

Land Lease Guide

What Is a Land Lease?

A **land lease** is an agreement where the homeowner owns the house but leases the land it sits on from another party — in this case, **Sussex County Habitat for Humanity (SCHFH)**. This model helps reduce the overall cost of homeownership by removing the cost of land from the purchase price.

How Does It Work?

- SCHFH retains ownership of the land.
- The homeowner signs a long-term lease for the land.
- The lease includes terms that protect affordability, ensure responsible land use, and support community stability.
- The homeowner pays a small monthly lease fee, which may cover land stewardship, administrative costs, and community reinvestment.

Roles and Responsibilities

SCHFH (Landowner)

- **Maintains ownership of the land:** Ensures the land is used in alignment with SCHFH's mission and community goals.
- **Ensures lease terms are fair, transparent, and aligned with Habitat's mission.**
- **Provides stewardship of the land and enforces lease terms:** Monitoring compliance with lease terms and supporting homeowners in understanding their responsibilities.
- **Supports homeowners with education and resources related to the lease:** Provides resources and guidance to help homeowners maintain their property and understand lease obligations.

Homeowner

- **Owns the home and is responsible for its maintenance and improvements.**
 - Keeping the home in good condition, including plumbing, electrical systems, HVAC, roofing, and structural integrity.
 - Addresses the wear and tear, damage, or improvements to the home. Major renovations may require SCHFH's approval.
 - Maintain the yard and landscaping within the boundaries of the leased lot, including mowing, weeding, and trash removal.
 - Manage pest issues within the home and immediate surroundings.
 - Follow local building codes, HOA/ community guidelines (if applicable), and lease terms related to property upkeep.
- **Pays the monthly land lease fee.**
- **Abides by the lease terms, including resale restrictions and occupancy requirements.**
- **Participates in community stewardship and engagement.**

Key Features of the SCHFH Land Lease

SCHFH homeowners lease the land their home is on from SCHFH through a 99-year land lease. The land lease protects the homeowner's privacy, security, and legacy, and also preserves affordable housing.

The land lease is a proven legal document, used for many years nationally, which details the agreements all homeowners make when they purchase a home through the land lease model. It defines your rights and responsibilities as well as SCHFH's. Because it is long and detailed, we provide just the key concepts here. SCHFH homebuyers receive a full copy of the land lease, which they review with an attorney at settlement.

Rights and Responsibilities of Homeowners

With a few exceptions, SCHFH homeowners have full rights and responsibilities for their home and the land beneath it. The lease provides you with a secure right to occupy the land no matter who owns it, as long as you meet the terms of the land lease agreement.

99-year Renewable Term

The 99-year renewable and inheritable lease provides long-term security for the homeowner and their heirs.

Owner Occupancy

The SCHFH homeowner must live in the home. The homeowner cannot become an absentee homeowner or a landlord for that property unless approved by SCHFH.

Remodeling/ Improvements

Homeowners have the right to undertake most (but not all) home improvements without SCHFH's consent. Any renovations that require a building permit or certificate of occupancy require SCHFHs' approval in advance of any work being performed.

Lease Fee

Homeowners pay a modest monthly fee of **\$40 per month** to SCHFH through the escrow of their mortgage payment in exchange for use and enjoyment of the leased land. In exchange, homeowners have full, exclusive and secure use of and access to the land.

Inheritance

Homeowners can leave a legacy to their heirs who are eligible to inherit the home.

Taxes and Assessments

As the owner of the house and leaseholder of the land, homeowners are responsible for the payment of all taxes (if applicable) on both the house and the land.

Maintenance

The homeowner is responsible for all maintenance of the home and the land, just like any other homeowner.

Resale

A central part of the SCHFH homeownership agreement is preserving the affordability of the property for future homeowners. SCHFH uses an appraisal-based resale formula that allows a homeowner to resell their home for the initial purchase price plus a share of the market appreciation on the property. The SCHFH resale formula was developed to balance the interests of the homeowner in building wealth while also preserving affordable homeownership opportunities for future generations. The formula gives homeowners a fair return on their investment while providing long-term affordability for future buyers.

When a homeowner decides to sell their home, they are required to contact SCHFH before listing or beginning the sale process. SCHFH staff will guide the homeowner through the resale requirements and assist them throughout the entire process of selling the home.

By fixing the home seller's percentage share of appreciation, the resale formula achieves SCHFH's primary goals:

1. **Provide homeowners with a fair return on investment, helping them build wealth; and**
2. **Keep homes affordable for future generations in Sussex County.**

SCHFH Resale Formula Examples:

Scenario 1: 10 years of ownership with second mortgage		
Year		
2025		
	\$175,000	First mortgage amount on home
	\$200,000	Purchase price (Appraised value of improvement on leased land)
	87.50%	Portion of improvement paid for by homeowner
2035		
	\$ 325,778.93	Appraised value of improvement on leased land
-	\$200,000	Original Purchase Price
	\$ 125,778.93	Total appreciation
x	25%	Equity sharing based on length of ownership
=	\$ 31,444.73	
x	87.50%	Equity adjustment factor based on portion of improvement paid for by homeowner
=	\$ 27,514.14	Appreciation due to homeowner
+	\$200,000	Purchase price
	\$ 227,514.14	Gross Sales Proceeds to Owner
-	\$ 116,666.67	First mortgage payoff
=	\$ 110,847.47	
-	\$25,000	Second mortgage payoff
=	\$ 85,847.47	Approximate net proceeds to Habitat Homeowner
	\$ 239,931.46	Approximate net proceeds to SCHFH
	<i>*Remember, your remaining mortgage balance and closing costs will be deducted from gross sales proceeds!</i>	
	Shared Appreciation Factor:	
	Months of Ownership * 0.2083% up to 25% cap at 120 months of ownership.	

Scenario 2: 10 years of ownership with no second mortgage		
Year		
2025		
	\$200,000	First mortgage amount on home
	\$200,000	Purchase price (Appraised value of improvement on leased land)
	100.00%	Portion of improvement paid for by homeowner
2035		
	\$ 325,778.93	Appraised value of improvement on leased land
-	\$200,000	Original Purchase Price
	\$ 125,778.93	Total appreciation
x	25%	Equity sharing based on length of ownership
=	\$ 31,444.73	
x	100.00%	Equity adjustment factor based on portion of improvement paid for by homeowner
	\$ 31,444.73	Appreciation due to homeowner
+	\$200,000	Purchase price
	\$ 231,444.73	Gross Sales Proceeds to Owner
-	\$133,333	First mortgage payoff
=	\$ 98,111.73	
-	\$0	Second mortgage payoff
=	\$ 98,111.73	Approximate net proceeds to Habitat Homeowner
	\$ 227,667.19	Approximate net proceeds to SCHFH
		<i>*Remember, your remaining mortgage balance and closing costs will be deducted from gross sales proceeds!</i>
		Shared Appreciation Factor:
		Months of Ownership * 0.2083% up to 25% cap at 120 months of ownership.

Scenario 3: 30 years of ownership with second mortgage		
Year		
2025		
	\$175,000	First mortgage amount on home
	\$200,000	Purchase price (Appraised value of improvement on leased land)
	87.50%	Portion of improvement paid for by homeowner
2055		
	\$ 864,388.48	Appraised value of improvement on leased land
-	\$200,000	Original Purchase Price
	\$ 664,388.48	Total appreciation
x	25%	Equity sharing based on length of ownership
=	\$ 166,097.12	
x	87.50%	Equity adjustment factor based on portion of improvement paid for by homeowner
=	\$ 145,334.98	Appreciation due to homeowner
+	\$200,000	Purchase price
	\$ 345,334.98	Gross Sales Proceeds to Owner
-	\$0	First mortgage payoff
=	\$ 345,334.98	
-	\$25,000	Second mortgage payoff
=	\$ 320,334.98	Approximate net proceeds to Habitat Homeowner
	\$ 544,053.50	Approximate net proceeds to SCHFH
		<i>*Remember, your remaining mortgage balance and closing costs will be deducted from gross sales proceeds!</i>
		Shared Appreciation Factor:
		Months of Ownership * 0.2083% up to 25% cap at 120 months of ownership.

Scenario 4: 30 years of ownership with no second mortgage		
Year		
2025		
	\$200,000	First mortgage amount on home
	\$200,000	Purchase price (Appraised value of improvement on leased land)
	100.00%	Portion of improvement paid for by homeowner
2055		
	\$ 864,388.48	Appraised value of improvement on leased land
-	\$200,000	Original Purchase Price
	\$ 664,388.48	Total appreciation
x	25%	Equity sharing based on length of ownership
=	\$ 166,097.12	
x	100.00%	Equity adjustment factor based on portion of improvement paid for by homeowner
	\$ 166,097.12	Appreciation due to homeowner
+	\$200,000	Purchase price
	\$ 366,097.12	Gross Sales Proceeds to Owner
-	\$0	First mortgage payoff
-	\$0	Second mortgage payoff
=	\$ 366,097.12	Approximate net proceeds to Habitat Homeowner
	\$ 498,291.36	Approximate net proceeds to SCHFH
		<i>*Remember, your remaining mortgage balance and closing costs will be deducted from gross sales proceeds!</i>
		Shared Appreciation Factor:
		Months of Ownership * 0.2083% up to 25% cap at 120 months of ownership.

Comparing Purchase Models

Purchasing a home on the open market means the buyer purchases both the house and the land at full market value, and future resale prices are driven entirely by the real estate market. In contrast, the SCHFH land lease model separates ownership of the home from ownership of the land, reducing the initial cost and making the home more affordable for the buyer. Because the land remains under the long-term SCHFH lease, resale prices follow a preset formula designed to preserve affordability while still allowing the homeowner to build equity. This approach keeps monthly payments lower and ensures that homes remain affordable for future generations in Sussex County.

Example of purchase models:

Area Median Income (family of 4):	2025 \$97,500	
	Traditional Open Market Purchase	SCHFH Land Lease Model
% Area Median Income of Typical Buyer	100%	55% (middle of 30-80% range)
Example income of Target Buyer	\$97,500	\$53,625
Sale Price	\$285,000	\$245,000
Down Payment	\$9,975 (3.5%)	\$0
First Mortgage Amount	\$275,025	\$245,000
Second Mortgage Amount (silent, no payments)	\$0	\$0
Interest rate	6%	0%
Term in years	30	30
Principal and Interest Payment	\$1,648.91	\$680.56
Taxes per month	\$50	\$50
Homeowners Insurance per month	\$50	\$50
Private Mortgage Insurance	\$125	\$0
Land Lease Payment	\$0	\$40
Total Monthly Payment:	\$1,873.91	\$780.56
Cash Requirements to Settle:		
Down Payment	\$9,975	\$0
Closing Costs	\$12,000	\$6000
Total Cash to Purchase:	\$21,975	\$6000
The above examples are general information for illustrative purposes only. The data above should not be interpreted as an offer of credit. Review the specific terms of an offer of credit before making any financial decisions.		
*Traditional SCHFH purchases are often, but not always, mortgaged with 0% interest mortgages. SCHFH traditional purchases will always offer an affordable mortgage for qualified program applicants. Review the specific terms of an offer of credit before making any financial decisions.		

Frequently Asked Questions (FAQs)

Q: Why does SCHFH use a land lease model?

A: SCHFH uses the land lease model to develop permanently affordable homes in Sussex County for residents. In partnership with SCHFH, the prospective homeowner will need to qualify for a mortgage under guidelines established by SCHFH. The process of buying a home is separate from ownership of the land.

Because SCHFH owns the land, we are able to greatly reduce your initial purchase price, which is not included in the price of the home. SCHFH uses volunteer labor to keep the construction costs down. Additionally, SCHFH's affordable mortgage program allows homebuyers to save a great deal of money on their mortgage loan. In short, you pay much less to own your home than you would if you purchased a market rate home.

For many, the land lease model is the first step to homeownership. Later they may move on to market rate homes. For others, land lease homeownership—and the community support that it brings—is the way they want to own a home.

Q: Can I sell my home?

A: Yes, but the resale must follow the terms in your land lease, which include affordability restrictions and a right of first refusal for SCHFH.

The land lease contains a resale provision that ensures that if you sell your house, you must sell to another homebuyer who is qualified under SCHFH's income and eligibility guidelines. You agree to pass the benefit of affordability on to the next homeowner. This is how the property remains affordable to future generations of homebuyers in the community.

Q: What happens if SCHFH sells the land?

A: SCHFH has no intention of selling the land, but even if ownership changes, your lease guarantees your right to live in and enjoy your home. The land lease is a legal agreement that protects your housing stability regardless of who owns the land.

Q: Can I make improvements to my home?

A: Yes, you can make improvements, but major changes may require approval to ensure they comply with lease terms and local regulations.

Q: What does the lease fee cover?

A: It covers land stewardship, administrative costs, and reinvestment into Habitat's mission.

Q: Is the lease renewable?

A: Yes, leases are renewable and designed to last for generations (e.g., 99 years).

Q: Will I be responsible for property taxes?

A: Yes, homeowners are responsible for property taxes on the land and the home.

Q: Will the home be transferable to an heir (another person) that I name in my personal Will?

A: Yes, homeowners can leave a legacy to their heirs who are eligible to inherit the home, however, they must qualify under SCHFH's guidelines to continue to live in the property. If your heirs do not qualify, they are able to sell the home and financially benefit from the sale according to your shared equity agreement with SCHFH.

Q: What is the difference between a SCHFH land lease and a for profit land lease?

A: SCHFH's land lease model is designed to keep homes affordable by charging a modest lease fee and ensuring resale restrictions that benefit future homeowners. In contrast, for-profit land leases often involve higher, escalating fees and fewer protections, prioritizing profit over long-term affordability and homeowner stability.

Q: How much is the land lease fee?

A: SCHFH charges a modest \$40 per month. This amount is included in your monthly mortgage payment.

Q: Will there also be an HOA along with the land lease?

A: If your home is placed in a development that has an HOA, then yes, you will have a separate HOA fee. A land lease alone does not require an HOA. So, it really depends on the location.

Q: Since a home is often a way to build wealth, how can I use my home as a wealth building tool?

A: Because your mortgage is affordable, you can continue saving money or begin investing in your future in other ways. In addition, if and when, you sell your home, you will receive a portion of the proceeds from the sale of the home.

Q: What is SCHFH's shared appreciation model on land lease homes?

A: As you pay down your mortgage, you gain a larger share of ownership in your home. When you sell, SCHFH uses a resale formula that calculates your share of the home's appreciation based on how much equity you've built. This model balances your ability to build wealth with the community's goal of keeping homes affordable for future buyers.

Q: Am I allowed to rent out my home?

A: No, as part of your agreement with SCHFH, you must live in the home and use it as your primary residence. Renting it out is not permitted.

Q: What am I responsible for regarding underground electrical or plumbing lines?

A: As the homeowner, you are responsible for maintaining and repairing all utility lines that serve your home, including underground electrical, plumbing, and sewer connections within your property.

Q: What happens if SCHFH receives a complaint about me or my property?

A: SCHFH does not act as a mediator in disputes between neighbors or between homeowners and their town or community. If the issue involves safety or an emergency, you should contact local authorities. If the complaint relates to a violation of your land lease or SCHFH policies, we may follow up directly to discuss next steps.

Q: Can I be evicted from the land or my home?

A: Eviction is extremely rare and only considered in cases of serious or repeated violations of the lease agreement. As long as you meet your obligations—such as paying your mortgage, lease fee and maintaining your property—you have secure rights to remain in your home.

Q: Will SCHFH be monitoring the condition or maintenance of my property?

A: SCHFH may conduct periodic visual inspections or respond to concerns raised by neighbors or local officials. These checks help ensure homes are safe, well-maintained, and aligned with community standards.

Q: If the town or community issues a citation or warning for my property, who receives it and who is responsible for paying any fines?

A: Citations related to your home or yard will be issued to the homeowner. The homeowner is responsible for addressing the issue and paying any fines. To avoid such violations and fines, we recommend properly maintaining your house per the standards set by your town or community.

Q: What is the difference between a SCHFH land lease and a manufactured home community land lease?

A: When it comes to leased land, many people think of manufactured home communities (mobile home parks). SCHFH's land lease model is different in that homeowners own a traditionally built home and lease the land from a nonprofit organization committed to affordability, stability, and community investment—not profit. The lease is long-term, renewable, and designed to protect the homeowner's rights and housing security.

SCHFH Land Lease Model:
<ul style="list-style-type: none">• Mission-driven and nonprofit: Designed to keep homes affordable for generations.• You own your home and lease the land from SCHFH under a 99-year renewable lease.• Lease fees are modest and stable, not profit-driven.• You build equity as you pay down your mortgage and may share in appreciation when you sell.• Resale restrictions ensure the home stays affordable for future families.• SCHFH provides ongoing support, education, and community investment.

Manufactured Home Community (mobile home park) Land Lease:
<ul style="list-style-type: none">• For-profit model: Lease fees are set by private owners and may increase significantly over time.• You may own the structure (the mobile home), but not the land, and leases are often shorter-term.• Limited equity growth: Mobile homes often depreciate in value.• No resale protections: Homes may be harder to sell, especially if the park has restrictions or rising fees.• Little to no support from the landowner beyond basic property management.

