



**Cannon River Community Land Trust, Inc.  
Northfield, Minnesota**

**Voluntary Dissolution Plan**

*October 25, 2011*

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## **SUMMARY - CANNON RIVER COMMUNITY LAND TRUST, INC.**

**Incorporated:** October 25, 2001

**Type of Corporation:** 501 c (3) [Exhibit 4]

**Purpose:** To create and maintain long term affordability through a community land trust model – See page 3 of this document for a more in depth description of the program

**Federal Tax ID No.** 41-2021233

**Service Area:** Northfield School District – See Map in Exhibit 1

### **Properties in the Community Land Trust Program:**

**Original Number** 19

**Current Number:** 14

**Location:** All properties are in the City of Northfield  
(See Exhibit 2 for a complete list)

**Staff:** None

**Website:** [www.crclt.wordpress.com](http://www.crclt.wordpress.com)

**Contact:** Joel B. West, President  
Cannon River Community Land Trust, Inc.  
P.O. Box 475  
Northfield, MN 55057  
Cell Phone: 612-756-2571  
Email: [joelwestcrclt@gmail.com](mailto:joelwestcrclt@gmail.com)

### **Board Members:**

Joel B. West	President
Wendy Thorpe	Former Vice President
Kris Vohs	Board Member
Mary Mills	Former Board Member
Dayna Clemment	Former Board Member

See Exhibit 3 for a list with contact information

**Bylaws:** Exhibit 5

**Financial Statements:** Exhibit 6

**IRS Form 990:** Exhibit 7

## **SUMMARY – VOLUNTARY DISSOLUTION PLAN**

1. The transfer of the remaining land owned by the Cannon River Community Land Trust to the Northfield Housing and Redevelopment Authority (HRA) is considered a necessary means of dissolving the Land Trust Program in a way that assists the CLT homeowners and provides for the recapture of some of the value of the land at some future date.
2. The transfer of any property shall be contingent on the following:
  - a. The consent of the person to whom the land is leased in regard to the sale of the property.
  - b. The consent of the person leasing the land to enter into a shared appreciation agreement in favor of the Northfield HRA for the value of the land.
  - c. An opinion from the CLT attorney that the transfer of land and dissolution of the CLT complies with its Articles of Incorporation, specifically that if assets are transferred that they be to another 501 (c) (3) corporation.
  - d. Property shall not be transferred to any bank or mortgage company, and that said bank or mortgage company shall pay the full estimated land value to the CRCLT in order to obtain the land.

## **HISTORY OF THE CANNON RIVER COMMUNITY LAND TRUST**

The Cannon River Community Land Trust was incorporated on October 25, 2001 as Minnesota non-profit corporation, to hold land for the benefit of the Northfield area and individuals within the community. The goal of the Cannon River Community Land Trust (CRCLT) is to provide and preserve permanently affordable housing on the land it acquires.

For approximately two years, prior to 2001, an ad hoc group, which included Joel B. West, Kim Brouillet, Don Tarr, Chairman of the Northfield Housing and Redevelopment Authority; Kris Vohs, City Council Member and Council liaison to the HRA; Wendy Thorpe, local Realtor with Edina Realty, Dave Shumway, President of First National Bank of Northfield met approximately once each month to explore the possible creation of a land trust organization in Northfield. Tom Neuville provided legal advice to the group and assisted with the incorporation of the land trust. While the City and the Northfield Housing and Redevelopment Authority supported the work of this ad hoc group, a number of individuals participating in the ad hoc group decided to formally create the Cannon River Community Land Trust.

The CRCLT worked cooperatively with the Northfield Housing and Redevelopment Authority and other organizations such as Three Rivers Community Action, Inc. and the Northfield Community Action Center to provide community land trust housing as one step in transitioning families from rental housing into homeownership. The organization is not intended to duplicate any housing and services already being provided.

The actual incorporators of the Cannon River Community Land Trust are as follows:

Joel West  
Wendy Thorpe  
Donald Tarr  
Kris Vohs  
Thomas Neuville

The Initial Board of Directors of the Corporation in 2001 was as follows:

Joel West, President  
Wendy Thorpe, Vice President  
Donald Tarr, Secretary  
Kris Vohs, Treasurer  
Mary Lien, Banker  
Don Pavsek, Developer

After the CRCLT constructed and sold homes to homebuyers, and leased the underlying land, a maximum of three additional Board members representing the lessees were to be added to the Board at the first annual meeting, which would bring the total Board of Directors to nine. However, only one of the homebuyers joined the Board.

The Community Land Trust Program is a method of creating perpetually affordable housing by which an organization, such as the Cannon River Community Land Trust, purchases and continues to hold title to lots on which homes are built. This organization then leases the land to the purchaser of the home for a nominal fee, and therefore by utilizing this method, the land cost component of a home purchase is removed. In addition, the lease agreement with the home purchaser also provides a cap on the appreciation that accrues to the homeowner. Consequently, by leasing the lot to the initial owner and subsequent owners and the cap on the appreciation to the homeowner, when he sells the home in the future, the affordability of the housing unit can be maintained over time. A copy of the ground lease is contained in Exhibit 8. Also, in order for the banks or mortgage companies to be able to sell the loans made to CLT homeowners on the secondary mortgage market it was necessary to execute a Uniform Community Land Trust Lease Rider, which was created by Fannie Mae. A copy of the Lease Rider is also contained in Exhibit 8. It is true that the value of the house and the land may continue to rise over time and that a subsequent owner may have to pay more for the house than the original owner. However, with the value of the land removed from future sales, the cap on the appreciation to the homeowner will still make the home more affordable than it otherwise would have been. The benefit of a Community Land Trust Program is that the subsidy needed to acquire the land need only be provided once, as opposed to programs such as down payment assistance and low interest mortgages that assist a home purchaser at the time the home is purchased and if used on subsequent purchases of the same home must be increased to fill the widening gap between the cost of the home and the purchasing power of the home buyer.

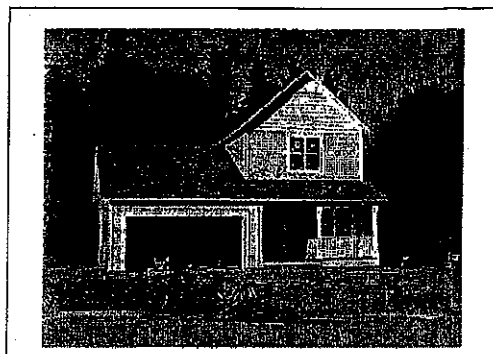
Listed below are the three projects that the Cannon River Community Land Trust has developed. The three projects combined created 19 units of affordable housing under the Community Land Trust Program.

### **Maple Hills Project**

Maple Hills Addition is a new mixed-income neighborhood in Northfield that is being developed through a collaborative effort of the Northfield Housing and Redevelopment Authority (HRA), Cannon River Community Land Trust, Three Rivers Community Action, Inc., Habitat for Humanity and the Northfield Community Action Center on approximately 10 acres of land owned by the Northfield Housing and Redevelopment Authority. The group is developing 39 units of housing, including 14 Community Land Trust (CLT) homes, 2 Habitat for Humanity homes, 16 market rate homes, and 7 affordable rental units. Significant local participation of over \$700,000 is being provided, including substantial funds from local employers and the City of Northfield and Northfield HRA. The City of Northfield and the Northfield HRA are providing funds for the land acquisition and infrastructure development costs through the use of tax abatement and HRA resources. In addition, the HRA, through a revolving line of credit from Fannie Mae, is providing construction financing.

Maple Hills Addition is using traditional neighborhood design concepts that will add to the appeal of the development. The entire subdivision will utilize sidewalks, landscaping, and home design criteria so that market rate units and CLT units blend to create an attractive, walkable neighborhood. Creating 14 CLT units will permanently capture local contributions and keep attractive units as community assets that will provide starter homes for Northfield families into the future with no further subsidy required.

In response to the City Council's approval of a redevelopment plan recommended by the Northfield HRA in 2000, the Northfield HRA and City Staff began to implement the Redevelopment Plan for the 1.5-acre City owned property at East 9<sup>th</sup> Street and Nevada Street. This property was later replatted as Hiley-Neff Second Addition and a new street extended into the site was called Nevada Court. The HRA and City Staff worked with the architects (SMSQ) and the Developer, College City Homes, to complete the development package with all necessary information relating to zoning, platting, creation of a Community Land Trust lot, and proposed financing including tax increment assistance.



**Cannon River Community Land Trust Home Located at 515 Nevada Court**

The plan approved by the Northfield HRA and the City Council called for the HRA to purchase the land from the City of Northfield for \$120,000 and then develop 8 single-family lots on the property. The Northfield HRA financed the project by negotiating the sale of seven of the lots to the developer, College City Homes, and by creating a tax increment district to capture the increased taxes from the new housing units to finance part of the development costs. The HRA retained one of the lots to transfer to the Cannon River Community Land Trust for use in their program. As with the Maple Hills project, the HRA is utilizing a revolving line of credit from Fannie Mae, to provided construction financing for the development of the 8-unit subdivision and the construction of the home for the community land trust program.

#### **Dresden Avenue Project**

The Northfield Housing and Redevelopment Authority (HRA) owned a lot on Dresden Avenue in Northfield that accommodated a twinhome. In response to the need for more affordable single-family housing, the Northfield HRA concluded an agreement with the Cannon River Community Land Trust to construct a twinhome on the site. The proposal called for the construction of each unit for an estimated cost of \$110,000. While the units were under construction, the Cannon River Community Land Trust recruited potential homebuyers. Once the units were complete the Cannon River Community Land Trust purchased the units and resold them to eligible homebuyers under the Community Land Trust Program. As with the other developments the HRA utilized a revolving line of credit from Fannie Mae to finance the construction of the dwelling units.



**Cannon River Community Land Trust Twinhome located at 300-302 Dresden Avenue**

### **Orchard Street Project**

The Northfield Housing and Redevelopment Authority (HRA) purchased the lot at the northwest corner of West First Street and Orchard Street for use in the Community Land Trust Program. The HRA demolished a dilapidated house on the property, and in response to the need for more affordable single-family housing, the Northfield HRA concluded an agreement with the Cannon River Community Land Trust to construct a twinhome on the site. The twinhome was constructed and both units were sold as part of the Cannon River Community Land Trust program.

### **PROPOSED DISPOSITION OF LAND OWNED BY THE CANNON RIVER COMMUNITY LAND TRUST**

Approximately three years ago in 2008, the Cannon River Community Land Trust (CRCLT) embarked on a plan to transfer the land owned by the CRCLT to First Homes in Rochester, and also assign the leases with the Community Land Trust (CLT) homeowners to First Homes, as a method to continue the Community Land Trust program in Northfield. The CRCLT's goal was to consolidate its holdings with another non-profit CLT that would be able to provide additional and full-time services to the CLT homeowners. While this process led to the transfer of three of the 19 CRCLT properties to First Homes, together with the assignment of the leases, the precipitous decline of the real estate market during 2008 and 2009 has fundamentally altered the dynamics of how CLT's across the country operate and the formula by which they normally provide benefits to homeowners. Because of this situation, First Homes was no longer in a position to accept the remainder of the CRCLT properties and lease assignments.

A fourth home, at 1905 Wilcox Blvd, Northfield, had been repurchased by the CLT for the original homeowner for resale under the Land Trust program. The CLT did find a homeowner willing to purchase the property, but on a contract for deed. Unfortunately the downturn in the economy also affected this family and due to a job loss the family



could no longer fulfill the contract for deed. The CLT repurchased the home with financing from a local bank and in order to repay the loan in light of the reduced value of the home and property it was necessary for the CLT to sell the land and the building together on the open market and not within the Land Trust Program.

The main issue causing the problem was and is the decline in housing and land prices, which is upending the CLT model, particularly the resale formula. The formula does not function very well in a declining market; for one, it assigns all of the loss to the CLT land value and keeps the resale formula for the house no lower than the original purchase price, which in a depreciating market maintains the sale price at an artificially high value compared to other properties. Also, since housing prices are generally lower and competitive with the pricing of CLT homes, there does not appear to be an advantage for buyers to choose a CLT home, which does not have land ownership, and has CLT lease restrictions. Also, in this market the CLT mechanism makes it more difficult for homeowners to refinance their homes.

One item that had been discussed, that the CRCLT consider the sale or transfer of CRCLT properties to the individual CLT homeowners with a shared appreciation agreement in favor of the Northfield HRA for the current estimated value of the land on each of the homes. Due to the structure of the CRCLT, this transaction could also be accomplished with the CRCLT transferring the land to the HRA and the HRA transferring the land to the homeowners with the previously described shared appreciation agreement. This is the preferred method that the CRCLT desires to pursue. The reason for providing a shared appreciation agreement to the Northfield HRA instead of the CRCLT retaining it is that the long-term prospects of the CRCLT to continue to manage the homes without having the benefit of the economies of scale of a larger organization are still relevant. Under this method the HRA may, in the future, recover some funds as the market stabilizes and properties sell in the future. I would note that this mechanism does lock in today's land values and does not preclude increased value beyond the value of set in the agreement from inuring to the homeowner, but it could be argued that this potential gain is providing assistance to the low and moderate income persons the CRCLT and the HRA were created to serve. A copy of the shared appreciation agreement is located in Exhibit 9. The land under one home, 605 Bunker Drive, Northfield, was transferred to the Northfield HRA, utilizing this procedure.

This transfer of the land to a CLT homeowner is anticipated to occur in a two stage process whereby the CLT would transfer the land to the Northfield HRA, and the HRA transfers the land to the homeowner, subject to a shared appreciation agreement. However, to accomplish these two major steps there are a series of things that must occur, which are as follows:

1. The Cannon River Community Land Trust transfers its interest in the land to the Northfield Housing and Redevelopment Authority.

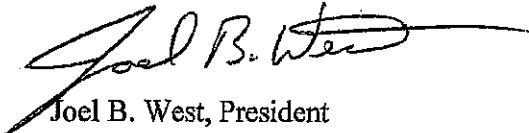
- In order to accomplish item #1, it will be necessary for the CLT homeowner, as the Lessee of the property, to consent to this transfer. This

is a requirement of the ground lease. A draft of the consent to transfer is in Exhibit 10.

- In addition, the Cannon River Community Land Trust will also need to assign its leasehold interest in the property to the Northfield Housing and Redevelopment Authority.
2. The Uniform Community Land Trust Ground Lease Rider, specifically item C, requires that prior to the leases being assigned or terminated there the company holding the mortgage on each of the homes must consent to the assignment or termination of the lease. (Exhibit 8).
- A draft consent to the assignment is contained in Exhibit 10
  - Draft consent to the termination of the lease is contained in Exhibit 11.

The remaining member of the Board, Kris Vohs, and I do not have time as volunteers to complete the dissolution process outlined above, and therefore as provided in the in the Articles of Incorporation, we regretfully leave it to the Minnesota Supreme Court to dispose of the assets of the organization.

Submitted by:



Joel B. West, President  
Cannon River Community Land Trust  
Northfield, MN.