

Community Land Trusts: Creating Homes That Last in a Boom and Bust Economy

John Emmeus Davis

Burlington Associates in Community Development LLC



SEPTEMBER 8, 2010

Going Home:
U.S. troops
leave Iraq

New Orleans:
Five years
after Katrina

The Stimulus:
How it is
working

Movies:
3-D falters,
Avatar returns

TIME

Rethinking Homeownership

Why owning a home
may no longer make economic sense

BY BARBARA KIVLAT



WWW.TIME.COM

Either/Or Landscape of U.S. Housing Policy

Owner-occupied



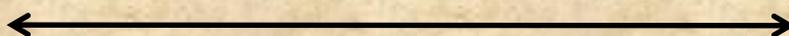
Tenant-occupied

Privately-owned



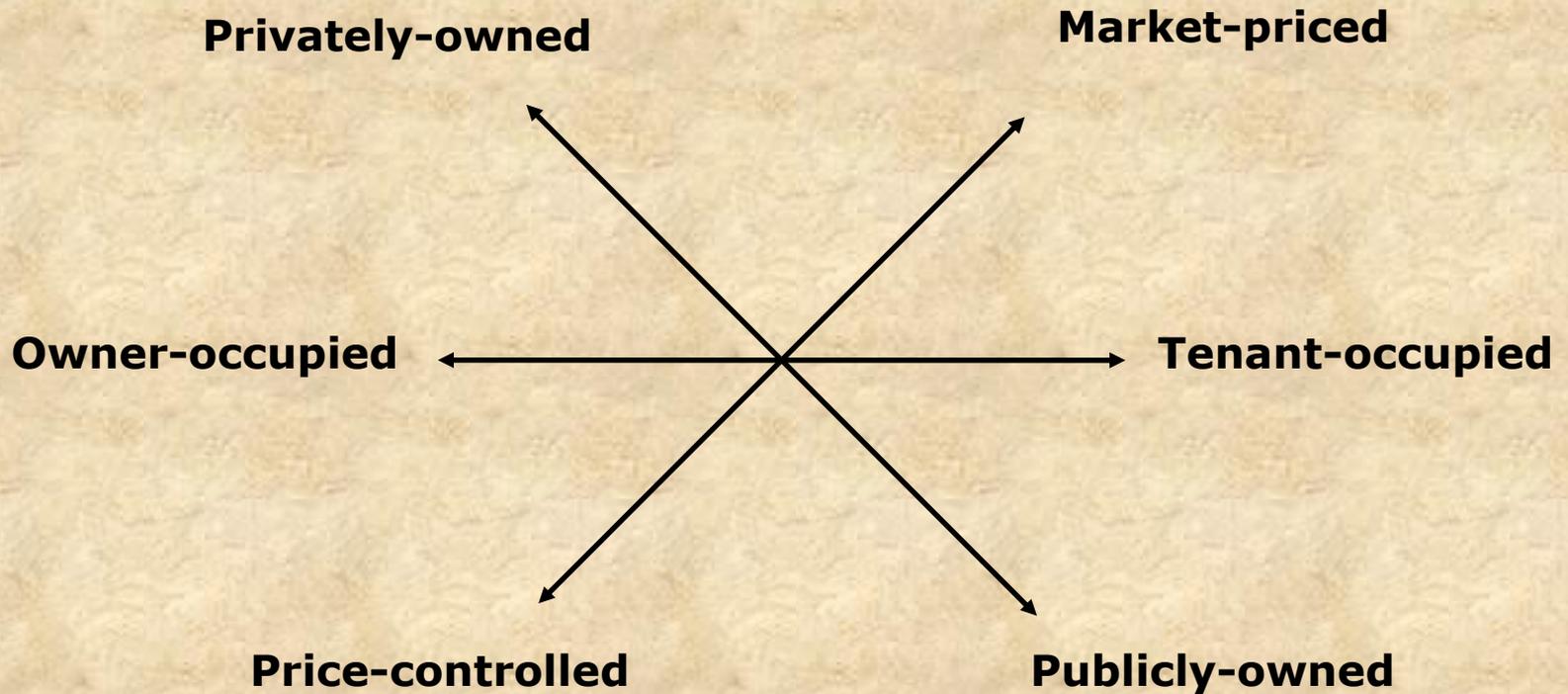
Publicly-owned

Market-priced

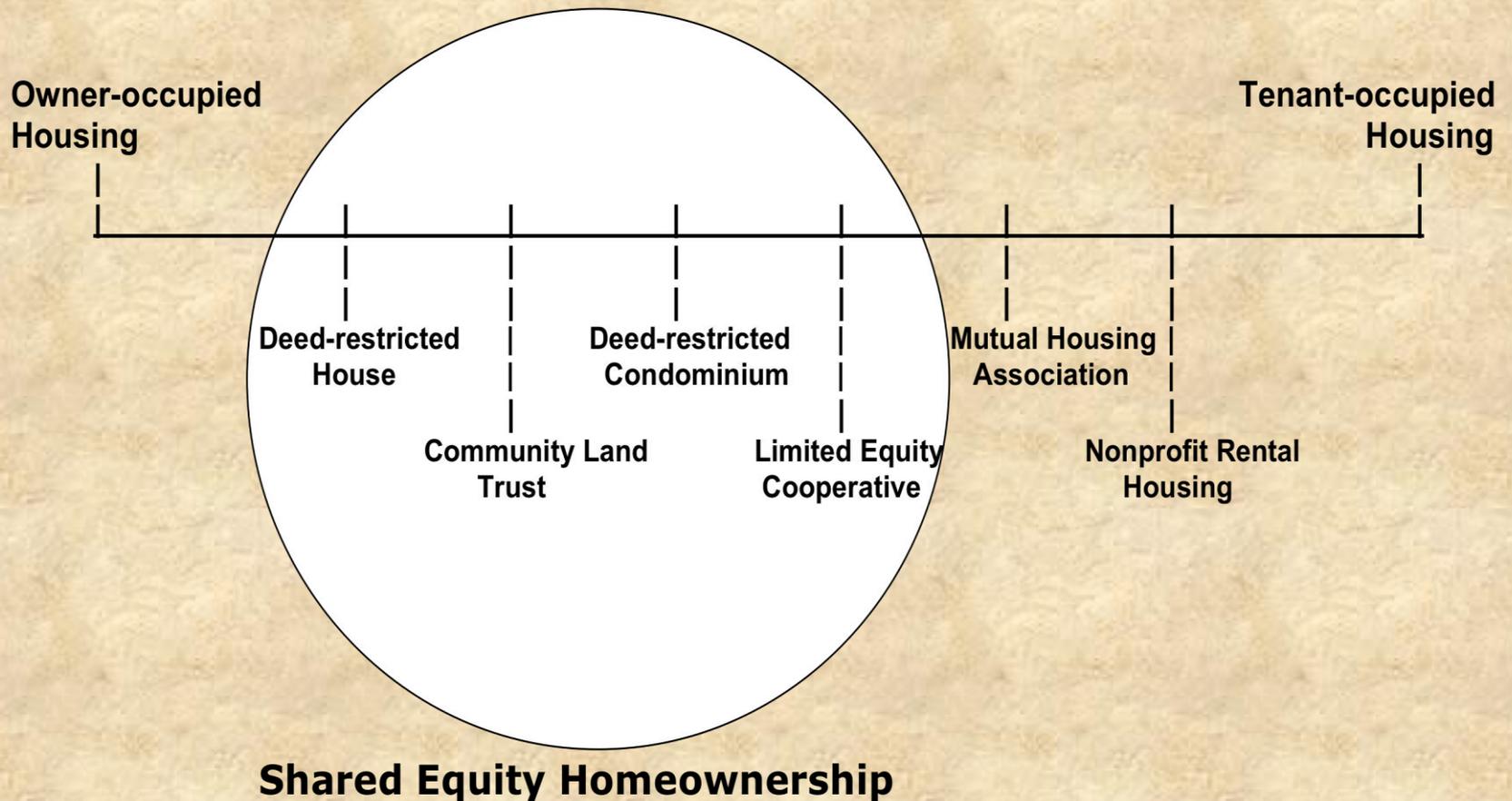


Price-controlled

Breaking Out of the Boxes



Continuum of Third Sector Housing



Shared Equity Homeownership: What is *shared*?



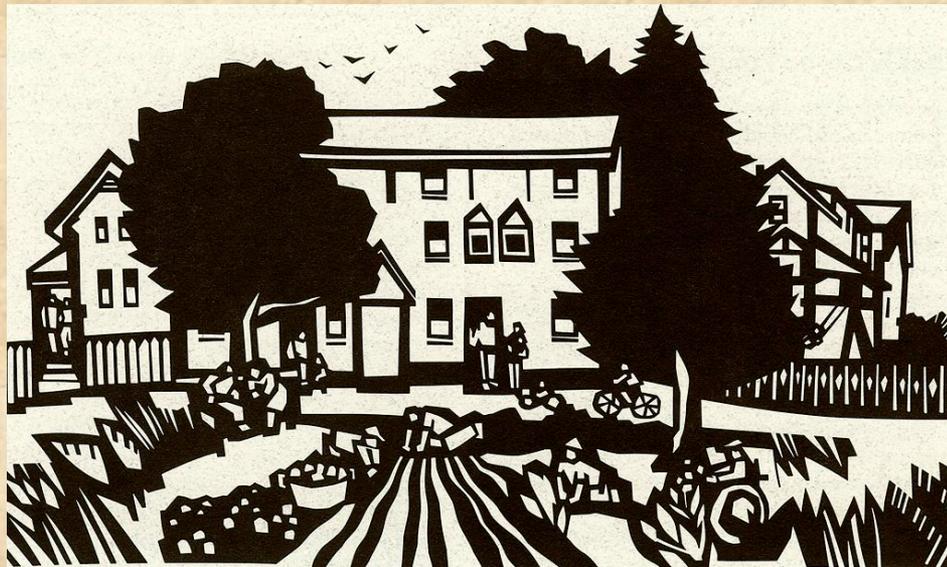
Equity = the “owner’s interest”

- ***Rights*** of ownership
- ***Responsibilities*** of ownership
- ***Risks*** of ownership
- ***Rewards*** of ownership



Shared Equity Homeownership: What It Is *NOT*

- ***Not*** rent control
- ***Not*** municipal land banking
- ***Not*** communal housing
- ***Not*** for everyone

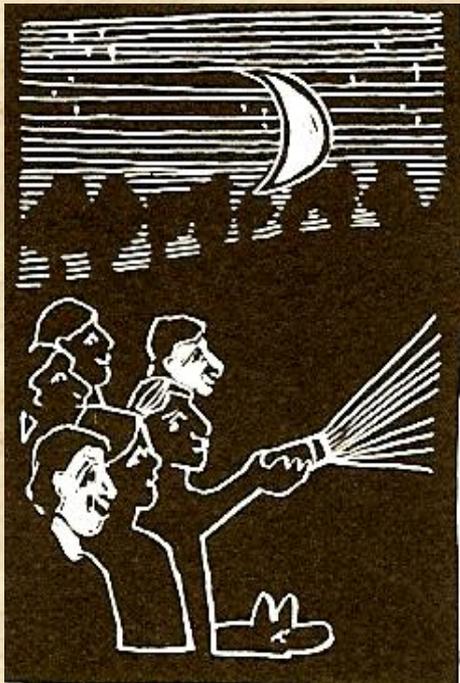


Community Land Trust

➤ **What** is a CLT and **where** did the model come from?

➤ **Why** has it spread across the USA – and into other countries?

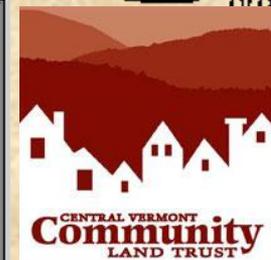
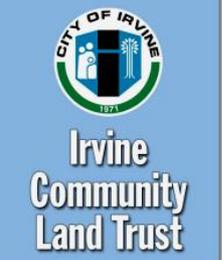
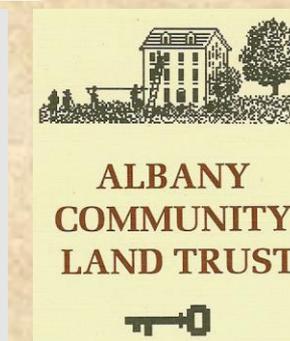
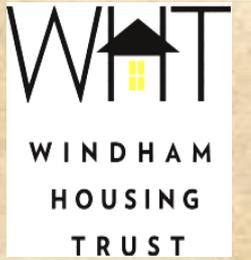
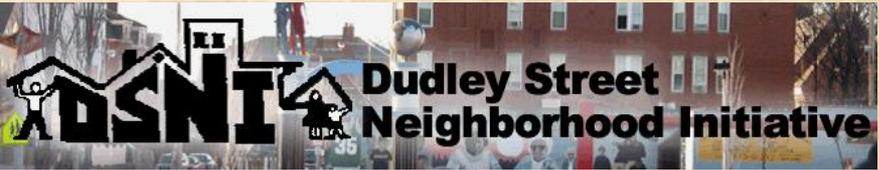
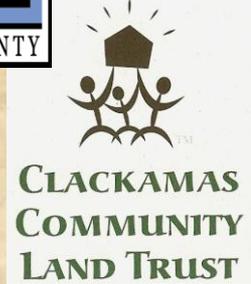
➤ **How** do we know it works?



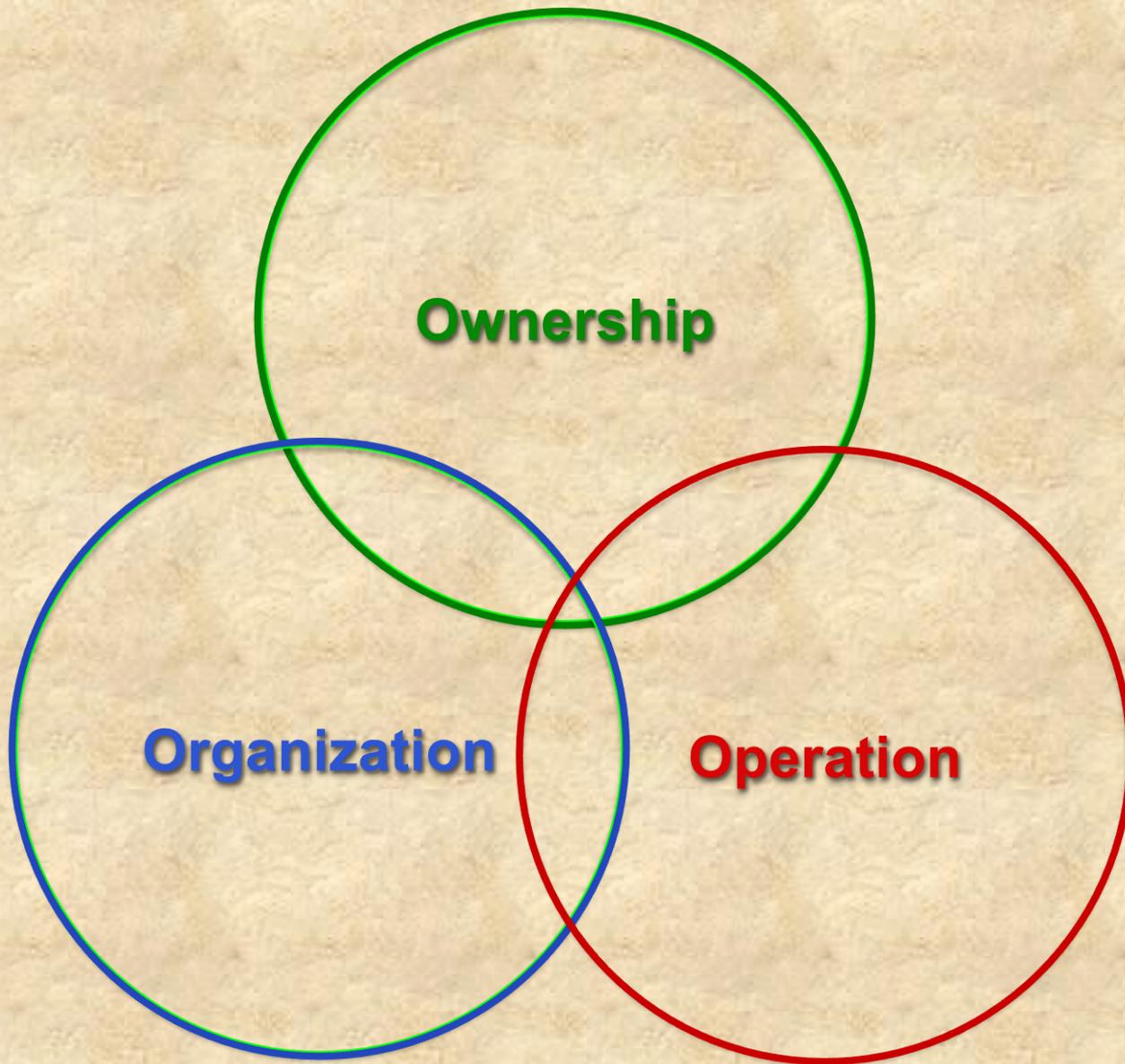
Community Land Trusts, 2010

Community Land Trusts in the U.S.





Community Land Trust





CLT as an Innovative Model of **OWNERSHIP**

- ⇒ **Community ownership of the land**
- ⇒ **Individual ownership of the structural improvements**
- ⇒ **Long-term ground lease, balancing the interests of both parties**



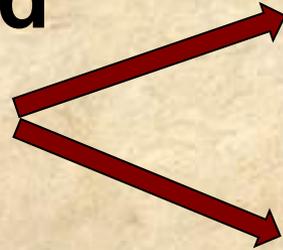
CLT as an Innovative Model of **OWNERSHIP**

- **An individual household owns the structural improvements**
- **Nonprofit corporation (i.e., the CLT) owns the land**



CLT as an Innovative Model of **OWNERSHIP**

**Ground lease ties
house & land
together**



➤ **Lease is long-term**

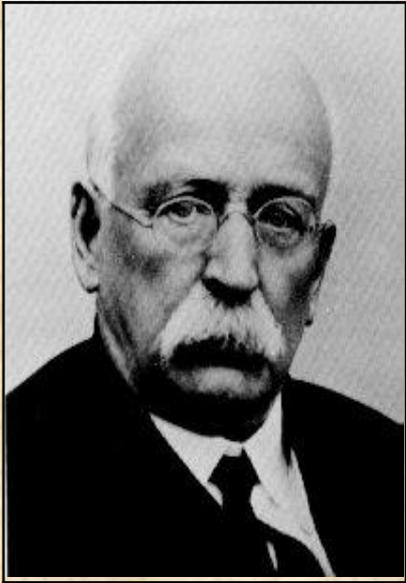
➤ **Lease is balanced**

➤ **Lease is inheritable**

➤ **Lease and house are mortgage-able**

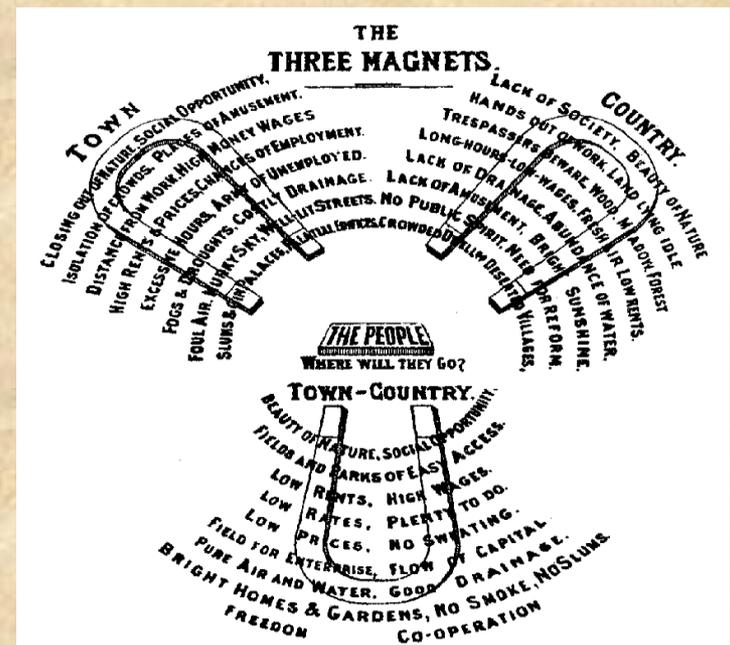
“Homeowner” / “Leaseholder”

Rethinking Cities: Ebenezer Howard (1850-1928)



“ The estate is legally vested in the names of four gentlemen of responsible position and of undoubted probity and honour, **who hold it in trust for the people of Garden City** . . . One essential feature of the plan is

that all ground rents, which are to be based upon the annual value of the land, shall be paid to the trustees [for] the creation and maintenance of all necessary public work--roads, schools, parks, etc.”



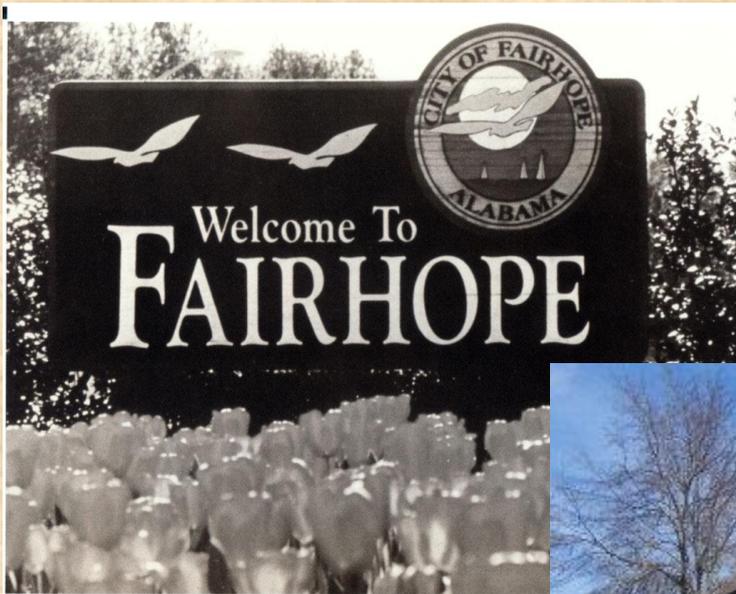
Garden Cities: Letchworth & Welwyn



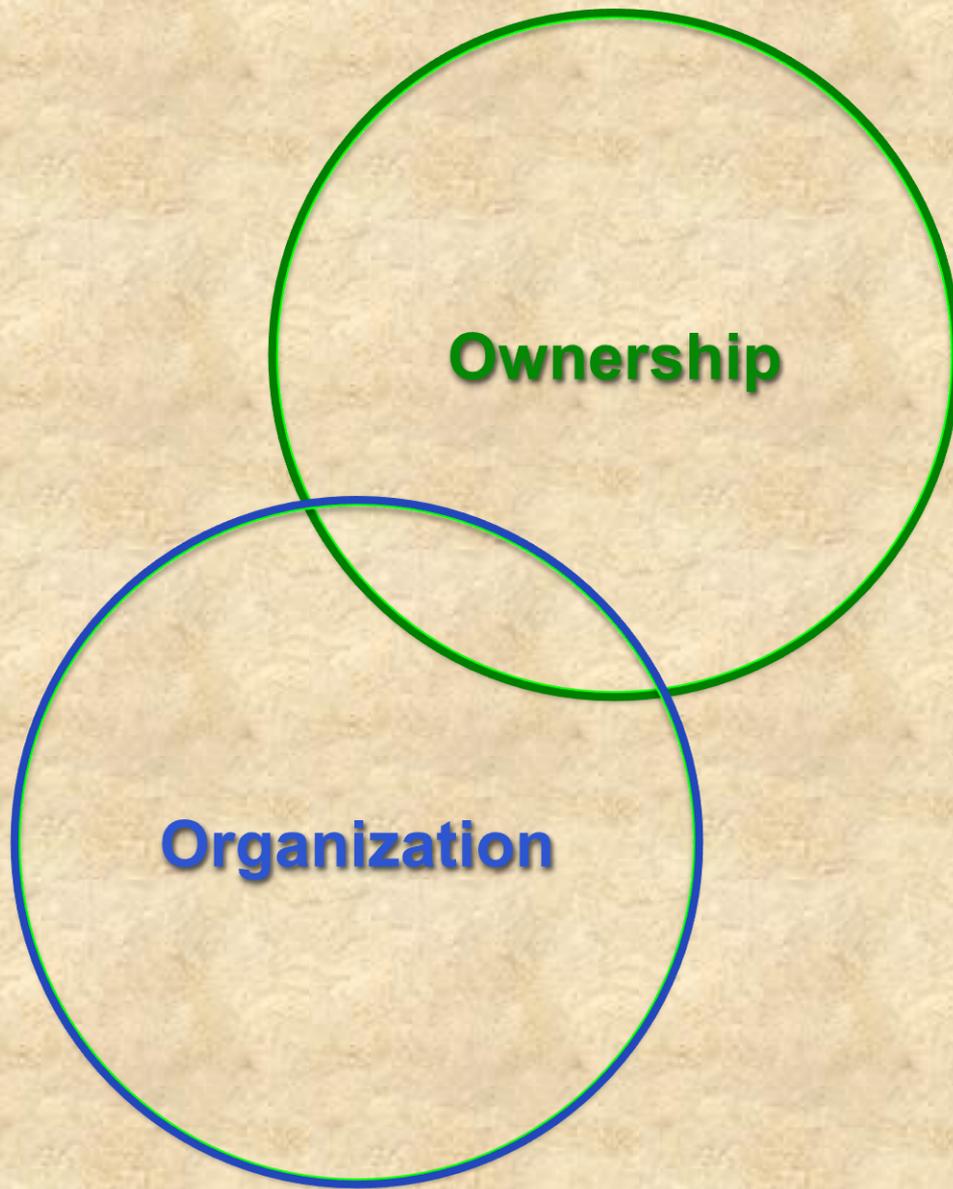
Single-tax Communities: Arden, DE



Single-tax Communities: Fairhope, AL



Community Land Trust





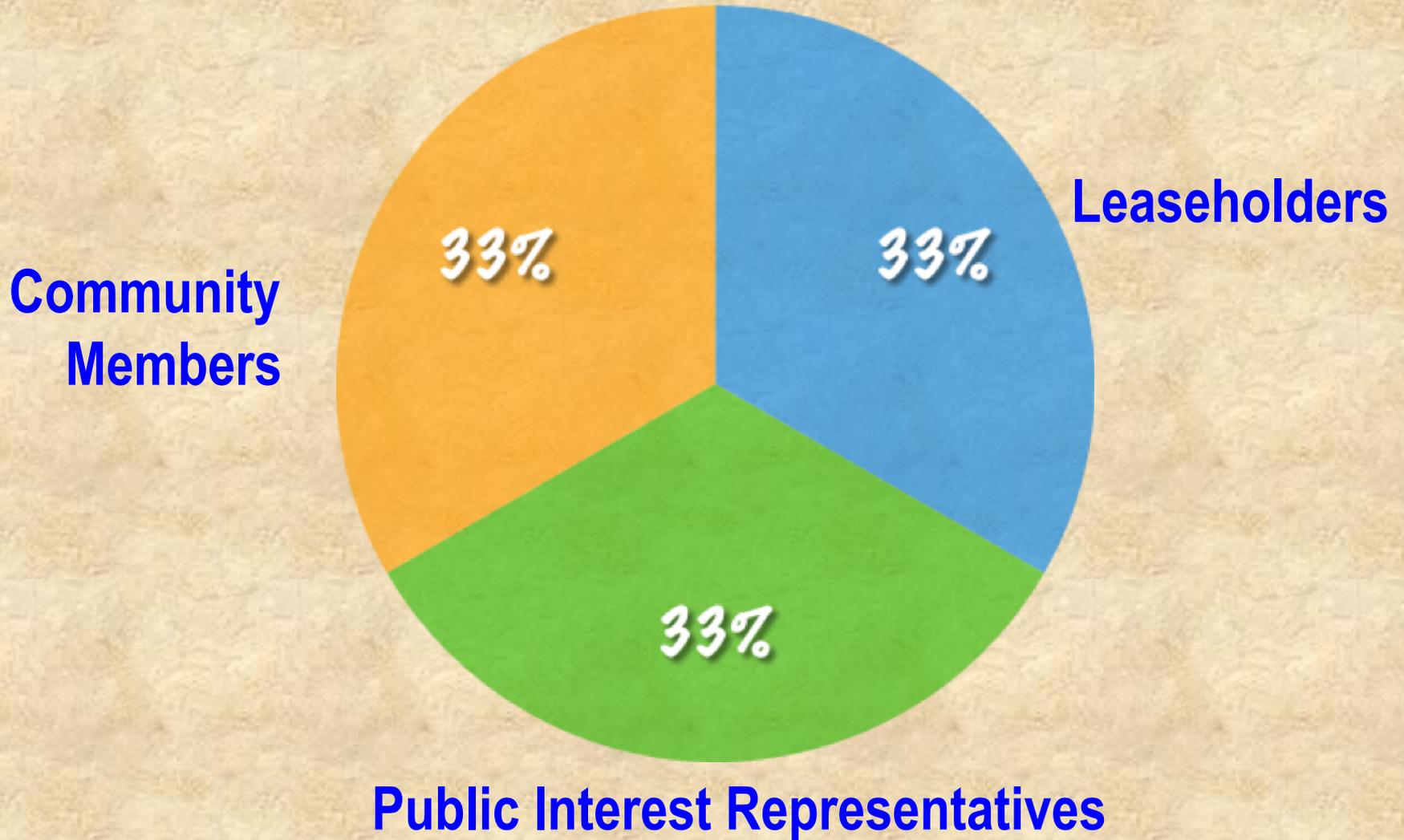
CLT as an Innovative Model of **ORGANIZATION**

- ⇒ **A nonprofit landowner with membership open to anyone living within the CLT's geographically defined "community"**
- ⇒ **Balance of interests on the governing board**





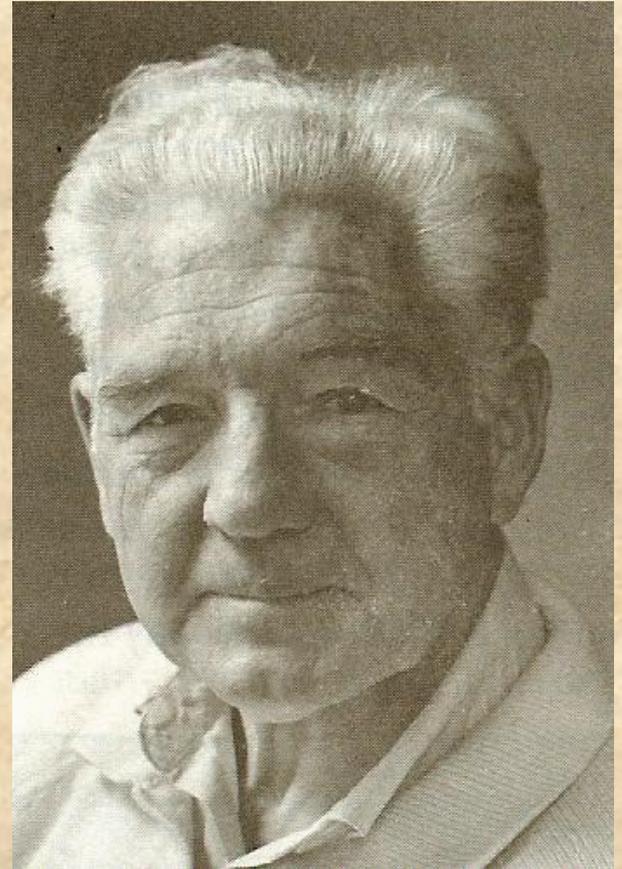
Balance of Interests on Governing Board



Putting the "C" in CLT



Slater King



Bob Swann

The Civil Rights Movement in Albany, Georgia

➤ Founded in 1961, the Albany Movement, demanded an end to segregation. One of its leaders was **Slater King**, cousin of Martin Luther King.

➤ By 1962, 1000 protesters had been jailed, including Martin Luther King and Ralph Abernathy, invited to town by the Albany Movement.



Civil rights activist Slater King and Albany police chief Laurie Pritchett



Rebuilding Firebombed Churches in the South

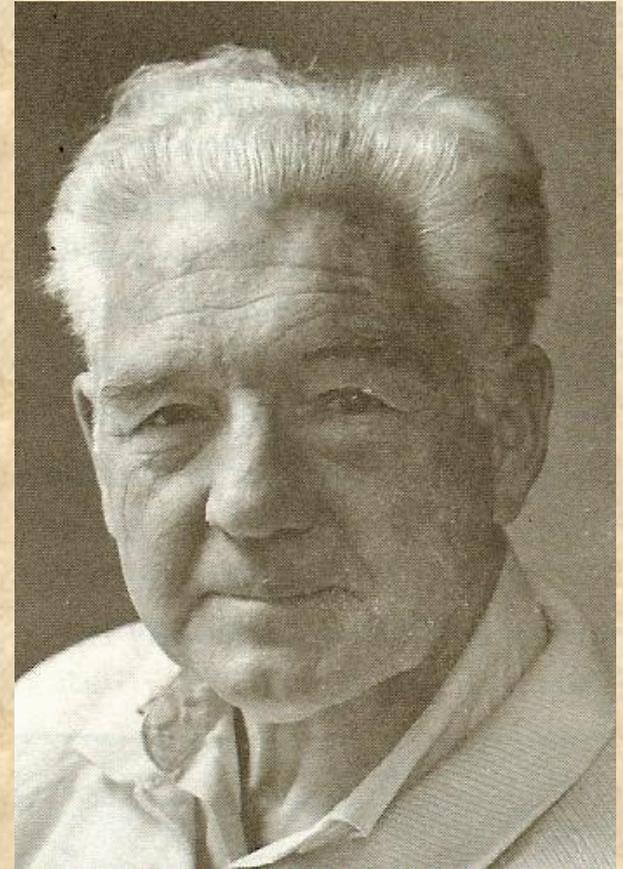


What Comes Next?

How does a "protest movement" become a
"constructive movement"



Slater King

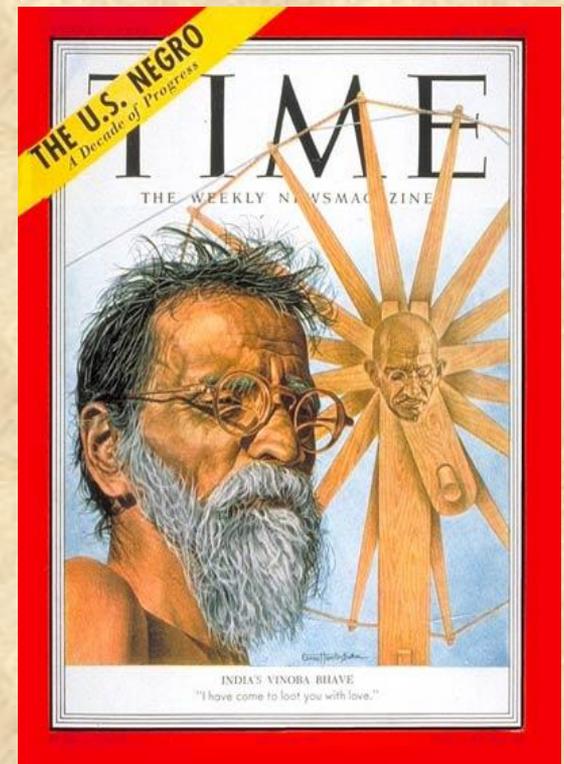


Bob Swann

Securing the Gains of Struggle: Vinoba Bhave & the Gramdan Movement in India

"The land problem is the main problem before us. Vinobaji says that private ownership of land must go. He is right. **The land should belong to the community.**"

Nehru, December 29, 1958



"Walking from one to another of India's 700,000 villages, he asks those who have land to share it with those who have none."

TIME Magazine
May 11, 1953

Koinonia Farm



Clarence Jordan & Millard Fuller, 1968



**Community
Land Trusts**

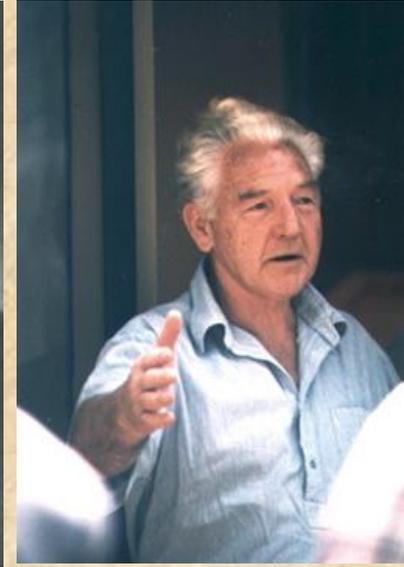
**Habitat for
Humanity**

Planning a Land Trust for the American South

1968 ➤ National Sharecroppers Fund provides funds for eight people to travel to Israel to learn about land leasing from the Jewish National Fund.



Slater King



Bob Swann

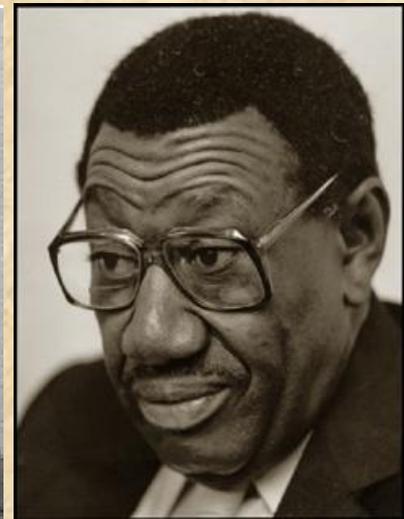
1968-69 ➤ Upon their return, plans are developed for creating an agricultural community on leased land, modeled on the *moshav ovdim*.



Charles Sherrod



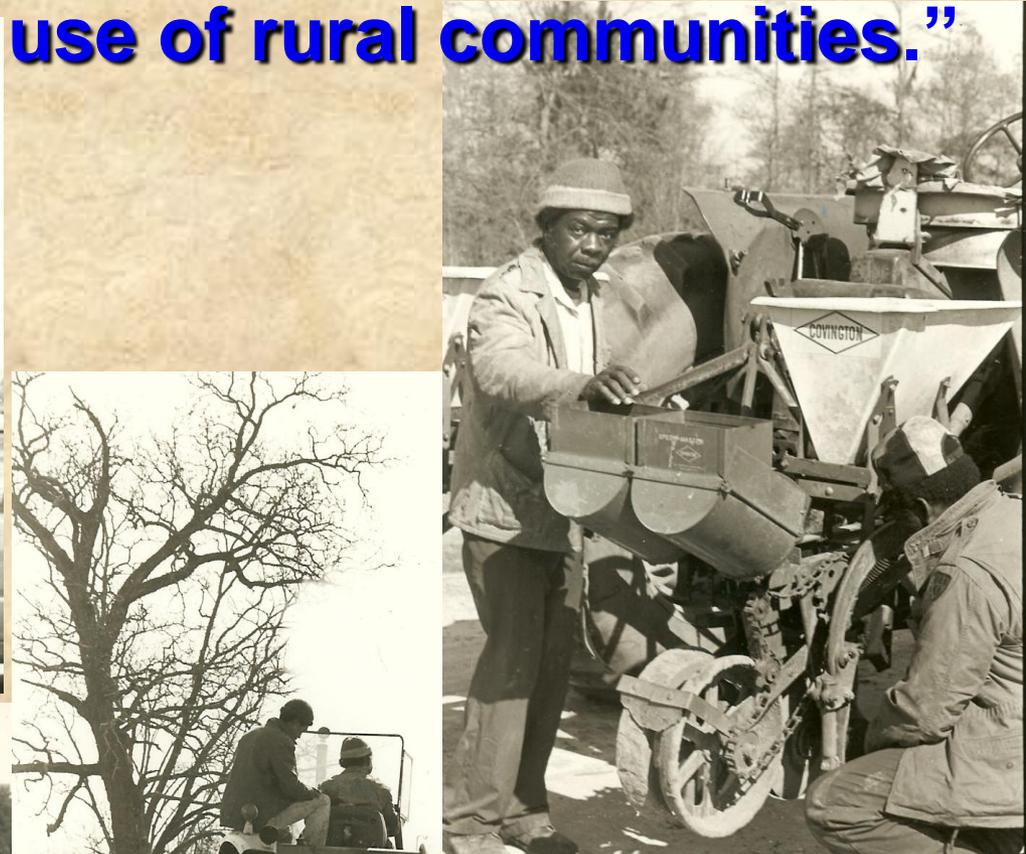
Faye Bennett



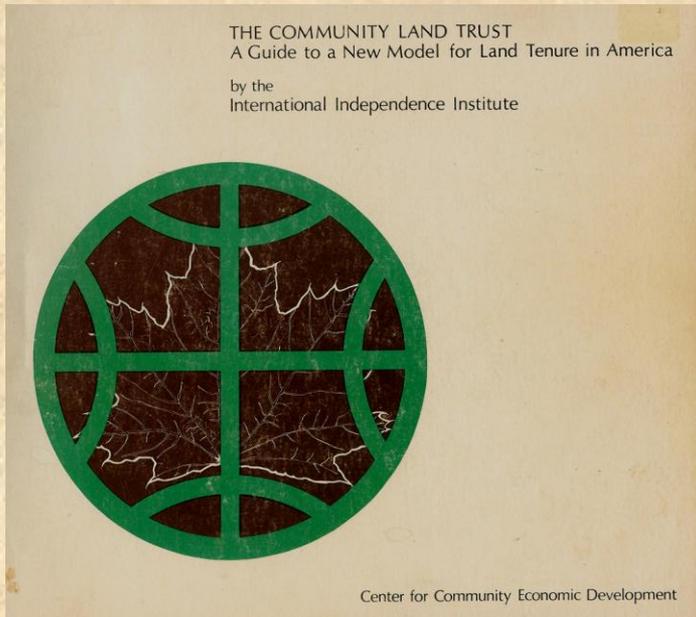
Albert Turner

New Communities, Inc., 1969

“A nonprofit organization to hold land in perpetual trust for the permanent use of rural communities.”



The Community Land Trust: A Guide to a New Model of Land Tenure in America (1972)



Drawing on the example of New Communities – and borrowing lessons from precursors in Israel, India, and USA – **Bob Swann, Erick Hansch, Shimon Gottschalk, and Edward Webster describe the features of a “hypothetical model” which “exists only in the form of various prototypes.”**

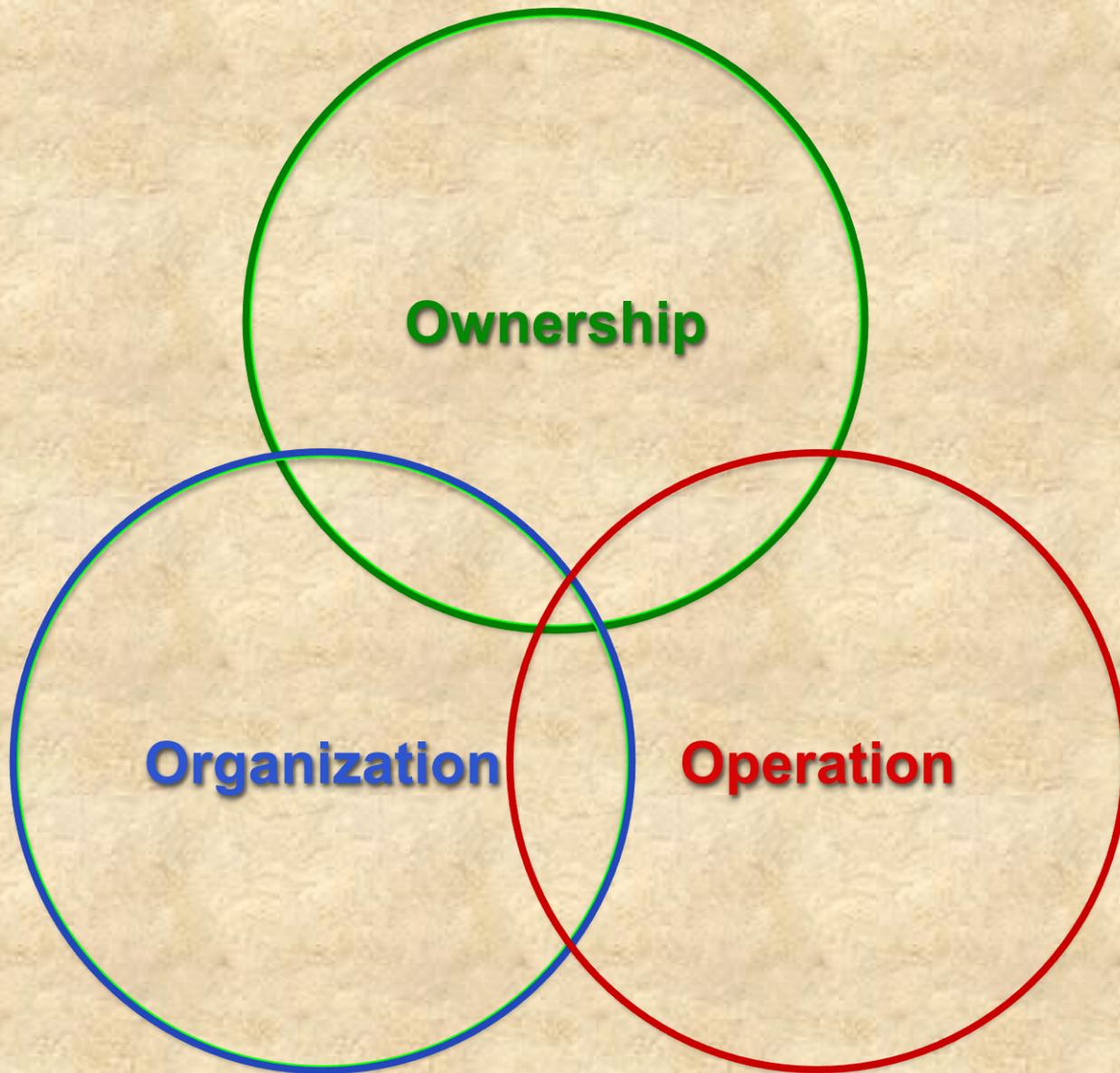
OWNERSHIP

“Land is held by the community land trust in perpetuity – probably never to be resold. . . . The trust leases the land to the users with the expectation of preserving or enhancing its long-range resource value. The **leases are long-term, restricted to the actual users of the land.**”

ORGANIZATION

“A majority of the board membership should consist of **people somewhat removed from the resident community**, serving on a relatively long-term basis. . . . A certain proportion of members should be allocated to the resident community.”

Community Land Trust



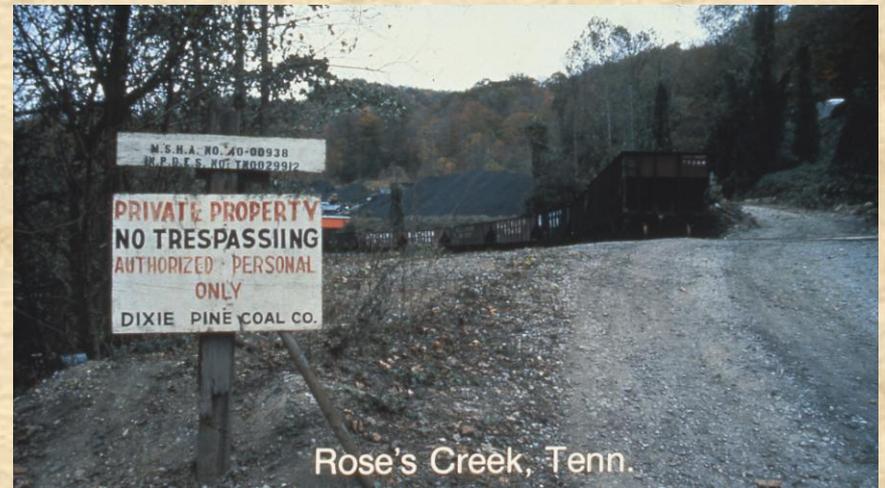
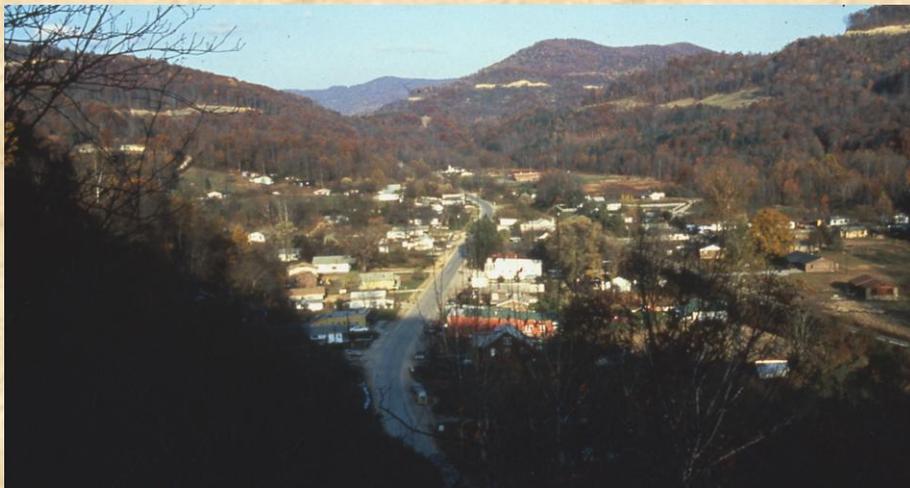
Seeding the Model: Woodland CLT, 1978

Clairfield, Tennessee



Marie Cirillo

“The community land trust model demonstrates how residents can empower themselves through a proper relationship with the land. Our Woodland CLT fulfills the needs of the landless poor.”



Rose's Creek, Tenn.

Seeding the Model: Covenant CLT, 1978

Bucksport, Maine



Lucy Poulin



“We’re talking about people who have never been accepted or had value in the larger community. And we’re prejudiced in the favor of those people – that’s the community of people that we want as our community.”

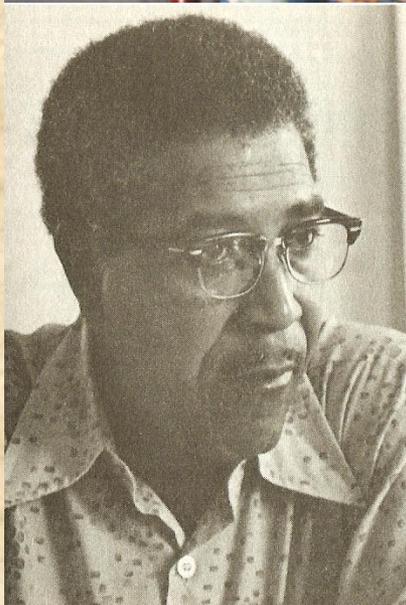
Community Land Cooperative of Cincinnati, 1981



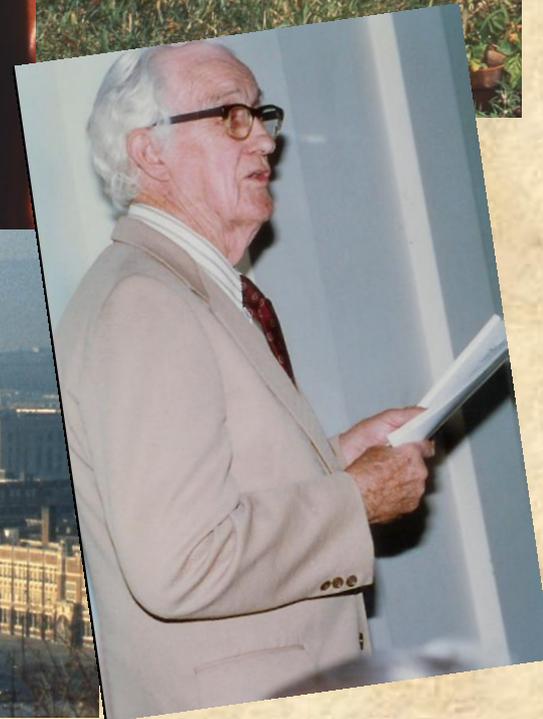
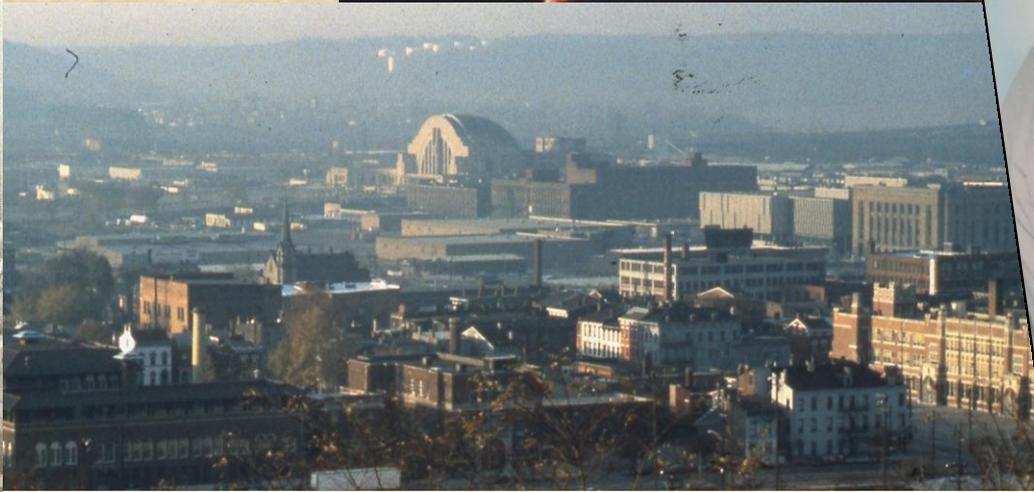
Barbara Wheeler
Board Member
Community Land Co-op of Cincinnati



Helen Smith
Board Member, C.L.C.C.



**Willie Watts, first CLCC
executive director**



Rev. Maurice MacCrackin
Board member, CLCC

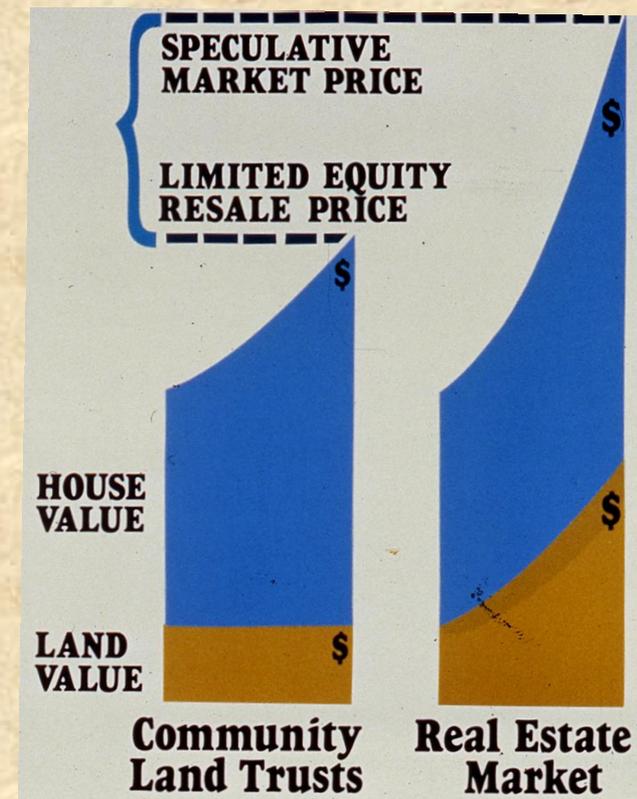


CLT as an Innovative Model of **OPERATION**

⇒ ***Preferential option for the poor.***
Priority for people and purposes recognized as charitable.

⇒ **Perpetual responsibility –**
backstopping security of
tenure for persons
served by the CLT.

⇒ **Perpetual affordability –**
preserving access to land
and housing for persons
of modest means.



Resale formula

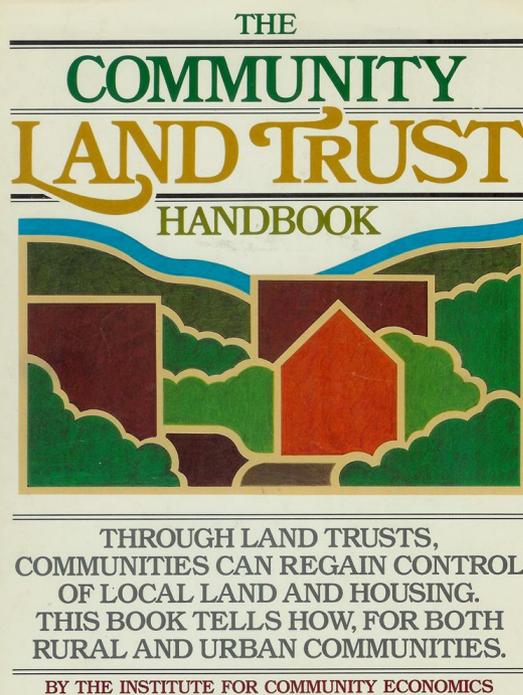


Goal: Achieve an equitable and sustainable balance between preserving affordability for future homebuyers vs. building wealth for present homeowners.

- **Shared appreciation formula**
- **Indexed formula**
- **Fixed-rate formula**
- **Mortgage-based formula**



Revising the Model: ***The Community Land Trust Handbook*** **(1982)**

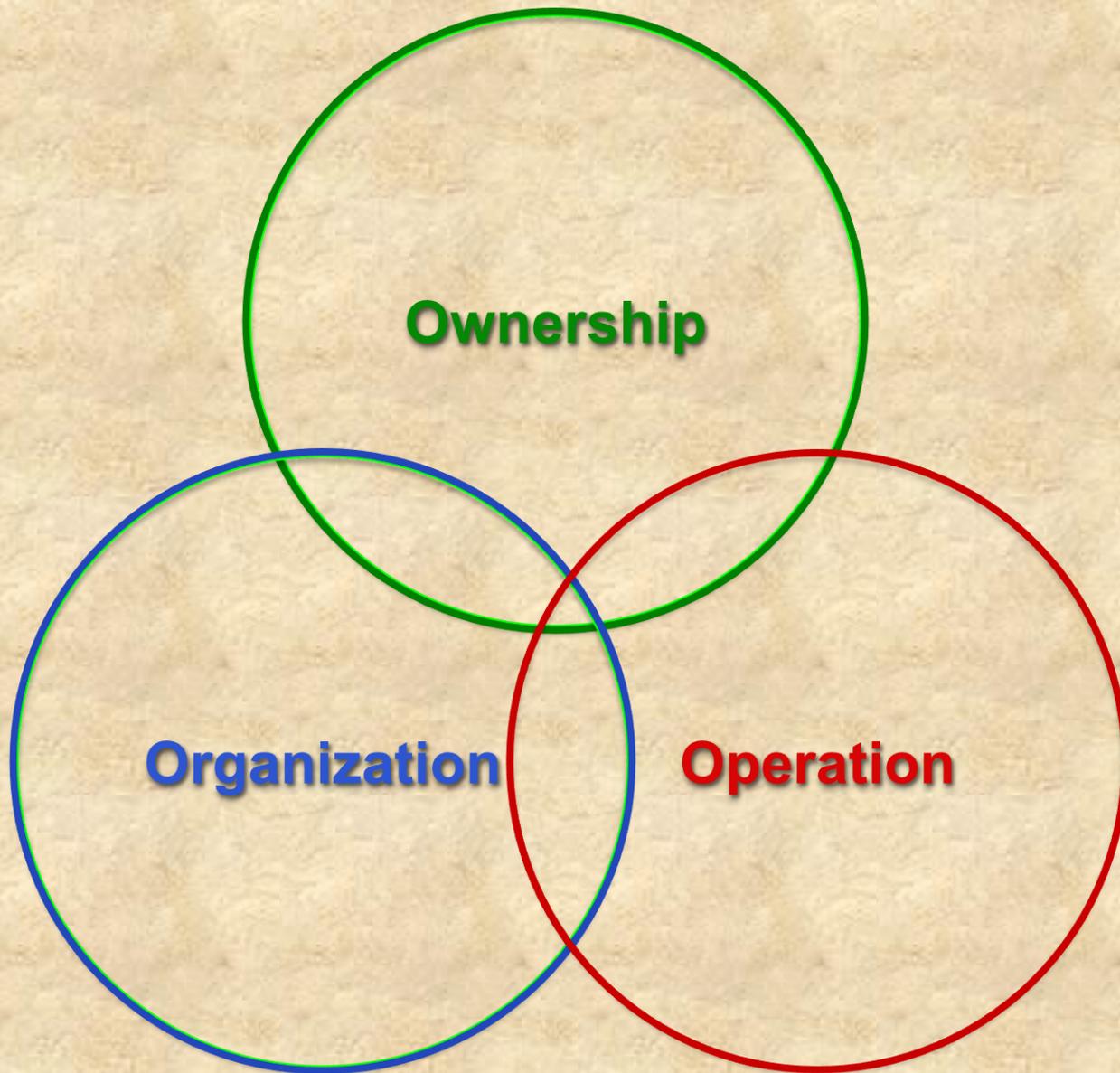


Authors: Marie Cirillo
John Davis
Rob Eshman
Charles Geisler
Harvey Jacobs
Andrea Lepcio
Chuck Matthei
Perk Perkins
Kirby White

Graphics: Bonnie Acker

"A community land trust is an organization created to hold land for the benefit of a community and of individuals within that community. It is a democratically structured nonprofit corporation, with an open membership and board of trustees elected by the membership. The board typically includes residents of trust-owned lands, other community residents, and public-interest representatives."

Community Land Trust

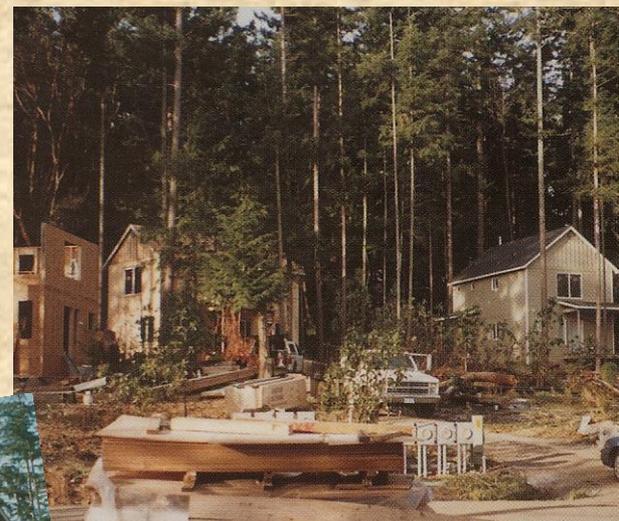


Spreading the Model:

Rural & Regional CLTs in 1980s



- Brattleboro Area CLT, 1987
- Central Vermont CLT, 1987
- Laconia Area CLT, 1988
- Lopez CLT, 1989
- Of Land and People (OPAL), 1989



Spreading the Model:

Rise of Urban CLTs in 1980s



1984
Time of Jubilee
Syracuse, New York
Purposes: Receive city-owned land; construct housing; promote homeownership; preserve affordability.



1987
CHOICE
Youngstown, Ohio

Purposes: Promote homeownership; prevent gentrification; revitalize neighborhoods.

1984
Burlington Community Land Trust
Burlington, Vermont



Purposes: Prevent gentrification; promote homeownership; preserve affordability; rehab housing.

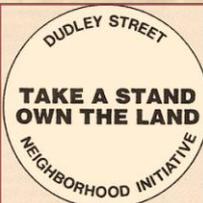
1987
Durham Community Land Trustees
Durham, North Carolina

Purposes: Rehab dilapidated buildings; prevent gentrification; promote homeownership.

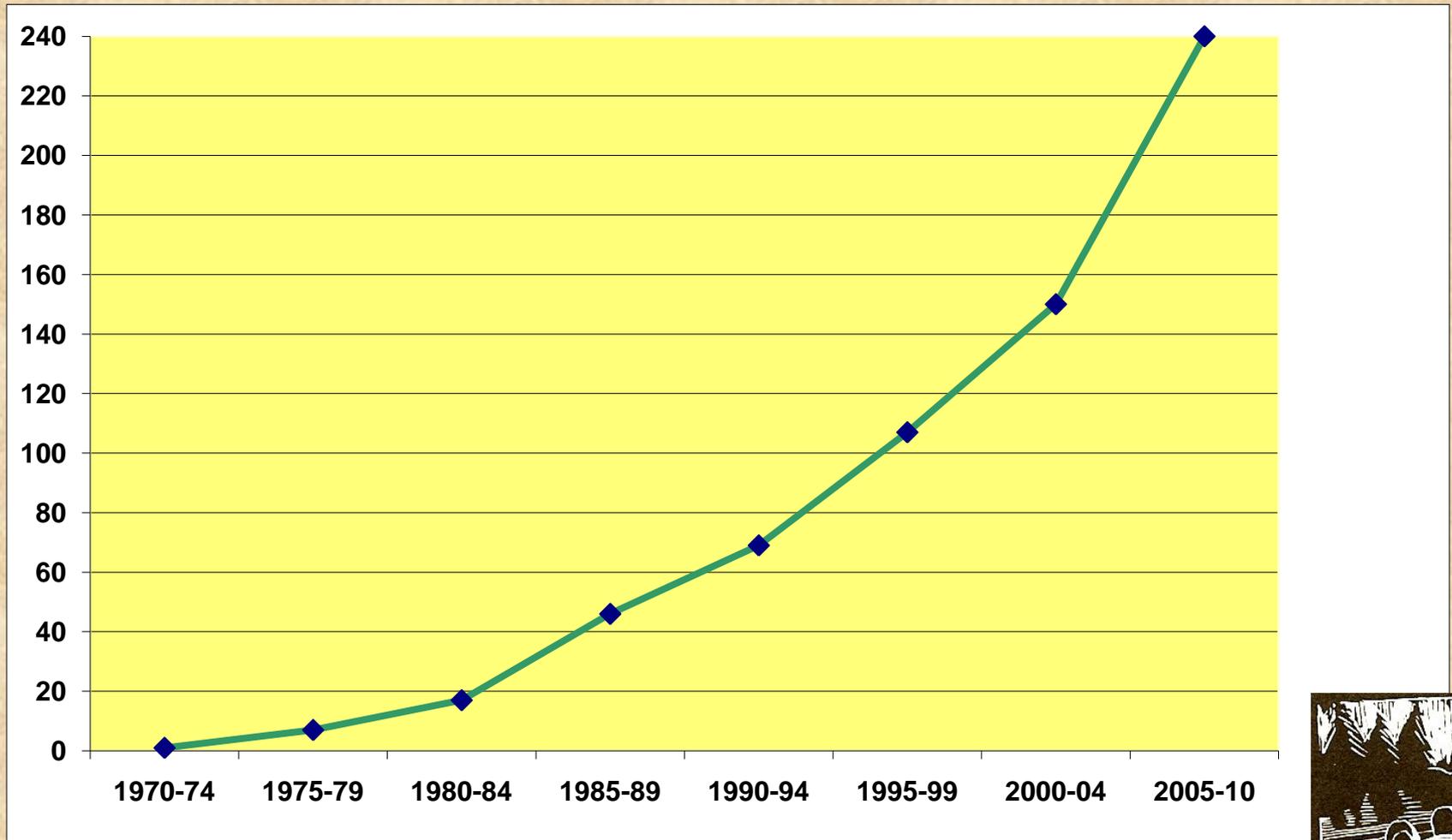
1987
Albany Community Land Trust
Albany, New York
Purposes: Neighborhood revitalization; rehab of dilapidated buildings; homeownership.

1988
DSNI/Dudley Neighbors, Inc.
Boston, Massachusetts

Purposes: Community control of land received via acquisition and eminent domain; construction of new, multi-family housing.



Number of CLTs in the United States



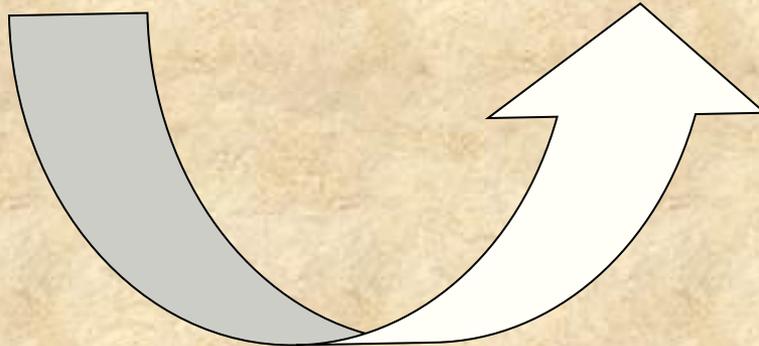
Growth of the CLT Movement



1. VERSATILITY OF THE CLT MODEL

2. MUNICIPAL INITIATIVE AND SUPPORT

3. STEWARDSHIP: HOMES THAT LAST IN A BOOM & BUST ECONOMY



Versatility

Ownership

- CLT continues to own both land and building
- Use of deed covenants when a CLT doesn't own land
- Model lease that is tailored to local conditions



Versatility

Organization

- CLT grafted onto an existing nonprofit
- CLT controlled by a municipal government
- CLT without a membership
- Board seats appointed by external entities



Versatility



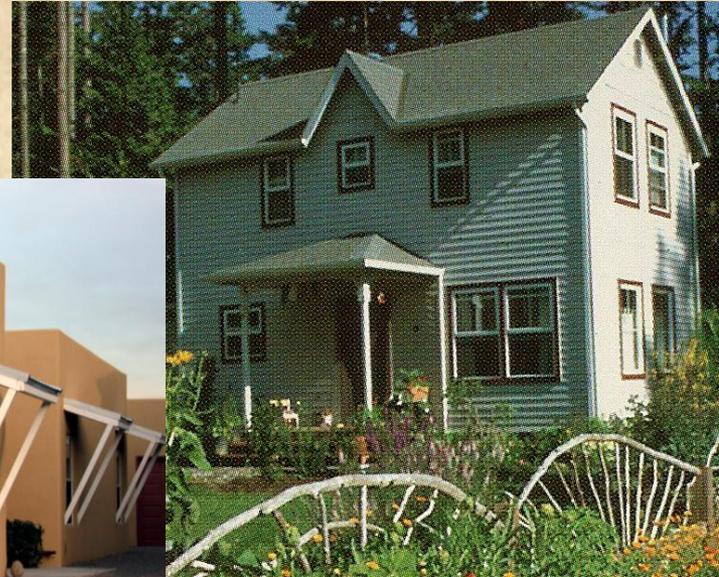
Operation

- **Range of beneficiaries, from very poor to moderate-income households**
- **Variety of roles played by the CLT; some doing no development themselves.**
- **Range of options in designing resale formulas**
- **Range of options in protecting security of tenure – services and supports to prevent foreclosure**



Versatility

Single-family Homes



Versatility

Multi-family Condominiums & Rentals



Versatility

Multi-family Housing Cooperatives





Versatility

Mixing Housing and Commercial Space



Versatility

Nonprofit Office Space & Community Facilities



Versatility

Commercial Space/Job Creation



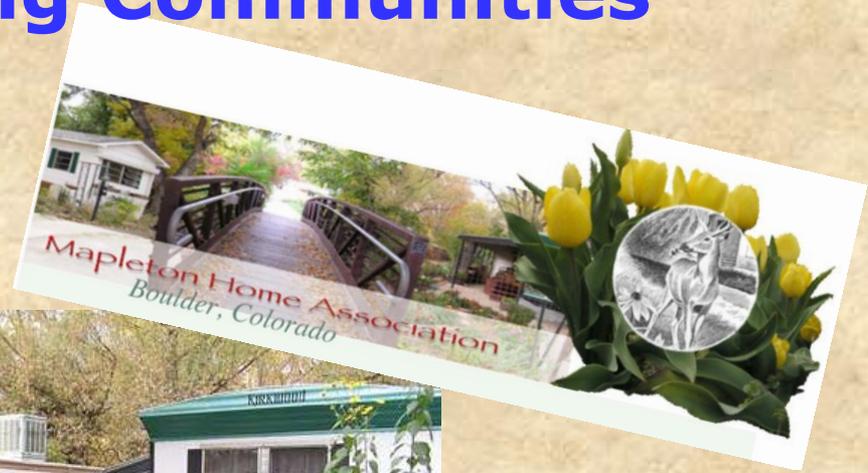
**Commercial Greenhouses
Dudley Street Neighborhood Initiative
Boston, Massachusetts**



**Bus Barn Conversion
Restaurant, Laundromat, & Job training center
Champlain Housing Trust
Burlington, Vermont**

Versatility

Manufactured Housing Communities



Versatility

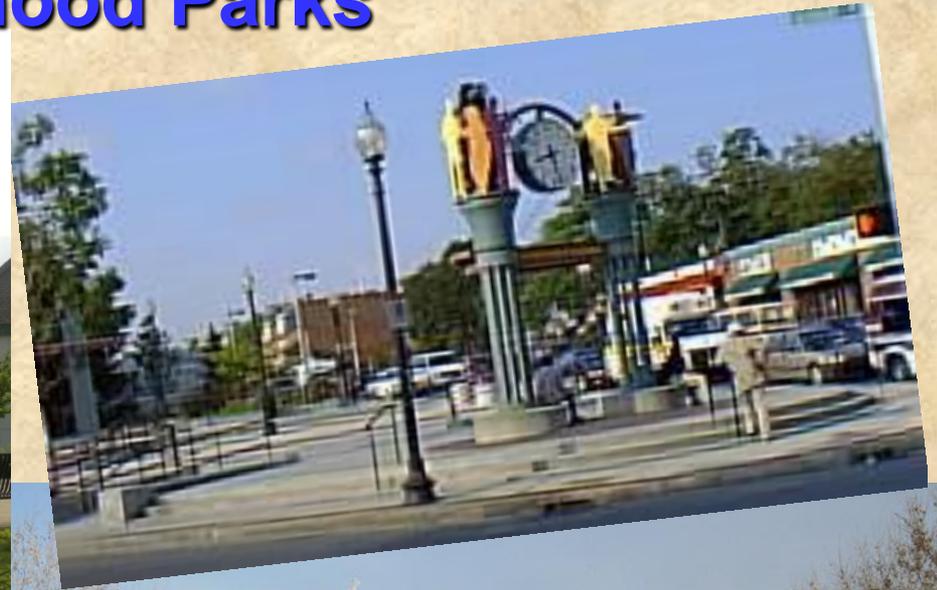
Community Gardens & Community Supported Agriculture



**Troy Gardens
Madison Area CLT
Madison, Wisconsin**

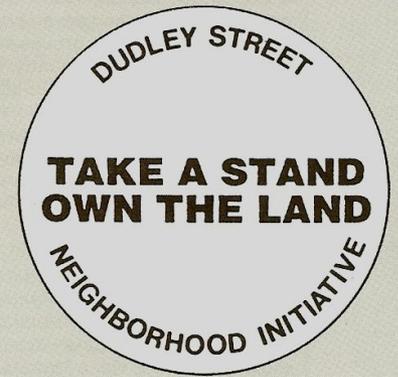
Versatility

Neighborhood Parks

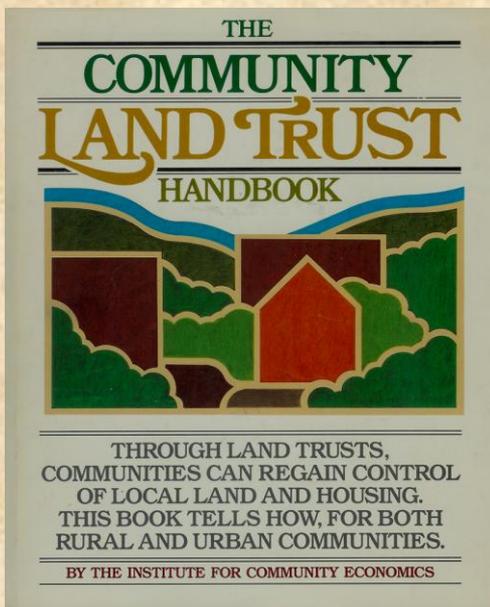


Versatility

Neighborhood Revitalization/Community Building



Municipal Support for CLTs

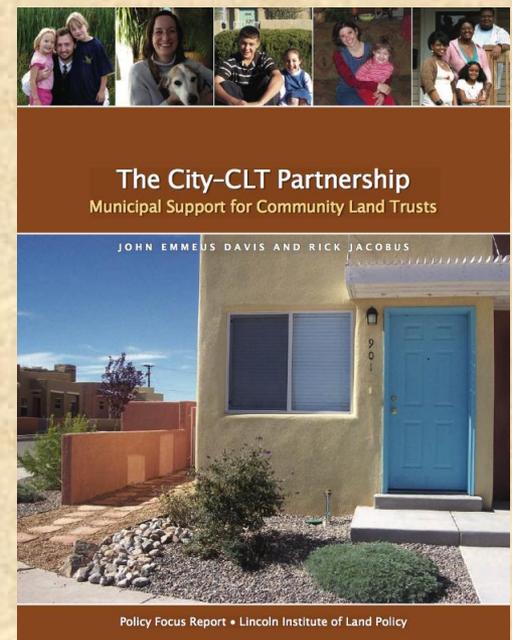


“Over the past decade, a growing number of cities and counties have **not only chosen to support existing CLTs but also to start new ones**, actively guiding their development”

The City-CLT Partnership, 2008

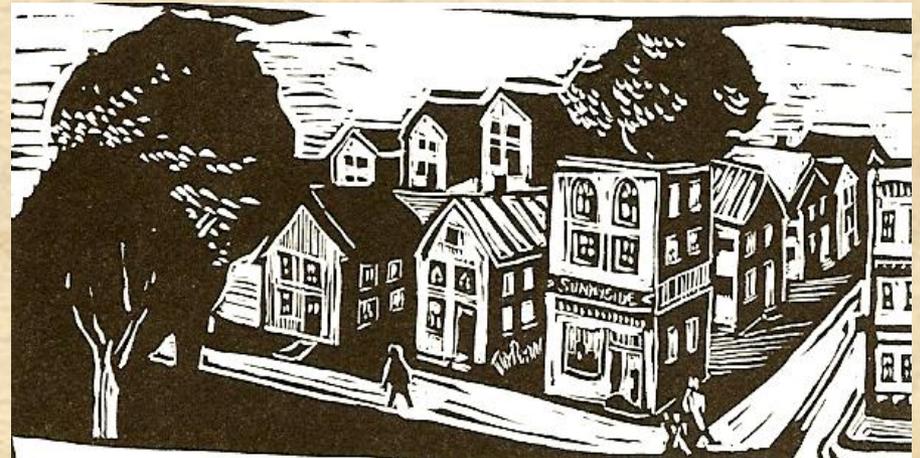
“Most interaction between CLTs and municipal officials has been marked by **benign indifference**, with neither party doing more than is minimally required to meet whatever legal obligations each might have with regard to the other.”

The CLT Handbook, 1982

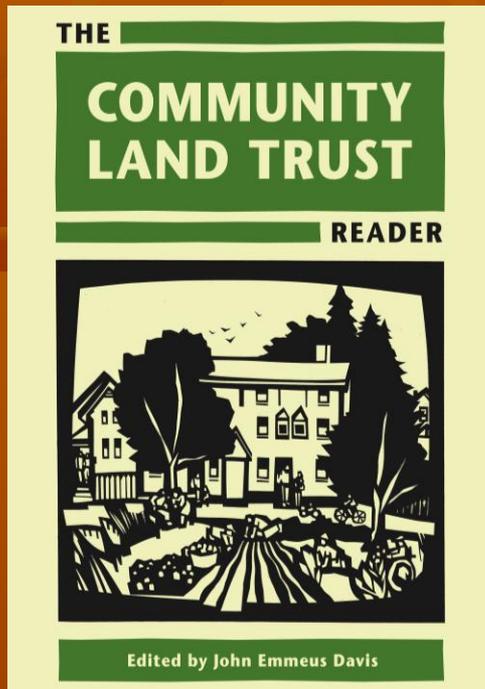


Municipal Support for CLTs

- Albuquerque, NM
- Athens, Georgia
- Austin, Texas
- Bellingham, Washington
- Boston, Massachusetts
- Boulder, Colorado
- Burlington, Vermont
- Chapel Hill, North Carolina
- Chicago, Illinois
- Cleveland, Ohio
- Delray Beach, Florida
- Duluth, Minnesota
- Durham, North Carolina
- Highland Park, Illinois
- Irvine, California
- Madison, Wisconsin
- Minneapolis, Minnesota
- New Orleans, Louisiana
- Petaluma, California
- Portland, Oregon
- State College, Pennsylvania
- Syracuse, New York
- Washington, DC



Post-purchase Stewardship



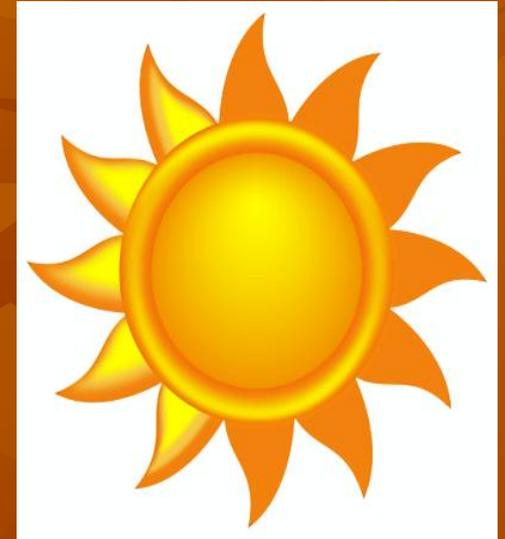
“Faced with soaring real estate prices in some markets and collapsing real estate values in others, policymakers have begun to embrace new models of tenure that protect the affordability, quality, and security of housing after its sale. The stewardship of homeownership has been gaining ground as a policy priority.”

Homeownership Policy

Production

Consumption

Sunny Day Homeownership Policy



- ✓ Economy grows steadily and evenly
- ✓ Home values & prices rise gradually
- ✓ Household incomes rise steadily

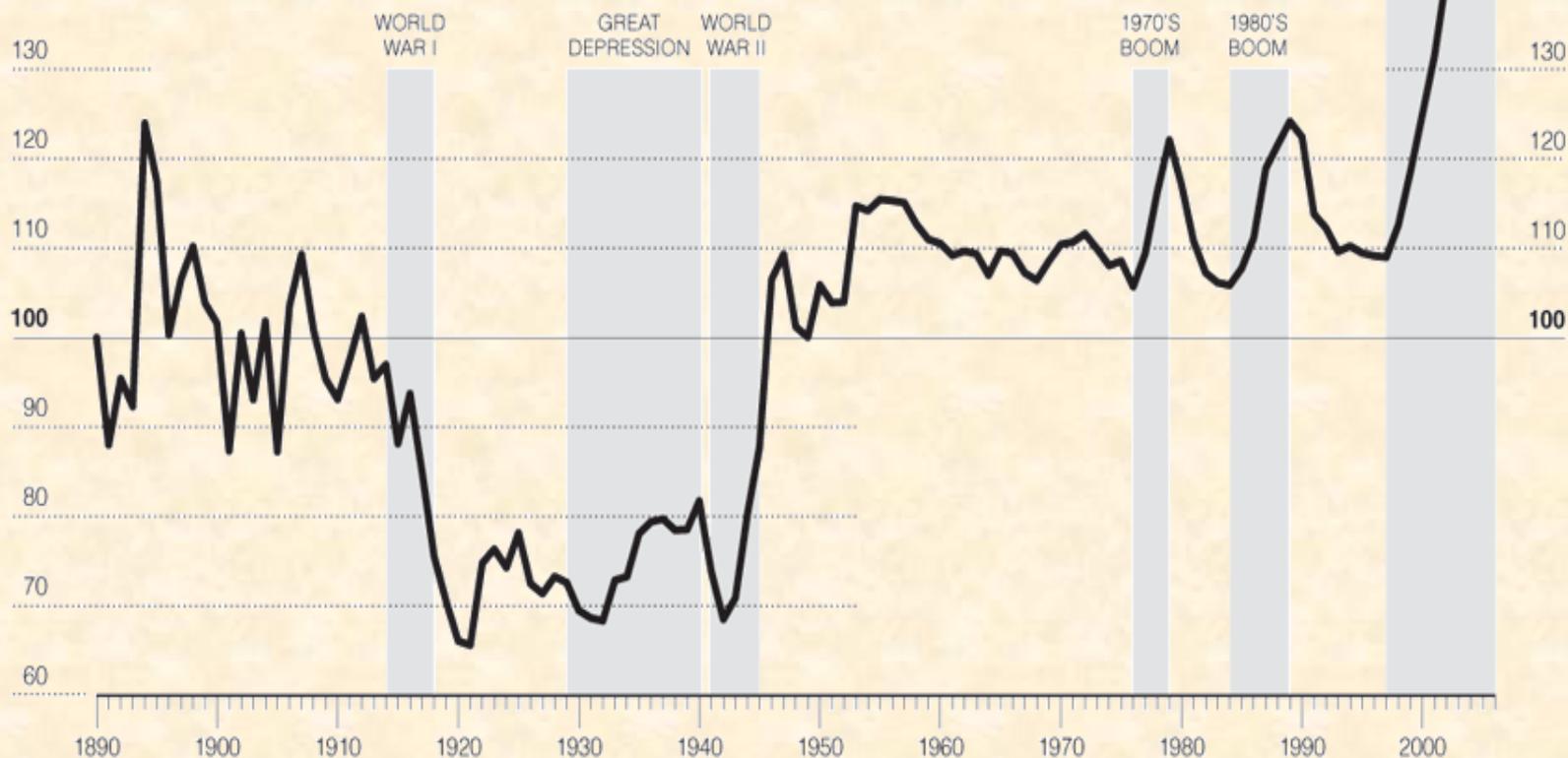
A History of Home Values

The Yale economist Robert J. Shiller created an index of American housing prices going back to 1890. It is based on sale prices of standard existing houses, not new construction, to track the value of housing as an investment over time. It presents housing values in consistent terms over 116 years, factoring out the effects of inflation.

The 1890 benchmark is 100 on the chart. If a standard house sold in 1890 for \$100,000 (inflation-adjusted to today's dollars), an equivalent standard house would have sold for \$66,000 in 1920 (66 on the index scale) and \$199,000 in 2006 (199 on the index scale, or 99 percent higher than 1890).

DECLINE AND RUN-UP Prices dropped as mass production techniques appeared early in the 20th century. Prices spiked with post-war housing demand.

BOOM TIMES Two gains in recent decades were followed by returns to levels consistent since the late 1950's. Since 1997, the index has risen about 83 percent.



Source: "Irrational Exuberance," 2nd Edition, 2006, by Robert J. Shiller

Bill Marsh/The New York Times

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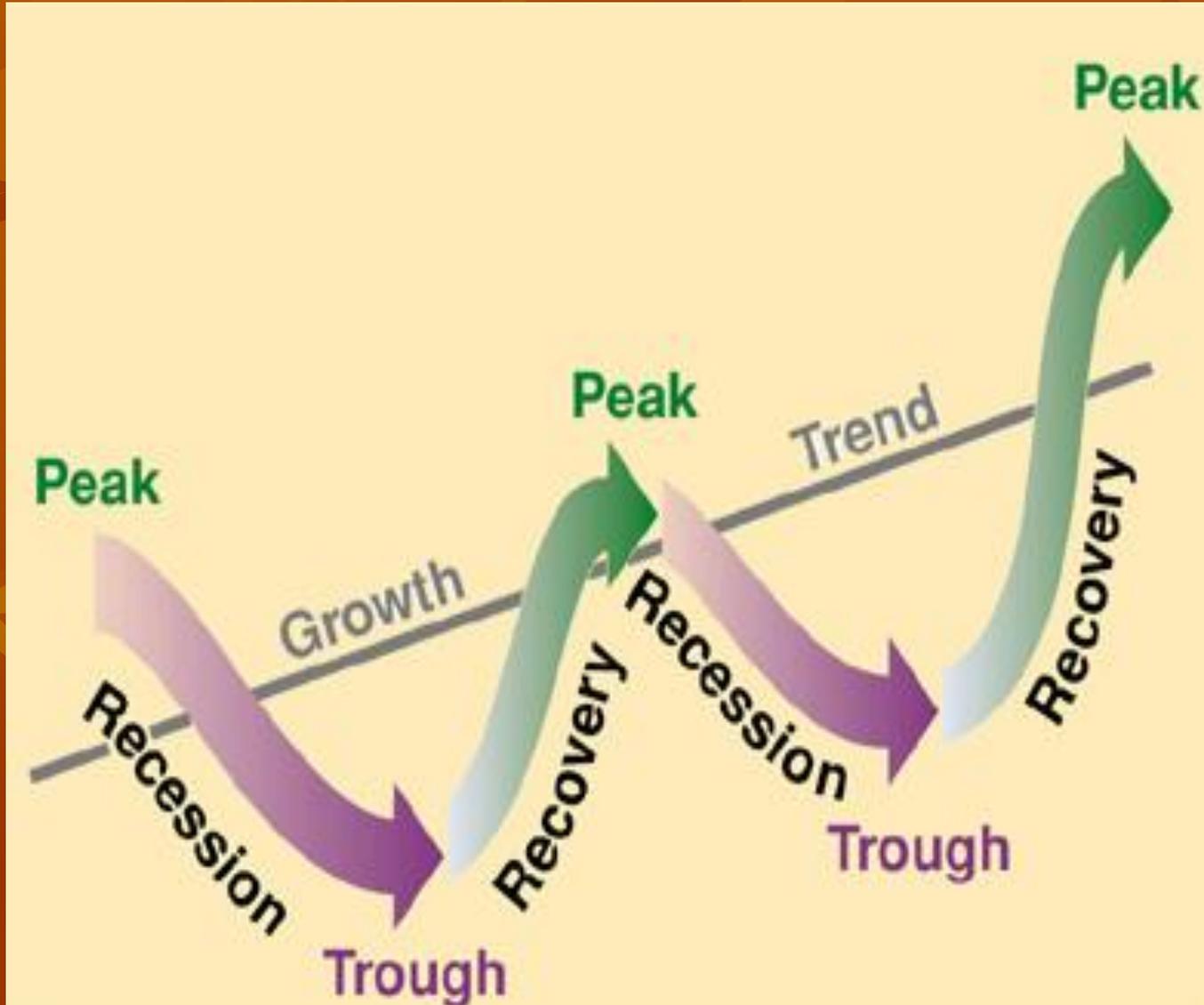
PROJECTION

Updated as of May 2010 Data by Steve Barry for The Big Picture
<http://www.ritholtz.com/blog>

Source: "Irrational Exuberance," 2nd Edition, 2006, by Robert J. Shiller

Bill Marsh/The New York Times

A Business Cycle of Boom and Bust





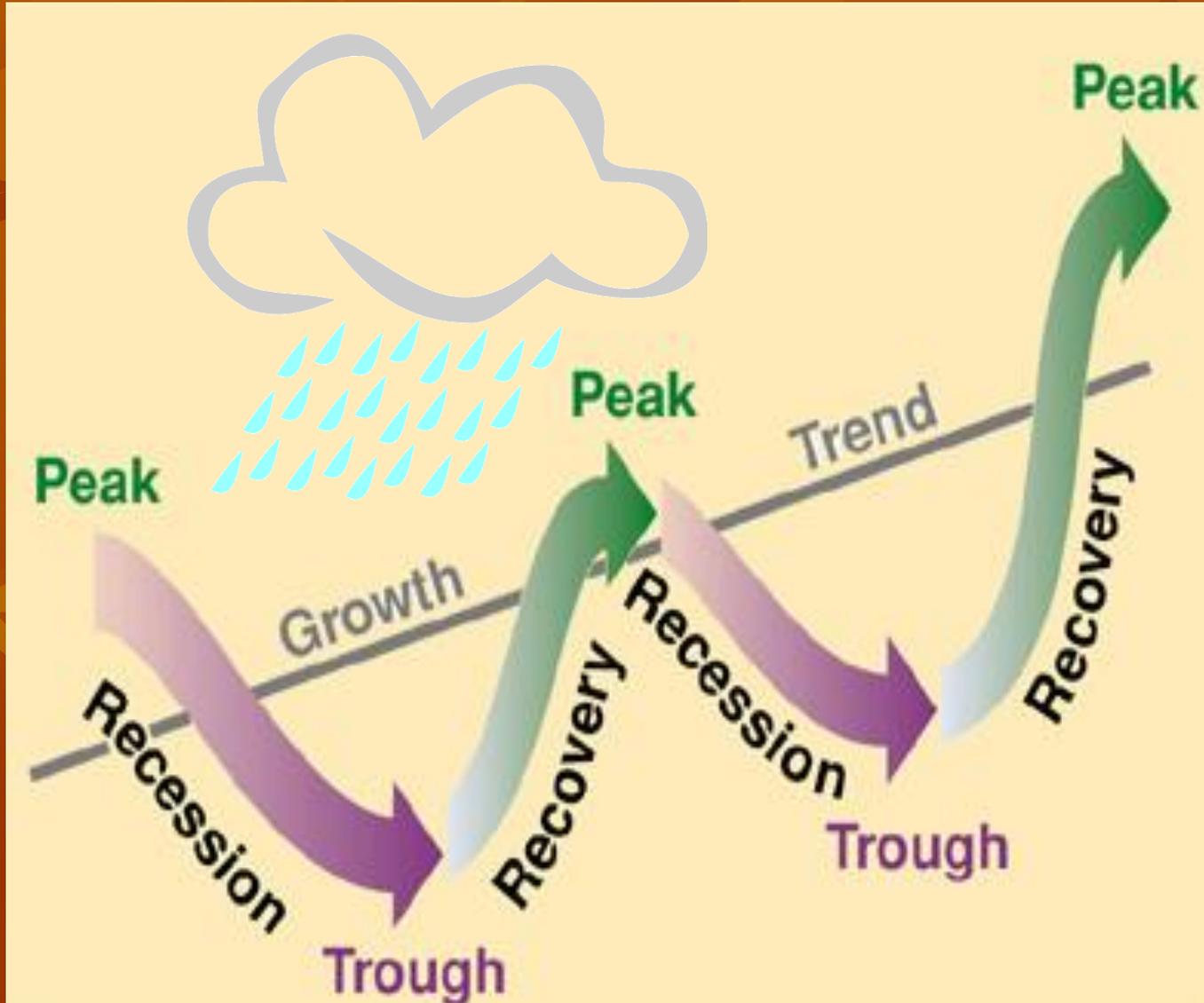
Homes At Loss

✦ **Quality erodes
when markets
are cold**

✦ **Affordability
evaporates when
markets are hot**

✦ **Security vanishes
when creative
financing collides
with collapsing
real estate values**

Counter-cycle Stewardship: Planning for a Rainy Day



Homeownership Policy

Production

S
t
e
w
a
r
d
s
h
i
p

Consumption



The Three Faces of Stewardship

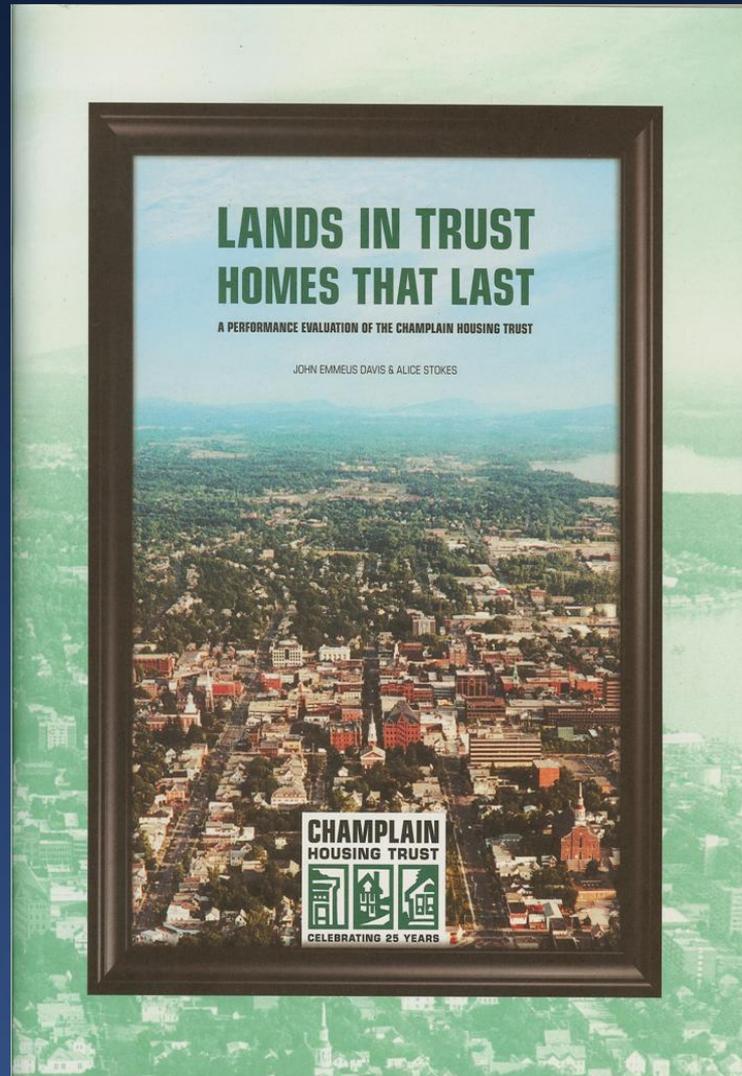
- ◆ **PRESERVE** affordability of publicly subsidized, owner-occupied homes
- ◆ **PROMOTE** the maintenance of publicly subsidized, owner-occupied homes
- ◆ **PREVENT** the loss of publicly subsidized, owner-occupied homes, especially in the face of foreclosure



How do we do that??

- ◆ **TENURE** – the rights, responsibilities, risks, and rewards of homeownership are shared between the owner-occupant and the CLT.
- ◆ **STEWARDSHIP** – the CLT stands behind the home long after it is purchased: “the developer that doesn’t go away.”

Does stewardship work?



CHT: Equitable Balance of Interests

- Expanding homeownership for individuals excluded from the marketplace



- Preserving affordability for the next generation of homebuyers

Expanding Access to Homeownership

Over CHT's 25-year history, for all 629 households:

- 100% earned less than 100% of median income
- 82% earned less than 80% of median income

Ensuring Success of Homeownership

Success of **CHT's** first-time homeowners

91%

Success of first-time homeowners

(Herbert and Belsky, 2008)

50%

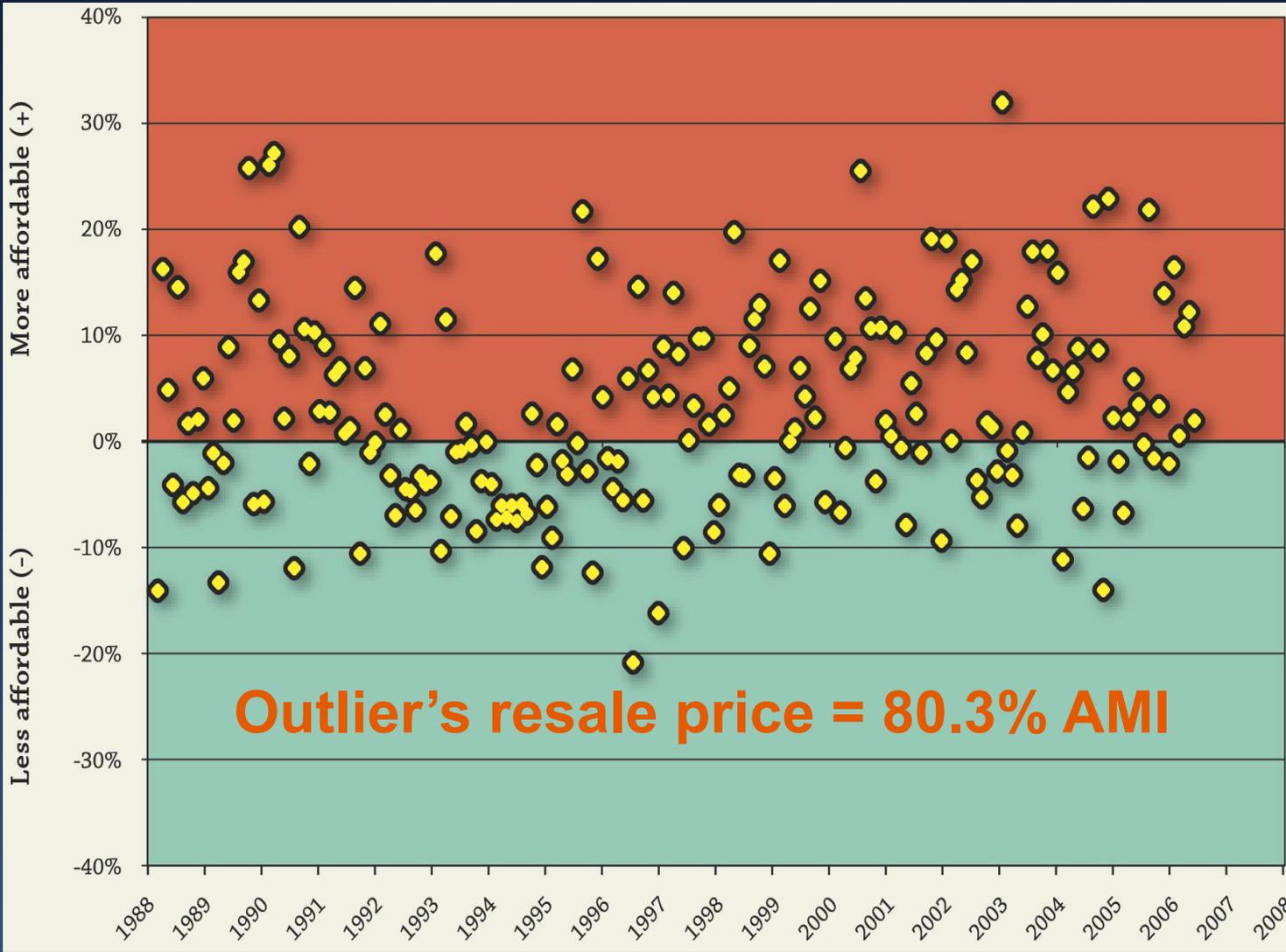
Success of first-time homeowners

(Reid, 2004)

47%



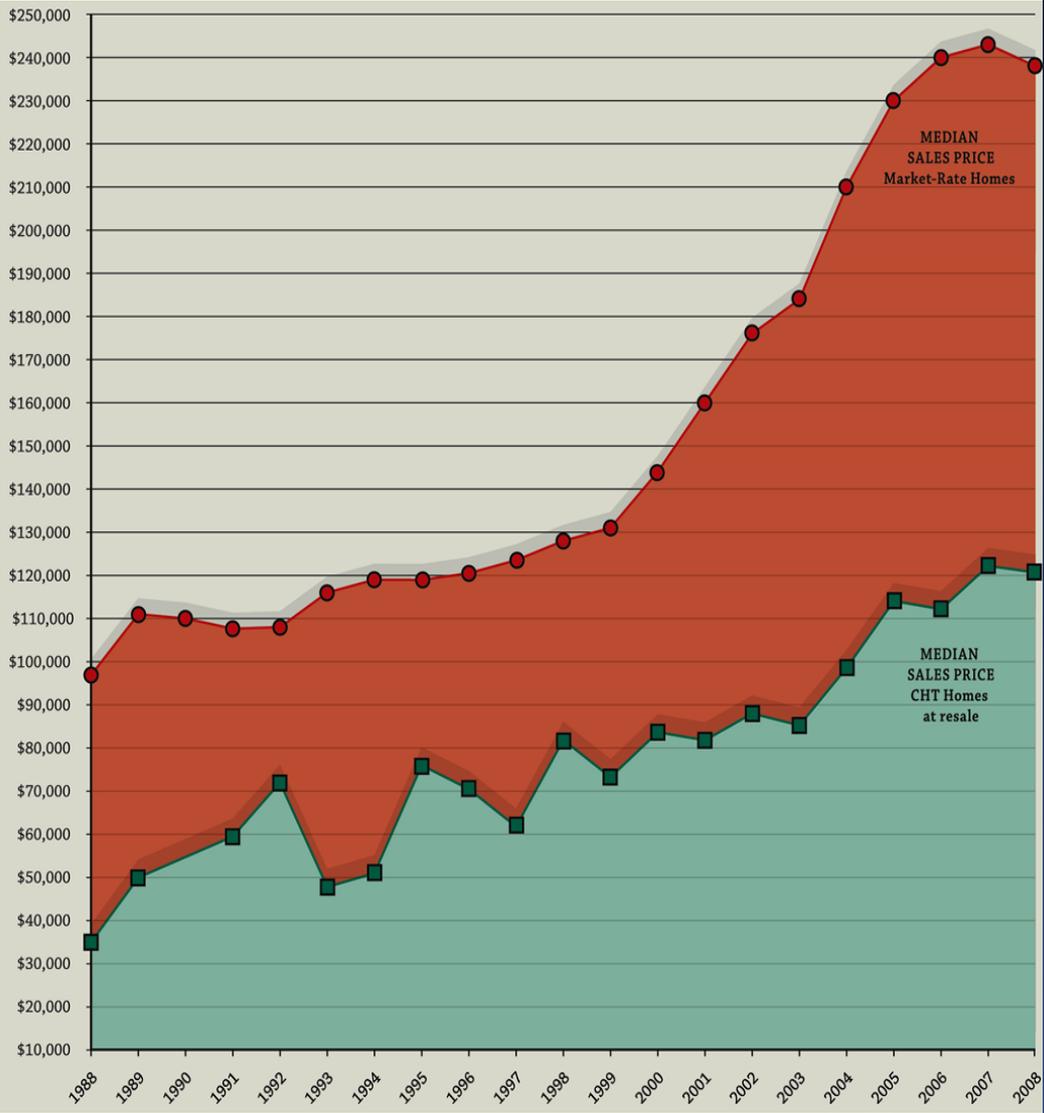
Figure 2 Percent Change in Affordability



81 homes became less affordable on resale, but only **one** resold for a price beyond the reach of a family earning 80% AMI

Figure 1

Median Price of CHT Resales



“During the 1999-2006 real estate boom, in particular, when the median sales price of owner-occupied homes in the Burlington MSA increased by **85%**, the median price of houses and condominiums reselling through CHT increased by only **35%**.”

Figure 7 Net Equity Gains for CHT Homeowners

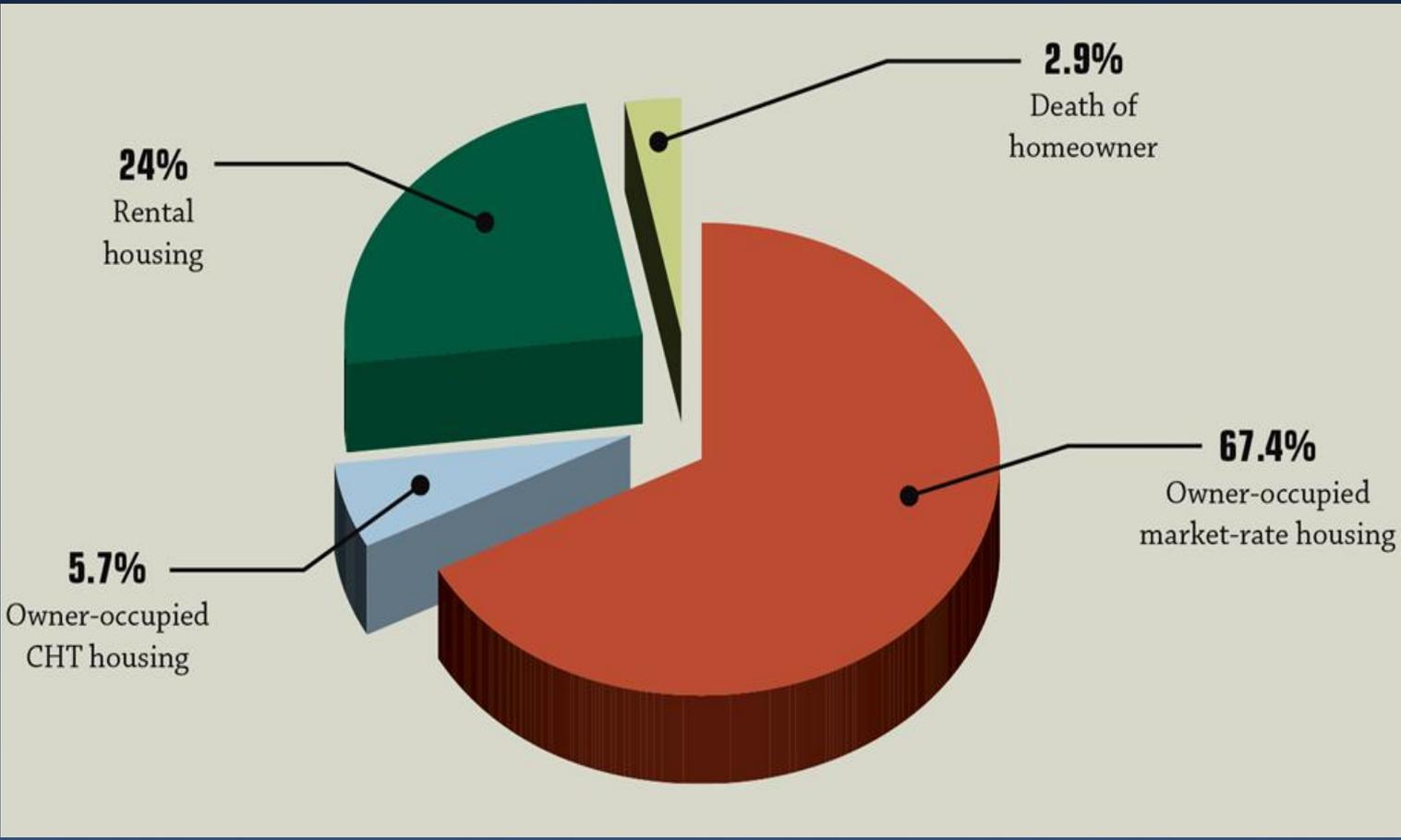


Reselling after 5 ½ years, the average CHT homeowner got back his/her initial investment and walked away with a wealth gain of **\$12,000**

Avg. annualized rate of return on the homeowner's initial investment: **25.4% IRR**

Table 12

What Kind of Housing Was Secured by CHT Homeowners After Selling a CHT Home?





The Other Side of Boom and Bust: What happens to CLT homes when markets go cold?

