

ORANGE COUNTY, NORTH CAROLINA

COMMUNITY LAND TRUST

Before the Orange Community Housing and Land Trust (OCHLT) was created in the North Carolina county that includes Chapel Hill, the County's affordable housing efforts had no long-term guarantee for affordability. Without any resale price restrictions in an area with high land and housing prices, subsidies were lost when home prices increased beyond levels affordable to households with incomes of 80 percent of the area median income.

- ✓ Community land trust
- ✓ Shared equity
- ✓ Creative public-private collaborations

As OCHLT Executive Director Robert Dowling said, "The first buyer walked away with \$10,000 to \$15,000 in their pocket but took all the appreciation with them. This was good for them but not good for the community." The County needed an alternative that would keep housing affordable for a longer period of time.

To address long-term affordability as well as high housing costs in the County, the OCHLT was converted from a community development corporation with local government funding to a non-profit affordable housing developer. A community land trust (CLT) is a private, nonprofit corporation created to provide secure, affordable access to land and housing for local community members. Community land trusts' distinctive approach to homeownership separates ownership of a house from the land it is built on. Unlike many publicly subsidized affordable housing strategies, a CLT guarantees long-term affordability by restricting price appreciation to keep it within the reach of low-and moderate-income buyers.

Residents eligible to purchase CLT homes must live or work in Orange County and be first-time homebuyers with incomes less than 80 percent of the area median income.^{162,163} Because NC law forbids separating the title of a house and land, the OCHLT gives owners a "leasehold estate" that allows owners to own leasehold interest in the land and the house.

Buyers typically pay 50-60 percent of the actual value of a home upon purchase and can earn about 25 percent of the appreciation on their home, based on a resale

formula. The resale formula recently switched from an appraisal-based methodology to a flat 1.5 percent annual appreciation rate, after the OCHLT director experienced inconsistencies in local appraisals. The restrictions on home appreciation allow homes to remain affordable over time.

The OCHLT acquires property from a variety of sources. For example, the Trust acquires land and builds homes on it and acquires and rehabilitates existing homes. Following a recent trend among community land trusts, OCHLT acquires about half of its properties through the town of Chapel Hill's inclusionary zoning ordinance.



While builders work with the OCHLT to establish an affordable price for the inclusionary zoning units, the OCHLT usually must seek additional public subsidies to make the homes truly affordable. Dowling considers this an appropriate partnership between the private and public sectors.

Some CLTs have experienced resistance from groups who criticize a homeownership model that separates land from a house. Dowling found this to

be especially true in a southern town with a rural history, where residents are historically very attached to their land. However, for families who cannot afford to buy a home and its land together, there are clear benefits to purchasing a CLT home including increased stability, earned equity, and homeownership tax benefits.

The OCHLT has helped more than 130 low- and moderate-income homeowners purchase Trust houses since 2001. Trust houses have served as a stepping stone into the unrestricted private market: most of the 25 OCHLT households who moved out

of their OCHLT homes have purchased unsubsidized homes, usually in Durham County where prices are lower.

In addition to expanding homeownership opportunities for low and moderate-income residents and employees, the OCHLT has been successful at promoting

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-Robert Dowling

mixed-income communities. One neighborhood has 13 affordable homes selling at \$110,000 to \$140,000 among 70 market-rate homes selling at \$500,000 to \$700,000. The same developer built them all.

Dowling says, “If you’re just driving down the street not paying attention, you wouldn’t even realize they were affordable.” The local inclusionary zoning requirements have helped facilitate these mixed-income neighborhoods, but more than half of the homes OCLT acquired without inclusionary zoning are in other higher-income neighborhoods, where developers agreed to donate land.

Frank Thomas, director of government relations at the Home Builders Association of Durham, Orange and Chatham Counties, believes the CLT’s ability to solve the county’s affordability problems is limited. Thomas notes that the houses are hard to qualify for and that, with less than 200 homes, the Trust barely touches on local need for affordable housing.

From Thomas’ perspective, the high land and housing costs in Orange County are driven by local restrictions on development, and the housing market in Orange County will suffer from a lack of affordable housing as long as local officials restrict the supply of developable land.

In 1987, the county implemented a “rural buffer” of land that was to “remain rural, contain low-density residential uses, and not require urban services.”¹⁶⁴ This boundary restricts the supply of land for housing development. According to Thomas, permits have decreased by half over the last four to five years and now stand at about 200 permits per year.

Even if community land trusts are limited in scale, they are becoming a popular strategy for state and local governments to expand the supply of affordable housing. Many community and CLT leaders offer expert advice, especially from the more established CLTs such as in Burlington, VT.

Dowling emphasizes the importance of tailoring a CLT model to a community. He says, “The CLT is a very good tool for preserving long-term affordability, but it’s complicated. You have to understand what you’re getting into.”

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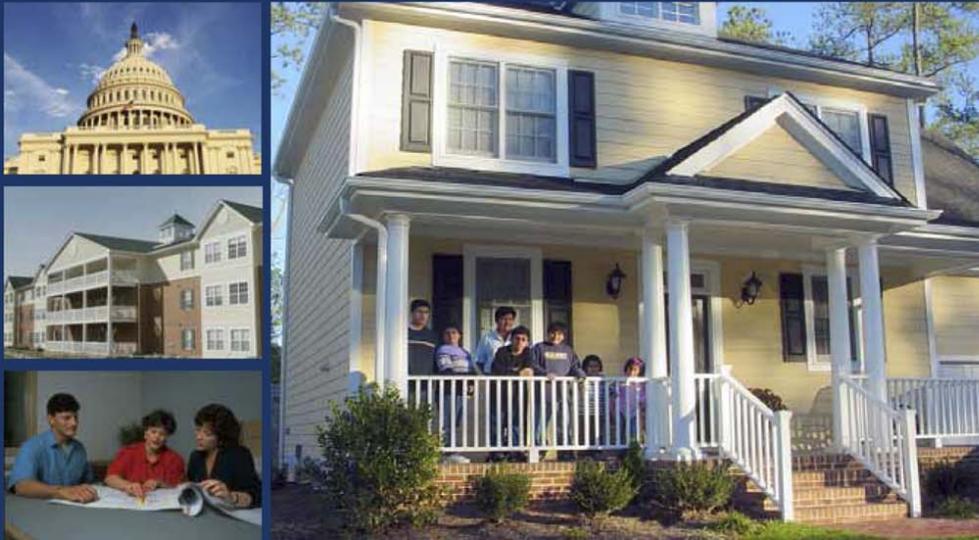
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