



## BUYING A HOME WITH TAPROOT COMMUNITY LAND TRUST

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TapRoot Community Land Trust (TCLT) is a non-profit, member-controlled organization with a mission to create and preserve permanently affordable housing throughout Ulster County and the surrounding areas. Buying a home with TapRoot Community Land Trust offers many benefits over traditional homeownership, including below-market prices and access to a housing advocacy network.

### HOW IS MY HOME PERMANENTLY AFFORDABLE?

TCLT uses grant money and partnerships with other organizations to remove the cost of land from a property, making it much more affordable. This means that TCLT home buyers purchase the home itself, while leasing the land below the home from TCLT by signing a ground lease. This gives you the exclusive right to use the land as you would have in traditional ownership. The ground lease is a 99-year renewable, inheritable, lease that requires your home to be owner-occupied and establishes an affordable resale price. There is a \$50 per month fee to help pay for administration and stewardship.

If and when you decide to sell your home, you will receive all your equity back, plus a share of the appreciated value of the property. Since the community-led organization financially contributed to the home, significantly lowering the cost, the equity is split between you and the community, or TCLT. This model is known as "Shared-Equity". Your equity is the amount you contributed toward your down payment and the portion of the principal of the mortgage that you have paid. In addition to that amount, you will also gain 2% (compounded annually) on whatever you originally paid for the home, plus any investments put into major home improvements.

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### COMMUNITY LAND TRUST TERMINOLOGY:

- **Market Price.** The "normal" value of a home before TCLT reduces the price with down payment assistance.
- **Community Investment.** The down payment assistance that TCLT invests into a property so that it is affordable.
- **Base Price.** The price of the home, after Community Investment.
- **Shared Equity.** When a TCLT Homeowner sells their home, the appreciated home value is split between organization and homeowner according to the Resale Formula (see definition below). This arrangement is what ensures 1) wealth building for homeowners 2) ongoing affordability of the home for future TCLT homebuyers and 3) the sustainability of the organization to preserve and maintain the TCLT portfolio.

## COMMUNITY LAND TRUST TERMINOLOGY (CONTINUED):

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- **Resale Formula.** Helps to preserve future affordability and community investment as homes are sold and resold. TCLT uses a fixed rate resale formula that allows a TCLT homeowner to resell their home for the base price plus 2% appreciation (compounded annually). If the home depreciates in value, equity would be reduced just like with normal homeownership. (See TCLT Ground Lease, Article 10 for more details)
  - A TCLT homeowner cannot resell the house for full market value. When the homeowner decides to sell, TCLT aids the homeowner with selling the home to another income-qualified household. The resale price of the home is determined by the resale formula. The formula gives homeowners a return on their investment while ensuring that the home retains long term affordability for future buyers.
  - The Resale Formula facilitates Shared Equity, which achieves TCLT's two primary goals of: 1) providing homeowners a fair return on investment, helping them to build wealth; and 2) keeping homes affordable for future generations.
- **Formula Price.** Price of home as determined by Resale Formula.
- **Ground Lease Fee.** Homeowners pay a monthly fee of \$50 to TCLT. In return for this monthly fee, homeowners have full, exclusive and secure use of and access to the land.
- **Owner Occupancy.** The TCLT homeowner or a direct family member must live in the home. You cannot rent the home to someone else and become an absentee owner.
- **Capital Improvements.** TCLT homeowners have the right to undertake most (but not all) home improvements without TCLT's consent. Any renovations that require a building permit or certificate of occupancy need TCLT's approval in advance of any work being performed. For major investments into the property, the homeowner, after receiving approval from TCLT, can gain equity on those improvements at resale. (See TCLT Capital Improvements Policy for more details)
- **Inheritance.** The home can be bequeathed to spouse or children and other qualifying heirs. (See TCLT Ground Lease, Article 10.3 for more details)
- **Taxes and Assessments.** TCLT homeowners are responsible for the payment of all taxes on both the house and the land.
- **Maintenance.** The homeowner is responsible for all maintenance of the home and the land, just like any other homeowner.
- **Area Median Income (AMI).** An annual index published by the Department of Housing and Urban Development (HUD) that documents the median salary of specific areas. TCLT serves those in Ulster county with 80% AMI or lower.

## WEALTH BUILDING AND RESALE EXAMPLE:

Base Price (price paid for home)	\$275,000
Current Mortgage Interest Rate*	7%
Years of Occupancy	10 Years
Resale Formula (compounded annually)	2%
2% Appreciation on Base Price After 10 Years	\$60,223
Formula Price (Base Price + Appreciated Equity)**	\$335,223
Estimated Monthly Housing Costs***	\$1,654.32
Homeowner Equity After Resale	\$103,959

\* Mortgage interest rates are subject to change.

\*\* Exact equity depends on market conditions. This example assumes that the market has increased at least 2% for every year of occupancy and that no capital improvements were made. For more information about how the resale formula works, see TCLT Ground Lease Article 10.

\*\*\* This does not include insurance or taxes.

The Base Price of this example home was reduced and made affordable by Community Investment by TCLT. If you, the homeowner, decide to resell after 10 years of living in the home, you would gain 2% on the Base Price each year of occupancy, resulting in \$60,223 of appreciation and a Resale Price of \$335,223. You can then use your equity to purchase another home of your choice. The Community Land Trust model allows you to gain a significant return, while maintaining reasonable affordability for the next homeowner.

Becoming a Land Trust Homeowner is very similar to traditional homeownership. Homeowners must qualify for a mortgage and are responsible for making monthly mortgage payments, as well as taxes and homeowner's insurance. As the homeowner, you will have the opportunity to make improvements/alterations to your home or yard as you please, though you will also be responsible for making repairs. TCLT homeowners accumulate equity in their property, and may decide to pass the home along to children or others as you please (unlike renting).

Best of all, as a TapRoot Community Land Trust homeowner, you become a TCLT member and join a community of homeowners dedicated to ensuring homeownership remains affordable to more and more people in our community.