Community Land Trusts

Hudson Valley Pattern for Progress
From Blight to Bright
November 1, 2019

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Burlington Associates in Community Development LLC
Community Land Trusts in the United States

Alaska

Hawaii

CLT location -
Community Land Trusts

How are they structured?

How Do they work?

Community land trusts tweak the normal process of homebuying...

A new resident buys their house outright...

...but leases the land underneath from the CLT.

Current resident sells their house at a price set by the CLT, earning a portion of the increase in value of their home...

CLT...while the CLT retains the land.

A new resident buys the house at a price that’s been kept affordable...

...and agrees to the same requirements around resale.

The CLT’s geographic focus allows it to not only provide affordable housing, but to play an important role in stabilizing neighborhoods.

As it diversifies its portfolio, the CLT can also own land in trust for permanently affordable rental housing or community-focused commercial developments.

Why CLTs Matter

Although the first community land trust in the US was started in rural Georgia in 1970 by civil rights leaders to help poor black farmers, today, the majority of the country’s nearly 200 community land trusts are today located in urban areas.

CLTs create affordable housing while still allowing low-income residents to build equity as homeowners. Moreover, because the CLT retains ownership of the underlying land, this housing remains permanently affordable, even as the original beneficiaries of an affordable home leave and move on. This long-term, cultivating benefit makes CLTs an especially efficient use of affordable housing subsidies.

By limiting long-term access to affordable housing, CLTs can play an important role in countering the market-driven displacement associated with gentrification. And by stewarding neighborhood land for the public good, not speculative profit, CLTs have played an unusually important role in stabilizing communities by preventing unnecessary foreclosures.

CLTs are typically governed by:

- 1/3 CLT residents
- 1/3 Other community residents
- 1/3 Experts and stakeholders

CLT

Various sources of public and philanthropic capital...

...are used by community land trusts...

...to acquire homes in a geographic focus area.
Shared Equity (CLT) Homes by the Numbers

The median shared equity household accumulates $14,000 in earned equity. (compared to a median initial investment of $1,875)

95% of shared equity homes are priced affordably (under 30% of monthly income) for households earning 80 percent of AMI or below.

7 out of 10 shared equity homeowners are first-time homebuyers.


Over 99% of shared equity homes avoid foreclosure proceedings.

6 out of 10 shared equity homeowners use their earned equity to eventually purchase a traditional market rate home.

Source: Grounded Solutions Network, Lincoln Institute of Land Policy
Community Land Trust

Organization

Ownership

Operation
COMMUNITY

An Innovative Model of Organization

- Nonprofit corporation holding the land
- Membership open to anyone residing within a geographic area
- Balance of interests on the governing board

Board of Directors, Community Land Cooperative of Cincinnati, 1981
Organizational Variations: Grafted onto an Existing Nonprofit

Spin-off

Conversion

Corporate Subsidiary or Internal Program

Clackamas Community Land Trust

Oakland Community Land Trust

Community Land Trust

Community Home Trust

Dudley Street Neighborhood Initiative

Women's Community Revitalization Project

Proyecto de Mujeres para la Revitalizacion Comunal

NEWTOWN Community Development Corporation

Thistle Community Housing

Missoula Community Development Corporation

Habitat for Humanity of So. Santa Barbara County
LAND

An Innovative Model of Ownership

- Community ownership of the land
- Individual ownership of the structural improvements
- Long-term ground lease, balancing the interests of both parties
COMMUNITY LAND TRUSTS: Who Owns What?

Ground lease ties together the **house** and **land**

- Lease is long-term
- Lease is inheritable
- Lease and house are mortgage-able
- Lease is balanced
Why Does a CLT Hold Onto the Land?

- Organization
- Ownership
- Operation
TRUST
An Innovative Model of Operation

- Preserve affordability – preventing displacement and ensuring access to land and housing for low-income and moderate-income people

- Preserve quality – keeping buildings in good repair

- Prevent foreclosures – keeping people in their homes, in good times and bad
The “Three Faces” of STEWARDSHIP

- Preserve' Affordability'
- Preserve' Quality'
- Protect' Security!
Trust = Stewardship

It’s About Plugging the Leaky Bucket

Loss of **affordability** when markets are **HOT**

Erosion of **condition** and **security** when markets are **COLD**
Not Only Loss of **Homes**

Also the Loss of **Neighborhood Stability & Diversity**
“We are the developer that doesn’t go away”

Connie Chavez, Former Executive Director
Sawmill Community Land Trust
"Counter-cyclical stewardship"
During the hot real estate market of 1999-2006, median sales price of market homes increased by 85%. For CHT homes, the price increase from 1999-2006 was 35%.
End of Year Foreclosure Rates Among CLT Homeowners vs. Foreclosures Reported by Mortgage Bankers Association
Success of non-CLT first-time homeowners (Herbert and Belsky, 2008)
Table 12: What Kind of Housing Was Secured by CHT Homeowners After Selling a CHT Home?

- **24%** Rental housing
- **67.4%** Owner-occupied market-rate housing
- **2.9%** Death of homeowner
- **5.7%** Owner-occupied CHT housing
CLTs are part of a continuum that changes the way that housing is owned and operated.
CLTs produce and preserve single-family houses . . .
... but CLTs also do other types & tenures of housing
... and non-residential buildings and uses too
<table>
<thead>
<tr>
<th><strong>Community Land Trust</strong></th>
<th><strong>Municipal Land Bank</strong></th>
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<tbody>
<tr>
<td><strong>Corporate status</strong></td>
<td>Private, not-for-profit corporation</td>
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<td><strong>Enabling act</strong></td>
<td>A state enabling act is usually <strong>not</strong> required to create a CLT. Most CLTs are incorporated under a state’s existing nonprofit statute.</td>
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<td><strong>Board composition</strong></td>
<td>Tripartite board made up of leaseholders, community representatives, and public representatives.</td>
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<tr>
<td><strong>Voting membership</strong></td>
<td>Yes. All leaseholders and any resident of the CLT’s targeted “community” may become a voting member.</td>
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<td><strong>Board selection</strong></td>
<td>2/3 of directors elected by members; 1/3 of directors appointed to seats reserved for “public” representatives.</td>
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<tr>
<td><strong>Acquisition of property</strong></td>
<td>Purchase on open market; private land donations; bargain sales; receipt of “surplus” public property.</td>
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<td><strong>Use of eminent domain</strong></td>
<td><strong>No</strong></td>
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<tr>
<td><strong>Property tax exemption</strong></td>
<td><strong>No</strong></td>
</tr>
<tr>
<td><strong>Duration of ownership</strong></td>
<td>Land is owned by the CLT “forever.” Buildings are sold to private owners as soon as buildings have been constructed or rehabilitated.</td>
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<td><strong>Transfer of property</strong></td>
<td>Buildings are sold to private owners at an affordable price. Title to the underlying land is retained by the CLT. The land is leased to the owners of buildings on the CLT’s lands, using a ground lease that is long-term, inheritable, and mortgage-able.</td>
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<td><strong>Recycling of the public’s investment</strong></td>
<td><strong>Subsidy retention.</strong> Subsidies invested in acquiring and developing lands are locked into the property, lowering the price for future homebuyers (or other occupants).</td>
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<td><strong>Permanent affordability of land and buildings?</strong></td>
<td>Yes. The CLT retains an option to repurchase homes (and other buildings) whenever their owners decide to sell. Homes are repurchased and resold for a formula-determined price that keeps homes affordable forever.</td>
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<td><strong>Permanent responsibility for homes &amp; homeowners?</strong></td>
<td>Yes. The CLT has a right (via the ground lease) to require leaseholders to keep their buildings in good repair. The CLT also has a durable right to intervene in cases of a mortgage default to prevent foreclosure.</td>
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Land banks and land trusts can – and should – work together!

Municipal land banks

Disposition problem

Community land trusts

Acquisition problem

Land banks and land trusts can – and should – work together!