



A Burlington CLT Project

Always-Affordable Condos Earn Raves in Vermont

BY CATHERINE A. SMITH

A dwindling stock of properties affordable to its NeighborWorks HomeOwnership Center® customers prompted the Burlington Community Land Trust (BCLT) to build a mixed-income condominium project that will forever offer homeownership opportunities for low- and moderate-income families.

The \$8.7 million, 60-unit, City's Edge condominium project represents a number of firsts for BCLT. In addition to being its first large-scale, for-sale new construction project, City's Edge includes 29 market-rate units as well as 31 permanently-affordable, or restricted, condominiums. The project also offers a more urban environment than is typical in predominantly rural Vermont.

"There were a lot of firsts for us," said Brenda Torpy, co-director of BCLT. "It was scary, but we took the leap. It was the first project in a demonstration program for the Vermont Housing and Finance Agency and we felt a lot of responsibility for making it work. What tipped the balance for us was the great need we saw and that we knew the partners we were working with. We took calculated risks."

Established in 1984, BCLT was the first municipally-funded community land trust, and is currently the largest community land trust in the United States, with more than 2,500 members. BCLT provides a wide range of housing opportunities, including 340 rental apartments and 370 shared-appreciation, single-family homes and condominiums. BCLT also operates two NeighborWorks HomeOwnership Centers® that provide homebuyer education and counseling.

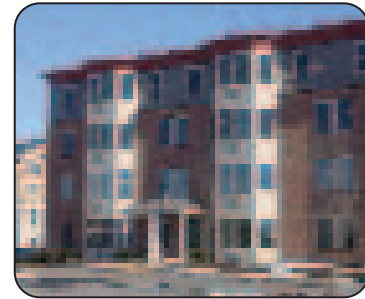
BCLT is able to keep the housing permanently affordable through deed restrictions and a shared-appreciation formula. It does this by retaining an option to repurchase units when owners are ready to sell.

Eligible buyers receive a down-payment grant and share the value of the unit's appreciation with the land trust once they sell the condo. Part of the resale profit is used to finance the down-payment grant for the next eligible buyer.

This system guarantees that the units will remain affordable to low- and moderate-income buyers each time the property is resold. (See sidebar on page 22 for how this works.)

Cultivating City's Edge

Located in a mixed-use development on an 11-acre site right off a highway, City's Edge consists of 54 two-bedroom and six one-bedroom condos in one four-story building. The 31 restricted units must be sold to persons whose income is below 80 percent of the area median. Buyers for the restricted units must also attend homebuyer education classes through BCLT.



City's Edge condos in South Burlington.

COURTESY BURLINGTON CLT

In addition, the site also holds 160 units of permanently affordable rental units in four 40-unit buildings, which are owned by another nonprofit; 89 higher-end condos currently under construction by a private developer; and a planned 70-unit HUD 202 senior-housing development. A convenient, six-acre shopping center is adjacent to the site.

Despite all the risks involved with such a major undertaking and multiple funding sources, supporters saw City's Edge as a win-win situation.

"This was an opportunity for a developer to deliver a fairly sizable number of housing units in the Burlington area for under \$200,000 in a state where the median price for newly constructed single-family housing in 2004 was \$294,000," said Dave Adams of the Vermont Housing Finance Agency, which provided \$6.27 million in construction financing.

"It's everything we wanted in a housing demonstration project," Adams continued. "It's an in-fill project on municipal water and sewer, on public transportation and convenient to shopping, and delivered at prices affordable to working families in the area."

Rick DeAngelis, the associate housing director of

the Vermont Housing and Conservation Board (VCHB), agreed that the project was appealing because of its ability to address a huge need in the state, while making use of existing infrastructure and minimizing sprawl. VCHB is an independent, state-supported funding agency that provides grants, loans and technical assistance to nonprofit organizations, municipalities, and state agencies for the development of perpetually affordable housing and for the conservation of important agricultural land, recreational land, natural areas, and historic properties in Vermont.

VCHB contributed \$650,000 to write down the purchase price of the City's Edge homes. "The project had what the state wanted, what we felt we needed," DeAngelis said. "This was an excellent example of how a state sets housing priorities and then a nonprofit group like BCLT meets those priorities. ... This was an example of having a strong nonprofit partner, a good development project, and a community that stepped up to the plate."

NeighborWorks® America granted \$300,000 for the land purchase and the state of Vermont gave \$355,000 in CDBG funds for down-payment grants. Bank North provided \$420,000

PERMANENT AFFORDABILITY: HOW THE LAND TRUST MODEL WORKS

Exactly how is BCLT able to keep these properties affordable? Here's an example: Imagine a condo that is valued at \$100,000. The eligible buyer must have an income of less than 80 percent of the area median and have attended home-buyer education through BCLT.

BCLT then makes the buyer a grant of \$20,000, leaving a purchase price of \$80,000. A bank provides a mortgage for the \$80,000. There's no down payment required. The buyer enters into a covenant agreement with BCLT and signs a second mortgage securing BCLT's interest in the property.

At resale, the seller receives 25 percent of the increased equity in the property as determined by a third-party appraiser. BCLT gets 6 percent of the sales price, or an

amount equal to what the seller receives, whichever is less. The remainder of the appreciation goes back into the property for the next buyer to support his or her down-payment grant.

In this example, assume the property is appraised for \$140,000 at resale. Since the original value was \$100,000, the appreciation is \$40,000. The seller receives 25 percent of the appreciation, or \$10,000, as well as 100 percent of their principal pay-down. (If the seller made capital improvements, the seller would receive 100 percent of the appraised value of those improvements as well.) The property is sold to BCLT for \$90,000 – the original \$80,000 plus \$10,000, plus principle paydown (estimate).

BCLT receives \$8,400 (6 percent of

\$140,000), and the remaining \$21,600 is used toward providing a down-payment grant for the unit. Since the unit already had a down-payment grant of \$20,000, the subsidy for the unit now is \$41,600. This allows the unit to be permanently affordable to an ever-broader range of families.

A study of BCLT shared-appreciation units undertaken in 2003 found that the average BCLT home was affordable to a household earning 62 percent of the area median on initial sale. On resale, it was affordable to a household earning 57 percent of the median.

BCLT now has about 370 shared-appreciated units in its portfolio, about half of which are condos. There are approximately 30 to 40 resales a year.



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in construction financing. Wells Fargo made a \$10,000 donation. In addition, the property owner provided \$540,000 in seller financing and donated \$70,000 for a brick façade.

Local lenders, including Wells Fargo and the Northeast Federal Credit Union, made loans to the eventual buyers, using a VHFA product tailored to land trusts.

City a Major Player

The city of South Burlington played an essential role in bringing the project to fruition. Support included rezoning the property to dramatically increase its allowable density, the use of city resources when available, and advocacy with other funders, such as applying to the state for CDBG monies that were used to subsidize the units.

Jim Condos, chair of the South Burlington City Council, said City's Edge was particularly appealing because it is part of a larger redevelopment project that has both mixed-use and mixed-income features. "In the span of a few years, the area has been transformed into a community of its own. People can live, work, and shop right from this location," said Condos. "In South Burlington, we don't build projects, we create neighborhoods."

Marketing Mixed-Use

Careful marketing was crucial to the success of City's Edge. "This was the first time we had to market a lot of units all at once," said Amy Demetrovitz, BCLT project developer, "and also the first time we had market-rate units as well as restricted units. Our best decision was to partner with a realtor who was an expert in the local condo market."

Colin Bloch, BCLT director of homeownership, agreed. "Partnering with Bill DeSautels from Remax North Professionals was a key factor in the project's success. Bill gave us an incredible full-service deal from contract to closing. He went above and beyond our expectations."

Selling the market-rate units in a mixed-income

building turned out not to be difficult at all. In fact, the market-rate, unrestricted units sold first. Bloch said this turned out to be a simple matter of supply and demand. "We had a superior product, a solid location, and price that can't be beat in our market," he said.

Torpy said that BCLT knew from working with customers what would appeal to them, and that newly constructed condos would be ideal starter homes for first-time buyers because there are fewer unexpected costs after purchase.

All units have now been sold. In fact, there was such demand for units that BCLT was able to raise prices higher than when the project started to cover increases in construction costs and add minor amenities. Prices for the units now range from \$125,000 for a one-bedroom unit to \$165,900 for a two-bedroom, two-bath unit. The sales price on restricted and market-rate units is the same, but the restricted units receive down-payment grants ranging from \$25,000 to \$35,000.

DeSautels set up a sales center on the site that offered information on City's Edge units as well as the higher-end condominiums at the same location. Potential buyers could receive information on the restricted units, the market-rate units, and the higher-end condos all at the same place. In addition, the property was marketed through targeted mailings, color ads, and a Web site.

Buyers have come from a variety of sources, including BCLT's HomeOwnership Centers® and the rental properties that share the site. New buyers are a mix of incomes, ethnic groups, and family types, including single mothers, young couples, and empty nesters.

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Catherine A. Smith (cbc.smith@comcast.net) is president of Community-Based Communications, L.L.C., in Cheverly, Maryland.