

What is a Community Housing Trust?

A Community Housing Trust (CHT), also known as a Community Land Trust (CLT), is a nonprofit organization designed to develop and maintain affordable housing for low to moderate-income families.

The primary goal of a CHT is to ensure long-term housing affordability and prevent displacement due to rising property values. This is achieved by owning the land on which homes are built and leasing it to homeowners or renters at affordable rates.

What are the Requirements for Establishing a Community Housing Trust?

- 1. Legal Formation:** The first step in establishing a CHT is to form a nonprofit organization. This involves drafting and filing articles of incorporation with the state and obtaining federal tax-exempt status (501(c)(3)) from the IRS.
- 2. Mission Statement:** The CHT must have a clear mission statement focused on providing affordable housing and promoting community development.

- 3. Board of Directors:** The trust should have a diverse board of directors, typically consisting of residents, community members, and public representatives to ensure a balanced and representative governance structure.
- 4. Funding:** Initial funding for land acquisition, development, and administrative costs can come from various sources, including grants, donations, government programs, and loans.
- 5. Land Acquisition:** The CHT needs to acquire land, either through purchase, donation, or public land trusts. This land is held permanently by the trust to ensure ongoing affordability.

- 6. Home Construction/Renovation:** The trust either builds new homes or renovates existing structures to provide safe and affordable housing options.
- 7. Leasing Arrangements:** Homeowners lease the land from the trust through a long-term (typically 99-year) ground lease. Renters may lease homes directly from the trust.

What are the benefits of Community Housing Trusts?

- 1. Affordable Homeownership:** By separating the ownership of the land from the ownership of the home, CHTs reduce the cost of purchasing a home, making it more affordable for low to moderate-income families.
- 2. Permanent Affordability:** The land lease agreement includes resale restrictions to ensure that homes remain affordable for future generations.

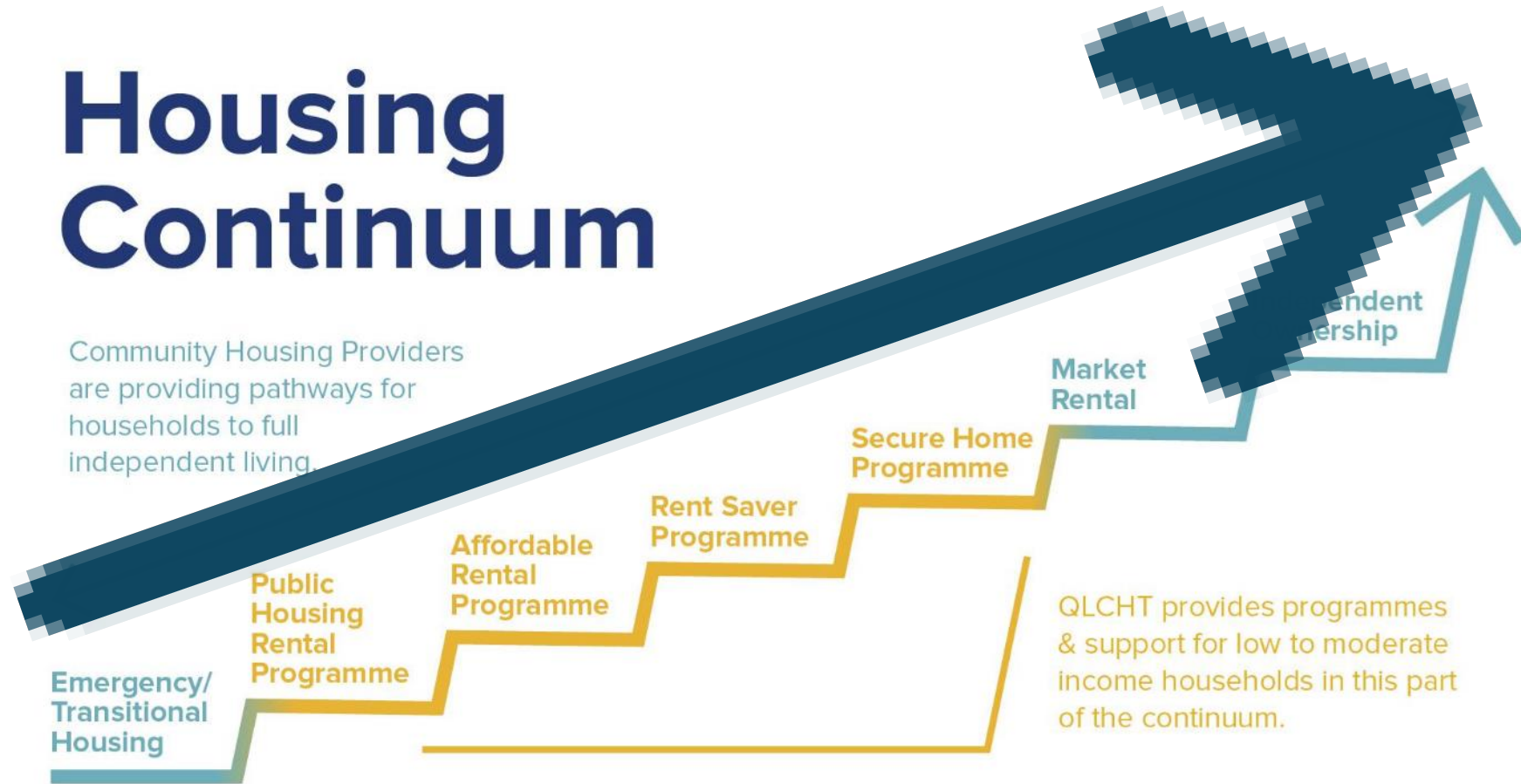
- 3. Community Stability:** CHTs help stabilize neighbourhoods by preventing displacement and fostering community involvement and pride.
- 4. Stewardship and Support:** CHTs often provide ongoing support to homeowners, including education on homeownership, maintenance assistance, and conflict resolution.
- 5. Rental Subsidies:** Many CHTs offer rental subsidies to ensure that low-income families can afford to rent homes within the trust. These subsidies can come from government programs or private funding.

Queenstown Lakes Community Housing Trust

(an example)



Housing Continuum



The housing market in New Zealand is commonly depicted as a continuum recognising different levels of intervention and support for the circumstances of different households

Why are they successful?

- The Queenstown Lakes Community Housing Trust has a comprehensive 'Relationship Framework Agreement' with the Council making a long-term commitment for achieving affordability objectives.

Relationship Framework Agreement



- Executed 2019 and updated 2022.
- Cements long-term relationship to enable achievement of housing affordability objectives.
- Notes partnering concept along with roles and responsibilities of each party.
- Confirms reporting and auditing requirements.
- Outlines limitations on use of IH and QLDC contributions.
- Schedule of QLCHT housing programmes protocols form part of agreement.
- Provision for termination, dispute resolution and general T&Cs.

What are possible funding sources?

- Central Government
- Local Government
- Development West Coast
- Local Businesses
- Benefactors that have an interest in the West Coast
- Grants/Funds

Different structures

Example - Secure Home Programme.

Secure Home Programme



- The Trust owns the land.
- Household buys lease to the property with bank mortgage and deposit.
- Purchase price = cost to construct (no margin).
- Household pays ground rent to QLCHT of 1.5% pa of land value, e.g. \$115 pw on \$400k section.
- QLCHT retains freehold title on behalf of the community in perpetuity.
- Bank has security against leasehold title for purchaser's mortgage to be registered against.

Secure Home Programme



- 100-year lease with ground rent increasing annually with CPI.
- Resale price of house capped to CPI and can only be sold back to QLCHT.
- New household buys in at same price QLCHT bought back at.
- Improvements to property must be approved by QLCHT, and can be added to resale price.
- Bank requires 20% deposit, or 5% with First Home Loan. KiwiSaver and First Home Grant can be applied.
- Maintenance costs prorated into resale price.

Secure Home Example

3 bedroom house in Longview which cost \$420k to build:

Mortgage	\$ 357,000	Mortgage repayments*	Weekly \$ 521
Deposit (15%)	\$ 63,000	Rates, insurance & maintenance	\$ 100
Upfront purchase price \$ 420,000		Ground rent (1.5% on \$350k section)	\$ 101
		TOTAL	\$ 722

\$722 weekly compared to median rent of \$780 for 3 bed.

Secure Home vs. Rent = Reduced costs and security of tenure and principal

*Repayments on mortgage over a 30 year term @ 6.5%, and repayments include principal so mortgage getting paid off.

Capital funding sources

