

Watchful Stewards: Mutual Housing Associations and Community Land Trusts Preserve Affordable Housing

By Sarah Hovde and John Krinsky

The large, foreclosed HUD-subsidized building on Stamford's West Side had once housed over 60 families, but in 1993 stood vacant, a hulking eyesore with nesting pigeons as its only occupants. Nearby, the Mutual Housing Association of Southwestern Connecticut had opened, five years earlier, 69 units in attractive, low-income townhouses. An expert community organizing staff helped residents of those units begin to clean up the neighborhood. They organized community events and drug patrols and conducted a neighborhood needs survey. Before long, other community members asked the Mutual Housing Association, which has branches in several other Connecticut communities, to renovate the vacant HUD building to create more decent, affordable housing. Rehab was completed in August, 1996, and families had moved in by November.

In Brooklyn's Crown Heights neighborhood, and in Manhattan's Harlem and Washington Heights, an organization called Community Assisted, Tenant Controlled Housing (CATCH) has started a number of local mutual housing associations. CATCH, formed by seven citywide nonprofit housing and cooperative housing technical assistance groups, has saved or is working to save over 300 units of often decrepit housing that had been languishing in foreclosure proceedings or private landlords' hands. CATCH accomplished this by buying the buildings or getting banks or landlords that wanted to avoid managing them to donate the deeds. After acquiring the buildings, CATCH sets about financing and overseeing rehabilitation, and organizing residents to eventually take control. Harlem's local MHA is furthest along in its development. Its resident board members have gotten involved in the Empowerment Zone and other community efforts, and have identified more buildings for CATCH to "catch."

In Washington, D.C., the New Columbia Community Land Trust (NCCLT) protects neighborhoods from gentrification. In collaboration with Washington Inner-City Self-Help, a nonprofit housing developer, NCCLT purchases properties in areas where low- and moderate-income residents are being pushed out by rising prices and turns them into low-income cooperatives. The residents, community supporters, and staff have saved many from losing their homes to real estate speculators, and have nurtured a vibrant community of low-income cooperators in historically mixed-income neighborhoods that would otherwise have become exclusive zones for Washington's young professionals. NCCLT has also begun to look at commercial sites, to keep locally owned businesses and services from being displaced as real estate prices soar in anticipation of the completion of a new subway extension.

As different as these groups and their neighborhoods are, they share several important features and goals. As mutual housing associations (MHAs) and community land trusts (CLTs), they are part of a small but steadily growing sector of nonprofit, community- and

resident-controlled housing that has taken root across the country over the past 15 years. At the meeting point of the cooperative housing movement, the community development movement, and a small movement for land reform, MHAs and CLTs all aim to take low-income housing off the market and put control over these resources into the hands of community residents. In doing so, these organizations serve as watchful stewards, preserving a stock of affordable housing for future generations.

Mutual Housing Associations

Mutual Housing Associations develop affordable housing and keep it affordable for low-income residents over the long term. Residents have a strong voice in how their housing is managed and maintained. But MHAs also aim to be accountable to, and supported by, the broader community by seeking participation from non-residents. This participation is most often on boards of directors; MHA residents usually hold a majority of seats, with the others filled by housing professionals and representatives from local institutions or government. In many MHAs, the participation of prospective residents also keeps the pressure on the group to expand.

Despite their similarities to co-ops and standard nonprofit-run housing, MHAs formed at least partly in response to perceived shortcomings of those models. Observers have long noted the difficulties faced by smaller, stand-alone co-ops, such as lack of purchasing power, lack of participation, and a lack of professionalism or adequate management savvy. MHAs try to address these issues by maintaining the democratic structures of co-ops while providing economies of scale, ongoing resident education and training, and professional staff. CDCs and other community-based housing organizations have noted with some irony that they have become landlords in their neighborhoods, and have been forced into a role unthinkable to them in their grassroots, activist pasts. Some have looked to MHAs to reinvigorate the participatory, democratic goals of community development by formalizing democratic structures in housing.

There are two basic types of MHA: a federated MHA, where members are typically separate co-ops or nonprofit, resident-controlled rental developments; and an integrated MHA, like the MHA of Southwestern Connecticut, where members are more often individual residents and interested nonresidents. The integrated MHA owns the buildings, whereas a federated MHA's member organizations own the housing. Federated MHAs usually monitor their members' fiscal and organizational health and provide training, technical assistance, bulk purchasing, and other shared services. Their member organizations are joined by the MHA bylaws or membership agreement, and sometimes by joint financing arrangements like pass-through mortgages. Another variant is a second-tier MHA, a federation of local MHAs, whether integrated, federated, or both. New York City's CATCH fits this model.

Community Land Trusts

A community land trust (CLT) forms to buy and manage land for the benefit of the community at large, with a particular emphasis on serving the housing needs of low-

income and disadvantaged residents. CLTs are democratic membership organizations that balance the interests of community residents, residents of land trust housing, and other public interests. A CLT differs from an MHA in that it owns land, but not always the housing on the land. A CLT's key legal mechanism is the ground lease, which is typically for a term of 99 years and confers many rights of ownership to the leaseholder, save the right to equity or profit from the sale of the housing. All CLT housing is owned and operated outside of the market; either as nonprofit-sponsored housing, limited equity cooperative housing, or limited equity housing for purchase. Because the housing itself is not necessarily a collective enterprise, groups outside of urban areas can use the CLT model with greater ease than the MHA model.

CLTs, more than MHAs, stress the goal of land reform. This distinction is rooted in the respective histories of these two models. MHAs have grown out of the cooperative housing movement both here and abroad, while CLTs' predecessors were the Civil Rights movement, tenant-farmer struggles in the South, and land reform movements as far away as India. New Columbia Community Land Trust, for example, has helped residents faced with displacement ask why the value of public amenities, like a subway, should accrue to private real estate owners at the expense of low- and moderate-income tenants. Rather than focusing on theoretical issues, CLTs often encourage neighborhood residents to recognize the immediate, dislocating impact that appreciating real estate values can have on their lives and communities.

Challenges

MHAs and CLTs offer unique advantages but also face many challenges, some of which are common to cooperative and nonprofit, community-based housing. Questions of how to define resident participation and make it effective, how to strike a balance between management and development tasks, and how to sustain the organization over time are all critical to CLTs and MHAs. MHAs and CLTs crystallize these challenges in one organization, and so are an interesting "laboratory" for examining how groups deal with these issues.

Resident Control and Participation

Reaching consensus about the meaning and purpose of resident participation may, at first glance, seem a relatively easy undertaking for CLTs and MHAs. Certainly, resident participation is itself a defining characteristic of these models. CLTs generally aim for greater participation from the overall community than do MHAs, which tend to define their communities primarily as their resident populations. But both recognize that residents are most directly affected by decisions about the housing, and should therefore play a significant role in decision-making.

Beyond this common agreement, however, lies a range of possibilities in how groups understand the meaning of resident participation, and in the level of participation they aim to achieve. Housing researcher Peter Marcuse distinguished between two main types of resident participation, involvement and control, in *Tenant Participation – For What?*, a

1970 Urban Institute working paper. "Involvement" refers to resident participation in housing or the organization sponsoring the housing, but not necessarily in decision-making or governance of the organization. "Control," refers to active resident influence in governance of the housing, the organization, or both. Most MHAs and CLTs provide for some degree of resident control structurally, by including residents on their boards of directors. But if residents are unaware of or don't know how to exert their control, it remains an abstraction. Making resident control "real" requires that training and organizing help develop the skills and knowledge residents need to make informed decisions about their housing and overall organization.

People's Mutual Housing Association of the Lower East Side (PMHA), in New York City, learned just how difficult it can be to incorporate resident participation in the absence of a clear consensus among an organization's leaders and staff. PMHA, established in 1990, developed most of its housing through "gut" rehabilitation of vacant buildings. Renters applied for completed units through a lottery system. PMHA was organized along the "integrated" rental model: it directly owns and manages the buildings, and residents of each building elect representatives to an MHA-wide Resident Council, which in turn elects the representatives to the organization's board. PMHA's democratic structures were clear from the beginning, but during its first several years, residents tended to regard the MHA more as a landlord (albeit a fairly benevolent one) than as an entity over which they could exercise significant control. This was at least partly because residents came to the MHA as strangers, both to each other and the concept of mutual housing. But it was also due to ambivalence within the organization about the role of resident participation. PMHA's organizational "culture," heavily influenced by its executive director, emphasized professionalism in housing management much more than resident participation in governance. While the staff included two full-time organizers, they found themselves increasingly carrying out management tasks, as opposed to education and capacity-building.

In the last year, PMHA has changed significantly, due to a nearly 100 percent staff turnover, including a change in executive directors. One of the first discussions between the new staff and the board was about the need to clearly separate management from organizing. An "MHA Educator" was hired, and organizers went about revitalizing each building's moribund tenants association. The Resident Council has become more active in bringing proposals to the board; as a result of one such proposal, a tenant representative will soon participate in selecting new tenants. While PMHA residents have not yet completely taken "ownership" of the organization, the process seems to be underway. The current staff's commitment to this process is very important at this stage, but will diminish as resident participation becomes more institutionalized.

Balancing Functions

While resident organizing is an important, and perhaps the central, function of MHAs and CLTs, most groups also engage in housing development and management (or supervise management when it is contracted out). Maintaining a healthy balance between these three functions is essential if the organization is to successfully fulfill its objectives. The

dilemma here is that resident organizing tends to be difficult to support financially. Most MHA and CLTs depend on local government or foundations to provide this funding, which can be vulnerable to cutbacks over time. Because of this, groups may be tempted to increase development activity to generate development fees, and may expect their housing management to turn a profit as they acquire more properties and their economies of scale increase. While this may sometimes occur, a parallel scenario can be over-rapid development that strains a group's management capacity and leads to the neglect of organizing. This is particularly true given the fact that housing development, in these days of complicated financing packages and complex reporting requirements, tends to "suck up" a lot of time and energy, possibly diverting staff's energy from other priorities. The Madison, Wisconsin, Mutual Housing Association illustrates some of these dangers. Founded in the early 1980s through the joint efforts of a local CDC and the city government, the Madison Mutual Housing Association (MMHA) and cooperative developed fairly rapidly. MMHA had a "dualistic" structure, in which the MHA acted as the developer and owner and the resident Cooperative managed the properties. At the time, there were few nonprofits developing affordable housing in the city. City government saw MMHA as filling an important need in Madison's tight, high cost housing market, and supported the organization both with development dollars and organizational support. This support enabled MMHA to expand its holdings, mostly by buying and rehabbing older 2 to 5 unit houses. It also implemented an innovative and widely praised training program to prepare residents for a limited form of self-management (limited because the cooperative had no staff and depended partly on MHA staff to carry out management).

While MMHA enjoyed relative success in its younger years, things began to unravel in the early 1990s. The city government changed its priorities and phased out the organization's CDBG capacity funding, forcing MMHA to layoff its resident organizer and eventually take over management. At the same time, MMHA had to grapple with unusually high maintenance costs because some of the rehab work on its houses had been inadequate. It also faced a loosening housing market, which led to expensive vacancies in some of its developments. While some of these factors were outside the group's control, MMHA responded to these pressures in ways that ultimately compromised its sustainability. In the hopes of earning development fees, MMHA took on several large and ambitious development projects. But the MHA was developing housing faster than it could handle, leading to sloppy management and a dearth of organized resident leadership. In the end, the organizing program and the management system fell apart, financial troubles mounted, and the MHA had to sell off half its portfolio to avoid bankruptcy.

Long-Term Stewardship

Given the relative newness of MHAs and CLTs, the jury is still out on the long-term sustainability of these organizations. Both strive to reduce costs and maximize efficiency by achieving economies of scale in development, management, and member services, though this goal is more explicit for MHAs than CLTs. But "economic scale" turns out to be a rather nebulous concept, depending on the type of housing developed, its location,

its physical condition, and its depth of the development and rental subsidies. In addition, while there is some evidence that resident and community organizing in MHAs and CLTs may lower costs over the long run by leading to more watchful stewardship by residents and community members, in the short run, organizing and training requires attracting and maintaining extra funding. Funding organizing and training is a recurring struggle for most MHAs and CLTs. Those that have been able to sustain themselves most successfully have done so by forging strategic partnerships that lend critical community and political support, and by nurturing a constituency of organized residents and members to advocate for the interests of the group. They have also tried to streamline their operations, and in many cases have expanded from purely housing into a broader range of community development activities. The Burlington, Vermont, Community Land Trust is one such organization.

Founded in 1984 with the strong support of Burlington's Progressive Coalition, the Burlington Community Land Trust (BCLT) is one of the country's older CLTs. It has become a highly respected player in Burlington's nonprofit housing delivery system, developing a sizable portfolio of both rental units and housing for purchase, and helping to found a Mutual Housing Federation to develop and serve low-income co-ops. BCLT has had the fairly consistent support of the local government, from which it has received funding for both development and organizational support. But it has also, by organizing members and building coalitions with other community institutions, developed a base of members and supporters who "go to bat" for the CLT when necessary. When BCLT's CDBG capacity funding was threatened one year under a brief Republican administration, over 200 supporters showed up at City Hall and squelched the funding cuts.

Conscious of the shrinking funds for affordable housing, BCLT has recently taken steps to ensure its sustainability. To cut overhead and maximize efficiency, BCLT and the Mutual Housing Federation completed an "affiliation" process under which the federation retains its own board of directors but contracts with the CLT for staff. BCLT has also held ongoing conversations with the other nonprofit housing groups in Burlington about sharing or merging some functions in order to reduce costs and duplication of effort. Ironically, in response to BCLT's efforts to use scarce resources more efficiently, some BCLT funders have assumed that the organization can now make do with less and have attempted to cut funding. BCLT has so far succeeded in convincing both the municipal government and private foundations to provide funding beyond the typical three-year cycle. It has also taken steps to diversify its funding base by collaborating with other groups on non-housing projects, such as a multi-generational service center. Through such projects, the CLT can earn development fees at a time when housing development money is scarce, while at the same time raising its profile in the community.

Like BCLT, MHAs and CLTs that manage to meet the many challenges they face can help empower low-income neighborhoods and residents – if they have access to the necessary resources. But even those groups like BCLT that have enjoyed stability and significant support from local government are threatened by the current cuts in federal

funds for low-income housing. MHAs and CLTs, like all affordable housing providers, are unable to serve low-income households without subsidies.

At the same time, MHAs and CLTs could be well-positioned to take advantage of the current trend towards devolution and privatization. The resident and community oversight built into these groups' governance structures and "made real" through ongoing organizing and education greatly increases chances for the affordable housing they oversee to remain stable and viable. As private-sector, local organizations with close ties to their communities, MHAs and CLTs are uniquely suited to play this shepherding role.

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*Sarah Hovde is a policy researcher for the Community Service Society (CSS) of New York's Housing Policy and Research Unit. John Krinsky was a CSS research associate through 1996 and is now a Ph.D. candidate at Columbia University. This article is drawn from two recently published reports: *Balancing Acts: The Experience of Mutual Housing Associations and Community Land Trusts in Urban Neighborhoods*; and *Hands-on Housing: A Guide Through Mutual Housing Associations and Community Land Trusts for Residents and Organizers*. These publications may be ordered by calling the CSS Office of Information, 212-614-5314.*

MHA/CLT Resources

- Institute for Community Economics, 57 School Street, Springfield, MA 01105-1331; 413-746-8660.
 - Neighborhood Reinvestment Corporation, 1325 G Street, NW, Ste. 800, Washington, DC 20005; 202-376-2400.
 - National Association of Housing Cooperatives, 1614 King Street, Alexandria, VA 22314; 703-549-5201.
 - Community-Assisted, Tenant-Controlled Housing, c/o The Parodneck Foundation for Self-Help Housing and Community Development, Inc., 121 Sixth Ave., Ste. 501, New York, NY 10012; 212-431-9700.
 - See [Shelterforce #47, 48, 62, and 69](#) and [#121](#) for articles on MHAs and CLTs
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