

## Guidelines for Housing Trust Fund Allocations Supporting Community Land Trusts

The City of Saint Paul supports the building and preservation of family and community wealth through the Community Land Trust (CLT) model. It proposes financial support for addition of CLT units via its Housing Trust Fund (HTF) on the following terms:

### *Use of funds*

Funds may be used to cover all or a portion of:

- Closing Cost Assistance: The homebuyer's settlement charges (i.e., closing costs), provided in the form of a grant.
  - Long-Term Affordability Gap: The difference between the amount of first- and subordinate mortgage financing a homebuyer household can afford and the sale price of the property, perpetually invested in the property via a 99-year ground lease. In CLT projects, the sale price must be equivalent to the fee simple market value of the land and improvements combined, which likely exceeds the homebuyer's purchase price for improvements noted in the ground lease.
  - Development Subsidy: Total development costs plus acquisition costs minus the sale price of the property. In CLT projects, the sale price must be equivalent to the fee simple market value of the land and improvements combined, which likely exceeds the homebuyer's purchase price for improvements noted in the ground lease.
  - Property acquisition by the CLT, provided in the form of an interim loan either due on sale of the home to a homebuyer or converted to Long-Term Affordability Gap Subsidy or Development Subsidy.
- Costs covered by HTF resources must not be covered by any other source.
  - Use of leveraged resources is strongly encouraged.
  - Priority will be given to projects serving households with incomes under 60 percent of area median income (AMI).

### *Eligible recipients and general conditions*

- An eligible recipient may be either a CLT or another developer working in partnership with a CLT, provided the CLT ultimately takes ownership of the land.
- A Community Land Trust (CLT) must:
  - Be a nonprofit organization or a program of a nonprofit organization.
  - Demonstrate capacity to operate a community land trust long term, either individually or through partnership with other existing land trusts with demonstrated long-term capacity.

- Comply with all applicable laws and regulations governing community land trusts in Minnesota.
  - Demonstrate commitment to the City of Saint Paul’s equity goals.
- Sale and resale of assisted units must be limited via a ground lease to low-income households, meaning those households with incomes not exceeding 80 percent AMI, as determined by the U.S. Department of Housing and Urban Development (HUD).
- In addition, sale and resale of assisted units must be limited via a ground lease or by other means to households with incomes at the time of initial occupancy not exceeding 60 percent of area median income (AMI), as determined by the U.S. Department of Housing and Urban Development (HUD), except that a CLT may sell or allow resale of an assisted unit to a household with an income of up to 80 percent of AMI if the assisted unit would not be affordable to a household at 60 percent AMI as evidenced by a projected housing ratio in excess of 30 percent or, if after a good faith effort to market the property to households with incomes not exceeding 60 percent AMI for at least 60 days, no willing and qualified buyers can be found.
- All of a CLT’s policies and procedures, including policies and procedures for selecting prospective homebuyers, marketing units and programs, setting resale formulas and ground lease conditions, must be in compliance with all applicable federal, state and local laws, regulations and ordinances and are subject to review and approval by PED staff. PED staff reviews only for compliance with its own guidelines and for determining appropriate conditions for an award of funds and does not provide legal advice.

*Eligible households*

- Homebuyer households must have incomes not exceeding the lower of the CLT’s income limits or the HTF income limits noted in “Eligible recipients and general conditions,” above.
- At the time of initial occupancy, homebuyer households must have housing ratios greater than or equal to 25 percent. That is, they must spend no less than 25 percent of their gross household income on the following housing expenses associated with the assisted unit:
  - First and subordinate mortgage principal and interest.
  - Property taxes.
  - Homeowners’ and mortgage insurance.
  - Association dues.
  - CLT ground lease fees.

Saint Paul PED staff may in its sole discretion waive this requirement in cases where a homebuyer household’s housing ratio is less than 25 percent and:

- The household is maximizing the amount of first-mortgage financing available to it, or
- Additional assistance is needed based on a residual income analysis approved by PED staff, or
- In cases where the CLT is also using MHFA Impact Fund resources, where allowed by MHFA, or

- The amount of incremental subsidy does not exceed \$3,000 and results in a first-mortgage loan-to-value ratio sufficient to preempt a mortgage insurance requirement where it would have otherwise applied.
  
- A member of the homebuyer household must commit to occupy and maintain an ownership interest in the unit after acquiring the unit, but no member of the homebuyer household may have had an ownership interest in the unit at any time prior to acquisition.
- Homebuyer households must have net assets of no more than \$10,000 at the time of initial occupancy, excluding vehicles, equity in the unit, furnishings, clothing, any assets used in a business, \$20,000 in college savings account balances and \$30,000 in retirement account balances.
- Homebuyer households must not receive or expect to receive gift funds in excess of \$10,000 to assist in the purchase of the home.
- At least one homebuyer must, prior to purchase, complete homebuyer education or counseling, or financial education or counseling, from a member of the Minnesota Homeownership Center's Homeownership Advisors Network.

*Coordination with Other HRA Downpayment Assistance (DPA)*

PED is working toward establishing a broader DPA program to be funded in part by a separate HTF allocation, and in part by funds to be requested by PED or the Saint Paul HRA from the Minnesota Housing Finance Agency (MHFA) Impact Fund. Combination of resources dedicated for CLT activity and those dedicated for DPA activity in the same units is not allowed.