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A counterweight to foreclosure crisis: community land trusts?

As home foreclosures put a drag on the US economy, 250 community land trusts across the US use one-time taxpayer subsidies to help low-income homebuyers and stabilize communities.

By Nancy Humphrey Case, Contributor / March 7, 2012,

<http://www.csmonitor.com/USA/2012/0307/A-counterweight-to-foreclosure-crisis-community-land-trusts>



Bob and Lynne Robbins of Jericho, Vt., credit Champlain Housing Trust with helping them remain homeowners. Mary Claire Carroll/The Champlain Housing Trust, Burlington, Vt.

Bob and Lynne Robbins of Jericho, Vt., have an unusual perspective on the foreclosure crisis claiming homes nationwide. It might have claimed theirs, too, but for the efforts of a program here that is seen either as an innovative solution to affordable housing or one short step away from socialism.

The Champlain Housing Trust enabled the Robbinses to find a house they could afford, to secure a loan, and to survive the recession – without missing a single mortgage payment.

"I can't imagine the last few years if we hadn't had this place," says Lynne of their 1,100-square-foot ranch-style home.

At a time when foreclosures continue to be a drag on the [US](#) economy, the Champlain Housing Trust offers a counterweight. It is the largest and most successful of nearly 250 community land trusts (CLTs) nationwide – ventures that seek to solve the problem of low-income housing by breaking the boom and bust cycles of the free market. Often financed at least in part by public

money, CLTs buy land, build houses, and then subsidize the sale of houses to low- and middle-income consumers.

To critics, CLTs unwisely spend public dollars for real estate projects that could go bust. To supporters, they are a success story: The foreclosure rate for CLT homeowners was one-tenth the national average in 2010 and has dropped in the past five years, says the National Community Land Trust Network.

"It's about stabilizing communities and building strong local economies," says Jerry Maldonado of the Ford Foundation. "When municipal budgets are stretched thin, CLTs give them a bigger, longer-term bang for their buck."

CLTs collect land through purchases, donations, or other means. Their rules then help keep housing costs down.

- Applicants must qualify as low-income.
- The CLT covers down payments for qualifying applicants. Because homeowners must pay that money back when selling the house, it can be offered to the next buyer, so the subsidy is a one-time expense.
- The CLT does not sell the land, lowering the price for the house and providing income for the CLT if the value of the land rises. (The land is leased to the buyer for a nominal monthly fee.)
- The home buyer must secure financing through traditional channels, but CLTs use the land equity to help keep down mortgage calculations.
- Homeowners are allowed to recoup the cost of the house and all capital investments, but 75 percent of any additional profits go to the CLT to be reinvested.

For the Champlain Housing Trust, this has meant housing prices nearly half those of the market rate. The low prices not only increase affordability, but also act as a buffer against a downturn, since prices on the open market need to drop significantly before CLT homes lose value.

In such cases, the CLT – usually run by a board that is one-third residents, one-third public officials, and one-third members of the surrounding community – may ask the lender to restructure the home-owner's mortgage. In extreme cases, the CLT may encourage the owner to sell to prevent a default.

But defaults and foreclosures can happen – sometimes at the expense of the CLT itself. Manos Unidas, a land trust in [Philadelphia](#), collapsed after homeowners defaulted.

This raises a concern for John McClaughry of the Ethan Allen Institute, a free-market public policy organization in [Vermont](#). He worries about how CLTs are run. "The CLT's viability is critically dependent either on homeowners maintaining their payments, or outside money diverted into the trust to keep it going. I have a problem with governments bailing out CLTs with

taxpayer dollars." [**Editor's note:** *Context has been added to clarify the quote that appeared in the original version.*]

But Vermont remains a supporter. [Gov. Peter Shumlin](#) last month announced that \$1.3 million of a federal block grant would go to the Champlain Housing Trust – along with two other groups – to redevelop property in Shelburne.

Meanwhile, in [Atlanta](#), planners of the \$2.8 billion BeltLine redevelopment project have adopted the CLT model. "The questions became: How do you stabilize neighborhoods devastated by foreclosure? And how do you design a program resistant to foreclosure?" says Tony Pickett, director of the Atlanta Land Trust Collaborative. "We needed a program that could work in both the good times and in times when people may be reluctant to buy or not able to qualify for a mortgage."