Creating Lasting Affordability through Community Land Trusts: Lessons for Somerville, Massachusetts

A thesis submitted by

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Abstract

This thesis explores the community land trust (CLT) model as a tool for creating permanently affordable housing, and evaluates how a CLT could benefit Somerville, Massachusetts. The thesis discusses the current challenges Somerville faces in terms of rising housing prices, gentrification and displacement associated with the MBTA Green Line Extension. Interviews with key local stakeholders reveal questions, ideas, and perceived benefits and challenges associated with forming a community land trust in Somerville. The thesis then explores three active community land trusts in Chicago, IL, St. Paul, MN, and Carrboro/Chapel Hill, NC, to elicit lessons about how community land trusts function in different contexts, and ideas regarding how Somerville could utilize the model. The thesis posits that a community land trust should be created in Somerville to provide multiple benefits: create permanently affordable housing, remove land from the private market, and aggregate affordable housing throughout the city.

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Chapter 1: Introduction

The City of Somerville, Massachusetts faces numerous challenges to creating and preserving housing affordable for residents with low and moderate incomes, particularly as the City prepares for the extension of the MBTA's Green Line. Anticipation of the Green Line project is already driving up property values around the future transit stops (King 2014). More than 40 percent of Somerville households face a housing cost burden, paying more than 30 percent of their monthly income towards housing costs, and nearly twenty percent of households pay more than 50 percent of their monthly income towards housing (MAPC 2015). There is reason to believe this trend will continue given the rapidly appreciating housing market in Somerville and the greater Boston area.

One of the most widely discussed and lauded tools for addressing housing affordability crises and creating permanently affordable housing is the community land trust (CLT), which ensures lasting affordability by selling affordable homes to buyers subject to a long-term ground lease, while holding land in trust in perpetuity. Community land trusts are hardly new – they have been in existence since the 1960s and are viewed as a useful tool for maintaining community control of land and promoting the development of housing that is affordable to low- and moderate-income residents on a permanent or very long-term basis.

There has been growing interest in the CLT model in Somerville and the greater Boston area, particularly as residents and policymakers have witnessed the deep positive impact that the CLT model has had in Roxbury through the Dudley Street Neighborhood Initiative's land trust, Dudley Neighbors, Inc.

This rumbling of interest in and support for community land trusts for permanently affordable housing inspired me to take a closer look at what the CLT model could offer a city like Somerville, where housing costs are steadily increasing and gentrification and displacement present imminent threats to many low- and moderate-income residents.

This thesis aims to answer one primary research question: *How can the City of Somerville develop a Community Land Trust (CLT) as one piece of a comprehensive strategy to develop and preserve affordable housing for low- and moderate-income residents?*

Rather than attempt to answer the question of *whether* a community land trust should be created in Somerville – a question I believe could and should only be definitively answered through an open, transparent and inclusive community process – this thesis aims to provide insight into how other cities are using the CLT model, and what ideas and lessons their experiences can offer community members, policymakers and advocates in Somerville. In other words, *if* Somerville were to incorporate a community land trust as part of a comprehensive strategy to expand the stock of affordable housing and mitigate displacement, what should that land trust look like, and what lessons can Somerville learn from cities that are already using this tool?

In order to answer this overarching question, I have investigated a series of secondary research questions to shed light on specific factors that would influence the application of the CLT model in Somerville:

- *What role can the City of Somerville play in creating a CLT?*
- *Given Somerville's density and strong development pressures, how could a Somerville CLT acquire property?*
- *How could a CLT work to complement existing affordable housing strategies and programs in Somerville, particularly inclusionary zoning?*

It is my hope that this research yields some insight into how the community land trust model could work in Somerville, and spurs discussion around whether and how to incorporate this unique tool into a broader strategy for creating and preserving lasting affordability.

Methodology

Literature Review

To deepen my understanding of the community land trust model I conducted a thorough review of literature on the topic, including sources geared towards advocacy as well as academic sources. This literature review informed my knowledge of the community land trust model, influenced my selection of community land trusts profiled in Chapter 5, and guided the development of my interview questions.

Profile Selection

I chose to investigate and profile three community land trusts in U.S. cities in order to understand their operations, structure, motivations, opportunities and challenges. In researching these three CLTs I aimed to elicit ideas and lessons that could inform those interested in applying the CLT model in Somerville.

In selecting the community land trusts to research, I sought to explore those that might offer the most relevant lessons for Somerville given the challenges it faces – high housing costs, significant student population, gentrification and displacement – as well as the resources and opportunities it has to work with – an active city government and CDC, and housing policies like inclusionary zoning.

The Chicago Community Land Trust represented the growing trend of city involvement in creating and supporting CLTs. The Rondo Community Land Trust represents the traditional CLT model, as well as an example of an organization exploring commercial applications of the land trust model. Community Home Trust represents a land trust coping with many of the same pressures at play in Somerville – limited land, high housing costs, and a large student population – and also offered insight into how the community land trust model can be used to complement and reinforce municipal policy efforts like inclusionary zoning.

My research into these profiles was based on key informant interviews as well as on information gathered from scholarly literature, news coverage, organizational websites, and local policy documents.

<u>Interviews</u>

I conducted two sets of interviews: one with Somerville stakeholders; and another with staff from the three community land trusts profiled in Chapter 5 (see Appendix A for complete list of interview subjects). Interviews were open-ended and semi-structured in nature. With interview subjects' consent, I audio recorded the interviews to ensure the accuracy of transcription.

For the sake of convenience and scheduling, I conducted two small group interviews: one with two officials from the City of Somerville, and another with two staff members from Somerville Community Corporation.

Interviews with Somerville Stakeholders were conducted in person at cafés and at interview subjects' offices. Interviews with Rondo Community Land Trust and Community Home Trust were conducted by phone, while Chicago Community Land Trust staff answered interview questions via email correspondence.

In interviewing several key leaders in Somerville, I aimed to gauge the level of familiarity and interest in the CLT model, and to understand what questions or concerns these stakeholders held regarding the model's application in Somerville. Interviews with CLT staff focused on their organizations' origins, motivations, structure and operations, successes and challenges.

1. Somerville Stakeholders

Name	Title & Organization
Kelly Donato	Director of Special Projects, City of Somerville
Michael Feloney	Housing Director, City of Somerville
Scott Hayman	Director of Real Estate, Somerville Community Corporation
Meridith Levy	Deputy Director, Somerville Community Corporation
Dana LeWinter	Former Housing Director, City of Somerville

2. Community Land Trust Staff

Name	Title & Organization	Location
Robert Dowling	Executive Director, Community Home Trust	Carrboro and Chapel Hill, NC
Greg Finzell	Executive Director, Rondo Community Land Trust	St. Paul, MN
Teresa Lambarry	Outreach Director, Chicago Community Land Trust	Chicago, IL

Structure of this Report

This thesis begins with a literature review exploring the history and growth of community land trusts and their utility as a tool for retaining community control of land and fostering affordable housing development; the various features of a CLT, including ownership, operations, and governance, as well as the evolution of the CLT model, including the increasing involvement of municipalities in CLTs. Chapter 3 explores the dynamics impacting Somerville's housing costs, planning and policy efforts to address this problem, and a snapshot of the existing slate of policies, programs and resources for affordable housing in Somerville. Chapter 4 discusses interviews conducted with key informants in Somerville. This section identifies the questions, concerns, and ideas that this group of stakeholders shared about community land trusts and their applicability to Somerville. Chapter 5 profiles three community land trusts: Chicago Community Land Trust, Rondo Community Land Trust, and Community Home Trust. Chapter 6 discusses and analyzes the community land trust profiles and how their lessons apply to the Somerville context. Lastly, Chapter 6 contains recommendations for community members, advocates and policymakers interested in pursuing the community land trust model in Somerville.

Chapter 2: Literature Review

The National Community Land Trust Network provides this definition of a community land trust (CLT):

> CLTs are nonprofit organizations—governed by a board of CLT residents, community residents and public representatives—that provide lasting community assets and permanently affordable housing opportunities for families and communities. CLTs develop rural and urban agriculture projects, commercial spaces to serve local communities, affordable rental and cooperative housing projects, and conserve land or urban green spaces. However, the heart of their work is the creation homes that remain permanently affordable, providing successful homeownership opportunities for generations of lower income families (2015).

This definition does not speak to what is traditionally understood as the defining characteristic of a land trust – that is, that the ownership of land is permanently held by a trust, while the use or enjoyment of the land – for conservation, agriculture, recreation, or in the case of a community land trust, affordable housing, is separated from the land.

Land Trusts for Agriculture, Conservation

Conservation land trust scholar Richard Brewer (2003) provides a detailed account of the history of the land trust for conservation of land for environmental purposes.

> Land trusts, also called conservancies, are private nonprofit organizations that protect land directly, by owning it. They are the most successful and exciting force in U.S. land conservation today and perhaps the most effective component for the whole environmental movement. The history of land conservation in the United States has been protection by the government through ownership or regulation. Because the land trust model of saving land by private action has become dominant only in the past two decades, many people don't know what land trust are, what they do, or their importance to conservation now and in the coming decades (1).

According to Brewer, "the earliest land trust and the earliest land advocacy organizations were formed about the same time in the early 1890s…[although] advocacy was the dominant private approach to land protection until the last third of the twentieth century" (2003, 6). Brewer reports thirteen hundred small, local land trusts in existence throughout the United States, in addition to several large, well-known organizations like the Nature Conservancy (which has an international presence) and the Trust for Public Land, and state trusts like the Trustees of the Reservations in Massachusetts (2003, 1).

Brewer states that, other than the fact that both are private, nonprofit organizations that own land, conservation land trusts and community land trusts are "not much alike" (2003, 11). Likewise, despite the similarity in name, scholars of community land trusts do not characterize them as evolving from conservation land trusts; instead they trace the roots of CLTs back to social justice, civil rights, and pacifist activism widespread in the United States in the mid-twentieth century.

Origins of Community Land Trusts

Activist Robert Swann and economist Ralph Borsodi, credited with being the founders of the community land trust in the United States, drew significant inspiration for the concept from a land reform movement begun in India in the 1950s, initially known as the Boodan ("land gift") movement (Krinsky and Hove 1996, 22). Following the assassination of Mahatma Gandhi in 1948, Vinoba Bhave assumed "spiritual leadership" of his movement. Bhave pursued Gandhi's concept of "trusteeship" in which "land and other assets should be held in trust for the poor" (Davis 2010, 14). He began by traveling throughout the Indian countryside soliciting donations of land from wealthy landowners to be given to the poor as farmland – a strategy that yielded more than 3 million acres of land distributed to poor farmers by 1954 (Davis 2010, 14). Yet the direct transfer of land from wealthy landowners to the poor proved problematic, as the recipients were vulnerable to "moneylenders and speculators" and many lost their land. Bhave responded by shifting the strategy so that land would be donated to villages rather than individuals, and the movement henceforth became known as Gramdan ("village gift"). The villages would hold the land in trust and lease plots to individual farmers (Davis 2010, 15).

As an economist and writer, Borsodi spent considerable time in India and became familiar with this movement and eager to implement its lessons in the United States:

> He was enormously impressed by these local experiments in land reform, discovering in the Gramdan Movement an affirmation and an audience for his own ideas about rebuilding rural economies on the basis of self-sufficient villages on leased land (Davis 2010, 15).

According to Davis, Borsodi had been heavily influenced by the writings of Henry George, a prominent thought leader who himself was influenced by John Stuart Mill and his concept of the "social increment", summarized by Davis as "an economic theory that asserts that most of the appreciating value of land is created not by the investment or labor of individual homeowners, but by the growth and development of the surrounding society" (2010, 5). George shared this belief and, in his 1879 book, *Progress and Poverty*, argued that the government should impose a tax on this "social increment," which, in his view, would generate enough revenue to fund infrastructure, schools and other public services that it would supplant existing taxes on wages, profits and structural improvements (Davis 2010, 6).

Davis reports that Henry George's writings about land and poverty greatly influenced Ebenezer Howard, who in 1898 published *To-Morrow: A Peaceful Path to Real Reform*, later re-released as *Garden Cities of To-Morrow* (2010, 6). Howard's vision was of planned, self-sufficient settlements in which land was municipally owned: "Like George, he wanted to capture the social increment for public improvement, not private enrichment. Unlike George, his mechanism was not the single tax but municipal ownership" (Davis 2010, 7). Howard's concept was realized with the creation of 32 Garden Cities across England, and several in the United States, including Arden, Delaware, and Fairhope, Alabama (Davis 2010, 7).

In 1936, Ralph Borsodi founded a similar "intentional community" in New York, called the School of Living, in which families lived on homesteads and paid an annual lease fee for the use of the land. Davis describes how different actors influenced each other and experimented with the concepts of "intentional communities", homesteading, and land leasing throughout the first half of the twentieth century, citing examples such as Bryn Gweled, a Quaker leased-land community near Philadelphia; Norris, Tennessee, a community established to provide housing for workers building a dam for the Tennessee Valley Authority (TVA); and Celo, North Carolina, a leased-land community that included housing, farming, and a boarding school (2010).

Davis draws a philosophical distinction between these early leased-land communities and the community land trust model as it is now known, arguing that these earlier models lacked the structure of community governance and control that defines the CLT:

> In all of these leasehold communities…there was common ownership of land, individual ownership of the buildings, and a long-term ground lease

> tying the interests of the parties together. These were planned communities on leased land. They were land trusts. They were not community land trusts, however, as the term is understood today (Davis 2010, 9).

New Communities, Inc.

While not the first intentional, leased-land community, the first *community* land trust in the United States was New Communities, Inc., established in 1969 in rural Albany, Georgia. New Communities was founded by Robert Swann and Slater King, a cousin of Dr. Martin Luther King, Jr. Swann and King aimed to combine aspects of the leased-land community model that Borsodi and others had created with the concept of the "village trust" from the Gramdan movement (Davis 2010, 15).

The trust owned 5,735 acres of land with the intention of providing housing and farmland for African-American farmers in rural Georgia. The trust had to take out a sizable loan to purchase the land, and because so much of their revenue was devoted to debt service, they were never able to generate enough funding to develop homes on the land (Davis 2010, 17). Despite the fact that New Communities was not able to develop housing, the trust has historical significance for being the first community land trust in the United States, and, according to Gray, because "it was different from subsequent CLTs in that it began as a civil rights activity" (Gray 2008, 70).

Many of those involved with creating New Communities Inc. went on to form the Institute for Community Economics (ICE), which provided research, financial support, and technical assistance to the CLT field. In 1982 ICE published The Community Land Trust Handbook, which provided practical guidance and theoretical support for the CLT model (Davis 2010).

Growth of community land trusts

The CLT movement has grown considerably in the decades since New Communities, Inc. The National Community Land Trust Network (NCLTN), an umbrella organization that serves the CLT field, had record of 242 CLTs in operation in the United States as of March 1, 2011. CLTs exist in rural, suburban and urban areas, in 47 states across the country, including the District of Columbia (Thaden 2012).

Among the most prominent examples discussed in scholarly and grey literature are the Champlain Housing Trust (CHT) in Burlington, Vermont, and Dudley Neighbors, Inc. (DNI) in Boston, Massachusetts. The Burlington Community Land Trust was established in 1984 and focused on providing homeownership opportunities for low- and moderate-income residents. The land trust merged with the Lake Champlain Housing Development Corporation in 2006 to form the Champlain Housing Trust. CHT is now recognized as the largest community land trust in the nation, with more than 520 homes and 1,800 rental units in its portfolio (Champlain Housing Trust 2015).

Dudley Neighbors, Inc. was established in 1984 after a massive community organizing effort on the part of the Dudley Street Neighborhood Initiative (DSNI) to take control of vacant parcels of land in Roxbury that had become dumping grounds for garbage. Once the community succeeded in getting the parcels cleared and secured, the Dudley Square neighborhood became the target of real estate speculation. DSNI conducted a "comprehensive organizing and planning initiative" to create a community-driven vision for the revitalization of the area. After significant advocacy from the community, the City of Boston ultimately granted eminent domain power for a 62-acre area. Sklar explains, "Dudley's approach turned the long-abused power of eminent domain into a tool for development without displacement" (2009, 347).

DNI was established to take ownership of the land, and construct affordable housing and other vital community resources. The community land trust now holds 225 homes, a greenhouse, urban farm, gardens and playgrounds (Dudley Neighbors, Inc. 2015). DNI has served as the most influential example of a community land trust in Massachusetts, and also as an innovative example of the power of community organizing and control.

How Community Land Trusts Work

Ownership

Community land trusts are typically private, nonprofit corporations that own land upon which affordable housing either already exists or is developed by the CLT or a developer contracted by the CLT. In the traditional formation of the CLT, the trust retains title to the land, and sells the homes on that land to low- and moderate-income (LMI) homebuyers at an affordable price. The resale value of a CLT home is capped according to a formula, so that the home remains affordable for a future LMI buyer. Capping the resale price also speaks to the philosophical goal of the CLT to prevent the loss of the "social increment" – the appreciation in a property's value that comes from the social development around it, rather than from the owner's labor or investment.

Permanent Affordability

The primary focus of American housing policy since World War II has been the promotion of homeownership as a tool for low- and moderate-income (LMI) families to build wealth and stability. Numerous federal and state programs exist to help LMI households purchase a home, often through subsidies that lower the home's initial purchase price. This assistance often amounts to a one-time subsidy – it helps the individual household with their purchase, but the subsidy is effectively lost once that individual or family decides to sell the home on the free market. They are able to charge a market-rate price for the home, and pocket the difference between the subsidized price they paid and the market price they charge at the time of sale. While this outcome is clearly beneficial for the family in question, the benefit is not passed on to a future purchaser, and the public investment is lost. This process is often known as "subsidy removal," because the public subsidy is essentially withdrawn upon resale of the property (Davis 2006, 82).

As Jacobus and Cohen explain, programs that provide for subsidized homeownership can help individual households build equity and wealth, but the subsidies required to make these homes affordable for low- and moderate-income families are then lost when those families sell their homes at market rate:

> Homeownership subsidy programs… frequently use public money to build what is almost entirely private wealth. The homebuyers can realize significant growth in the value of their homes over time, but none of that value is available to help other families in the future and, unlike publicly subsidized rental housing, the public sector must invest new money for each family assisted into homeownership (1).

In response to this concern, various programs have been created to keep hold of some or all of the public subsidy so that it might benefit additional households, through either "subsidy recapture" or "subsidy retention" strategies.

Subsidy Recapture

In the subsidy recapture scenario, a LMI buyer takes out a second mortgage to cover a portion of the purchase price from the government agency or non-profit providing the subsidy. This additional loan is often called a "silent second" mortgage, because the homeowners do not make monthly payments over the life of the loan, but are expected to repay the loan when they decide to sell the home. The homeowner is permitted to sell the home at market rate, but is then required to re-pay the silent second loan to the lender – effectively returning the initial subsidy amount to the body that provided it. The homeowner can then pocket the remaining value from the sale of the home. In many cases, the loan is forgiven if the household stays in the home for a certain period, often ten years (Jacobus and Cohen, 5).

The primary criticism of subsidy recapture is that it simply does not recapture enough money to assist future homebuyers without requiring additional public funding. While this method can help recover some or all of the initial subsidy amount, the amount that is recaptured is often insufficient to help another household, so further public investment is necessary. This is due to the fact that, in most cases, the value of the home will have appreciated since the time that the first household purchased the home. The silent second loan would have represented a percentage of the money required to purchase the home, often 20-25% of the home's market value. When that subsidy is repaid, given that the home has appreciated in the time since the initial purchase, that silent second subsidy no longer represents the same percentage of the market price – while it may have been 25% of the initial purchase price, once the home appreciates, that money may only amount to 15% of the next purchase price. Thus the next low- or moderate-income buyer may need additional subsidy on top of the initial subsidy in order to purchase the home (Jacobus and Cohen, 5).

While the silent second option is relatively straightforward for buyers and lenders to understand, given that it functions as a second mortgage, it is a flawed approach in that it requires further public investment, especially in hot housing markets. It also does nothing to slow the increase of home prices that may be displacing other low- and moderate-income households, since the home is still purchased and resold at market rate. From a political standpoint, the fact that a program requires ever-increasing public funding to operate successfully is a challenge, as it will become a target for cuts in times of budgetary constraint.

Subsidy Retention

An alternative approach to subsidy recapture is subsidy retention, in which the subsidy is attached to the home itself, rather than the individual household: "Instead of asking families to repay the public subsidy when they move, subsidy retention mechanisms expect the initial subsidy to stay in place in a specific housing unit when one family moves out and another moves in" (Jacobus and Cohen, 8). In a subsidy recapture scenario, the subsidy is provided to the individual or family purchasing the home. In subsidy retention programs, the subsidy is provided to the developer or corporate sponsor of the home, and is attached to the property. The purchaser buys the home below market rate because the subsidy has allowed the sponsor to lower the price. The homeowner owns the home, but is restricted from reselling it at market price through a deed restriction, ground lease, or the bylaws of a limited equity cooperative. The price at which a homeowner may resell the home is determined by a resale formula, such that the home will remain affordable for a future purchaser of low or moderate income. The subsidy in this case is a one-time infusion of funds at the outset that make it possible to sell the home for a price well below the market rate, and the subsidy stays with the property, through resale restrictions, after the first purchaser sells.

Shared Equity Homeownership

In the case of subsidy retention, the purchaser does not take the equity out of the home with them when they sell, as would be the case in other scenarios. For this reason, this type of homeownership program is commonly known as "shared equity homeownership"– also known as re-sale restricted homeownership, limited equity housing, non-speculative homeownership, permanently affordable homeownership, and third sector housing. Each of these names derives from the fact that this model of housing is distinct from both traditional rental housing and traditional homeownership. As Davis explains, shared equity homeownership lies in the middle, subverting traditional notions of property ownership:

> Shared equity homeownership is planted in the fertile middle ground between arid dichotomies that have historically dominated American housing policy, where residential property is either publicly owned or privately owned; where housing prices are either socially controlled or market-driven; where residents are either renters or owners. The individuals who occupy shared equity housing straddle these boundaries. They possess many of the same "sticks" in a property's bundle of rights that any other homeowner would expect to hold when gaining title to residential property. Unlike their counterparts in market-rate housing, however, the owner- occupants of shared equity housing may not resell their homes for whatever they can get (2006, 1).

Two of the most prominent and effective subsidy retention mechanisms are ground leases and deed restrictions (or covenants). While the ground lease has traditionally been the primary tool of CLTs, many are increasingly using deed restrictions and other mechanisms to maintain long-term affordability where ground leasing is not feasible or preferred.

Ground Lease

In a ground lease scenario, the community land trust owns the land beneath the homes in its portfolio. The CLT sells a house to an income-eligible individual or family, but retains title to the land. The homebuyer signs a ground lease with the CLT, typically for a period of 99 years, for which they pay a nominal monthly fee to the CLT. The ground lease document lays out certain restrictions to ensure that the home will be resold at an affordable price to an eligible buyer.

Because the CLT retains title to the land in this scenario, its interest in the land is uninterrupted and not vulnerable to legal challenges: "Legally, a CLT insures that resale limits and other requirements are observed by retaining legal ownership of land and selling only the house that sits on that land to the homebuyer" (Jacobus and Cohen, 12). The homeowner is a lessee and while she holds title to the improvements on that land, she can make no claim on the underlying land. The lease amounts to a license to live on the land, which is fully revocable if the conditions of the lease are violated. The ground lease model gives the CLT incredible leverage and control over the present and future use of the land, enabling it to ensure long-term and near-permanent affordability, so long as the CLT itself remains committed to that goal.

The ground lease has traditionally been the defining characteristic of community land trusts, because it owns and stewards the land as an asset for the community. The ground lease thus holds philosophical benefits as compared to the deed restriction. The Community Land Trust Network, an organization dedicated to providing scholarship and technical assistance to the CLT field, makes a detailed Model Ground Lease available for its members to use.

Deed Restrictions and Covenants

Unlike ground leases, deed restrictions (or covenants) do not involve separate titles to land and to the improvements upon that land. Deed restrictions are part of the deed that conveys property from a grantor to a grantee, and are signed by both the grantor and grantee, and recorded at the registry of deeds at the time of sale.

Deed restrictions and covenants can be used for any number of purposes – from homeowners' associations looking to ensure compliance with a certain aesthetic, or developments that aim to restrict ownership to senior citizens. So long as the restriction does not violate Shelley vs. Kramer – the landmark 1948 Supreme Court decision that outlawed racially discriminatory deed covenants – it can be included in a deed restriction as long as the grantor and grantee both sign it at the time the property is conveyed.

Deed restrictions are commonly used in conjunction with inclusionary housing (or inclusionary zoning) programs, which require that developers building new market-rate homes set aside a certain percentage of those units as affordable housing. Many inclusionary programs utilize deed restrictions to establish long-term affordability restrictions on these homes.

<u>Long-term Affordability Restrictions</u>

To ensure lasting affordability, both deed restrictions and ground leases exert their power by placing restrictions on the homeowner in three key areas: resale price, buyer eligibility, and occupancy and use (Abromowitz and White 2006, 7).

Resale Price Restrictions

Resale price restrictions aim to ensure that owners of shared equity homes sell their homes at prices that will be affordable to other low- or moderate-income households. The price is capped at a certain level using a resale formula. As Davis explains, "Most resale formulas are designed to allow homeowners to recoup their original down payment, to recover any payments that have gone toward the amortization of their mortgage, and to realize a reasonable return on the home-owner's investment" (Davis 2006, 65). There are four common resale formulas found in both ground leases and deed restrictions:

- *Appraisal-based* formulas calculate the amount of equity a homeowner is entitled to by adding to the amount of their initial investment a percentage of the home's appreciation (the difference between the home's original appraisal and the appraisal at the time of resale).

- *Indexed* formulas base the increase in sale price for the home on the increase within a certain index, such as the Consumer Price Index (CPI) or Area Median Income (AMI), in the time since the homeowner purchased the home.

- *Mortgage-based* formulas base the resale price on the amount for which a family at a certain income level would be able to afford a mortgage, given interest rates at the time of sale.

- *Itemized* formulas adjust the price by adding or subtracting from it based on specific factors like inflation, damage to the home, improvements made by the homeowner, and depreciation (Jacobus and Cohen, 22).

- *Fixed-percentage* formulas raise the original price of the home by a certain fixed percentage that remains the same each year (Thaden 2012, 19).

Of these, appraisal-based formulas tend to be the most widespread. A 2011 survey of CLTs found that 46 out of 80 respondents report using an appraisal-based formula, compared with 15 using indexed formulas, ten using a fixed percentage, one using a mortgage-based formula, and eight using other unspecified formulas (Thaden 2012, 20).

The resale price restriction makes the home affordable for the next family, but also has the effect of slowing the increase of home prices in the community, which can be particularly important in hot housing markets where lower-income residents are at risk of being displaced.

Buyer Eligibility Restrictions

Buyer eligibility restrictions seek to ensure that the individual or family purchasing a shared equity home is eligible to receive the subsidy. Income limits vary between programs, but most are based on a percentage of the area median income (AMI) for the community in which the home is located. The income limits in a ground lease or deed restriction are determined by the limits specified by the funding sources used to develop or subsidize the homes.

The developer or sponsor of the home typically completes an income verification process to make sure that the buyer is eligible for the reduced-price home. Unlike many other affordable housing programs, particularly voucher programs like the Housing Choice Voucher Program (Section 8), residents of shared-equity homes are not typically required to complete income verifications on an ongoing basis after they purchase the home, and in most programs, homeowners do not become ineligible to occupy their homes if their incomes rise above the targeted income level (Davis 2006, 57).

Occupancy and Use Restrictions

Shared-equity homeownership programs must be certain that the individual or family that purchases the home is in fact living in the home on a full-time basis, so that the home is benefiting the intended target of the subsidy. Both ground leases and deed restrictions typically include occupancy restrictions that prevent the homeowner from renting or subletting the home (White 2011, 140).

Use restrictions govern the activities of the homeowners, and target issues that can impact the home's physical condition and value. The sponsor of the home needs to ensure that the home will be in good condition so that it can be resold in the future without necessitating major repairs.

As Abromowitz and White explain, both occupancy and use restrictions require a certain level of monitoring and enforcement on the part of the developer or sponsor: "Unless these restrictions are monitored and enforced by some authorized agency, there is nothing to prevent the owner of an affordable home from moving out and becoming an absentee landlord, or allowing the public investment in the home to be wasted by abuse and inadequate maintenance of the physical structure" (2006, 9).

Preemptive Option

Both mechanisms also typically include a preemptive option for purchase, which allows the sponsoring organization or its designee (specified in the option) to purchase the home at the resale price dictated by the formula. The entity that holds the option can either purchase the home, or monitor the sale of the home to an income-eligible buyer. The preemptive option acts as a safeguard to prevent the homeowner from selling the home to an ineligible buyer, or at a price above what the formula allows. As Bell explains in regards to CLTs, "[t]he right of repurchase alone, even without the price limitation, is important because it permits the CLT to see that the new purchaser is one of the group the CLT was created to serve" (1991, 1).

Governance

One of the CLT's defining characteristics is its unique governance structure, which prioritizes community control and empowerment above all, even above the interests of CLT residents. Davis (2010) points to these three elements of organizational structure and process that distinguish community land trusts from other leased-land communities:

- The landowner is a private, nonprofit corporation with a corporate membership that is open to anyone living within the CLT's geographically defined "community."
- A majority of the governing board is elected by the CLT's membership.
- There is a balance of interests on the governing board, where seats are allocated equally among directors representing the CLT's leaseholders, directors representing residents from the CLT's service area who are not CLT leaseholders, and directors representing the public interest (Davis 2010, 9-10).

This "tripartite" board structure is unique to the CLT, and is intended to ensure that the CLT benefits its broader community and not just its leaseholders.

Stewardship and Foreclosure

One of the CLT model's defining characteristics is its focus on "stewardship" as one of the trust's central responsibilities. According to the CLT Technical Manual, a CLT's stewardship activities aim to achieve three goals:

1. to preserve the affordability of its homes, for the intended income level, from one owner to the next – and to see that only income-eligible purchasers benefit from this affordability;
2. to see that the owners of those homes are secure – that they are not displaced by foreclosure or other economic events;
3. to see that the physical quality of those homes is preserved from one owner to the next (2011, 416).

This concept of stewardship is a fundamental principle of the CLT model. In Davis' view, this emphasis on stewardship sets CLTs apart from other providers of affordable housing: "What the CLT does better than any other organization – its specialized niche in a densely populated nonprofit environment – is to preserve affordability when economic times are good and protect its homes and homeowners when times are bad" (2010, 28).

Various activities are wrapped up in the CLT's role as "steward," including monitoring and enforcing affordability restrictions and other requirements of the ground lease agreement; assisting homeowners to navigate systems that are unfamiliar to first-time homeowners; and supporting them to maintain their long-term tenure as homeowners – intervening when a land trust homeowner falls behind on mortgage payments before it escalates into foreclosure.

Davis argues that these functions that are embedded in the CLT model are of critical value for any affordable homeownership program such as inclusionary zoning. In his view, this work is essential to the long-term stability and preservation of affordable homes, and the stability and wellbeing of homeowners:

> Regardless of whether the duties of stewardship are assigned to an external entity or are embedded in an organization's internal structure, they must be performed by someone over a long period. These duties are not self-enforcing. They do not get done unless someone is always present and adequately staffed to carry them out – and gets paid to do so (2008, 565).

While CLTs have tended to be more actively involved in the monitoring and stewardship of homes than have deed-restricted programs, there are several tools that both can use to help prevent foreclosure or obtain the right to purchase foreclosed properties. First, both deed restrictions and ground leases can include language to give the sponsoring organization the right to approve mortgages or liens on their resale-restricted property. This review ensures that homeowners are not taking out mortgages or liens that would jeopardize the sponsor's control over the property or over restrictions on resale, occupancy and use. It can also enable sponsors to protect homeowners from predatory lenders that might undermine their future financial stability (Davis 2006, 63).

Second, most sponsors of shared equity housing require the lender to notify them if a homeowner is in arrears on their loan, often writing this language into the mortgage (Davis 2006, 64). The CLT model also has a built-in mechanism to alert them when a homeowner falls behind on payments: the monthly ground lease fee. As the lessor of the land under a CLT home, the CLT receives a nominal monthly lease payment from the homeowner. When a homeowner fails to pay their ground lease fee, this is a tip off to the CLT that the homeowner may be facing financial problems, and may need intervention or assistance to continue making mortgage payments on their home. While this fee is common to all ground leases, it is increasingly common for stewards of deed-restricted homes to charge homeowners a "stewardship fee" that serves the same purpose and helps cover the costs associated with monitoring shared equity housing (White 2011, 146).

In addition to the notification requirements, many shared equity programs also require that they be given the opportunity to cure a default on behalf of the homeowner. This opportunity typically lasts for a limited period of time (30-90 days), during which time the sponsoring organization can make payments to cure the default, ensuring that the mortgage will remain in place on the same terms and the affordability restrictions will continue (Davis 2006, 64).

Lastly, shared equity homeowner associations can demand to have the opportunity to buy back a home after foreclosure. They may have to pay the appraised market price, or the total outstanding value of the mortgage, depending on how the language is structured (Davis 2006, 64).

In addition to these strategies that can be used by either deed-restricted housing organizations or CLTs, the CLT ground lease model holds one critical advantage in the event of foreclosure: it retains title to the underlying land. In the event that a homeowner is foreclosed upon, the CLT retains ownership of the land, and the new owner of the home – the lender or whoever buys the foreclosed home (and who may not meet the CLT's income requirements) – becomes the CLT's new lessee. While the affordability controls are undermined when the lender sells the foreclosed home at market rate, the CLT is now in the position to charge a higher ground lease fee to reflect the market-rate price of the home, which can generate valuable income for the CLT (White 2011, 147). Or, the CLT can negotiate with the new owner to charge a lower ground lease fee in exchange for reinstating the resale restrictions (Davis 2006, 64).

Financing

Community land trusts rely on a variety of sources for funding, including philanthropic sources and public funding from the federal, state and local governments. On the philanthropic side, Thaden found in her comprehensive survey of CLTs that 48 percent of the 96 respondents reported receiving individual or corporate donations and 38 percent received support from local foundations, and 11 percent received support from national foundations (survey respondents could select more than one funding source) (2012, 28).

The U.S. Department of Housing and Urban Development (HUD) provides significant funding to CLTs, primarily through three programs: HOME, Community

Development Block Grants (CDBG), and the Neighborhood Stabilization Program (NSP). Thaden's survey found that 34 percent of respondents reported receiving HOME funds, 32 percent received CDBG, and 25 percent received NSP 1 funds (2012, 28).

The Community Land Trust Technical Manual cites the HOME program as the most important source of federal funds for CLTs (2011, 136). HOME provides block grants to state and local governments for affordable housing activities including acquisition, rehab and new construction of affordable housing (HUD). Funds flow to participating jurisdictions (PJs), which then make them available to local organizations, with the requirement that at least fifteen percent of each PJ's funds go towards housing "developed, sponsored or owned" by a Community Housing Development Organization (CHDO) that they designate. PJs can also make five percent of their HOME funds available to fund a CHDO's operations. Federal policy changes in 1992 allowed CLTs that meet HUD's definition to become designated as CHDOs, making them eligible for a more significant and predictable funding stream (CLT Technical Manual 2011, 136). In a 2011 survey of 96 CLTs, Thaden found that roughly half were CHDOs (2012, 9).

Benefits of CLTs for Affordable Housing Development and Preservation

There is widespread support in both scholarly and grey literature for the value of the community land trust model for creating permanently affordable homeownership opportunities for low- and moderate-income buyers. This section discusses three primary benefits of the CLT model:

1. Decommodify housing

2. Stewardship for stable tenure
3. Mitigate gentrification and displacement

<u>"Decommodify" housing</u>

While CLTs are regarded as providing multiple benefits – from producing long-term affordable housing to engaging and empowering community members – one unique impact they have is the removal of land from the speculative market. The CLT, by owning land in perpetuity, keeps that land out of the private market where it might otherwise be bought and sold, enriching sellers and continually appreciating in value. One of the primary goals of the CLT model and other forms of nonprofit ownership is to "decommodify housing" – a term coined by Emily Paradise Achtenberg and Peter Marcuse: "[t]he objective…is to limit the role of profit from decisions affecting housing, substituting instead the basic principle of socially determined need" (1986, 477).

As Krinsky and Hovde explain, alternative forms of ownership like CLTs recalibrate the notion of the value of housing, by essentially removing the individual profit motive and focusing on the value that can be generated by and for the community:

> The CLT concept is based on the notion that much property value is created not by the individual property owner, but by society at large – through public investment in roads and infrastructure, and because of locational preferences attributable to schools, fashion, the relative level of crime or safety, and the public amenities and services of a given neighborhood….The CLT model proposes that individual owners should not be able to reap private profits from this socially created value, and that this 'social equity' should be preserved and controlled by the community, for the benefit of the community as a whole (1996, 11-12).

By capping the resale of CLT homes, the "social increment" benefits the community rather than an individual owner.

DeFilippis (2002) explains that this focus on community ownership of land is the key difference separating community land trusts from community development corporations, which are the primary developers of affordable housing in many areas. CDCs are based upon traditional land ownership – the CDC purchases property and develops housing, relying on public subsidies to make it affordable. The CLT model, on the other hand, utilizes what DeFilippis calls "mixed-ownership with individuals and communities possessing different components of the rights, interests, and responsibilities of land and property ownership" (2002, 150).

Stewardship for stable tenure

CLT advocates point to the 2008 economic crisis and foreclosure crisis as a prime example of the impact of stewardship in preventing foreclosure. In 2011 Emily Thaden distributed a survey to 216 community land trusts, of which 96 responded. She created a subsample of 62 CLTs to investigate how CLTs fared in terms of foreclosure and mortgage delinquency. She compared CLT data with that of the conventional mortgage market from the Mortgage Bankers Association (MBA), the national trade group for mortgage lenders.

Thaden found that significantly fewer CLT homeowners were in serious delinquency on their mortgages as compared the conventional mortgage market (1.3% of CLT homeowners and 8.57% of loans in the conventional market) (2010, 13). Similarly, a far lower percentage of CLT homeowners were in foreclosure proceedings compared with the conventional market (0.46% compared with 4.63%) (2010, 12). She also found that the rate of foreclosure and serious delinquency among CLT homeowners fell every year from 2008 to 2010, in contrast to the conventional market in which foreclosure proceedings increased and delinquency rates rose from 2008 to 2009 and fell only slightly by 2010.

CLT homeowners remained relatively insulated from the harshest impacts of the foreclosure crisis. Thaden attributes much of this success to CLTs' stewardship activities. Thaden identifies five areas of stewardship activities commonly provided by CLTs: approval of home financing, pre-purchase and post-purchase education, interaction with mortgage lenders, intervention in delinquencies, and intervention in foreclosures (2011, 18).

Mitigate gentrification and displacement

Community land trusts are widely cited as effective tools for mitigating the negative impacts of gentrification, most notably the displacement of low-income residents who become priced out of their communities as housing prices increase and affordable options become scarce (Davis 2006; Harmon 2003; Rose 2001; Serna 2006). Creating and preserving affordable housing options is key to blunting the impact of displacement and ensuring that lower-income residents can stay in the area and benefit from the improvement in the local economy and in social services like public education that result from greater wealth being infused in the community.

Davis (2006) notes that many communities have created CLTs because they viewed them as a "tool for insulating a portion of a neighborhood's affordable housing against rising prices and displacement pressures brought about by public or private investment" (2006, 21). He cites the first community land trust created in an inner city, the Community Land Cooperative of Cincinnati, which was organized in 1980 as a method to counter the impacts of gentrification and displacement in a low-income, traditionally African-American neighborhood.

Jacobus and Lubell argue that subsidy retention programs like community land trusts work to counter the impacts of gentrification by creating

> a portfolio of homes that sell for affordable prices even if the prices of other homes in the same community rise substantially. Among other benefits, this can help ensure the preservation of mixed-income communities in the face of gentrification pressures (2007, 19).

Gentrification and displacement have often resulted when communities make major investments, particularly in areas like public transit and transit-oriented development (TOD) projects. Many projects aimed at improving transit access and efficiency do so with the stated purpose to benefit underserved communities where transit access has been limited or nonexistent. Yet these projects typically draw increasing investment to an area – namely market-rate housing development and commercial development – that causes housing costs to increase such that existing residents are no longer able to remain in the community and avail themselves of the improved transit connectivity or quality commercial developments. Several cities have adopted the community land trust model as a method to mitigate displacement anticipated to result from TOD projects. Schneggenburger (2011) describes the city of Atlanta's adoption of the community land trust model as an effort to mitigate displacement from the BeltLine transit expansion project.

Lawrence (2001) views grassroots community land trusts as a powerful tool to combat displacement and "improve the quality of life in low-income neighborhoods while giving the residents the ability to regain control of the land," but she cautions that their effectiveness depends on the level of engagement and organization of community members: "However, such organizations are only as effective as the audience they serve. Thus, the residents must develop a collective voice if they are to become enfranchised and thus avail themselves of the political strength of the ballot box" (2001, 369).

Levy, Comey and Padilla (2006) support the view of community land trusts as valuable tools for mitigating gentrification and displacement, but they caution that the model has greatest impact when implemented well before the process of gentrification begins: "It would be best to establish the CLTs prior to gentrification so that the organization can afford to purchase properties at a reasonable price. The model may work in an already gentrifying area if the CLT acquires a city- or county-owned property at a reduced cost" (31). DeFilippis echoes this view, arguing that because CLTs (and Mutual Housing Associations) typically acquire property on the free market, they must get an early start and purchase property before gentrification takes off and land costs become too high for non-profits to afford: "In short, they are at their most effective when the manifested problems are those of disinvestment and housing decay, or before gentrification gets going and prices, land and buildings are out of their hands" (2002, 151). Still, this criticism only applies to CLTs that acquire property by purchasing it at market rates – while most CLTs operate this way, many use other arrangements to acquire property and homes, including bargain sales, donations of land from municipalities or private donors, acquisition of homes through municipal housing policies like inclusionary zoning, or securing public or private assistance to purchase market-rate properties.

Limitations of the CLT Model

Much of the literature regarding CLTs is written from an advocacy perspective, with an apparent aim towards promoting the CLT model and the value of shared equity housing. There is a relative lack of scholarship critical of CLTs, although many scholars writing in support of CLTs are sure to mention these potential downsides. The primary arguments posed against the CLT model are explored in this section, including the relatively limited scale of the CLT, the challenges of organizational sustainability, perceived negative implications of limited equity homeownership, and the difficulties associated with financing CLT homes.

<u>Limited scale and impact</u>

Community land trusts are community-based interventions that are at their very nature designed to respond to the dynamics, needs and goals of their communities. While many CLTs serve entire cities or counties, the model is inherently local in its focus and impact. Thus it is understandable to encounter criticism of the CLT model for being a small-scale solution.

Gray explains that part of the criticism of the CLT model is the limited impact they have on a problem that is enormous and intractable, and that otherwise requires significant intervention from the federal government: "Although it's beyond the scope of their purpose, CLTs have been criticized for focusing on small solutions to affordable housing rather than structural changes such as federal housing policies. Whenever a non- profit meets a community need, it runs the risk of allowing federal officials to ignore their responsibilities (Bratt, 1989b). Private-sector models cannot become the only providers of affordable housing" (Gray 2008, 74). This criticism is not limited to CLTs, however – Bratt (1989) writes about community-based housing providers writ large, including non-profit developers and community development corporations: "By initiating projects themselves, community-based groups can, unwittingly, let the government off the hook for providing housing resources" (284).

Organizational sustainability

Another challenge that can hinder CLTs' impact is the issue of organizational sustainability – CLTs require significant organizational capacity and financial resources in order to fulfill all of their various roles, including (but not limited to) stewarding existing homes, developing new homes, and organizing residents and community members (Gray 2008, 74). In a 1996 study of community land trusts and mutual housing associations (MHAs), Krinsky and Hovde identified organizational sustainability as a key challenge facing both types of organization: "While most of the MHAs and CLTs in the study appeared not to be threatened by an immediate prospect of demise, all of the groups faced challenges in amassing enough resources from internal and external sources to carry out all of the activities they would like to perform" (1996, 117).

Still, these challenges are not exclusive to community land trusts, and their extent and severity will naturally vary depending on the size, scope, and activities of an individual community land trust. A CLT that develops new housing will naturally require different staff capacity and knowledge than a CLT that purchases existing homes.

Limited equity for homeowners

One of the most significant criticisms of the community land trust model and challenges to its widespread adoption is the fundamental concept of limited-equity homeownership. The concept is not only unfamiliar and difficult to explain, but it also runs counter to traditional American notions of property ownership and the role of homeownership in building personal wealth. Homeownership is held as the central tenet of the "American Dream," a fundamental goal that all citizens should strive to achieve. As Shlay explains, “Homeownership policy…has not been about imagining the unattainable but about creating the expectation of owning one’s own home. Ideologically, homeownership has been portrayed as a political right seemingly more popular than voting” (2006, 511).

Shlay unpacks the various rationales for prioritizing homeownership, particularly among low- and moderate-income communities, including the role of homeownership in promoting asset building, investment, and savings. Federal policy has consistently espoused homeownership as a tool for building equity, particularly among low-income communities.

The community land trust model represents a significant shift from traditional homeownership in that it limits the amount of equity that homeowners can accrue when they sell land trust homes. Resale restrictions contained in ground leases or deed restrictions work to keep the equity in the home, rather than allowing a seller to charge market price and remove the equity. As Jacobus and Sherriff explain, this concept of limiting the amount of equity that low- and moderate-income homebuyers can build in their housing seems unfair and punitive (2009). Some have termed the arrangement “second-class homeownership” because it affords homeowners fewer rights and restricts them from building the amount of equity that traditional ownership allows.

In their view, much of the problem stems from how proponents of shared- or limited-equity homeownership programs present and explain these unfamiliar concepts: “Broader acceptance of this new form of homeownership will require that programs be both better designed and better explained so that potential homebuyers and other community leaders can see the ways in which shared equity can assist in unlocking people's real economic aspirations" (2009, 4).

Davis (2006) counters arguments against shared-equity homeownership programs (including community land trusts, limited-equity co-operatives, and deed restriction programs) by claiming that these programs do in fact allow homeowners to build equity and wealth that they would otherwise not have had the opportunity to accrue:

> Despite the limits that are placed on a property's resale, which usually limits the homeowner's equity as well, most families who purchase a shared equity home will realize a growth in personal assets during their time in shared equity housing…they will tend to walk away with more wealth than they would have accumulated had they remained renters (2006, 8).

Davis also argues that shared equity programs are more effective at enabling homeowners to build equity because they allow for more stable tenure than traditional homeownership, in which low- and moderate-income homeowners are more vulnerable to market forces and at greater risk of foreclosure (2006, 7).

<u>Financing land trust homes</u>

Community land trusts face challenges in financing their properties due primarily to their adoption of long-term affordability restrictions. A key challenge for some CLTs is the fact that there is not widespread understanding of the CLT model among lenders. Many mortgage lenders are unfamiliar with the non-traditional ownership structure of the land trust model and may be skeptical and wary of making loans for these homes. Lenders often do not want to provide financing for a home with affordability restrictions, and may insist that provisions like resale restrictions or a CLT's option to purchase be made subordinate to their loan, so that they will be in a position to recover the loan in the event of foreclosure (Gura 2011, 83). Stein explains the challenge that long-term affordability restrictions like those contained in CLT ground leases present for traditional mortgage lenders:

> Lenders view resale restrictions as threats to the value of their security. If a buyer defaults in payment and the lender initiates foreclosure, lenders want to avoid any provisions that might hamper the property from selling for enough to cover the debt remaining on the mortgage. This is not merely out of concern for their own solvency, but also is symptomatic of the demands of secondary mortgage market investors, who prefer assets that can be easily liquidated (2010, 238).

Stein asserts that the stewardship activities ingrained in the CLT model can appease some lenders in that they provide a kind of "safety net" to prevent foreclosure. Still, despite this "safety net," many lenders successfully negotiate with CLTs to ensure that provisions like resale restrictions or a CLT's option to purchase be made subordinate to their loan, so that they will be in a position to recover the loan in the event of foreclosure. This is an ongoing challenge for CLTs because it is precisely this set of provisions that lenders often attempt to limit – restrictions on resale price, a CLT's right of first refusal or option to purchase, income eligibility for future buyers – that is critical to ensuring the long-term affordability of a land trust home. (Stein 2010, 239).

This tension between accessing financing and ensuring lasting affordability is also reflected at the federal level through the policies of the Federal Housing Administration (FHA) and Fannie Mae. Both FHA and Fannie Mae have imposed restrictions on the loans they will purchase and insure for CLT homes: "Like Fannie Mae, FHA requires that resale restrictions terminate upon foreclosure or transfer of a deed-in-lieu of foreclosure. Additionally, FHA regulations limit the CLT's ability to enforce violations of the resale restrictions…This leaves the CLT with few options for enforcing the ground lease to maintain the affordability of the unit" (Curtin and Bocarsly 2008, 299-300).

CLTs thus face numerous challenges in arranging financing that will meet the needs of the low- and moderate-income homebuyers they serve, assuage the fears of skeptical lenders, and maintain lasting affordability. These challenges have increased since the 2008 economic downturn and foreclosure crisis, as lending standards have tightened in the wake of the subprime lending fiasco: "As underwriting standards have become more stringent for many secondary market investors, a result of the recent foreclosure crisis, many CLTs are facing greater difficulty obtaining first mortgage loans for their low-to-moderate income buyers" (Thaden 2012, 43).

Evolution of Community Land Trusts

The community land trust model has evolved significantly in recent decades as it has been adapted and applied in a diverse array of communities for different purposes and goals. The model has been used to support not only affordable housing but also interests like commercial space, social enterprises, and urban agriculture (Davis 2010, 36). Several CLTs have begun engaging in the development of commercial space in addition to their residential portfolios. Others have pursued the idea of creating "commercial land trusts" – with commercial development as their primary objective, rather than affordable housing.

While CLTs originated in rural areas where land was plentiful and it was possible to construct single-family homes, CLTs have been cropping up in more urban areas since the 1980s, particularly as a method for counteracting the impacts of vacant properties that result from disinvestment or foreclosure.

CLTs have also begun to adopt larger service areas, covering entire cities and counties, and even entire states. Similarly, a broader array of actors have begun investigating and applying the CLT model, including municipal actors.

Davis explains that there is a link between the different uses and goals of CLTs and their organizational structure and operations: "As the ways the CLT is applied have grown more diverse, so have the ways the CLT is structured, especially in the ownership and operation of real property" (2010, 37).

Municipal involvement

There has been increasing involvement from government bodies in providing support for CLTs, and some have gone as far as creating municipally-sponsored CLTs, as exist in Chicago, Illinois and Irvine, California.

Jacobus and Brown explain that this increase in municipal participation in creating and supporting CLTs is aimed at addressing two key dynamics: subsidy retention and the preservation of long-term affordability (2007, 336). As explained in greater detail earlier in this chapter, subsidy retention has become a key priority for municipalities. In cities that have relied on soft second mortgage programs to assist homebuyers, these subsidies often disappear upon resale, particularly in appreciating housing markets. Models that use subsidy retention – including but not limited to CLTs – attach the subsidy to the home and not the buyer, and are thus attractive to municipalities looking to get the most impact out of the limited subsidies they can provide.

Similarly, the CLT model is attractive to municipalities interested in creating housing that will remain affordable over the long term, by not only instituting but, more importantly, monitoring affordability restrictions that are long-term or near perpetual in duration.

Inclusionary Zoning & Stewardship

One of the most common ways that cities collaborate with CLTs is through inclusionary zoning ordinances and programs. Many municipalities that use inclusionary zoning (in which developers building projects above a certain number of units must make a certain percentage of them affordable) partner with CLTs to manage the monitoring and oversight of these units, to support homeowners, ensure they are conforming with requirements around occupancy and use, and ensure compliance with affordability restrictions upon resale (Jacobus and Brown 2007). Davis and Jacobus see this as an appropriate role for a CLT to play, given that these stewardship activities are embedded in the CLT model, and that municipalities might have limited resources and capacity to devote to this work:

> A CLT is perfectly positioned to be the long-term steward for these housing resources, given that it already fulfills these responsibilities for other resale-restricted units in its portfolio. CLT oversight is also in the jurisdiction's best interest because many for-profit development companies dissolve after they complete their projects (2008, 17).

Miller (2013) echoes this support for the role that CLTs can play in stewarding units created through municipal inclusionary zoning programs.

Jacobus and Brown see municipal involvement as a growing trend in the CLT world and assert that it could yield benefits in terms of "removing competing municipal programs" and "raising the profile and productivity of CLTs" (2007, 340). They argue that municipalities may come to rely on a CLT as its primary strategy for ensuring long-term affordability of housing produced through inclusionary zoning or using municipal funds, and that enlisting a CLT to steward these homes will ease the administrative burden on a municipality. They also claim that municipal involvement in CLTs will build greater awareness and reduce skepticism of the CLT model among public officials and will enable CLTs to grow larger that they otherwise could without this support, allowing them to use their housing portfolios to generate revenue and achieve financial stability (2007, 341).

While there are clear opportunities and reasons for greater municipal involvement in the creation of and support for community land trusts, several experts have identified potential pitfalls of this growing trend. Some see the growing role of cities in CLTs as having the potential to move the model away from its grassroots origins.

Davis explains some of the potential consequences that can result from increased municipal involvement in the creation and management of community land trusts, arguing that this involvement can undermine a CLT's ability to organize community members:

> Where a local government has backed a CLT primarily for the purpose of serving as the long-term steward for affordable homes created by the investment of municipal funds or the imposition of a municipal mandate like inclusionary zoning, the municipality may not want the CLT to diffuse its focus by doing community development, as well. It may not want the CLT to do the kind of grassroots organizing that can occasionally lead to a neighborhood's residents fighting the same local government that is funding the CLT (2010, 37).

Jacobus and Brown address this concern that municipalities involved in creating and supporting CLTs may prioritize housing production and subsidy retention over community engagement and control. However, they suggest that those involved in municipally-sponsored or -supported CLTs are generally cognizant of this concern, and are "experimenting with ways to maintain accountability to the CLT residents and broader community, while allowing local government to play a greater role in directing the organization" (2007, 339).

Chapter 3: Somerville's Housing Challenges

> Somerville is a vibrant, walkable urban community – the kind of place where people want to live, raise a family and retire. All across the country, the demand for housing that is close to jobs, services and transit is already high, and will only increase over the next twenty years. The SomerVision process has emphasized housing policy from day one. Our city must continue to offer a range of housing options in terms of price, space, location and services. Our strategies must be sensitive to supply and demand. We must be entrepreneurial in the way we fund affordable housing, and we must respect property rights while leveraging private investment for the public good. As we do in so many aspects of civic life, Somerville will lead by example and look out for its own. (SomerVision 2012, 24)

Rising Costs Threaten Affordability

Housing Costs

As is the case in Boston and many surrounding cities and towns, housing costs have been steadily rising in Somerville over the last ten years. Home prices in Somerville increased by 27 percent between 2005 and 2014 (The Warren Group 2015). Along with Boston and Cambridge, Somerville is quickly becoming less and less affordable for low- and moderate-income residents. In 2013, the median household income in Somerville was $67,118 (U.S. Census Bureau 2013c) while the median rent list price in 2015 is $2,550 (Zillow 2015).

An estimated 42 percent of Somerville households are cost burdened, meaning that they spend more than 30 percent of their monthly incomes on housing costs. Of those, 19 percent are severely cost burdened, spending upwards of 50 percent of their monthly income on housing (MAPC 2015). Housing cost burden is widely used as an indicator of housing affordability or lack thereof. A 2014 report from the Metropolitan Area Planning Council (MAPC) found that 74 percent of low-income households in Somerville – households at 80 percent or less of area median income (AMI) – have a housing cost burden. This represents an 8 percent increase since 2000 (MAPC 2014, 7). MAPC also found that the number of low-income households that are *not* cost burdened declined in that ten-year period, from 4,700 to 3,500.

Land Use and Housing Stock

One of the factors exacerbating housing costs is the city's small size and dense development pattern. The City of Somerville is only 4.1 square miles, making it the smallest city within Boston's central hub (which also includes Cambridge and Brookline), and has a total population of 78,804 according to 2013 Population Estimates from the United States Census Bureau.

According to a 2011 Technical Report prepared by the Office of Strategic Planning and Community Development, 46 percent of Somerville's land is devoted to residential uses, with road right-of-ways the next highest use at 25 percent (City of Somerville OSPCD 2011).

The majority of Somerville's housing stock is comprised of two- and three-family homes, on small lots. Somerville has a housing stock of 32,743 units, more than 60 percent of which are in buildings with between two and four units (U.S. Census Bureau 2013d).

Students and Young Professionals

Somerville has a large population of students, given the presence of Tufts University in Medford and nearby colleges and universities in Cambridge and Boston. This puts pressure on the city's housing stock as students compete with residents for limited housing, particularly apartments that are large enough for families. Of the more than 5,000 undergraduate students at Tufts University, roughly

37 percent live off campus (U.S. News and World Report 2013) and another 5,000 graduate students live off campus as well.

Students often live together as roommates in apartments in the city's double- and triple-decker homes. Whereas a family with children might have one or two incomes to put towards paying rent, a group of student roommates has a greater combined ability to pay, resulting in landlords charging higher rents that working families cannot afford.

Somerville has also become an increasingly popular destination for young professionals. As living in downtown Boston has become prohibitively expensive for the majority of young professionals, this population has spread into the surrounding cities of Cambridge and Somerville, driving demand for housing.

<u>MBTA Green Line Extension</u>

Perhaps the greatest driver of the city's escalating housing prices is the anticipation of the Green Line Extension project, which will bring the MBTA's Green Line through Somerville. The rail line will be extended along the tracks of the existing Lowell Commuter Line. The Green Line will extend from a relocated Lechmere station in Cambridge, heading northwest through Somerville and into Medford. A spur will end in Union Square, and the rest of the line will run through the Brickbottom neighborhood, Gilman Square, Lowell Street, Ball Square, and College Avenue (at Tufts University) (Green Line Extension 2015).

The project has been welcomed by Somerville's Mayor and by many residents and advocates who see it as a long overdue step to bring transit access to underserved neighborhoods.

At the same time as the project has picked up steam in recent years there have been increasing concerns raised about the impacts that the transit expansion will have on housing affordability in the city. These impacts are already apparent in the city's housing market. According to the real estate website Zillow, home values in Somerville have increased 10.3 percent in 2014, and are projected to rise another 4.2 percent in the next year (Zillow 2015). Some homeowners will no doubt welcome the increase in property values, but others will find themselves unable to afford the resulting increase in property taxes. Owners of rental property will likely pass these costs along to tenants in the form of higher rents. Many owners of rental properties will opt to convert their buildings into condominium units, which can be a much more lucrative option, as condominium and co-op values have increased by 31 percent since 2010 (Zillow 2015).

Planning and Policy Efforts

In recognition of the escalating housing prices and the potential for gentrification and displacement due to the Green Line Extension, the City of Somerville and partners like the Somerville Community Corporation (SCC), Metropolitan Area Planning Council (MAPC) and others have made efforts to plan for managing these dynamics.

Three planning and policy efforts are discussed in this section:

1. SomerVision
2. Projecting Displacement
3. Sustainable Neighborhood Plan

1. SomerVision

In 2010 the U.S. Department of Housing and Urban Development (HUD) awarded Somerville a Sustainable Communities Challenge Grant of $1.8 million to "complete a citywide comprehensive plan, complete station area planning and implementation, re-write the Somerville Zoning Ordinance, streamline the permitting process, and create a land bank for affordable housing" (U.S. Department of Housing and Urban Development 2010).[1]

The city embarked on the comprehensive planning process through a series of community meetings, workshops and a public survey to elicit input and feedback from residents. This process resulted in the 2012 release of the city's comprehensive plan, SomerVision. The plan outlines goals, implementation priorities, and action steps for five broad areas: Neighborhoods; Commercial Corridors, Squares, and Growth Districts; Resources; Transportation and Infrastructure; and Housing.

The plan outlined five goals for housing that address the need to preserve and expand the stock of housing, particularly for low- and moderate-income households:

> **I. Preserve** and expand an integrated, balanced mix of safe, affordable and environmentally sound rental and homeownership units for households of all sizes and types from diverse social and economic groups.
> **II. Promote** mixed-use, mixed-income transit-oriented development to provide new housing and employment options.
> **III. Mitigate** displacement of low- and moderate-income residents by retaining the existing affordable housing stock and by creating policies that allow residents to remain in their homes in the face of a changing city.
> **IV. Create** a diversity of programs that prevent homelessness and address the housing needs of the homeless and those at risk of homelessness.

[1] While a portion of the HUD grant was intended to create a land bank, the City instead created a revolving acquisition fund that they have so far used to support one affordable housing project, an 11-unit project developed by the Somerville Community Corporation.

> **V. Expand** financial, organizational, programmatic, and other resources available for housing (SomerVision 2012, 22).

The plan called for the production of 6,000 new housing units, 1,200 of which should be permanently affordable (SomerVision 2012, 16). SomerVision identified numerous policy changes and action steps that the city could take to meet these housing production goals. Many of the recommendations focused primarily on incentivizing and promoting the development of denser, multi-family, and rental housing along transit corridors. The plan also called for removing barriers like parking requirements that can limit the development of multi-family affordable housing.

To address Goal III, regarding housing displacement, the plan makes the following recommendations:

> A. Policy: The City should encourage preservation of affordability, especially in the vicinity of transit stations.
> …
> 3. Action: Consider expanding the length of time units proximate to transit must remain affordable when they receive funding through Somerville housing programs such as lead abatement, down payment and housing rehabilitation.
> 4. Action: Provide technical and financial support to non-profit and for-profit developers seeking to acquire "expiring use" properties to maintain long-term affordability.
> 5. Action: Actively seek outside funding to support the preservation of "expiring use" properties.
> …
> 9. Action: Create a land bank to acquire strategic properties around transit stations, and collaborate with for-profit and non-profit agencies to preserve and develop affordable housing.
> 10. Action: Seek additional funding to support land banking efforts (SomerVision 2012, 120).

These recommendations speak not only to the importance of ensuring long-term affordability through preserving "expiring use" properties, but also to the critical role that land plays in the housing displacement equation. While the plan does not mention a community land trust, it does identify land banking – a distinct but related model – as an "action" the city should take to promote affordable housing near transit stations.

2. Projecting Displacement

In 2014, the Metropolitan Area Planning Council (MAPC), in partnership with the city and with the Somerville Community Corporation, produced a report that made projections about the city's vulnerability to displacement, and identified certain indicators to measure the extent of the problem. MAPC developed projections about the transit expansion's impact on four distinct areas of housing affordability: rising rents, condominium conversions, expiring affordable housing (housing for which subsidies are expiring), and property tax increases. The report warned about the probable impacts that the Green Line Extension will have on Somerville's neighborhoods, and particularly its low- and moderate-income residents:

The report cautioned that efforts to prevent displacement should begin well in advance of the anticipated outcomes:

> It is also clear that the development and housing trends that contribute to these outcomes begin before construction even commences. In a city like Somerville, these trends may be influenced by many forces in addition to the new transit line. As a result, policies designed to counter the potential displacement effects of new transit must also be put in place well before the transit service begins, and should anticipate that the pace of real estate activity will only accelerate as the initiation of service approaches (MAPC 2014, 1).

3. Sustainable Neighborhoods Plan

In 2014 Mayor Joseph Curtatone announced the release of the Sustainable Neighborhoods Plan to attempt to address affordability and displacement throughout the city. The plan's six components are:

- the 100 Affordable Homes Program (discussed in more detail below);

- measures to promote affordable and family-oriented housing in Somerville's new zoning ordinance;
- proposed tax credits for landlords that keep rents at affordable levels;
- a proposed local real estate transfer tax;
- a design competition for affordable housing;
- and a proposal to revise the city's goal of creating 6,000 new housing units by 2030 up to 9,000 units.

The goal of 6,000 new housing units was initially set forth in SomerVision, and was based on projections made by the Metropolitan Area Planning Council in the 2014 Dimensions of Displacement report, which specified that the city would need at least 6,000 new units to meet increasing housing demand. The report also set forth a "Strong Scenario" in which even greater demand for housing would require upwards of 9,000 new units. Mayor Curtatone has called for the SomerVision Steering Committee to revise the housing production goal from 6,000 to 9,000.

The Sustainable Neighborhoods Plan also created a working group comprised of policymakers and residents, with a mission to "research affordability efforts underway in other cities and towns, as well as explore new, innovative ideas that can address the issue of housing affordability" (City of Somerville 2014a). These strategies aim to add new tools to the city's arsenal and to strengthen those policies and programs that are already in place.

Somerville's planning department began releasing a new proposed ordinance in early 2015, and the measure is currently under consideration by the Board of Aldermen. The ordinance represents efforts to simplify the city's zoning code and incentivize development in certain growth areas, while designating other neighborhoods for preservation. The proposed ordinance also recommends modifying the city's inclusionary housing program, increasing the percentage of affordable units that developers must produce. Further discussion of these changes is found in the next section.

Existing Programs, Policies and Resources

Numerous programs and actors in Somerville are dedicated to creating and preserving affordable housing. The City's Office of Strategic Planning and Community Development (OSPCD) oversees housing policies and programs to provide funding for housing development, assistance to residents seeking to obtain or maintain housing, assistance for first-time homebuyers, and incentives for affordable housing development.

These programs and resources include:

1. Inclusionary Zoning
2. the 100 Affordable Homes Program
3. the Affordable Housing Trust Fund
4. the Community Preservation Act
5. the Revolving Acquisition Fund
6. Long-term Affordability Tools
7. Federal programs: HOME and CDBG
8. State funds

1. Inclusionary Zoning

Inclusionary zoning is one of the city's primary strategies for creating more affordable housing and attempting to address the potential displacement of residents due to gentrification and the boom in market-rate residential development that the city is undergoing. Somerville enacted its inclusionary housing program in 1990, and the program has created 168 units in the last twenty-five years (Donato 2015).

Somerville's inclusionary housing program is unique in that it maintains affordability on a permanent basis. Many inclusionary housing or inclusionary zoning programs utilize deed restrictions that keep a unit affordable for a period of twenty or thirty years, after which it can be sold at market rate. Often these deed restrictions contain provisions to "reset the clock" at the time of sale, so that a unit's affordability period is re-started when the owner sells, as long as the sale occurs before the initial affordability period expires.

In its current form, Somerville's Inclusionary Housing program requires developers of projects with 8 or more residential units to set aside 12.5% of those units as affordable for low- and moderate-income households. The proposed ordinance currently under consideration would lower the threshold to trigger the inclusionary requirement to developments of six or more units. It would also increase the percentage of units that must be made affordable, but it would not do so evenly across the city. Instead, the strength of the inclusionary requirements would be dependent on the location of a development, with stronger requirements for parcels within transit-oriented development (TOD) areas, those located within one quarter mile of current and proposed transit stations. The inclusionary requirement would be 20 percent for parcels in TOD areas in the Assembly Square, Brickbottom, Inner Belt, and North Point neighborhoods, 16.67 percent for TOD parcels in 5-story, 7-story or 10-story mixed-use zones, and 14.28 percent for 4-story or 3-story mixed use and urban residence zones. Non-TOD parcels in these areas would have lower inclusionary requirements (City of Somerville 2015). Some advocates and policymakers have called for increasing the inclusionary percentage to 20 throughout the entire city as a way to create more housing and simplify the requirements of the program.

Somerville's existing inclusionary ordinance specifies that the city shall have a right of first refusal and/or option to buy any inclusionary units either at the time of the original sale, or those that are being resold, as well as any rental units that are being sold. This provision aims to ensure that the city retains control over the affordability requirements.

The city is also ultimately responsible for overseeing the transfer of any inclusionary units. At the time they apply for a Special Permit, developers must present a plan for how their inclusionary units will be built and managed – how homeownership units will be sold, or how rental units will be managed. While this places the initial responsibility on developers, the city is ultimately responsible for overseeing this system and ensuring that units are indeed kept affordable and that requirements around income eligibility and resale price and process are met.

2. 100 Affordable Homes

As part of the Sustainable Neighborhoods Plan, Mayor Curtatone announced the creation of a new program with the Somerville Community Corporation called 100 Affordable Homes (City of Somerville 2014b). Under this program, the city will provide funding, likely through issuing a municipal bond to be repaid using revenue from the city's Community Preservation Act (CPA) funding. The bond would assist SCC to purchase small properties (2- or 3-family homes) throughout the city and provide subsidies to make the units affordable as rental units for households at various income levels (Somerville Community Preservation Committee 2015). SCC will own and manage the properties and conduct minor rehab as needed. A portion of the 100 homes may be rented at market rates in order to provide operating revenue for the remainder of the program's portfolio. In each small property, one unit may be kept at market rate in order to enable the other unit(s) to be made available as affordable units for low- and moderate-income families.

3. Affordable Housing Trust Fund

Somerville has an Affordable Housing Trust Fund that was created in 1989 through a city ordinance. The three purposes of the trust are:

- To assist in the creation of new affordable homes and rental units in Somerville
- To assist in the preservation of existing affordable homes and rental units
- To directly assist renters and homeowners (Somerville Affordable Housing Trust 2008).

Funding for the AHTF comes from three primary sources: the city's linkage fee, inclusionary zoning payments in lieu of units, and repayment of loans made to developers and households. Somerville established a linkage fee in 2013, requiring developers of commercial space to pay a fee per square foot of commercial space over 30,000 square feet. The revenue goes to the AHTF to pay for affordable housing development. The city recently increased the linkage fee to $5.15 per square foot (Center for Community Change 2014).

Under Somerville's inclusionary zoning ordinance, developers have the option of making a payment in lieu of building inclusionary units in certain cases where building the units is not feasible, but they must apply for a Special Permit in order to do so. The Zoning Board of Appeals has discretion over when this is appropriate. These payments in lieu of units go into the AHTF.

The fund provides development loans to affordable housing developers as well as loans to individual households to either acquire or maintain housing. The fund makes interest-free loans to low-income homebuyers for down payment or closing cost assistance, and loans to low-income renters to access rental housing or maintain their current tenancy. The fund also provides grants to programs dedicated to assisting low- and moderate-income residents (Somerville Affordable Housing Trust 2008).

Guidelines for the Affordable Housing Trust Fund explicitly identify community land trusts as a potential target for support. One of the permitted uses of AHTF funds is "Seed money for new programs or new organizations, such as limited equity cooperatives, a community land trust and/or a community loan fund" (Somerville Affordable Housing Trust 2008).

4. Community Preservation Act

Like several other Massachusetts cities and towns, Somerville passed the Community Preservation Act (CPA) by ballot measure in 2012. The CPA enables the city to create a Community Preservation Fund (CPF), which is funded through a surcharge of 1.5% on net property taxes throughout the city. This revenue is to be used for affordable housing, historic preservation, open space, or outdoor recreation. The CPF funds can be used to acquire, create, preserve, and support affordable housing, and to rehabilitate or restore affordable housing if it was acquired or created with CPA funds. The Community Preservation Committee in charge of managing the CPF voted to allow the city's Affordable Housing Trust Fund to serve as the "housing arm of the CPC," meaning that the CPC will allocate funds to the AHTF to support various housing projects. Under statute, no less than ten percent of CPA funds must be dedicated to affordable housing activities, although the Community Preservation Committee has discretion over the percentages above that floor. In 2015, 45 percent of CPA funds are dedicated to housing (Somerville Journal, 2015).

5. Revolving Acquisition Fund

Somerville used a portion of the HUD Sustainable Challenge Communities grant award they received in 2011 to form a revolving acquisition fund. In their grant application the City had included activities to form a land bank, but ultimately decided to create a revolving fund instead. This fund has made one allocation to date, helping fund one of the Somerville Community Corporation's affordable housing developments.

6. Long-Term Affordability Tools

Somerville typically uses deed restrictions and covenants to maintain long-term affordability of the housing it funds, and it requires these tools to be used for units built through the inclusionary housing program. The duration of an affordability restriction may be anywhere from 20 to 99 years, depending on the funding sources that were used to make it affordable.

7. Federal Funds: HOME and CDBG

Somerville receives federal funding to support affordable housing activities, primarily from the HOME program and the Community Development Block Grant program, both administered by the Department of Housing and Urban Development (HUD). HOME funds can be used for a range of housing-related activities, primarily around housing development, acquisition, or rehabilitation. In 2014, Somerville received $477,836 in HOME funds, a slight decrease from the $488,264 the city received in 2013. HOME Funds are allocated based on a formula that "considers the relative inadequacy of each jurisdiction's housing supply, its incidence of poverty, its fiscal distress, and other factors" (HUD 2015). The Community Development Block Grant program covers a wider range of program areas, including housing and economic and community development. Somerville received $2.3 million in CDBG funds for 2014 (HUD 2014).

8. State Funds

Somerville also receives funds for a variety of housing activities from the Massachusetts Department of Housing and Community Development (DHCD), including subsidies for rental assistance, mortgage and down-payment assistance and grants and loans for affordable housing development. The State provides matching funds for the Community Preservation Act, for example, and serves as a conduit for federal HOME funds, making these funds available to cities and towns (on top of which many jurisdictions receive HOME funds directly from the federal government). DHCD also provides funding to municipalities and both for- and non-profit affordable housing developers through programs like the Housing Stabilization Fund (HSF), federal and state Low Income Housing Tax Credits (LIHTC), Community Based Housing (CBH), which funds projects to provide affordable housing for seniors and persons with disabilities, and the Housing Innovations Fund (HIF), which supports to support "alternative forms of affordable housing" like single-room occupancy, limited equity co-operatives, and transitional housing (DHCD 2015).

Chapter 4: Support and Skepticism for a CLT for Somerville

To ground my research in the reality of housing issues in Somerville, I conducted a series of interviews with key stakeholders working on affordable housing issues in the city. Through these interviews I sought to gauge their knowledge of community land trusts and to solicit their opinions and questions about how the model could be applied in Somerville. These interviews were semi-structured and conversational in nature. I conducted interviews with current and former staff of Somerville's Housing Department and the Somerville Community Corporation. (For a complete list of interviewees and interview protocols please see Appendix A.)

In this chapter I discuss the information gleaned from these interviews regarding stakeholders' knowledge of the CLT model, their questions or concerns about its applicability to Somerville, and the opportunities they see for it to build on existing affordable housing efforts.

Familiarity with the CLT Model

Within the city's Housing Department, staff had little direct experience with community land trusts, although they were familiar with the concept primarily due to the local presence of the Dudley Street Neighborhood Initiative and its land trust arm, Dudley Neighbors, Inc.

Staff of the Somerville Community Corporation had a greater degree of familiarity with the community land trust model. SCC's Real Estate Director Scott Hayman formerly worked with a community land trust in Worcester and brings that perspective as well as his knowledge of affordable housing financing and development to the question of whether a CLT could or should be created in Somerville.

Has the CLT model been raised before?

Interviews with several city officials and community development leaders reveal that a community land trust has been suggested multiple times, primarily from housing advocates in various meetings and planning processes. None recalled any official push from within City government to explore the CLT concept as a strategy for the city, but rather indicated that advocates and community members had suggested the CLT model multiple times over recent years. Most recently, the idea came up as a potential strategy from members of the Sustainable Neighborhoods Working Group. (The working group is comprised of community members, policymakers, advocates and practitioners, and is tasked with exploring and evaluating different strategies for creating and preserving affordable housing in Somerville. The group will present recommendations to Mayor Curtatone in the fall of 2015.) Thus while there have been numerous expressions of support for a CLT, there has never been an explicit effort by the City to explore it.

The Somerville Community Corporation has been actively looking into the CLT model, particularly as a response to the large-scale redevelopment of the Union Square area in anticipation of the Green Line extension into that area. SCC has joined with several Boston area organizations to form a working group about CLTs that aims to learn from the work of the Dudley Street Neighborhood Initiative and Dudley Neighbors, Inc. In 2015 the working group sponsored a group of students from Tufts University's Department of Urban and Environmental Policy and

Planning to conduct a Field Project supporting the group's work on making the political case for CLTs in the Boston area. While SCC is actively exploring the CLT model, they have not explicitly advocated for a CLT in Somerville.

Questions and Concerns

After gauging interview subjects' familiarity with the CLT model and assessing if and how it had been raised in Somerville, I solicited their opinions about whether a community land trust could work in Somerville. I aimed to find out what these stakeholders saw as the opportunities for a CLT, or the barriers to creating one in Somerville, as well as their thoughts on how a CLT could complement what is an already extensive set of tools for affordable housing development in the city.

The overarching question that came up in all of my interviews centered on what the comparative advantage of the community land trust model would be for Somerville. Given that the city already has active policy and planning efforts focused on affordable housing, what would be the added value of a community land trust? While this question asks "why" a land trust, interview subjects also raised several more specific questions, concerns and barriers related to "how" a CLT could work.

<u>1. Creating a new organization</u>

Several interview subjects expressed concerns that implementing the community land trust model would require creating an entirely new organization, which would in turn require financial and human resources, as well as a significant organizing effort. With a city government that is actively working on housing affordability issues, and a well-organized and effective community development corporation in the Somerville Community Corporation, would it make sense to create another entity? Or could it be created as an offshoot of SCC or of the city?

One of the chief concerns that SCC raised centered on how a new community land trust organization could get enough funding to get off the ground. Chief among Scott Hayman's questions is whether a CLT could help attract resources for affordable housing that Somerville might not otherwise be able to access – including funding from private donors or foundations.

2. Interaction with Existing Programs

Several interview subjects also questioned how a community land trust would interact with existing policies and programs, including inclusionary zoning, the Affordable Housing Trust Fund, and the new 100 Affordable Homes initiative. Would a CLT be redundant and risk siphoning resources away from existing programs? Or could it help deepen their impact?

3. Density and lack of land

Much of the skepticism over the CLT model's applicability to Somerville naturally stems from the fact that the city is small – only 4.1 square miles – and already very densely built out. There is not much vacant or undeveloped land, and while there is some city-owned land likely to be redeveloped – including the Powder House School, the Homans building, and the city's Department of Public Works (DPW) headquarters – it is a relatively small amount. This means that there is a limited amount of land to put into a land trust. At the same time, development is increasing throughout much of the city, especially in areas close to the planned MBTA Green Line stations. Land is a hot commodity in the city especially in the areas that will soon be close to transit stops. So how can a land trust be effective in a city without much land to spare?

The city's small size and density also create added pressure for other land uses – notably commercial development and parks/open space. One of the city's primary goals in the comprehensive re-zoning effort was to incentivize commercial development in order to build the tax base and relieve the property tax burden on residential property. The city also has a relatively small proportion of open space and parkland, especially compared with other cities and towns in the region (OSPCD 2011, 6-2). Multiple interview subjects explained that there is significant tension between these competing interests, particularly in the instance of public disposition of city-owned land.

4. High cost of acquiring property

Somerville's hot real estate market and rampant development pressures drive up the price of land, making the concept of purchasing land to put into a land trust even more challenging. A CLT would be unlikely to get parcels of land from private owners for below market rate, which could limit its ability to acquire property and/or to develop housing on land it does acquire. How could a CLT in Somerville acquire land with prices already high and rising?

5. Conventional financing challenges

Another key concern is the difficulty of financing CLT properties. As Scott Hayman of SCC explains,

> …a lot of the community banks and other banks aren't as enamored with land trusts because they can't foreclose on anything but the improvements…So it does shield properties from foreclosure but it also presents some difficulties in getting the kind of traditional conventional financing you might want for them. It doesn't mean it can't be done but you really have to find a couple of banking partners who get it…and even with that sometimes it's hard (Hayman and Levy interview, March 2015).

If a CLT is unable to get financing for its properties, then its ability to create affordable housing opportunities for Somerville residents will be limited.

Interest and Opportunity

Despite this spate of legitimate questions, all of the Somerville stakeholders expressed interest in learning more about the CLT model, and identified opportunities or openings for a CLT to play a role in maintaining affordability in Somerville.

Staff from Somerville's Housing Department expressed genuine interest in learning more about the CLT model and how it could be applied in Somerville, and they were open to the idea of a potential role for the City of Somerville in a future CLT. They say the idea has been proposed in the Sustainable Neighborhoods Working Group, and that "it's on the list of possible ideas to certainly explore and potentially pursue" through the working group process (Donato and Feloney interview, March 2015).

<u>Why a Community Land Trust</u>

While the stakeholders all posed the "why" question in some form, they also provided input on why they are interested in the CLT model and what they think the benefits could be. Former Somerville Housing Director Dana LeWinter suggested that the motivation behind pursuing a CLT is critical in determining whether it is an appropriate strategy, especially compared with existing programs:

> The most parallel program that I can think of in Somerville based on my understanding of the [community land] trust is the inclusionary housing program. And I think our inclusionary program is one of the strongest because our deed restrictions are essentially in perpetuity. And for me the main benefit [of the CLT] is that you get that perpetuity or that 99-year ground lease. So if that's the main benefit then maybe there's not a lot of

> benefit to doing a trust, but if the benefit is the ownership and the empowerment of the community and the expansion of capacity then I think a trust certainly could and would work in Somerville (LeWinter interview, March 2015).

Interview subjects identified several key reasons why a community land trust could be a beneficial model for Somerville:

- Take land off of the speculative market
- Permanent affordability
- Community empowerment and control
- Aggregating affordable housing work

The first three benefits – removing land from the market, creating permanently affordable housing, and fostering community control – are widely accepted as the hallmarks of the community land trust model. Interview subjects highlighted all three of these as reasons to explore the CLT model.

The fourth benefit focuses on how the land trust model can be molded into a useful tool for a city that already has a lot of ongoing affordable housing work. In the view of Meridith Levy of SCC, a community land trust could bring together the disparate efforts that are taking place throughout the city under different programs, leadership, and resources:

> It is…an aggregating strategy, to create more connections between the people who are on it, more community control, taking it off the speculative market, and attracting attention and therefore resources to say – right now we have a lot of different scattered approaches, and this is bringing them together.

Stakeholders identified the following opportunities for a community land trust to have an impact on Somerville's affordable housing landscape, including attracting resources, complementing existing programs, and building a broad base of support.

1. Leverage Additional Resources

Scott Hayman of SCC had expressed concerns about the costs associated with creating a land trust and acquiring property. At the same time, he thinks that a land trust could be beneficial if instead of draining funds from existing programs, it can leverage additional funds that would not otherwise be available for affordable housing work in Somerville:

> I think there are a lot of barriers in Somerville because we don't have a lot of land…and the cost of land is so high. But that said it is an interesting vehicle to attract new sources of funding or investment from people of like mind, and like vision, maybe it's foundations, maybe business people.

In his view, if there were "a viable land trust movement" advocating for a CLT in Somerville, they may be better positioned to access public funds from the city's Community Preservation Fund or other sources.

2. Inclusionary Zoning

From a policy standpoint, LeWinter identified the city's inclusionary housing program as one opening for a CLT, whereby the inclusionary units that currently end up being managed by the city's housing division could instead be diverted into a community land trust. When asked whether the responsibility for managing the inclusionary units is a burden for the city, LeWinter responded that, while the program has been small-scale so far,

> …as we try to build 6,000 or 9,000 more housing units, depending on the number we're talking about, [the burden on the city is] going to get bigger and bigger, so there's certainly a capacity limit, which I think we were potentially bouncing up against already. It's only going to get harder to manage as it goes forward.

This suggests that there may be a role for another entity – potentially a CLT – to play in stewarding the housing units that will be produced under the City's inclusionary zoning ordinance.

3. 100 Affordable Homes Program

Similarly, SCC suggested the possibility that properties acquired by the 100 Affordable Homes program could be placed into a land trust, rather than being held in SCC's portfolio. These will be primarily 2- and 3-family homes scattered throughout the city that SCC will acquire using city funds. After minimal rehab they will rent units out at different levels of affordability. In Levy's view, a CLT could be used as an "aggregating strategy" for bringing together these different properties, to facilitate connections between residents, and to demonstrate a more collective impact of the project.

This method could also address the challenges that SCC often faces in financing the kind of case-by-case, house-by-house acquisition that SCC would like to do. Levy envisions the possibility of creating a land trust "layer" that could bring the 100 Homes together and relieve some of the challenges of financing small properties individually:

> Especially when you have disaggregated properties…it's expensive to do property-by-property. That's been the biggest obstacle for us over the years, to do small property acquisition, because when you do 35 units it's just much more affordable…and you attract the funding…People in the development world are sometimes surprised when we describe what we're trying to do [acquire small properties], and yet that's where we're at most risk of losing affordability. It makes sense to do it it's just financially hard to do it. But if you could aggregate those properties with…the substrate of a land trust…would that work?

4. Beyond Affordable Housing

Scott Hayman of SCC envisions a land trust as one way to bring together some of the interests in Somerville that are often at odds over how to use the city's land. In his view, one of the potential benefits of creating a land trust could be to bring these competing interests together into one entity with a shared goal of preserving land by removing it from the speculative market. Hayman sees this potential particularly around the public disposition of city-owned land, as in the case of the Powder House School. As it stands now, the city often looks to sell publicly-owned property at a high price to generate revenue. Says Levy, "They are looking for money to invest back into the community, so in their eyes it's not like they're selling out. It's revenue the City needs. But it's important to consider the long-term value that a public property can generate."

In the Powder House School situation, stakeholders put forward differing plans for how the shuttered school building and ground should be used, with affordable housing interests pitted against parks advocates, and commercial space. SCC was one of the groups working to influence that process, in the hope that the land could be used for affordable housing development. In some ways, SCC's focus on subsidized housing for low-income residents meant that their appeal only resonated with a narrow group of people. In Hayman's view, a CLT with a broader mandate – housing, open space, commercial space – but with a fundamental focus on taking land off the marketplace, could be a valuable tool for ensuring city-owned lands are not lost: "For the land trust to work here, it would have to be bigger than [SCC's] affordability niche."

My conversations with these stakeholders were instrumental in identifying the questions, concerns, ideas and motivations that exist around bringing a community land trust to Somerville. Overall there is considerable awareness of and interest in the community land trust model. At the same time, there is also a healthy level of skepticism about how well it could work in a dense, expensive city, especially one where there are already significant policy and planning efforts dedicated to building and preserving affordable housing. I attempted to respond to some of these issues by examining and profiling three community land trusts in Chicago, St. Paul, and Chapel Hill.

Chapter 5: Profiles of Community Land Trusts

This chapter contains brief profiles of community land trusts (CLTs) in three U.S. cities: Chicago, Illinois; St. Paul, Minnesota; and Carrboro/Chapel Hill, North Carolina. I begin each profile with a brief history of the organization, then discuss the type of housing each organization offers and its methods for maintaining affordability over the long term. I then examine each organization's governance and funding sources including any significant sources of start-up funding, and the strategies and tools each trust uses to acquire housing. Next I explore the dynamics that the organization is working to address, its reason for being and how that influences its structure and operations. Lastly I identify the challenges that each organization has faced as well as the successes each has achieved.

Table 1 below shows certain characteristics of the three community land trusts profiled in this chapter.

	Chicago Community Land Trust, Chicago, IL	**Rondo Community Land Trust, St. Paul, MN**	**Community Home Trust, Carrboro/Chapel Hill, NC**
Area served	City of Chicago	City of St. Paul and Ramsey County	Towns of Carrboro and Chapel Hill
Established	2006	1993	1999
Number of homes	70	66	236
Activities	Homeownership	Homeownership, one mixed-use building rental and commercial	Homeownership
Affordability tool	Deed covenant	Ground lease	Ground lease
Board structure	Directors appointed by Mayor, approved by city council	Traditional tri-partite board	Traditional tri-partite board

Municipal involvement	Yes – housed in City Department of Housing	Limited – encouragement to purchase foreclosed and vacant properties	Limited – informal, through inclusionary zoning
Dynamics	Housing costs, permanent affordability	Vacant land, foreclosure, housing costs	Housing costs, displacement

I. Chicago Community Land Trust

Chicago, Illinois

In 2006, the Chicago City Council passed an ordinance creating the Chicago Community Land Trust (CCLT). Unlike the vast majority of community land trusts, the CCLT serves the entire city of Chicago as its community. It is one of the first and largest citywide land trusts in the country.

History

The impetus for the Chicago Community Land Trust came from within city government. Staff from Chicago's Housing Department began exploring the community land trust model in the early 2000s as a strategy for creating permanently affordable housing. City staff partnered with the MacArthur Foundation, based in Chicago, to commission a report on CLTs and to educate others in city government about the model (Davis and Jacobus, 2008).

Before enacting the CCLT in 2006, Chicago had been active in providing assistance to make homeownership more affordable and accessible for low- and moderate-income residents. The city provided subsidies to lower the purchase price of homes, primarily through down payment assistance or loans. These subsidies enabled people to purchase homes they could not otherwise afford. These first-time homebuyers benefitted from the subsidies, but when they decided to sell their homes on the open market, the subsidy was lost.

Chicago typically used mechanisms like a soft second mortgage, which is a common means of "subsidy recapture." Under these loans, homebuyers receive a loan to help them purchase their home, but they must pay back some or all of the loan when they eventually sell the home. These borrowers often must also pay back a portion of the home's appreciation, under the assumption that the repaid subsidy and portion of the equity will generate enough money to subsidize another homebuyer (the subsidy is "recaptured" and used for the next buyer). In practice, subsidy recapture often fails to bring in enough money to provide an adequate subsidy for another homebuyer, which means that more public funds are necessary to supplement the soft second mortgage. This is especially true in rapidly appreciating housing markets.

Without any requirements in place to limit the resale price of the subsidized home, the owner would naturally sell it at market price – and likely not to a low- or moderate-income buyer. The public subsidy is then lost forever, as that home is no longer affordable for future buyers.

Chicago sought to address this problem and ensure that the public funds that go into making homes affordable are kept in place for future families. They chose to implement a version of the CLT model – using deed covenants that limit resale prices – as a strategy for retaining public subsidies: "The Chicago CLT was created to avoid the inefficiency of short-term assistance and to preserve the public subsidy in housing and provide affordable housing" (Towey 2009, 337).

As Towey explains, the advisory group that spearheaded the formation of the CCLT considered several different scenarios for implementing a CLT in Chicago:

> …the group explored numerous options, including the formation of multiple neighborhood-level CLTs. In the end, the city and its advisers concluded that a single, citywide CLT would be the most efficient and effective means to preserve long-term affordability of subsidized homes. The advisory group hoped that the city- wide CLT would increase the scale and pace of CLT housing development, standardize the legal documents and resale formula, fairly distribute CLT housing throughout the city, and eliminate inefficient duplication of effort and expense (2009, 342).

Portfolio

As of March 2015, the CCLT has 70 homeownership units in its portfolio – 53 condominiums, 10 single-family homes, and 7 townhomes. They do not have any rental units in their portfolio, and currently have no plans to develop or acquire rental units.

Affordability

When municipal officials in Chicago were first exploring the possibility of creating a land trust, they intended to pursue the traditional model whereby the trust would own land and use ground leases to ensure affordability. The legislation creating the CCLT specifically references ground leases as the preferred mechanism for ensuring affordability (Chicago City Council 2006). But at some point, the group spearheading the CCLT changed their minds, instead opting to rely on deed restrictions that they viewed as having a similar function to ground leases.

Therefore the "Chicago Community Land Trust" is a bit of a misnomer. Unlike a traditional CLT, the CCLT does not own any land, and does not intend to. It can be more accurately described as a program for stewarding the affordable housing created under various city programs, primarily its inclusionary housing program. (As discussed earlier, "stewardship" refers to the slate of activities CLTs undertake to monitor and enforce affordability restrictions, ensure upkeep of land trust homes, and provide support and backstopping for homeowners to ensure the stability of their tenure.)

Because the Chicago CLT does not own land, it does not use ground leases as a way of ensuring long-term affordability. Instead the CCLT relies on deed restrictions that contain limits on the resale price and on the equity that homeowners can keep when they resell a CCLT home.

Chicago's deed restrictions provide for a 99-year period of affordability. They give the Chicago Community Land Trust a legally binding right of first refusal or option to purchase homes when owners decide to sell. This provision ensures that CCLT has the opportunity to keep homes within the trust. It also serves as a trigger to inform the CCLT when a home is up for sale. This is especially important in a system that relies on deed restrictions, as these are more easily lost or ignored in a resale. By requiring that the homeowner alert the CCLT to the resale, there is less of a chance for the affordability restrictions and resale price requirements to be ignored. The CCLT also ensures that a resale cannot be finalized without the sellers submitting "a copy of the sales contract with a special rider provided by the CCLT, along with the income qualifications of the new buyer" to the CCLT for verification (CCLT 2007).

According to Towey (2009), "the Chicago CLT's deed restrictions…run with the land but are limited in time and are not renewable" (346). This differs from a traditional CLT ground lease, which in most cases are renewable for another 99-year term each time the home is sold.

Structure and Governance

The CCLT is a nonprofit corporation that is housed in Chicago's Department of Community Development, and administered and staffed by city employees.

The CCLT Board of Directors differs from the traditional community land trust board, which is comprised of one third CLT resident owners or renters, one third community members that are not CLT residents, and one third from outside the community (often from the public or non-profit sector or foundations). The CCLT Board does not adhere to specific requirements regarding the Board's composition at this time, although the CCLT's website states that once the trust has 200 homes in its portfolio, one third of the board will be comprised of CCLT homeowners. The Mayor appoints directors to the CCLT Board, subject to the approval of the City Council. According to CCLT Director of Outreach Teresa Lambarry, the CCLT Board is "comprised of banks, community organizations, counseling agencies, non-profit developers."

Funding

In 2006 the CCLT received a grant of $396,000 from the John D. and Catherine T. MacArthur Foundation to cover its start-up costs and first three years of operations. Because the CCLT acquires the affordability restrictions of properties created through existing city programs and does not build any new housing, it does not require other sources of funding for property acquisition or development. Similarly, because it is housed in and staffed by the City's Department of Community Development, the CCLT does not require significant outside funding for its operations.

However, the CCLT does require homeowners to pay a "covenant fee" of $25 per month to fund operations. This fee also serves as a kind of early warning system, similar to a ground lease fee, whereby if a homeowner fails to pay their fee it alerts the CCLT that they may be having financial difficulties. This gives the CCLT the opportunity to intervene and help a homeowner cure any delinquent mortgage payments before they are at risk of foreclosure.

Property Acquisition

The Chicago CLT does not purchase land or existing homes, and does not develop housing. Instead, it acquires and stewards the affordability restrictions on housing units built by others through several of Chicago's affordable housing programs. These affordable units become part of the trust's portfolio although they are not in fact owned by the CCLT.

The CCLT gets the majority of its homes from the Affordable Requirements Ordinance (ARO). The ARO is Chicago's version of an inclusionary zoning ordinance. It applies to residential development projects that receive city funding or use city-owned land, and requires that developers building a project of 10 or more units set aside 10 percent of those units as affordable for households earning up to 100 percent of area median income (AMI). Other programs that feed units into the CCLT are Downtown Affordable Housing Zoning Bonus, CPAN, Homestart, and New Homes for Chicago.

The Downtown Affordable Housing Zoning Bonus, commonly known as the density bonus, is an optional program for developers building in Chicago's downtown areas, regardless of whether they are using city funds or building on city-owned land. Developers can receive a significant density bonus (up to 30 percent of base floor area ratio) if they either provide on-site affordable housing or contribute payments in lieu of units to the city's Affordable Housing Opportunity Fund. According to a 2014 fact sheet, the density bonus program has produced only 5 on-site affordable units, but has generated $33 million in in-lieu payments (City of Chicago 2014).

The Chicago Partnership for Affordable Neighborhoods (CPAN) is another contributor to Chicago's inclusionary housing program. CPAN gives incentives to developers who make at least 10 percent of their units affordable or who donate $100,000 per unit to the Affordable Housing Opportunity Fund. Incentives include waiver of permitting fees, reimbursement for permit expenses, site improvements and landscaping, assistance with marketing units on city websites, and purchase price assistance for buyers below 80 percent of AMI.

Under the Homestart program, the City makes city-owned land available for developers to build mixed-income housing, with a percentage of the units affordable for households at 100 percent of AMI. The City does not provide other financial incentives or support under this program besides the contribution of land. Developers must arrange their own financing and get City approval for their plans.

New Homes for Chicago is an older program enacted under former Mayor Richard Daley in the late 1980s. It provides financial incentives and city-owned land for as little as $1 for developers to build affordable housing in low-income neighborhoods, and provides graduated purchase price subsidies for homebuyers at or below 120 percent of AMI to purchase affordable homes. The application for the New Homes for Chicago program refers to the possibility of land being conveyed to the CCLT, resulting in the CCLT entering into a ground lease with their homeowners (Chicago Department of Community Development 2006). Despite this reference, the CCLT has not entered into any ground leases to date.

While all of the CCLT's homes come from city programs, only those produced in high cost areas, defined as "where market value of units is at least $25,000 higher than the affordable prices for the proposed development," are placed into the trust (Chicago Community Land Trust 2015).

Dynamics and Goals

The CCLT was established specifically as a tool for creating lasting affordability. While certain areas of Chicago may indeed experience gentrification and displacement, as a citywide organization in a very large city, the CCLT is not expressly dedicated to addressing these typically community-level concerns. It was not created to be a tool for the specific purpose of mitigating displacement of low-income communities. This explains why the CCLT's focus is exclusively on subsidy retention and long-term affordability, and it is expressly not concerned with land. The CCLT does not take ownership of underlying land, and therefore does not remove any land from the market.

Because the CCLT was created by the city government and not by community members or advocates, it not surprisingly places a lower priority on community organizing and engagement than a traditional CLT does. Jacobus and Brown state that this is a common characteristic of municipally-sponsored CLTs:

> Municipalities tend to be more interested in the community land trust's ability to preserve housing affordability and to retain public subsidies than they are in the more community-based characteristics of the CLT model, such as recruiting and nurturing a broadly based membership (2007).

The CCLT facilitates one-way communication and connection between homeowners and the land trust, but not among CCLT homeowners. It lacks the community organizing focus that is one of the hallmarks of the CLT model. This may change when CCLT homeowners are included in the board of directors, which is slated to take place when the CCLT reaches 200 homes. Still, the organization seems unlikely to achieve the level of community engagement that other CLTs have simply by virtue of its large size and disparate nature.

Challenges

The most significant challenge for the CCLT to date has been the slow pace of growth. The existing city programs it relies on to produce units have not generated as many units as they had initially planned for. According to a press release from Mayor Richard Daley announcing the CCLT in 2005, the trust's stated goal was to "bring 300 units into the Trust's portfolio during the first three years" (City of Chicago 2005). Ten years later, the CCLT has 70 homes in its portfolio.

This slow growth has a lot to do with timing. The CCLT began in 2006, shortly before the economic crisis of 2008 resulted in the most significant economic recession since the Great Depression. Construction of market-rate housing ground to a halt. As a result, the city's inclusionary housing programs, which rely on market rate development to be successful, produced very few units.

According to CCLT's Teresa Lambarry, the CCLT also faced a situation where home values plummeted across the board, and "in some cases the cost of the [CCLT affordable] unit was the same as the market value of other properties." This meant that the affordable units in the CCLT were no longer very attractive options, especially given the limits on equity and resale.

Successes

While the Chicago CLT does not have as many homes as they planned to, they are providing valuable services to their homeowners. As a citywide organization with dedicated staff and resources, as well as the clout of an official entity, the CCLT has been able to leverage the city's role to the benefit of homeowners.

The CCLT worked with the Cook County Assessor's Office to lower the assessed value of CCLT homes to take into account their homes' resale restrictions. As a result, according to Lambarry, CCLT homeowners pay 44 percent less in property taxes than their market rate counterparts. The CCLT also provides assistance to its homeowners to apply for the reduced property tax rates.

The CCLT also provides homeowners with services like pre- and post-purchase counseling, assistance with the resale process, and assistance to prevent default and/or foreclosure. They work to maintain contact with homeowners to ensure that they achieve stability after buying the home. Lambarry says, "We keep in constant contact with our homeowners through the different workshops that we offer to them at least 4 times a year and also through our monthly newsletter."

The CCLT also used its unique position within the city to convene and educate mortgage lenders and attorneys about how the trust operates. The CCLT then gives homebuyers access to a pool of attorneys who understand the CCLT and how it operates. The CCLT also worked to build relationships with four major lenders, to educate them about the CCLT and secure their willingness to lend to eligible CCLT buyers.

According to Towey, the most significant success of the CCLT is its ability to have an impact without spending significant amounts of public funding:

> For the price of down payment assistance to eligible households (or even better, for the administrative effort of a zoning change), the Chicago CLT can restrict the future use of the units and ensure their ongoing affordability for low- and moderate-income owners. This is perhaps the biggest advantage that the Chicago CLT has over the traditional model (2009, 349-50).

The Chicago Community Land Trust can achieve its goal of creating permanently affordable housing simply by using existing policies and programs to produce housing, rather than by acquiring land or homes on the private market as other CLTs do. For an organization with a mandate to serve an entire city – especially a city as large as Chicago – this model that relies on existing programs rather than new funding may have the greatest chance of success.

II. Rondo Community Land Trust
St. Paul, Minnesota

Rondo Community Land Trust was created in 1993, initially serving the community directly around what had been historically known as Rondo Avenue. Much of this traditionally African-American neighborhood was demolished and displaced to make way for a highway in the 1950s. The Rondo Community Land Trust name pays homage to what had been a vibrant and tight-knit community.

<u>History</u>

Rondo Community Land Trust has its roots in the highway expansion years of the 1950s. As in many U.S. cities, in 1956 the federal government cleared out large swaths of St. Paul's low-income and minority neighborhoods to build a major highway. They devastated the Rondo neighborhood, St. Paul's prominent African-American community, razing homes and businesses and displacing residents (Sorce 2012, 11).

In the 1970s, "incomplete urban renewal projects" once again displaced residents and demolished homes, businesses, and public spaces (Sorce 2012, 11). These projects ostensibly for the "public good," combined with disinvestment that was commonplace for inner cities in the mid-late twentieth century, left Rondo facing growing poverty and a glut of vacant land.

Rondo CLT Executive Director Greg Finzell recalls a lot of boarded-up and burned-out buildings in the neighborhood. Non-profit developers would come in and build affordable housing, but without any meaningful, long-term affordability requirements, these homes would only be affordable for the first family, losing their affordability once they were sold (Finzell interview, March 2015).

Residents and community leaders recognized the critical need for affordable housing. They set up a task force to develop solutions to address the area's vacant land and create lasting affordability. The task force consulted with the Institute for Community Economics (ICE), one of the "gurus" in the community land trust world. After working with ICE, the group decided to adopt the community land trust model. They established the Rondo Community Land Trust in 1993 to create permanently affordable housing for their community. After a few years of operation, the City of St. Paul requested that Rondo CLT expand their service area to include the entire city. More recently, Ramsey County has asked Rondo CLT to explore developing housing in the suburbs outside of St. Paul, although the CLT has not yet done so due to the high cost of land and homes in suburban St. Paul.

<u>Portfolio</u>

Rondo CLT's portfolio comprises 66 homes spread throughout St. Paul, 63 of which are single-family homes and three of which are duplex units. The trust has built six homes, and has relocated 12 buildings comprising 15 homes. The rest of their portfolio is comprised of homes they have purchased. Rondo CLT is also in the process of developing a large-scale mixed-use building, which will contain rental units for seniors and commercial space on the first floor. This will be their first mixed-use and first rental project to date.

Affordability

Rondo CLT adheres closely to the traditional CLT model, using ground leases to ensure permanent affordability of all of their properties. Rondo CLT's ground leases last for 99 years and are renewable and transferrable to a homeowner's heirs.

Structure and Governance

Rondo CLT is a nonprofit corporation with a traditional tripartite board comprised of one-third CLT homeowners, one-third CLT members (not homeowners) who are residents of St. Paul, and one-third open seats. This tripartite board structure facilitates resident and community control and engagement in the organization.

Funding

Rondo CLT receives financial support from the city, county, and state government, and from the federal Department of Housing and Urban Development (HUD), although Finzell says public funding has diminished significantly in recent years. The CLT also receives support from several local foundations.

While Rondo CLT works well with policymakers in St. Paul, there is no explicit coordination between the CLT and city housing policies or programs. The

City of St. Paul does not have an inclusionary zoning ordinance or program. Finzell says that city and county staff are "good people with very little dollars to work with."

Property Acquisition

Rondo CLT did not receive any significant start-up funding, but they did get help in acquiring their first properties. When Macalester College, a small liberal arts school in St. Paul, was expanding their campus, they donated five houses to the land trust rather than demolish them. Rondo CLT moved the houses onto vacant lots that they bought from the city for $1 each.

In the years since the 2008 economic collapse and foreclosure crisis, Rondo CLT has been primarily working to help stabilize the housing situation in St. Paul. Rather than trying to buy properties on the open market, they have focused on purchasing vacant and foreclosed properties from a list that the City maintains, as a way to shrink the inventory of vacant and foreclosed homes. Foreclosed or real estate-owned (REO) properties tend to be more affordable as banks typically do not want to hold onto them for long periods of time. This gives Rondo CLT access to a pool of relatively more affordable properties to feed the land trust, while also helping stabilize communities that have been impacted by foreclosures.

Homebuyer Initiated Program (HIP)

Rondo CLT operates a program called the Homebuyer Initiated Program (HIP), through which eligible low- and moderate-income buyers can identify a home they want to purchase, and receive two grants to assist them with the purchase and with rehab of the home. HIP provides buyers with a Down Payment and Closing Cost grant of between $15,000 and $25,000 to write down the purchase price of a home, allowing buyers to purchase a home that might otherwise be out of their price range. HIP then provides a Rehab Grant to cover the costs of necessary renovation or rehab to ensure that the homes are safe and in good repair. Homes in St. Paul must be either vacant or foreclosed, and are eligible for up to $50,000 in rehab funds, while homes in Ramsey County need not be vacant or foreclosed and can receive up to $25,000 for rehab. The properties become CLT homes, subject to the same ground lease and affordability and use restrictions as other CLT homes. This program represents another method of property acquisition that is spearheaded by the buyer rather than the CLT. For the City of St. Paul, this program helps stabilize neighborhoods by taking homes that might have significant deferred maintenance and getting them rehabbed and occupied.

Homebuyer Initiated Program/Home Ownership Program (HIP/HOP)

Rondo CLT worked with Thompson Associates, a local real estate consulting firm, to develop a program to give public housing residents and Section 8 voucher holders access to homeownership opportunities. The Homebuyer Initiated Program/Home Ownership Program (HIP/HOP) works similarly to the HIP program, but provides deeper subsidies as homebuyers receive grants from both Rondo CLT and Thompson Associates. This enables buyers to pay a significantly lower purchase price, lowering their monthly payments. When a family that had been living in public housing or renting an apartment with a Section 8 voucher is able to buy a home, their apartment or vouchers becomes available for another family in need of assistance.

Like all of Rondo CLT's operations, both the HIP and HIP/HOP programs depend on Rondo CLT securing adequate public funding, a task that has been increasingly challenging as federal funding for housing programs has decreased in recent years (National Low Income Housing Coalition 2015).

Dynamics

While their initial goal was to combat vacant property and create long-term affordable housing in the Rondo community, the dynamics have shifted somewhat over recent years. Now, Finzell says that rising costs are a growing concern for this community, particularly as the younger generation finds it difficult to afford to buy homes in the Rondo neighborhood: "It's really well-built housing and it's a real tight-knit community… People grew up here and they want to move back here, and some of them can't afford to do that, because the prices have gone up. So it's another area that we've been able to address."

Gentrification and displacement are growing concerns for this community, particularly with the recent arrival of a public transit line through the neighborhood. The Green Line (also known as the Central Corridor Light Rail Transit) runs east west, connecting downtown St. Paul to downtown Minneapolis. The light rail line opened in 2014, but Finzell says it is too early to know what its impact will be on housing prices in the surrounding area. Rondo CLT is working with the University of Minnesota on a 10-year study to measure the impacts of the rail project on housing in the neighborhood.

While gentrification and displacement were not yet concerns at the time Rondo CLT was created, the land trust model has been identified as one way to minimize these potential negative impacts of the transit expansion. In 2012 the Big Picture Project, a coalition of government, finance, development and community leaders to examine housing issues along the Central Corridor, released a set of recommendations and strategies for preserving affordability in the area. This report identified community land trusts as a tool to "invest in the production and preservation of long-term affordable housing," as well as to "stabilize the neighborhood and invest in activities that help low- and moderate-income people stay in their homes" (Twin Cities LISC 2012). So while Rondo CLT did not start out as an anti-displacement tool, it may take on that role in future years, depending on how the Green Line impacts growth along the Central Corridor.

Challenges

One of the most significant challenges Rondo CLT has faced is the difficulty in securing financing for land trust homes. Rondo CLT has four lenders it works with: two national banks, one local bank, and the state housing finance agency. All of the lenders keep CLT mortgages as portfolio products, meaning that they do not sell them on the secondary market. While Finzell and his staff have worked to develop and maintain strong relationships with local banks and lenders, he says of Rondo CLT's financing landscape that, now, "after 20 years, it really should look much different than it does. We should have FHA mortgages like we had years ago. And more mortgage and home improvement products should be available to our homeowners."

This is due in large part to the Federal Housing Administration's policy of imposing such significant restrictions to the extent that they have essentially disallowed FHA-insured mortgage products for CLT properties. (This FHA policy is the target of significant advocacy efforts on the part of the National CLT Network and other organizations.)

Another key challenge that Finzell identified is the relative lack of familiarity that many residents and the general public have with the CLT model, and a lack of comfort with or understanding of the concepts of limiting equity. In his experience, "limiting equity in any form is a big deal for a lot of people, whether it's in the neighborhood, or whether it's real estate people, or banks, or policymakers, there are still a lot of people that think that you just should not limit the amount of equity" that homeowners can accrue.

This is an ongoing challenge, but one that Finzell addresses by being honest with buyers about what the CLT homes represent: "We tell families that come to us that what the land trust really is, is shelter first and an investment second. And if people understand that if it's a place where they want to live first, and then they see it as an investment second, it's probably an okay thing for them. We tell lots of families that want to get 100 percent equity, that's a great thing but that isn't this program." To Finzell, this approach works well for a lot of Rondo's households, many of whom are single parents who have credit or debt issues – people for whom traditional homeownership may be out of reach. These buyers are primarily looking for stability – they want a place to live where they will not have to move, where their children can attend school and not face the disruption that comes from moving often.

Successes

During the height of the foreclosure crisis in 2008 and 2009, Rondo CLT stepped in to help assist homeowners who were at risk of defaulting on their loans. They created an emergency loan fund to help residents make payments. Rondo CLT would make up to two full mortgage payments for a homeowner, and then recoup that money from the homeowner whenever they decide to resell the home.

Rondo CLT has also helped two homeowners to date under the Foreclosure Prevention Project, in which households behind on mortgage or property tax payment can opt to join the land trust in exchange for assistance stabilizing their housing situation. A household brings their home into the trust, making it subject to long-term affordability restrictions and ground lease provisions. In exchange, Rondo CLT works with lenders to renegotiate the mortgage so it is affordable over the long term, provides the homeowner with funds to lower the mortgage or pay overdue property taxes, and to address deferred maintenance issues.

Rondo CLT has capitalized on its strong reputation and the relationships it has built with lenders. When CLT homeowners were unable to avoid foreclosure, lenders were willing to cooperate with the CLT to keep the homes in the trust:

> We had a long enough track record before the crash came that the lenders didn't want to take the land and the house back. They did take the house back because they needed to recoup something, but they wanted to work with us in keeping it in the trust and re-selling it to the next family (Finzell interview 2015).

This is due to the relationships Finzell and his staff built with lenders, and also to the fact that banks receive credit under the federal Community Reinvestment Act (CRA) when they provide a mortgage for a land trust home.

Finzell also cited having a support network of other CLTs as a key resource that has contributed to Rondo CLT's success. He works closely with the director of a CLT in Minneapolis and with other local and national organizations. In his view, having a network of support from local and national organizations is what has helped the CLT model survive and grow. He cited the example of limited equity co-ops, which were once fairly active in the Twin Cities, and for which there were several organizations that provided support and training about issues like board member responsibilities or financing: "When those organizations went away, the co-ops lost a really important support piece." He says many co-ops in the area have since been sold off. For Finzell, this reinforces how important it is for organizations like CLTs to have a system in place to provide guidance and technical assistance, and combined advocacy capacity:

> The lesson there is…if you're going to do any type of affordable housing…you really have to have a support network that goes with it. If you're just going to build housing and sell it and not worry about the future of resale or recapturing anything, then that's fine...but if you want to try to maintain and keep it affordable for any length of time, you need to have a support system.

III. Community Home Trust
Carrboro, North Carolina

Community Home Trust (CHT), previously known as the Orange Community Housing and Land Trust (OCHLT) was incorporated in 1999, serving the towns of Chapel Hill and Carrboro.

History

Executive Director Robert Dowling says the city of Chapel Hill "has been trying to figure out affordable housing since the 1980s." The city had an affordable homeownership program that used deed restrictions to maintain affordability for households at or below 80 percent of area median income (AMI). If the home was resold to an income-eligible buyer, then the subsidy stayed with the home. If the home was resold to someone above the income eligibility limit, then the subsidy and a percentage of the property's appreciation was returned to the town. Because the market was appreciating, most owners of these affordable homes were reselling them at market rates and paying the subsidy and a portion of the appreciation to the city, but the homes would be lost to the market. Dowling recalls, "Over time you realize…our stock of homes is decreasing and our bank account, our affordable trust fund is increasing."

The loss of these homes to the market was especially problematic for Chapel Hill because along with Carrboro, it had a strict "Urban Services Boundary," beyond which water and sewer services do not extend. This meant that it was not possible to simply use the city's affordable housing trust fund money to develop affordable housing on the outskirts of town, because it would not have had access to vital services. Land within the boundary was limited, and much of it was already developed. Dowling explains why this strategy was not working: "As you develop within that Urban Services Boundary and… now it's more than 90 percent developed, clearly the opportunity to generate new affordable housing is diminished. So the strategy of losing homes but taking in money is a losing strategy."

The city formed several task forces to address this question of how to keep affordable housing affordable for the long-term. Dowling, who at that time worked for a community development corporation (CDC), served on a task force that explored the community land trust model. After consulting with the Institute for Community Economics and CLT expert John Emmeus Davis, the task force decided to create a CLT. The land trust was incorporated in 1999, and was initially staffed by employees of the CDC, but each organization had its own board of directors. After realizing that this situation was unsustainable given the limited staff capacity, the two organizations officially merged in 2001, becoming the Orange Community Housing and Land Trust (later shortened to Community Home Trust).

Portfolio

Community Home Trust has 236 homes in their portfolio in Carrboro and Chapel Hill, of which 111 are townhomes, 86 are condominiums, and 39 are single-family homes.

Affordability

CHT uses a ground lease for all of their homes, including condominium units. According to Executive Director Robert Dowling, CHT's lawyers developed a modified ground lease for the condominium units, so that CHT has a deed to an undivided interest in a condominium (which includes the land and other common areas features), which they then lease to homeowners: "whatever it is we would own, we're conveying with a 99-year lease."

Structure and Governance

Community Home Trust is a nonprofit corporation with a tripartite board, in keeping with the traditional CLT model. One third of their board members are appointed, and this portion includes local elected officials and a representative from the University of North Carolina at Chapel Hill (UNC). One third is comprised of CHT homeowners, and one third of community members with an interest in affordable housing issues.

Funding

Because Community Home Trust was created from an existing CDC, the start-up costs were significantly lower than they would be for a new organization. CHT received a small grant from the Institute for Community Economics (ICE).

The existing CDC received funding from the local government, and once the CLT was formed Dowling requested increased public funding because it was clear that the organization's portfolio was growing. Community Home Trust still receives funding from the local governments of Chapel Hill and Carrboro, but that funding level has not increased in seven years, despite the fact that CHT's portfolio has grown by more than 65 percent in that time.

Dowling expressed regret at not having negotiated with the local governments for more funding to cover the costs of and stewarding the units CHT acquires through inclusionary zoning:

> The thing we failed to do which I would strongly recommend that a new organization do if they were in our shoes, is if you're going to be implementing inclusionary housing or any other government program where, it's their policy, it's their program and they're asking us to do it, it should be a contractual relationship and the amount of funding should be tied to the…amount of work. So with each unit they approved they realized they're going to have to give us $3000 a year in operating funding, forever.

<u>Property Acquisition</u>

Community Home Trust developed 32 of their 236 homes, and the rest have come into the trust through Chapel Hill's inclusionary housing program. CHT purchases inclusionary units directly from a developer. While the high costs of land and development are reflected in the price CHT pays to acquire the inclusionary units, they do not purchase units at market rates. The city (either Chapel Hill or Carrboro) negotiates a price with a developer prior to issuing the developer's permit to build. According to Executive Director Robert Dowling, CHT pays approximately $100,000 per home. While this is a significant expense, it is below market rate (the average sale price of a home in Chapel Hill is $319,050) (Zillow 2015). CHT then sells the units at a price that covers the cost they paid for them, or else they arrange subsidies to lower the purchase price for a low- or moderate-income buyer (Dowling email correspondence, May 2015). In this arrangement, CHT does not have to pay to purchase land or to develop housing, but rather it buys housing that is already built, at a below-market price.

In its 2000 comprehensive plan, Chapel Hill adopted an inclusionary housing program that operated on a more informal, case-by-case basis, with the city negotiating for concessions when a developer sought to rezone a piece of land for a large project. In 2010 the town passed an inclusionary zoning ordinance with clearer requirements for developers. When the inclusionary housing program was first enacted, the city saw the new land trust as a method for keeping the inclusionary units permanently affordable. Before the 2010 ordinance, Dowling recalls "it was sort of a negotiated deal" between developers and the city. The mayor would require developers to have Dowling vouch for how they planned to create the inclusionary units. Dowling recalls that this situation "gave me leverage to work with developers to implement the town's policy" (2015).

When the city passed its ordinance in 2010, some parties were uncomfortable with specifying Community Home Trust by name as the organization that would oversee and steward the inclusionary units. Dowling recalls, "they didn't want to name one organization because theoretically it could be anybody, although in actuality it really can only be us."

The city of Carrboro also has an inclusionary zoning ordinance that explicitly names the land trust as an entity that should manage inclusionary units to ensure their long-term affordability (City of Carrboro 2015, 9).

Dynamics and Goals

High housing costs are the primary issue that Community Home Trust seeks to address. As a medium-sized university town with the University of North Carolina at Chapel Hill and the science and technology industries of the Research Triangle, Chapel Hill is an attractive place to live and has some of the highest housing costs in the state. According to real estate website Zillow, as of March 2015 the average sales price of a home in Chapel Hill was $319,050, well above that of nearby Durham ($173,400) and Raleigh ($197,400). Many of Chapel Hill and Carrboro's residents have housing cost burdens, defined as a household spending more than 30 percent of their monthly income on housing costs. More than half of Chapel Hill's renters (56 percent) and 23 percent of homeowners pay at least 30 percent of their monthly income towards housing, and the numbers are similar in Carrboro (47 percent of renters and 23 percent of owners) (U.S. Census Bureau 2013a; U.S. Census Bureau 2013b).

Housing costs began to rise particularly after the establishment of the Research Triangle area, a major hub of the science and technology industries in Chapel Hill, Durham and Raleigh. The growth and expansion of the Research Triangle brought significant investment and an infusion of development and high-paying jobs to the region. As Dowling explains, the continued growth in these industries has driven housing costs upward, as wealthier residents move to towns like Chapel Hill to access its quality schools and other amenities. Employees of these industries are often able to afford more expensive housing, which can drive up the cost of housing overall, displacing people in lower-wage jobs:

> You have more and more high-end housing being built to accommodate the people moving here. And you have a growing health care system to

> accommodate an aging Baby Boomer population, and lots of health care employees. The doctors obviously make enough money to afford to live here, maybe even the nurses, but there are legions of people…who are not nurses or doctors. They take your blood pressure and check you in and all that stuff, and they can't afford to live here (Dowling interview).

Another factor driving up housing costs in Chapel Hill is the presence of the University of North Carolina at Chapel Hill (UNC), the flagship of the state university system. UNC has more than 29,000 students and 3,600 faculty. As is the case in many university towns, UNC does not provide housing for the entire student body, so a significant percentage of students live off-campus. Roughly half of the more than 18,000 undergraduates live off-campus, as do most of the more than 10,000 graduate students (University of North Carolina 2015). While Duke University also brings a significant student population to nearby Durham, at just fewer than 15,000 Duke's student body is roughly half that of the University of North Carolina, and 82 percent of Duke's more than 6,000 undergraduates live on campus (U.S. News and World Report, 2013).

Students in Chapel Hill occupy rental housing that might otherwise be affordable and available to low- and moderate-income residents:

> The student population is growing and they are absorbing more and more real estate because the university, like most universities, just doesn't keep up with dormitories. There are increasing numbers of students living off-campus…and that soaks up rental housing (Dowling 2015).

These factors might be easier to address in a town that could simply keep building outwards, but Chapel Hill and Carrboro's urban services boundary limits how far town water and sewer infrastructure can extend. This is essentially a growth boundary that constrains development. While boundaries like this limit suburban sprawl and foster "smart growth," they also drive up the cost of land within the town. With a limited supply of land, it is especially critical that CHT be able to acquire as much land as they can and remove it from the private market. Therefore property acquisition and preservation are extremely important to CHT, as are preserving affordability and preventing displacement in a high-cost housing market.

These goals have a clear influence on how CHT operates. By capitalizing on market-rate housing development through the inclusionary zoning ordinances in Chapel Hill and Carrboro, CHT acquires affordable homes throughout its service area at below-market prices. By utilizing a ground lease rather than deed restrictions or covenants, CHT retains control over the land (or in the case of a condominium, over the interest in land).

Challenges

Dowling identified three primary challenges that the Community Home Trust has faced: stagnating incomes; long-term maintenance of homes; and difficulties with conventional financing.

The formula that CHT uses to determine the resale prices of its homes is based on the assumption that incomes will steadily rise, so that the income of a household at or below 80 percent of area median income will increase over time. This allows for a steady increase in the home's price to account for increases in property taxes, condo fees, and other costs. But income limits set by HUD (Area Medium Income) in Chapel Hill and Carrboro did not rise as expected over the last decade, because incomes have stagnated in many areas of the country, while housing prices have continued to increase in places like Chapel Hill and Carrboro. This makes it more challenging for organizations like CHT to keep their homes affordable:

> When we did the modeling for our resale formula we never thought that we'd have flat income levels for six or seven years. And we thought, well this will be a challenge, keeping homes affordable because every year the price of the homes go up a little bit, taxes go up a little bit, HOA dues go up a little bit, and so the income required goes up a little bit every year and yet the income limits are not going up. Here we are 12 years later, and the income limits today are lower than they were twelve years ago (Dowling interview 2015).

Second, CHT has struggled to maintain their large inventory of homes without sufficient funding from local governments. In addition to a monthly ground lease fee, CHT homeowners pay a monthly "stewardship fee," separate from any homeowners association (HOA) or condominium association fee, that goes into a separate stewardship account for each home, and is then available to cover the cost of replacing items like roofs, water heaters, HVAC systems, etc. Still, this nominal amount is not always enough to cover a home's upkeep, and CHT is responsible for working with homeowners to ensure that they are properly maintaining their homes so that their value is intact for future owners.

This has been a more significant challenge for CHT due to the fact that their homes are primarily inclusionary housing units, meaning that they are often mixed in with market-rate homes that have higher values. Dowling is conscious of the fact that market-rate homeowners would be upset if CHT homes were not properly maintained, as that could negatively impact their property values. As an organization that relies in large part on the support of Chapel Hill and Carrboro residents for financial and political support, CHT has an interest in ensuring that their homes are being well maintained. Nevertheless, the cost of necessary maintenance has been an ongoing challenge as CHT's portfolio has grown.

The most recent challenge CHT has faced has been securing financing for land trust homes. Dowling explains that to many lenders, loans for a land trust home are simply not as valuable because they only apply to the improvements on the land, not the underlying land: "Community land trusts sell homes using a 99-year lease and the banks do not want to hold those loans on their books, and there's not a lot of avenues for them to sell those loans." The loans are also more complicated to understand, meaning that they take more time and effort on the part of lenders.

This problem has worsened due to a requirement in the 2010 Dodd-Frank financial reform law that no longer allows land trust loans to be "desktop underwritten" (also known as "automated underwriting"). These loans now have to be manually underwritten, which is more time-consuming. Dowling explains that most loan officers work on commission, so they have no incentive to handle land trust loans:

> Our loans are small, they're complicated and they are time-consuming, and if you're someone who's paid on commission, and you have an option to do these, or…do a big fat simple loan for $300,000 dollars, you're going to do the big fat simple loans. They're paid to *not* want to do our loans.

While Community Home Trust has traditionally had strong relationships with local banks that lend to land trust homebuyers, this has changed significantly in the last decade as local banks have been acquired by larger national banks that do not have the same allegiances to the community or to organizations like CHT. The local credit union no longer makes loans to CHT buyers, and CHT now relies on only one lender, which Dowling says is not a sustainable situation. Still, Dowling is actively working with the National Community Land Trust Network (of which he is a board member) and other CLTs to advocate for change at all levels, with local lenders and with federal entities like the Federal Housing Administration (FHA) and Fannie Mae, "to get them to recognize this is a model that works."

Successes

Community Home Trust has found success by working closely with the towns of Chapel Hill and Carrboro and by complementing and building on their efforts to produce affordable housing through inclusionary zoning. While in the past CHT has purchased land and developed housing, at this point their focus is on acquiring homes produced through inclusionary zoning. By acquiring affordable units built by other parties through inclusionary zoning, with reduced sales prices negotiated by the city, rather than directly purchasing property on the private market as many CLTs do, CHT avoids what is traditionally a substantial obstacle for CLTs – the cost of buying land. While CHT faces funding constraints and at times struggles to handle the costs of maintaining an informed, experienced staff and managing its portfolio, it does not have the added burden of trying to acquire property at market rates or build housing – two enormously costly activities, especially in a town with limited available land like Chapel Hill and Carrboro.

To Dowling, the CLT model is working well for Chapel Hill and Carrboro, despite the fact that it only owns a relatively small percentage of homes. The 191 homes CHT owns in Chapel Hill represent less than one percent of all occupied homes in the town (U.S. Census Bureau 2013b). Yet for Dowling, even this small number represents success:

> Having a land trust, even if it's a minority of homes, for us it's 200 homes…if we're successful and if this thing really works and we keep them affordable and we keep them well-maintained, I always think well 20 years from now, 30 years from now, won't people…think it's great to have these 200 homes.

Chapter 6: Discussion and Recommendations

Analysis of Community Land Trust Profiles and Application to Somerville Context

This section applies lessons learned from profiling the three community land trusts in Chapter 5 to the issues raised in my conversations with Somerville stakeholders in Chapter 4. I evaluate and respond to the challenges stakeholders raised to implementing the community land trust model in Somerville, and the reasons they identified for why a CLT could benefit the city.

<u>Challenges to applying the CLT model in Somerville</u>

The five key challenges that interview subjects raised were:

1. Creating a new organization
2. Interaction with existing programs
3. Density and lack of land
4. High cost of acquiring property
5. Conventional financing challenges

1. Creating a new organization

All three community land trusts provided lessons regarding the formation of a CLT organization. In all three cases, the decision to form a community land trust was made after a task force or commission explored the idea. All three organizations exist as independent non-profit corporations, rather than as programs within larger organizations.

The experiences of Chicago and Chapel Hill in particular demonstrate examples of CLTs being formed through significant partnership and involvement of both CDCs and city government. Chicago had the most unique approach of the three organizations, as the community land trust was formed by the city through the legislative process. The Chicago Community Land Trust also received a significant grant from the MacArthur Foundation to cover its start-up expenses for its first three years of operations.

The city's involvement in creating the land trust and its ambitious goal of implementing the land trust model on a very large scale were key factors in MacArthur's support for the project, as was the fact that the foundation is headquartered in Chicago and prioritizes funding projects in the city and the broader region (Fanton 2005). It is therefore difficult to speculate as to how a community land trust created in Somerville could access this type of start-up funding. Still, Chicago's experience suggests that municipal buy-in and an innovative model could be helpful in leveraging funding for creating a land trust.

In the case of Community Home Trust, the land trust was initially created to work alongside the existing community development corporation (CDC). The two organizations initially shared staff, but this proved unsustainable given the limited staff capacity. Ultimately, the CLT supplanted the CDC, although Community Home Trust does not engage in any of the non-housing related activities that the previous CDC did.[2]

In the context of Somerville, Somerville Community Corporation is extremely active in areas beyond housing, including ground level retail spaces within housing developments, economic stability, financial literacy, community organizing and planning, and job training and development. It is difficult to imagine a scenario

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[2] The Centre for Homeownership and Economic Development is a community development organization located in Hillsborough that serves Orange County and provides services including housing counseling, financial literacy, job training, and economic development. This organization was established in 2004 – three years after Orange Community Housing and Land Trust consolidated and replaced the existing CDC. While this point was not explored in depth in my research, this suggests the possibility that the consolidation left a demand in the area for the kind of services typically provided by a CDC.

in which SCC would discontinue this work or pursue a land trust if it would jeopardize these other priorities.

2. Interaction with Existing Programs

Some stakeholders expressed concern that a community land trust might either be redundant with existing affordable housing programs, or worse that it might siphon funding and resources away from these programs. In the three examples I researched, there was no indication that the community land trusts had a negative impact on other housing policies or programs, or that the CLTs had negative relationships with either municipalities or other housing-related organizations. There were varying levels of involvement and collaboration between the CLTs and other municipal housing programs, but in all three situations, the CLT appeared to play a complementary role – filling a gap and performing a function that existing programs and policies were not doing.

Of course, because my interviews were only with CLT staff and not with either municipal officials or staff from other organizations, I am not able to conclude with any certainty that the CLTs had no negative impact on other programs, only that no such impact was apparent in my research.

3. Density and lack of land

Density and lack of land did not emerge as significant challenges in either Chicago or St. Paul. In St. Paul, the presence of foreclosed and vacant properties was a more significant problem that continues to drive Rondo CLT's work.

The challenge of operating a community land trust in a densely-developed city with scarce available land was most apparent in the case of Community Home Trust in Chapel Hill and Carrboro, where an urban services boundary effectively limits how far outside the cities developers can build (while accessing important municipal services like water and sewer). The situation in Chapel Hill and Carrboro has some similarities with Somerville, which is the most densely populated city in New England, and where developable land is scarce and thus expensive.

Community Home Trust confronts this challenge by acquiring homes that are built as a result of inclusionary zoning, rather than attempting to acquire land and develop new housing as many CLTs do.

4. High cost of acquiring property

While the high cost of land was identified as a significant concern among Somerville stakeholders, it was not among the top challenges cited by staff from the three CLTs. This is due in large part to the unique structures and practices of two of the CLTs, Chicago Community Land Trust and Community Home Trust. Neither organization purchases land or homes on the private market (though CHT has done so in the past), but rather they both capitalize on development that takes place through inclusionary zoning ordinances and other city programs. Chicago Community Land Trust acquires homes through existing city programs, and sells them to eligible homebuyers. CCLT does not hold title to any land, but focuses instead on overseeing and stewarding the homes through deed restrictions.

Community Home Trust also acquires homes through inclusionary zoning, directly from developers, at a below-market price that is negotiated between the developer and the town prior to the town issuing a building permit for the project. CHT recoups this cost from a homebuyer and from public subsidies when necessary.

These two examples of community land trusts working around the challenge of high land acquisition costs offer valuable ideas and lessons for Somerville. The ever-increasing cost of land in Somerville would be a considerable barrier to a community land trust intent on purchasing existing homes or purchasing vacant land to develop. By working around these costs, both Chicago and Chapel Hill/Carrboro can create lasting affordability for a greater number of people.

5. Conventional financing challenges

The challenge of arranging conventional financing for land trust homes is a significant challenge for both Rondo CLT and Community Home Trust. Because the Chicago Community Land Trust does not separate title to the land from title to the improvements, so CCLT homeowners own their homes in fee simple absolute, the mortgages for CCLT homes are more straightforward than that of a typical CLT home. The primary concern that many lenders have about making a loan for a community land trust home is that the homeowner does not hold title to the land underneath his or her home, the CLT does. In the case of foreclosure, the lender can only foreclose on the physical structure and not the land, which is an unattractive scenario for a lender. As staff from both Rondo CLT and Community Home Trust indicated, there has been increasing reticence among lenders in the last decade to lend to land trust homes. This has been particularly true as the banking landscape has shifted and community banks, many of which had strong relationships with local CLTs and understood the land trust model – have been acquired and consolidated by larger banks. Rondo Community Land Trust's experience has been similar, and it has taken a concerted effort over the CLT's 20-year existence to maintain strong relationships with banks that serve the organization.

Both Rondo CLT and Community Home Trust also cited as a significant challenge the fact that the Federal Housing Administration (FHA) will not insure loans for land trust homes, as FHA loans are typically one of the few options available to low-income buyers who do not qualify for conventional loans.[3] This is a challenge for any CLT that uses ground leases, and has been an advocacy priority for the national CLT community in recent years.

While the Chicago Community Land Trust has not encountered the same challenges since it does not use ground leases, the CCLT can offer some insight into the role of the municipality in bringing together resources like mortgage lenders and attorneys for their homebuyers.

A CLT in Somerville using ground leases would likely face similar challenges around financing for land trust homes that the directors of Rondo CLT and Community Home Trust described. Still, the extent to which this would be a barrier to starting a CLT is not clear, and the severity of the challenge would also depend on the relationships that the CLT could build with local lenders.

Benefits of the CLT model for Somerville

The four key reasons that Somerville stakeholders identified for how and why a community land trust could be beneficial for Somerville were:

1. Take land off of the speculative market
2. Permanent affordability
3. Community empowerment and control
4. Aggregating affordable housing work

1. Take land off of the speculative market

Rondo Community Land Trust and Community Home Trust both achieve this – they take ownership of the land beneath homes and hold a separate title to or

[3] According to Curtin and Bocarsly (2008, 299-300), while the FHA does not outright refuse to insure loans for land trust homes, it does impose requirements on the resale formula that a home can be subject to, limiting CLTs' ability to control the resale prices of their homes. The FHA also limits what actions a CLT can take to enforce the regulations included in its ground leases.

interest in this land. They retain ownership of the land in perpetuity, effectively removing it from the private speculative market. They accomplish this in different ways and for different reasons. In St. Paul, a glut of vacant land and foreclosed properties has had a destabilizing effect on many neighborhoods. By taking ownership of these parcels, Rondo CLT reduces the inventory of vacant land and puts land back to productive use by making it available for affordable homeownership. In Carrboro and Chapel Hill, an urban services boundary and high housing costs combine to constrain land availability and drive up the price of land. Community Home Trust capitalizes on market-rate housing development through the two towns' inclusionary zoning programs, acquiring the affordable units produced under these ordinances without having to buy the land. In the case of townhomes and single-family homes, CHT holds title to the underlying land. For condominium development, CHT holds an undivided interest in the land and other common spaces.

The Chicago Community Land Trust, on the other hand, does not take ownership of land at all, and does not intend to. Removing land from the speculative market, while identified as a key benefit to the CLT model in early city discussions and documents, is not a priority of the CCLT.

Somerville's small size and dense development pattern result in a limited supply of land, and development pressures are increasing the cost of land. For Somerville stakeholders, removing land from the private market is one of the primary reasons to explore the CLT model. In exploring a CLT Somerville should look to models that prioritize land ownership.

2. Permanent affordability

All three CLTs profiled in this thesis identified creating permanently affordable housing as a top priority. Similarly, all three locations had previously relied on strategies for creating affordable homeownership that attached subsidies to individual homebuyers and not to homes. These organizations thus looked to the CLT model as a tool for subsidy retention, rather than subsidy recapture.

In Somerville, subsidy retention is already in place in most cases through the use of long-term deed restrictions attached to affordable units. Both Somerville Community Corporation and the City of Somerville employ long-term deed restrictions and covenants to ensure long-term affordability, some as long as 99 years. While there is a compelling argument to be made that deed restrictions and covenants are somewhat weaker than ground leases for ensuring permanent affordability, they are still valuable tools that can work well, particularly when proactively monitored and enforced.

3. Community empowerment and control

Of the three CLTs profiled, only the Chicago Community Land Trust has a board structure different from the tripartite board that is traditional among CLTs. The Chicago CLT board currently does not include designated seats for community members or CLT homeowners, but rather is composed of representatives from banks, community organizations, counseling agencies, and nonprofit developers. CCLT board members are appointed by the Mayor and require consent of the City Council, rather than a vote of CCLT's membership as is the case in most CLTs. This governance system reflects the fact that it is a City-run entity. It is also an organization with a mandate to serve a very large and diverse city – 234 square miles compared to Somerville's 4. It is therefore not surprising that the CCLT does not explicitly prioritize community control or community engagement.

The Rondo Community Land Trust and Community Home Trust both use the traditional tripartite board, with one-third of the board comprised of CLT homeowners, one-third community residents who are not CLT homeowners, and one-third of public representatives, including elected officials, representatives from local organizations, and advocates. In both places board members are elected by the CLT membership. This board structure and composition are specifically designed to ensure community control over the land trust's present operations and future direction. This structure gives voice and control to these three groups, but does not bestow outsized power on any one of them.

Community control and community involvement are essential characteristics of the community land trust model, and were identified as priorities for a Somerville community land trust.

4. Aggregating strategy

The Chicago Community Land Trust brings disparate programs and policies together – combines homes produced from different methods and brings them together under one program. This has clear benefits for the homeowners in being able to access affordable ownership opportunities from one source, and leveraging the benefits that come from CCLT ownership – access to lenders and attorneys, to counseling and assistance, and most importantly, the break on property taxes. For the City, the CCLT offers a way to bring together the housing that is being produced and demonstrate impact. City staff monitor these homes, which might not happen without a dedicated entity like the CCLT.

Community Home Trust also plays a similar role in aggregating homes produced through Chapel Hill and Carrboro's inclusionary zoning ordinances. These homes might otherwise be disparate and disconnected, given that inclusionary units typically make up a small percentage of a larger market-rate development – often only one or two units. By placing these homes into the land trust, there is a structure in place to connect homeowners living in different developments – through membership in the land trust and the opportunity to serve on CHT's board – and to provide them with services and support that are valuable for their stability and tenure as homeowners.

For Somerville, a community land trust could be modeled off of the strategies of Chicago and Carrboro/Chapel Hill, to bring together homes produced by policies like inclusionary zoning, connecting these homeowners to a network, and demonstrating and reinforcing the impact of the homes produced throughout the city.

Conclusion

There are lessons to be drawn from each of the three community land trusts profiled in Chapter 5, as there would be from any land trust anywhere in the country. While none of these locations is a perfect double for Somerville, each offers insight into different applications of the CLT model and its specific challenges and benefits.

The Rondo CLT is worth examining because it most closely resembles the "traditional" CLT model – it acquires land and builds housing, and utilizes long-term ground leases for affordability. The dynamics that Rondo CLT aims to address in St. Paul have been quite different from those at work in Somerville – while Rondo CLT is still working to stabilize neighborhoods hit hard by the 2008 recession and foreclosure crisis, Somerville seeks tools to calm its housing market and maintain affordability where land is a limited commodity.

Chicago represents the "community land trust without land" – a citywide, city-run organization dedicated to managing the stock of housing produced by private developers through city policies. While this is an interesting model through which to explore the potential role for cities in creating land trusts, it does not offer the most valuable parallels for Somerville in part because it is not contending with the same set of issues. Acquiring and securing land is not the goal in Chicago the way it would be in Somerville.

Of the three CLTs profiled in Chapter 5, the Community Home Trust offers the most valuable model for Somerville because it is working to confront many of the same challenges that Somerville faces: limited land, high housing costs, an attractive place to live near a major employment center (Boston/Cambridge and the Research Triangle) and a significant student population taking up off-campus housing. Community Home Trust was established with an express purpose to address the decreasing supply of affordable housing in an area with increasing housing costs. CHT is effective despite the challenge of density and lack of land because they take advantage of the very dynamics they are working to confront – escalating housing prices driven by increased development of market rate housing.

Researching these three organizations, the dynamics they are working to address and the challenges and successes they have had, has produced insights that can have real value for anyone exploring the creation of a community land trust in Somerville. Of course, these three organizations are only a tiny sample of the wide variety of community land trusts at work across the country, but exploring them has yielded ideas and lessons that can be applied in Somerville and elsewhere.

Recommendations

Recommendation 1: Create a Somerville Community Land Trust

Somerville should mobilize to create a community land trust to ensure lasting affordability in the face of rising housing prices and displacement brought on by gentrification. These trends threaten low- and moderate-income residents throughout the city, but especially in the areas undergoing the most significant development around the future Green Line Extension. A CLT cannot be the only tool to address the affordability challenges Somerville faces, but it can provide several unique benefits that make it worth pursuing:

1. Removing land from the speculative market; and
2. Aggregating affordable housing that exists throughout the city

The community land trust model is a unique and effective tool to build lasting community control over land, create quality affordable housing and provide stable opportunities for homeownership for low- and moderate-income residents. As demonstrated in this thesis, the CLT model can be molded to address a variety of contexts and dynamics, from foreclosures and vacant properties in St. Paul to rising prices and development pressures in Chapel Hill. Individuals and organizations concerned about the growing pressures of gentrification and displacement in the city should organize and build a movement to create a community land trust for Somerville.

Recommendation 2: Work with existing policies and programs

A Somerville community land trust should build on the work already being done through existing policies and programs, specifically the 100 Affordable Homes Program and Somerville's inclusionary housing program. While community land trusts can yield significant benefits on their own, their impacts can be magnified if they are used in concert with other programs. This is particularly important given the current context in Somerville, in which high housing costs and limited land availability make the task of acquiring property exceedingly difficult.

This is not to say that a community land trust in Somerville should not also aim to acquire land on the open market or through public disposition processes, but given how challenging and competitive both options are, it makes sense to start out pursuing the low-hanging fruit.

Simply creating a community land trust in Somerville without capitalizing on existing efforts – of the city as well as organizations like SCC – would be duplicative and would risk either having limited impact, or drawing vital and limited resources away from these programs and policies. If a CLT is to be created in Somerville, it must build off of existing affordable housing resources. I recommend that the ideal starting places for a CLT in Somerville would be the 100 Affordable Homes Program and the inclusionary housing program.

100 Affordable Homes Program

Under this collaborative effort of SCC and the City of Somerville, small properties (two- and three-family buildings) throughout the city will be bought, moderately rehabbed and made available for rent at various income levels. This program demonstrates a powerful collaboration between the City of Somerville and the Somerville Community Corporation. I recommend building on and deepening this collaboration by putting these properties into a trust to take the underlying land out of the market and ensure lasting affordability.

SCC ultimately plans to convert these properties into condominiums, although that conversion will not take place immediately. SCC could explore creating a land trust specifically as a vehicle to hold these properties.

As shown in the case of Community Home Trust, it is possible to utilize a ground lease for condominium projects, by having the land trust hold onto the undivided interest attached to each condo unit. Because some of these units will be at market rates, a land trust could allow the buyer of the market rate unit to take ownership of the unit as well as the undivided interest, while keeping the interests of the affordable unit(s) in trust.

By placing these properties into a land trust, SCC would not only be ensuring their lasting affordability, but would also be bringing these homes together under the umbrella of the trust.

Inclusionary Housing

A community land trust in Somerville should also build off of the city's existing inclusionary housing program by acquiring these affordable units and placing them into a trust. If the greatest concerns about applying the CLT model in Somerville center on the cost of property acquisition, then it makes sense to explore strategies that lower this cost. Community Home Trust's model of working with the inclusionary zoning programs of Carrboro and Chapel Hill allows the trust to acquire homes for a reduced price. A CLT could work around Somerville's high costs by acquiring property through inclusionary housing.

While Somerville has thus far managed the city's stock of inclusionary units (currently 168 units: 102 rental and 66 homeownership), this responsibility is only likely to grow as market-rate development increases in the city and as the city's inclusionary requirements, in all likelihood, grow stronger (Donato 2015). Booming residential development combined with greater affordability requirements should produce more units. There is no evidence to suggest that Somerville has not been able to manage this burden so far, but with more and more units it is likely to become more unwieldy and expensive in terms of city funds and staff time. Putting inclusionary units in a land trust would take the burden of managing and overseeing the sales and resales of these units off of the City, and place it instead with an organization that is specifically dedicated to and trained in this area.

Building housing requires a significant amount of investment, and it requires knowledgeable and experienced staff to develop and guide projects. This expertise already exists in Somerville, in non-profit affordable housing developers like SCC and in private developers whose projects will produce affordable homes through the inclusionary housing program. While many CLTs purchase land and build housing, this is not a niche that a CLT needs to fill in Somerville. By working through existing programs and policies to acquire existing homes – rather than focusing on purchasing homes or purchasing land to build homes – a community land trust can complement and not duplicate existing efforts and capacities in Somerville.

<u>Recommendation 3: Collaborate between City, SCC and other partners</u>

The City of Somerville and Somerville Community Corporation have important roles to play in forming a land trust. My research suggests that some level of partnership between the City and SCC would yield important benefits in terms of a CLT's capacity and impact. Collaboration and partnership can draw on the strengths of existing entities and organizations to have greater impact. At the same time, a Somerville community land trust should involve stakeholders beyond the City and SCC, in order to engage individuals and organizations who bring unique perspectives, experiences and ideas.

City of Somerville

A movement to create a CLT in Somerville would benefit from involving the City government in meaningful ways. Somerville's government has been active on affordable housing issues, through its inclusionary housing program, Affordable Housing Trust Fund, Community Preservation Act, as well as the broader Sustainable Neighborhoods effort. Given how the Mayor and city government have prioritized affordable housing to date, it makes sense for a CLT to have some level of partnership with the city. Involving the city could help mitigate some of the key concerns that stakeholders raised around duplicating existing services or siphoning off resources from other programs.

The City can also bring influence and negotiating power to a community land trust, particularly around issues where a non-profit organization might not have as strong a position. In Chicago, for example, the land trust was able to negotiate with the county for lower property tax assessments for land trust homeowners. In Massachusetts, tax assessments are done at the town level, meaning that Somerville has its own tax assessor. Somerville already provides a residential tax exemption to promote owner occupancy, but it could explore measures to alleviate the property tax burden for land trust homeowners, perhaps by providing an additional exemption for land trust homeowners. Such a measure could be easier to achieve if the City is involved with the land trust and incorporates it into its slate of housing programs.

As shown in the cases of Rondo Community Land Trust and Community Home Trust, assembling conventional financing for land trust homes is a key challenge, and maintaining strong relationships between the land trust and lenders is critical. The City could play an important convening role by bringing together lenders and land trust leaders and helping to foster strong relationships between them.

Somerville Community Corporation

A Somerville community land trust could also benefit from having the strong involvement of the Somerville Community Corporation. SCC brings decades of experience not only building and managing affordable housing, but also in providing vital services to homeowners and engaging community members. SCC would bring its organizing experience and influence, particularly through its Affordable Housing Organizing Committee (AHOC), to any movement to create a CLT.

Having SCC's involvement would also ensure that a new CLT organization does not duplicate services that SCC already provides. For example, most CLTs offer pre-purchase counseling for homebuyers, as well as support services for households facing financial difficulties. SCC offers first-time homebuyer seminars and foreclosure prevention services, and has developed relationships with other service providers, lenders, and other resources that can benefit CLT homebuyers. There would be an opportunity to connect CLT homeowners with SCC services, rather than the CLT having to design and staff these activities.

Any Somerville CLT would benefit from having the involvement and expertise of both the city and SCC. The City government brings clout, leverage, convening power, and negotiating power. SCC brings community organizing, housing services and housing development experience and relationships.

Recommendation 4: Build relationships with other CLTs locally and nationally

Building relationships and support systems with other CLTs – both locally and nationally – would help a Somerville community land trust learn, innovate, and handle obstacles that would inevitably arise.

A Somerville community land trust would have a great deal to learn from the two existing land trusts in Boston. Dudley Neighbors, Inc., has decades of experience and expertise in operating a CLT. The Chinatown Community Land Trust, established in early 2015, would lend valuable lessons about the challenges of starting a land trust in the current landscape of ever-increasing housing costs, competition for land, lenders' unfamiliarity with CLTs, and limited public funding. As mentioned in Chapter 4, the Somerville Community Corporation has been participating in a working group with these two organizations and others, focused on building up the use of community land trusts in the Boston area. This group offers valuable lessons specific to the context of the Boston area, and SCC should continue learning from this work and participating in the growth of an inter-connected CLT movement in Greater Boston.

Building relationships and communication with other CLTs could provide support and mutual learning opportunities. Working with national organizations like the National Community Land Trust Network would give a Somerville CLT opportunities to advocate for policy changes – around issues like the FHA's requirements for land trust homes – and other challenges common to CLTs across the country.

Recommendation 5: Explore creative applications of the CLT model

While this thesis focuses exclusively on community land trusts for affordable homeownership, there are other applications of the CLT model. Any movement to create a community land trust in Somerville would benefit from exploring creative ways to use a CLT. In terms of housing, many CLTs provide rental housing or use unique ownership structure on CLT land, including limited-equity co-ops or co-housing. Many CLTs also look beyond housing altogether, developing commercial space, schools or community gardens. While housing is the most pressing issue a community land trust would address, the Somerville land trust movement would benefit from investigating the various applications of the CLT model to maximize impact for Somerville.

Such an exploration would not only be a valuable thought exercise, but could also be strategic. As raised in conversation with SCC, creating a broad-based CLT could be a strategic way to acquire land that is either publicly owned or not being used to its potential. As Somerville Community Corporation staff mentioned in discussing the Powder House School property, an organization dedicated exclusively to developing affordable housing generates less broad-based support among community members. Creating a CLT that can appeal to Somerville residents for reasons beyond affordable housing – parks and open space, commercial space, etc. – could increase opportunities to take land off of the speculative market and allow for true mixed-use development that meets multiple community needs.

Appendices

Appendix A: Interview Subjects

Group 1: Somerville Stakeholders

Name	Title & Organization	Interview Method & Date
Kelly Donato	Director of Special Projects, City of Somerville	In-person March 13, 2015
Michael Feloney	Housing Director, City of Somerville	In-person March 13, 2015
Scott Hayman	Director of Real Estate, Somerville Community Corporation	In-person March 16, 2015
Meridith Levy	Deputy Director, Somerville Community Corporation	In-person March 16, 2015
Dana LeWinter	Former Housing Director, City of Somerville	In-person March 16, 2015

Group 2: Community Land Trust Staff

Name	Title & Organization	Location	Interview Method & Date
Robert Dowling	Executive Director, Community Home Trust	Carrboro/Chapel Hill, NC	Telephone March 19, 2015
Greg Finzell	Executive Director, Rondo Community Land Trust	St. Paul, MN	Telephone March 18, 2015
Teresa Lambarry	Outreach Director, Chicago Community Land Trust	Chicago, IL	Email March 17, 2015

Appendix B: Interview Protocols

Questions for City of Somerville

Michael Feloney, Director of Housing
Kelly Donato, Director of Special Projects and Housing Counsel

1. What are the top priorities of the Office of Strategic Planning and Community Development?

2. What strategies or tools is the City using (or interested in using) to produce more affordable housing, and to preserve affordability in the city as housing prices continue to increase (particularly around the Green Line extension)?

3. How familiar are you with the community land trust model for developing long-term affordable housing?

4. Do you think such a model could be utilized in Somerville to create long-term affordable housing? Why or why not?

5. What are some of the barriers that you see to creating a community land trust in Somerville?

6. How do you think a community land trust could fit in with other existing efforts to create affordable housing and prevent displacement of low-income residents as a result of gentrification? For example, inclusionary zoning, the affordable housing trust fund, and the small property acquisition program (partnership with the Somerville Community Corporation and City of Somerville).

7. Could you see a potential role, direct or indirect, for the City of Somerville in the creation of such a trust? (e.g. sponsoring a CLT, involvement in planning process, involvement in CLT board, providing funding, assistance with property acquisition, etc.)

8. Does the city have properties/parcels of land that you could see putting into a CLT (through donation or sale)?

9. What questions do you have about community land trusts?

Questions for City of Somerville
Dana LeWinter, Former Housing Director

1. Tell me about your work as Housing Director for the City of Somerville – what were your top priorities in your time there?

2. What strategies or tools did the City use (or consider using) to produce more affordable housing, and to preserve affordability in the city as housing prices continue to increase, particularly around the Green Line extension?

3. How familiar are you with the community land trust model for developing long-term affordable housing?

4. Do you think such a model could be utilized in Somerville to create long-term affordable housing? Why or why not?

5. To your knowledge, has anyone in city government, in the city's non-profit community, or from planners, consultants and residents who attended the city's community planning processes expressed interest in the idea of creating a CLT in Somerville?

6. What are some of the barriers that you see to creating a community land trust in Somerville?

7. How do you think a community land trust could fit in with other existing efforts to create affordable housing and prevent displacement of low-income residents as a result of gentrification? For example, inclusionary zoning, the affordable housing trust fund, and the small property acquisition program (partnership with the Somerville Community Corporation and City of Somerville).

8. Could you see a potential role, direct or indirect, for the City of Somerville in the creation of such a trust? (e.g. sponsoring a CLT, involvement in planning process, involvement in CLT board, providing funding, assistance with property acquisition, etc.)

9. What questions do you have about community land trusts? What would you want to learn from other CLTs?

Questions for Somerville Community Corporation
Meridith Levy, Deputy Director
Scott Hayman, Director of Real Estate

1. What are the top priorities of the Somerville Community Corporation?

2. What strategies or tools is SCC using (or interested in using) to 1) produce more affordable housing; and 2) to preserve affordability in Somerville as housing prices continue to increase (particularly around the Green Line extension)?

3. You are one of the clients of the current UEP Field Project on community land trusts. What are you hoping will come out of the project?

4. Independently of the Field Project, how familiar are you with the community land trust model for developing long-term affordable housing?

5. What work has SCC and/or its Affordable Housing Organizing Committee already undertaken to explore the CLT model?

6. What questions would you have about community land trusts to better understand if they could be a model for developing long-term affordable housing?

7. Do you think such a model could be utilized in Somerville to create long-term affordable housing? Why or why not?

8. To your knowledge, has anyone in city government, in the city's non-profit community, or from among the planners, consultants and residents who attended the city's community planning processes expressed interest in the idea of creating a CLT in Somerville?

9. What are some of the barriers that you see to creating a community land trust in Somerville?

10. How do you think a community land trust could fit in with other existing efforts to create affordable housing and prevent displacement of low-income residents as a result of gentrification? For example,
    - inclusionary zoning,
    - the Affordable Housing Trust Fund, and
    - the 100 Affordable Homes Strategy the City has launched with you.

11. Could you see a potential role, direct or indirect, for SCC in the creation of such a community land trust?

Questions for Community Land Trust Staff
Robert Dowling, Community Home Trust
Greg Finzell, Rondo Community Land Trust
Teresa Lambarry, Chicago Community Land Trust

1. Tell me a bit about [organization name] (your mission, history, etc.).

2. Were you involved in the initial creation of the Community Home Trust? Can you tell me about how your organization was formed, and what determined its focus and structure?

3. What dynamics was [organization name] aiming to address when it was created (e.g. an abundance of vacant land, rising housing costs, pressures from gentrification and displacement)?

4. Describe the kinds of properties your organization owns and/or operates (e.g. single-family homes, condominiums, rentals, commercial space). How many homes are in your portfolio?

5. Do you develop housing, or work with external developers?

6. How does your organization acquire property?

7. What are your primary sources of funding for property acquisition and development?

8. What tools does your organization use to ensure long-term or permanent affordability of homes?

9. How does your organization interact with other programs and entities aimed at affordable housing (e.g. inclusionary zoning, affordable housing trust funds, community development corporations)?

10. Describe the roles of the city government, community members, CDCs and other players in the land trust's board and in day-to-day operations.

11. How do you think the CLT model has worked in your community? Has it been successful overall?

12. What have been the greatest challenges or barriers to success facing your organization?

13. What lessons do you think are important for other communities considering utilizing the CLT model?

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