# PROMOTING ATTAINABLE HOME OWNERSHIP THROUGH A SPECIAL TAX ASSESSMENT FOR COMMUNITY LAND TRUST HOMES

Community land trusts are a strategy to generate permanently affordable housing, make homeownership attainable for people of low and moderate incomes, and build mixed-income communities. Using a special tax assessment to limit property taxes on the homes provided by community land trusts will ensure that these homes remain affordable to those who own them even as their market value increases.

> *"A special real estate tax assessment on community land trust homeowners' homes will generate income and support the sustainability of low-wealth families living in CLT homes. Reducing the tax is another way to ensure that housing remains accessible and affordable for those in need."*
>
> **– Henrietta J. Woodward, Executive Director, Community First Land Trust**

## BROADENING ACCESS TO HOMEOWNERSHIP:

Community land trusts (CLTs) are one way to broaden access to homeownership for low- and moderate-income individuals and families. CLTs are non-profit organizations that purchase property, develop housing on it, then sell the housing at subsidized rates to people who qualify based on income. While the community land trust retains ownership of the underlying property, the homeowner owns the house itself and has the opportunity to build equity on it; then, should they wish to sell, they can sell it back to the community land trust or to another qualified prospective homeowner.

By selling homes to individuals at subsidized rates, community land trusts help alleviate much of the cost of purchasing a home and provide a pathway to homeownership for a broader population—this, in turn, allows more people to be upwardly mobile as they build the wealth and stability that comes with owning a home. But once someone owns a home, in addition to their mortgage, they need to pay taxes on their property. If the land around the home becomes more valuable—as has happened in and around Charleston—their property taxes will increase. For CLT homeowners, property taxes reflect the market value of the property, not the subsidized rate at which they bought their home from the land trust. High and increasing property taxes, therefore, may exceed the rates the homeowner can afford to pay, ultimately diminishing the overall affordability of the home.

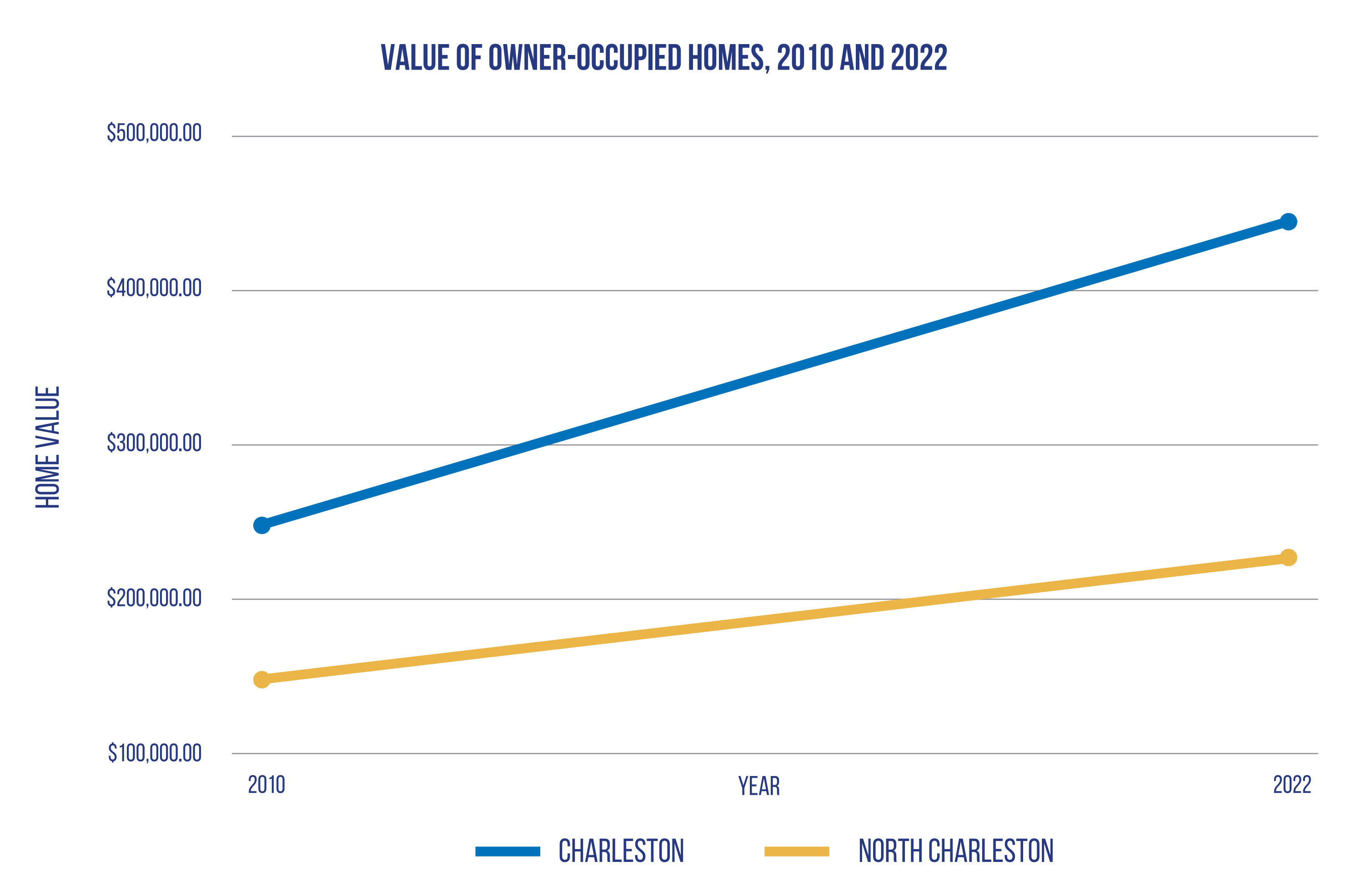
## RELIEF FOR HOMEOWNERS IN GENTRIFYING NEIGHBORHOODS:

The amount a homeowner pays in property taxes is determined by the appraised value of their property. In Charleston County, the property taxes on someone's primary residence are calculated by multiplying the value of the property by 0.00192. If a property is worth $200,000, that comes out to $384 per year in taxes, not including any tax credits or exemptions that may apply. On Princeton Street in North Charleston's trendy Park Circle neighborhood, one house's estimated value increased from $200,000 to $466,000 between 2016 and 2024. That means that, for that family, the annual property tax bill has more than doubled in less than ten years. In Park Circle and other sought-after neighborhoods, this is not a special case. For most homeowners, such an increase may not break the bank. But because of the difference between the market value of a CLT home and the amount the homeowner paid for it, a CLT homeowner's property taxes are a higher percentage of the house's real value than the numerical rate would suggest. While most homeowners benefit when the value of their property increases, for community land trust homeowners without much disposable income, the tax increases that come with the increases in property value can put a strain on their personal finances.

### *Resources*


- *"FAQs," Community First Land Trust.*
- *"Revisiting the Community Land Trust: An Academic Literature Review," Community and Economic Development in North Carolina and Beyond (UNC School of Government), 2022.*
- *"Taxation of community land trust property," §105-277.17, North Carolina General Assembly.*


*– Authored by Simon Palmore*




*Source: American Community Survey 5-year estimates, 2021*

## POLICY INTERVENTION: SPECIAL PROPERTY TAX ASSESSMENT FOR COMMUNITY LAND TRUST HOMES

To protect low- and middle-income homeowners from rapid property tax increases, some communities have implemented special property tax assessments for properties owned by community land trusts. North Carolina provides a model for ensuring property tax stability for CLT homeowners. When someone buys a home on property owned by a community land trust, the amount at which they can sell the home is based on how much they bought it for. In North Carolina, such a home's appraised value for tax purposes would be capped to the sum of the original purchase price and the maximum sale price. If someone buys a house from a CLT for $100,000 and the maximum sale price for that house is set (by the CLT) at $120,000, therefore, the maximum appraised value of the house would be $220,000—even if similar market-rate homes in the neighborhood are valued much higher.

While the specifics of the special tax assessment may vary in different communities, using a formula like this ensures that a community land trust homeowner's property taxes are based on the value of the house to them (considering how much they bought it for and how much they may later sell it for) rather than the market value of the house. This makes for a property tax assessment that more accurately reflects the homeowner's economic status, and it insulates CLT homeowners from rapid property value increases in their neighborhoods. As a result, community land trusts can remain one tool out of many to generate permanently affordable housing, promote mixed-income neighborhoods, and grant homeownership and wealth-building opportunities to a wider array of Charlestonians.