

# DIAMOND STATE CLT

P.O. Box 1326  
Dover, DE 19903-1326

A Community Land Trust for Delaware

(302) 678-2286  
dsclt@housingforall.org

February 9, 2007

Charles Baker, General Manager  
Department of Land Use  
New Castle County  
87 Reads Way  
New Castle, DE 19720

## **Subject: Comments on 2007 Draft Comprehensive Plan**

Dear Mr. Baker:

### **Background:**

The Diamond State CLT (community land trust) is a statewide non-profit corporation with the mission of creating an inventory of permanently affordable owner-occupied housing for low- and moderate-income households. We appreciate the opportunity to comment on the 2007 Draft New Castle County Comprehensive Development Plan.

Under the Community Land Trust (CLT) model, homes remain affordable from one buyer to the next through a shared equity arrangement. Traditional methods of creating affordable housing using HOME and/or CDBG funding, create homes that are affordable for the first buyer only or typically no more than 5-10 years. CLT homes remain affordable forever by allowing the homeowner to own the house while the CLT owns the land. The CLT leases the land to the homeowner through a secure 99-year renewable ground lease for a nominal monthly fee. Included in the ground lease is a resale formula which is used to calculate the future resale price of the home. The formula awards some of the value of appreciation to the home seller while preserving the affordability of the home for the next buyer. At each point of sale a portion of the increase in appreciation goes to the seller, while the rest essentially stays with the home, making it affordable to the next buyer. In effect, the CLT model helps take the speculative value of the land out of the home pricing equation and passes along the savings to each subsequent homeowner.

Community land trusts all over the United States are part of a growing movement along with other methods of increasing the supply of affordable

housing like inclusionary zoning and other longer-term deed restricted programs. Investments of HOME, CDBG, other public funds, and private sources in permanently affordable CLT homes are a far more efficient use of subsidy than traditional short-term affordability methods.

**Comments on the 2007 Draft Plan, Housing Section (pages 86-89):**

*Objective 4: Expand the supply of housing types to create a more diverse market of livable housing options for people in all income ranges.*

Community land trust homes are an entirely new level of homeownership opportunity for low- and moderate-income households. With subsidies or other methods of support, CLT homes can be made affordable to households at and below 80% Area Median Income (AMI), a portion of New Castle County residents that are inadequately served by existing markets. Today even non-profit housing producers are having difficulty serving families at 80% AMI and below due to escalating land values, increasing construction costs, and a modest level of financial support for lower-income buyers. With the right network of support, CLT homes offer a new rung on the ladder that puts homeownership within reach of many more New Castle County households.

*Objective 6: Provide homeownership opportunities for low and moderate income households.*

New Castle County's efforts to assist first time homebuyers and help subsidize the creation of new and rehabilitated homes for low- and moderate-income homebuyers are commendable. However, under traditional short-term affordability requirements – these homes remain “affordable” for only 5-10 years, a relatively short time for the public investment to work. If the County's efforts included CLT homes, all HOME, CDBG and other affordability subsidies would continue to work making these homes affordable in perpetuity.

All across our country - counties, cities and states are adopting Inclusionary Zoning (IZ) programs to help create more affordable housing stock. IZ programs are one of the most effective ways of providing homeownership opportunities for low and moderate income households. In Delaware 98% of new construction is built by For-Profits. Without serious participation by For-Profit developers a balanced housing picture that provides quality homeownership opportunities for all households is simply not possible.

Perpetual affordability is a vital component to ensuring long-term impact of IZ programs. CLT programs work hand in hand with inclusionary zoning so that homes remain affordable from one buyer to the next, not just the first buyer. Diamond State CLT is working closely with Sussex County on their new

Moderately Priced Housing Unit (MPHU) program. The set of tasks that are required in inclusionary zoning 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.

*Implementation Strategy 11: Encourage the creation of affordable housing through initiatives such as accessory dwelling units, inclusionary zoning, housing programs and a Housing Trust Fund for development of affordable housing.*

We encourage New Castle County to add the component of Community Land Trusts to Strategy 11. Investment in and support of the CLT model of perpetual affordability could help expand the County's supply of affordable housing stock substantially over the next decade and beyond.

#### **Recommendations for Inclusion in the 2007 Comprehensive Plan:**

1. Add a requirement to assure permanent affordability for current County-assisted affordable housing initiatives.
2. Develop a mandatory inclusionary zoning program that creates truly affordable housing and insure that these units remain affordable from owner to owner through inclusion in the Diamond State CLT inventory of properties.

In 2006 Diamond State CLT began working with New Castle County in exploring possibilities for inclusionary zoning programs and affordable housing in the DSCLT inventory. We are an active part of a national network of over 200 CLTs. There are many excellent examples across the country of what works best. These connections can help New Castle County achieve a balanced housing stock that matches the needs of all its residents.

We look forward to working side by side with you on behalf of New Castle County households. We are available to make presentations about the Diamond State CLT upon request.

Sincerely,

Van Temple  
Executive Director