

The Community Land Trust Model: Toward Best Practices for Promoting, Sustaining, and Growing



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INTRODUCTION

Background

Community Land Trusts (CLTs) are nonprofit organizations providing permanently affordable housing opportunities for lower-income families through lasting community assets. The CLT makes a one-time public investment in a property in order to make homeownership more obtainable for more people. The CLT owns the land indefinitely and the family owns the house. Equity is shared. The family is given the opportunity to enjoy safe, stable, and affordable housing while the trust is able to preserve the public's investment in the land permanently for generations upon generations (Lubell, 2014). This model is a win, win, win. The public investment stays with the land rather than the family, making the dollars stretch longer and farther, helping more families with less. The trust safeguards locking out working families from well established neighborhoods through the permanent ownership of affordable housing. And the increased homeownership stabilizes communities through residential, financial and social stability which in turn reduces public costs on health care, stimulates the economy, and leads to families building wealth, obtaining better jobs, and improving educational achievements (Belsky, Herbert, Christopher, & Molinsky, 2014). Jacobs

Statement of the Problem

The Carver County Community Development Agency (CDA) administers the Carver County Community Land Trust (CLT), a tool used to provide permanently affordable homeownership. The CLT acquires land and removes it from the speculative, for-profit real estate market. The CLT holds the land it own "in trust" forever for the benefit of the community.

Recently the CDA received grant funding to develop four additional land-trust units in the City of Waconia. The CDA would like to further expand the land trust model to other communities in Carver County, but has received opposition to the concept from elected officials in several cities.

Purpose of the Study

To identify creative and innovative strategies for promoting the concept of community land trusts to elected officials and residents of cities in Carver County.

Research Objective

The deliverables for this projects will include best practices (policies, marketing strategies, and outreach tools) successfully used by other community land trusts in Minnesota and elsewhere. These practices can then be used by Carver County to promote the growth of their CLT to community members, developers, and city officials.

Significance of the Study

If the collective belief is that housing and property values in tCarver County are going to increase, then the CLT model must be among the solutions to support affordable homeownership.

Limitations of the Study

This study is limited to a one-semester term project. The scope is rather broad as the Carver County CLT is in its infancy and general practices, rather than specific goals, were identified as meaningful.

RESEARCH METHODOLOGY

Research Design

In order to increase the knowledge of how the Community Land Trust model can be sustained and promoted, four successful community land trusts within Minnesota were selected as a measure for understanding how the model can operate within the social, political, and cultural environment of the state. Key informant interviews were conducted with leaders from the trusts. The interviews ranged from 45 minutes to several hours and multiple visits, depending on the likeness of the model to the Carver County CLT. The CLT leaders were asked the same initial questions with improvisational prompts to generate deeper understanding of a particular issue or to clarify the meaning of a response. After the initial questions, the interviews were conversational in nature. Interviews were digitally recored with permission from the participants and used to triangulate findings. Field notes were taken during the interviews and supplemental documents were provided by the CLTs at their initiative.

Beyond interviewing, secondary data was also introduced into the research design to extend findings outside of Minnesota. Published work by the largest and most successful community land trusts in the nation was used to further understand best practices of the model. The mixed methods approach provided multiple perspectives and allowed for the findings to be tailored specifically toward the research objective of how to sustain and promote the Carver County community land trust.

FINDINGS: TOWARD BEST PRACTICES

PROMOTING THE MODEL

A community land trust:

- Protects the public's investment in affordable housing through a one-time cost that benefits generation after generation.
- Retains affordability of the homes to serve the same lower income population resale after resale with no additional public investment.
- Expands and preserves access to homeownership for households not being served by the market, particularly first time and minority homebuyers.
- Improves the likelihood that homeownership will be sustained with the support of ongoing counseling, tools, and resources for successful homeownership.
- Builds wealth for homeowners with a higher return than simply investing in the market.
- Stabilizes neighborhoods susceptible to cycles of disinvestment and reinvestment.
- Provides safe, healthy and hazard-free entry-level homes in well-established neighborhoods that offer a variety of recreational, shopping and medical services.
- Improves educational and employment opportunities for work force families.
- Creates accountability to funders, taxpayers, and the community through perpetual affordability.

Reasons why cities should adopt this model now:

- For those cities that fund affordable programs through inclusionary zoning ordinances, the rise in market-rate unit production also means new production of affordable units or, at a minimum, the influx of in-lieu fees or land dedications. Having a CLT structure in place to accept those new inclusionary units, fees and dedications would be preferable to establishing a CLT mid-way through the next boom cycle.
- A CLT established now would ensure that inclusionary units built in the next boom cycle are affordable in perpetuity, as opposed to just 30 or 40 years, as many inclusionary zoning requirements now dictate.

- Land and housing prices still remain low in many parts of the country relative to prices in the mid-2000s. For CLTs seeking to purchase land, now may represent one of the best foreseeable opportunities to purchase land at reasonable prices.
- The reduction in federal and state affordable housing subsidies can ensure affordability in perpetuity. Given the existing climate in the federal and many state capitols, affordable housing subsidies are unlikely to dramatically increase any time soon, and face an uncertain future even at existing funding levels.
- Inclusionary zoning ordinances are facing an increasing number of legal challenges, and losing some of those battles. Diversifying approaches to affordable housing, such as through adding a CLT, provides one more path to affordable housing production.
- The continually growing disparity between housing costs and household income is likely to be exacerbated as the economy recovers. As a matter of policy, major cities that recognize high housing appreciation in their communities, as Chicago and Irvine did in the mid-2000s, should consider CLTs as part of the solution to that gap. The equity participation of homeowners in the CLT model is one additional way that CLTs provide additional assistance in overcoming the housing – wages gap (See Appendix 2).
- Finally, given how foreclosures ravaged many low-income communities during the recession, it is worth noting that, nationally, CLT homes were 10 times less likely to go into foreclosure than market rate homes during the recent recession. This is an indication that an investment in CLTs could help low-income communities better weather future recessions to come (Miller, 2013, pg. 11).

TARGETING YOUR AUDIENCE

- **Know Your Homeowner.** For whom is the housing being made affordable and kept affordable? Aside from household income, are there other criteria or other priorities that will guide the selection of “eligible” homebuyers?
- **Know Their Needs.** Location, size, and number of bedrooms is crucial when considering the demographic composition of your target household. Knowing this level of specificity will inform the types of homes and neighborhoods you will target.

- **Think About Income.** Know the *maximum* income ceilings for eligibility as well as the *minimum* income needed to buy one of the CLT homes. What kind of income and out-of-pocket down payment and closing costs – and creditworthiness – does this household need to have (Brown, 2012)?
- **Know Your Funders Preferences.** Often a funder will have a preference for a particular population: seniors, disabled, single-family households. Targeting a particular population beyond just income helps to focus the land trust and tailor marketing, application, acquisition, and maintenance strategies.

MARKETING TO YOUR AUDIENCE

- **Advertise continuously.** This ensures that when a home is ready for occupancy a pool of qualified applicants whose household incomes are in the necessary range and who can reasonably be expected to qualify for mortgage financing are available for showing.
- **Go where your audience goes.** Since you are serving a population that is outside of what the market is serving, advertising must reach places where your target audience will be: apartment complexes, coffee houses, workplaces, schools, daycare centers, places of worship, stores, laundromats – any frequented places where it is possible to post posters or leave leaflets. Radio and television ads can also be an effective way to reach people with an initial message. But the search for potential buyers may also need to be more proactive. Institutions are another good resource for informing people including: the local housing authority and other rental projects, municipal housing agencies, other nonprofits, especially those engaged in homebuyer counseling).
- **Create a Buzz.** The marketing message should emphasize both the desirability of the homes being offered and the affordability for those who don't otherwise have homeownership opportunities. Good photographs of the home, information about the location, and estimated monthly payments are key to grabbing attention. And of course, don't forget to include information on how to follow up.

—Benefits to the Homebuyer

- A quality home you can afford
- Stable monthly payments
- Tax benefits from the interest paid on the mortgage

- Complete control over the look and feel of your home
 - Wealth accumulation through the equity paid on your home (versus losing money paid in rent)
 - Generational investment through the right to will your home to your heirs
 - Support for successful homeownership through CLT provided education and resources
 - Enables affordability for future generations
 - Benefits the community through equitable housing for lower-income families
- **Follow-Up and Introduction.** While group presentations have been a typical second step in the marketing process, land trusts are finding that the best place for potential homeowners to hear about the model is from other CLT homeowners. This means directing flyers, radio ads, and postings to a CLT website filled with personal testimonies from those a part of the community trust.
 - **Develop a Snazzy Website.** A website can do a lot of the leg work for you. Beyond personal testimonies, present basic information about the CLT, itself, and more detailed information about the housing – where it is, what it will cost (approximate monthly payments and down payment), what it takes to qualify as a purchaser and how the application-qualification process works. Photographs of CLT homes – both the available homes that are being marketed and homes that are already occupied – should be a prominent part of the site. Short videos are even better for describing the CLT model and sharing testimonies. Invite those interested in the model to fill out a short form which includes their contact information, household size and approximate household income.
 - **Establish a Group of Volunteers.** Training up a dedicated group of community land trust homeowners is as good as gold. Personal stories are among the most reliable and persuasive tool in getting others interested in the model. The core group of volunteers will be armed with the message of the model and their personal stories of how it has changed their lives. Pair potential homeowners with volunteers to filter people from initial interest into the application process.
 - **Work with Realtors.** Taking the time to create relationships with and educate local realtors about the various CLT programs is time well spent as they can funnel lower income homebuyers who may not be able to afford homes available in the conventional market toward the CLT (White, 2011).
 - **City Employee Homeownership Incentive.** A city grant may be used as a recruitment and retention tool to incentivize top performing police officers, school

teachers, and other public service employees to reside in the community they serve.

- **Network. Network. Network.** Spread the message of the values and benefits of the CLT as far and as wide as you can reach including: local employers, lenders and bankers, the police and fire departments, city staff, churches, service providers, family resource centers, and public schools and institutions.

ACQUIRING PROPERTIES

- **First things first.** A good line of credit is necessary in order to move quickly on acquisition opportunities. To this point, well-established relationships with bankers is beneficial for both the CLT as well as their homebuyers. Working with the same banks again and again makes this unusual mortgage package familiar for lenders who quickly become aware of the requirements and criteria needed to make this type of loan.
- **Position Yourself to Receive Donations.** City-owned land, leftover parcels, grants of municipally-controlled funds, and low interest loans for developing and financing the CLT's projects are excellent ways of acquiring land inexpensively (see Reducing the Cost of Development below).
- **Encourage Developers to Partner with the CLT.** Giving the city's CLT the first right to purchase every inclusionary unit ensures the preservation of long-term occupancy and affordability of these homes.

Developers have occasionally been encouraged to pre-sell inclusionary units to Thistle Community Housing, a local CLT [in Boulder, CO]. This has been a boon to all parties. The developer's risk is reduced, because 20% of the project is pre-sold before ever breaking ground. Thistle's risk is reduced, because it is not holding land or constructing houses, but accepting units at completion on a turn-key basis. The price to the homebuyers is reduced. The last has happened because Thistle is usually able to negotiate a lower sales price from the developer – generally 5%-9% lower than the city-mandated inclusionary price – in return for Thistle's contractual commitment to purchase and market all of the developer's inclusionary units. Thistle's cost of serving as the long-term steward for these units is covered through the collection of monthly lease fees and the collection of a 3% "Lease Reissuance Fee" on the resale of every CLT home (Davis, Jacobus, & Hickey, 2008, pg. 11).

- **Don't Buy and Hold.** Letting a project sit creates a substantial drain on the CLT's budget. For this reason, it is prudent to have a significant number of qualified families on the waiting list to inform about the upcoming listing while closing procedures and home rehabilitation are underway.
- **Rehab Quickly and Efficiently.** Strong relationships with contractors is an effective way to get CLT homes in move-in condition quickly.

—**Common Improvements.** In general, the CLT should work to reduce the cost, maintenance, and footprint of the homeowner. Whenever possible, sustainable, energy efficient systems, materials, and solutions should be used in the repair and rehabilitation of the homes.

- Updated HVAC systems
- Windows
- Insulation
- Minor plumbing (toilets)
- On-going bathroom fans

—**Homes to Avoid**

- Homes that are likely to need major repairs (new roof, a new furnace, and plumbing and electrical updates) in the foreseeable future unless funding is available to see that repairs are done at the outset
- Homes that are likely to require an amount or type of maintenance that will be a problem for low-income first-time homebuyers
- Homes that are on the upper margin of affordability with the subsidy that is available today
- Homes that, though they might be attractive to a particular current home-seeker, can be expected to have limited marketability over time
- Homes in deteriorating neighborhoods unless the CLT has specifically targeted the neighborhood for improvement efforts
- Homes outside the CLT's normal service area (White, 2011, pg. 402)
- Homes with large parcels of land can become a nuisance to the homeowner and their neighbors if they are not accustomed to maintaining landscaping.

- **Buyer Initiated Programs**

—**Homebuyer Initiated Program (HIP).** Through HIP, participating households receive funds to help them purchase and rehab a home in the service area. With

HIP, a family can choose a house on the open real estate market and CLT funds are used to reduce the amount a household needs to close on a home, and to ensure that the home purchased is structurally and mechanically safe and sound.

—**HIP Down Payment and Closing Cost Grant.** HIP provides funds to write down the purchase price of a house currently for sale in service area. The amount of the funds depends on need and eligibility of selected buyers.

—**HIP Rehab Grant.** HIP provides funding for households to fix-up the houses they purchase through HIP. The funds are intended to ensure that HIP houses are decent, safe and mechanically and structurally sound. Rehab funds are used for a new roof, a new furnace, and plumbing and electrical updates. Homes that are eligible for HIP must meet the HIP Property Criteria. CLT provides free property inspections for HIP properties (Housing Programs, (n.d.).

REDUCING THE COST OF DEVELOPMENT

- **Supporting appropriate density.** The single area with the largest impact on cost is the failure of cities to support the most appropriate and cost effective density and scale of affordable housing projects. The too frequent tendency of cities to downsize the scale and size of projects forces the project's fixed costs to be spread across fewer units, often dramatically increasing costs. Several cities have been quite successful, however, in resisting this tendency.
- **Contributing local financial resources.** There are a variety of financial resources available to local governments, which not only help fill the subsidy gap but which also allow those proposals to score better in the competition for state and federal resources, including tax increment, real estate tax reduction, general obligation or revenue bonds, and use of levy authority. The extent of those local contributions currently vary widely, and include in some cases underutilized sources that don't necessarily cost local governments much.
- **Site identification and acquisition.** Finding and acquiring sites for new developments is one of the most difficult, time consuming and expensive tasks developers undertake. A number of cities have been quite proactive in easing these burdens, from identifying appropriate sites to zoning sufficient appropriate land, making city owned land available, and even acquiring sites for affordable developers, sometimes at reduced or no cost.

- **Reduced parking requirements.** The considerable expense of structured parking, combined with the growing feasibility of reduced car dependence in many circumstances, has engendered considerable interest in reducing the level of parking cities require be incorporated in new developments. While the reduction in city parking requirements does not necessarily always lead to fewer parking spaces (the developer and the lender will have their own views on the parking needed), there are now many examples of local government creativity in this area, with significant savings resulting.
- **Fee reductions and waivers.** Local fees, which vary widely in amount, can easily add \$20,000- \$30,000 in costs per unit. Not only do the total fees per unit vary widely by city, but the practice of waiving some or all of those fees for affordable developments also varies widely.
- **Streamlined administrative processes.** Delays in the project approval process can be quite expensive when those delays are lengthy. Although the delays are not always the fault of the city's process, there are frequent developer complaints about city processes. There are a number of good ideas employed to minimize these delays on the local government end.
- **Material, site and design requirements.** While city requirements regarding materials and design can add costs, most developers see the value in these requirements. One area where there may be potential for modest cost reductions is in the design of smaller, more efficient units, where city flexibility can remove one barrier to new approaches. It's not clear that this approach is desirable for households with children.
- **Manufactured and modular housing.** Some interesting work is being done exploring the feasibility of creating new manufactured home communities, which could potentially lead to new affordable units at a fraction of the cost of stick-built units or apartments. Many communities still attach a stigma to these communities, however, so if feasible models can be developed, cities will need to be open to these new communities.
- **Openness to all affordable developments.** Cities frequently voice a preference for mixed income housing, which can be quite challenging when the developer tries to match affordable financing with market rate financing. Occasionally this preference for mixed income can spill over into outright opposition to all affordable projects, based on a fear of concentrating poverty. Particularly in affluent suburban communities, this fear is both misplaced and

contrary to the experience many cities have had with all affordable tax credit developments.

- **Inclusionary Housing/Mixed Income policies.** Inclusionary housing (IH) policies, also called mixed income policies, are getting considerable attention locally these days as housing markets grow stronger, making these policies more feasible. IH policies are in fact probably the most useful tool to create significant new affordability without using the usual federal and state subsidies. A number of suburban cities have used various forms of IH with success, and new policies have recently been adopted and are under active consideration in two suburban cities. While these policies may not be feasible in all cities, there are a number of cities where this approach does have promise, and there are others where improvements in current IH policies may make sense. One outcome of this project to date has been the development of a relationship with Cornerstone Partnership, a national consultant on IH policies, which has been providing assistance to a number of metro cities so far.
- **Addressing Community Opposition.** Coping with community opposition to new affordable housing proposals can be particularly challenging for local governments, even when they are supportive of the proposals. In some cases, this opposition can lead to rejection of the proposal altogether, or it can lead to substantial delays, or it can lead to reduced project size or costly add-ons that drive up cost. While these adverse results continue to surface in the Region every year, fortunately a number of cities have developed very effective approaches to generating community support and minimizing or neutralizing opposition (CURA, 2015, pg. 3-4).

MANAGING YOUR PORTFOLIO

- **Maintain the Model Lease's Equitable Balance of Interests.** The model CLT ground lease has been carefully developed, tested, and refined to grant the CLT all of the rights and powers the CLT will need to prevent absentee ownership, to promote good maintenance, to cure defaults, to prevent foreclosures, and to preserve affordability in the owner-occupied housing under the CLT's stewardship (Davis et al., 2008, pg. 6).
- **Tax Assessment.** Receive equitable tax assessments on CLT homes, ensuring that low-income homeowners are not taxed on values they can never claim for themselves (See Appendix 3). There are a number of strategies and methodologies

for equitably taxing a CLT's lands and homes for balancing the concerns of both the municipality and the CLT, of the best practice is to assess the CLT land based on the income stream from ground lease fees, to assess the homes based on the initial below market price to the homebuyer and to increase that assessment no faster than the rate of increase in the formula resale price.

- **Value of the Homes:** The assessed value of any buildings that are located on the CLT's land should reflect the perpetual restrictions that the CLT's ground lease has imposed on the use and resale value of these buildings. Thus, the building's assessed value should be lower than the assessed value of a similar building that is not so encumbered. Because it is unlikely that a reasonable person would ever pay more than the CLT's affordable formula price for a restricted unit, this formula price is generally the best indicator of the "fair value" of a CLT home.
- **Value the Land:** The assessed value of the CLT's land should never be more than the Net Present Value of the income stream which the CLT can collect from a parcel of land in monthly fees over the term of the lease. Given that the ground lease fees are usually far below a market rent, the value of CLT land should be far below its market value. This valuation should only increase as the ground lease payments increase.
- **Rate of Increase:** The formula-determined price of a CLT home, under most resale formulas and under most market conditions, tends to rise on a trajectory that is lower and flatter than the trajectory followed by market-priced homes without resale controls. Post-purchase adjustments to the assessments and taxes of CLT homes should take these long-lasting controls into account. Ideally, tax assessors should calculate the maximum price for which a CLT home could sell, based on the resale formula appearing in the home's ground lease, and adjust the home's assessed value accordingly (Davis et al., 2008, pg. 24-25).
- **Ensure Long-Term Affordability.** Enforce long-term controls over the eligibility, occupancy, and affordability of housing extracted from private developers through inclusionary zoning, density bonuses, and other regulatory mandates or concessions.
- **Differentiation among Municipal Programs.** If a municipality subsidizes both unrestricted market-rate homes and resale-restricted CLT homes, it would be best for these homeownership assistance programs to be as different as possible, instead of nearly the same. Even better is for the municipality to subsidize homes

with permanent restrictions on their use and resale more deeply than homes with no provision for lasting affordability (See Appendix 4). Buying more through the CLT – more oversight, more affordability, more “backstopping” of publicly- assisted homes and newly-minted homeowners – a municipality should be willing to invest more to make this enhanced form of tenure a reality (Davis et al., 2008, pg. 14).

OPERATING THE LAND TRUST

- **Maintain a Board that Reflects the People it Serves.** Constituencies must be intimately involved in the process of planning, designing, and governing a CLT if this unusual model of affordable housing is to have any chance of being accepted and supported by the larger community. The active participation of community residents and CLT homeowners can be a precious asset, helping the CLT to mitigate opposition to its projects, build a market for its homes, and win acceptance for an unconventional model of tenure among funders, lenders, and the community at large. The best way for a municipality to support a CLT is to weave participation and accountability into its organizational fabric, ensuring CLT’s continuing connection to the community it serves. (Davis et al., 2008, pg. 4)
- **Flexible Limits on Development Fees.** Many jurisdictions, rather than setting formal limits on the level of development fees, instead review fees as part of the overall project development budget when awarding funds to a project and then limit the level of subsidy rather than the development fee itself. A proposal may include a generous development fee but the jurisdiction knows that cost increases are a real risk. If the jurisdiction commits to a reasonable level of funding per unit created, any cost in- creases are likely to decrease the developer fee and any savings will increase it.

Generally, the jurisdictions that place the strictest limits on a CLT’s ability to charge development fees to project budgets are those that provide the most generous operating support. For example, Church Community Housing in Rhode Island generally charges a combined development fee and marketing fee of about \$7,000 -\$10,000 per unit. CCH does not receive grant support for its operations, however, from any of the several small municipalities within which the CLT is working. Similarly, while the City of Madison WI does not provide grants to the Madison Area CLT to support operations, it allows the CLT to take a generous development fee of up to 15% of the total project costs

on all projects for which the municipality provides funds (Davis et al., 2008, pg. 20-21).

- **Capacity Revenue**

- Establish and Collect Lease Fees**

- Require the homeowner pay the property taxes on the home and the land to eliminate direct costs of owning the land for the CLT.
 - Fund CLT's administrative and overhead costs.
 - Set a fair fee for the service you are providing the homeowner.
 - Keep the fee affordable for the homeowner. Whatever the fee amount is means the household qualifies for that much less on their mortgage.
 - Allow for variance for different types of leaseholds, including: differences in the size or location of the leased land, differences in the services provided by the CLT, or differences in what is affordable for the targeted income levels.
 - Fund a long-term repair reserve
 - And most importantly, make sure lease fees are kept up to date. To ensure this you can either have the mortgage lender collect the fees so that the homeowner does not have to pay two different bills, or more common, you can use the collection each month as an opportunity to stay in good communication with the homeowners.

- Resale Fee**

- If the CLT exercises its option, takes title to the home and then resells it, the CLT can just mark up the price to the new buyer and take a certain amount of "profit" from the transaction.
 - If the CLT exercises its option and then assigns the option to another buyer, it can charge the buyer a fee for the assignment of the option.
 - If the homeowner sells directly to another qualified household, the CLT can charge a fee (to be added to the price paid by the buyer) for its role in confirming the eligibility of the buyer, overseeing the transaction, and issuing a new lease.
 - If the CLT does not plan to recover its costs from the buyer in any of these three ways, it may charge a marketing fee to the seller (comparable to a conventional realtor's commission) (White, 2011, pg. 276).

OVERCOMING BARRIERS TO AFFORDABLE HOUSING

- **Adopt a proactive, clearly articulated approach to support a full range of housing choice.** Many public officials have a passive approach toward affordable housing, viewing their community as having already “done their share,” or see it as a lesser priority. While public officials are typically not overtly hostile to affordable housing, many do not view it as a priority, and thus are unlikely to proactively pursue policies aimed at attracting affordable housing such as density bonuses or site identification. There may be little citizen support for affordable housing, competing priorities (like attracting any development at all, or keeping taxes down), or the sense that there is already too much rental and/or affordable housing.
- **Understand the need and data related to Metropolitan Housing goals.** Among the cities we interviewed, there was widespread belief, even among cities very proactive in seeking affordable housing, that the Metropolitan Council’s affordable housing needs assignments were unrealistic. The Council’s method of negotiating of Livable Community Act goals recognizes that resources do not exist to fully address all of the region’s housing needs. Cities with a positive, proactive, approach are likely to make the most progress toward meeting their community’s, and the region’s, housing needs.
- **Become a partner in supporting a full range of housing choices.** Many cities view production of affordable housing primarily as the task of developers and other parties, such as the Minnesota Housing Finance agency or the Family Housing Fund. Apple Valley and Lakeville, for instance, rely almost exclusively on the Dakota County CDA to produce affordable housing. Public officials there may not be actively hostile, and may be willing to facilitate siting of CDA housing with rezoning or PUDs, but getting sufficient subsidies from the state and other funders to make housing affordable, which is very expensive to develop, is the CDA’s job. Related to this, Cities too often simply don’t think about the cost of their actions, or view the costs as justified by other city priorities, because addressing affordable housing costs is someone else’s responsibility; the process is so complex and involves so many agencies and partners that cities view themselves as a minor player. For example, virtually every city interviewed saw no problems with its administrative processes whereas virtually every developer cited administrative delays as a major issue. Cities that did the best job of meeting their community’s affordable housing needs adopted a full range of policies to facilitate production of affordable housing.

- **Seek technical assistance or build staff capacity to negotiate with developers.** As cities try to promote mixed income housing, many are intimidated by developers and development financing, because they lack confidence in understanding what is financially feasible in their housing markets. In some cases, they are so anxious to attract development of any kind that affordability is an afterthought or viewed as too risky to impose. Thus, for example, St. Paul lost the opportunity to use density bonuses when it rezoned its transit areas. A similar dynamic is playing out in Southwest Corridor cities, some of which are considering rezoning, to grant higher densities as a development right. In some cases, cities also may not realize the value of the benefits they provide to developers through public actions. A number of cities routinely provide TIF funding to housing developers without considering the potential for those developers to include affordable units. A boom in luxury rental housing has gone on in parts of the metro area for several years with limited attention given to the possibility of attaching inclusionary housing requirements to the land use approvals and financial assistance provided to the developers, with the recent exception of St. Louis Park's new policy.
- **Seek technical assistance or build staff capacity to plan for affordable housing development.** In a number of cities, especially those on the periphery of the metro area, there is very little experience with dealing with development, let alone affordable development and therefore little exploration of relatively sophisticated tools like density bonuses or TIF. On the other hand, Chaska has been a metro leader in affordable housing, and Carver, with the help of hired technical assistance, recently approved its first major affordable project.
- **Proactively address potential resident opposition.** Many of these problems are exacerbated by resident opposition to high density projects, even market rate ones, and to any kind of affordable developments. Developer requests for increased density through rezoning or CUPs or for city financial assistance require public hearings and public approvals. These requirements, in turn, provide a forum for large, sometimes hostile turnouts at public hearings and demands for rejection of developer requests. The discussion on pages 33-36 addresses a variety of strategies successfully employed to address resident opposition to affordable projects.
- **Support 100% affordable projects.** There are some indications that concerns about areas of concentrated poverty may have led some suburban communities to draw the wrong lesson—that any 100% affordable development, no matter the residents' actual incomes and rent levels nor how affluent the surrounding community, creates concentrated poverty, and thus should be avoided. Cities such

as Chaska, Woodbury, and Maple Grove are proud of a number of 100% affordable projects which they've assisted in developing.

- **Consistently inform and educate policy leaders.** Public official turnover is another barrier mentioned by several developers, who had formerly approved projects rejected or faced with demands for costly changes after an election. Staff have to keep Council members constantly informed, and new members educated regarding the need for and benefits of supporting a full range of housing choices.
- **Impose inter-departmental cooperation.** A source of resistance to fee waivers is that the city departments charged with assisting housing development aren't in a position to impose revenue reductions on other city departments (CURA, 2015, pg. 40-41).

STEWARDING THE LAND TRUST

- **Basic Stewardship Goals.** In its stewardship role a CLT has three basic goals: to preserve the affordability of its homes, for the intended income level, from one owner to the next – and to see that only income-eligible purchasers benefit from this affordability; to see that the owners of those homes are secure – that they are not displaced by foreclosure or other economic events; to see that the physical quality of those homes is preserved from one owner to the next.
 - *Disclosure:* making sure that homeowners are given all the information necessary to understand their obligations and opportunities as lessee-homeowners.
 - *Monitoring:* making sure that the CLT has adequate information about the homeowner's compliance with obligations and about their success as a homeowner.
 - *Support:* helping homeowners succeed, through training, direct assistance when possible, or through referrals to other sources of help.
 - *Approval:* reviewing all situations where a homeowner wants to take actions for which CLT's approval is required, and deciding what is fair and appropriate (White, 2011, pg. 416-417).
- **Homeowner Financial Difficulty.**
 - Credit counseling, through the CLT or other agency, to help manage and restructure debt.

- Intercession to negotiate with creditors to restructure debt.
- Assistance in negotiating new property tax assessment with the local tax jurisdiction
- Temporary reduction or waiver of lease fee, or development of alternative repayment schedule for accumulated debt to the CLT.
- Arranging or facilitating financing or refinancing from alternative sources (including the CLT itself, nonprofit loan programs, credit unions) on terms that are fair and affordable.
- Referrals to government programs that may help with home repair and other costs.
- Referrals to sources of appropriate, affordable legal assistance (White, 2011, pg. 425).

CONCLUSION

- **Don't grow too quickly.** Limiting the growth of the CLT will help ensure successful management of all the moving pieces. While obtaining more properties to help more people is the ultimate goal, making sure current CLT homeowners are successful is equally important. This means making sure human and capital resources are available to listen to and assist land trust homebuyers with questions or concerns they may have. The more positive a homebuyer's experience is the greater the impact will be when they tell others their story.
- **The City is an Ally.** Bringing city officials along slowly is important, but putting allies on the city council and city boards is making an uphill battle less steep. And a best practice is getting CLT homeowners in positions of authority. At a minimum, put enthusiastic homebuyers in front of council members to communicate their gratitude for the CLT.
- **Pay it Forward.** This is a pay-it-forward model. Lots of people want to do good (elected officials included) and this model is one powerful way of creating meaningful impact. Explaining the lasting effects for generations to come empowers people to want to participate, either through supporting the trust financially or participating in the limited equity model through homeownership.
- **Support the Working Class.** Every community needs a working class to support and sustain a healthy and vibrant ecosystem. If this population is unable to afford homes within the communities they serve greater social, economic, and political

tensions will manifest. The most successful communities are those who support a diverse set of housing options for a wide range of incomes.

Final Words

"Give me your tired, your poor, your huddled masses yearning to breathe free," cries she, our Statue of Liberty. Yet if our tired and poor cannot obtain the dreams of which this country promises, dreams of living a life of dignity, respect, and freedom from oppression, we have but failed as a society. If the disparities between rich and poor, black and white, working class and upper class continue to grow at exponential rates, we will only see greater social unrest from the under class yearning to be free. We must secure the future of our teachers, our nurses, our firefighters, futures that allow them the ability to obtain safe, stable, and decent homeownership in well established neighborhoods. We must fight against enclaves of privilege and power and promote equality at all cost.

The Community Land Trust exists to serve the servants of our nation.

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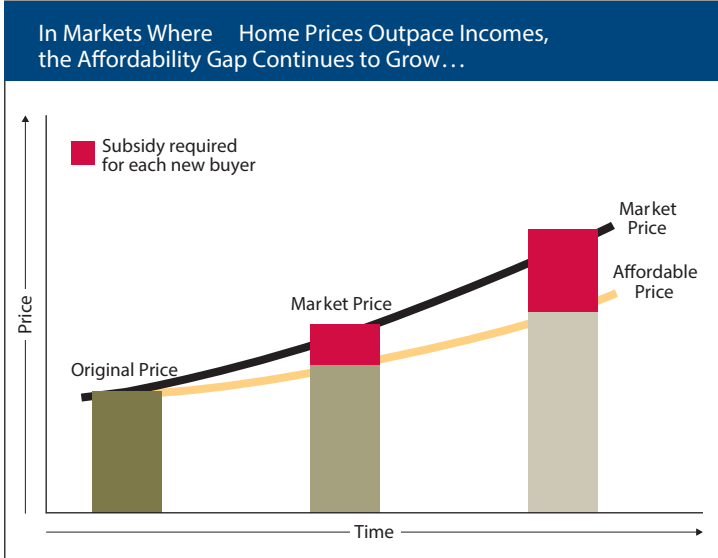
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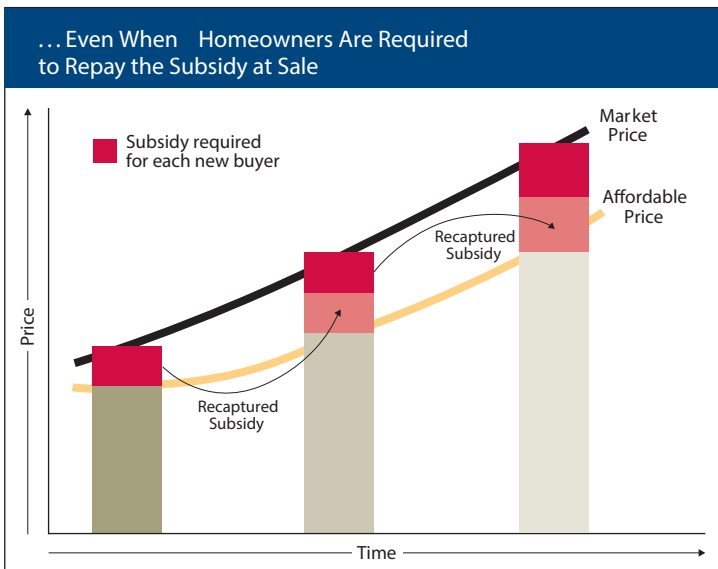
APPENDIX 1. PROJECT TIMELINE

- February 19, 2016, 1P-2:30P
Meeting with Brenda Lano at **Carver County CDA**
- February 19, 2016, 2:30P-3:30P
Field visit to **Carver County CLT Homes**
- February 24, 2016, 12P-1P
Interview with Jeff Washburn, Director of **City of Lakes CLT**
- March 8, 2016, 1P-4P
Interview with Janet Lindbo, Director of **Homes Within Reach**
- March 14, 2016, 10A-12P
Interview with Greg Finzell, Director of **Rondo CLT**
- March 28, 2016, 3P-6P
Field visit with Greg Finzell, Director of **Rondo CLT**
- April 1, 2016, 10A-11A
Interview with Adam Palan of **One Roof Community Housing**

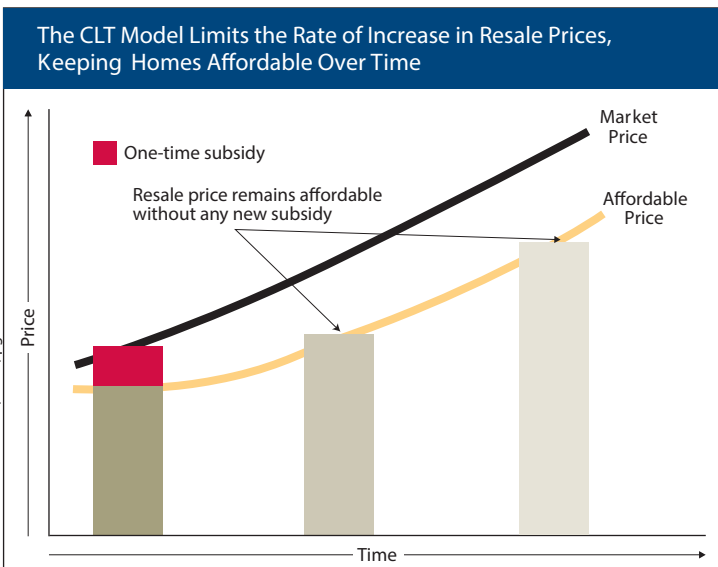
APPENDIX 2. HOW COMMUNITY LAND TRUSTS EXPAND HOMEOWNERSHIP



If housing prices rise faster than household incomes, the affordability gap widens. As a result, it takes an ever-larger subsidy to keep a home affordable. Programs providing loans or grants to homeowners must constantly increase the level of subsidy to keep pace with the growing gap between market and affordable prices.



Recapturing the original subsidy and reinvesting it in new loans to other lower-income households does not prevent the affordability gap from growing. An ever-larger subsidy is needed to help subsequent generations of homebuyers if prices continue to rise faster than incomes.



A one-time subsidy in a CLT home lowers its initial sale price to an affordable level and then limits the rate at which the price can rise over time. This strategy helps to increase the stock of permanently affordable housing.

APPENDIX 3. TAXING COMMUNITY LAND TRUST PROPERTY

Impact of Property Taxes on Affordability

Consider the case where a CLT has received enough grant support from a municipality to remove from its sale price the entire cost of the underlying land and a portion of the cost of construction. This enables the CLT to sell a house having a market value of \$210,000 for the relatively affordable price of \$85,000. If the CLT restricts the resale price of this house, using a formula that allows the homeowner to pocket 25 percent of the appreciated market value when the property is resold, the maximum price of the unit will be \$116,804 after seven years of occupancy (assuming market appreciation of 7 percent annually).

	Market Value of the CLT House	Restricted Resale Price of the CLT House
Initial Purchase	\$210,000	\$85,000
End of Year 1	\$224,700	\$88,675
End of Year 2	\$240,429	\$92,607
End of Year 3	\$257,259	\$96,815
End of Year 4	\$275,267	\$101,317
End of Year 5	\$294,536	\$106,134
End of Year 6	\$315,154	\$111,288
End of Year 7	\$337,215	\$116,804

The home's market value, however, will have reached \$337,215 by the end of Year 7. If the municipal assessment does not take account of either the initial below-market purchase price or the permanently restricted resale price, the owner of this CLT house will be forced to pay property taxes not only on the \$116,804 of value to which she has title, but also on \$220,411 of value that she does not own and can never claim. A house that was made more affordable by the municipality's subsidy and kept more affordable by the CLT's resale restrictions is therefore made less and less affordable by the municipality's taxation policy (Davis & Jacobus, 2008).

APPENDIX 4. COMPARING SUBSIDIES OVERTIME

Performance of Alternative Subsidies Over Time		
Initial Sale	Homebuyer Loan (No Interest)	CLT Model (AMI Index)
Initial market value	\$250,000	\$250,000
Subsidy	50,000	50,000
Initial sale price	250,000	200,000
Resale in Year 7		
Sale price	375,000	245,000
Repay first mortgage	(174,051)	(174,051)
Repay public subsidy	(50,000)	0
Sales costs (6%)	(22,500)	(14,700)
Seller's net proceeds	128,449	56,249
Affordable price to next buyer	245,000	245,000
Recaptured subsidy	50,000	0
Additional subsidy required	80,000	0
Total subsidy for next buyer	130,000	0
Resale in Year 14		
Sale price	565,000	303,000
Additional subsidy required	132,000	0
Resale in Year 21		
Sale price	850,000	372,000
Additional subsidy required	216,000	0
Resale in Year 28		
Sale price	1,278,000	458,000
Additional subsidy required	342,000	0
Total subsidy invested over 30 years for 5 families	\$820,000	\$50,000

Note: Data assume 6 percent annual home price inflation, 3 percent annual income inflation, and stable interest rates.

Source: Jacobus & Lubell, 2007