CLACKAMAS COUNTY

PUBLIC & GOVERNMENT AFFAIRS
PUBLIC SERVICES BUILDING
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Memorandum

To:	Clackamas County Board of County Commissioners
From:	Tonia Holowetzki, Interim Director, Public & Government Affairs
RE:	Scattered Sites Pilot Project Legislative Concept for 2025
Date:	November 7, 2024

Request: PGA is requesting the Board of County Commissioners' direction on whether to participate in a legislative concept proposed by DevNW, a non-profit agency that provides asset and financial wellbeing services to low-income individuals and families throughout Oregon. https://devnw.org/

Background: PGA presented this topic at Issues on October 22, 2024, where the BCC requested additional information before making a determination. Those questions are answered in an attachment to this memo. The following bullets summarize the key points outlined in the responses:

- The intent of the CLT program is to extend into perpetuity, benefiting multiple homebuyers for as long as the program exists.
- Selling public housing into a community land trust increases taxes by selling the property out of public housing and into a trust. The homeowner(s) will be the primary taxpayer(s), but the CLT will be exempt.
- The CLT will be responsible for 100% of the acquisition and rehabilitation costs to the units participating in this program.

Recommendation: PGA recommends the BCC support efforts to advance this legislative concept submitted by DevNW. It will establish seed funding for DevNW and other CLTs to initiate the process of acquiring homes into a CLT program. BCC approval allows the county to work with DevNW on the development of bill language ahead of session to align the bill to meet the goals of the Housing Authority to sell off the scattered sites.

Respectfully submitted,

Tonia Holowetzki
Interim Director, Public & Government Affairs

Attachments:

Attachment #1: Responses to Previous Board Questions

Attachment_ November 7, 2024

Responses to questions by BCC related to the community land trust programs

On October 22, 2024, at Issues, the BCC requested responses to the following questions to decide whether to support a bill concept submitted by DevNW. The concept is to secure state funding to seed a community land trust pilot program that would purchase scattered sites from Housing Authorities to establish an affordable home ownership program. PGA, in partnership with H3S, provides the answers to the questions below.

1. **Will all units sold be for ownership or will there be rentals?**

   DevNW will **not** rent these homes. The community land trust (CLT) model envisioned by DevNW focuses on new, low-income homebuyers for the purpose of wealth advancement through home ownership. The ground lease each CLT buyer signs prohibits them from turning the home into an investment rental property. They can have roommates, and if they need to be away for an extended period (e.g., military service, caring for an aging parent, etc.), they can get permission from the CLT to rent the home at a monthly rate that covers their costs (mortgage, insurance, etc.). The extended period is typically no more than a year, except in extenuating circumstances like extension of military deployment. It would not be an indefinite time—the homeowner must intend to return to the home as their primary residence.

2. **How will DevNW pay for its share of land and rehabilitation costs? Will the county have to spend money on these sites to participate in this program? For example, to rehabilitate the facilities ahead of sale?**

   DevNW (and other CLT partners) will be responsible for 100% of the acquisition and rehabilitation costs. The total number of homes ultimately converted to the CLT model will be dependent on how much funding CLTs can gather and on the cost appraisals of land and rehabilitation. The Housing Authority is under no obligation to cover those costs. Consistent with the Housing Authority's scattered-site disposition plan, any homes not converted to recovery-oriented infrastructure or CLT will be sold on the open market. However, as with all affordable housing development projects and initiatives, the Housing Authority is committed to working with partners like DevNW to identify and support funding opportunities.

3. **Are there cost savings for the county to participate in this program?**

   Yes. The Housing Authority can no longer adequately maintain these homes with the subsidy the federal public housing program provides. Through the Section 18 disposition process, the home is no longer encumbered by the Public Housing Declaration of Trust. Once the property is sold, DevNW would assume ownership of the land and the new homebuyer would assume responsibility for maintaining the house. The Housing Authority would receive the appraised value of the home for the sale and would be relieved of all responsibility, including operational costs.

   Additionally, the Housing Authority will pool proceeds from the scattered-site home sales and invest them in future development or the acquisition of new affordable units. The Housing Authority will be able to house more households and operate in a more flexible and sustainable financial model through the repositioning process.

4. **What is the tax impact of the CLT?**
   - *Does holding these properties in trust make them tax-exempt?*

     There is a relatively new statewide exemption for the land value, so the CLT does not have to pay taxes on the land they hold, and therefore, that tax does not have to be calculated into the ground lease fee, keeping the fee more affordable.

   - *Does the CLT or homebuyer have a property tax requirement?*

     The structure/improvement/home is taxed at a normal rate, so each homeowner pays property tax, but the land value is taken out of the calculation.

     Under Public Housing, these homes have all been tax exempt. Converting them into a CLT would increase the county's property tax collections, though not quite as much as if they were sold at market rate.

5. **Will the underlying property be perpetually affordable or is there a time limit?**

   The primary objective of the CLT is to make these homes **permanently** affordable by holding the land in trust and lowering the cost of the purchase for lower-income households. DevNW's ground leases are for 99 years, and they reset at sale or inheritance so that the affordability terms continue in perpetuity.

6. **How is money made (or lost) for the CLT and homebuyer? What percentage is owned by the CLT homebuyer?**

   The gain or loss of value under the CLT model is the same as it is with any home ownership. The appreciated or depreciated value is 75% for the CLT and 25% for the homeowner. At sale, the homeowner also receives credit for capital improvements made to the home during ownership and 100% of the mortgage principle they have paid down.

   In an example of appreciated value, when the home is resold to the next low-income homebuyer, 75% of the gained value goes to the CLT and 25% goes to the seller. DevNW does not take any operating money out of the resale proceeds – their 75% of the appreciated value goes to 'buy down' the sales price for the next buyer.

   For example, if a home that a CLT buyer purchased had an original appraised value of $300,000 and appraises for subsequent sale at $400,000 ($100,000 in appreciated value), then the original buyer walks away with $25,000 in equity from appreciation (in addition to the principle paid against their mortgage) and the home is resold for $325,000 to the next buyer—the 75% of equity ($75,000, in this case) stays with the home to ensure its long-term affordability for future owners.

   Regarding the prospect of depreciated value, it is worth nothing that DevNW provides financial and asset management services within their larger program and would likely counsel their homeowners on how best to proceed with sale (or not) in such a market. In addition, DevNW offers financial counseling and foreclosure prevention services in the event of life circumstances like divorce, job loss, and medical emergencies.

7. **Will there be limitations to how the home-seller can spend their gained wealth from a home sale?**

   No. A CLT program is a tool to increase home ownership for low-income, first-time homebuyers as a means of wealth generation. The CLT will not manage how homebuyers spend any portion of their gained wealth from a sale. It is worth noting that in national surveys, more than 70% of CLT buyers go on to purchase market rate homes. This model works as a steppingstone to traditional homeownership. Another large percentage pass their home to their children or other relatives.

   There are not unique tax laws for CLT capital gains—the same rules apply as for any other type of home.