

# Diamond State Community Land Trust

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February 20, 2008

Kent County Planning Staff &  
Levy Court Members

## **Re. 2007 Kent County Comprehensive Plan Draft**

Thank you for the opportunity to comment on the draft of the 2007 Comprehensive Plan, Chapter 7: Housing. The Diamond State Community Land Trust (DSCLT) fully supports Kent County's efforts to achieve a balanced housing stock, one that meets the needs of all households and all income ranges. The policies that are put in place now will guide the expansion of housing stock that is predicted over the next two decades. Foresightful planning now is the best way to insure that the resulting mix of quality housing options provides an excellent match of housing to incomes.

### *Comments on Specific Recommendations:*

- 1. 2. 3. 5. 6. & 7. DSCLT supports these recommendations without further elaboration.*
- 4. Encourage the creation of affordable housing through initiatives such as accessory dwelling units, density bonuses, and inclusionary zoning or a moderately priced dwelling unit program.*

The national experience has shown convincingly that mandatory Inclusionary Zoning (IZ) programs are the most effective method of producing better balanced housing, both for low- and moderate-income households (80% AMI & below) and workforce housing (80% to 120% AMI). Some communities have tried voluntary IZ programs first only to find that few if any affordable units were produced. We strongly encourage Kent County to develop a creative Inclusionary Zoning program that will provide the key incentives that developer/builders need to achieve the cost and time savings that yield affordable units. Generally speaking the two most powerful incentives are density bonuses and faster review/approval processes. Reducing the land cost per unit and streamlining the approval process both result in lower total development costs.

Non-profit housing developers alone cannot begin to meet the demand for affordable homes. Ninety-eight percent of housing is built by for-profit developers. Without the active participation of for-profit developers balanced housing in Kent County is not possible.

Affordable units within IZ programs usually come with deed restrictions to maintain affordability. Twenty years is a typical length. Under this retention method, many older IZ programs in the country are finding that after the deed restrictions expire the housing converts to market rate values. Montgomery County Maryland is a prime example. Many thousands of formerly affordable homes are now no longer affordable and the County is again faced with an imbalance of housing to household incomes.

This is where community land trusts (CLT) come in. Through CLTs the ownership of the home is separated from ownership of the land thereby creating a shared-equity relationship between the home-owner occupant and the CLT. Through a 99-year ground lease that includes a resale formula the home is made affordable to each subsequent owner, generation after generation. The CLT model is effective in maintaining a stock of permanently affordable homes and it preserves the value of public and private funds invested in these developments. In recent years some of the architects of Montgomery County's very successful IZ program have noted that the biggest mistake they made was not making the homes permanently affordable.

Kent County can benefit from the lessons learned through the national experience by establishing a creative, mandatory inclusionary zoning program and designating a portion of the units as permanently affordable through the CLT model of home-ownership.

*8. Establish a partnership with the Diamond State Community Land Trust to ensure long-term affordable homeownership opportunities and preserve investment permanently as units remain affordable from one buyer to another over time.*

Diamond State Community Land Trust is pleased to be named as a partner with Kent County to help ensure long-term affordability. DSCLT is the first statewide community land trust in the United States. We are creating an organization to serve as the single statewide agency to manage permanently affordable housing in partnership with each of the three counties and the state. By design this statewide scope will help ensure that DSCLT is a stable, competent organization to oversee a growing inventory of homes and maintain active relationships with our shared-equity owner-occupants.

In addition to CLT homes we also want to have responsibility for monitoring other longer-term affordability programs throughout Delaware, such as IZ and/or other deed-restricted initiatives. This is another example of how Delaware can learn from the experiences, mistakes and best-practices of older affordable housing programs throughout the U.S. The set of tasks that are required in IZ programs to recruit and educate homebuyers and monitor affordability from owner to owner are virtually the same as the tasks of a Community Land Trust. CLTs and Inclusionary Zoning programs make natural partners. Many jurisdictions rely on their local Community Land Trust, in fact, to administer their IZ programs instead of increasing county or city staff. We would welcome this type of relationship with Kent County.

DSCLT has been working with Sussex County in the development and implementation of the Moderately Priced Housing Unit program (MPHU) over the last two years. We are also active with New Castle County Council and Department of Community Services. Both Sussex and New Castle counties are supportive of DSCLT through financial and project relationships.

Discussions with State legislators and DSHA about Diamond State CLT's role in the state are ongoing.

*9. Establish an affordable housing trust fund potentially funded through "in-lieu" fees paid by developers as part of an inclusionary zoning ordinance.*

Creation of a local housing trust fund (HTF) is one of very the best ways for a community to take stronger control of its community development and affordable housing needs. The counties and cities in the United States that are achieving the best results in providing quality housing for citizens in all income ranges have local housing trust funds derived from dedicated revenue sources. A Kent County HTF will have the additional benefit of making Kent affordable housing projects more competitive for national and private subsidy funding thereby multiplying the investment of locally generated dollars.

We support Kent County's initiative to establish a Housing Trust Fund to stimulate development and preservation of affordable housing for low-income households (80% AMI & below) and very-low income (50% AMI & below). In addition to "in-lieu" fees, we strongly recommend that a portion of the real estate recordation fee or other real estate industry fee be designated as the primary funding mechanism for the Housing Trust Fund. Without substantial, renewable dollars, a local HTF will be quite limited in its impact.

*10. Reduce or defer impact fees as permitted by state statute for the creation of affordable housing during the life of the affordability of the unit.*

DSCLT supports this recommendation wholeheartedly. Impact fees can add significantly to the cost of housing development. Any cost reductions or deferments beyond affordability periods will be helpful in bringing down development costs and pricing of low- and moderate-income housing. These kinds of fees (when not reduced or eliminated) add dollar for dollar to project subsidy funding requests to government entities and private subsidy providers.

*Other Information Re. Diamond State CLT & affordable housing.*

Market for Community Land Trust Homeownership: As part of our 10-year Business Plan we have developed several measures of the potential market for shared-equity homeownership for households at 80% AMI & below. Among current households in Kent County with combined family incomes between \$20,000 and \$49,999 there are 13,500

owner-occupied and 4,800 renter-occupied households. Of these combined 18,300 households, 7,600 are cost burdened (paying more than 30% of their incomes for housing). That's about 42% of the families in these income ranges. A recent national survey indicates that 15% of the population is very interested in shared-equity homeownership. Fifteen percent of these 7,600 cost-burdened households equals 1,140 Kent County families.

Another estimate of demand for CLT homes has been derived from DSHA's recent Needs Assessment data. 2,432 "affordable" and a portion of "first-time" Kent County buyers predicted for 2008-2012 could be shared-equity buyers.

A third "goal-based" estimate of CLT demand is 10% of the housing stock. Several states and communities around the country have established 10% as their shared-equity balanced housing goal. Using current and estimated demand through 2012 this would be over 5,500 homes in Kent County alone.

Based on these three different estimates of potential demand and the experience of the older community land trusts around the country, we are confident that there is a strong demand for shared-equity homeownership in Delaware.

Foreclosure Crisis: The current foreclosure crisis that is sweeping the United States is affecting low- and moderate-income homeowners and neighborhoods disproportionately. It is a sad fact that in many recently revitalized neighborhoods the foreclosure crisis is taking away the substantial gains made over the last two decades. Most first-time homebuyer programs do not have safeguards in place to help these new owners maintain ownership, avoid the pitfalls of tricky refinancing schemes, or provide assistance to owners at the earliest signs of trouble. The chief underlying reason for this is that most first-time buyer programs have no on-going relationship with their clients. Once the house is purchased these owners are pretty much on their own.

CLT owners, by contrast, have a permanent relationship with their community land trust. Through the 99-year ground lease, participation in the governance of the CLT, and interaction at each sale of the home, CLT owners are not left alone. In fact, since the land is owned by the CLT, owners are not allowed to refinance without the active participation and guidance of the CLT. In the current market of record-breaking foreclosure rates, CLT homes across the nation have a foreclosure rate of 0.6%. This is even lower than traditional prime mortgage borrowers. CLT owners around the country have been substantially insulated from the foreclosure crisis that is devastating communities and displacing many families. This is another indication that shared-equity homeownership is a better way for helping many families become and remain homeowners.

Foreclosure Solutions: CLTs are active in finding solutions for the foreclosure crisis. Some CLTs, supported by state, local and private funding, are buying vacant foreclosed properties and selling them to trained CLT owner-occupants. This has several positive effects including:

Our mission is to strengthen communities by creating and stewarding perpetually affordable housing and promoting sustainable use of the land.

- a. helping more families become homeowners
- b. reducing the devastating affect of vacant, boarded homes from neighborhoods.

At the national level a recent proposal named the GARDNS Fund is being discussed (see copy enclosed). This initiative would inject \$10 billion in federal funds into CLT foreclosure solutions. DSCLT is actively promoting this initiative that could bring substantial affordable housing dollars to Delaware.

Taking Shared Equity To Scale: DSCLT is a part of the National CLT Network. This group is involved in partnerships with the Ford Foundation, NCB Capital, the Lincoln Land Institute, NeighborWorks America, and other groups that are spearheading an effort to make the CLT shared-equity model a more prominent part of the real estate industry in our country. DSCLT is active in this effort as well. The hope is that additional funds and support will be coming to our state in the years ahead. If these initiatives take place Kent County would directly benefit. Initiatives like this are sorely needed because funding for affordable housing in Delaware and in the country as a whole is far too meager to seriously address the needs.

Effectiveness of Mission: Nationally, CLT homeownership is proving to be more effective in helping families become self-sufficient and continue as homeowners compared to traditional first-time homebuyer programs. When leaving homebuyer programs, 53% of first-time homebuyers return to renting. With CLT owners that number is reduced to 20%. Clearly, community land trust homeownership is an important part of creating balanced housing for Delaware.

*Conclusion:*

Diamond State Community Land Trust is supportive of the forward-looking recommendations for Housing outlined in the draft 2007 Comprehensive Plan. We stand ready to work alongside the staff and Levy Court to help Kent County achieve better balanced housing. We have specific ideas and projects in the works for Kent County that we would very much like to share with you in the near future. Please call on us to be a part of developing balanced housing initiatives.

Good luck as you bring this important planning process to its conclusion.

Sincerely,

Van Temple  
Executive Director