

# PRESERVING AFFORDABLE HOMEOWNERSHIP

## Municipal Partnerships with Community Land Trusts

by John Emmeus Davis and Kristin King-Ries

Community land trusts (CLTs) offer a tested approach to preserving the affordability, quality, and security of owner-occupied housing. In this innovative model, individuals buy homes on land leased from a local CLT and agree to limit the resale price, reducing the upfront cost of homeownership and keeping those homes affordable for subsequent income-qualified households.<sup>1</sup> Increasingly, municipalities and CLTs are working together to produce affordably priced homes that last.

Affordable homes in the United States often become unaffordable over time. This can be due to a financial disaster, like the 2007–2009 foreclosure crisis, or to relentless appreciation in land and housing prices. It can also stem from public policy that allows homes originally made affordable with public money or powers to be rented or resold at unaffordable prices.

Until recently, most government-supported housing programs were designed to permit—not prevent—such attrition. Affordability was programmed to lapse, and any public subsidies that lowered the cost of owner- or renter-occupied homes would ultimately wind up in the pockets of investors, landlords, or homeowners. Such policies presumed that lost homes would be replaced. However, public subsidies and other funding for affordable housing

have dwindled for decades relative to the cost of construction; buildable sites have become scarcer and pricier; and the loss of publicly subsidized, privately owned homes has accelerated faster than new sites and subsidies can be found.

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This situation has prompted a seismic shift in public policy, especially among cities and counties where a preference for preservation has begun to supplant the longstanding acceptance of attrition. Local officials in many jurisdictions are now helping create and support CLTs, and some have adjusted their land use regulations to make it easier for CLTs to operate. Many also now require housing developers seeking subsidies to commit to preserving affordability.<sup>2</sup>

Experience has shown this is nearly impossible, however, unless changes are made to the way subsidized homes are owned and unless an entity is assigned to watch over them.

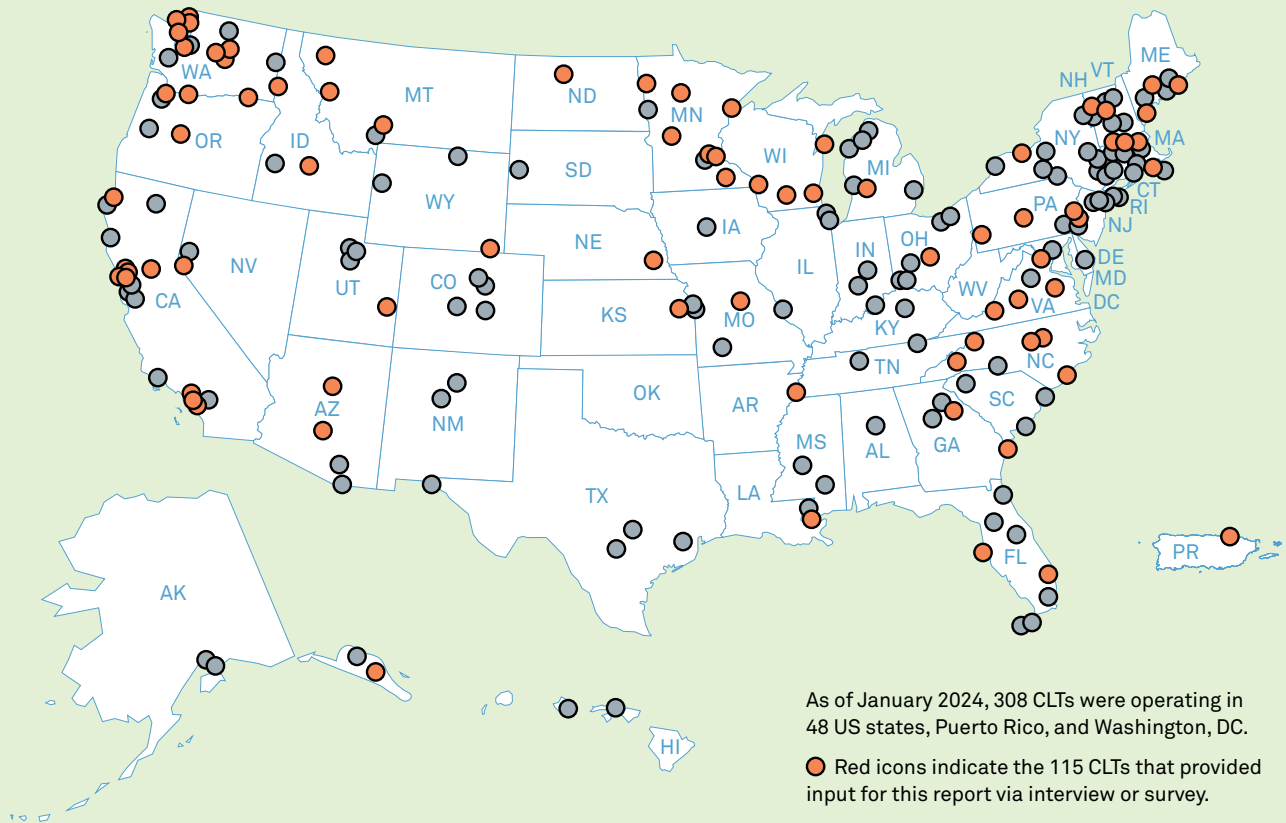
CLTs do both: Their distinctive approach to tenure and stewardship is specifically designed to maintain the affordability of any kind of housing—owner-occupied most of all. CLTs protect the homes entrusted to their care and stand behind the families they have boosted into homeownership, ensuring that neither the publicly provided subsidies nor the affordably priced homes disappear over time.

Municipal officials, new homeowners, and representatives of Boston's Chinatown Community Land Trust celebrate the CLT's first closings in 2021. Source: City of Boston/Photo by Isabel Leon.



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## COMMUNITY LAND TRUSTS IN THE UNITED STATES



### What is a CLT?

The first modern-day CLT, New Communities Inc., was founded in 1969 by a small group of Black civil rights leaders in southwest Georgia.<sup>3</sup> The model pioneered there was refined during the 1980s, splitting the ownership of real property between a nonprofit organization holding title to the land and individuals holding separate title to residential or commercial buildings located on that land.

A CLT oversees the operation of those buildings, protecting their affordability, quality, and security. The price of CLT homes is reduced by removing the cost of the land. A limit is placed on the resale price, keeping the homes affordable to one income-qualified homeowner after another. The typical CLT is governed by a board representing the interests of people living or working on its land and the interests of people from the surrounding community.

### Why Preserve Affordability?

By changing how homes are owned, CLTs can expand access to homeownership for people who cannot afford a market-rate unit. For affordability to last from owner to owner, however, reweaving the rights, responsibilities, risks, and rewards of ownership is not enough; a CLT must be vigilant in ensuring that this tapestry of tenure does not unravel over time. “Forever” is the gold standard. While some proponents of shared-equity housing settle for affordability protections that last 15 or 30 years, most CLT practitioners prioritize the permanent affordability of any privately owned homes produced through the donation of public lands, the investment of public dollars, or the exercise of public powers. Their advocacy is backed by action and a commitment to managing a stewardship regime that lasts for as long as the homes entrusted to them.

## How Can Municipalities Partner with CLTs?

Municipalities sometimes keep stewardship in-house, recognizing the importance of monitoring and protecting the affordability, quality, and security of homes that public subsidies or powers helped create. An increasing number of cities and counties, however, delegate stewardship to a local CLT and help CLTs expand their holdings of resale-restricted, owner-occupied housing in a variety of ways.

### Supporting start-up costs

Municipal officials in many jurisdictions have become heavily involved in starting CLTs, whether by initiating the formation of a new corporate entity or by grafting a CLT program onto an existing organization. Today, a municipality is as likely to be the driving force behind a new CLT as to be a belated supporter, providing support for planning, training, staffing, and other start-up costs.

### Donating or discounting land

Municipalities can donate land to create or expand a CLT. For example, Florida's Delray Beach Community Land Trust has received more than 60 parcels of land from the City of Delray Beach and the local redevelopment agency.<sup>4</sup> Such entities can also transfer publicly owned land, surplus land, or tax-foreclosed properties at discounted prices.

### Funding the creation and preservation of homes

For most CLTs, a sizable gap exists between the price lower-income households can afford and the costs to construct or rehabilitate that housing—even

## INDIVIDUAL OWNERSHIP OF RESIDENTIAL OR COMMERCIAL BUILDINGS



## 99-YEAR GROUND LEASE

## COMMUNITY OWNERSHIP OF LAND

*Source: Douglass CLT/Adapted by LILP.*

when the cost of land is not a factor. CLTs may receive assistance to acquire buildable land but often require additional support from local governments to make their projects feasible and affordable.

### Tapping CLTs to manage inclusionary housing

Municipalities that enact inclusionary mandates or provide regulatory incentives to residential developers seek to create more economically and racially integrated communities. Developers are required to rent or sell some units for a below-market price to income-eligible households within every new building or subdivision. To preserve these inclusionary homes' affordability after they are built, some municipalities have tasked a local CLT with responsibility for monitoring and enforcing durable controls over their pricing, occupancy, and upkeep (for an example, see box 1).

#### Box 1

### Community Home Trust, Orange County, North Carolina

Through an interlocal agreement signed in 2015, Orange County and the towns of Carrboro, Chapel Hill, and Hillsborough have provided basic operational funding for the Community Home Trust (CHT), their local CLT, on an annual basis.<sup>5</sup> Under the agreement's contribution formula, 33 percent of total funding comes from the county; the rest is shared among the three towns, based on the ratio of inclusionary homes (below-market units) managed by CHT in each town.

Acting on behalf of the four municipalities, CHT then functions as the long-term steward of inclusionary housing generated by their policies and programs. To date, the municipalities have kept their original pledge to increase funding annually. In addition to defraying much of the cost of CHT's operations, the municipalities' contributions help CHT safeguard its housing portfolio, ensuring its homes remain affordable and in good repair.

Rebecca Buford, executive director of Tenants to Homeowners in Lawrence, Kansas, at the CLT's newly built Beatnik Court neighborhood. The development of seven affordable houses and six market-rate houses was made possible with support from the city's Affordable Housing Trust Fund. Source: Taylor Mah/City of Lawrence.

## Policy Recommendations

Cities and counties support CLTs in many ways; state agencies also have important roles to play, but preservation partnerships are most prevalent at the local level. Municipalities can take several steps to make these partnerships more effective.

### Mobilize multifaceted support

Municipal officials should draw upon their full array of resources to expand CLT housing portfolios: raising or redirecting funds for operations and development; transferring underutilized, publicly owned lands; and adjusting land use regulations, especially around density. They should also fairly tax CLTs, considering factors like restrictions on resale value that differentiate these properties from market-value homes.

### Respect the model's balance of interests

A CLT's rights, responsibilities, risks, and rewards of ownership are shared through a legal mechanism that equitably balances the interests of the CLT and its homeowners and has been accepted by major financial institutions. In some cases, municipalities have rewritten these agreements to alter details related to approvals or ownership. But public officials should avoid the temptation to change a CLT's ground lease (or covenant); changes can make it harder to market, mortgage, and preserve CLT homes.

### Coordinate financial matters

Municipal departments or entities should avoid working at cross-purposes by, for example, collecting taxes and fees on affordable homes that counter the impact of grants and loans to support affordability. Grants are also preferable to long-term loans, which can complicate both a CLT's balance sheet and financing for homebuyers.

### Weave preservation of affordability into the fabric of government

To preserve affordability as an enduring municipal policy—especially when new leaders have different priorities or make big staffing changes—demands more than depending on a few farsighted individuals. It must be incorporated into a municipality's institutional fabric, in the form of ordinances, programs, and plans.



### Evaluate impact as well as scale

Public officials should go beyond metrics such as number of housing units or acres of land to determine whether a CLT is using municipal resources productively. Even CLTs with modest holdings can have enormous and important community impacts, despite cases where such results may be somewhat harder to measure.

### Plan for climate change

Most CLTs would gladly build more energy efficiency and climate resilience into their housing, but these are costly goals. CLTs will need partners at all levels of government to help carry the load, ensuring that carbon reduction doesn't come at the expense of affordability for homeowners of modest means.

This Policy Brief is based on *Preserving Affordable Homeownership: Municipal Partnerships with Community Land Trusts*, a Policy Focus Report by John Emmeus Davis and Kristin King-Ries (Lincoln Institute of Land Policy, 2024). [www.lincolnst.edu/preserving-affordable-homeownership](http://www.lincolnst.edu/preserving-affordable-homeownership)

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