

Starting a Community Land Trust

ORGANIZATIONAL AND OPERATIONAL CHOICES

Rationale

The CLT's ability to serve individual interests and community interests that are often in conflict is a key to understanding the model's proliferation and appeal. Benefits do not accrue only to a fortunate few at the expense of the larger community – nor vice versa. Such a “balanced property arrangement” allows the CLT to be used in many different settings, addressing a variety of needs. The most common reasons for starting and supporting a CLT are reviewed in the present chapter.

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This is one chapter of an introductory manual, *Starting a Community Land Trust: Organizational and Operational Choices*, prepared by John Emmeus Davis, a Partner in Burlington Associates. The full manual is available on-line at the ***Burlington Associates CLT Resource Center***: www.burlingtonassociates.com.

BALANCING THE BENEFITS OF RESIDENTIAL PROPERTY

The contractual and organizational mechanisms of the CLT are designed to maintain an equitable and sustainable balance between the legitimate interests of individuals and the legitimate interests of a larger community. The CLT is a “balanced property arrangement,” allocating the benefits of land and housing more fairly than most other forms of tenure. As described in *The Community Land Trust Handbook*¹:

“What one individual does to secure his or her interests may interfere with the interests of other individuals or the community. And what the community does to secure its interests may interfere with the interests of individuals. A satisfactory property arrangement must not advance the interests of one individual or group at the expense of another. Any effectively balanced arrangement requires that there be agreement not only on what the legitimate interests are but on how they are limited by each other. It also requires that there be effective means of enforcing these limitations so that one interest does not overrun another.”

The CLT is an alternative approach to the ownership of land and housing. It is designed to deliver – and to balance – two sets of benefits: those that accrue to persons who own and occupy a CLT’s resale-restricted homes (*individual benefits*) and those that accrue to the advantage of the surrounding community or, more generally, to the advantage of society as a whole (*community benefits*). Market-rate homeownership and market-rate rentals, by contrast, tilt more heavily toward the individual, directing most of the benefits of residential property toward those who are fortunate enough to own it. Much of the housing that is publicly owned, publicly subsidized, or publicly regulated is tilted more heavily toward protecting the community’s investment and the community’s interests, often at the expense of the occupants’ interest in building assets and gaining control over their personal living space.

The community land trust (along with other forms of shared equity homeownership²) is committed to correcting this historic imbalance, endeavoring to bring the interests of individuals and the interests of community into closer alignment. In the CLT, the benefits derived from owning, using, improving, and conveying residential property are pursued in relation to one another. Every benefit realized by an individual homeowner is “effectively balanced” by a corresponding benefit realized by the larger community. Neither is pursued totally in isolation from the other. Neither is secured totally at the expense of the other. Expanding affordability for the present generation of lower-income homebuyers, for example, is balanced against preserving affordability for future generations of lower-income homebuyers. Enhancing residential security for individual homeowners is balanced against enhancing neighborhood stability and preventing the displacement of lower-income households. Creating private wealth is balanced against

¹ Institute for Community Economics. 1982. *The Community Land Trust Handbook*. Emmaus, PA: Rodale Press:

² Shared equity homeownership includes deed-restricted houses, townhouses, and condominiums, community land trusts, limited equity cooperatives, and variations of each. See: John Emmeus Davis. 2006. *Shared Equity Homeownership: the Changing Landscape of Resale-Restricted, Owner-Occupied Housing*. Montclair, NJ: National Housing Institute.

retaining public wealth. Enabling mobility for individuals who own a CLT home is balanced against improving conditions for all who inhabit a particular locale.

COMMON REASONS FOR STARTING AND SUPPORTING A CLT

This commitment to a “balanced property arrangement,” to which every CLT subscribes, provides a multi-faceted rationale for starting and supporting a CLT. Different parts of this rationale are prominent and persuasive in different communities, depending on the political, economic, and social conditions within that locale. Different priorities may be assigned to these reasons by the governmental officials who are funding CLT projects, the private lenders who are financing them, and the community activists who are promoting them.

Developing Communities without Displacing People

The CLT provides for the revitalization of disinvested or transitional neighborhoods, while preventing the removal of the low-income or moderate-income people who may have long lived there. By gaining control of its own land and by ensuring that a portion of its housing will always be available and affordable for persons of modest means, a community can attract new investment and new residents without making it impossible for the community’s present residents to remain. A local CLT can also complement smart growth policies at the regional level. When established in an inner-city neighborhood or an inner-ring suburb, the CLT can serve as a bulwark against rising prices and displacement pressures that often mount when anti-sprawl measures redirect investment toward the urban core instead of the suburban periphery.

Perpetuating the Affordability of Privately Owned Housing

Housing that is made affordable initially through public subsidies, private donations, or public measures like inclusionary zoning is kept affordable continually. The ground lease used by the CLT is an effective, enforceable, and durable mechanism for ensuring that future generations of low-income and moderate-income households will have access to the same opportunity for affordable housing that is being created for these targeted populations today. Furthermore, the administrative systems that a CLT establishes to monitor and to enforce the affordability, occupancy, and eligibility controls that are built into its ground lease may also be used to monitor and to enforce similar controls that are incorporated into the deed covenants of housing that is not on leased land. The CLT can serve as the long-term steward for *any* type or tenure of housing for which a public agency or a private donor has committed itself to ensuring the housing’s continuing availability and affordability for persons of modest means.

Retaining the Public's Investment in Affordable Housing

Whenever public or private funds are used to subsidize the initial affordability of residential units (single-family houses, condos, etc.), those scarce subsidies are protected and recycled in those units forever. In contrast to policies and programs where subsidies are either claimed by the property's owner at resale (subsidy removal) or re-claimed by the public agency that invested them (subsidy recapture), the CLT is committed to locking those subsidies in place (subsidy retention). When assisted homes are resold, an additional infusion of public or private monies will usually not be needed. The community's investment is neither lost nor diminished.

Protecting the Occupancy, Use, Condition & Design of Affordable Housing

The CLT provides an effective, enforceable, and durable mechanism not only for preserving the affordability of housing, but for preserving the occupancy, use, condition, and design of that housing as well. Embedded in the ground lease – or embedded in the deed covenant, if the CLT is also serving as the steward for deed-restricted housing – are provisions typically requiring the housing to be continually occupied as the owner's principal residence for at least ten months out of every year; restricting the housing's use as a sub-leased rental property; requiring the housing to be kept in good repair; and requiring the housing to be maintained or improved in compliance with local building and zoning codes and in accordance with the CLT's own guidelines and approvals.

Assembling Land for a Diversity of Development

The CLT assembles land through purchase, donation, or bargain sale and then makes land available to a wide range of developers for a wide range of uses. The types and methods of development that can occur on lands that are owned by a CLT are limitless. The model has the flexibility to combine uses of land, levels of income, types of housing, and tenures of housing within the same project – or in different projects. These projects may be developed on contiguous parcels of land or may be scattered throughout an entire city, county, or region.

Enabling the Mobility of Low-income People

Every CLT adds at least one new rung into a locality's housing tenure ladder, bridging the yawning gap that has opened up in many parts of the country between market-priced rentals and market-priced homeownership. Some CLTs fill this gap with multiple rungs, developing not only detached, owner-occupied houses on lands that are leased from the CLT, but developing duplexes, triplexes, limited equity condominiums, and limited equity cooperatives as well. (Some CLTs also develop and manage rental housing.) By multiplying the choices available to people when they seek to change the type and tenure of their housing, CLTs allow persons of modest means to move more easily from one form of tenure to another, improving their housing in smaller, more manageable steps.

As an increasing number of CLTs expand their service area, moreover, developing affordable housing on a regional basis, mobility can also assume a geographic dimension. Low-income households can be given both a choice of housing and a choice of place.

CLTs create an opportunity for economic mobility too. A ceiling is imposed on the resale price of CLT homes in order to preserve their affordability for the next generation of low-income homebuyers. Despite this limit, the assets of CLT homeowners are enlarged. Most of them build wealth, as they occupy a CLT home and when they resell. Compared to the renters they were and the renters they would have likely remained, had they *not* purchased a CLT home, most low-income households will be better off financially for having bought a home through the CLT.

Backstopping the Security of First-time Homeowners

Too many first-time homeowners, especially those of limited income, fragile health, or physical or mental disability, eventually find they cannot bear the burden of owning a traditional, market-rate home – at least not by themselves. Too many of them eventually fail in maintaining and retaining the homes that were theirs, with disastrous results for those who fall back into renting and for the surrounding community. When a CLT puts low-income and moderate-income households into homeownership situations, however, the CLT protects their homes in times of trouble, intervening to cure defaults and prevent foreclosures. The housing is protected. The households are protected. The lenders are protected. A CLT remains permanently responsible for the homeownership opportunity it helped to create, safeguarding everyone's investment.