

**Preliminary Business Plan
Initial Framework
Sitka Community Land Trust**

February 2014

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Origins of the Sitka Community Land Trust

The Sitka County Community Land Trust is a community land trust (CLT) program to be established in 2014, at the initiation of the Sitka Community Development Corporation (SCDC), to create and preserve a permanent supply of affordably priced housing for working families in the City and Borough of Sitka Alaska.

As is the case in many communities across the country, high land values and housing costs make the cost of homeownership very high in Sitka. The average list price for a single-family home in Sitka for the month of September 2013, according to Sitka MLS data, was \$445,442 with the median list price of \$380,500. Some of the inflation in housing costs in Sitka is due to limited availability of developable land, given its location as a coastal community wedged between the ocean and majestic, steep mountains and the fact that the Tongass National Forest surrounds Sitka. Additionally, given its remarkable natural beauty, Sitka's housing market is impacted significantly by second-home owners.

At the same time, median household income in Sitka is \$75,300¹. Very high housing costs, combined with other high living costs (including food, healthcare, and other living costs) and the recent tightening of the mortgage credit market, have pushed homeownership beyond the reach of many households who wish to live and work and raise their families in Sitka. Many of these households could significantly benefit from opportunities provided through a community land trust strategy in Sitka.

Data from the U.S. Census Bureau: 2007-2011 describes the nature and scope of Sitka's affordable housing needs and points to the need for a long-term solution include:

- 42% of Sitka households rented their housing compared to the state of Alaska at 37% and the U.S. at 35%.
- Sitka had a higher rate of housing units that are paid off (owner without a mortgage) at 22% compared to 20% for both the state of Alaska and U.S.
- Sitka had a lower rate of 36% for housing units that have mortgages not yet paid off (owner with a mortgage) compared to 43% for the state of Alaska and 45% for the U.S.
- 25.8% of homeowners with a mortgage are cost burdened, paying over 30% of their household income for housing costs².

Additionally, Sitka has lost a number of employers that provided year-round high paying jobs, including the pulp mill, Sheldon Jackson College, the Forest Service. This, combined with the drastic rise in home prices and other costs of living, forces more working residents of Sitka to rent as they cannot afford to buy a home.

¹ Area median income, based on a family size of four, for Sitka Alaska, as published by the U.S. Department of Housing and Urban Development.

² Households paying more than 30% of their income for housing costs are considered to be cost burdened by HUD standards.

Mayor Mim McConnell was a member of the Sitka Long Range Planning and Economic Development Commission in 2008 and its Affordable Housing Committee, which included several SCDC board members. This committee decided that the Community Land Trust model made the most sense for Sitka. The committee and city officials learned more about this model through a teleconference held with the Northwest CLT Coalition. McConnell was hired by SCDC in 2010, attended national community land trust conferences in 2011 and 2012, became even more convinced that a community land trust could be an excellent long-term solution for Sitka and its affordable housing challenges and began to coalesce local support within SCDC and within the Sitka community for a local CLT. Mayor McConnell contacted Burlington Associates in Community Development, the premier provider of technical assistance to community land trusts and their public and private partners in the U.S., seeking advice and assistance when she realized how much there was to learn about CLTs and their operation. In December 2012, Michael Brown, Partner in Burlington Associates, visited Sitka while on a family visit to Juneau. During his visit, Mr. Brown provided basic information about community land trusts in various public forums and worked with representatives of SCDC to assess the potential feasibility of a Sitka community land trust.

Concerned by the long-term human, civic and economic consequences of this growing shortage of affordably priced housing for local working families, SCDC subsequently determined not only that there is a need for a local community land trust but that there may well be the financial and political support for creating and sustaining the ongoing operation of a CLT in Sitka. A proposal for services was solicited from Burlington Associates in the spring of 2013 and SCDC began to seek the funding needed to access technical assistance to design and implement a community land trust in Sitka. A grant from the Rasmuson Foundation for this work was approved in July and a contract for services between Burlington Associates and SCDC was negotiated and executed shortly thereafter.

Community Land Trusts

A community land trust (CLT) is an organization that exists to serve as the long-term steward of land and to protect the long-term affordability and quality of housing that is produced with scarce subsidy resources. There are nearly 300 community land trusts in operation in the United States, including the Juneau Housing Trust in Juneau Alaska.

CLTs sell homes to eligible, qualified lower-income buyers at affordable prices while retaining ownership of the land. CLTs enter into very long-term (99-year) ground leases with individual homeowners which give these homeowners most of the rights and responsibilities of traditional homeowners. The CLT ground lease, however, specifies limits on the homeowner's use and occupancy of their homes and limits the price at which these homes can be resold, should their owners ever choose to sell. Because they receive the benefit of substantial write-downs in the purchase price of their homes, CLT homeowners are expected to pass this benefit along to subsequent buyers by agreeing to sell their homes at a reduced price. The CLT ground lease spells out the homeowner's rights and responsibilities, and attempts to balance the interests of current homeowners with those of potential future homebuyers. Additionally, the CLT ground lease provides for the CLT to play an active and ongoing role in management of the community asset that is created when permanently affordable homes are built.

CLTs typically charge a modest monthly ground rent to support the provision of support to homeowners on an ongoing basis, and especially at the time of resale.

Burlington Associates agreed to work with the Sitka CDC and the broader Sitka community on a range of critical objectives essential to the planning and implementation of a successful community land trust initiative. These objectives include:

- Determine the appropriate organizational structure for the CLT entity; determine the membership requirements and the composition of the CLT's board of directors; and determine and outline the organizational documents needed (e.g., Articles of Incorporation, bylaws, and application to IRS for 501(c)(3) charitable designation) for the successful CLT operation³.
- Develop a preliminary business plan for the Sitka CLT, outlining the CLT's organizational structure and governance; the roles to be played by the CLT in developing its portfolio and the critical partnerships to be formed in order for the CLT to be operated successfully; the anticipated pace and scale at which the CLT's portfolio will grow; the staffing plan and organizational capacity needed to meet these anticipated goals; and a multi-year financial plan for the CLT's operations.
- Develop a ground lease and resale formula to be used in the first homes to be brought into CLT's portfolio.
- Develop eligibility criteria and a selection process to determine who will purchase and live in CLT's homes.
- Develop materials and outline strategies to orient potential homebuyers about the benefits and responsibilities of buying, owning and selling a CLT home as well as to educate and build support for the CLT's efforts among the general public and specific constituencies within the community.

³It was thought likely that a CLT in Sitka would be established as a program under the corporate structure and governance of SCDC. If this were the case, new organizational documents would not be needed but modifications to SCDC's organizational documents may be required.

Organizational Framework for the Sitka Community Land Trust

Beginning with the additional *pro bono* visit in December 2012 and continuing through the first site visit under the contract in August 2013, Burlington Associates and SCDC have discussed options and choices and developed a number of initial recommendations for the proposed structure and operations of a Sitka Community Land Trust. The recommendations developed through these meetings – recommendations forming the framework for the establishment and initial operation of the CLT – can be grouped into two major areas, organization structure and mission/work plan.

Organizational Framework

Geographic Service Area

Issue: What will be the geographic service area of the Sitka CLT?

Given its location and geography involved, it only makes sense that a Sitka CLT would target its activities, at least initially, in the City and Borough of Sitka.

Organizational Structure

Issue: How best to structure the new community land trust to assure long-term viability of the organization and its operations? Options include:

- a. *Should a new, independent, nonprofit organization be created to operate as the CLT?*
- b. *Should the CLT be ‘nested’, at least temporarily, within SCDC or another local nonprofit organization?*
- c. *Or should the CLT be structured as a separate but wholly-controlled subsidiary entity of SCDC or some other sponsoring organization?*

For a variety of reasons, SCDC determined to operate the CLT, at least initially, as a program under its corporate structure and governance. Factors influencing this decision for SCDC to operate a CLT program include: SCDC’s staff and board of directors have, for over a year, been advocating and providing information about a CLT and its benefits in Sitka; creating and operating a CLT program will be faster and less expensive than incorporating a new nonprofit organization; and no other local nonprofit (or public sector) organization has the interest or capacity needed to operate a CLT program successfully.

Work that will need to be completed to ‘adapt’ Sitka CDC to operate a successful CLT program, during the planning and implementation process, include:

- Review of SCDC’s Articles of Incorporation to determine if operating a CLT program is allowed under its corporate powers or if the Articles will need to be amended.
- Review SCDC’s bylaws and draft amendments needed for SCDC to operate a successful CLT program. Such amendments may include:
- Updating the corporate purposes and the powers and duties of the board of directors.

- Modifying the composition and selection of the board of directors to allow CLT homeowner representation (up to one-third of the seats) on the governing board.
- Modifying quorum requirements to ensure attendance and participation by directors from all categories in order to conduct business.
- Review SCDC’s application and ruling a “charitable” tax-exempt designation as a “charitable” organization under Section 501(c)(3) of the Internal Revenue Code, to determine SCDC’s ability, within this ruling, to operate a CLT program.

Board of Directors

Issue: How will the board of directors of the CLT be comprised and selected? How will the CLT be governed? Will the CLT’s board of directors be comprised of three equal parts, and with one-third of the seats reserved for persons living on CLT-owned land? Will there be any “reserved” seats? How will these directors be elected – by an open membership or by the board of directors itself?

One of the distinguishing characteristics of community land trusts is the three-part composition of their governing board of directors – in which 1/3 of the seats are reserved for homeowners; 1/3 of the seats are reserved for community representatives (i.e., people who live in the CLT’s service area; and 1/3 of the director seats are reserved for public representatives (i.e., those who represent more broadly the interests of the general public).

As the CLT in Sitka is most likely to be operated, at least initially as a program under its corporate structure and governance, the Sitka CDC is considering amending its bylaws to allow for one-third of its board of directors to be filled by CLT homeowners. (Until SCDC actually has CLT homeowners, these seats can continue to be filled by those who can reasonably represent the interests of the CLT’s target clientele). In so doing, SCDC will meet the structural requirements stipulated by HUD for Community Housing Development Organizations (CHDOs).

Through this structure, SCDC’s membership will continue to be comprised of its board of directors and the governing board will continue to be responsible for filling vacancies as needed.

Development Strategy

Issue: What development strategies will be used to bring housing into the CLT’s portfolio – e.g., acquiring scattered site vacant land and developing new for-sale housing; acquiring contiguous sites and developing new for-sale (perhaps mixed-income) housing; acquiring vacant homes and rehabbing for them for resale; etc.?

The Sitka Economic Development Association is currently exploring the potential for implementing a Housing Overlay District in the City and Borough of Sitka. If implemented, a likely outcome of this overlay district would be the creation of a number of affordably priced homes that the Sitka CLT program could be tasked with keeping affordable forever. In such an arrangement, SCDC could be the recipient of affordable homes developed by a for-profit developer or could act itself as the primary developer of these affordably priced homes.

It is also anticipated that homes in the CLT program could be a mix of new construction, for-sale, single-family homes – developed either as in-fill homes on available vacant lots or on

contiguous lots, as part of larger developments – and the acquisition, rehabilitation and resale of existing single-family homes. These CLT homes could be detached or attached (e.g., townhomes, row houses, or patio homes) single-family, for-sale homes. Additionally, SCDC acknowledges the urgent need for affordable, well-managed rental housing in Sitka and will actively explore the potential for developing, owning and preserving affordable rentals as part of its CLT portfolio.

Role in Housing Development Activities

Issue: What role(s) will the CLT play in the development of housing to be brought into its portfolio?

Sitka CDC anticipates that quality, affordably priced homes will come into its portfolio in a number of ways, including:

- Affordably priced homes may be created through a to-be-implemented Housing Overlay District and placed in the CLT program to be kept affordable over the long term.
- SCDC will also expand its internal capacity to be a developer of the homes to be brought into its portfolio⁴. This development role is expected to be carried out in a number of ways, including:
 - In instances in which it is able to secure site control of developable sites, SCDC will act as the primary developer: designing the project concept, securing financing and needed local builders to partners to construct quality, for-sale homes, per SCDC’s specifications, on these sites.
- SCDC will also partner with for-profit developers and nonprofit development partners (such as the Baranof Island Housing Authority, or BIHA and RuralCAP) in developing affordably priced homes to be preserved through its CLT program. In these partnerships, risks and responsibilities will be shared and will be specifically delineated in negotiated development agreements. It is likely that SCDC’s responsibilities will include designing project concept, securing affordability subsidies, marketing and homebuyer orientation.
- SCDC will also plan and establish an endowment program wherein residents may bequeath their home, rental housing or property to the CLT.

In addition to any roles it will play in the actual development of housing, SCDC will, of course, carry primary responsibility for acting as *steward* of the affordability and quality of the homes in its CLT portfolio and the success of the homeowners in these homes.

Mission and Work Plan

Target Population

Issue: Who will the CLT serve? In addition to specific income restrictions imposed by particular funding programs (e.g., HOME) who will be eligible to live in the CLT’s housing?

The board of directors and staff of Sitka CDC are aware of the critical need for owner-occupied housing affordable to households with incomes below 80 percent of Sitka median

⁴In HUD’s newly revised regulations, any organization seeking to qualify as a Community Housing Development Organization (CHDO) must have in-house staffing with specific housing development expertise.

income. Additionally, given the exceedingly high housing costs in Sitka, SCDC is also aware that households with incomes in the 80%-120% of area median income are also finding homeownership beyond their reach, based solely on their income.

Consequently, SCDC has determined that it will restrict its permanently affordable housing to local households within incomes below 120 percent of Sitka median income, adjusted for family size. Additionally, due to the urgency of local needs, SCDC will target senior households as well as households that are, by federal definition, “low-income” – i.e., households with incomes below 80% AMI – consistent with its IRS designation as a tax-exempt, “charitable” organization. SCDC will ensure that CLT homes purchased by households with incomes above 80% AMI will not utilize federal HOME funds or other public subsidy sources that are restricted to low-income households. Given the comparatively high median income level in Sitka, SCDC will likely try to serve working households with incomes below 80% of AMI, whenever possible.

More specific details on eligibility and selection criteria will be established as SCDC develops and begins planning for marketing of the first CLT homes to be made available for sale.

Subsidy Needs

Issue: How much can the CLT’s target market afford to pay for housing? How large are the affordability gaps? Where will these subsidies come from and in what quantity?

Considerable subsidy investments will be needed in order to make Sitka CDC’s homes affordable to the households it hopes to serve. Assuming housing costs should not exceed 30% of a household’s gross income⁵:

- Sitka households with incomes between 60%-80% of area median income will likely need home purchase prices in the range of \$205,000 to \$272,000 in order to be able to qualify for a mortgage and purchase a home through SCDC’s CLT program.
- Sitka households with incomes between 80-100% of area median income will likely need home purchase prices in the range \$ 272,000 to \$340,000 in order to be able to qualify for a mortgage and purchase a home through SCDC’s CLT program.

SCDC will seek to secure commitments of affordability from public and private sources to create the affordability needed to serve households in these income ranges. Sources for these affordability subsidies would likely include HOME funding and other resources made available through the Alaska Housing Finance Corporation. There are also private subsidy sources that could be tapped, such as the Federal Home Loan Bank of Seattle, local employers, philanthropic organizations and private donors. It may also be possible that the City of Sitka may institute an affordable development incentive program through implementation of a Housing Overlay District that could target affordably priced homes to the CLT. Additionally, the City and Borough could consider additional programs in the future, such as density bonuses, expedited approval processes, and waived fees to spur the development of affordable housing. Should this be the case, Sitka CDC’s CLT program would advocate to be the recipient and steward of the affordably priced homes created through these municipal initiatives.

⁵ Additional underwriting assumptions for these examples include: 4.5% fixed-interest, 30-year mortgage; 5% down payment; property taxes at 6 mills; and property insurance at .25% of market value.

Distinguishing CLT from Other Community Housing Programs

Issue: How to stratify the CLT's limited-equity housing for other affordably priced housing?

In order for any community land trust to be successful in creating and preserving a stock of permanently affordable housing, it is imperative to make sure that the CLT is not forced to compete with other similar affordable housing initiatives that do not carry long-term restrictions on land ownership and use, occupancy and resale of the improvements. Targeting at least the initial activities of the CLT towards households with incomes below 80% of area media income reduces the potential for conflict and competition between the CLT and other local nonprofit housing development organizations, particularly those providing affordable fee simple homeownership without long-term restrictions on resale.

Portfolio Development

Issue: How many affordably priced homes can be created and brought into the CLT's portfolio – beginning when and over what timeline?

Given the relatively high land and housing costs in Sitka and the considerable subsidies required to make its CLT homes affordable to its target market, SCDC has determined to set a realistic and deliberate timeframe for building its portfolio of permanently affordable homes. SCDC anticipates the following timeline for the completion and sale of its CLT homes over the course of the next ten years:

- 2014: 1 home
- 2015: 1 home
- 2016: 6 homes
- 2017: 1 home
- 2018: 1 home
- 2019: 1 home
- 2020: 1 home
- 2021: 1 home
- 2022: 1 home
- 2023: 1 home

While it will actively explore additional opportunities to expand its portfolio during this 10-year timeframe, SCDC feels confident that it can have at least 15 homes in its portfolio by the end of 2023 and will build and maintain the organizational capacity needed to achieve this projected growth.

Organizational Development and Capacity Strategy

Community land trusts are more than simply housing development organizations. CLTs are also high-touch, labor-intensive, service-enriched mechanisms to assist owners and residents of CLT housing to become successful in achieving their dreams. At the same time, CLTs are responsible for the on-going, long-term stewardship of the affordability and quality of the homes in its portfolio, assuring its availability and access to lower-income households for generations to come.

Community Land Trust Staffing Assumptions

Many factors affect the actual staffing plan – and, by extension, the operating budget requirements – for any start-up community land trust organization. These factors include (but are not limited to):

- The ability of the CLT and its development partners to secure the necessary affordability gap subsidies required to create the *initial* affordability of the homes it will keep affordable over the long haul.
- The number of homes that the CLT will bring into its portfolio over the course of the first years of its operation.
- The affordable price at which the CLT will be able to offer its homes for sale to limited-income households, the value of these homes at time of initial purchase and the rate at which the value of these homes will increase each year.
- The role(s) played by the CLT in the process of developing homes that will come into its portfolio.
- The extent to which the CLT can build successful partnerships with other local organizations and entities that may be able to carry out some of the ongoing responsibilities to which CLTs commit themselves.
- The ability of the CLT to secure up-front grant funding to sustain its operations during the years when operating expenses are increasing but internally-generated fees and revenues have not yet fully kicked in.

Sitka CLT Program Staffing Assumptions

For new, standalone community land trusts, the typical staffing plan is:

1. The first step is to hire a competent **Executive Director**– either full-time or part-time, depending on the anticipated pace and scale of the CLTs activities – to coordinate the initial activities of the organization and to serve as the public ‘face’ of the CLT to its many constituencies.

2. The next professional staff person typically hired is a **Homebuyer and Homeowner Services Coordinator** who carries primary responsibility for marketing affordable units, educating potential homebuyers and screening their initial eligibility, monitoring and enforcing homeowner compliance with the terms of the ground lease and affordability restrictions, managing the resale of CLT homes and providing (or arranging for) backstopping support and assistance for the CLT's homeowners.
3. And for CLTs that are bringing a significant number of units 'on-line', the next staff person typically hired is an **Executive Assistant** (either part-time or full-time) in order to free up sufficient time for the Executive Director and Homebuyer/Homeowner Services Coordinator to carry out the leadership responsibilities for which they are respectively responsible.

CLT Stewardship Staffing

Community land trusts are committed, on behalf of the communities they serve, to long-term stewardship of the homes in their portfolio and to the households that own and occupy these homes. Specifically, CLTs make a substantial number of bold commitments and promises to a wide range of constituents and stakeholders.

To homeowners, CLTs commit to monitor and enforce compliance with the ground leases they signed; to 'stand behind' them and assist, as needed, their efforts to be successful homeowners; and to manage the resale of their homes, should they ever choose to sell.

And to public and private funders, subsidy providers and lenders, and the communities they serve, CLTs commit to preserve housing affordability forever; to protect and leverage affordability subsidies invested to create this affordability; and to ensure that the quality and value of the CLT homes is maintained and the prospects for the success of homeowners is enhanced.

Without question, managing these fundamental stewardship commitments is the single most important work the CLT does. And these responsibilities are non-negotiable, considerable and ongoing for a very long time. [See **Exhibit A**, "On-Going Tasks and Responsibilities for CLTs" [**Exhibit A** below], for a simple outline of these ongoing commitments.

Clearly, not planning adequately for stewardship staffing is one of the biggest mistakes a newly developing CLT – or CLT program – can make.

Given that (a) SCDC will be operating the CLT, at least initially, as a program under its corporate structure and governance and (b) SCDC already has an Executive Director, there is no need in the business planning for Sitka CDC's CLT program to factor in for the recruitment and hiring of an Executive Director. Instead, it is assumed that SCDC's Executive Director will serve as the director of SCDC's CLT program, as well. Additionally, it is anticipated that SCDC's Executive Director (and manager of its CLT program) will also be responsible for managing the CLT program's stewardship program.

Sitka CDC's CLT Program Operating Costs

Beginning in 2014, Sitka CDC will begin incurring additional costs for staffing, administrative overhead, and other expenses directly related to the operation of its CLT program.

Exhibit B [below] provides a 5-year projection of the budget for Sitka CDC's CLT program, based on the operating 'scenario' outlined above. This spreadsheet provides a preliminary outline of operating expenses including staffing, administration, and other project specific expenses – as well as revenue requirements – based on the estimated growth of the CLT program's homes and homeowners. A bit of explanation is in order:

Sitka CDC's CLT Program Operating Expenses

Like other CLTs, staffing and administration/program management responsibilities for Sitka CDC's CLT program operations – and, by extension, the additional operating costs it will incur – will be determined, in large part, by the number of units that are brought into its portfolio over this 5-year timeframe.

These additional expenses can be broadly grouped into two primary categories:

Staffing – Dedicated staffing will be required to manage the CLT program and its various ongoing responsibilities, as there is simply too much work and too many ongoing obligations to be handled solely by volunteers. Specifically, SCDC will need dedicated, paid staffing in several areas – most notably:

- **Housing development** – Developing the CLT's permanently affordable homes will require specific, technical, expertise – either as an employee of SCDC or as a paid contractor to SCDC. Whether managing specific start-to-finish development projects directly for SCDC or coordinating partnerships with public or private development entities, in-house expertise will be needed to handle these responsibilities. SCDC could hire or contract with someone to coordinate these development projects or these responsibilities could be added to SCDC's Executive Director responsibilities.

It is difficult to estimate how much time would be needed to manage these development duties, either on an annual or a weekly basis, even with a modest one-home-per-year development timetable. Clearly, it does not take a full year to develop, build, and complete a single home. Nevertheless, critical tasks like negotiating and securing site control, arranging financing and securing affordability subsidies, securing municipal approvals, crafting and nurturing partnerships and development agreements and the like, all take time and effort. For this reason, it is estimated that SCDC will need minimum dedicated staffing for its housing development activities at the following levels, to accomplish its annual portfolio development goals over the first five years of the CLT program's operations:

2014 – 4 hours per week
2015 – 6 hours per week
2016 – 8 hours per week
2017 – 4 hours per week
2018 – 4 hours per week

- Stewardship – SCDC will also need to manage the non-negotiable pre-purchase and post-purchase responsibilities required of any CLT (duties and tasks outlined in Exhibit A).

There is no single, definitive, one-size-fits-all ratio that is used by all community land trusts to determine the level of staffing needed to manage stewardship operations and stewardship for a specific number of CLT homes and homeowners. However, Burlington Associates uses a rather conservative rule of thumb in helping new start-up community land trusts plan their staffing needs and to project their initial operating budgets – namely, that one full-time staff person (1 FTE) is needed to manage the pre-purchase and post-purchase stewardship responsibilities for every 75 CLT homes and homeowners⁶. Accordingly, if (as estimated above) SCDC expects to have 15 homes and homeowners in its CLT portfolio at the end of 2023, it will need someone staffing its CLT stewardship responsibilities for at least 8 hours (.2 FTE) per week. Similarly, with an estimated eight (8) CLT homes and homeowners by the end of 2016, SCDC will need someone solely focused on managing stewardship responsibilities for at least 4 hours weekly.

Organizational overhead and professional fees

Inevitably, will incur additional costs related to the creation and operation of a major new program initiative. While not dramatic, at least in most cases, these budget increases, directly related to the CLT program, are likely to include:

- Additional bookkeeping and audit expenses – The CLT program will require additional and unique accounting requirements.
- Expanded public outreach and community education – Strategies and materials will be needed to build awareness and support for the community land trust strategy and SCDC’s specific goals and objectives for its CLT program
- Legal fees – As the CLT program is established, an attorney will need to review and approve SCDC’s CLT ground lease and related closing documents. As the program moves forward, SCDC will need legal counsel related to its development activities; formation of partnership agreements, development agreements, and the like; and for advice on related issues.

It is estimated that SCDC is likely to incur \$5,000 in legal fees in 2014 (for critique and approval of its CLT-specific legal documents) and that the additional overhead and administration costs related to the CLT program will cost SCDC \$2,500 per year.

Sitka CDC’s CLT Program Operating Revenue

As is the case with any community land trust organization, revenue to offset the cost of operating Sitka CDC’s CLT program can be expected to come from two primary sources:

1. Revenue that the CLT program is able to generate internally, through its operations.
2. Funding that comes from outside the organization.

⁶ It bears noting that certain economies of scale can be reached by CLTs having larger portfolios. Nevertheless, this 75 homes/homeowners = 1 FTE ratio is a sound starting point for a new CLT program like the one being developed by SCDC.

It bears significant note that all revenue that cannot be generated through SCDC's CLT program's internal operations must, by definition, come from some source(s) outside the organization.

Program-Generated Revenue

SCDC's community land trust program will generate some portion of the revenue it needs to cover the cost of its operations. This revenue is directly tied to the number of homes and homeowners in SCDC's portfolio. Potential sources for this internally generated revenue include:

1. Sources raised from housing development activities

a. Fees for Facilitating the Development of Affordable Homes for its Portfolio

It is likely that SCDC will play a lead role in coordinating the marketing and sale of the affordable for-sale homes it brings into its CLT program. This will be especially true, for example, with affordably priced homes coming into the CLT program in the event that the City establishes a Housing Overlay District and stipulates that the CLT program will be responsible for maintaining the affordability of these homes. In these situations, SCDC staff will provide a comprehensive set of services to these projects including marketing and outreach, managing waiting lists, screening potential buyers for eligibility, coordinating homebuyer orientation and counseling, and working with local lenders to qualify low and moderate income buyers for mortgages.

Typically, real estate agents charge a fee of 6 % of sales price (or more) to perform similar services. Nonprofit agencies that perform these services for affordable projects typically charge no more than 3% of the sales price⁷. In the event that SCDC ends up taking responsibility for the marketing and sale of affordably priced homes developed by another for-profit or nonprofit entity to be brought into the CLT's portfolio, it projects charging a marketing fee equal to three percent (3%) of the affordable sale price.

2. Sources raised from operation as a community land trust

a. Ground Lease Fees

Each homeowner will pay a monthly ground lease fee. While these fees may be the CLT's most reliable source of revenue, the need to keep the fee relatively low to not reduce the level of mortgage financing for which the homebuyer can qualify means that the CLT program will not be able to rely on ground lease fees to cover a significant portion of the cost of operating the program in the initial years. For this reason, it is anticipated that homeowners in Sitka CDC's CLT program will, at least in the early years of the CLT's operations, pay a nominal monthly ground lease fee of \$40/month – similar to many other CLTs across the country.

⁷For example, **Proud Ground** in Portland Oregon manages the sales of single-family homes on behalf of a number of different nonprofit homebuilder partners, charging each project a marketing fee of **\$3,000 to \$4,000** per unit or more.

b. Lease Re-issuance Fees

Because the resale formula tends to hold the price of most CLT homes far below their market value, many CLTs are able to add a small charge to the resale price without compromising the home's affordability, when these limited-equity homes change hands. This budget projects that its CLT program will collect \$5,000 per lease re-issuance, assuming that one SCDC CLT home will be resold every ten (10) years. It is important to remember that any fee collected by the CLT for managing the resale and maintaining this stock of permanently affordable housing is added on the purchase price to the new buyer, thereby impacting its affordability.

Revenue Generated from External Sources

Any and all revenue required to cover organizational operating expenses that cannot be generated from internal sources must be generated from sources outside the organization. This revenue typically comes from sources that are either public (typically, city- or -generated) or private (philanthropic) sources.

- a. Local Government Service Contracts and/or Grants – Many community land trusts across the country receive operating grants or service contracts from the municipalities in their service area. Sometimes, the funding for these arrangements come from federal sources (e.g., HOME or CDBG funds), state sources (e.g., funds made available through the state housing finance agency) or funds generated locally (e.g., through fees collected, bonds issued, etc.) The rationale for this municipal funding for CLT operations is because the CLT is saving the public sector a great deal of money by preserving and leveraging public investments made to create housing affordability.

Sitka CDC, as a careful steward of limited public subsidies, will explore the potential for securing ongoing operating support from the City and Borough of Sitka. Additionally, once it is certified as a Community Housing Development Organization (CHDO) SCDC will explore operating support through the Alaska Housing Finance Corporation, such as CHDO operating support.

- b. Private Grants – Without doubt, the largest source of external operating support for CLTs across the country are private foundations, most typically those that provide funding within the state or regional area in which the CLT is operating. As a tax-exempt entity and as a community organization committed to preserving critically needed housing affordability and protecting and leveraging the public and private resources invested to create this initial affordability, CLTs are often regarded highly by the philanthropic community in their funding priorities and decisions.⁸

SCDC will pursue support from local, regional and statewide foundations for grant commitments to cover initial and ongoing operating costs.

⁸ It bears noting here that, with unfortunately few exceptions, foundations tend to be much more interested in funding a CLT's (or other nonprofit's) early years of operations than in providing ongoing operating support, year after year.

- c. Corporate Donors – In many communities, local employers have difficulty recruiting and retaining a steady workforce, due to critical shortages of quality, nearby housing for households at prices their employees can afford. Consequently, a number of community land trusts have been successful in securing either one-time or ongoing funding commitments from local employers, such as school districts, hospitals, local manufacturers, etc. In some cases, this operating support for the CLT is paired with down payment assistance for employees, to help them qualify for buying and owning a CLT home.

SCDC will reach out to local businesses and employers to build awareness and support for its mission and activities and to solicit financial commitments to sustain its ongoing operations.

- d. Individual Donors – Many nonprofits, like other community organizations, are able to raise contributions from individuals to help support their operating costs. In some cases, they have also been successful in securing donations of land – or the ‘bargain sale’ of parcels at reduced prices – from socially motivated individuals or institutions.

SCDC will target individual donors – and, whenever feasible, conduct annual fundraising appeals designed to build awareness and support for its mission and activities and garner financial contributions to help sustain its ongoing operations.

- e. Grassroots Fundraising – Like other community land trusts (and nonprofit organizations, in general) grassroots fundraising offers a potential means to raise modest amounts of operating revenue. Typically, these grassroots fundraising events are far more successful in raising awareness, good will and community support than they are in raising cash to cover operating expenses.

SCDC will, whenever feasible, conduct local fundraising events intended to broaden political and financial support with the Sitka community for its CLT activities

- f. In-kind contributions – Like other nonprofits, many CLTs have become effective at building partnerships with for-profit and nonprofit businesses, as well as private individuals, willing to provide services and other assistance to the CLT on a free or reduced-fee basis. Examples include: professionals (e.g., attorneys, accountants, realtors, PR and marketing specialists, etc.) providing *pro bono* or reduced-rate services to the CLT and its projects and initiatives; companies willing to provide office space (sometimes even with reception and telephone and internet bandwidth) to the CLT; donated printer services; etc.

SCDC will continue to build its track record in soliciting and securing in-kind contributions from businesses and individuals in Sitka.