1. **What is a CLT and how does VSCLT work?**

Community Land Trusts (CLTs) are 501 (c)(3) nonprofit organizations that provide an affordable path to homeownership by splitting the ownership of the land and the home that sits on it. This approach ensures the permanent affordability of the home by lowering the initial purchase price of the home and restricting the future resale price to an affordable level. When the homeowner purchases the home, they sign a 99-year renewable Ground Lease through which VSCLT leases the land under the home to the homeowner for $100 a year. The Ground Lease regulates the relationship between the homeowner and VSCLT and includes the resale formula which dictates the future resale price of the home. The resale formula allows for a portion of the home's equity growth to go to the homeowner while also ensuring the price of the home remains at an affordable level for the next buyer.

Homeowners whose homes are in trust with VSCLT earn equity through their down payment and monthly mortgage payments, are responsible for all maintenance and taxes on the property, and can leave the home to their family. Using this model, CLTs provide a way to help families afford homeownership now and in the future, a neighborhood asset that ensures the existence of affordable homes that help prevent gentrification, and a path to inclusive generational wealth-building.

The CLT model has its origins in the Civil Rights Movement of the 1960s as community members came together to hold their collective assets in trust for the common good. Since then, the CLT model has been used to great effect to provide wealth-building opportunities for households excluded from the traditional housing market, and VSCLT is eager to carry that legacy into the future serving households across Virginia.

2. **How can someone become a CLT homeowner?**

Applicants must be income qualified in order to purchase a CLT home. In order to prepare for success in homeownership, CLT homebuyers must participate in homeownership education and orientation. Homebuyers need to work with a pre-approved lender, and VSCLT can help homebuyers find a lender who is familiar with the CLT model. VSCLT is not currently a housing developer, so interested homeowners would need to work with one of our local mission-focused developer partners. In this case, homeowners will be working with Homes by Amy who will be the realtor handling the homebuying process.

3. **Why would I want a CLT home?**

CLT homes are an excellent avenue for households who earn low incomes to access the generational wealth-building opportunity of homeownership. CLT homes are initially sold at an affordable price because the homeowner is only buying the home and not the land. Upon resale, CLT homes remain affordable for subsequent buyers due to the resale formula in the Ground Lease restricting the resale price to a below market level. Even though the resale price is restricted, CLT homeowners still receive the equity they earned from their down payment and monthly mortgage payments, along with a portion of the home's increase in value at resale. In fact, the Grounded Solutions Network found that about 70% of CLT homebuyers go on to buy a

market rate home using the equity they gained by becoming a CLT homeowner.

CLTs are also a benefit to the community. CLT homes can become increasingly affordable compared to the market over time, reducing the impact of gentrification and providing for a permanently affordable housing stock. In expensive neighborhoods, CLT homeownership can provide opportunities to residents who were previously priced out. In lower income neighborhoods, CLT homeownership can protect personal and community wealth from economic downturns. CLT homeowners are able to pass their home down to family members. They are also encouraged to participate in governance via membership on the Board and Committees of the CLT.

4. **Can a homeowner make improvements and renovations to CLT homes?**

Yes! But homeowners should keep in mind the difference between maintenance and capital improvements. Homeowners are responsible for all regular maintenance and upkeep of their home and the land, but capital improvements need to be approved by the board.

Capital improvements are alterations to the home that cost over $2,500, require a permit, or otherwise significantly increase the value of the home. VSCLT requires Board approval for capital improvements as we have a vested interest in maintaining the affordability of the home for future homebuyers. The VSCLT Board considers capital improvements on a case-by-case basis and the process is similar to that of a Homeowners Association.

5. **What happens when a homeowner sells a CLT home?**

- Just like the initial homebuyer must be income qualified to purchase a CLT home, VSCLT requires that subsequent homebuyers meet the same eligibility requirements.
- Oftentimes, the local mission-driven partner retains a right of first refusal to purchase the home at resale. In the case in which they exercise that right, they will generally be responsible for subsequent homebuyer selection. Otherwise, the seller of the home can market the home and select the next homebuyer (given the buyer's income qualifies), or they can reach out to VSCLT for assistance.
- The resale price is determined by the resale formula in the Ground Lease, which ensures that the new sales price remains affordable to all subsequent homebuyers.
- The homeowner receives a portion of the home's increase in value (this project will use a formula that gives 25% of appreciation to the homeowner), as well as any equity they have accrued through their down payment and regular mortgage payments.
- Thus, a new household has access to affordable homeownership through the CLT model.

6. **Do I still get to use the land?**

Absolutely! The Ground Lease signed between the homeowner and VSCLT ensures that homeowners will have full access to the land and can make use of the land as if they own it. This also means homeowners are responsible for the maintenance and upkeep of the land. If

the homeowner wishes to significantly alter the land beyond typical landscaping, a capital improvement request would need to be approved by VSCLT.

7. **Can a CLT homeowner pass their home to a relative?**

Yes! CLT homeowners can pass their home to immediate family members who will make the home their permanent residence.

- If the heir has a qualifying income for VSCLT's program, that heir and VSCLT can sign a new Ground Lease to renew the 99 year lease on the land.
- If the heir does not have a qualifying income for VSCLT's program, they can still receive the home. However, that heir would be ineligible to renew their Ground Lease and the original signed between VSCLT and their relative would remain in effect.

8. **How is a CLT home different from renting?**

The main difference between CLT homeownership and renting is the opportunity to build equity. Every monthly mortgage payment a homeowner makes allows them to build more equity by buying a little more of their home from the lender. Renting does not have the same effect; you do not own more of your apartment every month, you just pay to stay there. CLT homeowners also get more flexibility than renters to change their home and the property to adapt to their preferences and needs.

9. **What income levels does VSCLT serve?**

VSCLT's Ground Lease currently allows us to serve homeowners who earn a maximum of 115% of Area Median Income (AMI). To date, the homeowners whose homes are in trust with VSCLT have incomes that range between 30%-80% of AMI.

Targeted income levels will depend on local markets, available subsidies, and partner missions.

10. **Can buyers get a mortgage to buy a CLT home?**

Yes, there are affordable mortgage products available through Fannie Mae, Freddie Mac, and Virginia Housing, all of which are offered through several lenders that serve Virginia. The CLT homebuyer benefits because these mortgage products use the market value of the home instead of the purchase price (which is significantly lower given that the value of the land has been removed) to establish the Loan to Value ratio.

11. **Who pays the property taxes for a CLT home?**

The homebuyer pays all property taxes on the home. However, by Virginia state law (§ 58.1-3295.2.), localities are required to reduce the property tax assessment value of a CLT home to match the affordable price level. Therefore, CLT homeowners have a lower property tax burden than market-rate homeowners.

Other Questions

Purchaser Qualifications

- VSCLT requires that homeowners whose homes are in trust earn equal to or less than 115% of AMI at the time of purchase. VSCLT also requires all prospective homebuyers to participate in homebuyer education and VSCLT orientation sessions. Homebuyer selection will be the responsibility of West Piedmont Planning District Commission and they will probably have more stringent homebuyer qualifications.
- Down payment assistance (DPA) is a little more tricky and will require further conversation with the PDC. DPA does not reduce the purchase price of a CLT home and is a one-time subsidy. For example, if the purchase price of the home is $180,000 and the buyer receives $20,000 in DPA. The buyer's mortgage will be reduced to $160,000 but the purchase price, the price that goes into the Ground Lease resale formula and determines the future resale price, will stay at $180,000. So when the homeowner goes to sell the home, that $20,000 in DPA will stay with them as equity (depending on any repayment and forgiveness rules established by the DPA provider).

The Uniqueness of a CLT Purchase

The CLT model is a slightly non-traditional model of homeownership but one which we think has tremendous value for Virginians who earn low incomes that are facing a housing affordability crisis. The CLT model ensures homes remain affordable in perpetuity by separating the ownership of the home and the land. By removing the value of the land, the initial purchase price of the home is much lower. The Ground Lease, signed by the homeowner and the CLT at purchase, also ensures subsequent purchases are kept at that affordable level as the resale price of the home is restricted by an affordable resale formula. This model benefits households who earn low incomes by increasing access to the generational wealth-building opportunity of homeownership, and it benefits communities by creating a permanent stock of affordable homes that help guard against gentrification. Under this model, homeowners will receive less equity at resale compared to market-rate homeownership. However, unlike renting, homeowners do build equity while they are in the home, and studies show that about 70% of CLT homebuyers go on to buy a market rate home using the equity they gained by becoming a CLT homeowner.

Given that the CLT has a vested interest in maintaining the affordability of the home, there are a few regulations in place that CLT homeowners should be aware of.

1. The home must be owner-occupied, and the homeowner must have the CLT home as their primary residence.
2. The homeowner is not allowed to sublease, rent or sell the property without prior written approval from VSCLT. This includes short-term rentals (Airbnb, etc.).
3. The homeowner must receive prior approval from VSCLT for capital improvements (alterations to the home that cost over $2,500, require a permit, or otherwise significantly alter the value of the home). For other items that do not qualify as capital improvements, the homeowner is responsible for all regular maintenance and upkeep of their home and the land.
4. The homeowner may not allow any additional liens (e.g. loans,mortgages, mechanic's liens) against the property without VSCLT's and any other lender's approval.

5. The homeowner is required to maintain standard homeowner liability insurance as well as property insurance on the property, equal to its replacement value in the cases of single-family homes or its replacement value minus the insurance carried by the homeowner's association in the case of condominiums. VSCLT must be listed as an "additional insured" party.
6. The homeowner is required to make all necessary payments for the home, including but not limited to: mortgage, insurance, property taxes, utilities, and homeowners association fees.

This information is included in the Ground Lease and VSCLT's Homeowner Manual. VSCLT will go over all of this with homeowners prior to their homes entering into trust with VSCLT.