

COMMUNITY LAND TRUSTS



Mathei Place, Kulshan Community Land Trust, Bellingham, WA



2010

**Preserving Affordability and
Stabilizing Communities**

Community Land Trusts

PRESEVING AFFORDABILITY AND STABILIZING COMMUNITIES

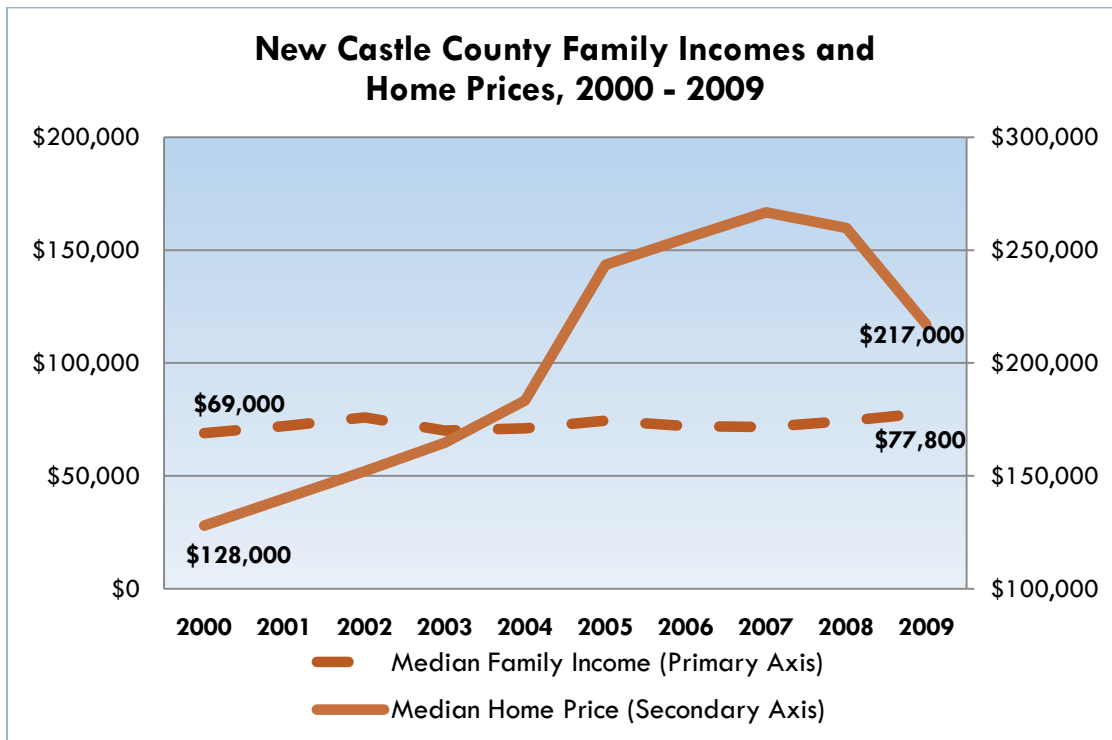
WHAT IS A COMMUNITY LAND TRUST?

As the costs to make homeownership affordable for households with low- and moderate-incomes have increased exponentially in recent years, many communities have turned to the Community Land Trust (CLT) model to preserve these public and private investments. Offering “development without displacement”, the CLT model expands homeownership opportunities while ensuring that homes remain affordable to future generations of low- and moderate-income households.

THE NEED FOR COMMUNITY LAND TRUSTS

For the last decade, housing costs have been rising faster than incomes, in Delaware as in many areas around the country. Median family incomes have barely kept pace with inflation. Meanwhile, housing costs – especially home prices – have skyrocketed. While this is partially the result of a particularly hot real estate market in the state, even slight corrections in prices will not undo the impact these years of double-digit appreciation have had on housing affordability. Tightened lending standards and increased downpayment requirements have also made it more difficult for low- and moderate-income households to purchase homes.

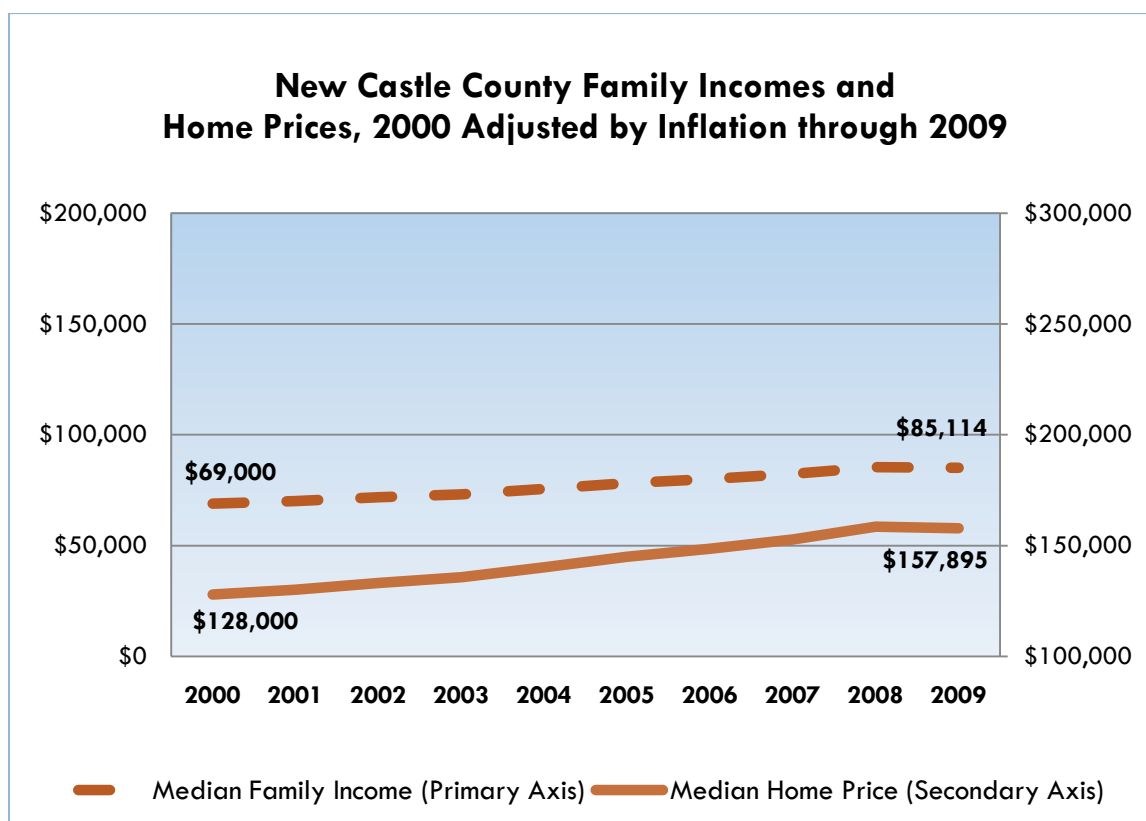
FIGURE 1



Sources: U.S. Department of Housing and Urban Development Median Family Income, New Castle County Board of REALTORS®

Escalating home prices have put homeownership out of reach for thousands of Delaware's households with low- and moderate-incomes. Even as increases in home prices have fallen off in recent years with the economic downturn, they remain out of reach for many low-income households. Many wish to and are prepared to become homeowners and experience the benefits of homeownership: the security, privacy, investment, and sense of ownership.

FIGURE 2



2000 Median Home Price and 2000 Median Family Income, adjusted by annual Consumer Price Index to reflect inflation from 2000 to 2009.

Sources: U.S. Department of Housing and Urban Development Median Family Income, New Castle County Board of REALTORS®

With astronomical affordability gaps, large public and private investments are required to create homeownership opportunities for low- and moderate-income households. In a time of scarce resources, this has led many communities to implement shared-equity homeownership programs. The larger world of shared-equity homeownership programs is discussed in greater detail in the Tool: Shared-Equity Homeownership. The Community Land Trust, or CLT, is one particularly popular and successful example of these models being implemented in Delaware.

BENEFITS OF COMMUNITY LAND TRUSTS

The CLT model has many benefits for the community and the individual homeowner, including:

- ❖ Preserving the affordability, condition and design of homes developed with public and private subsidies;
- ❖ Providing support to first-time homebuyers after they purchase a home, including the potential to intervene to cure defaults and prevent foreclosures;
- ❖ Homeownership opportunities to households who would otherwise be unlikely to achieve homeownership;
- ❖ Additional tenure option between private rental housing and full-cost, market-rate homeownership;
- ❖ Allowing development without displacement, especially in “transitional” neighborhoods or “hot-market” regions; and
- ❖ Flexibility to meet a community’s affordable housing and community development needs with a variety of activities and the potential for mixed uses of land and types of housing.

COMPONENTS OF COMMUNITY LAND TRUSTS

The Community Land Trust (CLT) model of affordable housing has evolved over the past 30 years to address a variety of housing problems in a variety of communities, ranging from urban neighborhoods starved for revitalization and suffering from disinvestment to rural communities facing resort-focused real estate markets and gentrification. There are now more than 200 communities across the U.S. with CLTs.

One aspect of the CLT model that has garnered particular interest in recent years is its effectiveness at preserving the affordability of owner-occupied housing, and thus often the public and private subsidies that went into making the home affordable. The CLT’s dual ownership structure makes this possible. The owner of the land is the Community Land Trust, a nonprofit corporation. The owner of the building is typically an individual homeowner, holding title to a house on the land held by the CLT.

Instead of selling the land the CLT acquires for development, the CLT provides for the exclusive use of their land by the owners of the buildings located thereon. This is done through a long-term (typically 99 years) renewable, inheritable ground lease, which provides homeowners and their heirs the exclusive right to occupy the land on which their homes are located.

Buyers of CLT homes access traditional mortgages, have deeds to their homes, and can access benefits like the mortgage interest deduction. As the home is truly their own, it provides the homeowners with the same permanence and security as a conventional buyer, and they can use the land in the same way as any other

How it Works

- ❖ **The CLT sells the home – but never the land.**
- ❖ **The CLT sells the home to low-to-moderate income buyers.**
- ❖ **The CLT sells the home at a price significantly below market value.**
- ❖ **The CLT and homebuyer enter into a 99-year, renewable ground lease.**
- ❖ **At resale, the homeowner gets a pre-determined percentage of the increase in market value.**
- ❖ **A new low-to-moderate income buyer is able to purchase the same home without additional public or private grants or subsidies.**

homeowner. CLTs tailor their ground leases to their community's needs and goals, but some common features include:

- ❖ Requirement that the owner occupy the home as his/her primary residence
- ❖ Restrictions on subletting (requiring notice to CLT and limiting rent that can be charged)
- ❖ Maintenance requirements
- ❖ Procedures for default which allow the CLT to intervene on the owner's behalf to avoid foreclosure

CLTs are one of several models of shared-equity homeownership, discussed in greater detail in the Tool: Shared Equity Homeownership. A primary feature of the CLT and other shared-equity homeownership models is the preservation of affordability of owner-occupied homes for future buyers. In the CLT model, this is done via the ground lease, which includes a formula for determining the resale price of the home and granting the CLT the first right to repurchase the home for the formula-determined price.

The CLT can then either repurchase the home itself and resell it immediately to another income-eligible buyer, or monitor and approve the direct conveyance of the home from the seller to a new income-eligible buyer. The formula is designed to give homeowners a fair return on their investment while giving future homebuyers fair access to homes at an affordable price.

CLTs are membership-based nonprofit organizations that offer a balanced approach to governance: members include residents of CLT housing, small businesses, neighborhood associations, corporations, and supportive individuals and families. The Board of Directors includes members from the above groups as well, with a third of the Board required to be representatives from CLT residents and low-income areas. This ensures that CLT homeowners have an active voice in the work of the Land Trust, and thus in their neighborhoods and cities. These distinguishing features are designed to allow the CLT to strike a balance between the interest of the community and the needs of individual residents.

Expanding homeownership opportunities for low- and moderate-income families and increasing homeownership are goals for many communities. Growing affordability gaps between what households can afford and the cost of housing has meant that this is an increasingly costly investment for communities – subsidies of \$50,000 per house or even more are not uncommon. Many now use the CLT model to ensure that low- and moderate-income families benefit from the equity built through homeownership while preserving the affordability of those homes so future residents can have the same homeownership opportunities.

In the wake of the foreclosure crisis, many communities are also concerned about neighborhood stability, maintaining owner-occupancy and support for homeowners. The community land trust model, through its ongoing relationship with the homeowner, is well poised to offer an increased level of support and stability. Recent studies of CLT homeownership nationally have shown that CLT homeowners have remarkably lower foreclosure rates than homeowners in general – the upfront and ongoing support of the CLT is a key reason for this success.

COMMUNITY CONCERNS

Although CLTs have existed around the country for over two decades, in many areas CLTs are still a very new concept. The model is unique and does present some new ways of organizing ownership of land and housing which can be challenging to incorporate into our existing understanding of homeownership.

Common Questions and Responses:

1. How can CLT homebuyers get mortgages if they don't own the land?

With close to 200 CLTs nationwide, thousands of CLT homeowners have used traditional mortgage financing to purchase their CLT homes. While the model does require special arrangements between the CLT and lender, buyers are able to access traditional mortgage financing and access the federal mortgage interest deduction. Several major national lenders as well as countless smaller local lenders have worked with CLTs to provide mortgages to CLT buyers.

2. Does the ground lease offer security for the homeowner?

The concept of ground leasing is actually quite common in real estate, and they are used often in a variety of situations. The national model CLT ground lease was crafted over the course of several years and much experience to balance the concerns and rights of both the CLT and homeowner. The lease is perpetually renewable with a term of 99 years.

The CLT's organizational bylaws also include significant protections against the sale of land, and the lease includes further protections for homeowners securing their right to occupy the land. To ensure that buyers fully understand the terms of the ground lease, homebuyers are required to meet with an independent attorney prior to closing to review the lease.

3. Won't the restrictions on the prices of CLT homes reduce nearby property values?

Sale prices of CLT homes would likely not be used as comparable sales for nearby fee-simple homes because they do not include the value of the land and are based on the resale formula contained in the ground lease, not market value.

4. It's just not homeownership if you don't own the land.

As noted above, ground leases are common in real estate, particularly commercial real estate. Buyers of homes on CLT land have almost all the rights traditionally associated with homeownership: privacy, security, tax benefits.

5. Shared-equity provisions are unfair to the homeowner.

The CLT model – and many other models of shared-equity homeownership – extends homeownership opportunities to families who are otherwise priced out of the American dream. This is almost always made possible by significant investment of public and private resources, often in the form of cash subsidies and grants. Once a home is sold at market rate, those large investments are lost, and while one homeowner has received a great windfall, we find ourselves short of resources to help the next prospective homeowner achieve the same dream.

Shared-equity models of homeownership, including the CLT model, ask buyers to agree to limit the future resale price of their home in exchange for the considerable assistance they are receiving. Owners still build wealth and equity in their home, but agree to share the portion of that equity that was built through public and private investment with future homeowners by limiting the future resale price of their home.

DELAWARE EXAMPLES OF COMMUNITY LAND TRUSTS

DIAMOND STATE CLT: A COMMUNITY LAND TRUST FOR DELAWARE

The Diamond State CLT was formed in late 2005 by a group of partners committed to creating and preserving affordable homeownership opportunities in Delaware. The mission of the Diamond State is to strengthen communities by creating and stewarding perpetually affordable housing and promoting sustainable use of the land. What makes Diamond State and indeed the CLT model unique is not necessarily how it creates housing or makes it affordable, but the preservation of that affordability over time. Diamond State's primary role is one of partnership and stewardship: developing partnerships to create affordable homes and then stewarding the affordability and sustainability of those homes.



In 2006, Diamond State hired its first Executive Director and has numerous startup activities and projects in development. In 2008, Diamond State welcomed its first homeowner and a new Program Manager, and has numerous active projects in development.

Neighborhood Stabilization Program (NSP): Diamond State is a partner with Kent, New Castle, and Sussex Counties, as well as the Cities of Dover and Wilmington in the Neighborhood Stabilization Program, part of the Housing & Economic Recovery Act of 2008 passed by Congress and signed into law last summer. Delaware is receiving \$19.6 million in NSP funding through the Department of Housing & Urban Development beginning in 2009.

The program is focused primarily on buying and rehabbing vacant, foreclosed homes in areas of the state hardest hit by the foreclosure crisis. Diamond State, as a partner with the five jurisdictions noted above, is acquiring and rehabbing homes, and recruiting and training buyers for homes under NSP. Diamond State homes are priced significantly under market value and affordable to households at 80% AMI and below. This activity will continue into 2012.

New Horizons Community: In partnership with the Delaware Housing Coalition, the Corporation for Enterprise Development and others, Diamond State is developing a new neighborhood of 50 new homes on in Sussex County near Laurel. Homeowners will own their homes and enjoy all the benefits of homeownership. This new community will be home to the New Horizons Cooperative, an agricultural cooperative that will farm on nearby land. The University of Delaware Agricultural Extension Service is assisting New Horizons in this venture. Property has been secured. Site planning and engineering work is underway. Diamond State anticipates that homes will be for sale in 2011-13. [See *Innovations in Manufactured Homes* article.](#)

New and Rehabilitated Homes for Sale: Thoroughly renovated and new homes in Dover and Wilmington are underway. Partnerships with the Carper/City of Dover Homeownership Initiative, Interfaith Community Housing of Delaware, and others are making these homes the first community land trust homes available in Delaware.

Middletown: In partnership with Habitat for Humanity of New Castle County, Diamond State is developing three permanently affordable homeownership opportunities in a new construction townhouse development.

Little Italy: Diamond State is partnering with Cornerstone West to create permanently affordable homeownership opportunities in targeted neighborhood revitalization areas on the western side of Wilmington.

Village at Colony South: In partnership with Interfaith Community Housing of Delaware and the Delaware State Housing Authority, Diamond State plans to develop a new construction, 36 unit single-family project in Milford. Twenty-three of the homes will be CLT units for owner-occupants at 70% AMI and below. This \$10 million dollar project is in predevelopment now.

WEST REHOBOTH CLT: DELAWARE'S FIRST CLT

The West Rehoboth Community Land Trust (WRCLT) is Delaware's first CLT and currently its only neighborhood-based CLT. The WRCLT was formed to engage in community development in the historic African-American community of West Rehoboth, a small enclave increasingly encroached upon by resort development in recent years.

While the community was still largely populated by low- and moderate-income families with young children and seniors, the scarcity of land and boom in development in the area drove real estate prices in the community sky-high. Investors had picked away at the community's land ownership for years and many lots were now held, vacant, by investors. Simultaneously, the community struggles with significant substandard housing in need of replacement and, as all throughout the resort area, a need for housing affordable to low- and moderate-income families.

The West Rehoboth CLT was formed in 2005, out of the Housing Committee of the local community-based organization, which provides a variety of social services, particularly to children. Its vision and mission is to revitalize the West Rehoboth community through the creation of well-designed, permanently affordable homes as a catalyst for broader community development.

The extremely high costs of development in Rehoboth and subsequently very high subsidies necessary to make homes affordable to community residents made a shared-equity component of the work a necessity. Continually high real estate prices and the high percentage of vacant land owned by investors has made this work challenging, but WRCLT has rallied a strong network of partners and supporters who share its vision for a renewed West Rehoboth.

In 2008 and 2009, WRCLT worked with the community and a local planner to develop an Economic & Community Development Plan for West Rehoboth. A coalition of community groups, the West Side New Beginnings Coalition, was started in June 2008 to plan and implement various community development projects, in which WRCLT has been an active partner. WRCLT also recently coordinated the donation of a mobile home to a community member in need and is exploring replicating this model with more homes, in addition to its ongoing work to develop new housing on vacant land in West Rehoboth.

NATIONAL EXAMPLES OF COMMUNITY LAND TRUST SUCCESSES

Burlington, Vermont – Champlain Housing Trust

One of the nation's oldest and largest CLTs is located in Burlington, Vermont, a university town with a population of about 40,000 on the shore of Lake Champlain. Since the early '80s, economic growth and progressive public policies, combined with an attractive setting, have made Burlington an increasingly desirable – and increasingly expensive – place to live. With active support from city government, the Burlington Community Land Trust (BCLT) was established in 1984, to produce – and preserve - affordable housing for local residents.

With the support of the state and local housing trust fund, federal programs like HOME and CDBG, and low-interest financing from the Vermont Housing Finance Agency, the BCLT has assembled a diverse portfolio of almost 500 resale-restricted, owner-occupied homes, including single-family homes, housing cooperatives, condominiums, as well as varied rental options.

In its focused community development work in Burlington's Old North End, the BCLT redeveloped a Brownfield site, created two vest-pocket parks, and developed over 75,000 feet of commercial space in seven different buildings, leasing this space to local nonprofits providing a variety of services. Its service area now includes three counties in the Burlington region. In 2006, BCLT merged with Lake Champlain Housing Development Corporation, a local nonprofit that owned and managed a rental housing portfolio of over 1,200 units, to form the Champlain Housing Trust.

Albuquerque, New Mexico – Sawmill CLT

Beginning in the 1980s, residents of Albuquerque's Sawmill neighborhood created a community organization to fight pollution from a nearby particleboard factory. Sawmill is one of the oldest Hispanic neighborhoods in Albuquerque and one of the city's most affordable places to live. At the same time, on the other side of the neighborhood, historic Old Town was becoming a leading tourist attraction, with galleries, trendy shops, restaurants and museums.

The resulting gentrification pushed home prices upward, and Sawmill residents started to worry about their families' futures in a neighborhood where some had lived for generations. To expand affordable housing opportunities in this situation, the community organization negotiated with the City to gain the right to develop 27 acres of vacant land once occupied by the old sawmill operation. The existing organization then created the Sawmill CLT to develop and hold the land.

On this site, the Sawmill CLT is developing *Arbolera De Vida* (the Orchard of Life), a multi-use, carefully planned development which includes housing, a park, a plaza, a community center, offices, retail space, and senior apartments. All three phases will eventually incorporate over 150 new housing units. In 2004, Sawmill CLT purchased the particleboard manufacturing plant adjacent to its original site. This industrial site is being redeveloped for commercial and residential uses in partnership with a for-profit developer.



Durham, North Carolina – Durham Community Land Trustees

Durham Community Land Trustees (DCLT) was organized in 1987 by residents of Durham's West End neighborhood, a predominantly African American, low-income community adjacent to the campus of Duke University. Since then, DCLT has completed over 100 homes and recently completed its second commercial renovation of an abandoned building into office space.



DCLT's homeownership development has focused on vacant and abandoned homes but has also included new homes, including several developed through a partnership with Habitat for Humanity. DCLT's portfolio also includes approximately 40 affordable rental units, four of which are supportive housing for individuals with sickle cell disease. It also offers a lease-purchase program for families who otherwise would not be able to move into homeownership.

IMPLEMENTATION OF COMMUNITY LAND TRUSTS

Supporting and Preserving Homeownership in Your Community

Diamond State CLT – Ways to Work Together

As a statewide organization, the Diamond State is advancing projects in all three counties and constantly pursuing new opportunities to create permanently affordable homes in Delaware. There are many ways local jurisdictions and organizations can work with Diamond State to create and preserve affordable homes:

- **Direct land to affordable housing**

Assembling land and properties at affordable prices for development or rehabilitation can be a major hurdle to housing development. In infill development in towns and cities, this is a particular issue because construction and/or rehabilitation costs are also often high. High prices to simply acquire property mean that even more subsidy must be raised to make the end product affordable to low- and moderate-income households. This is an area where local jurisdictions can be particularly helpful.

Often, towns and cities own property themselves, which can be sold to affordable housing organizations like Diamond State for a bargain or token price. Your town may also have an inventory of problem properties with high tax or demolition liens, and may be able to help direct those properties to affordable housing organizations.

- **Connect existing programs to the CLT model**

Your town or city may already have active affordable housing programs. If your community is already investing subsidies into homeownership, you may wish to explore options like partnerships with Diamond State to ensure that the homes made affordable through public investments remain affordable for future buyers.

Diamond State is not primarily a housing developer, so if your community already has a relationship with a nonprofit housing organization, it may be to everyone's benefit to discuss how to work together.

In fact, Diamond State may already be working with the nonprofit organizations you are familiar with on other projects!

■ **Annexations**

Through ongoing growth, many towns are annexing land regularly. In many cases land is annexed to allow for new developments or subdivisions. In the annexation process, your town has a unique bargaining position. Many towns use this position to direct changes in development design or other requirements for community benefit. Unfortunately, the inclusion of affordable or moderately-priced housing is not typically addressed.

If your town is considering annexing land for new developments, this is the perfect time to consider asking developers to include a percentage of homes that will be affordable to your town's residents. To make sure that these homes remain affordable and are not immediately lost as homes affordable to your town's residents, you can partner with Diamond State to preserve the affordability of the homes. Diamond State may also be able to assist in tasks with which your town may be unfamiliar or uncomfortable – homebuyer education and eligibility certification, coordinating financing and closings, and more.

■ **Inclusionary Housing**

Inclusionary housing programs, also called inclusionary zoning, either require or provide incentives to developers to incorporate affordable homes into new developments. There is wide variation in the structure and details of these programs, described further in the Tool: Inclusionary Zoning.

One common feature and recognized best practice in inclusionary housing programs is the preservation of affordability of homes developed through the program. Developing an inclusionary housing program requires a great deal of political and community will, as well as time and resources. While these homes may not receive actual cash subsidies, the community has invested significant value in creating them and making them affordable to low- and moderate-income households. Homes mixed within new market-rate subdivisions are very likely to quickly lose their affordability, and prices will likely rise beyond the reach of the households the program intended to serve at even the first resale.

The CLT model can bring two significant benefits to inclusionary housing programs. First, the affordability of homes on land placed in the CLT will be preserved. Some communities require that a percentage – or even all - of affordable homes created through their program are placed into a CLT. Second, working with a nonprofit organization may allow homes to be made even more affordable and reach lower-income households. Inclusionary housing programs often focus on more moderate-income households. With linked fundraising activities, additional subsidies can be added to some homes to help make them affordable to lower-income households.

Many communities have chosen to contract with nonprofit organizations, often CLTs, to administer the “buyer-side” of program administration – recruiting, educating and certifying homebuyers; coordinating homebuyer selection and closings; and monitoring of the long-term occupancy and resale restrictions. For towns and counties with small staff, this can be a unique and beneficial partnership, as many of these activities are also common to CLT's administration of their own projects.

■ **Initiate a buyer-initiated program**

In communities across the country, buyer-initiated programs have been particularly popular ways to develop an inventory of permanently affordable CLT homes. In traditional affordable homeownership development, sites and funds are assembled, construction or rehabilitation completed, and buyers identified for particular homes. In a buyer-initiated program, a CLT, most frequently with a town or city as lead partner and funder, assembles a pool of funds. Income-qualified buyers apply and, if approved, can access those funds to help make the home of their choice affordable. Buyers shop for a home in the open real estate market, within price restrictions and condition requirements set by the program. The subsidy is then used to make the home affordable to the buyer, and the land enters the CLT.

Buyer-initiated programs are attractive because they:

- ❖ Allow buyers to identify the home of their choice;
- ❖ Once funds are assembled, buyer-initiated programs can move buyers into homes more quickly than traditional new development or rehabilitation; and
- ❖ For a town or city as well as the CLT, require much less administration as opposed to the typical process to identify and acquire land, develop plans, get approvals and acquisition/ construction financing, manage construction – and *then* locate a buyer.

Buyer-initiated programs are often targeted to a particular neighborhood, and they can also be combined with rehabilitation efforts through additional rehab loans or grants. Many towns have found them a relatively simple and straightforward way to partner with their local CLT and create homeownership opportunities.

You may wish to contact Diamond State to discuss your ideas or form a working group or committee in your town to work on affordable housing issues and explore the potential for partnership.

Contact:

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 Dover, DE 19904
vantemple@comcast.net or info@diamondstateclt.org
 800-282-0477

RESOURCES

Burlington Associates in Community Development, LLC is a national consulting cooperative established in 1993. The firm has assisted nonprofit organizations, municipal governments, and state agencies in twenty-three different states, including Delaware. The cooperative's seven partners operate out of offices in Burlington, VT, Boston, MA, St. Joseph, MN, Portland, OR, and Oakland, CA. Many of its partners are longstanding leaders and experts in the CLT model. (www.burlingtonassociates.com)

CLT Resource Center. Burlington Associates has collected and made available on their website, a variety of materials from their years of technical assistance to CLTs nationwide.

(<http://www.burlingtonassociates.com/resources/>)

Lands in Trust, Homes that Last: A Performance Evaluation of the Champlain Housing Trust. A rigorous performance evaluation of the CLT model, using resale data from the Champlain Housing Trust, one of the country's largest CLTs. The evaluation demonstrates the equity-building results of CLT homeownership for CHT homeowners and details results in delivering community and individual benefits.

(http://www.cltnetwork.org/doc_library/p246-Lands-In-Trust_Homes-That-Last.pdf)

The National CLT Network was conceived in 2005 and incorporated in 2006 as a national association of CLTs. Its goals are to strengthen its member organizations through training, best practices and technical support, increase investments in CLTs by partnering with donors and investors; increase public awareness and understanding of CLTs; and advocate for public policies that support permanent and durable access to land for affordable housing. NCLT's website includes a wealth of information on upcoming events, technical and other resources. (<http://www.cltnetwork.org>)

The Lincoln Institute of Land Policy is a nonprofit educational institution founded in 1974, to improve the quality of public debate and decisions in the areas of land policy and land-related taxation. The Institute's goals are to integrate theory and practice to better shape land policy and to provide a nonpartisan forum for discussion of the multidisciplinary forces that influence public policy. The Lincoln Institute is an important partner in national efforts to provide training and education on the CLT model. (www.communitylots.org)