



# COUNCIL PRIORITIES

# 2017

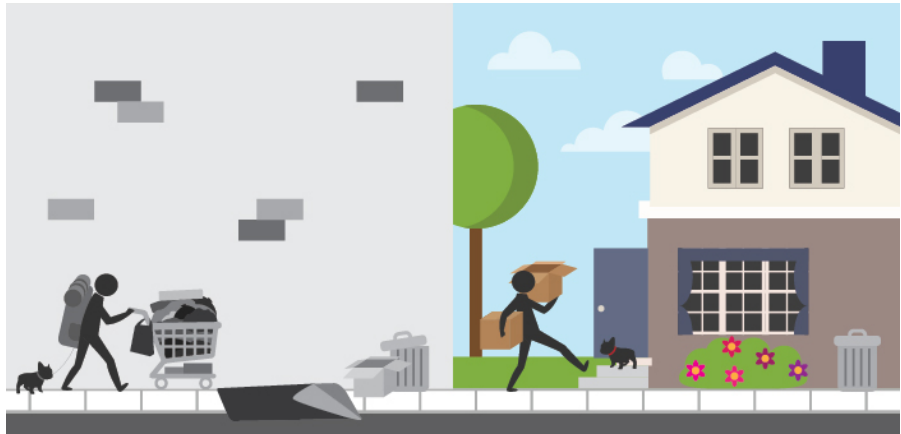


**TO:**  
City Council Members

**FROM:**  
Nick Tarbet, Russell Weeks  
Public Policy Analysts

**DATE:**  
April 4, 2017

**Timeline:**  
1<sup>st</sup> Briefing – April 4, 2017  
2<sup>nd</sup> Briefing – TBD



## Affordable Housing

**Goal** – Create more affordable housing for all income levels, with specific focus on creating affordable units for individuals at or below the poverty level.

### Solutions

Success includes adopting a new citywide Housing Plan, implementing action steps that will lead to the creation of more affordable housing and identifying funding sources that can help fill the financial gaps in order to create more affordable housing.

1. *Funding Solutions* – Identify and establish a long term funding source for affordable housing
2. *Policy Solutions* – Identify and change City ordinances and policies that are roadblocks to creating more housing opportunities.

**Problem** – According to the recently released draft of the Affordable Housing Plan, “Salt Lake City is in the beginning stages of a systemic housing crisis.” There is currently a deficit of approximately 7,500 affordable units for residents living in poverty, and the demand for affordable housing at all incomes level is increasing every year. The Council has expressed interest in making changes to City ordinances and policies that are limiting the creation of housing, and in establishing stable, long term funding solutions that will help fill the gap and create more affordable housing units for Salt Lake City residents.



# Tool: Housing Plan Adoption and Implementation

## Straw Polls

1. None

## Key Facts

1. Currently, the Administration is conducting the public engagement process for the Housing Plan and will soon ask the Planning Commission to review the Plan, after which it will be transmitted to the Council Office.

### Legislative

1. Identify and use available tools to build affordable housing at the same time as the construction of the Homeless Resource Centers.
2. Discuss potential options for establishing a stable, long term funding source for affordable housing.
3. Motel acquisition for affordable housing
  - Establish a policy about populations being served at these locations.
4. Consider setting a goal to build 7,500 new affordable housing units within a *yet to be determined* amount of time.
  - *If the Council wants to set a goal, it may wish to further discuss setting a timeline to reach the goal.*
5. Consider creating a community land trust. *(This is tentatively scheduled for a briefing on March 28.)*
6. Research and identify policy reasons to providing innovative housing options in the City such as:
  - Micro units
  - Tiny homes
  - Housing in medians
  - Missing middle housing
7. Research and identify ways to incorporate affordable housing in new RDA project areas, TSA zoned areas, etc.
  - Capture projects that are already in the pipeline.
8. Research and identify City ordinances and policies that are creating roadblocks to increasing the supply of housing.

### Possible Requests of Administration

1. Ask the Administration to discuss the timeline for the Housing Plan and implementation steps.

## Tool: Accessory Dwelling Units (ADUs)

### Straw Polls

1. None

### Key Facts

1. The Council held a briefing on the proposed ADU ordinance on January 17, 2017. The Council requested more information on enforcement issues and the potential impact of short-term rental legislation. Planning Staff is working on updating this information. A follow-up briefing will be scheduled once that new information is transmitted to the Council Office.

#### **Legislative**

1. Consider adopting the proposed ADU ordinance.

#### **Possible Requests of Administration**

1. What is the potential impact of the State's recent Short-term rental bill
2. How does the Administration plan to ensure compliance with the ordinance?

## Tool: Fact Finding Opportunities

### Straw Polls

1. None

### Key Facts

1. The Council may wish to consider directing staff to research and schedule fact finding sessions related to affordable housing.

#### **Legislative**

1. Field trip to look at other cities – get ideas from staff and RDA too – expansion of housing, building (Austin micro village)  
Invite consultant to further discussion on the missing middle housing.

#### **Possible Requests of Administration**

1. TBD

## Tool: RDA Bonding

### Straw Polls

1. Does the Council want to continue research into bonding for RDA project areas?

### Key Facts

1. The idea of bonding to complete infrastructure related projects in RDA was raised during the Council's January retreat.

#### **Legislative**

1. Street/Infrastructure upgrades and investment in RDA project areas

#### **Possible Requests of Administration**

1. Request Engineering/Attorney's Office briefing on feasibility of this idea

## Tool: RDA Affordable Housing Appropriation

### Straw Polls

1. None

### Key Facts

1. In October 2016 the RDA board set aside approximately \$21 million towards affordable housing. The Board has delayed appropriating that money until the City's Housing Plan is formally adopted by the Council, so that efforts are coordinated. Staff understands the plan is currently before the Planning Commission.

### **Legislative**

1. Appropriate RDA money set aside for affordable housing once City Housing Plan is received.

### **Possible Requests of Administration**

1. Work with the administration to finalize the RDA budget and request their recommendations on how to appropriate the funds set aside for affordable housing. This could be in conjunction with or immediately after receipt of the City's Housing Plan.

### **STAFF IDENTIFIED ITEMS RELATED TO THE PRIORITY**

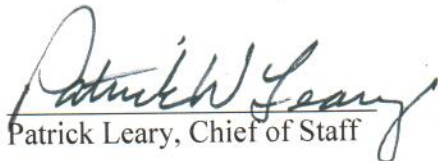
1. Research possibility to incorporate micro housing in the medians in the Granary District?
2. The RDA second budget amendment included a \$65,000 proposal for an ADU incentive program. The third budget amendment does not include this item. The Council may wish to discuss funding an ADU incentive program in RDA areas.

### **ADDITIONAL & BACKGROUND INFORMATION**

1. Link to most recent quarter housing report
2. Housing Plan Executive Summary
3. Kem C. Gardner Policy Institute Policy Brief: Salt Lake County Real Estate Conditions and Forecast, 2016-2017



CITY COUNCIL TRANSMITTAL

  
Patrick Leary, Chief of Staff

Date Received: January 11, 2017  
Date sent to Council: January 11, 2017

TO: Salt Lake City Council  
James Rogers, Chair

DATE: January 11, 2017

FROM: Mike Reberg, Community & Neighborhoods Director 

SUBJECT: 1<sup>st</sup> and 2<sup>nd</sup> Quarter Housing Report 2016 (January – June)

STAFF CONTACT: Michael Akerlow,  
Director of Housing and Neighborhood Development  
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COUNCIL SPONSOR: Exempt

DOCUMENT TYPE: Briefing - Information only

RECOMMENDATION: No action necessary

BACKGROUND/DISCUSSION:

The Administration is forwarding the 1<sup>st</sup> and 2<sup>nd</sup> Quarter Housing Report for calendar year 2016. This report reflects the outcomes of the housing efforts in relation to the current housing market conditions. This report is a condensed summary of those conditions and how they relate to this quarter's housing outcomes.

The report will demonstrate the strength of the rental and for sale housing markets, which remained strong this quarter. The strength of the market has led to rising rental rates, sales prices, and an ever-growing need for affordable housing.

This information is used to inform HAND on their various housing strategies and guide policy decisions about programming. Further, the supplemental information in this report reflects the continued investment in housing through the Housing Trust Fund and the many community organizations that the division works with. Notably, there is a significant amount of single family and multi-family units being constructed which is anticipated to increase the vacancy rate in the coming years. However, currently the vacancy rates continue to increase at a dismal pace reflecting the great demand for housing and not enough stock. This reality is magnified for those households seeking affordable units.

**EXHIBITS:**

2<sup>nd</sup> Quarter Housing Report

# TAKEAWAY

During the first quarter of 2016 there was a significant increase in single family home construction outpacing the rest of the region. Further the average sales price in Salt Lake City continued to rise through second quarter to \$291,400. The HUD Rocky Mountain Report explained the market as follows,

“The greatest increase in single-family homebuilding in the region occurred in Utah, where single-family permitting was up 26 percent from a year ago, to approximately 3,700 homes permitted. In the Provo, Salt Lake City, and Ogden-Clearfield metropolitan areas, permitting of single-family homes increased 46, 26, and 11 percent, to approximately 1,275, 1,250, and 650 homes, respectively”

The apartment market also remained tight and the rents increased again this quarter. While vacancy rates are beginning to go up it is a slow and steady process continuing to restrict accessibility to affordable units. This is explained in the HUD Rocky Mountain report,

“In the Salt Lake City metropolitan area, the construction of more than 2,800 new apartments was completed during the past 12 months. Nevertheless, the tight apartment market conditions eased only slightly, to a 4.0-percent vacancy rate in the second quarter of 2016, up from 3.7 percent a year ago (Reis, Inc.).”

HAND also expects to see an increase of affordable units coming into the market throughout the rest of 2016 and the summer of 2017. This construction, while not sufficient to meet the need, will also add increased affordability to Salt Lake City.

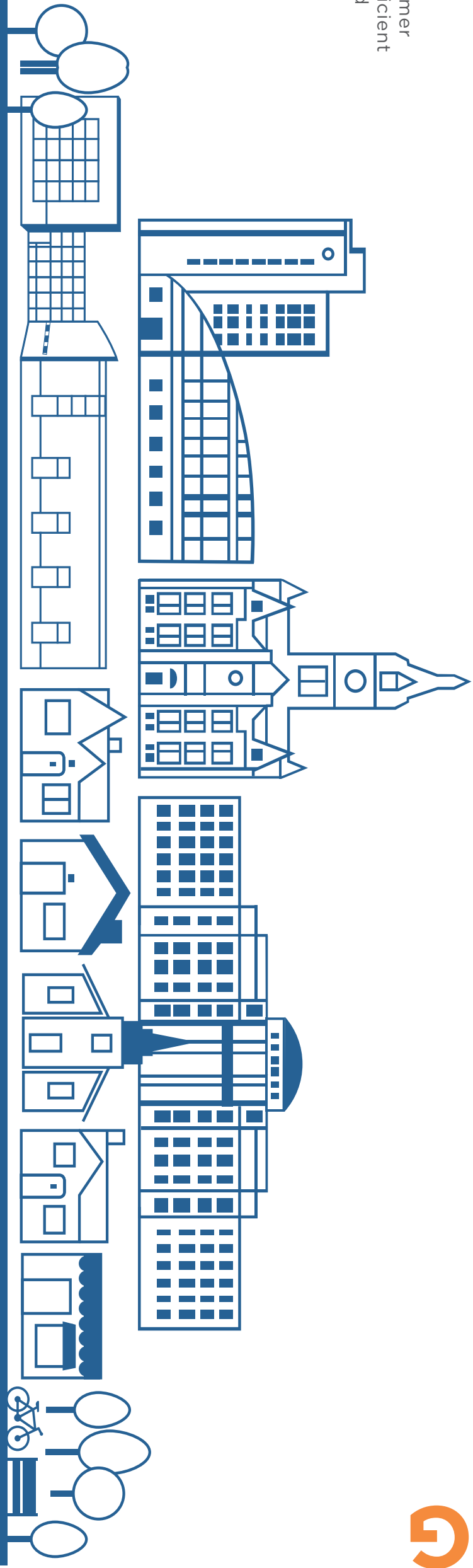
Sincerely,

Michael Akerlow  
Director  
Housing & Neighborhood  
Development Division

## Q1 & Q2

## HOUSING REPORT

S L C HOUSING





MSA ECONOMIC INDICATORS

	Q1 2015	Q1 2016	Q2 2015	Q2 2016
Unemployment Rate:	3.9%	3.8%	3.6%	3.9%
Rental Vacancy Rate:	3.7%	4.3%	3.7%	4.0%
Average Rent:	855	890	860	893

\*Source: HUD Rocky Mountain Housing Market Conditions Reports. Salt Lake MSA is made up of Salt Lake, Tooele, and Summit Counties.

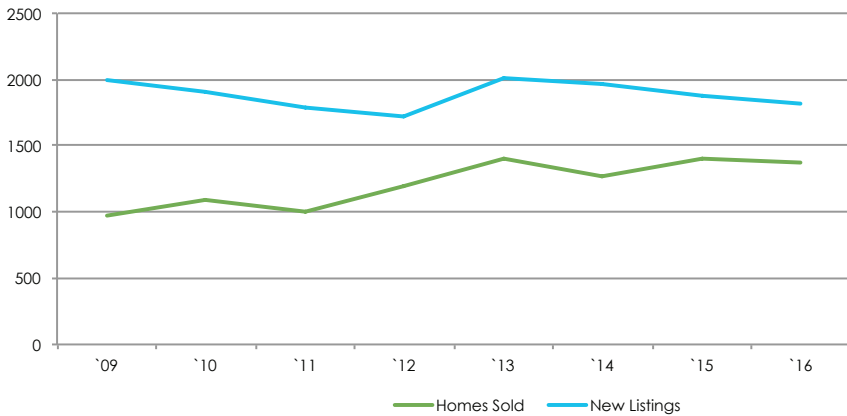
NEW & CLOSED PERMITS

TYPE	ISSUED	YTD ISSUED	CLOSED	CLOSED YTD
Condominium	0	0	6	6
Townhome	0	0	0	0
Single Family	21	21	24	24
Duplex	0	0	2	2
Triplex	0	0	0	0
Fourplex	0	0	4	4
Apartment	1172	1172	444	444
Total	1193	1193	480	480

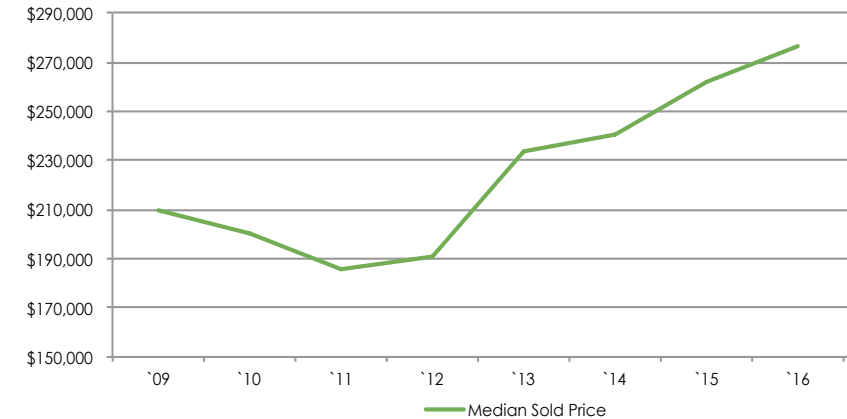
\*Note: Issued permits is the number of units permitted this quarter. Closed is the number of units to receive final inspection and be fit for occupancy this quarter. Closed in most instances does not occur in the same quarter as issuance. This is a combination of Q1 and Q2 2016.

MARKET INDICATORS

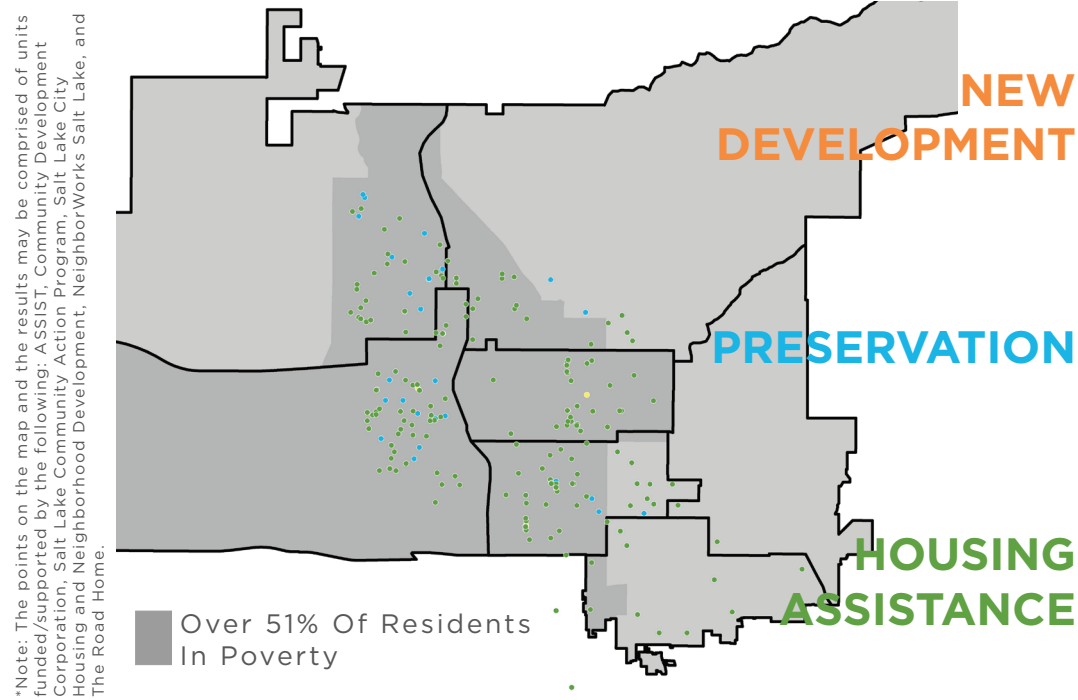
Q2 HOMES SOLD/NEW LISTING



Q2 MEDIAN SOLD PRICE



NEIGHBORHOOD IMPACT



\*Note: The points on the map and the results may be comprised of units funded/supported by the following: ASSIST, Community Development Corporation, Salt Lake Community Action Program, Salt Lake City Housing and Neighborhood Development, NeighborWorks Salt Lake, and The Road Home.

HAND provided funding for two multi-family developments: First Step House & Ball Park Apartments. In addition, HAND completed the Emery House and Passive Solar affordable single family home.

557

HAND financed 35 loans or grants to preserve existing housing stock while partners increased home accessibility in 81 homes.

630

The Road Home and SLCAP assisted 58 project/tenant-based rental assistance units, while HAND financed one new home mortgage.

676

CITY INVESTMENT

Q1	494,888
Q2	492,110
YTD TOTAL	986,998

\*Note: The City Investment includes all housing assistance dollars for the quarter and is made up of Federal Grants, the Wells Fargo Neighborhood Lift Grants and Housing Trust Fund (HTF dollars are only counted when the actual units are completed not when the funding is approved). The number of units are units receiving assistance for the first time this quarter.

HOUSING TRUST FUND

APPLICATIONS IN PROGRESS AS OF JUNE 30, 2016

The Community Foundation of Utah - Low Wage Worker Program	\$500,000
The Summit Group - North Temple Flats	\$1,000,000

LOANS FUNDED DURING Q1 - Q2

HAND & The Road Home - "House 20" Effort	\$128,000
Point Blank Capital Partners - TenFifteen Apartments	\$380,000

HOUSING PROGRESS REPORT

TOTAL FUNDED: \$508,000

TYPE	Q1 2016	Q2 2016	MULTI-YEAR AGGREGATE JULY 2014 - JUNE 2016
Multi-Family Rental Units	162	63	556
Permanent Supportive Housing	0	0	0
Home Ownership	0	1	1
TOTAL: NEW DEVELOPMENT	162	64	557
Multi-Family Acquisition & Rehab Loans	0	0	127
Single Family Rehab Loans	17	19	155
Emergency Home Repair / Accessibility Grants	81	75	348
TOTAL: PRESERVATION	98	94	630
Low-Interest Loans to Homebuyers	1	1	34
Down Payment Assistance Grants	7	7	129
Project/Tenant-Based Rental Assistance	60	51	513
TOTAL: HOUSING ASSISTANCE	68	59	676
TOTAL AFFORDABLE UNITS:	328	217	1863



# Salt Lake County Real Estate Conditions and Forecast, 2016-2017

*Authored by: James A. Wood | Ivory-Boyer Senior Fellow | Kem C. Gardner Policy Institute*

## Summary

Salt Lake County's residential market had its best year since 2006. Superb fundamentals - strong job growth, increased net in-migration, low mortgage rates and solid wage gains - supported increased levels of sales activity and pushed up single-family and condominium prices to all-time highs. Prices in inflation-adjusted dollars are above pre-recession levels and have fully recovered from the Great Recession. This research brief was commissioned in partnership with the Salt Lake Board of Realtors. The following summary of statistical highlights captures the strength of the 2016 market:

- 13,600 single-family sales, an increase of 1.3 percent
- \$4.5 billion in single-family sales, an increase of 10 percent
- 4,300 condominiums, town homes and twin home sales, an increase of 12 percent
- \$927 million in condominiums, town homes and twin home sales, an increase of 20 percent
- \$295,000 median sales price for a single family home, an increase of 8.1 percent
- \$203,000 median sales price for condominiums, town homes and twin homes, an increase of 7 percent
- \$325 million in residential real estate commissions, an increase of 11 percent
- 13 days for median cumulative days on market (CDOM), a record low CDOM for single-family homes

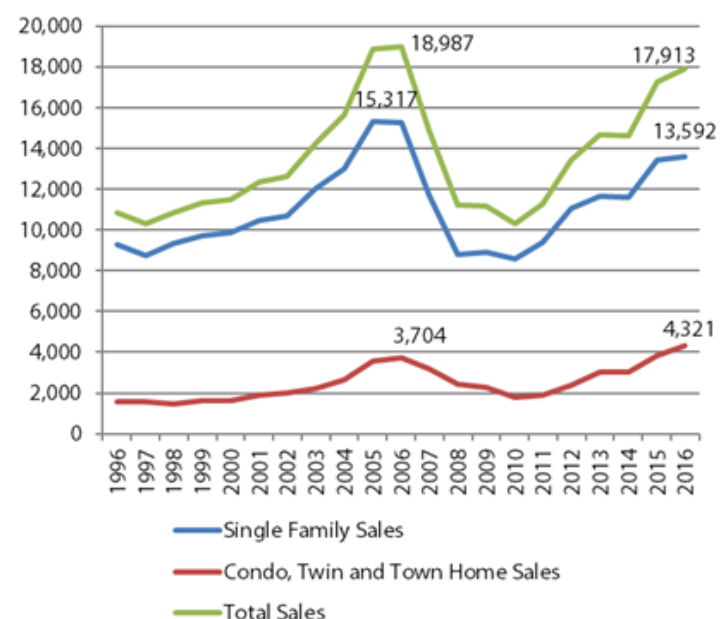
## Home Sales

In 2016, existing single-family homes sales totaled 13,600 units, the highest level in 10 years and the third-highest in the county's history. This was exceeded only by the pre-recession years of 2006 and 2007 (see Figure 1). The strong demand for housing was not limited to single-family homes.

The sale of multifamily units (condominiums, town homes and twin homes) set an all-time record of 4,300 units and accounted for 24 percent of all residential sales, the highest share ever. Over the past 20 years, multifamily sales have averaged 18 percent of residential sales.

Residential sales, as usual, were concentrated in Salt Lake City. The city accounts for 21 percent of all households in the county but captured 25 percent of all single-family sales as well as multifamily sales. In this case, the disproportionate share of sales in Salt Lake City highlights the locational advantages of the city regarding proximity to employment, transportation and community amenities. Other cities with a significant number of home sales were West Jordan, West Valley, South Jordan and Sandy. These four cities, along with Salt Lake City, accounted for about 60 percent of all homes and condominiums sold in the county (see Table 1).

**Figure 1**  
**Number of Single-Family, Multifamily, and Total Sales in Salt Lake County**



Source: Wasatch Front Regional Multiple Listing Service.

**Table 1**  
**Residential Sales by City, 2016**

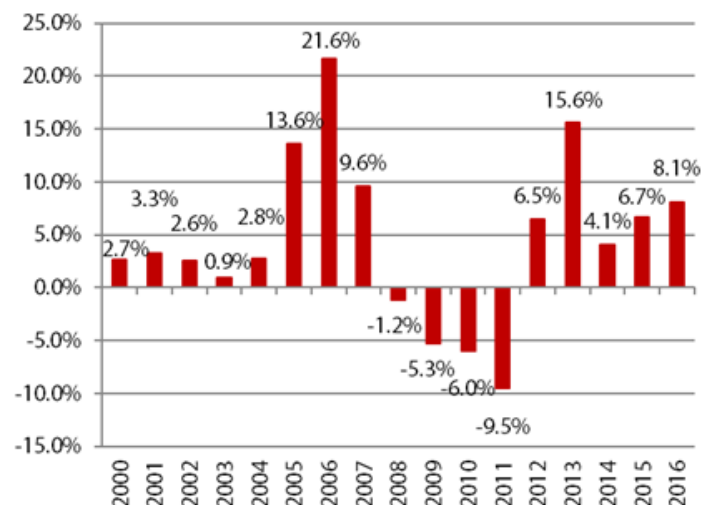
	Single-Family	Multifamily	Total Sales	Share
Salt Lake City	3,406	1,121	4,527	25.3%
West Jordan	1,572	361	1,933	10.8%
West Valley	1,308	314	1,622	9.1%
South Jordan	1,097	407	1,504	8.4%
Sandy	1,269	173	1,442	8.1%
Unincorporated Salt Lake	905	80	985	5.5%
Herriman	695	248	943	5.3%
Taylorsville	654	156	810	4.5%
Draper	519	254	773	4.3%
Riverton	574	157	731	4.1%
Murray	362	324	686	3.8%
Holladay	333	207	540	3.0%
Midvale	261	271	532	3.0%
Cottonwood Heights	395	83	478	2.7%
Bluffdale	134	120	254	1.4%
South Salt Lake	108	45	153	0.9%
Salt Lake County	13,592	4,321	17,913	100.0%

Source: Wasatch Front Regional Multiple Listing Service.

## Housing Prices

Housing price increases have picked up momentum over the past three years. After an extraordinary increase of 15.6 percent in 2013, it looked as though prices might settle to the 3 to 4 percent range, but in the past two years, substantial increases have been recorded (see Figure 2). The 8 percent increase in 2016 is particularly noteworthy because it drove the median sales price of a single-family home to \$295,000, slightly above the previous record high of \$290,000 in 2007 (when adjusted for inflation).

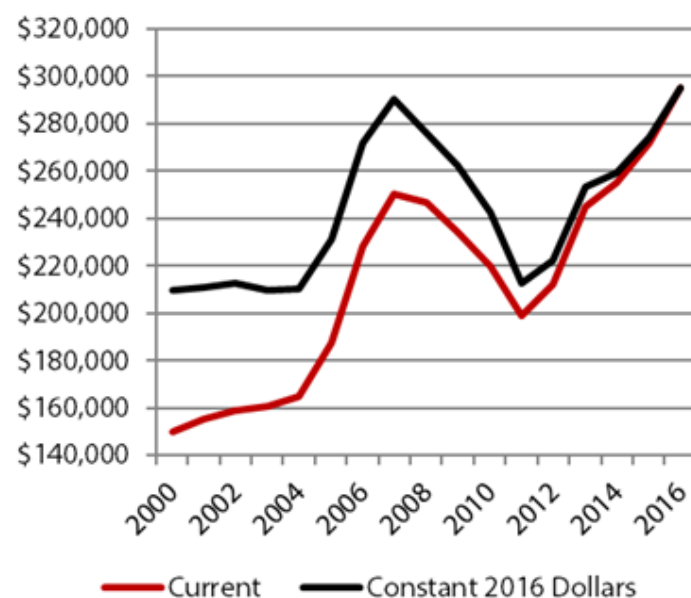
**Figure 2**  
**Percent Change in Median Sales Price of Single-Family Home in Salt Lake County**



Source: Wasatch Front Regional Multiple Listing Service.

With respect to housing prices, the past 16 years have been the most volatile in the county's history. This volatility is on full display in Figure 3, which measures price increased in current and constant (inflation-adjusted) dollars. Using the inflation-adjusted prices, the median sales price of a home increased by 38 percent during the three-year housing boom (2004-2007), followed by a 28 percent decline during the Great Recession (2008-2011) and then a 39 percent increase in the five years of recovery through 2016. In the non-inflation-adjusted prices, the five-year recovery measures a strong 48 percent increase: \$199,000 in 2011, to \$295,000 in 2016.

**Figure 3**  
**Current and Constant Median Sales Price for an Existing Single-Family Home in Salt Lake County**



Source: Wasatch Front Regional Multiple Listing Service.

In 2016, the median sales price of a single-family home increased in all 15 cities in Salt Lake County (see Table 2). Cities with moderately-priced housing were some of the leaders in price increases in 2016. West Valley and South Salt Lake both had double-digit price increases and the west side of Salt Lake City (west of Main Street) also reported double-digit increases. The strength of prices in these cities indicates a heightened demand for homes priced below \$250,000.

**Table 2**  
**Change in Median Sales Price of Single-Family Home by City**

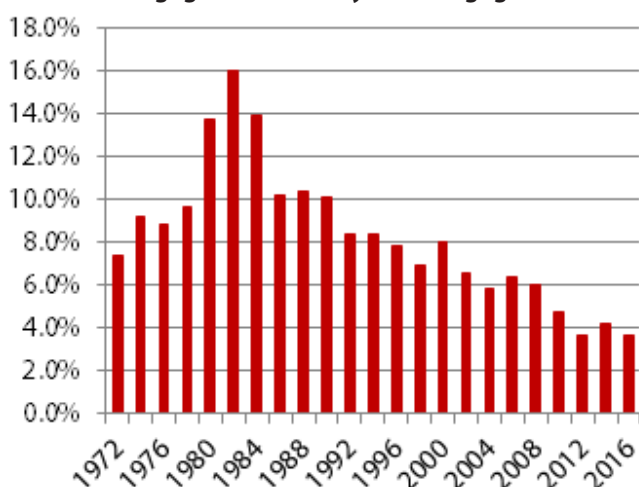
	2015	2016	% Change
Bluffdale	\$400,000	\$459,450	14.9%
Cottonwood Heights	\$338,850	\$380,000	12.1%
Draper	\$421,000	\$445,000	5.7%
Herriman	\$317,000	\$340,900	7.5%
Holladay	\$380,500	\$440,000	15.6%
Midvale	\$226,950	\$245,000	8.0%
Murray	\$259,000	\$277,000	6.9%
Riverton	\$308,000	\$329,000	6.8%
Salt Lake City	\$275,000	\$296,000	7.6%
West Side*	\$179,250	\$203,000	13.2%
East Side*	\$301,750	\$322,000	6.7%
Sandy	\$295,000	\$322,500	9.3%
South Jordan	\$357,400	\$389,900	9.1%
South Salt Lake	\$190,000	\$215,000	13.2%
Taylorsville	\$219,900	\$237,000	7.8%
West Jordan	\$249,000	\$272,250	9.3%
West Valley	\$199,475	\$219,450	10.0%
Salt Lake County	\$272,900	\$295,000	8.1%

\*West side is west of Main Street, east side is east of Main Street in Salt Lake City.

Source: Wasatch Front Regional Multiple Listing Service.

*Housing Bubble or Price Recovery?* - The sizeable increases in prices over the last five years raises the question of whether a housing price bubble is building. A 48 percent increase in five years is extraordinary, but this increase must be set in the context of the four years of declining housing prices. For 16 consecutive quarters, housing prices declined in Salt Lake County, a unique period in Salt Lake County's real estate history as there had never been more than four quarters of declining prices. The return of prices to pre-recession levels should not be confused with a housing bubble.

**Figure 4**  
**Annual Mortgage Rate for 30-year Mortgage**



Source: Freddie Mac

The price recovery has been aided and abetted by the historically long stretch of low mortgage rates, a necessary condition for the recovery (see Figure 4). Other factors, however, were at play as well. From 2010 to 2016, according to the U.S. Bureau of Labor Statistics, Utah was the third fastest growing state in terms of population change, surpassed by only North Dakota and Texas. Utah has also consistently been in the top five states in employment growth over the same period.

A housing bubble also carries some special characteristics that currently are not present in the Salt Lake County and Utah housing markets. Housing bubbles are preceded by rapid increases in debt. Prior to the Great Recession, household debt in Utah increased by 35 percent in three years as reported by the Federal Reserve Bank of New York. Much of this increase was driven by mortgage refinancing, second mortgages and home equity lines of credit. Currently, there are no signs of a build-up in debt in Utah. Household debt (mortgage debt, auto loans, credit cards, student loans and home equity lines of credit) levels have returned, with considerable pain for many households, to sustainable pre-recession levels.

A housing bubble is also characterized by lack of affordability. Housing affordability is measured by the Wells Fargo National Association of Home Builders housing opportunity index. A housing opportunity index number of 50 or above denotes an affordable market. In the Salt Lake Metropolitan Area in 2007, the housing opportunity index was 30, which meant that the median income household was able to afford only 30 percent of the homes sold in the county. Hence, the Wells Fargo housing opportunity index stood at 30. Certainly, this was a sign that housing prices had become untethered from normal economic relationships, housing prices and household income. Currently, the housing opportunity index for the Salt Lake Metropolitan Area is 70, meaning the median income household could afford 70 percent of the homes sold in the county in 2016, a sign of an affordable housing market.

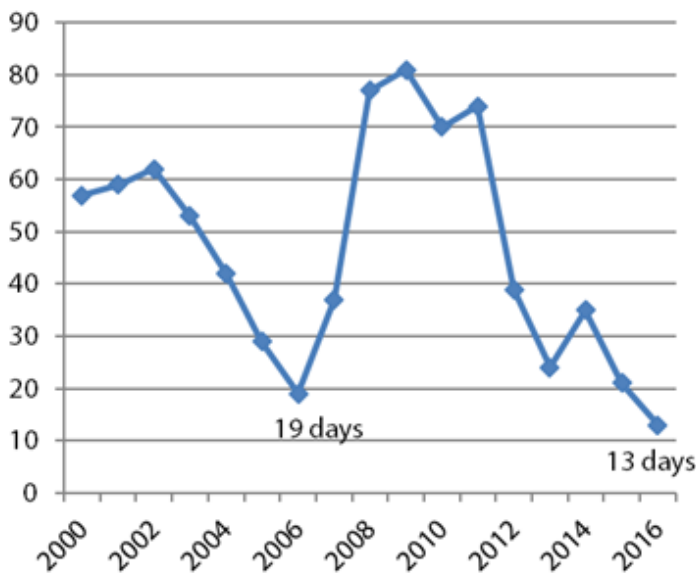
*Price Pressures into 2017* - Utah's rapid demographic growth has created what appears to be a housing shortage. For the first time in 40 years, the increase in households in Utah exceeds the number of new housing units. Consequently, all segments of the housing market report very strong demand and insufficient supply. Take the apartment market for instance. Apartment vacancy rates are at the lowest level in decades despite the historic apartment boom. The boom has added 20,000 units statewide since 2012, a 7 percent increase in the rental inventory, but the rental market remains extremely tight. The Salt Lake County apartment market has the lowest vacancy rates in over 20 years.

In the new home market, home builders have virtually no unsold inventory and are producing at full capacity. Builders face three serious supply bottlenecks: labor shortage, high land prices and municipal zoning, fees and regulations. Builders

would be hard-pressed to ramp-up much beyond current levels of construction.

Conditions in the existing home market agree with the other signs of a housing shortage. For example, an important indicator of housing demand is median Cumulative Days on Market (CDOM) of “for sale” homes. In the worst year of the Great Recession (2009), the median cumulative days on market climbed to 81 days (see Figure 5). But as the demand for housing slowly recovered, the CDOM steadily declined as well. By 2016, the median CDOM had dropped to its lowest level ever of 13 days. The extremely low CDOM in 2016 is a very strong indicator for continued upward pressure on prices in 2017.

**Figure 5**  
**Median Cumulative Days on Market for Homes and Multifamily Units in Salt Lake County**



Source: Wasatch Front Regional Multiple Listing Service.

Some price pressure would be relieved by an increase in listings. After five years of equity-building price increases, home owners should be more motivated to enter the market and move-up. The equity position of Utah home owners has improved markedly in the past few years. In 2010, Utah ranked among the top ten states in underwater mortgages. Twenty-one percent of all home mortgages in Utah (80,000 homeowners) had negative equity. Consequently, these underwater homeowners were locked into their current home and could not move-up. The situation has now reversed. The number of homeowners with negative equity by the third quarter of 2016 has dropped to about two percent of home owners and Utah ranks sixth-lowest among all states in underwater mortgages.

#### **Outlook for 2017**

President Trump’s victory brings some uncertainty to the housing market in 2017. How will his policies impact interest

rates? Will Fannie Mae and Freddie Mac be privatized? Will the rollback of Dodd Frank improve credit availability? Will tax reform affect homeownership? Despite all this noise and uncertainty at the national level, the Salt Lake County real estate market will have another very good year in 2017.

***Mortgage rates will tick-up*** - The Fed has signaled that more short-term interest rate hikes will come in 2017 and most forecasts have mortgage rates increasing to around 4.5 percent by year-end. The likelihood of tax cuts and more defense and infrastructure spending will put some upward pressure on interest rates but the mortgage rate will remain quite favorable. The small increase in rates rather than deter potential homebuyers may spark interest “to get in before rates move even higher”.

***Affordability will decline*** - Although wages are expected to increase by three percent in 2017, this will not be enough to counter higher home prices and higher interest rates. How much declining affordability will hurt demand is uncertain, but it will not be enough to change the upward direction of home sales and prices, particularly given the increased housing demand from high rates of net in-migration in 2017.

***More millennials will move to homeownership*** - Millennials in Utah have a greater share of the population than any other state. Seventeen percent of the population in Salt Lake County is in the 25 to 34-year age group. Nationally, almost 14 percent of the population falls into this age group, which is considered to be the prime age group for home buying. But in Salt Lake County, as elsewhere, today’s millennials are more likely to rent than own. In 2015, only 43 percent of millennial households were homeowners; in 2005, it was 53 percent. Some housing economists predict there will be a trend back to homeownership for this age group as the rental market becomes less attractive due to higher rents and low vacancy rates.

***Supply will improve some*** - The scarcity of listings, a defining feature of the 2016 market, will continue into 2017, but should improve some as more homeowners enter the market, cashing-in on some of their increased home equity.

***Strong price and sales increases but not double-digit*** - Another year of housing price increases will be supported by very favorable fundamentals: low interest rates and solid demographic, job and wage growth. These fundamentals, combined with the exceptionally strong demand, as well-evidenced by the record low “cumulative days on market”, will push the median sales price of a single-family home to the \$310,000 to \$315,000 price range, a 5 to 7 percent increase. Home sales will see a slightly lower increase with single-family sales, increasing to around 14,000 homes, or a gain of 3 to 5 percent. Condominium prices and sales will be even stronger, both increasing from 6 to 8 percent. Finally, residential sales will total \$6 billion, up 9 percent and residential real estate commission will hit \$360 million, an 11 percent increase.



## ADVISORY BOARD

Advisory Board members provide strategic direction to the institute and help establish it as an enduring community asset that assists elected officials, business and community leaders, and the public make informed decisions.

### Conveners

Michael O. Leavitt  
Mitt Romney

### Board

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Gail Miller, Co-Chair  
Doug Anderson  
Deborah Bayle  
Lane Beattie  
Cynthia A. Berg  
Roger Boyer  
Ken Bullock

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Matt Eyring  
Kem C. Gardner  
Christian Gardner  
Matthew S. Holland  
Clark Ivory  
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Natalie Gochmour, Director

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INFORMED DECISIONS™



# GROWING SLC:

## A FIVE YEAR HOUSING PLAN

# 2017-2021



Salt Lake City  
Housing and Neighborhood Development





# 1. EXECUTIVE SUMMARY

Universally, the home is the bedrock upon which every person builds the foundation of their lives. The home is fundamental to establishing roots in a community and achieving a basic sense of safety, security, and stability for those that live within its walls. It is when these basic needs are met that people have the ability to take a risk and improve their situations, to contribute socially, culturally, and economically, and build a better community.

In recognition of the role that housing plays in the success of the individual and the community, this plan is intended to establish that **Salt Lake City is a place for a growing diverse population to find housing opportunities that are safe, secure, and enrich lives and communities.** This plan outlines the housing solutions through which Salt Lake City will advance this vision. This plan imagines a city where all residents, current and prospective, regardless of race, age, economic status, or physical ability can find a place to call home. To achieve this goal, the City's housing policy must address issues of affordability at the root cause, creating long-term solutions for increasing the housing supply, expanding housing opportunities throughout the city, addressing systemic failures in the rental market, and preserving our existing units.

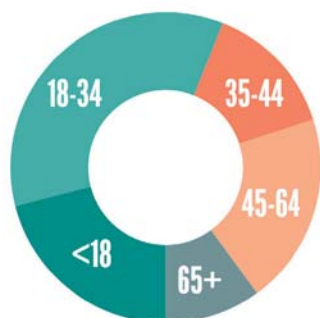
**Salt Lake City is growing.** From 2010-2014, the city gained 4,400 new residents, doubling the pace of growth that was recorded between 2000 and 2010. Estimates anticipate that this growth will continue, adding an additional 30,000 residents by 2030. Salt Lake City's current population of 190,873 people occupy 75,923 households. **The average household in Salt Lake City includes 2.45 people, resulting from 52% of the households being comprised of families.**

**Salt Lake City's population includes unique characteristics,** notably a high proportion of millennials and minority groups and a low proportion of seniors. Post-college aged millennials (age 25-34) account for 21% of the population,

## SALT LAKE CITY HOUSING PLAN AT-A-GLANCE

Policy solutions over the  
five year period of this  
plan will focus on :

- (1) UPDATES TO ZONING CODE
- (2) PRESERVATION OF LONG-TERM AFFORDABLE HOUSING
- (3) ESTABLISHMENT OF A SIGNIFICANT FUNDING SOURCE
- (4) STABILIZING LOW-INCOME TENANTS
- (5) INNOVATION IN DESIGN
- (6) PARTNERSHIPS AND COLLABORATION IN HOUSING
- (7) EQUITABILITY AND FAIR HOUSING

Salt Lake City Residents  
by Age, 2014

Nearly 4 of every 10 Salt Lake City residents is an adult millennial (between 18 and 34 years old).

Source: BBC Housing Market Study, 2016

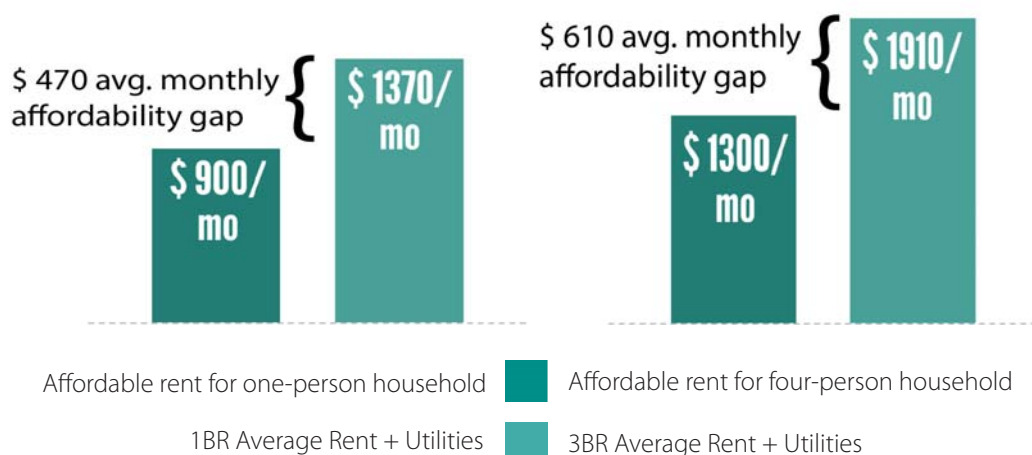
which is higher than peer cities such as Boise (14%) and Portland (19%) and on par with cities like Denver and Austin (both 22%). Additionally, minority groups make up approximately 35% of the city's population, of which one-fifth identify as Latino. The majority of these groups live west of Interstate 15. Conversely, Salt Lake City has an unusually low population of seniors, with those age 65 and older only accounting for 10% of the population. These demographic characteristics are important to understanding the unique housing wants and needs of the population as a whole. Each generation has different ideas and behaviors that influence their decisions at each stage of life, and in the aggregate create the demand for housing that the city is currently experiencing.

**Salt Lake City is in the beginning stages of a systemic housing crisis** that highlights the shortcomings of the multi-year economic rally. While many factors have contributed to the housing crisis, at its root is the demand for housing in Salt Lake City driving up home prices and rental rates at a faster pace than wage increases. Between 2011 and 2014, rental rates increased two times faster than the wage increase for renters. Additionally, home sale prices increased four times faster than the wages of homeowners. Unabated, this trend will impact greater numbers of low- and middle-income residents of the city every year pushing out those that make it diverse and dynamic.

**The growing disparity between wages and rental rates will create greater instability** in the lives of low-income households as they are forced into homelessness or become more cost-burdened. There is currently a 7,467 unit deficit for the 12,624 residents living in poverty and making \$20,000 per year or less. In the absence of these units, people are forced to live in unclean, crowded, and unsafe conditions, or forced into homelessness. These residents require a rental rate of \$500 per month or less or the burden of housing becomes overwhelming. Today, 49% of renters and 22% percent of homeowners in Salt Lake City spend more than 30% of their income on housing. Additionally, 24% of renters are

Salt Lake City Average  
Rents vs. Affordability  
(80% AMI)

(source: CBRE 2016)



severely cost-burdened, spending more than 50% of their income on housing. For those already living in poverty, being cost burdened by their housing can result in having as little as \$500 remaining each month to cover all other costs, including food and healthcare. These groups are also likely to miss rental and mortgage payments, placing the stability of their home in jeopardy. Such a burden has significant impact on children and their lifetime potential for success. Children that are hungry, move frequently, and experience high stress environments at home are less likely to perform well in school, which in turn can contribute to the intergenerational impacts of cost-burdened households and poverty.

**The housing crisis also impacts middle-income households.** The historically low vacancy rate of 2% in Salt Lake City has driven prices up in every neighborhood. In many cases, middle-income households are forced to make the decision to locate in neighborhoods that they would not otherwise choose, take on greater amounts of debt, or move to another community. In August 2016, Salt Lake City conducted the Salt Lake Live Work Survey, which included people that commuted into the city for work. Among these commuters, 52% indicated that they would consider living in Salt Lake City if housing were more affordable. Salt Lake City's population grows by 60% every day from in-commuters, which creates significant stress on our transportation network and the environment. Providing more affordable options could greatly reduce these impacts, which are shared by all residents.

**Exacerbating the housing crisis are local barriers to housing development.**

These barriers, such as density limitations, prohibitions on different types of housing, and other development regulations, have contributed in part to a general supply deficit and economic segregation. Many of these regulations were created at a time of population contraction. For example, much of the east side of the city is zoned for single-family scale development, which significantly reduces the number of residential units that can be built and drives up prices for the limited supply that is available. While the current building boom is in part supported by improvements in land use regulations that were made throughout the last decade, the expanded application of these improvements, as well as further modernization, is required to reduce local barriers and create more housing opportunities throughout the city for low-income households. The removal of these barriers will not solve the housing crisis on its own. Without well-crafted policies and additional incentives, creating greater flexibility could result in the displacement of affordable housing. However, if done correctly, the removal of local barriers is fundamental to opening up neighborhoods with quality infrastructure, as well as strong educational, social, economic, and culture networks and institutions, to low- and moderate-income households. Raj Chetty, a professor of Economics at Stanford

## WHAT IS "AFFORDABLE" HOUSING IN SLC?

Housing and utilities for a renter and monthly mortgage payment and housing expenses for a homeowner **should be less than 30%** of a household's gross monthly income.

A single person household in Salt Lake County has an Area Median Income (AMI) of \$51,690; the AMI for a family of four is \$73,800.

Affordable housing for a single person in Salt Lake City currently earning 60% AMI, or \$41,350, would be a rental costing approximately **\$1,034/month, or a home priced around \$175,000 (est. mortgage \$824/mo + taxes and insurance).**

Affordable housing for a Salt Lake City family of four earning 80% AMI, or \$59,050, would be a rental costing about **\$1,476/month or or a home priced around \$265,000 (est. mortgage \$1,193/month + taxes and insurance).**

Source: Salt Lake County Community Resources and Development (2016 Area Median Income).

University and co-author of “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Project,” found that children that move to neighborhoods with less poverty will have a higher earning potential than their peers. While earning potential, is not the only measurement of success, it is an indicator that policies that effectuate economic segregation also contribute to intergenerational poverty. It’s critical that these barriers be removed to create greater opportunity for the residents of Salt Lake City and contribute to further breaking down the systems that perpetuate poverty in our community.

**In addition to locally created barriers, resolving the housing crisis will also require addressing the economic inequities in the market.** This includes providing financial assistance to renters, programs to support home-ownership, financial incentives for developers, and risk mitigation for landlords, with the end goal of decreasing the cost of renting or owning a home for low- and moderate-income households and increasing the amount of funding they have available for rent and mortgage payments. These fixes are not inexpensive, and will require a long-term and sustainable funding source. The development of such a funding source will require support from the community and a network of committed local partners.

**The systemic affordable housing crisis has implications for every Salt Lake City resident and business.** While the unique needs of our vulnerable population such as those with disabilities, refugees, or people experiencing homelessness are not specifically addressed, this plan creates a flexible framework that can address the needs of these groups as they too search for affordable housing options. Resolving the crisis will require a community wide effort to embrace change and develop a willingness to invest a little to change a lot. The following are the housing goals and objectives established in this plan. Through these goals and objectives, Salt Lake City will work to remove local barriers to housing development, address economic conditions that prevent the development and preservation of affordable housing, and support access to affordable housing for all Salt Lake City residents.

## Goal 1: Reform City practices to promote a responsive, affordable, high-opportunity housing market.

Objective 1: Modernize land-use and zoning regulations to reflect the affordability needs of a growing, pioneering city.

Objective 2: Remove impediments in City processes to encourage housing development.

Objective 3: Lead in the construction of innovative housing solutions.

Objective 4: Provide residents, community advocates, business leaders, and elected officials with high-quality data to drive decision-making.

GOAL 1: REFORM CITY PRACTICES

GOAL 2: AFFORDABLE HOUSING

GOAL 3: EQUITABLE & FAIR HOUSING

## Goal 2: Increase housing opportunities for cost-burdened households

Objective 1: Prioritize the development of new affordable housing with an emphasis on households earning 40% AMI and below.

Objective 2: Pursue funding for affordable housing opportunities.

Objective 3: Stabilize very low-income renters.

Objective 4: Secure and preserve long-term affordability.

Objective 5: Work with landlords to improve their housing stock and rent to very low-income households earning 40% AMI and below.

Objective 6: Increase home ownership opportunities.

GOAL 1: REFORM CITY PRACTICES

GOAL 2: AFFORDABLE HOUSING

GOAL 3: EQUITABLE & FAIR HOUSING

## Goal 3: Build a more equitable city.

Objective 1: Eliminate incidences of housing discrimination in Salt Lake City.

Objective 2: Align resources to create areas of opportunity

Objective 3: Implement lifecycle housing principles in neighborhoods throughout the city.

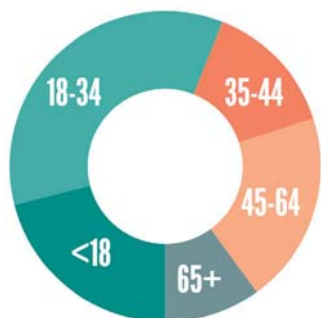
GOAL 1: REFORM CITY PRACTICES

GOAL 2: AFFORDABLE HOUSING

GOAL 3: EQUITABLE & FAIR HOUSING

# SNAPSHOT SALT LAKE: SUMMARY

Salt Lake City Residents by Age, 2014



Source: BBC Housing Market Study, 2016

Nearly 4 of every 10 Salt Lake City residents is an adult millennial (between 18 and 34 years old). **Demand for housing in walkable neighborhoods and non-single family housing types by this demographic will drive the housing market for the next decade.**

In addition, similar housing choice preferences among the Baby Boomer cohort as they retire will put added pressure on urban types of housing development.

Nearly **one-half of all renters in Salt Lake City are cost-burdened**, and nearly one-quarter are extremely cost-burdened (spend more than 50% of income on rent)

Cost-burdened City



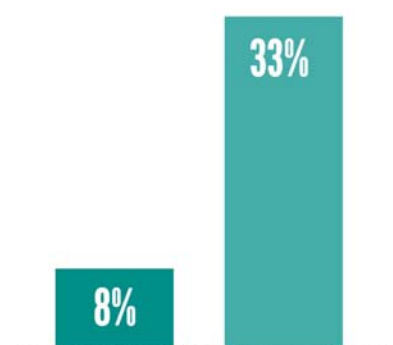
Not cost-burdened



Cost-burdened & Extremely Cost-burdened

Source: BBC Housing Market Study, 2016

Wage Increase vs. Home Sale Price Increase 2011-2014



- Increase in homeowner wages
- Increase in home sale prices

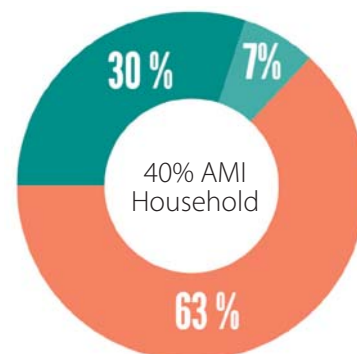
Source: BBC Housing Market Study, 2016

Homeowners in Salt Lake City are increasingly cost-burdened. **Wages over the last 5 years have not nearly kept pace with the average home sale price in the city.**

With an **average annual cost in Utah of more than \$18,000 to own and operate two cars per household**, the option of transit access can have a major impact on the financial stability of a cost burdened household. It is imperative that new housing be constructed in the right locations of the city.

(Source: Utah Business)

Monthly Cost Burden of Housing + Transportation



- Housing Costs
- Costs for 2 Cars
- Remaining budget ~\$2,000/year

Salt Lake City Workforce



Source: BBC Housing Market Study, 2016

Salt Lake City has a very high in-commuter percentage as a portion of the city's total workforce relative to comparable cities. Of those surveyed, **52% of in-commuters would consider relocating to Salt Lake City if housing were more affordable.** (Salt Lake Live Work Survey, 2016)





# SLC COMMUNITY LAND TRUST

AFFORDABLE. FOREVER.



# OVERVIEW

- Community Land Trusts are used as mechanisms to retain affordable housing in perpetuity. The trust acts as a steward that preserves affordable housing on behalf of the community by removing land from the private speculative market which stabilizes the cost of land. The land is then leased at below market rates to ensure affordability.
- The CLT addresses long-term affordable housing issues ranging from homelessness to homeownership. As we face the housing crisis in Salt Lake City, the land trust is one solution to ensure affordable housing is always available for home buyers as well as renters.
- Typical uses include:
  - Single-family homeownership
  - Multi-family rental housing

# HOW IT WORKS

## Traditional Purchase



In a traditional real estate transaction, the homeowner owns the house and the land that it sits on.

## Community Land Trust



The CLT separates ownership of the land from the buildings that sit upon it. The CLT retains ownership of the land and leases it to the homeowner.

# SINGLE AND MULTI-FAMILY

## Multi-Family Rental

- Serving AMI of 60% or below
- Trust requires that some or all of the units are affordable
  - Unlike LIHTC, the Trust ensures units remain affordable in perpetuity
- Land is leased at a per unit cost of no greater than \$50 per month
  - Can be adjusted based on cash flow to ensure project affordability
  - The beneficiary is always the tenant as the land lease is designed to decrease the rent amount of the unit

## Single-Family Homeownership

- Provides increased access to homeownership for families at 60% of AMI and no greater than 80% of AMI
- The CLT offers a stepping stone between renting and a market rate purchase, providing wealth building opportunities that otherwise wouldn't be available
- The subsidy remains attached to the home, even as ownership transfers
- The land is leased at no greater than \$50 per month but can be reduced as necessary based on homeowner income

# PROGRAMMATIC COMPONENTS

- Preserves affordable housing by retaining ownership of the land
- Long term land lease is established and renewed with each new buyer
- Repair reserve is set aside to assist homeowners with capital improvements and repairs
- Re-sale restrictions ensure affordability for the next home buyer
- The CLT provides stewardship of assets as well as homeowners. There are 4 goals of stewardship:
  1. Promote success of homeowners
  2. Protect affordability of publicly-subsidized homes
  3. Preserve the quality and condition on homes for future generations
  4. Prevent loss of public investment and homeowner returns, especially to foreclosure

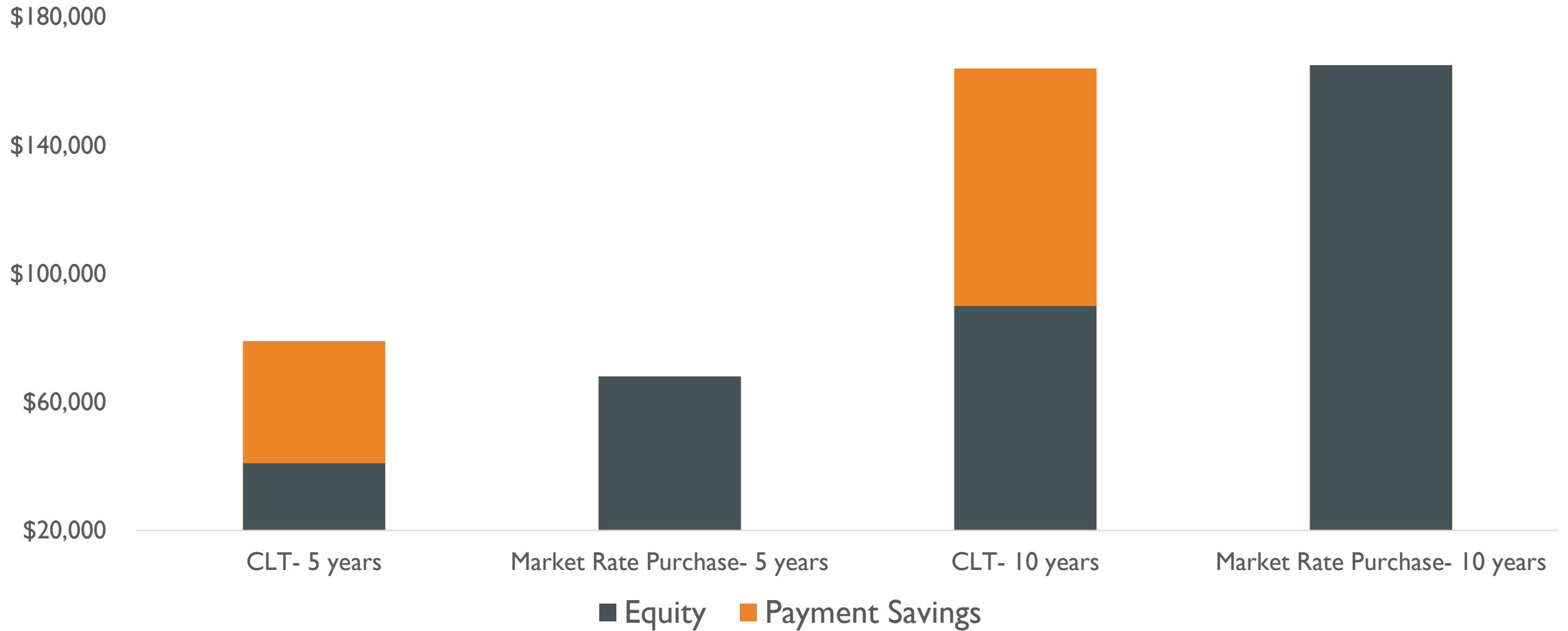
## EXAMPLE: CLT COMPARISON



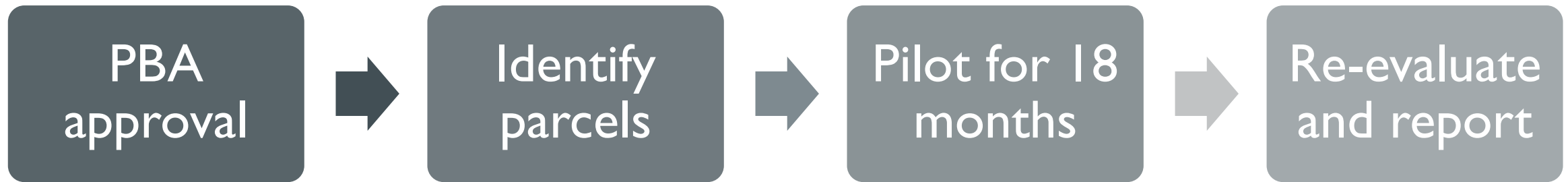
		Welcome Home SLC		Market Rate	
Purchase Price		\$158,000		\$238,000	
Interest Rate		3%		4.25%	
Upfront Mortgage Insurance		\$0		\$4,165	
Monthly Payment					
Principal and Interest		\$666		\$1,150	
Taxes and Insurance		\$160		\$200	
Mortgage Insurance		\$0		\$165	
Land Lease / Repair Reserve		\$85		\$0	
Total Payment		\$911		\$1,515	
Payment Savings					
Monthly	3 year	5 year	8 year	10 year	
\$604	\$23,000	\$38,000	\$71,000	\$74,000	



## EXAMPLE: TOTAL HOMEOWNER BENEFIT – 5 YEARS & 10 YEARS



## NEXT STEPS



### Considerations

1. Long term investment strategy
2. Public / private partnerships
3. Programmatic support



# COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

**TO:** City Council Members

**FROM:** Nick Tarbet  
Policy Analyst

**DATE:** April 4, 2017

**RE:** Community Land Trust Overview and Public Benefit Analysis

Item Schedule:

Briefing: March 28, 2017

Set Date: April 4, 2017

Public Hearing: May 2, 2017

Potential Action: May 16, 2017

## ISSUE AT-A-GLANCE

The Council will be briefed about the Community Land Trust Model, which the City will be utilizing as one of many tools to provide long-term affordable housing for low to moderate income households. The briefing will have two components: 1) Overview of the CLT program, 2) Public Benefits Analysis.

### Community Land Trust Model (CLT) Overview

Under the CLT model, housing costs are subsidized by the City, giving low to moderate income residents a chance at home ownership. Homes are constructed on City-owned land, with the City retaining ownership of the land, while home buyers own the structure through a special warranty deed. This helps keep the cost of the home down. In order to help provide wealth building opportunity for low income family, the model allows them to capture a certain amount of the home appreciation value per year, so that when and if they sell, they can take that portion of the equity with them to their next home. Because the City would retain ownership of the land, it preserves the option of affordability in perpetuity.

### Public Benefits Analysis

The Council will receive a briefing about a public benefits study of the Community Land Trust Model. A study of the model is required by state code as the City plans to appropriate funds (by offering a nominal, below market long-term lease rate) for affordable housing. The study identifies the benefits the City will receive, the purpose for the appropriation and whether the appropriation is “necessary and appropriate” to accomplish the City’s goals. The initial phase of the CLT will only place six parcels into the trust. Long term the City could elect to place any number of City or other parcels into the trust (some communities place donated properties into a land trust). This is a program wide public benefit analysis and is intended



to be for the scope of the program. Therefore, a public benefit analysis will not need to be done for each and every property that is added to the CLT in the future.

## **ADDITIONAL INFORMATION**

### **General Overview**

*Attachment A of the Transmittal provides an in-depth outline of the Community Land Trust (CLT) program. The information below provides a short summary of that overview. Please see the Transmittal for more details.*

- Housing and Neighborhood Development (HAND) has identified the following goals for the Community Land Trust program:
  1. Promote success of homeowners
  2. Protect affordability of publicly-subsidized homes
  3. Preserve the quality and condition on homes for future generations
  4. Prevent loss of public investment and homeowner returns, especially to foreclosure
- Population Served
  - The CLT will provide affordable housing opportunities in all areas of Salt Lake City, increase housing choice, affirmatively further fair housing, especially among minority and underserved populations.
  - The CLT acts as a steward that preserves affordable housing on behalf of the community by removing land from the private speculative market which stabilizes the cost of land.
  - The CLT can help ensure the availability of affordable housing in neighborhoods throughout the city, as well as help preserve affordability in changing neighborhoods like Rose Park and Glendale.
  - The program will include single-family and multi-family properties.
- Program Structure
  - In order to ensure that affordability is maintained the homeowner owns the structure and its improvements but leases the land from the trust.
    - The trust leases the land to the homeowner at a rate of \$50 per month.
    - The lease is set up for 99 years and is renewed when a new home buyer purchases the home
  - A repair reserve will be included in the homeowner's monthly mortgage payment in the amount of \$35 per month
    - This will help finance capital improvements of the structure such as replacing a roof or windows.
    - The trust will maintain the repair reserve, but the funds are accessible by the homeowner only to be used for approved repairs.
    - When the homeowner sells the property, the balance of the repair reserve will remain with the trust and can be used by future homeowners
  - Financing
    - Traditional mortgage products will be accepted.
    - HAND will also offer a mortgage program that will provide the financing for homeowners to purchase through the CLT program.

- The mortgage offers a 3% interest rate fixed for 30 years with no mortgage insurance.
- Resale Restrictions
  - The re-sale amount increases up to 3% for each year the homeowner lives in the property,
    - Re-sale amount is dependent upon the market.
    - The CLT does not guarantee that the home can be sold for the maximum re-sale amount.
- Eligibility
  - Households at or below 80% of AMI are eligible for the program
    - A single person household in Salt Lake County has an AMI of \$51,690.
    - AMI for a family of four is \$73,800.<sup>1</sup>
  - Residents must meet mortgage qualifications as well.

### **Public Benefit Analysis**

*The Public Benefits Analysis provides an in-depth outline of the public benefits analysis for the proposed Community Land Trust (CLT) program. The information below provides a short summary of that overview. Please see the Transmittal for more details.*

Because City funds will be used to support programs that offer services below market value, Utah State Code (10-8-2) requires that the City conduct a public benefit analysis and hold a public hearing. Before the public hearing can be held, the study must be conducted that considers the following factors:

1. what identified benefit the municipality will receive in return for any money or resources appropriated;
2. the municipality's purpose for the appropriation, including an analysis of the way the appropriation will be used to enhance the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the municipality; and
3. whether the appropriation is necessary and appropriate to accomplish the reasonable goals and objectives of the municipality in the area of economic development, job creation, affordable housing, blight elimination, job preservation, the preservation of historic structures and property, and any other public purpose.

The Transmittal before the Council considered those factors and noted the benefits to Salt Lake City residents include homeownership, equity building, reducing homelessness, neighborhood stability, provide sustainable homeownership to low-income families and increase the supply of affordable units.

Based on the analysis, the Administration concluded that:

The establishment of a Community Land Trust will be another effective tool the City may use toward addressing issues surrounding housing availability. The CLT model provides a long-term and sustainable way to initiate homeownership for sectors of the City's population that may not have access to affordable and stable housing. The CLT model has also proven to be a sustainable and long-term way to provide affordable housing to underserved populations. Using existing City assets for a CLT is a cost-effective approach to achieving the City's goals related to affordable housing to the population of Salt Lake City.

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<sup>1</sup> Source: Growing SLC: A Five Year Housing Plan, Executive Summary, page 11

If the Council is supportive of moving forward with the creation of a Community Land Trust, a public hearing will be scheduled and the Council can consider adopting a resolution approving the proposed study.

## **POLICY QUESTIONS**

- The transmittal notes that the \$50 lease rate may be lowered when necessary pending a committee approval.
  - The Administration clarified that the City's loan committee, comprised of four members of HAND staff, reviews any exceptions to the loan portfolio and will be responsible to review these requests as well.

***The Council may wish to ask the Administration to elaborate on the standards the committee will consider when reviewing requests to lower the lease rate.***

- The transmittal notes that one of the goals of land trust is to promote affordable housing in all areas of Salt Lake City.

***The Council may wish to ask the administration about potential plans to incorporate properties in neighborhoods of opportunity to be included in the CLT.***

- The transmittal letter notes that City-owned properties will be used to start building up the CLT, thus the startup costs will be low.

***The Council may wish to ask the administration to discuss the long term funding needs and goals of the CLT program, and whether or not RDA-owned properties will be considered for potential inclusion in the trust in the future.***

- The Administration notes that this is a program wide public benefit analysis and is intended to be for the scope of the program. Therefore, a public benefit analysis will not need to be done for each and every property that is added to the CLT in the future.


Future property acquisitions to be added to the CLT may have significant budget impacts that cannot be identified at this time, but would likely have impacts on policy decisions.

***The Council may wish to discuss with the Administration potential reporting options that will keep the Council up to date on future acquisitions that are included in the CLT.***





CITY COUNCIL TRANSMITTAL

  
Patrick Leary, Chief of Staff

Date Received: March 22, 2017  
Date sent to Council: March 28, 2017

**TO:** Salt Lake City Council  
Stan Penfold, Chair

**DATE:** March 22, 2016

**FROM:** Mary Beth Thompson, Finance Director 

**SUBJECT:** **Supplemental Transmittal to Original:** Public Benefits Analysis Re:  
Establishment of a Community Land Trust in Housing and Neighborhood Development, Per the  
Requirements of Utah Code Section 10-8-2 – adding the necessary resolution

**SPONSOR:** NA

**STAFF CONTACT:** Randy Hillier, Policy and Budget Analyst (801) 535-6606 or  
John Vuyk (801) 535-6394

**DOCUMENT TYPE:** Resolution

**RECOMMENDATION:** The Administration recommends that a public hearing on the matter  
of the Public Benefits Analysis of the establishment of a Community Land Trust (CLT) within  
Housing and Neighborhood Development (HAND).

**BUDGET IMPACT:** Budget Neutral

**BACKGROUND/DISCUSSION:** Per a request from the Housing and Neighborhood  
Development (HAND) Division of the Department of Community and Neighborhoods, the  
Policy and Budget Division, has conducted a Public Benefits Analysis of establishment of a  
Community Land Trust (CLT) within HAND.

A CLT is a low-income housing mechanism that is commonly used throughout the country to  
enable homeownership or access to affordable rentals to individuals or families making 80% area  
median income (AMI). Those who qualify for the program would purchase the structure, but  
have a long-term lease on the property on which the structure sits which is far below market rate.

A CLT acts as a steward that preserves affordable housing on behalf of the community by removing land from the private, speculative market. Doing this helps stabilize the cost of land.

Establishing a CLT will be another effective tool the City may use toward addressing issues surrounding housing availability. Both the Council and the Mayor have voiced support for, and set goals toward improving housing opportunities for all income levels of Salt Lake City. The establishment of a CLT will be another step in the City's efforts to achieve those goals.

**PUBLIC PROCESS:** Public Hearing

RESOLUTION NO. \_\_\_\_\_ OF 2017

(Authorizing the Establishment of a Community Land Trust  
in the Salt Lake City Division of Housing and Neighborhood Development)

WHEREAS, a Community Land Trust (CLT) within Housing and Neighborhood Development (HAND) is a low-income housing mechanism that is commonly used throughout the country to enable homeownership to individuals or families making 80% area median income (AMI); and

WHEREAS, Utah Code Section 10-8-2(1)(a)(v) allows public entities to provide “authorize municipal services or other nonmonetary assistance to be provided or to waive fees” (the “Municipal Services”) to nonprofit entities after a public hearing; and

WHEREAS, though Utah Code Section 10-8-2 does not require a study for such nonmonetary assistance, in this case the Finance Department voluntarily performed an analysis of the nonmonetary assistance to a nonprofit corporation (the “Analysis”); and

WHEREAS, the City Council has, following the giving of not less than fourteen (14) days public notice, conducted a public hearing relating to the foregoing, in satisfaction of the requirements of Utah Code Section 10-8-2; and

WHEREAS, the Council has reviewed the Analysis, and has fully considered the conclusions set forth therein, and all comments made during the public hearing;

THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Utah, as follows:

1. The City Council hereby adopts the conclusions set forth in the Analysis, and hereby finds and determines that, for all the reasons set forth in the Analysis, the Municipal Services are appropriate under these circumstances.

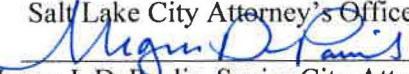
Passed by the City Council of Salt Lake City, Utah, this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

SALT LAKE CITY COUNCIL

By: \_\_\_\_\_  
CHAIRPERSON

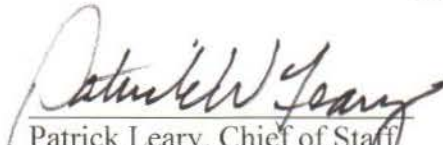
ATTEST:

\_\_\_\_\_  
CITY RECORDER

APPROVED AS TO FORM:  
Salt Lake City Attorney's Office  
  
Megan J. DePaulis, Senior City Attorney  
Date: 3/22/17



CITY COUNCIL TRANSMITTAL

  
Patrick Leary, Chief of Staff

Date Received: February 15, 2017  
Date sent to Council: February 15, 2017

**TO:** Salt Lake City Council  
Stan Penfold, Chair

**DATE:** February 15, 2016

**FROM:** Mary Beth Thompson, Finance Director 

**SUBJECT:** Public Benefits Analysis Re: Establishment of a Community Land Trust in Housing and Neighborhood Development, Per the Requirements of Utah Code Section 10-8-2

**SPONSOR:** NA

**STAFF CONTACT:** Randy Hillier, Policy and Budget Analyst (801) 535-6606 or  
John Vuyk (801) 535-6394

**DOCUMENT TYPE:** Public Benefits Analysis and Recommendation

**RECOMMENDATION:** The Administration recommends that a public hearing on the matter of the Public Benefits Analysis of the establishment of a Community Land Trust (CLT) within Housing and Neighborhood Development (HAND).

**BUDGET IMPACT:** Budget Neutral

**BACKGROUND/DISCUSSION:** Per a request from the Housing and Neighborhood Development (HAND) Division of the Department of Community and Neighborhoods, the Policy and Budget Division, has conducted a Public Benefits Analysis of establishment of a Community Land Trust (CLT) within HAND.

A CLT is a low-income housing mechanism that is commonly used throughout the country to enable homeownership or access to affordable rentals to individuals or families making 80% area median income (AMI). Those who qualify for the program would purchase the structure, but have a long-term lease on the property on which the structure sits which is far below market rate.

A CLT acts as a steward that preserves affordable housing on behalf of the community by removing land from the private, speculative market. Doing this helps stabilize the cost of land.



Establishing a CLT will be another effective tool the City may use toward addressing issues surrounding housing availability. Both the Council and the Mayor have voiced support for, and set goals toward improving housing opportunities for all income levels of Salt Lake City. The establishment of a CLT will be another step in the City's efforts to achieve those goals.

**PUBLIC PROCESS:** Public Hearing

## **MEMORANDUM**

**TO:** Patrick Leary  
Chief of Staff

**FROM:** Randy Hillier

**DATE:** February 15, 2017

**SUBJECT:** Establishment of a Community Land Trust in Housing and Neighborhood Development: Study to Comply with Utah Code Section 10-8-2

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It is recommended that Salt Lake City Corporation (City) establish a Community Land Trust (CLT) within Housing and Neighborhood Development (HAND). A CLT is a low-income housing mechanism that is commonly used throughout the country to enable homeownership or access to affordable rentals to individuals or families making 80% area median income (AMI). Those who qualify for the program would purchase the structure, but have a long-term lease on the property on which the structure sits which is far below-market rate. To assure that such lease agreements will be in compliance with Utah Code, the following study has been performed.

Utah Code 10-8-2 outlines the purposes for which a municipal body may appropriate funds (or in this case, offer a nominal, below market long-term lease rate) and the factors that must be considered in determining the propriety of such an appropriation. Prior to the requisite public hearing, and decision to appropriate any funds, a study shall be performed. This study will consider the following factors:

- (1) What identified benefit the municipality will receive in return for any money or resources appropriated;
- (2) The municipality's purpose for the appropriation, including an analysis of the way the appropriation will be used to enhance the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the municipality; and
- (3) Whether the appropriation is "necessary and appropriate" to accomplish the reasonable goals and objectives of the City in the area of economic development, job creation, affordable housing, blight elimination, resource center development, job preservation, the preservation of historic structures and property, and any other public purpose.

*See Utah Code §10-8-2(3)(e).*

## **Background**

The Community Land Trust (CLT) is a low-income housing mechanism used nationwide to create and retain affordable housing throughout a city in perpetuity. Such trusts act as a steward that preserves affordable housing on behalf of the community by removing land from the private, speculative market. Doing this helps to stabilize the cost of the land. The program will offer housing to individuals or families in the City with incomes at or below 80% of area median income (AMI).

Within the CLT program, the homeowner owns the structure and its improvements, but leases the land beneath it. This is achieved through a special warranty deed that splits the land and structure parcel. The CLT leases the land to the homeowner at a rate of \$50 per month. This is a long-term lease that will be set up for 99 years, and is renewed each time the home is sold.

An additional requirement placed on the homeowner will be the payment of a monthly \$35 repair reserve. The CLT will maintain the repair reserve, but funds will be accessible by the homeowner to be used for approved capital repairs to the structure. When the homeowner sells the property, the remaining balance in the repair reserve may be used by the new homeowners. The repair reserve account is attached to the structure, not the land or the homeowner.

In order to ensure affordability of the homes, the CLT places sales restrictions on the structure. For each year the homeowner lives in the home, the resale amount will increase only up to 3%. For example, if a homeowner occupies a property initially valued at \$200,000 for ten years, and the market is good during that time, the homeowner may realize an up-to 3% increase in value each of those ten years. This increase would result in them being able to sell the home for up to \$260,000, depending on what the market will bear. See the example below.

Example: re-sale after 10 years =  $\{\$200,000 \times [0.03 (10 \text{ years})]\} + \$200,000 = \$260,000$

The example shown in the table below helps illustrate the savings a qualifying individual may experience in a land trust versus other homeownership options. This example is based on a 2 bedroom 1 bathroom home in a typical Salt Lake City east side neighborhood, which is valued at \$240,000.

	<b>CLT</b>	<b>SLC Mortgage*</b>	<b>Other Lenders**</b>
<b>Purchase price/Mortgage</b>	\$165,000	\$240,000	\$243,240
<b>Principal and interest payment</b>	\$695	\$1,010	\$1,195
<b>Mortgage insurance</b>	\$0	\$0	\$172
<b>Land lease + repair reserve</b>	\$50 + \$35	\$0	\$0
<b>Total monthly payment***</b>	\$780	\$1,010	\$1,367
<b>Income need to qualify</b>	\$38,000	\$48,000	\$55,000
<b>AMI for 3 person household</b>	57%	72%	83%

\* Mortgage financing offered through Salt Lake's Home Buyer Program.

\*\* Based on an FHA loan.

\*\*\*Does not include property taxes and homeowners insurance.

The CLT will reduce the cost of homeownership for participants significantly by decreasing the purchase price of a home. For example, a home that would normally list at \$227,000 would be sold within a range of approximately \$130,000 to \$160,000. The cost savings associated with the reduced monthly payment could add up to as much as \$8,500 over five years, with the equity potential after five years being as high as \$55,000.

Although the Salt Lake City CLT will begin with single-family properties, the mechanism may be used for multi-family units as well. The CLT should progress toward supplying multi-family housing as the size of the program grows. Unlike many multi-family affordable housing units, which have affordability restrictions that last for 15 to 50 years, a land trust will ensure the housing remains affordable even after the term of affordability has ended. Multi-family properties will follow a similar structure to single-family properties, however, the actual fee structure has yet to be determined.

Over the next year, HAND intends to use City-owned land as a mechanism to build the CLT, with at least three properties joining within the next four months. By using existing City-owned property, the costs of the program can be kept low, while still ensuring that City-owned assets are being leveraged to maximize affordability. Buyers will be selected on a first come first served basis, and outreach will be conducted to those currently in HAND's database and through existing nonprofit relationships.

### **Benefits and Costs to Salt Lake City**

There are numerous benefits to Salt Lake City residents and the community as a whole that the CLT model provides. Providing homeownership and equity building, reducing



homelessness, as well as neighborhood stability are among the most obvious reasons to consider the establishing a CLT. Additionally, shared equity programs, such as a CLT, have been promoted as a cost-effective method to help low-income families build wealth through sustainable homeownership, while at the same time providing a permanent supply of units that remain affordable over time.<sup>1</sup>

Further, it should also be noted that such programs have been effective in providing a respectable rate of return for home buyers. A case study analyzing the Champlain Housing Trust found that homebuyers in the program who sold their home realized median rate of return of 30.8 percent, despite restrictions on the appreciation that they could realize upon resale.<sup>2</sup>

Benefits aside, it should be mentioned that the program requires an initial investment of City assets and the ongoing reduced lease rate on the land. It was calculated by the City's Real Estate Services that the market rate for the lease on the land associated with one of the houses slated for the program would be approximately \$400 per month, a difference of \$350 over-and-above the \$50 per month lease rate currently built into the CLT program.

### **Salt Lake City's Purposes and Enhancing the Quality of Life for Residents:**

Initiating a CLT will help to enhance the quality of life for Salt Lake City residents in many ways. Despite the limited number of dwellings available in the beginning of the program, it has the potential for allowing many more residents to achieve homeownership and build equity. Additionally, the long-term lease provisions and the restrictions on how much a home can be sold for will help to reduce the amount of gentrification the City is experiencing. The land trust will ensure the availability of affordable housing in neighborhoods throughout the City and help preserve affordability in neighborhoods like Rose Park and Glendale, which are experiencing gentrification pressures.

By increasing the number of homeowners throughout the City, the CLT will also help to create stability in neighborhoods. And, by promoting affordability in more areas of the City, the program will help to preserve the character and diversity of those neighborhoods, while introducing more diversity to others.

### **Accomplishing Salt Lake City's Goals:**

Both the Council and the Mayor have voiced support for improving housing opportunities for the residents of Salt Lake City. The most current set of goals embraced by both the Mayor and Council include objectives regarding improvements in housing opportunities for all income levels throughout the City.

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<sup>1</sup> Community Investments, Spring 2011 – Volume 23, Issue 1, page 32

<sup>2</sup> Shared Equity Homeownership Evaluation: Case Study of Champlain Housing Trust, Oct 2010, The Urban Institute

## **Council Objectives**

Housing/Homelessness – One of the most pressing issues facing Salt Lake City is the lack of affordable housing for everyone who wants to live here. An ample supply of affordable housing is especially important in addressing the complex issue of reducing homelessness in our community.

## **Mayoral Objectives**

Access to a wide variety of housing types for all income levels throughout the City, providing the basic human need for safety and responding to changing demographics.

Additionally, the CLT Program addresses the four goals of stewardship that Housing and Neighborhood Development (HAND) has embraced.

1. Promote success of homeowners.
2. Protect affordability of publicly-subsidized homes.
3. Preserve the quality and condition of homes for future generations.
4. Prevent loss of public investment and homeowner returns, especially to foreclosure.

The CLT Program provides stewardship of assets as well as homeowners, which creates a well-rounded program that promotes positive outcomes for the homeowner and the city. Homeowner success is achieved by ongoing education, support, and engagement. Salt Lake City partners with community organizations that offer home buyer education, financial coaching, post-purchase counseling for homeowners, and a variety of other resources. Community partnerships are essential to the success of the program as it allows the City to connect homeowners with resources, supporting them without placing the entire burden of providing resources on the City of Salt Lake.

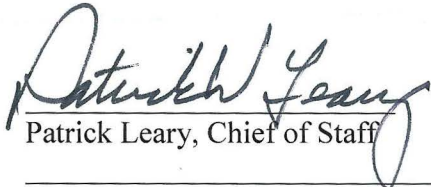
## **CONCLUSION:**

The establishment of a Community Land Trust will be another effective tool the City may use toward addressing issues surrounding housing availability. The CLT model provides a long-term and sustainable way to initiate homeownership for sectors of the City's population that may not have access to affordable and stable housing. The CLT model has also proven to be a sustainable and long-term way to provide affordable housing to underserved populations. Using existing City assets for a CLT is a cost-effective approach to achieving the City's goals related to affordable housing to the population of Salt Lake City.

**To meet the law's requirements, this study has been available in the City Recorder's Office, Room 415, City & County Building, 451 South State Street since \_\_\_\_\_, 2016. The City Council will hold a public hearing on whether to adopt a resolution approving the proposed study. The public hearing will be held \_\_\_\_\_.**




**CITY COUNCIL TRANSMITTAL**

  
Patrick Leary, Chief of Staff

Date Received: 2/15/17  
Date sent to Council: 2/16/17

**TO:** Salt Lake City Council  
Stan Penfold, Chair

**DATE:** February 3, 2017

**FROM:** Mike Reberg, Community & Neighborhoods Director 

**SUBJECT:** Community Land Trust (CLT) Overview

**STAFF CONTACT:** Melissa Jensen, Housing & Neighborhood Development Director  
801-535-6035, [Melissa.Jensen@slcgov.com](mailto:Melissa.Jensen@slcgov.com)

**COUNCIL SPONSOR:** Erin Mendenhall

**DOCUMENT TYPE:** Information only

**RECOMMENDATION:** Briefing only

**BUDGET IMPACT:** None

**BACKGROUND/DISCUSSION:**

Over the past year, HAND has been working strategically to identify long-term affordable housing solutions. While many are still being explored (especially those that require a funding source) there are some that can be acted on immediately that will bring long-term impact to Salt Lake communities. This transmittal and its attachments briefly outline the merits of the Community Land Trust (CLT) model, how it aligns with the current housing policy, and how the City plans to implement this program.

The CLT model is a long standing mechanism used throughout the country to preserve affordability in perpetuity for both single-family (homeownership) and multi-family (rental) housing. HAND intends to allow for both single and multi-family within the program, with an initial focus on homeownership. This focus is primarily derived from current availability of land and overall program costs. This model is not only a tool to preserve affordability but also serves as a partnership between community members and the program itself. This partnership begins

with shared investment in the property and a desire to maintain quality housing stock while building equity. Further, HAND would continue to serve as an educator and resource to homeowners as they continue to create wealth or face hardships.

One of the goals of land trust is to promote affordable housing in *all* areas of Salt Lake City, creating diverse and balanced communities, breaking down social and economic segregation, and building a city for everyone. Data shows that integrating affordable housing into a variety of neighborhoods can often help lower crime rates due to neighborhood cohesion and economic stability. Safe, stable, and affordable housing is essential in providing a path to financial security as well as a foundation to transition out of poverty. Salt Lake City's Housing Policy intends to foster diverse and vibrant communities and neighborhoods that provide housing options and opportunities for both single and multi-family housing. The CLT not only benefits the individuals participating in the program, but our community as a whole.

Here are some key facts about the program:

- This program is only accessible to those making 80% area median income (AMI) or less however, the larger goals of the program plan to target populations with lower incomes. For homeownership specifically, this program will provide access to a lower AMI, creating access to those closer to 60% of AMI.
- Through the use of a special warranty deed, SLC retains ownership of the land while conveying ownership of the structure and any improvements to the purchaser.
- A traditional bank mortgage can be used to purchase the structure, although it is initially anticipated that most will utilize a mortgage through HAND's existing program.
- Since the purchaser does not own the land, the City will lease the land at the rate of \$50 per month. The land lease fee is below market rate, which ensures affordability of housing. The fee may be lowered when necessary pending a committee approval.
- Lessee will pay a monthly repair reserve fee. This money belongs to the tenant and can be used for structural capital repairs that may be needed after about 7-10 years.
- Each lease runs 99 years in length and is renewed at each new sale, thus creating affordability in perpetuity.
- At the time of sale, the land will remain in the trust and the structure will be sold to another low-income household. The re-sale amount of the structure increases up to 3% each year which allows the purchaser to gain equity while ensuring affordability for future buyers.

***For more detailed information please refer to Attachment A which contains more program parameters and details.***

### *Next Steps*

Over the next 12 months HAND intends to use properties through its existing homeownership program as well as large projects that are shared with the private market via the RFP process. HAND anticipates adding 6 properties to the CLT in the next 6 months. Using existing programs and the RFP process will allow the City to keep costs of the program low while still ensuring that City owned assets are being leveraged to maximize affordability. One property has

already been completed and is ready to be placed in the trust with two additional properties that have are planned for development in 2017. Buyers will be selected on a first-come-first-served basis and outreach will be conducted to those in HAND's database currently.

Formalizing the structure now allows the mechanism to exist in a way that can be leveraged as opportunities come up. With such a program in place we may find new ways to partner on larger projects as it effectively lowers the cost of the land. This also allows the City to preserve housing in a new way. With ownership still intact, it offers a legal means to ensure that property is kept in good condition and with good oversight and management.

A final key component of the program is the ability to keep the amount of the land lease relatively low- no more than \$50 per month, in addition to the monthly mortgage payment on the structure. This number is lower than market rate for the land, thus triggering a public benefit analysis which has been submitted to the Council in a separate transmittal. This component is necessary to allow the program to benefit low-and moderate-income families. Without a reasonable lease rate, the program would continue to be out of reach for low-income households and would look more like an HOA structure as opposed to a CLT model. Further, the program needs to be consistent in nature ensuring that each purchaser experiences the same parameters. This is why the public benefit analysis is a program wide request as opposed to single benefit analysis. In the future, the benefit to each homeowner will be very similar in nature as will the city-wide benefits, thus it seems logical to include the entirety of the program in the request.

#### *Summary*

The CLT model aligns strongly with the Administration's and the Council's affordable housing priorities. Current market conditions have essentially excluded low-and moderate-income families (those making 80% or less of AMI) from home purchase with the median sales price of \$227K. The CLT program reduces the cost of homeownership significantly by decreasing the purchase price of a home by removing the land cost from the total mortgage price. For example a home that is purchased at \$227K will be reduced to approximately \$160K to \$130K. The cost savings associated with the reduced monthly housing payment can add up to as much as \$8,500 over 5 years, and the equity potential after 5 years may be as high as \$55,000. Not only does the price reduction create access for low-income families, it creates more choice on where that family would like to live.

Lastly, there is a strong case to be made for the CLT actually preserving the character and diversity of neighborhoods that sometimes disappears through gentrification. This tool can be acted on immediately while maintaining long term impact in Salt Lake's communities at a time when the market continually excludes those most in need.

**PUBLIC PROCESS:** Not Required

#### **EXHIBITS:**

Attachment A: Community Land Trust Program Overview

## **ATTACHMENT A**



## COMMUNITY LAND TRUST OVERVIEW

Community Land Trusts are used as mechanisms to retain affordable housing in perpetuity. The trust acts as a steward that preserves affordable housing on behalf of the community by removing land from the private speculative market which stabilizes the cost of land. The Community Land Trust (CLT) model is used across the nation in order to provide opportunities for low- and moderate-income (LMI) households who might otherwise find homeownership out of reach, specifically those that are at or below 80% of area median income (AMI). In addition, the land trust can also be used to preserve the affordability of multi-family rental units. The CLT addresses long-term affordable housing issues ranging from homelessness to homeownership by providing affordable rental units as well as opportunities to transition into homeownership. As we battle gentrification in Salt Lake City, the land trust is one solution to ensure affordable housing is always available for home buyers as well as renters.

### POPULATION SERVED

According to the Fair Housing Assessment of Salt Lake City completed by the Bureau of Economics and Business Research in 2013, non-Hispanic White homeownership rates far exceed minority groups such as Hispanic, Asian, and Black. The Fair Housing Assessment points out that not only are homeownership rates lower among minority populations, but Salt Lake City has a clear line of segregation marked by I-15.

While homeownership rates among minority populations reaches as high as 60% in some west side neighborhoods such as Fairpark, Euclid, Poplar Grove, and Glendale, these rates are much lower in east side neighborhoods of Salt Lake City. This is attributed to vast differences in home values, ranging from \$175,000 in west side neighborhoods such as the River District, to upwards of \$700,000 the farther east you travel.

This has resulted in a lack of opportunity, especially among low income and minority populations. East side neighborhoods often have increased access to transportation, employment centers, and other opportunities that are not present in many neighborhoods on the West side. One goal of the CLT is to provide affordable housing opportunities in all areas of Salt Lake City; increasing housing choice and affirmatively furthering fair housing, specifically among minority and underserved populations. Not only will the land trust ensure the availability of affordable housing in neighborhoods throughout the city, it will also help preserve affordability in changing neighborhoods like Rose Park and Glendale that are experiencing gentrification pressure. As gentrification pressure increases, low-income families and small business may be displaced from the neighborhood due to rising housing costs.

Traditionally the homeownership programs offered by Salt Lake City, such as the First Time Home Buyer Program, have served residents at 80% of area median income (AMI). The additional affordability that the CLT provides allows the opportunity to serve residents closer to 60% of AMI who would otherwise find homeownership out of reach, particularly as housing costs continue to skyrocket. As more residents between 60% to 80% of AMI transition into

homeownership, additional housing resources will be freed up to assist very low-income households in need of safe, affordable, stable housing.

## **PROGRAM STRUCTURE**

### **Single Family**

Through the land trust, the homeowner owns the structure and its improvements but leases the land beneath it. This is achieved through a special warranty deed which splits the land and structure parcel. This model allows the land to remain in the trust to ensure affordability is maintained. Since the homeowner is not purchasing the land, they are able to purchase the home at a more affordable rate. Upon sale of the home, the CLT restricts how much the home can be sold for, ensuring future affordability while providing wealth-building opportunities for low income families to transition out of poverty, potentially ending the cycle of intergenerational poverty.

### **Multi-Family**

Although Salt Lake City's Community Land Trust will begin with single-family units, it is a natural progression to include multi-family rental units in the trust. Many multi-family affordable housing units have affordability restrictions for 15 to 50 years. When the affordability restrictions expire, there is a possibility that residents could be displaced by increased rents. Land trusts ensure that housing remains affordable even after the term of affordability has ended. The availability of affordable multi-family units assists Salt Lake households that may be on the brink of homelessness by providing quality, affordable, safe, and stable housing. Further, the trust ensures that multi-family properties are continually maintained and improved preventing blight and dilapidation. Multi-family properties will follow a similar structure to single-family, however actual fee structures are yet to be determined.

**Land Lease-** The trust leases the land to the homeowner at a rate of \$50 per month. The lease is set up for 99 years and is renewed when a new home buyer purchases the home. If the homeowner is experiencing financial hardship, the lease can be temporarily reduced or waived. A hardship application will be submitted for review and approval of any reduction in the land lease.

**Repair Reserve-** The CLT strives to promote successful homeownership in the LMI population. A large struggle that this population faces is the ability to save for home maintenance and repairs. In order to encourage homeowner success as well as protect the City's asset, a repair reserve will be established to help finance capital improvements of the structure such as replacing a roof or windows. The repair reserve will be included in the homeowner's monthly mortgage payment in the amount of \$35 per month. The trust will maintain the repair reserve, but the funds are accessible by the homeowner only to be used for approved repairs. When the homeowner sells the property, the balance of the repair reserve will remain with the trust and can be used by future homeowners. The repair reserve is attached to the structure, not the land.

**Re-sale Restrictions-** In order to ensure future affordability of the single-family homes, the CLT places sales restrictions on the sale of the home. For each year the homeowner lives in the property, the re-sale amount increases up to 3%.

Re-sale formula = {purchase price x [0.03 (number of years in home)]} + purchase price

Example: re-sale after 10 years = {\$200,000 x [0.03 (10 years)]} + \$200,000 = \$260,000

Re-sale amount is dependent upon the market. The CLT does not guarantee that the home can be sold for the maximum re-sale amount. The risk of depreciation is assumed by the homeowner. The purpose of re-sale restrictions are to reduce inflation in home prices to ensure that the same home will remain affordable to the LMI population.

**CLT Example-** Based on a 2 bedroom 1 bathroom in an east side neighborhood valued at \$240,000. As shown by the chart below, through the CLT, we are able to serve lower AMI populations and provide more affordable housing options in all areas of Salt Lake City.

	<b>CLT</b>	<b>SLC Mortgage*</b>	<b>Other Lenders**</b>
<b>Purchase price/Mortgage</b>	\$165,000	\$240,000	\$243,240
<b>Principal and interest payment</b>	\$695	\$1,010	\$1,195
<b>Mortgage insurance</b>	\$0	\$0	\$172
<b>Land lease + repair reserve</b>	\$50 + \$35	\$0	\$0
<b>Total monthly payment***</b>	\$780	\$1,010	\$1,367
<b>Income need to qualify</b>	\$38,000	\$48,000	\$55,000
<b>AMI for 3 person household</b>	57%	72%	83%

\* Mortgage financing offered through Salt Lake's Home Buyer Program.

\*\* Based on an FHA loan.

\*\*\*Does not include property taxes and homeowners insurance.

## FINANCING

Purchase of the structure through the CLT is essentially the same as a traditional home purchase. The only difference is that the homeowner is purchasing the structure and it's improvements as opposed to the lot and the structure. Salt Lake City Housing and Neighborhood Development Division offers a mortgage program that will provide the financing for homeowners to purchase through the CLT program. The mortgage offers a 3% interest rate fixed for 30 years with no mortgage insurance. With the combination of the Community Land Trust and Salt Lake City's low cost mortgage, homeowners have access to the most affordable mortgage payments possible. Reference the chart above to see the payment savings available through the program.

## ELIGIBILITY

Eligibility to purchase a home through the Community Land Trust is based on income and several other factors. Households at or below 80% of AMI are eligible for the program.

Residents must meet mortgage qualifications as well. This includes (but is not limited to) housing and debt-to-income ratios, credit score requirements, and stable employment history. The program will target underserved populations and minorities in order to provide increased fair housing opportunities in Salt Lake City.

## **STEWARDSHIP**

A key piece of the Community Land Trust model is stewardship. Below are HAND's four goals of stewardship:

1. Promote success of homeowners
2. Protect affordability of publicly-subsidized homes
3. Preserve the quality and condition on homes for future generations
4. Prevent loss of public investment and homeowner returns, especially to foreclosure

The CLT provides stewardship of assets as well as homeowners, which creates a well-rounded program that promotes positive outcomes for the homeowner and the city. Homeowner success is achieved by ongoing education, support, and engagement. Salt Lake City partners with community organizations that offer home buyer education, financial coaching, post-purchase counseling for homeowners, and a variety of other resources. Community partnerships are essential to the success of the program as it allow us to connect homeowners with resources, supporting them without placing the entire burden of providing resources on the City of Salt Lake.