

If I buy with the Champlain Housing Trust, What can I sell my condo for?

Example:

At Purchase

\$200,000	Original value of Condo
<u>-\$40,000</u>	<u>CHT Downpayment Grant</u>
\$160,000	Original Purchase Price

At Resale

\$240,000	New Value
<u>-200,000</u>	<u>Original Value</u>
\$40,000	Appreciation
<u>X 25%</u>	<u>Your Share</u>
\$10,000	Your Share of Appreciation

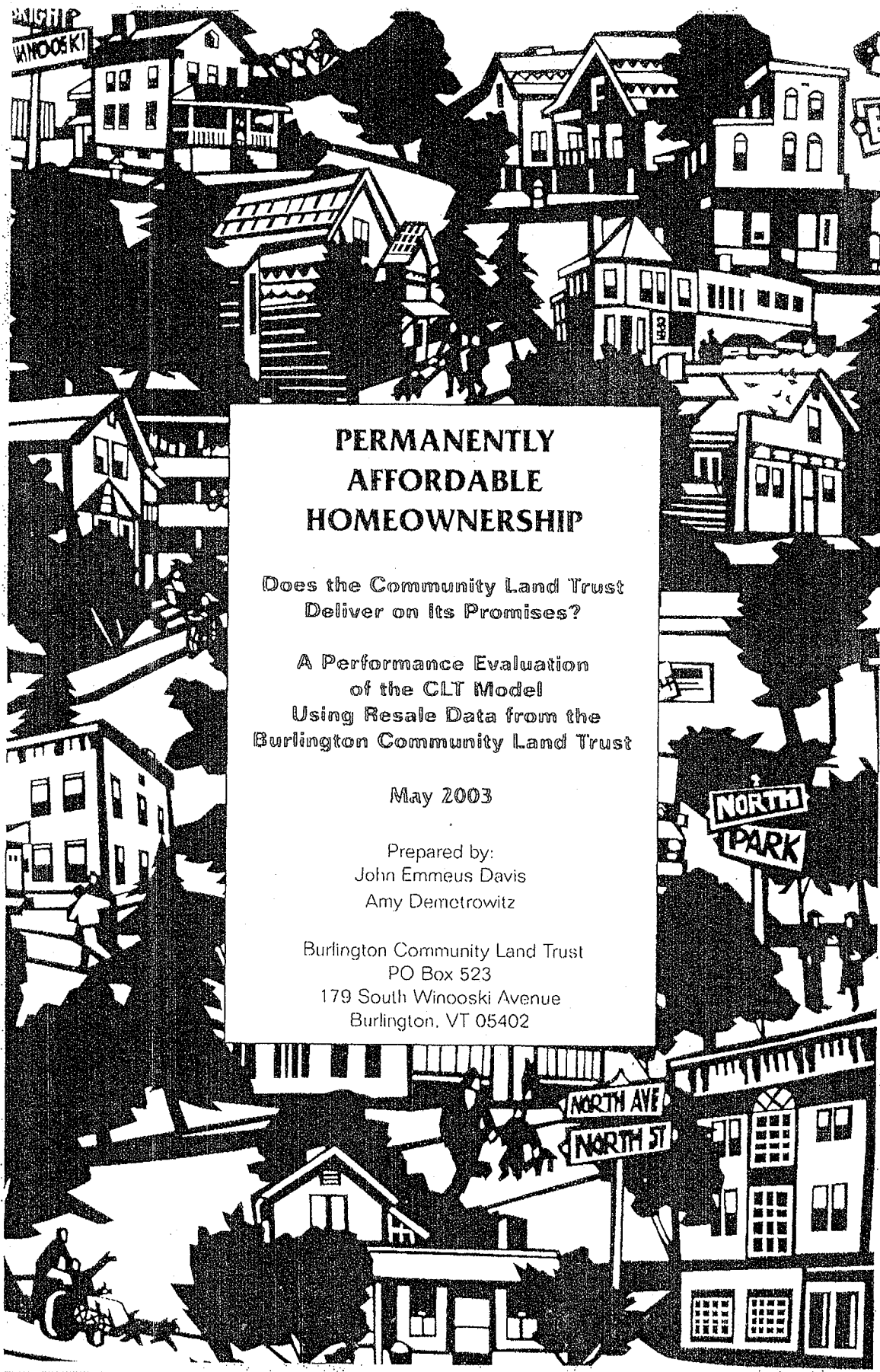
Your Sale Price

\$200,000	Original Value of Condo
<u>-\$40,000</u>	<u>CHT Downpayment Grant</u>
\$160,000	Original Purchase Price
<u>\$10,000</u>	<u>Your Share of Appreciation</u>
\$170,000	What you sell for to CHT

What You Make on the Sale

\$170,000	Your Sale Price for the Condo
<u>-\$152,333</u>	<u>What you owe the Bank</u>
\$17,667	Your Proceeds (appreciation plus mortgage principal reduction)

(This is just an example. Some formulas may vary. You cannot assume a property will always appreciate. The amount of principal you owe on your mortgage depends on how long you have owned the property, your interest rate and whether or not you make any extra principal payments. This example is based on 84 months of repayment on a 6.5% loan with no extra principal payments).



**PERMANENTLY
AFFORDABLE
HOMEOWNERSHIP**

**Does the Community Land Trust
Deliver on Its Promises?**

**A Performance Evaluation
of the CLT Model
Using Resale Data from the
Burlington Community Land Trust**

May 2003

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Permanently Affordable Homeownership

Does the Community Land Trust Deliver on Its Promises?

John Emmeus Davis
Amy Demetrowitz

Executive Summary

Between 1984 and 2002, the Burlington Community Land Trust (BCLT) in Burlington, Vermont developed 259 moderately-priced single-family houses and condominiums. All of these homes were sold to first-time homebuyers subject to durable controls over their occupancy and resale, controls designed to maintain their availability and affordability for low-income households far into the future. The first resale of a BCLT home occurred in 1988. By the end of 2002, the BCLT had overseen the resale of 97 houses and condominiums.

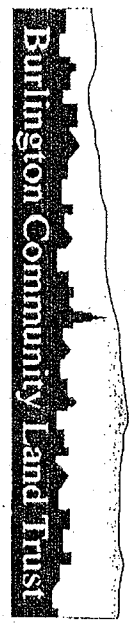
This pool of resales provided a rare opportunity to evaluate the performance of a housing model that promises to secure the benefits of homeownership for persons of limited means, while achieving larger social goals like the preservation of affordability, the stewardship of public subsidies, and the stabilization of residential neighborhoods. There had been no systematic evaluation of these claims heretofore, because most of the nation's CLTs are still too new and too small to have had a significant number of resales. The BCLT was an exception. Its sizable portfolio of resale-restricted housing offered enough cases to assess how effective the BCLT had been in actually delivering – and equitably balancing – the individual benefits and the community benefits promised by its innovative model of homeownership. The study's principal findings were as follows:

- **Preserving affordability.** Affordability not only continued between successive generations of low-income homebuyers, but improved – even when the favorable effect of falling mortgage interest rates was eliminated. The average BCLT home was affordable to a household earning 62% of Area Median Income (AMI) on initial sale. On resale, it was affordable to a household earning 57% of AMI.
- **Retaining community wealth.** Public subsidies invested in these houses and condominiums remained in the homes at resale, underwriting their affordability not only for the first buyers but for subsequent buyers as well. Only in two cases of foreclosure were these subsidies lost. More typically, these subsidies not only remained in the property but increased in value. On the initial sale, the total value of the public subsidies put into the BCLT's homes was \$1,525,148. On resale, the total value of these retained subsidies was \$2,099,590.
- **Enhancing residential stability.** Land and housing brought under the stewardship of the BCLT were rarely removed from its portfolio. Affordability and owner-occupancy protections remained in place for ninety-five percent (95%) of the 259 units of owner-occupied housing developed by the BCLT between 1984 and 2002. Even in cases where homeowners defaulted on their mortgages, their resale-restricted homes stayed under the BCLT's care – neither lost to the market nor lost to absentee ownership.

- **Expanding homeownership.** Access to homeownership for persons excluded from the market was expanded. All of the households served by the BCLT earned less than median income. A majority earned considerably less than 80% of AMI.
- **Creating individual wealth.** When reselling their BCLT homes, most homeowners walked away with more wealth than they had possessed when first buying a BCLT home. Their equity gains were modest when compared to what they might have realized from the resale of an unrestricted, market-rate home, had they been able to afford such a home, but BCLT homeowners still earned a respectable return on their initial investment. Their annualized rate of return, across all 97 resales, averaged 17%. The average BCLT homeowner, reselling after five years, recouped her original downpayment and then realized a net gain in equity of \$6,184.
- **Enabling residential mobility.** Mobility was assured, with households who left the BCLT doing so for similar reasons, with similar destinations, and with similar success as homeowners buying and selling on the open market. Probably the most surprising finding, in light of the relatively modest equity gains realized by these homeowners on resale, was that a majority of them bought market-rate homes after leaving the BCLT. Sixty (60) households made the leap into market-rate homeownership; four (4) bought another resale-restricted BCLT home; sixteen (16) became renters; and one died. (The subsequent housing situations of another sixteen (16) households could not be determined, primarily because they left the state.) Among the BCLT homeowners whose subsequent housing situations were known, 74% of them bought market-rate homes within six months of re-selling their limited-equity houses or condominiums; another 5% traded their first resale-restricted home for another, choosing to remain within the BCLT.

The Burlington Community Land Trust operates in a housing market with rising prices, a growing demand for moderately-priced housing, and a chronic shortage of houses and condominiums within the financial reach of persons earning below 80% of median income. Community land trusts operating in markets different from the BCLT's may achieve different results. Nevertheless, the performance of the BCLT's portfolio of resale-restricted, owner-occupied housing provides encouraging evidence of the model's effectiveness, while lending credibility to the limited-equity homeownership programs of many other organizations, CLT and non-CLT alike, that seek to promote the legitimate interests of first-time homebuyers, without sacrificing the legitimate interests of a larger community. For over nineteen years, the community land trust in Burlington, Vermont has been doing what it promised to do.

Copies of Permanently Affordable
Homeownership: Does the Community
Land Trust Deliver on Its Promises?
are available from the
Burlington Community Land Trust.



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