



Unlocking Housing Potential: Land Grants, Trusts, and Deed Restrictions

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Deed Restrictions

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Deed Restricted Ownership Housing Programs



Definition

Deed-restricted homeownership is a mechanism for **preserving** the long-term affordability of units whose price was reduced to below-market levels through a government or philanthropic subsidy, **inclusionary zoning** or affordability incentive.

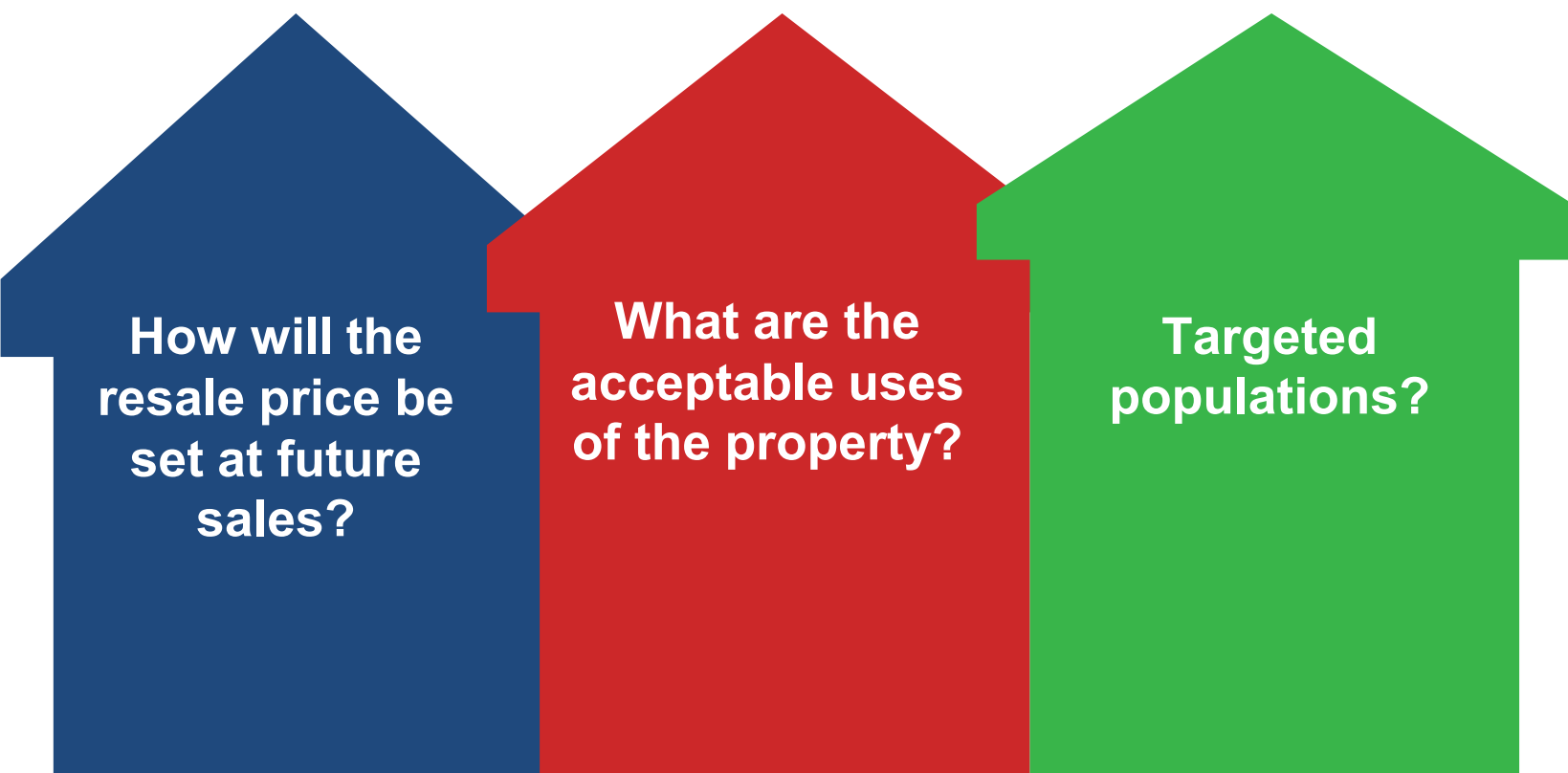
Purpose of Deed Restricted Housing



Deed restrictions help to **safeguard** the long-term value to the community of the initial investment in affordable homeownership by limiting any subsequent sales of the home to income-eligible borrowers at an affordable price.

Deed-restricted homeownership is a form of **shared equity** homeownership. Other forms include Community Land Trusts and limited equity cooperatives.

Application



How will the resale price be set at future sales?

What are the acceptable uses of the property?

Targeted populations?

- Deed restrictions typically **prescribe a formula** which sets a ceiling on the subsequent sales price of the home.
- Common restrictions on use include requiring the **owner to occupy** the home as a primary residence.
- Deed-restricted homeownership **programs typically target low- and moderate-income families**. Many programs require homebuyers to have incomes that are no greater than 80% percent of the area median income.

Establishing the Current Max Price

Inputs:

- Number of bedrooms (assumed occupancy)
- Est. Percent Down-Payment (Summit County = 5%)
- Est. Interest Rate (Utah Housing Corp. FirstHome Rate), currently at 6.25%)
- Est. Annual Property Taxes
- Est. Annual Insurance
- Est Annual PMI
- Est. Monthly Master HOA Common Charges
- Est. Monthly Project HOA Fees



Setting Affordable Sales Price

The below worksheet will calculate affordability of a home based on the proposed sale price, and other costs related to the ownership of the home. To use this worksheet, enter the information requested in the white boxes in the

Number of Bedrooms in the Home	2	← <i>Enter the Number of Bedrooms (between 0-3) in the Home (after entering press the enter key)</i>
Estimated Family Size	3	Self Calculates - Person Family (result rounded down to nearest whole number)
Maximum AMI by Family Size	\$ 83,200	at 80% AMI
60% AMI Target	\$ 62,400	at 60% AMI

Affordability Range

Salt Lake County HUD Metro AREA

Enter Values In White Boxes Below

Information Needed		4
Proposed Sales Price	\$257,000	
Est. Percent Down-Payment	5%	
Est. Interest Rate	6.250%	FirstHome rate: https://utahhousingcorp.org/rate_adjustments
Estimated Annual Costs		
Est. Annual Property Taxes	\$1,414	
Est. Annual Insurance	\$488	Enter
Est Annual PMI	\$1,416	
Estimated Monthly Costs		
Est. Monthly Master HOA Common Charges	\$100	Enter
Est. Monthly Project HOA Fees	\$200	Enter
Sale Price is Affordable to this Annual Income	\$ 83,191	

Percent of AMI **80%**

100% AMI for a Family of 4		\$115,500	
	Income Limits @ 80% AMI (Update Annually)	**@ 60% AMI	
1 Person	\$64,720	\$48,540	0.7
2 Person	\$73,920	\$55,440	0.8
3 Person	\$83,200	\$62,400	0.9
4 Person	\$92,400	\$69,300	1
5 Person	\$99,760	\$74,820	1.08
6 Person	\$107,200	\$80,400	1.16

Affordability Calculation

Sales Price	\$257,000
Less: Downpayment	\$12,850
<hr/>	
Mortgage Amount	\$244,150
Interest rate	6.25%
Term of mortgage	30
Monthly Mortgage Payment	\$1,503.27
<small>(Principal & Interest)</small>	
Annual Property Taxes	\$1,413.50
# Months	12
Monthly Taxes	\$117.79
Annual Insurance	\$488.30
# Months	12
Monthly Insurance Cost	\$40.69
Annual PMI Insurance	\$1,416.07
# Months	12
Monthly PMI Cost	\$118.01
<hr/>	
Total Monthly Principal, Interest Property Taxes, Insurance & PMI	\$1,779.76
<hr/>	
Monthly Common Charges & HOA Fees	\$300.00
<hr/>	
Total Housing Costs	\$2,079.76
<hr/>	
Percent of Income for Housing Costs	30%
Monthly Income Needed	\$6,932.54
# Months	12
Sale Price is Affordable to this Annual Income	\$ 83,191
<hr/>	
Percent of AMI	80%

First-Time Homebuyer Assistance Program & HB 572.

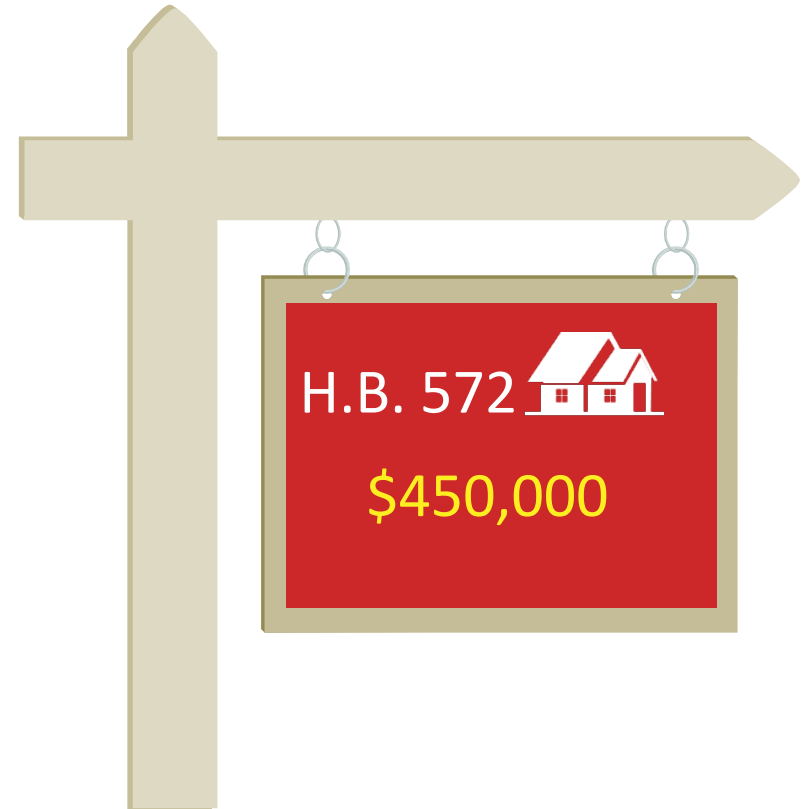
Homes, defined as 1,400 square feet and about \$350,000,
not to exceed \$450,000.

80% AMI for SLC HUD Metro

- Qualifying Income 2 BR = \$83,200, Price = \$257,000
- Qualifying Income 3 BR = \$92,400, Price = \$290,000

\$350,000 (2BR = 105% of AMI), QI = \$108,952
(3BR = 94% of AMI), QI = \$108,952

Attainable Housing Target = 81% - 120% AMI

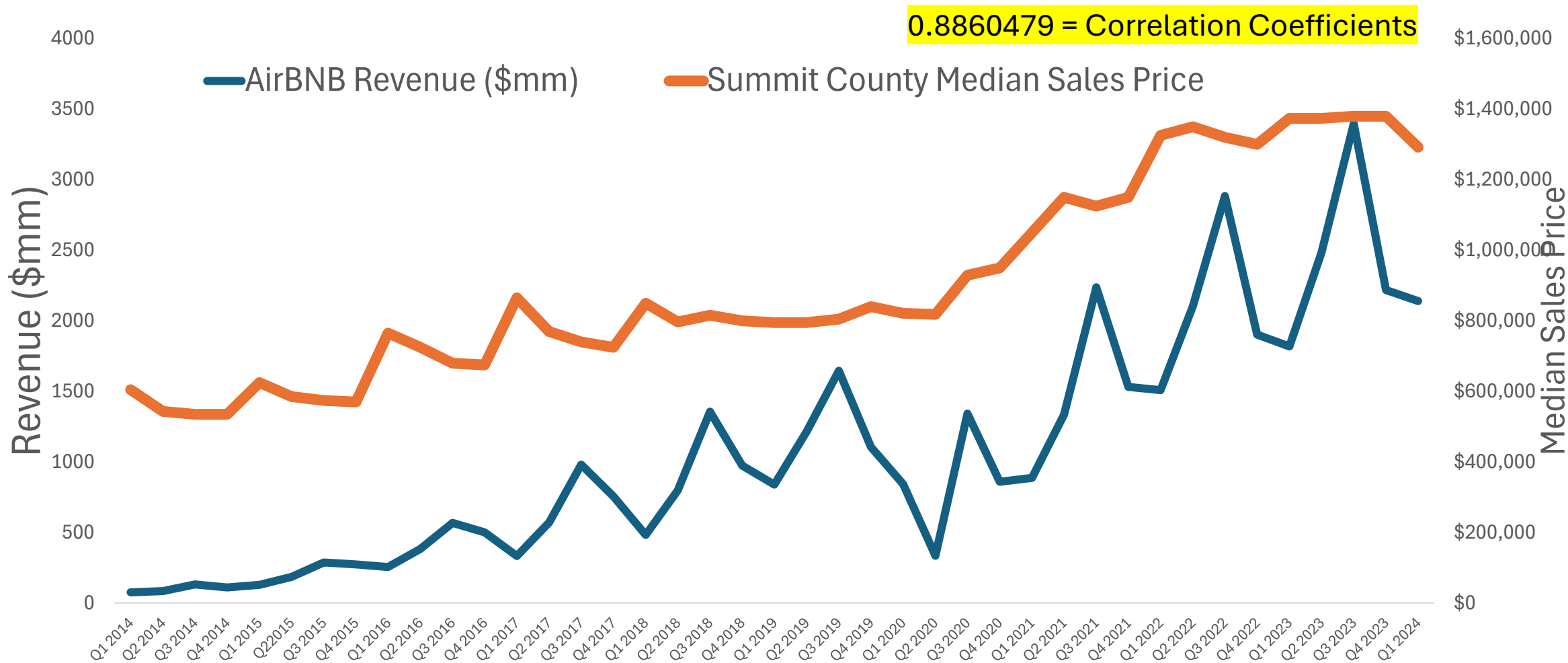


HB 572 Requirements



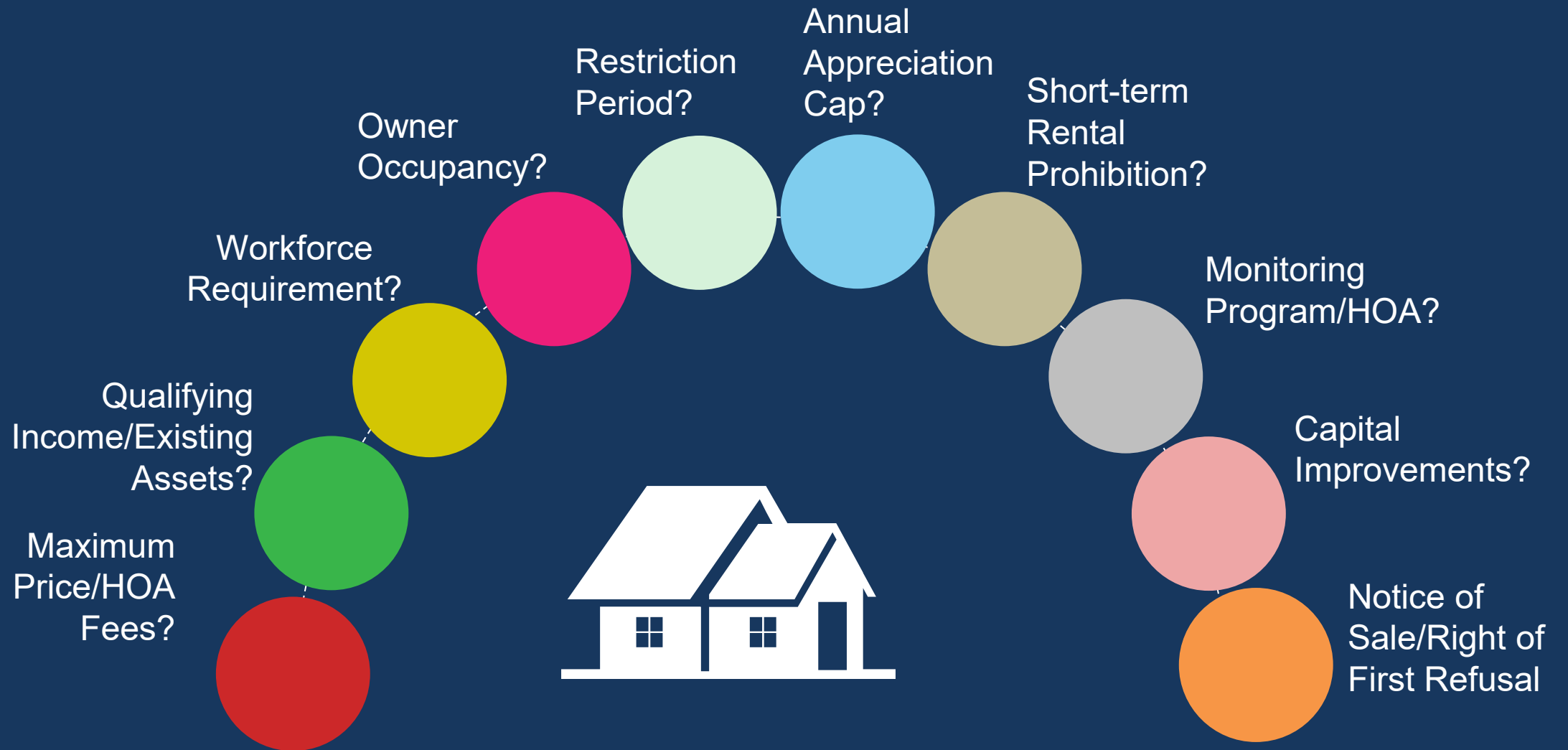
- Includes in the deed of sale an attainable home a restriction, in favor of the political subdivision, that the attainable home be owner occupied for **no fewer than five years**; and
- Have a **plan** to provide information to potential buyers of attainable homes.
- **Would require a valid agreement with the political subdivision** to develop housing meeting the requirements above.

Median Home Price and Airbnb Revenue



Source: Company Data and Utah Association of Realtors

Key Considerations for Communities

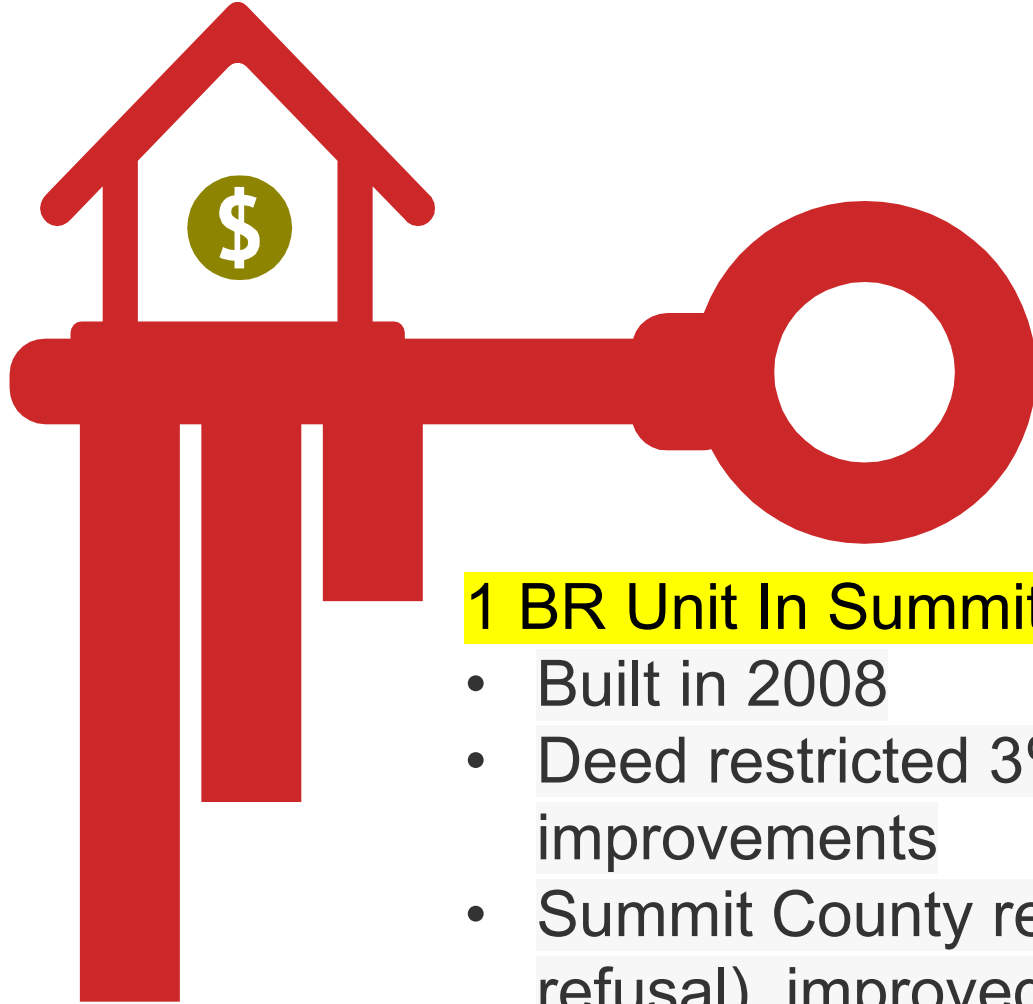


Challenges (Historic and Ongoing)



- Targeted populations (AMI)
- Price restricted and/or income restricted
- Establishing the maximum base price
- Capital improvements vs. maintenance and repair
- Owner occupancy & rent provisions
- HOAs and special assessments
- Lenders who understand “deed restrictions”
- Jurisdictional staffing
- Market realities

Example: Bear Hollow Condo Unit – Summit County, UT



1 BR Unit In Summit County, UT = \$470K (market rate)

- Built in 2008
- Deed restricted 3% appreciation cap + capital improvements
- Summit County required the unit in 2023 (first right of refusal), improved the deed restrictions and resold the unit in 2024 to a qualifying buyer for \$217,755.57.

Conclusion

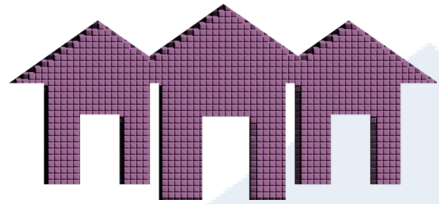
- Housing affordability will continue to challenge local and state governments.
- Without intervention, housing will only be affordable to higher income earners and/or investors.
- Buyers of deed-restricted properties are typically allowed to retain some but not all of the benefits of home price appreciation, thereby preserving ongoing affordability for the next buyer, in keeping with the terms of the restriction.





Community Land Trusts and Shared Equity Homeownership

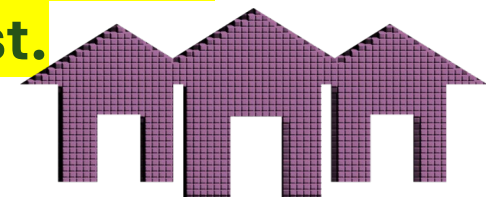
Tim Tingey, Chief Administrative Officer, NeighborWorks



Utah is facing an unprecedented affordability crisis. Innovative solutions are necessary to address this challenge, and shared equity homeownership is one promising approach.

Shared equity programs help prospective homebuyers overcome two significant obstacles: saving for a down payment and high home prices.

In this model, buyers apply for a mortgage for the cost of the home but lease the land underneath, reducing the overall cost and ensuring permanent affordability. When an owner sells the home, a portion of the equity is retained by the homeowner, and a portion goes to the land trust.



Program Design

- **CLT Nonprofit corporation *owns the land- and leases to:***
 - **A person or entity who owns the structural improvements**
 - **This protects community control of uses and access**

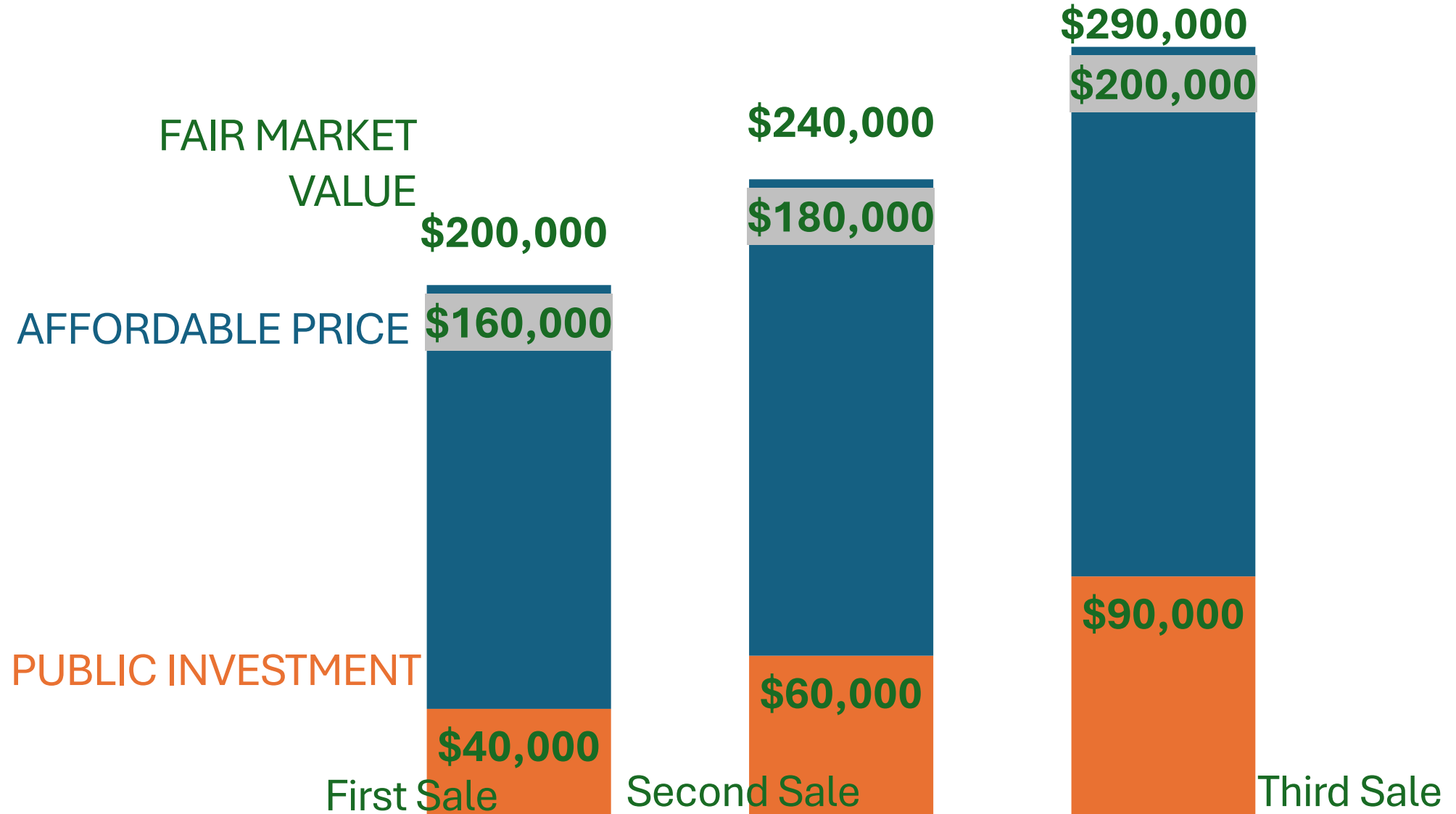




Community Land Trust Elements

- **Land Ownership**--CLT owns and maintains the land, holding it in trust for the community's benefit. The land is leased to individuals or organizations under long-term, renewable leases, rather than being sold.
- **Affordability and Equity**—The CLT model ensures long-term affordability. When owners sell their unit, the Community Land Trust utilizes land equity to maintain affordability, preventing rapid price increases and keeping housing accessible for future buyers.
- **Community Benefits**--By retaining land ownership, the CLT ensures that land use aligns with community goals and needs, such as providing affordable housing, community gardens, or other public amenities.
- **Equity Sharing**--Shared equity means the financial benefits of property ownership are shared between the owner and the community. Owners build equity in their homes but share property value appreciation with the CLT, helping to maintain affordability.
- **Pricing**--homes are appraised at market value, with affordability adjusted by discounting the land value.

Creating AND Preserving Affordability





Financing

Pricing--CLT homes are appraised at market value, with affordability adjusted by discounting the land value.

Traditional Mortgage for Building Ownership--Banks provide traditional mortgage loans for the building or unit purchase, secured by the building. Lenders assess the borrower's creditworthiness, income, and other financial factors to determine loan eligibility.

Land Lease Considerations--Banks consider the terms of the ground lease, typically long-term (often 99 years) with provisions for renewal. Lease payments are part of the borrower's overall housing expense and are usually fixed and predictable.

Risk Assessment--Lenders evaluate resale restrictions and equity sharing impacts, considering how these factors affect property value and financial risk.

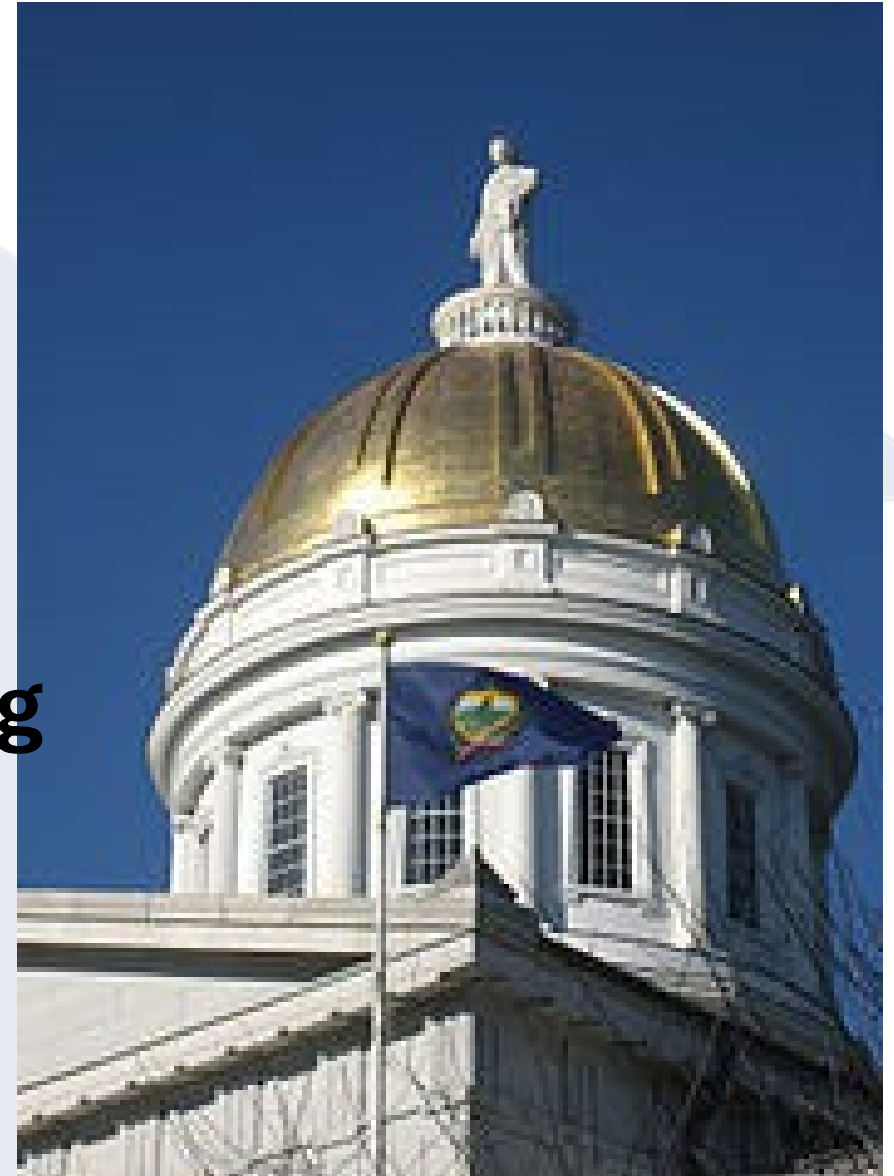
Partnerships with CLTs--Some banks have experience working with CLTs and offer tailored products or programs. They may collaborate with CLTs to develop appropriate financing solutions that align with both parties' goals.

Funding



City and State Support

- **State and City Trust Funds Capacity Grants**
- **Preferential mortgages**
- **Policies of Permanent Affordability Priority for Serving Lower Income**
- **Priority for Preserving Affordability City Inclusionary Zoning**



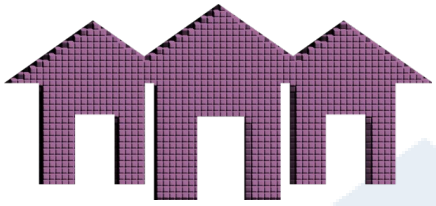
Elements for Success

- **Strong Organization to Initiate**
 - **Access to Mortgages**
 - **Strong Non Profit, Public, Business and Civic Partners**
 - **Homeownership Education and Services**
 - **Local and State Resources**
 - **Supportive Local Government: Policy Priorities**
 - **Broad Community Support**
-

NWSL Community Land Trust Status

- ***Legal Documents were finalized and Adopted in 2022 establishing the NeighborWorks Salt Lake Community Land Trust LLC;***
- ***Salt Lake City Redevelopment Agency has committed \$2 million to facilitate a CLT;***
- ***We are currently working with other entities that have established CLT's to create the most prudent model for NeighborWorks Salt Lake;***
- ***Willingness from Lenders but we are evaluating other options as well.***



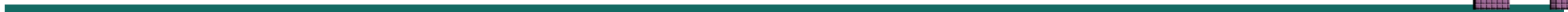


Conclusion—

CLT's are a critical tool for helping future homeowners obtain housing while protecting the community investment by preserving home affordability, monitoring physical assets, and ensuring program compliance over the long term.

It addresses the growing affordable housing crisis and creates long-term affordable homeownership opportunities for low-to-moderate-income families.

CLT's are a critical resource to facilitate homeownership for those who might otherwise be unable to purchase in a competitive market.





Arroyo Crossing – A Rural Case Study

Amy Rowland, President, Community Development Finance
Alliance

Arroyo Crossing – Moab Area Community Land Trust



MACLT – 5 Member NP
Board of Directors

Desire to create:

- Mix of Affordability Levels
- Mix of Physical Types/Densities
- Mix of Tenure

Special Ingredient

- Private donation of 42 acres of undeveloped land So of Moab - 2018

Step One: Land Development



• **Infrastructure Needed**

- Connections to existing roads
- Internal streets
- Sidewalks, curb and gutter
- Significant grading, drainage, storm water detention ponds
- Underground utilities – water, sewer, electrical, gas, telecommunication
- Common area landscaping/irrigation

The Plan

MACLT MOU w/donor:

- 50% <80% ami
- 75% <100% ami
- 100% <120% ami


Master Plan approved by Grand County:

Rental & Ownership Mix

- 64 SF Lots/48 in Phase 1
- 44 Duplex/18 in Phase 1
- 52 Twnhms/27 in Phase 1
- 24 Cottages
- 116 Apartments
- 3 Commercial
- Amended 20% <80% ami



ELLIOTT WORKGROUP



Arroyo Crossing

Grand County

ISSUE DATE: 06-08-2018
 OWNER PROJECT NO: L-100
 CONTRACT NO: 1803
 DRAWN BY: JKL
 CHECKED BY: JKL
 DESIGNED BY: JKL
 EWO PROJECT NO: 2018-12
 COPYRIGHT: Elliott Workgroup LLC

SHEET TITLE
Conceptual Site Plan

L-100
 SHEET OF

Leasehold Interest Purchase Prices

TOTAL PROJECT Costs of \$4.4MM divided by 772,760 sf = ~\$6 per square foot

LAND DEVELOPMENT REIMBURSEMENTS					
	Square Ftg.	Total Units	Total Square Ftg.	Infra-structure Cost/unit	Recommended Release/Unit
Self Help	5,000	29	145,000	\$ 29,250	\$ 31,000
Straw Bale	5,000	19	95,000	\$ 29,250	\$ 31,000
Twinhome or Small Lot	2,800	18	50,400	\$ 16,380	\$ 17,000
Cottages	2,000	24	48,000	\$ 11,700	\$ 13,000
Townhomes	2,400	27	64,800	\$ 14,040	\$ 15,000
Rental Apartments	2,500	116	290,000	\$ 14,625	\$ 16,000
Commercial	12,000	2	24,000	\$ 70,200	\$ 73,000
Community Facility	12,000	1	12,000	\$ 70,200	\$ 73,000
Garden/Open Space	43,560	1	43,560	\$ -	\$ -
Reimbursement Amounts		\$ 4,440,000	772,760		

TOTAL Amount Needed

\$ 4,400,000

Step Two: CLT Structure & Documentation

Typical CLT

- CLT develops homes/units
- Relatively consistent product
- Sells completed homes to homebuyers and retains ownership of the land
- Deed restrictions may control resale price of home, or just the land component of the cost

VS. Arroyo Crossing

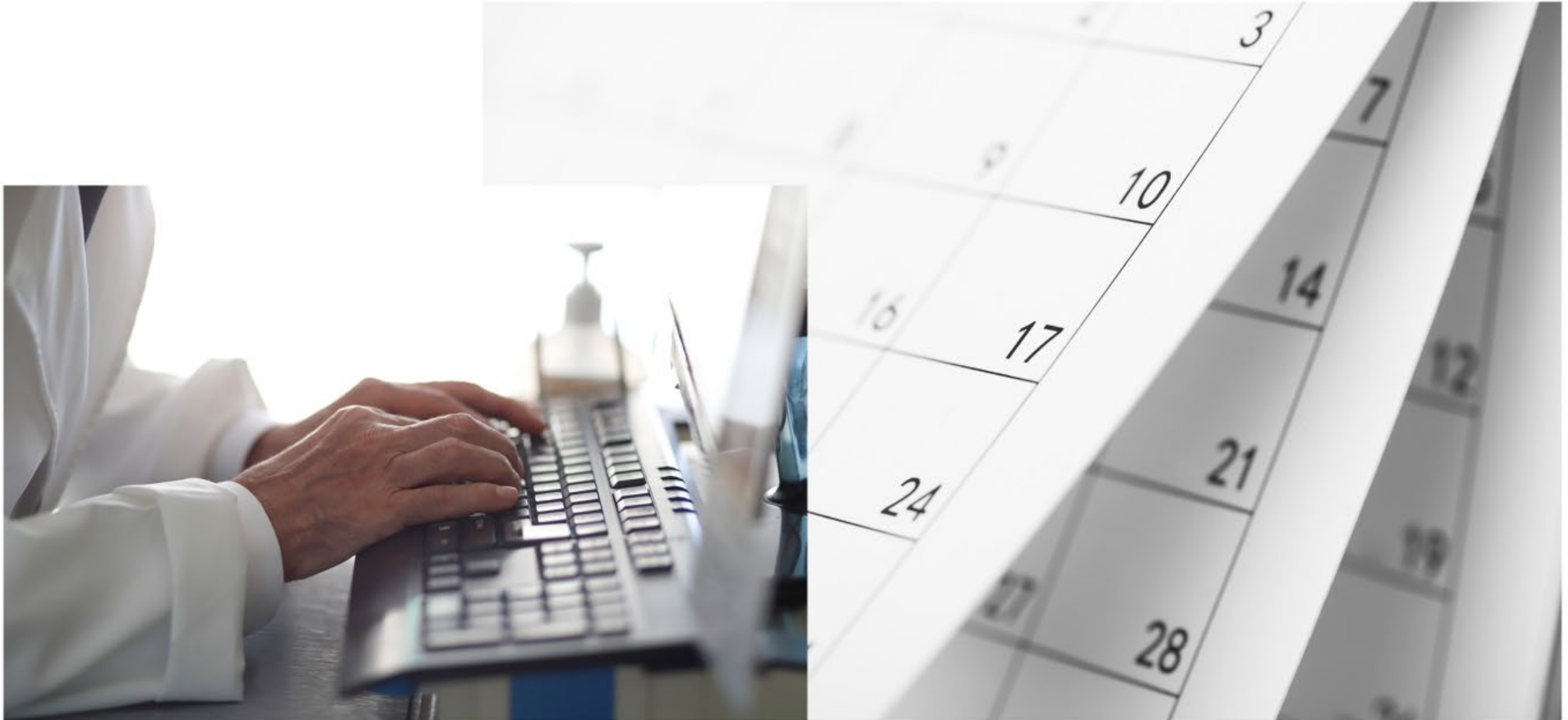
- MACLT not equipped to develop homes
- Lots are leased to developers who sign DA's with specific affordability requirements
- Needs legal documents for variety of models, including "spec" for-sale, developer-owned rental and Self Help...

USDA Mutual Self-Help Program

- Qualifying incomes 80% AMI, inc. some 50% AMI
- USDA provides highly-subsidized mortgages, disbursed during construction
- Households work in teams of 8-10 to build all houses in group – no one takes occupancy until all homes in group are completed
- Typically resale price is not restricted, but USDA has worked with deed restrictions before
- Participating households typically acquire lots prior to starting construction



Documentation



Finally!



Above Ribbon Cutting for subdivision improvements – December 2020

Below & Right
First homes start construction August 2021



Results to Date:

- 47 Single Family SH Homes (2-3 bdrm) completed/occupied, or under construction from \$238K to \$355K
- 6 Duplex SH homes completed/occupied \$240K
- 12 “Spec” duplex units completed or under construction w/ actual or projected sales prices of \$355K
- 24 rental cottages (1 & 2 bd) under construction w/ rental rates projected \$1300 to \$2064/month
- 32 LIHTC townhome and apartment units under construction w/ projected rental rates \$430 to \$1350/month
- 22 townhomes (3bd/2.5 ba) soon to start construction through SH program. Projected price of \$304K.



Major CLT Issues

- Land Lease Fees
 - Supports CLT expenses and common area maintenance
 - Reduces borrowing capacity
 - Need to increase with inflation – w/ cap mechanism
- Sales Price Restrictions
 - Do buyers really understand?
Training, Training, Training
 - Sweat and Cash Equity for original construction
 - Additions, Improvements
- CLT Policies – initial and on-going



Limited Equity Co-ops

- Another ownership model
- More common with multi-family buildings vs. home on separate lots
- Similar list of policy decisions and challenges
- May need add'l State legislation to make effective for affordable ownership





Questions

Speakers



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