

Community Land Trust

Highland Park Community Land Trust Lake County

The Highland Park Illinois Community Land Trust retains the land while selling homes at below-market value. The land is leased at a nominal cost to income-qualified buyers.

Background

The Highland Park Community Land Trust (HPI-CLT) is a private nonprofit organization that was created by, but is now independent of, the City of Highland Park. As a key recommendation in the city's Affordable Housing Plan, the land trust was established to own land and maintain long-term affordability on that land. After the Affordable Housing Plan was adopted in January 2001, the Housing Commission prepared a strategy for creating a land trust. The Highland Park City Council adopted a resolution approving this strategy and appointing a Community Land Trust Task Force, consisting of members of the public, to develop more detailed recommendations. The Council established the land trust through a resolution adopting the Task Force recommendation in March 2001. The HPICLT was fully operational by March 2003.

Initially, a pilot land trust program acquired and sold three housing units (two single-family and one condominium). Since its formal establishment in 2003, the land trust has built a successful, well-designed six-unit townhome development for families in late 2004, and has been acquiring single-family properties to redevelop and sell at below-market rates to income-qualified buyers. The land trust has completed a total of nine homes (six townhomes, two single-family, and one condominium), and is currently acquiring three scattered-site units.

How It Works

Properties are acquired through market purchase and land donations. The land trust retains the title to the land while selling homes on it at below-market value. The land is leased at a nominal cost to income-qualified buyers, who must earn at or below 115 percent of area median income (AMI) (approximately \$86,710 in 2006), although priority is given to those earning at or below 80 percent AMI

Goal

Build and preserve housing that is and will continue to be affordable to low and moderate-income families.

Target

Households earning at or below 115% AMI (\$86,710 for a family of four in 2006), with priority given to those at or below 80% AMI (\$59,600 for a family of four in 2006).

Financing

Annual amount depends on current private development activity. Development funding is provided on an annual basis. Sources typically include:

- Lake County
 - Federal Home Loan Bank
 - Illinois Housing Development Authority
- Operations funding sources typically include:
- Highland Park Affordable Housing Trust Fund
 - Donations and grants

Success

3 units completed through pilot program (precursor to the land trust); 9 units completed since 2003.

Lessons Learned

Being able to control the land and future sales of affordable units allows Highland Park to ensure that homes created by the land trust remain affordable for the long term.

(approximately \$59,600 in 2006 for a family of four). Future affordability is maintained through a ground lease, which requires homes on the land to be either sold back to the land trust or to another income-qualified buyer. The resale



amount is determined by a formula (right) that provides a fair return on investment to the seller, but also ensures the property remains affordable to future purchasers.

Highland Park seniors who are looking to sell their property within the city are encouraged to sell to the land trust. The trust will purchase the property at a negotiated price, up to five percent over the appraised value. This five percent figure is not a guarantee, but rather an internal control for the acquisition of the property. As an additional incentive for senior citizens to sell to the land trust, they will receive preference on the waiting lists for properties created through the work of the land trust at the Highland Park Housing Commission.

To maintain a strong working relationship with the city, three of the nine land trust board members are appointed by the Highland Park mayor, at least one is a member of the Housing Commission, and another is a member of the City Council.

Financing

Start-up costs for the land trust were funded with resources from the Highland Park Affordable Housing Trust Fund. The trust fund and land trust were created together to provide financial support for affordable housing activities that address the needs of low and moderate-income individuals and families. As a private organization, the land trust



Resale Formula

Current Appraised Value	\$510,000
- Initial Appraised Value	\$300,000
= Market Value Appreciation	\$210,000
x by Home Owner's Investment Ratio	60%
= Equals	\$126,000
x by shared appreciation factor	15%
= Home Buyer Share of Market Value Appreciation	\$18,900
Home Owner's Purchase Price	\$180,000
+ Home Buyer Share of Market Value Appreciation	\$18,900
+ Structural and Mechanical Improvements Credit	\$4,800
= Formula Resale Price	\$203,700

Note: The Purchase Option Price is the lesser of the Formula Price and the Current Appraised Value.

now raises its own funds, as well as receives funding from the trust fund by application. For development purposes, the land trust receives money from traditional sources such as Lake County, the Federal Home Loan Bank, and Illinois Housing Development Authority. Operating costs are covered with resources from the trust fund, private donations, individuals, banks, and foundations.

The land trust layers financing for development. Given its small staff size, the annual operating budget of the land trust has been roughly \$150,000. The development budget is contingent upon the types of developments with which the land trust is involved. The total estimated cost for the three-unit scattered site acquisition and rehabilitation project it is currently working on is \$1,053,000, including acquisition, rehabilitation, and soft costs such as insurance, utilities, and legal fees.

Highland Park's Community Land Trust received \$70,000 from the City of Highland Park in the first year and \$100,000 in its second year for operation expenses. For development expenses, the land trust received a grant for \$335,000 from the city for its six-unit town home development, and \$270,100 for its three-unit scattered site acquisition.

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