



# City of San Antonio

## Agenda Memorandum

**File Number:**19-8434

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**Agenda Item Number:** 2.

**Agenda Date:** 11/14/2019

**In Control:** Governance Committee

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**DEPARTMENT:** Neighborhood and Housing Services

**DEPARTMENT HEAD:** Verónica R. Soto, AICP, Neighborhood and Housing Services Department Director

**COUNCIL DISTRICTS IMPACTED:** City wide

**SUBJECT:** Sale-leaseback and Community Land Trust pilot program

### SUMMARY:

Discussion of sale-leaseback program and/or community land trust pilot program for residential homeowners as requested by Councilmember Peleaz

### BACKGROUND INFORMATION:

A Council Consideration Request (CCR) was sponsored by Councilmember Pelaez on June 11, 2019 requesting a discussion and review of a sale-leaseback program and/or community land trust pilot program for residential homeowners.

### ISSUE:

On June 11, 2019 Councilmember Pelaez submitted a memo requesting a discussion and review of a sale-leaseback program and/or community land trust pilot program for residential homeowners. The purpose of both programs would be to provide long lasting affordability for single family households, stabilize neighborhoods, and prevent future displacement. The CCR requested a review of state law conformance, possible implementation partners and funding strategies. Other considerations for the pilot program include participation in financial literacy and/or jobs skills training.

### Community Land Trusts (CLT)

CLTs are a policy tool that separates the ownership of land from structure (most often for single family homes.) This separation allows the home to remain affordable by removing it from the speculative market, reducing

purchasing costs and tax liability.

A CLT homebuyer enjoys a significantly reduced mortgage and annual property taxes because they purchase only the home and lease the land from the CLT. The land is owned by the CLT, a non-profit entity that stewards the land and manages the long-term leases held by each homeowner. By state statute, these leases are 99 years and renew with each buyer, ensuring perpetual affordability. If and when a CLT homeowner chooses to sell, the selling price is capped to ensure the homes remain affordable for the next buyer while still building equity for the seller.

CLT's are allowable under Texas Local Government Code, Chapter 373B and have been implemented in other Texas cities including Houston and Austin. In both instances, the cities offer a municipal tax exemption to the non-profit CLT entity. CLT property is appraised on a different model than market homeownership, making the property taxes more affordable. The land is taxed based on a formula related to the monthly ground lease fee, rather than the fair market value of the land. The home is taxed based on the resale value of the home.

Some considerations for CLT implementation include:

- Board composition and structure
- Resale Formula and Ground Lease Terms
- Scattered site vs contiguous

### **Sale-leaseback**

While CLT's are typically used for new construction or acquiring vacant property, it is also possible for existing homeowners to sell their property (land) to the same non-profit entity and enter into a similar long term lease while continuing to own the structure. In this way the property owner would protect themselves from rising land costs.

Neighborhood and Housing Services has conducted best practice research of peer cities in Texas along with consultations with national CLT experts Grounded Solutions Network. GSN specializes in CLT's and are currently working with the City, community, and institutional partners on the City's anti-displacement initiative, ForEveryoneHome. The City has approached the Bexar Appraisal District to coordinate and lay the groundwork for implementing a CLT in the future.

Next steps include community conversations with non-profit entities for the establishment of a formal CLT by Grounded Solutions Network. Possible partners include the San Antonio Housing Trust, San Antonio Affordable Housing, Inc. (the non-profit arm of the OURSA, the City's Urban Renewal Agency), existing Community Housing Development Organizations, or the creation of a new non-profit land trust entity.

### **ALTERNATIVES:**

This item is for briefing purposes only.

### **FISCAL IMPACT:**

Funding was allocated in the FY2020 budget for the creation of a CLT program.

Community Land Trusts include the forgoing a portion of tax revenue in the city's general fund. Impact would be dependent on the number of homes participating in the program.

**RECOMMENDATION:**

Staff recommends the City pursue the creation of a Community Land Trust and that the sale/lease-back model be explored as an optional method of joining the land trust. This is consistent with the affordable housing plan presented during the FY2020 budget process.