



Frequently Ask Questions

COMMUNITY LAND TRUST (CLT)



Q. How does CLT homeownership work?

A. Community Land Trust homebuyers purchase only the house and enter into a long term agreement to lease the land. CLTs make homeownership affordable for today's homebuyers as well as for future generations of homebuyers. By taking the cost of the land out of the real estate transaction, land trust homes are more affordable than houses on the open real estate market. A 99-year ground lease with the CLT is signed for the use of the land.

Q. What is a ground lease?

A. Because the CLT owns the land and the homeowner owns the home, both the CLT and homeowner sign a ground lease that defines their roles and responsibilities. The ground lease allows the homeowner secure, long-term rights to use the land. CLT homeowners have exclusive use of the land, and they have full responsibility of the property.

Q. What happens when the lease ends?

A. The ground lease is renewable or may be transferred to the family's heirs.

Q. What if I want to move or sell my home?

A. When a CLT homeowner wants to move or sell their home, they must first contact the CLT for approval. The home can be sold directly to an income-qualified buyer, sold back to the CLT, or given to the children or other qualified heirs of the homeowner. The ground lease provides a resale formula that is used to determine the resale price.

Q. If I sell my CLT home, what is my return on investment, or what will I get back?

A. The CLT homeowner who sells their home will get back the amount of money that they personally contributed towards the down-payment, the amount of the mortgage paid off, plus a portion of the appreciated value of the home (annual 2% fixed rate of the initial sales price).

Q. Why does the CLT use a resale formula to calculate sales price?

A. The resale formula preserves the affordability for the next family who will buy the CLT house. Essentially, by agreeing to the resale formula, CLT homebuyers are agreeing to help

another limited income family purchase a house in the same way that they were helped in purchasing their house.

Q. Who pays the property taxes?

A. The CLT homeowner pays all the taxes associated with the property. As with all homeowners, property taxes and mortgage interest are tax deductible.

Q. How does CLT homeownership compare to conventional homeownership?

A.

Similarities:

- The homeowner has a mortgage with a bank
- The homeowner accumulates equity
- The homeowner pays property taxes
- The homeowner can make alterations and improvements
- The homeowner receives federal tax deductions for mortgage interest and property taxes

Differences:

- The purchase price is lower because the land is not purchased by the homeowner
- The CLT owns the land, the homeowner leases the land
- If the homeowner chooses to sell their home, the CLT will calculate a resale to ensure that low and moderate income families will benefit