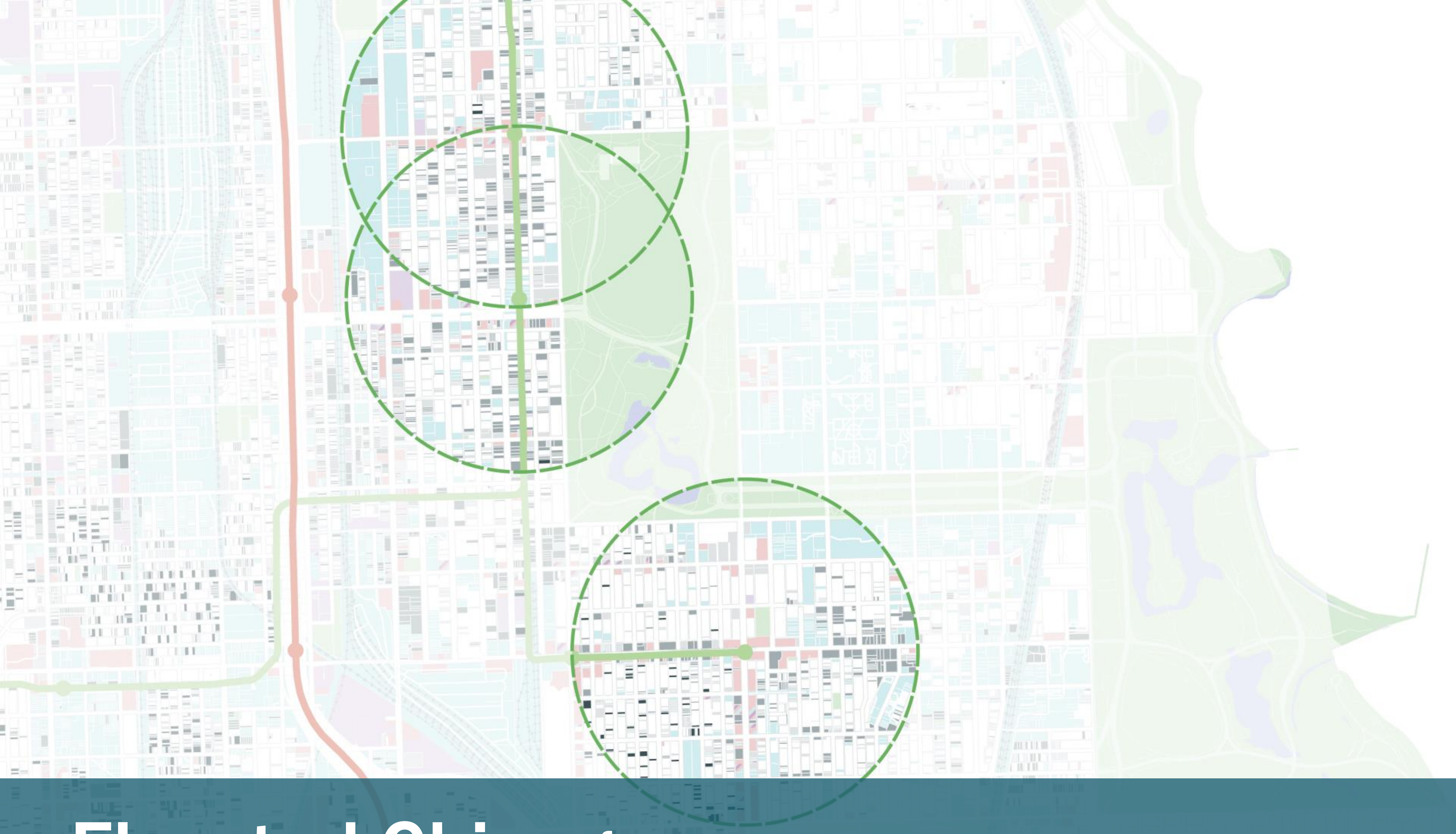

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ELEVATED Chicago

CONNECTING PEOPLE, BUILDING EQUITY

Elevated Chicago

Strategies for Community Control and Affordability Preservation

September 10, 2018

SBFRIEDMAN

VISION
ECONOMICS
FINANCE
STRATEGY
IMPLEMENTATION

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- Hermitage Manor
- Latin United Community Housing Association
- Proud Ground

1. Overview
2. Strategies for Community Control and Affordability Preservation
3. Key Issues and Strategies by eHub
   - Implementation Steps and Policy Recommendations
4. Appendix | Case Studies

1. Overview

Purpose: Identify relevant strategies and mechanisms for community control and affordability preservation within the communities identified by Elevated Chicago. This document includes:

- Research findings
- Applicable strategies by eHub
- Implementation steps
- Policy recommendations
- Case studies

This document references information provided in the companion report: the Elevated Chicago EcoDistrict Feasibility Scan, prepared by the Center for Neighborhood Technology (CNT).

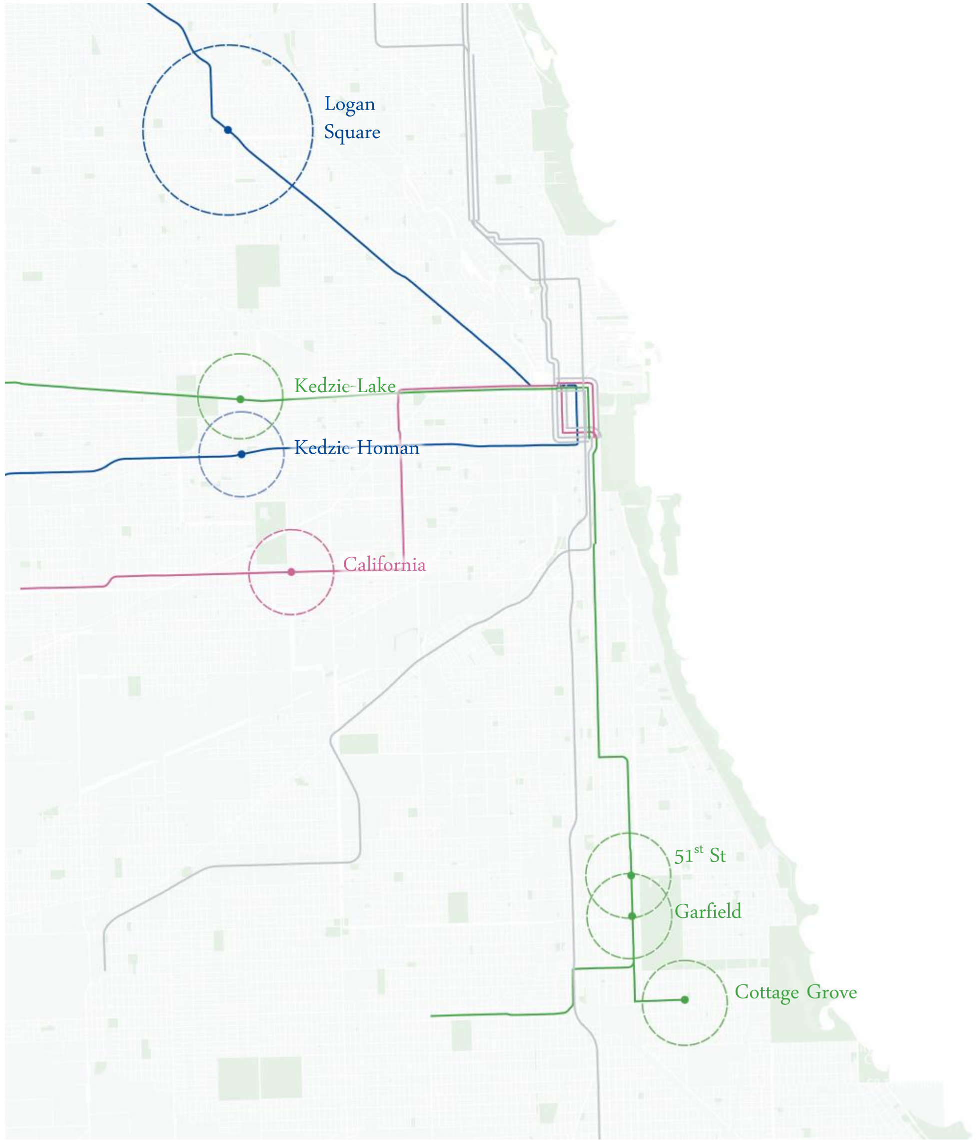
1. Overview

Overview of Communities

Analysis areas consist of ½ mile buffers around 7 CTA stations located on Chicago's northwest, west and south sides [1]. These areas (eHubs) were grouped into the following four communities:

eHub	Community
Blue Line – Logan Square	Blue Line – Logan Square
Green Line – Kedzie-Lake	Kedzie Corridor
Blue Line – Kedzie-Homan	Kedzie Corridor
Pink Line – California	Pink Line – California
Green Line – 51st Street	Green Line South Corridor
Green Line – Garfield	Green Line South Corridor
Green Line – Cottage Grove	Green Line South Corridor

[1] A 1-mile buffer was used for the Logan Square station.



Source: Cook County; CTA; Esri; SB Friedman

2. Strategies for Community Control and Affordability Preservation

2. Strategies for Community Control and Affordability Preservation

Inclusionary Zoning (IZ)

IZ programs link the production of affordable housing to private market-rate residential development through mandatory or voluntary inclusion of units affordable to low- and moderate-income households. In exchange, developers generally receive offsetting benefits, such as density bonuses, zoning variances, financial incentives or expedited permitting.

Types of Projects: single and multi-family housing, homeownership, rental

Legal Mechanism: adopt ordinance at the city or county level

Governance: typically administered by a municipality

Opportunities

In markets with strong residential development and rents, IZ can provide **affordability protections**:

- Leverage private residential development to expand the supply of affordable housing
- Potential to evaluate ARO pilot programs in gentrifying areas and consider making permanent

Challenges

Community Dynamics

- Limited efficacy in communities with little residential development

Reliance on Private Market

- IZ can impact financial feasibility of development
- Programs must be carefully calibrated to avoid halting development

2. Strategies for Community Control and Affordability Preservation

Affordable Requirements Ordinance (ARO)

The City of Chicago adopted the Affordable Requirements Ordinance (ARO) in 2003. The program has been amended twice since its inception, and currently requires residential developments that receive financial assistance or involve City-owned land to provide affordable housing units or pay in-lieu fees. In 2017, two 3-year pilot programs in gentrifying areas were created.

Year Founded: 2003

Geography: Chicago, IL

Governance: City of Chicago Planning and Development Department

Type of Development: Homeownership, rental

Projects: 330+ affordable rental units

Total units committed [1]: **596 units**
Total rental units produced [2]: **330+ rental units**
Income affordability:

- For-sale units: **< 100% of AMI**
- Rental units: **< 60% of AMI**

[1] Total ARO units committed (whose projects have received a permit) from 2007 to 2018 Q1. Sourced from City of Chicago presentation on June 27, 2018 regarding Chicago's Five-Year Housing Plan.
[2] Total rental units produced by ARO program according to City of Chicago Department of Planning and Development Affordable Rental Resource List, downloaded on 7/20/18.

2. Strategies for Community Control and Affordability Preservation

Affordable Requirement Ordinance (ARO)

Following a 2015 amendment, compliance requirements for the ARO program vary by designated zones. Elevated Chicago communities fall within Higher Income and Low-Moderate Income zones.

ARO Triggers

Developments with **10+ residential units** are subject to the ARO if they meet any of the following criteria:

- Involve City-owned land
- Receive financial assistance from the City
- Are granted a zoning change [1]
- Are planned developments within the downtown area

[1] A zoning change may be granted to allow for increased density or a residential use not previously allowed.

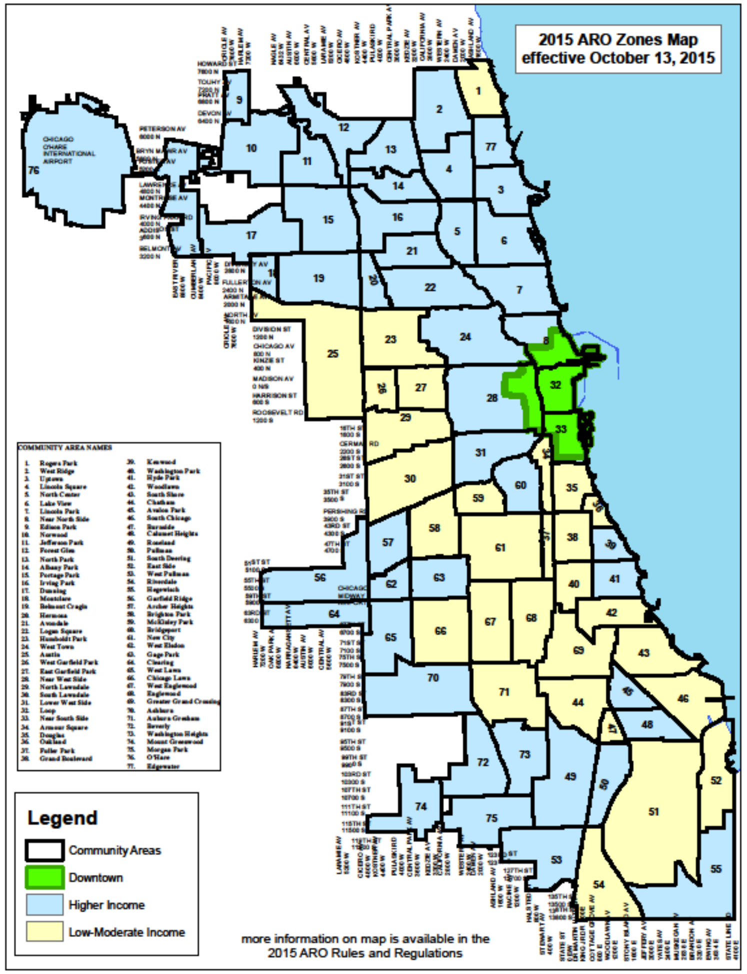
ARO Zones for Communities

Higher Income

- Blue Line - Logan Square

Low-Moderate Income

- Kedzie Corridor
- Pink Line – California
- Green Line – South



ARO Zones by community area
Source: *City of Chicago*

2. Strategies for Community Control and Affordability Preservation

Affordable Requirement Ordinance (ARO)

To comply with the ARO, developers must meet requirements regarding affordability percentages, on-site units, and in-lieu fees. Two Elevated Chicago communities fall within the ARO pilot programs, which require developers to provide a greater percentage of affordable units and remove the option of in-lieu payments.

ARO Program Requirements	ARO Zone			ARO Pilot Areas	
	Low-Moderate Income	Higher Income	Downtown	Milwaukee Corridor [1]	Near North/ Near West [2]
Percent of Units that must be Affordable	10% [3]	10% [3]	10% [3]	On-site units [3]: 15% Off-site units, within pilot area: 20%	Near North: 20% Near West: 15%
On-site Construction	25% required on-site	25% required on-site [4]	25% required on-site [5]		First 10% required on-site or within 2 miles in pilot area
Fee In-lieu	$50,000	$125,000	$175,000	No fee in-lieu option	No fee in-lieu option
Income Affordability	Rental: priced at 60% AMI For sale: priced at 100% AMI; can be sold to 120% AMI	Rental: priced at 60% AMI For sale: priced at 100% AMI; can be sold to 120% AMI	Rental: priced at 60% AMI For sale: priced at 100% AMI; can be sold to 120% AMI	Rental: priced at 60% AMI; can be leased to 80% of AMI	

[1] Blue Line – Logan Square community falls within the Milwaukee Corridor Pilot Area.
[2] Kedzie Corridor community falls within the Near North Pilot Area.
[3] Affordability percentage is 20% if the project receives financial assistance.
[4] Developers in Higher Income areas have an option to build units off-site.
[5] Developers in Downtown areas have an option to build units off-site, or pay a $225,000 in –lieu fee per required unit.

Source: *City of Chicago Department Planning and Development*

2. Strategies for Community Control and Affordability Preservation

Affordable Requirement Ordinance (ARO)

Developers subject to the ARO have two methods of compliance: construction of units and/or payment of in-lieu fees. Rental units generated by the ARO to date are primarily located in Higher Income zones on the north side of the City.

Outcomes

- Approx. **600 units** have been committed as a result of the ARO [1]
- Current ARO requirements are projected to generate **1,200 new units** and **$90 million** over the next 5 years

Distribution of In-Lieu Fees and Units

- Fees in lieu of developing units are deposited into the Affordable Housing Opportunity Fund (AHOF)
  - 50% are contributed to the **Chicago Low Income Housing Trust Fund**
- Developers receive a **$25,000 in-lieu fee reduction** if they sell or lease units to the Chicago Housing Authority [2]
- ARO units whose market value at least $25,000 greater than the affordable price are included in the Chicago Community Land Trust (CCLT)
- Rental units are monitored by the City of Chicago's Department of Planning and Development

[1] Total ARO units committed is sourced from City of Chicago presentation on June 27, 2018 regarding Chicago's Five-Year Housing Plan.
[1] In-lieu fee reduction option is only available for developments located in Higher Income and Downtown zones.

Location of ARO Rental Units

Affordable housing units produced under the ARO are located in the following community areas that coincide with communities:

Blue Line – Logan Square
- Logan Square: 61

Kedzie Corridor
- East Garfield Park: 0

Pink Line – California
- North Lawndale: 0
- South Lawndale: 0

Green Line South
- Grand Boulevard: 0
- Washington Park: 0
- Woodlawn: 0

Source: *City of Chicago Department Planning and Development, Affordable Rental Housing Resource List, downloaded on 7/20/18.*

2. Strategies for Community Control and Affordability Preservation

Deed Restricted Housing (DRH)

Deed restrictions are often included for affordable housing units receiving public subsidies to enhance affordability for homebuyers. New homeowners execute a deed covenant stipulating that the home will be sold to a low-income household in the future under an established formula or evaluation. In some cases, use and resale restrictions are instead appended to a homeowner's mortgage. DRHs are often the result of inclusionary mandates and affordable housing incentives.

Types of Projects: single and multi-family housing, homeownership, rental

Legal Mechanism: deed covenant, in accordance with state-enabling legislation

Governance: implemented by local governments or non-profits; enforcement can be overseen by a non-profit or a public agency

Opportunities

In growing communities, DRH can provide **affordability protections**:

- Leverage new residential construction to increase supply of DRH through inclusionary zoning and incentives

Challenges

Potential Limited Permanence

- Restrictive covenants often lapse after a specified period of time

Shared Equity Tradeoff

- Offer homeowners a limited return on investment

Organizational Capacity

- May need to partner with nonprofit or public agency to ensure restriction enforcement

2. Strategies for Community Control and Affordability Preservation

Community Land Trust (CLT)

CLTs acquire land for community use and maintain permanent ownership of the land. Residents purchase and own the building and enter into a long-term (usually 99-year) lease with the CLT. By separating the ownership of land and housing, CLTs provide low- and moderate-income households with an opportunity to build equity through homeownership.

CLTs employ resale formulas to give homeowners a moderate return on their investment and maintain affordable pricing for future homeowners. CLTs can also lease multifamily or commercial properties, in which tenants/leaseholders are subject to the same resale restrictions.

Proud Ground home in North Portland, OR
Source: *Solving the Affordable Homeownership Gap (2016)*

Types of Projects: single and multi-family housing, homeownership, rental, commercial properties

Legal Mechanism: ground lease or deed covenant, in accordance with state-enabling legislation

Governance: elected Board of Directors, comprised of leaseholders and/or residents, community residents, and representatives of broader public interest

2. Strategies for Community Control and Affordability Preservation

Community Land Trust (CLT)

Opportunities

In growing communities, CLTs can provide **affordability protections**:

- Limit rising homeownership costs
- Guarantee housing remains affordable for future residents
- Provide low- and moderate-income residents with the opportunity to build equity through homeownership

In disinvested communities, CLTs can build **community control**:

- Reduce absentee ownership and deterioration
- Sustain owner-occupancy
- Provide flexible community development options

Challenges

Community Dynamics

- CLT will compete with market-rate buyers to purchase land in strong housing markets
- Land acquisition may be difficult in communities with few publicly-owned properties

Shared Equity Tradeoff

- Homeowners receive a limited return on investment
  - e.g., 25% of market appreciation

Organizational Capacity

- Require significant financial and technical assistance
- May need to partner with other community organizations, and nonprofit and commercial developers to acquire and develop/rehabilitate properties

2. Strategies for Community Control and Affordability Preservation

Chicago Community Land Trust

The Chicago Community Land Trust (CCLT) was created in 2006 to preserve the long-term affordability of homeownership units created through the City of Chicago's affordable housing programs, including the Affordable Requirement Ordinance (ARO). CCLT utilizes deed covenants to preserve the affordability of for-sale units.

Year Founded: 2006

Geography: City of Chicago, IL

Entity: Non-profit corporation, quasi-governmental entity

Type of Development: Homeownership

Governance:

- 18-member Board of Directors, appointed by the Mayor with consent of Chicago City Council
- Administration and staff – Chicago Department of Planning and Development

Projects: 69+ homeownership units

Income affordability [1]: 120% of AMI

[1] For units subject to program requirements prior to the 2015 ARO amendment, income affordability is 100% of AMI.

2. Strategies for Community Control and Affordability Preservation

Chicago Community Land Trust

CCLT was granted the ability to acquire, develop, and transfer land in order to preserve the supply of affordable homeownership units. However, due to budgetary constraints, CCLT has never acquired or developed housing units, but has focused on employing deed covenants to ensure the affordability of units for a certain time period. The price control period was shortened through the 2015 amendment to the City's Affordable Requirements Ordinance.

Operations

- In 2015, operational revenues were approx. **$290,000**
  - Primarily funded through a City of Chicago grant
- In 2015, operational costs were approx. **$280,000**
- **2 employees** - Department of Planning and Development

Methods for Acquisition

Units managed by CCLT are developed through the City's affordable housing programs:

- Downtown Affordable Housing Zoning Bonus
- Affordable Requirements Ordinance (ARO)
  - ARO units are placed in the CCLT if the affordable price is at least **$25,000 below market value**

Source: *Report of the Office of Inspector General: Affordable Requirements Ordinance Administration Audit (2017)*

Resale Restrictions following 2015 ARO amendment

- Units must be resold to another **income-qualified buyer** [1]
  - Minimum income: Housing payments < 38% of income
  - Maximum income: 120% of AMI
- Units must be resold for less than the **maximum resale price**, which is the lower of:
  - Current fair market value
  - Amount affordable to households earning 120% of AMI
  - Original price + share of appreciation (ranges from 12-25%)
- Deed restrictions at **not renewed** after each resale [2]
- Deed restrictions expire after a **30-year period** [3]

[1] CCLT has the right of first refusal to repurchase units, but budgetary constraints have prevented CCLT from ever exercising this right.
[2] Prior the 2015 ARO amendment, deed restrictions were renewed after every resale.
[3] Prior to the 2015 ARO amendment, unit affordability lasted for the duration of a 99-year deed covenant. Following the 2015 ARO amendment, the deed restriction can be removed after a 30-year period, subject to certain conditions.

2. Strategies for Community Control and Affordability Preservation

Community Land Bank (CLB)

CLBs typically acquire title to vacant, abandoned and tax delinquent properties, stabilize and potentially remediate the properties, and then transfer title to a new owner. CLBs often partner with local community and/or governmental entities and ensure that redevelopment plans are consistent with local land use goals.

Types of Projects: acquisition and transfer; single and multi-family housing, homeownership, rental, vacant lots, commercial properties

Legal Mechanism: legal authority, in accordance with state-enabling legislation

Governance: determined by state-enabling legislation

- Legal corporations – Board of Directors, typically made up of private citizens, elected officials, and local government employees

Opportunities

In disinvested communities, CLBs can build **community control**:

- Convert problem/blighted properties into productive use
- Prevent cycle of abandonment and deterioration
- Stabilize or increase property values
- Advance plans that require significant land acquisition (e.g., green infrastructure expansion, brownfield restoration program)

Challenges

Limited Permanence

- CLBs have no control over property affordability after transfer

Organizational Capacity

- CLBs are typically governmental or quasi-governmental entities
- Organizations with technical capacity and funding can acquire properties, clear titles and stabilized properties

2. Strategies for Community Control and Affordability Preservation

Cook County Land Bank Authority

The Cook County Land Bank Authority (CCLBA) was established in 2013 following the adoption of an enabling ordinance by Cook County. By returning abandoned and tax-delinquent properties to productive uses, CCLBA aims to stabilize neighborhoods and stimulate development. CCLBA administers a Tax Certificate Program throughout Cook County, with a particular emphasis on 13 focus communities.

Year Founded: 2013

Geography: Cook County, IL

Governance: 11-member Board of Directors; appointed by Cook County President and Cook County Board of Commissioners

Entity: Cook County government agency

Projects: land acquisition and transfer, demolition, rehab, lease; residential, commercial, and industrial properties

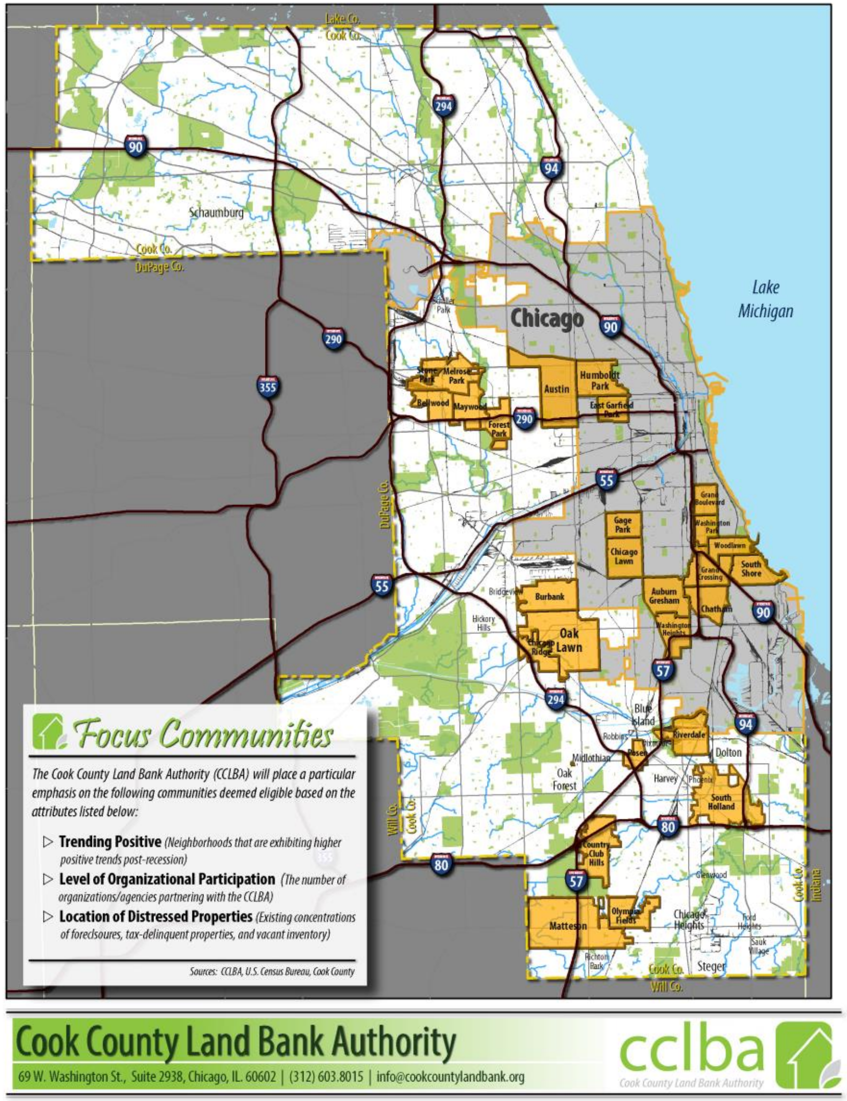
Portfolio Size [1]:

- Acquired parcels: **100+**
- Tax Certificate parcels: **4,800+**

[1] Portfolio size as of July 2018. Sourced from Cook County Land Bank Authority Interactive Property Viewer.

Communities within CCLBA Focus Communities:

- Kedzie Corridor
- Green Line South



CCLBA focus communities
Source: *Cook County Land Bank Authority*

2. Strategies for Community Control and Affordability Preservation

Cook County Land Bank Authority

The CCLBA has established transparent polices and procedures for land acquisition and disposition that prioritize neighborhood stabilization and aim to stimulate residential, commercial, and industrial development.

Sources of Operational Funding

- Grants [1]
  - Illinois Housing Development Authority (IDHA) – Hardest Hit Fund
- Revenues from transactions [2]

[1] Grants currently provide approximately 15% of operational funds.
[2] Transactional revenues provide approximately 85% of operational funds.

Operations

- **11 employees**

Sources of Land Acquisition

- Tax delinquent properties via **Cook County Scavenger Sale**
- Transfers from the State of Illinois, local governmental units, intergovernmental entities
- Market purchases
- Private donations from individuals

Priorities for Disposition

CCLBA has the following priorities for use of CCLBA properties:

- **Neighborhood revitalization** – return to productive status, land assemblage for economic development
- **Affordable housing** – preservation of long term affordability through community land trusts, non-profits, or public entities
- **Economic development** – promotes job creation
- **Conservation** – preservation and re-use of land for environmental conservation or other greening purposes

When evaluating disposition options, CCLBA considers whether the intended use of a property is **consistent with neighborhood plans**.

Properties are transferred to:

- Non-profits
- Community developers
- Faith-based organizations
- Homebuyers via Homebuyer Direct Program
- Municipalities

2. Strategies for Community Control and Affordability Preservation

Cook County Land Bank Authority

CCLBA targets revitalization efforts within 13 focus communities by acquiring tax certificates to properties located within these communities as part of the Cook County Scavenger Sale. As part of the fourth phase of its Tax Certificate Program in May 2018, CCLBA offered to sell these parcels at below-market rates to community-based partners who will utilize the properties to produce favorable neighborhood impacts.

Land Acquisition and Disposition Process – Properties Obtained via Cook County Scavenger Sale [1]

1) CCLBA purchases tax certificates [2] to properties located in 13 focus communities
2) CCLBA releases properties for acquisition
3) Interested buyers apply for acquisition
4) CCLBA enters into process to take title for properties with successful applications [3]
5) CCLBA conveys deed to the buyer [4]

[1] The Cook County Scavenger Sale is conducted every 2 years. Tax certificates for parcels whose taxes have been delinquent for 3+ years are offered to the general public for purchase. CCLBA participates through a No Cash Bid (NCB) program.
[2] A tax certificate is granted to an entity that purchases unpaid taxes on tax delinquent parcels. The certificate does not give ownership to the holder. The certificate provides the option for the holder to obtain ownership of the property.
[3] The process for CCLBA to take title to a property can take up to 9 months.
[4] The process for CCLBA to convey a deed to a buyer following a successful application takes an average of 7.5 months.

Outcomes - Tax Certificate Program

CCLBA participated in the Cook County Scavenger Sale in 2015 and 2017. It has released parcels for acquisition in multiple phases. The program has allowed CCLBA to:

- Obtain a total of approx. **17,300 tax certificates**
- Offer a total of **8,500 parcels**
- Sell **2,300 properties** for reuse
- Allow **$4.3 million** in tax dollars to be collected

2. Strategies for Community Control and Affordability Preservation

Cook County Land Bank Authority

CCLBA can enter into flexible land banking agreements with non-profits, developers, and community-based organizations to advance redevelopment strategies that require land acquisition and assembly.

CCLBA Land Banking Agreement Process

1) Partner entity develops site-specific redevelopment strategy
2) CCLBA strategically acquires and bank parcels in accordance with strategy
3) CCLBA removes parcels from for-sale listings and does not entertain bids for duration of land banking agreement [1]
4) CCLBA clears delinquent taxes on parcels
5) Partner entity conducts community engagement and secures project financing
6) CCLBA transfers land to partner entity
7) Partner entity executes redevelopment strategy

[1] Typically three years

Benefits to Land Banking Agreement

- Eliminates delinquent taxes on strategic parcels
- Prevents purchase of parcels by other parties, allowing partner entity to assemble site and conduct due diligence outside of market forces
- Extends period for due diligence and securing project financing

2. Strategies for Community Control and Affordability Preservation

Limited Equity Housing Cooperative (LEHC)

LEHCs are business corporations that own a multitenant development. Residents are the sole shareholders and enter into long-term proprietary leases that secure occupancy rights to their units. LEHCs employ resale restrictions on member shares to ensure share values remain affordable to low-income households over time.

Types of Projects: multi-family housing, conversion of tenant-occupied buildings [1], new building construction

Legal Mechanism: shareholder agreement, in accordance with state-enabling legislation

Governance: elected Board of Directors

[1] Conversion to an LEHC appears most feasible for: (1) government-owned and/or subsidized buildings; and (2) rental buildings whose occupants have the right of first refusal.

Financing

Housing cooperatives can obtain **blanket mortgages** to purchase or construct a development, refinance an existing loan, or fund repairs and improvements. Members can utilize **share loans** to purchase their cooperative shares. Lenders include:

- National Cooperative Bank – National lender
  - Cooperative housing loans – 3,000 loans totaling $5 billion
  - Share loans - 8,200 loans totaling $1 billion
- Chicago Community Loan fund – Chicago metro area lender
  - Housing cooperative loans
- Fannie Mae – National lender
  - Share loans
- North Star Funding – Lends in several states, including IL
  - Share loans

2. Strategies for Community Control and Affordability Preservation

Limited Equity Housing Cooperative (LEHC)

Opportunities

In growing communities, LEHCs can provide **affordability protections**:

- Allow low- and moderate-income residents who are sensitive to rent increases to remain in their apartments
- Convert large, multi-unit buildings (likely to qualify for share loans) into LEHCs
- Convert government subsidized buildings and public housing into LEHCs
- Provide new housing options in built-out neighborhoods through conversion, instead of new development
- Members receive a return on investment while maintaining unit affordability

Challenges

Community Dynamics

- May exacerbate housing shortage options by removing available affordable rental housing from local rental market
- LEHCs compete with market-rate buyers in strong housing markets, so purchase strategies may be challenged once gentrification pressures begin

Potential Limited Permanence

- In areas with high market-rate housing demands, LEHCs may face pressure to convert to market-rate units, though LEHC structure typically limits financial incentives to sell

Type of Development

- Requires significant collective participation
- Share loans often have specific minimum building requirements (e.g., >12-20 units)

Organizational Capacity

- Require significant collective participation by residents
- Require significant financial and technical assistance
- May need a government or non-profit sponsor, such as a CLT, to ensure LEHCs remain affordable

2. Strategies for Community Control and Affordability Preservation

Tenant Right of First Refusal (TROFR)

Tenant right of first refusal laws provide tenants or tenant associations with the right to purchase rental units or buildings before an owner sells the building on the open market. Owners are required to give residents advanced notification of their intent to sell, and residents enter into a process to identify partners, secure capital, and assemble a purchase offer. Some laws allow residents to assign their right of first refusal to other entities, such as nonprofits or affordable housing providers, that assist residents in forming a LEHC or maintain the property as affordable rental housing.

Types of Projects: rental, single and multi-family housing, manufactured housing parks

Legal Mechanism: enabling legislation at the state level

Governance: administered by municipal departments

Opportunities

TROFRs can provide **affordability protections** and **community control**:

- Allow low- and moderate-income tenants to avoid displacement due to rental conversion
- Convert multi-unit buildings into LEHCs
- Preserve rental housing options in built-out neighborhoods

Challenges

Community Dynamics

- Tenants/tenant associations compete with market-rate buyers in strong housing markets, so purchase strategies may be challenged once gentrification pressures begin

Organizational Capacity

- Require significant financial and technical assistance
- Require significant collective participation by tenants
- May need to partner with a non-profit sponsor or affordable housing developer to convert to LEHC or maintain rental housing

2. Strategies for Community Control and Affordability Preservation

Solar Credit Trading

Illinois has a Solar Renewable Energy Certificates (SREC) market, wherein electricity suppliers are required to secure a portion of their electricity from solar generators to meet the state's Renewable Portfolio Standard (RPS). Community solar projects can be issued SRECs based on the units of electricity created.

The Illinois Power Agency (IPA) developed a Long-Term Renewable Resources Procurement Plan, which was approved April 2018 and aims to stimulate new investments in renewable energy. The Illinois Solar For All Program (ISFA), which is currently under development, aims to expand access to solar energy and increases job opportunities for low-income communities, and thus may have favorable implications for community solar projects implemented in Elevated Chicago community areas.

Resources:

- Long-Term Renewable Resources Procurement Plan (LTRRPP), December 2017
  - Includes Illinois Solar for All Program (ISFA) overview
- Illinois Solar Energy Association's (ISEA) webinar on Illinois Solar for All, April 2018
- Illinois Power Agency REC prices, June 2018

2. Strategies for Community Control and Affordability Preservation

Solar Credit Trading

Opportunities

Solar credit trading programs in Illinois can build **community control**:

- Incentivize development of community solar projects
- Provide energy cost reductions to new communities
- Provide SREC payments to hosts of community solar projects
- Provide opportunity for workforce development to support installation of community solar projects

Challenges

Organizational Capacity

- Require significant capacity to understand program requirements
- Require significant financial and technical assistance to implement community solar projects
- May need to partner with developers, non-profits, community organizations, anchor institutions, business owners to plan, install, and manage community solar projects

2. Strategies for Community Control and Affordability Preservation

Impact Investing

Philanthropic foundations and anchor institutions typically utilize diverse investment portfolios to generate funds needed to pursue their missions. Entities that engage in impact investing can allocate a portion of their investment funds towards community-based organization or projects that generate positive social outcomes, including job creation and economic redevelopment, in addition to financial returns.

Key Approaches

Mission-Related Investments

- Employed by foundations and anchor institutions
- Program-related investments (PRIs) build wealth in low-income communities by supporting Community Development Corporations (CDCs) and Community Development Finance Institutions (CDFIs)
- Investments can be made in for-profit business that generate positive financial and social returns

Community Financing

- Employed by for-profit enterprises and non-profit corporations
- Offer investment opportunities to community members via established crowdfunding tools (e.g. direct public offerings (DPOs) to community members)

2. Strategies for Community Control and Affordability Preservation

Impact Investing

Opportunities

Impact investments can build **community control**:

- Provide opportunity to collaborate with philanthropic foundations and anchor institutions to align investment deployment with community goals
- Provide opportunity for community engagement in approval process for deployment of impact investment funds
- Positive rate of return allow funds to be re-invested in future community-focused projects
- Community financing can provide direct financial returns to local investors

Challenges

Organizational Capacity

- Require significant effort and capacity to engage philanthropic foundations and anchor institutions and advocate for creation of impact investment
- May need to partner with other community-based organizations to advocate for strategic and targeted investments
- Community financing requires organizational support and financing entity to manage and structure investments

Financing Structure

- Requires relationships with local developers willing to accept an equity partner in deal
- Foundations may seek or require return of capital before other equity partners/developer, potentially challenging structure of deal

2. Strategies for Community Control and Affordability Preservation

Neighborhood Opportunity Fund

NOF is a grant program run by the City of Chicago that uses funds generated by development fees on downtown projects to finance commercial and cultural projects on Chicago's South, Southwest, and West Sides. NOF grants reimburse applicants for costs related to new construction or the rehabilitation of existing buildings. In 2017, approximately $3.2 million in NOF funding was deployed to 32 grantees. As of May 2018, NOF has collected $25 million.

Types of Projects: new construction, rehabilitation, commercial spaces and cultural establishments, located in NOF-eligible corridors

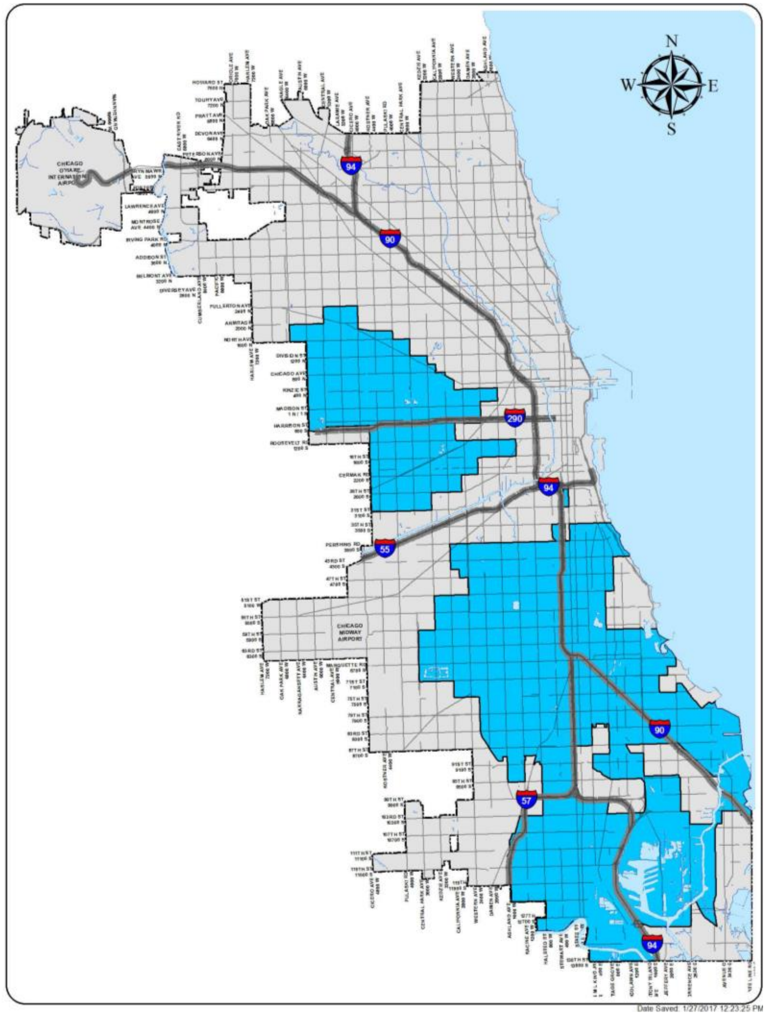
Legal Mechanism: City of Chicago adopted the Neighborhood Opportunity Bonus ordinance (amendment to Zoning Code) in 2016, which allocates developer payments to NOF

Governance: administered by the City of Chicago

Eligible Communities [1]:

- Kedzie Corridor
- Pink Line-California
- Green Line South

[1] Eligible projects are located within or adjacent to NOF-eligible corridors.



NOF Investment Areas
Source: *City of Chicago*

2. Strategies for Community Control and Affordability Preservation

Neighborhood Opportunity Fund

Grant Requirements

Type of Projects

- Commercial and cultural projects [1]
- E.g., grocery stores, restaurants, retail, theaters, music venues, art galleries, community centers

Project Location

- NOF-eligible commercial corridors

Project Costs Eligible for Reimbursement

- New construction: Up to 30% of total project costs
- Rehabilitation: Up to 50% of total project costs
- E.g., land acquisition and assembly, building acquisition, building demolition, environmental remediation, architectural and engineering fees, financing fees

[1] Commercial projects are defined as those that engage in the sale of commercial goods and services. Cultural projects are defined as those that provide cultural experiences to the general public.

Opportunities

In disinvested and growing communities, NOF can build **community control**:

- Fund project costs for commercial projects and cultural establishments that advance community goals and provide needed services

Challenges

Grant Limitations

- NOF grants cannot be applied towards residential units or the residential portion of a mixed-use building
- NOF grants cannot be applied towards repairs or improvements that are required to bring a building into compliance with the City of Chicago's Building Code

2. Strategies for Community Control and Affordability Preservation

Opportunity Investment Fund

OIF is a pilot program developed by the Community Investment Corporation (CIC) that preserves affordable housing units in strong markets. OIF funds provide low-cost mezzanine debt to developers who purchase and rehabilitate rental buildings in strong markets. In return, developers maintain 20% of units at affordable rents for at least 15 years. OIF identifies target community areas and census tracts for project eligibility. As July 2018, OIF totals $30 million. Financial supporters include the City of Chicago, the Capital Magnate Fund, and the JP Morgan Chase Foundation.

Types of Projects: purchase of existing, naturally occurring affordable rental housing in OIF-targeted community areas

Governance: administered by the Community Investment Corporation

Eligible Communities:

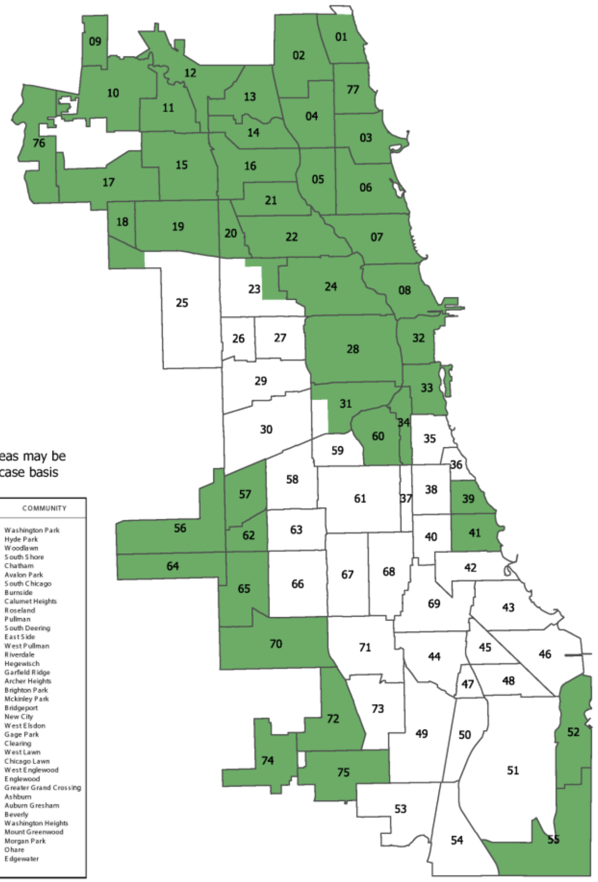
- Blue Line – Logan Square [1]
- Pink Line – California [2]
- Green South Line [2]

[1] Community is located within an OIF-targeted community area.

[2] Communities are adjacent to or partially located within OIF-targeted community areas. Projects located within eHubs may be eligible.

Opportunity Investment Fund

Target Community Areas and Census Tracts



Deals outside of these areas may be considered on a case-by-case basis

AREA #	COMMUNITY	AREA #	COMMUNITY
1	Rogers Park	40	Washington Park
2	West Ridge	41	Hyde Park
3	Uptown	42	Woodlawn
4	Lincoln Square	43	South Shore
5	North Center	44	Chatham
6	Lake View	45	Avalon Park
7	Lincoln Park	46	South Chicago
8	Near North Side	47	Burnside
9	Edison Park	48	Calumet Heights
10	Norwood Park	49	Roseland
11	Jefferson Park	50	Pullman
12	Forest Glen	51	South Deering
13	North Park	52	East Side
14	Albany Park	53	West Pullman
15	Portage Park	54	Riverdale
16	Irving Park	55	Hegewisch
17	Dunning	56	Garfield Ridge
18	Montclare	57	Archer Heights
19	Belmont Cragin	58	Brighton Park
20	Hermosa	59	Mckinley Park
21	Avondale	60	Bridgeport
22	Logan Square	61	New City
23	Humboldt Park	62	West Elsdon
24	West Town	63	Gage Park
25	Austin	64	Clearing
26	West Garfield Park	65	West Lawn
27	East Garfield Park	66	Chicago Lawn
28	Near West Side	67	West Englewood
29	North Lawndale	68	Englewood
30	South Lawndale	69	Greater Grand Crossing
31	Lower West Side	70	Ashburn
32	Loop	71	Auburn Gresham
33	Near South Side	72	Beverly
34	Armour Square	73	Washington Heights
35	Douglas	74	Mount Greenwood
36	Oakland	75	Morgan Park
37	Fuller Park	76	Ohare
38	Grand Boulevard	77	Edgewater
39	Kenwood		

OIF target community areas
Source: *Community Investment Corporation*

2. Strategies for Community Control and Affordability Preservation

Opportunity Investment Fund

Opportunities

OIF funds can provide **affordability protections** and build **community control**:

- Guarantee naturally-occurring affordable rental housing remains affordable for a particular period of time
- Can partner with Chicago Housing Authority to encourage building owners to enter into Housing Choice Voucher and project-based voucher contracts
- Allow mission-based non-profit developers to compete with private developers in strong housing markets

Challenges

Fund Limitations

- OIF funds cannot be used for the purchase of existing homeownership units
- Pilot program would need to be expanded to additional geographies in the future
- Affordability provisions are not permanent

3. Key Issues and Strategies by eHub

3. Key Issues and Strategies by eHub

Key Issues and Opportunities by eHub

eHub	Concentration of Vacant Land	Potential for Green Infrastructure	Limited Availability of Public Funding	Overall Conclusions
Blue Line – Logan Square	▪ Limited vacant land, almost none of which is publicly-owned	▪ Limited green infrastructure opportunities: Logan Square Park, Palmer Square Park, Boulevards	TIF districts overlay commercial corridors, not residential areas	▪ High development activity ▪ Limited vacant land for new construction ▪ High concentration of long-term and low-income senior homeownership ▪ Displacement vulnerability [1]
Green Line – Kedzie-Lake	▪ 80 acres (26% of land area) ▪ Majority located along W Lake St ▪ 37 acres City owned/CCLBA controlled	▪ School buildings may be suitable for solar ▪ Vacant parcels adjacent to CTA station may be suitable for stormwater infrastructure ▪ Garfield Park	Substantial fund balances in TIF districts	▪ Limited development activity ▪ High availability of affordable housing ▪ Moderate long-term and senior homeownership
Blue Line – Kedzie-Homan	▪ 76 acres (21% of land area) ▪ Majority located along W 5th Ave ▪ 33 acres City owned/CCLBA controlled	▪ School and CTA-owned buildings may be suitable for solar		▪ Relatively limited development activity ▪ Moderate availability of affordable units ▪ Moderate long-term and senior homeownership
Pink Line – California		▪ Institutional and industrial buildings may be suitable for solar ▪ Douglas Park	TIF districts overlay industrial and park areas, not residential areas	▪ Displacement vulnerability [1] ▪ Large non-residential land uses ▪ Concentrated long-term and low-income senior homeownership
Green Line – 51st Street	▪ 75 acres (17% of land area) ▪ Concentrated along commercial and CTA corridor ▪ 36 acres City-owned	▪ School buildings may be suitable for solar ▪ Vacant parcels along CTA line may be suitable for stormwater infrastructure ▪ Washington Park	Smaller geography eligible for NMTC, Opportunity Zone	▪ Displacement vulnerability [1] ▪ Lower value parcels and vacant land concentrated along Green Line ROW ▪ High availability of affordable housing ▪ Concentrated long-term homeownership
Green Line – Garfield	▪ 80 acres (15% of land area) ▪ Majority located along CTA corridor ▪ 42 acres City-owned	▪ Vacant parcels along CTA line may be suitable for stormwater infrastructure ▪ Washington Park		▪ Lower value parcels and vacant land concentrated along Green Line ROW ▪ Limited development activity ▪ High availability of affordable housing
Green Line – Cottage Grove	▪ 76 acres (22% of land area) ▪ Concentrated along commercial corridors and east of CTA station ▪ >40 acres City owned/CCLBA controlled	▪ UChicago buildings may be suitable for solar ▪ Vacant parcel cluster east of CTA station may be suitable for stormwater infrastructure		▪ High development activity ▪ Displacement vulnerability [1] ▪ High availability of affordable housing ▪ Concentrated long-term homeownership

[1] Displacement Vulnerability sourced from DePaul University Institute for Housing Studies, as presented in the Center for Neighborhood Technology's (CNT) EcoDistrict Feasibility Scan

3. Key Issues and Strategies by eHub

Strategies by eHub

eHub		Key Strategies							
		Community Land Trust	Community Land Bank	Limited Equity Housing Cooperative	Neighborhood Opportunity Fund	Opportunity Investment Fund	Renewable Energy Credit Trading	Impact Investment	Long-term Homeowner Assistance
eHub	Blue Line – Logan Square	X		X		X			X
	Green Line – Kedzie-Lake	X	X		X		X	X	
	Blue Line – Kedzie-Homan	X	X		X		X	X	
	Pink Line – California				X	X	X		X
	Green Line – 51st Street	X	X	X	X		X		X
	Green Line – Garfield	X	X	X	X		X		
	Green Line – Cottage Grove	X	X	X	X	X	X		X

3. Key Issues and Strategies by eHub

Implementation Steps and Policy Recommendations: CLTs

Leverage Units within Chicago Community Land Trust (CCLT)

1. Identify CCLT units in eHub
2. Increase public awareness of CCLT homes
    A. Conduct educational outreach to residents about CCLT homeownership opportunities
        i. e.g. income affordability, deed restrictions

Advocate for Policy Changes to Strengthen CCLT Portfolio

1. Explore options to include additional units in CCLT
2. Advocate for the extension of price control periods on CCLT units beyond 30 years
3. Advocate to establish fund for CCLT to execute land acquisition and development project
4. Evaluate value-based policy for absorption of ARO units

3. Key Issues and Strategies by eHub

Implementation Steps and Policy Recommendations: CLTs

Pursue Independent Neighborhood-Scale Community Land Trust

1. Identify high-capacity community organization to undertake CLT feasibility evaluation, planning, and program management
2. Obtain start-up assistance from national CLT leaders (e.g. Grounded Solutions Network)
    - Legal support: incorporation, documents
    - Organization: Board of Directors, membership structure
    - Operational strategy: acquisition methods, use priorities, resale restrictions
    - Funds: e.g. CLT Accelerator and Accelerator Fund
3. Determine operational strategy
    - A. Identify goals (e.g. type of development, affordability, geographic scope, etc.)
    - B. Determine entity status (e.g. non-profit, affiliate of existing organization)
    - C. Determine methods for land acquisition and development
        - Purchase market-rate land
        - Accept donations from affordable housing developers and private owners
        - Purchase properties available through the CCLBA Tax Certificate program
        - Advocate for transfers from local government entities and affordable housing programs (e.g. City of Chicago ARO)
    - D. Determine and obtain funding sources
        - Funds for acquisition, renovation, and development - Community Development Block Grant (CDBG), HOME, TIF, private lenders
        - Funds for program management – State and local housing funds, program revenues
4. Create a pipeline of potential CLT homeowners
    - A. Conduct educational outreach to potential homeowners about CLT
    - B. Conduct homebuyer education and funding assistance programs

3. Key Issues and Strategies by eHub

Implementation Steps and Policy Recommendations: LEHCs, TROFRs

Preserve Existing Housing Cooperatives

1. Identify existing housing cooperatives in eHub
2. Assess needs of existing housing cooperatives
   - Refinance existing mortgages
   - Provide loans to fund repairs and improvements
   - Ensure permanence of affordability (e.g. deed covenant, incorporation into CLT)
3. Direct housing cooperatives towards appropriate lenders [1]

Convert Rental Buildings to Housing Cooperatives

1. Identify rental buildings suitable for conversion
   - e.g. Public housing developments, HUD-regulated buildings
2. Support tenant organization to pursue conversion to housing cooperative
   A. Direct tenant organizations to appropriate lenders [1]
3. Evaluate additional strategies to ensure affordability permanence
   - E.g., restrictive covenants to ensure resale restrictions remain in place in perpetuity

Advocate for Policy Changes that Promote Development of New Housing Cooperatives

1. Advocate for adoption of tenant right of first refusal laws
2. Advocate for the creation of municipal programs that provide legal, organizational, and financial assistance to tenants and tenant organizations seeking to create housing cooperatives

[1] **Sample Housing Cooperative Lenders**

	Mortgage Loan	Share Loan
National Cooperative Bank	X	X
Chicago Community Loan Fund	X	
Fannie Mae		X
North Star Funding		X

3. Key Issues and Strategies by eHub

Implementation Steps and Policy Recommendations: Community Land Bank

Leverage Existing Cook County Land Bank Authority (CCLBA) Operations

1. Integrate redevelopment goals and priorities within local plans to ensure consideration in CCLBA disposition process
    - e.g. quality of life plans, neighborhood plans
2. Identify particular CCLBA-controlled parcels that would aid in achieving discrete community goals
3. Engage with CCLBA to understand process, timeline, and discuss goals
4. Increase public awareness of CCLBA-owned land in eHub
    A. Conduct educational outreach to homebuyers, community development organizations, and local developers
4. Increase public awareness of CCLBA-controlled land (through Tax Certificate program)
    A. Conduct educational outreach about purchase of land through CCLBA's Tax Certificate Program
    B. Engage community development organizations and mission-based developers to purchase and redevelop or reuse CCLBA land

Develop Land Banking Agreements with CCLBA to Meet Community Goals

1. Design redevelopment strategy focused around land banking agreement with CCLBA
    - E.g., land acquisition and assembly for community solar, stormwater infrastructure, housing development projects, etc.

    A. Determine program, timeline, and funding sources for land acquisition and assembly
    B. Ensure redevelopment strategy is reflective of community plans
2. Coordinate and negotiate land banking agreement with CCLBA

Collaborate with CCLBA to Strengthen Existing Programs

1. Collaborate with CCLBA to strengthen Tax Certificate program in existing focus communities
2. Work with CCLBA regarding acquisition of properties outside of focus communities
    A. Identify potential priority sites for redevelopment to be purchased through Cook County Scavenger Sale

3. Key Issues and Strategies by eHub

Implementation Steps and Policy Recommendations

Advocate for Policy Changes that Promote Production and Retention of ARO Units

1. Work with City to evaluate ARO pilot programs. If successful:
   A. Advocate for ARO pilot programs to become permanent
   B. Advocate for implementation of new ARO pilot programs in eHubs where market will support development
2. Ensure fees-in-lieu of unit production are invested locally and result in permanently affordable housing
3. Encourage partnerships between private and non-profit developers to incorporate additional affordable units in market-rate developments
4. Consider transfer of ARO units to community-based organizations for long-term management
   - e.g. community development corporations (CDCs), community CLTs

.

3. Key Issues and Strategies by eHub

Implementation Steps and Policy Recommendations

Leverage Existing Opportunity Investment Fund

1. Increase awareness of Opportunity Investment Fund
   A. Conduct educational outreach to mission-based developers about OIF funding
2. Engage mission-based developers to purchase and rehabilitate rental buildings
   A. Identify potential partner developers
   B. Evaluate options to extend affordability of rehabilitated affordable units beyond 15-year period mandated by OIF
      - e.g. deed-restrictions, incorporation into CLT, conversion to housing cooperative

Advocate for Permanence and Expansion of the Opportunity Investment Fund

1. Advocate for the OIF pilot program to become a permanent fund source
   A. Publicize projects in eHub that successfully utilized OIF
2. Advocate for the expansion of OIF target areas
3. Identify additional funding partners (public and private)
3. Evaluate whether the affordability control period can feasible be extended

Leverage Existing Neighborhood Opportunity Fund

1. Increase awareness of Neighborhood Opportunity Fund
   A. Identify and publicize NOF-funded projects in eHub
   B. Conduct educational outreach to business owners, community development organizations, and mission-based developers about NOF
2. Engage partners to acquire, construct, and/or rehab commercial development or cultural assets
   A. Identify potential partners
   B. Identify priority sites for redevelopment
   C. Evaluate options to extend affordability of newly acquired land and/or buildings
      - e.g. deed-restrictions, incorporation into CLT, conversion to housing cooperative

3. Key Issues and Strategies by eHub

Implementation Steps and Policy Recommendations

Leverage the Illinois Solar for All Program (ISFA) [1]

1. Understand incentives offered for community solar projects through ISFA once finalized
    - Sub-programs, project eligibility, project incentives, payment structure
2. Increase public awareness of ISFA
    - Conduct educational outreach to business owners and community development organizations
3. Engage partners to develop community solar projects
    A. Identify priority sites for development of community solar projects in eHub (see reference maps)
    B. Coordinate with landowners to discuss possibility of partnership (for rooftop solar) or acquisition
    C. Identify funding sources for installation
    D. Engage with high-capacity partner(s) to undertake community solar project feasibility, planning, and management

[1] ISFA is still under development. It is part of the Illinois Power Agency's a Long-Term Renewable Resources Procurement Plan, which was approved in April 2018.

3. Key Issues and Strategies by eHub

Implementation Steps and Policy Recommendations

Collaborate with Organizations to Allocate Investment Funds Towards Impact Investment

1. Identify community-based foundations/institutions with investment portfolios
   - Anchor institutions (e.g. hospitals, universities)
   - Philanthropic foundations
2. Increase awareness of impact investment
   A. Conduct educational outreach to potential partner organizations
3. Engage partners to develop impact investment funds
   A. Design and create impact investment fund
      i. Determine size of fund
      ii. Determine priorities for fund disposition
         - Desired social outcomes (e.g. job creation, local hiring, provision of community services, development in priority area)
         - Minimum return on investment
         - Investment risk
      iii. Establish approval procedure for fund disposition (e.g. board approval, approval by community members)
      iv. Identify and evaluate potential fund recipients in eHub
         - For-profit enterprises
         - Community Development Finance Institutions (CDFIs)
         - Community Development Corporations (CDCs)
      v. Deploy impact investments
      vi. Evaluate impact investments according to desired social outcomes

3. Key Issues and Strategies by eHub

Implementation Steps and Policy Recommendations

Conduct Outreach to Long-Term Homeowners

1. Identify long-term homeowners in eHub
2. Assess needs of existing homeowners
    - Home repair or improvement
    - Financial assistance for property taxes
    - Mortgage refinancing
    - Foreclosure intervention
3. Identify homeowner assistance programs that can meet homeowners' needs
4. Direct homeowners toward relevant homeowner resources
    - City of Chicago Neighborhood Improvement Program
    - Neighborhood Housing Services of Chicago (NHS Chicago) [1]

Evaluate Eligibility of Homeowner Assistance Programs for Federal Funds

1. Identify high-impact homeowner assistance programs in eHubs
2. Evaluate suitability of federal funding sources
    A. Community Development Block Grants (CDBG) – homeownership assistance, energy efficiency improvements, residential rehabilitation
    B. HOME program – housing rehabilitation, site improvements
3. Work with City to allocate federal funding sources to homeowner assistance programs

[1] NHS Chicago - Services

- Fixed-rate home improvement loans
- Refinance loans
- Foreclosure intervention counseling [1]
- Target Block Program [2] – grants for exterior home repairs
- Guidance from construction specialists

[1] Foreclosure prevention options include Home Affordable Refinance Program (HARP), Illinois Hardest Hit Fund Program, I-Refi Program, and a Loan Modification Program.
[2] Pink Line – California eHub is located in a Target Block eligible area.

4. Appendix | Case Studies

Case Study: Proud Ground
Overview

Proud Ground was founded by the City of Portland in 1999 with technical and funding assistance from the Institute of Community Economics. Proud Ground is a community land trust offering homeownership opportunities to lower-income, first-time buyers in the Portland, OR region. Proud Ground provides first-time homebuyer grants, develops affordable units and works with public and private entities to add additional homes to the CLT.

Year Founded: 1999

Geography: Clackamas, Clark, Multnomah, Lincoln and Washington Counties, OR (including Portland)

Entity: Non-profit

Type of Development: Homeownership units: SFH, TH, Condos

Governance: 14-member Board of Directors

Projects: 280+ homes under control of CLT

Proud Ground home in North Portland, OR
Source: *Solving the Affordable Homeownership Gap (2016)*

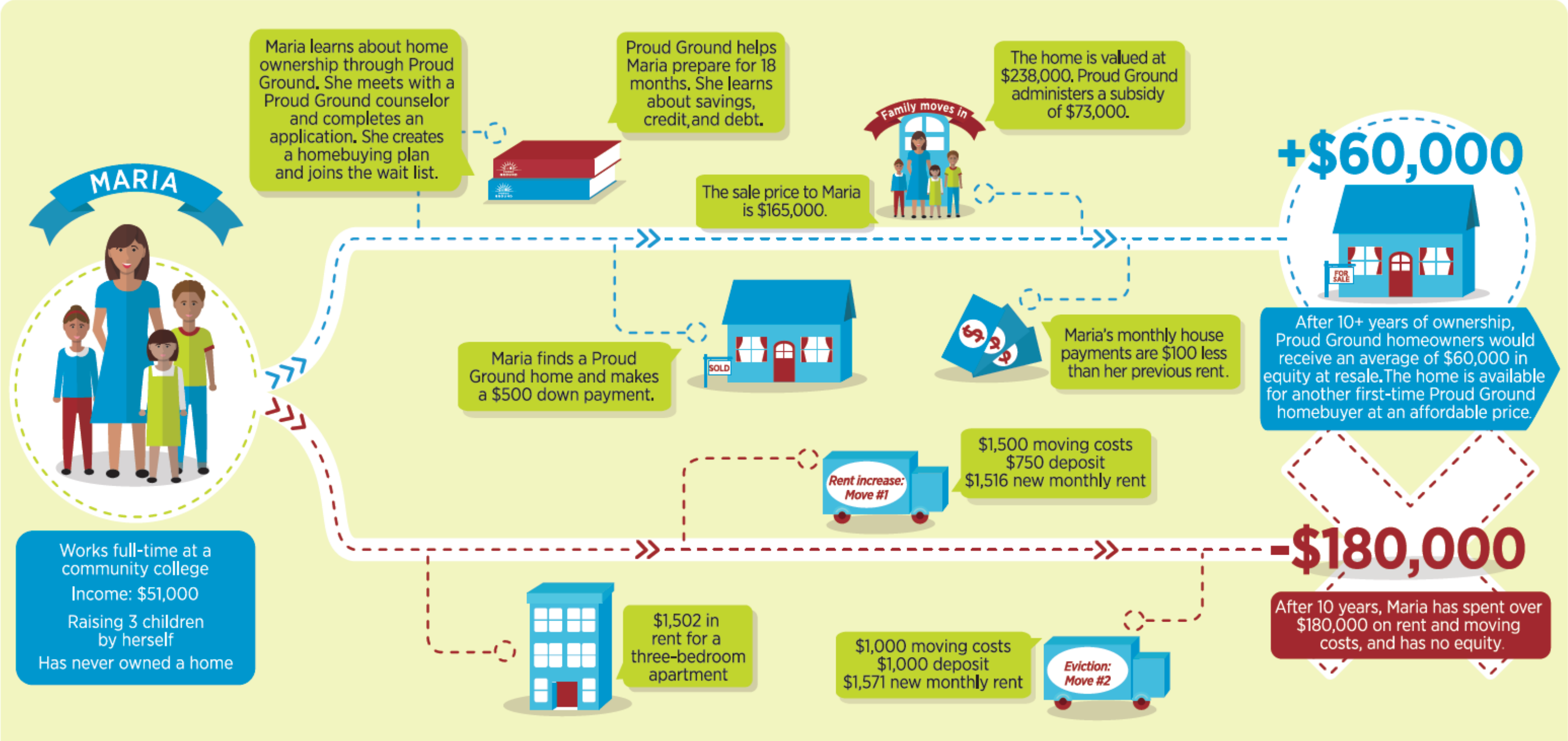
Median sales price [1]: **$152,750**
Median monthly costs [2]: **$600-1,300**

[1] Median sales price as of 2015.
[2] Median monthly payments as of 2015. Monthly payments include taxes and insurance.

Case Study: Proud Ground
Shared Appreciation Model

Proud Ground utilizes a shared appreciation model to ensure homes remain affordable over the long term, while allowing homeowners to gain equity in their homes. Proud Ground employs income eligibility requirements and resale restrictions to provide affordable homeownership options for lower-income households.

Shared Appreciation Model: Purchase of Proud Ground Home vs. Renting Apartment



Source: *Solving the Affordable Homeownership Gap (2016)*

Eligibility Requirements
- Buyers cannot earn more than 80% of AMI
- Buyers must have a household income greater than $30,000

Resale Price Restrictions
- Homeowners receive 25% of their home's appreciation

Serving Lower-Income Households
- In 2015, the median annual household income of homebuyers was 62% of AMI

Case Study: Proud Ground

Sources for Funding Operations and Portfolio Growth

Proud Ground utilizes a diverse set of federal, state, and local programs to fund its operations. It also utilizes several channels to add new homes to its portfolio.

Operations

- Operational budget is approx. **$800,000**
- 7 FTE employees

Sources of Operational Funding

Federal

- Home Investment Partnership Program (HOME)
- Community Development Block Grants (CDBG)

State

- Oregon Workforce Housing Initiative
- Oregon Housing and Community Services - LIFT

Local

- TIF
- Urban Renewal Area (URA) programs

Program

- Annual revenues from existing units
- Developer fees for new construction
- Broker fees for home sales

Methods for Acquisition

- Uses in-house capabilities to **develop housing units itself**
- Partners with **private developers** who opt in or are mandated by inclusionary zoning to provide affordable housing units
- Partners with **community organizations and non-profit developers**, including Habitat for Humanity, to include new affordable units in CLT
- Absorbs **market-rate homes** through its down payment assistance grant program, wherein approved homebuyers purchase market-rate homes that are then added to Proud Ground's portfolio
- All properties are added to CLT depending on unit type
  - Land lease
  - Deed restriction

Case Study: Champlain Housing Trust
Overview

The Champlain Housing Trust provides affordable housing in three counties in northwest Vermont through shared equity ownership, housing cooperatives, and rental programs. It was founded with financial support from the City of Burlington and continues to receive financial and policy support from several public entities.

Year Founded: 1984

Geography: Chittenden, Grand Isle, and Franklin Counties, VT

Entity: Non-profit corporation

Type of Development: Homeownership, cooperative, rental

Governance: 15-member Board of Directors

Projects:

- 570 homes in shared equity portfolio
- 6 cooperatives with a total of 123 apartments/townhomes
- 2,250 rental units

Champlain Housing Trust home in Fairfax, VT
Source: *Champlain Housing Trust*

Median sales price [1]: **$120,000**

[1] Median sales price as of 2008.

Case Study: Champlain Housing Trust

Sources for Funding Operations and Portfolio Growth

The Champlain Housing Trust has assembled and manages a portfolio of nearly 600 owner-occupied units through a combination of grants, financing, and acquisition from local, state, and federal entities.

Sources of Funding

Start-up

- City of Burlington - $20,000 seed grant

Operational Funding

Federal

- Community Development Block Grants (CDBG)
- Low Income Housing Tax Credits (LIHTC)
- Home Investment Partnership Program (HOME)
- Federal Home Loan Bank
- NeighborWorks America

State

- Vermont Housing and Conservation Trust Fund
- Vermont Housing Financing Agency

Operations [1]

- In 2017, grant revenues were approx. **16%** of total revenue ($3.4 million)
  - Operational costs - approx. **$16 million** Operational revenues - approx. **$22 million**
- 90 employees

[1] A majority of CHT's operational costs and revenues correspond to property management and rents received from rental properties.

Methods for Acquisition

- Executes development projects
- Acquisition of units from private developers through inclusionary zoning
- Partners with HUD to enable families to apply Section 8 vouchers towards mortgage payments and buy HUD's foreclosed house to rehab and sell

Evaluation metrics are based on case records for 410 units of resale-restricted, owner-occupied housing in CHT's portfolio from 1984-2008.
Source: *Lands in Trust, Homes that Last: A Performance Evaluation of the Champlain Housing Trust* (2009)

Case Study: Champlain Housing Trust

Retaining Subsidies to Expand Homeownership

Successful attraction of public subsidies and retention through resale restrictions have allowed CHT to provide affordable housing options for lower-income households over time.

Reducing Initial Sale Price

- Publicly provided assistance and mandatory concessions from private developers though the inclusionary zoning ordinance allow CHT to reduce the initial purchase price of its homes by an average of **$14,300** per unit

Retaining Subsidies to Serve Lower Income Households

- Homebuyers who purchased a CHT home through an initial sale earned an average of **69% of AMI**
- Resale controls remained in place for **97%** of owner-occupied housing developed by CHT
- Homebuyers who purchased a CHT home through a resale earned an average of **67% of AMI**

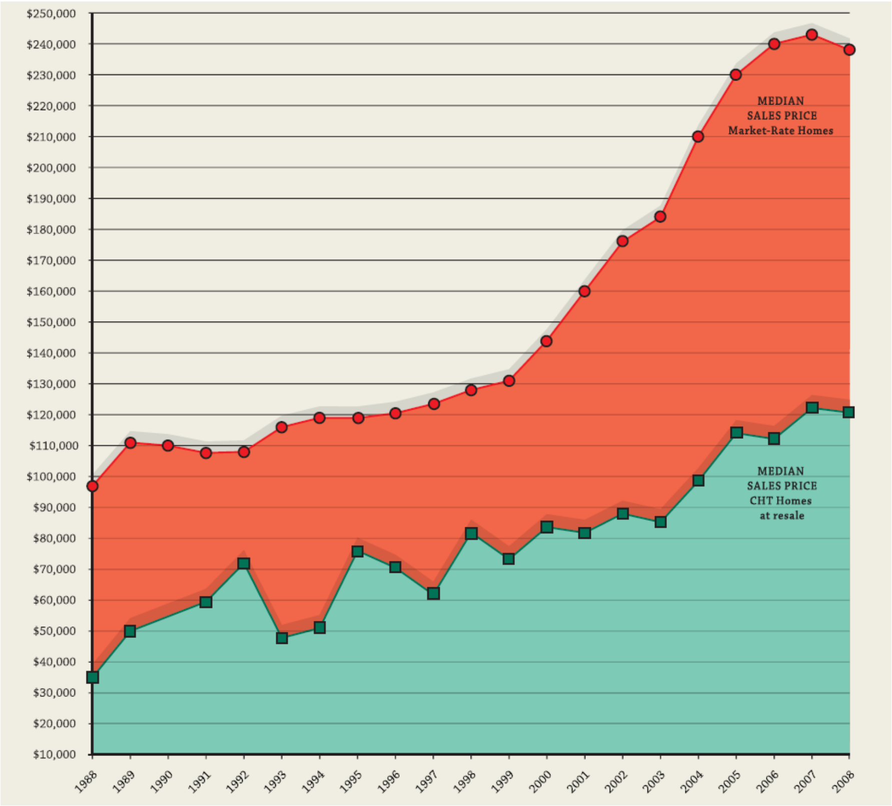
Evaluation metrics are based on case records for 410 units of resale-restricted, owner-occupied housing in CHT's portfolio from 1984-2008.
Source: *Lands in Trust, Homes that Last: A Performance Evaluation of the Champlain Housing Trust* (2009)

Case Study: Champlain Housing Trust

Preserving Affordability with Resale Price Restrictions

Champlain Housing Trust's resale restrictions have ensured that homeownership units were able to resist upward pressures on sale prices throughout the Burlington/South Burlington MSA.

Median Price of Market-Rate Sales vs. Median Price of CHT Resales, 1998-2008



Source: *Lands in Trust, Homes that Last: A Performance Evaluation of the Champlain Housing Trust* (2009)

Resale Price Restrictions

- CHT has the **right of first refusal** to re-purchase owner-occupied housing
- Homeowners receive **25%** of their home's appreciation

Alternative to Sales Price Increases

- During 1996-2006 real estate boom, the rate of increase in sales price for CHT homes was **50% less** than for comparable market-rate homes
- In 2008, the median resale price of a CHT home was approx. **$120,000 less** than the median sales price for comparable market-rate homes

Case Study: Dudley Neighbors Incorporated

Overview

Dudley Neighbors Incorporated (DNI) was established as a CLT in 1988 as part of a larger community-led initiative to maintain control and avoid displacement amid revitalization efforts in the Roxbury neighborhood in Boston. DNI utilized the power of eminent domain to acquire and assemble vacant lots for redevelopment.

Year Founded: 1988

Geography: Boston, MA

Governance: 11-member Board of Directors

Entity: Urban redevelopment corporation (121A under MA law)

Type of Development: Homeownership, cooperative, rental, open space, commercial, urban agriculture

Projects:

- 95+ homeownership units
- 75+ cooperative housing units
- 50+ rental units
- Office space
- Orchard and community garden
- Playground

Dudley Greenhouse in Roxbury neighborhood in Boston, MA
Source: *Dudley Neighbors Incorporated*

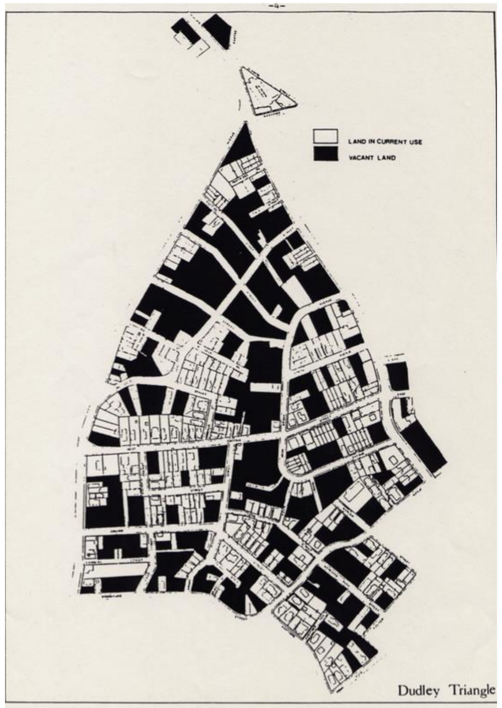
Home sale price: **$90,000-280,000**

Case Study: Dudley Neighbors Incorporated

Acquisition of Vacant Lots to Provide Community Services

As a 121A corporation approved by the Boston Redevelopment Authority, DNI is authorized to use eminent domain to acquire vacant parcels. DNI has partnered with developers and non-profits to create and lease development on DNI land that provides an array of community services and amenities, and will perpetually remain under community control.

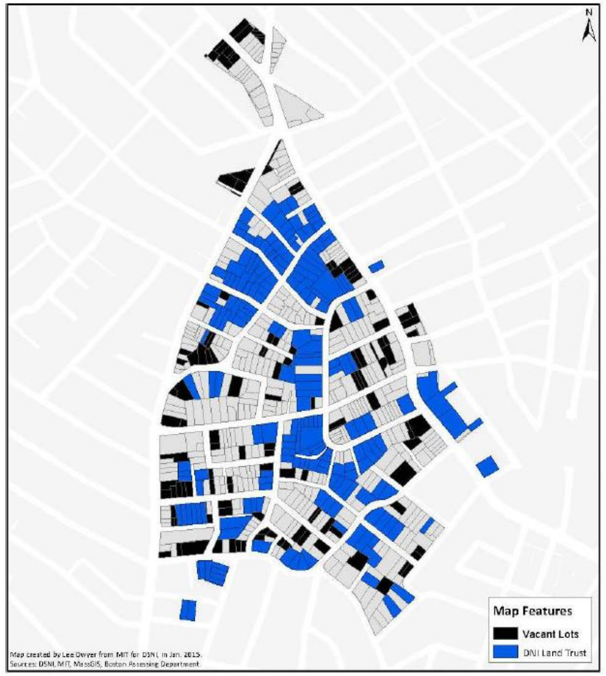
Vacant Lots in the Dudley Triangle, late 1980's



Land Acquisition

DNI has acquired **30+ acres** of formerly vacant, blighted land in the Dudley Triangle

Vacant Lots in the Dudley Triangle, 2014



Sources: *DNI; Mapping Impact: An Analysis of the Dudley Street Neighborhood Initiative Land Trust (2015)*

Conversion to Productive Uses

Affordable Housing

- Homeownership: 95+ units
- Cooperative: 75+ units, 2 buildings
- Rental: 50+ units, 2 buildings

Open Space

- Park (2004)
- Street garden (2005)
- Orchard (2005)

Commercial

- Commercial building (1994)
- 2 planned commercial buildings

Urban Agriculture

- 10,000 SF greenhouse (2005)
- 1.5-acre urban farm (2013)

Case Study: Dudley Neighbors Incorporated

Redevelopment Project Details

Affordable Housing

Dudley Village North and South (2008)

- 50 rental units
- 5,000 SF
- Development Cost: $17 million
- Developer: Dorchester Bay EDC

Stafford Heights Cooperative (1998)

- 41 units
- Developer: Nuestra Comunidad Development Corporation

Brook Avenue Cooperative (1999)

- 36 units
- Developer: Veteran Benefits Clearinghouse Development Corporation

Open Space

Dennis/Huckins Street Garden (2005)

- Development Cost: $150,000
- Developer: Dudley Neighbors Inc.

Trina Persad Park (2002)

- Development Cost: $100,000
- Developer: Dudley Neighbors Inc.

Lewis Place Orchard (2005)

- Development Cost: $150,000
- Developer: Dudley Neighbors Inc.

Urban Agriculture

Dudley Greenhouse (2005)

- 10,000 SF greenhouse
- Development Cost: $1.5 million
- Developer: Mass Highway
- Formerly abandoned automotive garage
- Leased to the Food Project

West Cottage Farm (2013)

- 1.5-acre urban farm
- Acquired from the City of Boston
- Leased to The Food Project

Case Study: Dos Pinos Housing Cooperative

Overview

Dos Pinos Housing Cooperative was constructed as part of an agreement between the City of Davis and private developers in order to satisfy lower income requirements for a larger proposed mixed-use development. The cooperative is one of the longest operating LEHCs without government subsidies in California.

Year Founded: 1985

Geography: 4 acres; Davis, CA

Governance: 7-member Board of Directors

Entity: Non-profit public benefit corporation

Type of Development: Cooperative

Projects: 60 cooperative units (1, 2, and 3 bedrooms)

Dos Pinos Housing Cooperative in Davis, CA
Source: *Dos Pinos Housing Cooperative*

Cost of member share [1]: **$21,007-35,344**
Monthly assessments [2]: **$679-1,188**
Turnover: about **2 units per year**

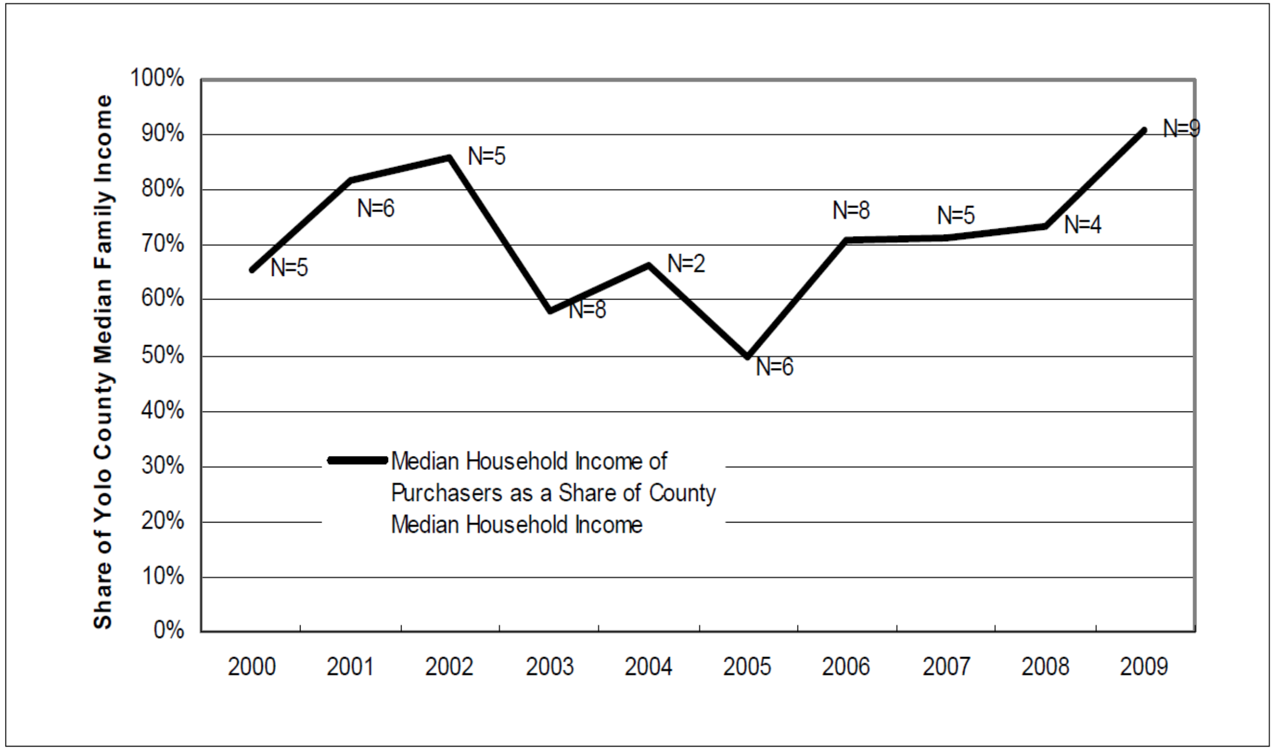
[1] Maximum value of member shares as of January 2018. Maximum share values vary according to unit sizes.
[2] Monthly assessments as of January 2018. Assessments vary according to unit sizes. Assessments include mortgage payments, ground maintenance, and payments to the management company.

Case Study: Dos Pinos Housing Cooperative

Balancing Self-Financing Operations and Affordability

Because the development does not receive ongoing subsidies, Dos Pinos Housing Cooperative requires members to meet minimum income eligibility requirements. Although the cooperative does not set maximum income limitations for its members, it has historically served lower-income households.

Median HH Income of Dos Pinos Buyers Relative to Yolo County MHI, 2000-2009



Source: *Shared Equity Homeownership Evaluation: Case Study of Dos Pinos Housing Cooperative (2010)*

Eligibility Requirements

There are **no maximum income** limits. Prospective members must earn at least **2.5x the monthly assessments**, which is equivalent to an annual income of $20,400-35,600.

Purchase of Share

Most residents purchase shares using **personal savings** or proceeds from **home sales**. Some residents bought their cooperative share through a **matched savings program** with the Federal Home Loan Bank. Under that program savings are matched 3:1 and 20% of the match is forgiven annually for 5 years

Serving Lower-Income Households

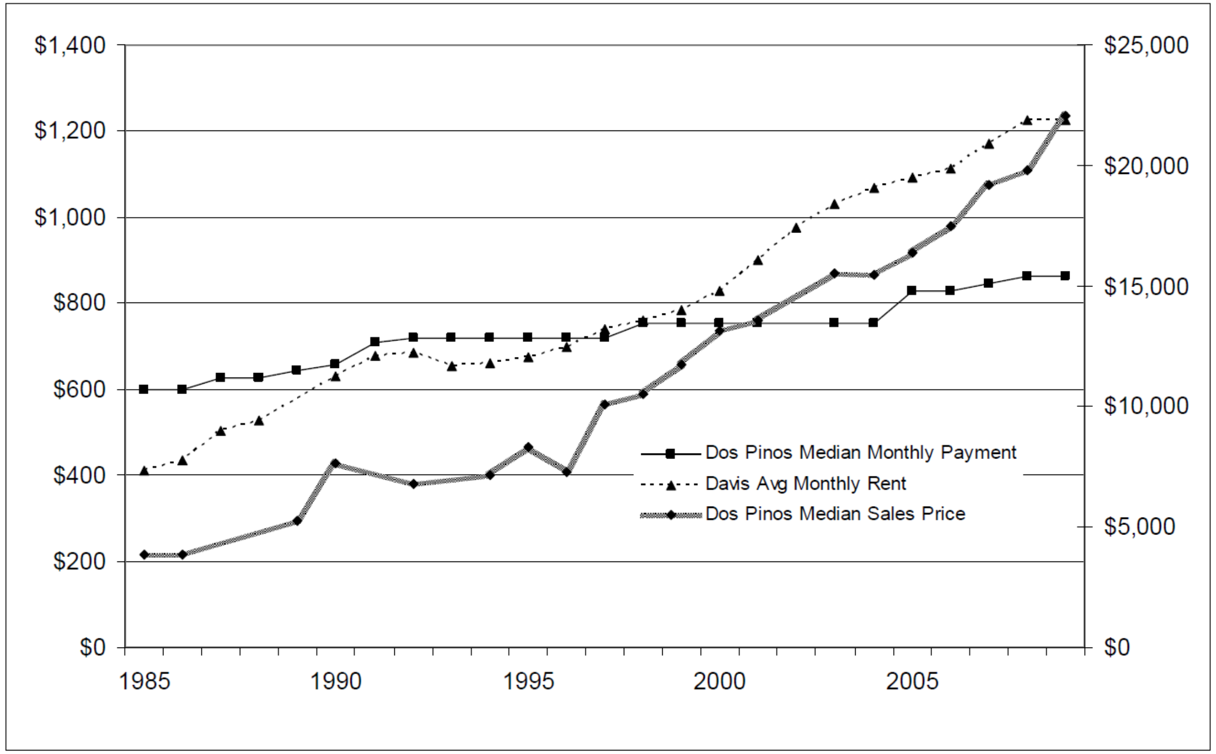
Between 2000 and 2009, members earned **50-91% of the County's AMI**.

Case Study: Dos Pinos Housing Cooperative

Maintaining Affordability

To maintain the affordability of Dos Pinos, the cooperative adopted Articles and Bylaws that place restrictions on the resale of member shares. The co-op has therefore been able to resisted upward pressures on rent.

Monthly Payments of Dos Pinos Buyers and Average Rents in City of Davis, 1985-2009



Source: *Shared Equity Homeownership Evaluation: Case Study of Dos Pinos Housing Cooperative (2010)*

Share Resale Restrictions

- Dos Pinos has the **right of first refusal** to re-purchase all shares when members seek to sell
- Individual shares cannot sold for more than the unit's **maximum transfer value** (MTV) [1]
- Annual increases in the share's value are determined by the **prime interest rate**, and cannot exceed 10%

[1] MTV is the sum of the value of the share at the time of purchase, annual increases in the share's value over the span of a member's residency, and the depreciated value of improvements.

Alternative to Rent Increases

- In 2009, monthly charges for Dos Pinos units were **$360 less** than comparable market-rate rents

Case Study: Hermitage Manor

Overview

Hermitage Manor was built in 1969 by a private developer using a federally insured below-market interest rate mortgage provided under the National Housing Act. A cooperative took title to the property in 1971 and established a restrictive covenant in 1997 to extend the affordability of Heritage Manor beyond the 40-year time period mandated by the U.S. Department of Housing and Urban Development (HUD) regulations.

Year Founded: 1971

Geography: Chicago, IL

Governance: 5-member Board of Directors

Entity: Non-profit corporation

Type of Development: Cooperative

Projects: 17 buildings with a total of 108 townhouses

Hermitage Manor units in Chicago, IL
Source: *Google Maps*

Cost of member share [1]: **$1,990-2,158**
Monthly carrying charge [2]: **$995-1,079**
Staff: **1 employee**

[1] Cost of member shares as of July 2018. Share values vary according to unit size.
[2] Monthly carrying charges as of July 2018. Monthly carrying charges vary according to unit size. Carrying charges typically increase annually by $15-$20.

Case Study: Hermitage Manor

Ensuring Permanence of Affordable Housing

To extend the affordability of Heritage Manor and guard against possible conversion to market-rate units, the cooperative established a restrictive covenant. This allows the cooperative to continue to offer a permanently affordable housing option and residential stability for lower-income households.

Eligibility Requirements

Prospective buyers must earn an annual income greater than **$20,000**

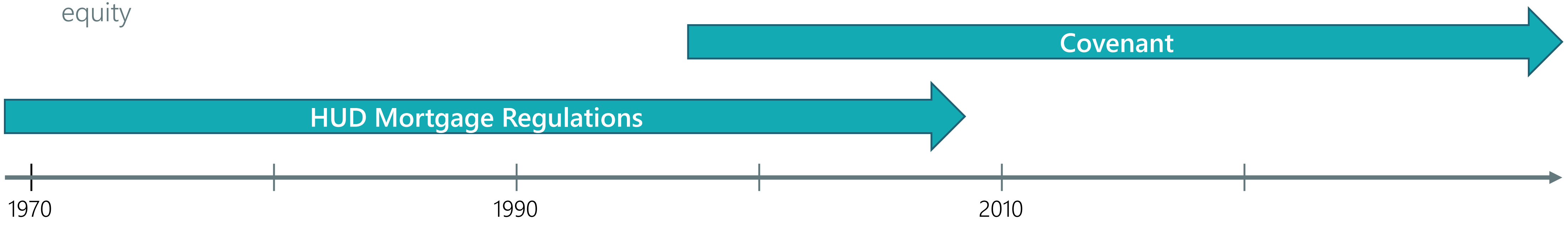
Share Resale Restrictions

- Members sell shares back to the cooperative at the current share value ($1,990-2,158 in 2018)
- Low share value removes potential barriers to entry, but does not build homeowner equity

Residential Stability for Lower-Income Households

- Majority of members earn **$24,000-46,000 annually**
- Very little turnover and few vacancies
- Majority of households have lived in Heritage Manor for **10+ years**
- Development uses project-based Section 8 vouchers for some units
- 2/3 of member votes are required to disband cooperative

Members also have an option to build **intergenerational stability**: member shares can be sold directly to family members (or friends), bypassing the cooperative's waitlist.



Case Study: Beecher Cooperative
Overview

Beecher Cooperative was formed in 1977 when tenants of a 96-unit complex organized to resist eviction by owners who wanted to convert existing rental properties to condominiums. The cooperative succeeded in buying 63 units through a limited partnership in 1979, and utilized share loans to buy out the limited partnership in 1986, thereby gaining complete ownership of those units.

Year Founded: 1979

Geography: Glover Park neighborhood, Washington DC

Governance: 7-member Board of Directors

Entity: Corporation

Type of Development: Cooperative

Projects: 6 buildings with a total of 63 apartments

Beecher Cooperative units in Washington, DC
Source: *Google Maps*

Case Study: Beecher Cooperative

Piecewise Conversion to LEHC

With the support of district and city staff, the Beecher Cooperative bought 6 buildings through a limited partnership in 1979 and entered into a lease-to-purchase agreement. The Cooperative utilized individual share loans from the National Cooperative Bank (NCB) to raise the $2.5 million needed to buy out the limited partnership and gain complete control over the buildings.

1977: Tenants Form Association

1979: Cooperative Enters Limited Partnership
Residents paid **$1,000** to buy a share in cooperative. Cooperative negotiates 7-year lease-to-purchase agreement totaling $2.5 million.

1986: Cooperative Gains Full Control
Cooperative members obtain individual share loans ranging from **$27,900-$32,000** from NCB. Monthly costs for servicing loans and carrying charges total **$575-$635**.

Case Study: Beecher Cooperative

Ensuring Permanence of Affordable Housing

To maintain the affordability of Beecher Cooperative, the cooperative adopted Articles and Bylaws that place restrictions on the resale of member shares. A super-majority vote is required to remove these price limitations. This allows the cooperative to continue to offer residential stability for lower-income households and even extend opportunities to households who wouldn't otherwise be able to afford residence at the cooperative.

Share Resale Restrictions

The resale price of individual shares cannot exceed the rate of increase in the **Consumer Price Index (CPI)**.

Residential Stability for Lower-Income Households

- Only **2-3** member shares are resold within a typical year
- **6 units** are occupied by original tenants from 1977
- **18 project-based Section 8 subsidies** are available for households earning less than **60% of AMI**

Case Study: Deed-Restricted Homes in Boulder, CO

Overview

In 2000, the City of Boulder adopted an inclusionary zoning ordinance which mandated 20% of units in new constructed residential projects be made and kept affordable. The City utilizes deed restrictions to ensure owner-occupied housing created through the City's inclusionary housing program remains permanently affordable to low-income families.

Year Founded: 2000

Geography: City of Boulder, CO

Governance: City of Boulder

Type of Development: Homeownership

Projects: 470+ units of owner-occupied housing (homes and condominiums)

Permanently affordable home in Boulder, CO
Source: *City of Boulder, Colorado*

Portfolio size [1]: **470 units**
Portfolio growth rate [2]: **50 units per year**

[1] Portfolio size as of December 2005.
[2] Portfolio growth rate as of December 2005.

Case Study: Deed-Restricted Homes in Boulder, CO

Ensuring Permanent Affordability

Before 2000, housing units set aside to meet affordable housing regulations were only required to remain affordable for 5 or 10 years. After 2000, all owner-occupied housing created through the City's inclusionary housing program have covenants and deeds which permanently place resale restrictions on those properties.

Affordable Housing Regulations, 1973-2000

New residential development on land annexed by the City was required to set aside a portion of units as affordable:

- **15%** of units would be made affordable for **moderate income** households
- Resale restrictions lasted **10 years**

OR

- **7.5%** of units would be made affordable for **low-income** households. Resale restrictions lasted **5 years**

Affordable Housing Regulation, 2000+

20% of units in any newly constructed residential project of 5+ units must be made and kept **permanently affordable** to households earning less than HUD's **low-income** limit for the Boulder MSA (<80% AMI or 100% of national median income).

Every homeownership unit contains:

1) Permanently Affordable Housing Covenant
   - Gives City the **right of first refusal**
   - Restricts the resale price wherein appreciation is the **percent change in AMI or CPI**, whichever is less (both are capped at **3.5%** a year)

2) Deed of Trust
   - Names City as mortgagee
   - Homeowners need City approval to transfer their properties

Maintaining Permanence

- As of 2005, the City oversaw **470** units of permanently affordable housing
- No homeownership units have converted to market-rate units

Case Study: Cuyahoga Land Bank

Overview

The Cuyahoga Land Bank (CLB) was formed in 2009 following Ohio state legislation which streamlined the acquisition of vacant or abandoned property and authorized an increase in delinquent taxes to serve as core operational funding for the land bank. The CLB is one of the largest land banks in the country, in terms of annual revenues and properties acquired and conveyed.

Year Founded: 2009

Geography: Cuyahoga County, OH

Governance: 9-member Board of Directors

Entity: Non-profit, quasi-governmental corporation

Projects: Land acquisition and transfer, demolition, home renovation

Cuyahoga Land Bank property in Cleveland, OH
Source: *Cuyahoga Land Bank*

Portfolio size [1]: **3,800+ properties**
Portfolio growth rate [2]: **1,200 properties per year**

[1] Portfolio size as of July 2018.
[2] Portfolio growth rate as of 2013.

Case Study: Cuyahoga Land Bank

Strategic Land Acquisition and Deployment

The Cuyahoga Land Bank acquires a majority of properties through the tax foreclosure process, and has also pioneered direct property transfers of foreclosed properties from federal mortgage entities and private national mortgage lenders. The CLB utilizes several programs to return these properties to productive use.

Sources of Land Acquisition

- CLB primarily obtains vacant and abandoned tax foreclosed properties, typically for **$1**
- Innovative partnerships with banks and HUD allow CLB obtain homes at a low cost:
  - Per a 2009 agreement, CLB can buy foreclosed homes from Fannie Mae for **$1** and receive **$3,500** towards the cost of demolition
  - Following a 2011 agreement, CLB received low-asset homes as donations from Wells Fargo and Bank of America, and received **$3,500-7,500** towards demolition
  - Following a 2010 agreement, CLB can purchase qualifying low-value HUD homes for **$100** per home or at a discount of **30-50%**

Land Acquisition and Transfer

- CLB acquires about **100** properties a month
- Following assessment, properties are dedicated towards certain uses or programs:
  - Demolition
  - Renovation
  - Vacant lot reuse
  - Purchase of homes by owner-occupiers
    - BRAIN – provides homeownership opportunities to recent college graduates
  - Side Yard Program – allows adjacent homeowners to purchase property for nominal cost

Case Study: Cuyahoga Land Bank

Funding Sources and Operations

The Cuyahoga Land Bank is funded by a variety of sources, with primary funding coming from penalties and interest on delinquent real estate taxes and assessments in Cuyahoga County. Thus, no additional tax levies are directly levied to fund the CLB's operations.

Sources of Funding

- Portion of penalties and interest that accrue on delinquent real estate taxes and assessments in Cuyahoga County (**$7-$8 million annually**)
- Grants from Cuyahoga Land Bank partners
- Sales of acquired properties

Operations

- 2016 revenues were approx. **$21 million**
- 2016 costs were approx. **$4.8 million**

Case Study: Fulton County/City of Atlanta Land Bank Authority

Overview

The Fulton County/City of Atlanta Land Bank was created in 1990 following the passage of state-enabling legislation. It was restructured in 2012 following the passage of the Georgia Land Bank Act, which increased opportunities for regional collaboration and authorized a self-financing tax mechanism for Georgia land banks. The Atlanta Land Bank is utilizing the tax recapture mechanism for the first time this year, but it anticipates it will be a limited revenue source.

Year Founded: 1990

Geography: Fulton County, GA

Governance: 6-member Board of Directors

Entity: Non-profit corporation

Projects: Land acquisition and transfer

Former Fulton County/City of Atlanta home in Atlanta, GA
Source: *Sustainable Neighborhood Development Strategies (SNDSI)*

Portfolio size: **119 properties**

Case Study: Fulton County/City of Atlanta Land Bank Authority

Limited Impact of New Financing Mechanism

Most noticeably, the 2012 Georgia Land Bank Act authorized a self-financing mechanism for Georgia land banks: an optional 5 year/75% tax recapture program. This mechanism could potentially allow land banks in Georgia to self-finance at no cost to local governmental budget. However, due to its limited inventory size and the nature of its portfolio, the Atlanta Land Bank expects the tax recapture tool will only generate minimal revenue in the near term.

Sources of Funding

- City of Atlanta General Fund
- Fulton County General Fund
- Community Development Block Grants (CDBG)
- Proceeds from land sales
- Philanthropic funds
- **5 year/75% tax recapture program**, wherein 75% of newly generated tax revenue on properties disposed by the land bank are returned to the land bank for 5 years [1]

[1] The tax recapture program is not expected to a significant source of funding. This is because the Atlanta Land Bank does not have a large portfolio and it does not dispose a high proportion of land to high tax-generating uses, such as high-density residential or commercial.

Operations

- Annual costs are approx. **$650,000**
- Annual revenues are approx. **$800,000** [2]
- 6 employees

[2] The primary sources of annual operating revenue are General Fund allocations from the City of Atlanta and Fulton County.

Methods for Acquisition and Disposition

- Primarily obtains properties through **market purchases and donations**
- Does not receive properties through the tax foreclosure process
- Transfers land to land trusts, CDCs, non-profit organizations, for-profit developers
- Does not transfer land directly to homeowners

Case Study: Genesee County Land Bank
Overview

The Genesee County Land Bank (GCLB) was created in 2004 following the passage of Michigan land banking legislation. GCLB serves communities with substantial population loss and insolvent government entities, and has amassed a large inventory of vacant, abandoned, and tax-foreclosed properties.

Year Founded: 2004

Geography: Genesee County, MI

Governance: 7-member Board of Directors

Entity: Corporation

Projects: Land acquisition and transfer, demolition, home renovation, brownfield clean-up

Genesee County Land Bank home in Flint, MI
Source: *Genesee County Land Bank*

Portfolio size [1]: **12,900 properties**
Acquisition rate [2]: **1,200 per year**

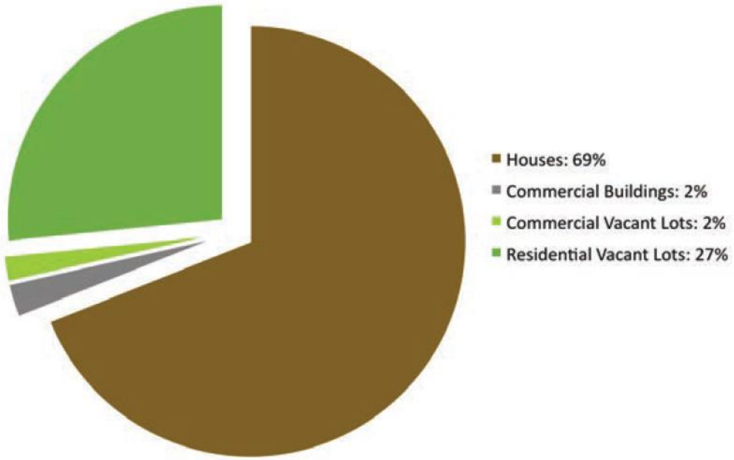
[1] Portfolio size as of September 2017.
[2] Acquisition rate as of 2016.

Case Study: Genesee County Land Bank

Repositioning Land for Residential and Commercial Uses

Genesee County Land Bank acquires a majority of tax-foreclosed properties in Genesee County, and therefore has all property types in its inventory: formerly commercial, retail, industrial and residential. GCLB aims to return these properties to productive uses and advance residential and commercial redevelopment goals.

Properties Received by Genesee Land Bank Inventory, 2004-2014



- In 2016, GLB sold **842 properties**, which generated **$3.4 million** in gross revenue

Land Acquisition

From 2004-2014, GCLB received **75%** of all tax-foreclosures in Genesee County, which totaled 14,803 properties. These included:

- 10,207 houses
- 3,935 residential vacant lots
- 373 commercial structures
- 288 commercial vacant lots

Conversion to Productive Uses

Homeownership

- From 2004-2014, GCLB sold 2,210 houses with an average sale price of $10,135
- A majority of houses (**77%**) were sold to individuals through land contracts, which increase access to affordable homeownership. The average land contract payment is **$200** a month for a 5-year term.

Commercial Redevelopment

- From 2004-2014, GCLB sold 133 commercial buildings
- Over **$70 million** was invested in redeveloping commercial properties acquired and sold by GCLB

Case Study: Genesee County Land Bank

Repositioning Land for Residential and Commercial Uses

Genesee County Land Bank prioritizes responsible ownership of vacant and improved properties in its disposition strategy.

Operations

- **$5 million** operating budget
- 30 full time employees
- 50 seasonal employees – property maintenance

[1] Residents are considered to be cost burdened if housing costs exceed 30% of their income.

Priority Transferees for Disposition

Vacant Land

- Adjacent homeowners
- Non-occupant landowners
- Non-profits and community based organizations

Improved Land

- Owner-occupants
- Proximate buyers (to avoid speculation)
- Buyers with plans consistent with community plans
- Buyers who can pay competitive sales price

Promoting Stable Homeownership

- Requires buyers to participate in homebuyer education programs
- Connects cost-burdened residents [1] and those facing medical or health hardships to social services
- Uses land contracts to sell homes back to former owners who foreclosed

[1] Residents are considered to be cost burdened if housing costs exceed 30% of their income.

Case Study: IZ in Montgomery County, MD

Overview

Montgomery County first adopted an inclusionary zoning ordinance in 1974. The program has since undergone multiple revisions, but has always been mandatory and applicable to all residential development above a certain threshold. Montgomery County currently requires 12.5-15% of units in qualifying developments to be affordable to low-income households.

Year Founded: 1974

Geography: Montgomery County, MD

Governance:

- Department of Housing and Community Affairs – administration and staff

Type of Development: Homeownership, rental

Projects: 13,000+ housing units

Moderately Priced Dwelling Unit (MPDU) in Clarksburg, MD
Source: *Montgomery County*

Total units produced [1]: **13,000+**
Income affordability [2]: **54-106% of AMI**

[1] Total units produced by program from 1976-2011.
[2] Income limits for affordability vary by household size and tenure.

Case Study: IZ in Montgomery County, MD

Utilizing Price-Control Periods to Preserve Affordable Housing

Montgomery County's inclusionary zoning (IZ) program, the Moderately Priced Dwelling Unit (MPDU) program, has produced more 13,000 affordable housing units. Most recently, the MPDU program underwent an amendment in 2005 that extended price-control periods with the goal of preserving the County's supply of affordable housing units.

MPDU Program, 1974

- **15%** of units in new developments of **50+ units** must be affordable to households that earn less than **70% of AMI** for a **5-year** period
- The Housing Opportunities Commission, the County's housing authority, could purchase or lease up to **33%** of available MPDUs
- The first MPDUs came on the market in 1976

MPDU Program, After 2005 amendment

- **12.5-15%** of units in new residential projects of **20+ units** must be affordable [1]
- Developers are granted density bonuses if development has set-aside percentage greater than minimum requirements (max. density bonus is 22%)
- Price-control periods are **99 years** for rental units and **30 years** for homeownership units, and renew if the unit is sold during the price-control period
- **40%** of MPDU's must be offered for sale to the Housing Opportunities Commission or other non-profit housing agencies to sell or lease to low-income households

[1] Income limits for affordability vary by household size and tenure. Maximum incomes range from 60-106% of AMI and 54%-106% of AMI for for-sale and rental MPDUs, respectively.

Efforts to Maintain Permanence

- From 1976-2011, the program produced **13,000+** affordable housing units
  - ~9,300 for-sale units
  - ~4,000 rental units
- By 2011, less than **one-fifth** of MPDUs (~2,300) remained under price controls

Case Study: IZ in Fairfax County, VA

Overview

Fairfax County adopted its inclusionary zoning program in 1990 following state-enabling legislation. The program currently exempts high rise development from mandatory regulations. It attempts to preserve the supply of affordable housing units produced through stringent monitoring.

Year Founded: 1990

Geography: Fairfax County, VA

Governance:

- Fairfax County Redevelopment and Housing Authority (FCRHA) – management
- Department of Housing and Community Development – staff

Type of Development: Homeownership, rental

Projects: 2,450+ housing units

Affordable Dwelling Unit (ADU) development in Fort Belvoir, VA
Source: *Fairfax County*

Total units produced [1]: **2,450+**
Income affordability [2]: **50-70% of AMI**

[1] Total units produced by program from 1990-2011.

Case Study: IZ in Fairfax County, VA

Utilizing Price-Control Periods and Monitoring to Preserve Affordable Housing

Fairfax County's inclusionary zoning (IZ) program, the Affordable Dwelling Unit (ADU) program has produced more than 2,400 affordable housing units. The ADU program employs control periods and a stringent monitoring process with the goal of preserving the County's supply of affordable housing units.

ADU Program, After 2005 Amendment

- **5-12.5%** of units in new residential projects of **50+ units** [1] must be affordable to households that earn **50-70% of AMI**
- Developers under ADU program are granted automatic density bonuses
- Both for-sale and rental units are required to remain affordable for **30 years** [2]

[1] Program is voluntary, not mandatory for buildings with more than four floors and an elevator.
[2] When a for-sale unit is resold before the end of its initial 30-year affordability term, the price-control period is reset to 30 years from the date of the transaction. Price-control periods cannot be extended for rental ADUs.

Monitoring

Rental ADUs

- Owners of developments with rental ADUs are required to submit monthly reports on the status of affordable units and compliance with income requirements

For-sale ADUs

- County staff conduct annual compliance checks to ensure compliance with residency requirements

Violations

- Violations of the ADU program are considered zoning ordinance violations
- No penalties have been imposed for violations, as compliance is preferred over imposing fines

Efforts to Maintain Permanence

- From 1990-2011, the program has produced ~**2,450 ADUs**:
  - ~1,300 for-sale units
  - ~1,100 rental units
- Due to monitoring, ADUs are rarely lost before the end of the affordability period
- Most losses of ADUs before the end of their affordability period were due to **foreclosures**

Case Study: Our Katahdin Investments

Overview

Our Katahdin Investments, a non-profit corporation founded in 2015, allows the public to invest in revitalization and development in the Katahdin region of Maine. The corporation operates a Property Fund, which is used for two purposes: (1) acquisition and redevelopment of real estate, and (2) lending to developers and business owners. Our Katahdin conducted a direct public offering (DPO) in March of 2016, wherein eligible residents had the opportunity to purchase Katahdin Corridor Revitalization Notes that provide capital for the Property Fund.

Year Founded: 2015

Geography: Katahdin region, ME

Governance: Our Katahdin [1]

Entity: non-profit corporation

Type of Activity: land acquisition, redevelopment, loan fund

Projects:

- Millinocket Mill Site – 1,400 acre former paper mill
- 230 Penobscot Avenue – commercial building

[1] Our Katahdin is a non-profit organization whose mission is to promote community and economic development in the Katahdin region in Maine.

Case Study: Our Katahdin Investments

Terms of DPO

In March of 2016, Our Katahdin Investments offered $10 million in Katahdin Corridor Revitalization Notes, capital appreciation notes, to the public. Because these investments are speculative, there is a risk of nonpayment.

Total Note Offering: $10 million

Minimum Investment: $100

Maximum Investment: $1 million

Note Interest and Maturity
- 5-year maturity note with 3.72% interest rate
- 10-year maturity note with 4.81% interest rate
- 15-year maturity note with 6.01% interest rate

Note Payments
- Principal and accrued interest is paid at the maturity of note [1]

Suitability
- Only open to residents of ME, NH, VT, MA, CT, RI, NJ, VA, FL
- Investment must be **<10%** of investor's worth

[1] Our Katahdin Investments do not pay annual interest on the Notes.

Use of Proceeds from Sale of Notes

Investments will be made in the following real estate categories:
- Raw land
- Office development
- Retail development
- Industrial development
- Multifamily development
- Single-family development

Our Katahdin Investments can be the owner or developer of real estate assets. It can also loan funds for owners and developers to rehabilitate or renovate existing buildings.

Case Study: Midland Area Community Foundation

Overview

The Midland Area Community Foundation (MACF) was founded in 1973 and conducts philanthropic efforts in Midland County, MI through a grant program that support community projects, scholarships, and a range of community initiatives. In 2018, MACF created a $2 million impact investment fund, which it will use to make investments in local, mostly for-profit businesses that will result in financial and social returns that align with the foundation's mission.

Year Founded: 1973

Geography: Midland County, MI

Governance: 15-member board of trustees

Entity: non-profit organization

Type of Activity: philanthropy, impact investment

Projects: $300,000 investment in Fairfield Inn & Suites hotel

Impact Investment in Downtown Midland Hotel

- Hotel located in downtown Midland
- Hotel project will result in job creation, downtown commerce and implementation of downtown revitalization plan
- Investment ensures local involvement
- Investment fills gap in financing
- MACF is only a small investor in the hotel

Case Study: Tenant Opportunity to Purchase Act (TOPA)

Overview

Washington D.C.'s Tenant Opportunity to Purchase (TOPA) was adopted in 1980, and granted tenants the opportunity to purchase their building if the owner intends to discontinue rental housing. The Department of Housing and Community Development (DHCD) offers two programs that assist low-to-moderate income residents who may be displaced due to the sale of their building:

- 1) First Right Purchase Assistance, and
- 2) Tenant Purchase Technical Assistance.

Year Adopted: 1980

Geography: Washington, D.C.

Governance: Washington DC Department of Housing and Community Development

Type of Activity: loans to purchase, technical assistance

Rental unit preservation [1]: **1,400 units**

[1] Units preserved as of 2013.

Case Study: Tenant Opportunity to Purchase Act (TOPA)

Overview

When asserting their TOPA rights, tenants follow a general process and timeline that differs according to the number of units in their building. THE DHCD encourages District residents to exercise their right to purchase through two programs.

Process of Asserting TOPA Rights

1) Landlord makes an offer of sale to the tenant
2) Tenant may request information from the landlord
3) Incorporation of tenant organization (if applicable) [1]
4) Tenant(s) or tenant organization submits **statement of interest**
5) Tenant(s) or tenant organization **negotiates** with landlord [3]
6) Tenant(s) or tenant organization and landlord reach **settlement** [4]
7) Start-over period [5]

[1] Tenants must form and incorporate a tenant organization to exercise the right to purchase an accommodation with 5+ units.
[2] Submission must occur a given number of days after offer of sale.
[3] Law allows a minimum negotiation period after the landlord receives the tenant's statement of interest. Tenants have the right to match a third-party contract. Tenants can also assign their rights to other groups.
[4] Tenants have at least a given number of days from the date of contracting to secure financing and financial assistance.
[5] If the landlord has not entered into a sales contract within a given number of days after the offer of sale, the TOPA process must start over with a new offer of sale.

First Right Purchase Assistance

- Offers **low-interest loans** to persons and tenants groups
- Loans can be used for **down payments**, **purchases**, and soft costs
- Applicants must meet income limits and head a low- to moderate-households

Tenant Purchase Technical Assistance

- Provides free, specialized **development services** to tenant groups pursuing building purchase as cooperatives or condominiums
- Services include assistance with group organization and structure, preparation of legal documents, and loan application assistance
- Tenant associations can apply if 50% + of tenant are interesting in purchasing a unit and 50%+ of association qualify as low- to moderate-income households



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VISION | ECONOMICS

MARKET ANALYSIS AND REAL ESTATE ECONOMICS

STRATEGY

DEVELOPMENT STRATEGY AND PLANNING

FINANCE | IMPLEMENTATION

PUBLIC-PRIVATE PARTNERSHIPS AND IMPLEMENTATION