

Affordable Forever

Land Trusts
Keep Housing
Within Reach

By Winton
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Substandard housing had become a fact of life for Gloria Beamon, so the house undergoing renovations next to her Durham, North Carolina, rental unit in 1994 was just something to look at, not something to aspire to. Or so she thought.

But when the director of the organization responsible for the construction knocked on her door to make sure the work wasn't disturbing her, Beamon learned about the Durham Community Land Trust. Launched in 1987 by residents concerned about the large number of abandoned buildings in their neighborhood, the trust began buying and renovating these houses, and selling them to low-income families.

In 1996, Beamon leased a home from Durham CLT, planning to buy it two years later. Instead, her son bought that house, and Gloria bought a second, larger house from the organization for herself and her mother. "We went from being historical residents of substandard housing to having two homeowners in the family," says Beamon, who went on to chair the CLT board and serve on several citywide committees. Being involved with the organization has helped her find a sense of community she never felt before, Beamon says.

The Institute for Community Economics (ICE), one of the early champions of the movement, defines a community land trust as a private nonprofit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents. Community land trusts develop housing through renovation or new construction, and sell (or sometimes rent) the units to low-income families; the CLT leases the land to the families, who agree to restrictions on how the house can be transferred in the future. As a result, CLTs are able to produce high-quality affordable housing, and keep it affordable in perpetuity.

Sustainability is one of the defining characteristics of a community land trust. Because the CLT owns the land and restricts who can purchase the home in perpetuity, it can ensure permanent affordability for the unit, unlike the many subsidy programs that have time limits. Because homebuyers rely on mortgages and other

traditional financing tools to purchase the house, there is no long-term debt for the organization beyond the cost of the land itself; no ongoing subsidies are required. Most CLTs carry no debt on the land they own, thanks to initial grants from housing trust funds, other government programs, and philanthropic sources. And when CLT homeowners move out, the resale formulas that govern the sale balance the need to maintain affordability and the owner's right to recapture some of the appreciated value of the home.

Permanent affordability makes the CLT model stand out from other models of affordable housing development, says Carey Shea, a program officer at the Surdna Foundation, which supports ICE's work. "Originally the 15-, 20-, or even 30-year affordability plans looked good because none of us anticipated how the markets would change," she says. But now, with subsidies expiring on tens of thousands of units around the country, the appeal of the CLT model, particularly in areas where the housing market is tight, is even more apparent.

"CLTs build wealth for both the community and the individual homeowners," explains ICE Executive Director Sarah Page. "The community gets permanently affordable, stewarded land, and the homeowners get all of the advantages of owning a home – security, a chance for appreciated value, tax benefits, and a bridge over the gap between rental and market-rate homeownership."

For more than 30 years, ICE has supported CLTs through technical assistance, conferences, training events, and its Community Land Trust Network, which helps members learn and draw inspiration from each other. ICE also provides financing to community land trusts through a \$13 million loan fund that it operates in its role as a community development financial institution.

"The field has matured thanks to ICE's work," says Karen Seabury, a program officer at The John D. and Catherine T. MacArthur Foundation, a longtime funder of ICE. "There's now a range of expertise, legal precedence, and sophistication in structuring that's all brought together by ICE." Networking and support are especially important because some CLT principles are poorly understood. CLTs must educate individuals, lenders, and government agencies about their unique sale and equity distribution processes and complicated bookkeeping requirements.

“There’s a big initial hurdle CLTs have to jump, a psychological and cultural challenge,” says Seabury. “Americans don’t have a big place in their heart for communal ownership.” Some people feel that limited equity means limited potential for asset development for low-income families, but Seabury points out that CLT homes can be a stepping stone. “People can move on, like everyone else who starts off in a small apartment and eventually moves on to a bigger home.” There are more than 100 CLTs in the U.S. overseeing more than 5,000 units of housing. ICE reports that of the thousands of families that own CLT homes, 79 percent have incomes at or below 50 percent of their region’s median.

Communities have taken up the CLT model to confront challenges from gentrification and sprawl to pollution and abandoned housing. In North Carolina, landlord neglect was the inspiration. Absentee owners were letting their West Durham buildings deteriorate, compromising neighborhood safety, says Durham CLT Executive Director Selina Mack. Since 1987, Durham CLT has renovated 109 single-family houses and sold or rented them all to low-income families. Volunteer work crews rehabbed the first three houses, buying materials with money contributed by local individuals. Today, the group acts as a general contractor, using federal CDBG and HOME funds to hire local builders and subcontractors.

The CLT provides housing to people who otherwise could not afford to live in Durham anymore because of gentrification, Mack says. The average cost of a single-family house in the city is \$175,000, she says, while the organization sells most of its homes for less than \$70,000. Most buyers end up with mortgage payments of \$500 or less, far below rental prices in the city.

Residents who want to move must sell their house at a price affordable to the organization’s target population – those with incomes less than 60 percent of the area median. Sellers can count on getting back their initial investment plus a percentage of the appreciation based on how long they’ve lived in their home. Turnover is low: Only two units have been sold by their original owners in 15 years, a testament to the organization’s success in meeting a critical need. After some initial resistance, banks are now eager to support the CLT and the families that want to buy its homes, thanks in large part to recognition from the secondary mortgage market, most notably Fannie Mae.

Fears about CLTs have been easy to disprove: The limited equity model of homeownership does not reduce CLT residents’ pride in

their homes, says Mack; most do an excellent job of maintaining their houses and land. And buyers are willing to limit their future potential gains in exchange for realizing their dream of homeownership today.

When a polluting particle board manufacturer in Albuquerque, New Mexico decided to sell off part of its land in 1994, the neighborhood organized to get the city to buy 27 acres of the parcel and allow the new Sawmill CLT to develop it, reclaiming blighted land and ensuring affordable homes near the city's historic center.

The CLT model was particularly appealing to New Mexicans, says Debbie O'Malley, executive director of the organization. "Land is part of our history, not just real estate to be put to highest or best use. The land trust meant that the land could remain within families for generations, and be affordable forever."

Sawmill CLT's award-winning neighborhood design reflects its community's culture: 23 homes surround a shared plaza (photo below), some with separate apartments allowing multiple generations to live together. About 70 more units are planned, including 10 units of "flex space" for artists and other individuals who work from home.



Sawmill CLT's shared plaza reflects the community's culture.
Photo Courtesy of Sawmill Community Land Trust.

Preserving a community and its natural resources was the driving force behind Of People and Land Community Trust (OPAL CLT) on Orcas Island in Washington. When Michael Sky moved to Orcas Island, he was looking for an intentional community that was focused on “justice in terms of reselling, avoiding speculation, avoiding individuals owning land, and supporting decisions about land as community decisions,” he says.

A group of residents began to meet and put in place the structure that would become OPAL. Affordability was not the initial goal, but the island “became one of those discovered places, with a huge spike in real estate prices being pushed up by off-island dollars, with no relation to local wages or lifestyles,” recalls Sky. Year-round residents had a hard time finding homes at any price. Adopting the CLT model meant giving up some of the founding members’ original goals; state and federal funds supporting the startup did not allow alternative building materials or renewable energy sources, for example. But the group’s second project embodies their values about creative land use: It built 24 units on four acres of a 12-acre parcel, leaving the rest undeveloped as forest, for the community to enjoy.

Some elements of the CLT model force a greater sense of community whether residents want it or not, Sky says. Families with children benefit greatly from the tight-knit neighborhood, but communal land ownership also means a responsibility to one’s neighbors when it comes to cutting down trees or building a patio close to a property line, which require at least a conversation with neighbors, he says. Still, those expectations are no more stringent than those of many conventional homeowner associations.

“CLTs get the incentives right, with community-owned land and privately-owned houses,” says Sky. “If we could get all the land off the market, and then talk in terms of people stewarding, borrowing land to run their businesses and have their homes, that would have a profound impact on our environment and economics.”

The concept of stewardship has been widely accepted in Vermont, where CLTs cover almost every part of the state. Founded 14 years ago, the Central Vermont Community Land Trust reviews applicants who, upon acceptance, are responsible for finding a home to

purchase. The organization obtains ownership of the land, and gives the buyer a 99-year renewable ground lease.

The Central Vermont CLT oversees 70 single-family homes, 80 mobile homes in four parks, and 140 multi-family rental units scattered over an area that takes an hour-and-a-half to traverse by car. The organization can't boast the kind of community spirit or involvement that a more concentrated project like Albuquerque's can, Executive Director Martin Hahn says, but it does have the advantage of not concentrating low-income families in a small area.

Hahn admits that can be difficult to explain the complexities of the CLT to potential residents, banks, and local officials. "Not owning the land severs something that people see as intrinsic to owning a home," he says. "It's an intuitive break that people find tough to understand." For example, a program that allows owners of CLT houses to apply for funds for capital improvements has been used by just one resident, he says. But Hahn, a veteran of the movement who once worked with the Durham CLT, insists that the benefits are clear. The CLT model fosters pride and neighborhood improvements because it is committed to community participation, he says; the results are visible in any community where there is a Central Vermont CLT home.

CLTs aren't always formed by a group of neighbors. The Mayo Clinic, the largest employer in Rochester, Minnesota, found that even mid-level employees were unable to find affordable housing, according to Karel Weigel, director of community relations for the hospital. In response, the clinic spearheaded the First Homes Community Land Trust, offering \$4 million in 1999 to launch the effort, and promising \$1 million per year over the following three years in matching contributions. The Rochester Area Foundation, the Greater Minnesota Housing Fund, the McKnight Foundation, and other local businesses have all signed on. What's unusual about the Mayo Clinic's commitment is that the program isn't designed solely to support their own employees.

To date, First Homes has provided gap financing for 90 families purchasing homes. But Executive Director Sean Allen says the organization knows it has more work to do. "If we continue to do simply gap financing, then whoever occupies the house first has affordable housing, but then they're free to sell to anyone," says Allen. The organization's new CLT will address that challenge, and

has plans for 200 units in the next four years.

Owners of First Homes' CLT houses can still make money should they decide to sell: half of the appreciated value will go to the owner, while the other half will fund the operation of the CLT. "No, you won't get rich overnight owning a CLT house," Weigel says, "but this is a step up from renting, where families aren't building any equity at all. From owning a CLT house it's easier to move into market-rate housing if you decide to move, whereas many people are stuck as renters forever."

Helping low-income families make that transition – from renting what is often substandard housing to owning and taking pride in their own home – is one of the hallmarks of the CLT movement. By removing land from the speculative market, community land trusts make affordable homeownership a reality for thousands of families who thought it was out of reach.

The CLT model is also being used to promote smart-growth agendas, in anti-gentrification efforts, and as a tool to revitalize disinvested communities. CLTs operate in large cities and tiny rural areas, poor inner-city communities and exclusive resort towns. Just as importantly, CLTs help long-time residents avoid displacement, allowing them to join with new residents to create and preserve healthy communities.

"Our CLT does more than housing development," says Beamon. "We do human development." Having served on the board of the Durham CLT for six years, nearly two of them as president, Beamon points to herself as an example. "I didn't want to get involved, but people in the CLT encouraged me to the point where I really started caring about my community."

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