

LOPEZ COMMUNITY LAND TRUST LIMITED EQUITY CO-OPERATIVES

SLOW
CHILDREN
PLAYING



2023 Home Futures Institute



In 1989, Lopez Community Land Trust (LCLT) was formed and successfully combined the concept of Limited Equity Housing Cooperatives with Community Land Trusts.

Lopez Island, Washington

- Population: 2,600 year-round, 6,000+ in Summer
- 2,080 housing units on the island
- 55% of all homes occupied year round
- 45% seasonally occupied (summer homes)
- 4-8% are vacation rentals
- 5% CLT Homes year-round and .6% of land
- 2nd lowest wages in Washington State at \$34,000
- 2023 median home value \$995,000 (down 46%)
- 1.2 residents for every housing unit
- **THERE isn't a shortage of homes, but there is a shortage of access to affordable homes**



LOPEZ COMMUNITY LAND TRUST BEGAN IN 1989 –
COST OF HOUSING INCREASED 190% IN ONE YEAR

- Highest per capita income, highest cost of living
- Lowest wages, local housing stock used for vacation housing
- How does LCLT support working residential islanders?
 - Limited Equity Co-ops
 - Rentals
 - Agricultural Initiatives



BEAUTIFUL, AFFORDABLE
RESILIENT HOUSING





Morgantown - 1992



Coho - 1994



Innisfree - 2003



Common Ground - 2009



Tierra Verde - 2012



Salish Way - 2015-2021

EMPOWERMENT:
TEACH & TRAIN HOMEOWNERS,
VOLUNTEERS, AND INTERNS



IN ADDITION TO HOUSING
OVER 90 ACRES OF FARMLAND HELD IN
TRUST & LEASED TO FARMERS



Stonecrest Farm



Lopez Sound Road Farm & Forest Preserve

CLT'S: DIVERSE, FLEXIBLE TOOL FOR COMMUNITY CONTROL

- Locations in the United States:
 - 38% small cities/towns
 - 26% rural
 - 36% urban/metropolitan
- 515 CLTs worldwide, from Australia, to Belgium, to Kenya
- 300+ in U.S
- 30 in the Pacific Northwest, providing over 2,400 homes



Common Ground, Lopez Island, WA



Co-op City, Bronx NYC

DEFINITIONS

CLT - a non-profit that holds land in trust, leasing it long-term for affordable housing, farming, cottage industries, etc.

Co-op - association or corporation owns and stewards the housing and improvements as well as common areas.

Limited Equity Co-op's (LEC's) - is a homeownership model in which residents purchase a share in a development (rather than a fee simple home) and commit to resell their share at a price determined by the resale formula—an arrangement that maintains affordability at purchase and over the long term.

COMPARISONS OF OWNERSHIP MODELS

- **Fee simple** - The owner has rights to the land and/or building with minor exceptions for easements, etc.
- **Condo** - The owner has rights to the specific unit and a non-exclusive interest in the common property.
- **Co-op** - A coop-owner *does not own a real estate interest*. They own a share in a corporation which owns the Improvements and by virtue of the share in the corporation, they have security of tenancy through a proprietary lease.



STRUCTURE – LIMITED EQUITY CO-OP (LEC)

- A LEC is a corporation made up of people who own the Improvements and have rights to occupy a specific home
- Each unit is tied to a share and resale is kept affordable through a Limited-Equity formula
- LEC's are focused on local democratic control and permanent affordability. They exist outside market forces

CLTS & LECS

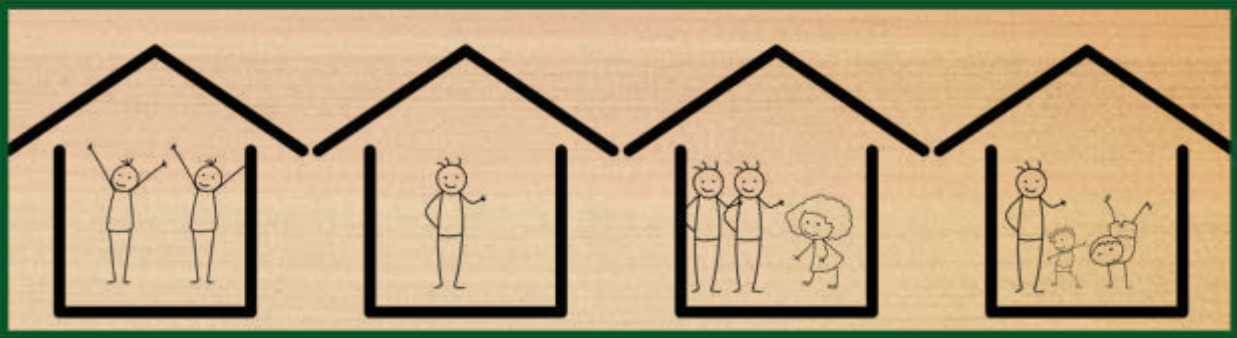
- Land is owned by the Community Land Trust (CLT) and leased via a 99 - year ground lease to the Limited Equity Housing Cooperative
- LEC members are the sole share holders of the cooperative

CLT, CO-OPS, AND SHAREHOLDERS

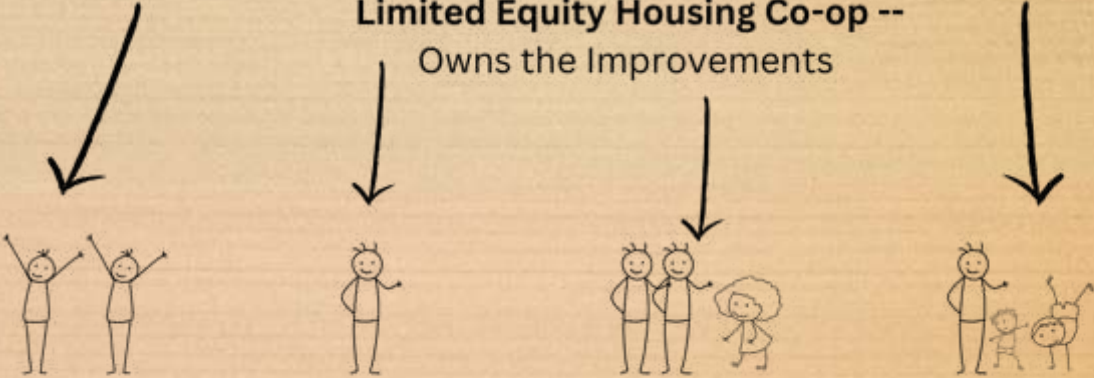
Ground Lease -- Between LCLT & Housing Co-op



LCLT (501c3 Non-Profit)
Owns the land



Limited Equity Housing Co-op --
Owns the Improvements



Individual Households
Own a **share** in the Co-op
And proprietary lease grants them the right to occupy the house

CLT ROLE

- Holds land in trust
- Financial qualification of applicants
- Provides training, resources, legal templates
- Provides the added structure to assure permanent affordability
- Facilitates blanket loan for coop and revolving loan fund for share loans
- Offers empowerment and community building tools



LIMITED EQUITY COOPERATIVES



- Leases land from the CLT
- Forms a legal entity
- Democratically governs the cooperative
- Stewards the land and homes according to agreements
- Maintains reserve and maintenance funds
- Selects new members after CLT financial approval of applicants

FINANCIALS OF 'CO-OP 2021' A 4-HOME HOUSING CO-OPERATIVE

Total cost of 4
houses: \$1,040,000

Co-op shares (Paid by each household)

\$40,000.00

4%

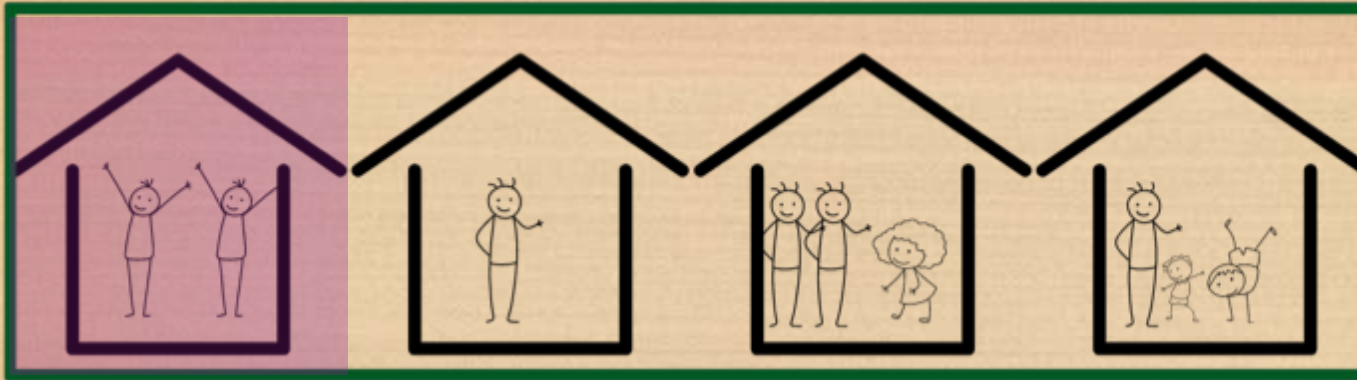


Long-term
Financing for
Co-op
\$400,000.00
38%

One-time
LCLT Subsidy
\$600,000.00
58%



CO-OP 2021: COSTS PER SHARE



1 co-op share = 1 household:

Initial co-op member share value -- \$10,000 (~\$5k sweat equity)

On-going responsibility for 25% of the \$400,000 bank loan (P/I = \$400/month)

On-going responsibility for utilities, taxes, insurance, ground lease fee, maintenance, reserves, etc. = ~\$250/month

Total Monthly costs per household: ~\$650

CLT subsidy stays with the homes

LCLT LIMITED EQUITY FORMULA

- KEEP IT SIMPLE

- SHARE VALUE = \$10,000

- EQUITY GAIN IS ON SHARE VALUE ONLY = 3% SIMPLE INTEREST

(in times of high inflation (think 2022) formula is adjusted accordingly but only if over 5%)

LCLT erred on the side of simplicity and long-term affordability for next generation members.

Balanced with value to cover damages. Regular co-op inspections are important.

Before you settle on a formula, workshop it with your community

LCLT LIMITED EQUITY FORMULA EXAMPLE

\$10k share value at 3% simple interest =
\$300/year.

The share price is paid by the new leaseholder
as determined in the ground lease.

| A | B | C | D | E | F | G |
|--|-------------|-------------------|---|---|-----------|---|
| Maximum Sale and Transfer Price for Co-op 2021 Membership | | | | | | |
| This spreadsheet calculates the maximum resale value of a membership in Co-op 2021 based on the requirements set forth in Section 9.3 (and subsections thereof) of Co-op 2021 ground lease with the Lopez Community Land Trust. | | | | | | |
| To use this spreadsheet, enter the variables in the yellow cells. If the increase in CPI for Seattle-Tacoma was calculated to be more than 5.00% for any year-end falling within the ownership period, fill in the green cells. (This spreadsheet allows for 5 such years; if more exist, then further lines (and formulas) must be added to account for these.) The maximum sale and transfer price is calculated and presented in the blue cell. | | | | | | |
| Original Purchase Price | \$ | 10,000.00 | | | | |
| Original Purchase Date | | December 17, 2021 | | Household B | | |
| Sale Date | | December 18, 2026 | | Co-op 2021 | | |
| Length of Ownership | | 5 Years | | | | |
| In how many instances did the CPI for Seattle-Tacoma increase more than 5% for a year ending during the ownership period, whether or not the year for which the CPI increase was computed fell entirely within the ownership period? (List Years and CPI Increases Below.) | | 0 | | | | |
| Total of Allowed Capital Projects | \$ | - | | | | |
| Maximum Sale and Transfer Price | \$ | 11,500.65 | | | | |
| List Years For Which the Increase in CPI (Seattle-Tacoma) was Greater Than 5.0% | | | | | | |
| | | | | Percentage of This Year Landing within Ownership Period | Extension | |
| Year Number | Year Ending | Increase in CPI | | | | |
| 1 | | | | 100% | 0.00% | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| Average of CPI Increases for These Years (pro-rated for partial years falling in ownership period) | | | | | 0.00% | |

ADVANTAGES: SAVINGS FOR SHAREHOLDERS

- Local marketplace rents \sim \$1k /month + \$250 utilities = \$1250
- LEC costs \sim \$450/month + \$200 utilities (solar subsidy) = \$650
- **LCLT encourages each co-op shareholder to consider investing some portion of the difference between market rate rent and monthly co-op housing payment.**
- Among other factors, LEC equity formulas need to consider; long term affordability, household capacity, CLT's ability to access financing for construction, mortgages and share sales

$$\begin{aligned} \$1250 - \$650 &= \$600 \\ \$600 \times 12 &= \$7,200 \\ &= 7.2\% \text{ ROI Annually} \end{aligned}$$

LEC ADVANTAGES -- ECONOMIC

- Accessible form of home ownership (low share purchase cost)
- Blanket and share loans -- one bank loan/one set of fees at the outset for the co-op
- RLF loans to purchase share, offered between 2% and 3% interest at terms that meet the above criteria
- No real estate transaction, saves \$ & no bank involved
- The average co-op member pays 25% or less for PITI at move in. A new member who needs a share loan will stay under 30% of monthly income for PITI
- Fixed mortgage saves costs – Long term affordability



LEC ADVANTAGES – SELF-DETERMINATION & EMPOWERMENT

- Direct control over one's housing including management
- No landlord
- Strong partnership between Co-op and CLT
- CLT as a resource for Co-ops
- Peer Accountability & Skill-building
- Strengthens democratic decision-making skills
- Transferable skills: from Cooperative living, larger community & civic impacts
- Co-op holds loan and in times when a member cannot make payments the co-op can help cover payments temporarily buffering the household





CIVIC SOCIETY AND MUTUAL AID



- People with wide range of life experiences, ages, and identities live in co-op housing.
- Some are “bankable” others not. Community references still matter.
- LEC’s support artists, retirees, and people working local jobs. If your community members do not have a credit history you can still find ways to work with them.

LEC CHALLENGES

- Interview process can be intimidating for in-coming members
- Co-op knows your business: in times when a member cannot make payments the co-op may need to approve outside agency subsidy for specific member
- Neighbors as business partners -- holding each other accountable

LEC CHALLENGES

- Lack of Experience (Importance of On-going Training) i.e. in budgeting and basic business management.
- It takes renewal of commitment to the co-op principles especially as new members arrive
- Finding co-op construction and long-term take-out financing

LOPEZ COMMUNITY LAND TRUST
CLEAN COPY OF PROPOSED CHANGES ADOPTED BY LCLT Board 02/24/2020

BYLAWS

ARTICLE I NAME AND PURPOSE

1. **Name.** The name of this organization shall be Lopez Community Land Trust, hereinafter referred to as the "Land Trust"
2. **Purpose.** The purpose of the Land Trust shall be to:
 - a. Acquire and hold land in trust in order to provide for permanently affordable housing. Homes shall be built and lands shall be used in an environmentally sensitive and socially responsible manner.
 - b. Provide permanently affordable access to land for such purposes as quality housing, sustainable agriculture and forestry, cottage industries and co-operatives by forever removing the land from the speculative market.
 - c. Develop and exercise responsible and ecological practices which preserve, protect and enhance the land's natural attributes.
 - d. Serve as a model in land stewardship and community development by providing information, resources and expertise.

ARTICLE II MEMBERSHIP

Categories of Membership. For certain purposes, the membership of the Land Trust shall be divided into three categories: "Leaseholder Members," "General Members" and



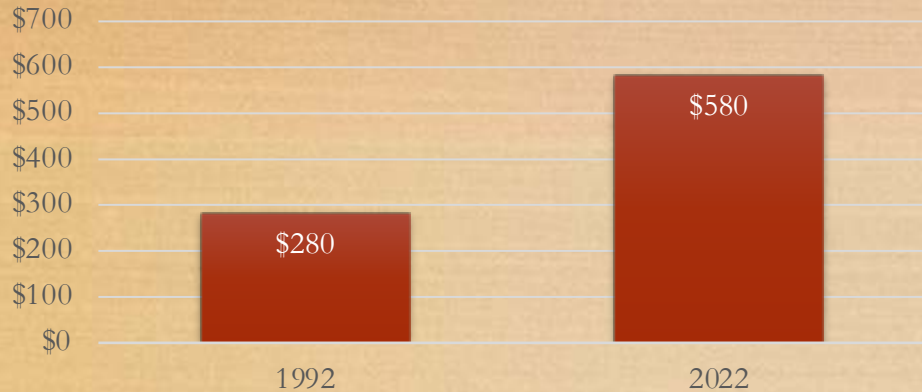
CHALLENGES: LOANS TO DATE FOR THE LEC'S



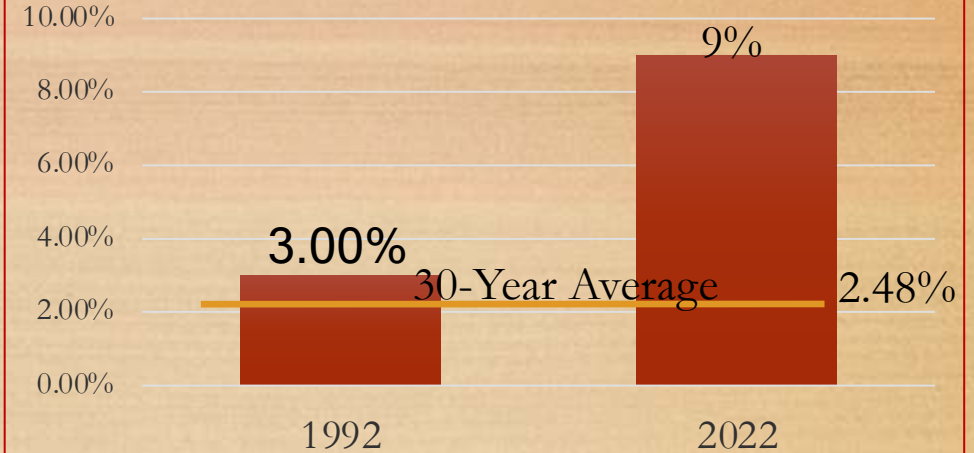
- 1991 - Washington Mutual (failed bank) 30 year 8.5% fixed
- 1993- WA state HTF (one-off, has not done again) 60 year 1% fixed
- 2001 - Islanders Bank 30 year 6% fixed
- 2008 - Islanders Bank 15 year 5.5% fixed and 5-year ARM's JUMBO – loan was over \$1,000,000
- 2012 - Islanders bank 30 year 5% fixed
- 2015 - Islanders (defunct - bought by Banner) 30 year 5% fixed
- 2019 - WSHFC - SET Loan 10 year 1.5% with balloon – loan to LCLT and LCLT 25-year loan to co-op
- 2021- WSHFC – SET Loan (same as above)

PITI AND COSTS FOR LCLT LECS OVER TIME

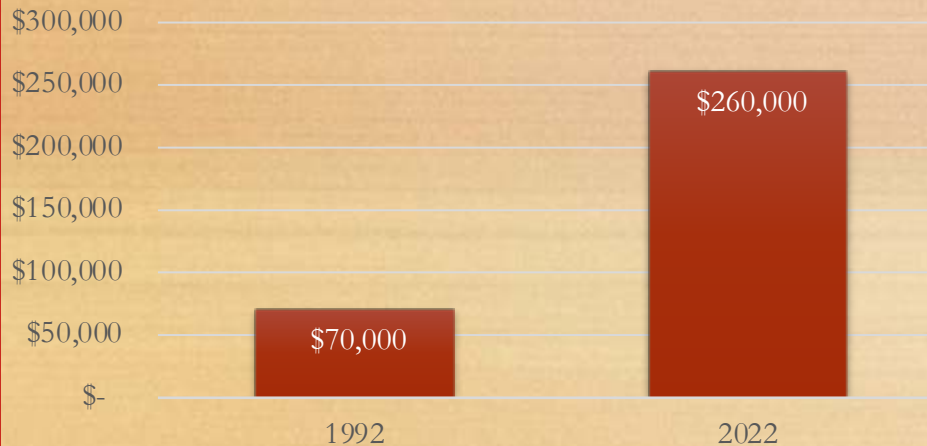
Average Monthly PITI per Household



Inflation



Cost to build a house



The US dollar had an **average inflation rate** of 2.48% between 1992 and 2022.

The regulatory market plus labor, permits, complexities and other factors help drive up costs. Funders and wages have failed to keep up with these costs further hindering non-profit housing developers.

HOW DO WE DO IT?

- Four full time employees
- Dedicated Board –made up of leaseholders, general & public representatives
- Membership –
 - 110 Leaseholder members
 - 180 General members
 - 12% of the population
- ...And by fostering community



CHANGING THE MODEL?

- LCLT develops LEC's, purchases farmland for working farms and develops and manages rentals. We are working on a rent-to-own model.
- LCLT has thought long and hard about discontinuing the development of LEC's because since 1990 the long-term financing continues to be a challenge.
- That said, the benefits of the LEC model outweigh the access-to-financing challenge.
- As LCLT develops more LEC's, the co-ops cross-train amongst themselves and long-term stewardship is streamlined.

WHAT'S UP WITH WASHINGTON STATE?

- Look at NYC and DC policies. With policy support and effective financial support LEC's thrive as do the communities.
- WA state is among many states in the US that refuse to create effective policy or make secure reliable long-term financing available to LEC's.
- With little to no financing support LEC's will not thrive.
- RLF's are a powerful tool for CLT's implementing LEC's.

COMMON GROUND VISIONING

Fun

Life

Play

Comfort

Diversity

Abundance

Sacred grounds

Helping one another

Wealth in friendship

Secure and warm

Lots of kids

Closeness and genuineness

Self-contained - cocooned

Spacious open feeling

Exceeding expectations

Water flowing, energy from sun

Learning from one another

Knowing each other Deeply

Respectfulness in communication

Children living amongst a larger family

Giving faith to the process of this community

Paths are a feast of food and companionship

Sharing our space with the greater community and world

Going through the ups and downs of life together

Feels like the community is much larger than it is

Career and professional life supported and showcased

Trees, dappled sun, places to be together and be alone


Our house feels like it is shared as part of the community

Houses facing one another: openness to each other

Our community is a model for others to look at

Feeling like family to one another

Thankful to be here.



**“There is no power
for change greater
than the
community
discovering what it
cares about.”**

– Meg Wheatley



LCLT

LOPEZ COMMUNITY
LAND TRUST 

Building a Sustainable Island Community