



ISLAND HOUSING TRUST

A community land trust for Martha's Vineyard

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The Island Housing Trust (IHT) is a community based non-profit organization whose mission to provide access to land and housing for people who are otherwise priced out of the housing market. The land beneath the homes – owned by the land trust -- is leased to the homeowners for a nominal fee through a long-term (99-year) renewable lease. This model of “shared-equity” ownership allows the housing created to remain affordable for future generations.

All homeowners who lease IHT land automatically become full members of the IHT and have a voice in the organization's governance and have an option to move to other houses on IHT land. Six homeowner-lessee representatives elected annually by the homeowner-lessee members are full voting members of the board of directors.

Key Components of the Ground Lease

The ground lease is the legally binding agreement that gives the homeowner/ lessee the right to use the land. It describes the full the rights and responsibilities of the lessee and the IHT, as well the restrictions that govern the relationship. The lease attempts to balance the interests of the lessee as a homeowner with the long-term interests of the IHT and the Island community. There are a number of critical agreements that are defined by the IHT ground lease. These include:

- **99-year term** – The 99-year lease provides long-term security and access for the homeowner or their heirs – and is renewable for additional 99-year terms.
- **Responsible use** – The homeowner can only use the land for residential purposes as permitted by local building and land use codes and regulations.
- **Owner occupancy** – The homeowner must live in their home for a minimum of eleven months.
- **Subletting** – The home cannot be leased or subleased to anyone who is not income qualified by the IHT for more than the homeowner's carrying costs (i.e. mortgage, insurance, taxes, ground lease fee, and any other association fees).
- **Lease fee** – The homeowner pays a monthly ground lease fee of \$50 to the IHT in exchange for access to and use of the leased premises. See further description below.
- **Taxes and assessments** – The homeowner is responsible for the payment of all real estate taxes on the land and the Improvements. The IHT is working with each town to link the property's assessed value with their maximum resale value.

- **Improvements** – The homeowner owns all building, structures, fixtures and any other improvements (such as landscaping) on the land.
- **Alterations and Additions** – The homeowner is allowed to build or change their Improvements in accordance with all applicable laws. The IHT must certify the alterations and additions for the purposes of calculating the resale price, however homeowners must be aware that the full cost of the alterations and additions may not be fully recovered.
- **Initial Construction by Lessee** – If the homeowner has agreed to construct their own home on IHT land, the IHT will establish a Total Development Value prior to construction so that the home will be affordable at time of resale to a family of the same means.
- **Financing** – There is a provision in the lease that describes the permitted mortgages which include those from federally regulated institutional lenders (i.e. Fannie Mae). These provisions are designed to protect the interest of the lender, the borrower and the landowner, and provide the IHT an option to purchase at foreclosure.
- **Transfer to Heirs** - The homeowner may leave, give or sell their home to designated heirs, including spouse, domestic partner, child or children.
- **Transfer to Income-Qualified Buyers** – The homeowner may sell or transfer their home and improvements. However, the home can only be sold to the IHT or an income-qualified buyer for a price that is capped by a specific "Resale Formula."
- **IHT's Preemptive Option** – the IHT stipulates in the ground lease its preemptive option to purchase the property in the event that the homeowner elects to sell their home (rather than transfer their leasehold interest to a designated heir).
- **Monitoring Fee** – The IHT receives a fee of 0.5% of the resale price, paid by the seller at the closing, to cover the cost of resale and lease transfer.
- **Resale Formula** - The IHT resale formula strikes a balance between the goal of allowing a fair rate of return for the seller of a home and the goal of limiting resale prices to a level that will assure continued affordability. The resale formula will be consistent in all residential leasehold situations – so that all IHT leaseholders get the same deal. The resale formula includes a rate of inflation based on the average increase in the area median income, limited to no more than 4% annually, plus an Added Value resulting from the addition of bedrooms.

What Ground Lease Fees Support:

In return for use of the land the homeowner pays a monthly ground lease fee. The fee is included in the calculation when determining the initial sale price or valuation so that it remains affordable. As the IHT and the homeowner jointly own the property, the ground lease fee helps pay for the ongoing monitoring of ground lease agreement, tracking ground lease fee, maintaining communication and providing technical assistance to the homeowner and homeowner association, working with residents who are having trouble meeting their financial obligations, and overseeing the transfer of ownership.