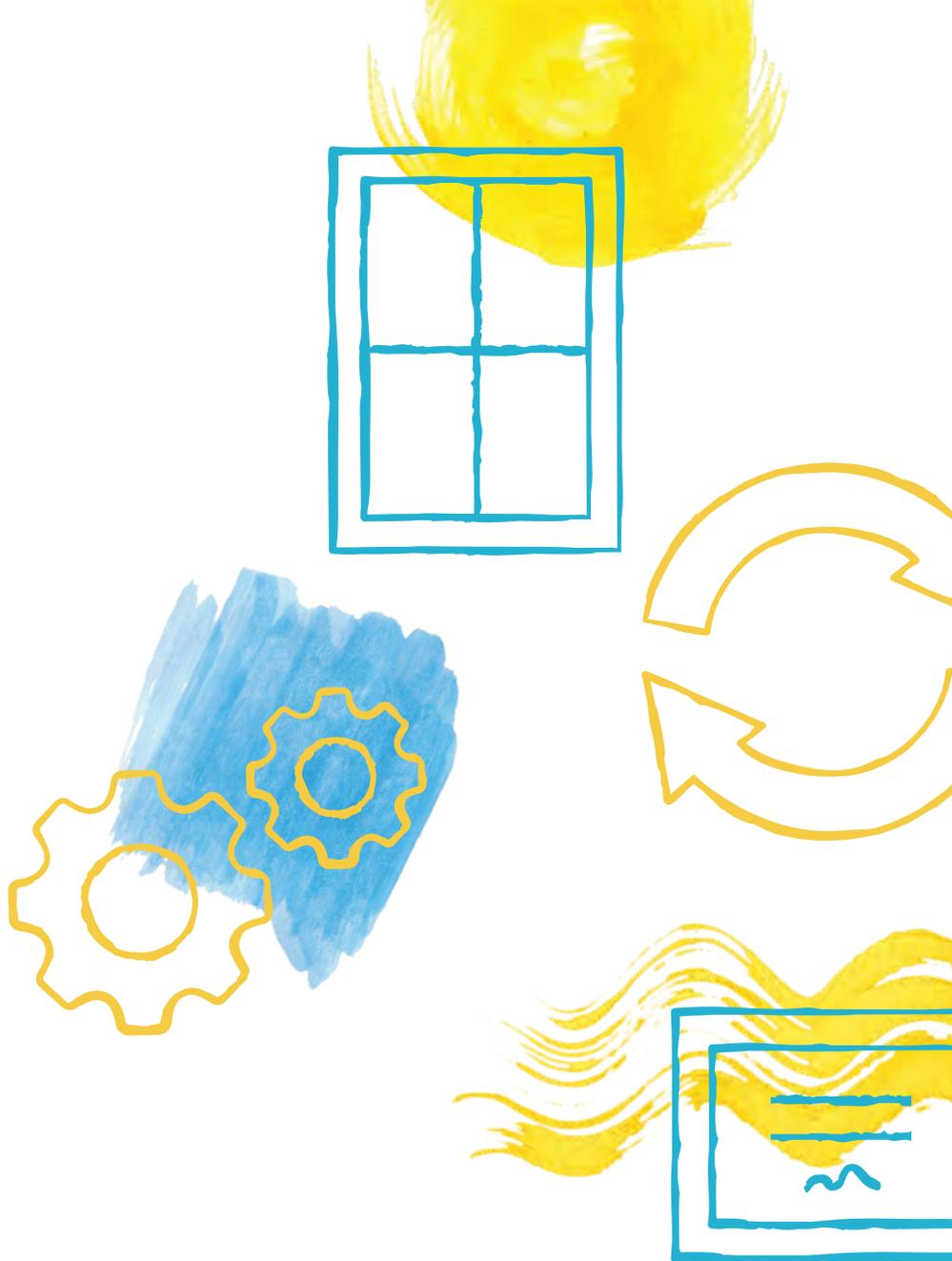


LISC



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# Community Land Trusts & Community Development

Partners Against Displacement

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# Executive Summary

The number of very low-income households without any housing subsidy who pay more than 50% in rent grew from about 6 million in 2005 to approximately 8.3 million in 2015.<sup>1</sup> There were over 2.3 million eviction filings in 2016 and in 2017 approximately 1.4 million households were forced out of their homes unwillingly in the previous two years.<sup>2</sup> Homeownership is increasingly out of reach for low-income and middle-class people, with home prices outstripping income gains for the past six years.<sup>3</sup> Because of these conditions, community development practitioners and local policymakers across the country are seeking tools to combat displacement. One of the more visible of these strategies involves creating or scaling-up Community Land Trusts (CLTs).

CLTs are entities or programs that hold land and govern the terms around which owners or tenants can use it. In most cases, CLTs use a “ground lease” to achieve permanent affordability by putting resale restrictions into place and setting guidelines about income eligibility. CLTs are lauded for creating permanently affordable housing, and for building a neighborhood-wide constituency for its sustained community ownership. At the same time, most land trusts are relatively small compared to the scale of local and national housing need.

**This policy brief asks how partnerships between CLTs and community development institutions can scale up and sustain land trusts so as to begin to impact displacement at the neighborhood level.** These goals of scale and sustainability are intertwined. Achieving scale means identifying new pipelines and resources to secure land and properties, and to rehabilitate them as needed. Making sure these larger land trusts are sustainable means ensuring that new properties’ financing and governance will allow for permanent affordability.

## **Scaling up sustainably: partnerships around investment, CDC-CLT infrastructure, and policy advocacy**

In interviews, Community Development Corporations (CDCs) and Community Development Financial Institutions (CDFIs) found it advantageous to partner with or support CLTs for several reasons:

1. to reframe expectations about land and property and build ambitious community movements;
2. to foster greater community control of affordable housing and re-energize relationships between CDCs and their community; and
3. to preserve permanent affordability within other kinds of publicly subsidized housing programs.

To achieve these three goals, land trusts and community development organizations throughout the country are partnering to explore ways to reach greater scale of CLTs: by directing investments typically associated with the community development sector to CLTs; by using the infrastructure for the CDC movement to support CLTs or create new ones; and by supporting public policies that create new pipelines for properties that can become part of a CLT.

The report provides numerous examples of these partnerships, many of which have been supported by LISC.

- **Investments:** Community Development Financial Institutions (CDFIs) and community foundations provide grants and loans directly to CLTs across the country, and provide technical assistance to cities so they can fund land trust expansion. For example, LISC has deployed HUD capacity-building grants to CLTs in diverse places such as Tempe, Arizona; Oakland, California; and Minneapolis, Minnesota.
- **Leveraging the CDC infrastructure to support CLTs:** CLTs and CDCs have long collaborated, as many CDCs have developed homes which are turned over to land trusts. Recently, some CDCs have considered ways to move their rental portfolios into land trusts for various reasons. For example, the Banana Kelly Community Improvement Association is developing a land trust to govern their properties, while mobilizing broader community support for creating additional land trusts in the Bronx area of New York City.
- **Policy mobilization:** CDCs and CDFIs are supporting local resident-led campaigns for community control of land through land trust expansion. For example, in Buffalo, New York, LISC supported activist-led efforts in the historic Fruit Land neighborhood around expansion of a local medical center that has resulted in the creation of a municipally-supported land trust.

## **Policy windows and opportunities to create new pipeline and housing resources**

There is heightened interest in supporting land trusts through municipal policy – in 2018 alone, cities like Denver, Nashville, and Tallahassee launched or supported new land trusts. In addition, some recent and proposed policies at the federal level could either support land trusts or would be a potential rationale for their scaled-up deployment. For example, Opportunity Zones are a creation of the 2017 tax law, and designate economically-distressed communities for preferential tax treatment of reinvested capital gains. Although Opportunity Zones can create needed funding for community-supported projects, advocates and policymakers have raised concerns that unregulated or uncontrolled investments may accelerate displacement and gentrification. Some localities are already exploring whether land trusts could acquire property in Opportunity Zones to deter speculation, and whether Opportunity Funds could support the maintenance and expansion of land trusts over time.

Finally, while CLTs are an important institution in themselves, seen only from the instrumental goal of influencing displacement, they are also an important organizing tool. That is, residents who mobilize for community control can influence housing and land use policy, and in doing so help generate new resources and new pipelines for permanently affordable housing. This organizing for a new pipeline of properties and the resources to rehabilitate them and maintain them as permanently affordable is critical, because while CLTs are vehicles for community control, they do not in themselves ensure sustainable growth. As a result, organizing for new policies, such as adequately-funded tenant “right of first refusal” programs, the transfer of land bank-acquired properties into land trusts, or the disposition of tax-foreclosed properties into CLTs, may be an area for collaboration between CDCs and CLTs, because in hot housing markets both movements are in need of new pipeline and new resources.

# Introduction

**\$100,000**

is the amount a household needs to earn a year to afford a typical Bay Area apartment.

The lowest-earning fifth of US renters spend over half their income on housing and have about \$15 a day remaining for all other expenses, including food, clothing, medicine, and transportation.<sup>4</sup> The number of very low-income households without any housing subsidy who pay more than 50% of their income in rent grew from about 6 million in 2005 to approximately 8.3 million in 2015.<sup>5</sup> In some of the nation's hotter real estate markets, such as the Bay Area, a household would need to earn nearly \$100,000 a year to afford a typical apartment, and in New York State a renter would need to work 115 hours a week at minimum wage to afford a two bedroom rental – on any given day, 10% of children in the New York City public school system are living in a homeless shelter.<sup>6</sup> As for homeownership, buying a home is increasingly out of reach for low-income and middle-class people, with home prices outstripping median income gains for the past six years.<sup>7</sup> Even in areas with less expensive housing such as the Detroit metro region, home prices have increased about 50% in the last five years, putting homeownership out of reach of many low-income people. As a result of these escalating pressures – which stem not just from rising costs but stagnant wages and rising inequality – there were over 2.3 million eviction filings in 2016, and approximately 1.4 million households in 2017 were forced out of their homes in the previous two years.<sup>8</sup>

Because of these conditions, practitioners and policymakers all around the country are seeking tools to combat displacement.<sup>9</sup> One of the more visible of these strategies involves creating or scaling-up Community Land Trusts (CLTs), because CLTs generally ensure community control of land, aim to provide permanent affordability on their properties, and attempt to remove properties from the speculative market. CLTs are organizations or programs that hold land and govern the terms around which owners or tenants can use it. In many cases, CLTs use a “ground lease” to mandate the permanent affordability of homes or apartments in the trust by creating income eligibility and resale restrictions. CLTs also attempt to create more collective stewardship of land by engaging different kinds of stakeholders. For example, in a traditional CLT, a trust is governed through a tripartite board composed of CLT residents, community stakeholders such as local officials or nonprofit leaders, and neighborhood residents who are not in the CLT but live in the area. In these ways, CLTs are lauded for creating permanently affordable housing, as well as building a constituency for the sustained community ownership and stewardship of this valuable resource.

At the same time, most land trusts are relatively small compared to the scale of housing need described above. There are approximately 225 CLTs throughout the US, according to the Grounded Solutions Network, which supports the CLT movement as a technical assistance provider and intermediary. While a few are large and well-established, the median (or typically-sized) CLT contains 50 housing units. Though not an entirely fair comparison given greater policy support for other affordable housing vehicles, to put these figures into context, in 2018 there were over one million units of public housing (whose charge is also to be permanently affordable), 1.8 million tenant-based housing choice vouchers,<sup>10</sup> and over 2 million units had been produced through the Low Income Housing Tax Credit.<sup>11</sup>

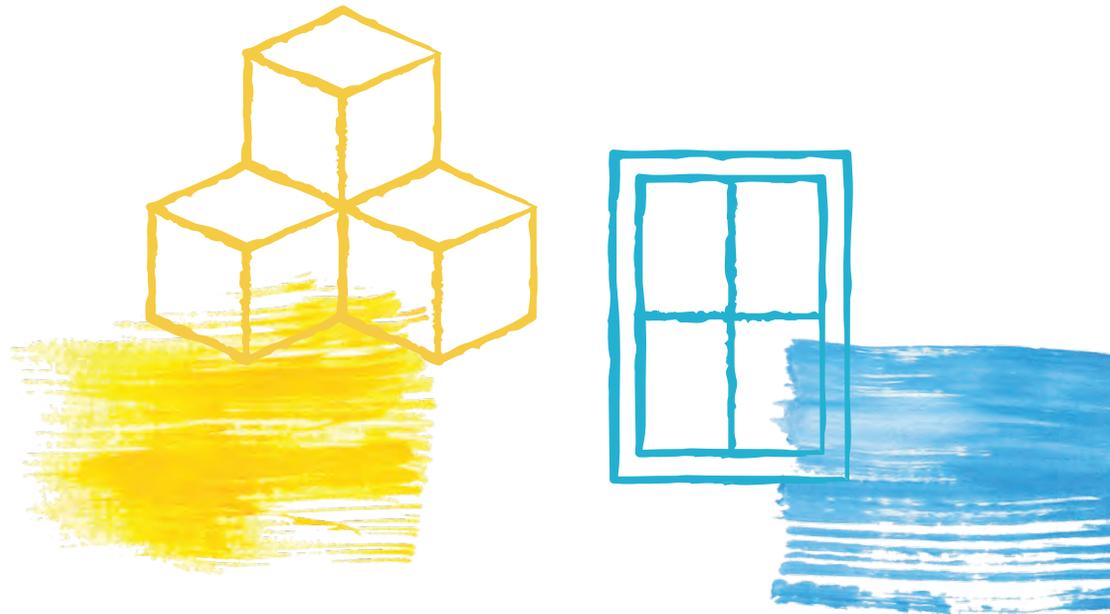
## 115 hours

a week at minimum wage is needed to afford a two bedroom rental in New York State.

**This policy brief asks how partnerships between CLTs and community development institutions can scale up and sustain land trusts so as to begin to impact displacement at the neighborhood level.** To answer this question, LISC Research and Evaluation conducted interviews with city officials, advocates, and community-based practitioners engaged with land trusts in eight cities and examined recent policy proposals related to CLTs. The brief finds that community development organizations throughout the country are partnering with land trusts so as to help them reach greater sustainable scale in several ways:

1. by directing **investments** typically associated with the community development sector to CLTs;
2. by using the **infrastructure** of the CDC movement to support CLTs or create new ones; and
3. by supporting **public policies** that create new pipelines of properties and resources to help them become part of a CLT.

The remainder of the brief explores the factors that supported both the growth of CLTs and the community development movement, and examines the potential synergies between the two kinds of institutions.<sup>12</sup> It then looks at different examples of partnerships before exploring some important policy developments at the federal level that may support these partnerships. Finally, the paper provides a summary of current challenges and opportunities related to CLTs becoming a major new resource in the fight against displacement.



# Community Land Trusts and the Community Development Movement

CLTs first appeared in the United States as Civil Rights movement activists drew on international collectivist models to support African-American farmers in Albany, Georgia.<sup>13</sup> While CLTs grew in number during the '80s and '90s, their greatest period of growth has been the 2000s.<sup>14</sup> A recent survey found most units within CLTs to be on the East Coast or New England. But CLTs exist in every US region and in different kinds of market contexts, including urban and rural places, large and “hot” housing markets as well as smaller places with cheaper land but which still experience affordability challenges and displacement pressures.



**Increased investment, an expanding organizational infrastructure, and public policy support fueled the growth of both CLT and CDC movements. These three factors are also potential avenues of partnership to scale up and sustain CLTs.**

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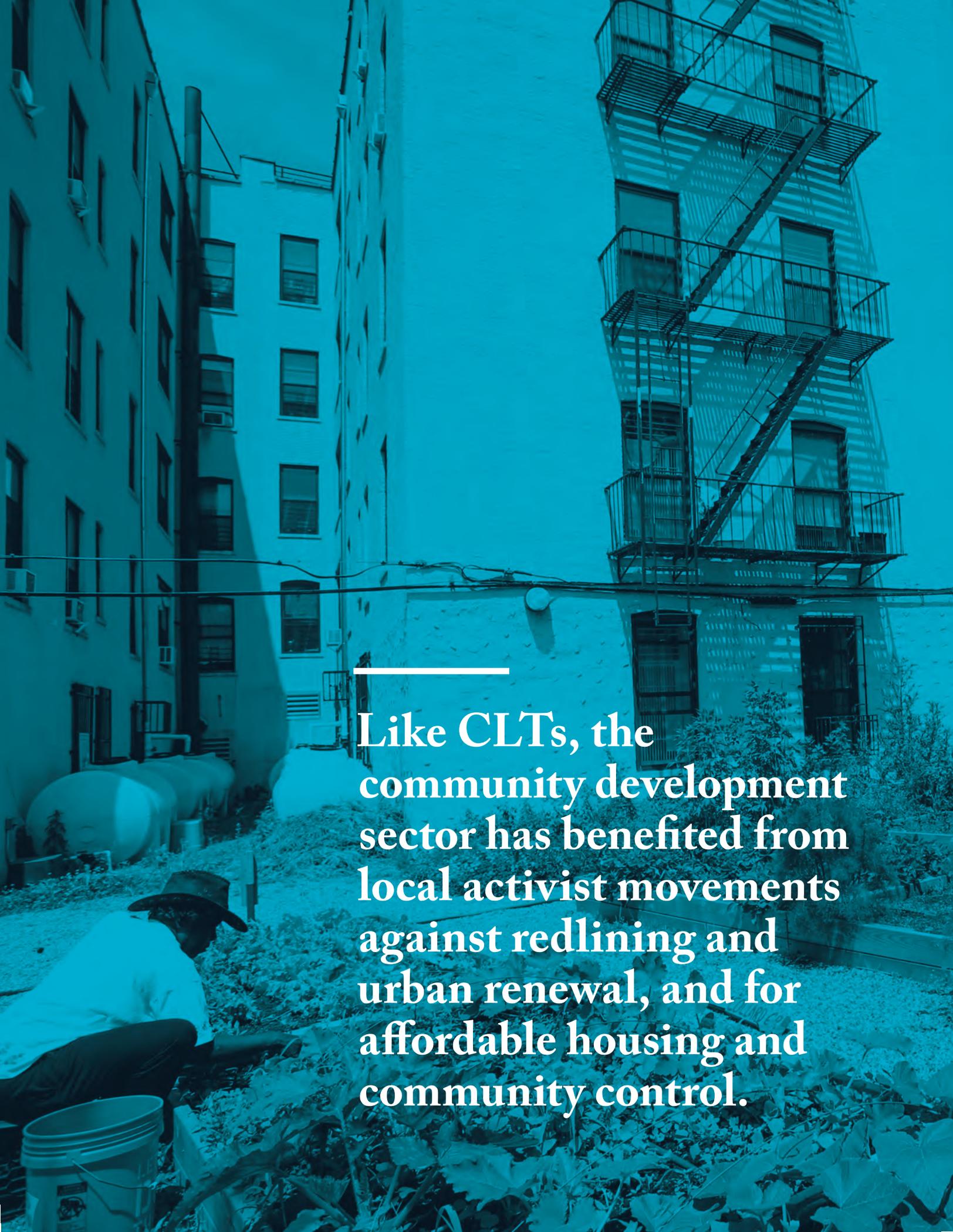
increase in CLTs nationwide during 1980s and 90s.

One significant example of a CLT which has sought to influence displacement at the neighborhood level is Dudley Neighbors, Inc. a project of the Dudley Street Neighborhood Initiative (DSNI) in Boston. Involving 226 units of affordable housing, as well as an urban farm, parks and commercial space, the CLT was founded in 1988 after organizing by local residents led to the State of Massachusetts giving DSNI powers of eminent domain, so as to be able to claim neglected and abandoned properties and make them permanently affordable.<sup>15</sup>

In many instances, local governments have supported the growth of land trusts through public policy decisions, seeing opportunities either to intertwine their own affordable portfolio with land trust strategies, or seeking to support independent CLTs. Much of this innovation occurred by necessity, as housing policy became more localized and a loss of federal resources required creative municipal solutions. As an example of the intertwining of city programs and CLT models, Irvine, California placed units affiliated with their Inclusionary Zoning program into land trusts to ensure their permanent affordability. As described below, the City of Chicago currently regulates affordable units created by private developers through a land trust supported by its Department of Planning. Cities have directed resources from HOME Investment Partnership and Community Development Block Grant (CDBG), bond finance, and Tax Increment Financing (TIF) to support land trusts, and have also attempted to ensure fairer property assessments so that properties are not taxed according to the market rate.<sup>16</sup>

For its part, the community development movement has also been propelled by supportive national and local policies, and from the infrastructure of intermediaries who provide financing and capacity-building assistance. In the 1980s and 1990s, the number of CDCs doubled nationwide,<sup>17</sup> encouraged by new federal funding streams for affordable housing development through CDCs, and by the actions of city government to funnel vacant or distressed properties to CDCs for affordable housing construction.<sup>18</sup> Like CLTs, the community development sector has also benefited from local activist movements against redlining and urban renewal, and for affordable housing and community control. And similar to CLT's reliance on technical assistance and funding networks like Grounded Solutions, CDCs rely on intermediaries such as LISC and other Community Development Financial Institutions (CDFIs) for support through loans, grants, equity and capacity-building programs.<sup>19</sup>

In other words, increased investment, an expanding organizational infrastructure, and public policy support fueled the growth of both CDC and CLT movements. These three categories of investment, organizational infrastructure and public policy are explored on the following pages as potential avenues of partnership to scale up and sustain CLTs.



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**Like CLTs, the community development sector has benefited from local activist movements against redlining and urban renewal, and for affordable housing and community control.**

# Exploring Synergies Between CDCs and CLTs

As many have noted, both land trusts and community development corporations are concerned with similar outcomes – affordability and, increasingly for the community development movement, permanent affordability. Both kinds of organizations can bring development expertise to the table, with CDCs as a whole known somewhat more for their track record of building and preserving affordable housing, although many CLTs also act as developers. And both movements are concerned with resident engagement – with CLTs as a whole known somewhat more for this kind of organizing for community control, although many activist CDCs have a very strong base in their communities. While some writers and practitioners emphasize tensions or differences between CDCs and CLTs,<sup>20</sup> as described below, the movements have a track record of working together.

The primary reason to promote partnerships between the community development and land trust movements is to address the level of need described above for permanently affordable housing that is under sustainable community control – to reach, in other words, sustainable scale. These goals of scale and sustainability are intertwined. Achieving scale means identifying new pipelines and resources to secure land and properties, and to rehabilitate them as needed. And making sure these larger land trusts are sustainable means that new properties' financing and governance need to allow for permanent affordability for low-income individuals.

In addition to this goal of sustainable scale, interviews surfaced three broad motivations for CDCs and CDFIs to partner with CLTs or support them: a desire to

1. reframe expectations about land and property so as to build ambitious community movements,
2. foster community control and revitalizing CDC-community relations, and
3. preserve permanent affordability.

First, CLTs create an alternative model of ownership, where buildings may belong to homeowners or tenants but the land is stewarded more generally by the surrounding community and its leaders. Some CDC practitioners believe this fact can help reframe local conversations around land and property: as Gregory Jost, Director of Community Organizing of the Banana Kelly Community Improvement Association argues, “CLTs can break the mold that some people have in mind that private property is always private property and there’s only one way to own things, and we have to live with whatever consequences there are to having land as a real estate commodity.” And because CLTs tap into deep-rooted discontent with housing market outcomes, they may become a focus for community mobilization that can result in new pipelines for affordable housing creation. As an organizing tool, CLTs allow groups to ask fundamental questions about the nature of community control, and to express it in novel ways – for example, one of the largest and most famous CLTs, Boston’s Dudley Street Neighbors, came from an organizing effort that led to perhaps the only community-driven example of eminent domain in the US.

Second, some practitioners believe that the “tripartite” model of CLT governance presented an opportunity to energize or re-energize constituencies who interact with CDCs. That is, while many CDCs engage neighborhood residents in community planning, organizing, and leadership, a recurrent theme in the policy literature (and one that applies to all community-based nonprofits) is a need for constant efforts to maintain connections to the people they serve.<sup>21</sup> Because CLT governance can require this connection to a community, a CDC who tries to organize a CLT is in some ways forced to “reconnect to base,” as Jost described as a rationale for recent engagement with the CLT model.

A third, commonly-cited rationale in interviews was how CLTs can maximize the use of public resources used to develop affordable housing by providing a mechanism to ensure such housing remains so permanently, and by “recycling” investments that are passed on to future owners or tenants. Because different programs often rely on public resources of various sorts – whether vacant land or properties, or funding from state, local, or federal government – layering CLT controls onto these investments is a way to make sure that they serve their purpose as long as the CLT is sustainable.

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“CLTs...can break the mold that some people have that private property is always private property and there’s only one way to own things, and we have to live with whatever consequences there are to having land as a real estate commodity.”

– Gregory Jost, Banana Kelly Community Improvement Association



# Achieving Scale and Sustainability Through Partnerships

While preliminary evidence suggests that land trusts help prevent displacement at the neighborhood level, it appears they would need to reach scale to do so.<sup>20</sup> Partnerships between land trusts and community development actors have helped CLTs reach greater scale in three ways:

1. by directing **investments** typically associated with the community development sector to CLTs;
2. by using the **infrastructure** of the CDC movement to support CLTs or create new ones; and
3. by supporting **public policies** that create new pipelines for properties that can become part of a CLT.

## Investments

Traditional sources of community development financing can help CLTs scale up, as loans from CDFIs and other community institutions are being used to expand land trust portfolios. For example, in Oakland, a combination of loans from the Northern California Community Loan Fund, city grants, and an innovative crowd-funding campaign recently helped with the acquisition of a mixed-use property in a gentrifying neighborhood that will become part of the Oakland CLT (OakCLT).

Though CDFI loans have supported land trust scale-up, CLTs interviewed did cite pricing or timing issues that sometimes made it challenging for them to use CDFI loans over other private and public financing sources on a consistent basis, particularly in hot markets where CLTs are competing with cash-only buyers. As Steve King, Executive Director of OakCLT reflected, “We certainly see the CDFI community as an essential partner to scale this work. But a structural thing to solve for is the rapidity that we need to close — cash means the situation moves very quickly. So we need resources to solve for that timing issue.” These resources may involve acquisition funds that can be quickly deployed.

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– Steve King, Oakland Community Land Trust

Another example supported by a local CDFI, municipal and state government is the Interboro CLT in New York City. In hot urban markets where CLTs are often most needed, land is often difficult to assemble in a defined geography. In these situations, financing CLTs that may acquire, rehabilitate and sell units even when they are spread across a city is another way that groups are developing portfolios of considerable scale.

Interboro CLT formed to support affordable homeownership in New York City by stewarding permanently affordable single family homes and cooperatives. It has received funding from Citi Community Development and the Attorney General of the State of New York to develop a 200-300 unit pipeline. Not confined to one neighborhood, Interboro seeks to create clusters of units in different neighborhoods in order to create permanently affordable housing in the midst of rising prices and gentrification. Interboro's model creates resale restrictions through a ground lease that allows for modest wealth building for owners while preserving affordability requirements – allowing approximately a 2.5% increase in equity per year with credits for home improvements. From the perspective of community and public-sector actors, Interboro also represents an opportunity to preserve the affordability benefits of existing city homeownership programs.

In order for CLTs to be sustained or to expand, it is necessary to support the staffing and capacity needs of CLTs. A major source of investment which LISC has deployed to support both CDCs and CLTs is the Capacity Building for Community Development and Affordable Housing Program, also known as Section 4. LISC has deployed Section 4 grants to CLTs and CLT programs, including ones in places as diverse as Tempe, Arizona, Oakland, California, and Minneapolis, Minnesota.

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## LISC has deployed HUD Section 4 capacity-building grants to CLTs in places as diverse as Tempe, Minneapolis, and the Bay Area.

In Tempe, the Newtown CDC formed as an active neighborhood association in the 1990s, which moved to tackle broader community issues such as jobs and housing. It has administered a land trust program since 2005, comprised of approximately 130 properties – making it one of the largest CLTs in the state of Arizona. Newtown has acquired and rehabilitated approximately 10 single family homes a year, often competing directly with speculators in low-income neighborhoods. Each of these homes is placed into a land trust which sets income restrictions and restricts resale so as to make the units permanently affordable. Because selling homes at a low price would not cover the costs of acquisition and repair, Newtown has used allocations from federal programs such as HOME and the Neighborhood Stabilization Program to make sure that properties can be turned over to owners at affordable prices.

For Newtown, the land trust combines individual-level and community-wide goals – creating an affordable housing opportunity for a low-income household while also preserving the city's overall affordability. As David Crumme, the CLT's Real Estate Development Manager, reflected, "How do we balance overall long-term affordability while still allow wealth-building?" The CDC also views the land trust as a way of retaining federal resources so that the properties that received them remain affordable on a permanent basis.

Long-term sustainability of Newtown's CLT program is promoted in several ways. Newtown repairs the home to a high standard, including replacing any major systems that at the end of their lifespans before selling the home. Since unexpected expenses can threaten a low-income household's ability to stay in the property over time, Newtown provides repair loans at 0% interest that are secured by the property. (In addition to the no-interest repair loans, the CDC allows access to a toolshed for various kinds of everyday maintenance and home improvements.) As a result of these supports – and also in part because Newtown is a HUD-approved housing counseling agency with a history of advising low-income homeowners – there has never been a foreclosure of a CLT home, and only one case of deed-in-lieu-of-foreclosure in the hundreds of homeowners who have been part of the program over time.

**\$1 m**

was provided to Grounded Solutions to help scale up land trusts by Citi Community Development

Across the country in Minneapolis, the City of Lakes CLT (CLCLT) is also supported by LISC Twin Cities through Section 4 funding, as part of its longstanding support of land trust strategies in the market. CLCLT was founded in the early 2000s after a network of local funders and the CLT technical assistance provider Institute for Community Economics (ICE) convened CDCs, CDFIs, and other stakeholders throughout the Twin Cities metropolitan area. Initially, CLCLT partnered with CDCs across the city who developed affordable homes through their own programs and then folded units into the CLT after they were rehabilitated. But, in recent years, CLCLT has started to renovate the properties directly. CLCLT prides itself on being accessible to low-income populations, with an average of households earning 51% of Area Median Income (AMI) at time of purchase. As Jeff Washburne, executive director of CLCLT reflects: “we’re getting serving incomes as low as tax credit deals [in terms of their affordability to low-income populations]...and are able to keep the homes permanently affordable.”

CLCLT has also developed new initiatives to scale up their land trust, such as one partnering with low-income homeowners facing tax forfeiture or whose properties have code violations and require serious repairs. These homeowners often have both limited income but also limited mortgage debt. The CLCLT helps finance repairs if the owner agrees to take part in the CLT, making the home stay permanently affordable if and when the household decides to move on. In addition to helping keep a struggling owner in their home and neighborhood (something that code enforcement fines would otherwise make difficult, if not impossible), the program also removes from the market units that could otherwise be at risk for acquisition by speculators, which would drive up prices at the neighborhood level.

In these ways, loans and grants from CDFIs have supported CLTs’ efforts to expand their portfolios, although these efforts also surface the need for greater public investment in affordable housing, and for other policy and practice tools that can help acquire property in hot markets.

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The City of Lakes CLT is currently reaching out to struggling homeowners who might otherwise lose their properties due to city fines for code violations.

### **Relying upon and supporting an organizational infrastructure**

CDCs and CLTs both have extensive infrastructures of support: intermediaries and technical assistance providers, multi-city learning networks, and, increasingly, funders who support both CDCs and land trusts. For example, Citi Community Development, a typical source of community development funding, recently provided \$1 million to Grounded Solutions to help scale up land trusts, including \$500,000 in recoverable capital grants for acquisition.<sup>23</sup> Another kind of infrastructure related to community development are the affordable properties created or managed by CDCs themselves. As described above, many CLTs also have partnered with CDCs to develop properties. CDCs are also exploring whether their rental housing may be folded into a land trust, as described on the following pages.

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Can you really  
have community if  
there's no economic  
interdependence?



# Merging CDC and CLT Initiatives: The Case of Banana Kelly in the Bronx

The Banana Kelly Community Improvement Association is a CDC which has played a critical role in the history of the South Bronx. It is also folding its own rental portfolio into a land trust, providing technical assistance to CLTs forming around New York City, and advocating for the creation of new ones.



**We believe that a big tool to fight displacement, maybe the only tool, is control of the land and housing resources.**

– Harold DeRienzo

Some of Banana Kelly’s work stems from earlier efforts to engage in city-wide shared management of their buildings. Banana Kelly is one of the founding members of the New York City Joint Ownership Entity, aka the JOE, a program of which LISC was a founding entity. The JOE allows CDCs to assign ownership interests in their property to an umbrella entity, and receive membership interest and board seats. The JOE, in turn, manages the assets, and provides more consistent revenues and a large balance sheet for future development projects.

Banana Kelly realized that the strategy of engaging with the JOE – which was created to provide efficiencies of scale and more regular income streams to CDCs – could be further strengthened if they also allowed their properties to be governed by a CLT. (The JOE has a separate class of membership for land trusts sponsored by CLTs that allows their joint stewardship by the JOE and by local stakeholders). Combining a joint management entity with a land trust has several benefits for Banana Kelly. First, it would establish greater local resident engagement with the affordable properties as part of a broader strategy to increase community control of housing in the Bronx. As Banana Kelly’s executive director, Harold DeRienzo reflected, “We believe that a big tool to fight displacement, maybe the only tool, is control of the land and housing resources.” Gregory Jost, Director of Community Organizing, contrasted this collective ownership model with approaches which do not sufficiently engage beneficiaries of development in decision-making, asking: “can you really have community if there’s no economic interdependence? If we’re just providing affordable housing as a service, what’s the ownership stake for the residents?”

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“Who is the community? There are people who have been living for decades and there are people who are new arrivals. There are different sets of stakeholders, and they need to engage with the history of this land...people need to be connected to the struggle.”

Second, while the JOE requires CDCs to keep their properties affordable even if they leave the entity, a CLT’s ground lease was seen as providing additional affordability safeguards. Wary of the example of CDCs in New York who needed to sell affordable buildings to meet financial needs, Banana Kelly felt that the ground lease and the tripartite governance both promoted long-term affordability: as DeRienzo said, “It’s one more layer of protection.”

Banana Kelly is also working to expand the land trust movement in New York City, by providing technical assistance to the East Harlem CLT, which encompasses four rental buildings as its properties are renovated. The CDC is also working with local residents who are fearful of gentrification as a result of a planned neighborhood rezoning around Southern Boulevard in the Bronx, and who have proposed CLTs as a strategy to acquire buildings in advance of speculators. However, Banana Kelly notes that while a ground lease can ensure affordability restrictions, truly preserving affordable housing requires a financial model for acquisition and rehabilitation that can be viable over time: as DeRienzo notes, “CLTs themselves do not guarantee a minimum income to allow financing to work.”

Banana Kelly’s vision of organizing for new land trusts and providing technical assistance to existing ones has a careful eye toward sustainability. Some affordable housing advocates have been wary of collective ownership models if there is not adequate support for their governance over time, because the potential for mismanagement or leadership transition can lead to a loss of affordability. As DeRienzo says, “There should be an infrastructure where people don’t have to devote their whole lives to this. We have this tendency to say, you pick one person and they become the king or queen, and then when they leave, everything falls apart because they don’t have the infrastructure.” Mindful of this, Banana Kelly’s approach to leadership development around CLTs acknowledges the importance of generational transition and a flow of strong board members to govern the properties.

This work of promoting more sustainable CLT governance involves educating diverse parts of the neighborhood about community history. For example, Jost has been involved in planning workshops with youth who were unaware that a subway line used to run directly to their neighborhood, connecting it more directly to Manhattan, and that the county seat of government was also in the community. Jost sees another value of the land trust model as provoking these broader community conversations: “Who is the community? There are people who have been living here for decades and there are people who are new arrivals. There are different sets of stakeholders, and they need to engage with the history of this land.” He notes that generational transitions require constant story telling: “people need to be connected to the struggle.”

In addition to being an example of how a CDC can advocate for and provide support for CLTs, the case of Banana Kelly shows how efforts to fold CDC holdings into land trusts can be paired with other efforts to achieve scale and sustainability in asset management, as with the JOE.

# The Role of Public Policy

As described above, CLTs have been deployed by city government as a tool to maintain affordability restrictions on properties in conjunction with other kinds of policy tools, including bond and TIF financing. For example, in Chicago, the Chicago Community Land Trust (CCLT) is an independent 501(c)3 whose board is currently appointed by the Mayor. It works with the city's Department of Planning and Development to implement the Affordable Requirements Ordinance (ARO), which requires developers of projects with 10 or more units who receive any concession/consideration from the City of Chicago, such as density bonuses, zoning changes, city subsidies or city-owned land to set aside 10% of these units for affordable housing. The CCLT uses Deed Restrictions (currently limited to 30 years, although they are exploring ways to expand these protections to roll over into a new 30-year term with each resale of the unit) and has approximately 100 units in its portfolio. While the CCLT itself is seeking new sources of pipeline beyond the ARO, its straightforward administration shows that it is not onerous for cities to develop CLTs that might receive new units and steward them for permanent affordability. In cases where CLTs are not a priority for municipal government, resident organizing can help, and in the process can identify new pipelines for affordable housing. As described in the previous section, organizing for CLTs can build on a desire to create permanent affordable housing in an alternative ownership model that can promote community control.

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The City of Chicago Community Land Trust (CCLT) shows it is not onerous for cities to develop CLTs that might receive new units and steward them for permanent affordability.

While CDCs like Banana Kelly are actively engaged in community mobilization for land trusts, CDFIs have also acted in support of these kinds of resident and community-driven campaigns, by providing technical assistance about land trust financing as they come into shape. For example, in Buffalo, New York, LISC informally supported activist efforts in the historic Fruit Land neighborhood that have resulted in the creation of a land trust. There, a resident association known as the Fruit Belt Advisory Council organized in response to expansion plans of the adjacent medical center. While some of the Advisory Council's efforts focused on quality-of-life issues such as employee parking on neighborhood streets, others analyzed how the community could organize and take ownership of one of its most valuable sources of wealth — land.



**There was no plan for the community. We were supposed to be gone already.**

– Dennise Barr

As Dennise Barr, a leader with the Council, reflected about the need for this planning and mobilization to fight displacement: “There was no plan for the community. We were supposed to be gone already.” The Council conducted research on different strategies to build community wealth in partnership with the organization Open Buffalo, and settled on a land trust as the focus of their advocacy. As their campaign unfolded, this also meant exploring how different kinds of community development agencies could support a land trust, and in this way, LISC Buffalo lent its expertise and connections to individuals within city and county agencies. The early result of the Council's organizing has been the City directing 20 tax-foreclosed properties to the newly-formed Fruit Belt Community Land Trust. As the land trust scales up, the community is already looking to the 200 additional lots controlled by the city in the neighborhood for an additional pipeline of community control, having already successfully organized for a moratorium on their sale to private developers.

Finally, while public policy is critical to scaling up CLTs, the opposite is also true – reduced resources over time can make CLT growth more challenging, despite exceptionally strong local practice.

One Roof Community Housing, located in Duluth, Minnesota, is one of the country's larger and more successful CLTs. Founded in 1990 as the Northern Communities Land Trust, the organization was renamed One Roof after a merger of Neighborhood Housing Services (NHS) of Duluth in 2012, and now conducts a range of services and activities including homebuyer counseling, tenant and landlord mediation, rehabilitation and repair loans, and multifamily development and preservation. It has been supported by Duluth LISC since 1998, first through technical assistance grants and then with Section 4 capacity-building resources as the organization began to scale up. This assistance, according to Jeff Corey, One Roof's Executive Director, "helped us get our legs under us and think systematically about development instead of thinking lot by lot."

Currently, One Roof has about 300 homes in its land trust, which have been purchased by individuals whose average income was about 60% of Area Median Income (AMI). Given the fact that Duluth has approximately 38,000 housing units in total<sup>24</sup> this means that One Roof's portfolio represents a not-insignificant proportion of its total market. As Corey reflected, "What makes us a little unique is that we are participating in the real estate market in a significant way – lots of people know about us." Over time the land trust has seen approximately 150 resales, resulting in a significant amount of subsidy that has been "recycled" so as to continue to benefit community affordability. One Roof acts as its own developer and operates Common Ground Construction, a wholly-owned social enterprise.

According to Corey, the growth of One Roof's land trust over time was aided by public policy, especially at the state level. For example, its expansion, already underway was further assisted by a shift in Minnesota housing policy that directed affordability gap grants to expand CLTs, rather than loans which would have been more difficult to repay in the resale of long-term affordable homes. One Roof's growth was further assisted by the Minnesota State Housing Finance Agency's introduction of a mortgage product tailored to CLTs, a model which local lenders picked up upon – according to Corey, "The State's product blessed [private lending to CLTs] and gave it a lot of legitimacy."

Conversely, costs for expanding One Roof's land trust portfolio have risen significantly, related to acquisition, rehabilitation, and regulatory compliance – all while the broader funding environment, especially at the federal level, has not kept up pace. That is, federal funding for the HOME program has declined by approximately 50% since FY2002, during which time the CDBG program also lost about 40% of its funding.<sup>25</sup> On these dynamics, Corey reflected that "the two limiting factors are costs continuing to rise and the available permanent capital to lower the price of the homes. It's crazy how much more expensive it was now than 20 years ago. So when folks talk about us going to scale, my answer is invest more deeply."

# Federal Policy Opportunities

The overall current context of displacement in urban centers and the interest of local government and community groups in scaling up sustainable solutions in response provides a policy window for affordable housing advocates to push for CLTs. In addition, some recent and proposed policies at the federal level provide additional potential synergies with land trust strategies. These include the emerging implementation of Opportunity Zone programs, and proposed new vehicles at the federal level including housing legislation such as the Neighborhood Homes Investment Act.

## Anticipating neighborhood change and Opportunity Zones

As described above, CLTs are being contemplated as a strategy to acquire land and permanently hold it as affordable in many areas where speculation and escalating housing costs pose displacement risks. Using CLTs in anticipation of neighborhood change may be particularly important as related to Opportunity Zones, a new tax incentive program. Opportunity Zones might create new sources of revenue to scale up CLTs, but they also risk accelerating displacement if not properly implemented.

Opportunity Zones are economically-distressed communities, designated by states and territories and certified by the U.S. Treasury Department, in which certain types of investments may be eligible for preferential tax treatment. The tax incentive is designed to spur economic development and job creation in distressed communities by providing tax benefits to investors. While a source of investment to distressed areas, advocates and policymakers have raised concerns that a lack of “guard-rails” in federal guidelines as to the nature of local investments may accelerate displacement and gentrification.

LISC has advocated for policies that can counteract displacement risks of Opportunity Zones, including suggesting to the Department of Treasury that certification guidelines address these issues. However, LISC has also indicated that state and local policy plays an important role in maximizing benefits and minimizing the displacement risks of Opportunity Zones, whether through the form of companion incentives to steer subsidies to community-benefiting projects or through other kinds of interventions. CLTs are one vehicle that might be funded to acquire property in advance of Opportunity Zone implementation. For example, in places like Saint Paul, Minnesota, where the Rondo neighborhood has been designated as an Opportunity Zone, a study by the Urban Land Institute suggested that Opportunity Funds might potentially subsidize acquisition of a large portfolio of properties, especially if complementary incentives were in place.

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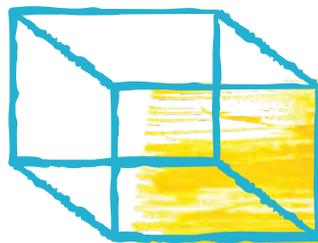
## Maximizing the use of proposed new federal housing investments: The Neighborhood Homes Investment Act

As described above, many federal programs are often engaged in acquiring and rehabilitating properties that go into CLTs. One important policy proposal that might be deployed to support CLTs is the Neighborhood Homes Investment Act (NHIA), legislation that is currently supported by a coalition of CDFIs, including LISC, as well as other national affordable housing intermediaries and financial industry partners.<sup>26</sup>

While the federal Low Income Housing Tax Credit has supported the creation of millions of rental units, there is no comparable policy that stimulates the building and rehabilitation of owner-occupied, 1-4 unit family homes. The NHIA addresses the fact that the cost of construction or renovation in many neighborhoods exceeds the market value of the home. An earlier version of this bill, proposed under President George W. Bush in 2004, had bipartisan sponsorship from 46 Senators and 304 Representatives in the 108th Congress (S. 875 and H.R. 839). The NHIA would bridge the financing gap between the cost of construction or rehabilitation and the amount paid for the property by homebuyers or owners. NHIA allocations would be claimed only after quality construction work has been satisfactorily completed and homes are owner-occupied. States would allocate and administer the NHIA on a competitive basis, similar to the current process for rental housing under LIHTC. Because the “appraisal gap” is particularly significant for land trusts, where sale and resale costs are kept low, the NHIA could be a significant new investment tool to grow and sustain land trusts.

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# Conclusion: CLTs as an Organizing Vehicle Against Displacement

Partnerships between community development institutions and community land trusts can help land trusts reach sustainable scale. As described above, loans and grants from CDFIs have supported CLTs' efforts to expand their portfolios, although these investments also surface the need for acquisition funds that can act quickly in hot markets. CDCs and CLTs can partner as developers of properties that can be folded into land trusts, and also in conjunction with innovative strategies for asset management – the case of Banana Kelly in the Bronx shows how land trust strategies can be combined with other efforts to collectively manage CDC portfolios at scale. (Consolidating CDC holdings also may allow them financial leverage to obtain and rehabilitate additional properties.)

**In 2018 alone, organizing has helped cities newly embrace the CLT model in places as diverse as:**

**Nashville**  
Tennessee

**Denver**  
Colorado

**Tallahassee**  
Florida

While CLTs are an important institution in themselves, seen only from the instrumental goal of influencing displacement, they are also an important organizing tool. That is, residents who mobilize for community control can influence local housing and land use policy, and in doing so help generate new resources and new pipelines for permanently affordable housing, as seen in the case of Buffalo above. In fact, in 2018 alone, organizing has helped cities embrace the CLT model in places as diverse as Nashville, Tennessee, Denver, Colorado, and Tallahassee, Florida.

This kind of organizing is critical, because while CLTs are vehicles for community control of land, they do not in themselves ensure sustainable growth. Without a publicly-supported pipeline of property and adequate funding for rehabilitation, these efforts may not reach significant scale. Indeed, as practitioners reflected throughout the brief, the very kinds of displacement challenges that create a need for CLTs make it challenging for them to scale-up while competing with speculators for properties in the private market.

As a result, organizing for new policies, such as adequately-funded tenant “right of first refusal” programs, the transfer of land bank-acquired properties into land trusts,<sup>27</sup> or the disposition of tax-foreclosed homes into CLTs, may be area for collaboration between CDCs and CLTs, because in hot housing markets both movements are in need of new pipeline. For example, “zombie” properties, or homes in foreclosure which remain vacant and often languish in a state of unclear ownership, are potentially ripe for repurposing into CLTs or other affordable housing programs.<sup>28</sup> Designating this kind of pipeline is key to taking CLTs to scale, given otherwise prohibitive acquisition costs. And if these new sources of pipeline are realized, additional subsidy will likely be required in order for homes to be rehabilitated and made permanently affordable for the lower-income income bands traditionally served by CLTs, without “cannibalizing” from existing affordable housing resources used for other purposes. In other words, realizing new tools for achieving anti-displacement goals at scale require sector-wide commitments that may benefit the affordable housing movement as a whole.

## Endnotes

- <sup>1</sup>U.S. Department of Housing and Urban Development (2017). *Worst Case Housing Needs: 2017 Report to Congress*, Washington DC: HUD.
- <sup>2</sup>Desmond, Matthew (2016). *Evicted: Poverty and Profit in the American City*. New York: B \ D \ W \ Y Broadway Books; 2017; American Housing Survey, 2017 estimates. Accessed 1.4.18 <https://www.census.gov/programs-surveys/ahs.html>.
- <sup>3</sup>Joint Center for Housing Studies of Harvard University (2018). *The State of the Nation's Housing*. Cambridge, MA: Harvard University.
- <sup>4</sup>Larrimore, Jeff, and Jenny Schuetz (2017). "Assessing the Severity of Rent Burden on Low-Income Families," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, December 22, 2017.
- <sup>5</sup>U.S. Department of Housing and Urban Development (2017). *Worst Case Housing Needs: 2017 Report to Congress*, Washington DC: HUD; latest published estimate of worst case housing needs.
- <sup>6</sup>National Low Income Housing Coalition. *Out of Reach: The High Cost of Housing 2018*. Washington DC: NLIHC.
- <sup>7</sup>Joint Center for Housing Studies of Harvard University (2018). *The State of the Nation's Housing*. Cambridge, MA: Harvard University.
- <sup>8</sup>Desmond, Matthew (2016). *Evicted: Poverty and Profit in the American City*. New York: B \ D \ W \ Y Broadway Books; 2017 American Housing Survey.
- <sup>9</sup>Displacement in this case involves both moving out of a unit or neighborhood involuntarily, and being prevented from moving into a previously-accessible neighborhood.
- <sup>10</sup>HUD's PIC database, accessed 10.9.2018, [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/systems/pic](https://www.hud.gov/program_offices/public_indian_housing/systems/pic).
- <sup>11</sup>NYU Furman Center (2017). "The Effects of the Low-Income Housing Tax Credit (LIHTC)." Research Brief.
- <sup>12</sup>As described below, community development organizations and community land trusts have intertwined histories, and many might consider them both as part of a broader movement for community control. Further, while the brief focuses on the opportunities of partnerships, it does not take the position that CLTs should replace other kinds of strategies to develop and preserve affordable housing. Indeed, some community development practitioners have mixed feelings about initiatives, like land trusts, which limit wealth-building opportunities for homeowners.
- <sup>13</sup>Geisler, Charles and Gail Daneker, editors (2000). *Property and Values: Alternatives to Public and Private Ownership*. Washington DC: Island Press.
- <sup>14</sup>Sungu-Eryilmaz, Yesim and Rosalind Greenstein (2007). "A National Study of Community Land Trusts." Cambridge, MA: Lincoln Land Institute.
- <sup>15</sup>Medoff, Peter and Holly Sklar (1994). *Streets of Hope: The Fall and Rise of an Urban Neighborhood*. Cambridge, MA: South End Press.
- <sup>16</sup>Davis, John Emmeus and Rick Jacobus (2007). *The City-CLT Partnership: Municipal Support for Land Trusts*. Cambridge, MA: Lincoln Institute for Land Policy.
- <sup>17</sup>Stoutland, Sara E. (1998). "Community Development Corporations: Mission, Strategy, and Accomplishments." in R. Fregruson and W. Dickens (Eds), *Urban Problems and Community Development*. Washington, DC: Brookings Institution Press.
- <sup>18</sup>Goetz, Edward (1993). *Shelter Burden: Local Politics and Progressive Housing Policy*. Philadelphia: Temple University Press.
- <sup>19</sup>Keyes, Langley C., Alex Schwartz, Avis C. Vidal, and Rachel G. Bratt (1996). *Networks and Nonprofits: Opportunities and Challenges in an era of federal devolution*. *Housing Policy Debate*, 6(2), 201-229 .
- <sup>20</sup>Defilippis, James (2004). *Unmaking Goliath: Community Control in the Face of Global Capital*. New York: Routledge.
- <sup>21</sup>Greenberg, David M. *Creating a Platform for Sustained Community Improvement*. New York: MDRC.
- <sup>22</sup>Choi, Myungshik, Shannon Van Zandt & David Matarrita-Cascante (2018). Can Community Land Trusts slow gentrification? *Journal of Urban Affairs* 40(3), 394-411.
- <sup>23</sup>Kusisto, Laura (2018). Private-Sector Solution to Affordable Housing Gets Off the Ground, *Wall Street Journal*, April 26 2018.
- <sup>24</sup>American Housing Survey, 2017 estimates. Accessed 1.4.18 <https://www.census.gov/programs-surveys/ahs.html>.
- <sup>25</sup>McCarty, Maggie (2016). *Department of Housing and Urban Development (HUD): Funding Trends Since FY2002*. Washington, DC: Congressional Research Service.
- <sup>26</sup>See <https://neighborhoodhomesinvestmentact.org/> for more information.
- <sup>27</sup>For more discussion on this topic see Fujii, Yasuyuki (2016). Spotlight on the Main Actors: How Land Banks and Community Development Corporations Stabilize and Revitalize Cleveland Neighborhoods in the Aftermath of the Foreclosure Crisis. *Housing Policy Debate* 26(2), 296-315.
- <sup>28</sup>The New York State Attorney General's Office has funded LISC to support initiatives throughout the State to address Zombie properties; see [http://www.lisc.org/media/filer\\_public/b0/f2/b0f21341-e134-4712-afe1-98cebdbf9d73/042018\\_housing\\_zombie\\_vacant\\_properties\\_best\\_practices.pdf](http://www.lisc.org/media/filer_public/b0/f2/b0f21341-e134-4712-afe1-98cebdbf9d73/042018_housing_zombie_vacant_properties_best_practices.pdf). Designating tax-foreclosed properties to CLTs may also push against local market dynamics that lead to speculation and displacement.

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