

DIAMOND STATE CLT

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A Community Land Trust for Delaware

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Mr. Hal Goodwin
Assistant to the Administrator
Sussex County
P.O. Box 589
Georgetown, DE 19947

Subject: Comments for 2007 Comprehensive Plan Process

Dear Mr. Goodwin:

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 provide input to the 2007 Sussex County Comprehensive Development Plan.

Under the Community Land Trust 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. By contrast, 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 appreciation value 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 new 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.

Sussex County

The new Sussex County Comprehensive Plan needs a strong emphasis on affordable housing. Many households are not well served by the current supply of housing. These underserved families include thousands of middle- and low-income households. Without a strong set of County incentives and requirements, accompanied with a stable base of funding, the current crisis in affordable housing will only get worse.

The Moderately Priced Housing Unit (MPHU) program is one good element within a comprehensive, long-term strategy for Sussex County. As a voluntary program, MPHU will likely create some housing units that are affordable for households in the 80% to 120% of Area Median Income (AMI) range. Clearly there is an unmet need for more affordable housing for these middle income families. The larger and more critical need, however, is for households below 80% AMI (low-income) and below 50% AMI (very low-income). More must be done to serve families in these more vulnerable income levels.

Diamond State Community Land Trust

Community land trust homes are an excellent way to expand the supply of housing types to create a more diverse market of livable housing options for people in all income ranges. CLT homes are an entirely new level of homeownership opportunity for low- and moderate-income households. With subsidies and other methods of support, CLT homes can be made affordable to households below 80% AMI, a sizable portion of Sussex County residents that are inadequately served. In today's market even non-profit housing producers are having difficulty helping families below 80% AMI become homeowners. Escalating land prices, increasing construction costs, and an insufficient level of financial support for lower-income buyers are contributing to this housing crisis. Even more critically, vulnerable households below 50% AMI are receiving very little assistance. With the right network of support, CLT homes offer a new rung on the ladder that could put homeownership within reach of many more Sussex County households.

Perpetual affordability is a vital component to ensuring long-term impact of inclusionary zoning programs like MPHU. CLT programs work hand in hand with MPHU type programs so that homes remain affordable from one buyer to the next, not just to the first buyer. CLTs and programs like MPHU make natural partners. Many jurisdictions rely on their local Community Land Trust, in fact, to administer their affordable housing initiatives instead of increasing county or city staff.

Recommendations for the 2007 Comprehensive Plan:

1. Make the MPHU program mandatory, not voluntary. For-profit builders account for 98% of all new housing in Delaware. Without serious involvement by for-profit developers, an adequate supply of affordable housing will never be achieved.
2. Modify the MPHU program to insure affordability beyond the current 20-year period by assigning units to the Diamond State CLT. This will help build an inventory of permanently affordable homes in Sussex.
3. Dedicate County funds to affordable housing on an annual basis. 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. We strongly encourage Sussex County to establish a Housing Trust Fund to stimulate development and preservation of affordable housing for low-income (80% AMI and below) and very-low income (50% AMI and below) households.
4. Develop a requirement to assure permanent affordability for all County-assisted affordable housing initiatives.
5. Add the component of Community Land Trusts to the Comprehensive Plan. Investment in and support of the CLT model of perpetual affordability could help to substantially expand the County's supply of affordable housing stock over the next decade and beyond. 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.

DSCLT appreciates the opportunity to work closely with Sussex County on the new MPHU program. The set of tasks required for MPHU including project oversight, recruiting and educating homebuyers, and monitoring affordability from owner to owner are virtually the same as the tasks of a Community Land Trust. We look forward to working side by side with you on behalf of Sussex County low- and moderate-income households. We are available to make presentations about the Diamond State CLT upon request and are very interested in exploring ways of working together.

Sincerely,

Van Temple
Executive Director