

## OPAL Community Land Trust Example of Permanent Affordability

A common question people ask is: how do you keep the housing “permanently” affordable. Community land trusts do this by: (1) Retaining ownership of the land under the house and leasing the land to the homeowner, and (2) codifying in the lease a resale formula that limits the sales price in the future to an amount that is affordable for subsequent buyers. The lease is for 99 years, and provides to the homeowner most of the rights and responsibilities of traditional ownership.

There are a variety of different formulas. Each has pros and cons. To learn more about the different formulas, see the [National CLT Network's Technical Manual](#). OPAL has chosen to use an index-based formula.

### **Index-based formula: consumer price index**

An index-based formula relies on a common index such as the consumer price index to determine the resale value. If the index goes up by 20% during the period of ownership, then the value of the home goes up by 20%. Most index formulas include some mechanism for adding value to the home for additions and some improvements. OPAL has adopted an index formula that also adds value for a well maintained home and subtracts value for a home that is not well maintained.

### ***Example:***

An average home in OPAL’s Bonnie Brae neighborhood—completed in 1999—cost \$130,000 to develop, including the cost of land and infrastructure. OPAL secured \$25,000 per unit in grant funding from the Community Development Block Grant Program and the State of Washington Housing Trust Fund. Those grants enabled OPAL to set the average sales price for a home at \$105,000 (\$130,000 - \$25,000).

From 1999 to 2012 the consumer price index for the Seattle-Bremerton area increased by 38.1%. If the original owner decided to sell in 2012, 13 years after she purchased it, and if she did not build an addition onto their home, the sales price for their home would be \$142,800.

This transaction is summarized on the following chart:

#### *Original Purchase Price:*

Cost to Construct	\$130,000
Minus grant funding for land & infrastructure	- 25,000
Equals the Original Purchase Price	\$105,000

#### *Change in value for resale:*

% increase in consumer price index during period	38.1%
Appreciation over 13 years (Purchase Price x .381)	\$40,021
Sales Price (Original Purchase Price + Appreciation)	\$145,021

In comparison to the above, the assessed value of real property on Orcas Island during this same time period, 1999 to 2012, increased by 93.3%. This same house, with a value in 1999 of \$130,000 would have sold in 2012 for about \$251,290 instead of the OPAL price of \$145,021.