

San Gabriel Valley Regional Community Land Trust Feasibility Report and Action Plan

PREPARED FOR SAN GABRIEL VALLEY COUNCIL OF
GOVERNMENTS & SAN GABRIEL VALLEY REGIONAL HOUSING
TRUST

JESSICA SARGENT, PRIMROSE RESEARCH GROUP
AMY WILSON MORRIS, PHD, LAND AND WATER CONNECTIONS
CONSULTING



March 2023

Contents

Executive Summary	2
Housing Market Information	4
History of Funding Affordable Housing	5
Role of a Community Land Trust.....	6
Establishing a CLT	7
Mission.....	7
Beneficiaries	8
Geographic Service Area	10
Administrative Model.....	11
Development Role	13
Tenure Type.....	14
Support Services	16
Development Type	17
Operational Needs	18
Potential Funding Sources	21
Operational Funding.....	21
Sources of Capital Funding.....	22
Recommendations	24
Conclusion	26

Executive Summary

There is an affordable housing crisis in the San Gabriel Valley, and the high cost of land is a major barrier to addressing the crisis. The San Gabriel Valley Council of Governments (SGVCOG) is partnering with the San Gabriel Valley Regional Housing Trust (SGVRHT) to address this critical issue. They have asked Primrose Research Group and Land and Water Connections Consulting to evaluate the feasibility of creating a San Gabriel Valley Regional Community Land Trust (CLT). The first step in the evaluation process was the Community Land Trusts Best Practices report, followed by the San Gabriel Valley Regional Community Land Trust Economic Analysis. This feasibility report and action plan is the third step in the evaluation process.

The advantage of CLTs is that they maintain the affordability of housing in perpetuity on behalf of a place-based community by acquiring land and removing it from the speculative real estate market. In addition, as nonprofits, CLTs can leverage an assortment of public funding sources and be the recipient of private donations.

This study has determined that a Regional CLT is feasible and could be a part of the affordable housing solution in the San Gabriel Valley. There are outstanding key decisions to make to guide the formation of the CLT. This feasibility report and action plan reviews these key decisions and the implications of those choices. Based on the best practices and economic research paired with profiles of and interviews with comparable organizations our formation recommendations include:

- The Regional CLT focuses on affordable housing opportunities for low- and moderate-income residents and develops its mission statement and guiding principles for working towards this vision.
- Consistent with the vision of providing affordable housing opportunities for low- and moderate-income residents, the Regional CLT serves households earning at or below 80 percent of AMI.
- A regional scale approach is appropriate, with the geographic scope of the Regional CLT sharing the geographic boundaries of the SGVCOG.
- The intention is for the SGVRHT to take the lead in establishing the Regional CLT, including providing start-up staffing and board selection.
- Given the high level of staffing and resources required for a CLT-as-

Key Findings from Interviews

Interviews were conducted with representatives of 15 regional CLTs from across the United States, as well as with representatives of local CLTs and other equity-focused organizations. Key highlights are called out throughout this report. For a complete summary of the interviews see the San Gabriel Valley Community Land Trust Interview Report.

developer, the Regional CLT focuses on land stewardship in the start-up and early growth stages.

- Initially, the Regional CLT will concentrate on multi-family rental opportunities, including preservation and rehabilitation and new development, to expand the affordable housing work of the SGVRHT.
- The Regional CLT evaluates the community's needs for affordable housing support services and evolves, as appropriate, into an organization that provides those services consistent with the affordable housing portfolio. At first support services would focus on renters, consistent with the organization's portfolio, such as financial and rental counseling and rental assistance.

Housing Market Information

The housing affordability challenge in the San Gabriel Valley and the greater Los Angeles County region has been well documented. Relying on existing studies and updating with current market data,¹ the Economic Analysis report found:

- Home ownership is unaffordable to most in the San Gabriel Valley.² Many renter households in the San Gabriel Valley are also housing cost burdened, exacerbated by low median incomes in most communities.
 - In the greater Los Angeles metro area homes sold in the first half of 2022 had a median sale price of \$880,890.³ In the San Gabriel Valley, during the same period, most of the homes sold were in Pasadena with a median sale price of \$1.15 million. The homes sold in Pomona had the lowest median sale price at \$650,000. The highest median sales price was in San Marino at \$2.75 million.
 - A four-person household with an income of 60 percent Area Median Income (AMI) for Los Angeles County (i.e., \$54,660) would be considered cost burdened, that is pay more than 30 percent of income, for rents above \$1,367 monthly. Median monthly rent ranges from \$1,351 in El Monte to \$3,500 in San Marino.

Understanding Jurisdictional Priorities

It can be challenging to build partnerships with a large number of local municipalities. It is important to understand each municipality's biggest concerns related to housing. The range of possible priorities for municipalities includes the need to deal with derelict properties, the need to increase affordable opportunities for renters or for homeownership, the need for housing for public employees like police and teachers, addressing overcrowding, serving its diverse population, and meeting state or local legal requirements, such as the Regional Housing Needs Assessment (RHNA). The Regional CLT, in partnership with the SGVRHT and SGVCOG, can leverage resources to assist municipalities in accessing support through the CLT and achieving their housing goals.

¹ BAE Urban Economics, Sadlon & Associates, and The Future Organization. Strategic Planning Study: San Gabriel Valley Regional Housing Trust. September 3, 2021.

² Esri. Business Analyst. Housing Affordability Index.

³ Redfin Monthly Housing Market Data for January to June 2022 accessed at <https://www.redfin.com/news/data-center/> on July 27, 2022.

History of Funding Affordable Housing

To finance the construction and preservation of affordable homes, developers must rely on funding from multiple private and public sources, including mortgages, tax credits, bonds, and various other federal, state, and local sources.⁴ In Los Angeles County, developers of affordable rental housing employ an average of six funding sources, though some must rely on far more.

- Tax credit equity is the primary source, 42 percent, of development funding for a newly constructed affordable home in Los Angeles County.
- Private sources, including private hard debt, philanthropy, and partnership or developer contributions are the largest development funding sources for the acquisition and rehabilitation of an affordable home in Los Angeles County, at 58 percent.

The cost to develop affordable housing includes property acquisition, construction, architectural and engineering services, financing (e.g., interest, fees, legal expenses, appraisals, and reserves), local development fees, and other soft costs.

- The Los Angeles County median total development cost per unit for new construction affordable housing was \$578,073 in 2021.
- The Los Angeles County median total development cost per unit for acquisition and rehabilitation of an affordable home was less expensive at \$377,399 in 2021.

Policy

As part of the best practices review, our team reached out to established land trusts and stakeholders to learn from their experience. Some interviewees noted that it could be helpful to work with willing cities in the Valley to adopt more inclusionary zoning policies and to build collaboration with CLTs into their housing elements. The City of Irvine's Housing Element now encourages affordable housing developers to work with the Irvine CLT to help ensure that city funds go to creating permanent affordability.¹ Cities may be open to this approach because of the enormous cost to municipalities to replace affordable units when non-permanent affordability covenants expire.

⁴ California Housing Partnership. 2022 Los Angeles County: Annual Affordable Housing Outcomes Report. June 30, 2022.

Role of a Community Land Trust

A CLT is a nonprofit organization that seeks to maintain the affordability of housing in perpetuity on behalf of a place-based community by acquiring land and removing it from the speculative real estate market.⁵ CLTs are a form of shared equity ownership. CLTs use public and private investment funds to acquire land on behalf of a place-based community. The CLT owns the land in perpetuity.⁶ The home is therefore more affordable for a lower-income family. The significant advantage of a CLT is, unlike housing programs that retain affordability only for a specific length of time, affordability is preserved permanently.

Where CLTs facilitate home ownership, community residents generally purchase their homes, but not the land on which the houses sit. Instead, residents enter into low-cost, long-term property leases with the CLT, known as ground leases, typically for a renewable 99-year period. Monthly charges for the ground lease can be \$100 or lower. As part of their shared-equity agreement, homeowners are required, if they want to sell their home, to sell it back to the CLT or to another resident with low to moderate income at an affordable price. This model enables the original homeowner to still obtain modest wealth generation, while ensuring the property remains affordable for future residents.

In other cases, CLTs focus on creating and improving low-income rental housing to serve the households that are not able to qualify for mortgage financing, or for enough financing to afford even deeply subsidized homes. The affordable rental housing may be in single-unit or multi-unit buildings, with the buildings owned by developers or other partnerships or by the CLT itself.

Racial Wealth Gap and Building Equity

The racial gaps in homeownership and the associated ability to build wealth are enormous and persistent equity issues. CLTs that facilitate home ownership can help with this, but because they create permanent affordability, they do not allow owners to build up as much equity as non-CLT home ownership. This may be a concern for some potential owners. Preferentially reaching out to BIPOC community members is an important part of trying to redress the impacts of discrimination in housing.

⁵ LA County Department of Regional Planning, City Housing, Inc., Burlington Associates, and Sandra McNeill Consulting. Fideicomiso Comunitario Tierra Libre Los Angeles County Business Plan. June 2019.

⁶ Grounded Solutions Network. Community Land Trusts: Community land trusts are a proven model for communities to control land and development. <https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts>

Establishing a CLT

Creating a CLT requires a variety of decisions and tasks. The key decisions are discussed in more detail below. These decisions are guided by the CLT's goals and informed by the capacity to staff the associated functions. A CLT must decide for itself what it will do and who it will serve. See the Best Practices Report for a full discussion of CLT variations.

Mission

CLTs have been organized for any number of purposes. According to *Community Land Trusts: A Guide for Local Governments* common purposes include:⁷

- Increase affordable ownership opportunities for low- or moderate-income homebuyers, particularly buyers who are Black, Indigenous, or People of Color (BIPOC)
- Increase affordable rental opportunities for low-income renters, particularly renters who are BIPOC
- Resist processes of gentrification and displacement
- Stabilize distressed neighborhoods
- Promote income diversity in neighborhoods
- Decrease community wealth disparities
- Provide stability, equity, and security to people who have not had access to this through homeownership in the past
- Allow workers to live near where they work
- Increase community control and autonomy

The vision for the Regional CLT is to increase affordable housing opportunities and it will initially focus on providing affordable rental opportunities for low-income renters.

Community Centered

Movement-driven CLTs are often very focused on anti-displacement advocacy and building community control of land and housing. Many CLTs have community organizers on staff to focus explicitly on building relationships with residents and community groups—and understanding community needs. Similar to the SGVRHT requirement for City support of a project prior to funding, the Regional CLT will work with localities to ensure projects are responsive to community needs.

⁷ Lowery, Lauren, Matt Weber, Jenee Gaynor, Natasha Leonard, Tina Lee, and Alexis Butler. 2021. *Community Land Trusts: A Guide for Local Governments*. For the National League of Cities and Grounded Solutions Network.

Beneficiaries

One of the main decisions for a CLT is the income levels of the people they plan to serve because it affects the funds the CLT can access. Generally speaking, the higher the income of the people served, the fewer the funds the CLT may be able to access from governmental and charitable sources.⁸ Most of the programs for affordable housing and community development that are offered by federal, state, or municipal agencies are “means tested,” allowing them to be used only for the benefit of households earning below a specified level of income, typically 50 percent, 80 percent, or 100 percent of the area median. Additionally, CLTs that choose to serve households earning high levels of income can have a much harder time obtaining 501(c)(3) status from the IRS. The federal tax code only allows organizations to apply for a 501(c)(3) designation if they are serving a “charitable” purpose. Without this designation, it is harder for a CLT to attract contributions of land, buildings, and dollars from charitable foundations and private donors. Other income related factors to take into consideration include:

- The lower the income of the people served:
 - The greater the amount of outside subsidies that the CLT will need to make housing financially feasible for these households.
 - The greater the resistance there may be in higher-income neighborhoods to proposals by the CLT to site new housing there, existing residents fearing the CLT will lower their property values.
 - The more costly and more staff intensive the CLT’s administrative burden may be, as it attempts to prevent defaults, forestall foreclosures, and encourage/subsidize home maintenance among first-time homeowners with limited resources and unstable sources of income.

⁸ Davis, John Emmeus. 2007. Starting a Community Land Trust: Organizational and Operational Choices. Burlington, VT: Burlington Associates in Community Development.

Program Design

Nearly all interviewees mentioned the importance of being responsive to local needs. In some cases, they emphasized understanding market data, gaps in housing stock, and the limits of existing local approaches. In other cases, they emphasized developing deep relationships with local community groups and ensuring that community organizers are connected to residents vulnerable housing situations (such as multifamily buildings that come onto the market or tenants who are facing unjust treatment from landlords). Regional CLTs were more likely to mention the former, and smaller, community based CLTs were more likely to mention the latter.

- The higher the income of the people served:
 - The greater the resistance there may be in lower-income neighborhoods to proposals by the CLT to site new housing there, with existing residents fearing the CLT will fuel displacement pressures that may already be mounting.
 - The lower the administrative cost burden that the CLT may bear in “backstopping” security of tenure and encouraging good maintenance in the homes that are sold to these households.

Geographic Service Area

The geographic scale the CLT selects depends on the intended beneficiaries. The regional CLT will serve the entire San Gabriel Valley. This is consistent with results from CLTs across the country that have found that increasing the supply of affordable housing for median income homebuyers tends to be more successful when housing projects can be developed where opportunities present themselves throughout a large area.⁹

Regional Focus

The consensus of interviewees from the larger CLTs was that a regional approach makes sense. A regional approach allows for economies of scale, and a regional CLT can be an important convener around regional strategic planning related to housing.

Community Engagement

Most interviewees emphasized the need to invest in community engagement. Even regional CLTs need to invest heavily in community organizing. Community engagement and education about the CLT model can be very resource intensive. You need a “deep, patient commitment to community engagement and community development—you cannot proxy trust.” (Bright Community Trust)

⁹ The CLT Technical Manual. Edited by Kirby White. National Community Land Trust Network. 2011.

Administrative Model

The selection of the CLT's administrative model is a function of many of the same considerations mentioned above of what needs the CLT will address.

- **Establishment by a government entity.** It has become increasingly common for local governments to take the lead in establishing CLTs. The CLT can be a direct extension of the government's own affordable housing program, with staffing provided and the board controlled by the local government. The potential advantages of this relationship to the CLT are seamless access to a primary source of funding and the CLT can be the beneficiary of municipal ordinances that extract affordable units from private developers. Other local governments have encouraged the development of a fully independent organization. In either case, there are trade-offs to be considered between immediate access to financial and technical support and independence.
- **Program or subsidiary of an existing organization.** An existing housing organization may want to permanently preserve affordability of homes they develop by creating a CLT program or subsidiary focusing on selling and reselling homes to eligible buyers for restricted prices. The advantages are the CLT can be launched quickly and relatively inexpensively, and cost effectively share resources with the existing organization. Often, operating the CLT as a program or subsidiary of an existing organization makes sense during the start-up phase

Governance Structure

Most interviewees (both regional CLTs and community-based CLTs) recommended the creation of an independent nonprofit because some potential buyers, renters, and partners may be reluctant to work directly with a government-led organization. Independent nonprofits can also have more flexibility in terms of community engagement and outreach, and fewer requirements in terms of public notice and disclosure. CLT representatives have mixed perspectives on the benefits of establishing/maintaining status as a Community Housing Development Organization (CHDO) for the purposes of receiving additional government funding. The Irvine CLT Executive Director argued that if all the San Gabriel Valley cities contributed, a CHDO may make sense, but that it would be a tremendous amount of work. Several interviewees also noted that it can be difficult to establish a traditional tripartite CLT board, especially when the CLT does not yet have many units in its portfolio.

Commented [BA1]: The governance structure box still seems to indicate that our approach is wrong since the nonprofit is not fully independent and would have elected officials. Can we address this morning clearly in the recommendation paragraph or remove the comment about local government representation?

Commented [CS2R1]: I agree with Brielle's concerns and comments. I also don't think this is the right place for the CHDO comment - that seems like it would fit better with around the potential activities of the CLT

and the CLT can later be spun-off as a stand-alone organization as it becomes more established.

- **Establishment by an existing nonprofit.** An existing housing organization may desire to permanently preserve affordability of homes they develop but without the direct responsibility of owning the land beneath those homes by establishing a separate CLT. During the start-up phase the parent organization may house and staff the CLT's operation and create the board of directors with diminishing control over time.
- **Independent nonprofit.** This traditional CLT structure leverages community-based membership and works best for addressing the multiple needs of a specific low-income neighborhood.

The intention is for the SGVRHT to take the lead in establishing the Regional CLT, including providing start-up staffing and board selection. We support this model because it has the advantages of immediate access to existing funding and staffing. An early partnership with San Gabriel Valley CLT and Making Housing Happen would provide an opportunity to engage with the community on the direction of the Regional CLT.

Existing Regional CLT

A group of community stakeholders formed the San Gabriel Valley CLT, which has been officially incorporated as a nonprofit. They do not yet have paid staff or a significant budget. They are planning to focus on preservation and not on development. Right now, they are building relationships with municipal partners including Baldwin Park, South El Monte, and Pomona. The to be formed SGVCOG sponsored Regional CLT will focus on new development and preservation and will work with the existing San Gabriel Valley CLT to complement efforts.

Development Role

Will the CLT take on all the roles and responsibilities of a developer? Or will the CLT focus more narrowly on land stewardship? Most CLTs do their own development initiated and supervised by their own staff.¹⁰ Some leave development to nonprofit or governmental partners.¹¹ The CLT-as-developer requires the most staff, and the CLT-as-steward requires the least. Considerations for determining the CLT's development role include:

- Developer responsibilities
 - Financing land acquisitions
 - Assembling land
 - Leasing land
 - Planning structural improvements
 - Securing approvals
 - Financing structural improvements
 - Hiring architects and builders
 - Overseeing construction
 - Sale of structures
 - Preserving affordability of housing located on CLT land
- Land stewardship responsibilities
 - Financing land acquisitions
 - Assembling land
 - Leasing land
 - Preserving affordability of housing located on CLT land

Working with Developers

It is important to be very careful in selecting developers to work with. When possible, working with a mission-driven developer like Habitat for Humanity can be very helpful. In some cases, CLTs can help pre-sell homes to encourage developers to accept lower fees. Ideally, CLTs should use local developers with a proven track record of creating high-quality housing to help ensure good outcomes and long-term accountability.

¹⁰ Davis, 2007.

¹¹ CLTs may operate a “buyer-initiated” program, where the CLT provides a subsidy, which makes the market-rate unit affordable to the homebuyer, allowing homebuyers to select a market-rate unit. In these cases, the CLT's responsibilities fall within the land stewardship category.

Tenure Type

Will the CLT focus on homeownership? Will the portfolio include rental housing? If the CLT will incorporate rental housing, will it manage it internally or sell the structural improvements? While, many CLTs have chosen to concentrate exclusively on homeownership,¹² the options to consider include:

- Homeownership
 - Resale-restricted homes
 - Residents purchase their home from the CLT for an affordable price and enter into a ground lease with the CLT.
 - Limited Equity Housing Cooperative
 - A cooperative housing corporation is established that master leases the underlying land from the CLT. Residents purchase a share in the cooperative for an affordable price. The residents do not own their individual units, instead, they each hold a proprietary lease to occupy a unit and own a share in the entity that owns the building.
- Rental
 - Manage internally
 - The CLT is responsible for the day-to-day maintenance and management of buildings and collecting rents.
 - Sell structural improvements
 - The CLT will enter into a ground lease with the owner of the building, usually a nonprofit organization or a limited liability company. Through the ground

Mixed Approach to Portfolio

Having a mixed portfolio including rental properties, home ownership opportunities, multifamily buildings and single-family homes allows CLTs to be more responsive to a range of community housing needs. Undertaking both rehabilitation projects and new development also allows organizations to leverage a wider variety of funding. More significant funding is often available for big, new multifamily developments, but getting those projects off the ground can be very complicated and face resistance. It is important to also focus on smaller preservation projects—particularly preservation of existing multifamily housing. There is likely to be very little (if any) resistance to single family home projects. Several interviewees recommended starting with pilot projects that are as straightforward as possible.

¹² Davis, 2007.

lease the CLT administers the affordability restrictions and income requirements for tenants. The building's owner is responsible for all property management and vetting new tenants.

- Zero-equity cooperative
 - The tenants rent their homes, but they also participate on the board of directors of the cooperative housing corporation that owns their building and leases land from the CLT. The CLT administers affordability requirements through the ground lease.

Support Services

Some CLTs provide a full menu of pre-purchase and post-purchase services, such as:

- Pre-purchase education
- Post-purchase education
- Home purchase or refinance loan review and approval
- HUD/loan counseling and review
- Down payment assistance
- Assistance with home repairs/improvements (including weatherization and accessibility improvements)
- Financial counseling
- Rental counseling
- Rental assistance
- Training related to collective ownership and management

The support services a CLT provides will also affect staffing needs.

Additional Services

Some CLTs focus exclusively on development, rehabilitation, and stewardship of affordable housing, and the role of support services is passed on to the project developer. Many CLTs, especially those focused on homeownership, also provide owners and renters (and potential owners and renters) with additional services.

Development Type

A CLT portfolio can include new development or rehabilitation of affordable housing regardless of whether or the CLT is a developer, a land steward, or both. Locally rehabilitation is less costly per unit, however, fewer funding sources are available at the County and State level as those programs prioritize funding for new construction. An advantage of the Regional CLT's relationship with the SGVRHT is the potential to access funds for rehabilitation or other opportunities to leverage funding and resources.

Multifamily Housing Preservation and Cooperative Ownership

Existing multifamily units on the verge of foreclosure could be hugely valuable as permanent affordable housing. Keeping the same residents in those buildings and potentially transferring ownership to them can be a big equity win as well. Some CLTs focus on finding buildings where tenants have already organized themselves and then they work with landlords to try to do closed market sales and then transfer properties to cooperative ownership.

Operational Needs

Different types of organizations will have different needs. This section provides a crosswalk of the operational needs with the development role, tenure type, support services, and development types discussed above.

Start-Up

Many of the tasks required for the start-up phase of the CLT are the same regardless of the options selected. For example, the CLT will need to prepare the documents establishing the CLT and institutionalizing its structure and governance whether it decides it wants to fill the role of developer or land steward, focus solely on homeownership or rental, provide support services or not, or engage in new development or rehabilitation. Table 1 provides an illustration of the high-level operational tasks necessary in the start-up phase by CLT option. These tasks reflect a mix of expertise, including but not limited to, community organizing, fundraising, real estate management, real estate development, accounting, and legal, and skill level.

Organizational Capacity

Based on interviewee responses, the staff/organizational capacity required for a regional CLT would depend on the approach and services provided. Some regional CLTs have found it very effective to provide a wide range of housing services alongside land acquisition, project development, and stewardship. Others have a much narrower focus and contract out nearly all of their work—including property management. The Regional CLT will utilize SGVCOG staff to operate.

Table 1. Start-Up Task by Option

Task	Development Role		Tenure Type		Support Services	Development Type	
	Developer	Land Steward	Home Ownership	Rental		New Development	Rehabilitation
Apply for 501(c)(3) status	✓	✓	✓	✓	✓	✓	✓
Establish board	✓	✓	✓	✓	✓	✓	✓
Establish structure and governance	✓	✓	✓	✓	✓	✓	✓
Design ground lease	✓	✓	✓	✓		✓	✓
Design resale formula	✓	✓	✓				
Design affordability guidelines	✓	✓	✓	✓		✓	✓
Stakeholder outreach	✓	✓	✓	✓	✓	✓	✓
Create 3-year plan	✓	✓	✓	✓	✓	✓	✓
Develop real estate portfolio	✓	✓	✓	✓		✓	✓
Develop homebuyer programs			✓		✓		
Create a membership plan	✓	✓	✓	✓	✓	✓	✓
Fundraising	✓	✓	✓	✓	✓	✓	✓

Early Growth

The tasks required for the CLT begin to diverge in the early growth phase based on the options selected. For example, there is overlap in assembling land for CLT in the role of developer and land steward, but the developer role involves many additional tasks. Table 2 provides an illustration of the high-level operational tasks necessary in the early growth phase by CLT option. Similar to the start-up phase, these tasks reflect a mix of expertise and skill level. The CLT tasks in the maturity phase are similar to those in early growth.

Table 2. Early Growth Tasks by Option

Task	Development Role		Tenure Type		Support Services	Development Type*	
	Developer	Land Steward	Home Ownership	Rental		New Development	Rehabilitation
Applications for public funding sources	✓	✓	✓	✓	✓	✓	✓
Finance land acquisitions	✓	✓				✓	
Finance structural acquisitions	✓	✓					✓
Facilitate transactions	✓		✓	✓		✓	✓
Secure partnerships with developers						✓	✓
Plan structural improvements	✓						
Secure approvals	✓						
Construction financing	✓						
Hire architects and builders	✓						
Oversee construction	✓						
Manage rehabilitation contractors	✓						✓
Construction management	✓						
Sale of structures	✓						
Property management				✓			
Ongoing monitoring	✓	✓	✓	✓		✓	✓
Collect ground lease fees	✓	✓	✓	✓		✓	✓
Homebuyer education					✓		
Homeowner education					✓		
Financial counseling					✓		
Home repair support					✓		
Community outreach	✓	✓	✓	✓	✓	✓	✓
Enforce affordability guidelines	✓	✓	✓	✓		✓	✓

*Note - for illustration purposes this table assumes the CLT is not undertaking the development or rehabilitation itself, rather it is partnering with a developer and/or organization. If the CLT is undertaking new development or rehabilitation itself the task list would resemble the developer column tasks.

Potential Funding Sources

CLTs make use of a variety of funding sources to support both their operations and projects. The most common and robust of these sources are outlined below. See the Economic Analysis for a full discussion of potential funding sources.

Operational Funding

CLTs tap many sources of support for their operations. The mix of operational funding varies greatly. Reliable and consistent funding is important to the CLTs success. Described below are the most common sources of operating support that CLTs are currently using.

- Local Governments
 - Provide Start-Up Financing
 - Provide Start-Up Staffing
 - Community Development Block Grant (CDBG)
 - Capacity Grants from the HOME Investment Partnerships Program (HOME)
- Development Fees
- Rental Income
- Lease Fees
- Private Institutions & Individual Donors
- Leveraging Partnerships
 - Operational Incubators
 - Cross-Sector Partnerships
 - Support from Intermediary Organizations

Becoming Self Sustaining

It is important to anticipate needing to raise funds to cover operating costs for a significant amount of time. Ideally, ground lease rents should be low enough to be manageable by owners/tenants and high enough to significantly defray operating costs. The exact scale of housing/number of ground leases needed to cover most operational costs varies based on organizational approach and local costs, but about 100 units appears to be the bare minimum for starting to create operational efficiencies.

Sources of Capital Funding

The project funding required by a CLT does not differ substantially in size or kind from that required by any other nonprofit developer of affordable housing. Project funding will likely come from a host of sources, both public and private.

- Local Governments
 - Donations of publicly owned land and buildings
 - Designating the CLT as a potential recipient of land bank properties or making land bank properties available to CLTs at a discount
 - Loans and grants for land acquisition and residential development
 - Dedication of inclusionary housing units
 - Waiver of requirements and fees that add to the cost of housing production.
 - Dedicated Revenue Sources
 - Parcel tax
 - Property/Real Estate Transfer Tax
 - Sales and Use Tax
 - Transient Occupancy Tax
 - Linkage Fees/Affordable Housing Impact Fees
 - Demolition Taxes and Condominium Conversion Fees
 - Tax increment financing (TIF)
 - Affordable Housing Bonds
 - Los Angeles County Measure H
 - Metro Affordable Transit Connected Housing (MATCH) Program
 - No Place Like Home (NPLH) Program
 - Multifamily Rental Housing
 - Los Angeles County Affordable Housing Solutions Agency (LACASHA)
 - Community Development Block Grants (CDBG)¹³

Funding Quilt

Both development projects and preservation projects usually involve a wide range of funding sources. Sources may include federal tax credits (LIHTC), state credits for homeownership, mortgage assistance, local housing trust funds or inclusionary zoning, bargain sale donations, developer fees, and private philanthropic funding, among others. Because home prices and construction costs can both increase so quickly, it is important to overestimate budget requirements and associated fundraising needs. Several interviewees mentioned the need to advocate for an analogue of LIHTC to support preservation and single-family projects.

¹³ The LACDA administers HUD's CDBG funding to qualifying jurisdictions throughout the County.

- HOME Investment Partnerships Program¹⁴
- State
 - Affordable Housing and Sustainable Communities Funding (AHSC) Program
 - CalHome
 - Local Housing Trust Fund (LHTF)
 - Multifamily Housing Program (MHP)
 - Veterans Housing and Homeless Prevention Program (VHPP) National Housing Trust Fund (NHTF)¹⁵
- Federal
 - Low Income Housing Tax Credit (LIHTC)
- Private
 - Private Financial Institutions
 - Employer-Assisted Housing Programs
 - Donations of Land from Developers
 - Donation or Bargain Sale
 - Anchor Institutions

¹⁴ The LACDA administers HUD's HOME funding to qualifying nonprofit Community Housing Development Organizations throughout the County.

¹⁵ The California Department of Housing and Community Development administers the federal NHTF.

Recommendations

Housing affordability is a challenge in the San Gabriel Valley, where home ownership is unaffordable to most, and many renters are housing cost burdened. This study has determined that a Regional CLT is feasible and could be a part of the affordable housing solution in the San Gabriel Valley. The Regional CLT formation recommendations included in this section are based on the best practices and economic research paired with profiles of and interviews with comparable organizations.

Mission

CLTs have been organized for any number of purposes. Throughout the evaluation process the vision has been for the Regional CLT to increase affordable housing opportunities. It is our recommendation that the Regional CLT focus on affordable housing opportunities for low- and moderate-income residents. The next step is for the CLT to develop its mission and guiding principles for working towards this vision.

Beneficiaries

With a vision of providing affordable housing opportunities for low- and moderate-income residents it is our recommendation that the Regional CLT serve households earning at or below 80 percent of AMI. Serving households at or below this threshold will help the Regional CLT to obtain a 501(c)(3) designation as a charitable organization and maximize funding opportunities.

Geographic Service Area

A regional approach is appropriate for the CLT to provide affordable housing opportunities for low- and moderate-income residents. We recommend the geographic scope of the Regional CLT be the San Gabriel Valley sharing the geographic boundaries of the SGVCOG which includes 31 incorporated cities, unincorporated communities in Los Angeles County Supervisorial Districts 1 and 5, and three San Gabriel Valley Municipal Water Districts (San Gabriel Valley Municipal Water District, Three Valleys Municipal Water District, and Upper San Gabriel Valley Municipal Water District).

Administrative Model and Governance Structure

The intention is for the SGVRHT to take the lead in establishing the Regional CLT, including providing start-up staffing and board selection. We support this model because it has the advantages of immediate access to existing funding and staffing. A potential future advantage is the Regional CLT could be the beneficiary of municipal ordinances that extract affordable units from private developers.

In addition, we recommend that once the organization becomes more established it transition to a traditional tripartite governing board made of equal thirds of people who live on CLT-owned land, people in the community who have an interest in the CLT's efforts and want to support them, and public interest representatives of the broader interest. This will create a level of independence that can be more attractive to some potential buyers, renters, and partners.

Development Role

Given the staffing and resources required for a CLT-as-developer, we recommend that the Regional CLT focus on land stewardship in the start-up and early growth stages. The Regional CLT may reconsider performing the developer role as the organization matures with an expanded portfolio and as expertise builds.

Portfolio

Initially, the Regional CLT will concentrate on multi-family rental opportunities, including preservation and rehabilitation and new development, to expand the affordable housing work of the SGVRHT. As the Regional CLT develops, it may consider also supporting affordable homeownership.

Support Services

We recommend the Regional CLT evaluate the community's needs for affordable housing support services and evolve, as appropriate, into an organization that provides those services consistent with the affordable housing portfolio and community needs. At first support services would focus on renters, consistent with the organization's portfolio, such as financial and rental counseling and rental assistance. If the Regional CLT eventually supports homeownership, support services could be expanded to include things like pre- and post-purchase education, assistance with home repairs/improvements, and downpayment assistance.

Conclusion

The acute need for affordable housing in the San Gabriel Valley is well established and creating more affordable housing is very expensive. Unfortunately, there no single root cause for the high cost, the challenge is complex, and there is no single solution. Fortunately, a San Gabriel Valley Regional CLT could be one part of the solution. The Regional CLT would maintain the affordability of housing in perpetuity in the San Gabriel Valley by acquiring land and removing it from the speculative real estate market, and as a nonprofit it would leverage an assortment of public funding sources and be the recipient of private donations. The report outlined the key decisions to guide the formation of the Regional CLT and made specific recommendations on the proposed mission, beneficiaries, service area, administrative model and governance structure, role in development, and portfolio. Based on the best practices and economic research paired with profiles of and interviews with comparable organizations recommendations include:

- The Regional CLT focuses on affordable housing opportunities for low- and moderate-income residents and develops its mission statement and guiding principles for working towards this vision.
- Consistent with the vision of providing affordable housing opportunities for low- and moderate-income residents, the Regional CLT serves households earning at or below 80 percent of AMI.
- A regional scale approach is appropriate, with the geographic scope of the Regional CLT sharing the geographic boundaries of the SGVCOG.
- The intention is for the SGVRHT to take the lead in establishing the Regional CLT, including providing start-up staffing and board selection.
- Given the high level of staffing and resources required for a CLT-as-developer, the Regional CLT focuses on land stewardship in the start-up and early growth stages.
- Initially, the Regional CLT will concentrate on multi-family rental opportunities, including preservation and rehabilitation and new development, expanding on the affordable housing work of the SGVRHT.
- The Regional CLT evaluates the community's needs for affordable housing support services and evolves, as appropriate, into an organization that provides those services consistent with its affordable housing portfolio.