

In early 2001, Transitional Living and Community Support (TLCS) of Sacramento, California, was at risk of losing one of its facilities. The facility housed a successful transitional housing program for formerly incarcerated, homeless and mentally ill individuals. TLCS had been leasing the property for one year when the landlord, in response to escalating real estate prices, decided to place the property on the market. Prior to moving into the facility, TLCS spent two years overcoming the opposition of the local neighborhood association, which eventually became a supporter of the program. Thus, as a result of a hot real estate market and after considerable time and effort spent locating the program, TLCS was in the unfortunate situation of losing its facility.

Around the same time, Nehemiah Corporation of California was forming the Nehemiah Urban Land Trust (NULT), a nonprofit corporation whose mission is to acquire, manage and preserve special needs housing facilities like the one operated by TLCS. NULT subsequently stepped in to purchase the TLCS property, and the property is now being held in perpetuity for the benefit of TLCS, its clients and the community. The bylaws of NULT provide for the property to be used for special needs housing by another social services agency in the event that TLCS were to cease using the property.

### THE COMMUNITY LAND TRUST MODEL

The Nehemiah Urban Land Trust is based on the community land trust (CLT) model, a unique solution to the problem of permanently maintaining affordable housing for diverse populations. The CLT idea began 30 years ago when community residents began to seek options that gave them control and ownership of land and housing resources in their community. Active resident participation was a response to soaring home prices, growing displacement and disinvestment within communities largely made up of renters,

TLCS Southside House

# Land Trusts

*by Lisa Engle, Manager, Nehemiah Urban Land Trust (NULT) of Nehemiah Corporation of California*

and a shift in national housing policy that reduced funding for government housing programs.

The Institute for Community Economics (ICE) of Massachusetts has been a leader in Community Land Trusts since 1967. ICE defines a community land trust as a private, nonprofit corporation created to acquire and hold land for the benefit of a community in order to provide secure affordable access to land and housing for community residents. A CLT may provide a range of options including single-family, rental and special needs housing that share the essential characteristics of permanent affordability, sustainability, community participation and ownership.

### PERMANENT AFFORDABILITY AND SUSTAINABILITY

A CLT ensures permanent affordability of housing by retaining ownership of the land and providing a ground lease to a resident or tenant on a long-term basis—typically for 99 years. On a single-family home, a resident purchases the home with a mortgage loan and leases the land from the land trust.

The homebuyer's mortgage loan is more affordable than a traditional home purchase because it is for the building only, not including the land. Lease payments to the CLT are nominal. The land lease limits the resident's equity in the home and gives the CLT first right of refusal to purchase the home. In most cases, the resident's heirs are able to assume the resident's interest in the home. Restrictions applied to the resale of the home ensure that it will be sold to a low-income household at an affordable price.

These transfer restrictions are what make the CLT a sustainable model for homeownership, wealth creation for the homeowner and affordable housing for the community. The CLT's long-term ownership also contributes to sustainability. There are two components of ownership in the CLT model: the ground lease on the land and the individual ownership of the dwelling. Although CLT homeowners are not able to sell their homes for the full market value, they do receive a portion of the equity appreciation. They also receive other benefits not avail

able as renters such as tax consideration for the amortized portion of their mortgage debt, and in some cases improvements made by the CLT.

In addition to providing affordable single-family homeownership opportunities, some CLTs own and operate affordable rental housing units. Others, such as the Nehemiah Urban Land Trust, own and lease facilities to special needs housing organizations. Many of the community land trusts that ICE works with have developed special needs housing as part of their program. For instance, the Burlington CLT based in Vermont provides facilities for transitional housing and a family shelter.

### COMMUNITY PARTICIPATION

In addition to ensuring long-term affordability and sustainability, democratic control is a unique characteristic of the community land trust compared to other affordable housing models. Most CLTs are governed democratically by an open membership and an elected board of trustees. In the case of the NULT program and other special needs housing, the organization that rents the facility offers the community an opportunity to participate in the governance of the program. A steering committee of local neighbors meets regularly to discuss any impact the program is having on the neighborhood.

### THE CLT MODEL AT WORK IN NORTHERN CA

The San Francisco Bay area housing market is the least affordable in the nation: nearly 70% of households pay more than 30% of their income for housing. Since 1990, average rents have increased at a rate more than double that of median household income. Consequently, homeownership has become a dream that many Bay Area residents feel is beyond their reach. Patricia Duncan-Hall was excluded from the housing market for years, before finding permanent affordable housing with the help of the Northern

California Land Trust (NCLT), one of the oldest community land trusts in the nation. Rick Lewis, program manager of the NCLT, characterizes the community land trust model as “a long-term solution to the affordable housing crisis in the Bay Area that addresses a key barrier to permanent affordability.”

As a mother of three, a part-time student and employee on disability, Patricia moved five times in six years, each time uprooting her children to find a three-bedroom apartment that would accommodate her family and accept her Section 8 voucher. Patricia learned of NCLT through a friend and began the application process. Although skeptical, Patricia applied and was selected for her current home in one of the trust’s restored Victorian four-plexes. According to Patricia, “the best thing about my home is the security of not having to move on someone else’s terms and it’s great for the kids who are not on pins and needles any more waiting to move.”

The Oakland Community Land Trust identifies community participation as a key to their success. This CLT, which was started in May 2000 and sponsored by the City of Oakland, Fannie Mae and Community Bank of the Bay, is a more recent effort to address affordability in this high-cost area. Although the city of Oakland designated \$5 million to fund the development of CLT housing, according to Robert Arnold, executive director of the Oakland CLT, one of the greatest initial challenges his organization faced was accessing money for capacity-building and administrative costs. Community organizing was a way to overcome this. “What makes the CLT model unique and ultimately successful is the strength of the community participation involved in its creation. This type of neighborhood, grass-roots capacity building takes time and commitment.”

Arnold also attributes success in the early stages of his organization’s development to technical assistance from

ICE. ICE was recently awarded a two-year contract by HUD to continue its technical assistance in developing CLTs across the country and specifically in communities in northern California.

### BENEFITS AND CHALLENGES

According to ICE executive director Sarah Page, “as expiring subsidy contracts exacerbate an already significant affordable housing crisis, it is increasingly apparent that creating affordable housing permanently rather than for 20-year periods is wise public policy. CLTs assist neighborhoods to gain control of their own land and ensure that a portion of their housing will always be affordable for persons of modest means while enabling residents to remain in their neighborhoods, build equity and share in the benefits of revitalization. At the same time, communities are strengthened and neighborhood residents become leaders in CLT governance.” CLTs also make it easier for people to move into homeownership. Ninety-five percent of CLT homeowners participating in a recent national study<sup>1</sup> agreed that their CLT enabled them to become homeowners more quickly.

One of the major challenges facing CLTs is acquiring property for a land trust in a market where real estate prices are escalating and where it is difficult to obtain donated property. Another challenge for CLTs is educating individuals to the concept of a ground lease. According to Karen Seabury, a program officer at The John D. and Catherine T. McArthur Foundation, “one of the biggest initial hurdles CLTs have to jump through [is] a psychological and cultural challenge. The American dream of homeownership for many includes ownership of the land under their home and resale at market

1 Levinger, Dr. George. *Owning a Community Land Trust Home: A Survey on Homeowner Satisfaction. A report prepared by Institute for Community Economics, April 2001.*



rate.” Seabury characterizes CLTs as a stepping stone that helps individuals move from rental housing to homeownership.

### FUNDING SOURCES

As with many nonprofit organizations, funding is another significant challenge for CLTs. Although some CLTs may carry some initial debt on their properties, most receive the funds to purchase land, greatly reducing the burden and necessity of carrying long-term debt. These funds come from a variety of sources including local housing trust funds, government programs, philanthropic donations, HUD loans and grants, state housing finance agency dollars, tax credit dollars and pension fund investments.

ICE's revolving loan fund provides CLTs across the country access to initial and long-term financing. Capitalized at \$13 million, ICE's loan fund includes investments from 400 individuals, religious institutions and foundations. It is one of a network of community loan funds around the country that provides loans to CLTs and other nonprofit organizations for bridge and construction loans, short- and long-term mortgages and lines of credit.

During the early stages of development, mortgage financing also represented an ordeal for CLTs. However, as financial institutions have been educated on the land lease and limited equity structure of CLTs, the number of sources willing to provide long-term financing for CLT homeowners has grown. On the single-family mortgage side, the northern California Land Trust (NCLT) has worked predominately with Washington Mutual and CalFed Bank to acquire single-family mortgages for CLT homeowner properties and Mechanics Bank of Richmond for their construction loans in the northern California area. Fannie Mae has shown strong support for the CLT model in Northern California and offers a national mortgage program for CLT homeownership.

### CRA CREDITS

Community land trusts are an excellent way for banks to meet their community lending and investment goals under the Community Reinvestment Act. CLTs meet the CRA criteria in that they most often operate in low- and moderate-income areas and are involved with affordable housing. CLT homeowners typically have incomes between 40 to 60 percent of area median income. According to Sarah Page, “banks may be more inclined to invest in CLT programs over other programs because of the impact a CLT can make on an entire neighborhood.”

### CONCLUSION

Community land trusts offer an innovative tool for solving the affordable housing problem by addressing two key components of community development—permanence and resident participation. This unique tool has and will continue to grow in prevalence as cities, communities and neighborhoods draw on it as a solution to increase their stock of permanently affordable housing.

“As we continue to identify and acquire special needs housing properties in our first four target cities—Charlotte, Indianapolis, Baltimore and Atlanta—we will be expanding the reach of the Nehemiah Urban Land Trust and providing social service agencies with the peace of mind they need to provide quality supportive housing services to their clients,” said Scott Syphax, president and CEO of Nehemiah. With the technical assistance offered by Institute for Community Economics, organizations like the Oakland Community Land Trust will continue in their mission of addressing the affordable housing crisis in their community.

To learn more about Nehemiah Urban Land Trust and its work on special needs housing please visit:

**[www.nehemiahcorp.org](http://www.nehemiahcorp.org). CI**

### ABOUT THE AUTHOR



LISA ENGEL is the manager of Nehemiah Urban Land Trust (NULT) of Nehemiah Corporation of California, a Sacramento based nonprofit founded in 1997. Nehemiah is one of the largest nonprofit community development organizations in the country. NULT, an affiliate of Nehemiah, acquires, manages and preserves affordable housing for special needs families and individuals. Lisa is responsible for developing and implementing NULT's policies and procedures as they pertain to the overall mission.

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