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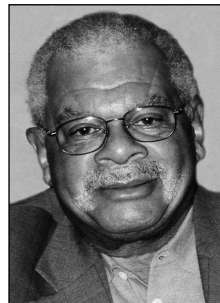
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## The CLT Model: A Tool for Permanently Affordable Housing and Wealth Generation

BY GUS NEWPORT



The gap between wealth and poverty is growing in the U.S., because policies to stabilize the lives of the poor and people of color do not focus on long-term solutions. Our economy is unstable, in an inflationary spiral that continues to raise the cost of basic goods, including food, gasoline, medicine and health care. Most depressing is the lack of affordable housing for the poor, working and unemployed, and seniors with limited retirement income. The severity of the shortage of affordable housing has multiplied in recent years. Barbara Ehrenreich demonstrated the stark reality of the situation facing low-income wage earners in her book *Nickel and Dimed in America*. She found from personal experience that in today's America, two incomes are required in order to live "indoors," let alone reside in safe, adequate housing. Insufficient affordable housing is being developed to fulfill the need, and most that is developed remains affordable only during the terms of the initial financing, due to relatively short-term subsidies, after which time it reverts to market rates. As a result, over the longer term, public affordable housing resources actually aid gentrification, eventually displacing the very people they were meant to assist.



### THE CLT MODEL

Thirty-eight years ago, Bob Swann and Ralph Borsodi developed the Community Land Trust model, arising from their concerns related to poverty and land tenure. The model, drawn from the Indian *gramdan* land reform movement, was conceived as a democratically-controlled institution that would hold

land for the common good of any community, while making it available to individuals within the community through long-term leases. Over the years, the model has evolved and been applied primarily to the development of permanently affordable housing within intentional communities and more broadly in urban, suburban and rural communities across the country. Terms within the ground lease balance community interests with those of the individual, providing an opportunity for lower-income people to earn equity, while limiting appreciation to ensure affordability for future lower-income homebuyers.

According to the classic CLT model, the trust is a geographically defined, membership-based, nonprofit organization created to hold land for public purposes—usually for

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the creation of permanently affordable housing. Like a conservation land trust, a CLT acquires land with the intention of holding it in perpetuity. A central feature of the model is a dual ownership structure whereby the CLT owns the land, but individuals, public or private organizations own the buildings located on the land. Through long-term, renewable ground leases, each party's ownership interest in the land is protected. The CLT retains the ability to repurchase any improvement on the land through a resale formula written into the lease, limiting resale value to maintain affordability. The lease also enables the CLT to impose further restrictions which maintain housing quality and neighborhood stability—such as requiring that homes be owner-occupied, preventing absentee landlordism. The ground lease is equally protective of the individual homebuyer's interests, providing long-term security, while at the same time providing an opportunity to build equity and benefit from a portion (typically 25 percent) of the appreciation on the home, should property values increase.

By removing the cost of the land from the home price and bringing further cost reductions through government-provided affordable housing subsidies, the CLT brings homeownership within the reach of lower-income families (CLTs generally seek to serve families earning less than 80 percent of area median income). The interests of the individual homebuyer are balanced with the desire to maintain a permanent stock of affordable housing for future families in need. The homebuyer gains the opportunity to earn equity through monthly mortgage payments, rather than building the equity of an absentee landlord through rental payments. However, rather than gaining a one-time windfall should the home value appreciate substantially, the seller forgoes this full capital gain in order to retain affordability for the next CLT homebuyer. The CLT's long-term interest in the land and property assures that this balance of interests is maintained and community wealth is retained. The value of public subsidies used to develop the affordable housing are permanently tied to the housing, thus recycling subsidy dollars from owner to owner, assuring long-term affordability and community benefit.

The governance structure of the CLT is an important aspect of this stewardship. The classic CLT structure has a community-based membership open to all adult residents within its defined geographic region—often a neighborhood, city or county. The CLT is governed by an elected, tri-partite board that shares governance equally among leaseholders residing on CLT-owned land; nearby residents who do not live on CLT-owned land; and public officials, local funders, nonprofit professionals and others representing the public interest who

bring to the board essential skills and abilities needed for effective nonprofit administration.

### THE DUDLEY STREET EXPERIENCE

I first became aware of the Community Land Trust model during my tenure as the Director of Boston's Dudley Street Neighborhood Initiative (DSNI). This initiative grew out of the community's concerns about a new Redevelopment Area plan which was being brought forth supposedly to raise the quality of life for the residents, through improvements such as housing, open space, recreation and cultural institutions. When this planning process became public, the community came out in large numbers to voice its opinion as to what the planning process ought to be, and why a method had to be imposed that would assure the community's input in all pertinent planning decisions and protect current residents' ability to enjoy the improvements into the future.

The majority of residents in the Dudley area were low-income, and many of them remembered previous redevelopment processes in the West End and South End of Boston, which had resulted in their displacement due to gentrification. The plans' promise of improvements to these neighborhoods was not realized by these residents, who were gentrified out due to rising housing costs and limited affordable rental housing. The Dudley area residents did not want to see this result repeated yet again, insisting on a process whereby they could participate in designing the community plan and improvements. At the heart of their concerns was the desire to promote homeownership opportunities for the lower-income residents of the neighborhood.

Through a series of policy firsts, DSNI became the first community nonprofit organization in the country to be awarded eminent domain powers over vacant land in a 1.3 square mile area of the city of Boston. Through a seldom-used statute on the books in Massachusetts known as "special study status," the community plan became the zoning plan for the area. Having received eminent domain rights over 30 acres of land, DSNI sought a mechanism to assure permanent affordability and discovered the Community Land Trust model. We invited the Institute for Community Economics, the national intermediary for CLTs, to assist us with the process.

What we learned was that the CLT did much more than provide a mechanism to hold the land. It provided a means to stabilize lives and the community through homeownership. As is the case for the majority of the nation's lower-income inner-city residents, the families of the Dudley Street neighborhood had little or no control over their own housing—

the most fundamental aspect of household security. With no opportunity to own their own homes, they were forced to live in substandard absentee-owned rental housing, subject to displacement when and if rents increased beyond their means. In addition to the stability of homeownership, Dudley area residents sought to take control of the neighborhood outside their windows—to deal with abandoned property, to stop illegal dumping, to stop providing havens for drug dealers and other criminal activity.

Dudley Street has become a renowned example of the power of truly participatory community-building for the long term, which addresses the fundamental policies and practices that have caused poverty and decline in cities across the country. Through the community-controlled land trust, the residents were able to create a vibrant multicultural community, developing hundreds of affordable homes and providing an opportunity for residents to personally benefit from the community revitalization they themselves planned. The land trust, with its ground lease and resale formula, has been proven to empower people by providing an opportunity for homeownership and equity generation that is normally out of reach for lower-income, largely minority residents.

### THE RACIAL WEALTH GAP

In his highly acclaimed book, *The Hidden Cost of Being African American: How Wealth Perpetuates Inequality*, Brandeis University sociologist Thomas Shapiro presents an extensive analysis of the wealth gap from a perspective of race and discrimination in America. His central argument is that family wealth/inherited assets are the key source of the wealth gap, as the black-white earnings gap due to income discrimination has narrowed considerably since the 1960s. As the primary asset for most families, housing is the most salient source of the wealth gap. Lacking the “transformative” asset of family wealth, African American families must rely on their income and personal savings to qualify for a home mortgage. In contrast to white families with a similar income level, who often benefit from their parents’ wealth through inheritance or other financial assistance when the time comes to buy their first homes, African American families do not have access to this “leg up.” They pay higher interest rates and incur additional costs for mortgage insurance, and as a result build less equity over time. With each successive generation this gap increases.

As schools and social services are tied to residence location, the wealth gap is effectively leading to ever greater racial segregation. The current way we fund and provide access to

services produces, in Shapiro’s words, a “privatized notion of citizenship in which communities, families and individuals try to capture or purchase resources and services for their own benefit rather than invest in an infrastructure that would help everyone.”

By creating shared stewardship of land and a mechanism for the wealth generated through housing appreciation to be shared from one lower-income family to another, the CLT offers an antidote for these interrelated problems. The land trust can, in effect, substitute for inherited wealth, and thus has the potential to address the racial wealth gap in this country. Examples like Dudley Street demonstrate the ability of the CLT to change the dynamics, to provide opportunity for all residents, to prevent displacement, gentrification and the associated racial segregation.

Faced with an administration that seems focused, more than any in recent memory, on increasing the wealth of the top few at the expense of the many, we have little choice but to find our own solutions and implement them. In my new role as Executive Director of the Institute for Community Economics, I hope to raise awareness about the potential for community land trusts to level the playing field, creating opportunities for people of color. Dudley Street is the quintessential melting pot, a laboratory where the CLT model has been tested and proven to provide opportunity across race lines.

I am particularly pleased to deliver the keynote address at the Florida Housing Coalition’s 2005 statewide annual conference in light of our partnership with the newly launched Florida Community Land Trust Institute. The efficacy of the model developed by ICE for CLTs depends upon the capacity of community based organizations and the support of local governments. I believe that when the CLT model is coupled with the professional training, technical assistance, and relationship building provided by the Florida Housing Coalition and its partners, the result will be CLTs successfully producing and preserving affordable housing throughout the state of Florida.




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