

Why Did TTH Adopt the LCHT program?

A brief description of how Tenants To Homeowners, Inc. (TTH) produces affordable housing offers a logical, and hopefully helpful, introduction to the role of the Lawrence Community Housing Trust itself.

TTH builds new housing and rehabilitates old houses in older Lawrence neighborhoods. Unlike profit-driven development, all TTH new construction and rehabilitation emphasizes energy efficiency, accessibility, green building and living principles.

Previously, this newly-constructed and rehabilitated housing was sold to low-and-moderate-income buyers using the City of Lawrence Neighborhood Resources' HOOT (Homeowners Out of Tenants) first time home buyer financing. Some deals also included additional funding from TTH's Federal Home Loan Bank grant. Often, TTH carried a third mortgage representing the cost of the lot or the excess cost over what the buyer could finance. These homes were sold at cost, often well below market price.

The buyers made payments on their first mortgage and were not required to make payments on the second, third or fourth mortgages, which were subservient to their first mortgage with the bank. These mortgages were only payable if the properties were sold. The purpose of this effort was to sell livable homes to households who could not otherwise buy homes. Much detail has been left out of this narrative, but the basic structure has been accurately presented.

Rapid appreciation of housing in Lawrence allowed a number of buyers to sell their homes at market price, pay off their subsidized mortgages, and gain thousands of dollars. These houses, which consumed a large amount of the nonprofit organization's effort, money and volunteer resources, were resold at prices that were no longer affordable to low-or-moderate-income buyers. The affordability of these houses, and the thousands of dollars of subsidy, did not last beyond the first purchase. In the meantime, more and more families in Lawrence needed a solution to real estate prices that had long been increasing at a rate far outpacing wages. The demographic of people in Lawrence who could afford to buy homes was shrinking. Clearly, Lawrence needed a more community responsible program that would keep the house affordable and preserve resources.

With the Lawrence Community Housing Trust, the buyers receive a significant purchase price reduction to buy a home built or renovated by TTH, and enter into a legal agreement that, if they move, they will resell the house for an affordable price to another low-to-moderate-income individual or family. The legal model works like this: the buyers purchase the house and have a 99-year lease, renewable for an additional 99-years, for the use of the land, which is owned by the LCHT. This two-party contract is called the ground lease. This ground lease between the landowner, (the LCHT) and the homeowner protects the homeowner's interest in security, privacy, legacy, and equity, as well as enforcing the LCHT's interests in preserving the appropriate use, the structural integrity, and the continuing affordability of the house. Basically, the ground lease agreement allows the buyer to live in the house as any other homeowner, but ensures that the home is resold at a restricted price to another low-to-moderate-income buyer.

The Lawrence Community Housing Trust will retain an option to repurchase the improvements located on the land, should the owners choose to sell. The resale price is set by a formula, contained in the ground lease, designed to give present low-and-moderate- income buyers a return on their investment, while giving future low and moderate-income homebuyers access to housing at an affordable price. By design and by intent, the LCHT is committed to preserving the affordability of the housing – one owner after another, one generation after another, in perpetuity.

As owner of the land and owner of the option to re-purchase, The Lawrence Community Housing Trust has a

continuing interest in what happens to the buildings and those households who occupy them. Should the property owners allow their buildings to become a hazard, the ground lease allows the LCHT to step in and force repairs. Should the property owners default on their mortgage, the ground lease gives the LCHT the right to step in and cure the default, forestalling foreclosure. The Lawrence Community Housing Trust remains a party to the deal, safeguarding the structural security of the building and the residential security of the occupants.