

# Model SHIP Strategy for Retaining Public Subsidy Through a CLT

Provided by Florida Community Land Trust Institute

In an effort to get the most public benefit out of every SHIP dollar, SHIP funds are loaned rather than granted in virtually all homeownership strategies. By making a loan in contrast to a grant, the SHIP program is able to recapture the SHIP funds upon resale and use those funds to help another family. **This is clearly good public policy.**

**An even better public policy is one that uses a one-time investment of SHIP dollars to create a home that remains in the affordable housing stock in perpetuity.**

Under the normal economic environment of rising prices, the SHIP monies recovered from a loan made five to ten years earlier are to get a similarly income homeownership, as the gap and the cost of the house will

By using SHIP to support homeownership, the local retained in the home that to a similarly income eligible rise in home prices. This community land trust home affordable upon resale.



typically not enough eligible family into between the family income now be greater.

Community Land Trust government subsidy is continues to be affordable family regardless of the is because the price of a is required to remain

A way to get even more public benefit out of every SHIP dollar is to create permanently affordable homes. SHIP funds can be used to meet several set-asides at the same time by providing funds to nonprofit organizations/developers for the purpose of writing down the cost of a home that will sold to an income eligible family subject to a 99 year ground lease, which requires the home to be affordable in perpetuity and provides the right of repurchase to the Community Land Trust in the event of default by the homebuyer.

## Sample SHIP Strategy for Community Land Trust Homeownership:

Name of the Strategy: Community Land Trust Homeownership

a. **Summary of the Strategy:**

To provide down payment assistance to buyers of newly constructed or existing community land trust homes. The down payment assistance will be used to write down the purchase price of the property. Home rehabilitation is also an eligible use, as needed when purchasing existing homes. Up to \$ may be spent to address health & safety concerns, fix code violations and increase energy efficiency.

b. **Fiscal Years Covered (for example):** 2015, 2016, 2017

c. **Income Categories to Be Served:** Very low, low, and moderate income

d. **Maximum Award (must be equal to maximum on the Housing Delivery Goals Charts):**

e. **Terms of the Award: Recapture and Default.** Assistance is provided as a deferred payment loan.

**Interest Rate/Term:** 0% interest

**Forgiveness/Repayment:** Provided the home continues to be occupied by an income eligible household, the SHIP monies will not be subject to recapture upon resale.

**Default/Recapture:** Default is defined as the failure to make required payments on a loan secured by a first mortgage which leads to foreclosure and/or loss of property ownership. In the event of default on the first mortgage or the terms of the ground lease, the Community Land Trust must notify \_\_\_\_\_ County/City whether it intends to exercise its right of repurchase. In the event the CLT is not willing or able to exercise its right of repurchase, it shall transfer its right of repurchase to \_\_\_\_\_ County/City, giving \_\_\_\_\_ County/City the right, but not the obligation to foreclose.

f. **Recipient Selection Criteria:** First qualified, first served after completion of first time homebuyer class that contains a community land trust component. The recipient must be able to show and attest to a clear understanding of the difference between fee simple homeownership and community land trust homeownership. Also, the buyer must contribute \$ to closing costs. If needed, a waiting list of qualified applicants will be maintained in chronological order (or state if there is a funding order that prioritizes applicants with special needs, teachers, essential services personnel, or other categories).

g. **Sponsor Selection Criteria and duties, if applicable:** The SHIP funds may also be made available directly to a Community Land Trust serving \_\_\_\_\_ County/City. In that event, the CLT shall follow the criteria in this SHIP strategy, but the CLT shall be operating as a sub-recipient, and not on behalf of the County/City.

Include qualification system and selection criteria for applications for Awards to eligible sponsors \_\_\_\_\_ County/City will issue a Request for Qualifications to choose eligible Community Land Trusts as subrecipients of SHIP purchase assistance.

- h. **Additional Information:** Community Land Trusts are tax exempt nonprofit organizations that perform a charitable mission. They are key partners for increasing the stock of affordable homeownership without losing the subsidy that is provided to the income eligible household.

The Community Land Trust transfers title to the homebuyer but retains ownership of the land beneath the improvements. The CLT provides a 99 year ground lease for the use of the land to the homebuyer. A memorandum of that ground lease is recorded in the public records immediately following the deed. The terms of the ground lease restrict the resale of the property to an income eligible household and provide a right of repurchase to the CLT in the event of default.

The CLT has a stewardship role that continues in perpetuity to assure that the CLT home remains in the County/City's affordable housing stock. The monies provided to the community land trust homebuyer are used to write down the purchase price of the home. By taking the cost of the land out of the purchase price and by further writing down the purchase price in an amount equal to the SHIP funds provided by the County/City, the cost of the home is significantly reduced, creating an affordable opportunity for homeownership for the first family who purchases and for each family that purchases thereafter. The stewardship role of the CLT, its mission, and its vested interest in the property by virtue of retaining ownership of the land provides a safety net for the homeowner and substantially decreases the risk of foreclosure compared to fee simple ownership.

The Florida Legislature has recognized the public benefit of community land trusts in creating permanent affordability by providing direction in regard to assessment for real property taxes in Section 193.018, Florida Statutes, which requires the assessment to consider the resale restricted value of the community land trust home.