

# Community Land Trusts

## An Economic Solution to Fund Cities: North America



*“The purposes of a Community Land Trust are to provide **access to land and housing** to people who are otherwise denied access; to **increase** long-term **community control** of neighborhood resources; to **empower residents** through involvement and participation in the organization; and to **preserve the affordability of housing** permanently.” (National Community Land Trust Network)*

### How does it work?

Community land trusts (CLTs) are non-profit organizations (registered as 501(c)(3)s) that acquire and manage land for the purpose of **providing affordable housing** and **protecting public investment** in such housing. The land is **subsidized** and benefits from a land or financial grant from one or more different actors (public or private). After property is built on the land trust, the land is legally **“asset locked”** to protect it from fluctuations in the broader land market. The drive to establish a CLT can and has been driven by both the public sector and civil society. Public investment and subsidies for CLTs is leveraged by **resale restrictions** with formulas that set maximum prices and limitations of resale to low or moderate income families to ensure affordability

to future homeowners. CLTs can offer both ownership and rental options for their citizens as long as they maintain the core value of people over profit.

### What are the advantages?

The advantages of establishing a community land trust (CLT) are many. The main benefit for a city is that communities are ultimately in control of the economic and financial institutions that determine land use and development patterns. For local authorities, investment in a land trust instead of a private development ensures that the value of the public money spent to provide affordable housing in the city is captured and stays in the community in the long term. One of the greatest advantages for the community and/or city employing this

mechanism is that the CLT is able to access funds that the public sector alone would not normally be able to access for housing development.

While CLTs are a relatively recent phenomenon in the United States (the first one was established in southwest Georgia in 1969), they have proven their relevance in diverse environments with the precondition that there is strong local government support. Moreover, for cities facing either rapid gentrification and soaring housing prices or decline, disinvestment, and deterioration, CLTs offer a stabilizing strategy that can put growing inequalities in territorial development in check. Putting land ownership in a community land trust can help to transform foreclosed homes and vacant properties in a sustainable way for the community as well as protect properties in hot housing markets from becoming unaffordable to the population living there. To summarize, CLTs are:

- **inclusive**, as they are owned and controlled by communities themselves and promote open membership to all who live or work in the community, they also often bring together a wide variety of urban stakeholders in their pre-development phases;
- **sustainable**, as they provide a community asset for the future and lock in public investment in the community in perpetuity;
- **empowering**, as they promote a community driven solution to high housing prices or urban decline, offer a genuine model of neighborhood governance, and have the potential to build social capital.

### What are the main challenges?

From the perspective of local governments, several authorities are reluctant to transfer assets over to CLTs since they are a relatively new concept that has not had many opportunities to transform urban landscapes. CLTs are sometimes viewed as competitors to social housing and can be seen as preventing local development rather than inspiring it. Development power placed in the hands of the trust's members can appear as an opportunity or a threat to the determination of the city's development. The establishment and maintenance of a CLT is a highly time-consuming process for the group of people spearheading the movement. In the case study profiled below, it took Cooper Square four decades to gain sufficient local support in New York City. Most importantly, if the core values are not in place from the beginning – community building and resident empowerment – CLTs can begin to behave like private developers and defeat the purpose of protecting the land from market fluctuations and for providing affordable housing. When they do respect CLTs founding principles, they can experience opposition from groups that find the ideology too close to communism, people that worry that CLTs don't offer returns for low-income people like properties in the housing market do, and the traditional brand of NIMBYs (Not-in-My-Back-Yard). To sum up, challenges for establishing CLTs rest in:

- **reluctance** to try new models
- **ideological perceptions** and differences
- their **time-consuming** process

**Case Study:** Cooper Square Community Land Trust

**Location:** New York City, NY

**Units:** 356 housing units

**Website:** <http://coopersquare.org/>

Despite the emergence of a wide network of CLTs across the country, the Cooper Square CLT emerged through decades of struggle in the rather CLT-isolated setting of the Lower East Side of Manhattan. Cooper Square's detached evolution nods to the replicability of the model in contexts with very few examples to follow and is particularly exemplary for its use of city subsidies.

The CLT owes its historical roots to citizen movements that championed a slum clearance plan in the early 1960s and contested Robert Moses' famed renewal plan for the city. It was deemed necessary by the Cooper Square residents and the city to implement a long-term ownership vehicle to ensure against displacements from city-owned buildings in the Cooper Square area. The Dinkins administration, through the Department of Housing Preservation and Development provided both vacant and occupied city-owned buildings for rehabilitation and transfer of ownership to the non-profit entity that is the CLT. The property owner is known as the Cooper Square Mutual Housing Association, founded in 1991 following an MOU signed by the Cooper Square Committee and the City of New York the year prior.

Cooper Square operates on a rent system which allows residents to accumulate savings in other ways than just equity while retaining the regulations that ensure affordability. These substantial savings, we can assume, allow tenants to insert part of their wealth back into the local economy, catalyzing a dynamic of resilient and endogenous community living.

### An alternative for financing urban development?

Stigma surrounding public housing failures in the 1950s and 1960s have resulted today in a large reluctance of publically-backed social housing in America. U.S. housing policy since the 1980s has therefore favored affordable home ownership over financing of low-income rental housing. Investment in CLTs by local authorities can perhaps offer a new alternative. The nearly **200 CLTs in the U.S. today** are increasingly proving to be places for communities to experiment with different housing schemes in different market environments. While financing of CLTs may appear similar to subsidized public housing, cities don't need to provide operating subsidies. Local authority subsidies can provide pre-development funding for the creation of a business

plan to attract external investment or may also be able to provide the funding throughout the development process. Either way, the public subsidy is retained in perpetuity.

**Local authorities in the U.S. have several funding sources** and tools put at their disposition by the federal government that can be mobilized when one decides to work with a Community Land Trust including: HOME block grants, Community Development Block Grants, USDA Rural Housing Funds, and Housing Trust Funds. Other tools such as inclusionary zoning planning ordinances and the Community Reinvestment Act, which requires banks and financial institutions to provide lending and investment opportunities to the communities of their offices, can also be used by the city to promote the establishment and development of CLTs.

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When affordable housing and/or citizens disappear from the urban landscape, cities suffer economic losses in the sense that an endemic need for affordable units (hence, continuous investments by local authorities)

develops or value is lost in vacant land. The model proposed by the community land trust allows local authorities to maximize their investment in affordable housing with a finite amount of public subsidies while producing social, economic, and even environmental benefits for the community. □

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