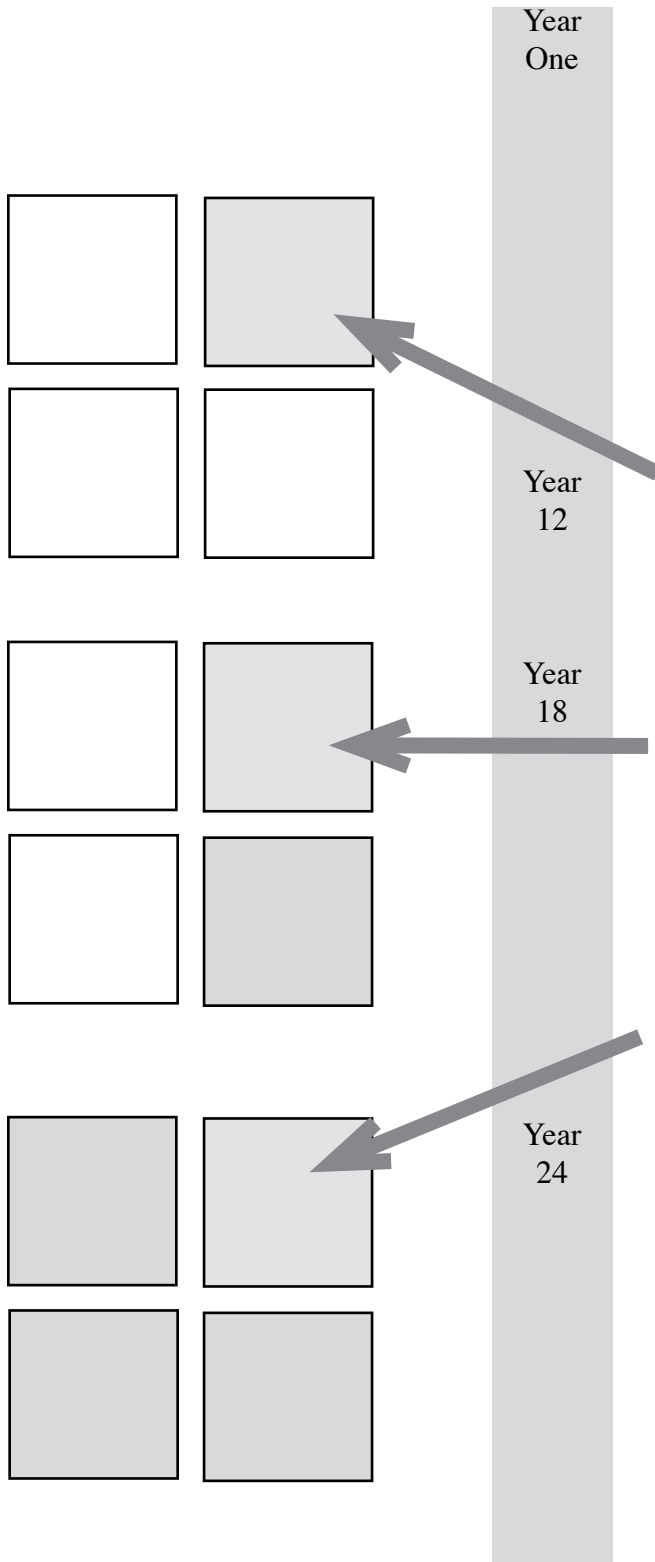


Free Housing in 25 Years?

A mechanism is available to Community Land Trusts to get out of our “debt trap” of perpetually-cycling finance costs for housing. The IRS requirements for CLTs permit up to 25% of their units to be “market-rate rentals.” Use of this provision, along with other aspects of CLT programs, can permit major shifts in housing costs over the time cycles in which CLTs operate.



A CLTs 25% initial Market Rate Rental units can be rented at market rates. But assuming reduced costs [here free land (30% of home cost), profit elimination, and efficient design and construction (10% reduction)], the mortgages can be paid off **in 12 years** rather than 30. (A 30-year loan at 6.5% interest, ends up costing interest charges of 128% in addition to the initial cost of the home.)

Income from those mortgage-free MRR units can then speed payoff of more of the existing units, as they turn over.

At 12 years from start, the CLT would have 25% of its units paid off.

Then the total market rate rent income from those units becomes available to pay off other units.

In 6 more years, the CLT would have 50% of its units paid off, as the income from the market rate units combines with income from a third of the low-income units to pay those units off faster.

Then the total income from that *half* of the units is available to speed payoff of *remaining* half of the units. It would take another 7 years then, (24 years total) for the CLT to pay off the remaining 50% of its units.

In 24 years, all the housing is paid-off and “free.” The economic cost of construction is paid, and the equal or greater finance cost for all the homes eliminated - forever.

At this point (or any point along the way) a CLT can:

- expand the number of homes, mortgage-free, towards market saturation, or
- convert the rentals into lease-hold housing, or
- lower CLT lease fees to 3% (equivalent to interest-free in 3% inflation US market).