

**Affordable Housing
Community Land Trusts**

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Affordable Housing

Community Land Trusts

Community Land Trusts are private non-profit organizations that acquire and hold land. The trusts provide and preserve affordable housing to benefit a community. The cost of land is held in permanent trust and never sold, so that it can benefit a community. The land is leased to tenants via long term leases, eg. 99 years.

Housing build on the leased land can be bought and sold by tenants, so that equity can be build up. Because the cost of the land is taken out of the cost of acquiring affordable housing, the availability of housing at a lower cost is much greater. Requirements of the land lease include that the price of housing when it is sold must remain affordable.

Presently, there are there are 118 CLTs in 31 states and the District of Columbia, including three in Florida. The CLT model is very flexible, with a variety of options available depending upon community. In terms of multi-family buildings for example, A CLT can work with various ownership structures. The CLT itself may own and manage a building as rental housing, another non-profit may own it, or the residents may own it as a cooperative or as condominiums. In each case, the CLT will ensure long-term affordability.

The CLT can operate in a variety of communities, including neighborhoods, small cities, and rural areas. It can operate as the only housing related organization in a community, or work with existing organizations. They can be a key part of an overall affordable housing strategy within a city or region.

Information concerning three existing CLT's are provided. More information on these and other CLT's can be found at the website of the Institute for Community Economics: www.icelt.org; click on CLT.

CLT Governance and Structure

Membership organization. CLTs are usually organized as "membership corporations," with boards of directors elected by the members. Usually there are two groups of voting members. One group is made up of all the people who live in CLT homes (or use CLT land in other ways). The other group is made up of other people in the community who are interested in what the CLT is doing - including neighbors of CLT residents, and people who may want to have CLT homes in the future.

Board structure. Usually the CLT board includes three kinds of directors - those representing resident members, those representing members who are not CLT residents, and those representing the broader community interest. In this way, control of the

organization is balanced to protect both the residents and the community as a whole.
(www.Iceclt.org)

Benefits

- Provide affordable housing for lower income residents in the community

Home owners have a right to own, improve and build equity. They can claim tax credits. They can will the home to survivors.

- Keep housing affordable for future residents
- Gain control over local land use and reduce absentee ownership, especially for neighborhoods in redevelopment areas.
- Capture the value of public investment for long-term community benefit
- Build a strong base for community action

Middle Keys Land trust (www.mkclt.org)

The Middle Keys Land Trust (MKLT) was created in 2000, after a series of affordable housing symposia sponsored by DCA and the South Florida Regional Planning Council.

MKLT defines affordable housing as that which available to working residents “who work and contribute to the community”, such as teachers, police officers, nurses aides, etc. It is available to residents of a range of income levels.

The need for affordable housing can be defined in a number of ways. Using Monroe County as an example, the current average rent for a 2 bedroom apartment is \$852; for a three bedroom apartment it is \$1174. If housing costs should be no more than 30% of income, the hourly wage (40 hours per week) for someone able to afford the three bedroom apartment is over \$22 per hour, or almost \$47,000 per year.

For home purchases, the average cost of a home in Monroe County is \$300,000, while the median income is \$36,000 per year. Using Fannie Mae guidelines, this income level translates into a mortgage of only \$121,000, far less that what is needed to purchase a home.

For those who favor building affordable housing, there are several challenges that make it difficult, including a lack of incentives for developers, as there is a strong demand for higher priced housing; high land values; high cost of construction, and limited funds to support affordable housing programs.

A CLT is a solution in the Florida Keys, because it involves:

- leadership from the business community and faith based organizations

- partnerships among private, public and non profit organizations

The membership of the MKLT includes:

- Public agencies:
 - City of Marathon
 - Monroe County Sheriff's Department
 - Monroe County Department of Community Affairs
- Local Business and Community Representatives
- Affordable Housing Advocates
- Owners/Leaseholders
- Land Trust Renters
- Other Non Profit Organizations

The costs to home buyers:

\$140,000 to \$175,000 (first time homebuyers), with traditional 3% downpayment or \$500 down--Fannie Mae CLT Program

Escambia County Land Trust (www.johnwyche.com)

The thrust of the Escambia County Land Trust (ECLT) is on “entrepreneurship-centered economic development”. The reasons for the creation of the ECLT include the results of a survey of five inner city neighborhoods in Pensacola in 2000 that portrayed a dire need for affordable housing and jobs. Results of the survey indicated:

The median household income for the 5 targeted neighborhoods was \$15,805, less than one half of the average income of the surrounding areas. Over 40 % of the residents had income levels below the poverty level. There were 885 vacant houses and 1318 substandard units in these five areas.

The ECLT solution is to acquire land, thereby bringing together land, human capital—working residents—and financial capital, all of which are needed to produce economic growth.

Dudley Neighbors, Inc (www.dsni.org)

Structured as a community land trust, Dudley Neighbors, Inc (DNI) was created by the residents of the Dudley Street Neighborhood area in 1988 as a means to preserve the neighborhood. To date 144 homes have been built, with plans to build another 200 over the next decade. Also, DNI has built one commercial building, a playground, an orchard, a community garden and a green house.

Funding has come from a variety of sources, including \$2 million Land Acquisition Loan from the Ford Foundation's Office of Program Related Investments (PRI). The loan, carried an interest rate of only 1% per year, payable in quarterly installments. In March

1992, the Ford Foundation advanced the full \$2 million. DNI was able to earn enough investment interest income to cover operating expenses and the 1% interest payment to the foundation. The loan was paid back in full to the foundation in March of 2001.

Governance

DNI is governed by an 11-member Board of Directors with the following composition:

Six appointees from DSNI

One appointee from the Roxbury Neighborhood Council

One appointee of the Mayor of the City of Boston

One appointee of the City Councilor from the 7th District

One appointee of the State Senator of the 2nd Suffolk District*

One appointee of the State Representative of the 5th Suffolk House District*

*non-voting member

Resale Formula

The DNI formula that restricts the selling price for any buildings is one example of what can be done to keep costs lower for affordable housing. Each CLT could establish its own resale formula.

The components of the DNI formula are:

- 1) The original purchase price
- 2) An annual inflation adjustment equal to the Consumer Price Index
- 3) The value of improvements—not to exceed an approved annual amount.