

IS A COMMUNITY LAND TRUST THE BEST MODEL FOR
ACHIEVING YOUR ORGANIZATION'S GOALS?
COMMUNITY LAND TRUST PERFORMANCE IN
DIFFERENT HOUSING MARKETS

William R. Gauger
Urban and Regional Planning Program
University of Michigan
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HOW TO USE THIS REPORT

The goal of this report is to aid community-based organizations and local governments considering the potential use of the community land trust model for the creation of affordable housing and community redevelopment. The report will reference the experiences of three community land trusts (CLTs) of different sizes, servicing communities facing different housing challenges. The case studies demonstrate how CLTs have been used in areas where the cost of housing has dramatically risen. The report also provides examples of the use of CLTs to facilitate community redevelopment.

Community land trusts have received considerable attention in recent years as local governments and housing providers have sought to address increasing shortages of affordable housing. After assessing the distinct housing or redevelopment needs of your community, taking stock of your ability to garner the support to create a diverse membership organization, and formulating a detailed plan on reaching your goals, you will be able to gauge the possible benefits and costs of the CLT model.

A successful CLT will represent the different stakeholders affected by the organization's activities. The composition of the entity's board, as well as the duties of CLT members, reflect and facilitate this objective. Many CLTs will find these organizational requirements to be daunting, providing an additional challenge to the already considerable task of creating quality housing options.

The CLT model is a flexible tool, beneficial for addressing housing issues in both expensive markets and disinvested neighborhoods. Different markets, however, present different challenges for CLTs in terms of gaining stakeholder support as well as creating the appropriate housing options. An organization can assess where a CLT can be effective and determine the best practices for operating in a particular market. This report seeks to provide insights to aid you in making these important decisions.

OVERVIEW OF THE COMMUNITY LAND TRUST MODEL

Community Land Trust Activities

Community Land Trusts are not-for-profit community-based housing organizations. The principal activities of a CLT include creating affordable homeownership and rental housing opportunities, serving as landlords for commercial tenants, and providing related housing and community development services. The most recognizable attribute of CLTs is the separation of CLT land from structural improvements. CLTs then convey long term leaseholds to their CLT homeowners, restricting the home's resale price according to a provision in the lease. Although CLTs allow for a sale price beyond the value of capital improvements made to the property, sellers are rarely able to capture a substantial portion of the property's value created solely by market appreciation. The use of a resale restriction in a CLT ground lease is only one tool these organizations use to restrict prices. Often CLTs do not own the land under their housing units and therefore use traditional mechanisms such as a deed restriction to control home prices.

The Organization and Structure of a CLT

Traditional CLTs are controlled by a membership open to lessees and governed by a board of directors as specified in the corporation bylaws. The board of directors of the "classic" CLT is composed of three parts, each controlling an equal number of seats. One third of the board represents the interests of people who lease land from the CLT (leaseholder representatives). One third represents the interests of residents from the surrounding community who do not lease CLT land (general representatives). One third is made up of public officials, local funders, nonprofit providers of housing or social services, and other individuals presumed to speak for the public interest (public representatives).¹

This structure is not the sole option; it is, however, the structure that has been promoted by the Institute for Community Economics, the organization that has acted as the driving force behind the inception and perpetuation of the CLT model.² A CLT's board is elected by the membership and certain issues, such as the sale of CLT land, are usually controlled by membership vote. The degree of control allocated to members differs among CLTs and should be tailored to the individual organization. Although organizations may adapt the structure of a CLT to fit their particular circumstances, entities that substantially deviate from the traditional structure will be unable to replicate the benefits of this model (see DSNI case study). The organizational structure of the CLT defines these entities; a ground lease resale restriction is simply one means of controlling prices.

CREATING AFFORDABLE HOUSING IN EXPENSIVE HOUSING MARKETS

Much of the interest in community land trusts has grown in response to the dramatic rise in the cost of homeownership over the past ten years. Municipalities that once had housing opportunities for residents with a range of incomes are now finding that teachers, policemen, and other workers with modest middle-class incomes have been priced out of their neighborhoods. In many cities and towns, the high cost of housing is having detrimental effects on businesses as the labor base must choose either to forgo homeownership or to incur a substantial commute. In addition to making an area less desirable for prospective employees, a shortage of affordable housing perpetuates sprawl as people move farther from centers of employment in search of less expensive housing options. Assessing the organization's potential for funding, creating as widespread as possible a grassroots movement in support of the CLT's plans, and becoming increasingly savvy when assessing investment opportunities are important in markets that have become increasingly inaccessible to those with modest incomes

Challenges to a CLT's Success in Expensive Housing Markets

Higher Acquisition Costs for Existing Housing and Developable Parcels: CLTs operating in expensive markets must substantially subsidize CLT homes to create opportunities for those earning 80% or below the area's median income (AMI). CLTs working in these markets may need to layer multiple sources of funding to reach desired sale prices. State financing programs will buttress a CLT's ability to increase its housing stock. The presence of an inclusionary zoning program and the support of local government will also be very important for CLTs operating in expensive markets.

NIMBY Resistance to Affordable Housing: CLTs seeking to purchase or develop housing in strong markets will confront many of the same problems faced by traditional developers. Neighborhood activists seeking to obstruct the introduction of affordable housing may be a formidable obstacle for the organization's plans. NIMBY resistance will be particularly vehement when a CLT attempts to introduce multifamily and rental housing to an area characterized by single family detached residences.

Challenges to CLT Support and Membership Growth: CLTs seeking to organize in communities that have become increasingly unaffordable to lower and middle income families may have more difficulty forming a cohesive movement and generating memberships. This may be especially true if a CLT has not focused on a particular neighborhood within a city or town. CLTs are membership organizations that balance the interests of stakeholders, governed by a representative board and active membership (see Organization and Structure of a CLT). CLTs, therefore, must gain the support necessary to create and sustain an interested membership and dedicated board of directors.

Overcoming Challenges in Expensive Housing Markets

Create Housing through Non-profit/For-profit Partnerships: The presence of for-profit competition for parcels can be used to a CLT's advantage, providing partnership opportunities to efficiently create new CLT units (see Burlington Community Land Trust case study). Working with for-profit developers will be particularly advantageous in municipalities where developers must conform to inclusionary zoning regulations or otherwise provide affordable housing commitments in exchange for development rights.

Facilitate the Development of Employer Assisted Housing: CLTs may also endeavor to partner with labor intensive employers who feel negatively impacted by the high cost of housing. Many corporations have already utilized resale restricted housing to serve their workers. These employers represent another source of potential partners where financing, development, and management duties can be shared among the parties.

Educate Residents about Affordable Housing Solutions: Residents often resist the introduction of affordable housing because they believe their property values will decline. A number of studies have confirmed that property values do not decline subsequent to the introduction of affordable housing. CLTs should make this information available to concerned residents.

Case Study

The Madison Area Community Land Trust

The Madison Area Community Land Trust, located in Madison, Wisconsin was founded in 1991 by Sol Levin, a former employee of the City of Madison Planning Department. The CLT provides housing to first time home buyers in Madison and Dane County earning at or below 80% AMI. Located on Lake Mendota, site of the state capital, and home to the University of Wisconsin's main campus, Madison's natural beauty and cultural amenities assure that Madison will remain an appealing destination for students, young professionals, retirees, and others.

When the MACLT was founded in 1991 the median home price in Dane County was \$83,000. By 2004 the median home price had reached \$217,500, rising at a rate of 7.7% annually since 1991. The median home price in Dane County increased 13.5% from 2003 to 2004. In 2004 the median home price was no longer affordable for those earning the area's median income of \$64,687.³ The City of Madison recently responded to the city's affordable housing shortage by passing an inclusionary zoning ordinance.

Past and Current Projects

The MACLT currently has 30 CLT homes in the land trust. With the completion of the land trust's Troy Gardens project, they will add 35 units. Recently completed projects include Camino del Sol, a subdivision development in Madison's Northside. Camino del Sol is a mix of duplex and single family residences offered at prices between \$137,500 and \$140,000.⁴ The MACLT served as the developer of Camino del Sol, and will act as the developer of the Troy Gardens project.

The land on which Troy Gardens will be developed was placed on the State of Wisconsin's surplus land list in 1995. The state's original plan to sell the land to private developers created a reaction among Northside residents who organized to retain the community gardens. Sol Levin recognized the site's potential for a mix of affordable housing and urban open space, while retaining the gardens for community use. In 2001, the MACLT received a low-interest loan of community development block grant funds to purchase the land from the state. Troy Gardens is currently in preconstruction planning stages.⁵

Challenges Facing the MACLT

Difficulty Building Community Recognition: The MACLT's founder, Sol Levin, sought to create affordable housing opportunities throughout the City of Madison. Because the CLT did not focus on servicing any particular neighborhood, the organization has experienced difficulty creating a strong base of support. The MACLT's current management believes that the organization's presence in disparate areas of the city has diminished their ability to attract the interest of neighborhood residents.⁶

A Lack of Grassroots Organization: The MACLT believes that a top down leadership structure, driven by one man's appreciation of the CLT model, has hindered the organization's ability to garner support from residents.⁷ MACLT leaders now want to create a broad base of community support prior to instituting acquisition or development plans.⁸

Competition with For-Profit Entities: The MACLT and the Troy Gardens Coalition faced significant competition from for-profit developers that were willing to pay the state top dollar for the land. The Coalition had to build support throughout the Northside and then leverage that political capital to position itself as the recipient of the land. The presence of for-profit competition in a strong market increases the funds necessary to acquire existing housing or developable land.

Lessons for Operating in Expensive Markets

Create A Comprehensive Strategy to Meet Housing Goals: A realistic and comprehensive strategy is important where land is expensive. To serve a significant number of households earning 80% or below the area’s median income, a CLT should take advantage of inclusionary zoning or other programs facilitating the creation of affordable housing. CLTs will need to take a sophisticated approach to evaluating every project, utilizing advantageous financing options as well as negotiating favorable development rights.

Foster the Growth of an Active and Diverse Membership: A CLT should seek to build a positive image and craft an appealing message to gain the support of residents, city officials, and other community-based organizations. A fundamental objective of CLTs is to represent the multiple stakeholders in the area the organization serves. When a CLT cannot build support, the organization will have difficulty creating a board and membership that reflects these interests.

COMMUNITY LAND TRUSTS AND NEIGHBORHOOD REDEVELOPMENT

The community land trust model can be an effective tool for organizations seeking to revitalize a neighborhood that has experienced disinvestment. In these environments, a CLT can position itself as a “steward” of community land, planning for the betterment of the remaining residents and those future residents affected by redevelopment plans. Because a CLT is a representative organization that assumes perpetual ownership of land, the organization can initiate long-term and complex planning strategies, respond over time to the changing housing needs of members, and provide additional services to residents. A CLT’s continual ownership of land effectively positions the organization to deal with an eventual increase in demand for property within the neighborhood. A CLT can both guide the early redevelopment of a neighborhood and continue to guard the interest of low income residents if the area begins to experience gentrification.

Benefits of the CLT Structure for Neighborhood Redevelopment

Land Control and Community Empowerment: Utilizing a community land trust to acquire title to abandoned or blighted property can be a valuable tool for redevelopment planning. An effective CLT can help residents “take back” a neighborhood; additionally, because land control is perpetual, members and their families will exert influence over land use well into the future.

Community Accountability: The tri-part structure of the classic CLT board and the rights and duties of the members help to ensure that the planning process reflects and protects the multiple

interests of various community stakeholders. Thoughtfully structuring the entity and clearly defining the rights and obligations of the board and members will help build an organization that addresses the interests of the membership.

Long-term Planning for Redevelopment and Land Use: Neighborhood revitalization planning benefits from the creation of a strategy that addresses current housing needs while also articulating a long-term redevelopment process. A CLT may initially focus on building safe and affordable housing, yet also plan for the creation of a healthy urban environment that emphasizes sustainable development and intelligent land use and fosters the growth of a dynamic residential and commercial neighborhood.

Challenges for CLTs Engaged in Neighborhood Redevelopment

The Land Assembly Process: A CLT will face the same land assembly challenges commonly encountered by community development corporations and for-profit developers working toward neighborhood revitalization. Land assembly can be accomplished through the purchase of tax-reverted properties, purchases from current residents, or even the coordinated use of eminent domain. The process is often difficult, posing significant challenges that should not be underestimated.

Provision and Management of Rental Housing: CLTs may find there is a significant shortage of safe and affordable rental housing in their neighborhoods. Providing rental opportunities can be very demanding for a CLT. The ongoing financial and management responsibilities require that the organization evaluate the most appropriate means for bringing rental housing to market.

Social Services for Community Betterment: In lower income neighborhoods, a CLT may decide to provide important social services for neighborhood residents. CLTs can support services such as job training, youth education and after school programs, as well as homeownership counseling. Providing these services will place additional demands on an organization. A CLT will have to assess the cost of maintaining these operations, including hiring a knowledgeable staff and determining the appropriate facilities for these operations.

Overcoming Challenges to the Redevelopment Process

Acquire the Support of Local and State Officials: Because the land assembly process can present numerous challenges, the support of local and state officials is important throughout the planning process. City and state officials can act as advocates for CLTs, helping expedite an allocation of funds or the acquisition of land from a city or state. Their support may also be beneficial when a CLT petitions for a variance or rezoning.

Partner to Direct Redevelopment: The CLT model enables an organization to acquire property, institute a redevelopment plan, and facilitate or direct the development process. Once

land is under the control of a CLT, the entity is in a position to lease land to other nonprofit or for-profit developers, specifying the type of housing product to be built. In such cases, a CLT can rely on its strengths while utilizing the experience as well as the funding of other organizations.

Case Study **Dudley Neighbors, Inc.**

Dudley Neighbors, Inc. (DNI) is a community land trust created and controlled by the Dudley Street Neighborhood Initiative. The DNI Community Land Trust was formed to facilitate the Dudley Street Neighborhood Initiative's master-planned redevelopment of the Dudley Triangle area of Roxbury in Boston, Massachusetts. In 1988, the Boston Redevelopment Authority granted DNI's request to be designated a Massachusetts 121A Corporation, giving DNI the ability to use the power of eminent domain to acquire privately-owned vacant land within the Dudley Triangle.⁹ It is currently the only community development nonprofit in the United States to be granted the power of eminent domain.

The Dudley Community

When the Dudley Street Neighborhood Initiative was formed in 1985, the Roxbury area of Boston was the city's most impoverished neighborhood. In 1984, about one-third of the land within the Dudley Triangle area was vacant following years of disinvestment. The area had become a dumping ground for the rest of the city as arson, crime, and unemployment came to characterize the neighborhood. Despite the challenges of living in such an environment, new residents of Latino and Cape Verdean descent moved into the area.

The Formation of DSNI and the DNI Community Land Trust

In 1985 residents came together under the guidance of the Dudley Advisory Group to identify key problems in the neighborhood and formulate a plan for community action. The group decided on the organization's current name and in 1986 DSNI's first staff members were hired. DSNI's initial program was the "Don't Dump on Us" campaign, organizing residents to clean up vacant lots.¹⁰ The numerous abandoned lots had become an unregulated dumping ground where criminals ran illegal trash collection stations.

DSNI then embarked on a process of formulating a comprehensive revitalization plan. Residents came together for a visioning process and with the assistance of planning consultants developed the Dudley Street Neighborhood Comprehensive Revitalization Plan. In 1988, the state designated DSNI as a Massachusetts 121A corporation, allowing the organization to utilize the power of eminent domain to facilitate redevelopment. DSNI was authorized to use this power within the central Dudley Triangle area.¹¹ DSNI then formed Dudley Neighbors Inc., a community land trust, to hold land acquired for the redevelopment process. Although DNI has many of the features of a "classic" CLT, the entity was not organized as an independent

membership organization. DNI is controlled by board members appointed by DSNI. Therefore, the CLT functions as a subsidiary of DSNI.

Past Projects and Recent Activity

In addition to acquiring parcels through eminent domain, DNI has acquired numerous tax-reverted properties from the City of Boston. DNI received a \$2 million low-interest loan from the Ford Foundation in 1992 further facilitating the acquisition and development process. Beyond assembling land and instituting the comprehensive redevelopment plan, DSNI manages numerous service programs to improve the overall quality of life for residents. DSNI's activities are intended to assure that the organization will maintain a strong sense of identity, even as the Roxbury area changes as higher income residents move in. DSNI provides day care and college scholarships, has developed an urban agriculture program, and recently made the Dudley Triangle a wireless internet environment. DSNI's current membership stands at around 3,670. Over 600 vacant lots have been redeveloped. Four hundred new homes have been created and 500 housing units have been rehabilitated since the entity's formation.¹²

Structure of the DNI Community Land Trust

DNI provides an example of adapting the "classic" CLT model to fit a particular environment and the needs of a larger community-based organization. DNI is governed by a board appointed by DSNI, thus deviating from the traditional tri-part structure.¹³ DSNI is governed by twenty-nine board members representing the predominant racial and ethnic groups in the Dudley area as well as various entities that operate in the area. Racially identified board seats include: three black board members, three Cape Verdean board members, three Latino board members, and three white board members. Two seats are allocated to "youth" representatives and two board seats are reserved for general "resident" representatives. Among the seats reserved for community organizations, two seats are allocated to community development corporations, two seats for religious institutions, two seats for area businesses, five seats for various agencies from the Dudley Triangle "core-area," and two seats for agencies that work in the broader secondary area.¹⁴ The composition of DSNI's board represents a desire to empower the groups and entities that have remained within the Dudley neighborhood. The inclusion of two seats for "youth" board members indicates that DSNI is serious about educating and preparing young leaders to guide the organization in the future.

Challenges for DNI and Redevelopment Planning

Stakeholder Representation and Balancing Interests on the DNI Board: Although the board structure of DSNI effectively represents the grassroots elements in the Dudley area, when a CLT is not governed by a traditional tri-part board, the entity will be less effective at balancing the interests of members and restraining the power of interested directors. Under the CLT model adapted by DSNI, persons with shared interests in the land trust's activities could assume control the land trust's board to the detriment of other stakeholders. The traditional CLT structure shows an appreciation for these concerns.

Adequate Control for CLT Leaseholders: Voting membership in DNI is not automatically open to leaseholders of CLT land. Accordingly, CLT homeowners may feel that they are not afforded a significant voice in their future and the direction of the land trust. Having taken on the risks and obligations of CLT homeownership, these leaseholders should be assured significant representation on the CLT board.

Lessons Learned for the Community Redevelopment Process

Adapt the CLT Model to Address an Organization’s Particular Concerns: Although the “classic” CLT structure provides numerous benefits and has an impressive history of effectively representing and balancing stakeholder interests, the model can be adapted to accommodate a land trust’s particular circumstances. If an organization feels an adapted model may be beneficial, it should strive to preserve the fundamental attributes of the model, including broad representation and balanced stakeholder interests.

Create a Subsidiary CLT to Provide Safe Affordable Housing: Existing community-based organizations may benefit from establishing subsidiary CLTs to engage in community redevelopment planning rather than incorporating aspects of the CLT model into their current operations. This will allow the existing organization to insulate itself from the risks associated with CLT activities while continuing to influence the entity’s operations.

Formulate a Comprehensive Housing and Services Program: CLTs can successfully integrate the provision of various social services into their housing missions. The initial stages of redevelopment planning and grassroots organization may benefit from resident programs that focus on improving the safety and appearance of derelict land and combating criminal activity.

Case Study **The Burlington Community Land Trust**

The Burlington Community Land Trust (BCLT) was founded in the City of Burlington, Chittenden County, Vermont, in 1984 with a mission to provide safe and affordable housing. The BCLT was interested in revitalizing areas of the city that had been suffering from disinvestment, while at the same time building a stock of perpetually affordable housing in areas where home prices were rapidly escalating. The Burlington Community Land Trust is the nation’s largest CLT with 2,500 members and 850 housing units, about half of which are rental units and half homeowner properties. The organization also has a number of commercial properties.¹⁵

The BCLT is a large and complex organization with a knowledgeable and experienced staff. A number of factors, including a strong relationship with the City of Burlington and the State of Vermont, have allowed the CLT to thrive. The organization’s experience providing different housing products in various markets provides a number of lessons for CLTs.

Location and Growth of the BCLT

Burlington's location next to Lake Champlain and the Adirondack Mountains has long made the city a popular destination for both tourists and new homeowners. Burlington is a university town with a major teaching hospital and large national employers such as IBM and IDX Systems. With a metropolitan area population of about 621,400 residents, the Burlington area is the most densely populated region in Vermont.¹⁶ Like many attractive cities, Burlington has seen a rapid rise in home prices, significantly outpacing the growth of residents' incomes. Since 1996, home prices have increased by 54% and since 2002, by 11%.¹⁷

The BCLT initially began its operations in Burlington's Old North End. The Old North End had been declining since the closing of the area's textile mills in the 1950's. By the end of the 1980's, the Old North End was blighted and in need of reinvestment. Shortly after entering the Old North End, the BCLT expanded its operations throughout Chittenden County, creating housing opportunities in areas characterized by escalating home prices. Four years ago, the BCLT expanded into the neighboring counties of Franklin and Grand Isle; the total area serviced extends from just south of Burlington, north to the Canadian border.¹⁸

Moving out of the City of Burlington, the BCLT began to advocate for diversifying suburban neighborhoods, introducing both rental units and resale restricted homes. As the price of homes continued to rise in the suburbs, municipalities began to request the affordable housing solutions provided by the BCLT.¹⁹ When asked if the BCLT has succeeded in achieving the organization's vision, Brenda Torpy, BCLT Executive Co-Director, commented: "We actually have not reached the big vision yet; we seek to have a significant enough portion of housing in the land trust so that people will always have housing choice and opportunity regardless of income—we call it the housing tenure ladder, graduating individuals into homeownership."²⁰ In order to achieve this vision of the "tenure ladder" the BCLT will need to continue adding both rental and homeowner properties to the land trust, growing at a rapid pace in the strong Burlington economy.

Lessons Learned for Neighborhood Revitalization

The history of Burlington's Old North End is similar to many urban neighborhoods that experienced economic decline after employment opportunities began to move out of cities. In recent years, as the city continued to gain popularity, the Old North End began to experience significant gentrification. The BCLT's presence in the neighborhood prior to this turnaround provides an example of the role a CLT can play through a cycle of economic decline and revival.

Provide Safe Affordable Housing First: The BCLT views the development of safe affordable housing as the initial step to revitalize neighborhoods. The availability of adequate housing is essential for the well being of low-income residents; additionally, by providing these housing opportunities, the CLT supports the growth of local businesses that cater to neighborhood residents. The BCLT has demonstrated that by providing these opportunities they can play a vital role in the larger economic redevelopment of the neighborhood.

Provide Retail and Office Space in the Neighborhood: The BCLT purchased and developed both residential and commercial properties in the Old North End. Although providing housing is the first priority, a CLT can also enter a disinvested neighborhood as a commercial landlord, supporting businesses at a time when investment is unattractive to for-profit landlords.

Embrace a Long-Term Vision for Revitalization and CLT Operations: When the BCLT entered the Old North End, the organization embraced a long-term view of the revitalization process and its role in that process. Although the BCLT correctly assumed the area would eventually experience gentrification, the organization's initial projects entailed significant financial risks. The rents the BCLT was able to command barely supported the costs of financing and managing these properties. BCLT properties in the Old North End no longer pose ongoing risks for the land trust; they are some of the organization's most valued assets.

Lessons Learned for Operating in Suburban Markets

Despite the BCLT's excellent reputation in Vermont and the receptiveness of local governments to their affordable housing solutions, the BCLT has faced many of the typical obstacles to introducing affordable housing. According to BCLT Executive Director, Brenda Torpy, suburban homeowners often feel that the BCLT's presence signals "Armageddon" and organize to oppose BCLT developments.²¹ The BCLT has become both politically and financially sophisticated when navigating suburban markets, utilizing a number of different development models that correspond to a variety of housing opportunities.

The BCLT begins its analysis of a suburban market by asking what housing options working people lack in the area. They further assess the most effective means to satisfy this demand. The BCLT then utilizes any available political leverage, as well as their staff's knowledge and experience, to quickly obtain approvals, minimizing the organization's exposure to NIMBY resistance.²² Additionally, the BCLT often enters expensive suburban markets targeting households earning up to 100% AMI. The ability to serve these households is contingent on the terms of the financial assistance utilized. There are numerous arguments against allocating funds for households earning above 80% AMI. Although these policy concerns will not be addressed in this report, state agencies and private foundations can evaluate all aspects of this topic when drafting the terms of their housing assistance programs.

Utilize a Buyer-Driven Model for Single Family Homes: The BCLT believes the use of a "buyer-driven model" can be an efficient method for placing families in suburban homes. Using a buyer driven model, pre-approved purchasers find a desirable and appropriate home within a designated neighborhood. The CLT subsidizes the purchase price of the home, reselling the property to the buyer as a resale-restricted CLT home. A buyer driven model allows CLT families to find homes they feel are right for them.²³ It is also an efficient way for CLTs to finance the purchase of affordable homes, while minimizing the expenditure of CLT resources.

Evaluate Partnerships with For-Profit Developers: The BCLT is constantly evaluating potential partnership opportunities with developers building in suburban markets. Like many CLTs, the BCLT often takes advantage of inclusionary zoning programs; however, fortuitous partnerships with for-profit developers need not arise from inclusionary zoning quotas. The

BCLT often turns down proposals from for-profit developers whose housing is not of the type or quality desired by the organization. A successful partnership agreement will create the appropriate housing product for the organization, efficiently deploying CLT funds, and minimizing the value of additional subsidies required to serve target income levels.

Pursue Suburban Density and Smart Growth: The BCLT firmly believes that when developing housing in suburban markets the land trust should always seek to build densely. The BCLT has accepted “smart growth” principles and attempts to bring the message to the communities where they operate.²⁴ Although current land use regulations often restrain development according to these principles, the BCLT remains hopeful that Vermont citizens will recognize the importance of efficient land use practices.

Enter Expensive Markets by Serving Families Earning 100% AMI: The BCLT often serves households earning up to 100% AMI when entering expensive markets. The BCLT’s decision to provide CLT housing for these persons is part of a larger business model that takes into consideration geographic and housing type diversification. The BCLT has reached a scale where such planning is especially pragmatic. The BCLT seeks to diffuse risks across the different areas where the organization operates and among the diverse housing products provided.²⁵ By targeting purchasers at higher income levels, the BCLT is able to enter these markets on a larger scale and with lower costs.

Utilize the CLT Resale Restriction to Create Affordability Over Time: The BCLT utilizes the capacity of the CLT resale restriction to rapidly increase a property’s affordability over time. Accordingly, the organization often finds that minimizing the initial subsidy placed in a home and depending on the effect of the resale restriction is the most efficient allocation of CLT resources. Because no limitation or “control period” exists on the affordability of CLT homes, the resale restriction increases the home’s affordability in perpetuity as the value of unrealized market appreciation continues to grow.

Adjust Affordability to Serve Target Households: The BCLT repurchases CLT homes rather than merely facilitating sales. Therefore, the organization can always decide to adjust the affordability of a home for a new purchaser by providing additional financial assistance. The CLT resale restriction will work with financial assistance, giving the BCLT flexibility in determining target income levels.

THE BCLT’S NEIGHBORWORKS CENTERS AND THE IMPORTANCE OF HOMEOWNER EDUCATION

This section provides recommendations on CLT management practices based on the BCLT’s use of homeownership education as an essential component of the organization’s housing mission. The information is important for CLTs operating in any type of housing market because it addresses risks that are fundamental to the CLT model. The BCLT provides homeownership education at two NeighborWorks Homeownership Centers located in Burlington and St. Albans. The NeighborWorks Centers are departments of the BCLT, run by BCLT staff and largely

funded by the BCLT's operating budget. Although the primary purpose of the program is creating a pool of potential BCLT homeowners, the program is open to anyone, and a large percentage of graduates pursue other avenues to homeownership. After meeting with a NeighborWorks staff member to determine a person's eligibility for assistance, the individual attends eight hours of courses. The subjects covered include the basic requirements for the purchase of a home, evaluation and repair of credit, and upkeep of the home. The BCLT expects up to 500 potential purchasers to participate in the program each year.²⁶

The BCLT believes that the financial health and consistent growth of the organization are best served by providing extensive educational services to potential homeowners and using a "closed loop" resale system where the BCLT repurchases CLT homes and then resells the homes to qualified NeighborWorks graduates. Homeowner education and the BCLT repurchase policy both serve the organization's desire to reduce the risk of owner default and maintain the quality of CLT housing.²⁷ Additionally, the NeighborWorks Centers provide an effective means of counseling and tracking the progress of members living in BCLT rental housing. The assistance these renters receive prepares them to take advantage of BCLT homeownership opportunities. The NeighborWorks program develops this "housing ladder" for existing and potential members.

Reduce the Risk of Foreclosure: The financing of CLT home purchases presents special concerns for lenders who are unwilling to assume a resale restricted property as security for a mortgage. Under the terms of most CLT mortgages, the land trust's resale restriction is voided by mortgage foreclosure and the CLT will lose title to the land. The BCLT believes the NeighborWorks program has been a great success in reducing the occurrence of foreclosures among land trust homes.

Recognize the Importance of a Reliable Purchaser Pipeline: Early in the 1990's, the BCLT experienced the organization's first significant wave of BCLT leaseholders' placing their homes on the market. The BCLT recognized the potential extent of its financial obligations under the repurchase agreements and sought to reduce their risks by developing a consistent pipeline of prospective purchasers.²⁸

Lower the Cost of Maintaining CLT Homes: With over 400 BCLT homeowner properties, the potential cost of maintaining the quality of repurchased homes could entail significant expenditures for the land trust. Although the BCLT maintains a capital reserve to improve the condition of repurchased homes, it seeks to minimize the size of this expense and finds that NeighborWorks graduates consistently preserve the quality of their homes.²⁹

No Down Payment Required: Although many NeighborWorks graduates have a history of poor credit and were not eligible to receive a home loan prior to the assistance provided by the program, the BCLT does not require that these individuals place a down payment on the purchase of their land trust home. If a lender is willing to finance the purchase without a down payment, the BCLT is confident of the purchaser's ability to meet his or her financial obligations. The BCLT firmly believes that in the absence of thorough homeowner education, a CLT should require some downpayment on the purchase of a CLT home.³⁰

Utilize Section 8 Homeownership Vouchers: The BCLT has facilitated the use of more Section 8 Homeownership Vouchers than any other housing provider in the United States. The educational program provided at the BCLT's NeighborWorks Centers allows students to fulfill the education requirements specified by the Section 8 program rules. By integrating homeowner education into their model the BCLT has also improved CLT purchasers' access to this program.

Partner to Provide Homeownership Education: CLTs that are unable to integrate a homeownership education program into their business model should still attempt to partner with organizations that provide these counseling services. Many CLTs will be unable to bear the costs of maintaining such a program, while other CLTs will choose to maintain a lean operating structure. In either case, CLTs should know the benefits homeownership education affords the organization.

CONCLUSION

The community land trust is an attractive model not only because these entities create housing that remains affordable but also because CLTs represent diverse community stakeholders while balancing member interests. Structuring an entity to serve as a balanced voice for an area's stakeholders can be challenging. CLTs acquire the support to serve these diverse parties, maintaining a board composition that is representative and adheres to the entity's bylaws. In addition to meeting these organizational demands, CLTs evaluate the specific housing needs in the neighborhoods they serve and form a comprehensive strategy to create the appropriate housing options.

Although the CLT is a flexible tool that can address challenges in dramatically different housing markets, each environment provides distinct obstacles the organization will need to overcome. A well managed CLT will identify these specific obstacles and plan accordingly. CLTs are versatile yet complex entities and proper planning helps an organization maximize the benefits of this structure.

NOTES

¹ Michael Brown, "The Diverse World of Community Land Trusts," *Redevelopment After Tax Reform* (Saint Joseph: Minnesota Institute of Legal Education, 2002), 3.

² The Institute for Community Economics developed and promoted the community land trust concept. Numerous resources are available on their Web site: www.iceclt.org.

³ Madison Community Land Trust, *Madison Area Community Land Trust 2004 Annual Report* (Madison: MACLT, 2004), 3.

⁴ *Ibid.*

⁵ Marcia Caton Campbell and Danielle A. Salus, "Community and Conservation Land Trusts as Unlikely Partners? The Case of Troy Gardens, Madison, Wisconsin," *Land Use Policy*, vol. 20, issue 3 (2003).

⁶ Greg Rosenberg, interview by author, written notes, Madison, Wisconsin, 14 July 2005.

⁷ *Ibid.*

⁸ Dawn Baily, phone interview by author, written notes, Madison, Wisconsin, 4 August 2005.

⁹ Daniel Dennis & Company, *Dudley Neighbors Incorporated Financial Statements and Independent Auditor's Report*, (Boston: Dudley Neighbors Incorporated, 2003).

¹⁰ Dudley Street Neighborhood Initiative, "DSNI Historic Timeline," [article on-line]; available from www.dsni.org/Comunity%20Information/timeline.htm; Internet; accessed 15 June 2005.

¹¹ *Ibid.*

¹² *Ibid.*

¹³ Dudley Neighbors, Incorporated, Corporate Bylaws, Article V, Section 5.1 as amended.

¹⁴ Dudley Street Neighborhood Initiative, Incorporated, Corporate Bylaws, Article IV, Sect. 4.1.

¹⁵ Burlington Community Land Trust, "About the BCLT," [article on-line]; available at www.bclt.net/aboutbclt.shtml; Internet; accessed 20 August 2005.

¹⁶ Maura Sadovi, "A Quieter and Gentler Building Boom in Burlington," *Wall Street Journal Online*, [article on-line]; available at www.realestatejournal.com/columnists_com/blueprint/20051006-blueprint.html; Internet; accessed 06 October, 2005.

¹⁷ Brenda Torpy, phone interview by author, written notes, Burlington, Vermont, 28 July 2005.

¹⁸ Colin Bloch, phone interview by author, written notes, Burlington, Vermont, 10 August 2005.

¹⁹ Torpy, interview, 28 July 2005.

²⁰ *Ibid.*

²¹ *Ibid.*

²² *Ibid.*

²³ Amy Demetrowitz, phone interview by author, written notes, Burlington, Vermont, 8 August 2005.

²⁴ Torpy, interview, 28 July 2005.

²⁵ Bloch, interview, 10 August 2005.

²⁶ *Ibid.*

²⁷ Torpy, interview, 28 July 2005.

²⁸ *Ibid.*

²⁹ Bloch, interview, 28 August 2005.

³⁰ *Ibid.*