
Building Assets with Permanently Affordable Housing

The lessons so far from Burlington Community Land Trust* hold promise for establishing long-term affordability – and even helping homeowners build resources to purchase market-rate housing.

**ARCH Community Land Trust is the first such organization in the state of Idaho.*

Since 1984, the Burlington Community Land Trust (BCLT) in Burlington, VT, has developed and sold nearly 250 single-family houses and condominiums to first-time homebuyers. All of these owner-occupied homes have been subject to permanent controls over their occupancy and resale to maintain their availability and affordability for low-income households far into the future. The first resale of a BCLT home occurred in 1988. By the end of 2002, 97 houses and condominiums had been resold.

This pool of resales provides a rare opportunity to evaluate the performance of an innovative limited-equity housing model that attempts to balance the interests of first-time homeowners with social goals like the preservation of affordability and the stewardship of public subsidies. An intensive study of these land trust resales is underway, but there are a few preliminary findings:

Continuing affordability. Affordability not only continued between successive generations of low-income homebuyers, but improved – even when the favorable effect of falling mortgage interest rates was eliminated. The average BCLT home was affordable to a household earning 62 percent of Area Median Income (AMI) on initial sale. On resale, it was affordable to a household earning 57 percent of AMI.

Investment retention. Investments in writing down the initial cost of land trust homes remained in the properties at resale, keeping these homes affordable for the next generation of low-income homebuyers. Rather than diminishing in value – a disadvantage of many subsidy recapture programs – these subsidies grew in value, eliminating the need for additional public money each time a home resold.

Wealth creation. When reselling their homes, most homeowners walked away with more wealth than they had at the time of purchase. Their net equity gains were modest, when compared to what they might have realized from the resale of an unrestricted, market-rate home, but land trust homeowners still earned a respectable return on their initial investment. The annual rate of return, across all 97 resales, averaged 30 percent. The average BCLT homeowner, reselling after five years of occupancy, recouped her original \$2030 downpayment, recovered \$3509 in principal payments and claimed an additional \$2674 in appreciation.

Residential mobility. Mobility was assured, with households who left the land trust doing so for reasons and destinations similar to homeowners buying and selling on the open market. They also had similar success: probably the most surprising finding, in light of the relatively modest equity gains realized by these homeowners on resale, was that a majority of them bought market-rate homes after