

# Community Land Trusts: An Introduction

by Tom Peterson

They develop affordable housing, commercial space, and parks while promoting homeownership, historic preservation, local control, and neighborhood revitalization. They are currently operating in 31 states and the District of Columbia. Their numbers in the U.S. have grown from fewer than 30 just 8 years ago to 84 today, with another 23 under development. They are community land trusts and if there is not one already in or near your community, it's probably just a matter of time before there will be. Just what are land trusts and what has fueled their proliferation? What have they done for the communities they serve? More importantly, can they help your community?

There are essentially two types of land trusts: conservation trusts, which acquire and protect open space and agricultural land; and community land trusts (CLTs), which

tend to focus more on housing and community development. This article will introduce you to CLTs.

The modern community land trust model was developed in the 1960s by community activists who conceived a democratically controlled institution that would hold land for the common good and make it available to individuals through long-term land leases. The roots of the CLT approach lie in sources as diverse as: the religious and ethical principle that there is both an individual and a community interest in land; India's "Gramdan" system where villages act as trustees of land made available for individual use; and European and North American "land bank" programs in which public agencies hold and then sell or lease land, often to help preserve family farming or encourage economic development.

mulas that restrict the resale price of the housing in order to maintain its long-term affordability. These features of the community land trust model provide homeownership opportunities to people who might otherwise be left out of the market. Higher rates of homeownership help stabilize and strengthen communities.

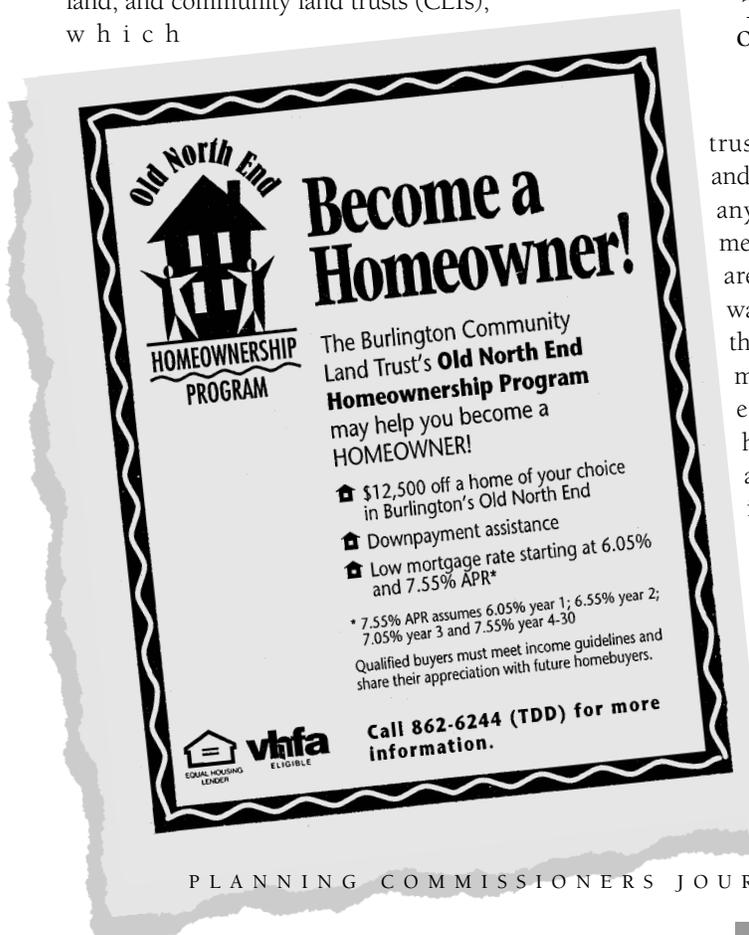
Establishment of community land trusts began to take off in the early 1980s. The number of active CLTs in the U.S. has more than tripled since 1987, as communities have come to see the versatility and value of CLTs.  *Third-Sector Housing*

In most cases, community land trusts have been formed as a grass-roots response to specific local needs. As a result, there is considerable diversity in the roles that CLTs play. Many rural CLTs have been established to ensure access to land and housing for low-income people and to preserve family farms. Urban CLTs often deal with combating the negative effects of speculation and gentrification. Most community land trusts focus on increasing homeownership, which sometimes includes educating potential homebuyers on establishing credit, applying for a mortgage, and maintaining a home. A number of CLTs have also acted as developers of special needs housing or group homes, rental housing, and even commercial space for lower income entrepreneurs.

From a planner's perspective, it is important not to confuse community land trusts with real estate trusts. Real estate trusts are private entities formed to hold property for the good of specific beneficiaries. They are generally closed arrangements with no public input. In contrast, CLTs are democratically-controlled, non-profit corporations with an open membership and an elected board of trustees. While members have a say in the policies and activities of the CLT, there is no personal ownership of any portion of any assets which the CLT may own or control.

## THE FUNCTIONS OF A COMMUNITY LAND TRUST

Community land trusts typically acquire and hold land, but sell off any residential or commercial buildings which are on the land. In this way, the cost of land in the housing equation is minimized or eliminated, thus making the housing more affordable. The land leases, in addition to being long-term (typically ninety-nine years) and renewable, are also assignable to the heirs of the leaseholder. Most, if not all, CLTs have in place "limited equity" policies and for-



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Community land trusts are, by design, a way to link the individual members of a community with that community's resources and challenges.

### COMMUNITY LAND TRUSTS & LOCAL PLANNING

What is the relationship between a community land trust and the local planning body? In situations where the community land trust is serving a development role, the CLT will often appear before the planning body as an applicant. In fact, the more active and sophisticated CLTs are some of the more frequent (and experienced) applicants to come before local commissions and boards.

CLTs often take on the thornier projects which for-profit developers usually avoid. As a result, CLT projects are likely to involve some of the more controversial applications to come before the local board.  *The Sarah Cole House*

Proposals to develop shelters, SROs, or other types of housing for low-income people often elicit NIMBY reactions. CLTs, as community-based organizations, usually do extensive outreach and education to build support and understanding of their project. If opponents are inclined to pack a hearing to protest a project, CLTs are just as likely to balance the scales by soliciting testimony in support of a project. Most commissioners, regardless of their political leanings, would prefer to hear balanced testimony, especially on controversial projects.

In municipalities whose comprehensive plans seek to encourage a broader range of housing options, community land trusts can play a valuable role in helping to implement plan policies. Some cities and towns, for example, are pursuing "inclusionary zoning" as a way to make sure that new development

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### **The Sarah Cole House**

The Sarah Cole House is located in Burlington, Vermont's "Hill" section. This part of the city includes many large nineteenth century homes built by lumber barons and merchants for their families when Burlington was a bustling port city on Lake Champlain.

Over the last two decades, the Hill section has changed dramatically. One after the other, these great old homes have been converted to college offices, dorms, fraternity houses, apartments, and rooming houses. These changes have brought predictable problems of noise, traffic, lack of parking, and deferred maintenance.

The City of Burlington's Community and Economic Development Office encouraged the Burlington Community Land Trust (BCLT) to take the lead in developing and managing a single-room occupancy project that would serve homeless low income single women (or women at risk of losing their housing) — a pressing social need in the community. The BCLT located a large house in the Hill section that was suited for this use — a house that already had a history as an owner-occupied rooming house.

When the new use was first proposed, neighbors saw it as just another assault on the character of their neighborhood. "There was a general trend which concerned us, of single-family homes being converted to multi-family and institutional use," said longtime resident Todd Lockwood. Lockwood and his fellow homeowners mobilized to express their concerns to the local zoning board. Who would be living there? Where would they park? Would there be house rules? How would the building be maintained? If the neighbors had complaints, who would address them?

The BCLT listened to these concerns and responded with an appropriate site plan,

staffing plan, and house rules. The opposition was dropped by all but one neighbor, and the project was given zoning approval.

Despite having had resident owners, the building had fallen into serious disrepair. After receiving its zoning permit, the BCLT began a comprehensive rehab of the building and its grounds. When asked to compare the building's appearance now to its previous condition, Lockwood acknowledges that "It's clearly a nicer thing for the neighborhood. It's better maintained."

Community land trusts like to pride themselves not only on getting needed housing projects developed, but on being responsive to residents' concerns. While this can be difficult when siting a group home or shelter, listening to reasonable concerns of neighbors, and taking the time and effort to address them, is vital to a project's success.

### **Third-Sector Housing** by John Emmeus Davis

In many areas of the country, the 1980s witnessed a wholesale retreat by for-profit developers and investors away from the production of affordable housing, particularly rental housing. Several factors lay behind this shift. For-profit developers were drawn into the more lucrative business of producing luxury housing for upper-income buyers in speculative markets where real estate values were soaring. Public controls over the use and development of land frequently excluded affordable, multiunit projects from suburban communities. ...

The most significant factor in spurring the retreat of private investors, however, was the Tax Reform Act of 1986. The changes wrought by this act were devastating to investment in low-income housing. It lengthened the depreciable life of rental housing from 15 to 27.5 years; it raised the rate of taxation on capital gains; it increased the minimum taxes and restrictions on passive losses; and it eliminated the favorable tax status of industrial development bonds, which many state and local housing finance agencies had used to provide below-market financing for rental housing. ...

The disappearance of profit-oriented investors from the affordable housing field created something of a vacuum. If housing

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was still going to be constructed and rehabilitated in lower-income neighborhoods, municipal officials were going to have to find new investors and new partners to fill this void. They discovered, in some cities, a nonprofit infrastructure of community-based organizations ready and willing to play this role. ...

Public-private partnerships between municipal housing agencies and nonprofit housing developers ... can serve as something of a strategic end run around ideological, financial, or political limits that can render a city all but helpless in addressing complex problems like affordable housing. ...

Third sector housing [i.e., nonprofit housing designed to meet public and social needs] encompasses many models of privately owned, socially oriented, price-restricted housing, including several that come close to traditional owner-occupied housing. Generally known as *limited equity housing* or *limited equity homeownership*, these models have held great appeal for municipal officials who had hoped to help selected tenants become independent homeowners but who discovered that public funds were inadequate to close the widening gap between tenancy and homeownership. ...

*Initial* affordability is only one of the attributes of the housing being produced by these community-based nonprofits. A more distinctive (and significant) feature is the *continuing* affordability of much of it. ... It is the perpetuation of affordability, more than its initial creation, that makes the housing produced by nonprofit developers fundamentally different from the housing produced by their for-profit counterparts. ... A contractual limit is placed on the future price at which the property's units may be rented or resold, preserving their affordability for a targeted class of low-income or moderate-income residents [generally an appreciation formula is used which adjusts the initial purchase price for inflation, and includes the value of any improvements made to the property]. ... By design and intent, the housing is to *remain* affordable far into the future.

*Excerpted with the author's permission from "Toward a Third Sector Housing Policy," by John Emmeus Davis in The Affordable City (Temple University Press, 1994). John Davis has authored and edited several books on housing and, until recently, headed the City of Burlington, Vermont's Housing Division.*

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includes an affordability component. Inclusionary zoning ordinances often require developers to provide a certain percentage of affordable units in their projects. Community land trusts, through their skills and resources, can help for-profit developers meet such affordability requirements.

The role of the community land trust as a vehicle for helping a municipality implement its housing and community development policies could account for the dramatic increase in the number of CLTs in the past decade. In many communities, the nonprofit infrastructure (including CLTs) has grown in importance. Community land trusts, though often allied with City Hall, operate outside and independent of municipal government. One benefit of this is that CLTs are insulated, to a large degree, from the shifting winds of local politics.

Another appeal of community land trusts from a planning perspective is the fact that CLTs often tackle the most difficult projects in the most distressed neighborhoods. Community land trusts, having a combination of skills in neighborhood organizing, community development, and financing packaging, are well-suited to tackle such projects. With the land trust philosophy of long-term stewardship and affordability, neighborhood stabilization is a more likely result.

It is also important to note that properties developed by land trusts pay local property taxes. While appreciation in land value is typically limited through the terms of the CLT's long-term lease, this is comparable to the impact that other types of restrictive covenants or easements may have on land values. Moreover, by creating new housing and stabilizing neighborhoods, land trusts work to strengthen the local economy and tax base.

The more active and sophisticated CLTs have become very good at patching together diverse and creative financing packages for their projects. It is not at all uncommon for one project to have five

or more sources of funding that may include commercial mortgages and construction loans, HUD loans and grants, state housing finance agency dollars, private foundation loans and grants, tax credit dollars, and even pension fund investments.

While establishing and maintaining this network of funding sources can impose a significant administrative burden for the CLT, it also keeps the organization from putting all its financial eggs in one basket, keeping it lean and flexible. Having multiple funding sources also means that a wide variety of standards and regulations must be met to satisfy each source. CLT projects must typically meet strict requirements for housing quality, energy efficiency, historic preservation, handicapped accessibility, lead, asbestos, and other environmental mitigation, and levels of affordability. The entire community benefits from this thorough approach to development.

#### SUMMING UP:

The modern community land trust movement is still young. Some CLTs have yet to develop their first unit of housing. Others have limited missions or small service areas. Even the oldest CLTs have each developed housing that numbers in the hundreds of units — not in the thousands. But through increased acceptance and sophistication, community land trusts are establishing themselves as valued and vital players in the long-term health of their communities. For planners, CLTs can become a valuable resource in implementing the community's long-range planning policies. ♦

*Tom Peterson works for the Burlington Community Land Trust, and has written on various aspects of housing rehabilitation. If you have any questions, feel free to contact Peterson at: 802-862-5217. An excellent source of information on CLTs is the Institute for Community Economics, 57 School Street, Springfield, MA 01105-1331; 413-746-8660.*

