

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

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National CLT Academy

Burlington Associates in Community Development LLC



- ☑ **THE COMMUNITY LAND TRUST IN CONTEXT: Why is there a push to “rethink homeownership”?**
- ☑ **THE “CLASSIC CLT”: What are the model’s key features – and where did they come from?**
- ☑ **GROWTH OF THE CLT: Why is the model spreading and how is it being applied in urban and rural communities across the USA?**
- ☑ **PERFORMANCE OF THE CLT: Does the model deliver on its promises?**

Homeownership Policy

Production

Consumption

Production

Expanding Supply (“Homes in Stock”)

- ◆ **LAND ASSEMBLY**
- ◆ **SITE REMEDIATION**
- ◆ **INFRASTRUCTURE DEVELOPMENT**
- ◆ **HOUSING DESIGN (including energy efficiency)**
- ◆ **HOUSING CONSTRUCTION (including conversion or rehab of existing buildings)**
- ◆ **INCLUSIONARY SET-ASIDES (incentive zoning or inclusionary zoning)**

Consumption

Increasing Demand (“Homes in Reach”)

- ◆ **DOWNPAYMENT ASSISTANCE**
- ◆ **LOW-INTEREST MORTGAGES**
- ◆ **FAIR LENDING (CRA)**
- ◆ **HOMEBUYER COUNSELING**
- ◆ **FAIR HOUSING ENFORCEMENT**
- ◆ **HOMESTEAD EXEMPTIONS & TAX DEDUCTIONS**

Homeownership Policy

Production

Consumption

Sunny Day Homeownership Policy



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

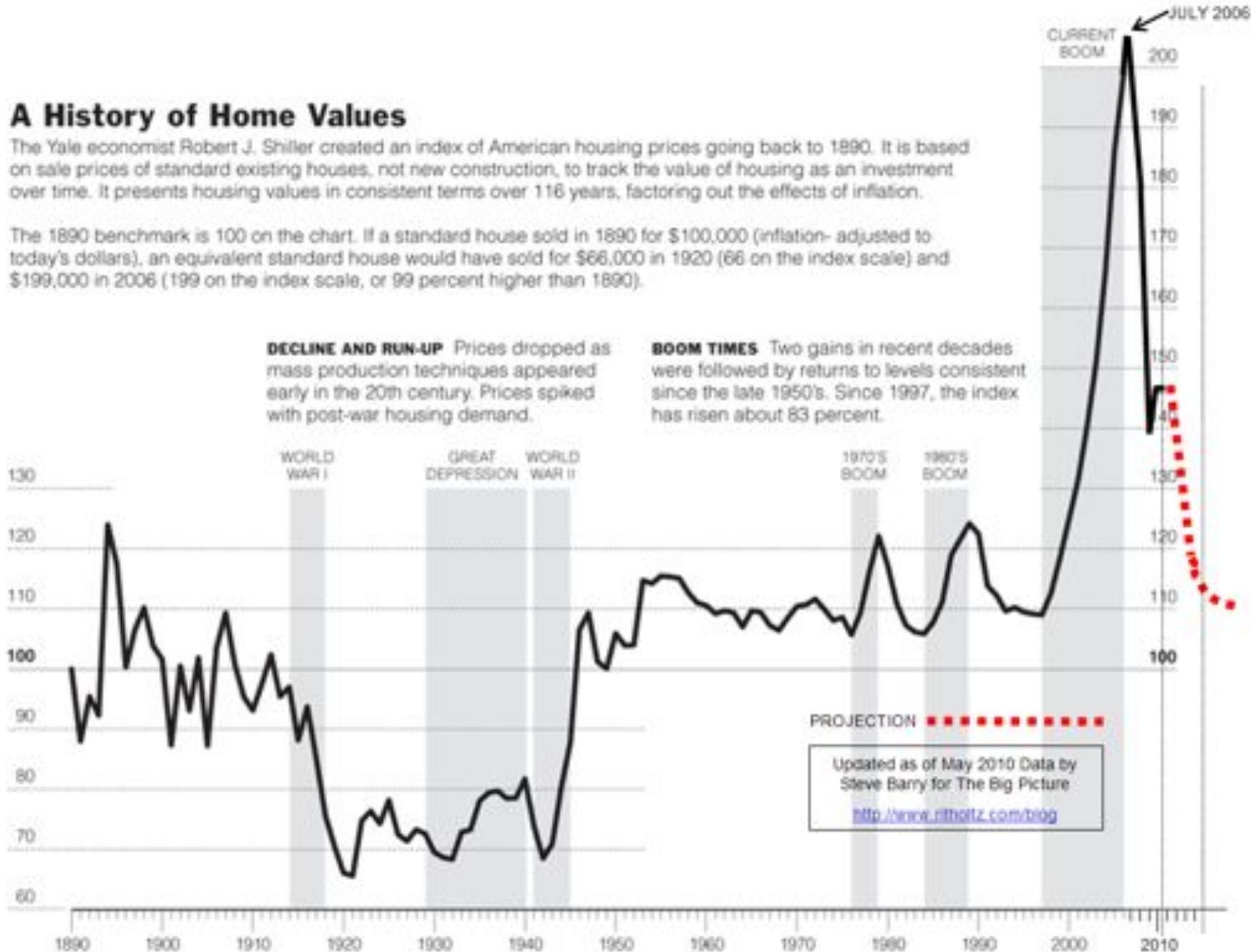
A History of Home Values

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.



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**

Homes At Loss: Five-year Success Rate

Success of first-time
homeowners

(Herbert and Belsky, 2008)

50%

Success of first-time
homeowners

(Reid, 2004)

47%



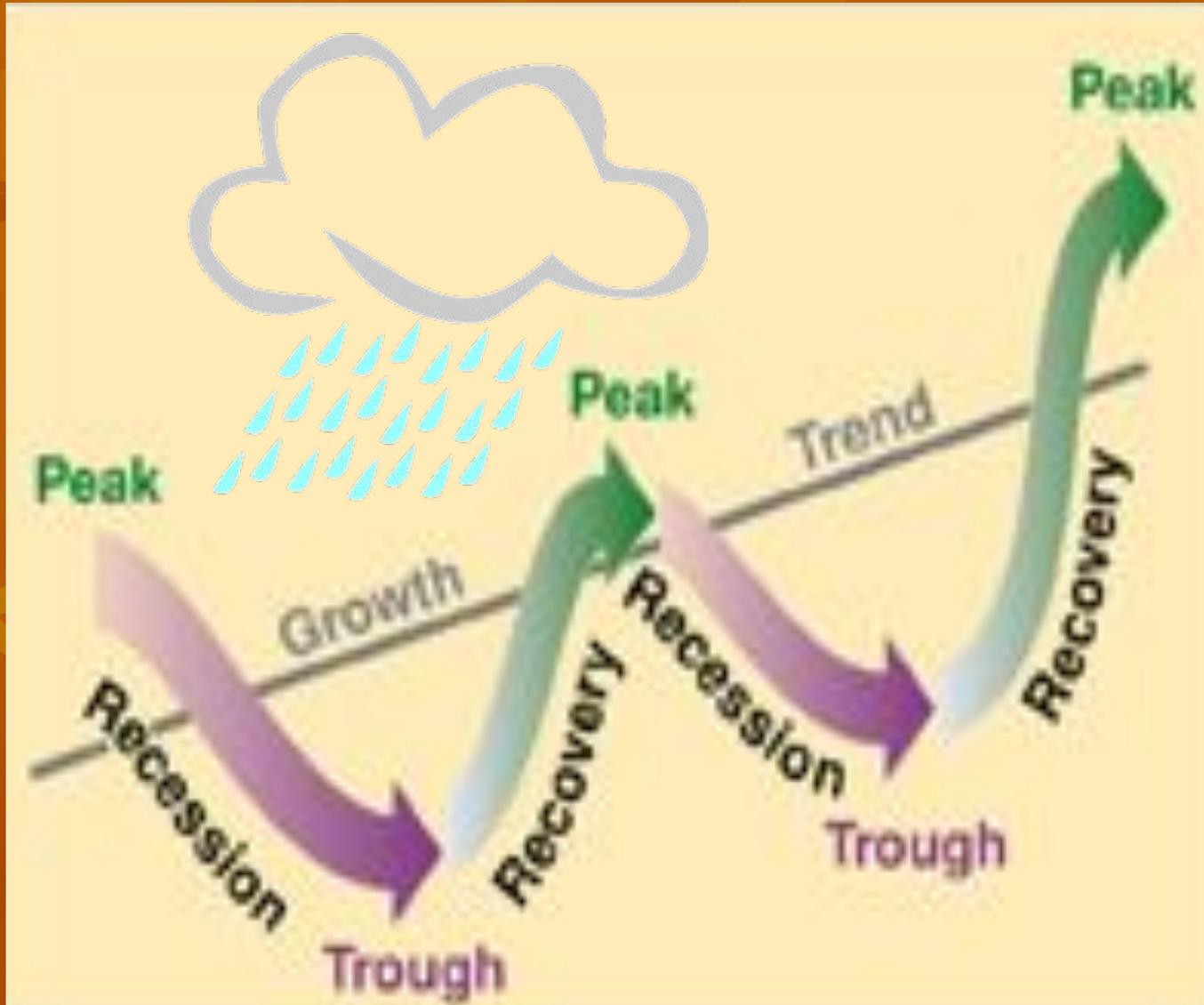
Homeownership Policy

Production

Stewardship

Consumption

Planning for a Rainy Day: *Counter-cyclical Stewardship*





Homes That Last

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??



Either/or Landscape of Affordable Housing

Owner-occupied



Tenant-occupied

Privately-owned



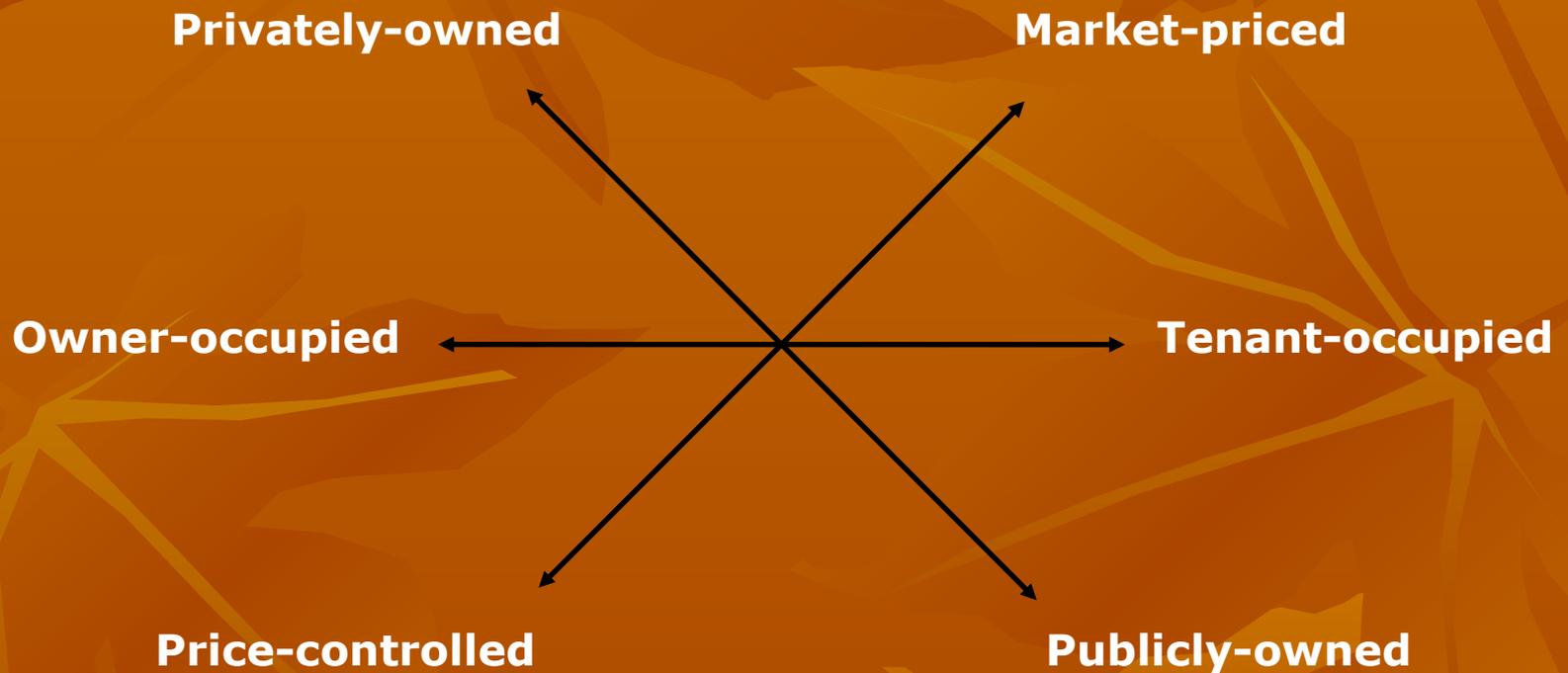
Publicly-owned

Market-priced



Price-controlled

Breaking Out of the Boxes

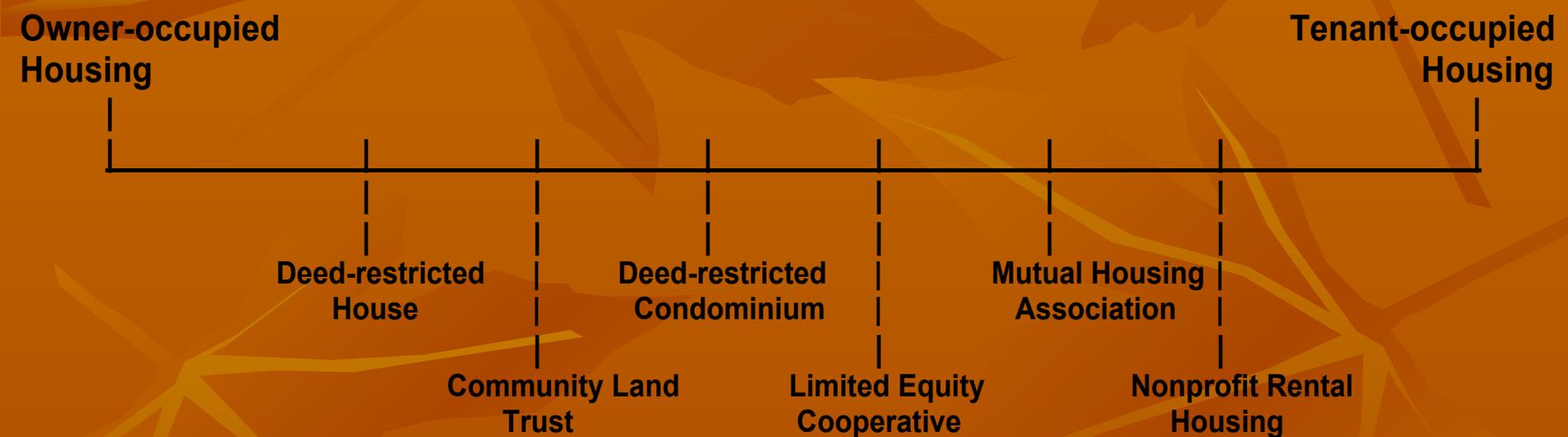




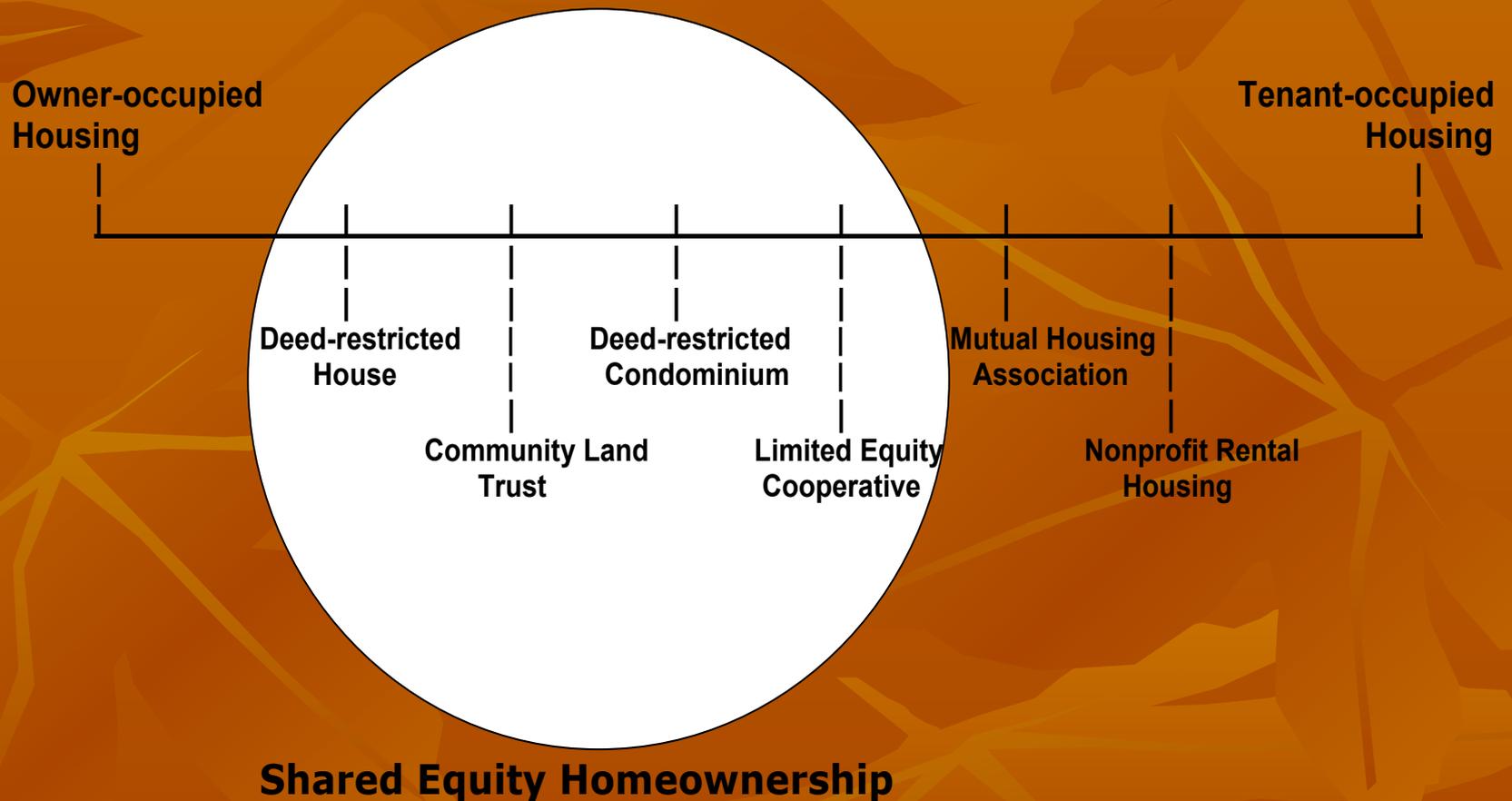
Breaking Out of the Boxes

- ♦ **TENURE** – Change the way housing is ***owned***, reworking the “owner’s interest.”
- ♦ **BACK-UP** – Change the way housing is ***operated***, putting in place an organizational “steward” that stays in the picture long after the housing is occupied.

Continuum of Third Sector Housing



Continuum of Third Sector Housing



What's in a name?

- Shared equity homeownership
- Third sector housing
- Nonprofit housing
- Private, nonmarket housing
- Nonspeculative housing
- Forever housing
- Perpetually affordable homeownership
- Limited equity homeownership
- Resale-restricted, owner-occupied housing
- Homes that last



Cornerstone Partnership



Cornerstone Partnership

Keeping Homes Affordable & Communities Strong

CHARTER MEMBERS:



**Habitat
for Humanity**



**Housing
Partnership
Network**



**National Community
Land Trust Network**

NALHFA

National Association of Local Housing Finance Agencies

ncb

capital impact,

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?

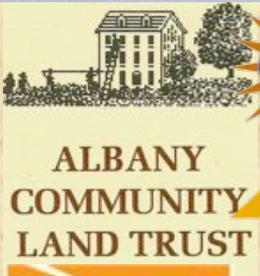
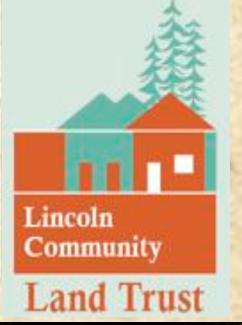
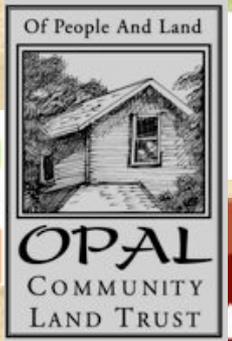
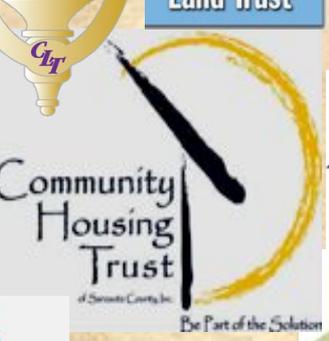
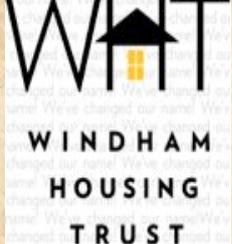
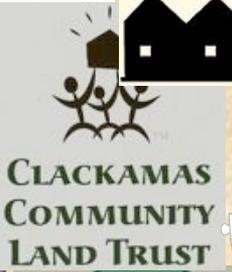
➤ **How** do we know it works?



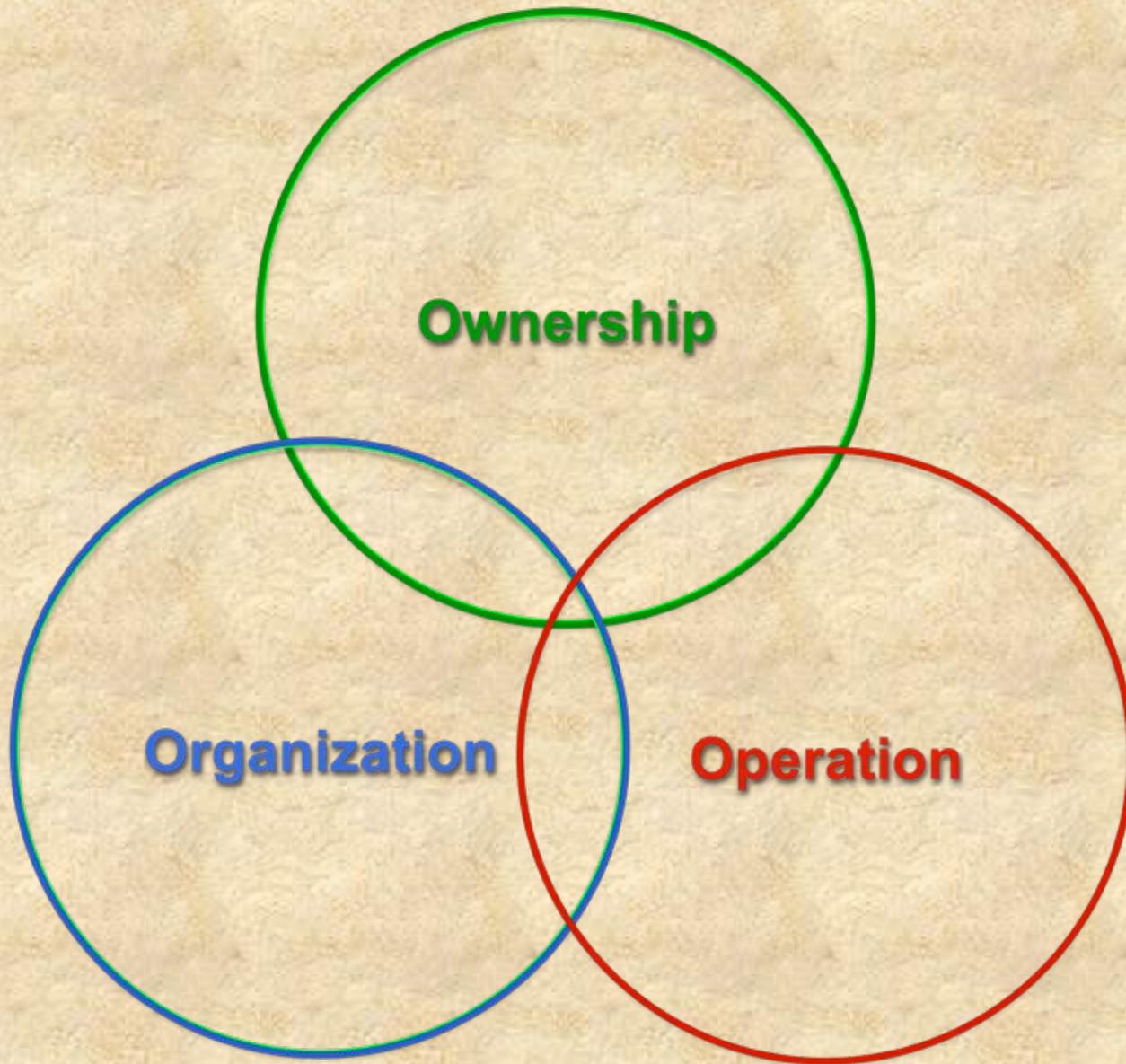
Community Land Trusts, 2010

Community Land Trusts in the U.S.





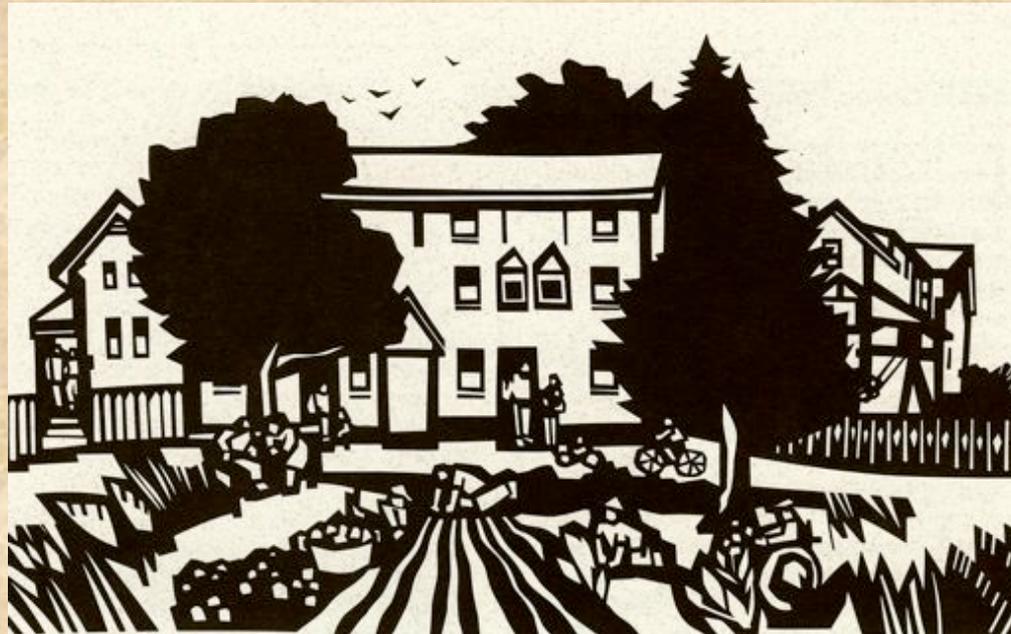
Community Land Trust





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**



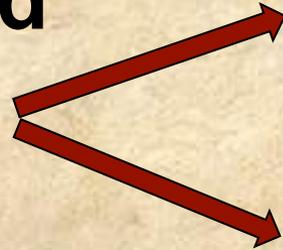
CLT as an Innovative Model of OWNERSHIP

- **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**

“Homeowner” / “Leaseholder”

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

CLT as an Innovative Model of OWNERSHIP



Garden Cities: Letchworth & Welwyn



Single-tax Communities: Fairhope, AL



CLT Precursors:

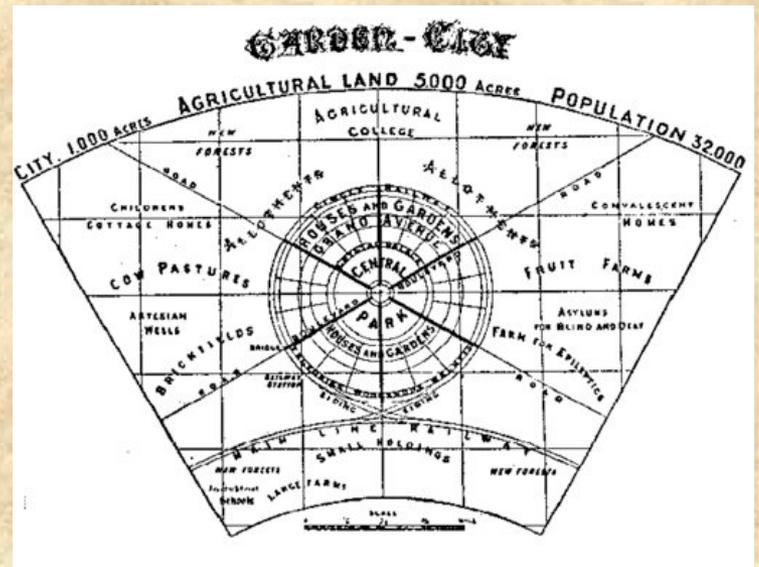
Land Leasing in Planned Communities

Alternative Communities in the **United States**

- Arden, Delaware (1900)
- Fairhope, Alabama (1908)
- Free Acres, New Jersey (1910)
- School of Living, Suffern NY (1936)
- Bryn Gweled PA (1940)
- Norris, Tennessee (1936)
- Celo Community, NC (1942)

Garden Cities in **England**

- Letchworth Garden City (1903)
- Welwyn Garden City (1909)



National Leasehold System in **Australia**

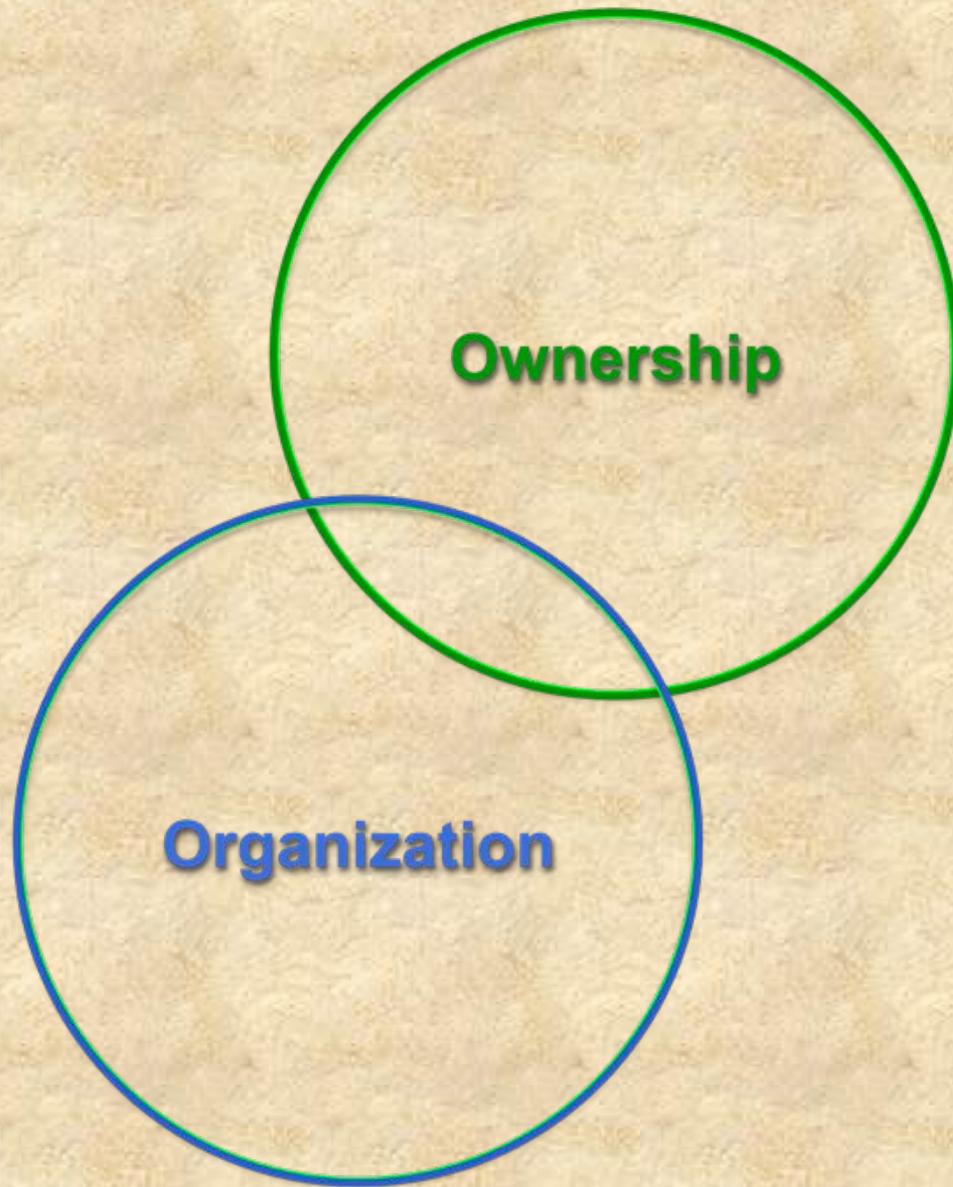
- Canberra, Australian Capital Territory (1910)

National Leasehold System in **Israel**

- Jewish National Fund (1901)



Community Land Trust





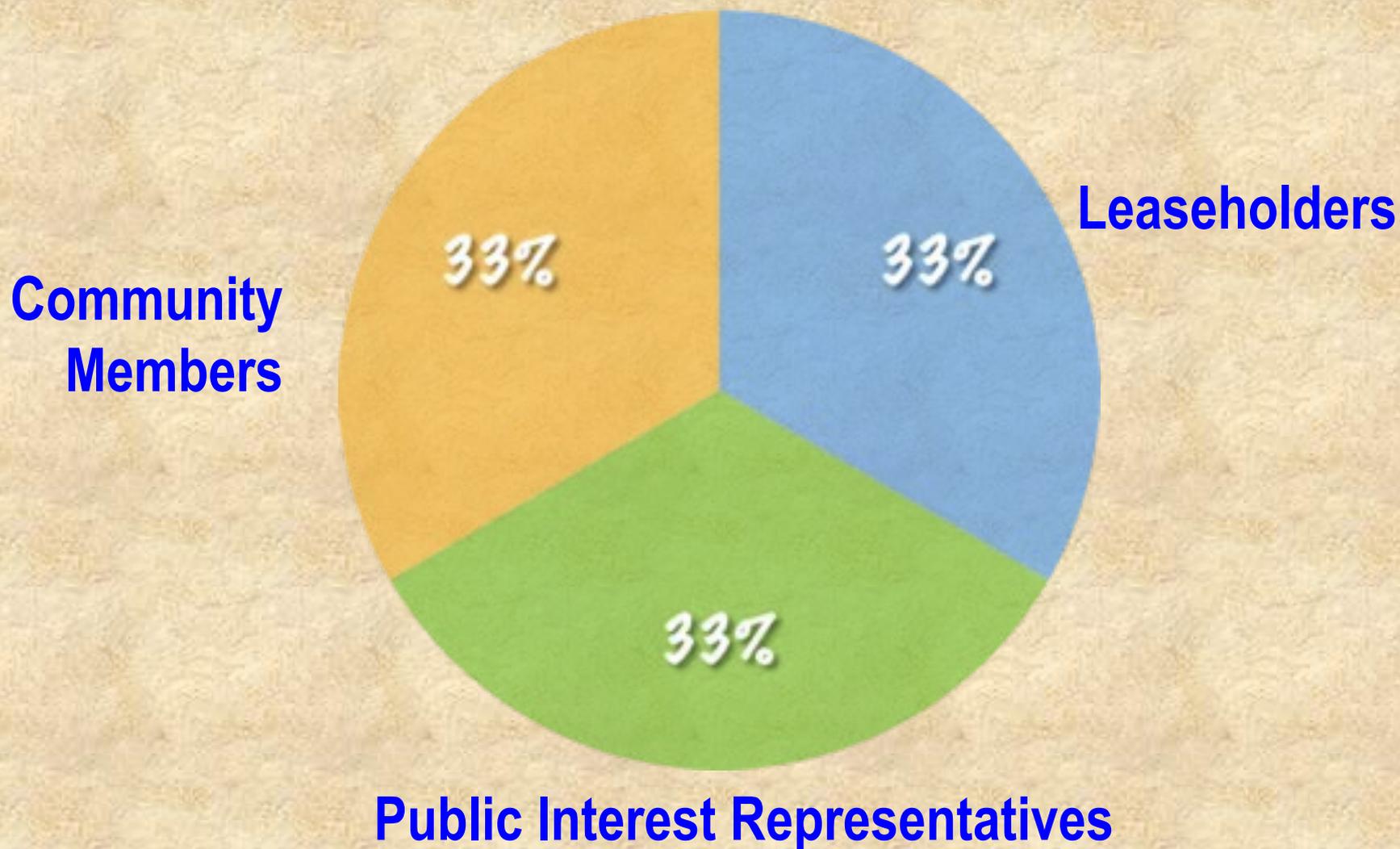
CLT as an Innovative Model of **ORGANIZATION**

- ⇒ **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



Fay Bennett



Charles Sherrod



Bob Swann



The Civil Rights Movement in Albany, Georgia

- Founded in 1961, the Albany Movement demands an end to all segregation. One of its leaders is Slater King, cousin of Martin Luther King.



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



Rebuilding Firebombed Churches in the South



What Comes Next?

How does a “protest movement” become a
“constructive movement”



Slater King

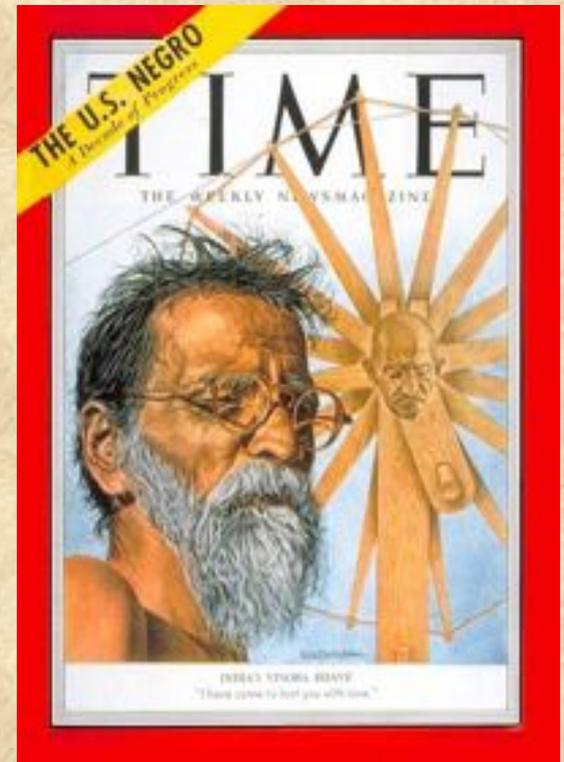


Bob Swann

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**

What Comes Next?

How do we ensure that the rights we've won in Congress and the courts actually result in desegregated schools and housing?



Charles Sherrod
Student Nonviolent
Coordinating Committee



Rev. Charles Sherrod
Southwest Georgia
Project



What Comes Next?

How do tenant farmers and sharecroppers feed and house their families if they are forced off the land?



**Fay Bennett
National Sharecroppers
Fund**



Drafting the Blueprint for a New Model of Land Tenure



National Sharecroppers Fund

Fay Bennett
Leonard Smith
James Mayes

Albany Movement

Slater King
C.B. King



Southwest Georgia Project

Charles Sherrod



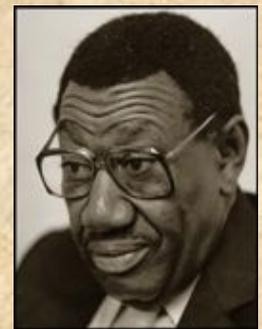
Southern Regional Council

John Lewis
James Wood



Southern Rural Project

William Peace



Southern Christian Leadership Conference

Albert Turner

New Communities Inc.

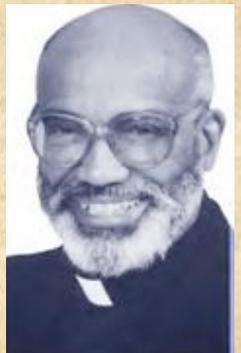
Institute for Community Economics

Bob Swann



**Southern Cooperative Development Program/
Federation of Southern Cooperatives**

Albert J. McKnight
Charles Prejean



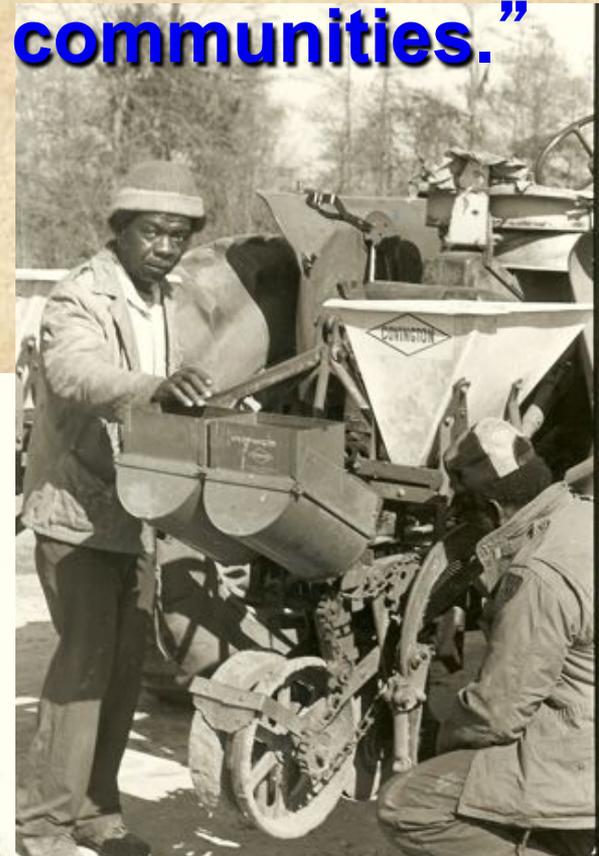
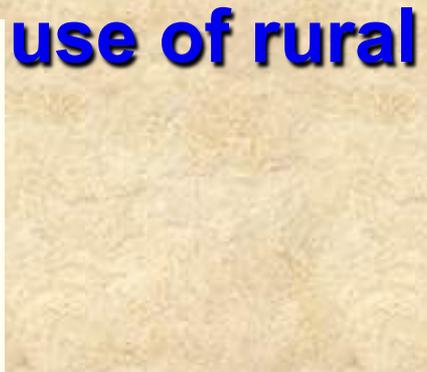
Southwest Alabama Farmers Cooperative Association

Lewis Black

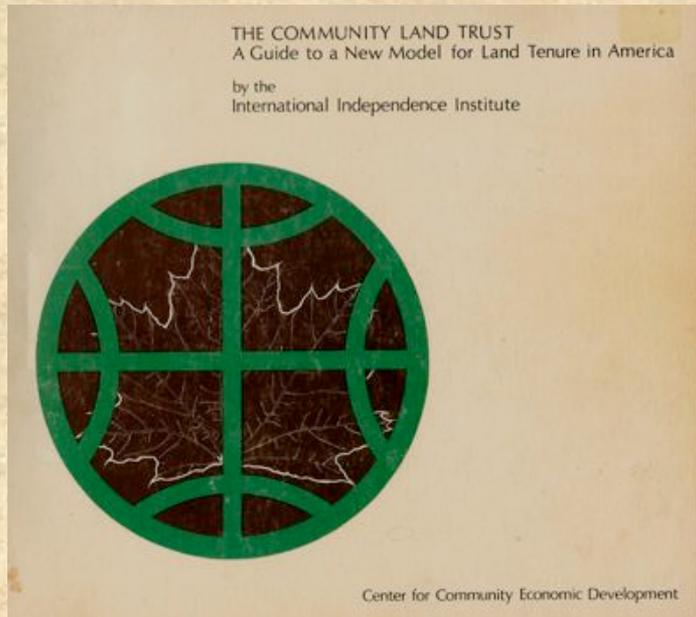
Lewis Black

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.”

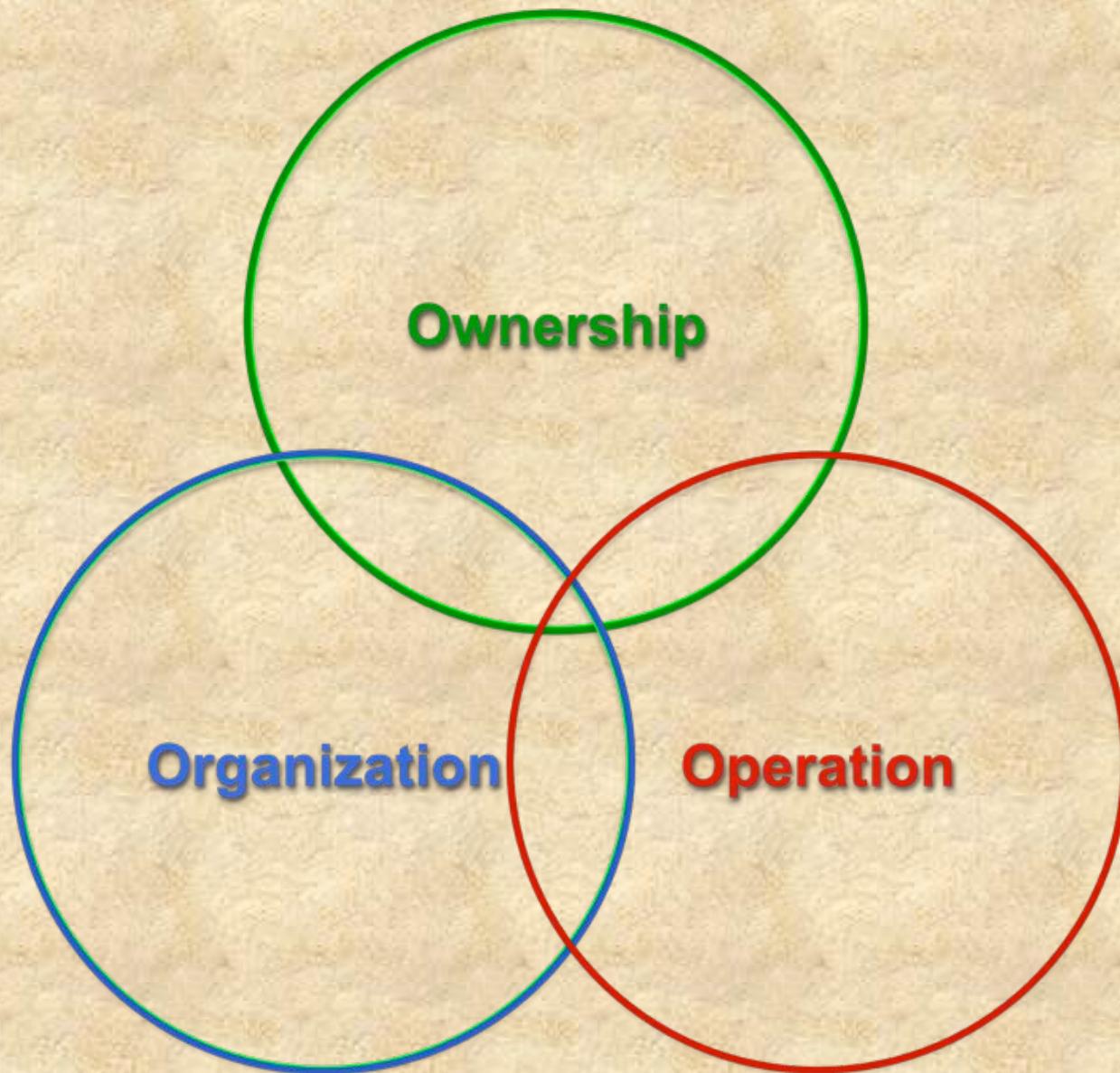
OWNERSHIP

“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



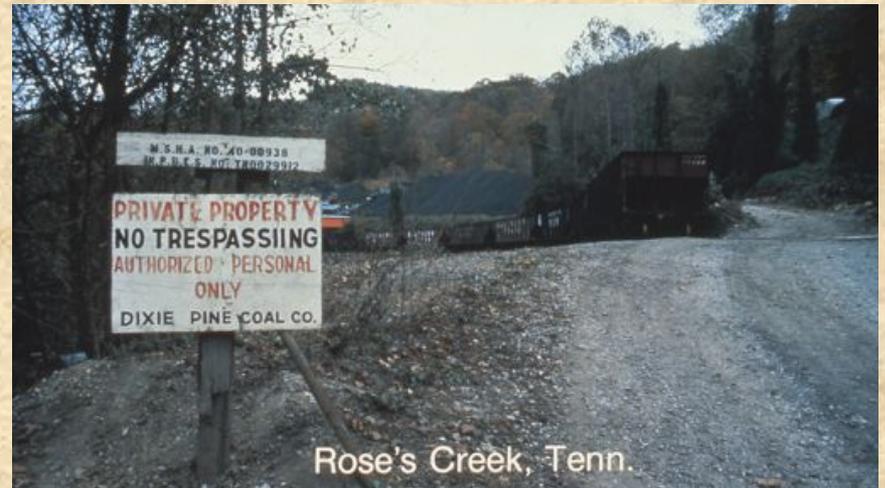
Seeding the Model: Woodland CLT, 1978

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.”

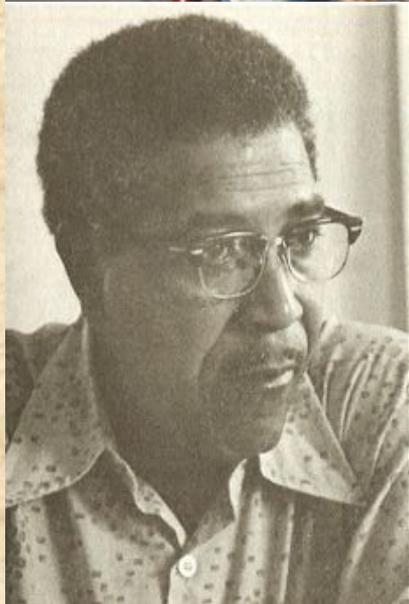
Community Land Cooperative of Cincinnati, 1981



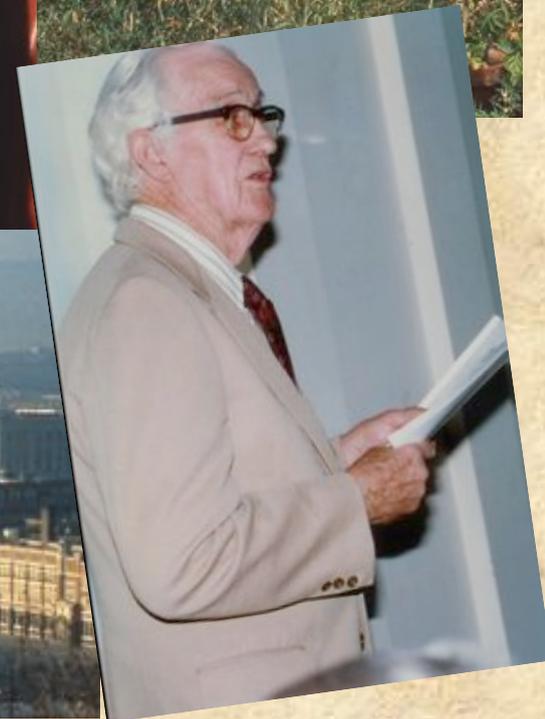
Barbara Wheeler
Board Member
Community Land Co-op of Cincinnati



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



**Willie Watts, first CLCC
executive director**



**Rev. Maurice MacCrackin
Board member, CLCC**

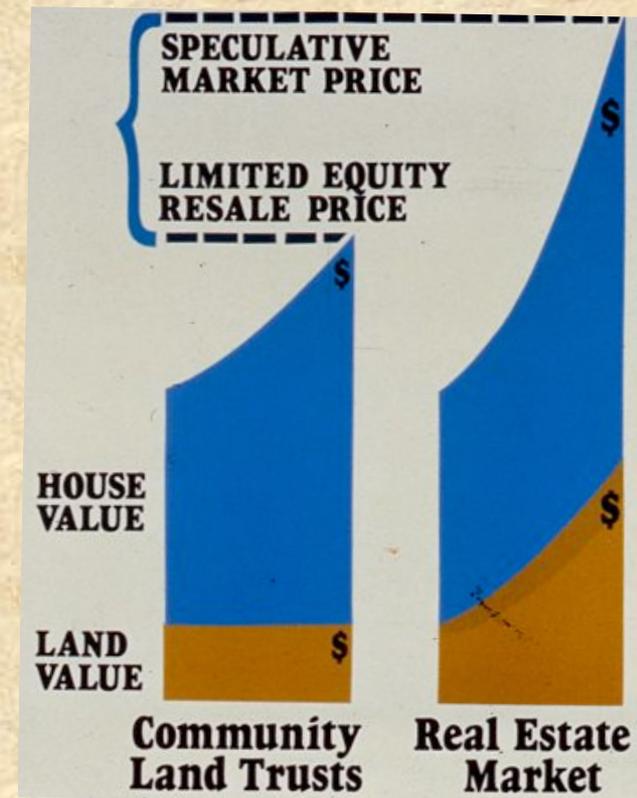


CLT as an Innovative Model of **OPERATION**

⇒ ***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



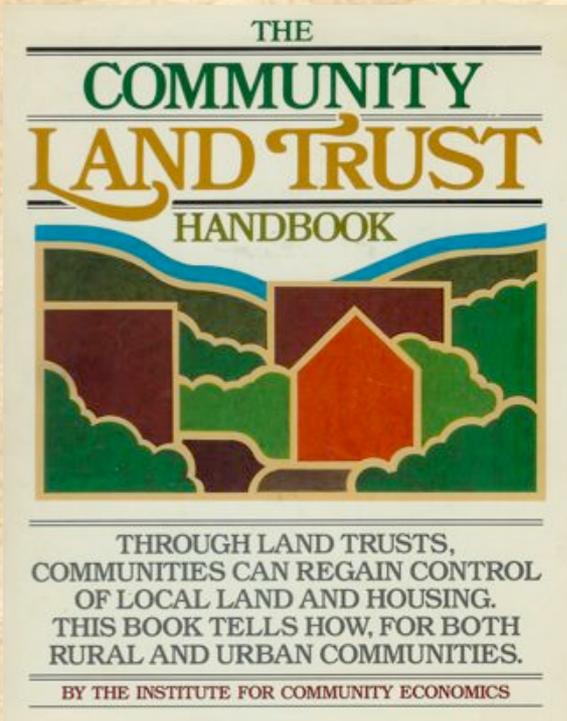
Goal: Achieve an equitable and sustainable balance between **preserving affordability** for future homebuyers vs. **building wealth** for present homeowners.

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



Revising the Model:

The Community Land Trust Handbook (1982)

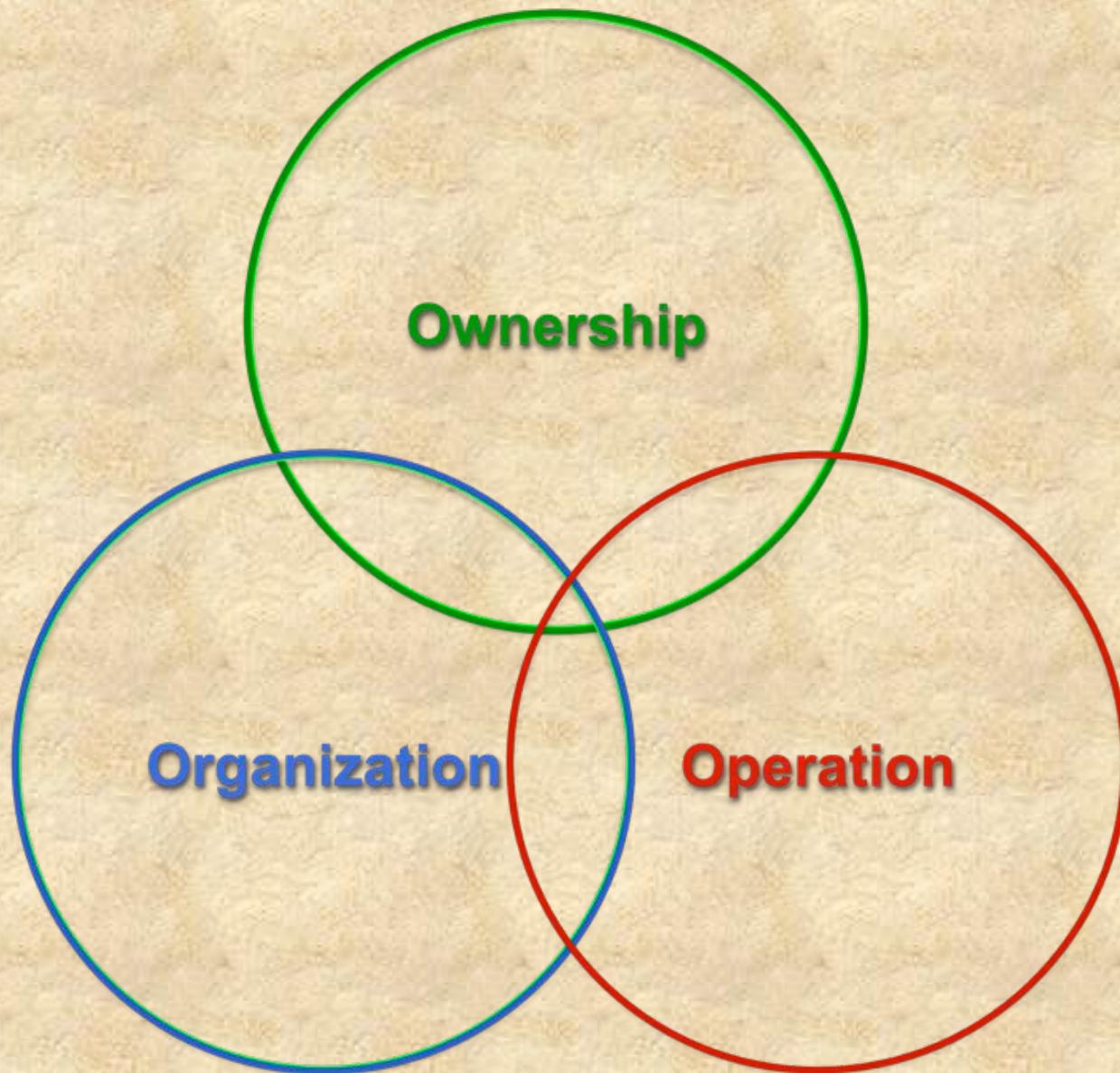


Authors: Marie Cirillo
John Davis
Rob Eshman
Charles Geisler
Harvey Jacobs
Andrea Lepcio
Chuck Matthei
Perk Perkins
Kirby White

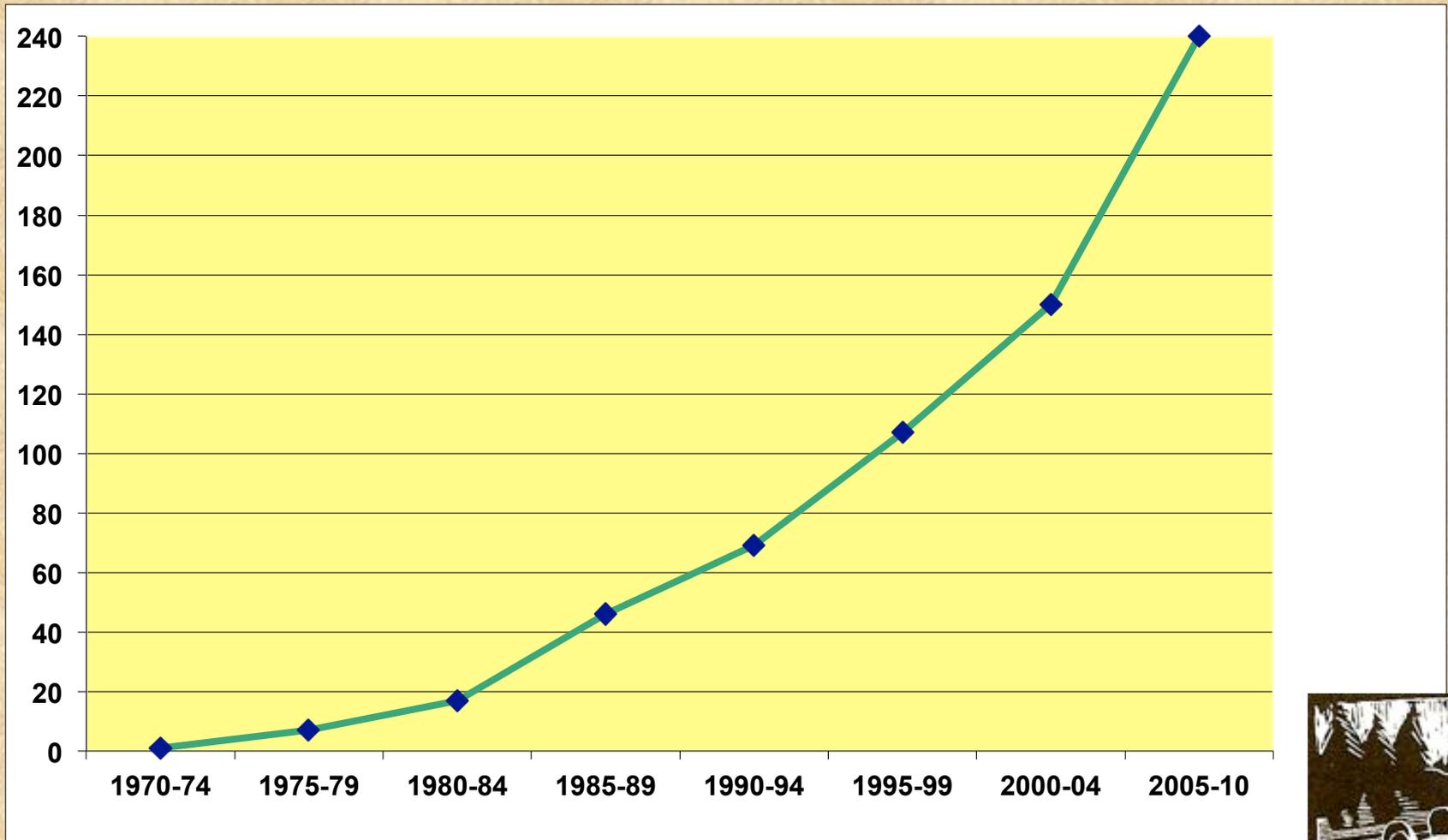
Graphics: Bonnie Acker

“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



Number of CLTs in the United States



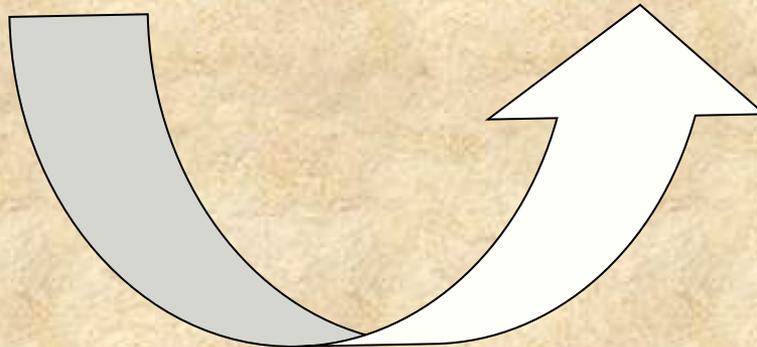
Growth of the CLT Movement



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 ONLY stewardship.**
- **Range of options in designing resale formulas**
- **Range of options in protecting security of tenure via services and supports that prevent foreclosure**



Versatility

Single-family Homes



Versatility

Multi-family Condominiums & Rentals



Versatility

Senior Housing



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

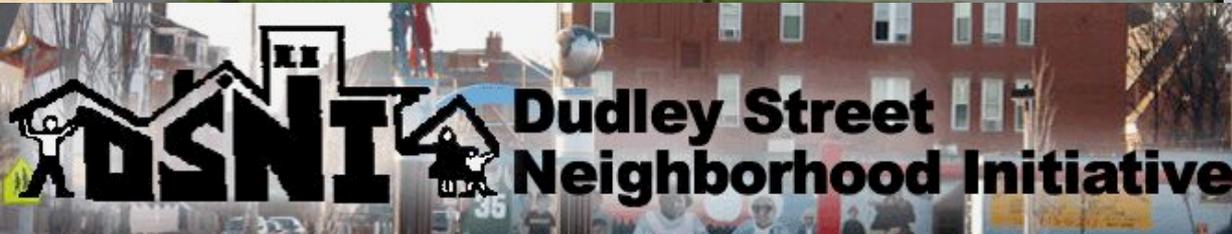
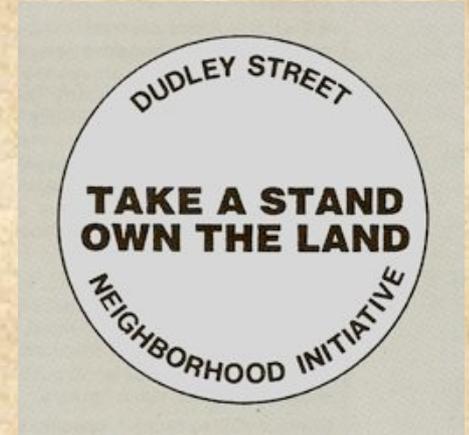
Versatility

Neighborhood Parks



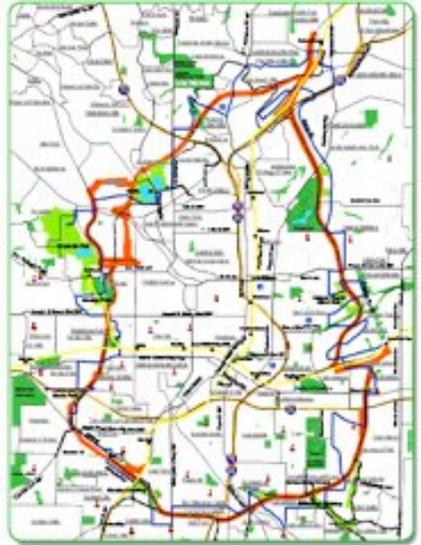
Versatility

Neighborhood Revitalization/Community Building



Versatility

Transit Oriented Development

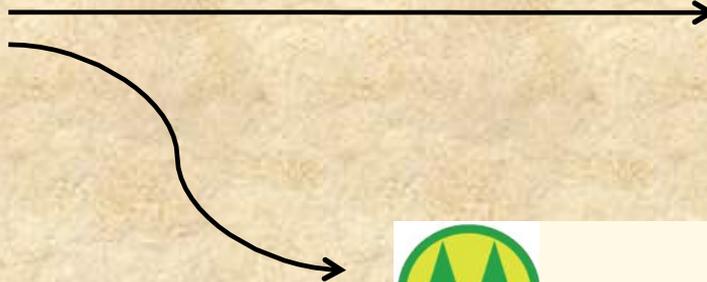


Atlanta
BeltLine



Versatility

Municipal Land Bank – Community Land Trust Collaborations



Governmental Support for CLTs

H11966 CONGRESSIONAL RECORD – HOUSE October 5, 1992

SEC. 212. HOUSING EDUCATION AND ORGANIZATIONAL SUPPORT FOR COMMUNITY LAND TRUSTS

(f) **DEFINITION OF COMMUNITY LAND TRUST.**---For purposes of this section, the term "community land trust" means a community housing development organization (except that the requirements under subparagraphs (C) and (D) of section 104(6) shall not apply for purposes of this subsection)--

"(1) that is not sponsored by a for-profit organization;

"(2) that is established to carry out the activities under paragraph (3);

"(3) that--

"(A) acquires parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases;

"(B) transfers ownership of any structural improvements located on such leased parcels to the lessees; and

"(C) retains a preemptive option to purchase any such structural improvement at a price determined by formula that is designed to ensure that the improvement remains affordable to low-and moderate-income families in perpetuity;

"(4) whose corporate membership that is open to any adult resident of a particular geographic area specified in the bylaws of the organization; and

"(5) whose board of directors---

"(A) includes a majority of members who are elected by the corporate membership; and

"(B) is composed of equal numbers of (i) lessees pursuant to paragraph (3)(B), (ii) corporate members who are not lessees, and (iii) any other category of persons described in the bylaws of the organization."



North Carolina
Housing Finance Agency

Financing North Carolina's Future



WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Vermont Housing &
Conservation Board



Delaware State Housing Authority

"Providing quality, affordable housing opportunities."

First municipally-sponsored CLTs: Burlington VT & Syracuse NY ➤ 1984



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
- Montgomery, Alabama
- New Orleans, Louisiana
- Petaluma, California
- Portland, Oregon
- Syracuse, New York
- Washington, DC





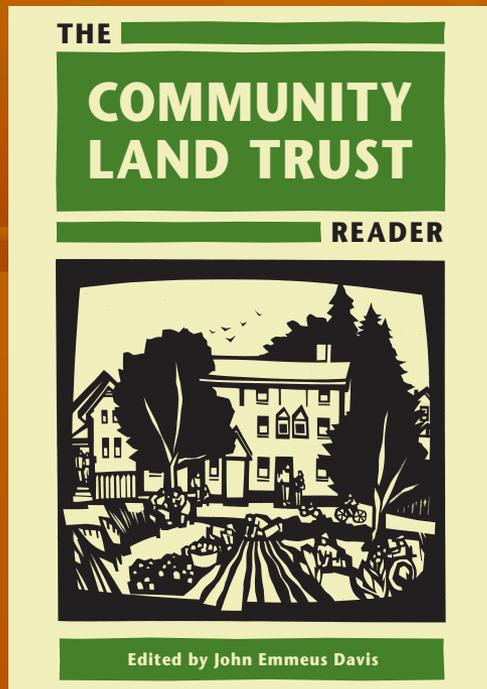
Homeownership Policy

Production

Stewardship

Consumption

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.”

Does stewardship work?

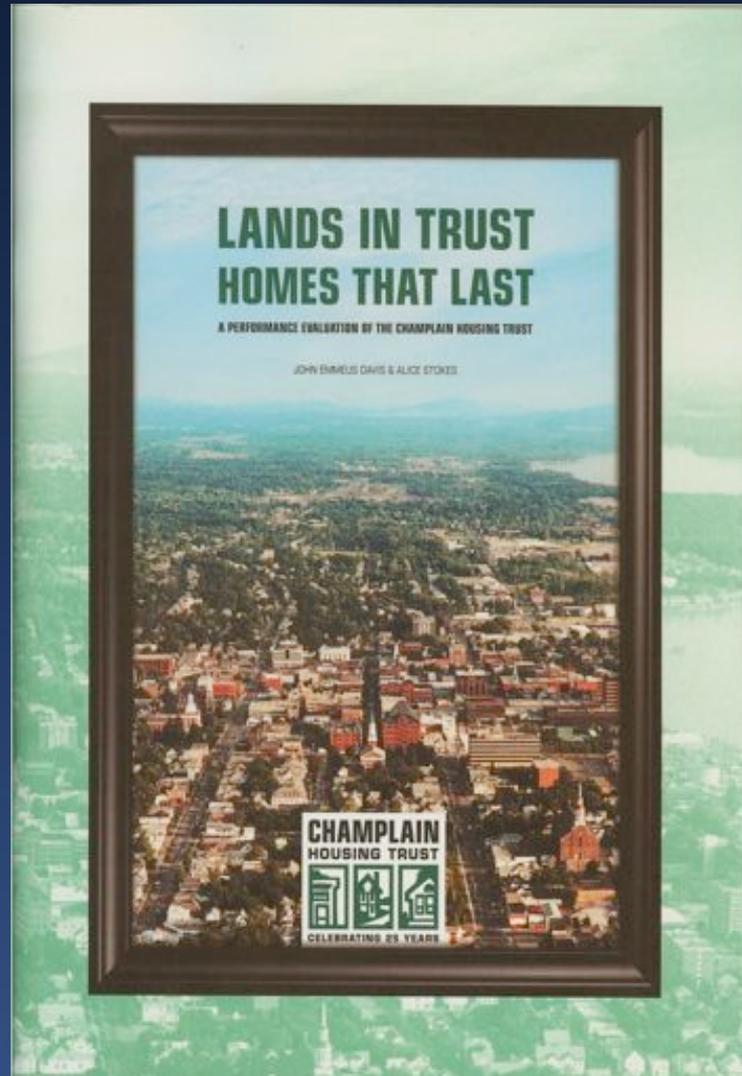
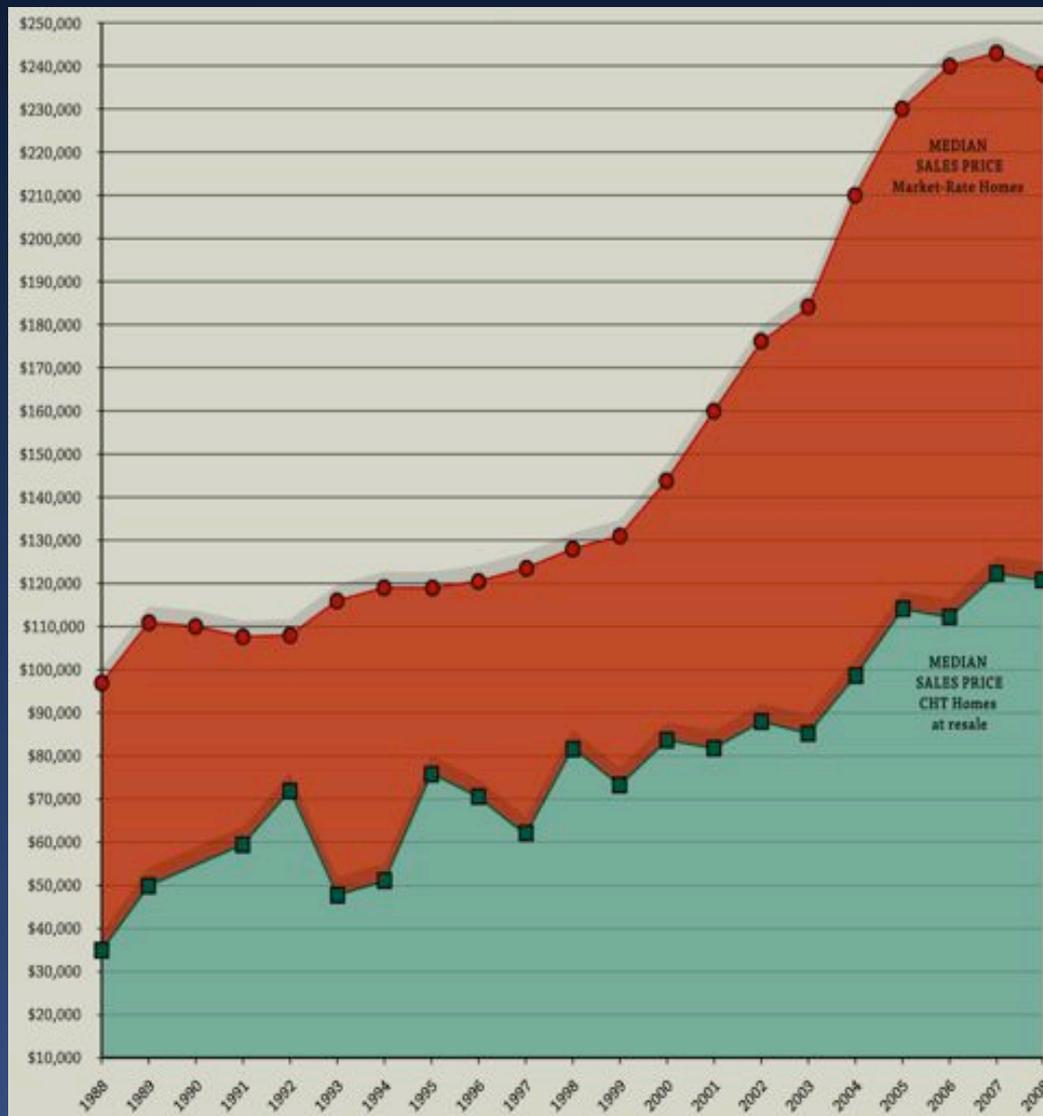


Figure 1 Median Price of CHT Resales



“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 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

PRESERVING AFFORDABILITY

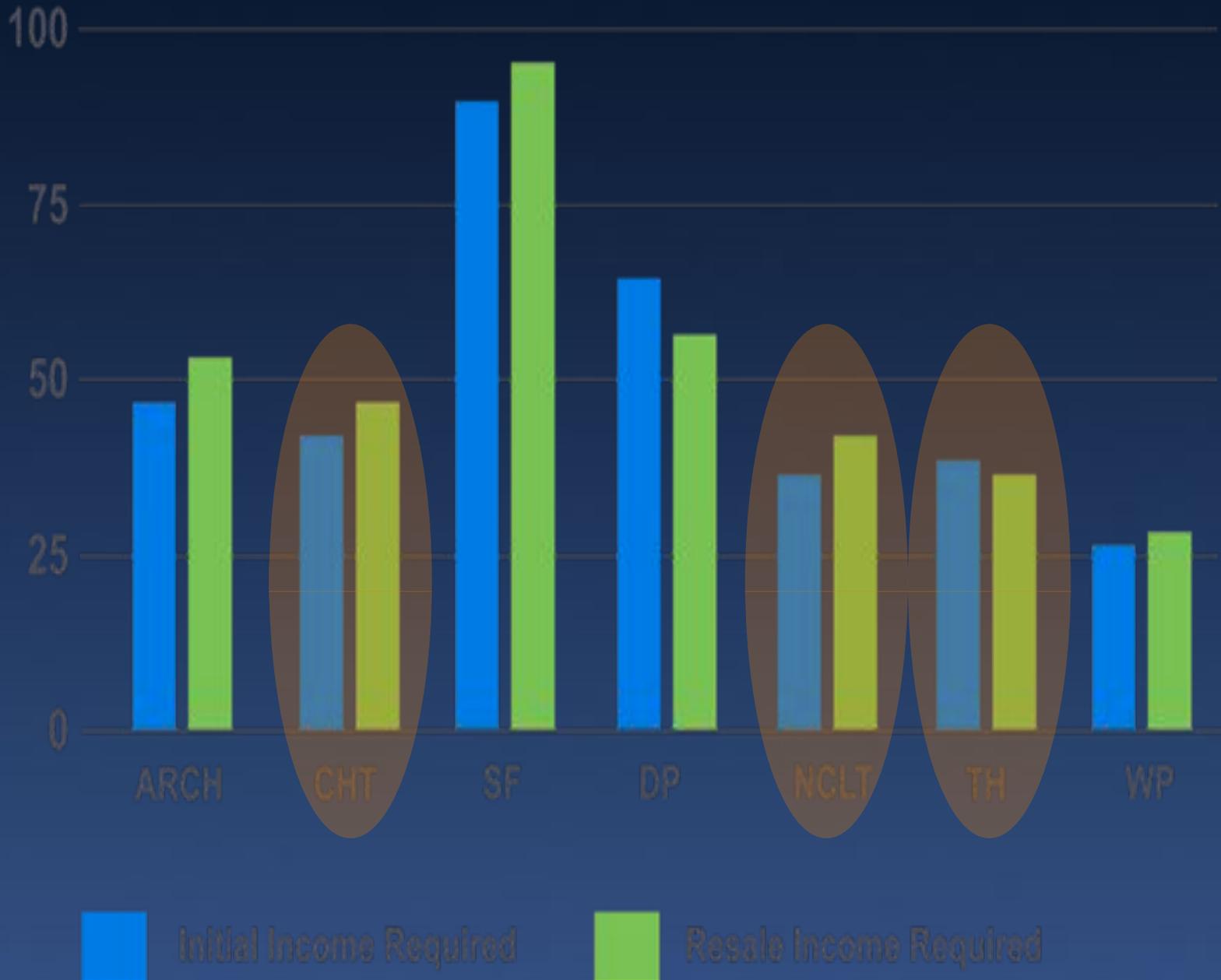
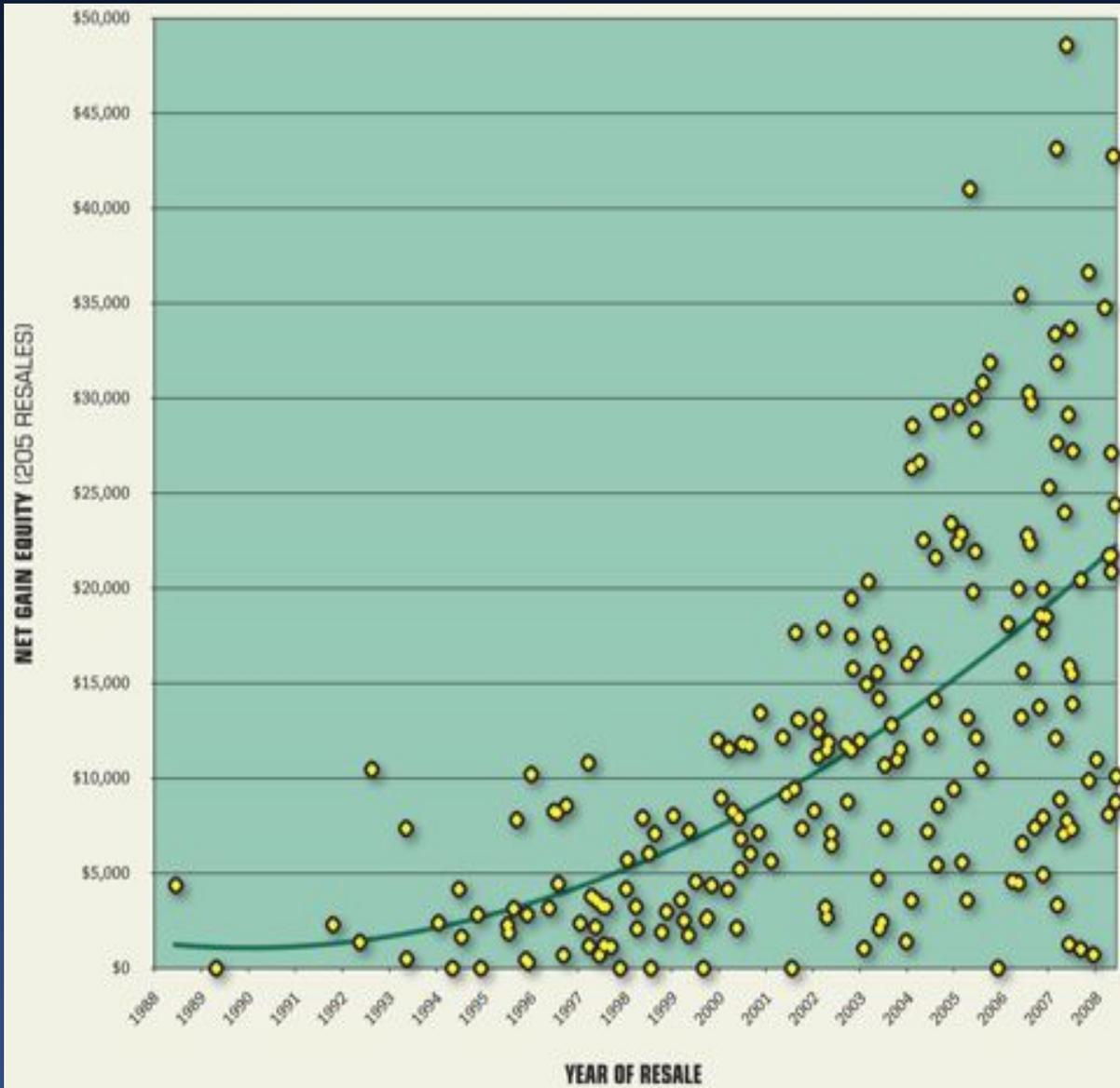


Figure 7 Net Equity Gains for CHT Homeowners

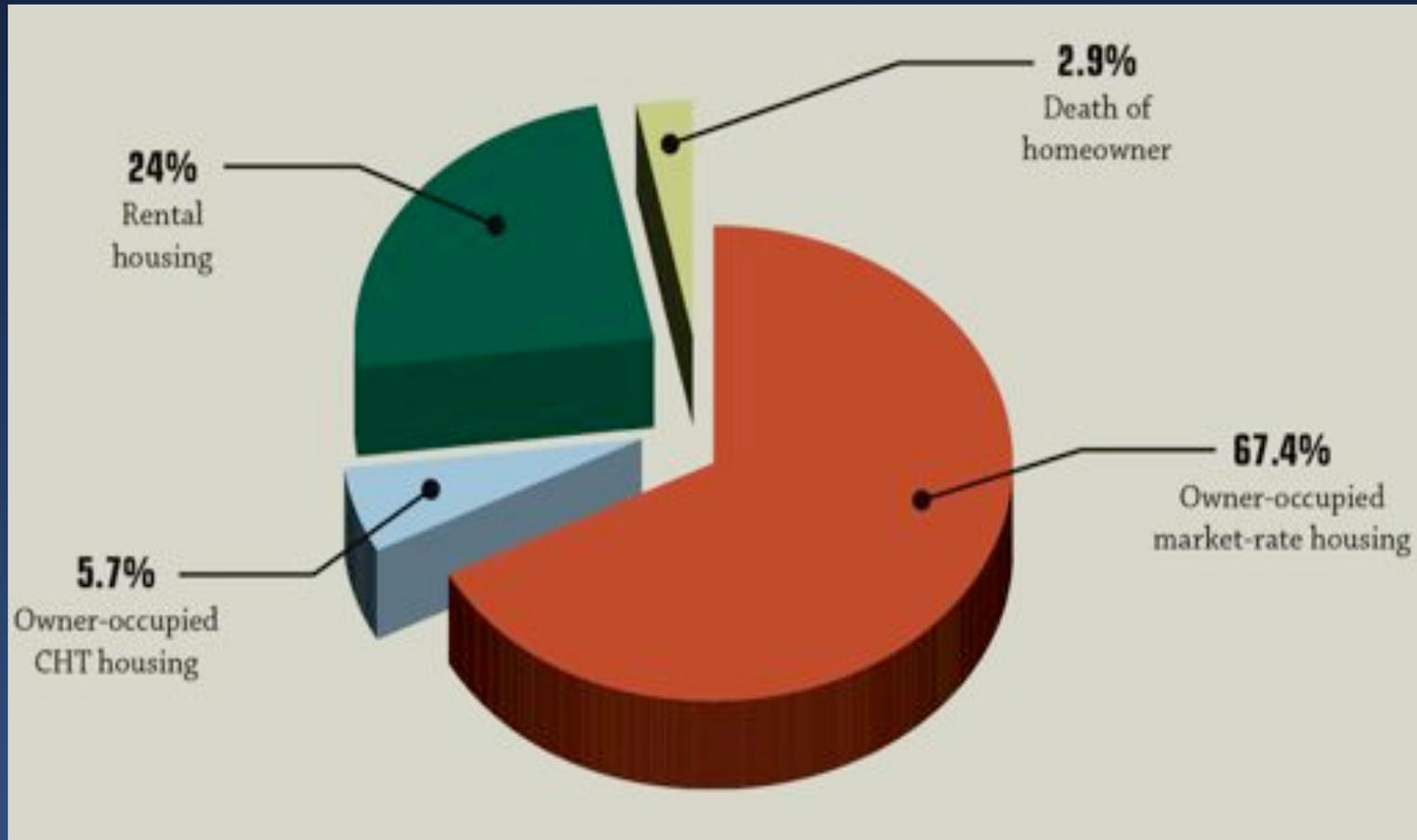


Reselling after 5 ½ years, the average CHT homeowner got back his/her initial investment and walked away with a wealth gain of **\$12,000**

Avg. annualized rate of return on the homeowner's initial investment:

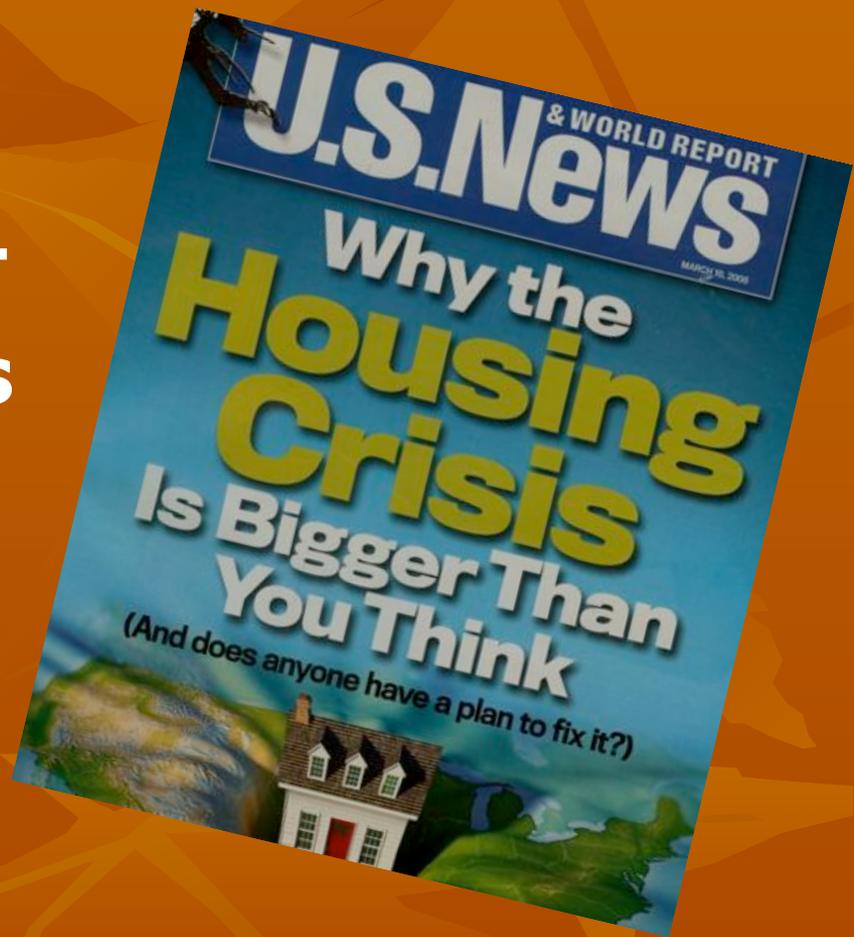
25.4% IRR

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?



Enhancing Residential Stability

- Only **9 foreclosures** in 25 years
- No lands or homes lost from CHT's portfolio because of foreclosure.

Enhancing Residential Security

**National Foreclosure Rate
December 2008**

2.97%



**National CLT Foreclosure Rate
December 2008**

0.5%



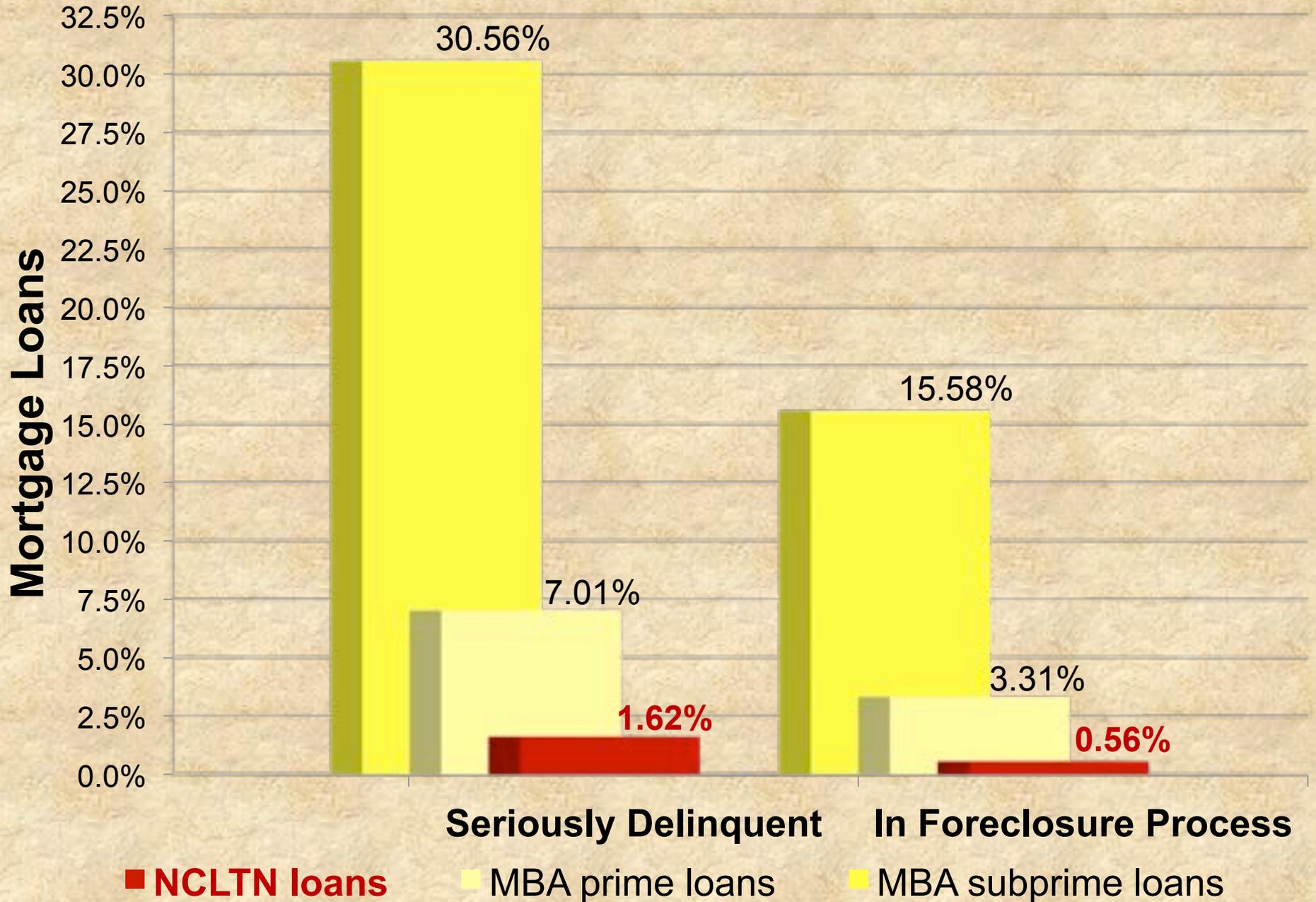
**CHT Foreclosure Rate
December 2008**

0.2%

25-year total

0.1%

End Q4 2009: Percentage of Mortgages Seriously Delinquent & In Foreclosure Process



5-Year Success Rate for New Homeowners

**NCLT
Duluth MN**

95%

**Thistle CLT
Boulder CO**

91.2%

**Champlain
Housing Trust
Burlington, VT**

91.8%

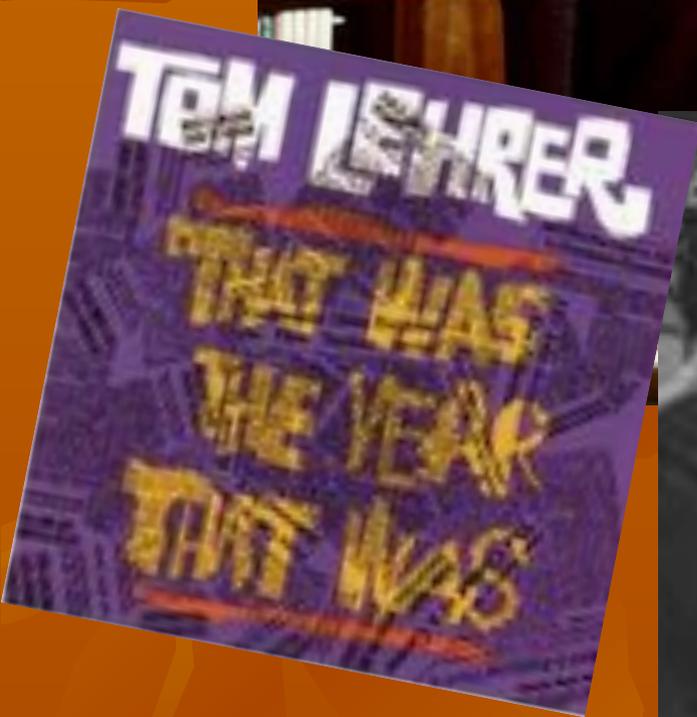
**Success of first-time
homeowners**
(Herbert and Belsky, 2008)

50%

**Success of first-time
homeowners**
(Reid, 2004)

47%





*Once the rockets
are up,
who cares where
they come down.*

*That's not my
department, says
Werhner von
Braun.*

“We are the developer that doesn’t go away”

**Connie Chavez, Executive Director
Sawmill Community Land Trust**



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

www.cltnetwork.org

www.burlingtonassociates.com

www.affordablehomeownership.org

