

Introduced by _____

First Reading _____

Second Reading _____

Ordinance No. _____

Council Bill No. B 219-16

AN ORDINANCE

establishing a Community Land Trust Organization; authorizing the filing of documents with the Missouri Secretary of State; appointing a Board of Directors to the Community Land Trust Organization; authorizing a contract for services with Burlington Associates in Community Development, LLC for consulting services to assist in the planning and development of a community land trust organization; transferring funds; and fixing the time when this ordinance shall become effective.

WHEREAS, the City of Columbia, Missouri (hereinafter “the City”) is committed to supporting the development of permanently affordable housing and expanding opportunities for homeownership; and

WHEREAS, the City faces a number of housing challenges, including affordability for low- to moderate-income residents, a shortage of public resources for affordable housing and maintaining long-term affordability; and

WHEREAS, at the same time that public resources for affordable housing are shrinking, the gap between the amount of subsidy needed to make housing affordable and the amount of subsidy available continues to widen as housing costs increase; and

WHEREAS, the City has operated a new housing construction, owner-occupied rehabilitation program and Homeownership Assistance Program to provide and improve owner-occupied affordable units; and

WHEREAS, the City’s existing affordable homeownership programs provide a subsidy to low- and moderate-income households to reduce the cost of buying homes; and

WHEREAS, the City primarily relies on deed restrictions and subsidy recapture provisions in second mortgages to secure the value of public subsidies invested in the development of affordable housing, which does not preserve the affordability of such subsidized homes for future buyers; and

WHEREAS, the City’s typical recapture mortgage treats the subsidy as a conditional loan, which requires the homeowner to repay a portion of the subsidy based on the length of time that the homeowner lives in the home and is forgiven over ten (10) years of occupancy; and

WHEREAS, in rapidly appreciating real estate markets, subsidy recapture provisions do not effectively discourage the quick resale of subsidized homes; and

WHEREAS, in rising markets, recapture mortgages do not achieve the goals of preserving the value of subsidies or the affordability of housing subsidized with these funds for multiple, successive owners over time; and

WHEREAS, after the City's conditional loans are repaid or forgiven, the affordable unit is free to be sold at fair market value and the recaptured funds are unlikely to cover the cost of a new affordable unit due to appreciation and increasing development costs; and

WHEREAS, as identified in the 2008 Affordable Housing Policy Task Force Report, the City has been exploring the community land trust model of homeownership as a means of permanently restricting the resale price of subsidized homes and thus preventing the loss of the affordability of these homes; and

WHEREAS, a Community Land Trust (hereinafter "CLT") is a nonprofit corporation that typically holds legal title to land in trust for the community for the primary purpose of creating and preserving permanent affordable homeownership opportunities for low- to moderate-income individuals and families who are kept out of the traditional homeownership market; and

WHEREAS, the CLT model of homeownership divides property ownership between individuals, who hold title to the home, and the CLT, which holds title to the underlying land; and

WHEREAS, the CLT enters into long-term (typically 99-year), inheritable, renewable ground leases with income-eligible homebuyers for the exclusive use of CLT land; and

WHEREAS, CLT ground leases place restrictions on the resale of subsidized homes to ensure that they will be resold to other limited income households at affordable prices as established by a resale formula; and

WHEREAS, the resale formula in a CLT ground lease determines the homeowner's profit on resale, balancing the competing goals of providing a fair return on the homeowner's housing investment and preserving long-term affordability; and

WHEREAS, the CLT approach to homeownership helps low- to moderate-income individuals and families build wealth through the creation of equity, while at the same time maximizing the benefits from housing assistance dollars and protecting the affordability of subsidized housing for future residents; and

WHEREAS, although the CLT model of homeownership places limits on the ability of a homeowner to capture the appreciated value of a home, it provides many other benefits not available to renters, including mortgage interest deductions, real property tax

deductions, stable housing costs, security of ownership, a long-term stake in the surrounding neighborhood, full return of equity acquired through the pay-down of purchase money mortgage debt, and an equitable return on the homeowner's investment; and

WHEREAS, in addition to the foregoing benefits of CLT homeownership, permanent resale restrictions allow taxing authorities to reduce the assessed value of CLT housing, thus reducing property taxes; and

WHEREAS, the collection of modest monthly ground lease fees and one-time marketing and resale fees payable by homeowners provide CLTs additional financial stability, with the capacity to monitor and enforce ground lease restrictions, conduct public education and outreach, market affordable units within its portfolio, provide back-up services for first-time homebuyers, and manage the resale of limited-equity homes by minimizing the use of limited public resources; and

WHEREAS, as identified in the Affordable Housing Symposium held on December 4-5, 2015, the City began the process of determining the feasibility in implementing a CLT with technical assistance from Michael Brown of Burlington and Associates, and by the city manager establishing a CLT Steering Committee consisting of neighborhood representatives, a member of the city council, community and business leaders, city staff and Columbia Housing Authority staff; and

WHEREAS, upon reviewing the deliberations of the CLT Steering Committee, the city council finds it in the best interest for the City to provide for the establishment of a citywide CLT as a Missouri not-for-profit corporation having as its primary mission preserving the long-term affordability of housing units created through public subsidies; and

WHEREAS, it is also in the best interests of the City to act as the primary entity to establish and maintain appointment of a board of directors that will maintain accountability to low- and moderate-income occupants of CLT homes, as well as representatives of the community at large; and

WHEREAS, the City anticipates that the CLT organization's initial holdings will consist primarily of affordable units that are produced through the City's existing affordable homeownership programs, and that, in most cases, the CLT will not act as a developer itself, but instead will work with other nonprofit and for-profit developers of affordable housing to create CLT units; and

WHEREAS, the City anticipates land included as part of affordable owner-occupied housing funded through City programs will be dedicated the CLT; and

WHEREAS, as the CLT grows in size and capacity, the CLT may make its land available for rental housing, as well as commercial and social service uses that benefit the community; and

WHEREAS, the City anticipates that, over time, the CLT will generate a stream of revenue, as well as submitting applications for CDBG funding, in an amount adequate to support its operations without additional public funding; and

WHEREAS, the CLT Steering Committee successfully completed Phase I of the planning process with Michael Brown of Burlington Associates and the City has determined a CLT is feasible in Columbia and that it shall proceed with procuring Phase II services from Michael Brown of Burlington Associates and complete the business planning and implementation of a CLT organization serving the City of Columbia; and

WHEREAS, the CLT will require \$16,660.00 in additional funding for start-up costs in its first year of operations and the city council finds it to be in the best interest of the public to provide funding in the amount of \$16,660.00 to the CLT and CLT formation-related expenses to establish this affordable home program within the City.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBIA, MISSOURI, AS FOLLOWS:

SECTION 1. The foregoing recitals are hereby adopted as the findings of the City Council.

SECTION 2. The Community Land Trust Organization is hereby established.

SECTION 3. The City Manager is authorized to draft and file with the Missouri Secretary of State any and all documents necessary to establish the Community Land Trust Organization and is further authorized and directed to take such additional actions as may be necessary to enable the Community Land Trust Organization to become duly organized and qualified as a Missouri not-for-profit corporation.

SECTION 4. The Community Land Trust Organization board of directors shall be appointed by the city council. The initial Community Land Trust Organization board of directors shall be composed of six (6) voting directors consisting of three (3) neighborhood representatives residing within the current CDBG eligible area on file in the Community Development Department and three (3) community and business leaders. In addition, there shall be one (1) city council member serving as a non-voting ex-officio member. Upon the completion of seven (7) CLT homes, the board of directors shall be increased to nine (9) voting members with the additional three (3) members to be CLT home occupants who are appointed by the city council.

SECTION 5. The City Manager is hereby authorized to execute a contract for services with Burlington Associates in Community Development, LLC for consulting services to assist in the implementation of a community land trust organization. The form and content of the agreement shall be substantially in the same form as set forth in "Exhibit A" attached hereto.

SECTION 6. At the request of the City Manager, the City Council hereby transfers \$16,660.00 from the Council Reserve Account No. 110-8500-590.56-86 to the Community Development Miscellaneous Contractual Account No. 110-4010-532.49-90 for costs associated with the start-up of the Community Land Trust Organization in its first year of operations.

SECTION 7. This ordinance shall be in full force and effect from and after its passage.

PASSED this _____ day of _____, 2016.

ATTEST:

City Clerk

Mayor and Presiding Officer

APPROVED AS TO FORM:

City Counselor