

EXECUTIVE SUMMARY

AFFORDABLE HOUSING TRUST PROGRAMS

Community Housing Trust

A community housing trust (CHT) is a private non-profit community organization that safeguards land in order to provide affordable housing opportunities. CHTs buy and hold land permanently; preventing market factors from causing prices to rise (see “Land Bank” below).

CHTs build and sell affordably-priced homes to families with limited incomes— the CHT keeps the price of homes affordable by separating the price of the house from the cost of the land. When a family decides to sell a CHT home, the home is resold at an affordable price to another homebuyer with a limited income. The goal of CHTs is to balance the needs of homeowners to build equity and gain stability in their lives with the needs of the community to preserve affordable home ownership opportunities for future generations.

Benefits

- Help renters buy well-built, affordable housing that allows them to build wealth.
- Ensure that CHT homes remain permanently affordable to future generations of home buyers.
- Maximize the use of the valuable housing subsidies that make CHT homes affordable.
- Build high quality, energy-efficient homes that will be assets for the community.
- Always owner occupied
- Always well maintained
- Virtually eliminates foreclosures

Housing Trust Fund

Housing Trust Funds (HTF) are established sources of funding to support affordable housing construction, acquisition, and preservation and related services to meet the housing needs of low-income households. Ideally, HTFs are funded through dedicated revenues like real estate transfer taxes or document recording fees to ensure a steady stream of funding rather than being dependent on regular budget processes. There are presently more than 250 housing trust funds in cities, counties and states throughout the country.

Land Bank

Land banks are governmental or nonprofit entities that acquire, hold, and manage tax-delinquent or abandoned properties. Land bank entities have the authority to facilitate the resale of foreclosed properties or execute a redevelopment plan to mitigate the impacts that vacant properties have on communities by achieving long-term planning goals, such as fulfilling affordable housing provisions.

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What Are Community Land Trusts?

The Community Land Trust (CLT) model of affordable housing was created over thirty years ago by the Institute for Community Economics in response to the rising costs of housing, limited space for new construction, growing number of abandoned buildings and an aging housing stock in eastern U.S. cities. The CLT model was born out of a search for a creative and innovative way to address the housing problem at the time. Since that time, unfortunately, the same housing problems that plagued the eastern cities have spread across the country. In response, the CLT movement has spread as well, and there are now approximately 200 communities across the U.S. that currently operate or are forming CLTs.

The purposes of a Community Land Trust are to provide access to land and housing to people who are otherwise denied access; to increase long-term community control of neighborhood resources; to empower residents through involvement and participation in the organization; and to preserve the affordability of housing permanently. Though the program specifics vary among different CLTs, the basic model is the same. CLTs offer a balanced approach to ownership: the nonprofit trust owns the land and leases it for a nominal fee to individuals who own the buildings on the land. As the home is truly their own, it provides the homeowners with the same permanence and security as a conventional buyer, and they can use the land in the same way as any other homeowner.

In addition, CLTs are membership-based nonprofit organizations that offer a balanced approach to governance: members include residents of CLT housing, small businesses, neighborhood associations, corporations, and supportive individuals and families. The Board of Directors includes members from the above groups as well, with a third of the Board required to be representatives from CLT residents and low income areas. This ensures that CLT homeowners have an active voice in the work of the Land Trust, and thus in their neighborhoods and cities. These distinguishing features are designed to allow the CLT to strike a balance between the interest of the community and the needs of individual residents.

Community Land Trusts help low and moderate income families benefit from the equity built through homeownership, and at the same time preserve the affordability of these homes so that future residents will have the same affordable homeownership opportunities. How do we do this? First, by owning the land, CLTs are able to greatly reduce the initial housing cost to the potential buyer. Second, the land lease contains a resale provision which ensures that if the house is sold, it goes to another low or moderate income person. This is one of the reasons why it is called a community land trust: you agree to pass on the same benefits that you received upon getting into your house to the next homeowner. The buyer agrees to limit the amount of profit they make on the house sale in order to insure that the property remains affordable for the next person. The beauty of this is that CLTs do not need additional subsidies each time the house resells; the permanent affordability is built into the lease for perpetuity.

Currently there are over five thousand community land trust homes across the country. CLTs nationwide also provide housing through affordable rental properties and housing co-ops, while developing community facilities, preserving open space and working with other community groups to promote economic opportunities. Additionally, because all land trusts are locally operated, they provide greater local control over land and housing ownership and build leadership among community residents. As the number of CLTs nationwide has more than doubled in the last ten years, this model is creatively and cooperatively fulfilling a need for permanently affordable housing in this country.

[Thanks to the Northern Communities Land Trust of Duluth, Minnesota for this article. You can visit their website at www.landtrustduluth.org]

Frequently Asked Questions

1. What is a community land trust?

A community land trust (CLT) is a private non-profit community organization that safeguards land in order to provide affordable housing opportunities. CLTs buy and hold land permanently, preventing market factors from causing prices to rise. CLTs build and sell affordably-priced homes to families with limited incomes— the CLT keeps the price of homes affordable by separating the price of the house from the cost of the land. When a family decides to sell a CLT home, the home is resold at an affordable price to another homebuyer with a limited income. The goal of CLTs is to balance the needs of homeowners to build equity and gain stability in their lives with the needs of the community to preserve affordable home ownership opportunities for future generations.

CLTs across the country share certain basic characteristics. Here are five:

- **Dual Ownership:** Ownership of land is separated from ownership of homes located on the land. A long-term land lease defines the arrangement between a CLT and leaseholders who own their homes and other improvements. The land trust offers leaseholders security, privacy, stability, and a legacy for their heirs.
- **Permanent Affordability of Housing:** CLTs protect affordability for future residents by ensuring the affordable resale of homes and other improvements on their land. Shared-appreciation provisions in the ground lease agreement offer homeowners a fair return on their investment while protecting the community's investment of public and private resources (funds as well as skills) that go into creating a CLT and making housing affordable.
- **Commitment to Local Control:** CLTs provide greater local control over land and housing ownership, giving community members a greater say in land-use decision-making. Community land trusts are community based and democratically controlled, so the community residents -- the members -- decide how the land trust is run.
- **Flexibility:** The CLT model is flexible. In addition to affordable housing, community land trusts may make land available for community gardens, playgrounds, parks, local businesses and other community services.
- **An Active Land Acquisition and Development Program:** CLTs are committed to an ongoing acquisition and development program that seeks to meet diverse community needs, continuing to grow the stock of homes and land whose affordability is permanently protected.

2. How do CLTs help residents and communities?

CLTs provide access to land and homeownership for people who cannot afford what's for sale on the housing market. CLT homeownership provides greater housing security than renting.

Benefits to a Land Trust Homeowner

- Homeownership at an affordable price
- Stable monthly payments
- Security from eviction
- Tax advantages
- Opportunity to build equity
- Opportunity to take a leadership role in the organization by serving on the board of directors or board committees

Benefits to the Community

- Home-buying opportunities for neighborhood residents
- Preservation of affordable homes into the future despite rapidly escalating housing prices
- Opportunity for renters to become owners
- Wise use of tax dollars (public subsidy)
- In addition, many CLTs help buyers gain access to down-payment assistance and special financing

Land trust homebuyers generally must be able to handle monthly mortgage payments and other costs, including home repairs as needed and reasonable lease fees for use of the land.

(Thanks to [Proud Ground](#) (former the Portland Community Land Trust) for sharing their FAQ.)

How Housing Trust Funds Work

There are three key elements of every housing trust fund:

Administration: Most housing trust funds are administered by a public or quasi-public agency because housing trust funds involve public funds. Housing trust funds typically create oversight boards that are broadly representative of the housing community, including banks, realtors, developers, nonprofit development organizations, housing advocates, labor, service providers, and low income residents.

Many housing trust funds coordinate the application process for their trust dollars with other available sources of funding, such as the HOME program, the Community Development Block Grant Program, and the federal Low Income Housing Tax Credit program.

Programs: Housing trust funds are created locally to address the most critical housing needs that exist. Most housing trust funds provide funding through loans and grants. Eligible applicants typically include nonprofit developers, for-profit developers, government entities, Native American tribes, housing authorities, and others.

Eligible activities are usually quite broadly defined, including: new construction, rehabilitation, acquisition, emergency repairs, accessibility, first time home ownership, and many other activities. Rental assistance is provided by some housing trust funds. There are a few housing trust funds that serve only the needs of the homeless population and define their activities accordingly.

Most housing trust funds serve populations earning no more than 80% of the area median income, but some serve lower incomes or set aside a portion of the funds to serve only lower incomes. It is typical for trust funds to give priority to applicants that are providing homes for those with the lowest incomes. Many housing trust funds require that the units supported through the trust fund remain affordable to the targeted population for a defined amount of time or in perpetuity.

Revenue Sources: Identifying public revenue sources that can be committed to a local housing trust fund is at the core of creating these funds. Without a dedicated ongoing source of revenue, we can funnel funds into housing programs, but there is no opportunity to move beyond what history has proven to be out of our reach. Providing affordable homes deserves a permanent commitment of available resources.

The most common revenue source for a city housing trust fund is a linkage program—these are impact fees placed on non-residential developers to offset the impact of their development's employees on the housing supply. Along with linkage fees, inclusionary zoning in-lieu fees are also used by many jurisdictions. Other cities have committed various fees (such as condominium conversion fees, demolition fees, etc.); property taxes; real estate excise taxes; and hotel/motel taxes.

The most common revenue source for a county housing trust fund is document recording fees. Other sources used by counties, however, include sales taxes, developer fees, or real estate excise taxes.

The most common revenue source for a state housing trust fund is the real estate transfer tax. But states have committed nearly two dozen revenue sources to housing trust funds. Other options include: interest from state held funds (unnamed unclaimed property funds, budget stabilization funds, among others); interest from real estate escrow or mortgage escrow accounts; and document recording fees. Recent new state housing trust funds have dedicated state income taxes, unclaimed lottery earnings, unused TANF funds and unused Section 8 reserves.

Land Banking

Vacant and abandoned properties are a challenging problem for any community. By viewing these properties as potential assets, rather than barriers to revitalization, smart growth advocates are finding new ways to reinvest in once-neglected neighborhoods.

One notable strategy being used nationwide to contest property abandonment is land banking. Land banks are public authorities created to acquire, hold, manage and develop vacant properties. Land banks aim to convert vacant properties that have been neglected by the open market into productive use, thereby transforming neighborhood liabilities into assets. A land bank:

- Acquires title to vacant and abandoned properties;
 - Eliminates barriers to redevelopment; and
 - Transfers property to a new owner in a way that supports community needs and priorities
- As such, land banks often provide marketable title to properties previously impossible to develop.

Land banking is emerging as an important addition to smart growth strategies for community development. By helping communities manage vacant properties and put them back into productive use, land banks help achieve a range of smart growth goals – facilitating infill development, spurring economic investment, and preserving open space.

Today there are over 80 land banks or land bank initiatives across the country, with more forming every year. They can be found in all types of communities and in every region of the nation.

One of the most well-known, the Genesee County Land Bank in Flint, Michigan, has demonstrated the strategy's effectiveness as a redevelopment tool. The Genesee County Land Bank has raised surrounding property values by \$109 million and has spurred \$60 million in new private investment, all during a major recession and foreclosure crisis.

The success of the Genesee County Land Bank as well as others across the country make clear that land banking is an effective way to unlock the potential of vacant urban land.