

# Raleigh Area Land Trust: Cottages of Idlewild CLT Proposal

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# Presentation Overview

- What is a CLT?
  - Principles and Governance
  - How it Works
  - National Impact
- Cottages of Idlewild
  - Wake County Partnership

# CLT Core Principles



Community ownership of land to create permanent housing affordability.



Homebuyers purchase improvements with a nominal land lease fee paid to the land trust. Owners have all the rights and responsibilities of traditional homeowners.



Property taxes are assessed only on the mortgage value of the home. Tax bills are stabilized and **substantially lower** than with market-rate homes.

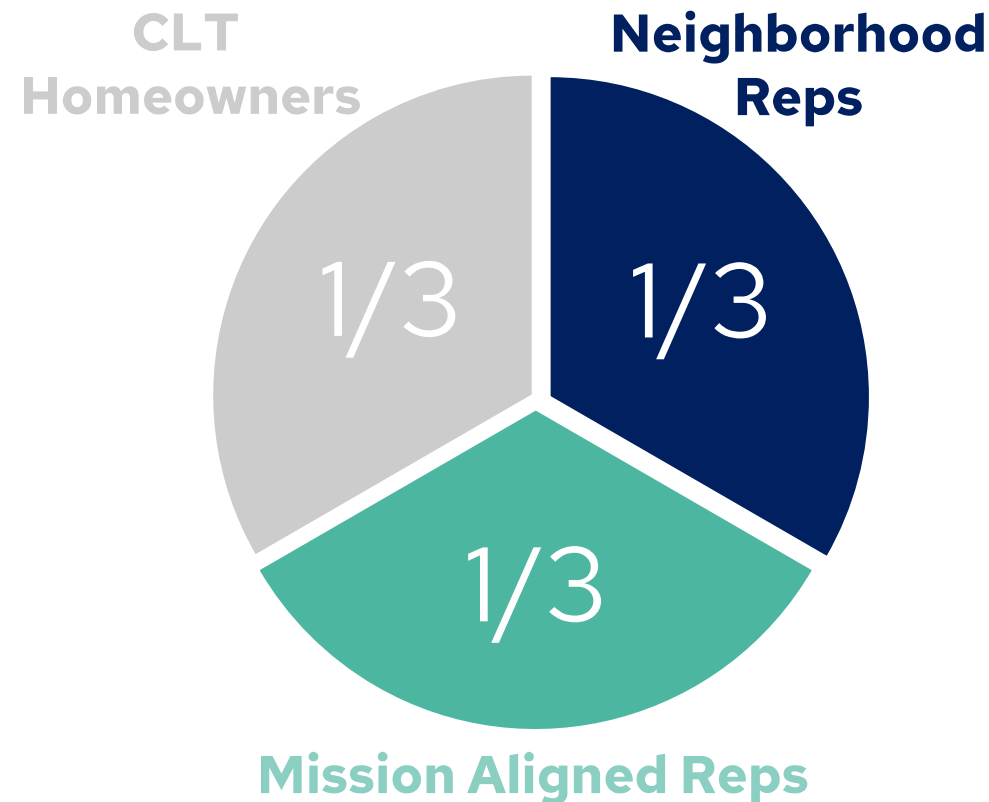


Upon **resale** equity is shared with the community to ensure the home remains affordable to future generations while allowing homeowners to build wealth.

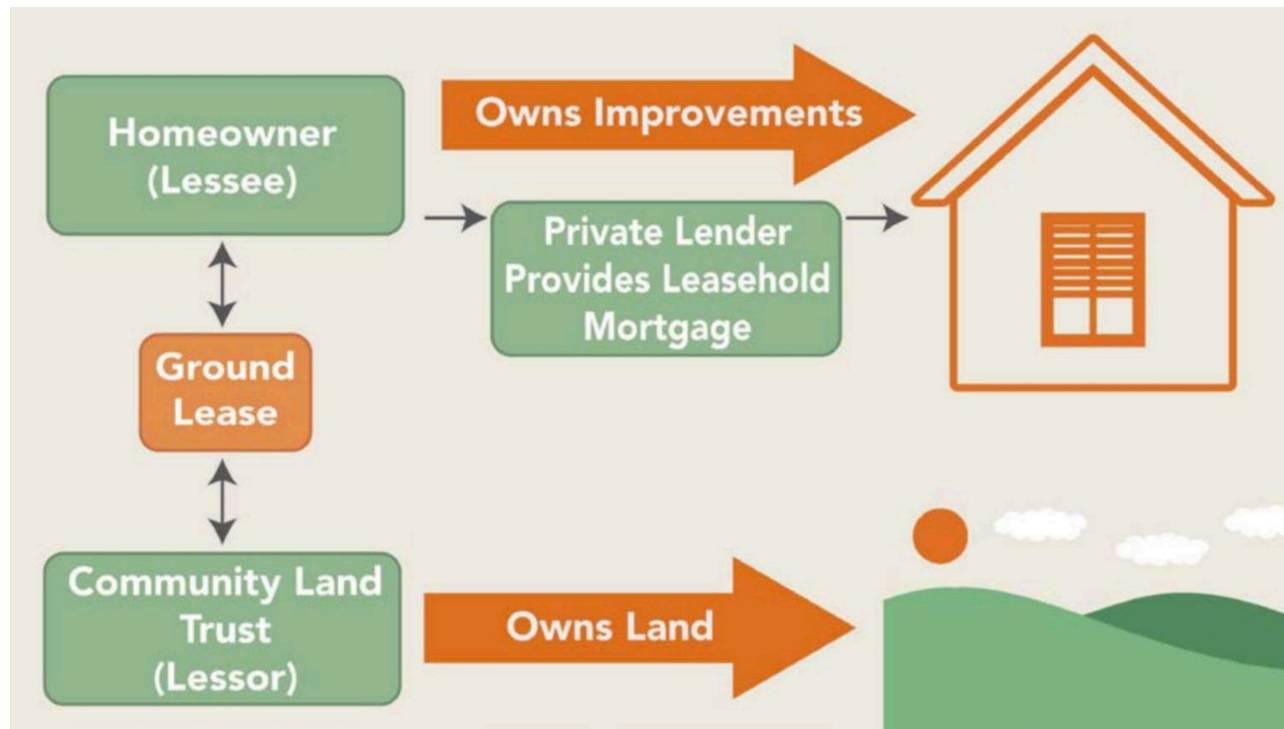
# Who Governs the CLT?

**CLTs are governed by a "tripartite" board.**

- Homeowners are offered an opportunity to sit on the board to ensure the organization is acting in their interests.
- Residents in neighborhoods where CLT homes are located are also represented, ensuring the organization continues to benefit the broader community
- Mission-aligned representatives of the broader community are also included (non-profits, community advocates, faith groups)



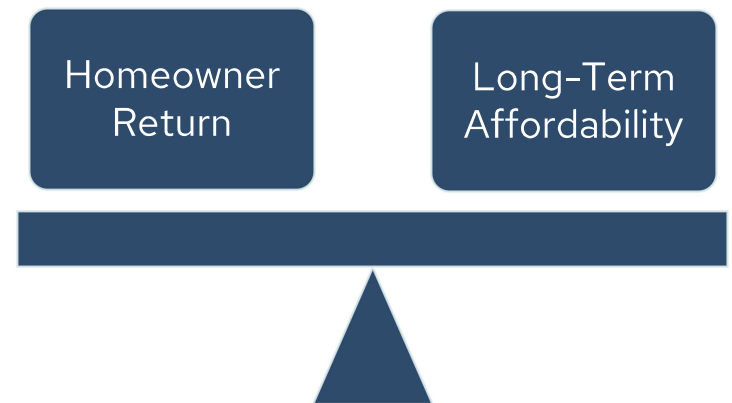
# Community Land Trust Model



# Equity Sharing

## CLTs Share Appreciation with the Community to Keep Homes Affordable

- **Prospective buyers are fully informed of the equity sharing provisions of CLT homeownership**
- Homeowners agree to a limit on the appreciation of their home – RALT utilizes an annual percentage increase.
- At sale, homeowners are entitled to their down payment, equity payments, and formula-calculated home price appreciation.
- **Sale price to the next homeowner is limited based on the formula calculation, maintaining affordability.**
  - Subsequent homebuyers will require less or no subsidy.



# National CLT Model is Proven

**The model is expanding nationally as a way to offer permanently affordable housing and homeownership opportunities to those typically excluded from the market.**

- 314 CLTs in the US as of 2022, which is a 30% increase since 2011.
  - 44,000 shared equity homes exist in the US, a 120% increase since 2011.
- There are 10 Community Land Trust organizations in North Carolina
  - Locally, Community Home Trust (Orange Co) was founded in 1991 and currently has 332 units in their portfolio
  - Durham Community Land Trustees was founded in 1987 and currently has 198 units in their portfolio

# Shared Equity Benefits

## Stability, Inclusiveness, and Wealth Building

- 45% of shared equity homes are purchased by people of color
- 60% of homeowners leveraged their investment to purchase market rate homes within 7 to 10 years
- During the Financial Crisis, less than 0.5% of shared equity homeowners faced foreclosure, compared to 4% of market-rate homeowners
- CLTs and shared equity housing allow low-income households to achieve stability and wealth accumulation
- CLTs create place-based permanent affordability





# Cottages of Idlewild

## Proposal Overview



# COTTAGES OF IDLEWILD RALEIGH, NC



# Cottages of Idlewild

301 Idlewild Avenue | Raleigh



Developer



Co-Developer



## Total of 18 units

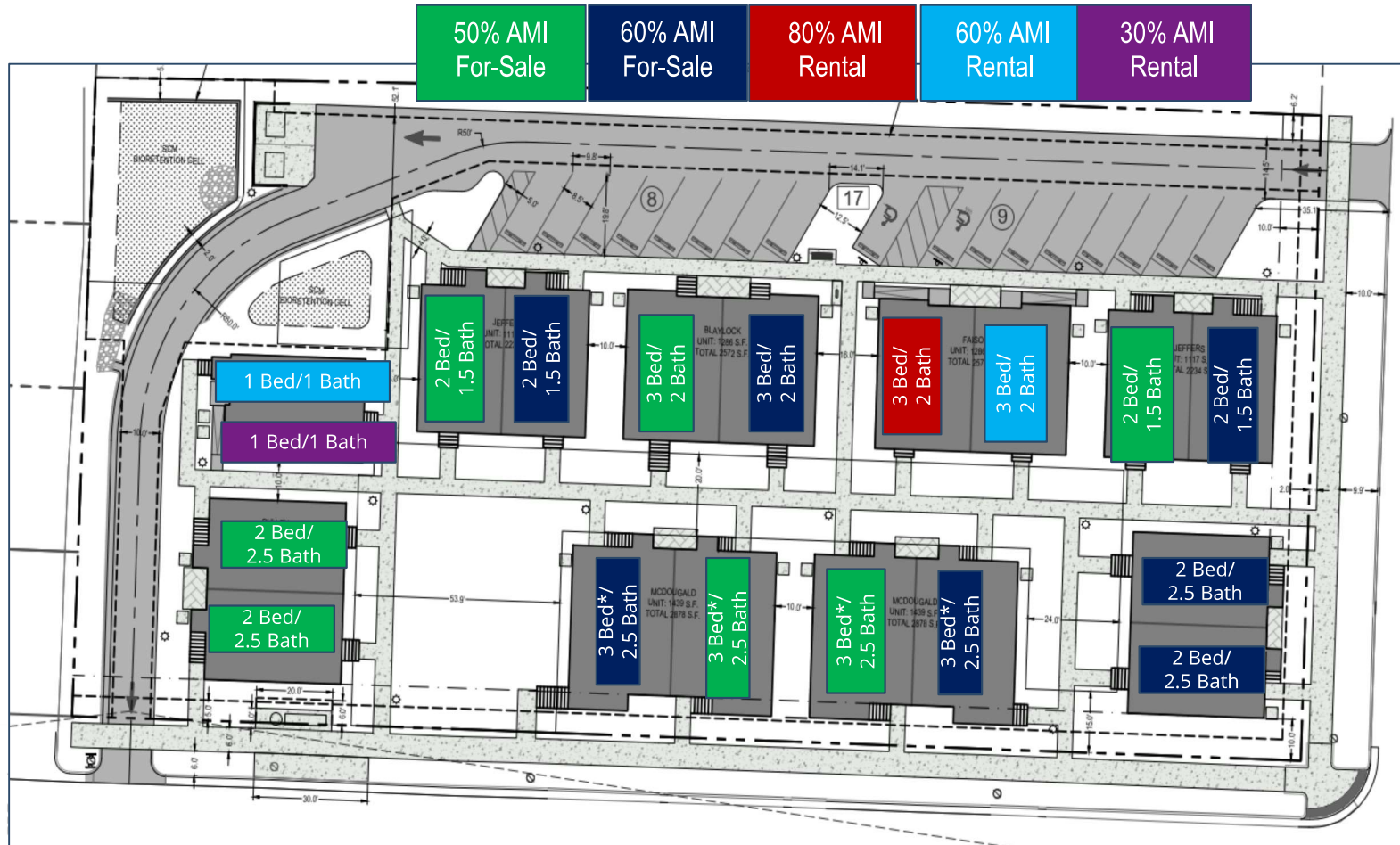
- 4 rentals
  - One 80% unit
  - Two 60% units
  - One 30% unit
- 7 units for sale @60% AMI
- 7 units for sale @50% AMI

## Other Infrastructure

- Native Low Maintenance Plants
- 2 stormwater ponds
- 1 parking space per unit
- Bus stop upgrade on site
- Solar (in planning)



# Cottages of Idlewild



Developer



Co-Developer



# Philanthropic + Financing Partners



NC REALTORS®  
**HOUSING**  
FOUNDATION



Tom and Pat Gipson  
&  
Gipson Family Foundation



# Project Funding

Development Budget Summary		
Funding Source	Budget Proposed	% of Total
Self-Help Credit Union	\$4,400,000	53%
NCHFA Loan (0%)	\$938,000	11%
Wake County Loan (%)	\$910,000	11%
City of Raleigh Loan (0%)	\$700,000	9%
Federal Stormwater	\$560,000	7%
Private/Corp Committed	\$759,200	9%
<b>Total</b>	<b>\$8,267,200</b>	

# Idlewild Project, Estimated Sales Price

## With County Investment

For-Sale Unit Summary			
# of Units	Bedroom Size	Income Targeting	*Est. Mortgage Amount
4	2 Bedroom	50% AMI	\$208,000 - \$238,000
3	3 Bedroom	50% AMI	\$238,000 - \$265,000
4	2 Bedroom	60% AMI	\$255,000 - \$291,000
3	3 Bedroom	60% AMI	\$291,000 - \$325,000
Assumes \$60,000 of down payment assistance from the City of Raleigh and price reduction from County investment			

# CLT Model Improvements

## Creative Bank Lending Partnership

- Pursuing below-market mortgage product from Coastal Federal Credit Union
  - Up to 2.5% below prevailing market interest rates
  - **Allows homeowners greater equity appreciation and return on sale**

## Significant Repair Reserve Fund

- Total of \$150,000 within 9 years of property operation
  - RALT seeding \$25,000, remainder achieved through cost savings on County loan
  - Supports stability and savings for residents
  - Could be used to support mortgage payments and prevent displacement



# County Partnership Proposal

## With CFCU Below-Market Mortgages

- Up to \$910,000
- 0% loan for 30 years
- \$700,000 deferred, invested long-term to preserve affordability
- \$210,000 repaid during the term
- 1.5% home price appreciation

## Without CFCU Below-Market Mortgages

- Up to \$770,000
- 0% loan for 30 years, variable annual payments with balloon
- 2.0% appreciation for first 10 years, 1.5% thereafter

# 10-Year Return, Below-Market Mortgage



Family of four earning \$56,500 (2023 50% AMI) purchases CLT home for \$208,000.

- \$1,000 down payment
- \$60,000 DPA
- 4.85% interest 30-year mortgage

The family sells the home after 10 years.

## What is homeowner's return after 10 years?

Value	Description
\$1,000	Down Payment
\$30,000	Forgiven City of Raleigh DPA
\$39,578	Equity gained over 10 years through mortgage payments
\$31,200	Home price appreciation at 1.5% per year
<b>\$101,778</b>	<b>Return to homeowners after 10 years</b>

# Market Mortgage, 2.0% Equity Appreciation



Family of four earning \$56,500 (2023 50% AMI) purchases CLT home for \$208,000.

- \$1,000 down payment
- \$110,000 City and NCHFA DPA
- 7.35% interest 30-year mortgage

The family sells the home after 10 years.

## What is homeowner's return after 10 years?

Value	Description
\$1,000	Down Payment
\$30,000	Forgiven City of Raleigh DPA
\$28,068	Equity gained over 10 years through mortgage payments
\$41,600	Home price appreciation at 2.0% per year
<b>\$100,668</b>	<b>Return to homeowners after 10 years</b>

# Benefits of the CLT Model

## Homes are affordable in perpetuity

- The long-term land lease is renewable and as long as the CLT owns the land, the improvements will be kept affordable

## Very low-cost homes create access for low-income households

- Homes can be sold at prices affordable to as low as 50% of the AMI, which is extremely challenging in the open market even with home buyer assistance
- Can be passed to heirs (and they don't have to be income qualified)

## CLTs qualify for property tax exemption

- Homeowners only pay taxes on the value of the improvements they own

# Benefits of the CLT Model

## CLTs Provide Support to Homeowners

- RALT plans to hire a Stewardship Coordinator in Fall 2024 who will be the point of contact for homeowners.
- Homeowners pay a monthly land lease fee which can be waived to help a homeowner
- CLTs manage a collective repair reserve that homeowners pay into
  - RALT intends to seed their repair reserve through fundraised capital
  - RALT would consider using the repair reserve to help with mortgage payments
- Foreclosure rates among CLT owners are generally

# Summary

- **Community Land Trusts are one option to create homeownership opportunities for low-income households.**
- **The model provides support to homeowners and guarantees long-term affordability.**
  - Homeowners have stable housing costs and receive a return that they would not as renters.
- **CLT partnerships align with goals established in the Wake County Affordable Housing Plan.**



# Questions & Feedback