

Illinois State University

ISU ReD: Research and eData

Stevenson Center for Community and Economic
Development to Stevenson Center for
Community and Economic
Development—Student Research

Stevenson Center for Community and Economic
Development

2017

Community Land Trusts: A Help or Hindrance to Community Development in the United States

Andrew Kuka
atkuka@ilstu.edu

Follow this and additional works at: <https://ir.library.illinoisstate.edu/scced>



Part of the American Politics Commons, Arts and Humanities Commons, Civic and Community Engagement Commons, Growth and Development Commons, Nonprofit Administration and Management Commons, Real Estate Commons, Social Policy Commons, Social Work Commons, Urban, Community and Regional Planning Commons, Urban Studies Commons, and the Urban Studies and Planning Commons

Recommended Citation

Kuka, Andrew, "Community Land Trusts: A Help or Hindrance to Community Development in the United States" (2017). *Stevenson Center for Community and Economic Development to Stevenson Center for Community and Economic Development—Student Research*. 27.

<https://ir.library.illinoisstate.edu/scced/27>

This Capstone Project is brought to you for free and open access by the Stevenson Center for Community and Economic Development at ISU ReD: Research and eData. It has been accepted for inclusion in Stevenson Center for Community and Economic Development to Stevenson Center for Community and Economic Development—Student Research by an authorized administrator of ISU ReD: Research and eData. For more information, please contact ISURed@ilstu.edu.

Community Land Trusts:
A Help or Hindrance to Community
Development in the United States

Andrew Kuka
Seminar in Community Development
Illinois State University
12/11/2015

Abstract

The availability of affordable housing in the United States continues to be an issue for Americans who are on the brink of homelessness, rely on housing subsidies, or struggle to pay their mortgages or rents. These issues, as well as the gentrification threat that community development poses to low-income residents can have deleterious effects on democratic participation and community development efforts. One proposed solution to these problems is the implementation of more community land trust programs nationally. This paper will assess the practicality of CLTs, and what such an implementation would mean for individuals, government entities, community members, and community development efforts.

Introduction

The current housing market, as well as the conceptualization of housing as a commodity in the United States is exploitative and damaging to both low-income citizens and society as a whole. Under such a housing system, community development tends to push low-income residents out of their communities through a process known as gentrification. In the following paper I will outline the problems which perpetuate the affordable housing crisis in the United States, and consider an alternative approach to affordable housing through the implementation of community land trusts (CLTs).

What is the Problem?

Between 1984 and 2014 the average cost of living in the United States has increased by over 83%. If we look only at the cost of shelter, that alone has increased over 113% (Bureau of Labor Statistics). This would not be so alarming if incomes kept pace with the increasing costs. But, between 1984 and 2014 the median income for U.S. households has increased by just over 13% controlling for inflation (U.S. Census Bureau). These trends suggest that it is becoming increasingly difficult for Americans to make enough money to meet their needs, and the cost of housing plays a significant role in that disparity.

According to the Department of Housing and Urban Development, “a household should pay no more than 30 percent of its annual income on housing.”(United States Department of Housing and Urban Development no date). Nonetheless, in 2006, 39 million households paid more than 30% of their income for their housing. Of this number, almost 17 million paid more than 50 percent of their income to cover housing expenses (Joint Center For Housing Studies of

Harvard University [JCHSHU] 2008). Eight years later, The Bureau of Labor Statistics (2014, 3) found that the average share of income devoted to housing was over 30% for every type of household composition (married/with children/one parent/single/etc.).

Such a high proportion of a family income devoted to housing undermines a family's capacity to pay for food, medical care, and other necessities. The low-income households with children that paid more than 30% of their limited income on housing, have an average of \$257 a month left over for food, \$29 for clothing, and \$9 for healthcare (JCHSHU 2008). The increasing cost of housing has far reaching impacts on families: Whether a family can afford to live in a safe community with a good education system; the livability of their homes; how far one is forced to live from their work, and how much one has to spend on travel costs; as well as how much money is leftover to pay for other needs, are all consequences of housing costs. As this pertains to community development: We cannot realistically expect community members to be democratically involved in the community, and contribute to a bottom-up development approach when they are in a continuous struggle for their own survival. A solution to the affordable housing problem is needed to improve the economic situation of all community members, as well as to help garner more civic participation.

Why is there a Problem?

The rising cost of housing is the result of a number of factors working together, including: the rising mortgage interest rates; community improvements leading to higher land values and taxation; and increasing construction costs (Conaty, and Lewis 2014). Each of these factors are linked to the current political economy which conceptualizes housing as a commodity

to be traded and profited from. This conceptualization of need as a commodity is not unique to housing. It is also expressed in food sales, the provision of water through utilities, education, and medical care.

The primary difference between housing and other commodified needs is the desire, as well as the ability, of each subsequent seller of a property to profit without contributing any real investment to the property themselves. Each time a property is sold, the seller has the potential to gain windfall profits from the increased value of land because of community developments, or the increased demand for housing, since the time of purchase. The only commodities that are remotely similar to housing in this respect are historical artifacts, antiques, and collectibles that increase in value with each passing year because of their increasing rarity and age (if kept in good order). The widespread conception of housing as a commodified investment undercuts the viability of affordable housing in a free market system by allowing landowners to continually profit off of community improvements and the universal, unnegotiable necessity of shelter.

How are We Solving the Problem?

Homerenter Subsidies. The United States' affordable housing problem is not necessarily being solved, but adapted to. More Americans are renting rather than purchasing homes, contributing to rising rental demand and prices (Towey 2009). Additionally, the federal and state government is subsidizing both low-income rental units and home purchases. Rental subsidy vouchers are either paid to the renter or the property owner. The vouchers usually cover either the full cost of the market price of the rental, or the difference between 30% of the renter's annual income and the market value of the rental. When paid directly to the property owner, the landlord must set

aside a decided number housing units that can only be rented by low-income tenants. Whether the money is coming from the individual, or the government, the property owner is still being paid at market-rate (Towey 2009).

Sometimes the construction of new housing developments are heavily subsidized under the conditions that they will provide new low-income housing units, only to opt-out when the contract expires (Bagdol 2013). Additionally, local municipalities sometimes give land to private developers at no cost because of the possibility of an increased tax base through the development's residents, and a higher land value for the surrounding area (Hoover 2015, 1102). Through incentives like these, as well as through the rental subsidy system, individuals are getting a place to stay, but property owners still profit. In short, the need for affordable housing in the U.S. is being treated as a personal problem, not a social issue. While providing housing for individuals, rental subsidies do not do anything to ameliorate the economic exploitation of people with compulsory housing needs by the speculative determining of housing market-rates.

Homeowner Subsidies. Low-income homeowner subsidies differ from rental subsidies. At the time of a property's purchase, government entities "often provide financial support through down payment assistance or a similar cash outlay (Davis 2006).[...] In order to protect the public investment and ensure continued afford-ability, local governments attempt to recoup the initial subsidy when the owner sells the home (Institution for Community Economics no date)." This model of subsidy distribution eases the burden on new low-income homeowners. Unlike the rental model, the subsidy is not lost to the property owner forever, but is eventually returned to the government with a portion of the realize appreciation of the home. Despite this repayment, any of these subsidized properties can be sold at market value, thus decreasing the pool of

affordable housing in the community. Because of a property's appreciation, and the increasing costs of development, recaptured funds are likely to be insufficient to cover the cost of a new affordable unit (Conaty, and Lewis 2014; Towey 2009).

To be fair, the current system of housing subsidies is far better than the preceding method of public housing projects that concentrated the poorest residents into squalid ghettos. With that said, the current rental subsidy program only spreads exploitative costs from the renter to the taxpayers. While homeowner subsidy programs are not as bad, they still produce a net loss for taxpayers. To benefit community development efforts, as well as the well-being of the collective residents of the United States, we need to find a more efficient way to provide decent affordable housing.

Community Development and Gentrification: A Double-edged Sword

In general, community development is considered to be a benevolent practice that aims to leverage community resources and improve the quality of life for all stakeholders. However, when community improvements are made, the speculated market value of the surrounding land increases. Not only does this increase home prices, but also taxes and rental rates. For example, between 1990 and 2000, “the median housing price in five gentrifying neighborhoods in Atlanta rose from \$48,200 to \$116,700” (Bagdol 2013, 944). Similarly, in the Sawmill community of Albuquerque, NM; between 1995 and 2005 property values increased from \$1.05 to \$4.10 per square foot (Bagdol 2013, 945). While an improving community may mean a higher standard of living for many residents, it also means revenue or profits for municipalities, developers, and quick-selling property owners (Turnbull 2009, 23). On the other hand, for low-income families it

can mean forced displacement (Hoover 2014, 1098). This forced displacement because of an area's increasing cost of living is the central issue of gentrification (Bagdol 2013, 944).

The tragedy of gentrification is this: Even when a bottom-up approach to community development is taken, and community members of all income levels work together to improve their community, the low-income residents who have the most to gain are invariably forced out of the community once the improvements are realized. Additionally, because of the positive correlation between racial discrimination and economic inequality in the U.S., historically gentrification has usually meant the displacement of Black people in favor of whites (Gray and Galande 2011; Kennedy and Leonard 2001). Furthermore, the possibility of gentrification disincentivizes community support of, or participation in the community development process. This raises questions about the practicality of the bottom-up approach to development. When development only benefits those wealthy enough to stay, every low-income resident will have a reason to fight against it.

In sum, the latent negative effects of community development tend to contradict the very goals of development by discouraging community involvement and by separating resources from the people who need them the most. This serves to perpetuate economic and racial segregation, preserving inequality. In the following sections of this paper I will consider the merits and pitfalls of a promising affordable housing option that has been gaining traction in the United States since the inception of the "New Communities" community land trust in Albany, Georgia in 1967 (Gray 2008, 70).

Community Land Trusts (CLTs)

A community land trust is “a private nonprofit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for the community residents” (The Institute for Community Economics [ICE] 1982). CLTs offer a form of community development that is unique in their approach to real estate ownership, and their approach to citizen governance (ICE 1982). CLTs acquire properties by either purchasing them with donated funds and government grants, or by acquiring them from the municipal government at no cost for the creation of affordable housing units. Foreclosed and abandoned properties in poor neighborhoods are usual targets for CLT acquisition because of their low price and the difference their rehabilitation would mean for the neighborhood. Once a dwelling is rehabilitated or built on the property, it is sold to a low-income homebuyer with a few conditions: First, the CLT maintains ownership over the land “in trust”. This is the defining characteristic of CLTs. The separation of land from dwellings significantly reduces the initial purchase price of the home, often by 70-75% (Bagdol 2013, 942; Turnbull 2009, 26), making decent homes more affordable to low-income buyers. Homeowners lease the land that the dwelling is on for a nominal fee like \$25 per month (Miller 2015). Additionally, when the homeowner decides to sell their home, they will not earn windfall profits from increased land value due to improvements in the surrounding community. This caveat is huge in preventing personal profiteering from public community development efforts (Pastel 1991).

A second condition to CLT homeownership is that homeowners enter into a 99 year renewable and transferable contract with the CLT that stipulates that the homeowner may only sell the home to a low-income individual, or at a price equatable with what they had paid for the home themselves (CLTs differ in specific practices). In conjunction, the two conditions above

serve to secure affordable housing for decades to come. The dwelling on the CLT property will remain affordable no matter what improvements are made to the surrounding community and no matter how many times it is resold.

The Issue of Property Taxes

The only uncertainty for the homeowner is what this means for their property taxes. Most municipalities are not yet familiar with the CLT model, and cooperation by tax assessors is not universal. Some assessors have determined that either the CLT or the homeowner needs to pay taxes on the full market rate of the property. Other assessors waive property taxes on CLT land completely. A middle option is for CLT homeowners to pay the property tax at the level reserved for affordable housing units, rather than the market-rate. This option helps to maintain the affordability of the CLT home while making a modest contribution to the community's tax base (Bagdol 2013).

Criticisms of CLTs

CLTs Restrict Wealth Building. For many Americans, homeownership is considered to be the main avenue to wealth building. If one can afford to purchase a home, especially one in an “up and coming” area, it is very likely that the property will increase in value as development efforts improve the community over time. The constraints that CLTs put on how much a homeowner can make from selling their CLT home is off-putting to Americans looking for an easy way to increase their wealth. “Most ground leases allow the original price to increase by 25% of any increase in the market value of the home (Bagdol 2013, 943).” Additionally, if CLT homeowners decide to sell their home and move to a place without a CLT, it is unlikely that the profits from

their CLT home will cover the entire cost of another house at market value. This argument against CLTs is not completely valid. First, CLT homeowners tend to be first time homeowners who would not otherwise be able to afford a house at market value. They do not usually have the option of buying a house at market value. Second, CLT homes provide a much more stable environment for wealth building than market value homes. “In 2008, the foreclosure rate of CLT homes was 0.52% compared with the national rate of 3.3% (Bagdol 2013, 943; Miller 2015, 371).”

CLTs Restrict Tax Revenue. Another criticism of CLTs is their cost to the government. CLTs tend to be funded, at least in part, by government grants and subsidies. Additionally, the waiving or reduction of market value property taxes reduces the tax revenue per capita for municipalities. This means that CLT homeowners financially contribute less to the maintenance and creation of community resources, namely public education, than market value homeowners. If a large proportion of housing in one community was CLT homes, municipalities could find that the small amount that they are now getting from property taxes is insufficient to maintain an adequate public education system (Bagdol 2013).

A retort to the criticism that CLTs restrict tax revenue is: First, CLTs are much more financially efficient than the current rental and homeowner subsidy models outlined in the introduction of this paper. Research done by Conaty and Lewis (2014, 38) shows that over 30 years, the public cost of a CLT home subsidy would be \$50,000 (the initial sale price). Over the same time, a home with the same market value as the CLT home would require \$820,000 in government subsidies to remain affordable. Government funds need to continually be added to subsidies because with the increase in property value, more subsidy money is necessary to keep a

market value house affordable each time it is sold (see homeowners subsidy section of this paper) (Towey 2009). Second, CLT homes usually start as foreclosed or abandoned homes, from which no tax revenue is being generated. When CLTs remodel these homes, a contribution is made to the improvement of the entire community. CLT homes can function like other improvements, raising property values and tax revenue in the surrounding area. Third, steps can be taken to restructure taxation so low residential tax revenue does not necessarily mean underfunded public school programs. Vermont is one state that has accomplished this by increasing corporate, gasoline, and cigarette tax, as well as diverting surplus tax revenue in wealthier municipalities to a state fund that is redistributed to municipalities that are more in need. This sort of program makes decent education available to children, even if their parents cannot afford to live in a high cost school district (Bagdol 2013).

CLTs and Community Organizing

Community land trusts utilize a unique technique for ensuring that community interests are held at the center of their role in development. CLT board of directors are usually equally composed of three different groups of people: CLT homeowners, residents of the CLT community, and other interested parties like social service providers, public officials, etc. (Gray 2008). This balance of representation expresses a dedication to community involvement and participation.

Community land trusts can also operate as an avenue for community organizing. Many CLTs provide educational classes, forums for community members to discuss local issues, and are points of contact between community members and the police and other resource centers.

These services help to develop lasting neighborhood leadership that is able to do things like lobby or campaign for the CLT to become a permanent part of the city budget, for a better housing policy, and for fair CLT homeowner property taxes (Gray and Galande 2011, 247).

Conclusion

Affordable housing continues to be a point of struggle and a main decider of livelihood and well being for many Americans. The way the U.S. government currently handles the problem of affordable housing is simplistic, wasteful, and supports the continued profiteering off of human needs and community improvements by landowners. The implementation of community land trusts in America has the potential to open the possibility of homeownership up to millions of low-income residents. CLTs offer an option for maintaining the affordability of subsidized homes in perpetuity without the need for additional subsidy investments. Through their community revitalization and organizing efforts, CLTs can also serve as inherently place based and inclusive community development organizations. All these factors suggest that community land trusts are helpful to community development. However, a city that decides to adopt the CLT model as a major mode of community development and/or affordable housing provision will need to tailor its tax policy to this new system. Community development improvements that sometimes lead to higher property values, taxation, and gentrification would now garner a smaller portion of tax revenue. Municipalities need to balance the potential benefits and costs that CLTs bring to community development efforts with each unique political and economic context.

REFERENCES

- Bagdol, Alese. 2013. "Property Taxes and Community Land Trusts: A Middle Ground." *Texas Law Review* 2013 91 (4):939-959.
- Bureau of Labor Statistics. 2015. "Consumer Expenditure Survey Multiyear Tables."
<http://www.bls.gov/cex/csxmulti.htm>
- Bureau of Labor Statistics. 2016. "CPI Detailed Report Data for February 2016." P73.
<http://www.bls.gov/cpi/cpid1602.pdf>
- Conaty, Pat, and Michael Lewis. 2014. "Affordability locked in: Community land trusts aid households, communities, taxpayers." *Canadian Center for Policy Alternatives Monitor*. March 2014, 36.
- Davis, John E. , 2006. Shared Equity Homeownership: The Changing Landscape of Resale-restricted, owner-occupied Housing 81,
([www.burlingtonassociates.com/resources/archives/ SharedEquityHome.pdf](http://www.burlingtonassociates.com/resources/archives/SharedEquityHome.pdf)) cited by
Towey, Matthew. 2009. "The Land Trust without Land: The Unusual Structure of the Chicago Community Land Trust." *Journal of Affordable Housing & Community Development Law* 18 (3):335-362. p. 5.
- Gray, Karen A. 2008. "Community Land Trusts in the United States." *Journal of Community Practice* 16 (1).

Gray, Karen A., and Mugdha Galande. 2011. "Keeping "Community" in a Community Land Trust." *National Association of Social Workers* 35 (4):241.

Hoover, Joe. 2015. "The Human Right to Housing and Community Empowerment: Home Occupation, Eviction Defence and Community Land Trusts." *Third World Quarterly* 36 (6):1092.

Institute for Community Economics. 1982. *The Community Land Trust Handbook*. Emmaus, Pennsylvania: Rodale Press. 26. cited in Gray, Karen A. 2008. "Community Land Trusts in the United States." *Journal of Community Practice* 16 (1). p. 1.

Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing* 6 (2008). cited in Towey, Matthew. 2009. "The Land Trust without Land: The Unusual Structure of the Chicago Community Land Trust." *Journal of Affordable Housing & Community Development Law* 18 (3):335-362. p. 4

Kennedy, Maureen, and Paul Leonard. 2001. "Dealing with Neighborhood Change: A Primer on Gentrification and Policy Changes." *The Brookings Institution Center on Urban and Metropolitan Policy*. cited in Gray, Karen A., and Mugdha Galande. 2011. "Keeping "Community" in a Community Land Trust." *National Association of Social Workers* 35 (4):241. p. 241-243.

Miller, Stephen R. 2015. "Community Land Trusts: Why Now is the Time to Integrate this Housing Activists' Tool into Local Government Affordable Housing Policies." *Journal of Affordable Housing & Community Development Law* 23 (3):349.

Pastel, Stacey J. 1991. "Community Land Trusts: A Promising Alternative for Affordable Housing." *Journal of Land use & Environmental Law* 6 (2):293-320.

Towey, Matthew. 2009. "The Land Trust without Land: The Unusual Structure of the Chicago Community Land Trust." *Journal of Affordable Housing & Community Development Law* 18 (3):335-362.

Turnbull, Shann. 2009. "Affordable Housing Policy: Not Identifiable with Orthodox Economic Analysis." *ICFAI Journal of Urban Policy* 4 :21.

United States Census Bureau. Historical Income Tables. "Table H-6. Regions-by Median and Mean Income. All Races."

<http://www.census.gov/hhes/www/income/data/historical/household/>

United States Department of Housing and Urban Development, www.hud.gov.

[gov/offices/cpd/affordablehousing/index.cfm](http://www.hud.gov/offices/cpd/affordablehousing/index.cfm) (last visited Feb. 20, 2009) cited in Towey,

Matthew. 2009. "The Land Trust without Land: The Unusual Structure of the Chicago Community Land Trust." *Journal of Affordable Housing & Community Development Law* 18 (3):335-362.. p. 3