



# Lands in Trust, Homes That Last

## *A Performance Evaluation of the Champlain Housing Trust*

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### EXECUTIVE SUMMARY

Between 1984 and 2008, the Champlain Housing Trust (formerly the Burlington Community Land Trust) developed 424 modestly-priced single-family houses and condominiums. All of these homes were sold to first-time homebuyers subject to durable contractual controls over their occupancy, use, and resale, controls designed to maintain the homes' availability and affordability for low-income households for many years. The first resale of a CHT home occurred in 1988. By the end of June 2008, CHT had overseen the resale of 205 houses and condominiums.

This pool of resales provided a rare opportunity to evaluate the performance of an unconventional model of tenure that promises to secure the benefits of homeownership for persons of modest means, while also achieving larger social goals like the preservation of affordability, the stewardship of public resources, and the stabilization of residential neighborhoods. While such claims are common to all community land trusts, most of the nation's CLTs are too new and too small to have had many resales. There has been little way to gauge how effective they have been, therefore, in doing what they promise to do.

The Champlain Housing Trust, by contrast, has been around since 1984. It has built a sizable portfolio of resale-restricted, owner-occupied housing and has had a significant number of resales. In 2003, the Burlington Community Land Trust used data derived

from these resales to undertake a systematic assessment of how well its innovative approach to homeownership had performed over the previous nineteen years. Six years later, on the organization's twenty-fifth anniversary, the Champlain Housing Trust has refined and updated this groundbreaking evaluation, incorporating data from more recent resales.

The present evaluation, like the earlier one, examines how effective CHT has been in reliably delivering – and equitably balancing – two sets of benefits, some accruing primarily to the homeowners served by CHT (individual benefits) and some accruing primarily to society as a whole (community benefits). The study's principal findings are as follows:

- ✓ **Expanding homeownership.** Access to homeownership for persons excluded from the market was expanded. All of the households served by the BCLT earned less than 100% of Area Median Income (AMI). Most earned considerably less. The average household served by CHT on the initial sale of a house or condominium earned 69.4% of AMI. The average household served by CHT on the resale of these same homes earned 68.6% of AMI.
- ✓ **Creating individual wealth.** When reselling their homes, most CHT homeowners walked away with more wealth than they had

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possessed when first buying the home. Although less than they might have realized from the resale of an unrestricted, market-rate home in an appreciating market (assuming they been able to buy such a home), CHT's homeowners still earned a very respectable return on their investment. The average CHT homeowner, reselling after five-and-a-half years, recouped her original downpayment of \$2,300 and received a net gain in equity of nearly \$12,000. Homeowners who made capital improvements in their homes received even more. The annualized rate of return on a homeowner's initial investment averaged 33.6%.

- ✓ **Enabling residential mobility.** Households who left CHT did so for similar reasons and with similar success as homeowners buying and selling on the open market. One hundred eighteen of CHT's homeowners bought unrestricted, market-rate homes after reselling their CHT home; ten bought another resale-restricted CHT home; 42 became tenants, sometimes renting from CHT; and five died. The subsequent housing situations of another 28 households could not be determined, primarily because they had left the state. Among CHT homeowners whose subsequent housing situations were known, 67.4% of them bought market-rate homes within six months of leaving CHT; another 5.7% traded their first resale-restricted home for another, choosing to remain within CHT.
- ✓ **Preserving affordability.** Affordability not only continued between successive generations of low-income homebuyers, but improved – even when the favorable effect of falling mortgage interest rates was removed. The average CHT home was affordable to a household earning 56.6% of AMI on initial sale. On resale, it was affordable to a household earning 53.4% of AMI – a 5.65% gain in affordability.
- ✓ **Retaining community wealth.** Public subsidies invested in CHT's houses and condominiums remained in the homes at resale, underwriting their affordability for subsequent generations of lower-income homebuyers. These subsidies not only remained in the property but increased in

value. The total value of the public's initial investment in the homes resold through CHT was \$2,099,590. The value of this investment had grown to \$6,177,223 by 2008. Had these subsidies *not* been retained, allowing homeowners to pocket both the public's investment and all capital gains when reselling their homes, the size of the public's investment to serve the same number of households at the same level of income as CHT had served would have been *five times* greater.

- ✓ **Enhancing residential stability.** Lands and homes placed under the stewardship of CHT were seldom removed from its portfolio. Occupancy, use, and resale controls remained in place for 96.7% of the 424 units of owner-occupied housing developed by CHT between 1984 and 2008. Only 14 homes were released to the market during CHT's twenty-five-year history. Foreclosures remained a rare event, even as the mortgage meltdown in the rest of the United States approached the point of crisis.

The Champlain Housing Trust, for most of its existence, has operated in a housing market with rising prices, a growing demand for modestly-priced housing, and a chronic shortage of houses and condominiums within the financial reach of persons earning less than 80% of AMI. Only recently has the local homeownership market experienced a decline in prices, but with little effect on the "affordability gap" that has opened up between the average cost of housing and the average income of the households hoping to buy that housing. CHT, on the other hand, has had considerable success in closing that gap, not only on the initial sale of a house or condominium but also on its eventual resale.

The performance of CHT's portfolio of resale-restricted, owner-occupied housing provides encouraging evidence that is possible promote the legitimate interests of first-time homebuyers, without sacrificing the legitimate interests of the larger community. In Burlington, Vermont, for twenty-five years, the Champlain Housing Trust has been doing what it promised to do.

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