Post Purchase Stewardship Of Land Trust Homes

How to ensure homes sell in good condition

Webinar

May 14, 2 – 3:30 I Julie Brunner

Agenda

- Introductions
- Quality vs Affordability
- Resale Formulas + Capital Improvements
- Stewardship Funds
- Repairs at Resale
- Putting it All Together

Permanent Affordability

Permanent Responsibility


GET IT RIGHT

How do we design our programs so we get both?


FOR SALE
GRAYSTONE

REAL ESTATE

In San Francisco Bay Area, million-dollar homes are torn down to start fresh

Imagine paying $1 million or more for a home — and then destroying it.

Matthew Bergeron, 9, helps crews demolish his home in Menlo Park, Calif., by throwing a rock through a window, Feb. 27, 2014. The family found it more cost-effective to build a new h ... **Read more**


COMMUNITY
LAND
TRUST

3 Primary Strategies

Resale Formula + Credits

Stewardship Funds

Repairs at Resale

Resale Formula + Credits

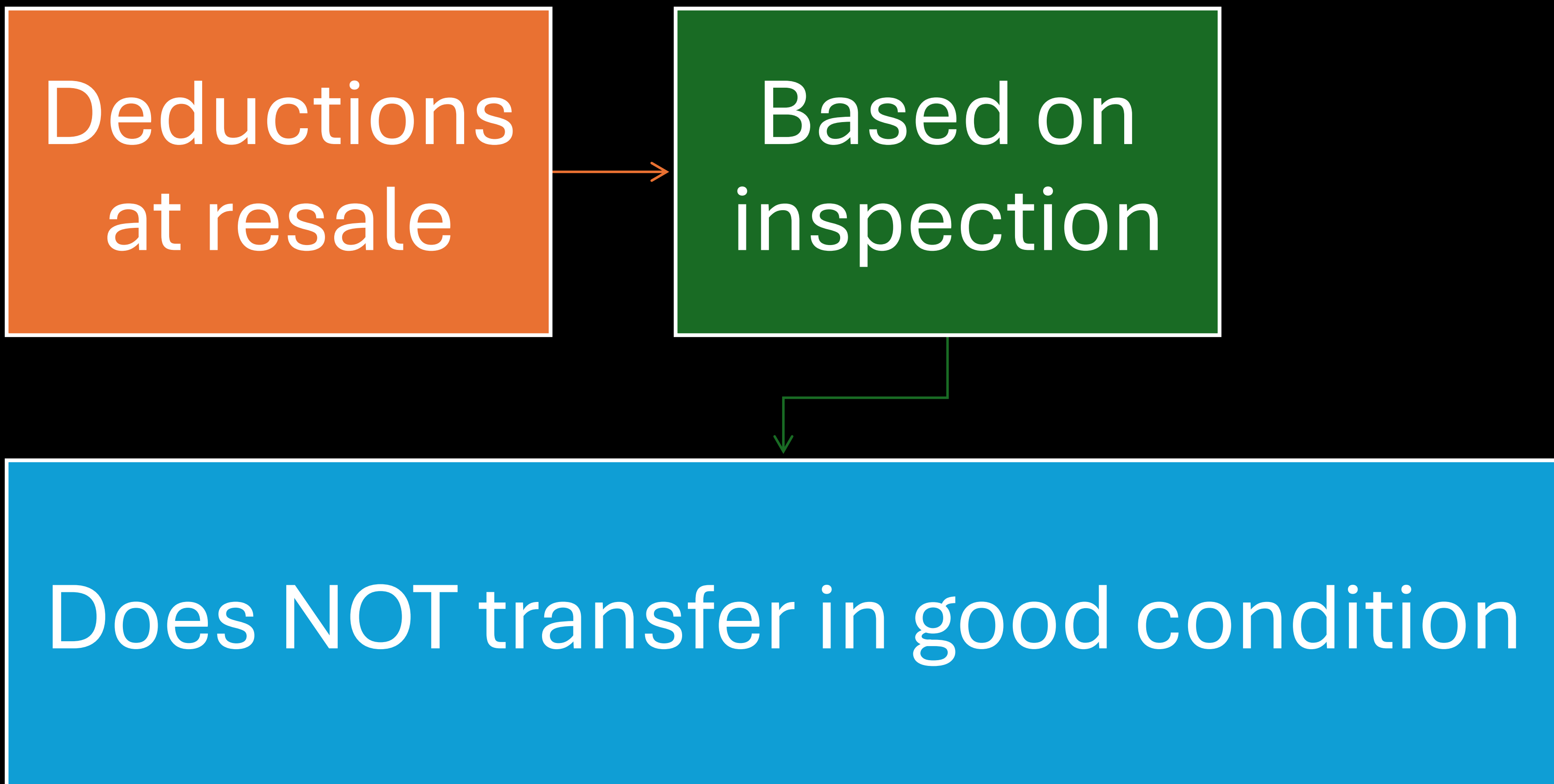
Resale Formula + Credits

Deductions for poor condition

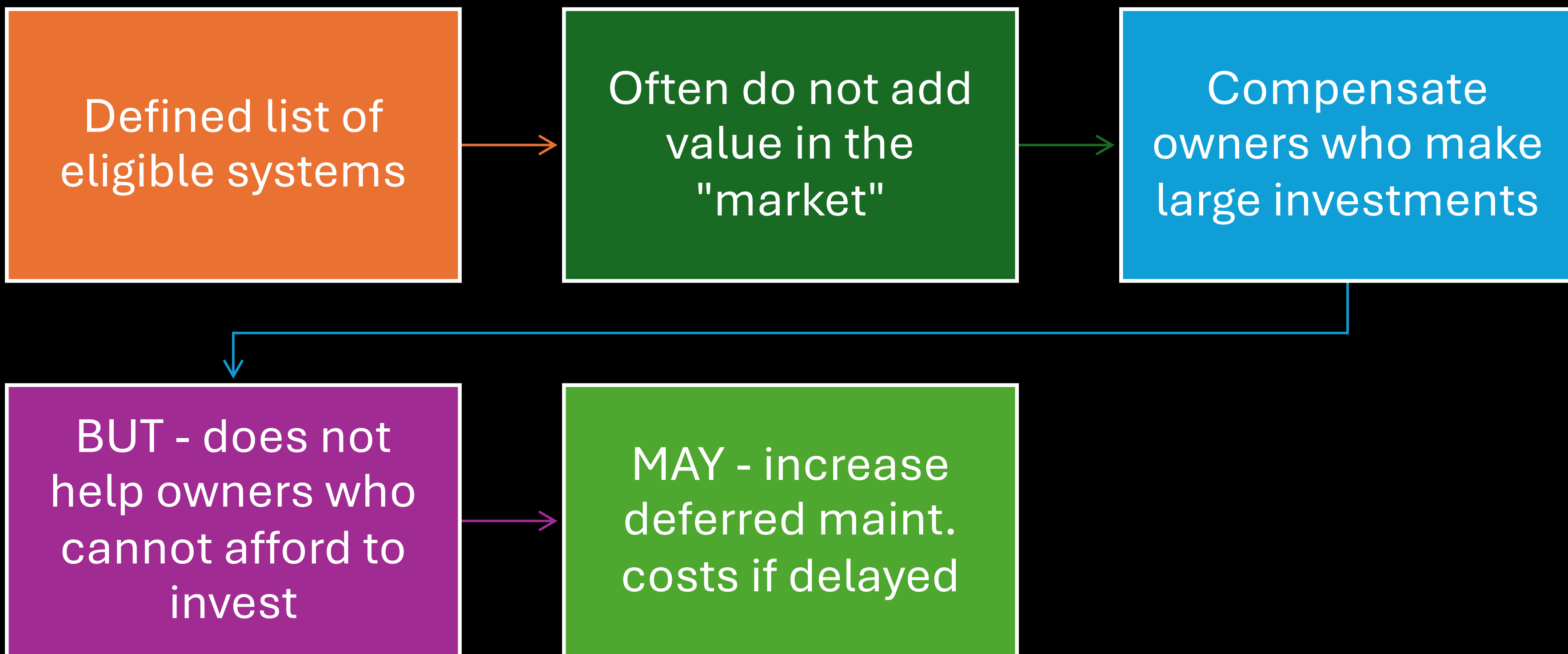
Capital systems replacement credits

Capital improvement credits

Deductions for Condition



Capital Systems Credits



Capital Systems Credits

- Roof replacement
- Boilers or HVAC
- Electrical upgrades
- Septic replacement

Capital Systems Credits –

What can they do?

Compensate sellers

New price reflects the investment

Encourage owners to make the repairs

Capital Improvement Credits

Kitchen remodel

Adding a deck

Building a garage

Adding a Bedroom

Capital Improvement Credits

What can they do?

Compensate sellers

New price reflects the investment

Stewardship Funds

Stewardship Funds

Considerations

Types of Funds

Paying for it

- Age of housing stock
- Condition of housing stock
- Quality of materials
- Condos w reserves

- Homeowner Directed
- Program Directed
- Individual
- Pooled

Types of Stewardship Funds –

Individual House Reserves


Paid along w Lease Fee
Like Social Security
HO responsible
May not cover everything
Limited uses
Stays w the house at resale

Types of Stewardship Funds –

Pooled Reserves


Paid along w Lease Fee
Pooled across properties
Operates similar to Insurance
HO responsible
May not cover everything
Limited uses
Stays in the fund at resale

Types of Stewardship Funds –

Program Directed Stewardship Funds

INVISIBLE MONEY

Not ID as reserves	Resale Fee	OR part of lease fee
Available at Program discretion	Granted or loaned	Not widely available

- Higher monthly fee = More subsidy needed
- Up front funding vs. ongoing
- HO responsibility vs Program
- Philosophical difference between HO directed and Program directed


WHAT TO FIX
BEFORE SELLING
YOUR HOUSE
Repairs at Resale

Article 10.3 – Seller required repairs at resale

Based on buyer's inspection

May be omitted from Appraisal Based Formula leases

Be sure there is clear criteria

IT'S Complicated

- Condition at initial purchase
- Variable inspections
- Not always black and white

What if the seller doesn't have the money?

Pre-existing conditions

Changing code requirements

May require give/take

- Seller holdbacks at closing
- Increase price to buyer to pay for some issues
- Some combination of seller/buyer/program investments


Image Credit: Prostock
Putting it all together

Not one right answer

Consider several approaches

Other uses of Reserves while they are not in demand

OPAL’s Approach

Individual House Reserves

Paid alongside lease fees

Required seller repairs at resale

Reserves fund loans for other uses.

Questions?