

Sitka Explores A Path To Affordable Housing



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A Community Land Trust can create affordable housing – and successful homeowners – in communities of all sizes, a CLT consultant says.

But could it work for Sitka? Does Sitka have the resources required?

The questions came up Tuesday night at an Assembly work session on whether a nonprofit that subsidizes housing might be the answer to Sitka's affordable housing needs.

Mayor Mim McConnell, who is executive director of the Sitka Community Development Corp. and an advocate for affordable housing, thinks a CLT might be a good fit here. Sitka definitely has a need, she said.

"I think it's an excellent solution for all the reasons you saw," McConnell said in an interview after the meeting.

The basic concept of a CLT is for the nonprofit to provide land at no cost to a prospective home builder. The house is financed in a conventional way, but the land remains in trust ownership. The trust receives a percentage of the profit from any future sale of the house.

McConnell arranged for the visit by Michael Brown, a partner in Burlington (Vt.) Associates in Community Development, who was the guest speaker at the work session. Brown had been heading to Juneau on a family visit, and asked McConnell whether she wanted him to make free educational presentations in Sitka.

Five Assembly members attended the meeting at the fire hall, along with several SCDC board members, city staff and members of the public, and about two dozen Sitka High School students who were fulfilling a requirement for their American government class. Brown was also scheduled to speak today at the Chamber of Commerce luncheon.

McConnell said she organized the Tuesday work session in her capacities as mayor and SCDC director. She has been inspired by her work with the homeless projects in Sitka to start working on affordable housing, she said.

"My experience with homelessness has really made it clear we have a problem, and it's growing in severity," she said. "Talking to different employers in the community made me aware of how hard it is to keep employees. Also, living in the harbor has brought it home to me in how hard it is to find a place to live."

The idea behind a CLT is to make homes more affordable, and to keep the public benefit available in perpetuity. The CLT helps homeowners be successful, ensures well-performing mortgages, and helps the homeowner build equity while keeping the benefit for others, Brown said.

CLTs are a growing movement in the Northwest, Northeast, and a few places around the country, with 275 in operation. If Sitka started one, it probably would be the first in Alaska.

"The challenge is more and more people need help, and resources are fewer and fewer," he said. "Our goal is to bridge those gaps."

Brown, whose company has worked with 100 CLTs around the U.S., provided an illustration of how a CLT works. He rounded out the price of a home for ease in calculation, to \$100,000, adding that he realizes this is not a reasonable price for a home in Sitka.

Brown said a CLT creates affordable housing by removing the market value of the land from the mortgage equation, which reduces the down payment, as well as monthly payments and interest. A homeowner who could afford to pay \$70,000 could purchase the \$100,000 home, with the CLT retaining the \$30,000 parcel of the land. The CLT conveys the use of the land to the homeowner.

If the homeowner wanted to sell, and the appraised value of the home had gone up to \$140,000, the homeowner would be entitled to only a percentage – say 25 percent (\$10,000) – of the profit, in addition to all of the original \$70,000 investment. This would allow the CLT to keep the home affordable for the next buyer, while allowing the seller to build equity.

"Any public or private resources are served to benefit not just the initial homeowner but future homeowners," Brown said.

In addition to providing financial support, the CLT provides other types of support to help the homeowner be successful in some type of "post-purchase stewardship" program. The CLT lays out expectations and "mentors" the homeowners, to ensure their success. Brown noted a high percentage of participants in CLT programs are able to purchase homes at market rates after they sell their CLT homes.

CLT programs can be run as separate organizations or through other nonprofits, such as the Sitka Community Development Corporation, Brown said.

The main question is whether the community can raise the money needed to get started, and to run the program in the long-term, the group was told. Sponsors of any CLT program need to realize that it's a long-term project, and that the program comes with costs and risks, Brown said.

"It's not one of those situations where you want to jump in halfway," he said. "It's a commitment to homeowners."

CLTs can be funded by cities, philanthropic organizations and fundraisers. Communities or individuals can donate land, to start the project, but Brown said the organization also needs a long-term funding source for a paid manager and follow-up "post-purchase" stewardship work.

The audience asked a number of questions, trying to visualize how such a program would work in Sitka, how applicants would be evaluated, how housing could be purchased and, most importantly, how it would be funded, since startup and ongoing funding would be needed.

One new SCDC board member, Randy Hughey, said he hopes Sitka looks at this option as a way to make headway on affordable housing, which will bring new, young families and more talent to Sitka.

"Affordable housing is an absolutely critical issue for the long-term health of this community," he said after the meeting. "How do young families get started here? ... Young, talented people who want to live here, we want them. Every organization in town has lost candidates they've wanted because they can't afford to live here. It's the same with the school district. We need small, energy-efficient affordable homes. It has such a huge impact to everyone."

He said the city already owns land that might be made available for a CLT.

"If we wanted to do it, we could do it," Hughey said.