



AGENCY: City Council
MEETING DATE: February 8, 2021
DEPARTMENT: Administration
PRESENTED BY: S McCormick
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AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Forming a Public Benefit Corporation, Recognized by the Internal Revenue Service as a 501(c)(3) Under Non-Profit Status, in Order to Meet Fannie-Mae Requirements for Community Land Trust Lending

ISSUE:

The City's 2019 Housing Element update included several new programs to guide decision makers on actions to take over the next eight years to meet housing needs of our community. One such program is to establish a Community Land Trust (CLT) to serve low income to moderate income households and first time home buyers; the relevant goal, policy and program are provided below:

Goal H-2 Expand affordable housing opportunities for persons with special housing needs such as the elderly, the disabled, households with very low to moderate incomes, and first time home buyers.

Policy H-2.4 Increase Affordable Housing Development: Encourage the construction of housing units which are affordable to households with very low to moderate incomes.

Program H-2.4.4 Consider Community Land Trust: Complete research regarding Community Land Trust and consider working with community partners to establish a Community Land Trust that serves Fort Bragg.

City staff is currently developing a study to better understand how the CLT model might provide affordable housing and homeownership opportunities to the workforce of Fort Bragg. It came to staff's attention that Fannie Mae requires a CLT's 501(c)(3) status to be active for a two-year period before granting eligibility for lending. Staff recommends the City proactively file the necessary paperwork to expedite the process should Council decide to move forward. Should Council opt to not move forward with the CLT model, the entity can be dissolved.

ANALYSIS:

The CLT model is an economic mechanism that provides a tool to set aside homes that will remain affordable in perpetuity; creating permanently affordable housing and homeownership opportunities for very low, low and moderate income households. There are numerous reasons to favor the CLT model, including, but not limited to the following: ability to protect the public investment; ability to recruit and retain workforce through affordable housing opportunities; and to make it possible for first time homebuyers to benefit from fixed

housing expenses, long-term housing security, and equity accumulation, which promote generational wealth.

Section 501(c)(3) of Title 26 of the United States Code is the part of the US Internal Revenue Code that allows for federal tax exemption of nonprofit organizations. The process to secure tax exempt status from the federal government can take several months and preparing the necessary documents requires skill.

Beginning this process now has two benefits: 1) the CLT model appears promising and it will speed up the timeline to make it a reality should Council decide to do so; and 2) Dev Goetschius, Partner, Burlington Associates of Community Development and consultant working with City staff on this project, is prepared to facilitate the process within the budget of an existing contract. Burlington Associates in Community Development, LLC is the premier provider of technical assistance to CLTs in the United States and Goetschius has extensive experience in starting and managing CLTs, including filing necessary paperwork.

RECOMMENDED ACTION:

Provide direction to staff regarding filing 501(c)(3) paperwork, which would expedite the process of establishing a CLT serving our coastal community.

ALTERNATIVE ACTION(S):

None.

FISCAL IMPACT:

Costs associated with processing paperwork for 510(c)(3) would be included in existing contract budget with Burlington Associates in Community Development, the consulting firm working with the City on this project. The City received state grants to cover this project. The costs for Burlington Associates will be reimbursed by grant funds.

GREENHOUSE GAS EMISSIONS IMPACT:

N/A

CONSISTENCY:

Several goals, policies and programs of the City's Housing Element (2019-2027) support the development of affordable housing and homeownership opportunities. The most relevant are provided below:

Goal H-2 Expand affordable housing opportunities for persons with special housing needs such as the elderly, the disabled, households with very low to moderate incomes, and first time home buyers.

Policy H-2.4 Increase Affordable Housing Development: Encourage the construction of housing units which are affordable to households with very low to moderate incomes.

Program H-2.4.4 Consider Community Land Trust: Complete research regarding Community Land Trust and consider working with community partners to establish a Community Land Trust that serves Fort Bragg.

Policy H-2.9 First Time Home Buyers: Encourage affordable housing for first time home buyers.

IMPLEMENTATION/TIMEFRAMES:

The US Internal Revenue timeframe for processing 501(c)(3) paperwork varies. Staff anticipates six months.

ATTACHMENTS:

None.

NOTIFICATION:

1. Fort Bragg Planning Commission
2. 4th District Supervisor, Dan Gjerde
3. 5th District Supervisor, Ted Williams
4. City of Fort Bragg "Notify Me" subscriber list: Affordable Housing