activities.

Operating expenses for the second half of 2020 are expected to include:

- ❑ Staffing costs for the full-time CLT Coordinator (at the Dwelling Place rate for contracted services) for a quarter-time Stewardship Coordinator, and for administrative assistance, beginning in February.

³The only additional costs to be incurred during this planning and implementation phase may be for legal work required to review and approve corporate documents, as well as for community outreach and education activities.

- ❑ Start-up costs (e.g. bookkeeping and accounting and other administrative and overhead costs; community outreach and homebuyer outreach and education; etc.)

While it is expected that the CLT may have as many as 15 households living in affordably priced homes on CLT-owned land by the end of 2020, it is not reasonable to expect that land lease fees collected will generate much revenue for the CLT. As a result, the CLT will be reliant on support from Dwelling Place in addition to grant funding to support its operations in the first few years but will become increasingly independent from this external assistance as it generates additional revenue as its portfolio of CLT homes and homeowners continues to grow.

2021

It is expected that the CLT's growth will continue in subsequent years of operations. Accordingly, critical components of 2021's work plan will include:

- ❑ Continuing to lay the necessary groundwork for renting residents to purchase the units they occupy, by marketing these homes and orienting these households regarding the opportunities and responsibilities of CLT homeownership, and assisting these households to secure the mortgage financing needed and make the necessary arrangements and preparations to purchase their homes and assisting them through the purchase closing process.
- ❑ Continuing to build a base of awareness and support for the CLT and working with Dwelling Place and municipal governments to build a pipeline of affordably priced homes to be kept permanently affordable by the CLT.
- ❑ Increasing the level of stewardship staffing and adding staffing to manage administrative responsibilities, as needed.
- ❑ Completing a strategic planning process by the CLT board of directors and its executive staff, along with representatives from the Dwelling Place Board of Directors and executive staff, to set direction and organizational goals for the CLT for 2022 and beyond.

The CLT's annual operating budget will continue to reflect staffing expenses (full-time CLT Director and a half-time Stewardship Coordinator and administrative overhead costs. As more homes are added to its portfolio, the CLT will show growing lease fee income plus the potential for marketing fees to be collected by the CLT through the sale of each additional home.

2022 and beyond

The work continues to grow in all the areas outlined above, as the CLT secures additional subsidy resources and bolsters its organizational savvy and community connections. Expecting 110 homes and homeowners by the end of 2024 and 75 more by the end of 2029, the CLT will maintain its core professional staffing, including staffing for its executive management, stewardship and administrative responsibilities.

At the same time, as a result, it is anticipated that the CLT's annual operating expenses will continue to grow incrementally each year from 2022 on, due to cost of living adjustments and increases in program and contracted services costs. The extent to which the CLT will need to add more staffing beyond the levels projected here will be determined by the pace and scale of its growth, particularly the increase in the number of homes and homeowners it will bring into its portfolio. To the extent to which the CLT's portfolio grows beyond current projections, operational revenue will be boosted by additional portfolio revenue (i.e., ground lease fees collected) and, potentially, by task-specific development-related fees (e.g., per marketing and sales fees) earned for managing specific development-related tasks.

The importance for both Dwelling Place and the "to-be-named" community land trust organization to expand beyond the 40 homes projected is twofold:

- ❑ As more homes that are initially affordable are kept permanently affordable, the CLT will increasingly benefit local working households in Grand Rapids and the surrounding area for generations to come, and
- ❑ As the number of homes in its inventory continues to grow, the CLT will be able to collect additional portfolio revenue for monthly ground lease fees and a modest 'mark-up' fee each time a home is resold, thereby reducing its reliance on external fundraising and becoming more likely to sustain its ongoing operation, at least insofar as meeting the CLT's fundamental stewardship responsibilities.

CLT Organizational Operating Budget

Estimated Operating Expenses

It is too early in the organizational development process to accurately determine the annual costs for managing and operating this new CLT organization over the upcoming 10-year timeframe. Refining operating budget projections will certainly be a priority for the Dwelling Place Real Estate Development and Asset Management Committee and Dwelling Place staff, as well as the CLT board of directors (with assistance from Michael Brown of Burlington Associates) as the details, costs and timelines for bringing the first homes into the CLT's portfolio become clearer.

Nevertheless, some preliminary operating assumptions can be articulated regarding the initial, multi-year operating budget projections for the CLT. Three CLT staffing positions need to be in place and under contract with Dwelling Place by March 1, 2020: A full-time CLT Coordinator at an annual compensation level of \$65,000; a quarter-time Stewardship Coordinator at an annual compensation level of \$38,41; and administrative assistance at a level of eight (8) hours weekly, at an estimated cost of \$6,840. Additional first-year expenses in 2020 will include organizational start-up costs (e.g., legal fees; fundraising costs; setting bookkeeping and accounting; etc.) and additional programmatic costs. It is reasonable to assume annual cost of living adjustments (COLA) of at least three percent (3%). The CLT Director position will continue at full-time going forward, a half-time Stewardship Coordinator with part-time administrative assistance will be continued in 2021. Program and administrative costs will continue as the organization grows and paid staffing will be adding to internally coordinate stewardship responsibilities.

An initial set of annual operating budget projections for the 10-year timeframe from 2020-2029 is attached below as Exhibit C.

Operating Revenue Projections

Revenue to cover the Community Land Trust's operating expenses can be grouped into three categories:

1. **Portfolio revenue** – CLTs are able to generate fees through their real estate holdings, charging nominal monthly lease fees to each homeowner leasing land from the CLT, typically in the range of \$25-100/month. Additionally, CLTs carry a preemptive option to purchase homes on leased land and, should a CLT homeowner ever elect to sell, the CLT has the ability (subject to the home's affordability restrictions) to add a small mark-up to the purchase price to the incoming buyer. The CLT will likely require its homeowners to pay \$100 monthly lease fees and will collect a to-be-determined transfer fee each time one of its homes is resold. Plus, in this situation, it is assumed that Dwelling Place will pay a reasonable monthly (or annual) lease fee for the condominium projects that it manages as rental housing until all units are sold and occupied by owner households.
2. **Earned fee revenue** – Like other nonprofit and for-profit businesses, many CLTs earn fees through activities they manage. As the CLT organization will not carry primary responsibility for developing the owner-occupied homes to be brought into its portfolio, its development partners, most likely Dwelling Place, will collect developer fees. Nevertheless, because it will be responsible for marketing and selling CLT homes and assuming responsibility for the stewardship of these homes and their owners, the CLT may be able to add a modest fee (expected to be in the range of \$2,000 per home) to the purchase price of each of its homes. Ideally, this may be offset by additional subsidy resources brought to each transaction.

Additionally, at some point in the future, it is possible that the CLT will be asked to act as the stewardship entity for homes that for which it has no direct involvement in developing. These might include homes that are developed by for-profit and/or other nonprofit housing developers or homes that are made available under affordable municipal mandates and/or other similar investments or initiatives. In exchange for protecting and preserving the availability of these homes developed by other entities, it is reasonable to expect that the CLT would be able to collect stewardship fees from the producers of these units.

3. **External fundraising** – Like other nonprofits, CLTs raise operating revenue, including grants and operating support from foundations and other philanthropic sources, private benefactors and corporate interests as well as local municipalities to bridge the gap between what they need to operate their organizations and the level of fees they are able to generate themselves. Typically, funding raised through external sources is the largest revenue line item in CLT operating budgets in the early years of their operations. As their portfolios grow, CLTs are able to reduce their reliance on philanthropic and public sector fundraising. The amount of upfront external funding needed for this new CLT organization will be finally determined when the 10-year operating budget projections are refined and finalized in early 2020. Preliminary projections indicate that an initial investment of approximately \$300,000 is required to launch

this initiative and provide an adequate subsidy for the first two years of operation. Two grants totaling \$150,000 have been secured to date; one from NeighborWorks (\$50,000) and one from Downtown Grand Rapids, Inc. (\$100,000).

Sustainability of New Stewardship Entity

The extent to which external funding will be needed annually by the CLT is a function of the anticipated pace and scale of its operations. For example, if the CLT were able to build a portfolio of 100 homes within the first five years of its operations, the organization would certainly incur additional staffing and operating costs. At the same time, it would be able to generate additional portfolio revenue to help cover its ongoing operating costs (\$100/month x 12 months x 100 homeowners = \$120,000 annually). A portfolio of this many homeowners paying monthly ground lease fees is getting closer to the number needed to sustain the CLT's ongoing stewardship responsibilities⁴.

While it is important to note that bigger is not necessarily better, the demonstrated experience of community land trusts that have been operating for decades is that increasing portfolio revenue (by increasing the number of CLT homes and homeowners) proportionally reduces their reliance on operating grants and charitable contributions. Based on this best practice experience, one goal for the CLT should be to determine the point at which it can achieve *stewardship sustainability*. In other words, at what point in the size or scale of the organization, if it stopped expanding, would it be generating sufficient portfolio revenue that it could effectively manage its ongoing stewardship commitments to existing homeowners and the homes they own.

⁴ To further illustrate the connection between scale and reduced reliance on external fundraising: The City of Houston Texas is utilizing a significant portion of \$1 billion in disaster recovery funding (received following Hurricane Harvey) to create 1,600 affordable homes for the Houston CLT in the next five years. Once this portfolio is completed, the Houston CLT will generate \$960,000 in lease fee revenue each year, easily sufficient to support Houston CLT's ongoing operations.

Challenges and Opportunities

Challenges and Constraints

As with any new endeavor, certain obstacles will need to be addressed in order for this new community land trust organization and strategy to be successful in Grand Rapids and, perhaps, beyond. These challenges and constraints include:

- ❑ Although the community land trust model has been around for 50 years and community land trusts have been operating in many communities for 35 years or more, the CLT strategy is non-traditional and still relatively unfamiliar in Grand Rapids and the surrounding area. CLTs across the country still find themselves swimming upstream against the current of skepticism, misperceptions, inaccurate information, and suspicion. As with every other start-up CLT, defining the new CLT organization's messaging and getting it out effectively in order to build the broadest base of awareness and support in the communities it serves will need to be an urgent and ongoing priority.
- ❑ Just as the development of a community land trust strategy can be seen as an opportunity to create long-term, effective community solutions in the region in which it will operate, it may also be viewed as a challenge and a complication. There may very well be neighborhood residents, nonprofit corporations, municipal staff, and/or elected officials who choose to dislike CLTs because of what they do or how they operate. Some might have concerns about how CLTs separate ownership of land from improvements or limiting the amount of equity a homeowner is allowed to keep upon resale. Others may withhold support simply because it is different and non-traditional. All of these concerns are reasons to address critical needs related to community education and engagement.
- ❑ It takes time, energy and commitment – as well as a substantial infusion of financial resources – to establish a new CLT organization and to build its organizational capacity to meet its ongoing administrative, programmatic and stewardship responsibilities, regardless of its service area. Dwelling Place is fortunate that it already has \$150,000 in grant commitments to explore and implement a CLT in Grand Rapids. It is also fortunate to have a strong balance sheet and access to resources through its own foundation, investment income and cash flow generated from its large rental line of business. Many organizations start with far less. Other funding commitments can and should be solicited from the community to reduce the amount of Dwelling Place subsidy needed for the five-year start-up costs associated with this initiative.
- ❑ As has been discussed at length to date, community land trusts make bold assurances to accomplish a set of measurable outcomes over a very long timeline. They enter into legally binding contractual agreements that obligate them to these outcomes for equally long periods. For this reason, it is imperative that the community land trust strategy build and sustain the organizational capacity needed to manage the fundamental and non-negotiable activities and responsibilities of stewardship for the 198-year period following the signing and recording of CLT land lease agreements. This is not an easy task and certainly not one to be taken lightly.

Strategic Opportunities

The potential for the success of a community land trust in Grand Rapids and in Western Michigan is enhanced by the prospect of a number of factors and circumstances, including:

- ❑ Implementing a community land trust strategy in Grand Rapids and the surrounding area is timely, as housing costs and values are increasing rapidly in the area, pushing homeownership beyond reach not only of low-income working families but of an increasing number of middle-class households as well. At the same time, housing costs and values are not nearly as high as in other appreciating markets in many communities across the country, allowing available subsidy resources to go further.
- ❑ There is strong support within Dwelling Place for the principles and practices of a community land trust as an effective, long-term solution to the spiraling shortage of affordably priced housing within its service area. This is evidenced by its willingness to contribute a substantial portion of its equity in existing properties with a total of 45 affordable units to the “to-be-established” community land trust organization in exchange for the CLT's commitment (with Dwelling Place's support) to convert as many of these units as possible into ownership units and to keep them affordable forever.
- ❑ Additionally, local units of government, Chambers of Commerce, local employers, realtors and other key community stakeholders are increasingly aware of the nature and urgency of local affordable housing needs and is increasingly interested in effecting long-term, sustainable solutions to this affordable housing crisis.

- Finally, nothing builds success like success. The experience of many community land trusts, across the country over the years, demonstrates the tremendous impact and benefit realized when the CLT projects are completed successfully. While it is unrealistic to believe that everyone will become a CLT advocate, the simple fact is that the impact of CLT skeptics and naysayers is blunted considerably when delighted homebuyers move into their homes on land leased from this new CLT entity and when other limited-income households queue up for additional, affordably priced CLT homes. The fact that this CLT, with the full support of Dwelling Place, is committed to adding its first permanently affordable homes in 2020 clearly demonstrates the effectiveness of the strategy.

List of Exhibits

[A. Programmatic Requirements for Administering a Portfolio of Resale-Restricted, Owner-occupied Homes](#)

A detailed overview of the primary stewardship responsibilities that a community land trust takes on once it has a portfolio of owner-occupied homes and homeowners. Intended to provide some context for the intensive nature of a CLT's stewardship obligations and commitments.

[B. MarketWise Community, 2012](#)

An excellent overview of community land trusts written and published by the Federal Reserve Bank of Richmond VA in its newsletter in 2012.

[C. Preliminary 5-Year Operating Budget Assumptions for the Dwelling Place Community Land Trust](#)

An initial set of annual operating budget projections for the new CLT organization from 2020-2024.