

THE GLOBAL  
URBAN ECONOMIC  
DIALOGUE SERIES

The image features five blue silhouettes of people of various ages and ethnicities holding a large white rectangular sign. The sign is tilted slightly to the right. The text on the sign is in bold, with 'COMMUNITY' in black and 'LAND TRUSTS' in blue. Below this, in smaller black capital letters, is the phrase 'AFFORDABLE ACCESS TO LAND AND HOUSING'.

# COMMUNITY LAND TRUSTS

AFFORDABLE ACCESS TO LAND AND HOUSING

**UN**  **HABITAT**  
FOR A BETTER URBAN FUTURE

# **THE COMMUNITY LAND TRUSTS**

**AFFORDABLE ACCESS TO LAND AND HOUSING**

United Nations Human Settlements Programme  
Nairobi 2012

**UN  HABITAT**

## **The Global Urban Economic Dialogue Series**

Community Land Trusts: Affordable Access to Land and Housing

First published in Nairobi in 2012 by UN-HABITAT.

Copyright © United Nations Human Settlements Programme 2012

All rights reserved

United Nations Human Settlements Programme (UN-HABITAT)

P. O. Box 30030, 00100 Nairobi GPO KENYA

Tel: 254-020-7623120 (Central Office)

[www.unhabitat.org](http://www.unhabitat.org)

HS/006/12E

ISBN (Series): 978-92-1-132027-5

ISBN (Volume): 978-92-1-132367-2

## **Disclaimer**

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers of boundaries.

Views expressed in this publication do not necessarily reflect those of the United Nations Human Settlements Programme, the United Nations, or its Member States.

Excerpts may be reproduced without authorization, on condition that the source is indicated.

Cover design © Andrew Ondoo

## **Acknowledgements:**

Director:	Naison Mutizwa-Mangiza
Chief Editor and Manager:	Xing Quan Zhang
Principal Author:	David Harper
English Editor:	Roman Rollnick
Design and Layout:	Andrew Ondoo

---

## FOREWORD



Urbanization is one of the most powerful, irreversible forces in the world. It is estimated that 93 percent of the future urban population growth will occur in the cities of Asia and

Africa, and to a lesser extent, Latin America and the Caribbean.

We live in a new urban era with most of humanity now living in towns and cities.

Global poverty is moving into cities, mostly in developing countries, in a process we call the *urbanisation of poverty*.

The world's slums are growing and growing as are the global urban populations. Indeed, this is one of the greatest challenges we face in the new millennium.

The persistent problems of poverty and slums are in large part due to weak urban economies. Urban economic development is fundamental to UN-HABITAT's mandate. Cities act as engines of national economic development. Strong urban economies are essential for poverty reduction and the provision of adequate housing, infrastructure, education, health, safety, and basic services.

*The Global Urban Economic Dialogue series* presented here is a platform for all sectors of the society to address urban economic development and particularly its contribution to addressing housing issues. This work carries many new ideas, solutions and innovative best practices from some of the world's leading urban thinkers and practitioners from international organisations, national governments, local authorities, the private sector, and civil society.

This series also gives us an interesting insight and deeper understanding of the wide range of urban economic development and human settlements development issues. It will serve UN member States well in their quest for better policies and strategies to address increasing global challenges in these areas

A handwritten signature in black ink, appearing to read 'Joan Clos', with a long, sweeping underline.

**Joan Clos**

Under-Secretary-General, United Nations  
Executive Director, UN-HABITAT

---

# TABLE OF CONTENTS

<b>FOREWORD</b>	<b>III</b>
<b>TABLE OF CONTENTS</b>	<b>IV</b>
<b>INTRODUCTION</b>	<b>1</b>
<b>CHAPTER 1 THE CONCEPT OF COMMUNITY LAND TRUSTS</b>	<b>4</b>
Definition	4
Philosophy	5
Purpose	5
The history and development of Community Land Trusts	7
The First Community Land Trust	7
<b>CHAPTER 2 HISTORY</b>	<b>7</b>
Strategic Business Plan	9
<b>CHAPTER 3 THE PROCEDURE OF FORMING A COMMUNITY LAND TRUST</b>	<b>9</b>
Why start a CLT??	10
Organizational Choices	11
Sponsorship	11
Service Area and Target Population	11
Development Strategy and Development Type	11
Incorporation	12
Governance	12
Identifying Projects and Partners	12
Funding and Acquisition Opportunities	12
<b>CHAPTER 4 CHARACTERISTICS OF A COMMUNITY LAND TRUST</b>	<b>14</b>
<b>CHAPTER 5 THE STRUCTURE OF A COMMUNITY LAND TRUST</b>	<b>16</b>
Incorporation	16
Articles of Incorporation and By-Laws	16
Mission Statement	16
Board	17
Staff and/or volunteers	17
Membership	17
National Community Land Trust Network	17
Regional Coalitions	19
<b>CHAPTER 6 THE OPERATION AND MANAGEMENT OF A COMMUNITY LAND TRUST</b>	<b>20</b>
Community Outreach and Marketing	20
Land Acquisition and Leasing	21
Acquisition, Renovation, and Development of Buildings	22
Sale and/or Leasing of Buildings	22
Long-term Stewardship of Land and Buildings	25

CHAPTER 7	<b>THE FINANCING OF A COMMUNITY LAND TRUST</b>	<b>26</b>
	Start-up and Operating Costs	26
	Acquisition and Stewardship Costs	27
	CDBG, HOME, and NSP	27
	Low Income Housing Tax Credits	27
	Federal Home Loan Bank – Affordable Housing Program	28
	Banks and Other Lenders	28
	State Housing Finance Agencies	28
	Revolving Loan Fund	28
	Housing Trust Funds	28
	Donated Real Estate	28
	Municipally Mandated Donations by Private Developers	29
	Pension Funds	29
	Private Foundations	29
	Development Fees	29
	Resale Fees (Lease Transfer Fee)	29
	Rental, Lease, and Maintenance Fees	29
	Sample Calculation of Annual CLT Income	30
	Benefits of Non-profit Status	31
CHAPTER 8	<b>INCENTIVES TO FORMING A COMMUNITY LAND TRUST</b>	<b>31</b>
	Incentives for Municipal Governments	32
	Shifts in Federal Housing Policy and Growth in the CLT Movement	33
	Context: US Public Housing Policy in the 20th Century	33
CHAPTER 9	<b>THE CONTRIBUTION OF COMMUNITY LAND TRUSTS TO AFFORDABLE HOUSING</b>	<b>33</b>
	Community Development Block Grants (CDBG)	34
	HOPE VI and HOME	34
	Housing Trust Funds	34
	Inclusionary Zoning	35
CHAPTER 10	<b>THE CONTRIBUTION OF COMMUNITY LAND TRUSTS TO COMMUNITY DEVELOPMENT</b>	<b>36</b>
CHAPTER 11	<b>SUCCESSFUL EXAMPLES OF COMMUNITY LAND TRUSTS IN THE UNITED STATES</b>	<b>38</b>
	Successful CLT Examples in England and Scotland	38
	Stonesfield Community Trust	38
	Isle of Ghiga Heritage Trust	38
CHAPTER 12	<b>LESSONS AND CONCLUSIONS OF COMMUNITY LAND TRUSTS</b>	<b>44</b>
	<b>COMMUNITY LAND TRUST RESOURCES</b>	<b>44</b>
APPENDIX I	<b>REGIONAL COMMUNITY LAND TRUST COALITIONS</b>	<b>46</b>
	Northwest CLT Coalition ( <a href="http://www.nwcltc.org">www.nwcltc.org</a> )	46
	Minnesota CLT Coalition ( <a href="http://www.mncltc.org">www.mncltc.org</a> )	46



# INTRODUCTION

A new system of fair, affordable allocation of land and housing has been developing in the United States (U.S.) over the last 50 years. The federal government has spent more than

\$1 trillion on housing programs during that same period to address a chronic problem of housing affordability, yet it continues to show a legacy of marginal success or outright failure to provide decent housing for those in greatest need. In this relatively affluent society, more than 15 million American households spend more than half of their income on housing – almost half of whom are homeowners -- severely limiting their ability to meet other basic needs. (Schwartz, 2006) Median incomes in the U.S. have not kept pace with median housing prices.

*It has become clear that new solutions are needed to move beyond this legacy. The Community Land Trust is fast emerging as an exciting strategy for lower income communities to gain control of the development process and promote healthful, affordable living environments in urban or rural areas.*

The Community Land Trust (CLT) concept is rooted in the understanding that the cost of land, driven by a combination of societal demand and investor expectations of profit, is a significant factor in determining the ability of individuals and communities to thrive. A popular American saying, “the three most important things to know about real estate are: location, location, location,” acknowledges these forces as they manifest in specific real estate markets. Speculative real estate market eventually erodes public funding subsidies for affordable housing.

By removing the cost of land from the equation, and providing safe, affordable access to housing and land for thousands of Americans, CLT’s are demonstrating that societal demand should take precedence over individual profit or misguided government subsidies.

In its most basic form, the Community Land Trust is a community-based, non-governmental organization (NGO) with non-profit tax-exempt status, chartered to own land in a given community so that low-income or middle-income local residents can afford to own or rent decent housing, establish small businesses, practice sustainable agriculture or forestry, or other ecologically-sound uses of the land *without having to own the land or pay an unreasonable rent for the land*. In place of owning land, residents enter into an affordable, long-term (often 99-year) land lease with the CLT which can be renewed, or passed on to their heirs. A land stewardship plan administered by the CLT governs the overall use of the land for the long term, no matter who owns the homes or businesses. The CLT ensures that the housing remains affordable for future buyers through a mutually-agreed upon limit on resale value, and through the option to purchase the housing from the seller.

The Community Land Trust model has its roots in the land tenure systems of indigenous cultures and land reform movements around the world, and has great potential for application in communities everywhere – particularly communities which are determined to offer their residents affordable, secure land tenure for housing, agriculture, forestry, and other sustainable land uses so

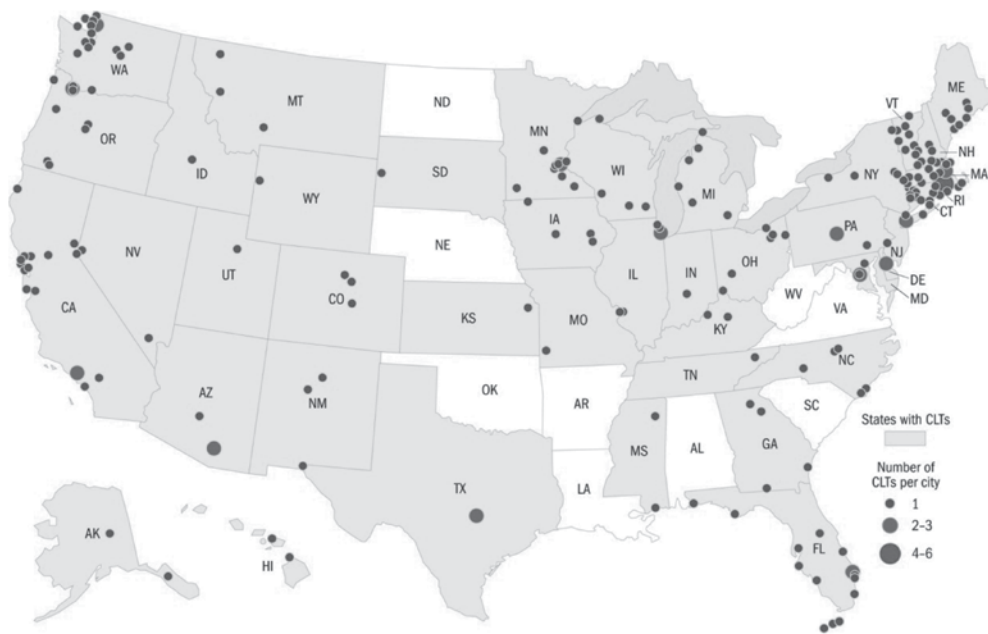


that they may prosper as part of a sustainable, local economy.

The Community Land Trust movement is emerging across the U.S. from a growing network of grassroots, community-based NGO's, and has focused on nothing less than addressing the root causes of the land and housing problem. The growing strength of this system is represented by the newly-formed National Community Land Trust Network ([www.cltnetwork.org](http://www.cltnetwork.org)), with over 200 members serving urban, to suburban, to rural communities across the US. Most recently,

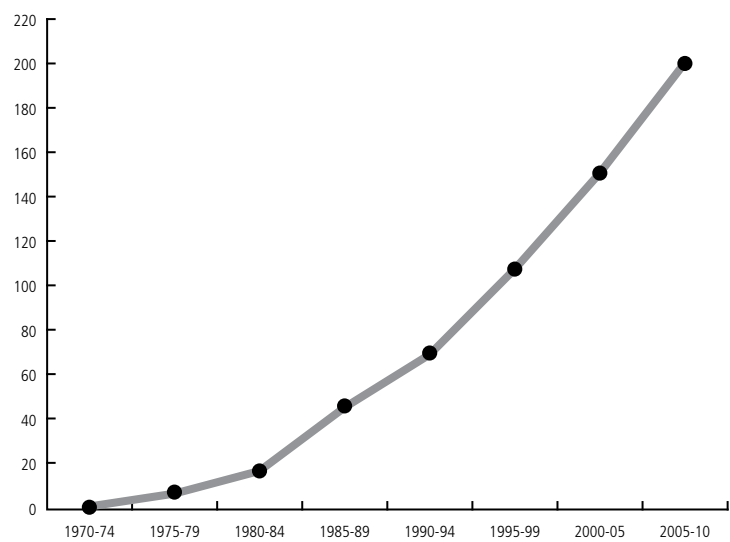
CLT acquisition of foreclosed properties have been recommended as a strategy to stabilize the current housing market by groups such as the Lincoln Institute for Land Policy ([www.lincolninist.edu](http://www.lincolninist.edu))

This report provides an overview of the CLT model, starting with the concept and its history and origins, and serves as a how-to guide for forming, financing, operating, and managing a CLT. Finally, a series of case studies is offered, representing a diverse sampling of successful CLT's providing equitable living arrangements in communities across the U.S.



*A nationwide network of CLT's includes concentrations in urban areas of the northeastern and northwestern U.S., as well as rural areas where poverty or artificially inflated real estate markets price average residents out of decent housing. (National CLT Network)*

FIG 1.1: **Community Land Trusts in the United States 1970- 2008**



*The rapid growth over the last 40 years shows no signs of slowing. (National CLT Network)*

## CHAPTER 1 THE CONCEPT OF COMMUNITY LAND TRUSTS

### Definition

The definition of a Community Land Trust (CLT) and the philosophy of its creators and advocates can be found within the three words that make up its name.

**Community** – a CLT serves the common good, including the residents living in a given community or region and the entire present and future human population on Earth.

**Land** – a CLT is a form of common land ownership, wherein land is considered to be a common inheritance (a commonwealth), and only structures and other improvements resulting from human effort are viewed as private property

**Trust** – a CLT holds land in trust for the community, reflecting the understanding that the land and all of its natural resources and are not the result of human effort and, therefore, cannot be owned as property. The land and its resources are finite, and require careful stewardship as human demands continue to grow. In Native American tradition, “Land of the People” means that the land doesn’t belong to us – we belong to the land.

Several of the leading CLT support organizations have created their own definitions, reflecting somewhat different views about the ultimate role and function of CLT’s.

*“A Community Land Trust is a form of common land ownership with a charter based on the principles of sustainable and ecologically-sound land stewardship and use.”*

(E.F. Schumacher Society, 2008)

*“A Community Land Trust is a non-profit organization formed to hold title to land to preserve its long-term availability for affordable housing and other community uses.”*

(Lincoln Institute of Land Policy, 2008)

*“A community land trust (CLT) is a private non-profit community organization that safeguards land in order to provide affordable housing opportunities.”*

(National Community Land Trust Network, 2008)

*“A Community Land Trust is a mechanism for the democratic ownership of land by the local community. Land is taken out of the market and separated from its productive use so that the impact of land appreciation is removed, thereby enabling long-term affordable and sustainable local development.”*

(Community Land Trust website, England, 2008)

The School of Living, an organization noted as a co-founder of the CLT movement (through its founder, Ralph Borsodi), stresses that the CLT concept is not focused on “land reform” in the traditional sense of redistributing wealth by redistributing land so that each person has an equal amount of equally good land. Rather, it emphasizes that *each person should be entitled to a fair share of the return on land and its resources*. Land and its resources are a major component in the creation of wealth. The major disparity between the rich and the poor has its roots in the private accumulation of land resources, which has given a few the bulk of the economic advantage from its use and impoverished many. (School of Living, 2008)

## Philosophy

The philosophy behind the CLT model – that all people have the right to a safe, decent living environment and housing -- is perhaps best expressed by the 19<sup>th</sup> century American economist Henry George, who was well recognized in his day as an advocate of a single tax system based on land ownership. As George explained it, if we need land to sustain life with basic needs such as food, water, and shelter, then the private ownership of the majority of all land on Earth can be considered an injustice. It follows, then, that the CLT can be understood as an attempt to reclaim collective ownership of the soil, and, in so doing, reducing the unfair, artificially-inflated cost of accessing land for basic needs.

Cultures throughout the world have historically acknowledged that the Earth is a sacred gift, a universal inheritance which was not created by humans, yet which is essential to the survival of all humans. In this view, the inheritance of the Earth must be fairly shared -- any grant to an individual is being borrowed from all living beings. If individuals or companies are permitted to speculate and profit on increased value in land, this siphons off the value that accrues from planning and community development.

The CLT movement pursues a just distribution of land by offering home ownership and land access opportunities to those who would otherwise be unable to afford them. The ground lease itself provides the restoring force to maintain the just distribution, and affordability is guaranteed for future generations by rules on resale prices and eligibility of buyers.

Community ownership of land, through the CLT, defends both the individual and the community from the threat of the loss of land.

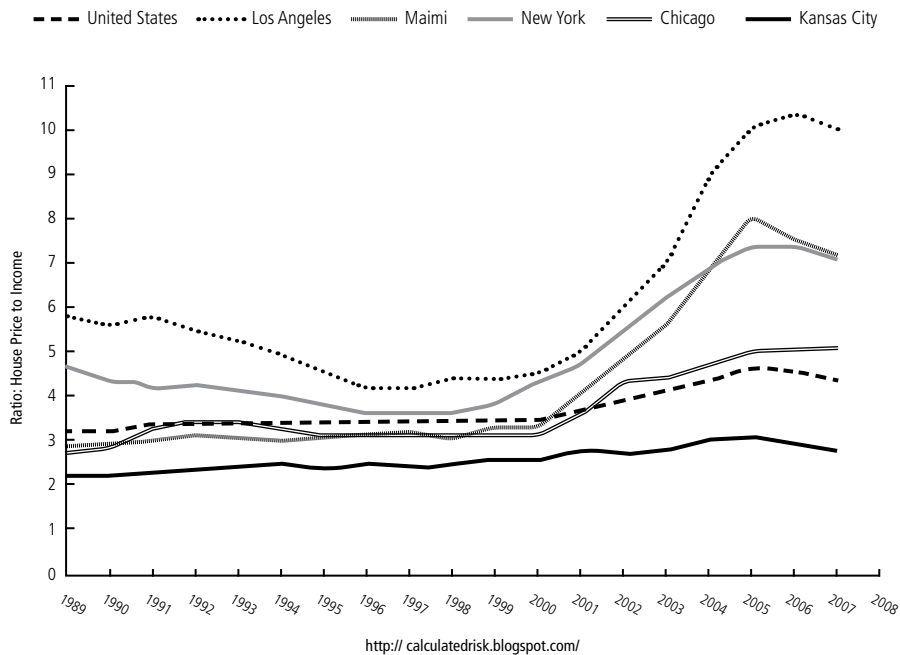
The CLT is a modern, practical, efficient approach to affordable housing development, using a model of privately owned homes and community stewardship of land. It simultaneously serves the interests of individuals and community; buyers and sellers; government, workers, businesses; and neighbors. (Lindsay, 2001)

## Purpose

The purposes of a Community Land Trust are to provide access to land and housing to people who are otherwise denied access; to increase long-term community control of neighborhood resources; to empower residents through involvement and participation in the organization; and to preserve the affordability of housing permanently. (National CLT Network, 2008)

CLT's are set up to remove land from the speculative real estate market and manage it for the common good. In doing so, they capture socially-created real estate gains for the benefit of the larger community. Through the use of a ground lease, CLT's define the rights and responsibilities of the individual as owner of the structures, and the community as owners of the land (Lindsay, 2001)

FIG 1.2: Median House/ median Household Income (Source: Havard JCHS)



2008 Ratios of Housing Costs to Income

The cost of land in many communities has far outpaced incomes. New York City and Los Angeles, the first and second largest cities in the U.S., respectively, have median house prices that are between 7 and 10 times higher than median household incomes. The national average is closer to a 4:1 ratio. These escalating values demonstrate the effect of increased demand for limited land in specific locations. The past century has seen these ratios increase, as the industrial era has generated vast populations and placed increasing demands on a limited land base. The current U.S. credit crisis is tied to the large amounts of mortgages and debt needed to finance housing costs which are out of proportion to incomes.

The world population and U.S. population in 2007 shifted from predominantly rural to predominantly urban. The fact that over 50% of the population of 6.7 billion people are living on less than 10 % of the land points to the need for new models for achieving sustainable use of land as a cornerstone of a healthy economy, and to reduce chronic levels of urban and rural poverty. Community Land Trusts offer an approach to land tenure that supports sustainable land use and equitable distribution of resources.

## CHAPTER 2 HISTORY

### The history and development of Community Land Trusts

The Community Land Trust (CLT) is a recent innovation that has grown in the United States from ancient roots in the earliest human cultures around the world, who understood the land as a commonwealth, and who created shelter where and when it was needed. It is a response to the treatment of land as private property -- a relatively modern concept brought about by the use of military force to concentrate power and wealth.

Earlier 19<sup>th</sup> and 20<sup>th</sup> century examples of land held “in trust” formed the basis of the CLT model we know today. Many of these examples shared a connection to Henry George, the 19<sup>th</sup> century economist who achieved great notoriety for his writings on the connections between widespread poverty and concentrated control of land and natural resources, and his advocacy for a single land tax. These included:

- the Garden Cities in England, the single tax communities of Arden, Delaware and the Amana Colonies in the United States.
- The School of Living “homestead” communities founded by Ralph Borsodi in the 1930’s captured the philosophy of common land ownership inherent in the CLT model.
- The Gramdan villages in India, established by Vinoba Bhave during the 1950’s following Ghandi’s death illustrated a new system for redistribution of land from a private commodity for concentrating wealth to a community asset available to

those who previously had no land access and no land security on which to build their lives.

- The Moshav communities and Jewish National Fund in Israel also demonstrate a community-based alternative to private property and government land.
- Celo, a Quaker community established in 1937 by Arthur Morgan in the Blue Ridge Mountains of western North Carolina was an early example of commonly owned land and considered by some to be the earliest example of a CLT, though not by the current definition.

These early examples of community based land tenure had a major influence on Robert Swann and Ralph Borsodi in their development of the CLT model through the Institute for Community Economics, but they do not meet the criteria accepted today for defining a CLT – a tripartite board, nonprofit status, land held separate from buildings, and a long term ground lease that is inheritable, transferrable, and renewable.

### The First Community Land Trust

Robert Swann, a community activist inspired by the work of Ralph Borsodi, formed the first nonprofit Community Land Trust in 1967 with Slater King, cousin of Dr. Martin Luther King, Jr. After being arrested together on a civil rights march in Albany, Georgia, Swann and King decided that land was a key factor in empowering African Americans in the impoverished rural south. They formed New

Communities Farm on 5,000 acres of farmland near Albany, as a place where black families, many of whom were descendants of slaves and sharecroppers, could affordably access farmland, build farmhouses and barns, and produce crops for local and regional markets. This project came at the height of the Civil Rights Movement, when black farmers faced great obstacles in securing land and financing. Swann and others went on to found the E.F. Schumacher Society in 1980 on CLT land in Great Barrington, Massachusetts, one of the strongest champions for the Community Land Trust model.

New Communities, Inc. is generally considered to be the first community land trust to embody the characteristics that are widely accepted, and to be labeled “community land trust” The organization was self described as having a mission “to hold land in perpetual trust for the permanent use of rural communities.” Robert Swann is generally considered to have developed these characteristics. He developed these ideas in part through his collaborative work with Ralph Borsodi in the International Independence Institute(III), which was renamed the Institute for Community Economics (ICE) in 1972. III was formed to promote economic development in rural communities around the world by offering training and technical assistance.

Today, the missions of both the School of Living and the E.F. Schumacher Society center around educating others about the value of Community Land Trusts through their websites, publications, and events. Both groups provide free, how-to handbooks and legal documents for groups and individuals interested in forming and managing CLT’s. Since 2005, the National Community Land Trust Network ([www.cltnetwork.org](http://www.cltnetwork.org)) has served as an umbrella organization for the CLT movement, which has grown to include nearly 200 community land trusts following a well-established legal framework for owning land as a commons. While many of these CLT’s are devoted to providing affordable housing in urban neighborhoods, an increasing number include community gardens and greenways, and larger open spaces in semi-rural or rural areas.

The oldest CLTs tend to be those in more rural locations, such as the Woodland CLT, which includes 25 affordable homes on 450 acres of mountain woodlands and valleys in the Appalachian coal fields of eastern Tennessee. Woodland was formed in 1978 to provide affordable land access and land security for rural populations affected by strip mining and rural poverty. The oldest urban CLT devoted to affordable housing is considered to be the Burlington Community Land Trust (now the Champlain Housing Trust), formed in 1984 to address housing needs in Burlington, Vermont.

## CHAPTER 3 THE PROCEDURE OF FORMING A COMMUNITY LAND TRUST

Forming a Community Land Trust requires careful analysis and forethought by those groups or individuals deciding to take this step.

As with most start-up non-profit organizations, one of the fundamental steps in this procedure is to first consider if a new organization is necessary – or if another organization or partnership of organizations can fulfill this role in the community. For example, if the community already has strong affordable housing organizations and community development corporations – can these entities fulfill the role of a CLT without having to start a separate non-profit organization? Would they start a CLT as a joint-program of both organizations? The answer may depend on how willing these organizations are to expand their programs into owning more land and structures. Is there already a CLT operating in the area and, if so, how would forming another CLT benefit the community?

### Strategic Business Plan

Preparing a strategic business plan is a valuable first step in outlining the procedure of forming a CLT. This can help the founders to prepare a strategy for how to move forward, and will provide a valuable document for marketing, fundraising, and presenting to investors and lenders. Such a plan can include:

- Assess and document the problem with affordability of land and housing in their community. What statistics can be compiled regarding trends in land and

housing prices, rents, and ownership and demographics in specific neighborhoods that the CLT will serve?

- Identify the need for a CLT. Do these statistics establish a solid case for forming a CLT to open up opportunities for those otherwise limited by the trends in the real estate market, or otherwise shout out from access to decent, secure, affordable housing. Can a CLT fill a niche that is not being filled in the community?
- Establish short-term and long-term goals and objectives for the CLT. What do the founders of the CLT hope to achieve in years 1 – 5, what specific tasks are necessary to achieve these goals, and who will perform these tasks? The same can be estimated for years 5 – 10.
- Assess potential projects for the CLT to begin working on. Are there specific tracts of land and/or structures in the community which present opportunities for strategic acquisition to advance the mission of the CLT?
- Assess potential and partners that the CLT can work with to achieve its goals. Are there non-profit housing organizations, community development corporations, and government agencies who share a commitment to supporting the community? Can their missions, programs, and skills complement those of the CLT on specific projects?
- Outline organizational details and management procedures for how the CLT will operate. Will the CLT incorporate as a non-profit organization or another



type of entity? Will it have a board and a staff or volunteers? How will the board make decisions (this provides the initial draft for the By-Laws). How will the CLT raise funds, manage projects, publicize its work, partner with homeowners and other leaseholders, and uphold its obligations for long-term stewardship of land and structures.

- Prepare an initial operating budget and identify potential funding sources and financing strategies for the CLT.

## Why start a CLT??

Before starting a CLT, it is important for the potential founding members to be clear on why they feel this type of organization is necessary in their community. CLT's can be started for different reasons in different communities, depending on the land use and real estate challenges they are facing. But the root causes -- the inequities in the ownership of land that lead to inequities in the distribution of wealth -- are the same wherever CLT's are needed. All communities where CLT's exist recognize that just producing affordable housing isn't sufficient -- they need some way to control the cost and condition of housing over a long period of time, as successive owners move out and new owners move in. This requires an organization with a commitment to both stewardship of land and housing, and preserving the original subsidy investment to create affordable housing.

Some of the reasons that CLT's are formed include:

Low income communities that are suffering from *disinvestment*. A CLT can be a critical strategy for sustaining owner-occupancy of homes and preventing a return to absentee ownership (slumlords). This demonstrates the central principle of stewardship.

- Local governments that are seeking alternatives to public housing programs -- alternatives that provide more permanent ways of preserving the value of housing subsidies and to continue the ongoing role of stewardship of land and housing through successive residents.
- Communities where *gentrification* is a problem and property values are pricing local residents out of their own neighborhoods. A CLT can be an important tool for maintaining decent, affordable housing stock by limiting resale prices. This demonstrates the central principle of preserving subsidies.
- Communities where the *high cost of farmland* or community garden space inhibits the ability of new farmers to grow food for the community. A CLT can be a valuable approach for community-supported agriculture, allowing the farmers to own the farm buildings and build the soil and their equity without having to purchase the land.
- Communities struggling to *regain control of corporate-owned forests*. A CLT can offer a unique ownership model so that community forests can be managed for sustainable harvesting of timber, and development of alternative, community-owned energy strategies such as wind power.
- Communities where residents are seeking to avoid being displaced for development projects. CLT's (at least in one instance) can be used to acquire property (including structures) as a strategic move. The San Francisco Community Land Trust recently acquired an apartment building for this purpose.
- Communities seeking to rebuild in an equitable manner from natural or man-made disasters. The North Gulfport CLT on the Gulf Coast of Mississippi was

formed following Hurricane Katrina to address affordable housing needs in the process of rebuilding the community.

## Organizational Choices

The decision to form a CLT is often followed by a series of questions that help to shape the organization. Who will form the CLT? Will it be free-standing or sponsored by an existing organization? How will it be governed? How large will the service area be? What is the development strategy, and what type of structures will be developed? (National CLT Network, 2008)

### Sponsorship

While CLT's may be formed by informal groups of community activists and concerned citizens, many CLT's have been formed or sponsored by existing groups or partnerships, including: Neighborhood Associations, religious coalitions, Community Development Corporations (CDC's). An increasing number of municipal governments are forming CLT's as a progressive strategy for addressing affordable housing needs that cannot be met solely with public housing programs.

The City of Chicago, Illinois is perhaps the largest example of a municipal government forming a public CLT. This is notable, since Chicago has been the location of Cabrini Green and the Robert Taylor Homes, two of the most notorious examples of large, failed high-rise public housing projects which have been demolished.

The National CLT Network offers a series of decision making tools to consider the positive and negative aspects of various options for starting a CLT (non-profit vs. government, existing programs vs. new organization).

## Service Area and Target Population

Who will the CLT serve, and in what area? Founders of a Community Land Trust must consider what geographic area and community they envision serving. CLT's can serve individual neighborhoods, entire cities, counties, metropolitan regions, or states. This is an important consideration for determining the focus of the organization, who its constituents and partners are, and how its board will be structured. Within the designated service area, populations to be served may include those below a certain income threshold (i.e. 80% of the regional median income or less). Some CLT's focus on serving the needs of a regional workforce, particularly in communities such as resort towns where those with basic, but essential jobs may be priced out of the real estate market.

## Development Strategy and Development Type

CLT's must consider how they will function with regard to the provision of affordable housing for local residents.

Basic CLT's will focus on the acquisition, stewardship and leasing of land, while leaving the responsibility of developing and maintaining housing to other organizations or individuals. Partnerships with affordable housing associations or community development councils are common.

The large majority of CLT's, however, are organized essentially as "affordable housing trusts", and will oversee the development, sale or rental, and maintenance of housing units to buyers or renters who will lease the land from the CLT. CLT's often work with housing contractors to construct new housing or restore existing structures.

In some cases, the CLT will continue to own and manage structures as rental properties. A buyer may also initiate a CLT project after purchasing a house and lot then selling or donating the land to the CLT. In most cases, CLT's retain the right to repurchase structures that are proposed for sale, both as a means of reducing speculative increases in sale prices and ensuring that future buyers meet the thresholds for income.

The type of development a CLT pursues (or that leaseholders pursue on CLT land) varies depending on the affordable housing needs of the community. Single family detached houses are common in cases where CLT's are buying and refurbishing existing housing stock. Often, when new affordable housing units are constructed in urban areas, there are "multi-family" attached units. Cohousing neighborhoods are increasingly popular with CLT's, and may include shared common structures such as dining halls, laundry and day care facilities. Some CLT's in urban areas own larger apartment houses and maintain a number of affordable rental units for lower income tenants who may not be ready to purchase a home. Still others have added mixed-use structures with some commercial space and some residential space. Some of the more established CLT's maintain a diverse portfolio of properties including various combinations of structures and tenure options.

### **Incorporation**

The decision to establish a non-profit organization requires that actions be taken to incorporate the CLT in the state in which it is located, and to file for tax exempt status with the U.S. Internal Revenue Service and the state government. These filings generally require that the CLT has prepared its "Articles of Incorporation", which will specifically state the mission and purpose of the organization. This is a key statement in determining the tax exempt (and therefore charitable) status of the CLT – most are organized for the purpose of

serving the public good through the provision of affordable housing. Some may be for educational purposes, and others may be for affordable access to land for community use. The By-Laws must also be developed and filed, and these will generally outline the operational procedures that the CLT will follow as it does business.

### **Governance**

Forming a board is an essential step in organizing a CLT. Key considerations for board formation include the number of members, the diversity of skills and experience they bring, and their affiliations. These will be discussed in more detail in Chapter Five.

### **Identifying Projects and Partners**

Most CLT's form because of a certain tract of land or a specific community concern. Since CLT's are typically focused on securing land and housing in a given area, it is important to have a sense of what types of sites the CLT will be looking to acquire, and what organizations will make the most compatible partners for working to acquire, develop, and steward the land and structures.

### **Funding and Acquisition Opportunities**

Raising funds to purchase real estate in expensive markets, or to purchase significant tracts of land in less expensive markets, can be a daunting task for a new CLT.

Fortunately, it is still true that individuals and organizations will give land away (with or without structures) to specific charitable organizations. CLT's are ideally suited for land gifts, and should stress this as a preferred strategy for acquiring property. CLT's such as the School of Living have acquired all of their land through gifts.

CLT's must also consider how to best raise funds to finance acquisition of property, hiring staff, and general operating expenses. Seeking gifts of seed money from donors and foundations can be an important alternative to loans with interest payments. These can be of mutual benefit if private donors are seeking to make charitable gifts for income tax deductions. A wide variety of grant making foundations are attracted to the CLT model as an alternative, community-based strategy for promoting affordability.

Some of the best examples of creative financing for property acquisition include multiple sources – private donations, grants, low-interest loans, and matching funds contributed through partners such as city governments.

## CHAPTER 4 CHARACTERISTICS OF A COMMUNITY LAND TRUST

Perhaps the most accurate overview of CLT characteristics can be found in the publication, “Key Features of the “Classic” Community Land Trust”, available from the CLT Resource Center, Burlington Associates ([www.burlingtonassociates.com](http://www.burlingtonassociates.com)). The following ten key features are commonly found in most CLT’s:

- 1) **Nonprofit, Tax-exempt Corporation** – a CLT is an independent, non-governmental organization (NGO) that is legally chartered as a not-for-profit organization in the state in which it is located. Under section 501(c)(3) of the Internal Revenue Service Tax Code, CLT’s may achieve tax-exempt status for charitable activities such as providing affordable housing or community development in low-income neighborhoods. Non-profit status also means that CLT’s can receive tax-deductible, charitable donations of cash, real estate, securities from individuals and companies, and may be eligible for certain grants and low-interest loans.
- 2) **Dual Ownership** – CLT’s typically acquire and own land but not structures. Existing or proposed structures on CLT land are generally owned by individual homeowners, cooperative housing corporations, non-profit developers of rental housing, governmental agencies, community development corporations (CDC’s), and even farmers and community gardening groups.
- 3) **Leased Land** – long-term ground leases are key contracts between the CLT and the owners of any buildings located on CLT land. This allows the building owners to retain secure, private, equitable interests while the CLT’s interests in preserving the appropriate use, structural integrity, and continuing affordability of buildings are maintained.
- 4) **Perpetual Affordability** – option to repurchase...agreed-upon cap on resale value.
- 5) **Perpetual Responsibility** – CLT has continuity, whereas homeowners/leasees come and go. CLT can step-in in cases of serious neglect, defaulting on mortgage...
- 6) **Community Base** – CLT’s are guided by the people who live both on CLT land and in the surrounding community. Any adult who lives within a CLT’s program area can become a voting member, and may be elected to the board.
- 7) **Resident Control** – While CLT’s are not as self-serving as typical homeowners’ associations or condo associations, a majority of a CLT’s board generally includes residents of CLT land or the broader community. Control is not granted to residents, absentee investors, or public representatives from outside the local community where the CLT is active.
- 8) **Tripartite Governance** – the board of directors of a classic CLT consists

of one third who are leaseholders, one third who live in the surrounding community, and one third public officials, local funders, nonprofit organizations, or other public representatives.

- 9) **Expansionist Acquisition** – CLT's are generally focused on an ongoing process acquiring land for affordable housing and other uses throughout the community where they are active. The landholdings of CLT's are often scattered in a given area to avoid being segregated by class, as is often the case with public housing projects and market rate developments.
- 10) **Flexible Development** – CLT's may act as developers of housing and other structures, or work in partnership with developers (non-profit or for profit). Others focus solely on land and affordability, leasing the land to developers or individual homeowners. The variety of housing types on CLT land ranges widely, from single-family owner-occupied homes, to multi-unit apartment buildings and many options in between. Non-residential uses on CLT land may include local businesses, nonprofit organizations, community gardens and parks, and social service agencies.

In most CLT's the land is held in trust by a democratically-governed, independent, non-profit corporation. Through an inheritable and renewable long-term lease, the trust removes land from the speculative market and facilitates multiple uses such as affordable housing, village improvement, commercial space, agriculture, recreation, and open space preservation. Individual leaseholders own the buildings and other improvements on the land created by their labor and investment, but do not own the land itself. Resale agreements on

the buildings ensure that the land value of a site is not included in future sales, but rather held in perpetuity on behalf of the regional community.

CLTs buy and hold land permanently, preventing market factors from causing prices to rise. CLTs build and sell affordably-priced homes to families with limited incomes—the CLT keeps the price of homes affordable by separating the price of the house from the cost of the land. When a family decides to sell a CLT home, the home is resold at an affordable price to another homebuyer with a limited income. The goal of CLTs is to balance the needs of homeowners to build equity and gain stability in their lives with the needs of the community to preserve affordable home ownership opportunities for future generations.

(E.F. Schumacher Society, ,2008)

## CHAPTER 5 THE STRUCTURE OF A COMMUNITY LAND TRUST

### Incorporation

The majority of CLTs are incorporated as charitable organizations registered as nonprofit corporations with their state and with the federal government under Section 501c(3) of the Internal Revenue Service (IRS) Tax Code. The reasons are both philosophical and operational.

Nonprofit status best reflects the true nature and shared mission of most CLTs -- providing products and services allowing lower-income individuals and families to have greater access to affordable housing and land. As nonprofit corporations, CLTs focus on keeping housing costs relatively low, generate sufficient funds to pay their employees and operating costs, and reinvest any additional profits into the operation and expansion of their organization and its programs. By contrast, for-profit housing development companies are in the business of developing and selling or leasing market rate housing to generate income to increase profits for employees and stockholders.

Nonprofit status allows CLTs to operate as public charities, enabling them to benefit from a number of creative financing options not available to for-profit organizations, including charitable donations from individuals and companies, grants from foundations and government agencies, fundraising campaigns. Most CLTs also benefit from nonprofit status by operating with reduced obligations for paying federal, state or local taxes including, in some cases, sales tax and property tax.

### Articles of Incorporation and By-Laws

CLTs operating as nonprofit corporations typically adopt Articles of Incorporation and By-Laws that define how the organization is operated. Samples of these CLT documents are available online through the National CLT Network website.

### Mission Statement

A mission statement is an important component of the Articles of Incorporation, and may affect the CLTs ability to achieve charitable status with the IRS. The mission statement functions as a concise definition of a CLT's reason for existing. Common theme among CLT missions is to preserve the affordability of housing, land, and other structures in perpetuity, for generations of low or moderate income owners. Mission statements may also include a vision statement and a purpose statement. The vision statement presents the organization's aspirations that it hopes to achieve by carrying out its mission, such as eliminating homelessness within their community. The purpose statement briefly describes how the CLT functions in carrying out its mission, such as acquiring and stewarding land, and developing and selling perpetually affordable housing on land that it owns.

## Board

The widely accepted standard for a CLT board is known as a tri-partite board which has three distinct categories of members. Board members who are residents of CLT housing are one category, and perhaps the most important in terms of representing the interests of their neighbors. Board members who are residents of the neighborhoods or the broader community in which the CLT operates, but who do not live in CLT housing are a second category. The third category are board members who do not live in CLT housing or neighborhoods, but who are active in community development and may represent a partner organization, institution, or agency.

## Staff and/or volunteers

Nearly every CLT across the country can trace its roots back to a time when it was formed by an all-volunteer board of affordable housing activists and/or community development professionals.

Many younger CLTs are still operating without any staff members. Those with the ability to fund one staff position typically hire an Executive Director who functions initially in many capacities, ranging from community outreach to publicity, from partnership development to project management, and from fundraising to working closely with CLT homeowners or renters as a property manager. Board members are often called on to share in the responsibilities of a founding Executive Director.

As organizations grow and are able to take on additional staff, the multiple responsibilities managed by a founding Executive Director are often divided into fundamental positions, such as office administrator, business manager, property manager, and development (fundraising) director. Smaller CLTs may subcontract building maintenance to companies specializing in those services, while CLTs that own or oversee stewardship

of a number of buildings often have their own in-house building maintenance staff for addressing a variety of typical maintenance tasks such as roofing, painting, landscaping, plumbing, electrical, and heating and cooling systems.

## Membership

CLTs tend to be membership organizations, allowing for different categories of participation for residents of CLT lands and those who live in the broader community. The majority of CLTs allow residents who own or rent homes on CLT land to participate in CLT activities and, in some cases, to have voting status within the organization

## National Community Land Trust Network

*“The National Community Land Trust Network is the umbrella organization supporting the work of community land trusts across the United States – promoting sustainable development through the development of permanently affordable housing and the protection of working lands.” (CLT Network, 2011)*

The National Community Land Trust Network (“the Network”) formed in 2006 to provide a centrally organized organization representing CLT interests. The Network was developed by CLTs from across the nation, some of whom had been organizing regional CLT networks and felt the need to progress into for greater organization and representation at the national level.

The mission of the Network is to provide “training, advocacy and resources for its member organizations which nurture and sustain healthy and economically diverse communities by providing permanently affordable access to land, homes, and related resources.” (CLT Network, 2011)



The Network is a relatively new and totally original organization with a staff of four and a 14-member Board of Directors, yet it is modeled in part after similar national “umbrella organizations” such as the Land Trust Alliance (LTA) ([www.lta.org](http://www.lta.org)). LTA is a national organization formed in the mid-1980’s as “a national convener, strategist, and representative,” leading a network of over 1,700 conservation land trusts with shared interests and needs but a wide variety of geographic and organizational differences. Both LTA and the National CLT Network focus on strengthening the work of individual land trust organizations and their presence and impact on a national level.

Seven Core Principles guide the work of the Network and its CLT members:

- 1) **Perpetual Affordability:** we will create affordable access to land and homes, and ensure affordability for future generations.
- 2) **Community Health, Cohesion, and Diversity:** We will strengthen the communities in which we work by enhancing the quality of life through affordable housing, community-building, education, access to land, and advocacy on behalf of people of lower incomes, people of color, and others most often marginalized in society.
- 3) **Community Stewardship of Land:** We will steward the land for a variety of purposes that benefit the community, such as affordable homes, community-based businesses, community-supported agriculture, and preservation of green space.
- 4) **Perpetual Sustainability:** We will create high quality buildings that are environmentally sustainable and accessible; we will create exceptional organizations that are economically sustainable; and we will create programs that support residents and staff in achieving long-term success.
- 5) **Representative Governance:** We will integrate the key stakeholders in the decision-making of the organization, particularly residents on community owned land.
- 6) **Resident and Community Empowerment:** We will build financial assets, develop leadership skills, create sustainability, offer mobility and community involvement for our residents, and provide opportunities for our members, board, and staff to engage more fully in their communities.
- 7) **Openness to a Variety of Organizational Structures:** We recognize that each community must determine the exact type of organizational structure best suited for the issues, goals, and needs of their local community, with the understanding that each National CLT Network member will strive to incorporate the previous six principles within their organization.

The National CLT Network website ([www.cltnetwork.org](http://www.cltnetwork.org)) is an important clearing house for resources, information, networking and support services that CLTs need.

Through its annual National CLT Conference, the Network brings together CLT board members, staff, and supporters from around the country to learn best practices from each other, understand challenges facing CLTs, and develop new strategies for addressing challenges. The agendas for these conferences typically include workshops for staff and board members with various levels of experience. These may range from an introductory course for first-timers, to a special regional work session dealing with complex housing legislation changes proposed at the state level. The majority of CLTs surveyed in 2010 reported that they attend the National CLT Conference, and that this is their primary means of networking with other CLTs to share ideas and information (CLT Network, 2011)

In addition to the National CLT Conference, the Network and its members periodically host regional CLT conferences to bring together individuals who may not have the time or resources to attend the national conference, or who are more interested in focusing on challenges and opportunities within their region. Examples of regional conferences include one held annually for 25 CLTs in the Pacific Northwestern states, for peer education, support, and mentoring specific to the affordable housing needs and challenges of the region

The Network has recently organized a CLT Academy to provide a more formalized curriculum for its ongoing education and capacity building role for CLT board and staff members at all levels. The Academy enlists the expertise of seasoned CLT professionals to serve as instructors. The Network also offers periodic webinars, Capacity Building Institutes, workshops, and co-sponsors regional conferences, all to advance the strength and successes of its estimated 250 CLT member organizations. The Network plays a larger role seeking state and national level investment in CLT's, increases public awareness and understanding of CLT's, and advocates for public policies in support of affordable access to land.

The Network, in partnership with allies such as the Lincoln Institute for Land Policy, compiles data relevant to CLTs, such as annual surveys of CLTs, and surveys of foreclosure and delinquency rates for CLT homeowners.

The Network has adopted a Strategic Plan for 2011 – 2013 which serves to guide its work and offers important guidance on the direction of CLT work in the coming years. The Network is focused on growing and sustaining stewards of CLT organizations, and ensuring that communities either work with existing CLTs or form new ones to address homeownership needs of their lower-income residents. The Plan focuses on three main components:

- **Targeted Growth:** build CLT capacity in underserved communities, especially areas negatively affected by the foreclosure crisis.
- **Building Awareness of the CLT**  
**Solution:** educate communities with a clear message about the growing importance of CLTs in addressing America's affordable housing needs.
- **Maintaining a Stable and Healthy Organization:** the Network will demonstrate fiscal responsibility, efficiency, long-term thinking, and a creative organizational culture as a model for its member CLTs.

CLTs throughout the United States can follow the lead of the Network by focusing their operations and expansion on targeted growth to address the greatest need, building community awareness to expand support and partnership opportunities, and strong management practices for their organization to be successful in reaching its goals.

## Regional Coalitions

Regional coalitions are one of the most common ways that groups of CLT organize themselves to share resources, information, and support in addressing their shared goals for a given region. Regional coalitions preceded the formation of the National CLT Network, and essentially formed its foundation as a coalition of regional coalitions. Examples of these regional networks include the Minnesota CLT Coalition and the Northwest CLT Coalition, both of which are summarized in Appendix I.

## CHAPTER 6 THE OPERATION AND MANAGEMENT OF A COMMUNITY LAND TRUST

The operation and management of most Community Land Trusts is governed primarily by the founding philosophy behind the CLT movement – that land should be held in trust for the community, in perpetuity, as a community asset, and that uses of the land, including housing, should be affordable and available to all people in the community.

CLTs are in the business of acquiring “multiple parcels of land throughout a defined geographic area with the intention of retaining ownership of these parcels indefinitely (Davis, 2007). CLTs are also in the business of separating the buildings as separate assets from the land, and selling them to individuals, cooperative housing organizations, and rental housing developers (such as non-profits or a limited partnership), and government agencies. CLTs may also retain ownership of some structures as affordable rental properties (apartments or commercial space). The Ground Lease, often renewable, inheritable, and good for 99 years or more, is the primary tool CLTs use to retain an ownership interest, ensure good stewardship and affordability, and influence in community economic development

The Articles of Incorporation and By-Laws adopted for the organization govern its operations, including the process for establishing and maintaining a board, setting meeting agendas, decision making, setting agendas, and defining roles and responsibilities for board and staff. The day-to-day activities of a CLT can be understood as specific tasks that enable it to enact this philosophy. These tasks are summarized here according to five main categories summarized in this chapter:

- 1) Community outreach and Marketing
- 2) Land Acquisition and Leasing
- 3) Acquisition, Renovation, Development of Buildings
- 4) Sale and/or Leasing of Buildings
- 5) Long-term Stewardship of Land and Buildings

“This two-party contract between the landowner (the CLT) and a building’s owner protects the latter’s interests in security, privacy, legacy, and equity, while enforcing the CLT’s interests in preserving the appropriate use, structural integrity, and continuing affordability of any buildings located upon its land.” (Davis, 2007)

### Community Outreach and Marketing

CLT staff and board members often find that they have a large task on their hands – convincing others in their community that, done properly, separate ownership of land and buildings can be highly beneficial to communities and individuals. Those who are excited by the potential for CLTs to positively influence community economic growth and stability must take on the task of educators and advocates for the CLT model, and demonstrate its value through success stories shared with local residents, potential partners and funders, businesses, institutions, and government officials.

For this reason, the National CLT Network emphasizes the importance of messaging – information about CLTs tailored for specific audiences and presented in various ways.

The main target audiences and messages the Network recommends for CLTs to use in their presentations and marketing materials are:

**1) Moderate- to low-income homebuyers**

The message should recognize that they value quality, affordable homes in a neighborhood they like, a home they would stay in for years. It should give them a few key points about something new that could help them to reach this goal, by explaining about CLT homes and the reasons they are desirable. Finally, the message should ask them to take one step now to learn more, and that will help them move toward that vision.

**2) Agency staff in charge of housing grants**

The message should acknowledge that they want to carry out their department's mission to keep people in their homes, especially through the foreclosure crisis, and that CLTs are a proven way to keep homeowners out of foreclosure. By meeting with your local CLT you will learn how it can help you do your job of keeping homeowners in their homes.

**3) Private place-based foundations with an interest in building stronger and more stable neighborhoods.**

The foreclosure crisis has taken a heavy toll on some neighborhoods, and the CLT model is showing how to rebuild these communities and resist foreclosure. By meeting with a CLT and partnering on a project, your investment will have lasting results.

Each of these messages presents the value of CLTs in dealing with a concern or perspective of a specific target audience,

each of which are essential to the success of CLT programs. They must also each include a few key facts or statistics demonstrating the effectiveness of CLTs at keeping people in their homes and avoiding foreclosure. By keeping these messages in mind when writing letters, delivering presentations, developing websites, email announcements, digital and printed newsletters, flyers and brochures, and other materials, CLTs can be sure to build their network of supporters and partners by reaching the right audience with the right message.

## **Land Acquisition and Leasing**

CLTs are landholding organizations, first and foremost, which primarily function as affordable housing organizations. Acquiring land and keeping it in CLT ownership as a community asset is an essential function of land trusts. Once the CLT has defined the geographic program area where it will operate, it may begin acquiring land through a variety of means. Tracts of land that are vacant or have buildings may be acquired as gifts, discounted bargain sales, land swaps (the CLT and another landowner trade tracts for mutual benefit), and purchases at full-price or bid at auction. Financing mechanisms for these acquisitions can vary from public to private, and from donations to grants to loans, or some combination thereof, as described in Chapter 7.

Once a CLT holds title to land with structures, it may decide to renovate existing buildings to meet local building codes and desired functions as housing, commercial, or community space. If the CLT chooses to sell or donate the buildings, and whether the new owners are an individual, family, organization, or business, the CLT will enter into a Ground Lease to rent out the land on which the buildings stand. This ground rent may be based on a formula such as determining the Land Use Fee for reasonable use of the land

on which the building is situated, a Repair Reserve Fee to set aside funds for building maintenance or repairs, and the affordability needs of the homeowner or tenant. Often, a 30 year mortgage is used to help calculate what the land rent is worth. For example, if a given homeowner can only budget \$500 per month for their home with a 30 year mortgage, and \$475 must be paid each month on the mortgage for the house, the CLT may determine a \$25 Ground Lease can be used rather than more common \$40 lease fee.

The National CLT Network website includes a sample 2011 Ground Lease, which is 47 pages in length and can be accessed in PDF format at the following link: [http://www.clnetwork.org/doc\\_library/p454-11-A%20Model%20Lease%2001-2011.pdf](http://www.clnetwork.org/doc_library/p454-11-A%20Model%20Lease%2001-2011.pdf)

In some cases, CLTs work in partnership with other non-profit housing developers, including Community Development Corporations and Habitat for Humanity chapters. The National CLT Network and Habitat for Humanity are working on protocols for CLTs and Habitat chapters to work together. A CLT may hold title to the land, while the other developer invests in developing housing such as single family homes, townhomes, condominiums, or rental units. The CLT may sell existing multifamily or apartment buildings to an affordable housing organization which then rents them out to tenants at an affordable price.

## Acquisition, Renovation, and Development of Buildings

Development of new affordable housing stock or commercial buildings is a desirable and fundable goal of many CLTs, yet the complexities involved with new development are such that many start-up CLTs favor acquiring and renovating existing single family homes as less risky and challenging place to start.

Many more established CLTs have excelled as developers of new affordable housing stock ranging from single family to multifamily, from apartments to condos, and commercial buildings, or a mixture of two or more of these uses.

## Sale and/or Leasing of Buildings

Unlike housing developers which build a product, sell it, and move on to the next project and neighborhood, CLTs are created by and for the community, and their role as developers and owners of land and buildings continues year in and year out. CLTs establish ongoing relationships with homeowners, residents, business owners, community organizations and institutions, and government officials. Their specific tasks are outlined as follows:

**Pricing**—a CLT is responsible for determining how to price the housing units or commercial space it sells or leases. It may include a mix of housing types and price points based on market surveys for the area, some of which may be closer to market rate prices, and others which may be more heavily subsidized. If the CLT is also developing affordable commercial space for rental to local small businesses, these rents would typically be priced to allow the business to grow without spending too much on rent. In any case, the prospective homeowner's ability to pay monthly ground rent and mortgage payment would have to be factored into the price of the home. For example, if a CLT intends to serve a target population that includes single mothers with one or two children and part-time employment, the CLT may establish a number of 2-bedroom condominium units for sale at 30% below the market rate price for the same size unit in the same neighborhood. If the market rate was \$120,000, the CLT price could be set at \$84,000.

**Marketing (New)** – Marketing of new homes or commercial space is one of the most important functions for CLTs, particularly in reaching the target demographic, typically moderate- to low-income individuals and families in a given neighborhood or community. New CLT homes being built each year across the country are desirable to buyers of higher incomes as well – well designed, attractive, energy efficient, and often strategically located in or near “up and coming” neighborhoods to help reduce the impacts of gentrification. Unlike conventional real estate marketing, the CLT can’t run typical newspaper ads or put up realtor For Sale signs that would attract buyers of any type. CLTs generally market new homes through their own ads in local newspapers, through their websites, through networks of community partners, and with their own For Sale signs. All marketing materials are carefully designed to explain that these homes are only for qualified buyers, but also that affordability does not have the old stigma of public housing. CLT for sale signs typically have the name of the CLT, and let potential shoppers know that the property is not listed by a conventional real estate agent.

**Resale Marketing and Management** – one of the CLT’s main ongoing stewardship roles is in overseeing and enforcing the terms of the resale of homes from one buyer to the next. One of the key terms is ensuring that the buyer meets the income qualifications as set by the CLT. This requires a similar targeted marketing effort to the one described for new construction. As holder of the land on which the buildings are situated, and holder of the Ground Lease (often 99 years, renewable, and inheritable) which is transferred from the seller to the buyer as part of the sale, the CLT has a real property interest that must be acknowledged as part of the transaction. In this role, the CLT will collect a transfer fee for the Ground Lease as part of the sale price. In accordance with the Ground Lease

and the Articles of Incorporation and terms of membership, the CLT is responsible for enforcing the resale price as calculated according to the resale formula. Even if a buyer wanted to pay more to be first in line for a particularly desirable home on CLT land in a particularly desirable location, the CLT is obligated to enforce the resale price limit to ensure the long-term affordability of the home and the neighborhood for future buyers.

**Homebuyer Education** – The National CLT Network has made headlines in recent years with its pronouncements about the strong record of CLTs in minimizing foreclosure rates among homeowners. CLT homeowners are more than 8 times less likely to be in foreclosure than conventional homeowners. In stark contrast to the lending practices of conventional banks that led so many homeowners to default on their mortgages, CLTs take great care to educate and counsel potential buyers about the way a CLT works, the responsibilities of homeownership, and how to do proper financial planning to ensure their ability to pay their mortgages based on current income before they purchase a home. Following the purchase, many CLTs offer ongoing counseling and workshops to assist homeowners with financial planning. CLTs may direct homebuyers to responsible lenders in the community, particularly those familiar with the CLT model. Most CLTs also inform homebuyers, as a last resort, that the CLT may purchase a home before a buyer defaults on a mortgage – a practice known as “backstopping.” These differences, and the inherent philosophy of responsibility among CLTs for supporting communities and individuals through homeownership, are a primary reason why the foreclosure rates among homeowners on CLT land are relatively low (1.6% as of 2009) compared to those of conventional homeowners (between 5% and 30% in some markets).

**Homebuyer Screening and Selection** – CLTs balance the interests of individuals in building equity and enjoying the pride and security of homeownership at a price they can afford, and also the interests of communities in preserving that affordability for future homebuyers and the economic integrity of their program area. This requires CLTs to establish and follow screening and selection criteria to ensure that, in meeting the short term interests of homebuyers, the long term community interests are upheld as well. Documenting income is a central consideration, to ensure that potential buyers qualify as moderate- or low-income relative to the median household income for the area. The average CLT responding to the 2010 National CLT Survey indicated that their homeowners are typically earning 65% of the Area Median Income in their community. (NCLTN, 2011) Credit records and job history are also looked at carefully, so that potential homebuyers demonstrate their ability to make payments consistently. While the CLT is typically not the lender, its screening process helps to ensure that most potential homebuyers would qualify for a mortgage from a reputable lender with CLT experience.

**Backstopping** – through their Articles of Incorporation, Ground Leases, and membership requirements, CLTs may include a “backstopping” option to purchase a home on CLT land prior to foreclosure proceeding. This option serves a dual role that balances individual and community interests. Backstopping potentially helps a homeowner to avoid foreclosure and eviction, and to get back on their feet financially with the CLT as temporary landlord, rather than an impersonal bank as mortgage holder. In some cases, the homeowner may not be able to stay due to financial limitations or other factors. At the same time, backstopping allows the CLT to have control over the future of the home and its influence on the neighborhood. A bank sale to settle an unpaid mortgage debt

could leave the home available to any bidder, including investors or speculators, which could greatly undermine the CLTs ability to preserve affordability.

**Financing** – In general, CLTs are proactive in pursuing appropriate financing tools to cover their operating costs and project costs associated with acquiring land and buildings, renovating existing structures and developing new ones. These may include a wide variety of public and private sources in various combinations, such as federal block grants distributed through municipal housing agencies, private sources such as foundation grants and bank loans, and charitable donations from individuals or companies. CLT financing is described in detail in Chapter 7.

**Monitoring** – the long-term stewardship responsibilities of a CLT, including its interest as a landowner and protector of community integrity, requires periodic monitoring of CLT properties to ensure compliance with terms of the Ground Lease, associated land use standards, and CLT membership criteria. In general, CLT monitoring involves an opportunity for staff or board members to periodically meet with homeowners to discuss their experience in the neighborhood, go over any questions or concerns they may have, and to reinforce the terms of the agreements and the roles of the CLT. Monitoring may be done at various intervals, depending on the CLT. Yearly visits are recommended at a minimum, whereas quarterly visits may be better for establishing and maintaining a relationship that is more supportive than a landlord-tenant relationship.

**Enforcement** – one of the challenges of a CLT’s monitoring role is the periodic need to enforce against a violation of the Ground Lease, land use standards, or CLT membership criteria. Violations may vary widely, from minor infringements that can be easily remedied, such as a homeowner falling behind on maintenance and needing to paint the house,

to a major violation such as a commercial tenant paving over a CLT-owned flower bed to create additional parking for customers. In the spirit of community and cooperation, CLTs may offer to work with the homeowner or tenant to remedy the violation, with assistance such as staff or volunteer labor, a loan from a homeowner revolving fund, or coming up with a creative solution to mitigate the impact of the violation. In some cases, however, a CLT may be required to take more serious legal action, potentially exercising a claim to the property through the terms of the Ground Lease which, in severe cases, could involve eviction and forced sale of the improvements.

## **Long-term Stewardship of Land and Buildings**

One of the primary and most beneficial roles of CLTs is the long-term stewardship of land and buildings, from owner to owner, from neighborhood to neighborhood. The CLT's continued presence of upholding Ground Lease and resale terms, participating in the financing and coordination of home sales and home improvement, and ongoing reinvestment in the community is unmatched by any similar community development or affordable housing organization.

This stewardship role has two main components: stewardship of one-time dollar investments and subsidies for long term benefits; and stewardship of land and buildings as community assets. Stewardship of subsidy investments happens with the CLT's retention of affordability through setting reasonable limits on resale value, ensuring that future homebuyers meet income criteria, and transferring Ground Lease fees and Resale fees into CLT operations and projects. Stewardship of land and buildings results from the CLT's mission-driven use of the land, its close relationships with homeowners and community development organizations, and its ongoing role in maintaining the quality and integrity of buildings and land.



## CHAPTER 7 THE FINANCING OF A COMMUNITY LAND TRUST

Financing the formation and operation of a community land trust is one of the most important considerations for founders, board members, and staff to address. How will the CLT pay for its own organizational costs such as staff, office space, and marketing costs? How will the CLT pay for its first project, whether it is acquisition of an existing house or development of an apartment building? How will it pay for acquisition and stewardship of a growing list of properties?

As CLTs grow from start-up phase to full maturity, their costs of operation can grow significantly -- the largest CLT in the U.S., the Champlain Housing Trust, reported net assets in excess of \$27 million in its 2007 Annual Report.

Each CLT develops its own unique financing approach for both operating costs and project costs, and these approaches often include combinations of public and private sources, and grants and loans. CLTs commonly form as volunteer organizations with no budget, no expenses, and no staff. They often raise their first dollars to cover the initial costs of their first acquisition or development project. Other CLTs are fortunate to launch their programs with start-up and operational funding such as grants or the support of a sponsoring organization, enabling them to hire initial staff members prior to initiating their first project.

### Start-up and Operating Costs

The costs of starting and running a CLT are similar to those of any nonprofit community-based organization, such as:

- Personnel
  - Staff Salaries: Executive Director, Project Managers, Administrative Assistant, Building Maintenance
  - Staff Benefits: health insurance; retirement plan;
- Office space, equipment and supplies;
- Legal fees and incorporation costs;
- Bookkeeping and accounting;
- Marketing and Outreach
  - Advertising
  - Promotional Materials
  - Website Design and Maintenance
  - Networking Events

These costs may be covered from a variety of public and private sources, which may include: support of founding partner organizations or fiscal sponsors; the support of businesses, or individuals; support of foundations or government programs; political will and support; and income from membership fees, property sales, rentals, or ground leases. These sources are described in this chapter.

## Acquisition and Stewardship Costs

As nonprofit developers of affordable housing, CLTs face many of the same project costs as for profit housing developers, such as:

- Land and/or building acquisition
- Phase I environmental assessment
- Feasibility assessment/pro forma
- Architectural design and engineering
- Municipal zoning and planning review and approval
- Site preparation
- Infrastructure development
- Renovation existing housing
- New housing construction
- Down payment assistance for first-time homebuyers
- Permanent financing for first-time homebuyers or other buyers

Project costs for acquisition and stewardship of properties may be covered based on a combination of factors, with grants, acquisition loans, construction loans, and ground leases paid by CLT residents being primary sources for many CLTs. In some cases, land or buildings may be donated or purchased at a discounted price (bargain sale). The most complete list of CLT financing options has been compiled by Burlington Associates, and the following list is summarized from their publication, *Starting a Community Land Trust* (Davis, 2007):

## CDBG, HOME, and NSP

Federal block grants such as Home and the Neighborhood Stabilization Program are administered through the regulatory structure of the Community Development Block Grants program.

HOME grants are the primary financing sources CLTs use to develop housing. They are generally allocated through local governments. The HOME investment partnerships program provides federal dollars as a subsidy for the development of affordable housing, and represent the largest block grants allocated to states and local governments for this purpose. These funds, totaling over \$2 billion per year, are administered through the federal Department of Housing and Urban Development (HUD). CLTs which have qualified as Community Housing Development Organizations (CHDO's) may be eligible to receive HOME funds.

The Neighborhood Stabilization Program (NSP) was created in response to the housing foreclosure crisis of 2008 – 2009. HUD developed the NSP to direct emergency grant funds to affordable housing organizations in areas of relatively high foreclosure rates and abandonment. The funds enable these organizations, including CLTs, to purchase and redevelop foreclosed and abandoned properties. 28% of respondents in the 2010 CLT survey reported that they are receiving NSP funds, and 79% reported that they are receiving technical support through the program.

## Low Income Housing Tax Credits

The US Treasury's Internal Revenue Service allows Low Income Housing Tax Credits for owners of certain qualifying rental properties. These credits are calculated based on the value of the structures (not land). To take advantage of these credits, participating CLTs generally collaborate with other investors who own the buildings as a limited partnership.

## **Federal Home Loan Bank – Affordable Housing Program**

Some CLTs have been successful in obtaining low cost financing through regional Federal Home Loan Banks (FHLB). The FHLBs form a network of 12 cooperative regional lending institutions established by the US Congress in 1932 during the Great Depression. These banks are member-owned, and provide federal funds to support mortgages and other loans for economic development. Participating CLTs are qualified for loans through the FHLB Affordable Housing Program. CLTs have been successful in competing against other housing programs for these funds at a regional level due in part to their ability to preserve subsidies.

## **Banks and Other Lenders**

Banks and other private financial institutions across the country are financing development, acquisition, and renovation of structures on CLT land. This is an important shift for many lenders, since it reflects trust in the CLT model to recognize that the land is owned separately and cannot be used as collateral for loans made on buildings. As more people are able to access loans for homes on CLT land, the entire CLT movement and all CLTs benefit by reaching their shared goals of expanded homeownership among those who do not typically qualify for market-rate housing and loans.

## **State Housing Finance Agencies**

State Housing Finance Agencies in at least a dozen states have provided funding or underwritten programs for CLTs and CLT homeowners. The State Housing Authority in the state of Delaware, along with the Delaware Housing Coalition, are demonstrating how public agencies can support the formation of a statewide CLT. These programs can provide an increasingly important funding stream for

states to assist CLTs in leveraging federal and local dollars.

## **Revolving Loan Fund**

Beginning in 1979, the Institute for Community Economics (ICE), a founding organization of the CLT movement, established a revolving loan fund to assist CLTs in acquiring land, and developing housing and community facilities. ICE recognized the need for CLTs to access funds other than loans from conventional banks, which at the time were less willing to acknowledge the CLT model as valid and sustainable. Over the past 30 years, this fund has made 445 loans in 30 states totaling \$44 million, facilitating the development of 4,500 affordable housing units. The fund is currently administered by the National Housing Trust ([www.nhtinc.org](http://www.nhtinc.org)) on behalf of ICE.

## **Housing Trust Funds**

State and local governments across the country have established funds specifically to direct large federal grants and other funding streams into a manageable program capable of developing affordable housing with a variety of partners, including CLTs. CLTs are often able to leverage Housing Trust Fund dollars based on their ability to generate long-term affordability, preserve subsidies, and develop tangible community assets.

## **Donated Real Estate**

As non-profit organizations with a focus on addressing housing affordability, CLTs may attract charitable gifts of appreciated real estate from private individuals, companies, institutions, or government agencies.

## Municipally Mandated Donations by Private Developers

Certain municipalities have enacted zoning ordinances requiring for-profit developers to account for their “fair share” of affordable housing in the community. These requirements may be structured as incentives such as density bonuses, allowing developers to build additional units if they set aside a certain amount of land or structures for affordable housing. They may also involve replacement requirements, in which a developer must allocate resources or funding to replace any affordable housing lost through redevelopment and/or gentrification. In some cases, this can mean donations or bargain sales of land and/or buildings to CLTs.

## Pension Funds

A potentially important, yet virtually untapped source of financing for CLTs are pension funds – large pools of investment capital supported by the retirement funds set aside by groups such as teachers or government employees. The Champlain Housing Trust has benefitted from multi-million dollar investments in projects from a local retirement fund for employees of the city of Burlington, Vermont.

## Private Foundations

Foundations are required by federal law to distribute 5 percent of their endowments annually, generally to nonprofit organizations, either in the form of grants or low interest loans known as Program Related Investments (PRI's). These funds can be significant, particularly with larger foundations focused on community economic development in a specific community that overlaps with the CLT's program area.

## Development Fees

As non-profit developers of affordable housing, CLTs are able to generate income from home sales and rentals and to redirect this income into advancing the mission of the organization. This income may provide some of the funding needed for new property acquisition and development projects, particularly a downpayment or up-front costs not typically covered in a loan.

## Resale Fees (Lease Transfer Fee)

Many CLTs charge a modest resale fee for each private sale of a house on land they own, as low as 1% or as high as 7% of the resale price. These fees can help to cover some operating costs, particularly with a larger number of homes on CLT land and a moderate turnover rate or resale rate (such as 5%).

## Rental, Lease, and Maintenance Fees

CLTs may generate sufficient ground rent or lease fees to cover some of their operating expenses and ongoing stewardship responsibilities. The inherent nature of ground rent as an affordable monthly payment for homeowners (generally < \$50 per month) means that the average CLT does not generate enough lease fees to cover all of its operating expenses or specific project costs. In cases where a CLT manages and leases apartments or commercial space, maintenance fees and rental fees also generate income.

Growth does not mean that CLTs can begin to generate enough income from lease fees to cover their operating costs. As CLTs grow to include more housing units and more lease fees, their operational costs can be expected to increase. One uncommon exception where significant income could be generated from lease fees can occur in more expensive housing markets, where CLTs may charge a higher monthly ground rent (\$50 to \$100) while still providing affordable housing options for CLT homeowners.

A typical CLT may charge between \$10 and \$100 per month as a lease fee for the land it owns and which is used by residents who own or lease homes, or businesses on CLT land. Lease fees at the higher end of this range can lead to greater sustainability for the CLT, but can undermine the mission of the organization by reducing the affordability of homes or businesses on CLT land. Up-front subsidies such as grants and low-interest loans can allow the CLT to charge higher lease fees without directly impacting residents or reducing their ability to make mortgage payments.

**Assuming a 30 year mortgage at 6.0% interest.**

Monthly Fee	Reduces Borrowing By:
\$25	\$4,170
\$45	\$7,506
\$65	\$10,841
\$100	\$16,679

As an example, Burlington Associates illustrates in the following chart how increased lease fees directly impact the homeowners’ ability to borrow funds to purchase a home. Particularly for low- to moderate-income residents on a fixed income, each dollar paid toward a lease fee means a dollar less can be paid toward the mortgage.

In the following example, modified from a sample provided by the National CLT Network, a CLT can estimate the amount of fees it can generate toward its annual income:

**Sample Calculation of Annual CLT Income**

25 units on CLT land	
\$45 monthly ground lease fee	
\$3,500 lease transfer fee	
2 sales per year (8% turnover rate)	
<hr/>	
\$7,000 in resales (2 x \$3,500)	
\$13,500 in annual ground lease fees (25 x \$45 x 12)	
<hr/>	
<b>\$20,500 total</b>	

This amount may cover one-third to one-half of an Executive Director’s salary, or cover office rental, equipment, and supply costs for the year, or be used to establish a revolving loan fund for homeowners to access for small home repairs.

If the CLT grows by a factor of 4, to a total of 100 units on CLT land, at the same fees and 8% resale rate above, this same calculation above generates \$54,000 in ground lease fees, and \$28,000 in resale fees, totaling an estimated \$82,000 per year – enough to cover an Executive Directors’ salary and annual office expenses. However, the additional responsibilities associated with more property would require additional staff or subcontractors to handle stewardship and maintenance interactions with residents.

## CHAPTER 8 INCENTIVES TO FORMING A COMMUNITY LAND TRUST

There are currently no government policies at the federal, state, or local level that directly incentivize the formation of community land trusts. Indirect incentives are available, however, primarily through the federal Internal Revenue Service (IRS) Tax Code, which includes provisions for charitable organizations such as CLTs to qualify as non-profit corporations. After qualifying as a charitable entity, a CLT only reports its annual budget on the IRS's 990 tax form, but does not pay federal income tax for its normal operations. In some jurisdictions, nonprofits may appeal for reductions or elimination of property tax payments.

More direct incentives for CLT formation and sustainability could be created through legislation, similar to those that exist for conservation land trusts. At the federal level, sections of the Internal Revenue Service (IRS) Tax Code specifically recognize conservation land trusts as charitable recipients for conservation restrictions donated by landowners seeking to claim a tax deduction in return for preserving land as natural areas or farms. These tax code changes were formalized by the US Congress in the 1980's to incentivize greater private protection of land through reduced taxation for qualified landowners working with qualified land trusts, rather than spending more tax dollars on creating public parks. In passing this legislation, Congress legitimized the conservation land trust movement and catalyzed its successful expansion to over 1,700 conservation land trusts nationwide. The same could take place with enabling legislation and favorable IRS Tax Code changes specific to community land trusts.

### Benefits of Non-profit Status

Current Tax Code standards allow most CLTs to benefit from 501c(3) charitable status as non-profit organizations. This status favors donations of cash, securities, or real estate from individuals, partnerships, and other entities eligible for deductions of the taxable value of donations or discounted sales (bargain sales). Grant funds for affordable housing projects may be accessed by non-profits such as CLTs from federal block grant programs, and private foundations.

Non-profit CLTs are demonstrating their potential for public/private partnership through the formation of partnerships with municipal governments and with community development organizations and agencies across the country. Such partnerships are far less common with private housing development companies.

In some cases, the charitable status of CLTs may allow them greater access to transfers of land seized by government agencies in tax foreclosure proceedings – avoiding the need to bid competitively with for-profit investors and developers at tax sales. Non-profit CLTs also have greater access to low-interest loans than for-profit developers, particularly through community lending organizations such as credit unions, or community foundations making Program Related Investment (PRI) loans.

## Incentives for Municipal Governments

Municipal governments may recognize incentives for establishing or collaborating with a nonprofit CLT to work in partnership with their housing programs and expand their options and flexibility in dealing with affordable housing needs. This public/private partnership strategy may be expected to be more widely adopted as the funding supply for affordable housing remains constant or diminishes, and as housing needs continue to grow. The National CLT Network recognizes the importance of these City-CLT partnerships as an alternative to conventional public housing programs, and published a manual to promote the benefits and highlight the methods of doing so.

Municipal officials may turn to the CLT model as a way to preserve the long-term affordability of homes created through municipal housing programs, and to increase community representation in the decision-making process. In particular, the role of the CLT as a stewardship partner with homeowners, the limitation on resale value, and the role of CLT residents as voting board members are all incentives for local governments whose housing programs by nature more centralized and less flexible. The public image of a CLT as a new, innovative, community-based approach to housing is often a welcome change for city governments burdened with the stigma of public housing programs as outdated and unresponsive to community needs.

Two of the case studies featured in Appendix I present the highlights of public/private CLT partnerships: Champlain Housing Trust and Chicago CLT. In both cases, city officials recognized the value of the CLT model as a more efficient use of housing dollars, and the resale formula as a means of reducing the profit motive and speculation that can occur when subsidized housing is sold on the private market.

## CHAPTER 9 THE CONTRIBUTION OF COMMUNITY LAND TRUSTS TO AFFORDABLE HOUSING

The U.S. has had a long, expensive history of federal, state, and local housing programs that have achieved some successes, but a far greater number of moderate successes and outright failures. Community Land Trusts are the only affordable housing strategy that retains subsidies and results in long-term stewardship of neighborhoods, and one of the only strategies that is created by and for residents of the community. To understand the important contribution that CLT's are making to the housing affordability crisis in the U.S., an overview of federal housing policy is warranted.

### Shifts in Federal Housing Policy and Growth in the CLT Movement

Several major shifts in federal housing policy over the past 40 years have helped to generate a need for alternative, local affordable housing models, including the innovation of CLT's as a strategy for affordable housing in a number of urban areas. To understand the importance of the contribution the CLT movement is making to the ongoing housing crisis in America, an understanding of the public housing context is necessary.

#### Context: US Public Housing Policy in the 20<sup>th</sup> Century

The federal government began housing programs with formation of the House and Home Financing Agency in 1947, which had an expressed goal of eradicating slums and promoting redevelopment during the post World War II housing boom. By 1965, the Department of Housing and Urban

Development (HUD) was established under the Johnson administration as part of the "war on poverty", taking a more central role in developing, funding, and administering public housing projects across the country. Over the years, HUD has become a huge bureaucracy that has suffered from rampant corruption and mismanagement.

The low point of public housing in the US was reached in the mid- to late-20<sup>th</sup> century, with the construction of massive, high rise public housing projects subsidized through HUD. By their unsympathetic design, these projects segregated thousands of low income residents into crowded, poorly designed high rise structures separated by vast, indefensible concrete spaces and isolated from the rest of the city -- conditions that allowed a thriving gang subculture to control the community through violence and drug dealing.

Projects such as Chicago's notorious Cabrini-Green, with their bare concrete, chain-link fencing on all balconies, malfunctioning elevators, water lines, and trash service, and gang-control, looked and functioned more like poorly-run prisons than as neighborhoods of decent, affordable housing. Cabrini-Green was begun on a 70-acre site in the 1940's with the promise of becoming a model, master-planned, federally subsidized urban renewal project of the Chicago Housing Authority. At its peak in the 1970's, Cabrini-Green housed 15,000 of the city's poorest residents and most violent gangs in dozens of mid-rise and high-rise buildings. By 1996, when HUD took control of Cabrini-Green, it was declared a failure, and a redevelopment plan was adopted. By 2002, all of the high rise structures had been



demolished and new, federally-subsidized, mixed-income neighborhoods were being developed on the site in the next wave of urban renewal, which continues to this day. Many of these new projects demonstrate the principles of new urbanism and defensible space.

Images of these large public housing projects have come to epitomize the stigma and failure of public housing, and have helped to promote a major shift in federal housing expenditures that has benefitted some Community Land Trusts. The growth of the CLT movement over the last 40 years, particularly in major urban areas, has clearly paralleled this trend away from federal public housing projects and toward allocating federal housing funds for local programs.

### **Community Development Block Grants (CDBG)**

With the adoption of the Housing and Community Development Act of 1973, the Community Development Block Grant (CDBG) program was established to provide federal funding to state and local governments to support affordable housing programs, and provide Section 8 rental vouchers. These grants proved to be a significant source of funding for a number of young CLT's who were able to obtain low cost financing to develop affordable housing stock in communities where local governments were not interested in taking on that responsibility.

In the early 1980's, the Reagan administration sharply cut federal funding for the Housing and Urban Development Program, with over \$50 billion in expenditures in 1981 dropping nearly in half by 1982. Instead, the administration promoted increased funding for CDBG's and other options for state and local governments.

### **HOPE VI and HOME**

Since the early-1990's, the HOPE VI program (Housing Opportunities for People Everywhere) opened up over \$ 6 billion in federal block grants for cities such as Chicago to redevelop failed high-rise public housing projects such as Cabrini-Green into mixed-income neighborhoods. HOPE VI projects demonstrate the principles of New Urbanism, including less dense, low-rise neighborhoods with rowhomes, duplexes, and single family homes with porches, small yards, and sidewalks, laid out in pedestrian friendly, transit-oriented designs.

By 2004, CDBG housing disbursements totaled more than \$900 million annually. These programs were expanded greatly in 1990, with the HOME Investment Partnership program, which committed up to \$2 billion in block grant funds annually for affordable housing programs run by state and local governments.. Between 1990 and 2004, HOME committed over \$14.5 billion in funding assistance to over 900,000 renters and homeowners. A minimum of 15% of all HOME funds must be allocated to nonprofit housing organizations, including CLT's, but also require up to 30% in local matching funds. Federal funding for public housing essentially ceased after 1996.

### **Housing Trust Funds**

Housing Trust Funds – state, county, or local governments establish a fund for low-to moderate-income housing assistance often with a dedicated funding source. They vary by state and region – and are not present in all communities. These are often the most flexible funding programs, and are compatible with CLT's and other nonprofit housing organizations. (Center for Community Change documented over 350 funds by 2005, many of which are funded by real estate taxes or document recording fees) For example, in 2005 one of the largest Housing

Trust Funds (\$135 million) was established by the City of New York with income from a mixed use development owned by the city's Battery Park Authority. This fund will help to finance construction or preservation of 4,500 affordable housing units. Housing trust funds are often used for low-interest loans to nonprofit affordable housing developers, including CLT's. Many Housing Trust Funds have a minimum affordability period, ranging from 5 years to 15 years to 30 years.

### **Inclusionary Zoning**

Some communities have established land development ordinances requiring (or requesting) a certain percentage of affordable housing be created within new, market-rate development projects. In many cities and suburbs, affordable housing quotas are required – a legacy from the famous Mount Laurel housing cases (*Southern Burlington County N.A.A.C.P. v Township of Mount Laurel*, 1975 and 1992), in which the New Jersey Supreme Court ruled that communities such as Mount Holly had to provide their “fair share” of affordable housing, and could not exclude lower income residents through their low-density zoning and land use ordinances. The resulting affordable housing formulas adopted in certain cities mandate that as much as 10% or 20% of the units are constructed as below-market rate housing. In some cases, incentives are used to encourage (rather than require) developers to achieve these goals. Some CLT's have benefitted from inclusionary zoning requirements or options, in some cases partnering with developers to fulfill affordability obligations.

## CHAPTER 10 THE CONTRIBUTION OF COMMUNITY LAND TRUSTS TO COMMUNITY DEVELOPMENT

The Community Land Trust movement is making direct and lasting contributions to community development wherever CLT's are established.

Community Development Exchange defines community development as: "the process of developing active and sustainable communities based on social justice and mutual respect. It is about influencing power structures to remove the barriers that prevent people from participating in the issues that affect their lives." [www.cdx.org/uk](http://www.cdx.org/uk)

Lack of control over land use decisions and speculative real estate markets is one of the central issues affecting peoples' lives in many of the poorest urban and rural areas in the U.S. and around the world. The power structure of government and private investment capital consistently reinforces this experience of exclusion. The resulting forces of gentrification and disinvestment in inner cities, and corporate control of rural landscapes dominated by coal mining and agribusiness are experienced directly by residents of disenfranchised communities. In these areas, CLT's are offering moderate- to low-income residents new alternatives for participating in land use decisions and real estate markets in a way that serves their interests, rather than the interests of those focused primarily on profits.

By restructuring the ownership of land as a community asset rather than as a private investment commodity for speculation and profit, CLT's influence the power structure of land ownership, land use decision making, and real estate investment. As a result, social justice and mutual respect are brought to the forefront of community development.

CLT projects preserve and restore neighborhoods otherwise neglected by disinvestment as industries move and leave behind high rates of unemployment and real estate investors seek higher returns elsewhere. CLT projects retain property values while promoting mixed-income neighborhoods and preventing the descent into slum areas dominated by poverty, crime, and homelessness.

CLT's work to preserve affordability in gentrifying neighborhoods where the desirability of the location and housing stock attracts affluent buyers. Cities interested in redevelopment often provide strong tax incentives for developers to gentrify neighborhoods, such as 10 year property tax abatements on expensive new townhomes, or high-end apartment buildings. These forces often "price out" long-time residents, their children, and new buyers or renters with more modest incomes. This same power structure can also benefit moderate- to lower-income residents if the appropriate development partnership – such as a community development corporation (CDC) working with a CLT – is in place to take advantage of the incentives.

Partnerships between CLT's and other community development organizations (i.e. CDC's, affordable housing groups, social service programs) can strengthen the support network available in communities where residents have been disenfranchised. The CLT's focus on acquisition and long-term stewardship of property compliments the roles of other community development organizations, helps to create jobs, and neighborhood stability. CLT's are also contributing an element of food security, with a growing number of CLT's also incorporating community gardens, urban agriculture, community supported agriculture (CSA), orchards, and green space into their portfolios of properties.

## CHAPTER 11 **SUCCESSFUL EXAMPLES OF COMMUNITY LAND TRUSTS IN THE UNITED STATES**

This sections includes examples of CLT's demonstrating success with affordable housing in urban areas, including: Dudley Neighbors, Inc.; Durham Community Land Trustees – to be added, and; Champlain Housing Trust. A successful CLT practicing urban agricultural and affordable housing is also included: Madison Area CLT and its Troy Gardens project. Finally, several examples of rural CLT's are included: Opal CLT, Woodland CLT, and School of Living (to be added)

### **Successful CLT Examples in England and Scotland**

In the United Kingdom, a small number of Community Land Trusts have been created since the 1980's. The Land Reform Act of 2003 provides enabling legislation granting Scottish communities a "community right to buy" land as a pre-emptive right to purchase land in which they have registered an interest, provided they have demonstrated that community ownership would be in the public interest. ([www.communitylandtrust.org.uk](http://www.communitylandtrust.org.uk))

#### **Stonesfield Community Trust**

One of the earliest and most successful examples in England is the Stonesfield Community Trust in Oxfordshire, founded in 1983 with a donation of ¼ acre site in the village of Stonesfield for affordable housing for local people in perpetuity. The Trust was able to acquire mortgage financing and build its first four properties, with another eight affordable homes soon developed on another ¼ acre sites. This Trust has also moved into providing affordable space for mixed uses in

the village, such as conversion of a former glove factory into workspace, and a low-rent space for the village post office. Its first loans were fully repaid in 2005, and net income from CLT property now funds a local youth service.

#### **Isle of Ghiga Heritage Trust**

Scottish communities have created CLT's in places such as the Isle of Ghiga, where an absentee landlord placed the entire island up for sale in 2001. Residents organized a "community buy-out" and formed the Isle of Ghiga Heritage Trust. Boosted by strong voter support and a feasibility study, the CLT was able to borrow £1 million (paid off by 2007) and raise an additional £3 million in grants to purchase the island and 41 of 67 houses. They have developed 6 properties for sale and are developing 18 rental units with a local Housing Association, and are working with local builders to renovate historic properties and train building apprentices.

from housing into community energy by developing Scotland's first community-owned wind farm, a hotel, vacation homes, and three dairy farms. Funding of £400,000 was secured for the renewable energy project, which generates £140,000 annually in revenues to pay off loans and eventually fund the CLT's future projects. The population of the island is increasing and now has a waiting list of people wanting to move there.

*“Our island went into receivership and islanders came home one day to eviction notices. The achievements of the Isle of Eigg land trust were crucial as an example of what could be done. At the beginning there was no concept of what community ownership meant. We now have a five-year development plan around debt repayment, sustainable development, social infrastructure and the local economy. None of this would have happened if the community did not own the island.”*

-- Alan Hobbett, Isle of Ghiga Heritage Trust

## **Champlain Housing Trust – Burlington, Vermont (USA)**

**Founded:** 2006 (in current form, original organizations date to 1984)

**Organizational Structure:** 501(c)3 nonprofit corporation with tri-partite board, funded in part by state and local programs

**Service Area:** 3 counties, 39 towns around Burlington, Vermont population of 200,000

**Housing Types:** New and existing rental apartments, cooperative housing units, and owner-occupied single-family homes and condominiums

**Legal Tools:** Deed restrictions, shared appreciation formula

**Employees:** 73

**Distinctions:** Largest CLT in the USA; First municipally-funded CLT in the USA; 2008 World Habitat Award Winner.

## **Overview**

Formed in 2006 by the merger of the Burlington Community Land Trust and the Lake Champlain Housing Development Corporation, the Champlain Housing Trust (CHT) is the largest community land trust in the United States. Both the Burlington Community Land Trust and the Lake Champlain Housing Development Corporation were founded in 1984 by the City of Burlington to meet a growing demand for decent affordable housing in the area. CHT now owns or manages homes for over 2,100 households on hundreds of acres of land in northwestern Vermont.

CHT also provides technical and financial assistance to communities. Through the Champlain Valley Loan Fund, CHT provides low-interest loans to homeowners for repairs, as well as grants for the mitigation of lead-based hazards in older homes. The organization's Co-Op Housing Program provides technical support, including membership selection and training, to housing cooperatives throughout northwestern Vermont. CHT staff also coordinate social services for residents at each of their rental properties. CHT has also proven success in providing affordable housing for elderly residents, with the conversion of the historic Swanton School to elder housing.

Since the founding of its parent organizations in 1984, partnerships have been the backbone of CHT's success. CHT partners not only with other affordable housing nonprofits, but with government agencies at the local, state, and federal level as well, as demonstrated in its recent Vermont Transit Bus Barns project, which included renovation of historic structures for affordable, mixed use space.

With over \$27 million in total net assets, Champlain Housing Trust is an excellent example of the affordable housing successes that can be achieved through innovative partnerships. Support from the state of Vermont and the city of Burlington has allowed CHT to provide quality affordable housing for thousands of residents in northwestern Vermont, as well as the financial, technical, and social support necessary to create vital communities. As the need for affordable housing continues to grow, the Champlain Housing Trust is expected to continue with its award-winning model for expansion and innovation.

### **Dudley Neighbors, Incorporated – Boston, Massachusetts (USA)**

**Founded:** 1988 (By the Dudley Street Neighborhood Initiative - DSNI, founded in 1985)

**Organizational Structure:** Massachusetts 121A Urban Redevelopment Corporation, 11-member Board of Directors made up of appointees from DSNI, city government and the state legislature

**Service Area:** The Roxbury/North Dorchester neighborhood of Boston, Massachusetts, with a population of about 24,000 people

**Housing Types:** New and existing rental apartments, cooperative housing units, owner-occupied single-family homes

**Legal Tools:** Eminent domain, 99-year ground leases

**Employees:** 5

**Distinctions:** The only community-based nonprofit in the country that has been granted eminent domain authority over abandoned land within its service area

### **Overview**

In 1984, residents of the Dudley Street neighborhood of Boston came together to create a comprehensive plan for the economic, human, physical, and environmental revitalization of their community. The result was the Dudley Street Neighborhood Initiative (DSNI), an organization that helps neighborhood residents update and implement this comprehensive plan. In 1988 DSNI formed a community land trust, Dudley Neighbors, Incorporated (DNI), to manage its housing development program.

In the late 1980's, over one third of the neighborhood's land – 1,300 parcels – were vacant. DSNI faced a huge challenge in attempting to redevelop its community's vacant land: Most of the vacant lots were entirely too small to consider for development on their own, and the huge number of owners made piecemeal acquisition nearly impossible. By promoting its vision of neighborhood revitalization without displacement to community members and policy makers, DSNI was able to garner widespread confidence in its ability to control gentrification and speculation and to promote community control of resources. As a result, DNI was granted the power of eminent domain to acquire and redevelop vacant parcels for community and economic development purposes, including affordable housing, community facilities, open space and small business. Through partnerships with the city of Boston and other nonprofit organizations, DNI and DSNI have redeveloped more than half of the vacant land in the Dudley Street neighborhood to provide over 400 new affordable housing units, community centers, and schools.

DNI has moved beyond simply providing affordable housing for Dudley Street residents. Community centers, schools, parks, and a shopping center will be constructed on DNI land, and the organization is developing a strong urban agriculture program. Residents now have access to a 10,000 square foot commercial greenhouse, a nine-plot community garden, and a community orchard. DNI allows Dudley Street residents to control the development process in their neighborhood and to design innovative projects that directly reflect the community's vision for its future.

## **Madison Area Community Land Trust – Madison, Wisconsin (USA)**

**Founded:** 1991

**Organizational Structure:** 501(c)3 nonprofit corporation, board of directors made up of at-large members and MACLT homeowner representatives

**Service Area:** Madison and Dane Counties, Wisconsin

**Housing Types:** New and renovated single family homes, duplexes, and townhomes, including neighborhoods and scattered-site renovations and construction

**Legal Tools:** 99-year ground lease, shared appreciation formula

**Employees:** 2

**Distinctions:** 2007 recipient of the AARP/ National Association of Home Builders *Livable Communities Award*, 2008 recipient of the Home Depot Foundation *Affordable Housing Built Responsibly Award*

## **Overview**

When Sol Levin founded the Madison Area Community Land Trust (MACLT) in 1991, he sought to combat drastically rising home prices in the Madison area. Since that time, MACLT has moved beyond simply providing affordable housing toward the development of truly sustainable communities.

MACLT uses a shared-appreciation formula to provide housing to first time homebuyers at or below 80% of median income in the Madison area. MACLT incorporates universal design standards into each home it builds, ensuring the provision of 'housing for the lifespan' – homes that are designed to meet the needs of residents of all ages and mobility levels. Social networking opportunities are also provided for future homebuyers and current residents, helping to foster supportive, close-knit, diverse communities.

One of MACLT's most notable successes is its promotion of urban and community agriculture programs around Madison. One of its most impressive housing developments, Troy Gardens, includes both community gardens for homeowners and their neighbors as well as a farm sustained through a Community Supported Agriculture (CSA) program. The CSA provides fresh, local produce to dozens of families in the Madison area who pay a subscription price at the beginning of the growing season for shares of the harvest, with weekly pickups of produce for 21 weeks. Not only do the farm and garden programs provide fresh, locally grown food to Troy Gardens homeowners, they have also been invaluable learning opportunities for children and teenagers in the Madison area. Through the Kid's Garden program more than 270 young people have spent their summers learning to prepare soil, grow fruits and vegetables, and prepare meals at the Troy Gardens farm.



Further contributing to Madison's sustainability, MACLT works to protect environmental resources in its developments whenever possible. MACLT's focus on urban infill development and its strong partnership with the Urban Open Space Foundation has allowed the organization to preserve ecologically sensitive open spaces around Madison in perpetuity. In Troy Gardens, all of the homes are Energy Star and Wisconsin Green Built Home certified, and half have solar energy systems.

Madison Area CLT fully embodies the three guiding principals of sustainability: economic growth, environmental protection, and social stability. It helps create and sustain neighborhoods that not only allow disadvantaged people to purchase a home and earn equity on their investment, but also to become members of diverse, supportive, environmentally sound communities.

## CHAPTER 12 LESSONS AND CONCLUSIONS OF COMMUNITY LAND TRUSTS

The Community Land Trust movement as demonstrated in the US and now Great Britain is a successful and necessary force for providing secure, affordable tenure of land and housing for the world's growing population.

The basic function of a CLT, the leasing of land without structures, is commonly used for commercial urban land beneath skyscraper office buildings. In addition, tax assessments across the U.S. consider separate values for land and structures. These can be used as valuable points supporting acceptance of CLT's as an alternative ownership model.

Several key trends point to the importance of the CLT as an alternative land ownership and housing model in the U.S. and around the world.

- World population projections estimate as many as 9 billion people on planet Earth by the year 2050, the majority of which will live in urban areas.
- In most real estate markets, median incomes will continue failing to keep pace with median housing prices.
- The world food crisis and the effects of global climate change and energy depletion will place increased importance on creating new models for growing food close to population centers.
- Demands for fuelwood and timber will lead to the creation of managed community forests as essential assets for community survival and prosperity.

Affordable housing strategies of the last century in the United States have not been

successful in alleviating homelessness or achieving secure land tenure for all US citizens. Two of the common themes are public housing projects that lack any sensitivity to human and community needs, and more flexible housing strategies that allow subsidies to be lost forever and fail to retain affordability.

Community-based non-profit land trusts are the key to preserving housing subsidies (i.e. capping speculation) and promoting long-term stewardship. CLT's are in it for the long haul, and represent grassroots interests and complement the work of community development organizations

The CLT is a model of land reform and housing affordability which has its roots in places like India...has flourished in late 20<sup>th</sup> Century America ...and which has potential to spread to the global south and other nations to offer secure tenure of land and housing for the growing urban and rural populations of the 21<sup>st</sup> century.

---

## COMMUNITY LAND TRUST RESOURCES

- Cirillo, Marie, Founding Director, Woodland Community Land Trust and Clearfork Community Institute, personal interview, November 10, 2008.
- Chicago Community Land Trust, overview, [www.cityofchicago.org](http://www.cityofchicago.org)
- City of Chicago, press release, December 1, 2005. Mayor Daley Announces Community Land Trust to Ensure Long Term Housing Affordability.
- Community Land Trust website (English), 2008. [www.communitylandtrust.org.uk](http://www.communitylandtrust.org.uk)
- Community Land Trust Handbook* – Institute for Community Economics (original edition published by Rodale Press in 1982)
- Fireside, Daniel. “Community Land Trust Keeps Prices Affordable – For Now and Forever” – *Yes! Magazine*, Fall 2008 pp. 28 – 30. <http://www.yesmagazine.org/article.asp?id=2834>
- Davis, John Emmeus and Rick Jacobus, *The City-CLT Partnership: Municipal Support for Community Land Trusts*. Lincoln Institute of Land Policy, 2008.
- Davis, John Emmeus. *Starting a Community Land Trust*, Burlington Associates in Community Development, LLC. , 2007.
- E.F. Schumacher Society ([www.schumachersociety.org](http://www.schumachersociety.org)) –on-line CLT handbook.
- Equity Trust ([www.equitytrust.org](http://www.equitytrust.org))
- First Community Land Trust of Chicago ([www.newcommunities.org](http://www.newcommunities.org))
- George, Henry. *Progress and Poverty*. Robert Schalkenbach Foundation, New York. 1879.
- Goldstein, Herb, chair of Land Committee, School of Living, personal interview, October 10, 2008.
- Harvard Joint Center for Housing Studies – *Ratio of Median House Prices to Median Household Income, 2008*. <http://calculatedrisk.blogspot.com>
- Huggett, Frank. *The Land Question and European Society*. Harcourt Brace Jovanovich, New York. 1975,
- Institute for Community Economics ([www.iceclt.org](http://www.iceclt.org))
- Lewis, Roger, Executive Director of National Community Land Trust Network, personal interview, October 31, 2008.
- Lincoln Institute for Land Policy – research and courses on CLT formation and operation. ([www.lincolninstitute.edu](http://www.lincolninstitute.edu))
- Lindsay, Vicki, Roots of the Community Land Trust Movement, unpublished, 2001 ([www.cltnetwork.org](http://www.cltnetwork.org))
- Mack, Selina, Executive Director, Durham Community Land Trustees, personal interview, November 20, 2008.

National CLT Network ([www.cltnetwork.org](http://www.cltnetwork.org)).

ibid, PowerPoint Presentation to Land Trust Alliance National Rally, Pittsburgh, Pennsylvania, October 2008.

ibid, CLT Survey – Summary of Results, April 2010

ibid, 2009 CLT Foreclosure Survey and Delinquency Survey – Final Report

National Housing Trust website ([www.nhtinc.org](http://www.nhtinc.org))

School of Living ([www.schoolofliving.org](http://www.schoolofliving.org)).

Schwartz, Alex F. Housing policy in the United States. Routledge, New York, 2006)

U.S. Department of Housing and Urban Development website, [www.hud.gov](http://www.hud.gov)

---

## APPENDIX I      **REGIONAL COMMUNITY LAND TRUST COALITIONS**

### **Northwest CLT Coalition**

([www.nwcltc.org](http://www.nwcltc.org))

The Northwest CLT Coalition (NWCLTC) supports and enhances the work of its 25 CLT members in the Pacific Northwest states of Washington and Oregon, of which 11 are supporting members paying higher membership fees. NWCLTC began in 1999 as a peer to peer network sharing ideas and information specific to affordable housing needs and policies in the region. Ten years later, the Coalition had incorporated as a nonprofit organization and hired an Executive Director. NWCLTC supports its members with many of the same capacity-building services as the National CLT Network -- technical assistance, public policy advocacy, peer networking and learning opportunities, and tools for building public awareness of CLTs -- except that they are tailored to the specific needs and challenges of the Pacific Northwest. The Coalition recently adopted a 5 year strategic plan to further refine its focus.

### **Minnesota CLT Coalition**

([www.mncltc.org](http://www.mncltc.org))

Minnesota CLT Coalition (MNCLTC) represents twelve CLT members from across the state, providing technical support and capacity building centered on the shared goals and challenges of providing affordable housing in the state. The network incorporated as a nonprofit organization in 2006, and hired an Executive Director in 2008 to support the expansion of CLTs in Minnesota through forums and peer education events and internet data sharing. One focus for the Coalition is to increase cooperation between CLTs and state housing agencies, funders, and policymakers.

The Community Land Trust (CLT) is an increasingly important strategy for addressing affordability of land and housing for low- to moderate-income residents of communities throughout the United States. CLTs are generally non-governmental, non-profit organizations which acquire land and hold it in trust for the benefit of the local community. They provide opportunities for residents below a certain income threshold to lease the land and buy or rent affordable housing, create community gardens, and/or practice sustainable agriculture and forestry. In the past 40 years, the nationwide network of CLTs has grown to over 200 organizations. The CLT model holds great promise for meeting affordable housing and land needs in communities around the world. This report explores the CLT concept and history, explains how it works, and offers a series of successful CLT case studies in urban and rural areas.

HS/006/12E

ISBN (Series): 978-92-1-132027-5

ISBN(Volume): 978-92-1-132367-2



UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME

P.O.Box 30030, Nairobi 00100, Kenya;

Tel: +254-20-7623120;

Fax: +254-20-76234266/7 (Central office)

[infohabitat@unhabitat.org](mailto:infohabitat@unhabitat.org)

[www.unhabitat.org/publications](http://www.unhabitat.org/publications)