

# 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 purchase and manage land for the purpose of **providing affordable housing** and **protecting public investment** in such housing. The land is **subsidized** through a financial grant from one or more different actors (public or private). Once that the housing is built on the land trust, the land is legally **"asset locked"** as a protection against fluctuations in the broader land market. CLTs have been driven by both the public sector and civil society. Public investment and subsidies for CLTs enable to establish **resale restrictions**. Their formulas set maximum sale prices and limitations of resale to low or moderate-income families, in order to ensure home

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

### What are the advantages?

There are many advantages of establishing a community land trust (CLT). The main benefit for a city is that communities are ultimately in control of the economic and financial institutions, and determine the land use and development patterns. For the local authorities, investing in a land trust rather than in a private development guarantees that the public money spent to provide affordable housing in the city is captured to stay within the community on the long run. Moreover, one of the greatest advantages for the

community and for the city 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, but with the precondition of a strong local government support. Moreover, for cities facing either rapid gentrification and soaring housing prices, or cities, or disinvestment, and deterioration, CLTs offer a stabilizing strategy that can put growing inequalities in territorial development in check. Giving land ownership to a community land trust can help to transform foreclosed homes and vacant properties in a sustainable community. It can also help regulating the rising housing prices so to avoid the housing market to become unaffordable for a part of the local population.

To summarize, CLTs are:

- **Inclusive**, as they are owned and controlled by the communities themselves. They promote open membership to everyone living or working within 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 sustainably keep the beneficial effects of the public investment in the neighborhood;
- **Empowering**, as they promote a community driven solution to rising

housing prices or urban decline. They offer a genuine model of neighborhood governance, and have the potential to build social capital.

### What are the main challenges?

Local authorities are yet often reluctant to transfer land assets to CLTs, as they are a relatively new phenomenon whose impacts on urban landscapes are still very recent and delicate to assess. CLTs are sometimes considered as competitors to social housing. Their detractors also claim that they are potentially preventing local development rather than enhancing it: Development power in the hands of the trust's members may appear indeed either as an opportunity or a threat for the city's development. One last limit is the cost of establishing and maintaining of a CLT, which is a highly time-consuming process for stakeholders. In the case study presented below, it took Cooper Square four decades to obtain sufficient local support from New York City.

Last but not least, if the core values are not respected right from the beginning – community building and residents' empowerment – CLTs can develop behaving like private developers, therefore defeating the purpose of protecting the land from market fluctuations so as to provide affordable housing. However, even when they do respect CLTs founding principles, opponents sometimes argue that the CLTs' ideology is too close to communism. Others worry that CLTs offer lower returns on housing properties to

**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 after decades of struggle in the rather CLT-isolated setting of the Lower East Side of Manhattan. Cooper Square's detached evolution is quite interesting related to replicability's issues, since it was developed in a context with very few examples to follow and besides displayed a particularly exemplary way to use 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 a 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. We can assume that these substantial savings allow tenants to invest part of their wealth back into the local economy, catalyzing a dynamic of resilient and endogenous community

low-income households than the housing market.

To sum up, challenges for establishing CLTs rest in:

- **reluctance** to try new models
- **ideological perceptions** of a still unknown process
- their **time-consuming** process and limitation of returns on home properties that can discourage some potential members

### An alternative for financing urban development?

Public housing failures in the 1950s and 1960s have created today a quite strong reluctance for public backed social housing in the United States. The housing policy since the 1980s has therefore favored affordable home ownership over the 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 at first similar to subsidized public housing, the big difference is that cities don't need to provide any operating subsidies. The local authorities subsidize only pre-development funding, such as the drafting of a business plan to attract external investment, or help throughout the development process. Either way, the public subsidy is permanently preserved.

**Local authorities in the U.S. have several funding and tools options** at their disposal that they can be mobilized when deciding to work with a Community Land Trust. Some of the

most successful CLTs are: HOME block grants, Community Development Block Grants, USDA Rural Housing Funds, and Housing Trust Funds.

Other tools should be mentioned such as the inclusionary zoning planning ordinances and the Community Reinvestment Act, which requires banks and financial institutions to provide lending and investment opportunities to the communities in which they are established. These tools may also be used by the city to promote the establishment and development of CLTs.

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When affordable housing disappears from the urban landscape, cities suffer economic losses, as there is actually an endemic need for affordable units to provide shelters to the population (hence, continuous investments by local authorities). The model proposed by the Community Land Trust empowers local authorities into maximizing their investment for affordable housing with a limited amount of public subsidies, and yet producing social, economic, and even environmental benefits for the community. □

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132 rue du Faubourg Saint-Denis, Paris, France • +33 (0)1 40 38 66 95 • [www.fmdv.net](http://www.fmdv.net)