

City Hall Steps In

Local governments are embracing community land trusts to promote and preserve affordable housing.

By Rick Jacobus and Michael Brown

Once exclusively a tool for grassroots activists seeking to change local policies, the community land trust (CLT) is increasingly being adopted by local governments facing urgent housing-affordability needs. Frustrated by housing costs that are rising rapidly beyond the reach of low- and moderate-income families and concerned about the steady loss of affordable homes created through the dollars or powers of local government, municipalities as different as Irvine, Calif., Chicago, Ill., Sarasota County, Fla., Austin, Texas, Delray Beach, Fla., Highland Park, Ill., Las Vegas, Nev., and Chaska, Minn., have taken the lead in creating their own CLTs. This trend represents an important evolution of the CLT model and a significant rethinking of the goals and roles of municipal government in promoting and preserving affordable housing.

In the 1970s and 1980s, municipal support for neighborhood-based CLTs was very limited. From the mid-1980s into the 1990s, the number of CLTs increased and so did the level of municipal support. Since 2000, however, a growing number of cities and counties have chosen to play a larger role not only in creating CLTs but also in guiding their development and sponsoring their affordable-housing initiatives.

Two primary reasons drive this new municipal interest in—and support for—community land trusts:

Long-term subsidy preservation—As housing costs rise, the level of subsidies required to create housing affordability also increases. With much of the burden of creating affordable housing now shifted to city and county governments, local policymakers are looking for ways to ensure that their investment has a long-term impact. The proven ability of the community land-trust model to create a per-

manent supply of affordable housing is very attractive to municipalities searching for long-term solutions.

Long-term stewardship—Preserving long-term affordability requires long-term monitoring and administration, a workload that local governments are neither well-equipped to tackle nor interested in taking on. In addition to developing projects and finding, educating and screening buyers, CLTs play a long-term stewardship role—monitoring and enforcing affordability and occupancy restrictions and providing long-term backstopping support to their low-income homeowners, relieving local governments from this ongoing responsibility.

The impact of municipal involvement in initiating and supporting community land trusts can be illustrated by two new city-sponsored community land trusts. The governments of Chicago, Ill., and Irvine, Calif., have spurred the creation of citywide CLTs as a means to preserve affordable housing developed through regulatory and financial resources provided by the municipality.

Irvine, California

The City of Irvine came slowly to the community land-trust model. By learning from earlier policy mistakes and by seizing an opportunity to create thousands of moderately priced homes, however, Irvine found its way to this innovative model of permanently affordable housing.

In 1975, housing advocates in southern California sued the still-brand new City of Irvine. The Irvine Company, the private development company responsible for the city's planning and construction, was preparing to build office and industrial parks that would make Irvine a major regional employment center. But Orange County's tracts of ranch houses didn't offer reasonable housing op-

tions for the people who would work in the newly created jobs. To settle the suit, Irvine launched one of the nation's first inclusionary-housing programs. The program's initial success led the city to expand its scope, requiring that 15 percent of all newly built housing must be affordable to low- or moderate-income households. Since the mid-1970s, Irvine has produced more than 4,400 units of affordable housing—a significant achievement for a town of 62,000 housing units.

Unfortunately, Irvine's inclusionary-housing program required the units to remain affordable for only 13 to 30 years. When the control period ends, the housing can be converted to market-rate. As a result, more than 1,000 affordable units already have been lost. Many of the remaining affordability controls will expire during the next 10 years, leaving Irvine with little to show for its pioneering effort to make room for working families.

Faced with the impending loss, the Irvine City Council convened a housing task force in 2005. Led by Mayor Beth Krom, the task force was charged with searching for strategies to preserve affordable housing and developing a plan for capitalizing on a unique opportunity to increase the affordable-housing supply. In 1999, the Marine Corps had closed the El Toro Air Station, a 4,700-acre military base adjacent to the city. After years of public debate about how to reuse the El Toro site, including a proposal to develop an international airport that was rejected by voter referendum, the city decided to create one of the nation's largest urban parks and a new mixed-income, mixed-use community surrounding it.

The housing task force drafted a strategy in 2006 that called upon Irvine to develop 9,700 new affordable-housing units—10 percent of the city's housing stock—and to place these units under the stewardship of a municipally

sponsored CLT. The community land trust is still a relatively new idea in California, but the model was familiar to many in Irvine because the University of California has long used land leases to preserve faculty housing around its Irvine campus. The task force's recommendations were unanimously supported by the city council.

The Irvine Community Land Trust (ICLT) was incorporated in March 2006. The city council budgeted \$250,000 in start-up funding for the land trust. In addition, the city's redevelopment agency is providing staffing to the organization while the land trust's first projects are developed.

Irvine is well served by existing nonprofit and for-profit developers of affordable housing, so it is not intended that the ICLT will serve as a developer. Instead, the land trust will focus on long-term stewardship, finding and screening buyers for homeownership units and monitoring those units over time.

Mayor Krom regards the land trust as an integral part of Irvine's sustainability plan. Given the city's history of creating high-quality, affordable housing that is integrated into the community, Krom is excited about the opportunities the Irvine Community Land Trust presents. "Irvine has a once-in-a-lifetime opportunity to significantly expand affordable housing to meet the needs of a broader spectrum of people—particularly those who work in our city but cannot afford housing here," she says. "The city and the land trust board will work with our private and nonprofit developers to effectively leverage our resources, tripling our inventory of affordable housing over the next 15-20 years and establishing permanent affordability."

"We need a national tool kit for creating a full spectrum of housing opportunities in every city in America," says Irvine Mayor Beth Krom.

Chicago, Illinois

The City of Chicago has a longstanding commitment to creating affordable housing for its residents. In 2005, for example, the city provided or leveraged \$67,370,461 in land and public and private resources to create 1,042 for-sale homes, the majority of which were affordable to households earning 100 percent or less of Chicago median household income. As in many municipalities, the city offered "soft second" mortgages to help qualified homebuyer households purchase a home. In exchange, homebuyers agreed to repay these loans whenever they sold their home. While the principal balance was returned to the city for re-use, the affordable unit was lost and, because of rapid appreciation and increasing development costs, recaptured funds were insufficient to cover the cost of a new affordable unit.

Alarmed by the loss of housing made affordable through city investment—at a time when the amount of subsidy needed to make housing affordable was increasing and public affordable-housing funding was diminishing at all levels of government—the city began to focus on permanent housing affordability. The city began to work with Burlington Associates in Community Development and community

constituents to determine how the city might best support community land-trust development in Chicago's neighborhoods as a way to maintain long-term affordability.

Through this process, the Chicago Community Land Trust (CCLT) was created in 2006 to preserve the long-term affordability of housing units developed by nonprofit and for-profit developers with the financial support of various city programs. The CCLT will preserve the affordability of single-family homes that are located on leased land, using a ground lease similar to those in use by other CLTs across the country, as well as the affordability of condominium units, using 99-year deed covenants nearly identical in content and format to the CLT's ground lease.

The city determined that the Chicago CLT would be citywide, in order to more easily standardize many of the processes associated with resale-restricted housing. "We were able to work with the county on a standard means for assessing property taxes based on the home's affordable price. Being citywide also ensures that the homes are spread out among the city's neighborhoods," stated Commissioner John G. Markowski of the Chicago Department of Housing (DOH).

The CCLT is incorporated as a private, non-



An artist's rendering of affordable housing in Irvine, Calif.

profit Illinois corporation and is currently seeking 501(c)(3) tax-exempt designation. Funding for start-up costs and operating revenue for CCLT's first several years was provided through a \$396,000 grant from the John D. and Catherine T. MacArthur Foundation. The board of directors is comprised of community leaders and public members representing a broad spectrum of interests and perspectives, with one-third of the seats reserved for lessee/homeowners once CCLT's portfolio reaches 200 units.

Homes made affordable with DOH funding and targeted for the CLT are currently under construction and will be brought into the CCLT's portfolio upon sale. As a result, it is anticipated that approximately 150 units will be added in 2007, with at least 250 units to be

A Win-Win Formula

A community land trust (CLT) is a nonprofit organization formed to hold title to land to preserve its long-term availability for affordable housing or other community uses. Typically structured as a community-based, open-membership organization with a broadly representative board of directors, a land trust receives public or private donations of land or uses government subsidies to purchase land on which housing can be built. The homes are sold to lower-income families, but the CLT retains ownership of the land, entering into a long-term lease with the homebuyer. The CLT also retains a long-term option to repurchase the home at a below-market price, should the homeowner decide to move. Ownership of the land, along with the imposition of durable affordability controls over the resale of any housing located on its land, allows the CLT to ensure that homes will remain available for lower-income homebuyers for generations to come. CLTs can play a similar role in preserving the affordability of rental housing, limited equity co-ops and condominiums and even commercial property.

added to the land trust each year thereafter, putting CCLT on track to become one of the nation's largest CLTs within five years.

Opportunities and Challenges

While municipally sponsored CLTs represent only a small minority among the 200 or so existing CLTs, the expanding role of municipalities in initiating, staffing and governing community land trusts is a significant development. This relatively new phenomenon brings both opportunities and challenges. For example, the infusion of additional financial resources is likely to increase the number of CLT units nationwide and raise the profile of the CLT approach. That very visibility, however, will stretch the nascent CLT movement in new and untried directions.

Most CLTs have an open membership made up of community members and land-trust residents. At the annual membership meeting, the CLT's membership is responsible for electing the CLT's board of directors. The CLT's open membership is intended to make it directly accountable to a broader community of neighborhood residents in which it operates. One-third of the seats on the CLT's board of directors are generally reserved for persons living in land-trust housing. The framers of the land-trust model developed this unique form of governance to ensure that these organizations would remain responsive to the needs of the communities they were serving. The governance structure offers balanced accountability: Giving residents one-third of the board seats provides them with a real voice in the governance and operation of the organization, while balancing their concerns with other community interests ensures the long-term protection of the organization's core values.

Municipalities tend to be more interested in the community land trust's ability to preserve housing affordability and to retain public subsidies than they are in the more community-based characteristics of the CLT model, such as recruiting and nurturing a broadly based membership. Consequently, the new wave of municipally sponsored CLTs are experimenting with ways to maintain accountability to the CLT residents and broader community, while allowing local government to play a greater role in directing the organization.

In Chicago, the CLT board of directors is comprised of community leaders and public representatives, with one-third of the seats reserved for CLT households. Unlike most CLTs, however, the Chicago board of directors is appointed by the mayor and city council (rather

than elected by the CLT's membership). CCLT's executive director is accountable to the CLT board and is also a city employee.

In Irvine, the city appointed the initial board and will retain a permanent right to appoint one-third of the land-trust board. Initially, the mayor and a city council member are serving on the land-trust board to ensure close coordination between the new organization and the city's housing programs. While at some point in the future, the city's board seats may be filled with appointed representatives rather than elected officials, Irvine's leaders felt that the CLT should be directly accountable, at least in part, to the city. Like Chicago, Irvine has also reserved one-third of the board seats for land-trust residents.

While sponsoring municipalities require some degree of control over the CLT's governance and operation, these new partnerships between local governments and CLTs are creating exciting new opportunities for spurring the growth and development of this innovative model of housing, including:

Removing competing municipal programs. A major distinguishing factor of the new municipal land trusts is the local government's commitment to use it as its primary tool for preserving the affordability of housing created with municipal assistance. Local governments invest in the creation of new, affordable homeownership units, and the CLT plays a long-term stewardship role for virtually all of these new units.

The participation of a community land trust saves local governments from having to create their own administrative structure to monitor and enforce long-term affordability provisions. Programs like the new Chicago and Irvine land trusts formalize such close coordination by allowing their municipalities to influence the organization's direction. And in exchange for this accountability, the land trusts expect their local governments to provide long-term operating support and ongoing access to housing subsidies.

Raising the profile and productivity of CLTs. For a variety of reasons, the growth of the community land-trust movement has been slow. Local governments often are unfamiliar with the model, and the public sector is frequently reticent or unwilling to support the creation of permanently affordable housing. As a result, there is a relatively small number of CLT homes nationwide—a major criticism of efficacy of the CLT model.

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Local Success, Regional Outcomes

An unexpected win from the campaign came in the form of new relationships built with for-profit developers, who at the outset were hostile to the Inclusionary Housing Initiative. "We were out there running into them at every city council meeting and we said, 'Maybe we ought to get in a room together to see if we can find some common ground,'" says Spaulding. A series of conversations transpired between NPH and the Home Builders Association of Northern California, which culminated in a groundbreaking, jointly released policy statement and set of recommendations reflecting their mutual support of key inclusionary-housing principles.

The real success of the Inclusionary Housing Initiative has been the increased dialogue and the change in the political field toward affordable housing in the Bay Area. Will this be a sufficient effort to end NIMBY opposition to

affordable housing? Perhaps not, but the campaign has brought about tangible results in on-the-ground policies, increased local capacity and broadened support for affordable housing. Along the way, it has produced new leaders in many communities and new relationships between organizations that might not otherwise have worked together. These powerful partnerships will have a lasting effect in moving an affordable-housing agenda throughout the Bay Area. ♦

Evelyn Stivers was formerly the program coordinator for the Non-Profit Housing Association of Northern California.

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The growth of high-profile, municipally sponsored CLTs that will quickly have hundreds of permanently affordable housing units in their portfolios will serve to enhance the model's credibility and to expand the commitment to permanent housing affordability. The new phenomenon of larger, well-capitalized community land trusts may, in rather short order, double or triple the number of permanently affordable CLT homes nationwide, helping to bring the community-land-trust approach into the mainstream. Furthermore, CLTs with a sufficient number of homes should be able to generate enough revenue internally to support their organizational operating budgets—leading to the financial sustainability of these individual CLTs and a strengthening of the CLT movement.

Municipal engagement in the creation and sponsorship of community land trusts represents a significant rethinking of the role of local government in meeting the need for affordable homeownership. At a time when the gap between what housing costs and what many working families can afford to pay is increas-

ing and there is spiraling demand for limited public resources, local governments are increasingly recognizing the critical importance of preserving housing affordability created through the investment of public funds.

While many jurisdictions work closely with nonprofit housing developers to build and manage rental housing, most local governments still manage their homeownership programs in-house. Long-term affordability in homeownership programs, however, creates a new set of long-term management and administration responsibilities for which many jurisdictions are simply not prepared. As a result, we are likely to see more municipalities form creative partnerships with community land trusts to preserve the affordability of homeownership units over the long term and ensure the lasting benefit of public investment. ♦

Rick Jacobus and Michael Brown are partners in Burlington Associates in Community Development, LLC, a national consulting cooperative that specializes in community land trusts and other permanently affordable homeownership programs. Burlington Associates has been working with Chicago, Irvine and other municipalities on the development of new land trusts. (www.burlingtonassociates.com).

Does homeownership work for low-income people?

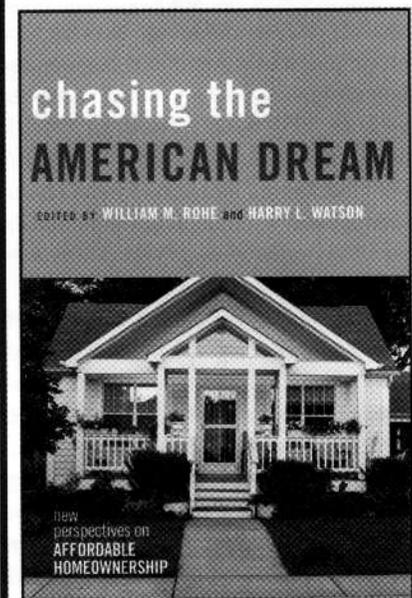
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Building Political Will

A Shelterforce Q&A with Irvine Mayor Beth Krom

Shelterforce: In an environment of competing needs, such as education, safety and parks, how do you prioritize the development and preservation of affordable housing against other important needs?

Mayor Krom: With a median housing price in Irvine of about \$800,000, “affordable” becomes a relative term. In 2005, the City of Irvine created a housing task force. That effort produced a “full-spectrum” housing strategy that set a goal of tripling our inventory of affordable housing to about 9,700 units by 2025. The strategy was unanimously adopted by our city council, and we had no public opposition owing to the public process and community education we employed.

Part of the strategy was to create a community land trust to support the interest of permanent affordability. Irvine is a jobs-rich city with three jobs for every housing unit. A mix of affordability in our housing is critical to the long-term success of our economy and our community.

SF: A land trust is only one way to preserve or develop affordable housing. Your city has numerous programs and policies that address this need. Were there any specific problems or needs that weren’t being met that drew you to the land-trust model?

Krom: We had been successful in creating affordable housing over the years through inclusionary zoning and collaboration with local developers—primarily the Irvine Company, which is the primary landowner in our city. Our city is 35 years old, so some of the initial inventory of affordable housing has already lost its affordability. We wanted to expand inventory and ensure long-term affordability.

SF: What was the political “sell” like? In light of competing interests—all valid and important—how did your administration promote the commitment to both affordable housing and the CLT model?



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agency, we will have a minimum of \$150 million to invest in affordable housing. By leveraging resources wisely, we believe we can reach our goal.

SF: Given the complexities of affordable housing, especially for low- and very low-income households, what do you see is the role of other key players such as state and federal government, the nonprofit sector and for-profit developers? And what more can and should each be doing?

Krom: We need to stop looking at issues out of context with one another. Without housing for the people who work in our communities, we create imbalance. Community development is not just about buildings—it’s about the people who become the human energy that drives a city forward. The need for housing close to the job centers becomes even more important here in Southern California, where freeway gridlock affects quality of life for everyone. We need a national tool kit for creating a full spectrum of housing opportunities in every city in America.

Our city is fortunate to have unique resources, a progressive perspective, a diverse and educated electorate and a coalition of partners in the business and development community. Building the political will for elected officials to take on this issue will require a higher level of support and participation from every level of government and an advocacy environment that is driven by creativity and collaboration rather than conflict.

SF: Finally, what do you see as the explicit benefit of providing an economically diverse housing stock to your city?

Krom: Irvine is a wonderful city, anchored by a major university and home to 13,000 businesses and more than 100 national headquarters. Our long-term success requires housing for the people who work in our city. It’s that simple. ♦