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What is a Community Land Trust (CLT)?

A community land trust (CLT) is a private, nonprofit corporation created to provide secure affordable access to land and housing for the benefit of the community. The CLT provides access to land and housing for people who are otherwise priced out of the housing market. Some CLTs provide rental housing, but, when possible, the CLT helps people to purchase homes on affordable terms.

CLTs are unique in that they treat land and buildings differently. CLTs permanently own the land on which homes and other structures or facilities are built, while individuals own the home (or other structure/facility) on the land pursuant to a long-term (usually 99-year) renewable ground lease. This model provides at least three key features that benefit the community and the public:

- The ground lease provides that at the time the homeowner transfers the home on CLT property, the home must be sold at an affordable price to another low- to moderate-income person/family;
- The CLT land is permanently controlled by the community through the CLT board of directors rather than by a changing government or private speculators; and
- The value of the original subsidy committed in order to make the housing affordable is retained as the housing continues to be affordable.

Operation of a CLT

Most CLTs have an open membership that includes both those who occupy CLT housing and other residents of the local community. The board of directors is elected by the membership, with some directors elected to represent the occupant members, some elected to represent the non-occupant members, and some elected to represent the broader public interest. Thus, similar to its approach to ownership, the CLT balances the interests of individual occupants of the housing sponsored by the CLT with the interests of the entire community.

Homeownership via a CLT

The CLT model does not lend itself to a “hard sell”; informed consent is essential. CLTs work to ensure that prospective homebuyers know what they are getting and what they are giving up upon purchase of a CLT home.

The ground lease entered into by every CLT homeowner requires that owners live in their homes as their primary residences. CLT homeowners and their descendants have a right to occupy and use the leased land for as long as they wish, provided that they abide by the terms of the ground lease. The terms place some limitations on the resale of the home—preventing resale to a household that does not qualify as low-or moderate-income, and limiting the sales price to keep it affordable. The lease lays out a "resale formula" that determines the maximum allowable price. Each CLT designs its own resale formula to give homeowners a fair return for their investment, while keeping the price affordable for other lower income people. In addition, the CLT has the right to buy each home back for an amount limited by the CLT's resale formula.

Why Establish a CLT?

Typically, CLTs are used in neighborhoods that are experiencing or are expected to experience gentrification. In many communities today, population growth and economic investment are driving up real estate prices so that fewer low- and modest-income workers can afford to buy homes or rent in the communities where they work. Limited public funds are available to subsidize housing costs for lower income households. However, the gap between the amount of subsidy needed and the amount of subsidy available for affordable housing continues to widen as housing costs soar.

According to the U.S. Census, from 1990 to 2000 the median value of owner-occupied homes increased by 97% in the State of Michigan. While housing prices have escalated, government funding for affordable housing has decreased and private funders are unable to subsidize these projects at the level previously supported by the government. CLTs do not build equity for low-income communities as fast as conventional homeownership would. Rather, CLTs are designed to serve a population that would not have homeownership opportunities in the current conventional market. In addition, the initial investment in the affordability of the housing is preserved for future owners, thereby maximizing the utility of that investment.

CLTs are being developed in a growing number of communities – in expanding metropolitan areas from Cleveland, Ohio to Portland, Oregon; in university communities from State College, Pennsylvania, to Boulder, Colorado; and in expensive resort communities from the Florida Keys to the San Juan Islands of Washington State. These CLTs control housing costs by permanently limiting land costs and "locking in" subsidies so that they benefit one homeowner after another. For communities where property values are rising, as in Albuquerque, New Mexico and Burlington, Vermont, the primary goal is to limit resale prices so the homes will continue to be affordable for lower income households.

For low-income communities suffering from disinvestment, the primary goal of a CLT may be to sustain owner-occupancy and prevent a return to absentee ownership. As homeownership declines, older buildings are likely to be bought by absentee investors who allow the buildings to deteriorate while charging high rents. The rent paid to these absentee owners leaves the community. It is not saved by the residents, not spent in local stores, and not used to improve the housing or the community. When residents organize themselves to improve their neighborhood, the absentee owners then benefit from increased property values. Through a CLT residents can capture the value they create to benefit their own community. When residents of Boston's Dudley Street

neighborhood organized to rebuild their community, they established a CLT so they would not lose control of what they worked to build. Their slogan was "Take a Stand, Own the Land."

Geographic Scope of CLTs

There is a wide variation in the geographic scope of CLT programs. Some serve entire metropolitan areas, often including surrounding suburbs. Others serve particular neighborhoods. Each type has a somewhat different character. The larger scale CLTs create and preserve an adequate supply of affordable housing within the large areas they serve. Neighborhood-based CLTs tend to reflect the grassroots concerns of particular communities.

Other Features of CLTs

In addition to providing affordable housing, CLTs may make land available for community gardens, playgrounds, economic development activities, or open space, and may provide land and facilities for a variety of community services.

CLTs can provide a variety of training opportunities and other services to first-time homeowners, and can provide crucial support if homeowners face unexpected home repairs or financial problems. In these cases the CLT can often help residents find a practical solution and may help to make necessary financial arrangements.

How are CLTs different from conservation land trusts?

Both CLTs and conservation land trusts control land use for the short- and long-term benefit of people though each concerns different types and uses of land. Conservation trusts are concerned with controlling rights to undeveloped land to preserve open space, ecologically fragile or unique environments, wilderness, or productive forest or agricultural land. CLTs, on the other hand, are mainly concerned with acquiring developed or developable land for specific community uses — particularly residential use. These concerns may not be mutually exclusive. Some land trusts, notably in Vermont, combine these purposes, preserving some land in a natural state while leasing other land for development.

This publication is intended to provide general information, and is not a substitute for legal advice. If you have additional questions about this issue, contact Community Legal Resources at 313/962-3171.

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