



# HOMES & HANDS

COMMUNITY LAND TRUSTS IN ACTION

COMPANION GUIDE TO  
THE DOCUMENTARY VIDEO  
**HOMES & HANDS**

AND

**An Introduction to  
the Community  
Land Trust Model**

BY THE INSTITUTE FOR  
COMMUNITY ECONOMICS

## BACKGROUND

# ICE and the Community Land Trust Model

THE INSTITUTE FOR COMMUNITY ECONOMICS (ICE) is the primary source of technical assistance and informational materials for a growing national community land trust (CLT) movement. ICE's founders developed the community land trust model in the 1960's. Since then ICE has worked with groups in a wide variety of communities around the country — including the three communities featured in the video *Homes and Hands* — to establish local community land trusts.

In doing this work ICE has also developed a Revolving Loan Fund to provide project financing to these innovative community organizations. The Durham and Burlington CLTs featured in the video both financed their first projects with loans from ICE. Today, as a national Community Development Financial Institution, ICE continues to specialize in loans to CLTs.

For more information about ICE's CLT-related publications and services, see page 23.



## What Are Community Land Trusts?

Community land trusts are democratically controlled nonprofit organizations that own real estate in order to provide benefits to local communities — and in particular to make land and housing available to residents who cannot otherwise afford them.

As the video illustrates, CLTs have been established in different kinds of communities, with different kinds of projects meeting different community needs, but they share some important features, including a distinctive approach to the ownership of real estate and a distinctive approach to community-based governance.

# A Balanced Approach to Ownership ...

## **Acquiring Land for the Community.**

Sometimes CLTs — like Sawmill CLT in Albuquerque — acquire vacant land and arrange for the development of housing or other structures on it. At other times, CLTs acquire land and buildings together. In both cases, CLTs treat land and buildings differently. The land is held permanently by the land trust so that it will always benefit the community. Buildings can be owned by those who use them.

## **Homeownership on Community Land.**

Buildings on CLT land may serve different needs, but, when possible, CLTs help people to own their own homes on this land. When a CLT sells homes, it leases the underlying land to the homeowners through a long-term (usually 99-year) renewable lease, which gives the residents and their descendants the right to use the land for as long as they wish to live there.

## **Still Affordable for the Next Homeowners.**

When CLT homeowners decide to move out of their homes, they can sell them. However, the land lease requires that the home be sold either back to the CLT or to another lower income household, and for an affordable price.

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# A Balanced Approach to Governance

**Membership organization.** CLTs are usually organized as “membership corporations,” with boards of directors elected by the members. Usually there are two groups of voting members. One group is made up of all the people who live in CLT homes (or use CLT land in other ways). The other group is made up of other people in the community who are interested in what the CLT is doing—including neighbors of CLT residents, and people who may want to have CLT homes in the future.



**Board structure.** Usually the CLT board includes three kinds of directors — those representing resident members, those representing members who are not CLT residents, and those representing the broader community interest. In this way, control of the organization is balanced to protect both the residents and the community as a whole.

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## Deciding to Start a CLT

**Why have a number of communities chosen the CLT approach to affordable homeownership?** These communities differ in many ways, but all of them are concerned about what will happen to the homes after the first owners leave. For low-income communities suffering from disinvestment—like the neighborhoods of west central Durham —the primary goal is to sustain owner-occupancy and prevent a return to absentee ownership. For communities where property values are rising, as in Albuquerque and Burlington, the primary goal is to limit resale prices so the homes will continue to be affordable for lower income households. All of these communities recognize that just producing affordable housing is not enough. They need some way to control what happens to the housing in the long run. The community land trust gives them a way to do this.

“We wanted to be able to revitalize those neighborhoods without making them unaffordable to the people who lived there.”

— Brenda Torpy, Burlington CLT

### **What kinds of groups have started CLTs?**

CLTs have been established by a variety of local groups, including neighborhood associations, religious coalitions, community development corporations, local governments, and groups of concerned citizens. Regardless of the kind of group, organizing a CLT involves an effort to familiarize the community with the CLT concept and to develop grassroots support and participation.

*“The community was involved in the planning process. As a result of that, the neighborhood is very supportive of this project.”*

— Debbie O’Malley



### **How large an area does a CLT serve?**

Some CLTs serve a single neighborhood, like Sawmill CLT in Albuquerque, or a small rural community, like CLTs in Maine and other rural areas. Some serve a larger section of a city, like the Durham CLT, or an entire city or county, like the Burlington CLT. How a CLT's territory is defined is shaped by the immediate interests of its founders, the location and nature of housing needs, the location of project opportunities, and the roles and service areas of other housing and community development organizations in the general area.

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## **The Variety of CLT Programs**

### **Does a CLT usually acquire more than one parcel of land?**

A few CLTs, like the one in Albuquerque, have launched their programs with the development of a single large parcel of land, but most, like the Durham and Burlington CLTs, have acquired many smaller properties, one at a time over the years, throughout a neighborhood or city or rural area.

**How do CLTs acquire property?** In most cases, CLTs acquire property in the same ways as do other nonprofit organizations. As tax-exempt organizations, they sometimes receive gifts of property from individuals



or corporations and quite often acquire city or county-owned property from local governments. But in many cases, they purchase property in the open market—often with the help of funding from public sources.

### **What kinds of housing do CLTs provide?**

As is illustrated by the wide variety of housing developed by the Burlington CLT, it is possible for CLTs to provide any type of housing for which there is a need in the local community and for which there is an opportunity to create permanent affordability for lower income households.

*“We have folks living in shelters; we have single-room occupancy; we have very affordable rentals; we have housing cooperatives; we have affordable condominiums throughout the city and county, and affordable single-family homes.”*

— Brenda Torpy, Burlington CLT

**Can CLT land be used for purposes other than housing?** Many land uses are possible— from facilities for community services such as the “food shelf,” Legal Aid, and the Technology Center in Burlington, to local businesses, parks, and plazas, as planned in Albuquerque, to gardening and fuel wood production in the case of some rural CLTs.

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## **How CLT Homeownership Works**

### **How does the CLT reduce the cost of housing in the first place?**

In producing affordable housing, CLTs usually rely on the same resources as other affordable homeownership programs — including grants from government programs, contributions of property from both public and private sources, volunteer labor, and so on. At the same time, CLT projects do sometimes gain greater access to these resources because the CLT is able to extend their benefits for the long-term — not only for rental housing but for owner-occupied housing as well. In Vermont, both the City of Burlington and the State have adopted policies that provide subsidies only for housing that is permanently affordable (in part because of the successful example set by the Burlington CLT).

**How does the CLT make sure that the home will be affordable—and available—for other lower income households?** CLT homeowners and their descendents have a right to occupy and use the leased land for as long as they wish, provide that they abide by the terms of the land lease. These terms place some limitations on the resale of the home—preventing resale to a household that does not qualify as low or moderate income, and limiting the sales price to keep it affordable. The lease lays out a “resale formula” that determines the maximum allowable price.

*“We’re old enough to have had a number of resales, and we’ve seen it really work. The second time around we don’t need any additional government subsidy and we typically serve a lower income family. We’re doing that at the same time that the seller is taking equity with them... and has had all the tax benefits and all the security that homeownership offers.”*

— Brenda Torpy, Burlington CLT

**How do resale formulas work?** Each CLT — given its own goals and local circumstances — designs its own resale formula to set maximum prices that are as fair as possible to the seller while staying affordable for the next buyer. There are several types, but the majority of CLTs use what are called “appraisal-based” formulas. These formulas set the maximum price as the

sum of what the seller paid for the home in the first place plus a certain percentage of any increase in market value (as measured by appraisals). Variations on these and other types of formulas are possible. Most local groups starting CLT programs, like the group in Albuquerque, spend a good deal of time examining the various possibilities before deciding on a formula.

*“The formula would give you back what you had invested in the house plus an inflation factor, but you would not be able to go out and sell that house on the open market at an inflated value.”*

—Beverly Little, Durham CLT



**How do CLTs insure continued owner-occupancy?**

The ground lease requires that owners continue to live in the home as their primary residence. Subleasing is permitted only for limited periods with the consent of the CLT. If owners want or need to move away permanently, they must sell the home. The lease does not allow them to continue as absentee owners.

**Can CLT homes be inherited?** Yes, the home is an asset that can be left to the owner's children or to anyone else the owner chooses. When a home is inherited, most CLTs will allow the heirs to live in the home if they are (1) children of the deceased owner, or (2) have already lived in the home for a period of time, or (3) qualify as low or moderate income households. Heirs who do not meet any of these qualifications, or who do not intend to live in the home anyway, must sell the home, in accordance with the resale restrictions, and will receive the proceeds from the sale.

**Is it really fair to restrict resale prices for lower income CLT homeowners when higher income conventional homeowners can sell for market-rate prices?**

CLTs look at this question not in terms of what would be fair in an ideal world, but in terms of the real choices open to lower income tenants, most of whom are not able, on their own, to buy decent homes in their communities through conventional channels. Homeownership

through a CLT can give them many advantages that they do not enjoy as tenants — long-term security, a chance to build substantial assets through affordable monthly payments, and the opportunity to leave these benefits to their children. But, as with any investment, potential buyers should look at the advantages and disadvantages of all their options, and make their own decisions.

*“I didn’t buy this house to make a profit. I did it to get ahead.... This is not the traditional market. You have to understand that principle before you buy a land trust house.”*

*—Linda Lewis Giles, Durham CLT*



### **What other benefits do CLTs give their**

**homeowners?** Some CLTs provide homeowner training and assistance. Some have developed home repair loan funds and have made special arrangements for leaseholders who face unexpected financial problems. Most CLTs help the owners sell their homes when the time comes, which means the owners get to keep more of the resale price. And, as members of the organization, all CLT residents share a set of connections with the community and each other that can bring tangible benefits, like the sharing of a lawn mower, as well as the sense of security that comes from belonging to a group.



**How do property taxes work?** Residents pay property taxes on their homes if they own them. CLTs usually pay taxes on their landholdings, with the cost usually covered by lease fees from those using the land. (CLTs and their residents can request reduced property tax assessments based on the resale value of the home as determined by the CLT's resale formula rather than what would otherwise be the market value of the property.)

**Can CLT homebuyers get mortgage loans even though they won't own the land outright?**

CLTs have been able to negotiate mortgage agreements that address the basic concerns of lenders while protecting the CLT's long-term interest in the property by allowing the CLT to take action, if necessary, to prevent foreclosure and the sale of the property on the open market. Such mortgages give the lender a claim on the borrower's house and "leasehold interest." The CLT's "fee interest" in the land is not mortgaged. These "leasehold mortgages" can be, and have been, insured by FHA, and have been purchased by Fannie Mae and a number of state housing finance agencies, as well as banks. CLT homebuyers have also received mortgage loans through the Rural Housing Services program of the federal Department of Agriculture.



# CLT Relationships with Governments and Other Organizations

## Are CLTs supported by local governments?

It is common for CLTs to work in cooperation with local governments in meeting present and future community needs. A growing number of public officials recognize that CLTs can play an important role as stewards of community resources and that property and funds allocated to a CLT can benefit not only present community residents but future residents as well.



*“Particularly if there is a public investment in housing, I think we ought to be very careful as to where that investment flows. With the land trust model, that investment remains with the community and the long-term affordability of the housing is guaranteed.*

*— Peter Clavelle,  
Mayor of Burlington, Vermont*

A number of states and municipalities — including all three cities featured in the video — have allocated Community Development Block Grant and HOME funds, as well as other available resources, to CLT

programs. Some — as in the notable case of the large Albuquerque project — have allocated city-owned land.

### **Do federal housing programs provide for**

**CLTs?** The 1992 Housing and Community Development Act makes specific provision for CLT funding under the federal HOME program (which provides block grants to municipalities and states to be used for affordable housing programs in their jurisdictions). The Act defines CLTs as “community housing development organizations” (CHDOs) under the HOME program, thus qualifying them for additional project funding, operating support, and technical assistance. (In 1999, ICE received its second three-year national contract with HUD to provide technical assistance to CHDOs that operate as or want to start CLTs.)

### **How do CLTs relate to other housing**

**organizations?** Many CLTs are initiated through the sponsorship of other organizations, or emerge out of other organizations as in the case of Albuquerque’s Sawmill CLT. Most CLTs, regardless of how they were created, cooperate with the efforts of other organizations in their community. Burlington CLT, for instance, works closely with a network of organizations that address the area’s housing and community development needs. In a number of communities it is common for CLTs to acquire housing (or the land beneath housing)



that has been built or rehabilitated by other not-for-profit (or sometimes for-profit) organizations.

**How do CLTs relate to limited equity housing co-ops?**

Co-op housing is owned by a corporation that is controlled by the people who live in the housing. Thus co-op residents do not own their homes individually, but each household owns a share in the corporation and has a “proprietary lease” to their own apartment. When a household wants to move away, they can sell their share — and their rights as co-op residents — to another buyer. In the case of “limited-equity” co-ops, the price for which shares can be sold is limited by the corporate bylaws to keep the housing affordable. (In “market rate” co-ops, shares can be sold for whatever the market will bear.)

Some CLTs, like the Burlington CLT, have developed limited equity co-ops on land leased from the CLT. These CLTs can provide important support services to the co-ops, and the land lease can help to ensure long-term affordability by requiring that restrictions on the sale of shares remain in place.

**How are CLTs different from conservation land trusts?** Both CLTs and conservation land trusts control land use for the benefit of people in the future as well as the present, but they are primarily concerned with different types and uses of land. Conservation trusts are concerned with controlling rights to undeveloped land to preserve open space, ecologically fragile or unique environments, wilderness, or productive forest or agricultural land. CLTs, on the other hand, are mainly concerned with acquiring developed or developable land for specific community uses — particularly residential use. These concerns are



not mutually exclusive, and some land trusts, notably in Vermont, combine these purposes, preserving some land in a natural state while leasing other land for development.

## HOW ICE HELPS

*“ICE has helped and nurtured us every step of the way — with education at the beginning, with technical assistance as we planned and organized, and with the loan fund for our projects. They always meet us where we are, providing assistance that seems designed just for us. Our success is their success!”*

— Vicki Lindsay, CLT of Cape Ann

### **For the Burlington CLT, ICE has provided**

- ♦ Intensive assistance in all aspects of starting a CLT.
- ♦ A lead loan for an early project that was instrumental in bringing in other lenders.
- ♦ Loans for other Burlington CLT projects.
- ♦ Assistance with planning and financing packaging for a multi-building rehabilitation project.

### **For the Durham CLT, ICE has provided**

- ♦ Materials and on-site assistance vital to explaining the CLT to lenders, attorneys, and city planners.
- ♦ Answers to such technical questions as how to exercise a right of first refusal.

- ♦ Guidance on such organizational concerns as board recruitment.
- ♦ Strategies to help with development issues, such as whether to pursue a commercial venture.
- ♦ A loan package specially structured for Durham's lease-to-purchase program.
- ♦ Leadership development through CLT conference scholarships.

### **For Sawmill CLT, ICE has provided**

- ♦ Guidance in corporate restructuring and bylaw development.
- ♦ Strategic assistance with resource and project development.
- ♦ Ground lease and resale formula design assistance.
- ♦ Support negotiating with the city and with lenders.
- ♦ Assistance in educating lenders and appraisers.
- ♦ Facilitation of the planning process for marketing and homebuyer training.
- ♦ Guidance in strategies for community outreach and neighborhood relations.
- ♦ Funds to help defray a portion of Sawmill's early operating expenses.

## **Resources Available from ICE**

**Technical Assistance:** Assistance from ICE is highly customized. ICE's technical assistance providers address each community's needs, problems, and

opportunities and engage with each community's grassroots interests and institutional players.

**Lending:** Since ICE developed its Revolving Loan Fund (RLF) in 1979, it has loaned more than \$34 million to community organizations in 30 states. RLF loans most often finance land acquisition or improvement and acquisition, construction, or the rehabilitation of housing. Amount, terms, rate of interest, and repayment schedules are negotiated on a case-by-case basis.

### **Publications and other materials**

- ♦ *Homes & Hands: Community Land Trusts in Action*, video, 35 minutes, Women's Educational Media, 1998.
- ♦ *The Community Land Trust Handbook*, Rodale Press, 1982.
- ♦ *The Community Land Trust Legal Manual*, ICE, 1991. Includes model documents. (Updated, expanded edition scheduled for publication early in 2001).
- ♦ *Managing the Money Side: Financial Management for Community-Based Housing Organizations*, ICE, 1994.
- ♦ Brochures introducing the community land trust model: in English and in Spanish.
- ♦ Annual data sheets providing updated statistics on CLTs in the United States.
- ♦ Brochure introducing ICE's lending activities and application process.

*For additional information, contact:*

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Or visit our web site: <http://www.iceclt.org>

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or order on-line at [www.newday.com](http://www.newday.com).

For further information about community land trusts  
contact ICE at 413-746-8660 or on-line at [www.ice.org](http://www.ice.org).

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