

Community Land Trusts

Definition

The Community Land Trust is a non-profit program that provides low-cost land and housing and maintains community control of the neighborhood's resources, with the goal of keeping the housing permanently affordable to those who might not otherwise be able to own a home.¹

Description/Summary

The demand for affordable housing has increased, not decreased, since the economic expansion of the 1990s, a problem exacerbated by the recent recession. "More than 4.4 million homeowners facing foreclosure have returned to the rental market" since 2008, causing a jump in the demand for affordable housing, for rent or purchase, that the market has been slow to match.² The housing recovery of 2012, while ushering in an increase in housing construction, has also led to higher housing costs, pricing many households out of the market.³

The U.S. Department of Housing and Urban Development defines housing affordability as a household paying no more than 30 percent of its yearly income toward housing costs. Unfortunately, approximately 12 million households, renters or owners, spend over 50 percent of their annual incomes on housing.⁴

While several sources of low-income, affordable housing are available, one that is increasingly popular is the community land trust. The basic model of a community land trust (CLT) is that the trust owns land and leases it for a fee and a certain length of time, usually 99 years, to people who purchase houses built on the land. These homeowners are able to use their buildings and land as any conventional homeowners would use theirs.⁵

Generally, a CLT is formed to address a recognized need for permanently affordable housing in a certain area. The non-profit trust buys the property, renovates it if needed, and then sells the house to a person or family that meets HUD-mandated income requirements. The land the house sits on remains in the trust's ownership, but it is leased to the homeowner for a nominal monthly fee. Given that the land can

¹ One Roof Community Housing: Community Land Trust Program. Retrieved October 14, 2013, from <http://www.1roofhousing.org/buy-a-home/what-is-a-clt/>

² Harvard Joint Center for Housing Studies. (2013). The State of the Nation's Housing. Retrieved October 29, 2013, from <http://www.lisc.org/content/publication/detail/21045>

³ Ibid.

⁴ U.S. Department of Housing and Urban Development: Who Needs Affordable Housing? Retrieved October 29, 2013, from http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/

⁵ National Community Land Trust Network. What are Community Land Trusts? Retrieved October 14, 2013, from <http://www.clnetwork.org/About-CLTs/What-Are-Community-Land-Trusts>

amount to around 30 percent of the property's cost,⁶ this model greatly increases the affordability of homeownership.

The CLT does not just buy and sell homes, however; it is also a community organization, and shared governance of this organization is an element of all CLTs. Membership is open to those who live in the CLT housing as well as other area residents and businesses and neighborhood groups, and representatives of all these interests sit on the trust's Board of Directors. By law, one-third of the Board must be representatives of CLT homeowners,⁷ thus giving those with the greatest direct impact from the Board's decisions a constant say in those decisions.

Low- to moderate-income individuals and families often have trouble affording quality housing, which community land trusts seek to rectify. Because the homeowners do not also own the land, their cost of purchase is much less than conventional owners'. Also, a condition of owning a CLT home is that, should it be sold, it must be to another person or family of limited income, keeping the benefits of its ownership available. For the same purpose, the individual selling the house is limited in potential profit.⁸

The stability afforded by a CLT is another benefit. Consistent mortgage payments provide homeowners with at least one area of financial security, allowing them room to continue their educations or seek out new employment opportunities and thus continue contributing to their community. The lower costs also minimize the chance of mortgage delinquency; in 2010, 1.30 percent of CLT homeowners were delinquent on their mortgages, compared to 8.57 percent of conventional homeowners.⁹

This low number can also be partially contributed to financial counseling that many CLTs require for all first-time CLT homeowners. Families are taught responsible management of their finances to ensure their ability to pay their mortgages and live well.

The profit limitations when selling the house are sometimes criticized for hindering the homeowners' ability to create wealth for themselves. A traditional homeowner would keep all of the money earned from the selling of the house, but a CLT homeowner can only receive a certain percentage of the home's appreciation value.¹⁰ This is a choice that the household agrees to upon purchase, though, and as they benefitted from it in their purchase price so too will those who buy the house after them. The low cost of the housing also enables the homeowners to presently live within their means.

⁶ State College Community Land Trust. Retrieved October 29, 2013, from http://www.scclandtrust.org/our_mission/

⁷ U.S. Department of Housing and Urban Development: Community Planning and Development (1993). Community Land Trusts and the Home Program. Retrieved October 14, 2013, from <http://www.hud.gov/offices/cpd/lawsregs/notices/priorto95/cpd9342.pdf>

⁸ National Community Land Trust Network.

⁹ Thaden, Emily. (2011). Stable Home Ownership in a Turbulent Economy: Delinquencies and Foreclosures Remain Low in Community Land Trusts. Lincoln Institute of Land Policy. Retrieved October 24, 2013, from https://www.lincolninst.edu/pubs/dl/1936_1257_Thaden_percent20Final.pdf

¹⁰ Austin Community Development Corporation. The Community Land Trust Report. Retrieved October 16, 2013, from <http://www.hud.gov/offices/cpd/about/conplan/foreclosure/pdf/austincommtrust.pdf>

One of the occasional perceived stigmas of the CLT model is the very lack of land ownership. American cultural values may make CLT homes appear “undesirable” because the total property is not owned, thus perpetuating certain social stereotypes.¹¹

Another challenge facing community land trusts can be producing their very affordability—that is, acquiring funding to purchase and develop land.¹² In some cities and states where quality, low-income housing is desperately needed, beginning such a project might prove most expensive. Both public, such as the National Housing Trust Community Development Fund, and private sources of lending are, however, available.

CLTs are always buying and selling new properties, and expansion can be both appealing and challenging. Most CLTs start with servicing a small part of a city or county, but expansion allows the trust to diversify its portfolio with different types of housing in more locations. It can then serve a wider selection of the low-income population.¹³ A broader reach can also improve fundraising efforts, given the wider pool of potential donors and volunteers.

Money, however, can be one of the greatest risks of expansion. Larger operations require more staff, and the loss of close community ties may make residents less likely to give of their time or money. The lack of a tight community also lessens the empowerment and engagement aspects of involvement in the CLT.¹⁴ There is also a greater potential for competition with other housing providers and conflict with residents of the new neighborhoods.

Case Studies

Pennsylvania is home to six CLTs, one of which is the State College Community Land Trust. The SCCLT operates in the borough of State College, which at the 2010 Census had a population of 42,034.¹⁵ Founded in 1996 at the borough’s request, the SCCLT was conceived as an answer to an economic environment where housing costs rose too quickly for residents to be able to afford them.¹⁶

As of 2013, the SCCLT owns 37 properties that have passed through the hands of over 50 homeowners, none of whom have gone into foreclosure.¹⁷ It focuses on buying, improving, and then selling houses to income-qualified residents. The Department of Housing and Urban Development sets income limits for CLTs, with minimum and maximum amounts for the total number of household residents age 18 or over.

¹¹ Ibid.

¹² Urban Strategies Council. An Introduction to Community Land Trusts. Retrieved October 18, 2013, from http://www.urbanstrategies.org/foreclosure/Community_Land_Trust/CommunityLandTrusts_brief.pdf

¹³ Davis, John Emmeus. (2001). Starting a Community Land Trust. Retrieved October 25, 2013, from <http://www.burlingtonassociates.com/clt-resources/starting-a-clt-organizational-and-operational-choices/>

¹⁴ Ibid.

¹⁵ State College Pennsylvania. Retrieved October 16, 2013, from <http://www.statecollegepa.us/index.aspx?nid=1321>

¹⁶ State College Community Land Trust. SCCLT Strategic Plan 2009-2014. Retrieved October 16, 2013, from http://www.scclandtrust.org/our_mission/SCCLT_Strategic_Plan_2009-2014.pdf

¹⁷ State College Community Land Trust. (2013) June 2013 Newsletter. Retrieved October 29, 2013, from http://www.scclandtrust.org/newsletter/archive/2013/scclt_newsletter_2013_june.pdf

To qualify for SCCLT homeownership, at the time of purchase household income must fall between 60 percent and 80 percent of Centre County's median household income.¹⁸

The success of the SCCLT led to the formation of the Centre County Housing and Land Trust, or CCHLT, in 2007. The goal of this community land trust is to continue where the State College CLT leaves off, and provide low- and moderate-income families throughout the rest of Centre County with affordable housing as well.¹⁹ The Centre County Housing Market Analysis for 2010-2011 credits SCCLT as paving the way for getting CCHLT off the ground, as county residents, realtors, and lenders are now familiar and more comfortable with, and recognize the benefits of, the CLT model.

The Women's Community Revitalization Project is another Pennsylvania community land trust, this one based in Philadelphia. Founded 26 years ago, it focuses on improving Eastern North Philadelphia, a part of town hit particularly hard by the nation's industrial decline. Ever since, the area has suffered high rates of unemployment and poverty, as well as an overabundance of vacant buildings and lots.²⁰ The press of nearby, more-affluent neighborhoods threatened the affordability of housing in Eastern North Philadelphia.

As many residents cannot afford these higher prices, WCRP works to provide low-cost housing to the area, specifically to women and their families. It is involved in its housing projects from the beginning, including site location, house design and construction, and fundraising.²¹ As of 2012, the program has built 246 new homes and 10 developments, many of which are wheelchair accessible. Families in this program earn on average \$12,000 per year, and rent costs differ based on different incomes, giving the tenants and homeowners enough extra money for other necessary amenities.²²

WCRP differs from other CLTs in that it also provides family support services and actively engages its supporters in fighting for policy changes that would benefit them.²³ This program also differs from other CLTs by being actively involved in organizations outside of itself. WCRP provides assistance to other groups that are concerned with the welfare of children and low-income women, assistance at any stage up to operation.²⁴

The Project has had a significant impact on its service area. As of 2012, WCRP serves almost 240 families annually, including more than 400 children. Eighteen of the Project's families, scattered throughout all

¹⁸ Community Housing Partnership. Low/Moderate Homebuyer Assistance Program Information Packet. Retrieved October 18, 2013, from <http://www.statecollegepa.us/DocumentCenter/View/7160>

¹⁹ Centre County Housing Market Analysis 2010-2011. Retrieved October 29, 2013, from <http://centrecountypa.gov/DocumentCenter/View/417>

²⁰ WCRP and ENPC (2009). Our Community Plan: A Shared Vision for our Neighborhood in Eastern North Philadelphia.

²¹ Women's Community Revitalization Project. Affordable Housing & Property Management. Retrieved October 18, 2013 from <http://www.wcrpphila.com/affordable-housing-property-management/>

²² Ibid.

²³ Women's Community Revitalization Project. Leadership and Advocacy. Retrieved October 18, 2013, from <http://www.wcrpphila.com/leadership-and-advocacy/>

²⁴ Women's Community Revitalization Project. Facilities Development. Retrieved October 22, 2013, from http://www.wcrpphila.com/facilities_development.

of its housing sites, were formerly homeless. Within four years of moving into a WCRP home, families see on average an 88 percent increase in their income.²⁵

Definitions of Frequently Used Terms

Affordability (Housing)— generally accepted as a household spending no more than 30 percent of its annual income on housing.²⁶

Community Land Trust—a not-for-profit community housing development organization that acquires land to lease long-term to low- and moderate-income families while transferring ownership of structures and improvements on that land to those families. Corporate membership is open to all adult residents of the specified geographic area, and the board of directors must have equal numbers of lessees, corporate members who are not lessees, and others as prescribed in the organization's bylaws.²⁷

Low Income—defined by the U.S. Department of Housing and Urban Development as families who have incomes that are no more than 80 percent of the area median income

Moderate Income—defined by the U.S. Department of Housing and Urban Development as families who have incomes that area no more than 140 percent of the area median income.

Resources

To learn more about the processes of founding a community land trust, information can be found at the website of the National Community Land Trust Network. The U.S. Department of Housing and Urban Development also provides information on the legal parameters and standing of CLTs.

Although buying multiple properties can prove expensive, there are many available sources of financing to start a community land trust. The Institute for Community Economics is one such source, lending capital to organizations, including CLTs, that provide housing for low-income families. These funds can be applied to costs of predevelopment, land acquisition, and rehabilitation and construction, among other uses.²⁸

Community land trusts are also eligible, under federal law, to receive opportunities and funding from the HOME program through the U.S. Department of Housing and Urban Development. If a CLT chooses, it can take advantage of this resource to acquire funding for HOME-related activities and operating expenses.²⁹ HUD also offers funding through its Community Development Block Grant program, whereby a city or state distributes discretionary funds from the federal government to organizations on

²⁵ Women's Community Revitalization Project. Supportive Services. Retrieved October 29, 2013, from <http://www.wcrpphila.com/supportive-services/>

²⁶ U.S. Department of Housing and Urban Development: Who Needs Affordable Housing?

²⁷ U.S. Department of Housing and Urban Development: Community Land Trusts and the Home Program

²⁸ National Housing Trust. Borrowing from ICE. Retrieved October 23, 2013, from http://www.nhtinc.org/borrowing_from_ice.php

²⁹ U.S. Department of Housing and Urban Development: Community Land Trusts and the Home Program

a local level. When a CLT receives one of these grants, it commits to producing a specific number of housing units or services by the end of the fiscal year.³⁰

Other potential sources of funding are the Federal Home Loan Bank and, on the state level, certain State Housing Finance Agencies. The FHLB provides secured loans to local community financial institutions, which in turn make loans to families, businesses, and programs like community land trusts.³¹ Some states' Housing Finance Agencies also provide significant financing, though not every state does so.³² For CLTs that offer rental housing instead or along with homeownership, two different federal tax credits are available: those for Historic Preservation and Low Income Housing. Privately, financial institutions and foundations are also potential sources of loans and grants.³³

³⁰ Davis, J.

³¹ The Federal Home Loan Banks. Retrieved October 30, 2013, from http://www.fhlbanks.com/overview_whyfhlb.htm

³² Davis, J.

³³ Ibid.