



25 July 2016

To: Randy Cole, City of Columbia

From: Michael Brown

Re: **Final Report: Phase One Feasibility Assessment and Business Planning**

Over the course of the past five months, I have had the opportunity to work with a steering committee appointed by the City of Columbia Missouri to explore the feasibility of establishing a City-sponsored community land trust (CLT) and to determine the critical business planning assumptions on which a local CLT would be established and operated successfully over time. The core issues addressed in this feasibility assessment and business planning process include: Is a community land trust, in fact, a viable approach to be undertaken in Columbia? What would likely be the anticipated range and scope of the CLT's activities, were one to be created? What level of resources – financial, political, and human – could be made available to support the CLT's mission, operations and projects. And what kind of organizational capacity would be needed in order for the CLT to be successful in managing its responsibilities over time?

CLT Steering Committee Final Recommendations

At their meeting on July 18th, the CLT steering committee unanimously passed a resolution recommending to the City of Columbia City Council:

1. That a separate community land trust organization be incorporated as a nonprofit corporation and that its mission be structured to qualify the CLT as a charitable, tax-exempt 501(c)(3) organization.
2. That the governing board of directors would mirror the 'classic' CLT 3-part board composition – with 1/3 of the seats reserved for neighborhood/community representatives; 1/3 of the seats reserved for representatives of the general public; and 1/3 of the seats to be filled eventually with CLT homeowners. For at least the initial years of its operations, the board of directors – including two *ex officio* municipal representatives – would be appointed by the City Council.
3. That the CLT would be a priority recipient of housing subsidies made available by the City of Columbia, protecting and leveraging the City's investments by creating and preserving a local supply of permanently affordable housing.
4. That, for at least the initial years of operations, the CLT would contract with the City of Columbia to provide staffing services to administer the CLT organization and manage its stewardship responsibilities for the homes and households to be brought into the CLT's portfolio.
5. That the City of Columbia would enter into a Phase Two contract with Burlington Associates to provide technical assistance to the to-be-incorporated CLT organization to build its internal capacity to operate successfully as a community land trust and to design and implement its CLT homeownership program.

Critical Decisions Made by CLT Steering Committee

The CLT steering committee and I first met on March 7th and, over the next five months, a total of five times – often with me participating remotely via web conference and conference call – to complete the deliberation and decision-making process required to assess the feasibility of a City-sponsored CLT in Columbia and to determine the core business planning assumptions on which it would operate.

Following the process outlined in my original scope of services, dated November 9, 2015 (also attached as an Exhibit in the contract for services between the City of Columbia and Burlington Associates in Community Development) the critical decisions and recommendations made by the CLT steering committee included:

Mission

The CLT's initial focus will be to provide and preserve affordable, detached owner-occupied homes. It may be possible that, at some point in the future, the CLT could include other housing types and tenure in its portfolio, such as condominiums, housing cooperatives, and/or rental housing. Additionally, the CLT could, one day, add commercial or mixed-use properties to its portfolio.

Service Area

The boundaries of the geographic service area for the CLT will be the city limits of Columbia, although the CLT's initial projects may be located in certain neighborhoods based on the priorities of the City of Columbia and its nonprofit housing development partners. It is likely that the first homes to be brought into the CL's portfolio will be the Lynn Street Cottages.

Corporate Structure

A range of options were explored for structuring the CLT organization – ranging from operating the CLT as a program of the City or under the corporate structure and governance of an existing nonprofit organization to establishing the CLT as a separate organization with an affiliated or subsidiary relationship to the City or another nonprofit – along with the advantages and disadvantages of each option. In the end, the steering committee determined that it would be best for the CLT to be incorporated as a new, standalone nonprofit corporation with a mission that would qualify for charitable 501(c)(3) designation by the IRS. Who will be responsible for the ongoing operation of the CLT and managing its critical stewardship functions? And what corporate structure would be most appropriate for a CLT to be successful in the geographic area in which it would operate?

- + If the creation of the CLT is authorized by City Council, the governing board of directors would mirror the 'classic' CLT 3-part board composition – with 1/3 of the seats reserved for neighborhood/community representatives; 1/3 of the seats reserved for representatives of the general public; and 1/3 of the seats to be filled eventually with CLT homeowners. For at least the initial years of its operations, the board of directors – including two *ex officio* municipal representatives – will be appointed by the City Council.
- + The CLT would be a priority recipient of housing subsidies made available by the City of Columbia, protecting and leveraging the City's investments by creating and preserving a local supply of permanently affordable housing.

- + And for at least the initial years of operations, the CLT would contract with the City of Columbia to provide staffing services to administer the CLT organization and manage its stewardship responsibilities for the homes and households to be brought into the CLT's portfolio.

Housing Development

- + Consistent with community needs and preferences, the priority type of housing to be brought into the CLT's portfolio, at least in the first years of its operations, will be detached, single-family, owner-occupied housing. And, while the first CLT homes will be newly constructed, it may also be possible that the CLT will one day partner with local nonprofit housing development organizations to acquire and rehab and resell existing homes.
- + The steering committee determined that the CLT would not compete with local nonprofit housing development organizations. Instead, the CLT will partner with the City and local CHDOs (Community Housing Development Organizations) who will be responsible for the development of affordably priced homes that will become part of the CLT's portfolio.

Competition and Partnerships

Because the City will be prioritizing the use of municipal housing subsidies – at least at some level of per-home investment – and because the CLT will not be acting as a housing developer, it is not anticipated that the CLT will be perceived as competition to any local housing developers. The CLT's focus will be to forge and maintain ongoing relationships with the City of Columbia and its affordable housing development partners. In fact, one local CHDO has already committed to develop one of the first homes to be brought into the CLT's portfolio of permanently affordable homes.

Targeting

Because the CLT's homes will be subsidized, at least in part, by the City of Columbia – and the City relies of federal housing subsidy programs that are restricted to low-income households – the CLT will target its permanently affordable homes to households with incomes less than 80 percent (80%) of the local area median, adjusted for family size. The committee also recommends that the CLT's board of directors develop a homebuyer selection policy that utilizes community priorities and preferences to determine eligibility and select homebuyer households.

Subsidies

It is anticipated that all of the CLT homes will be subsidized, at least in part, by subsidy resources allocated by the City of Columbia. The level of subsidies required to bridge the affordability gap – and, in some cases, the value gap – for low-income homebuyer households will be determined by the City and its CHDO development partners on a home-by-home basis. The steering committee determined that there would be considerable demand among the target clientele for the resale-restricted, owner-occupied housing the CLT would provide – as long as the housing is high quality and energy-efficient, the location desirable and the price affordable to households otherwise unable to purchase.

Scale

Given the amount of public subsidies that are likely to be available to the City of Columbia, City staff and the CLT steering committee determined that it is reasonable to assume that the CLT would be able to bring twelve (12) quality, affordably priced homes into its portfolio in the first five years of its operations – i.e., between 2016-2020.

Organizational capacity and budget

For community land trusts, the organizational capacity needed – in particular, the level of professional staffing required to operate successfully is determined, in large part, by the critical functions that the CLT must manage and the pace and scale at which its portfolio of CLT homes and homeowners grows each year.

The CLT steering committee determined that the board of directors and staff of the to-be-incorporated CLT would be responsible coordinating the management of two major categories of organizational functions:

1. The ongoing administration and operations of the CLT organization.
2. The ongoing stewardship responsibilities to its homes and homeowners.

As explained above, the CLT would not be responsible for managing the actual development of the homes to be brought into the CLT's portfolio, electing instead to leave these responsibilities to the City and local CHDOs.

Based on the assumption of bringing 2-3 homes into the CLT's portfolio over the course of the first five years of its operations, the steering committee estimated that the CLT will need approximately four (4) hours of professional staffing, on average, each week over the course of the first year of its operations to manage administration and operations as well as stewardship.

Additionally, staff responsible for managing the City of Columbia's affordable housing and community development activities proposed that the CLT could contract with the City for staffing services rather than retaining its own staff, at least for the first years of its operations. In turn, the City offered to donate this staffing to the CLT (at an estimated four hours weekly) as an in-kind contribution.

The steering committee also determined that the projected operating budget for the first year of the CLT's operations would also need to include funds to cover start-up costs, including legal costs (articles of incorporation, bylaws, 501(c)(3) application, ground lease, closing documents, etc.) meeting expenses and community outreach and education.

The steering committee then developed a preliminary operating budget for the CLT for the first year of its operations – i.e., October 1, 2016 through September 30, 2017. [See below].

This first-year annual budget assumes \$22,860 in annual operating expenses, including \$6,200 in staffing expenses (that would be donated by the City) and \$10,080 for start-up and ongoing legal fees (that, hopefully, could be covered at least in part through *pro bono* contributions from a local law firm).

Revenue to offset these expenses will come from (a) donated, in-kind staffing services provided by the City and (b) a requested funding allocation of \$16,660 from City Council reserves – if creation of the CLT and Phase Two planning services is approved by the City Council on September 6, 2016.

COLUMBIA MISSOURI COMMUNITY LAND TRUST			
OPERATING BUDGET: FY 2017			
October 1, 2016 - September 30, 2017			
OPERATING EXPENSES		OPERATING REVENUE	
Contract Staffing Services		CLT Portfolio Revenue	
CLT Coordination	\$2,929	Ground lease fees	\$0
Stewardship Coordination	\$3,271	Lease reissuance fees	\$0
Total Contract Staffing Costs	\$6,200	Earned Fee Revenue	
Administration & Overhead		Developer fees	\$0
Professional fees		Marketing fees	\$0
Legal fees	\$10,080	External Fundraising	
Bookkeeping & accounting	\$1,680	Foundation grants	\$0
Office rent/utilities	\$0	Council reserves	\$16,660
Insurance	\$1,500	Private donations	\$0
Outreach & education	\$600	Membership dues	\$0
Telephone & web fees	\$600	Grassroots fundraising	\$0
Travel & meetings	\$1,200	Donated in-kind City staffing	\$6,200
Equipment	\$0	TOTAL OPERATING REVENUE	\$22,860
Supplies	\$0		
Miscellaneous	\$600	ANNUAL FUND BALANCE	\$0
Total Administration & Overhead	\$15,660		
Reserve Funds			
Cash flow and contingency reserves	\$1,000		
Total Reserves	\$1,000		
TOTAL OPERATING EXPENSES	\$22,860		