

A Business Plan for a  
Community Land Trust  
in Erie County Pennsylvania

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Prepared by  
The Cornerstone Community Land Trust Planning Committee


## An Overview of the Cornerstone Community Land Trust

### Cornerstone Community Land Trust Mission:

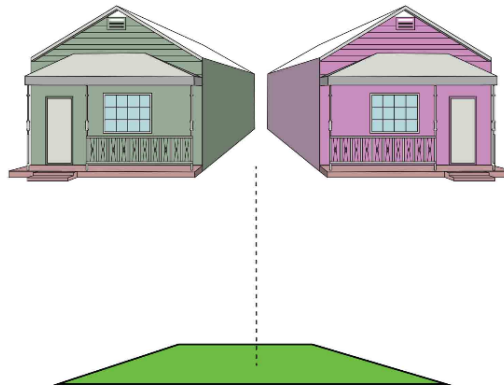
The mission of the Cornerstone Community Land Trust is to create and steward permanently affordable housing for homeownership while stabilizing neighborhoods and building wealth for Erie County residents.

### What is a Community Land Trust?

Community land trusts (CLTs) are community-based organizations committed to creating and preserving a permanent supply of affordable housing in the communities in which they operate. There are nearly 300 community land trusts currently in operation in cities across the United States, including at least 6 in Pennsylvania.

A CLT creates affordable homeownership by:

1. Acquiring land and building a new home or acquiring an existing home and rehabilitating it, as needed;
2. Selling the home to a low-income homebuyer at a price they can afford and leasing the land parcel to the homebuyer by means of a long-term lease agreement; and
3. Restricting the price at which the home may be resold, ensuring the home remains affordable to the next low-income homebuyer without requiring the investment of additional housing subsidies.



**STRUCTURE:**  
The resident owns the home or commercial property

**PERMANENT AFFORDABILITY:**  
A 99-year old ground lease between the CLT and owner ensures long-term affordability

**LAND:**  
CLT retains permanent ownership of land

### How will a CLT benefit Erie?

The Cornerstone CLT will:

1. Create a pathway for affordable homeownership for low-income households, particularly in neighborhoods with lower homeownership rates;
2. Ensure that homes remain affordable for future homebuyers and in community control, reducing absentee ownership;
3. Support homebuyers with pre- and post-purchase counseling to reduce the risk of foreclosure (CLTs have a much lower rate of foreclosure than market properties); and
4. Create a new mechanism for re-use of land bank properties.

The establishment of a CLT in Erie County Pennsylvania would create a mechanism to increase its supply of permanently affordable and available housing stock while mitigating the impacts of future gentrification<sup>1</sup>.

### What will be the focus of the Cornerstone Community Land Trust?

The Cornerstone CLT will serve four primary functions, either directly or in partnership with existing organizations.

1. **Developing quality affordable homes for purchase by CLT homebuyers:** A variety of community-based organizations including the Erie Land Bank, neighborhood organizations, and others will acquire and develop properties for eventual CLT ownership.

<sup>1</sup> For more information on community land trusts, see Exhibit A: 2012 *MarketWise Community* newsletter from the Federal Reserve Bank of Richmond VA.



2. **Connecting affordable CLT-owned homes with qualified purchasers:** Cornerstone CLT homes will generally be affordable to households who earn 80% of the Area Median Income (\$60,000 for a family of 4) and consist of existing properties that have been renovated. Cornerstone CLT staff will initially be housed at the Erie County Land Bank under a staffing agreement. Staff will work with partner organizations that provide education and resources to potential homebuyers to connect them with CLT homebuyer opportunities.
3. **Providing ongoing stewardship to CLT homeowners:** A unique feature of Community Land Trusts compared with other affordable homeownership programs is the stewardship and support aspect of the program. Following the purchase of the home, there is an ongoing relationship between the CLT organization and each homeowner. This stewardship activity helps foster a sense of community, eases the transition into homeownership, and allows the CLT and homeowner to work together to address any potential issues that threaten the homeowner’s ability to remain in their home.
4. **Managing administration and operations of the Cornerstone Community Land Trust:** CLT staff will be responsible for a variety of tasks related to governance, financial management, outreach, advocacy, planning and evaluation to ensure the long-term sustainability of the organization and residents.

### [What is the scale and cost of the Cornerstone Community Land Trust?](#)

The Cornerstone CLT 5-year plan projects that the CLT portfolio will reach 88 units in 5 years, as follows:

- 25 Land Bank properties
- 30 homes developed by partners (such as neighborhood organizations)
- 33 properties through the Buyer Initiated program

The estimated total development cost for this 5-year portfolio is \$7.44 million, which would be funded through a mix of partner contributions including property and cash, (\$1.39 million), sales proceeds (\$3.7 million), and development subsidy (\$2.37 million). Additional homebuyer grants (\$845K) would also be needed in some cases. The CLT would also need roughly \$730K in operating funds to fund essential functions during the critical launch period.

**The estimated development subsidy needed to create a permanently affordable portfolio of 88 homeownership units is \$3,218,750, or \$36,577/home.**

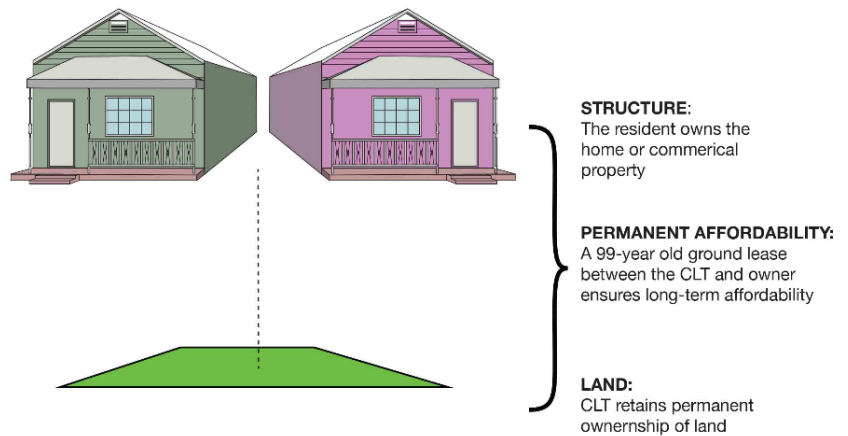
**Because these homes remain affordable from one homeowner to the next, this \$3.2 million housing subsidy investment will initially help 88 low-income homebuyers but, over time, will help hundreds of low-income households purchase homes they would otherwise not have been able to afford.** If we assume that every home turns over every 7 years, this same amount of subsidy supports affordable homeownership for 264 families within 21 years.

## What is a Community Land Trust?

Community land trusts (CLTs) are community-based organizations committed to creating and preserving a permanent supply of affordably priced housing in the communities in which they operate. There are nearly 300 community land trusts currently in operation in cities and towns across the United States. **The establishment of a CLT in Erie County Pennsylvania would create a mechanism to increase its supply of permanently affordable and available housing stock while mitigating the impacts of future gentrification<sup>2</sup>.**

A community land trust buys or receives donated land and builds or arranges for the construction of new homes and/or acquires and rehabilitates existing homes using public and/or private subsidy. The CLT then makes these homes available for sale to limited-income homebuyers, at a lower purchase price due to a combination of the subsidies, often including a reduction or removal of land value from the purchase price.

The CLT sells the home at an affordable price to an eligible, qualified homebuyer household but retains ownership of the land parcel on which the home sits, leasing the parcel to the homeowner through a 99-year, inheritable, renewable ground lease.



Each CLT homeowner household receives deed and title to the home they purchase at an affordable price and leases the land on which the home is located from the CLT. The ground lease conveys to the homeowner an exclusive, durable, enforceable right to occupy and use the land, along with most of the rights and responsibilities available to traditional, fee simple homeowners. At the same time, the CLT ground lease details specific expectations and requirements regarding the homeowner’s use and occupancy of the property while they own their home and limits the resale price of the home, should the homeowner ever decide to sell.

In exchange for substantial financial assistance provided, CLT homeowners agree to limit the price at which they can sell their homes, so that the home remains affordable to future limited-income households, without requiring the investment of additional public or private subsidies to make the home affordable again. Additionally, CLTs play an active and ongoing role in assisting and supporting homeowners in their efforts to remain successful as homeowners<sup>3</sup>. Because the average CLT homeowner household, in many markets, owns their CLT home (on average) for seven (7) years before selling, it both helps them realize their future housing goals in the regular housing market while ensuring the CLT home remains affordable to a future, eligible homebuyer.

When operated successfully, with sufficient investments of resources for their projects and operations, community land trusts are impact significantly the lives of homeowners living in homes they can afford and the neighborhoods and communities in which they live, for generations to come.

<sup>2</sup> For more information on community land trusts, see Exhibit A: 2012 *MarketWise Community* newsletter from the Federal Reserve Bank of Richmond VA.

<sup>3</sup> See Exhibit B, “Programmatic Requirements for Administering a Portfolio of Resale-restricted, Owner-occupied Homes”, for a more detailed of the stewardship responsibilities that a community land trust takes on once it has a portfolio of owner-occupied homes and homeowners.

## Community Land Trust Business Planning Assumptions

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A range of critical business planning assumptions need to be considered and defined in order to assess the feasibility of establishing and operating a community land trust strategy successfully over time. Meeting regularly from March through August 2022, a local steering committee comprised of a range of community leaders and stakeholders<sup>4</sup> met regularly and deliberated the core assumptions on which a local community land trust would be established and operated, including:

### Mission of the Cornerstone Community Land Trust

The mission of the Cornerstone Community Land Trust is to create and steward permanently affordable housing for homeownership that stabilizes neighborhoods and builds wealth for Erie County residents.

### Priorities

The priorities for a local community land trust include:

- Create quality options for limited-income households looking to move from tenancy into homeownership who would otherwise be unable to purchase a home of their own.
- Stabilize neighborhoods by increasing the number of homeowners and owner-occupied homes, while removing these homes from the reach of investors and absentee landlords.
- Provide stewardship to CLT homeowners to help ensure the likelihood of their ongoing success as well as to ensure proper maintenance and care of the homes they own, so that code violations are reduced and the values of these homes are preserved, even as their resale prices are restricted.
- To utilize – and leverage – the resources available through community partners, including the Redevelopment Authority of the City of Erie, Habitat for Humanity, and other participating nonprofit organizations.

### Service Area

The community land trust would be able to operate throughout Erie County, wherever needs and opportunities present themselves.

### Program Priorities

#### **Income Targeting**

The primary clientele for community land trust homes would be low-income households – i.e., households with incomes below 80% of Erie County median income.

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<sup>4</sup> See Exhibit A for a roster of the community land trust steering committee.

### **Community Uses to be Preserved**

The community land trust would prioritize homeownership – building a portfolio of homes to be priced affordably for purchase by eligible, qualified low-income households. This owner-occupied portfolio would be built through new construction or through acquisition and rehabilitation of existing housing stock. Subsidies would be secured to reduce the purchase price of these homes and as needed, to bridge the “value gap” when total development costs exceed the appraised value of completed homes.

It is also possible that the CLT’s portfolio could include rental housing at some point in its operations.

### **Portfolio Development Strategies**

The community land trust will rely heavily on partnerships

- The CLT will have centralized capacity to coordinate certain critical functions, including coordinating fundraising to (a) secure the subsidies needed to create the initial affordability of the CLT homes (with the assistance of partner organizations) and (b) support the CLT’s ongoing operations. Additionally, the CLT will be the landowner and lessor of land parcels to individual CLT homeowner households.
- The CLT will not, at least in most cases, be a development organization and will rely instead on development partners – such as existing neighborhood organizations – to develop homes to be brought into the CLT’s portfolio. This development activity could happen on land parcels owned by the CLT or, conversely, could be homes developed by these partner entities that would become CLT properties at the homebuyer’s purchase closing.
- The CLT will design and implement a homebuyer-initiated program in which an eligible household identifies a home of their choice that meets parameters (location, rehabilitation requirements, price, etc.) established by the CLT. The CLT brings subsidy resources and, at purchase, the homebuyer purchases the home and leases the land from the CLT, just as in other CLT transactions.
- Pre-purchase homebuyer education and counseling for CLT homebuyers will be provided by St. Martin’s Center. Additionally, the Erie County Land Bank may be able to offer post-purchase counseling and assistance for CLT homeowners.
- Neighborhood organizations will be involved in certain decisions regarding the siting and development of homes in their locales.
- The CLT will develop and maintain centralized capacity to ensure effective, ongoing stewardship of CLT homeowners and the homes they would occupy. Neighborhood organizations and nonprofit partners may be able to manage some of these stewardship tasks for the homes in their service area (e.g., relationship-building, community-building, checking in on unpaid fees, etc.) – although the CLT would carry ultimate responsibility for making sure these critical tasks are carefully managed on a day-to-day and month-to-month basis.

### **Corporate Structure**

The community land trust will be incorporated as a new, charitable, exempt, nonprofit corporation with its own bylaws and governing board of directors. At least for the initial years of its operations, the CLT will have an *affiliate* relationship with the Erie County Land Bank, contracting with the land bank for staffing services.

Details regarding payment for these staffing services will need to be resolved, based primarily on issues of timing and the pace at which the community land trust’s portfolio of homes and homeowners is expected to grow.

## Critical CLT Partnerships

In order for the community land trust to be successful from the outset, critical partnerships need to be forged and maintained. Key players in this arrangement that have been identified to date include:

- **Affiliate Organization: Erie County Land Bank**

As described in more detail below, the Erie County Land Bank will provide staff support for at least the first critical years as the Cornerstone Community Land Trust becomes established.

- **Property Development Partners**

A variety of organizations throughout Erie County will be responsible for renovating and/or constructing the homes that will be transferred into the CLT. These organizations include:

- Erie Land Bank
- Redevelopment Authority of the City of Erie (RACE)
- Neighborhood organizations such as Our West Bayfront, Bayfront East Side Task Force, Sisters of St. Joseph, and others.

- **Homeownership Stewardship Partners**

These organizations will help develop the pipeline of potential CLT residents, by providing first time homebuyer counseling, financial literacy counseling, self-sufficiency programming, and other resources. These organizations include:

- Housing Authority of the City of Erie
- St. Martin Center
- Sisters of St. Joseph Neighborhood Network
- Erie's Black Wall Street

- **Other Potential Collaborators include:**

- East Side Renaissance
- Habitat for Humanity
- Local municipalities
- Erie County
- City of Erie
- Local financial institutions
- Private Developers

## Organizational Capacity

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### Critical CLT Functions and Organizational Responsibilities

In order for the community land trust to be established and operated successfully over time in Erie County, the following critical functions will need to be managed effectively by the CLT and its community partners:

#### **Start-up and Implementation Functions**

- ❑ *Establish the CLT and build its technical organizational capacity* – Tasks to be completed include finalize a staffing plan for the CLT’s operations, along with projections for start-up costs for CLT operations and identify and secure funding to cover these costs; develop annual operating budgets for 2023 and 2024; and develop a plan designed to secure sufficient funding to cover the CLT’s organizational initial operating costs and reserve requirements. Additional tasks to be completed include: draft and file Articles of Incorporation for the Cornerstone Community Land Trust incorporating the organization; seat an an initial board of directors, develop and adopt bylaws; submit an application to the IRS, seeking an exempt, charitable designation for the CLT, in accordance with §501(c)(3) of the Internal Revenue Code; develop operating policies; and negotiate an agreement between the CLT and the Erie County Land Bank regarding staffing requirements, arrangements, and logistics for the CLT.
- ❑ *Design the CLT’s portfolio development program* – Tasks to be completed include: identify and secure subsidy resources to be used to create the initial affordability of the first CLT homes; work with local neighborhoods and nonprofit organizations, as well as the City of Erie and Erie County and the Erie County Land Bank to identify the first properties to be brought into the CLT’s portfolio; and arrange project financing and negotiate contract with local developers/contractors to coordinate construction and/or acquisition and rehabilitation of first CLT homes.
- ❑ *Design CLT homeownership program* – Tasks to be completed include: determine the terms and conditions – including the resale formula – of the ground lease instrument to be used with first CLT homeowners; determine the eligibility criteria and selection process to be used to select CLT homebuyers; develop strategy and materials to orient potential homebuyer households about the benefits and responsibilities of CLT homeownership; orient local lenders and secure commitments to originate leasehold mortgage financing for qualified CLT homebuyers; and design materials and strategies to educate key professionals in the community development, real estate, appraisal, and housing development sectors regarding the CLT and its mission and activities and anticipated outcomes. An additional component of the CLT’s homeownership program will be developing the program parameters and informational materials needed to implement a homebuyer-initiated program in which eligible households select an existing home of their choice to be brought into the CLT’s portfolio.
- ❑ *Design and implement CLT stewardship program* – Tasks to be completed include: develop strategy and materials to orient potential homebuyer households about the benefits and responsibilities of CLT homeownership; arrange agreements with qualified nonprofits to provide pre-purchase education and counseling for potential CLT homebuyers; and develop detailed stewardship policies and procedures to guide CLT’s oversight of critical stewardship functions, including monitoring and enforcing homeowner compliance with terms of lease agreements they signed, providing or arranging for additional support and assistance to help enhance the prospects for the success of each CLT homeowner, and managing resales of CLT homes.
- ❑ *Design the CLT’s outreach and community education strategy* – Tasks to be completed include determine key themes to be used to orient key stakeholder groups and community residents regarding the mission, activities, and benefits of the community land trust; and design and implement a strategy to build a broad base of awareness and support for the CLT and its goals and efforts.



### **Ongoing Functions and Responsibilities**

Once operational as a community land trust, the Cornerstone CLT will – like all other CLTs – be responsible for managing a range of critical functions on a day-to-day and month-to-month basis for a very long time. These core functions include:

Produce quality, affordably priced, owner-occupied for-sale homes – Critical tasks to be completed include:

- a. *Affordability subsidies* – Identify sources and secure commitments of equity needed to write down purchase price of CLT homes to a level that is affordable to CLT’s target clientele – and, as needed, to bridge the accompanying “value gap”, when the cost to produce the homes exceeds the appraised values of these homes upon completion.
  - b. *Partner with development partners to build CLT portfolio, including:*
    - i. *Property acquisition* – Utilize property selection to identify and acquire properties for rehabilitation and sale, at affordable prices, to intended clientele.
    - ii. *Project financing* – Arrange and secure necessary project funding and financing and oversee project development *pro forma* for each home being constructed or acquired and rehabbed.
    - iii. *Construction* – Arrange cost-effective contracts with local development partners to complete the construction and/or renovation of these homes to identified specifications and specified price points
  - c. *Design and implement a homebuyer-initiated program through which eligible households can select a home of their choice that meets program parameters established by the CLT. The homebuyer’s mortgage, combined with subsidy resources provided by the CLT, will be used to acquire and rehab the property to established standards – and, at closing, the home is purchased by the homebuyer and the land leased by the CLT to that homeowner.*
  - d. *Explore options for expanding portfolio over time* – Explore funding sources and development opportunities to acquire existing homes to rehabilitate and make available for sale to additional eligible CLT homebuyers
2. Make these homes available and arrange their sale to eligible, qualified homebuyer households through the community land trust strategy – Critical tasks to be completed include:
- a. *Land lease* – Annually review and evaluate terms of CLT land lease agreement for suitability and appropriateness and modify, as needed, for future use
  - b. *Homebuyer selection* – Establish and utilize a Homebuyer Selection committee; annually review threshold eligibility and selection process for suitability and appropriateness and modify, as needed for future use; maintain waiting list of interested, eligible potential homebuyers
  - c. *Pre-purchase homebuyer preparation* – Ensure that eligible CLT homebuyers are prepared and fully understand the benefits and responsibilities of buying, owning, and selling a CLT home
    - i. Arrange for suitable pre-purchase education and counseling through qualified local agencies and providers
    - ii. Develop materials and coordinate CLT-specific orientation for interested households through regularly scheduled public meetings and one-on-one sessions
  - d. *Affordable pricing* – Ensure that all costs and fees (in addition to total development cost home) are accounted for, that suitable underwriting standards are used to determine initial price affordability, and that sufficient subsidies are available to create the affordable price needed for CLT’s target market
  - e. *Mortgage financing* – Work with local mortgage lenders to ensure that leasehold mortgage financing – with fixed rates and 30-year terms that comply with “permitted mortgage” requirements stipulated in the CLT ground lease – are available to eligible, qualified CLT homebuyers
  - f. *Real estate sector orientation* – Continue to orient key individuals in local real estate sectors (e.g., appraisers, assessors, realtors, title companies) understand the benefits and requirements of CLT homeownership
3. Provide ongoing stewardship to CLT homeowners and to the homes they occupy – Critical tasks to be completed include:

- a. *Stewardship policies and procedures* – Finalize policies and procedures to be followed to ensure effective stewardship of CLT homeowners and the homes they own; review annually and revise, as needed.
  - b. *Monitoring and enforcement* – Follow provisions in policies and procedures on a day-by-day and month-to-month basis, including:
    - i. Monitor responsible use by homeowners
    - ii. Monitor owner occupancy and ensure no subletting
    - iii. Conduct annual inspections
    - iv. Collect and record monthly lease fees
    - v. Monitor homeowner payment of taxes (and assessments, if any)
    - vi. Ensure adequate insurance coverage is in force with each homeowner
    - vii. Review requests to make capital improvements and approve/deny, as appropriate
    - viii. Approve home equity financing and refinancing, as needed
  - c. *Address events of noncompliance* – Intervene, as stipulated in policies and procedures, in event of homeowner noncompliance with one or more provision of ground lease agreement
  - d. *Manage transfer to designated heirs* – In event that homeowner elects to transfer ownership of home and remaining term of lease agreement to heir(s), ensure that provisions stipulated in the lease are followed
  - e. *Manage resale* – Upon receiving notice of intent to sell from CLT homeowner, manage the resale process:
    - i. Order appraisal to determine market value, if needed by resale formula.
    - ii. Determine whether to exercise CLT’s preemptive option to purchase
    - iii. Convene Homebuyer Selection committee, review applications of households on waiting list and meet with prospective homebuyers
    - iv. Select and notify household to purchase the home and make sure this household is fully prepared to buy CLT home (e.g., pre-purchase homebuyer education and counseling; CLT-specific orientation; mortgage qualification)
    - v. Arrange for pre-sale inspection of home and ensure that necessary repairs are made by homeowner
    - vi. Arrange closing; ensure that Purchase Option Price paid to homeowner complies with lease agreement; and enter into new, 99-year lease agreement with new homeowner
  - f. *Homeowner assistance* – Provide or arrange for additional support and assistance to every homeowner living on land owned by the CLT.
4. Manage administration and operation of the Cornerstone Community Land Trust – as a nonprofit corporation, as a small business, and as a community land trust organization – Critical tasks to be completed include:
- a. *Governance* – Ensure that:
    - i. CLT operating procedures are reviewed annually and amended, as needed, for maximum organizational efficiency
    - ii. The number and composition of the board of directors as stipulated in the bylaws is followed
    - iii. Each person serving on the CLT board is fully oriented regarding community land trusts in general and the specific mission of the community land trust, in particular
    - iv. Regular meetings are held to conduct business and corporate records are maintained, including minutes, resolutions, etc.
    - v. Annual meetings are held each year to designate new directors, as needed, and to elect officers
    - vi. Committees are established, meeting regularly, and reporting to the board
  - b. *Policies and procedures* – Ensure that operating policies (e.g., personnel; sexual harassment; conflict of interest; fiscal) are developed, reviewed annually, and followed
  - c. *Administration and financial management* – Ensure that appropriate, legal, and fiscally sound practices are in place and followed
    - i. Monthly bookkeeping and accounting are completed and reported to CLT board of directors
    - ii. Sufficient income is provided to the CLT board of directors to ensure that tax filings and funding reports are completed and submitted in a timely fashion and an annual audit is conducted

- iii. Develop and implement staffing plan, with CLT board approval – including job descriptions for contracted staff.
- d. *Fundraising* – Ensure that adequate funds are available to cover annual operating costs and reserve requirements
  - i. Establish and maintain a “Finance and Fundraising” committee
  - ii. Create and monitor annual operating budgets for approval by CLT board of directors
  - iii. Develop a fundraising plan (cash flow requirements; annual revenue needs; list of potential funders) and utilize to secure required funding
  - iv. Draft proposals and funding request to public sector and private philanthropic funders
  - v. Maintain good relationships and provide up-to-date information to past, current, and potential funding partners
  - vi. Coordinate outreach to local donors and benefactors
  - vii. Conduct local ‘grassroots’ fundraising events
- e. *Planning and evaluation* – Ensure that ongoing planning for the future and assessment of progress and effectiveness is completed
  - i. Plan and conduct strategic planning process in late 2023 and every other year thereafter
  - ii. Develop and implement annual work plan for two-year period based on strategic plan
  - iii. Conduct annual evaluation of organizational performance
  - iv. Determine milestones for evaluating when CLT would be its own, internal executive management and stewardship coordination staffing
- f. *Outreach and community education* – Develop strategy and materials to build the broadest possible base of awareness and support for CLT and its operations as a CLT.
  - i. Establish an “Outreach and Education” committee
  - ii. Develop ‘elevator speech’ bullet points for consistent messaging by CLT board (or advisory board) and staff
  - iii. Develop strategy and materials to get CLT’s message out to key constituencies and to the general public regarding its operations as a community land trust – and review annually and revise, as needed
- g. *Coalition building and advocacy* – Maintain connections and working relationships with other community land trusts and participate in statewide, regional, and national CLT initiatives to advocate for additional support and assistance
  - i. Maintain contact with existing community land trusts in Pennsylvania
  - ii. Continue to advocate for additional subsidy resources and financial operating support – including from, foundations, the City of Erie and Erie County and the Pennsylvania Housing Finance Agency
  - iii. Participate in national CLT conferences, as appropriate

### Anticipated Pace and Scale of CLT Portfolio Growth

In order to accurately project the staffing requirements for the first several years of its operations as a community land trust, certain assumptions need to be made regarding how quickly the Cornerstone CLT’s portfolio of homes is likely to grow. To develop these assumptions, members of the CLT steering committee carefully considered nature and scope of the needs in the neighborhoods it will serve, the likely availability of subsidy resources needed to create the initial affordability of its CLT homes, as well as operating funding that may be available to support the CLT’s organizational operations in the early years of its existence. Based on this assessment, the steering committee determined it reasonable to assume that CLT’s portfolio of permanently affordable homes – and the homeowners that will own and occupy these homes – will grow at this projected pace:

- 2023 3 homes (while CLT organization and its homeownership program is designed and implemented)
- 2024 10 homes
- 2025 25 homes
- 2026 25 homes



- 2027 25 homes and increasing by at least 25 homes each year thereafter

It is reasonable to assume that the Cornerstone CLT's could have 88 permanently affordable homes in its portfolio by the end of 2027 - five years from now.

### Subsidy Requirements

The City of Erie and the County of Erie and the Erie Redevelopment Authority will need to be approached to determine whether these municipalities are willing to allocate subsidy resources (land and/or funding) to create the initial affordability of the CLT's homes provided that the CLT is also committed to soliciting and securing additional housing subsidy resources from other sources, that could include:

- The Erie County Land Bank and the City of Erie Land Bank
- Funding from the Pennsylvania Housing Finance Agency
- The Federal Home Loan Bank Affordable Housing Program (AHP)
- Private foundations
- Local employers

Preliminary estimates project the need for subsidy investments for each home that equal to the value of the land parcel plus, in many cases, additional cash subsidies of approximately \$60,000 for each home to be brought into the CLT's portfolio.

### CLT Organizational Capacity Requirements

#### Board of Directors

The governing board of directors will be composed in a manner consistent with the 'classic' CLT tripartite governance: one-third of the seats reserved for eventual CLT homeowners as well as for persons who can reasonably represent their interests; one-third of the seats reserved for community representatives; and the remaining seats (equal to one-third of the board) will be from representatives from stakeholder organizations. It is anticipated that every individual will bring specialized expertise and perspective to build the CLT's capacity to carry out its mission and work plan, as a community land trust, effectively.

Because of its three-part composition, the total number of the individuals serving on the CLT board will, by definition, be a number divisible by three – and will likely be in the range of 9-12 directors. Quorum requirements for the conduct of business at any board of directors meeting will require a majority of the entire roster, provided that there is at least one representative present from each of the three categories.

Consistent with the best practices of other start-up CLTs, the community land trust will benefit from having members of the steering committee who were involved in the initial feasibility assessment and business planning process representing significantly on the CLT's initial board of directors. In addition, the initial CLT board of directors will be – particularly in the first years of its operations – target, recruit, and orient individuals who represent the diversity of Erie County and will bring technical skills and experience specific to the organization's mission and functions and activities, specifically, persons who bring real estate, residential development, financing, fundraising, and public relations expertise.

#### Professional Staffing

In order for the CLT to achieve its purposes and to design and implement annual work plans focused on doing so, the CLT board of directors and its affiliate partner, the Erie County Land Bank, will need to ensure professional staffing is in place to manage the organization's core functions and responsibilities. The staffing roles to carry out these core organizational functions include:

1. Coordinate CLT homeownership program – In order to operate successfully as a community land trust, the CLT will need dedicated staffing capacity to manage its CLT functions. The level of capacity needed to manage these real estate-related responsibilities (and the level of funding required to pay for these services) will be determined almost entirely

by the pace at which the CLT's portfolio grows. Primary activities to be managed by professional staff in this area, once the CLT grows to a sufficient size to warrant additional staffing, include:

- a. *Acquire and develop affordable for-sale CLT homes* – As the priority focus for the CLT efforts for the first years of its operations will be creating a permanent supply of quality, affordably priced, owner-occupied homes, duties shared by the CLT governing board and staffing provided by the Erie County Land Bank will include:
  - i. Secure equity and grants, as well as debt financing commitments, needed to target and acquire homes to be rehabbed and made affordable for sale to limited-income households
  - ii. With development partners, coordinate acquisition of selected properties for inclusion in CLT portfolio
  - iii. With development partners, oversee rehabilitation of each acquired home to specified standards and affordability levels
  - iv. Design and implement the CLT's homebuyer-initiated program.
- b. *Coordinate pre-purchase stewardship services* – As homes are being built or acquired and rehabbed, and made available for sale, the CLT will need to market their availability to households in need, prepare and orient potential homebuyers, and determine which households will purchase and own these homes. Duties in this task area will include:
  - i. Manage outreach and marketing of these homes to target clientele
  - ii. Coordinate pre-purchase education and counseling of potential homebuyers to help ensure they understand the benefits and responsibilities of homeownership and the particular benefits and requirements of CLT homeownership
  - iii. Arrange for suitable mortgage financing for qualified homebuyer households
  - iv. Coordinate selection of homebuyer households in a manner consistent with the CLT's organizational priorities and Fair Housing requirements
- c. *Coordinate post-purchase stewardship service* – The community land trust will need to manage the day-to-day and month-to-month responsibilities of stewardship to the homes in its portfolio and to the owners of these homes. The CLT will need staffing capacity to manage these stewardship activities and commitments as soon as it has its first CLT homes and CLT homeowners. These non-negotiable stewardship responsibilities include:
  - i. Monitor and enforce homeowner compliance with terms of the lease agreements they signed
  - ii. Provide or arrange for additional support and assistance, as needed, for CLT homeowners to help ensure the prospects for their success
  - iii. Coordinate the transfer and resale of CLT homes in accordance with the terms of the lease agreements in place

### Stewardship

The Cornerstone CLT's success as a community land trust will rely almost exclusively on its willingness and ability to manage its stewardship responsibilities effectively – responsibilities that range from orienting and qualifying interested homebuyers; to assisting CLT homebuyers through purchase closing and move-in; to monitoring and enforcing homeowner compliance with the terms of the ground lease agreements they signed – and dealing, as appropriate, with incidents of non-compliance and default; to providing and/or arranging for ongoing support and assistance to homeowners, as needed, to help ensure the prospects for their success as homeowners; to managing the resale and transfer of CLT homes in accordance with lease-stipulated procedures, in the event that a homeowner ever decides to sell or to pass his/her home on to a designated heir - and starting the process all over again. Dedicated staffing resources need to be allocated to managing these non-negotiable tasks and responsibilities on a day-to-day and month-to-month basis in a level proportionate to the number of homes and homeowners in the CLT's portfolio



### **Community Land Trust Stewardship Obligations**

Given the unique nature of every CLT organization – operating in different communities, motivated by unique goals and preferences, addressing different needs and priorities, and functioning with varying levels of political, financial, and community support – there is no ‘one-size-fits-all’ CLT operations plan. Similarly, there is no absolute rule that can be determined regarding the amount of staffing required to manage effectively the non-negotiable stewardship functions and commitments required of a CLT organization. Clearly, there is a direct connection between the number of homes and homeowners in a CLT’s portfolio and the level of staffing capacity required. But there is no universal solution to determining “y” in the following equation:

$$x \text{ number of homes/households} = y \text{ number of staffing hours is needed for stewardship each year.}$$

Nevertheless – based on numerous surveys and intensive research and significant financial modeling for use in business plans for start-up and established CLT organizations – a start-up community land trust organization is well advised to consider, in its initial business planning, the ‘rule of thumb’ that one (1) full-time staff person focused solely on pre-purchase and post-purchase stewardship responsibilities will be required for every 75 homes and homeowners in its portfolio.

### **CLT Staffing Plan**

Community land trusts cannot rely solely on the dedication and best intentions of volunteers. In order to be successful and grow their portfolios of CLT homes and homeowners, CLTs require paid professional staff – whether hired as employees of the CLT or retained as contractors on a fee-for-service basis. The level of staffing required is determined primarily by *what* the CLT organization does (i.e., the functions it must manage) and *how much* the CLT does (i.e., the pace at which its portfolio of homes and homeowners is expected to grow).

Based on the assumptions outlined above, an initial plan for paid professional staffing for the community land trust to be established in Erie County to successfully develop, implement, and manage its community land trust initiative over the next several years, is as follows:

#### **2023**

Much of the activity for the to-be-created community land trust in Erie County this year will be focused on developing the organizational structure and operating arrangements for the CLT organization, designating the initial group of directors to be seated as the CLT board of directors, once the CLT is incorporated, and crafting the details regarding the working arrangement with the Erie County Land Bank. Additional tasks include: designing the CLT homeownership program, including its homebuyer-initiated program; building the broadest possible base of awareness and support for its mission and planned activities; and securing commitments for the housing subsidies and operating support that will be needed for it to be successful as a CLT in the first years of its operations. To effectively address the growing complexity of its operations as a small business and as community land trust, it is anticipated that the CLT will hire a full-time Executive Director in 2023.

While the focus will be on organizational development, capacity building and building community support, it is anticipated that 3 homes that are currently under development by CLT partners will be added to the CLT’s portfolio in 2023.

2024

In 2024, the CLT plans to complete the successful acquisition, rehab, and sale of 10 additional homes; to coordinate the marketing of these homes and the thorough orientation and preparation of interested, limited-income homebuyers; to begin managing the stewardship responsibilities for these homes and homeowners; and to continue to build a broad base of political, financial, and community support for its mission as a community land trust.

2025

The CLT plans to add 25 more homes to its portfolio in 2025, resulting in a portfolio of 38 homes and homeowner/leaseholders by the end of the year. Acknowledging that nonprofit organizations typically expect their directors to manage demanding workloads, it may be reasonable to expect that the talented and committed individual filling the Executive Director full-time position will be able to manage the affairs of the corporation effectively throughout the 2025 calendar year, with the ongoing assistance and support of the board of directors, working committees, and community partners. It also may be determined that some additional part-time staffing may be needed to focus more specifically on pre-purchase and post-purchase stewardship responsibilities, requiring a corresponding increase in the CLT's annual operating budget and revenue requirements.

In 2025, stewardship responsibilities will need to be managed by paid stewardship staffing (i.e., a Stewardship Coordinator) at a half-time level of 20 hours each week. This Stewardship Coordinator position will need to grow to full time as the need develops.

2026 and beyond

Based on estimates about pressing needs and available subsidies, it seems reasonable to expect that the CLT will continue developing at least 25 owner-occupied homes per year thereafter. This results in a projected portfolio of 63 homes and homeowners by the end of 2026 and a total of 88 homes and homeowners by the end of 2027 - within five years of the creation of the Erie County community land trust.

As part of its work in establishing the CLT organization and designing and implementing its homeownership program, the CLT's initial board of directors can determine if any of these positions are initially contracted services and when these positions would become salaried employee positions with benefits.

## CLT Organizational Operating Budget

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### Estimated Operating Expenses

In many ways, it is too early in the organizational development process to accurately assess the annual costs for managing and operating a yet-to-be-established CLT organization. To wit, the CLT homeownership program has not yet been designed and no specific fundraising has been initiated nor fundraising requests submitted, much less approved.

Nevertheless, some preliminary operating assumptions and initial, multi-year operating budget projections are generated in order to complete the feasibility assessment and business planning process.<sup>5</sup> In these projections, the assumption is that the CLT would create a full-time Executive Director beginning in 2023 at an annual compensation level of \$65,000. The operating budget assumes an annual cost of living adjustment (COLA) of three percent (3%). Additionally, this ‘10,000-foot view’ operating budget projects organizational start-up costs (e.g., legal fees; fundraising costs; setting bookkeeping and accounting; etc.) to be \$15,000. Also, these budget projections estimate annual ‘administrative and operating’ costs at 30% of total salaries each year. In this minimal staffing scenario, estimated annual operating expenses for the CLT and its operations in 2023– the first year in which the CLT anticipates having its first homes and homeowners – to be \$91,560. By 2025, the point at which the CLT has 13 homeowners, the CLT will begin adding paid staff to coordinate its stewardship possibilities, increasing the position proportionally to the growth of the CLT’s portfolio of CLT homes and homeowners, resulting in a correspondingly higher annual operating budget.

### Operating Revenue Projections

Revenue to cover community land trust operating expenses can be grouped into three categories:

1. **Portfolio revenue** – CLTs are able to generate fees through their real estate holdings. For example, CLTs generally assess a nominal monthly lease fee (typically in the range of \$30-\$5-/month) to each homeowner leasing land from the CLT. Additionally, CLTs carry a preemptive option to purchase homes on leased land and, should a CLT homeowner ever elect to sell, the CLT has the ability (subject to the home’s affordability) to add a small mark-up to the purchase price to the incoming buyer.
2. **Earned fee revenue** – Like other nonprofit and for-profit businesses, some CLTs earn fees through activities they manage. Because the Cornerstone CLT will likely not be responsible for developing the owner-occupied homes to be brought into its CLT portfolio, any developer fees associated with the development of these homes is likely to be earned and kept by the CLT’s development partners., it may be possible for the CLT to earn marketing fees associated with the homes being made available to its portfolio.
3. **External fundraising** – Like other nonprofits, CLTs raise operating revenue, including grants and operating support from foundations and other philanthropic sources, private individuals and corporate interests, and local municipalities.

In the preliminary operating budget for the Community CLT, it is anticipated that the CLT organization will need significant public and private operating support in 2023 and 2024 – and beyond.

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<sup>5</sup> See Exhibit D for a preliminary operating budget for the Erie County CLT for 2023-2027.



## Challenges and Opportunities

### Challenges and Constraints

Just as there are opportunities, so too are there obstacles that must be addressed in order for this regional community land trust strategy to be successful in Erie County. These challenges and constraints include:

- Although the community land trust model has been around for over 50 years – and community land trusts have been operating in many communities for 35 years or more – the CLT strategy is still non-traditional and unfamiliar. CLTs across the country still find themselves swimming upstream against the current of skepticism, misperceptions, inaccurate information, and suspicion. As with every other start-up CLT, defining the CLT message in Erie County and getting it out effectively in order to build the broadest base of awareness and support in the communities it serves will need to be an urgent, first – and ongoing – priority.
- While there does not appear to be overly-dense nonprofit infrastructure in Erie County, concerns may rise over the implications of creating another community-based nonprofit organization. The founders and the initial board of directors of the CLT, along with its community partners, will need to be very clear, persuasive and strategic in building a community awareness and acceptance not only of the CLT strategy but also the organizational approach and methodology.
- Just as the development of a community land trust strategy can be seen as an opportunity to create long-term, effective community solutions in neighborhoods and communities in Erie County, it may also be viewed as a challenge and a complication. There may very well be neighborhood residents, nonprofit corporations, municipal staff, and/or elected officials who choose to dislike CLTs because of what they do or how they operate (e.g., separating ownership of land from improvements or limiting the amount of equity a homeowner is allowed to keep upon resale) or simply because it is different and non-traditional – and decide to ignore or actively oppose the CLT’s efforts to develop, operate and promote the community land trust strategy. This again speaks to the critical need for community education and engagement.
- It takes time, energy, and commitment – as well as a substantial infusion of financial resources – to establish a new CLT organization and to build its organizational capacity to meet its ongoing administrative, programmatic and stewardship responsibilities, regardless of its service area. As, to date, there are no commitments for grant funding to support CLT activities and operations or project equity to fund its projects – at either the local level or at the regional level – a coordinated strategy to explain the CLT initiative to local, regional, and national foundations and funders will be needed to dispel confusion and build support.
- As has been discussed at length to date, community land trusts make bold assurances to accomplish a set of measurable outcomes over a very long timeline – and enter into legally binding contractual agreements that obligate them to these outcomes for equally long periods of time. For this reason, it is imperative that the community land trust strategy build and sustain the organizational capacity needed to manage the fundamental and non-negotiable activities and responsibilities of stewardship for the 198-year period following the signing and recording of CLT land lease agreements. This is not an easy task – and certainly not one to be taken lightly.



## Strategic Opportunities

The potential for the success of a community land trust in Erie County is enhanced by the prospect of a number of factors and circumstances, including:

- There appears to be a considerable base of support among nonprofit organizations and local municipalities and quasi-governmental agencies for the principles and practices of a community land trust, most particularly, community ownership and long-term control of land to preserve key community assets like affordably priced homes. Those in support of this CLT effort include the individuals and community leaders who have been involved in the planning process to date; key leaders from the city and county and the land banks, in addition to representatives and leaders of other community organizations and interests concerned about the impacts of a growing shortage of affordably priced housing in the city, as well as others committed to and engaged in affordable housing, community development, community reinvestment, and neighborhood activism, and by representatives of lending institutions – and perhaps even representatives of local government.
- Implementing a community land trust strategy in Erie County is timely, as housing costs and values are increasing in a growing number of locations in the county, pushing homeownership beyond reach of low-income working families and individuals.
- Nothing builds success like success. The experience of many other start-up community land trusts across the country over the years demonstrates the tremendous impact and benefit realized when the first CLT projects are completed successfully. While it is unrealistic to believe that everyone will become a CLT advocate, the simple fact is that the impact of CLT skeptics and naysayers is blunted considerably when delighted homebuyers move into their homes on land leased from the CLT and when other limited-income households clamor for additional, affordably priced CLT homes. The fact that this CLT effort is committed to completing its first permanently affordable homes in 2023 is a very good sign that will help demonstrate the effectiveness of the strategy.

## List of Exhibits

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### [A. Cornerstone Community CLT Business Plan Development Process](#)

A roster of the community stakeholders who assessed the critical issues regarding the feasibility of CLT effort (including mission and program priorities, service area, and corporate structure) and outlined the core business planning assumptions on which this CLT initiative would be established and operated, as outlined in this document.

### [B. 2023-2027 Operating Budget Projections](#)

A preliminary annual operating budget for the CLT operations – including estimated operating expenses and revenue projections – for the first five years of its existence.

### [C. Property Subsidy Calculation Worksheet](#)

### [D. Property Pipeline](#)

### [E. Programmatic Requirements for Administering a Portfolio of Resale-Restricted, Owner-occupied Homes](#)

A detailed overview of the primary stewardship responsibilities that a community land trust takes on once it has a portfolio of owner-occupied homes and homeowners. Intended to provide some context for the intensive nature of a CLT's stewardship obligations and commitments.

### [F. MarketWise Community, 2012](#)

An excellent overview of community land trusts written and published by the Federal Reserve Bank of Richmond VA in its newsletter in 2012.

### [F. Timeline](#)

## [Exhibit A: Cornerstone Community CLT Business Plan Development Process](#)

The CLT Steering Committee formed in March 2022 to develop a Community Land Trust Feasibility Study and Business Plan. A roster of the community stakeholders who assessed the critical issues regarding the feasibility of CLT effort (including mission and program priorities, service area, and corporate structure) and outlined the core business planning assumptions on which this CLT initiative would be established and operated, as outlined in this document.

The Steering Committee membership consisted of:

- Jeremy Bloeser, Bayfront East Side Task Force
- Erin Carey, City of Erie
- Heather May Caspar, Sisters of St. Joseph Neighborhood Network
- Daria Devlin, Erie Center for Arts and Technology
- Dusti Dennis, Housing Authority of the City of Erie
- Anna Frantz, Our West Bayfront
- Mindy Kiehl, Redevelopment Authority of the City of Erie
- Christie Mahany, Erie County Land Bank
- Nancy Milkowski, Habitat for Humanity
- Regina Perry, St. Martin Center of Erie
- Aaron Snippet, Redevelopment Authority of the City of Erie

The planning work was co-funded by the Erie County Land Bank and with a grant from the Erie Community Foundation to the City of Erie.

A roster of the community stakeholders who assessed the critical issues regarding the feasibility of CLT effort (including mission and program priorities, service area, and corporate structure) and outlined the core business planning assumptions on which this CLT initiative would be established and operated, as outlined in this document.



**Exhibit D: Property Pipeline**

<b>Year</b>	<b>Address / Location</b>	<b>Current Owner/Developer</b>
2023	911 Walnut Street	OWB
2023	513 West 17th St	SSJNN
2023	518 West 19th St	SSJNN
2024	811 West 7th	OWB
2024	307 Reed	BEST
2024	515 Wallace	BEST
2024	3 properties through Buyer Initiated Program	N/A
2024	2 rehab properties	City Land Bank
2024	2 rehab properties	County Land Bank
2025	5 properties (TBD)	Neighborhood Organizations
2025	5 properties (TBD)	City Land Bank
2025	5 properties (TBD)	County Land Bank
2025	10 properties through Buyer Initiated Program	N/A
2026-2027	5 properties (TBD)	Neighborhood Organizations
2026-2027	5 properties (TBD)	City Land Bank
2026-2027	5 properties (TBD)	County Land Bank
2026-2027	10 properties through Buyer Initiated Program	N/A

*These properties/development organizations are projected and subject to change.*



911 Walnut Street



518 West 19th Street (before rehab)



513 West 17th Street



515 Wallace



307 Reed Street