



# Preserving Affordable Homeownership

## Municipal Partnerships with Community Land Trusts



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POLICY FOCUS REPORT    LINCOLN INSTITUTE OF LAND POLICY

## ABOUT THIS REPORT

This report explores the evolving nature of collaborations between community land trusts (CLTs) and municipal governments. Building on the foundation laid by the 2008 Policy Focus Report *The City-CLT Partnership*—which elevated the profile of CLTs as an instrument of public policy and persuaded many more municipal officials to consider working with them to enhance the effectiveness of their own programs—this new report takes a fresh look at the ways governments below the federal level are supporting the formation, expansion, and operation of CLTs. Drawing on input and insights from 115 CLTs operating across the United States, the report details the dramatic shift in housing policy at the local level; new partnerships emerging in cities large and small; and critical considerations now facing CLTs, from funding to climate change. As municipal officials strive to prevent the loss of affordably priced homes in their communities, CLTs offer a tested approach to preserving the affordability, quality, and security of owner-occupied housing. Municipalities and CLTs are working together to produce homes that last.

## POLICY FOCUS REPORT SERIES

The Policy Focus Report series is published by the Lincoln Institute of Land Policy to address timely public policy issues relating to land use, land markets, and property taxation. Each report is designed to bridge the gap between theory and practice by combining research findings, case studies, and contributions from scholars in a variety of academic disciplines, and from professional practitioners, local officials, and citizens in diverse communities.



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### Front cover

Top left: Municipal officials, new homeowners, and representatives of Boston's Chinatown Community Land Trust celebrate the CLT's first closings in 2021. *Source: City of Boston/Photo by Isabel Leon.* Top right: Homestead Community Land Trust houses in Seattle. *Source: Homestead CLT.* Bottom: A Dudley Street Neighborhood Initiative homeowner in Boston. *Source: Cheryl Senter.*

### Back cover

Moving day at Peace Village Co-op, Eugene, Oregon. *Source: SquareOne Villages.*

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# Executive Summary



Affordably priced homes are lost at an astonishing rate in the United States. In some cases, the buildings disappear, destroyed by natural disasters or demolished due to obsolescence or deferred maintenance. More often, the buildings remain but the economically vulnerable people who once occupied them are forced to move. This can happen because of a financial disaster like the foreclosure crisis of 2007–2009. It can happen because of relentless appreciation in the price of land and housing. It can also happen because of public policy, which allows affordably priced homes that public dollars or public powers have helped to create to disappear into the market.

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Athens Land Trust homeowners. The activities of this CLT, based in Georgia, include affordable housing, land conservation, community agriculture, youth programming, and neighborhood empowerment. *Source: Athens Land Trust.*

The last is hardly an accident. Until recently, most government-supported housing programs were designed to permit such attrition. They fully intended for any public subsidies that lowered the cost of owner-occupied or renter-occupied homes to wind up in the pockets of investors, landlords, or homeowners. Affordability was programmed to lapse.

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Housing problems get worse instead of better, as homes leak away at a faster rate than new sites and subsidies can be found. Water doesn't rise in a leaky bucket.

This policy of attrition presumed that lost subsidies would be replenished and lost homes would be replaced. The harsh reality, however, is that public funding for affordable housing has been dwindling for decades, relative to the cost of construction; buildable sites have become scarcer and pricier; and the loss of publicly subsidized, privately owned homes has accelerated. Housing problems get worse instead of better, as homes leak away at a faster rate than new sites and subsidies can be found. Water doesn't rise in a leaky bucket.

This situation has prompted a seismic shift in public policy—especially among cities and counties, where the longstanding acceptance of attrition is being supplanted by a preference for preservation. Local officials in many jurisdictions now require recipients of municipal largesse to prove they can preserve housing affordability for many years.

Funders and recipients alike have discovered, however, that achieving this objective when housing is

owner occupied is more challenging than when housing is renter occupied. Indeed, preserving affordably priced homeownership can be difficult to impossible without changing the way these homes are owned and operated.

Community land trusts (CLTs) are well positioned to meet this challenge. Their distinctive approach to tenure and stewardship is specifically designed to maintain the affordability of housing of every kind—but housing that is owner occupied most of all. CLTs rearrange the *bundle of sticks* in this favored form of tenure, creating a new form of homeownership. Further, they stand behind this rearrangement forever, providing a *bundle of services* that protects the homes entrusted into their care, ensuring that neither the public's investment nor the affordably priced homes leak away over time.



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Source: agehret via E+/Getty Images.



The proven success of this two-sided strategy of preservation has prompted a growing number of cities and counties to partner with CLTs, using a panoply of municipal resources to support CLT efforts to create an expanding supply of homes that last. CLTs have received lands, grants, and loans from various units of local government. They have received density bonuses and regulatory concessions. They have been assigned responsibility for the stewardship of affordably priced housing provided by private developers through inclusionary mandates or incentives.

The Lincoln Institute of Land Policy played a pivotal role in the proliferation of these preservation partnerships. Its earlier Policy Focus Report *The City-CLT Partnership* (Davis and Jacobus 2008) elevated the profile of CLTs as an instrument of public policy and persuaded many more municipal officials to consider working with them to enhance the effectiveness of their own programs.

The landscape has changed significantly since 2008, however. Many more CLTs now exist, many more municipalities partner with CLTs, and many more years of experience make it easier to evaluate what works well in these partnerships—and what does not. An entirely new publication was warranted, therefore, taking a fresh look at the ways that governments below the federal level are supporting the formation, expansion, and operation of CLTs.

This report is based on information collected through scripted interviews, online surveys, and informal conversations. Our team conducted interviews with practitioners from 32 CLTs, selected from a total

population of 308 CLTs in the United States, as of January 2024. Every other CLT in the country received an online survey, which posed the same questions that guided the one-on-one interviews. Eighty-three CLTs completed the survey, bringing the total respondents to 115. The information gathered from these 115 CLT practitioners was supplemented by conversations with public officials and technical assistance providers who have worked closely with multiple CLT programs over the years.

The information collected through this process revealed significant trends in the kinds of governmental support CLTs are receiving to expand homeownership opportunities for people of modest means, representing significant shifts in the landscape since the 2008 report:

- more municipalities are taking the initiative in starting new CLTs;
- more municipalities are requiring lasting affordability in awarding subsidies for constructing, rehabilitating, or financing owner-occupied housing;
- more municipalities are recognizing the need for active stewardship to keep publicly supported homes affordable and to help newly minted homeowners succeed;
- more jurisdictions are fairly taxing the lands and homes in CLT portfolios; and
- more state governments are also offering legislative and financial support for CLT projects and programs.



This report is not a census of CLTs, but a catalog of the kinds of assistance they are currently receiving from governments below the federal level. Even so, our consultation brought to light a number of emerging trends among CLTs themselves, most notably:

- their real estate portfolios have become larger and increasingly diverse, even as homeownership has remained the primary activity of most CLTs;
- their organizational structures have become more diverse as well, with many CLTs now operating as subsidiaries or programs of another nonprofit;
- their service areas have grown larger, with many CLTs now serving an entire city, county, or region; and
- racial equity and climate change have become preeminent concerns, guiding program priorities and shaping project designs among a growing number of CLTs.

This report focuses on what a CLT does best: preserving publicly supported, owner-occupied housing after it is developed. But affordability is not the only priority. Preservation is also a matter of keeping these homes in good repair and protecting the people who purchased them against the loss of security from any number of economic pressures and personal disruptions.



Finally, this report is not only *descriptive* of the menu of public largesse being mobilized on behalf of CLTs; it is *prescriptive* as well. Based on the feedback provided by a constellation of CLT practitioners and consultants around the country, it recommends policies and practices that are beneficial for expanding and stewarding a portfolio of permanently affordable, owner-occupied housing. It criticizes policies and practices that are detrimental. There are better—and worse—ways for a municipality (or a state) to support a CLT. Both are highlighted here. The report concludes with policy recommendations that can lead to more successful partnerships and a more effective effort to preserve affordability.

1. Mobilize multifaceted support, including funds, underutilized land, and fair property tax assessments.
2. Respect the balance of interests reflected in the carefully calibrated CLT legal mechanism.
3. Invest in stewardship as well as development, to support homeowners after the purchase.
4. Avoid clawing back in taxes and fees what has been given in subsidies.
5. Avoid treating grants as long-term loans.
6. Weave preservation into the fabric of government, to ensure the continuity and sustainability of affordable housing efforts.
7. Evaluate impact as well as scale—the number of units created isn't the only measure of success.
8. Plan for climate change, which is looming over the work conducted by CLTs—and by everyone else.

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Plans for Bridger View, an eight-acre pocket neighborhood of affordable and market-rate homes in Bozeman, Montana. Source: *Headwaters Community Housing Trust*.



## CHAPTER 1

# Homes That Last: Introducing the Community Land Trust



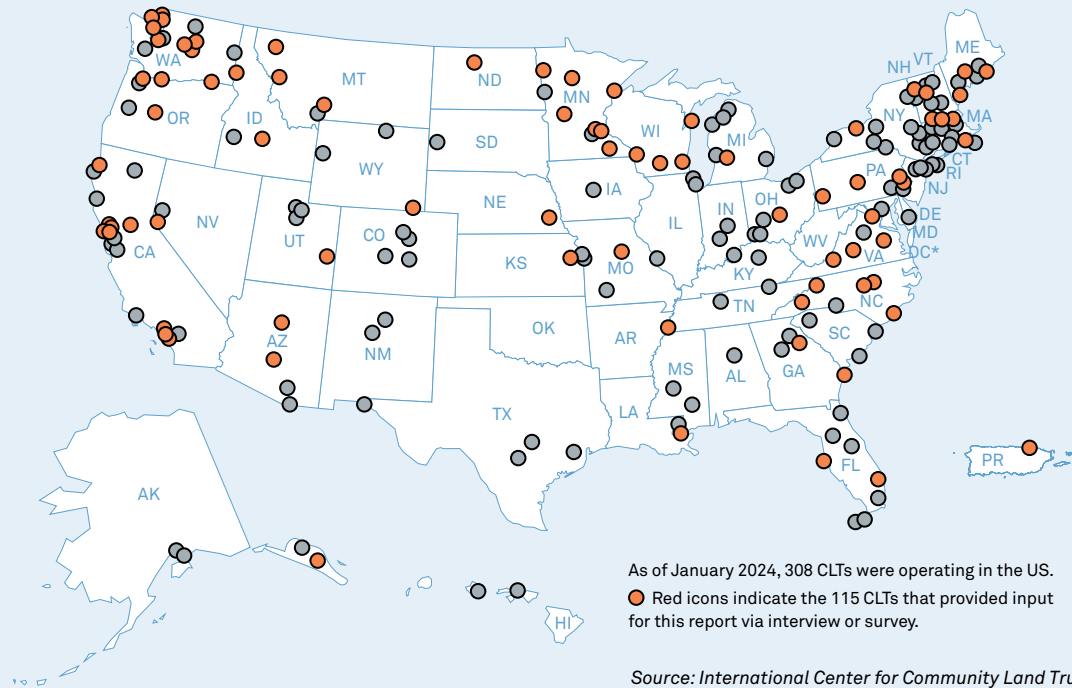
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An open house at a CLT home in Minneapolis. The event was part of a public art project that paired CLT homeowners with artists to document their experiences. *Source: Bruce Silcox Photographer.*

The first modern-day community land trust (CLT), New Communities Inc., was founded in 1969 by a small group of Black civil rights leaders in southwest Georgia. Their bold experiment in community-led development on community-owned land inspired many of the CLTs that followed. By 2024, 308 CLTs were operating in 48 states, Puerto Rico, and the District of Columbia. Representatives from 115 of these organizations were interviewed or surveyed for this report, detailing the kinds of support they have received from various units of government.

Figure 1.1

## Community Land Trusts in the United States



The “classic CLT,” inherited from New Communities and refined during the 1980s, split the ownership of real property between a nonprofit organization holding title to the land and individuals holding separate title to residential or commercial buildings located on that land. Operationally, it was the CLT’s job to see that the affordability, quality, and security of those buildings would last forever. Organizationally, the CLT was governed by a three-part board, representing the interests not only of people living or working on the CLT’s land, but also of a larger place-based community to which the CLT was accountable.

Today, the model has spread across the country (see figure 1.1), and no two CLTs are exactly alike. Practitioners have modified the classic model in countless ways, while retaining its most important features. There are also many nonprofit organizations that do not call themselves community land trusts that are organized and operated along the same lines as a CLT. They have either grafted key elements of the CLT onto an existing homeownership

program or created a CLT subsidiary under their corporate umbrella. These modifications notwithstanding, a CLT has distinctive features of organization, ownership, and operation that set it apart from other nonprofits in the crowded field of community development (see figure 1.2, page 9).

We shall concentrate here on two of those components in discussing how a CLT creates homes that last: ownership and operation. Less attention will be devoted to the model’s third component, the variety of ways that CLTs involve residents of the communities they serve in guiding and governing the organization.

It is an article of faith among most CLT practitioners that community participation not only enhances the performance of a CLT’s programs; it also expands the base of political and financial support necessary for a CLT to thrive (Davis 2022). It is arguable, in fact, that in many cities and counties the increased support CLTs are now receiving from units of local

government is the direct result of an organized, mobilized community advocating on their behalf. Despite our focus in this report on how CLT homes are owned and operated, community matters just as much.

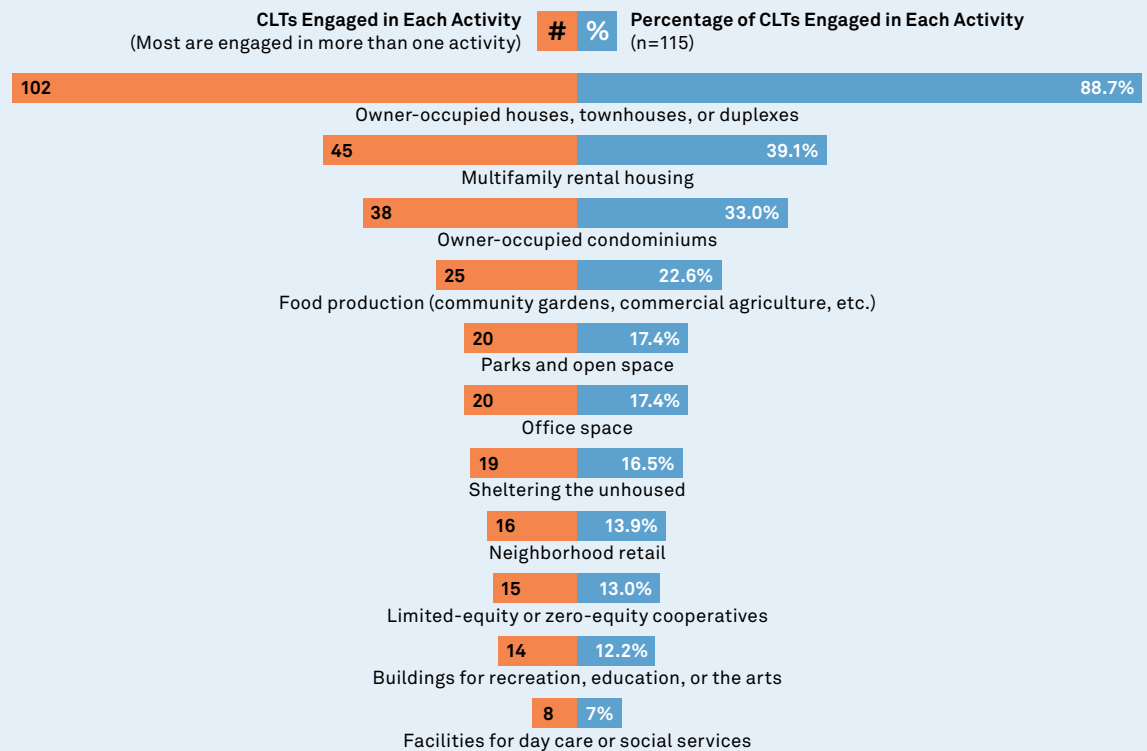
It should also be noted that, even though we shall concentrate here on homeownership, the activities and portfolios of today’s CLTs have become increasingly diverse (see figure 1.3). This was a pattern observed in the recent census conducted by the Grounded Solutions Network (Wang et al. 2023), and repeated in the consultation conducted for the present report.

Notwithstanding such diversification, homeownership remains the signature activity of most CLTs in

Figure 1.2  
The “Classic” Community Land Trust



Figure 1.3  
Activity Types of Surveyed CLTs





the United States. Our snapshot of 115 CLTs is quite revealing in this regard. While most of these organizations are engaged in multiple activities, 92 percent of them are helping people of modest means to buy a house, townhouse, or condominium.

Homeownership is also the main draw for municipal support, according to the CLT practitioners who completed our online survey. They were asked to rate which aspects of their organization's programming they believed had been the most influential in persuading local officials to commit resources to their organizations. Expanding homeownership came out on top, followed closely by the CLT's preservation of affordability in publicly subsidized homes (see box 1.1).

The partnerships forged between CLTs and municipalities are founded, in many jurisdictions, on this alignment of interests. Both parties want to expand

homeownership opportunities for households of modest means and to preserve those opportunities for the foreseeable future. They are equally committed to a policy of preservation, working together to produce homes that last.

CLTs bring to this partnership a proven, two-sided strategy for accomplishing these objectives. CLTs change the way homes are owned (tenure) and they change the way homes are operated (stewardship). How does it work?

## Tenure: Changing How Homes Are Owned

Community land trusts belong to a family of tenures called limited-equity housing or shared-equity homeownership. In addition to CLTs, this family includes owner-occupied houses and condominiums with affordability covenants appended to their deeds and housing owned and operated by a limited-equity or zero-equity cooperative. Each model has features that make it unique and advantages that make it the right choice in a specific situation. They are also combined at times, as when a cooperative is sited on land leased from a CLT or when a CLT uses deed covenants to preserve the affordability of inclusionary units sprinkled throughout a larger project.

CLTs stand out among their shared-equity cousins in holding onto the land beneath most (or all) of the housing for which they are responsible. Title to this housing, either for buildings that existed when the CLT acquired the land or for those constructed later, is held separately by any number of parties—homeowners, cooperatives, businesses, gardeners, farmers—who lease the underlying land and pay a monthly lease fee to the CLT.

Although a CLT's landholdings are frequently characterized as "community owned" or as "common ground," these lands are neither collectively nor

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### Box 1.1

#### Which CLT Activities Spur Support from Public Officials?

- #1** Providing homeownership for households who are priced out of the market
- #2** Protecting the affordability of homes that have been subsidized with public funds
- #3** Constructing affordably priced housing on vacant lots
- #4** Constructing energy-efficient and durable homes that will last for generations
- #5** Rehabilitating buildings that have fallen into disrepair
- #6** Preventing foreclosures in affordably priced homes

*(Reasons ranked by frequency; n=83 CLTs completing online survey)*

cooperatively owned by the people living on them or around them. Title is held by the nonprofit landowner. This is ownership for the common good, not ownership in common.

Ground leasing is a CLT's preferred form of tenure, a best practice that boosts a CLT's ability to expand and preserve homeownership (see box 1.2). The

separation of ownership is not always an option, however. In some places and for some projects, it is more practical for CLTs to use an affordability covenant rather than a ground lease. That is often the case, for example, when a CLT is tasked by a city to protect the affordability of a handful of inclusionary condominiums that are sprinkled throughout a larger, market-rate project.

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#### Box 1.2

#### Why Do CLTs Hold Onto the Land?

Whenever possible, CLTs retain ownership of any parcels of land that come into their possession, leasing them out rather than selling them off. Why? What is the rationale for holding onto the land forever, which is considered a best practice by most CLTs?

1. **Capture land gains.** Harkening back to the 19th century writings of American political economist Henry George and English urban planner Ebenezer Howard, early CLT advocates argued that landownership by a nonmarket, nongovernmental organization would capture the gains in land value caused by a society's general improvement and put them to work for the common good.
2. **Guide development.** "Take a stand, own the land" was the rallying cry of Boston's Dudley Street Neighborhood Initiative, a prelude to creating a CLT subsidiary in 1989 to hold land acquired with the city's help. In an echo of that refrain, landownership by a CLT is often promoted as a strategy for giving residents the power to guide development and to prevent displacement.
3. **Expand homeownership.** When homebuyers don't have to purchase the underlying land, the cost of a home is reduced, the loan-to-value ratio is enhanced, and private mortgage insurance is rarely required. This brings homeownership within reach for a wider range of people.
4. **Detect financial trouble.** When homeowners fall behind in paying the fees required by their ground lease, the CLT is alerted that there may be more serious financial difficulties, including the possibility that owners are not meeting their monthly mortgage payments.
5. **Encourage intervention.** The ownership of land is a "commitment device," increasing the odds that the organization charged with preserving affordability, quality, and security will neither ignore violations of the ground lease nor fail to intervene in correcting them.
6. **Enforce restrictions.** The legal path to remedying violations of the use of affordability restrictions in a ground lease is well marked compared to the enforcement of similar provisions in a deed covenant.
7. **Bargain from strength.** In a worst-case scenario, if a homeowner has defaulted on a mortgage and a lender has foreclosed, the CLT still owns the land. The CLT retains enormous leverage, therefore, when negotiating to prevent an affordable home from being lost to the market.
8. **Pay for stewardship.** By collecting annual fees from leasing out multiple parcels of land, a CLT is assured of a predictable source of income to cover a portion of its costs of stewardship.
9. **Burnish the balance sheet.** Land that comes into a CLT's portfolio, when unencumbered by debt, is entered onto its balance sheet as a permanent asset, strengthening the CLT's financial profile.
10. **Diversify land uses.** The lands held by a CLT need not be used solely for housing. When diversifying its holdings, a CLT can also diversify its revenue, cross-subsidize its projects, and make a multifaceted contribution to community development.

The separation of land and buildings is not the only difference in tenure, however, between the form of homeownership that is a mainstay of the private real estate market and the form of homeownership offered by a CLT. Individuals who purchase a house, townhouse, or condominium through a CLT acquire rights, responsibilities, risks, and rewards that are similar to those typically held by conventional homeowners, but they also differ in many respects (see table 1.1, page 13).

### MODIFIED RIGHTS

The people who occupy CLT housing are homeowners. They hold most of the “sticks” in the “bundle of rights” that homeowners have traditionally possessed when acquiring residential property. But some of those rights are modified. The CLT has a say, for example, in determining how the homes in its portfolio are financed and what kinds of post-purchase

improvements may be made. Should a homeowner (or heirs) want to resell, the CLT has authority through the ground lease (or covenant) to say to whom the home may be resold and for what price.

### SHARED RESPONSIBILITIES

Newly minted homeowners do not go it alone. They are backed by an organizational steward that shares some of the responsibilities of maintaining the home and marketing it whenever a homeowner has decided the time to move has come.

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The home at left is a 1,200-square-foot, three-bedroom property in Pittsburgh’s rapidly gentrifying Hazelwood neighborhood that was renovated and made permanently affordable with the help of public funding and philanthropic support. *Source: Jordan Gray for City of Bridges Community Land Trust.*





Table 1.1

**Conventional Homeownership vs. CLT Homeownership**

	Conventional Homeownership	CLT Homeownership
<b>RIGHTS</b>	Occupy the home for any length of time, as long as bills are paid	
	Exclude others from the property and the right to quiet enjoyment	
	Bequeath assets to one's heirs	
	Furnish and decorate one's personal living space	
	Make post-purchase capital improvements	<b>Modified right:</b> Prior review and approval of proposed improvements by the CLT
	Sublet all or part of the home to any renter at any price for any length of time	<b>Modified right:</b> Prohibition of absentee ownership; regulation of subletting by the CLT
	Resell the home to any buyer at any price	<b>Modified right:</b> Oversight of resale process by the CLT, ensuring income-eligibility of future buyers and capping the resale price
<b>RESPONSIBILITIES</b>	Make payments on mortgages and any other loans secured by the property	
	Comply with health, zoning, and fire safety codes	
	Pay insurance on the home	
	Pay homeowner association fees (if any)	
	Pay local property taxes	
	Secure services from bankers, contractors, and other professionals	<b>Shared responsibility:</b> Many CLTs do referrals, review contracts, identify trustworthy lenders, and screen against predatory practices
	Make regular repairs and replace major systems	<b>Shared responsibility:</b> Many CLTs provide financial assistance or staff support for repairs and replacements
Find a buyer when a homeowner decides to resell	<b>Shared responsibility:</b> Most CLTs maintain a waiting list of eligible buyers; more typically, the CLT manages and expedites the transfer, repurchasing, and reselling of every home	
<b>RISKS</b>	Unaffordable rate increase from variable-rate, subprime, or predatory mortgages	<b>Managed risk:</b> Most CLTs review and approve mortgages and refinancing
	Home prices declining in a down market, wiping out homeowner equity	<b>Managed risk:</b> The equity belonging to a CLT homeowner is seldom affected by any decline in the value of surrounding real estate
	Increase in property taxes, rendering homes unaffordable	<b>Managed risk:</b> CLTs negotiate lower tax assessments in many places because of the ground lease and the capped resale price
	Expensive repairs or major system replacements may be needed right away	<b>Managed risk:</b> Some CLTs create stewardship funds to defray the cost of emergency repairs or major system replacements
	Homes being lost through mortgage foreclosure	<b>Managed risk:</b> Most CLTs intervene to cure defaults and to prevent foreclosure
<b>REWARDS</b>	Build equity as the mortgage is amortized	
	Claim state and federal tax deductions reserved for homeowners	
	Recoup money invested in capital improvements (if any)	<b>Modified reward:</b> Most CLTs allow homeowners to recoup all or part of their investment in making some improvements, but not others
	Earn income from renting out a room—or the entire home	<b>Modified reward:</b> All CLTs regulate renting/subletting and often cap rents; a more substantial gain in income may come from lower property taxes
	Build wealth on resale through appreciation in the home's value	<b>Modified reward:</b> All CLTs allow a fair return on the owner's investment, but cap the resale price



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A new home constructed by One Roof Community Housing in Duluth, Minnesota. Rezoning by the city made it possible to build narrower homes on smaller lots. *Source: Duluth News Tribune.*

## MANAGED RISKS

Many of the risks of owning and operating a home are managed, mitigated, or removed by CLTs, beginning before a home is purchased and continuing throughout a homeowner's occupancy. Homeowners are protected against predatory lending. They are prevented from making improvements that could compromise the structural integrity of a house or from refinancing mortgages that could compromise their own financial security. Some CLTs establish stewardship funds, which help homeowners replace or upgrade major systems. In times of economic distress, a CLT may also intervene to cure a mortgage default and to prevent foreclosure.

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Contained in the ground lease is a resale formula that specifies the process and price when transferring the home from one income-qualified buyer to another, a formula designed to preserve the home's affordability across multiple resales.

## SHARED REWARDS

Conventional homeowners build wealth in multiple ways. They accumulate savings as they pay off the principal on their mortgages. They get back some of the money they have spent on capital improvements. They qualify for deductions and exemptions allowed to homeowners under federal and state tax codes. They may supplement their income by renting out rooms or the entire property. And they have an opportunity to reap an equity windfall when reselling, if they live in a neighborhood where property values are rising.

All of these paths to wealth building are open to the owners of CLT homes, with important limitations. Subletting is tightly regulated. So is the amount of equity that homeowners may remove from their homes on resale. Both limitations are spelled out in the ground lease (or covenant). Contained in the ground lease, as well, is a resale formula that specifies the process and price when transferring the home from one income-qualified buyer to another, a formula designed to preserve the home's affordability across multiple resales.

## Stewardship: Changing How Homes Are Operated

By changing how homes are owned, CLTs can expand access to homeownership for people of modest means who are unable to buy a market-priced house, townhouse, or condominium. For the affordability of these homes to last, however, it's not enough to reweave the rights, responsibilities, risks, and rewards of ownership; the operation of these homes must be modified as well. CLTs must act as vigilant stewards to ensure that this tapestry of tenure does not unravel over time.

“Forever” is the gold standard here. While some proponents of shared-equity housing are willing to settle for affordability protections that last “only” 30 years, most CLT practitioners are advocates for the permanent affordability of any privately owned homes produced through the donation of public lands, the investment of public dollars, or the exercise of public powers. Their advocacy is backed by action, moreover, for they are operationally committed to a stewardship regime that lasts as long as the homes entrusted to them. Because of that commitment, CLTs are sometimes called “the developer that doesn't go away.”

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This family bought their CLT home through the Homebuyers Choice Program, an initiative of the Houston Community Land Trust funded by the City of Houston. Source: *Houston Community Land Trust*.

## THE PRESERVATION OF AFFORDABILITY

How do CLTs preserve the affordability of owner-occupied housing? The best way to illustrate the performance of CLT homeownership is to compare it to the down payment assistance programs administered by many municipalities. In these programs, financial assistance is provided directly to prospective homebuyers, either as a grant or as a deferred-interest loan. Such assistance reduces the monthly mortgage payments so that a lower-income buyer can afford to purchase a market-priced home. When the home is later resold—for the highest price the market will bear—the municipality's grant is pocketed by the homeowner or the loan is repaid. The home is no longer affordable, unless the municipality is willing to offer another (often larger) subsidy to the next homebuyer.

The CLT takes a different approach. It uses public subsidies, typically provided directly to the CLT by a municipality, to reduce the purchase price of the home. It creates an affordable *home* that can be owned by a succession of homebuyers, one resale after another, rather than creating affordable *payments* for a single homeowner.







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CLTs are dedicated to expanding—and preserving—homeownership opportunities in any kind of weather. City of Lakes Community Land Trust team members host a booth at a street fair in Minneapolis. *Source: Social Strength.*

Over the long term, the two approaches have dramatically different effects, especially in real estate markets where housing prices are rising faster than household incomes. In the first, the public subsidy that successive homebuyers will need in order to afford market-priced housing increases steadily. Even when homeowners must repay the subsidy when they resell, the recaptured amount is unlikely to bridge an affordability gap that has widened during their occupancy. The next generation of lower-income buyers is likely to need a larger subsidy than the one that lifted the first households into homeownership.

The CLT strategy, by contrast, is to invest in creating a stock of permanently affordable, owner-occupied housing. The CLT uses the investment of public funds to subsidize the cost of housing development. As a result, it can sell its homes for prices that lower-income households can afford without needing a second loan or other special financing. Later, if homeowners decide to move, they must resell their subsidized homes for a formula-driven price that other income-qualified homebuyers can

afford. By maintaining ownership of the land and capping the resale price of a home across multiple resales, a CLT can usually keep homes affordable for many years without the need for additional infusions of public capital.

Table 1.2 (page 17) presents a hypothetical example comparing two homeownership assistance programs over 30 years and through four resales. In one program, a \$70,000 loan is provided to a homebuyer. The loan is repaid to the municipality at resale without interest. In the other program, a \$70,000 grant is provided to a CLT. The subsidy remains in the home at resale and the resale price is capped at no more than the initial sale price plus an upward adjustment tied to the annual change in Area Median Income (AMI).

On resale, the two programs perform quite differently with regard to how well they preserve the value of the public investment, how large a return the seller realizes, and how much additional subsidy must be put into the home on subsequent resales to serve homebuyers at the same targeted income.

For the program in which the subsidy was loaned to a homebuyer, the continued affordability of this one home would require a public investment totaling \$92,570 over 30 years, assuming the home resells multiple times. For the program in which the subsidy was granted to the CLT, the same home could serve

Table 1.2

**Performance of Alternative Homebuyer Assistance Programs Over Time**

	Loan to Homebuyer (0% Interest)	Grant to CLT (AMI Resale Formula)
<b>Initial Sale</b>		
Initial Market Value	\$270,000	\$270,000
Subsidy	\$70,000	\$70,000
Initial Sale Price	\$270,000	\$200,000
<b>Resale In Year 7</b>		
Sale Price	\$405,980	\$245,975
Repay First Mortgage	(\$173,509)	(\$173,509)
Repay Public Subsidy	(\$70,000)	0
Sales Costs (6%)	(\$24,359)	(\$14,758)
<b>Seller's Net Proceeds</b>	<b>\$138,112</b>	<b>\$57,708</b>
Affordable Price to Next Buyer	\$245,975	\$245,975
Recaptured Subsidy	\$70,000	0
<b>Additional Subsidy Required</b>	<b>\$90,005</b>	<b>0</b>
Total Subsidy for Next Buyer	\$160,005	0
<b>Resale in Year 14</b>		
Sale Price	\$610,444	\$302,518
<b>Additional Subsidy Required</b>	<b>\$147,921</b>	<b>0</b>
<b>Resale in Year 21</b>		
Sale Price	\$917,882	\$372,059
<b>Additional Subsidy Required</b>	<b>\$237,897</b>	<b>0</b>
<b>Resale in Year 28</b>		
Sale Price	\$1,380,155	\$457,585
<b>Additional Subsidy Required</b>	<b>\$376,747</b>	<b>0</b>
<b>Total Subsidy Invested over 30 Years to Provide Access to Homeownership for Five Families</b>	<b>\$922,570</b>	<b>\$70,000</b>

Note: This hypothetical example assumes 6% annual home price inflation, 3% annual income inflation, and stable interest rates.

the same number of homebuyers over 30 years at the same targeted income for a total municipal investment of only \$70,000.

There are two caveats here. First, a CLT cannot control other factors that influence housing costs,

including rising insurance rates, utility costs, and mortgage interest rates. If a CLT is responsible for overseeing inclusionary homes in a larger residential project, moreover, it may have no control over rising HOA fees as well. No CLT can absolutely guarantee it will never need an additional subsidy,

therefore, but it *can* assure a municipal partner that any further subsidy will be substantially less than what would be required without the CLT’s resale controls.

The second caveat is that simply imposing a contractual restriction on resale is seldom effective, by itself, in preserving the affordability of owner-occupied housing. Whether implemented through a ground lease, a deed covenant, or some other legal mechanism, these restrictions are not self-enforcing. Experience has shown that an organizational steward must remain in the picture long after resale-restricted homes are purchased to ensure they are transferred to income-qualified buyers for a formula-determined, affordable price.

## DUTIES OF STEWARDSHIP

This stewardship role is one that every CLT gladly accepts and dutifully performs. Indeed, it is what CLTs do best. There is a multifaceted stewardship regime requiring three sets of tasks: (1) keep the cost

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Experience has shown that an organizational steward must remain in the picture long after resale-restricted homes are purchased to ensure they are transferred to income-qualified buyers for a formula-determined, affordable price.

of housing and other land-based assets within the financial reach of lower-income households (*affordability*); (2) keep the buildings inhabited by these households in good repair (*quality*); and (3) keep newly minted homeowners in the homes they have purchased, even when they’re buffeted by personal setbacks or economic disruptions (*security*).

These responsibilities are sometimes referred to as the three faces of stewardship (see figure 1.4). They have also been called “counter-cyclical stewardship” since they preserve affordability when real estate markets are hot and prevent deferred maintenance when markets are cold. They also protect security of tenure for lower-income homeowners amid economic fluctuations that can erode their earnings and threaten their homes.

The many duties a CLT must play in this stewardship role can be arranged according to the *goals* a stewardship regime is designed to achieve and the *phase* in the homeownership cycle when these services and interventions are performed (see table 1.3, page 19). These duties also vary by the *type* of housing within a CLT’s portfolio. The stewardship of single-family houses, for example, each with a separate ground lease, can entail somewhat different responsibilities for a CLT than would the stewardship of multi-family housing, which might require dealing not only with individual homeowners but also with the board of a condominium, cooperative, or homeowners association.

Figure 1.4

### Three Faces of Stewardship






# Covering the Cost of Stewardship

The larger a CLT’s portfolio, the more diverse its holdings, and the more duties a CLT chooses to perform,

the higher its operational costs of stewardship will be. For most CLTs, these costs are paid through some mix of internal revenues generated by a CLT’s own activities and external contributions from municipal partners and private donors.

Table 1.3  
Duties of Stewardship

Goals of CLT Stewardship	Typical Duties of Stewardship During Different Phases of the Homeownership Cycle		
	Prepurchase Preparing homes and homeowners	Occupancy Supporting homes and homeowners	Resale Transferring homes to new owners
<b>Affordability</b> 	<ul style="list-style-type: none"> <li>Maintain a waiting list of income-eligible homebuyers</li> <li>Inform prospective buyers of resale restrictions and other conditions encumbering the home and underlying land</li> </ul>	<ul style="list-style-type: none"> <li>Secure equitable taxation for resale-restricted homes</li> <li>Regulate the renting/subletting of homes (if permitted at all)</li> </ul>	<ul style="list-style-type: none"> <li>Calculate the maximum resale price when notified of a homeowner’s intent to sell</li> <li>Manage the process of transferring ownership of the home, either repurchasing it or overseeing its resale to an income-eligible buyer</li> </ul>
<b>Quality</b> 	<ul style="list-style-type: none"> <li>Install durable materials and energy-efficient systems during construction, reducing the home’s carbon footprint</li> <li>Prepare homebuyers for maintenance responsibilities that come with homeownership</li> </ul>	<ul style="list-style-type: none"> <li>Review/approve post-purchase capital improvements proposed by the homeowner</li> <li>Inspect the condition of homes periodically</li> <li>Discourage poor maintenance; reward good maintenance</li> <li>Maintain a stewardship fund for helping homeowners with major repairs and replacements</li> </ul>	<ul style="list-style-type: none"> <li>Calculate the value of post-purchase capital improvements, credited to the seller’s equity at resale</li> <li>Inspect home at time of resale, overseeing any necessary repairs or rehabilitation</li> </ul>
<b>Security</b> 	<ul style="list-style-type: none"> <li>Review and approve all mortgages, preventing predatory lending</li> <li>Match the cost of buying and operating a particular home to the prospective buyer’s ability to carry this financial burden</li> </ul>	<ul style="list-style-type: none"> <li>Verify occupancy as the homeowner’s primary residence, preventing absentee ownership</li> <li>Review/approve refinancing</li> <li>Ensure that owners have adequate insurance coverage</li> <li>Monitor the payment of taxes, utilities, and insurance</li> <li>Correct violations in ground leases before they linger too long or loom too large to be easily corrected</li> <li>Intervene to cure mortgage defaults and to prevent foreclosures</li> </ul>	<ul style="list-style-type: none"> <li>Maintain a waiting list of income-eligible, mortgage-ready homebuyers interested in purchasing a resale-restricted home</li> <li>Assist in marketing homes that are offered for resale—or intercede to repurchase the home—so that sellers can quickly collect their equity and move on to their next home</li> </ul>



## INTERNALLY GENERATED FUNDS

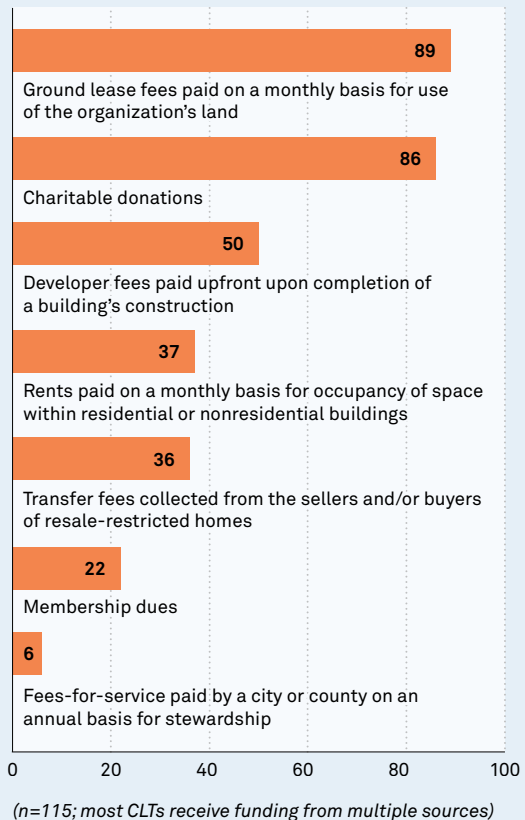
Among the 115 CLTs consulted for this report, 104 provided information about the ways they are paying for stewardship (see figure 1.5). Nearly all are using multiple revenue streams, including ground lease fees, developer fees, member dues, and transfer fees (sometimes called lease reissuance fees), collected on the resale of CLT homes when conveyed from one homeowner to another.

Special note should be taken here of a “model” stewardship practice. More than a third of the CLTs consulted for this report are more than 20 years old, so the first housing brought into their portfolios is now on the verge of requiring major repairs. Consequently, an increasing number of CLTs charge something extra in their monthly ground lease fees or devote a portion of any transfer fees collected on resale to major repairs or replacements. These revenues are deposited into building-by-building escrows or placed in a pooled stewardship fund (see box 1.3).

The bigger a CLT’s portfolio, the greater the total lease fees and transfer fees the CLT can collect each year, covering a higher percentage of the cost of providing stewardship services. There may, in fact, be a “sustainability threshold” at which most of a

Figure 1.5

### Sources of Support for CLT Stewardship



#### Box 1.3

### Establishing an Exterior Home Maintenance Reserve Fund

#### Orcas Island, Washington

Of People and Land (OPAL) was one of the first CLTs to create a stewardship fund to meet the future maintenance and repair needs of the owner-occupied homes in its portfolio. In 2005, OPAL adopted a new ground lease, requiring homeowners to deposit \$50 per month into an Exterior Home Maintenance Reserve established for each property.

Funds are released to homeowners at OPAL’s sole discretion and may only be used to protect the structural

integrity of the home, including roof replacement, siding or window replacement, and exterior paint. If a home is resold, any unused funds in the reserve are retained by OPAL for that home’s future maintenance.

“It has been working just as we had hoped,” according to Julie Brunner, OPAL’s housing director. “All of the homes in Opal Commons, which are 30 years old this year, have new roofs—all but two of them are metal roofs. The Bonnie Brae neighborhood, 25 years old this year, is about two-thirds of the way through their roof replacements, all of them metal. And Wild Rose Meadow had all 32 homes painted a few years ago.”

CLT's stewardship costs are offset by these internally generated revenues. Many variables exist, making it difficult to pinpoint that threshold. These variables include how much a particular CLT's lease fee is, the turnover rate in a CLT's portfolio of owner-occupied housing, the size of the transfer fee, and market conditions that will determine whether a CLT can collect a transfer fee without compromising affordability.

## EXTERNALLY CONTRIBUTED FUNDS

Even mature CLTs with sizable portfolios typically depend on external funding to cover part of their stewardship costs, using some combination of charitable contributions and public funds. Most of this funding comes from private sources; the CLTs in our sample reported receiving no operational funding from a city or county for the stewardship of owner-occupied homes. Indeed, a common complaint is that CLTs are expected to watch over publicly assisted homes without being remunerated for a public service that is expected to last forever.

However, that is not true everywhere. A half-dozen CLTs in our sample are being funded by a local government explicitly for the purpose of stewarding homes that the municipality has helped to create. Three stand out:

- The Housing Land Trust of the North Bay is paid a per-unit fee by two different municipalities in Sonoma County, California, for every inclusionary housing unit the CLT stewards on the municipality's behalf. The CLT also provides stewardship for inclusionary housing in six other cities in the same county; in those places, private developers who are subject to inclusionary zoning pay the CLT's per-unit fee.
- The City of Bridges CLT in Pittsburgh receives an annual grant from the city's Urban Redevelopment Authority to steward approximately 100 publicly subsidized homes encumbered with a deed restriction that requires the



Box 1.4

### A Multiyear Interlocal Agreement Orange County, North Carolina

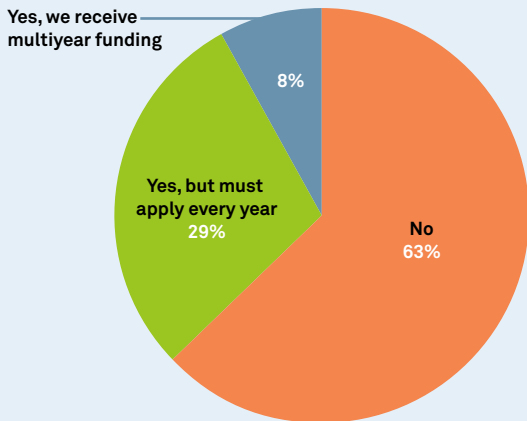
Four municipalities in North Carolina have shared the cost of providing a basic level of operational funding for the Community Home Trust (CHT) since 2015. That year, Orange County and the towns of Carrboro, Chapel Hill, and Hillsborough signed an interlocal agreement, noting that “virtually all of CHT’s work is driven by inclusionary housing policies that are supported by the County and Towns.” Hoping to ensure that the housing generated by those policies “remains affordable in perpetuity” and recognizing the value added by a “nongovernmental entity” watching over this housing, the municipalities agreed to provide CHT annual funding equivalent to six months of operating expenses, plus the cost of maintaining “special project reserves for CHT to safeguard its portfolio.”

They also adopted a formula that specified how much each municipality should contribute. Orange County provides 33 percent of the total and the towns provide 67 percent. The three towns share their 67 percent portion based on the ratio of CHT homes within each town. The municipalities pledged to increase their operational funding for CHT every year, which they have done.

Community Home Trust team members join a neighborhood beautification project in Chapel Hill, North Carolina. *Source: Community Home Trust.*

Figure 1.6

### Funding for CLT Operations Provided by a Local Government



(n=115)

homes to be resold to another income-qualified buyer or to the CLT.

- The Community Home Trust in North Carolina has received stewardship funding on an annual basis from four municipalities under an inter-local agreement signed in 2015 (see box 1.4, page 21).

These examples do not tell the entire story. Many CLTs receive annual or multiyear capacity grants from cities or counties to cover a portion of their operating costs, including stewardship. Among the 115 CLTs in our sample, 38 (36.5 percent) reported receiving operational funds from a local government; some of these CLTs are using these funds to help meet their ongoing responsibility for stewarding homes under their care (see figure 1.6).

### WHY DELEGATE STEWARDSHIP TO A CLT?

Some municipalities keep stewardship in-house, assigning municipal staff the responsibility for overseeing the affordability of inclusionary homes that public subsidies or public powers have helped to create. Why have other jurisdictions made a different choice?

**Programmatic focus.** Stewardship is a specialty for CLTs, not a sideline. It is what they are impelled to do by their organizational mission. It is what they are compelled to do by owning the underlying land. It is what CLTs are staffed to do: watch over homes entrusted to them and support homeowners who rely on them.

**Administrative burden.** By stewarding affordable homes that a local government has made possible, CLTs lift the burden of stewardship from the shoulders of public officials, who are freed for other tasks. Furthermore, even when a local government helps defray a CLT's cost of stewardship, subsidizing this nonprofit organization to perform these specialized duties will always be less expensive than paying municipal employees to do the same.

**Beyond affordability.** CLTs have proven especially adept at managing the resale of publicly assisted homes from one lower-income household to another, but the preservation of affordably priced, owner-occupied housing demands more than that. For homes to last, they cannot be lost to deferred maintenance or foreclosure. CLTs offer a multifaceted stewardship regime that makes them an attractive partner for any municipality fully committed to a policy of preservation.

**Homeowner trust.** The stewardship duties performed by CLTs are made less costly and more effective by the relationship CLTs establish with their homeowners. A CLT is not a remote enforcer of use and resale controls that encumber a homeowner's property, as would be the case for a city or county official charged with overseeing resale-restricted homes. Instead, the CLT is a trusted partner, one that assisted with the home's original purchase and remains in the picture to make sure the homeowner succeeds.

## CHAPTER 2

# Municipal Support for Starting a CLT



Starting a community land trust was once the exclusive purview of private individuals and nonprofit organizations outside of government. If municipal officials participated at all, they tended to be drawn in only after the start-up tasks were done. They also postponed committing public resources to a CLT's projects and operations until the organization was well established. Support could be delayed for years, as elected leaders and municipal staff waited to see whether an unfamiliar model and a new organization could deliver on its promises.

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New York City Council Member Carlina Rivera speaks at a City Hall rally in 2022. Community activists and elected officials joined forces to call for increased municipal support for community land trusts. *Source: New Economy Project.*



Burlington, Vermont, was the first city to depart from this wait-and-see stance back in 1984, when the city council appropriated \$200,000 to start the Burlington CLT, now named the Champlain Housing Trust. Municipal staff from the city's Community and Economic Development Office led the process of planning and incorporating the new CLT, with assistance from the Institute for Community Economics, a national think tank behind much of the early growth of CLTs.

What was a rare occurrence 40 years ago has now become fairly common. During the last couple of decades, municipal officials in many jurisdictions have become heavily involved in the process of starting CLTs, whether initiating the formation of a new corporate entity or grafting a CLT program onto an existing organization (see box 2.1, page 25). Today, a municipality is as likely to be the driving force behind a new CLT as to be a belated supporter.

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Construction on a Champlain Housing Trust/Green Mountain Habitat for Humanity project in Shelburne, an affluent community just south of Burlington, Vermont. Burlington was the first US city to provide municipal funding for a CLT. *Source: Champlain Housing Trust.*

The trend of municipalities getting involved at the start of a CLT appears to be gathering steam. In addition to the 59 CLTs in our sample that reported having received one or more types of assistance from a local government in their formative years, there are other places where a city or county is currently playing a leading role in forming a new CLT. It is too soon to say how successful any of them will be, but their high level of municipal backing makes these start-ups worth watching:

- The Long Beach, California, city council awarded \$800,000 to a local nonprofit to create a new CLT, tentatively named Housing for All Long Beach CLT.
- Leaders in Tampa, Florida, have set aside part of a \$10 million bond to start a new CLT.
- The city of Louisville, Kentucky, has set aside \$1.5 million to enable a local nonprofit, REBOUND, to lay the foundation for the Smokehouse CLT.
- In Jacksonville, Florida, the mayor has championed the effort to establish a CLT. The city has already committed \$250,000 in operational funding for the new organization.



## Creating a CLT: A Preliminary Checklist

### FUNDAMENTAL DECISIONS

**Beneficiaries.** Who will the CLT serve?

**Geography.** Where will the CLT operate?

**Incorporation.** Will the CLT be started as a newly formed, independent nonprofit, or will it be grafted onto an existing organization as a corporate subsidiary or internal program?

**Governance.** Will the composition and selection of the governing board resemble the tripartite structure of the “classic” CLT, or will the board be structured in a different way?

**Membership.** Will the CLT have a membership? If so, who can become members and what roles will they play?

**Projects.** What types and tenures of housing will be developed on the CLT’s land? Will nonresidential land uses and buildings also be included among its holdings?

**Roles.** Will stewardship be the CLT’s main focus, preserving affordable housing developed by others, or will the CLT be a developer as well as a steward?

**Champions.** Who will play a lead role in laying the foundation for the new CLT and advocating for it among community members and policymakers?

### FOUNDATIONAL TASKS

**Documents.** Prepare a set of corporate bylaws (if creating a new nonprofit), adopt a formula for pricing the resale of homes, and fine-tune provisions in the model ground lease, adapting this contract between the landowner and homeowners to suit local circumstances and priorities.

**Directors.** Recruit and select members for the CLT’s founding board.

**Resources.** Evaluate the availability of public resources for land acquisition, housing development, and staffing the CLT.

**Plans.** Create a three-year plan for expanding the CLT’s portfolio, including development goals and subsidy requirements.

**Residents.** Begin outreach to residents, nonprofits, and businesses in the CLT’s service area, building a base of community acceptance and support.

**Mortgages.** Build relationships with private financial institutions for the mortgaging of CLT homes.

**Taxes.** Apply for a 501(c)(3) exemption from federal taxes and meet with local tax assessors to negotiate equitable taxation of resale-restricted housing on the CLT’s land.

**Homebuyers.** Develop marketing materials, selection criteria, and materials for educating homebuyers and disclosing terms and conditions in the ground lease.

- In Nevada, the Welcome Home CLT is being set up by Clark County’s Community Housing Office, which has hired a manager for the CLT and begun planning a 30-lot single-family subdivision in Las Vegas.
- Indianapolis has appropriated \$1.5 million to start a citywide CLT, partnering with Homes for All Indy, a program of the Kheprw Institute. The new organization will be named the Indy CLT.
- In Greensboro, North Carolina, the city’s Housing and Neighborhood Development Department is taking the lead in starting a new CLT and is planning to transfer an existing 50-unit rental project to the CLT to give the new organization a stream of revenue.
- In College Park, Maryland, an affordable housing land trust has been established under the auspices of a longstanding partnership between the city and the University of Maryland.
- In Fort Worth, Texas, the mayor and city council are actively supporting a new CLT and its plans for developing 200 affordably priced homes on the site of a former theological seminary.

## A Menu of Municipal Largesse

The months immediately preceding a community land trust's formation and the year or two after its establishment are critical. During this start-up period, municipal governments have played a variety of roles in getting new CLTs off the ground and have contributed a variety of resources (see figure 2.1).

### INTRODUCING AND PLANNING A NEW CLT

Sixteen of the CLT practitioners who were interviewed or surveyed for this report said that municipal staff introduced the model in their communities. Twenty-seven said that public officials were actively involved in helping to plan the CLT. Even when a new CLT was first proposed by grassroots organizers or nonprofits, community activists in many of these places saw the wisdom of inviting public officials into the planning process early on. Houston is a good example: the idea for a CLT had been discussed by community leaders for several years and finally took

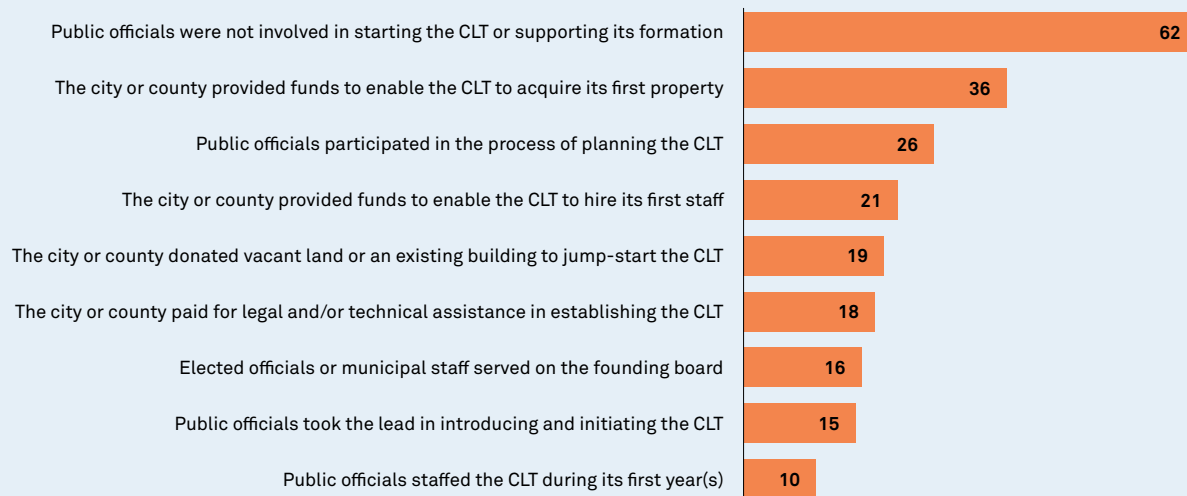
off when city officials joined the effort to create one. In Atlanta, too, community leaders introduced the idea of forming a CLT to counter displacement that building the Atlanta BeltLine, a 22-mile urban trail network, might cause. They brought city officials into the early process of crafting a blueprint for what eventually became the Atlanta Land Trust.

### PERSUADING AN EXISTING NONPROFIT TO ADD A CLT PROGRAM

When city or county officials decide to invest in starting a CLT, it does not always entail creating a new organization. It sometimes means persuading—and funding—an existing nonprofit organization to add a CLT homeownership program to its mix of services. For example, officials in Blacksburg, Virginia, partnered with Montgomery County officials to establish the New River Home Trust as a subsidiary of Community Housing Partners, an established community development corporation. The City of Sheridan, Wyoming, donated \$300,000 to assist

Figure 2.1

### Municipal Support in a CLT's Start-Up



(n=115; a single CLT may have received multiple types of support)

Habitat for Humanity of the Eastern Bighorns is starting a CLT program for permanently affordable homeownership. In Bloomington, Indiana, municipal support made it possible to establish the Summit Hill Community Land Trust as an internal program of the Summit Hill Community Development Corporation.

## CONTRACTING FOR EXPERT ASSISTANCE AND TRAINING

Over the years, many cities and counties have borne the cost of hiring local or national consultants to provide technical assistance in planning a CLT, including 18 of the CLTs that provided input for this report. City governments in Chicago, Portland, Oregon; Burlington, Vermont; Delray Beach, Florida; and State College, Pennsylvania, were some of the earliest examples. More recently, New York City has funded legal and technical assistance for 14 fledgling CLTs through its Community Land Trust Initiative, launched in 2020. Many other cities have used municipal funds to hire outside consultants to provide expert advice in starting CLTs, including Houston, Milwaukee, Somerville, Massachusetts; and Greensboro, North Carolina.

## STAFFING THE NEW ORGANIZATION

Among the CLTs interviewed or surveyed for this report, 21 (18.3 percent) received seed funding from a city or county to hire their inaugural staff. Among those CLTs are some of the country's most successful, including those in Burlington and Minneapolis. More recently, the City of Houston committed operational funding to the Houston CLT in year one and renewed it in year two, for a total investment of \$2 million. These funds enabled the CLT to hire its initial staff and covered much of the cost of operating the CLT during its start-up phase, from 2018 to 2023. On a smaller scale, Lynchburg, Virginia, with a population of 80,000, donated \$200,000 to provide staffing for the newly established Lighthouse Beloved Community CLT.



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Groundbreaking at Weston Village, the future site of 30 CLT homes in Sheridan, Wyoming. The city and county provided funding to the regional Habitat for Humanity to start a community land trust.

*Source: Habitat for Humanity of the Eastern Bighorns.*

There are also multiple cases of city or county employees staffing a new CLT during its early years. The first executive director of the Chicago CLT, for example, was a municipal employee working out of the Department of Housing. In Columbia, Missouri, a senior official in the city's Community Development Department played the lead role in starting the Columbia CLT and then served as its de facto director. In Erie, Pennsylvania, the Cornerstone CLT is being staffed by the Erie Land Bank, a municipal entity.

In several other cases, the municipal employee who helped to start a CLT went on to become its first executive director once the organization was firmly established. This occurred in Grand Forks, North Dakota, after the local public housing authority sponsored the creation of a new CLT in 2019, and in Palm Beach County, Florida, when the county employee charged with getting the CLT of Palm Beach County and the Treasure Coast off the ground shifted into a leadership role at the new organization.





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New homeowners celebrate their purchase with the Delray Beach Community Land Trust, one of the oldest CLTs in Florida. *Source: Delray Beach Community Land Trust.*

## FUNDS AND LANDS FOR INITIAL PROJECTS

Many municipalities have made an equity investment at an early stage in a CLT's development or conveyed publicly owned lands. Funding for a CLT's first project was, in fact, the most frequent type of municipal support reported by the practitioners consulted for this report. Early project funding was cited by nearly a third of these practitioners (32.2 percent). The City of Oakland provided funding to help the OakCLT acquire its first housing in 2009. The Fideicomiso Comunitario Tierra Libre in East Los Angeles was one of five CLTs to take advantage of \$14 million in funding from Los Angeles County, an appropriation that enabled the Fideicomiso to acquire its first multiunit building in 2021.

Beyond funding, the donation of publicly owned lands and buildings was cited by 18 CLT practitioners (15.7 percent) as an important boost in their early years. The Delray Beach CLT in Florida, Dudley Neighbors Inc. in Boston, the Sitka CLT in Alaska, and Tenants to Homeowners in Lawrence, Kansas, are a few examples of CLTs that got a jump start on assembling a real estate portfolio through land donations at an early stage in their development (see box 2.2).

## RETOOLING EXISTING MUNICIPAL PROGRAMS

For nearly a third of the CLTs interviewed or surveyed for this report, one of the most helpful contributions made by a local government happened when public officials took the time to look closely at their current programs, ordinances, and plans for affordable housing, evaluated their compatibility with the CLT model, and modified them where necessary. Of course, in

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### Box 2.2

#### Starting a CLT through a Community-Municipal Partnership Delray Beach, Florida

The Delray Beach Community Land Trust, one of the oldest CLTs in Florida, was founded in 2006. It was formed by community stakeholders in partnership with the Delray Beach Community Redevelopment Agency (CRA) and the City of Delray Beach. The CRA provided financial support for technical assistance to help establish the CLT, staffed the organization until it was up and running, and provided operational funding that allowed the CLT to hire staff of its own. The CRA and the city donated vacant parcels of land, on which the CLT built its first single-family houses. The city also provided subsidies to bring the cost of these houses within the reach of low-income and moderate-income homebuyers.

Then and now, the Delray Beach CLT retains ownership of the land beneath its entire portfolio of newly constructed houses, which are sold or leased to income-qualified families. By owning the land and holding it in trust for future generations, the CLT is able to keep all of its housing permanently affordable, one transfer after another.

many instances, the opposite occurred, with public officials resisting any change in their programs. In many other jurisdictions, however, municipal officials have gone out of their way to modify program priorities, grantee agreements, or security instruments to accommodate a CLT's insistence on leasing the land and limiting the resale price of municipally assisted homes.

## Interests in Common, Issues That Divide

Cities and counties around the country are finding common cause with CLTs in partnerships that meet the interests of both parties. During the process of starting a CLT, however, the interests of those who speak for the municipality and those who speak for the community sometimes diverge. When that happens, the parties can find themselves at odds. Especially in jurisdictions where public officials are playing a hands-on role in starting a CLT, two issues have often been the most divisive: a municipality's reluctance to fully involve residents of the CLT's intended service area; and the temptation of municipal officials to rework the model itself.

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A community outreach event held by the County of Los Angeles and several local housing and development groups as part of a yearlong effort to explore the feasibility of launching a CLT in East LA. Based on the input received, the Fideicomiso Comunitario Tierra Libre CLT expanded into the area. Source: Fideicomiso Comunitario Tierra Libre.

## DEFERRED PARTICIPATION BY THE COMMUNITY

Among the many tasks involved in starting a CLT, none is more important than introducing the model to a wide array of individuals and organizations outside of government, cultivating their understanding and winning their support. This can be difficult, however, when a municipal sponsor has neither the capacity to conduct a participatory planning process nor the credibility to attract community leaders to the table. Especially in communities of color that have been scarred by urban renewal or municipal neglect, residents may regard a CLT initiated by local government with suspicion, leaving the new organization with fragile support among people and places the CLT would hope to serve.

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Among the many tasks involved in starting a CLT, none is more important than introducing the model to a wide array of individuals and organizations outside of government, cultivating their understanding and winning their support.





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Milwaukee Mayor Cavalier Johnson (left) and Lamont Davis, Milwaukee Community Land Trust executive director, tour the back yard of the CLT's first house in 2022. *Source: Mike De Sisti/Milwaukee Journal Sentinel.*

Public officials can have suspicions of their own. They might be resistant to working with neighborhood activists with a history of criticizing city hall. They might also be reluctant to relinquish control over a fledgling organization to which the municipality is planning to make a major commitment of money or land.

Experience has shown, however, that nongovernmental constituencies must be involved in planning and designing a CLT if this unconventional model of affordable housing is to have any chance of being broadly accepted and enthusiastically supported. A best practice for any municipality hoping to establish a new CLT is to weave transparency and participation into the organization's fabric from the very beginning, ensuring the CLT's continuing connection to the people it serves.

## MODIFICATION OF THE MODEL

While many municipalities have been willing to make changes in their existing programs to accommodate the unique model of tenure employed by a CLT, just as many have sought to modify the CLT to fit the legal, political, or ideological preferences of municipal staff or elected officials. In some cases, a CLT has been forced to relinquish its commitment to owning and leasing land when a municipality insists on using deed covenants instead. In other cases, a municipality has insisted on recapturing subsidies on the resale of CLT homes, making it difficult (or impossible) for the CLT to maintain the homes' continuing affordability.

Equally problematic, municipal officials have sometimes wanted to rework the CLT ground lease to grant the landowner more sweeping powers of inspection, approval, and enforcement. On a few other occasions, officials have wanted to write their cities into the ground lease, giving a municipal agency the right to approve the financing, subletting, or improvement of CLT homes—or the right to approve the transfer of any publicly assisted homes on the CLT's land.

These modifications undermine a “model ground lease” that has been carefully designed and continually refined over the years in consultation with both private lenders and secondary market institutions to standardize key provisions, eliminating the need for a lengthy review by lenders of each new lease. Just as important, the model lease has been accepted by major lenders and national intermediaries like Fannie Mae and Freddie Mac. Altering the lease's finely wrought balance between the lessor's rights and responsibilities and those of its lessees can make it harder for a CLT's homebuyers to obtain mortgage financing.

A municipality has many other options for protecting its investment in a CLT's land and housing without overhauling a model ground lease that has proven its worth over many years. This does not mean it must never be altered in any way. CLTs themselves make dozens of refinements in the model lease, adapting it to fit local priorities and needs. The best practice in making these refinements is not to leave the model lease entirely alone. It is to respect the lease's equitable relationship between the organization that owns the land and the people who are buying the CLT's homes.



## CHAPTER 3

# Expanding a CLT's Portfolio of Lands in Trust



Land is the foundation for everything a CLT does. Removing land from a project's cost of development allows a CLT to sell its homes at a reduced price. Leasing land to the owners of those homes enables a CLT to perform its stewardship duties more effectively. Giving residents a say in how those lands are used opens a CLT to participation by the community it serves.

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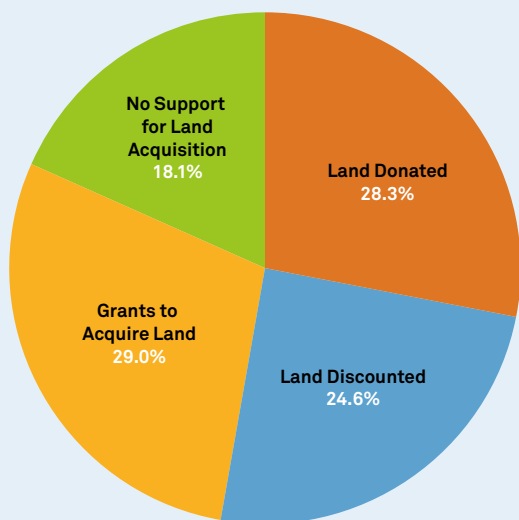
The City of San Juan and the Commonwealth of Puerto Rico transferred 272 acres of urban land to the Fideicomiso de la Tierra Caño Martín Peña after years of struggle to protect the rights of the 1,500 families living there. It is the largest transfer of publicly owned land to a CLT to date. *Source: Line Algoed.*



Gaining access to land is often *the* highest hurdle faced by CLTs, however, as it is for every other developer of affordable housing. One of the greatest contributions a city, county, or state can make to underwriting a CLT’s success, therefore, is to donate land, to convey land at a discounted price, or to provide acquisition grants that allow a CLT to bring land into its portfolio encumbered by minimal debt.

Most of the CLTs consulted for this report have benefited from such assistance (see figure 3.1). During the past dozen years, 45 of them received donations of publicly owned land; 39 acquired land from a municipal entity at a discounted price; and 46 received public funds specifically for the acquisition of land. Overall, three-quarters of them reported having benefited from donations, discounts, or grants that enabled them to add land to their portfolios.

Figure 3.1  
**CLTs Receiving Municipal Support for Land Acquisition**



(n=115; a single CLT may have received multiple types of support)

## A Menu of Land Largesse

Among the CLTs in our sample, grants for acquisition were the most frequent form of municipal assistance for expanding their landholdings. Only in a few cases were these grants the only form of assistance they had received for land acquisition. More often, the same CLT received both a grant of money and a direct conveyance of land from a municipality, a redevelopment authority, a housing authority, a public land bank, or, in a few notable cases, a state agency.

### DONATED LAND

In 2008, when *The City-CLT Partnership* was published, Dudley Neighbors Inc. (DNI) stood out among the nation’s CLTs for having received the power of eminent domain from the Boston Redevelopment Authority, which had allowed DNI to acquire 15 acres of land scattered throughout its Roxbury neighborhood. Subsequently, DNI received acquisition funds from the City of Boston and parcels of land that the city had acquired through tax foreclosure, bringing an additional 15 acres into DNI’s holdings.

In the ensuing years, no other CLT has been granted the power of eminent domain, but DNI is no longer unique as a recipient of publicly owned land. The CLT of Palm Beach County and the Treasure Coast, for example, has never had to purchase land—cities and counties in its South Florida service area have donated it. Other CLTs that have received multiple parcels of donated land from local governments include the Maggie Walker CLT in Richmond, Virginia; the City of Lakes CLT in Minneapolis; the Grand Forks CLT in North Dakota; ARCH Community Housing in King County, Washington; and Tenants to Homeowners in Lawrence, Kansas.

Two other examples should be mentioned, both in Florida. The Delray Beach Community Land Trust has received more than 60 parcels of land from the City of Delray Beach and the local Redevelopment Agency. The Bright Community Trust, founded in



Members of the Caño Martín Peña CLT with a community mural, which reads, “And for the first time, the residents were agents of our future.” Source: *Line Algoed*.

2008 as the Pinellas Community Housing Foundation, has received approximately 80 parcels of land from several cities and counties in central and western Florida. On these lands, Bright has developed over 500 rentals and over 100 single-family homes for income-qualified homebuyers.

To date, the largest transfer of publicly owned land to a CLT occurred in Puerto Rico. The Fideicomiso de la Tierra del Caño Martín Peña (Caño CLT) was formed in response to plans by the US Corps of Engineers to dredge a canal that runs through eight informal settlements, located on both sides of the waterway. After years of struggle, the Caño CLT eventually received 272 acres of land from the City of San Juan and the Commonwealth of Puerto Rico. Over 1,500 families were already living there, having constructed modest houses over several decades on parcels for which they held neither a deed nor a lease. The CLT’s

acquisition of the underlying land removed the threat of displacement that had hung over their heads for several generations.

Notable, too, are “land back” actions taken by several municipalities, where CLTs have been involved in receiving and reclaiming land for native peoples:

- The City of Eureka in northern California has returned 200 acres to the Wiyot Tribe. The tribe established the Dishgamu Humboldt Community Land Trust to hold and to steward the land for purposes of affordable housing, workforce development, and environmental restoration.
- In 2022, the City of Oakland granted a conservation easement in perpetuity to the Sogorea Te’ Land Trust, allowing this women-led CLT to use the land at Sequoia Point for cultural practices and public education. In early 2023, the city council in Berkeley voted to donate a two-acre parcel to the same CLT, a site believed to have been part of the first human settlement in the San Francisco Bay area.

## SURPLUS LANDS

CLTs have been recipients of surplus lands owned by a municipal entity, a public utility, or agencies such as a department of transportation. These tend to be properties originally purchased or acquired through eminent domain for a facility that was never built, an institution that was subsequently decommissioned, or a road that had acreage left over when construction was completed:

- The CLT of Palm Beach County and the Treasure Coast received land that the county had purchased for a road that was never built.

- The Homestead CLT and Habitat for Humanity Seattle–King and Kittitas Counties received city-owned land from Seattle’s Office of Housing. They also benefited from the no-cost transfer of 10 other properties donated to the Office of Housing by Sound Transit, the regional transit authority.
- The Tierra Colectiva CLT received both lands and funds from the Colorado Department of Transportation because an elevated highway was being reconstructed in the CLT’s neighborhood.
- The Lexington CLT received 25 acres to mitigate the impact of a road extension through a lower-income neighborhood (see box 3.1).

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### Box 3.1

#### A Unique DOT-CLT Partnership Lexington, Kentucky

Roadway projects have often devastated low-income neighborhoods, especially those populated by people of color. This makes the story of the Newtown Pike Extension Project unique, a laudable case of a department of transportation doing something very right instead of very wrong.

Davis Bottom is a tight-knit neighborhood in Lexington, Kentucky. The neighborhood was established in 1867, and its first residents were African American families seeking work and educational opportunities after the Civil War. The area also became home to white families from Appalachia and Europe, making it one of the most diverse neighborhoods in Kentucky.

In 2000, transportation planners proposed extending Newtown Pike through Davis Bottom, threatening to displace 140 families. Seeking to mitigate the plan’s impact, a project team from the Lexington-Fayette Urban County Government and the Kentucky Transportation Cabinet partnered with residents from Davis Bottom to explore various models of sustainable housing. In 2008, they formed the Lexington Community Land Trust (LCLT).

The project team purchased 25 acres on LCLT’s behalf for affordable housing and mixed-use development,

committed funds for a community center with office space for the LCLT, provided money for LCLT’s operation, and arranged for LCLT to receive proceeds from the sale of any surplus lands that had been acquired for the roadway but were no longer needed once construction was done. Other mitigation monies were used to install underground utilities on LCLT’s land and to raise the elevation of the entire neighborhood by an average of 10 feet to mitigate flooding.

In 2014, LCLT broke ground on Davis Park View, its first replacement housing. The rental project consisted of two duplexes, two fourplexes, and two single-family houses. Funds provided by the project team ensured that title to these rentals would vest in LCLT when their tax credit term expired.

Homeownership was part of the redevelopment plan as well. Relocation funds were used to build 14 energy-efficient houses on LCLT’s land and to reduce their purchase price for income-eligible homebuyers. Construction was completed in 2015. At closing, the homeowners signed long-term leases with LCLT for the land beneath their houses. Each ground lease contained a resale formula designed to ensure the home’s permanent affordability. All of the housing in this revitalized neighborhood, now known as Davis Park, will remain affordable forever.



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Troy Gardens, a project of Wisconsin's Madison Area Community Land Trust, combines open space preservation, community agriculture, and 30 energy-efficient homes, 20 of which are reserved for low- to moderate-income buyers. *Source: Greg Rosenberg.*

- The Champlain Housing Trust received an old firehouse from the City of Burlington, Vermont, which the CLT converted into a shelter for homeless families.
- The Maggie Walker CLT in Richmond, Virginia, received a five-acre parcel at a school that was closed, turning the site into a subdivision of 10 affordably priced homes. The CLT also received a four-acre parcel from the site of a decommissioned firehouse, redeveloping the site into 20 owner-occupied homes, 40 rentals, and a daycare center.

### LAND SOLD OR LEASED AT A DISCOUNTED PRICE

Publicly owned lands have also been transferred to CLTs not as outright donations, but for a discounted price or lease fee below the land's market value. In Madison, Wisconsin, for example, surplus land adjoining a state-run mental health facility was acquired by the Madison Area CLT. The 31 acres were not donated, but were conveyed for a discounted, negotiated price. Troy Gardens was the result, an award-winning combination of 30 energy-efficient homes, community gardens, a CSA farm, and open space.

Many other examples exist among the CLTs in our sample. Indeed, a third have acquired lands that were sold or leased to them for a below-market price by a governmental entity. They include:

- The Island Housing Trust on Martha's Vineyard has received donated land from the Dukes County Island Housing Authority, but it also leases land at a discounted rate from five different towns: Aquinnah, Chilmark, Edgartown, Oak Bluffs, and Tisbury.
- The Atlanta Land Trust has purchased parcels from the City of Atlanta at 25 percent of their market value.
- The City of Burlington leases two acres of city-owned land overlooking Lake Champlain to the Champlain Housing Trust, on which CHT has constructed a 40-unit apartment building.
- The San Juan CLT recently signed a 99-year lease with San Juan County for a parcel of county-owned land for which the CLT will pay \$1 a year. On this land, the CLT is planning to build 42 units of rental housing, all of which will be affordable to people earning as little as 30 percent of AMI.



An unusually large conveyance of publicly owned property outside the United States deserves a special mention. In 2021, the City of Toronto announced a plan to transfer 643 municipally owned properties, containing 761 units of housing, to two Canadian CLTs. This municipal inventory, composed mostly of single-family houses, is being gradually conveyed at a highly discounted price to the Circle CLT and the Parkdale Neighbourhood Land Trust, both in Toronto.

## TAX-FORECLOSED LANDS AND BUILDINGS

In recent years, a major source of donated or discounted property for CLTs has been lands and buildings taken by a city, county, or municipal land bank for nonpayment of property taxes:

- St. Louis County in northern Minnesota has conveyed tax-foreclosed properties to One Roof Housing, a CLT based in Duluth, at 80 percent of their appraised value.
- The City of Pittsburgh has sold tax-foreclosed properties to the City of Bridges CLT at a discount.
- The Maggie Walker CLT has benefited from a steady stream of tax-foreclosed property from the City of Richmond, which the city has sold to the CLT at a discount.

This pipeline of property may become less plentiful in the future, however, due to a 2023 ruling by the US Supreme Court (*Tyler v. Hennepin County*, 598 US 631).

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With financial support from the City of Toronto, the Parkdale Neighbourhood Land Trust bought a former rooming house in 2019, keeping the property from being sold to private developers.  
Source: Steve Russell/Toronto Star via Getty Images.

Cities and states are being forced to reevaluate their policies because of the court's requirement that any "excess equity," over and above what is owed in back taxes, must be returned to the former owners if their properties are taken through tax foreclosure. The disbursement of tax-foreclosed property has slowed down as tax assessors, land banks, and redevelopment authorities try to figure out how to comply with this ruling.

## RIGHT OF FIRST REFUSAL

In 2022, the City of Jacksonville became the first city in Florida to pass a first look ordinance, allowing the newly established Jacksonville CLT to have the first right of refusal for tax-reverted, municipally owned real estate. The city identified 40 possible sites for the CLT to review, five of which have already been conveyed to the new organization.

The City of Atlanta has established a Qualified Administration Program that prioritizes long-term



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Rooftop solar at La Tela, one of two projects developed by the Elevation CLT on parcels acquired from the Urban Land Conservancy. The building features permanently affordable condos, energy-efficient systems, and proximity to downtown Denver. *Source: Jim Johnson Photography, courtesy of Brinkmann Constructors.*

affordability whenever the city is disposing of private property. The Atlanta Land Trust is often given the right of first refusal. In Philadelphia, the Women’s Community Revitalization Project, along with other nonprofit advocates, persuaded the city council in 2022 to amend the rules for the disposition of city-owned land to prioritize long-term affordability. In New York City, as of 2024, an ordinance called Public Land for Public Good was pending before the city council. If passed, this measure will prioritize the disposition of city-owned land to nonprofit organizations, including CLTs.

## LAND TRUST–LAND BANK PARTNERSHIPS

Many of the 250 land banks established by cities and counties share the same geography as CLTs. The programs of these entities are complementary. What a public land bank does easily and well (acquire land and prepare it for reuse), a community land trust frequently struggles to do. What a community land trust does best (responsibly steward land and affordable housing over time) is what a land bank often does worst. That has led to land bank–land trust partnerships in several jurisdictions (see box 3.2).

Land banks have a *disposition* problem. Once properties have been cycled through the “land bank laundromat,” they are returned to private ownership. What later happens to these lands and buildings is usually beyond a land bank’s purview. Occupancy and upkeep depend on the vigilance and diligence of subsequent owners. Affordability depends on the whim of the market.



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### Box 3.2

#### One CLT Banking Land for Another Denver, Colorado

Governmental support for land acquisition followed a somewhat circuitous route in the case of two condominium projects developed by the Elevation Community Land Trust (ECLT) in 2021 and 2024. The land on which these condominiums were built came from the Urban Land Conservancy (ULC), a Denver-based nonprofit that functions as both a private land bank and a community land trust. ULC holds onto most of its land forever, using long-term ground leasing to protect the affordability of whatever residential or commercial buildings are eventually constructed on these sites by nonprofit or for-profit partners. On some occasions, however, ULC will sell land it has banked in its portfolio to another nonprofit organization like ECLT. In both situations, the source of funding for ULC’s acquisition of land is the Metro Denver Impact Facility (MDIF), a private pool of low-cost, patient loan capital created in 2018 with a local lender, FirstBank, as the underwriter and ULC as the sole borrower.

ULC sold two parcels at cost to ECLT; ULC had acquired the land two years earlier. On one site, ECLT built and sold 92 condominiums in the La Alma–Lincoln Park neighborhood. On the other, ECLT built 49 condominiums in the Five Points neighborhood. ECLT’s purchases allowed ULC to repay a loan from MDIF that ULC had used to buy the land in the first place. Elevation was able to develop condominiums on both sites with significant funding from the City of Denver and Colorado’s Division of Housing.

Conversely, CLTs have an *acquisition* problem. They do a good job of stewarding lands and buildings after they enter a portfolio, but CLTs have difficulty acquiring real property in the first place. Even the vacant lands, dilapidated buildings, and tax-delinquent properties that land banks typically target can be prohibitively costly for a CLT to purchase, clear title, decontaminate, and rehabilitate.

Land bank–land trust partnerships could be a game changer, increasing the effectiveness of both entities. These partnerships typically come in four varieties: transactional, agreement, program, and subsidiary (Graziani 2021). CLTs in our sample provide examples of each.

In *transactional partnerships*, donated or discounted properties are transferred from a land bank to a land trust on a case-by-case basis. The Women’s

Community Revitalization Project, for example, has received discounted properties from the Philadelphia Land Bank. The Chicago CLT has received discounted land from the Cook County Land Bank Authority. The Island Housing Trust has partnered with the Martha’s Vineyard Land Bank, a public conservation organization, to jointly purchase parcels when the opportunity presents itself to either party.

In *agreement partnerships*, a memorandum of understanding (MOU) exists between the land bank and CLT, specifying the ways they will work together to identify properties that might be conveyed to the CLT and creating a development pipeline for affordable housing. Examples include the Albany CLT in New York, which signed an MOU with the Albany County Land Bank in 2017, and the Atlanta Land Trust, which signed a formal MOU with the Metro Atlanta Land Bank in 2020.

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### Box 3.3

#### A Unique Land Bank–Land Trust Hybrid Central Ohio

The City of Columbus, Ohio, and Franklin County have long offered forgivable loans to help people of modest means buy homes. These programs have had some success in expanding homeownership, but they’ve had downsides too. When the loans are forgiven in five, 10, or 15 years, depending on the program, owners may resell their homes at market price. Affordability is lost, adding fuel to a housing market that is already overheated.

City and county officials adopted a new homeownership strategy in 2018. They decided that funding should go to houses with lasting affordability. Partnering with the Franklin County Land Bank, they created the Central Ohio Community Land Trust (COCLT). It was established as a nonprofit 501(c)(3) subsidiary of the land bank, with staffing provided by the Central Ohio Community Improvement Corporation (COCIC), the public authority that administers the land bank.

Empty lots, scattered throughout the county, are conveyed to the CLT at no cost by the Franklin County Land Bank and by another land bank operated by the City of Columbus. These transfers occur after single-family houses have been constructed on the lots by various for-profit and nonprofit builders, under the watchful eye of COCIC. Additional subsidies from the city and county allow these newly built houses to sell for prices affordable to households earning less than 120 percent of AMI. The CLT holds onto the underlying land and keeps the houses permanently affordable, one resale after another.

The first house closed in December 2019. Since then, 100 houses have been constructed, sold, and placed under the stewardship of the Central Ohio CLT. This unique land bank–land trust hybrid is now on pace to increase COCLT’s portfolio by approximately 50 owner-occupied homes every year.



*Program partnerships* are represented by examples such as the Houston CLT and the Maggie Walker CLT. The community land trust–land bank partnership in Houston was brokered by the city government to revitalize a neighborhood in which the Houston Land Bank owned many vacant lots. After the land bank hired private builders to construct houses on its lots, some were sold at market price; others were offered for sale at an affordable price through the Houston CLT—a process lent urgency by the damage caused by Hurricane Harvey in lower-income neighborhoods. Thirty of these newly built houses were eventually added to HCLT’s portfolio. In Virginia, the state’s land bank legislation allows nonprofits to be designated as land banks. Under separate MOUs with the City of Richmond, Chesterfield County, and Henrico County, the Maggie Walker CLT functions as the land bank for all three municipalities.

The first case of a *subsidiary partnership* occurred in Columbus, Ohio. The Central Ohio CLT was legally established in 2017 under the corporate umbrella of the Franklin County Land Bank. The two entities share staff and funding (see box 3.3, page 38).

A similar undertaking, the Plank Road Community Land Bank & Trust, was recently established in Baton Rouge, Louisiana. This land trust–land bank hybrid is focused on redeveloping a neighborhood in the northern part of the city as its first project and identifying other parcels on which to build affordable housing and commercial buildings.

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Residents and local leaders celebrate the completion of the Central Ohio Community Land Trust’s 100th affordable unit, a duplex in Columbus. Source: Brent Warren/Columbus Underground.





## Good Lands, Bad Lands

It will always be a challenge for CLTs to gain access to buildable lands at affordable prices, so any land donation or discounted sale would seem like a windfall. Nevertheless, some publicly owned parcels delivered to a CLT turn out to be more of a burden than a boon. Here are several “worst practices” in property transfers—when a gift is not really a gift.

1. **Expensive land, indebted land.** Publicly owned land offered to a CLT at a “discounted” price (relative to the appraised value) can still be too expensive, preventing the CLT from constructing homes that will be affordable for lower-income homebuyers. Land encumbered with excessive debt also contributes little to a CLT’s balance sheet, since the asset added by the land’s value is offset by the liability incurred by borrowing money to purchase it. Difficult as it might be politically for a CLT to refuse any offer of discounted land from a municipal partner, sometimes it is best financially to just say no.
2. **Contaminated land, dilapidated buildings.** In too many cases, municipal agencies, public land banks, or redevelopment authorities reserve their best properties for private, for-profit developers and offer their worst properties to

nonprofit developers of affordable housing. The purchase price of the latter may be low enough to tempt a CLT, but contaminated lands or derelict buildings are usually too expensive to clean up or to rehabilitate without additional subsidies—which the municipality may be unwilling to provide.

3. **No municipal contribution other than land.**

The executive director of one CLT had this to say about lands received from public entities for the development of affordable housing: “Unfortunately, the donation of land is seldom sufficient to offset other costs, much to the chagrin of the local governments.” This lament was echoed by colleagues at other CLTs who reported instances of a municipal agency donating a parcel of land, only to encounter another department or commission within the same municipality refusing to grant the density, waivers, or regulatory approvals a CLT would need to build affordably priced housing on that site. Getting donated or discounted land can further a CLT’s projects, but a municipality’s reluctance to provide the funding and zoning necessary to build and preserve affordable homes can render a proposed project unfeasible and the donated land unusable.

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Municipal parcels offered at discounted prices can be tempting for CLTs, but if the land is encumbered with debt, contaminated, or unbuildable due to local regulations, it’s best to resist. *Source: Kwangmoozaa via iStock/Getty Images Plus.*



## CHAPTER 4

# Subsidizing the Development of Homes That Last



Over the past few decades, CLTs have been diversifying their programs and portfolios. The 115 CLTs consulted for this report provide a snapshot of this trend: 42 percent are developing and managing multifamily rental housing; 17 percent are providing temporary housing for unhoused individuals and families, and 10 percent are sponsoring zero-equity and limited-equity cooperatives. Many CLTs are also using lands and buildings in their portfolios for education, recreation, social services, or the arts (22 percent), shops or offices (32 percent), or neighborhood parks, community gardens, or commercial agriculture (40 percent).

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Affordable, climate-friendly CLT housing in Bend, Oregon. Source: *RootedHomes*.

Despite this diversification, expanding access to homeownership remains the main objective and activity of most CLTs. Even CLTs that have added rental housing to their portfolios tend to offer opportunities for single-family homeownership as well. There were 48 CLTs in our sample that included rental housing among their activities. Forty-four of them are also engaged in selling and stewarding owner-occupied houses, townhouses, duplexes, or condominiums.

Movement between these tenures can be fluid (see box 4.1). In 2012 the Champlain Housing Trust purchased South Meadow, a 148-unit rental project built 20 years earlier with a federal Housing Development Action Grant. A portion of the project has now been converted to resale-restricted condominiums. In Washington, DC, the Douglass CLT has helped tenants buy their buildings and bring them into DCLT's portfolio of permanently affordable housing by taking advantage of the District's Tenant Opportunity to Purchase Act.

Other CLTs are using the Low-Income Housing Tax Credit program to build rental housing that, from the beginning, is slated for eventual conversion to homeownership. The Women's Community Revitalization Project in Philadelphia, for example, has developed several tax credit projects on land owned by its Community Justice Land Trust. When the tax credit period ends, tenants will be able to purchase their units, drawing on funds that WCRP has been setting aside for that purpose.

Tenure can also move in the opposite direction. A CLT may decide that the only way to re-subsidize older buildings or the best way to serve lower-income households is to convert some of its owner-occupied housing to rental housing. Durham Land Trustees, a CLT in North Carolina, has done exactly that.

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#### Box 4.1

### Cooperatively Owned Housing on Community-Owned Land

Most CLTs expand homeownership by selling and stewarding single-family houses, duplexes, townhouses, or condominiums. But a growing number of CLTs are sponsoring a different kind of homeownership: zero-equity or limited-equity cooperatives, located on land leased from a CLT. In some cases, such as Cooper Square in New York City and SquareOne Villages in Eugene, Oregon, cooperatives are the CLT's only activity. By contrast, the Lopez CLT in Washington State has developed seven neighborhoods of cooperatively owned single-family houses, but its landholdings also support farms, shops, and some rental housing. Other examples of CLTs with diverse portfolios containing cooperative housing are Dudley Neighbors Inc. in Boston; the Champlain Housing Trust in Burlington, Vermont; the Douglass CLT in Washington, DC; and OakCLT in Oakland.

Cooperative ownership of residential buildings, combined with a CLT's ownership of the underlying land, offers key advantages. When a cooperative is successful in securing a blanket mortgage for its housing—which can be challenging in some parts of the country—the people who want to live in the co-op do not have to qualify individually for a mortgage. Nor do they need a large down payment. As a result, homeownership can be made accessible to households whose income is much lower than that of people who have the wherewithal to purchase a house or condominium.

Co-op members share the responsibilities and risks of homeownership, working together to maintain the quality of their housing and create a sense of community. At the same time, the landowner remains in the picture forever. The CLT is a silent but active partner, stepping in as necessary to protect affordability, to ensure that reserves are adequately funded, and to see that necessary repairs and replacements are made. During transitions in leadership, the CLT may also provide training and support for the co-op's board, ensuring continuity in its management and supporting a form of homeownership that is designed to last.





## Financial Support for Project Development

The homeownership programs of most CLTs serve households earning between 60 percent and 120 percent of the Area Median Income (AMI), although a few CLTs can reach households earning as little as 40 percent of AMI. Some CLTs tilt toward the lower end of this range, while some tilt toward the higher end, serving a population that policymakers call the missing middle.



Regardless of where a program falls within this income range, most CLTs encounter a sizable gap between the price that households they intend to serve would find affordable and what it will cost to construct or rehabilitate the housing—even when the cost of land is removed from the equation. Beyond any assistance CLTs may have received to acquire buildable land, they will often need additional funds from a local government to make their projects feasible and affordable.



Much of the municipal assistance CLTs receive for their projects comes via federal monies that pass through the hands of local officials—although in more rural areas such monies often go through state officials. CLTs have been receiving locally administered federal funds for many years through the Community Development Block Grant program and

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Cooperative housing at (top to bottom) Peace Village, SquareOne Villages, Eugene, Oregon; Bright Street Co-op, Champlain Housing Trust, Burlington, Vermont; and Common Ground, Lopez Community Land Trust, Lopez Island, Washington. Sources: *SquareOne Villages*, *Lincoln Institute of Land Policy*, © Mithun | *Juan Hernandez Photos via Lopez CLT*.



the HOME Investment Partnerships Program. More recently, municipalities have invested in CLT projects using funds provided through the Neighborhood Stabilization Program, the American Rescue Plan Act, and other federal funds for COVID relief.

Although municipalities must invest these pass-through funds in compliance with federal rules, local officials are allowed considerable leeway in setting their own priorities and conditions. That is sometimes a bad thing. Indeed, several CLT practitioners lamented conditions, restrictions, and unnecessary reporting imposed by city or county officials when disbursing federal funds—requirements neither stipulated by federal statute nor mandated by HUD’s regulations.

There is a positive side, however. Of late, many municipalities have been prioritizing lasting affordability in their distribution of federal funds, giving applicants like CLTs a competitive advantage. Municipalities have even more leeway when setting priorities for the distribution of funds raised locally through bonds, taxes, and fees. Here, too, local officials have been prioritizing long-term affordability when they award funds to develop affordable housing.

This represents a major shift in municipal policy. Half of the 115 CLT practitioners interviewed or surveyed for this report answered yes when asked, “Does any program administered by your city or county give priority or preference to organizations committed to the lasting affordability of housing?” Most reported that “lasting” meant either permanent or a period longer than 50 years (see figure 4.1).

Seattle is exemplary in this regard. In 2023, over 60 percent of local voters approved a \$970 million bond levy for affordable housing. Development subsidies disbursed from this levy for projects containing owner-occupied housing can be used either to construct new housing or to buy down the price of existing homes. To qualify, a proposed project containing for-sale housing is required by the City of Seattle to remain affordable for at least 50 years. It must also have a “stewardship entity” that will stand behind the project, ensuring that homes resell continually for an affordable price to income-qualified households throughout the affordability period.

Minneapolis offers a similar example. In 2020, the city created Minneapolis Homes: Perpetually Affordable Housing, a program subsidizing the construction, acquisition, or rehabilitation of for-sale homes affordable to households earning less than 80 percent of AMI. Assisted homes must stay affordable for at least 30 years, but the affordability period resets at each resale. Moreover, these subsidized homes must be accompanied by a steward, an

Figure 4.1

**Length of Affordability Period to Qualify for a Municipal Preference or Priority in Awarding of Funds or Lands**



Rebecca Buford, executive director of Tenants to Homeowners in Lawrence, Kansas, at the CLT's newly built Beatnik Court neighborhood. The development of seven affordable houses and six market-rate houses was made possible with support from the city's Affordable Housing Trust Fund. Source: Taylor Mah/ City of Lawrence.



organization that stands watchfully behind the units to ensure their affordability over time.

Neither Seattle nor Minneapolis limits such funding to CLTs. Any organization with the experience and capacity to restrict the resale of publicly assisted units and to steward them over the long haul is eligible. CLTs fit these program requirements quite precisely, however. In Seattle, the Homestead CLT and Habitat for Humanity Seattle–King and Kittitas Counties are prime candidates for accessing funds from the new housing levy. In Minneapolis, the City of Lakes CLT has been the biggest beneficiary of the city's program.

In contrast, other cities and counties have targeted project funding more directly to CLTs. A few examples:

- Los Angeles County appropriated \$14 million for its Pilot CLT Partnership Program in 2020, enabling five CLTs to acquire, rehabilitate, and preserve tax-defaulted multifamily properties.
- The City of Baltimore's Affordable Housing Trust Fund disburses about \$15 million per year, with up to 38 percent of those funds designated for CLT project development and capacity building. The main beneficiaries have

been the six organizations of SHARE Baltimore, a coalition supporting CLTs and other forms of shared-equity homeownership.

- In 2022, the City of Boston awarded a \$2 million grant to the Greater Boston CLT Network and allowed the network wide discretion on its use. The money has seeded a CLT fund for land acquisition, housing development, farms, open space, and stewardship.
- In 2018, Washington State's San Juan County enacted a real estate excise tax that brings in \$2 million to \$2.5 million annually. It was enacted mainly to subsidize projects managed by the region's CLTs, including the San Juan Community Home Trust, the Lopez CLT, and Of People and Land (OPAL).

Some municipalities have supported project development by granting or loaning funds *directly* to the CLT. Loans function exactly like grants in lowering the purchase price of CLT homes if they are interest-free, require no monthly payments, and are eventually forgiven. Other municipalities have preferred to support the development of CLT housing *indirectly* by granting or loaning funds to the buyers of CLT homes, rather than giving money directly to the CLT.

Some do both. At times, CLTs receive project-based subsidies and homebuyer subsidies for the same project. Among the 115 CLTs consulted for this report, 74 received grants or loans from a municipality for the construction or rehabilitation of housing (see figure 4.2). In 32 of these cases, a municipality also offered grants or loans to low-income and moderate-income households to help them buy the homes being constructed or rehabilitated by the CLT.

Increasingly, municipalities have been supporting CLT buyer-initiated programs. Grants are given directly to a CLT and used to help income-eligible households purchase existing single-family homes. At closing, the land is transferred to the CLT and a ground lease is signed by the new homeowner, containing resale restrictions on the house. CLTs that are operating such buyer-initiated programs include Proud Ground in Portland, Oregon; the City of Bridges CLT in Pittsburgh; and the Champlain Housing Trust in Burlington, Vermont.

The buyer-initiated program operated by the Houston CLT, called Homebuyer Choice, has been particularly productive. The City of Houston initially provided a \$3 million grant to HCLT in 2021 to pilot this program and granted HCLT another \$21.6 million the following year after seeing how well it worked. By the end of 2023, the program had brought 167 homes into HCLT's portfolio of permanently affordable, owner-occupied housing.

## Good Money, Bad Money

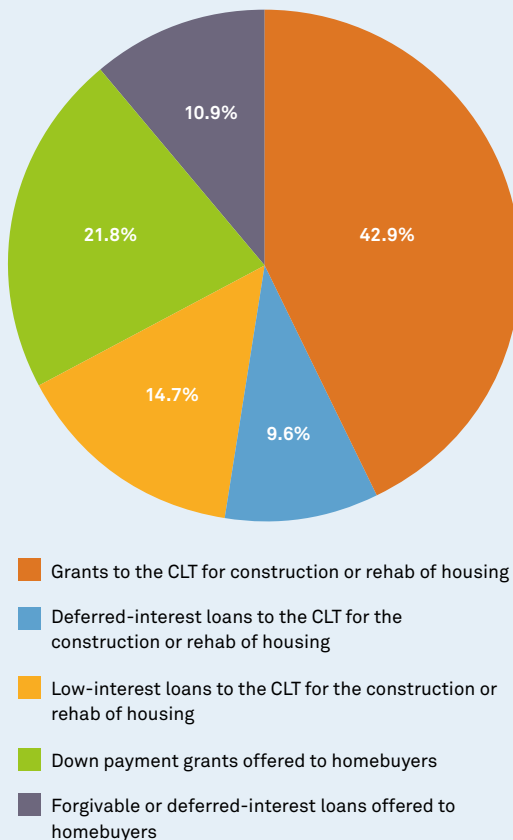
Viewed through the lens of preservation, there are better ways and worse ways of investing in the resale-restricted, owner-occupied housing of a CLT. At the very least, a municipality should avoid operating parallel homeownership programs that work at cross purposes, undermining its investment in a CLT (see box 4.2, page 47). At most, a municipality should ensure that any public investment in a CLT works well with the form of homeownership the CLT offers. Some subsidies produce homes that last. Some do not. There is good money, bad money, and loose change in between.

### GOOD MONEY: PERMANENT GRANTS OFFERED DIRECTLY TO THE CLT

The best way for a municipality to support a CLT's projects is to donate land and money directly to the CLT. These equity investments allow CLTs to sell

Figure 4.2

### Municipal Funding for the Development of CLT Housing



(n=115; a single CLT may have received multiple types of assistance)

newly constructed or recently rehabilitated homes for a lower price initially and, because the public's investment is locked in place, to resell these homes for a below-market price continually. Properties are added to the CLT's portfolio and booked immediately as unencumbered assets on the CLT's balance sheet. A CLT with fewer liabilities is a more solvent, bankable, and stable entity.

### BAD MONEY: REMOVABLE SUBSIDIES OFFERED TO INITIAL HOMEBUYERS

Long before CLTs came on the scene, many cities and counties offered financial assistance directly to prospective homebuyers in the form of a grant or low-interest loan, allowing them to purchase houses, townhouses, or condominiums at prices they could not otherwise afford. In most cases, these subsidies were structured as grants that could be pocketed by homeowners at the time of resale; alternatively, they were structured as loans that were forgiven after five or 10 years, or repaid in full to the municipality at the time of resale.

Many cities and counties continue this practice, even while voicing support for the permanently affordable housing of a CLT. They may do this simply because of bureaucratic inertia or because policies approved by a city council or county commission can be politically difficult to modify. Another reason may be a municipal preference for administrative oversight. Grants or loans made directly to homebuyers allow public officials to review and document the eligibility of the applicants. If the subsidies are loaned, moreover, a municipality can recapture its funds at the time of resale and reinvest them in subsidizing other homes—or, if municipal priorities have changed, in something other than housing.

CLT practitioners consider this practice the worst way for municipalities to invest public resources in their projects, for the following reasons:

#### Box 4.2

#### Best Practice: Designing Parallel Programs That Don't Compete

Even when investing “good money” in the development of homes that last, a municipality can inadvertently interfere with a CLT's ability to sell its homes by running a competing program that offers homebuyers the same per-unit subsidy without any restrictions on resale. A better practice, when a municipality offers multiple types of homebuyer assistance, is to design programs with clear differences, so that one does not undermine another.

Washington County, Oregon, provides a good example. Proud Ground, a CLT based in Portland, has benefited from *grants* of \$135,000 per unit that are offered by Washington County for resale-restricted homes that remain permanently affordable. The county also offers *loans* of \$90,000 per unit to the buyers of unrestricted, market-rate homes.

Bellingham, Washington, provides another example of program differentiation. The city's Affordable Housing Property Levy distributes low-interest, repayable loans to first-time homebuyers earning less than 80 percent of AMI. When homebuyers partner with the Kulshan CLT and accept resale controls on their homes, the city's loans are forgiven.

- **Erosion of affordability.** If the subsidies provided to the buyers of CLT homes are either pocketed by the homeowner at resale or repaid to the municipality, these funds will not aid subsequent homebuyers. The loss of the subsidy at resale means the CLT must charge subsequent buyers a higher price. Those buyers must borrow more on their first mortgage, which increases their monthly payments. Generally, this means that future buyers will need higher incomes to afford the same home or that the CLT must scramble to find additional subsidies to replace the pocketed grant or the repaid loan every time a CLT home resells.



- **Erosion of subsidies.** Subsidies recaptured by a municipality and reloaned to a new round of homebuyers seldom keep pace with the rising prices of real estate.
- **Increased costs for homeowners.** When a subsidy is loaned to homebuyers, the loan-to-value will be higher, so private mortgage insurance may be required by the primary mortgage holder. Since the loan does not result in a lower purchase price, the homeowner may incur higher costs at closing and higher property taxes every year.
- **Increased costs for the municipality.** Grants or loans that are recaptured and reinvested in other homes impose administrative costs on the municipality in receipting the funds and underwriting a new round of recipients.

- **Change in municipal priorities.** A turnover in elected officials or municipal staff can mean that the down payment assistance provided to one generation of CLT homebuyers may not be available for the next generation. Recaptured funds may be diverted from affordable housing altogether.

It bears repeating that the *removal* of a municipality’s investment from a CLT’s homes makes money “bad.” When homebuyer grants or loans are the only assistance on offer, a CLT’s ability to provide homes that last is limited. As noted earlier, however, in many instances CLTs receive “good money” for the construction or rehabilitation of housing and the buyers of these homes receive down payment assistance from the municipality as well. This layering of subsidies can enable households even further down the income ladder to purchase a home that has already been made affordable by the municipality’s investment in the CLT. In this case, a homebuyer’s pocketing of a grant or repayment of a loan leaves the base affordability of the home intact, allowing its resale at a below-market price to another income-eligible household.

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Construction on Riverview, a development of five single-family homes built by Arizona’s Pima County Community Land Trust. The project was supported by federal HOME funds allocated to Pima County and the City of Tucson; the city also provides down payment assistance for CLT homebuyers. *Source: Pima County Community Land Trust.*



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Homes offered by the Maggie Walker CLT in Richmond, Virginia. The organization's namesake, a native of the city born in 1864, was the first Black woman in the country to start and lead a bank. Walker helped many local families gain access to housing and build wealth. *Source: Maggie Walker Community Land Trust.*



## PRETTY GOOD MONEY: WORKAROUNDS THAT PRESERVE AFFORDABILITY

The best money, from a CLT's perspective, will always be permanent grants given directly to the organization. The worst money will be removable grants or loans offered to homebuyers in place of municipal investments that remain in the housing at resale. However, CLTs and their municipal partners have devised two workarounds that fall somewhere in between. These workarounds can be characterized as money that is “pretty good.”

- **Homebuyer loans that are assumable.** Sometimes a local government is reluctant to alter an existing down payment assistance program but wants to support the CLT's commitment to preserving the long-term affordability of its homes. Some CLTs, like One Roof in Duluth, Minnesota, have found a way to make use of municipal subsidies that are loaned to its homeowners that does not compromise lasting affordability. These loans from the City of Duluth are automatically assumable by subsequent buyers of CLT homes as long as prospective homebuyers meet the city's income qualifications. By allowing its homebuyer loans to be assumable by subsequent buyers of the CLT's resale-restricted homes, the municipality

ensures that its funds will be recycled within the same housing stock, enabling the CLT to maintain affordability on an ongoing basis.

- **Loans made directly to the CLT.** This form of municipal investment is “pretty good” thanks to low-interest or deferred-interest loans that reduce the cost of constructing or rehabilitating a project and lower the price at which those homes can be sold to income-eligible buyers. The downside is that these loans must be kept on the CLT's books as liabilities, not as permanent assets. In smaller organizations, this can lead to a negative worth on the CLT's balance sheet, making it difficult to secure financing for future projects. An even greater problem is created when the loan—or “recoverable grant,” the oxymoron preferred by some public funders—is secured by a deed of trust recorded against the CLT's land, at the funder's insistence. This adds an extra layer of complication and cost for both the CLT and the people buying its homes. Every transaction involving the sale or resale of homes on encumbered land requires a subordination agreement from the funder. A public lien on the CLT's land can also chase away private lenders and mortgage companies, leaving buyers with fewer choices and higher rates in financing CLT homes.

## Regulatory Support for Project Development

The investment of municipal money, whether direct or indirect, is not the only way cities and counties have been supporting the development of permanently affordable housing. They are making regulatory concessions and offering regulatory bonuses that reduce the cost of construction and lower the selling price of CLT homes (see figure 4.3). These concessions and bonuses are essentially another form of public subsidy, which a CLT also preserves over time.

Among the 115 CLT practitioners consulted for this report, 73 (63.5 percent) listed one or more instances of receiving regulatory support for the housing being developed by their organizations. A few noteworthy examples:

- Bellingham, Washington, offers a 50 percent density bonus to developers who agree to keep all units permanently affordable to income-qualified buyers.
- Burlington, Vermont, reduces or waives impact fees for newly constructed homes with lasting affordability; the more affordable the home and the longer it remains affordable, the greater the reduction in fees.
- In Florida, Palm Beach County was willing to issue tax ID numbers for separate homes on land owned and developed by the CLT of Palm Beach and the Treasure Coast, allowing the CLT to avoid the cost, time, and political hassle of subdivision. San Juan County, in Washington State, has done the same for the Lopez CLT, a simple administrative service that can be enormously helpful.
- The Island Housing Trust on Martha's Vineyard has received a variety of regulatory benefits for its homeownership projects, including density bonuses, parking waivers, reduced or waived fees, and expedited permitting.

- The first housing developed by the Headwaters Community Housing Trust in Bozeman, Montana, was made feasible and affordable by regulatory concessions (see box 4.3, page 51).

Homeownership is our focus here, but rental housing has become a prominent part of many CLTs' activities and portfolios. Such projects often have the greatest need for regulatory concessions on height, density, setbacks, parking, and other constraints to make them feasible. One of the best examples of a community land trust taking full advantage of a municipality's commitment to greater density is the Urban Land Conservancy (ULC) in Denver. As the city and county upzoned areas near transportation nodes, ULC strategically acquired multiple parcels

Figure 4.3

### Regulatory Bonuses and Concessions Received by CLTs for the Development of Affordable Housing



(n=115; a single CLT may have received multiple types of regulatory considerations)



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Consulting a site map at Bridger View, a mixed-income neighborhood in Bozeman, Montana. *Source: Jon Catton/Headwaters Community Housing Trust.*

of land and partnered with private developers to build high-density, multiunit apartment buildings. Afterward, ULC remained in the picture as the landowner and lessor to guarantee the housing's lasting affordability.

The City of Aurora, Colorado, granted ULC a different sort of regulatory benefit. After receiving a private donation of a 31-acre campus in Aurora containing 17 buildings, ULC wanted to install a solar array to reduce the buildings' carbon footprint. The project was initially stalled because zoning did not allow any construction in a water catchment area. Following a series of collaborative discussions between ULC and the City of Aurora, the city ultimately approved the solar array.

## Factoring Decarbonization Into Homes That Last

As the effects of climate change become increasingly evident, the need to reduce the nation's carbon footprint has become more urgent. That includes the built environment, which accounts for 40 percent of energy use in the United States and 35 percent of carbon emissions. Affordable housing presents unique challenges and opportunities in the quest for decarbonization. Many affordably priced homes are in older buildings that are less energy-efficient, leading to higher energy consumption and higher costs for lower-income residents. By investing in energy-efficient technologies and renewable energy sources, CLTs can help reduce carbon emissions



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### Box 4.3

#### **A Mountain Community's Regulatory Support for Permanently Affordable Housing Bozeman, Montana**

In 2020, the Headwaters Community Housing Trust (HCHT) proposed the construction of Bridger View, a compact mixed-income neighborhood of 62 energy-efficient homes on smaller lots in Bozeman, Montana. Half of the neighborhood's homes were to be offered at below-market prices to working families and were to be kept affordable forever by HCHT.

Bridger View was an innovative design for Bozeman, requiring many regulatory concessions from the city. The mayor-elect, Terry Cunningham, helped persuade his fellow commissioners to approve the concessions, saying: "This project ticks a lot of the boxes of what I would like to see in future residential developments: a sense of place, a sense of community, a place where people of diverse incomes can live side by side, shared spaces, compact living, and permanent affordability. What more could you want?" The city eventually granted a total of 19 "relaxations" to its zoning code and subdivision standards for this single project.

By the time phase one was completed, 210 income-qualified families were on the Bridger View waiting list, vying for the chance to become a HCHT homeowner. The first 11 affordably priced, resale-restricted homes were awarded through a lottery held in August 2022. Construction of the entire project was finished by the summer of 2024 and all 31 affordable homes had been sold.





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Common Ground, a mixed-income project built by the Lopez Community Land Trust, incorporates green building features including straw-bale construction and solar-powered electric and hot water systems. *Source: © Mithun | Juan Hernandez Photos via Lopez CLT.*

significantly, lower utility bills, and improve living conditions for their residents.

In fact, more than half (54 percent) of the practitioners consulted for this report said that reducing energy costs for homeowners and tenants is a priority for their CLTs. This has led many of them to make design and development decisions that aim explicitly to minimize day-to-day energy use in their buildings, by either retrofitting housing already in the CLT's portfolio or incorporating energy efficiency into new housing. These are not easy choices, because the upfront cost can be considerably higher, but efficiency improvements provide long-term benefits for a building's occupants and for the environment.

Where affordable housing is built is also important, since cars are among the largest contributors of greenhouse-gas emissions in the United States. When high-density housing is sited near public transportation nodes, which is precisely the development strategy employed by the Urban Land Conservancy in Denver, residents make fewer trips using personal vehicles. Some dispense with car ownership altogether.

CLTs are decarbonizing in other ways as well, making use of whatever public funds might be available for developing affordable housing or for reducing energy use, to lower the carbon footprint of their projects. A few noteworthy examples:

- The Lopez CLT in Washington State developed the state's first net-zero affordable housing project, partnered with Spark Northwest to build a photovoltaic solar array, and created an electric car-share program.
- RootedHomes in Bend, Oregon, is building all of its owner-occupied housing to net-zero energy standards; the CLT is also committed to building sustainable communities that provide electric bikes for all homeowners, xeriscaping, community gardens, and EV charging stations.
- Island Housing Trust has built seven pocket neighborhoods on Martha's Vineyard, designed and constructed to conform to green building practices; these clustered, energy-efficient houses have lower maintenance and utility costs for the families who own and occupy them.
- Proud Ground has been a beneficiary of Portland, Oregon's Clean Energy Fund, which invests in community-led projects to reduce carbon emissions in the face of a changing climate. With the fund's assistance, Proud Ground has been able to add solar panels to existing buildings and to build net-zero houses.

- The Champlain Housing Trust in Burlington, Vermont, has been retrofitting much of its multiunit housing. At this point, 30 percent of the 2,500 apartments in CHT’s rental portfolio use solar energy. All of CHT’s new construction is designed to be 100 percent electric, with as much solar capacity as is feasible. CHT has also installed electric vehicle charging stations, serving 870 of its apartments, and two EV charging stations for the public.
- Willowcrest Townhomes, developed by the Homestead CLT, is the first net-zero, permanently affordable, multifamily homeownership project in King County, Washington. These townhouses will provide energy savings 25 percent beyond the state’s energy code.

Many more CLTs would pursue decarbonization if they could do so without making the homes entrusted to them unaffordable. The CLT practitioners consulted for this report said the top four obstacles that prevented them from doing more to reduce their carbon footprint were the following:

- lack of funding to cover the incremental cost, 70 CLTs (61 percent);
- lack of access to external technical expertise, 29 CLTs (25 percent);
- inability to navigate incentive programs, 29 CLTs (25 percent); and
- lack of staff know-how, 21 CLTs (18 percent).

Municipal officials, for the most part, may not have the resources, expertise, or political will to remove these obstacles. This is a pattern repeated in jurisdictions across the country. Hundreds of cities are making public pledges to reduce carbon emissions, but there is a yawning gap between plan and action. Indeed, in one study of the climate action plans of 50 cities in the United States, nearly 75 percent were found to lack a concrete strategy for implementing those plans (Kane et al. 2022).

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Many more CLTs would pursue decarbonization if they could do so without making the homes entrusted to them unaffordable.

CLTs could play a major part in such a strategy. They have a far longer time horizon than the typical developer, builder, or funder of affordable housing, giving them a greater stake in ensuring the durability of materials, the efficiency of systems, and the lower cost of utilities. They are, after all, the “developer that doesn’t go away,” with a mission-driven responsibility for the stewardship of homes that must be kept affordable for many years and resold or re-rented to a succession of occupants. This gives CLTs a practical incentive for increasing energy efficiency in all of their buildings. Many practitioners have a moral incentive as well, believing their CLTs should do whatever they can to reduce their carbon footprint for the sake of everyone on an endangered planet.

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The Lopez Community Land Trust opened Morgantown Co-op, the first CLT project in Washington State, in 1992. *Source: Jim Tolpin (The New Cottage Home) via Lopez CLT.*





## CHAPTER 5

# Preserving the Affordability of Homes Created Through Inclusionary Housing Programs



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Willowglen, a development of 425 houses, townhouses, and apartments in Rohnert Park, California, has 77 inclusionary homes, both renter occupied and owner occupied. The Housing Land Trust of the North Bay stewards the 41 owner-occupied units, ensuring these homes remain affordable forever. *Source: Housing Land Trust of the North Bay.*

The terms “inclusionary housing” and “inclusionary zoning” refer to a range of local (or sometimes state) policies that lead residential developers to include affordable homes in new buildings or subdivisions. In some cases, these policies require every new project to include some percentage of affordable units. In other cases, the jurisdiction provides incentives like increased density or fee reductions that are only available to projects that voluntarily choose to include affordable units.

Inclusionary housing policies generally lead to the creation of units with long-term affordability restrictions that must be supported and monitored indefinitely. Most jurisdictions undertake management of these homes themselves, placing the responsibility for stewardship in the hands of municipal employees. But in a number of jurisdictions, strong preservation partnerships have developed between local governments and community land trusts, and the CLT is assigned responsibility for maintaining the long-term affordability of inclusionary homes.

## What Is Inclusionary Housing?

In the United States, most affordable housing is created directly through loans and grants from federal, state, or local governments or indirectly through tax abatements or tax credits. These public investments enable affordable housing developers to reduce the price (or rent) of a subsidized unit to make it affordable to a low- or moderate-income resident. When local governments make publicly owned land available for such developments, it has a similar effect.

Inclusionary housing policies are very different. Instead of government subsidies, they rely on local

land use laws to spur private developers to create affordable units without any direct or indirect public investment. Inclusionary housing policies were created to reverse the legacy of exclusionary zoning, policies that historically prevented the development of housing serving lower-income people. Exclusionary policies explicitly prevented the construction of apartment buildings in single-family zones, with the intent and impact of excluding lower-income households and people of color. After courts prohibited racial restrictions in housing and lending, exclusionary zoning became the most common tool for perpetuating racial segregation. It could be implemented without explicitly referencing race, avoiding challenges in court.

Proponents of inclusionary zoning (IZ) sought to use the same land use tool that had reinforced segregation in the past to undo it in the present. By requiring some units within every new building or subdivision to be rented or sold for a below-market price to income-eligible households, they sought to create more economically and racially integrated communities.

A wide range of local policies fall under the rubric of inclusionary housing. Generally, any government



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Inclusionary zoning policies ensure that residential developments include both affordable and market-rate units. *Source: Ciranno Marcon Soares/Federal Reserve Bank of Minneapolis.*





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Residents and officials celebrate the opening of the Preserve at Kessing Ranch in Cotati, California. Seven of the development's 47 homes are income-restricted, and stewarded by the Housing Land Trust of the North Bay. Source: Robert Grant.

policy that either requires private builders to include affordably priced units in a residential project that would otherwise contain only market-rate units or that provides an incentive to builders to do the same is considered a form of inclusionary housing.

## INCLUSIONARY ZONING

The first inclusionary policies, such as those in Maryland and Northern Virginia, included a mandatory affordable housing requirement within the local zoning code. The Affordable Dwelling Units Ordinance adopted by Fairfax County, Virginia, is a good example. The ordinance requires most residential projects to set aside 12.5 percent of a project's units for rent or sale to households earning less than 70 percent of the Area Median Income (AMI). Nearly 3,000 inclusionary units have been produced since the ordinance's adoption in 1990, half of which are renter occupied and half of which are owner occupied.

## UPZONING/TRANSIT-ORIENTED DEVELOPMENT

In some cases, mandatory affordable housing requirements are imposed only on projects in areas that have been significantly upzoned or where new transit infrastructure is being planned or constructed. Land prices can rise rapidly in these areas. Affordable housing requirements ensure that some

of that publicly created value is shared in the form of affordable homes.

## DENSITY BONUS PROGRAMS

Some inclusionary housing programs require developers to provide affordable units only when they choose to take advantage of incentives like density bonuses. In California, a state law allows developers to build more housing units than would otherwise be allowed under local zoning rules if the project includes housing units for low-income or very low-income households. For example, a project that makes 15 percent of its units affordable to very low-income households can build 35 percent more housing units than local zoning would normally allow.

## DEVELOPMENT APPROVAL/STREAMLINING

Some inclusionary housing programs provide more certain or faster project approval of development proposals if they include affordable units. Examples include Chapter 40B in Massachusetts, SB 35 in California, and New Jersey's Mount Laurel Doctrine, all of which provide developers tools to avoid, streamline, or overrule burdensome local approval processes if their projects include some minimum amount of affordable housing units.

## Why Would a Municipality Want to Partner With a CLT?

Much of the public attention surrounding inclusionary housing is related to the process of ensuring that affordable units are provided when new housing is built. But municipalities want those units to remain affordable long after they are constructed and occupied by income-qualified owners or renters. Nearly all inclusionary units in the United States are resale-restricted for 30 years or more, with nearly a third restricted for at least 55 years (see figure 5.1). For those restrictions to work, the municipality must be willing to perform the many duties of stewardship, described in chapter one.

Alternatively, a municipality can delegate that responsibility to a nongovernmental organization like a CLT, which acts on the municipality's behalf to preserve the affordability of the inclusionary homes. A municipality might choose this option for a half-dozen reasons.

### SPECIALIZED EXPERTISE

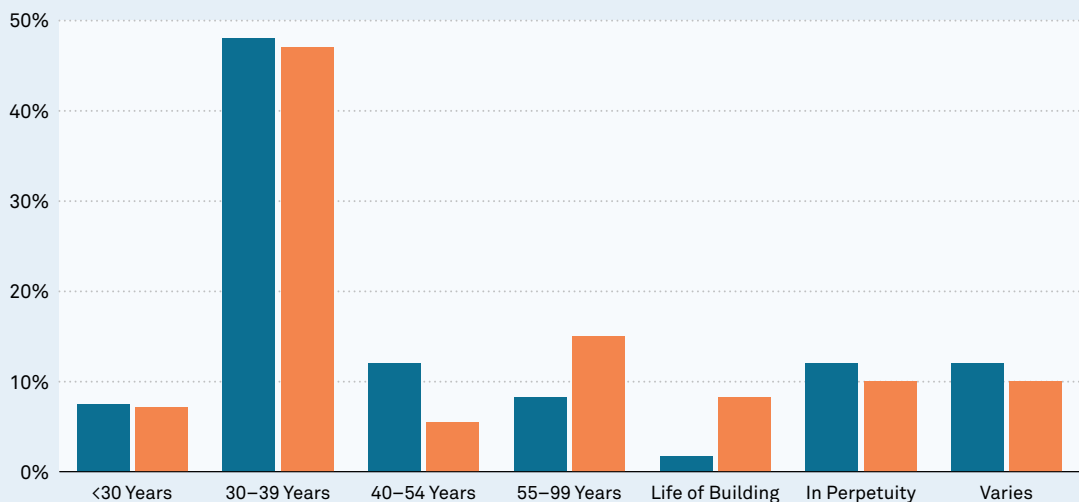
While jurisdictions may welcome any partner to which they could outsource stewardship, CLTs bring a very specific set of skills and capacity to the job. Stewardship is their primary focus. The staff of most CLTs is already focused on doing the type of monitoring and delivering the type of services that are necessary to the long-term success of inclusionary housing.

### SUSTAINABILITY

Typically, CLTs charge homeowners a monthly ground lease fee, which covers a portion of the CLT's ongoing administrative and monitoring costs. CLTs with larger portfolios have found that these lease fees are sufficient to cover much of the cost of stewardship. Smaller CLTs fill in the gap with funding from a public agency or philanthropic grants. While it can be dangerous for public agencies to rely on CLT fundraising to sustain core responsibilities of their inclusionary housing programs, it is not uncommon for a CLT to

Figure 5.1

#### Period of Affordability Required for Inclusionary Housing Units in the United States, as of 2019



Source: Wang and Balachandran, 2021.

fundraise for these functions, particularly in the early years of any new program. This can free up resources and allow city staff to focus on reviewing and approving new projects.

## HOMEOWNER TRUST

One striking difference between inclusionary housing programs administered by a public agency and the homeownership programs operated by CLTs is the relationship CLTs build with their homeowners. It is just easier for staff in a community-based nonprofit like a CLT to establish a rapport with homebuyers. The Community Home Trust (CHT) in Chapel Hill, North Carolina, demonstrates how such rapport can contribute to successful stewardship. During the height of the COVID pandemic, when many lower-income workers struggled with disruptions to their income, CHT's homeowners started calling for advice about how to handle missed mortgage payments. CHT's staff helped them find emergency assistance grants and other support programs—because these homeowners trusted CHT enough to call when they were in trouble. Even though several homeowners lost their jobs during the pandemic, no one lost their home.

## ADMINISTRATIVE FLEXIBILITY

Inclusionary housing programs necessarily have a lot of rules. The typical program has administrative guidelines hundreds of pages long. Even with all those rules, however, special circumstances always emerge. The staff of public agencies excel at enforcing rules, but they seldom have the authority to make exceptions or to create new guidelines. An unanticipated question often means a trip back to the city council. In contrast, a key element of the CLT model is that members of the local community serve on the CLT's governing board as “trustees” of this public resource. These trustees are charged with making choices that balance the interests of current and future generations of homeowners. In the case of inclusionary housing programs, there are program rules that a CLT can't change. But when a municipality is partnering with a CLT, the rules can sometimes allow more flexibility.

## PRACTICAL BENEFITS OF GROUND LEASING

One valuable resource CLTs often bring to municipal partnerships is the CLT ground lease. Most inclusionary housing programs use deed restrictions or covenants to enforce long-term affordability. Community land trusts impose the same sort of affordability restrictions through a ground lease, although many CLTs must use covenants instead when they accept responsibility for stewarding inclusionary units sprinkled throughout a larger condominium complex.



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Interior of a home in the Larkspur neighborhood of Chapel Hill, North Carolina. Local zoning required that 13 of the development's 86 single-family houses be affordable. The properties are now in the portfolio of the Community Home Trust. Source: Community Home Trust.



The key difference with a ground lease is that a CLT legally owns the land underlying a resale-restricted home. That strengthens a CLT's position in the event of any dispute. If provisions in a deed covenant were invalidated by a court, the jurisdiction would have no way to preserve the affordability of an inclusionary unit. If provisions in a ground lease were invalidated, the CLT would still own the land. This arrangement becomes particularly important in foreclosure situations. CLTs have spent several decades refining this model ground lease and negotiating with Fannie Mae and Freddie Mac to ensure that CLTs can retain their land and preserve the affordability of their homes, even if lenders foreclose on loans to individual homeowners.

## THE SYMBOLIC VALUE OF COMMUNITY LANDOWNERSHIP

Many cities with inclusionary housing programs struggle with homeowners who claim they never understood that their inclusionary home's resale price would be limited to preserve affordability. CLTs are less likely to have this problem because homebuyers understand intuitively the idea that CLT ownership of the land *somehow* reduces the value of the home they are buying. The idea of someone else owning the land gives people pause even though the

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Community Home Trust's portfolio includes 15 one- and two-bedroom income-restricted condos in Greenbridge, a 96-unit development in Chapel Hill, North Carolina. *Source: Community Home Trust.*

lease gives them most of the rights of a traditional owner and the same rights as a deed-restricted owner. This pause is a good thing because it means the families that have purchased homes on land leased from a CLT are more likely to have understood and accepted the tradeoffs involved.

That symbolic value is absent, of course, when the CLT does not own the underlying land and holds a deed covenant instead, which can happen whenever a CLT is tasked by a city with the stewardship of inclusionary condominiums scattered throughout a large, market-rate project. But a CLT conducts the same orientation and offers the same disclosures for all prospective homebuyers, making sure they understand use and resale restrictions that are essentially the same for all CLT homes. Most CLTs also work to ensure that, long after the homes are occupied, their owners remain connected to the CLT and to each other, making it harder for them to ignore that preservation of affordability is part of the deal they have bought into.



## Why Would a CLT Want to Partner with a Municipality?

There are clear advantages for a municipality, therefore, when delegating responsibility for the stewardship of affordably priced homes produced through an inclusionary housing program. On the flip side, there are clear advantages for a CLT in accepting this responsibility.

### ACCESS TO HIGH-PRICED AREAS

CLTs, like other affordable housing developers, struggle to acquire sites in high-demand locations. Generally, neighborhoods with the best access to stores, quality schools, parks, and other services have the highest land costs. With limited funding, CLTs can have a difficult time competing for sites in these areas or justifying the expense of acquiring them, when a subsidy of the same size could build more homes in a location where land is less expensive. Inclusionary housing programs, by definition, provide affordably priced housing in precisely those neighborhoods where market-rate housing is most likely to be built.

### DIVERSIFIED SUPPORT

Most CLT homes require the investment of public subsidies in order to reach lower-income buyers. As a result, the size of the subsidy pool of local or state funds becomes key in limiting the growth of any given CLT. Most CLTs could build or buy many more homes, helping many more families, if only more public subsidies were available. Partnering to implement an inclusionary housing program creates another pipeline of resources CLTs can access to meet an almost-unlimited demand for affordable homes and to pay a portion of their operational costs of stewardship.

### STANDARDIZED PRACTICE

In cities or counties where a municipality is managing the sale of below-market-rate homes created through an inclusionary housing program, and where a CLT is selling resale-restricted homes to buyers at similar income levels, the different rules of each program can be confusing for buyers, lenders, and other stakeholders. The programs can also work at cross purposes. If the programs use different resale formulas, for example, prospective buyers will naturally view whichever formula is more restrictive as “unfair.” The program with the more restrictive formula can have a difficult time selling its homes. By accepting responsibility for administering a municipality’s inclusionary housing program, a CLT can standardize the rules to reduce competition between CLT homes and inclusionary homes and make it easier for everyone to see resale-restricted homeownership as “normal.”

### PRIVATE DEVELOPMENT PARTNERS

City-CLT partnerships for inclusionary housing compel CLTs to work closely with private, market-rate homebuilders. CLTs responsible for stewarding inclusionary homes on a municipality’s behalf report that, in the long run, getting to know private builders can be enormously beneficial, especially for smaller CLTs with little capacity to develop on their own. Once developers get used to working with a CLT, they often become champions of the model. This has happened in Sonoma County, California, for example, where the Housing Land Trust of the North Bay has partnered with eight different jurisdictions to steward inclusionary housing (see box 5.1, page 61).



Box 5.1

### Stewarding Inclusionary Homes Sonoma County, California

The Housing Land Trust of the North Bay (HLT) was founded in 2002. While its first project was funded entirely with private donations, the HLT board soon settled on a different strategy. Rather than being a developer, HLT would focus on marketing and stewarding inclusionary homes developed by private builders.

For its second project, HLT partnered with a private homebuilder who was required to provide affordable homes by the City of Petaluma’s inclusionary zoning (IZ) ordinance. Gradually, HLT became the city’s preferred strategy for delivering for-sale inclusionary units.

Today HLT stewards inclusionary homes for eight different cities and towns in Sonoma County and recently expanded into Napa County. In most cases, developers with an IZ obligation pay HLT an upfront fee to steward new units after they are built. But in two other jurisdictions, the municipality pays HLT to steward older inclusionary units. When these units eventually come up for resale, HLT will purchase them and convert them into CLT homes.

In addition to marketing inclusionary homes and qualifying homebuyers, HLT works with developers to ensure their designs will meet the needs of HLT’s families. The organization’s executive director, Devika Goetschius, also shows up to offer her support during the project approval process. She says, “When developers go before a city council

without us, they meet a lot of suspicion, but when we are there from the start, they get a very different response.”

For these services, HLT charges developers \$10,000 for each home they sell. Most developers realize it would cost them much more than that to market these inclusionary homes and to manage compliance with a municipality’s rules on their own. Roughly 95 percent of HLT’s operating budget now comes from earned income. The organization can confidently say that it could continue to steward its current portfolio of permanently affordable homes even without any new IZ projects.

But for now, the IZ pipeline is still delivering new projects. HLT is adding 10 to 20 new homes each year and expected to pass the 150-home mark in 2024. HLT also manages the resale of housing already under its stewardship, averaging five homes per year. Many of HLT’s homes will be resold multiple times, making the total number of income-eligible families that HLT has helped to become homeowners far larger than the current number of homes in its portfolio.

Site plan for Riverbend, a 26-unit development in Petaluma, California. The project includes four owner-occupied “duets”—attached homes with a market-rate unit on one side and, on the other, an affordable unit stewarded by the Housing Land Trust of the North Bay. *Source: Steven J. Lafranchi & Associates.*

# Developing Successful Inclusionary Housing Partnerships

When city or county officials consider partnering with a CLT to preserve the affordability of homes created through an inclusionary housing program, they must consider not only their own priorities but those of the CLT as well. Here are five policy recommendations for improving the performance of this preservation partnership:

1. **Make the CLT a preferred partner.** Municipalities can be reluctant to “play favorites,” but the most successful partnerships involve a city or county treating the CLT as a favored partner. In Healdsburg, California, for example, market-rate builders are free to market and manage their own inclusionary homes, but city officials tell every developer that the easiest way to comply with the city’s inclusionary ordinance is to work with the Housing Land Trust of the North Bay.
2. **Pay for operations.** Inclusionary housing is inherently cyclical. New units come online only when the market is growing, so any revenue that a CLT might derive from inclusionary units, whether from sales or lease fees, can be inconsistent. A municipality that delegates stewardship to a CLT should provide some operational funding to help pay for this service.
3. **Partner with other municipalities.** A municipality should take advantage of a CLT’s ability to steward inclusionary homes in more than one jurisdiction and consider partnering with nearby cities or towns to help build a CLT’s capacity. In North Carolina, for example, the Community Home Trust (CHT) provides stewardship services for publicly assisted, affordably priced homes in Orange County, Chapel Hill, and two other towns through an interlocal agreement signed by all four municipalities in 2015 (see box 1.4, page 21). They agreed to a formula for sharing

CHT’s annual operating costs and holding each other accountable for living up to the terms of their agreement.

4. **Avoid redundant requirements.** Sometimes inclusionary housing programs have their own homebuyer regulatory agreements, covenants, or deed restrictions that duplicate the requirements in a CLT’s ground lease (or covenant), or even conflict with them. Instead of layering its own requirements on top of the CLT’s contractual framework, a city should look to a CLT’s ground lease (or covenant) to protect the city’s interest.
5. **Allow the CLT to negotiate on design.** Jurisdictions generally prefer that inclusionary units be identical in size and appearance to market-rate units, but sometimes this is impractical. In subdivisions with very large market-rate homes, for example, some jurisdictions require extremely large inclusionary units; other jurisdictions allow flexibility. This flexibility introduces a slippery slope, however, making it hard for jurisdictions to prevent developers from cutting too many corners. CLTs are better equipped to manage this negotiation over design. The Housing Land Trust of the North Bay, for example, has negotiated several projects where builders create affordable duets, two attached homes that from the outside look just like the neighboring single-family homes. This allowed more modestly sized affordable units to blend into a new subdivision, while also serving more families. These duets have become so popular in Sonoma County that some developers have started building market-rate duets as well.



## CHAPTER 6

# Local Taxation of CLT Lands and Homes



CLTs pride themselves on being good citizens and good neighbors. They want to pay their fair share of property taxes. They want their homeowners to do so as well. This is particularly important in small communities where the taxes on every parcel of property are vital to paying for public services. But CLT lands are different from other property. They are permanently removed from the stream of commerce. The resale price for CLT homes is permanently capped. Taxing CLT properties with no consideration for these limitations is neither logical nor fair.

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Proud Ground, a CLT based in Portland, operates in five counties in Oregon and one in Washington. In Oregon, a state statute exempts the CLT's land from property taxes and its resale-restricted homes have their property taxes discounted; in Clark County, Washington, the resale-restricted price of the land and home together are factored into local property tax assessments. *Source: Proud Ground.*



CLT homeowners will never reap market-rate returns on their homes. They lease land and purchase a home at a heavily discounted price in exchange for agreeing to ongoing affordability restrictions that limit the resale price of the property, the eligibility of prospective buyers, and the equity the seller will earn at resale.

A municipality that taxes a resale-restricted home based on its full market value fails to acknowledge what the New Jersey Appellate Court called a “patent burden on the value of the property” in a 1989 case that still provides important guidance for the taxation of resale-restricted homes (see box 6.1). CLT homeowners are forced to pay taxes on equity

that will never be theirs when this “patent burden” is willfully ignored by a local assessor.

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When it comes to assessing property taxes on a CLT, local governments must achieve a balance between what is legally permitted, what is programmatically preferable, and what is politically prudent.

## The Property Tax Balancing Act

When it comes to assessing property taxes on a CLT’s lands and homes, local governments that support CLTs must achieve a complicated balance between what is legally permitted, what is programmatically preferable, and what is politically prudent.

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Box 6.1

### Taxation of Resale-Restricted Housing in New Jersey

In the case of *Prowitz v. Ridgefield Park Village* (568 A.2d 114 [1989]), the New Jersey Appellate Court upheld the lower taxation of resale-encumbered property, stating: “The deed restriction limiting resale price constitutes a patent burden on the value of the property, not on the character, quality, or extent of title. It is, moreover, a restriction whose burden on the owner is clearly designed to secure a public benefit of overriding social and economic importance, namely, the maintenance of this State’s woefully inadequate inventory of affordable housing.”

Although long-term control over the resale price was imposed by a deed restriction instead of a ground lease in the New Jersey case, the court’s reasoning can be broadly applied to the taxation of all CLT homes. The opinion of a New Jersey court is, of course, not binding in other states. Even so, when CLTs have provided local assessors with a copy of the written opinion from *Prowitz v. Ridgefield Park Village*, many have agreed that the reasoning is sound.

### WHAT IS LEGALLY PERMITTED?

In a number of states, nonprofit organizations providing housing for low-income people are permitted by state law to apply for a tax exemption for land that has—or soon will have—affordable housing located on it. In these states, CLTs could potentially avoid paying any taxes on all the land in their portfolios. Being eligible for an exemption does not automatically make a CLT’s lands exempt, but it is a possibility. In Florida and North Carolina, the state legislature has acted, at the prompting of CLT advocates, to exempt lands held by a CLT from local property taxes, if the land is used for affordable housing.

Privately owned homes on lands owned by a CLT are a different matter. Private homeowners are not eligible for a total tax exemption in any state. But a growing number of state legislatures have passed laws requiring local assessments for CLT homes to take into account long-term affordability restrictions when determining a home’s tax bill.

## WHAT IS PROGRAMMATICALLY PREFERABLE FOR STATE AND LOCAL GOVERNMENTS?

Government officials at both the state and local levels have a vested interest in preserving public subsidies that have been invested in CLT homes. To the extent that these officials are also committed to preserving the housing itself, they have a vested interest in ensuring that these properties are taxed in a manner that does not compromise the affordability of homes they have helped to create.

## WHAT IS PROGRAMMATICALLY PREFERABLE FOR A CLT?

Similarly, CLTs have a vested interest in preserving the affordability of privately owned homes that are publicly subsidized. CLTs can serve more people for a longer period if the taxes on resale-restricted homes and the land beneath them do not precipitously increase. Even when a homeowner’s mortgage payments, utilities, lease fee, and other housing costs are under 30 percent of their monthly income when they initially buy a CLT home, rising property taxes can erode affordability over time (see table 6.1).

## WHAT IS POLITICALLY PRUDENT?

Municipalities have an interest in protecting their tax base, ensuring that all property owners share in paying for municipal services. CLTs that wish to secure both municipal support for their projects and community acceptance for their unconventional form of tenure must decide when and whether to appeal tax assessments that do not treat their homeowners fairly. Some CLTs have, in fact, chosen to allow their lands and homes to be taxed at their highest market value simply to remain in the good graces of their neighbors. Each CLT must choose its own approach, based on the political realities of its location.

Table 6.1

### 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 into account 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.

## Good News: State Guidance on Taxing CLT Lands and Homes

Since publication of *The City-CLT Partnership* in 2008, there has been a significant increase in the number of jurisdictions that take into account the “patent burden” of affordability restrictions when taxing CLT lands and homes. This is due, in large measure, to the guidance given to local assessors by state legislation.

Six states have reduced the tax burden *only on the land* owned by CLTs: Colorado, Connecticut, Louisiana, New Hampshire, Oregon, and Utah. The Colorado bill (HB 23-1184) creates a permanent property tax exemption on land owned by a nonprofit if a resale-restricted owner-occupied home is on that land.

Eight other states have adopted guidelines that require local assessors to reduce or exempt the tax burden on land owned by a CLT *and* to take into account affordability restrictions on CLT homes:

California, Florida, Michigan, Minnesota, North Carolina, Texas, Virginia, and Washington. CLTs in Idaho have been able to take advantage of a state law allowing a tax abatement for affordable housing. In California, the nonprofit land tax exemption (the so-called “welfare exemption”) is time limited, however, and cannot exceed 10 years.

In Vermont, the state legislature established a standard for local assessors to follow when taxing homes subject to a “housing subsidy covenant or other legal restriction, imposed by a governmental, quasi-governmental, or public purpose entity” (32 V.S.A. §3481). Such a restriction, when encumbering owner-occupied housing, according to this state statute, “shall be deemed to cause a material decrease in the value of the owner-occupied housing.” The statute goes on to say that the value of this resale-restricted property, for purposes of local taxation, shall be “not less than 60 and not more than 70 percent of what the fair market value of the property would be if it were not subject to the housing subsidy covenant.”

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The Colorado State Capitol, right, with the Denver City and County Building visible at the opposite end of Civic Center Park. More than a dozen states including Colorado have adopted legislation that requires property tax exemptions or reductions for CLTs. *Source: halbergman via iStock/Getty Images Plus.*



Even without state legislation or the guidance of a state department of revenue, some local assessors recognize the “patent burden” placed upon the lands and homes entrusted to a CLT. At their own discretion, these local officials have adjusted their assessment of properties in a CLT’s portfolio to reflect the contractual limitations placed on their use and resale. In doing so they are following their profession’s standard practice of adjusting property valuation whenever any “sticks” in the bundle of rights have been irretrievably sold or permanently encumbered.

State guidance and local discretion have made the equitable taxation of lands and homes in CLT portfolios more common than it was in 2008. The 115 CLTs consulted for this report cannot be said to provide a complete picture of what is happening in jurisdictions throughout the country, but they suggest a favorable trend in the local taxation of CLT holdings. Many more CLTs in our sample are being fairly taxed for their lands, homes, or both than those that are being unfairly taxed at a rate that disregards the restrictions on their use and resale (see figure 6.1).

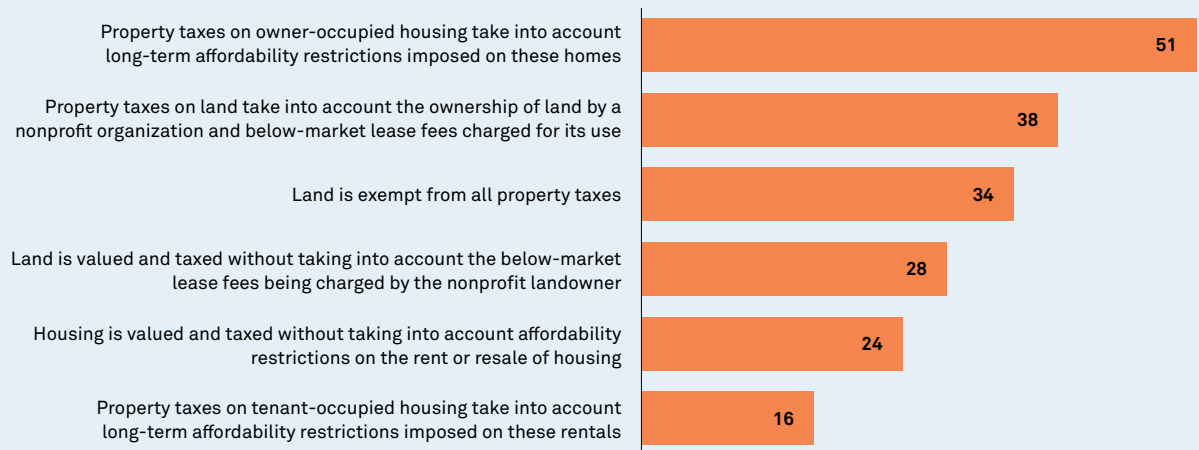
## Not-So-Good News: Resistant Assessors, Uneven Results

CLTs operate in different policy contexts depending on their location. In many states, the legislature has provided no guidance on the taxation of resale-restricted homes and local assessors take no account of the “patent burden” on CLT property. In Ohio and Missouri, state law prohibits local assessors from assessing lands or homes at a lower value, even if properties are encumbered with long-term affordability protections. And in many states, guidance is lacking on how homeowners on leased land can access homestead exemptions or credits.

It should also be noted that simply having a state law on the books requiring local assessors to take restrictions into account when valuing CLT land and improvements does not automatically solve the problem of CLT homeowners being taxed on value they will never receive. State judicial, legislative, and administrative guidelines provide a framework for the taxation of all properties, including CLTs, but local

Figure 6.1

### Local Taxation of CLT Lands and Homes



(n=115; multiple responses allowed for the CLTs interviewed or surveyed)



taxing authorities and assessors are the ones who implement these policies on a day-to-day basis.

Even in states where the law requires CLT restrictions to be taken into account, many local assessors resist, refusing to follow the letter of the law. They continue to assess and tax CLT properties as if they could be freely conveyed for an unrestricted price on the open market. In California and South Carolina, for example, the guidelines for taxing CLTs are permissive rather than mandatory. Assessors can choose to ignore resale restrictions when arriving at a valuation. Even in Florida, Maryland, Massachusetts, and Vermont, states that passed CLT standards for property tax assessment years ago, CLTs report that the laws are unevenly applied. The same thing has been reported in Minnesota and Michigan.

In Washington, a Property Tax Advisory on CLTs from the state's Department of Revenue (PTA 17.0.2014) states that, "No single method is mandatory, and assessors are allowed wide discretion in property valuation." Assessors labor mightily, therefore, to consider the impact of long-term land leasing, lower lease fees, and durable resale restrictions. Across the state, different assessors have come up with very different methods for valuing and taxing CLT lands and homes within their jurisdictions.

Any adjustment in the assessed value of a CLT's property is welcome, since it eases the financial burden borne by a CLT's lower-income homeowners. However, the rationale and methodology behind such adjustments must be defensible and systematic. The guidelines must be clear and uncomplicated. A CLT must be able to reliably predict how the local assessor will value any newly developed housing in order to factor the cost of property taxes into its pricing and underwriting. CLT homeowners need to be able to anticipate how their taxes are likely to rise over time. Case-by-case adjustments, based on calculations and criteria understood by the assessor alone, are almost as bad as no adjustments at all.

## Practices for the Fair Taxation of CLT Property

Municipalities and CLTs with a common commitment to homes that last must work together to negotiate assessments that provide fair valuations that avoid undermining both the initial and continuing affordability of the CLT's homes. These negotiations tend to go more smoothly when state government provides legislative and administrative guidance. Even with such guidance, however, CLT practitioners often find it necessary to meet with local assessors town by town or county by county, making their case for a reasonable and fair methodology for valuing and taxing lands and homes entrusted to the CLT.

### TAXATION BASED ON RESTRICTED VALUES

When CLTs enter a negotiation with a municipality over property taxes, they are not asking for a special discount or abatement. They are merely asking to have their lands and homes valued and taxed the same as any other property in which an arm's-length transaction would normally take into account any durable conditions and restrictions that encumber that property. There are three best practices here:

- assess a CLT's land based on the income stream from ground lease fees;
- assess a CLT's homes based on the initial below-market price to the homebuyer; and
- increase that assessment no faster than the rate of increase in the resale price allowed by the CLT's affordability restrictions.

**Value of the land.** The assessed value of the CLT's land should never exceed the capitalization of the income stream the CLT collects when leasing its land for a fee that is typically far below market rent. This valuation should only increase as the ground lease payments increase.

It is often left to local assessors to decide for themselves whether to recognize affordability restrictions and what the encumbered value should be. These decisions have rested on a series of “tests” that most CLTs have been able to pass.

**Value of the homes.** The assessed value of any buildings on the CLT’s land should reflect the perpetual use and resale restrictions that the CLT’s ground lease (or covenant, in the case of limited-equity condominiums) has imposed. In this, a CLT is asking only that its homes be assessed in the same manner as any other arm’s-length transaction. The assessed value of a restricted home, therefore, should be lower than the assessed value of a similar property that is not so encumbered. Because it is unlikely that a reasonable person would ever pay more than the CLT’s formula price for a restricted unit—or would be allowed to pay more by a CLT overseeing the transaction—the formula price is the best indicator of the fair value of a CLT home. A CLT’s resale formula takes the guesswork out of valuation and can make an assessor’s job much easier than it is for unrestricted, market-priced homes.

**Rate of increase.** The formula-determined price of a CLT home, under most resale formulas and under most market conditions, will rise more slowly than will the price of 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, local assessors should peg any increases in property taxes on a CLT home to the maximum increase in a home’s resale price allowed by the formula embedded in either the CLT’s ground lease or, in the case of a condominium, in an affordability covenant.

### TAXATION BASED ON REASONABLE TESTS

The guidance given to local assessors in the valuation and taxation of resale-restricted housing varies greatly from state to state. The question of whether resale restrictions impose a “patent burden on the value of the property” has sometimes been settled by a state court, sometimes by a state legislature, sometimes by a state tax department, and sometimes by a state board of tax equalization. More often, however, it has been left to local assessors to decide for themselves (1) *whether* to recognize the affordability restrictions contained in the ground leases of a CLT or in the deed covenants sometimes



used by CLTs in condominium projects and (2) *what* the encumbered value of these homes should be. Across the country, these decisions have rested on a series of “tests” that most CLTs have been able to pass. The most reasonable of these tests, either imposed on local assessors by their respective states or invoked by local assessors in exercising the discretion granted to them by their respective states, are the following:

**Diminished return.** The monetary return the owner can derive from a parcel of real property must be significantly reduced due to the contractual restrictions that encumber the property. This should be an easy test for a CLT and its homeowners to meet. The CLT’s ability to realize market-rate returns from leasing its lands is limited by the long-term leases it signs with its lessees. A homeowner’s ability to realize market-rate returns from subletting or reselling is limited by the same lease (or covenant).

**Duration.** Affordability controls cannot be impermanent. They must endure for many years. The 99-year term of the typical ground lease, restricting returns to the landowner and the homeowner alike, should enable a CLT to meet this test easily.

**Irrevocability.** Affordability controls must irrevocably bind both current and future owners and must have a high probability of remaining in force during the entire control period. Most CLTs should be able to meet this requirement. Except in the case of foreclosure (when affordability controls may be terminated), the use and resale restrictions in a ground lease are likely to remain binding and enforceable for the lease’s entire term. The situation is less clear if CLTs use deed covenants instead of a ground lease. Affordability covenants between nonprofits and private individuals are a more recent development, one that has neither been tested in the courts nor subjected to the test of time. Whether covenants prove to be irrevocable and enforceable in the same manner as a ground lease remains to be seen.



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A new Houston Community Land Trust homeowner. State policy in Texas allows CLTs to qualify for property tax reductions and exemptions. *Source: Houston Community Land Trust.*





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Mayor Kelli Linville breaking ground in 2018 for homes developed by the Kulshan Community Land Trust in Bellingham, Washington. The state issued a tax advisory on CLT properties in 2017, urging local assessors to take resale restrictions into account when valuing properties. Assessors are free to ignore this recommendation, however, resulting in inconsistencies and overtaxing. *Source: Lorraine Wilde/Whatcom Talk.*

**Disclosure.** Affordability controls must be fully disclosed to the prospective buyers of a resale-restricted home, who must fully understand and freely accept these controls as a condition of purchase. CLTs that do a careful job of preparing would-be homebuyers for the purchase of a CLT home should have no trouble passing this test. The model practice that most CLTs have employed is to require homebuyers to review the ground lease with an independent attorney and to sign an affidavit attesting that they understand what they are signing and agree to abide by its conditions. This provides documentation of disclosure.

**Recording.** Affordability controls must be embedded in ground leases, covenants, or other contractual documents that are recorded in local land records. Since most CLTs record a long or short form of their ground lease for every home in their portfolio, this test is easily met.

**Public benefit.** Affordability controls must benefit the public. As the New Jersey Appellate Court put it in the case of *Prowitz v. Ridgefield Park Village*, “It is not a potential benefit to any specific affordable housing owner with which the resale restriction is concerned, but the benefit to the public that is vouchsafed by indefinitely maintaining that unit in the affordable housing stock.” Where state or municipal policy has explicitly recognized the importance of preserving affordably priced housing, a CLT should have no difficulty passing the test of public benefit. In jurisdictions where public policy and public practice run contrary to a policy of preservation, however, CLTs will have to work harder to convince local assessors that resale controls provide a lasting public benefit.



## CHAPTER 7

# State Support for CLT Projects and Programs



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Washington Governor Jay Inslee places a Governor's Pin on volunteer Mike Roberts during a 2022 ribbon-cutting ceremony for Telegraph Townhomes. The project was developed by a partnership including the Kulshan Community Land Trust, Habitat for Humanity, the City of Bellingham, and other organizations. *Source: Andy Bronson/Cascadia Daily News. Used with permission of CDN.*

CLTs have long been able to organize or operate without specific legislation, authorization, or guidance from state governments. Beginning with the creation of New Communities Inc. in 1969, CLTs have relied on state statutes and administrative rules that were already on the books. They incorporated as nonprofit entities, established tripartite boards, separated land from improvements, marketed resale-restricted homes, and entered into long-term ground leases with homeowners. CLTs also enforced provisions in those leases to preserve the affordability, quality, and security of housing and other improvements. They have done all of this without the aid of state legislation targeted specifically to CLTs. But CLTs are finding that well-crafted legislation can help them thrive.

State legislatures have the authority to define, enable, and regulate CLTs. They can provide standards that guide local tax assessments of CLT lands and improvements. They can direct the distribution of surplus state-owned lands. They can set priorities for the distribution of resources from state housing trust funds and the allocation of housing tax credits by state departments or authorities. They can enact legislation that helps enforce contractual mechanisms that preserve permanent affordability, among other things.

In recent years, some states have also earmarked funds specifically for CLT training and technical assistance or for the support of CLT operations and projects, helping CLTs scale up their programs and expand homeownership opportunities. Aside from providing essential resources for CLTs themselves, these pieces of legislation increase public awareness and offer reassurance about the legitimacy of the model to homebuyers, lenders, investors, and others whose cooperation is essential.

The International Center for Community Land Trusts is developing a comprehensive, up-to-date compendium of state statutes pertaining to CLTs. This chapter introduces these materials and summarizes detailed discussions of state legislation for CLTs already in print (Decker 2018; King-Ries 2023). It offers an overview of state-level laws, policies, and programs that support permanently affordable homeownership in general and CLTs in particular. It should give both state officials and CLT practitioners a sense of the types of state legislation and state supports being offered around the country; it should also serve as a reference for CLT advocates considering what to include—and avoid—when crafting legislation in their own states.

## Evolving Legislative Support for CLTs

Legislation to support CLTs at the state level got off to a very slow start. Close to 100 CLTs already existed in 1987 when Vermont passed the Vermont Housing and Conservation Trust Fund Act (10 V.S.A. §301). Among other priorities, this act created an ongoing source of capacity funding and project funding for nonprofits providing homeownership opportunities for people earning 120 percent or less of the Area Median Income (AMI). Although the act did not mention CLTs directly, it was written in such a way as to include them. Significantly, a priority for permanent affordability was included as a statutory requirement, guiding the disbursement of funds by the Vermont Housing and Conservation Board, the quasi-public entity created by the act.

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Mikeya Griffin, executive director of the Rondo Community Land Trust in St. Paul, testifies at the Minnesota State House in support of proposed community wealth-building legislation in 2023. State Rep. Hodan Hassan, cosponsor of the bill, is at left. *Source:* © Minnesota House of Representatives. *Photo by Catherine Davis.*



Minnesota passed comprehensive legislation in 1991 defining and enabling what it called a “neighborhood land trust.” The legislation spelled out a trust’s right to buy and sell land, to enter ground leases of up to 99 years, and to enforce affordability restrictions. The initial legislation has undergone many amendments over the years—including changing the name of the entity being enabled to community land trust—but the essence of the original legislation remains intact (Mn. Stat. 462A.31, 2023).

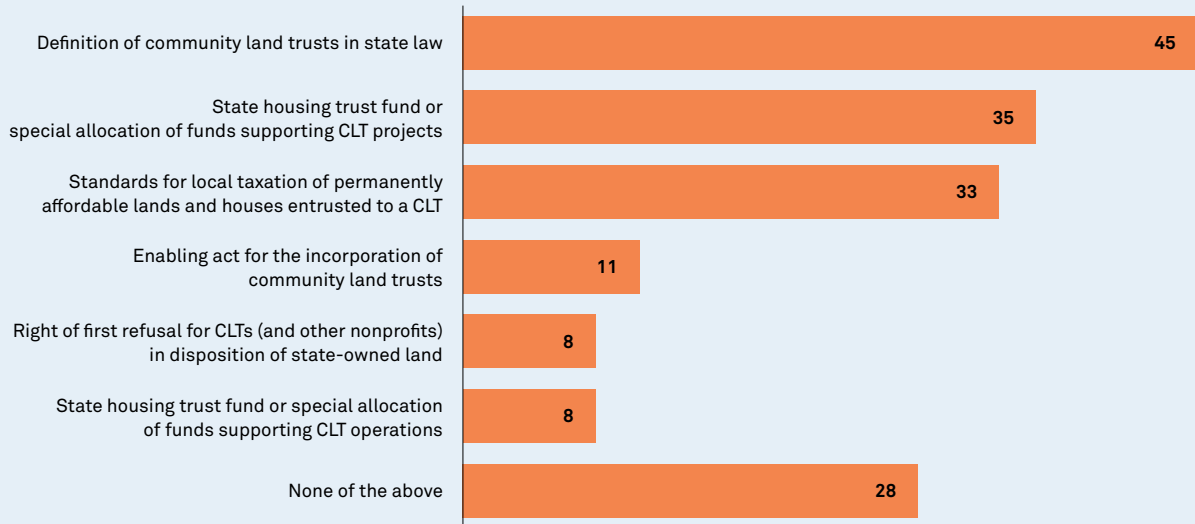
Texas and Maryland passed laws in 2010 that made the first direct reference to CLTs. These acts were broad in scope, addressing everything from governance and ground leases to standards for assessing and taxing CLT land. The Texas act appeared in the Texas Local Government Code §§ 373A.001-373A.213 (2010). The Maryland act appeared in two sections of the Maryland Code Annotated: Estates and Trusts § 11-102(b)(13) and Real Property §§ 3-102(a) (2)(vi); 6-101(a); 8-110(a)(4); 8-111.2(a)(4); 14-501 thru 14-511 (2010). The Maryland Affordable Housing Land Trust

Act, in particular, put to rest any confusion about the validity of the legal mechanisms associated with a CLT, including the long-term leasing of CLT land and affordability restrictions contained in the ground lease—an “affordable housing land trust agreement,” as it is called in the statute.

By 2018, 15 states had laws on the books that enabled or fostered CLT development. Of these, five enacted comprehensive CLT statutes: California, Connecticut, Maryland, South Carolina, and Texas. Six years later, CLT practitioners interviewed or surveyed for this report pointed to 20 different states that now have some type of CLT legislation (see figure 7.1).

The most common types of CLT-specific legislation cited by the practitioners consulted for this report include statutory language embedded in tax or real estate sections of a state code that defines or enables the formation of CLTs; statutes creating state housing trust funds or special funding allocations for CLT operations and projects; and standards for the

Figure 7.1  
**State Support for CLTs**



(n=115; multiple responses allowed for the CLTs interviewed or surveyed)

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An Oakland Community Land Trust home. The City of Oakland provided funding to help the newly established CLT begin acquiring property in 2009. *Source: Steve King, Oakland Community Land Trust.*



local assessment of property taxes. Other legislative efforts have included land banking acts calling for set-asides of state-owned land for CLTs, tenant option-to-purchase acts, and state statutes that create regulatory incentives for developers that generate opportunities for CLT homeownership.

## Legislation With Unintended Consequences

Some of the state legislation enacted in recent years has had mixed results. Without intending to do so, legislation has defined too narrowly what constitutes a CLT. Other legislation has left open the door for private for-profit developers to exploit opportunities that the legislature had intended to reserve for actors who would not treat housing as a speculative investment, including CLTs. California and Florida are two examples.

Over the last eight years, the California legislature has been extremely active in fostering permanently affordable homeownership, passing several bills that directly or indirectly benefit CLTs. In 2020, California passed SB 1079, known as Homes for Homeowners, Not Corporations. Its main purpose was to prohibit private investors from buying and selling homes as if they were stock, pricing everyone else out of the market. The bill applied to all one- to four-unit buildings in foreclosure, requiring them to be sold to an “eligible buyer”—either tenants who plan to live in the building, a local government, or a CLT. If a building in foreclosure is offered for sale, an eligible buyer has the right of first refusal, giving the buyer a chance to purchase it rather than get outbid by corporations.

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Box 7.1

### CLT Definition in the California Code

Section 402.1 of the California Revenue and Taxation Code was adopted in 2016 and amended in 2024:

(i) “Community land trust” means a nonprofit corporation exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code that satisfies all of the following:

(I) Has as its primary purposes the creation and maintenance of permanently affordable single-family or multifamily residences.

(II) (ia) All dwellings and units located on the land owned by the nonprofit corporation or its wholly owned subsidiary are either sold to a qualified owner to be occupied as the qualified owner’s primary residence or rented to persons and families of low or moderate income.

(ib) In the case of dwellings or units sold to qualified owners, if the community land trust, directly or through its wholly owned subsidiary, owns the land underneath the dwellings or units, then the land underneath the dwellings or units shall be leased to the qualified owner of a dwelling or unit on the land for the convenient occupation and use of that dwelling or unit for a renewable term of 99 years.

In the case of dwellings or units that are part of a condominium, cooperative, or other common interest development under which the land is owned by a homeowners’ association or person other than the community land trust, then the condominium unit or interest owned by the community land trust shall be sold to qualified owners for the convenient occupation and use of that dwelling or unit subject to affordability restrictions as that term is defined in this subdivision, except that in lieu of a ground lease there shall be an affordability covenant, of a duration of at least 99 years, recorded against the unit or interest.



Investors have been able to exploit loopholes in all categories. Another issue has been the lack of enforcement. Under the law, the trustee overseeing a sale must send the winning bidder's information to the California attorney general for review. If the review reveals that the bidder is not qualified, the attorney general, a county counsel, a city attorney, or a district attorney may bring an enforcement action. To date, bad actors are still finding ways around the law. CLT advocates are working to fix the problem.

Another issue in California has been the state's narrow definition of community land trusts. Adopted in 2016, that definition did not anticipate the many ways CLTs could be structured and applied. An amendment to the code was enacted in 2024 at the urging of the California CLT Network, broadening the definition to allow CLTs to develop more types and tenures of affordable housing (see box 7.1, page 75). Some uncertainty remained as to whether CLTs owning land for nonresidential purposes would also be allowed, but that concern was tabled until another day.

Florida's definition of a CLT was enacted in 2009, with later amendments in 2011 and 2020. This definition, which is embedded in Title XIV of the Taxation and Finance code (Fla. Stat. 193.018(2)), is broader than California's. Florida's statute allows for a CLT's "acquisition of land to be held in perpetuity for the primary purpose of providing affordable homeownership." This provides an opening for CLT farms, co-ops, and mixed-use commercial buildings as long as the project has a homeownership component. But it does not allow for the formation or operations of a CLT whose primary purpose is providing access to commercial spaces at below-market rates.

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City of Lakes Community Land Trust Operations Director Staci Horwitz leads a session at a conference of the Minnesota CLT Coalition. Source: *Social Strength*.

## The Role of CLT Coalitions

When CLTs learn about the benefits of legislation in other jurisdictions, their interest in promoting and advocating for similar legislation in their own states increases. CLTs have formed regional and state coalitions for the purpose of expanding lawmaker awareness about CLTs, increasing access to funding and other resources, ensuring fair taxation of CLT property, and underscoring the model's legitimacy for lenders, realtors, title agents, tax assessors, and others whose skills are essential to CLT transactions. Coalitions in Minnesota and California are prime examples, although CLT coalitions in the Pacific Northwest, Florida, and Vermont have had similar success in persuading state lawmakers to support their work.

Minnesota's CLTs began working toward legislative solutions as early as the 1990s. By 2005, they had formed a statewide coalition. From its inception, the Minnesota Community Land Trust Coalition included legislative advocacy among its priorities. By 2012, with the coalition's support, the state legislature had codified a definition of a CLT (Minn. Statutes, Section 462A.30). In 2020, the CLT Coalition joined forces with 17 other affordable homeownership organizations under one umbrella, Home Ownership Minnesota





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The Northwest CLT Coalition provides training and support for CLTs in Washington, Oregon, Idaho, Alaska, and Montana. *Source: Kathleen Hosfeld/Northwest CLT Coalition.*

(HOM). The organizers came together with the premise that the groups would benefit from coordinating their efforts rather than competing for the same limited resources.

During its second year, HOM raised its level of professionalism, collecting member fees and requiring weekly attendance at meetings. The purpose of this requirement was to strengthen trust and mutual understanding among members. By the end of HOM's second year, the state legislature had awarded a total of \$56 million to CLTs. The coalition continues to advocate for state and local support for permanently affordable homeownership. Its successes speak for themselves.

The California CLT Network was instrumental in getting a definition of CLTs into state law in 2016, its first year. The list of legislative wins for CLT-specific and CLT-supportive laws in the ensuing eight years is impressive. The network's most recent campaign advocated for state funding to preserve existing affordable housing, to acquire new buildings for permanent affordability, and to prevent the displacement of tenants. This resulted in legislative approval of a \$500 million allocation for the state's Foreclosure

Intervention Housing Preservation Program (FIHPP), for which CLTs would have been eligible to apply (CA 25539.4, 2021). Before any CLT had a chance to benefit from this allocation, however, over \$1 billion for affordable housing was cut from the state's budget by the governor, including all of the funding that the legislature had designated for FIHPP.

In 2022, the State of Washington appropriated \$1 million for a CLT training and capacity-building program. The following year, these funds were used to develop and execute the Home Futures Institute, three on-site professional development and training sessions for CLTs, organized by the Northwest CLT Coalition.

## Beyond Legislation: Executive Support for CLTs

In some states, the executive branch of government has also been a source of needed funds or buildable land for CLTs. For example, New York State Attorney General Letitia James established a Community Land Trust Capacity Building Initiative in 2017, providing \$3.5 million in grants to CLTs in eight cities and counties throughout the state. In 2019, the attorney general's office added another \$8 million to this capacity-building fund, derived from the settlement of a predatory lending lawsuit.

The St. Joseph CLT in South Lake Tahoe received 11 acres of land owned by the State of California under Governor Newsom’s Excess Land for Affordable Housing executive order (N-06-19). El Dorado County donated another four acres. The CLT and its for-profit partner have used this combined acreage to begin construction of Sugar Pine Village, a mixed-use development with 248 units of workforce housing located near public transit and pedestrian centers. The project is scheduled for completion by fall 2025.

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State governments that partner with CLT coalitions and consider their input in drafting legislation and crafting policies for state agencies can achieve effective, long-lasting changes where unilateral, top-down solutions have failed.

## Looking Forward

State governments can play a vital role in supporting CLTs, be it through enacting legislation and executive orders or through departmental policies and procedures. According to the practitioners interviewed and surveyed for this report, what CLTs need most from their states are additional funds for their projects and operations and clear standards for the local taxation of CLT land and improvements.

State governments that partner with CLT coalitions and consider their input in drafting legislation and crafting policies for state agencies can achieve effective, long-lasting changes where unilateral, top-down solutions have failed. It is no accident that states with strong CLT coalitions that are actively involved in educating legislators and helping to shape state policy—states like California, Vermont, Minnesota, and Washington—have done the most to support the development and stewardship of permanently affordable homes.



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Off-site, modular construction helped build cost efficiencies into the development of Sugar Pine Village, a 248-unit affordable community in South Lake Tahoe, California. The State of California selected Saint Joseph Community Land Trust as a partner in the project after a 2019 executive order made underutilized state-owned land available for affordable housing. *Source: Jim Meiers/Saint Joseph Community Land Trust.*



## CHAPTER 8

# Preservation Partnerships in the United States: Trends and Recommendations



The focus of this report has been less on the changing landscape of CLTs than on the evolving relationship between CLTs and municipalities when they partner to produce homes that last. But our research also brought to light significant trends in the development of CLTs themselves. This chapter describes the major changes occurring among CLTs in the United States, summarizes how governments below the federal level are supporting the work of CLTs, and recommends how such public largesse might best be delivered.

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Arroyo Crossing in Grand County, Utah, a project of the Moab Area Community Land Trust. When completed, this 41-acre development will include a daycare center, two community buildings, and 300 units of housing—both owner-occupied houses and townhouses and renter-occupied cottages and apartments. *Source: Reyce Knutson/Utah Housing Corporation via Moab Area CLT.*



## Trends in CLT Development

### MORE DIVERSE PORTFOLIOS

Housing has continued to be the main activity of nearly all CLTs—with homeownership remaining the primary form of *tenure* and single-family houses, townhouses, and condominiums remaining the most prevalent *type* of homeowner housing stewarded by CLTs. However, as buildable sites have become pricier, as the cost of construction has soared, and as CLTs have endeavored to serve people with too little income to qualify individually for a mortgage, multiunit cooperatives and rentals have become a more prominent part of CLT portfolios.

An increasing number of CLTs are also stewarding nonresidential lands and buildings. Among the 115 CLTs consulted for this report, 41 percent are providing more than housing. They are using their lands for agriculture or open space (40 percent); using their buildings for education, recreation, social services, or the arts (22 percent); or leasing out spaces for businesses, shops, or offices (32 percent).

### SHELTERING THE UNHOUSED

More CLTs are providing housing for people experiencing homelessness, an activity reported by nearly 17 percent of the organizations in our sample. CLTs are operating shelters, buying old motels, or managing single-room occupancy buildings, pods, or tiny houses. In most cases, this is temporary housing, although some CLTs are providing permanent housing targeted specifically to individuals or families who were formerly unhoused.

### BIGGER PORTFOLIOS

The housing portfolios of 67 percent of the CLTs consulted for this report are rather small, each holding fewer than 100 units. There are indications,

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City and county officials including Atlanta Mayor Andre Dickens, center, join Atlanta Land Trust Executive Director Amanda Rhein, at right, and members of the philanthropic community for a 2023 groundbreaking ceremony for the Trust at East Lake, a development of 40 affordable townhomes. *Source: Atlanta Land Trust.*



however, that CLT holdings are generally getting bigger. Among our own sample, counting all the housing of any tenure or type being stewarded by these CLTs, they hold a combined total of 18,298 homes. Thirty-eight CLTs have more than 100 homes; 23 have more than 200; and nine have more than 500.

## TRANSITIONING BETWEEN TENURES

Tenure is becoming fluid on occasion, rather than fixed. More CLTs are converting rental housing into limited-equity condominiums or cooperatives. Some have moved in the opposite direction, converting a portion of their owner-occupied housing into rentals. Several others have transitioned from one form of shared-equity homeownership to another, using a deed covenant to preserve the affordability of homes until their first resale, then substituting a ground lease after separating the ownership of land and building.

## BIGGER SERVICE AREAS

Most CLTs are serving an entire city, an entire county, or a multicounty region. Several have a service area encompassing an entire state. Only 15 percent of the CLTs in our sample serve a small geographical area that resembles the place-based community originally contemplated by the “classic” model. A bigger service area opens new opportunities for finding buildable land and securing housing subsidies from more than one municipality, even as it creates new challenges for the stewardship of far-flung homes and the involvement of “community” in the CLT’s affairs.

Developing housing across a wider zone of opportunity does not necessarily mean that a CLT is no longer doing community development within one or more zones of priority within that expansive area. Some CLTs do both. They are opportunistic in their acquisition of sites throughout a multicounty area, but intentional in their revitalization of particular neighborhoods or towns.



The City of Lakes Community Land Trust spreads the word about shared-equity homeownership. *Source: Social Strength.*

## MORE THAN ONE CLT WITHIN THE SAME JURISDICTION

An increasing number of cities, counties, and regions contain more than one CLT. This has sometimes led to friction, with CLTs competing for sites and subsidies. More often, however, CLTs sharing the same territory are finding ways to cooperate. At the metropolitan level, networks of CLTs have been organized in Baltimore, Boston, Los Angeles, New York, and San Francisco. Well-established statewide coalitions support the work of CLTs in California, Florida, Minnesota, and Vermont. In Ohio, Wisconsin, and Texas, CLTs have been meeting to form statewide coalitions of their own. The Northwest CLT Coalition, the oldest and largest of these networks, has been providing training and support for CLTs in Washington, Oregon, Idaho, Alaska, and Montana since 1999.

## MORE DIVERSE ORGANIZATIONAL STRUCTURES

A dozen CLTs in our sample are embedded in another organization—either a community development corporation or an affiliate of Habitat for Humanity.





This points to a trend that CLT practitioners and private consultants have observed across the country: more CLTs are being established as subsidiaries or programs of an existing nonprofit, rather than as freestanding organizations started from scratch.

## RACIAL EQUITY

Harkening back to the model's roots in the civil rights movement, a growing number of CLTs have added programs or preferences aimed specifically at closing the racial wealth gap for Black homebuyers and other people of color. More CLTs are also playing a role in either returning lands to Indigenous peoples or preventing the erosion of ethnic communities. The Dishgamu Humboldt Land Trust and the Sogorea Te' Land Trust are examples of the first. The Chinatown CLT in Boston is an example of the second.

## DISASTER RECOVERY

As climate-caused calamities have increased, more CLTs have been enlisted to help devastated communities to recover. Following the 2019 Kincade Fire in

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King tide at Tuluwat, a sacred ceremonial site returned to the Wiyot Tribe by the city of Eureka, California, in 2019. The following year, the tribe created the Dishgamu Humboldt Community Land Trust to facilitate the return of ancestral lands and steward the land for affordable housing, workforce development, and environmental and cultural restoration.

*Source: Aldaron Laird.*

Sonoma County, California, the Housing Land Trust of the North Bay piloted a strategy for rapidly erecting manufactured houses in fire-ravaged areas. The Lahaina CLT was formed in Hawaii in the aftermath of wildfires that destroyed 2,200 structures on Maui in 2023. CLTs in Houston, New Orleans, Puerto Rico, and the Florida Keys were at the forefront of rebuilding neighborhoods destroyed by Hurricanes Katrina (2005), Harvey (2017), Maria (2017), and Irma (2017). These cases highlight the value of community-owned land in preventing land grabs by “disaster capitalists” who often appear after wildfires, hurricanes, or floods to buy up sites at bargain prices.

## Trends in Governmental Support

### LASTING AFFORDABILITY

An increasing number of cities and counties have substituted a policy of preservation for the acceptance of attrition that previously marked most homeownership programs. Over half of the CLT practitioners interviewed or surveyed for this report said their municipalities have adopted a priority or preference for lasting affordability in the awarding of lands or funds. Not only are more cities and counties adopting such a policy, but affordability must be maintained for an even longer period to qualify for that priority or preference. More municipalities are requiring affordability to last for at least 50 years—or longer.

### ACTIVE STEWARDSHIP

More public officials have realized that contractual protections for the affordability of publicly assisted, privately owned housing are not self-enforcing. Consequently, there is wider acceptance of the argument CLTs have been making for a long time: an active, watchful steward is needed to preserve the affordability, quality, and security of owner-occupied homes that public investment has made possible.

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After a series of devastating fires struck Sonoma County, California, the Housing Land Trust of the North Bay developed Jamie Lane, a small neighborhood of manufactured homes. The relatively quick, cost-effective project is intended to serve as a prototype for other vulnerable areas. *Source: Housing Land Trust of the North Bay.*



### MUNICIPAL INITIATIVE

More cities are taking the initiative in starting CLTs. Half the CLTs in our sample identified one or more ways that public officials played a leading role in helping them to get off the ground. In a surprising number of cases—43 to be exact—CLT practitioners said public officials either first introduced the CLT to their community or were directly involved in planning it. That is a significant departure from the three decades that followed the formation of New Communities Inc., when nearly all CLTs were started as grassroots initiatives organized from the bottom up, sometimes in opposition to municipal projects or plans.

### LAND BANK–LAND TRUST PARTNERSHIPS

The growth of CLTs has been matched by that of municipal land banks, created by either a city or county government under state law. Many share the same geography as a CLT. This has precipitated an increase in the number and variety of land bank–land trust partnerships in which CLTs are favored recipients when a land bank disposes of publicly owned lands and buildings.



## EQUITABLE TAXATION

Not all jurisdictions tax CLT lands and homes fairly, but many more are doing so now than ever before. Remarkably, three-quarters of the CLTs in our sample reported that the jurisdictions in which they operate are taking into account their ownership and leasing of land for fees far below market rents and/or the permanent restrictions on the resale price of their homes when conducting valuations and assessing property taxes.

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The Boston Neighborhood Community Land Trust has acquired 11 properties since 2012, protecting residents in 32 units from displacement. *Source: Boston Neighborhood Community Land Trust.*



## STATE INVOLVEMENT

Part of the reason for the shift toward the equitable taxation of lands and homes entrusted to CLTs is the guidance that some state governments have provided to local tax assessors. States have become more active in supporting the growth and development of CLTs in other ways as well: defining and enabling CLTs through state statutes; setting aside state funds for developing CLT projects, maintaining CLT operations, and training CLT personnel; and adopting priorities for projects with lasting affordability in the distribution of grants, loans, and tax credits by state agencies. While the work of adopting and refining such legislation is ongoing, the emergence of state-level support for CLTs is promising.

## Policy Recommendations

There are many ways for cities, counties, and states to support the projects and programs of CLTs, some more effective than others. Previous chapters have discussed these dos and don'ts in considerable detail. Rather than repeat them, we shall end by outlining a set of general guidelines for public officials to consider when partnering with a CLT. They are drawn from the experiences and insights of CLT practitioners who were asked what worked well when their organizations sought support from units of government—and what did not. These guidelines are couched in terms of what *municipalities* should do, since preservation partnerships are most prevalent at the local level, but they may guide state agencies as well.

1. **Mobilize support that is multifaceted.** Any effort to start a CLT should plan for the new organization to take three to five years to get firmly established. Operational funding is the most critical need of a CLT during this formative period. From the very beginning, however, and for years thereafter, a city or county that is serious about expanding the supply of

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Buying a CLT home opened doors for this family in Lawrence, Kansas: “We grew our family, I got a better job, my husband got a better job; we built equity and saved money. All of this made it possible for us to thrive as a family.” Source: *Tenants to Homeowners*.



resale-restricted homes must consider the many ways municipal resources can be mobilized to produce and steward such housing. This may entail raising new funds for affordable housing development or retooling existing homeownership programs to direct more funding toward homes that last, but money is not the only support a municipality can offer. It is not even the most important at times. Underutilized lands held by various units of local government; municipal powers regulating the use, density, and development of land; property taxes that are fairly assessed on lands and homes that are permanently encumbered—all are part of the puzzle of municipal largesse that can be pieced together to expand the stock of permanently affordable owner-occupied housing.

2. **Respect the model’s balance of interests.** In a CLT, the rights, responsibilities, risks, and rewards of ownership are not only shared by the landowner/lessor and the homeowner/lessee. They are *equitably* shared through a legal mechanism that has been carefully designed to balance the interests of both parties, while securing the benefits of homeownership for a wider range of people. That mechanism—typically a ground lease, but sometimes a covenant—has also been carefully calibrated to meet the concerns of private lenders and

government-sponsored enterprises like Fannie Mae and Freddie Mac. Public officials should avoid the temptation to put a thumb on the scale, rewriting the lease (or covenant) in favor of either the landowner or their own agencies. Tilting the powers and prerogatives of property away from the people who are being asked to buy a CLT’s homes can make it harder to market and to mortgage them. It can also make it harder for the CLT to preserve the affordability, condition, and security of those homes, since it skews the relationship between steward and homeowner, undermining the mutuality on which an effective stewardship regime depends.

3. **Invest in stewardship as well as development.** As capable as many CLTs have become in developing affordably priced homes, the most important service they render is stewarding homes after they are developed. Stewardship is the added value CLTs bring to the table in partnering with any public agency to produce homes that last. Stewardship has a continuing cost, however, which should not be borne by the CLT alone, nor by a CLT’s lower-income homeowners who are already paying lease fees and transfer fees. A municipality that is serious about creating homes that last should share in the cost of stewarding them.

4. **Avoid clawing back in taxes and fees what has been given in subsidies.** In too many jurisdictions, different departments or entities within the same municipality work at cross purposes when it comes to supporting the affordable housing provided by a CLT. Grants or loans are awarded by one arm of local government to make newly constructed or rehabilitated homes more affordable, while another arm of government collects application fees, inspection fees, impact fees, or property taxes that render the selling price or operating cost of these homes less affordable. This can result in a net loss for the lower-income populations that a CLT and its municipal partner are trying to serve.
5. **Avoid treating grants as long-term loans.** Much of the money currently being awarded directly to a CLT by a city, county, or state is structured as a long-term, no-interest or deferred-interest loan that is eventually forgiven if the CLT performs as promised. These loans do not negatively impact the affordability of the CLT's homes because interest payments are not required. But they can wreak havoc on a CLT's balance sheet, because they are booked as liabilities rather than assets. When secured by liens against the CLT's land, loans also complicate financing for homebuyers and impose extra costs on the CLT. It is reasonable for a municipality to retain leverage in case a CLT should falter or fail, but a regulatory agreement or grant agreement can accomplish the same thing without diminishing a CLT's assets or increasing its costs.
6. **Weave preservation into the fabric of government.** A frequent lament of CLT practitioners is the disruption in their public funding when elected officials or municipal staff who have championed a policy of preservation and steered resources toward a CLT are replaced by individuals with different priorities. For preservation to endure as a municipal policy, it cannot depend on a few far-sighted individuals; it must be incorporated into a municipality's institutional fabric. The continuity

of support that CLTs need to produce and preserve an expanding portfolio of affordable homes is made more probable when a priority for long-term affordability and active stewardship is threaded consistently and comprehensively throughout a municipality's ordinances, programs, and plans.

7. **Evaluate impact as well as scale.** Public officials should use more than one metric when they evaluate the contribution that CLTs are making toward improving the quality of life for the people and places they serve. This means looking beyond a single-minded count of the number of housing units and acres of land that a particular CLT currently has. Numbers matter, of course. They are essential to determining whether a CLT is meeting its charitable mission of serving people and places in need and whether it is making productive use of resources that cities, counties, and states have put at their disposal.

But public funders tend to slip into what is sometimes called the McNamara Fallacy, a cautionary adage that says: "When you can't measure what's important, you make important what can be measured." Even CLTs with modest holdings of land and housing can have an enormous impact on their communities. Impact may be harder to measure than scale, but that does not make it less important.

8. **Plan for climate change.** Looming dangerously over the work being done by CLTs—and by everyone else—is the gathering storm of climate change. Many CLTs have begun building with that in mind. They are constructing net-zero housing and retrofitting existing housing to be more energy efficient. They are investing in solar. They are acting to reduce residential vehicle emissions by installing EV charging stations and siting affordable housing near public transportation. In coastal areas, where hurricanes and flooding are becoming more severe, they are building elevated homes capable of withstanding extreme winds.





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Enjoying the great outdoors at Bridger View, a mixed-income neighborhood of energy-efficient houses built next to a community park in Bozeman, Montana. Headwaters Community Housing Trust has sold 31 of the community's 62 homes to income-eligible households and will ensure their permanent affordability. *Source: Jon Catton/Headwaters Community Housing Trust.*

These efforts are critical and extremely expensive. Most CLTs are unlikely to get much further in shrinking their carbon footprint without more public funding to cover the incremental cost. They already face challenges in finding enough resources to create affordability and accessibility in the housing they provide for people of modest means and different abilities. The added cost of reducing energy consumption and carbon emissions can be one burden too many when a project development budget is already strained. Most CLTs, small and large, would gladly do more to build efficiency and resiliency into their housing, but they will need partners at all levels of government to help them carry the load.

The partnerships arising between community land trusts and local governments have resulted in more resources being directed toward homes that last, benefiting both the CLTs that receive those resources and the municipalities that bestow them. The homeownership portfolios of CLTs are being made more sustainable by being helped to grow, to diversify, and to decarbonize. The homeownership programs of municipalities are being made more impactful by being helped to preserve the affordability, quality, and security of homes that municipal support has enabled persons of modest means to buy. Each partner is bringing something to the table that increases the effectiveness of the other and makes a limited supply of local resources for affordable housing go further and last longer.



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A rendering of redevelopment plans for the historic Langston and Slater elementary schools in Washington, DC. City leaders have partnered with the Douglass CLT and other community organizations to secure permanent affordability at the site. Source: Douglass CLT.



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## WEB RESOURCES

Arc of Justice: [www.arcofjusticefilm.com](http://www.arcofjusticefilm.com)

California CLT Network: [www.cacltnetwork.org](http://www.cacltnetwork.org)

Equity Trust: [www.equitytrust.org](http://www.equitytrust.org)

Grounded Solutions Network: [www.groundedolutions.org](http://www.groundedolutions.org)

International Center for Community Land Trusts: [www.cltweb.org](http://www.cltweb.org)

New York Community Land Initiative: [www.nyccli.org](http://www.nyccli.org)

Northwest CLT Coalition: [www.nwcltc.org](http://www.nwcltc.org)

Schumacher Center for a New Economics: [www.centerforneweconomics.org](http://www.centerforneweconomics.org)

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## ABOUT THE INTERNATIONAL CENTER FOR COMMUNITY LAND TRUSTS

[www.cltweb.org](http://www.cltweb.org)

The International Center for Community Land Trusts is a nonprofit organization founded in 2018 to support the worldwide movement of CLTs, as well as similar strategies of community-led development on community-owned land. Governed by a board of directors drawn from seven different countries, the center is a *bridge*, connecting practitioners across national boundaries; it is a *library*, archiving historical documents, technical materials, case studies, and academic research on CLTs and related forms of tenure; and it is a *think tank*, researching and disseminating best practices and supportive policies. The center publishes books and monographs under its imprint, Terra Nostra Press. Learn more at [www.cltweb.org](http://www.cltweb.org).

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# Preserving Affordable Homeownership

“This is a groundbreaking and insightful report. It will make a tremendous difference to practitioners, cities, and policymakers as CLTs are experiencing historic growth and expansion in an increasingly unaffordable housing market. This report powerfully demonstrates the range of tools local governments have to enable and sustain CLTs. The local government role is critical since communities can and do face formidable challenges in establishing CLTs in both high-cost land markets and historically disinvested neighborhoods. The report importantly captures other expanding dimensions of CLTs, including partnerships with local land banks, the incorporation of commercial uses, and their role in climate resilience for vulnerable communities.”

—**SHEILA R. FOSTER**, *Professor of Climate and Law, Columbia University; Cofounder and Director, LabGov*

“The arrival of *Preserving Affordable Homeownership: Municipal Partnerships with Community Land Trusts* couldn't be timelier. This updated report not only contains an urgent call for effective collaboration, it provides a road map to collaboration by showcasing useful tactics and best practices for municipal and CLT staff to put to use right away.”

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“Municipalities across the country are struggling to address today's housing affordability and quality crisis. This report is a thoughtful, practical guide for local leaders considering community land trusts as a model to advance both long-term housing affordability and sustainable housing quality. Experienced CLT practitioners and newcomers to the field will benefit from its exhaustive survey of the field and its grounded, concrete proposals for better partnerships between local governments and community land trusts.”

—**ANIKA SINGH LEMAR**, *Clinical Professor of Law, Yale Law School; Editor in Chief, Journal of Affordable Housing and Community Development Law*

