

King County DCHS & DLS

# Strategies to Increase Affordable Homeownership

Anti-Displacement Strategies Toolkit

12-21-2020

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# COMMUNITY LAND TRUSTS

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***A Community Land Trust (CLT) is a nonprofit corporation that owns land and stewards affordable housing and other community assets using a community-led governance model.***

## **Description:**

A CLT maintains long-term ownership of land and uses the land for different community assets such as affordable single-family homes. While many CLTs focus on permanently affordable homeownership, CLTs also develop rural and urban agriculture projects, commercial and art spaces, mixed-use multi-family developments with rental housing, and urban green spaces.

Individuals or other non-profits own the structures on the land. The CLTs land is leased using a 99-year ground lease which governs the use and sale of the property. CLTs use a resale formula to limit the resale value of the structures. The resale formula is designed to ensure that CLT homes remain affordable in perpetuity to families who would otherwise not be able to purchase a home. Individual homeowners benefit by being able to accrue some equity while making a housing payment comparable to that of an affordable rental payment.

## **Goals:**

1. CLTs provide permanently affordable homeownership and rental housing.
2. CLTs preserve one-time public subsidies so that generations of families can benefit.
3. CLTs include residents in their leadership and governance and gives communities the opportunity to shape future development in the neighborhood.
4. CLTs serve as an active steward to prevent foreclosure and help with long-term maintenance of the homes.

## **Challenges, Risks, and Limitations:**

1. CLTs require significant public and private investments to be successful.
2. This strategy requires starting a new organization or partnering with an existing CLT.

## **Resources:**

- Davis, J. E. (2014). *Origins and Evolution of the Community Land Trust in the United States*. Retrieved from <https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/report-davis14.pdf>
- [Grounded Solutions Network](#)
- CLTs in the King County Area: [Homestead Community Land Trust](#), [Africatown Community Land Trust](#), [Vashon HouseHold](#), [Evergreen Land Trust](#)

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# DOWN PAYMENT ASSISTANCE

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***Down payment assistance strategies help to reduce one barrier to affordable home ownership by helping buyers with the up-front cash needed for home purchase.***

## **Description:**

Down payment assistance programs can be paired with other homeownership programs to bring homeownership into reach for low to moderate income individuals and families, helping bridge the equity gap in homeownership.

## **Best Practices:**

- Many down payment assistance programs are paired with broader affordable homeownership opportunities.
- Down payment assistance programs are generally in the form of a second mortgage at a favorable interest rate.
- Down payment loans repayment are generally due at the time of refinance or sale. Some have been forgivable if the homeowner remains in the home for an extended period of time.
- Homebuyer assistance programs can introduce individuals and families to homeownership more quickly, compared to building savings and income to compete in the private market.
- Homebuyer coaching and education are generally paired with down payment assistance programs.

## **Who Can Access**

- Down payment assistance programs funded by King County are available for income eligible households. Homebuyers must have incomes at or below 80% of Area Median Income. For a family of four that is up to \$88,250 per year.
- King County has down payment assistance offered through the Washington State Housing Finance Commission House Key-King County program.
- Nonprofit agencies such as HomeSight, Habitat for Humanity and Homestead Community Land Trust also work with down payment assistance funds.

## **Local Resources:**

- <https://homesightwa.org/>
- <https://www.wshfc.org/>

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# PROPERTY TAX EXEMPTION

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***King County’s Senior Citizen and Disabled Property Tax Exemption Program is a reduction, exemption, or deferral of property tax payments for eligible homeowners.***

**Description:**

This program helps keep low- and moderate-income senior citizens, people retired due to a disability, and qualified disabled veterans in their homes by reducing a significant part of housing costs. In 2019, the Washington State Legislature significantly restructured and expanded who is eligible for the program:

Income	Benefit
\$58,423 - \$49,436 (55% to 65% county median income)	<ul style="list-style-type: none"><li>Fully exempt from voter-approved levies.</li></ul>
\$49,435 - \$40,448 (45% to 55% county median income)	<ul style="list-style-type: none"><li>Fully exempt from voter-approved levies and</li><li>Exempt from thirty five percent of assessed value or \$60,000 (whichever is greater).</li></ul>
\$40,447 - \$0 (At or below 45% county median income)	<ul style="list-style-type: none"><li>Fully exempt from voter-approved levies and</li><li>Exempt from 60 percent of assessed value or \$60,000 (whichever is greater) and</li></ul>

King County staff estimate that roughly 350 to 550 homeowners in North Highline and Skyway-West Hill qualify but aren’t yet enrolled in the program.

**Goals:**

5. Keep low- and moderate-income seniors and people living with disabilities in their homes.
6. Work to enroll all eligible homeowners in Skyway-West Hill and North Highline.

**Challenges, Risks, and Limitations:**

1. King County cannot change the policies for the existing property tax exemption program without changes to state law.
2. The King County Assessor’s Office has limited capacity to conduct targeted outreach to increase enrollment.

**Resources:**

You can apply for the exemption online or by phone:

Phone: 206-296-3920

Online: <https://senior-exemption.kingcounty.gov/intro>

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# RENT-TO-OWN

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***A rent-to-own agreement enables a buyer to rent a home with the option to buy.***

## **Description:**

The spirit of rent-to-own programs is to help people enter the homeownership market. Generally, lower income individuals and families face many challenges in purchasing a home. Rent-to-own strategies can help individuals and families purchase a home through leasing a home with an option to buy in the future. This gives the homebuyer an opportunity to build a down payment savings account through a premium paid in the monthly rent.

## **Application:**

Nationally, examples of successful rent-to own programs work in soft housing markets and neighborhoods with high foreclosure rates. Rent-to-own programs are primarily used by the private market. The economics and terms of the agreement typically favor the developer, putting the homebuyer at risk of losing their investment.

## **Risks to Homebuyer**

7. Homebuyers/renters may pay above market price for their home.
8. Homebuyers/renters may lose their rent premium (down payment credit) and housing if they chose not to purchase the home.
9. Fewer consumer protections than conventional home purchase process.
10. Lack of successful rent-to-own examples in the United States.

If implemented rent-to-own should be programs designed to assist potential homebuyers, rather than private developers

## **Resources:**

- Rohe, W., & Watson, Harry L. (2007). Chasing the American dream : New perspectives on affordable homeownership. Ithaca: Cornell University Press.  
<https://www.amazon.com/Chasing-American-Dream-Perspectives-Homeownership/dp/0801473616>
- Rohe, W. M. (2017). Tackling the housing affordability crisis. Housing Policy Debate, 27(3), 490-49 <https://www.tandfonline.com/doi/full/10.1080/10511482.2017.1298214>
- Phang, S. Y. (2009). Affordable homeownership policy: implications for housing markets <https://ideas.repec.org/a/taf/houspd/v27y2017i3p490-494.html>