

# CLT Portfolio

| Type                            | Units     |
|---------------------------------|-----------|
| <b>Total Units</b>              | <b>41</b> |
| Limited Equity Coop (LEC) Units | 37        |
| Homeownership Units             | 0         |
| Rental Units                    | 2         |
| Commercial Spaces               | 2         |



## Quote

*“This model just works really well for us – there is a scale of economy. We have created five different coops and the culture that is developing between the cooperatives helps everyone operate more effectively. Someone would really have to convince me to employ a different ownership model because this works so well.”*

- Sandy Bishop,  
 Executive Director

When the Lopez Community Land Trust (CLT) began in 1989, Lopez Island – located off the coast of Washington State, was experiencing an affordability crisis. After studying a variety of affordable housing models, the group settled on the CLT model as a means of “withstanding this sort of freight-train like, rapid price increase that we’re all being hit with.” However, in planning for their first project – a 7-unit, single-family development in 1992, the CLT ran into a financial challenge. Despite lowering unit costs through sweat-equity construction and subsidy contributions, the selected families were unable to qualify for bank financing to purchase the homes. A local banker suggested the CLT consider establishing a cooperative for the development, which allowed the CLT to obtain blanket financing for the project and did not require families to be qualified individually.

Since the first project, Lopez CLT has found that focusing their resources on limited equity cooperatives (LEC), instead of the traditional CLT model, allows them to: (1) offer affordable housing to a broader spectrum of the population, including those who don’t qualify for financing on their own; and (2) direct their organizational capacity towards supporting the coops, growing their affordable housing portfolio, and doing innovative projects – like community agriculture and renewable energy. While, a traditional CLT model would have demanded another staff position and limited the mission of the organization, Lopez CLT found coops offered an economy of scale and allowed them to put their energies elsewhere.

## LEC Projects

| Name                      | Units                                 | Type                      | Year Completed |
|---------------------------|---------------------------------------|---------------------------|----------------|
| <b>Morgantown Coop</b>    | 7                                     | New Construction          | 1992           |
|                           |                                       | Single-family development |                |
| <b>Coho Coop</b>          | 7                                     | New Construction          | 1995           |
|                           |                                       | Single-family development |                |
| <b>Innisfree Coop</b>     | 8                                     | New Construction          | 2003           |
|                           |                                       | Single-family development |                |
| <i>Project Highlight:</i> | Passive solar, rain catchment systems |                           |                |
| <b>Common Ground Coop</b> | 11                                    | New Construction          | 2009           |
|                           |                                       | Single-family development |                |
| <i>Project Highlight:</i> | Net-zero energy*, dual water systems  |                           |                |
| <b>Tierra Verde</b>       | 4                                     | New Construction          | 2012           |
|                           |                                       | Single-family development |                |
| <i>Project Highlight:</i> | Net-zero energy                       |                           |                |

\* Net-zero energy: Not using more energy than is manufactured on-site.

## LEC Composition

*All Projects*

### Composition

|                         |  |
|-------------------------|--|
| <b>Unit Types</b>       | Mix of 1, 2, and 3 bedrooms  |
| <b>Unit Sizes</b>       | Range: 500-1300 square feet<br>Average: 850 square feet  |
| <b>Household Income</b> | Eligibility range: 36-120% of AMI<br>Average served: less than 50% of the AMI<br>% of monthly income spent on housing: 15-38% (includes utilities) |
| <b>Resident Mix</b>     | Seniors, singles, families with and without children; five ethnic groups represented   |

*Produced by Meagan Ehlenz  
 Supported by National Community Land Trust Network  
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## LEC Costs: Share Prices, Monthly Fees, & Income Requirements

Lopez CLT's LEC units are targeted at a maximum of 120% area median income (AMI). However, the CLT's goal is to reach households at 50% AMI and the average household served is at approximately 36% AMI. Due to the low threshold to entry, few residents require financing to purchase a LEC share and, for those that need assistance, Lopez has a revolving loan fund.

Initial shareholders are required to participate in the conceptualization and construction of the LEC, earning sweat-equity in the process. Not only does this help reduce construction costs and keep share prices low, but it also ensures households are invested in their coop community. As Lopez says "they have to show up, they

have to watch, they have to look at what's going on, they have to be involved, and they have to work with people – it's a requirement and offers huge long-term benefits."

While monthly prices are higher in the most recent LEC projects (Common Ground and Tierra Verde), shareholders also receive some real benefits. In addition to more spacious homes, the Common Ground and Tierra Verde neighborhoods are both net-zero energy developments. Using passive and active solar, and green development techniques, these properties offset their energy needs. As a result, the households substantially reduce their operating costs and even create a revenue stream, in the form of annual rebates from the state and local utilities and excess energy sold back to the utility company.

| Monthly Resident Costs (per LEC unit) |                   |                  |
|---------------------------------------|-------------------|------------------|
| Name                                  | Type              | Amount           |
| Morgantown Coop                       | Ground Lease Fee* | \$50             |
|                                       | Reserve Fund Fee* | \$25-30          |
|                                       | Maintenance Fee*  | \$25-30          |
|                                       | PITI*             | \$180            |
|                                       | <b>Total*</b>     | <b>\$310-320</b> |
| Coho Coop                             | Ground Lease Fee  | \$55             |
|                                       | Reserve Fund Fee  | \$25-30          |
|                                       | Maintenance Fee   | \$25-30          |
|                                       | PITI              | \$250            |
|                                       | <b>Total</b>      | <b>\$355-365</b> |
| Innisfree Coop                        | Ground Lease Fee  | \$45             |
|                                       | Reserve Fund Fee  | \$25-30          |
|                                       | Maintenance Fee   | \$25-30          |
|                                       | PITI              | \$350            |
|                                       | <b>Total</b>      | <b>\$445-455</b> |
| Common Ground Coop                    | Ground Lease Fee  | \$60             |
|                                       | Reserve Fund Fee  | \$25-30          |
|                                       | Maintenance Fee   | \$25-30          |
|                                       | PITI              | \$640            |
|                                       | <b>Total</b>      | <b>\$750-760</b> |
| Tierra Verde                          | Ground Lease Fee  | \$65             |
|                                       | Reserve Fund Fee  | \$25-30          |
|                                       | Maintenance Fee   | \$25-30          |
|                                       | PITI              | \$600            |
|                                       | <b>Total</b>      | <b>\$715-725</b> |

| Purchase & Resale                     |  |
|---------------------------------------|--|
| <b>Initial Share Price</b>            | <b>Initial Share Price = \$5,000 - \$10,000*</b>   |
|                                       | <ul style="list-style-type: none"> <li>Cash: \$2,000 - \$3,000</li> <li>Sweat Equity: 24-36 hours/week through construction period (valued at \$3,000-\$7,000)</li> </ul> <p><i>Half of sweat equity must be completed by shareholder. Family and friends may contribute to remainder.</i></p> |
| <b>Formula for Resale Share Price</b> | <b>Resale Share Price* =</b>   |
|                                       | Initial Share Price (\$5 - \$10,000)<br><b>+</b><br>3-5% simple interest/year (not compounded)<br><br><i>The CLT operates two revolving loan funds (valued at \$60,000 and \$472,000), which provide financing for share purchases. Loan terms are 5-20 years at 1-5% interest.</i>            |

\*Price range is based upon the coop project and unit size



*Common Ground LEC, Lopez Community Land Trust (Lopez Island, WA)*

**\*Definitions**

**Ground Lease Fee:** Fee paid to CLT; increases by 15% every 10<sup>th</sup> year.

**Reserve Fund Fee:** Long-term reserves for major repairs/rehabilitation of common areas and coop buildings (e.g. window replacement, roof replacement)

**Maintenance Fee:** Short-term reserves for annual repairs of common areas and coop buildings (e.g. fencing, siding repair, landscaping and grounds maintenance)

**PITI:** Payment includes principal, interest, taxes, and insurance

**Total:** Total monthly payment does not exceed 30-35% of monthly income

## LEC Financing: *Where did the money come from?*

Lopez CLT decided to explore LECs at the recommendation of their lender. Many of the households that needed affordable housing were not considered bankable and were not able to qualify for financing individually. However, with the backing of an established organization, a lending institution was willing to provide the financing to complete Lopez's first LEC project in 1992.

While Washington Mutual – the bank that initially suggested Lopez look at coops, no longer exists, the CLT has since built a relationship with a local institution (Islanders Bank). This relationship has been critical to the development of subsequent projects, as Islanders understands the mission of Lopez and is educated about the coop structure. While many banks are “afraid of Lopez,” Islanders Bank has come to feel protected by Lopez and its LEC projects – if an individual household runs into a problem, the coop is there as a backstop; and if the coop runs into trouble, Lopez is another fiscal backstop.

*“Once Islanders Bank understood the model, guess what? They want our business because we are so stable.”*



**Innisfree LEC, Lopez Community Land Trust (Lopez Island, WA)**  
 Residents help build their future homes as part of their sweat equity requirement.

## The Financing Details

### Morgantown Financing (1992)

| Type                                 | Amount    | Source                  |
|--------------------------------------|-----------|-------------------------|
| Subsidy                              | \$373,000 | Grants<br>Contributions |
| Permanent Financing                  | \$110,000 | Washington Mutual Bank  |
| Rehab/Construction/<br>Gap Financing | \$110,000 | Washington Mutual Bank  |

### Coho Financing (1995)

| Type                                 | Amount         | Source  |
|--------------------------------------|----------------|---|
| Subsidy                              | \$115,684      | Grants<br>Contributions   |
| Permanent Financing                  | \$499,700 (1%) | WA Community Trade<br>and Economic<br>Development: Housing<br>Trust Fund (WA HTF) |
| Rehab/Construction/<br>Gap Financing | \$499,700      | WA HTF  |

### Innisfree Financing (2003)

| Type                                 | Amount    | Source                       |
|--------------------------------------|-----------|------------------------------|
| Subsidy                              | \$631,885 | Grants<br>Contributions      |
| Permanent Financing                  | \$664,115 | WA HTF<br>Islanders Bank     |
| Rehab/Construction/<br>Gap Financing | \$80,000  | HUD-SHOP Forgiveable<br>Loan |
|                                      | \$192,650 | Islanders Bank               |

### Common Ground Financing (2009)

| Type                                 | Amount        | Source                                     |
|--------------------------------------|---------------|--|
| Subsidy                              | \$1,415,000   | Grants<br>Contributions                    |
| Permanent Financing                  | \$1,010,000   | Islanders Bank                             |
|                                      | \$75,000 (3%) | LCLT Revolving Loan Fund                   |
| Rehab/Construction/<br>Gap Financing | \$150,000     | HUD-SHOP Forgiveable<br>Loan               |
|                                      | \$1,085,000   | Islanders Bank<br>LCLT Revolving Loan Fund |

### Tierra Verde Financing (2012)

| Type                                 | Amount    | Source                                     |
|--------------------------------------|-----------|--|
| Subsidy                              | \$484,500 | Grants<br>Contributions                    |
| Permanent Financing                  | \$320,000 | Islanders Bank<br>LCLT Revolving Loan Fund |
| Rehab/Construction/<br>Gap Financing | \$60,000  | HUD-SHOP Forgiveable<br>Loan               |
|                                      | \$320,000 | Islanders Bank<br>LCLT Revolving Loan Fund |

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## Project Development & Management

Located on a small, rural island, Lopez CLT is one of the only affordable housing developers in the area. Since there are no local partners, the CLT plays the primary role in driving the LEC development process.

**Project Initiation.** Projects are initiated based on community need and interest – when Lopez CLT has a core group of interested applicants, they will begin a 12-18 month participation process to identify community preferences and develop detailed designs. Residents are selected pre-construction and are involved in the decision-making process from start to finish.

### Development Feasibility.

Development opportunities are limited on Lopez Island, so the CLT also instigates a detailed site search and evaluation. This includes a search for available properties that are located within the urban growth boundary, as well as an evaluation of infrastructure needs, land title issues, etc. To date, all of Lopez’s projects have been new construction, single-family developments.

**Financing.** Lopez CLT also takes the lead in financing, identifying subsidies for the project, securing blanket financing for the project, and applying funds from the CLT’s revolving loan funds, where necessary.

**Management & Maintenance.** Lopez’s LECs are self-managed with the CLT providing technical assistance and intervening as required. Households are responsible for repairs inside their units, while the LEC maintains the exterior and common spaces. However, the LECs are frugal and Lopez will often see members repairing things out of pocket, preserving the reserve funds.

| LEC Management       |                                       |
|----------------------|---------------------------------------|
| Common Spaces        | Self-managed by LEC                   |
| Units – Exterior     | Self-managed by LEC                   |
| Units – Interior     | Maintained by shareholder             |
| Technical Assistance | Provided by CLT, paid by ground lease |

## CLT Stewardship & Resident Governance

Lopez CLT views its stewardship role as one of empowerment. While the LEC is bound to the CLT through a ground lease, Lopez does not wish to be in a landlord position – it is not a good use of their resources, but, more importantly, it goes against the purpose of the cooperative model. Therefore, Lopez CLT operates as a “by-request” resource for its LEC projects.

During the initial phase of the project, as the LEC is established, Lopez CLT makes a significant investment in training. This includes financial planning development

for the LEC, as well as leadership training for the coop board. As a result of the CLT’s upfront stewardship investment, the LECs are generally self-sufficient.

Once the LECs are established, Lopez CLT’s role is primarily as a technical advisor. The CLT plays a major role in processing new member applications, such as conducting income eligibility verifications and credit history checks. Lopez CLT will also provide support and answer questions, as needed.

When there is a major problem, the CLT will intervene, but avoids using a heavy-handed approach. Instead, the CLT asks questions, reminds the LEC of the expectations in the ground lease, and allows them to make an independent decision about their course of action.

LCLT is in its 24<sup>th</sup> year and is undertaking a process of evaluation of all governance issues to better fine tune the LCLT-LEC relationship.

|                                      | Physical   | Social  | Financial   |
|--------------------------------------|--|---|---|
| <b>Education</b>                     | <ul style="list-style-type: none"> <li>Home building (through sweat equity requirement)</li> </ul>                                     | <ul style="list-style-type: none"> <li>Initial LEC development &amp; training</li> <li>Board development</li> <li>Pre-purchase interview &amp; education about LEC</li> </ul>   | <ul style="list-style-type: none"> <li>Homeowner training classes</li> <li>Budgeting and long-term financial planning</li> </ul>                  |
| <b>Monitoring &amp; Enforcement</b>  | <ul style="list-style-type: none"> <li>Intervention as required (e.g., insurance violations)</li> </ul>                                | <ul style="list-style-type: none"> <li>Initial applicant interview</li> <li>Technical advisor to LEC during new member selection</li> </ul>   | <ul style="list-style-type: none"> <li>Applicant eligibility – income verification, credit history</li> <li>Resale formula and process</li> </ul> |
| <b>Participation &amp; Mediation</b> | <ul style="list-style-type: none"> <li>Initial sweat-equity requirement</li> <li>Ongoing maintenance – as determined by LEC</li> </ul> | <ul style="list-style-type: none"> <li>Board meetings – monthly (CLT is not on the board)</li> <li>Annual meeting – required for all members</li> <li>Problem-solving and targeted training, as needed</li> <li>Ongoing technical assistance</li> </ul> |   |