# A New Approach for the Rapid Production of Affordable Homeownership Opportunities: Manufactured Homes + Infill Sites

Leveraging Local, Regional, and State Government and National Partnerships to Share the Burden to Meet Affordable Housing Needs

December 31, 2020

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[1] MH Advantage® is a registered trademark that is owned by Fannie Mae

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# Thank you to Jamie Lane's Partners

The following individuals and organizations deserve recognition for their dedication to the Jamie Lane project. Thank you very much for your expertise, time, and patience. This project would not have been possible without you!

Nate Shultz and Ben Navarro, *Fannie Mae*
Michael Hatfield, *Housing Land Trust of Sonoma County*
Noah Housh and Damien O'Bid, *City of Cotati*
Tia Boatman-Patterson, Kevin Brown, and Sheena Kho, *CA Housing Finance Agency*
Angela Morgan, *County of Sonoma*
Mark Westphal, *Renew Now Homes*
Steve Lafranchi, *Steven J. Lafranchi & Associates*
Dave Weller, *RCX, Inc.*
Walter Kieser, *Economic & Planning Systems*
Dr. Steven Herrington, *Sonoma County School District*
Nancy Price, *Ramatici Insurance*
Carolina Reid, *The Department of City and Regional Planning, University of California, Berkeley*

# Duty to Serve

The Housing and Economic Recovery Act of 2008 (HERA) assigns both Fannie Mae and Freddie Mac (the Enterprises) with a "Duty to Serve" the housing needs of lower-income households and communities. At Fannie Mae, the Duty to Serve program aims to expand access to housing options that are affordable, safe, and sustainable for the greatest number of families.[2] The program facilitates a secondary market for mortgages on housing for very low-, low-, and moderate-income families in manufactured housing, affordable housing preservation, and rural housing.[3] Duty to Serve both serves the families who

[2] Fannie Mae. "Introduction of the Duty to Serve Underserved Markets Plan," 2018. Accessed December 3, 2020. https://www.fanniemae.com/media/28781/display.
[3] Federal Housing Finance Agency. "Duty to Serve Program." Accessed December 3, 2020. https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/Duty-to-Serve.aspx.

benefit from these mortgages and creates an opportunity to innovate, test, and improve the housing finance system.

# Housing Land Trust of Sonoma County

Housing Land Trust of Sonoma County (HLT) is a private, nonprofit organization established in 2002. HLT's mission is to provide affordable homeownership opportunities to very low- to moderate-income families while using a land trust model to ensure permanent housing affordability. Through its work, HLT helps Sonoma County recruit and retain a strong local workforce by making it possible for the people that comprise the county's fabric to work and live in the same community. HLT's mission is based upon the belief that: (1) all working families deserve a home of their own, and (2) communities with homeowners from a broad socio-economic range are the strongest and most vibrant. HLT has successfully created homeownership opportunities for 108 workforce families throughout Sonoma County.

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# Introduction

Housing Land Trust of Sonoma County (HLT) is piloting a new community land trust model called Jamie Lane that tackles the unique challenges of providing affordable homes in a disaster recovery and high-cost area. Community land trusts (CLTs) are nonprofits that preserve and steward affordable home-ownership opportunities within their communities. Since 2017, annual wildfires have hit Sonoma, putting exacerbated pressures on the County's supply of affordable housing. As the primary community-serving land trust in Sonoma County, HLT is facing new hurdles like rising construction costs and an increased demand for their housing.

This white paper addresses how HLT has innovated the traditional CLT model to launch Jamie Lane. The Jamie Lane pilot changes the traditional system in two main ways. First, it uses manufactured housing to expedite the construction process and reduce building costs. Second, it leverages different levels of government and national partners to share in the burden of funding the production of affordable housing. This paper walks through the steps of launching the Jamie Lane pilot, with the hopes that other CLTs facing similar challenges can replicate this process. It will go on to discuss the particular housing needs in Sonoma County and other high-cost and disaster areas, the work of Community Land Trusts and HLT traditionally, and then dive into the Jamie Lane Pilot and how it can be replicated by other CLTs.

## Housing Needs in Sonoma County

Sonoma County is primarily rural with most of its developed land devoted to agricultural uses. It is well-recognized for its wine and is known as a popular vacation locale. Although it has always been a wildfire-prone area, since 2017 the frequency and intensity of fires have increased and the County is now known as a disaster-prone area. In 2017, the Tubbs Fire destroyed 37,000 acres and 5,600 structures; in 2019, the Kincade Fire burned 78,000 acres and 374 buildings; and in 2020, LNU Lightning Complex Fire burned 319,000 acres across the region.[4] Over 2,360 people are estimated to have been secondarily displaced due to these destructive events.[5]

[4] Insurance Information Institute. "Facts + Statistics: Wildfires." Accessed November 11, 2020. https://www.iii.org/fact-statistic/facts-statistics-wildfires.
[5] Permit Sonoma. "Need for New Housing." Accessed November 26, 2020. https://sonomacounty.ca.gov/PRMD/Regulations/Housing/Housing-Initiatives/Housing-Need/.

Sonoma County has about 500,000 residents with a median household income of about $76,700.[6] Due to its proximity to the inner-Bay Area, Sonoma has high housing costs as compared to other semi-rural counties in the State (Figure 1). The average listing price of for-sale homes in the County hit a record in October 2020 at $809,550.[7] Prices in both Sonoma County and California are much higher than in the United States as a whole (Figure 2). Sonoma's median home value is $568,700 as compared to $204,900 for the Country.[8] Similarly, median homeownership costs with a mortgage in the County are $2,441, as compared to the national median of $1,595.[9] These prices create a high barrier of entry for families looking to live in Sonoma and high cost burdens for lower-wage essential workers who work within the County.

Sonoma County is under increasing pressure to provide affordable housing options. Years of underdevelopment and a steadily growing population have restricted the County's housing supply and put an upward pressure on for-sale and rental housing prices. The rising housing costs of the inner Bay Area and the option to work from home due to COVID-19 have brought more people to the County from high-cost areas and increased the competition for local homes. Before the 2017 fires, Sonoma County needed a projected 8,150 homes to meet projected household employment. After the fires, that shortage increased by an additional 5,300 homes, leaving a housing gap of around 13,500 homes.[10] Additionally, to address the nearly 50% of County residents experiencing rent burden, a projected 14,600 affordable rental units were needed prior to the fires.[11]

**Figure 1:** Median Home Value by County

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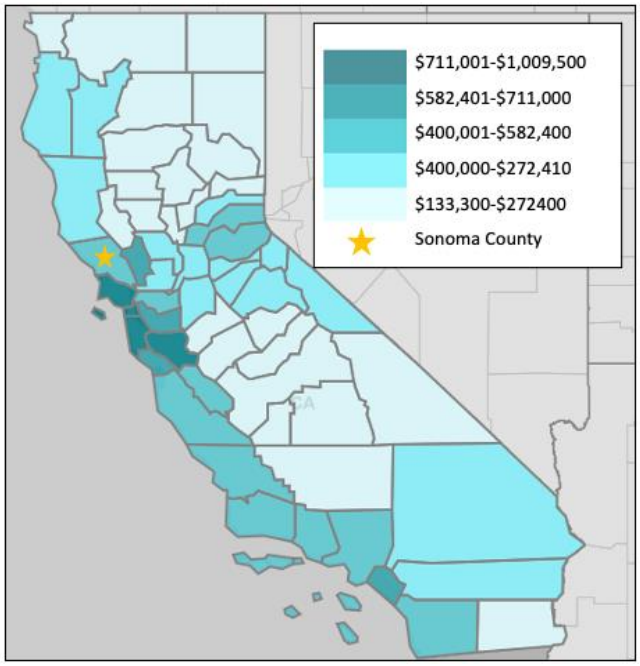
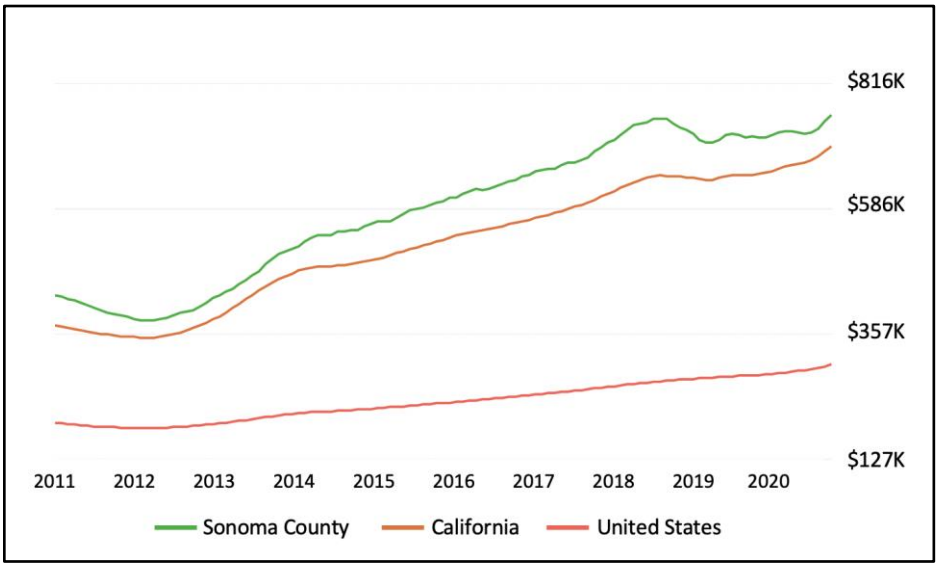
[6] U.S. Census Bureau. "2014-18 ACS 5-Year Data, S1903: Median Income in the Past 12 Months." Accessed November 20, 2020.
[7] Green, Chuck. "Wildfire Impact on California's Housing Market." *DSNews*, October 13, 2020. Accessed November 11, 2020. https://dsnews.com/daily-dose/10-13-2020/how-wildfires-are-impacting-californias-housing-market.
[8] U.S. Census Bureau. "2014-18 ACS 5-Year Data, DP04: Selected Housing Characteristics." Accessed November 20, 2020.
[9] *Ibid.*
[10] Permit Sonoma. "Need for New Housing."
[11] *Ibid.*




**Note:** Based on its proximity to the inner Bay Area, Sonoma experiences higher home prices as compared to other non-urban counties in the State.
**Source:** 2014-18 ACS 5-Year Data, DP04: Selected Housing Characteristics.

**Figure 2:** Rising Zillow Home Value Index Over Time




**Note:** Both the State of California and Sonoma County have seen more pronounced increases in home values over the last 10 years compared to the United States. The County has experienced slightly more fluctuations than the State and significantly more than the Country.
**Source:** Zillow Home Value Index, Single Family Homes.

## Challenges in High-Cost and Disaster Areas

Evidence shows that it is much more difficult and expensive to build housing in high-cost areas and disaster zones (Sonoma County is both of these). It costs nearly 80 percent more to build a basic single-family home in places like New York, San Francisco, and Boston than it does in the North Carolina communities of Charlotte, Raleigh-Durham and Greensboro. Higher construction costs in these cities are mainly explained by the local construction workforce's unionization rate, the wage levels paid to construction laborers, variation in the local topography, and the local regulatory environment.[12] The presence of growth control measures like urban service boundaries and restrictive zoning regulations are negatively correlated with growth in a community's aggregate housing stock. In other words, the presence of growth control measures and regulatory barriers have a negative effect on housing production and simultaneously increase housing costs. California in particular is one of the costliest states to build housing, in part due to the prevalence of restrictive growth control measures.[13]

Areas recovering from natural disasters encounter their own unique set of challenges when reconstructing housing. The basic conditions in the immediate aftermath of a disaster are not conducive to housing production. Stakeholders must try to operate in the face of uncertainty and under serious time constraints, as local displaced residents must be re-housed as quickly as possible.[14] The sudden need to rebuild large swaths of housing results in an increase in demand for construction materials, driving up their cost and leading to shortages. The cost of building materials can rise by anywhere from

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[12] Gyourko, Joseph, and Albert Saiz. "Construction Costs and the Supply of Housing Structure." *Journal of Regional Science* 46, no. 4 (2006): 661–680. Accessed November 29, 2020. http://onlinelibrary.wiley.com/doi/abs/10.1111/j.1467-9787.2006.00472.x.

[13] Quigley, John M., and Steven Raphael. "Regulation and the High Cost of Housing in California." *American Economic Review* 95, no. 2 (May 2005): 323–328. Accessed November 29, 2020. https://www.aeaweb.org/articles?id=10.1257/000282805774670293.

[14] Wu, Jie Ying, and Michael K. Lindell. "Housing Reconstruction After Two Major Earthquakes: The 1994 Northridge Earthquake in the United States and the 1999 Chi-Chi Earthquake in Taiwan." *Disasters* 28, no. 1 (2004): 63–81. Accessed December 3, 2020. http://onlinelibrary.wiley.com/doi/abs/10.1111/j.0361-3666.2004.00243.x.

200 to 500 percent after a disaster.[15] Supply chain disruptions due to the effects of the disaster also complicate housing reconstruction.[16]

Many places attempting to recover also lack the necessary skilled professionals and laborers to undertake such massive reconstruction efforts. Price escalation and labor shortages tend to plague recovery efforts after disasters like earthquakes, tsunamis,[17] and hurricanes.[18] In addition, the sheer scale of disasters often poses the most significant hurdle to rebuilding housing. It is estimated that it would have taken 50,000 construction workers nearly 14 years to reconstruct the homes lost after Hurricanes Katrina and Rita at a cost of over $85 billion.[19] In short, building housing is already difficult, and it is demonstrably tougher in places where the cost of construction is high or that have recently experienced natural disasters. Sonoma County fits both of these criteria. Innovative models like community land trusts can help deliver affordable homes even in the most demanding circumstances.

## Challenges within Sonoma County

When the Great Recession hit, real estate development ground to a halt and forced construction workers to either move out of the area or shift professional direction and retrain for jobs outside of the suddenly nonexistent construction industry. This created a shortage of trained construction personnel in the Bay Area. As the real estate industry recovered and the need for construction labor returned, this shortage of trained workers caused labor costs to surge. In the multifamily sector, costs increased by 25% per square foot over the last 10

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[15] Steinberg, Florian. "Housing Reconstruction and Rehabilitation in Aceh and Nias, Indonesia—Rebuilding Lives." *Habitat International* 31, no. 1 (March 1, 2007): 150–166. Accessed November 29, 2020. http://www.sciencedirect.com/science/article/pii/S0197397506000579.

[16] Zuo, Kelvin, Regan Potangaroa, Suzanne Wilkinson, and James O.B. Rotimi. "A Project Management Prospective in Achieving a Sustainable Supply Chain for Timber Procurement in Banda Aceh, Indonesia." *International Journal of Managing Projects in Business* 2, no. 3 (January 1, 2009): 386–400. Accessed November 29, 2020. https://doi.org/10.1108/17538370910971045.

[17] Karunasena, Gayani, and Raufdeen Rameezdeen. "Post-disaster Housing Reconstruction: Comparative Study of Donor vs Owner-driven Approaches." *International Journal of Disaster Resilience in the Built Environment* 1, no. 2 (January 1, 2010): 173–191. Accessed November 29, 2020. https://doi.org/10.1108/17595901011056631.

[18] Petterson, John S., Laura D. Stanley, Edward Glazier, and James Philipp. "A Preliminary Assessment of Social and Economic Impacts Associated with Hurricane Katrina." *American Anthropologist* 108, no. 4 (2006): 643–670. Accessed December 2, 2020. http://anthrosource.onlinelibrary.wiley.com/doi/abs/10.1525/aa.2006.108.4.643.

[19] *Ibid.*

years (Figure 3).[20] This shortage has escalated since the 2017 and 2018 fires in Sonoma County, as rebuilding efforts heightened the demand for construction labor. This, in addition to increasing costs of construction materials and impact fees, has made the cost to build housing in the Bay Area significantly higher than in the past.

In addition to the rising costs of construction, Sonoma homeowners also face uncertainty regarding their insurance.[21] Rates are rising due to the County's designation as a disaster-prone area, and there is uncertainty about whether homes will be able to secure insurance in the future.[22] This has raised concerns about the potential for predatory insurance practices as homeowners will continue to need insurance but will find it increasingly difficult and more expensive to obtain.

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[20] Raetz, Hayley, Teddy Forscher, Elizabeth Kneebone, and Carolina Reid. "The Hard Costs of Construction: Recent Trends in Labor and Materials Costs for Apartment Buildings in California." *UC Berkeley: Terner Center for Housing Innovation* (2020). Accessed November 7, 2020. https://ternercenter.berkeley.edu/wp-content/uploads/pdfs/Hard_Construction_Costs_March_2020.pdf.

[21] Kasler, Dale. "How Global Companies Drive the Home Insurance Crisis in California Wildfire Zones." *The Sacramento Bee*, January 20, 2020. Accessed November 7, 2020. https://www.sacbee.com/news/business/article239259628.html.

[22] Morris, J.D., and Esther Mobley. "Wine Country, Fire Country: A Cycle of Burning and Rebuilding." *San Francisco Chronicle*, October 29, 2020. Accessed November 26, 2020. https://www.sfchronicle.com/california-wildfires/article/Wine-Country-won-t-stop-burning-It-s-a-15666365.php.

**Figure 3:** Rise of Construction Costs in the Bay Area

**Source:** Raetz, Forscher, Kneebone, and Reid. "The Hard Costs of Construction." *UC Berkeley: Terner Center for Housing Innovation* (2020).

## Community Land Trusts

Community Land Trusts (CLTs) are nonprofit, community-based organizations that work to ensure community stewardship of land. Although CLTs originated in developing community-led agricultural, commercial, and green space assets, they are increasingly being used to provide shared equity homeownership opportunities to local residents.[23] CLTs supply affordable housing for low- to moderate-income households that are priced out of the mainstream housing market by removing the cost of land from the housing equation through separate ownership of the land (by the CLT) and the house (the owner). To do this, CLTs acquire land (often with the assistance of public subsidies) and maintain long-term ownership of it. These organizations then allow private use of this land through long-term lease agreements with local residents, which provides wealth-building and homeownership benefits to lower-income individuals. CLTs reserve the right to repurchase the homes of residents who decide to move out and then resell them at a specific, pre-calculated price to another household, which preserves the initial public investment in the home, ensures long-term affordability for future residents, and helps families build equity to use towards purchasing a home in the traditional market.[24]

Today, there are over 270 CLTs operating in a diverse range of communities across the United States, from inner-city neighborhoods to small towns and rural areas.[25]

CLTs bring a wealth of benefits to the communities they serve:

1. Although homeowners cannot sell the homes they purchase from a CLT at market rate, they still build substantial mortgage equity that can be used toward the purchase of a future home.
2. The opportunity to build wealth through homeownership helps protect owners from being displaced from their communities due to speculation and gentrification.

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[23] Grounded Solutions Network. "Community Land Trusts." Accessed October 25, 2020. https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts.
[24] Sungu-Eryilmaz, Yesim, and Rosalind Greenstein. "A National Study of Community Land Trusts." *Lincoln Institute of Land Policy* (2007). Accessed December 14, 2020. https://community-wealth.org/sites/clone.community-wealth.org/files/downloads/paper-sungu-erylimaz-%20greenstein.pdf.
[25] Democracy Collaborative - Community-Wealth.Org. "Community Land Trusts (CLTs)." Accessed October 25, 2020. https://community-wealth.org/strategies/panel/clts/index.html.

3. A ground lease with a CLT provides security that protects homeowners from economic downturns and insulates them against foreclosure. In the Great Recession, only 0.56% of CLT mortgages went into foreclosure as compared to 3.31% nationwide and 15.58% of subprime loans.[26]
4. CLTs draw staff and board members from their communities, which provides jobs and a source of localized economic benefit. This creates avenues for grassroots decision-making that reflects the needs of local residents.[27]

These are all key community benefits in the Bay Area as housing prices have skyrocketed and issues of gentrification, displacement, and housing insecurity loom large. These advantages make CLTs an increasingly popular model for affordable housing and anti-displacement work.

## CLT Model

In order to provide and maintain affordable for-sale homes, CLTs acquire land within the communities they serve. This is accomplished by either purchasing the land or receiving it as a donation. In cases where the land is vacant, the land trust arranges for the development and construction of homes on-site. If the property has an existing home on it, the house can be converted and sold as is or with minor rehabilitation work. In all cases, the land is permanently owned by the CLT. The land trust then enters into a long-term, renewable land lease (typically 99 years, although the length may vary) with an income-qualified homebuyer. Often, the homeowners and their descendants may reside in the home for as long as they wish to live there, as long as it is used as their primary residence.[28]

CLTs typically sell their houses to qualified buyers with incomes that fall within a targeted percentage of the Area Median Income (AMI). CLTs are able to sell homes at affordable prices because the buyer is only purchasing the house rather than both the house and the underlying land. Additionally, CLTs often layer in other local subsidies that contribute to the home's affordability. CLTs

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[26] Thaden, Emily, and Greg Rosenberg. "Outperforming the Market: Delinquency and Foreclosure Rates in Community Land Trusts." *Lincoln Institute of Land Policy: Land Lines* (October 2010). Accessed November 5, 2020. https://www.lincolninst.edu/publications/articles/outperforming-market.
[27] PolicyLink. "Equitable Development Toolkit: Community Land Trusts." (June 2001). Accessed October 25, 2020. https://www.policylink.org/sites/default/files/community-land-trusts.pdf.
[28] *Ibid.*

also commonly assist homebuyers in securing down-payment assistance or favorable loan terms for their mortgages.

A key benefit of the CLT model is its ability to ensure that a home's price stays affordable when the original buyer sells the house. In exchange for purchasing a home at an affordable rate, the home's resale price is restricted and the original homebuyer agrees to sell the home to a subsequent qualified buyer at a restricted price or to give the CLT the right of first refusal. The price is determined by a resale formula which is unique to each CLT. This resale formula is designed to give homeowners a fair return on their investment, while keeping the price affordable for future low- and moderate-income households. This model ensures that the price of the home will remain affordable to all subsequent owners, as it was to the first owner.[29] Additionally, it offers an attractive option to cities as it only requires a one-time subsidy contribution for a permanently affordable homeownership unit.

## HLT's CLT Model

Since its founding in 2002, HLT has created homeownership opportunities for 113 workforce families throughout Sonoma County. These families represent essential workers: teachers, first responders, city employees, and medical staff. The majority of HLT homes target households earning between 51%-120% AMI (Figure 4). Currently, HLT has preserved existing homes that are on scattered sites in Cloverdale, Cotati, Healdsburg, Petaluma, and Rohnert Park. HLT currently has 96 homes in its trust, with an additional 20 homes currently under construction and about 80 more in the planning stage in various cities in Sonoma County.

HLT primarily operates through partnerships with developers on their inclusionary housing requirements and the purchase of existing homes to add to their trust. HLT also works closely with the State and local government to advocate for affordable housing and best practices. For example, HLT helped get SB196 passed, which is a California state bill that bases the property taxes for land trust homes on the sales price instead of the appraised value of the home. This enables homeowners to pay property taxes at the affordable value of their homes and not be impacted by rising home values in their area.

HLT has facilitated 17 resales and families tend to stay in their homes for 7 to 10 years, which is comparable to market rate homes. HLT follows a traditional

[29] Democracy Collaborative. "Community Land Trusts (CLTs)."

land trust model of retaining ownership of land and leasing out homes to families at a targeted AMI on a 99-year renewable ground lease. HLT retains the right to buy the home back for an amount determined by HLT's resale formula. The formula is based on the percentage increase in the county median household income (as determined by the California Department of Housing and Community Development's income limit chart) from the time the home was purchased. HLT ensures that all of its homeowners can afford the home: HLT defines affordability as a household's total housing costs being 35% or less of their monthly household income. These costs can include a mortgage (principal and interest), ground lease, HOA fees, hazard insurance, Mello-Roos[30], and property taxes.

The CLT model has been uniquely challenged in Sonoma County due to high construction costs and disaster related expenses. HLT homes typically appraise for 20-50% higher than their income restricted sales price. Traditionally, housing nonprofits like HLT could assume that eliminating the cost of land meant that providing a house at an affordable price would be economically viable. However, rising construction costs have increased the price of building housing in Sonoma County, substantially impacting HLT's ability to develop new CLT supply.

**Figure 4:** HLT Units per Sonoma County AMI Threshold

| **Income Level** | **Annual Income** | **Number of HLT Units** |
|---|---|---|
| Extremely Low/Very Low (<50%) | $30,700-$51,150 | 8 |
| Low (51%-80%) | $81,850 | 23 |
| Median (81%-100%) | $92,450 | 26 |
| Moderate (101%-120%) | $110,950 | 21 |

**Note:** AMIs are based on a household size of three.
**Source:** California Department of Housing and Community Development (HCD). "State Income Limits for 2020."

[30] Mello-Roos taxes are applied when a California property lies in a special tax assessment district, usually created by a local government or school district. These taxes can help fund infrastructure projects, city services, or other uses.

# The Jamie Lane Model

As a result of the increased housing shortage and rising construction costs, HLT has explored alternate solutions for expediently getting cost-efficient homes on the ground. This pursuit resulted in the Jamie Lane pilot, a new model for affordable homeownership in which multiple levels of government, from local to state, and national partners share the responsibility of providing housing.

## Jamie Lane Pilot

The Jamie Lane project is an opportunity for HLT to build a new five-home subdivision in the City of Cotati at both an expedited timeline and an affordable rate. The homes will be constructed on an infill, transit-oriented site that is ideal for families and a model for smart development in a disaster-prone area. Jamie Lane leverages commitments from multiple levels of government and private partners to overcome the monetary and logistical issues faced by high-cost and disaster-prone areas struggling to retain their workforces. The model ties each aspect of the development process to a different stakeholder (Figure 5).

**Figure 5:** Development Steps and Corresponding Stakeholders

| Stage | Stakeholder Level | Funding Source |
|---|---|---|
| Land | Local | A transit-oriented infill site acquired via donation from the City of Cotati |
| Entitlements | Local | Funding from the City of Cotati and donated time and expertise from development partners |
| Funding | Regional | Transient Occupancy Tax (TOT) funding from the County of Sonoma's Community Development Commission. |
| Site Work | State | Funding from the California Housing Finance Agency (CalHFA) through the purchase of affordability covenants and donated time and expertise from development partners |
| House | National | Renew Now Homes that comply with Fannie Mae's MH Advantage® specifications, making homebuyers eligible for Fannie Mae loans |

## Land

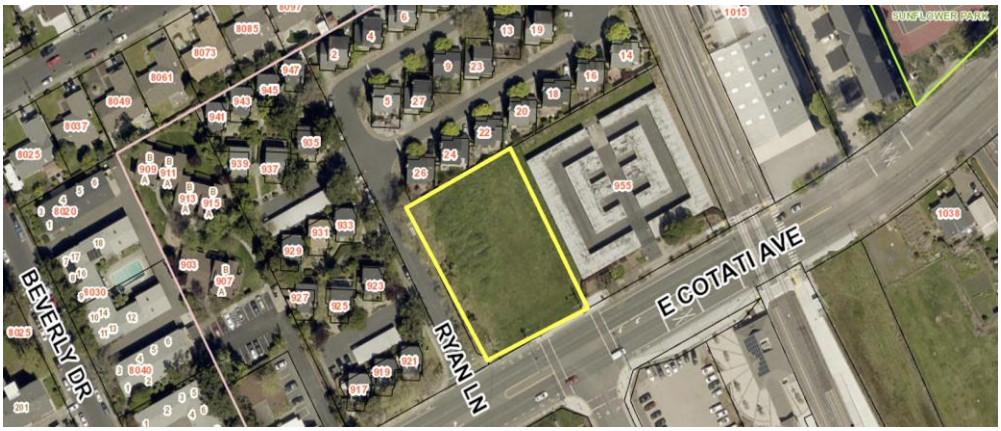
One of the key challenges that CLTs face is acquiring sites. Particularly in a high-cost area, purchasing land for CLT development puts the sales price above what a low- or moderate-income household can afford. The Jamie Lane Project instead took advantage of city donated land, showing how cities can work in partnership with a CLT to develop underutilized parcels.

**Partners**: The City of Cotati donated a 0.67 acre parcel to HLT for the Jamie Lane project (Figure 6). The land donation is valued at $275,000. It is an infill property that was purchased for the development of affordable housing by the City's then Community Redevelopment Agency and after its dissolution, managed by the Cotati Redevelopment Successor Agency, for the development of affordable housing.[31]

**Funding**: The land is donated and the City remains a deed holder on the land in order to ensure the property is used for long term affordable homeownership if the land trust is dissolved.

**Expertise/Process**: The site is prime for development; it is an underutilized infill parcel and located steps away from the City's train station. The site's physical and locational characteristics as well as its affordability allows the development to streamline through California Environmental Quality Act (CEQA) approvals and meet multiple regional housing production goals.

**Figure 6:** Aerial Image of the Site




[31] In 2012, the California Supreme Court ordered the closure of all California redevelopment agencies. In order to continue redevelopment work, the majority were replaced by various forms of successor agencies, most often divisions of the local city government.

## Entitlement Team

Entitling a project in an efficient manner can be a struggle for anyone developing in California given the complexity of state and local planning processes and the limited availability of streamlining tools. Jamie Lane brings together a team of experienced professionals with ties to HLT to help guide this project. As the project is 100% affordable and transit-oriented, it is exempt from CEQA and a priority for the City of Cotati. Along with the experienced entitlements team, these elements are helping Jamie Lane go through the entitlements process in a time efficient manner.

**Partners**: The entitlements team was recruited ahead of time and consists of experienced local professionals, staff from the City of Cotati, and staff from HLT. In addition to monetary contributions, members of the entitlements team, City staff, and HLT staff volunteered their time working towards the goal of getting the project through the approvals process to begin construction.

**Funding**: HLT secured grants from the County of Sonoma and City of Cotati to pay for the entitlement process and team. $100,000 in funding from the County of Sonoma came from a Transient Occupancy Tax (TOT) and was awarded through a Notice of Funding Availability. The City of Cotati provided $95,000 in funding from its housing trust fund.

**Expertise/Process**: The entitlements packet has been submitted for approval to the City of Cotati and is currently under review. The proposal is for a subdivision with five three-bedroom two-bath manufactured homes and includes the site work needed for the subdivision.

## Site Work

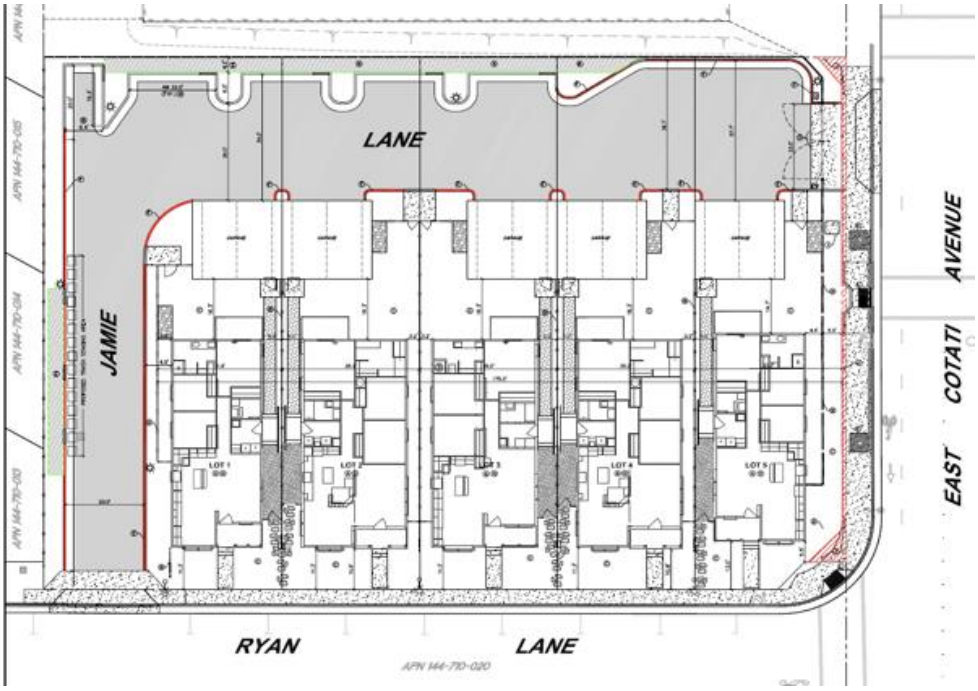
CLTs can also encounter difficulties with funding site preparation and the actual work of getting the site ready for homes. On the Jamie Lane Project, HLT worked out an innovative financing solution with the state housing finance agency and leveraged its existing relationships with local civil engineers and a longtime homebuilder to ensure a detail-oriented site planning and construction process that would avoid delays. This demonstrates how public funding and external professionals can work with CLTs to fund, plan, and execute an affordable homeownership project in a way that maximizes efficiency and saves time.

**Partners:** HLT applied for funding from the California Housing Finance Agency (CalHFA) to cover the costs of site work.

**Funding:** Due to its internal regulations around single-family homeownership projects, CalHFA was unable to support Jamie Lane with either direct homebuyer lending or construction financing. Instead, the agency purchased an affordability covenant for the units, which subsidizes roughly $175,000 per unit through a permanent loan. This funding approach was a first for CalHFA. It constituted a creative solution that enabled the agency to provide money on the front end to address the project's gap financing needs. These funds came from a specific source at CalHFA dedicated to innovative financing for single-family homeownership.

**Expertise/Process:** The project's contractor is well-established and experienced with a successful track record of comparable projects. They have been working with HLT since its first prototype project in 2003. Part of HLT's strategy with Jamie Lane is to incorporate contractors and builders early in the process to help plan for the transition from entitlements into construction documents. This helps ensure that change orders do not burden and derail the project.

**Figure 7:** Site Plan



## MH Advantage® Home

In order to avoid the high costs and time commitment of site-build construction, Jamie Lane is partnering with Renew Now Homes, a California-based manufactured home builder that is certified by Fannie Mae's MH Advantage® program. HLT has chosen this approach for four main reasons. First, the prefabricated product brings down the costs of construction. Second, designed with features comparable to site-built homes, this construction approach minimizes neighbors' concerns around stylistic fit with the neighborhood and on-site disruption during construction. Third, it reduces the overall time needed for construction. Fourth, it enables homebuyers to access the benefits of Fannie Mae financing.

**Partners**: Renew Now Homes is a builder with experience in delivering MH Advantage®-approved manufactured homes in Sonoma County. Renew Now Homes' current dwellings are located in Coffey Park and Santa Rosa, and are consistent with Fannie Mae's MH Advantage® design guidelines. These guidelines include specifics of the homes' design such as roof pitch and energy efficiency.

**Funding**: The MH Advantage®-approved status enables homebuyers to take advantage of Fannie Mae mortgage products. The homes themselves will be affordable to qualified buyers, with sales prices that are tied to households earning up to 120% of the Area Median Income[32]. As a result of the layering of the different subsidies above, the homes will be sold "at cost" with a maximum sales price of $391,000.[33]

**Expertise/Process**: Manufactured homes present a series of opportunities for CLTs in disaster recovery areas. They drastically shorten the actual on-site construction process to as little as one day, as the majority of work is done in a factory. This both appeases neighboring residents' concerns about disruption during construction and reduces the total time required by on-site labor. It is also possible to customize manufactured homes with specific features that can

[32] The current home prices allow the houses to be sold to median-income households, which is defined as households making between 80-120% AMI. If HLT is able to secure additional subsidies for this development, it will use this money to decrease the total sales price of the homes and expand this qualifying band to include families at very low- to low-incomes.
[33] This total sales price is high, as it reflects the high cost to build in California and rising regional AMIs. If the Jamie Lane model were to be replicated outside of California, it should be able to reach a less expensive total price due to lower factory fees, construction costs, and impact fees.

help to protect the structure against local disaster issues (i.e. fires, floods, earthquakes).

**Figure 8:** Front Elevation of Proposed Homes

**Figure 9:** Rendering of a comparable Renew Now Home

# Replicating the Model

It is HLT's goal that Jamie Lane is used by other CLTs as a prototype for affordable homeownership that targets disaster recovery areas, communities with either/both limited land supply and/or underutilized land including infill parcels, and places where high labor and construction costs make it difficult to build housing. The Jamie Lane model addresses the rapid housing needs of these types of areas because it has efficient entitlement and approval timelines and reduces labor and construction costs. Individual CLTs can leverage their reputations and existing relationships to adapt this model to the unique needs of their communities and expand access to affordable homeownership nationwide.

HLT's goal is to replicate this model with the City of Petaluma and HLT will employ the same team, methodology and products to rapidly bring innovative, affordable homes to this community.

## Opportunities and Challenges to Replication

HLT and Fannie Mae have partnered to develop this white paper, as well as the following accompanying materials, to assist other CLTs in replicating the Jamie Lane model for the benefit of their communities:

1. Project Webinar 101 – Project Overview
2. Tool Kit with A-Z nuts & bolts on How to Deliver the Project
3. Project Webinar 201 – Replicating the Project

These additional materials dive deeper into opportunities and recommendations for implementing a similar project (Figure 10).

**Figure 10:** Opportunities and Needs for Model Replication

| **Stage** | **Opportunities** | **Recommended Practices** |
|---|---|---|
| Land | Vacant land owned by cities | Availability of pad-ready sites in infill locations |
| Entitlements | Existing excitement and will to deliver around mission of affordable homeownership | CLT with existing relationships to pull team together |
| Funding | Ability to meet affordable homeownership and innovation goals | Stakeholders to align and agree with each others' funding requirements (ex. lien position) |
| Site Work | Building off of strong, existing relationships | Locally experienced team, with capability to stay in budget and a commitment to minimizing change orders |
| House | Expedited production/delivery of housing supply in high-cost and disaster recovery areas | Manufacturer with experience funding, entitling, and delivering a prefabricated product |
| Local Advocacy | Getting involved with local housing policy to make this model easier to approve and move forward | Local government that has the political will to pursue innovative housing solutions with a development-friendly sentiment |

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