



## Ithaca Neighborhood HOUSING SERVICES

### INHS Community Housing Trust

#### **What is the INHS Community Housing Trust?**

The INHS Community Housing Trust (CHT) is a program that is designed to help people with modest incomes buy their first homes. It is intended to serve people who could not otherwise afford to buy a home. Many first time buyers find that high purchase prices, saving enough cash for a down payment, the impact of other debt, and insufficient income all create obstacles that are difficult to overcome. The CHT uses subsidies from state or federal programs to reduce the purchase price and long-term operating costs of CHT homes, making them much more affordable.

One of the most important goals of the CHT is to create homes that remain permanently affordable to future homebuyers. In order to do that, buyers of CHT homes must agree to sell their homes only to other income-eligible buyers and to forgo some of the profit that might be gained when the home is sold.

#### **How is a CHT Home Different from Other Homes?**

Most homebuyers purchase both the house and the land in an arrangement that is known as fee simple ownership. These buyers assume all of the rights and responsibilities for both the house and the land, including maintenance, insurance and taxes. In order to buy the property, the buyers must pay for the down payment and closing costs as well as qualify for a mortgage from a bank. When they sell the property, the homebuyers keep all of the equity from their original down payment, the equity that's built up by paying down the loan, and any increase in the value of the property (minus any selling costs).

In contrast, a CHT homebuyer buys only the house. INHS retains title to the land and leases it to the homebuyer under a very affordable 99-year lease. The buyers still have most of the rights and responsibilities for both the land and the house and still assume all costs for maintenance and taxes. This arrangement lowers the purchase price of the home because the land is not included. INHS may also provide low-cost purchase financing to help lower the buyer's monthly payments. These subsidies allow INHS to sell CHT homes at prices that are lower than both the market value and the total cost of building the home. CHT homes are built to be extremely energy efficient and environmentally sustainable. This results in long-term savings on utility and maintenance costs.

The CHT program is built around a basic agreement between INHS and the homebuyer. In exchange for the opportunity to buy a home at an affordable, below-market price, each CHT homebuyer agrees to limit the amount of profit that she or he can take from the home when it is sold. If the house rises rapidly in value, the homeowner only gets a portion of the increase. The remainder stays in the house and ensures that future purchase prices remain affordable. Like regular homebuyers, CHT buyers still build equity by paying off their loan, recovering the costs of improvements, and recovering their original down payment. Only the increase in the market value of the house is limited.

#### **The Community Housing Trust Resale Formula**

When a CHT house is sold, the amount of profit that the seller receives is determined by a formula. The formula takes several factors into account, including the buyer's original purchase price; the market value of the house and land at purchase; the length of time the buyer lives in the house; the change in market value between the time of purchase and the time of sale; and whether the homeowner has made improvements to the home. CHT homes are expected to rise in value and the homeowner is expected to receive a share of the increase in value. However, the amount of appreciation that the homeowner can receive is limited to not more than 2% of the original purchase price per year. This percentage is based on historical growth in home values and changes in household income over the long term; not on the recent (and historically unusual) housing boom. This ensures that the future price of the house does not rise faster than expected increases in income, keeping the home affordable to future homebuyers.