Frequently Ask Questions

COMMUNITY LAND TRUST (CLT)

Q. How does CLT homeownership work?

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

Q. What is a ground lease?

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

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

A. When a CLT homeowner wants to move or sell their home, they must first contact the CLT for approval. The home can be sold back to the CLT or sold directly to an income-qualified buyer. The ground lease provides a resale formula that is used to determine the resale price. Upon the death of a CLT homeowner, the home may be transferred to their spouse, domestic partner, lineal descendants or heirs.

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

A. The CLT homeowner who sells their home will get back the amount of money that they personally contributed towards the down-payment, the amount of the mortgage paid off, plus the affordable sales price multiplied by a fixed rate of appreciation at 2% annual, simple interest multiplied by the number of years the affordable unit is owned by the owner with a cap of 30 years plus any approved capital improvements.

Q. Does this impact property taxes?

A. The CLT homeowner may have the property taxes assessed based on the original affordable sales price multiplied by a fixed rate of appreciation at 2% annual, simple interest multiplied by the number of ownership years with a cap of 30 years.

Q. Who pays the property taxes?

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

Q. How does CLT homeownership compare to conventional homeownership?

A.

Similarities:

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

Differences:

- The purchase price is lower because the land is not purchased by the homeowner
- The CLT owns the land, the homeowner leases the land from the CLT for a nominal fee
- The owner cannot sell the unit for market value
- The homeowner accumulates equity at 2% annually with a cap of 30 years
- Property taxes are assessed on the affordable sales price multiplied by a fixed rate of appreciation at 2% annual, simple interest multiplied by the number of ownership years with a cap of 30 years versus the property taxes being based on market value