



Community Land Trust Transactions with Impact Funds

Ensuring Accuracy and Compliance

August 14, 2025

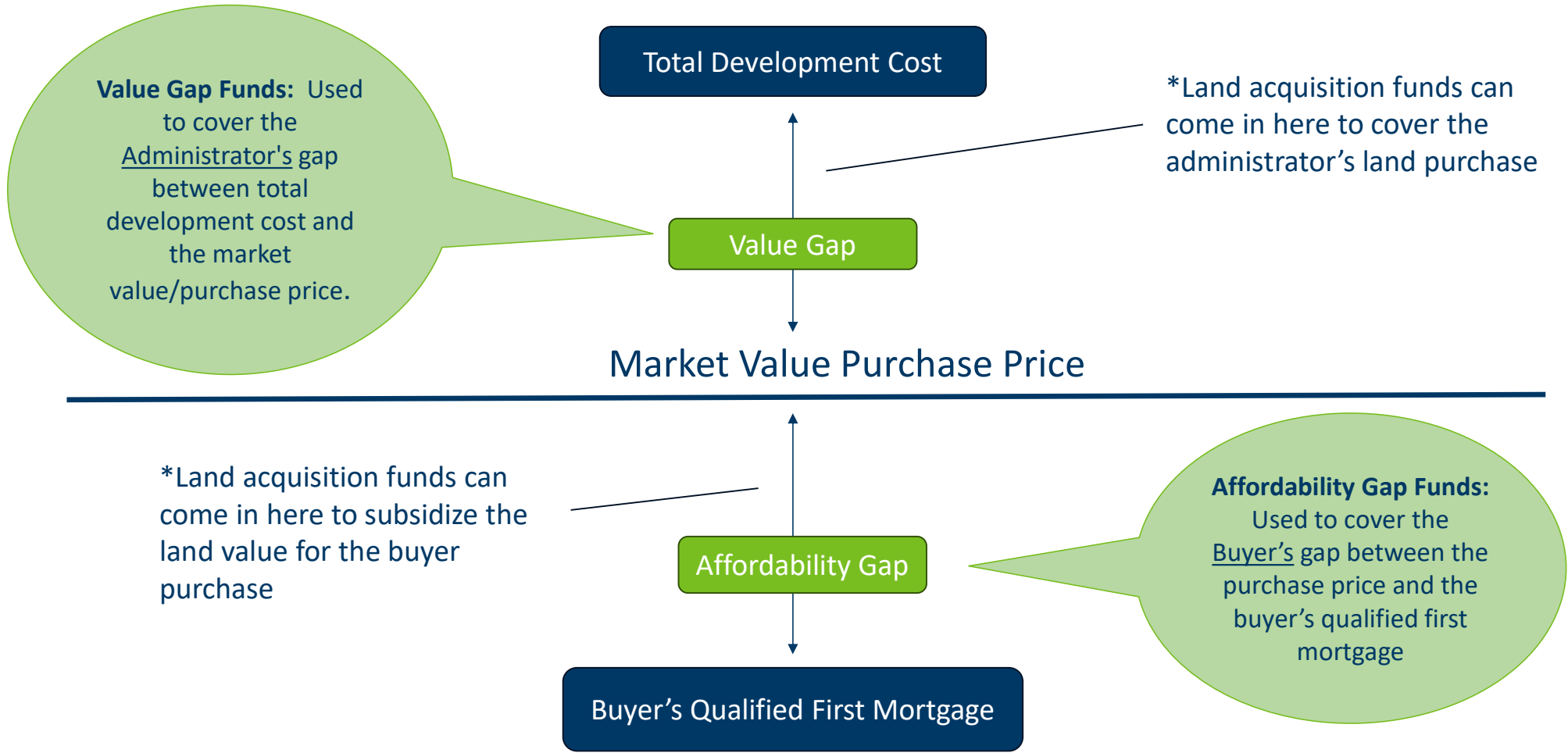
Focus Areas

- Understand the use of value gap, affordability gap and land acquisition funds
- Learn why transaction numbers must align (Closing Disclosure, Purchase Agreement, Land Lease, Household Demographic Form, etc.)
- Learn how to document the need for funds and their appropriate use



Value Gap & Affordability Gap – Two Sides of the Project

- Value Gap = The gap between the Total Development Cost and Market Value Purchase Price
- Affordability Gap = The gap between the Market Value Purchase Price and the Buyer's Qualified First Mortgage



*Land acquisition funds may only be used on one side of the project

Value Gap

Value Gap: The difference between the costs of the property, including acquisition, demolition, rehabilitation, and construction, and the **market value** of the property upon sale. Minn. Stat. 462.33

Value Gap Calculation Method	Documentation of Market Value
Value Gap = Total Development Costs – Market Value (purchase price/appraisal)	Listing Appraisal (land and improvements) to prove market value
Value Gap Land Acquisition = Actual cost of acquiring the land, supported by an appraisal	Land value appraisal
Value Gap with Separate Land Acquisition Funds = Total Development Cost – Market Value – Land Acquisition funds	Listing Appraisal (land and improvements) with land value separate or Listing Appraisal and separate Land Value Appraisal to prove property is being sold at market value and to prove the land value at the time of purchase

Affordability Gap for Long Term Subsidy

Affordability Gap: The difference between the cost of the property and the amount the targeted household can afford for housing, based on industry standards and practices. Minn. Stat. 462.33

CLT Affordability Gap Calculation Method (Long Term Subsidy)	Documentation of Market Value & Subsidy Need
<p>Long Term Subsidy Affordability Gap = Purchase Price (land and improvements) – Qualified First Mortgage</p> <p>Long Term CLT Subsidy = Purchase Price (land and improvements) – Homebuyer Base Price (not including closing costs)</p>	<p>Closing costs cannot be included in long term CLT subsidy.</p> <p>The long-term component of the subsidy is proven through the resale formula (difference between the market value and the homebuyer base price).</p>
<p>Land Acquisition (affordability gap) = Appraised Value of Land</p>	<p>Land appraisal to prove value. Land acquisition funds cannot exceed the land value or CLT Affordability Gap.</p>
<p>CLT Affordability Gap with Separate Land Acquisition Funds = Purchase Price (land and improvements) – Qualified First Mortgage – Land Acquisition Funds</p>	<p>Land appraisal to prove value. Land acquisition funds cannot exceed the land value. Land acquisition funds + Affordability Gap funds cannot exceed CLT Affordability Gap.</p>

Why Documentation Matters

- To prevent fraud, we require documentation showing funds are needed and used for the intended purpose
- Accurate documentation supports disbursement requests, audits, and future funding eligibility.
- Inconsistent or missing proof can result in monitoring findings or repayment of unit subsidy amounts.



$2+2 = ?$

The Math Needs to Math

- All transaction numbers must connect logically
- Number consistency ensures correct use of funds (purchase agreement, closing disclosure, land lease, HHD)
- If a cost was covered by a different funding source, it cannot be included in calculation of funding need
- CLT long term subsidy is documented through the resale formula in the land lease

Example CLT Transaction

In this scenario...

- The Administrator is utilizing Value Gap, Land Acquisition and CLT Affordability Gap
- The Land Acquisition subsidy is being utilized on the Value Gap side
- Buyer paid closing costs are not included in the long-term Affordability Gap subsidy calculation
- Impact Fund Subsidy is clearly outlined
- Closing Disclosure reflects the full purchase price and the CLT subsidy

CLT Value Gap & Land Acquisition Calculation	
Total Development Cost (TDC)	\$400,000.00
Purchase Price (land & improvements)	-\$350,000.00
Calculated Value Gap	\$50,000.00
Impact Fund Land Acquisition	-\$25,000.00
Impact Fund Value Gap	-\$25,000.00
Remaining	\$0.00

CLT Affordability Gap Calculation (Closing Disclosure)	
Purchase Price (land & improvements)	\$350,000.00
Impact Fund Land Acquisition	\$0.00
Impact Fund Affordability Gap	-\$100,000.00
Homebuyer Effective Price	\$250,000.00
Closing Costs	\$10,000.00
Other Funding	-\$10,000.00
Buyer's First Mortgage	-\$250,000.00
Remaining	\$0.00

CLT Resale Formula Numbers (Land Lease)	
Market Value for Resale Formula (land & improvements)	\$350,000.00
Homebuyer Base Price	-\$250,000.00
Difference (Long Term Affordability)	\$100,000.00

Key Take Aways

- The initial resale formula in the land lease should be greater than or equal to the long-term subsidy amount
- The Fair Market Sale Price, including land and improvements, is listed as the purchase price
- Purchase price and subsidies are consistent across your documentation
- HHD reflects the correct appraised value, and the buyer paid closing costs match what is reflected on your closing disclosure
- CLT Administration fees above the contract Admin fee are not eligible for Impact Fund subsidy
- **Purchase Agreement CLT Addendums are required for advanced disbursements to prove the property will be added to the Land Trust**





Thank You!

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