

# COMMUNITY LAND TRUST KEEPS PRICES AFFORDABLE —FOR NOW AND FOREVER.

No CHT homeowner has lost a home to foreclosure in the past year. Among the nation's 200 community land trusts, foreclosures are 30 times lower than the national rate.



## Daniel Fireside

Since the recent housing boom went bust, the news has been filled with stories of panic-stricken homeowners, skyrocketing foreclosure rates, and multi-billion-dollar taxpayer bailouts.

It's especially striking, then, that not a single owner of a house, condo, or co-op purchased through the Vermont-based Champlain Housing Trust (CHT) has experienced a foreclosure in the past year. Nor do any of the renters in the more than 1,600 CHT apartments have to fear eviction because of the mortgage meltdown. It's the kind of track record that has brought the CHT international accolades and sparked an affordable housing revolution.

Over the past 25 years, the CHT has become one of the largest providers of affordable housing in the tri-county area surrounding Burlington, the state's largest city, and home to its priciest homes and tightest rental market.

The genesis of the idea took form in the late 1970s, when environmentalist Rick Carbin formed the Vermont Land Trust to preserve open space as developers bought up farms. Instead of buying and holding land, as some land trusts do, the trust bought undeveloped properties at the edge of urban areas and resold them, often at a profit, but with strict limits on future development.

Then, in the early 1980s, wealthy out-of-town speculators began driving up the cost of housing in Burlington. Longtime working-class residents were being priced out of their homes and neighborhoods. Frustration reached a

boiling point when the political establishment cut a deal with big-time developers to put upscale apartments on the city's scenic waterfront. Voter disgust with this plan to privatize public space led to an upset mayoral victory in 1981 by socialist gadfly Bernie Sanders and his ragtag Progressive Coalition.

Sanders and the coalition quickly sought to develop institutions that would have a lasting impact. They established the Burlington Community Land Trust as an independent non-profit corporation in 1984 with backing from the Burlington City Council and \$200,000 in seed money. While the land trust was designed primarily to promote sustainable home ownership in the city, the Lake Champlain Housing Development Corporation, set up at the same time, focused on rental properties in the areas surrounding Burlington. The two organizations merged in 2006 to form the nonprofit CHT.

The trust became a central part of the area's affordable housing effort—one that bridges the ideological divide between a flawed free-market approach and heavy-handed government intervention. Both Democratic and Republican politicians found it difficult to oppose a program that promotes home ownership and offers life-long renters a "piece of the American Dream."

### Housing Trust 101

Buying land through a housing trust starts when the trust acquires a parcel through purchase, foreclosure, tax

abatements, or donation. The trust arranges for a housing unit to be built on the parcel if one does not yet exist, then sells the building but retains ownership of the land beneath. The new homeowner leases the land for a nominal sum (for example, \$25 per month), generally for 99 years or until the house is resold.

This model supports affordable housing in several ways. First, homebuyers have to meet low-income requirements. Second, the buying price of the home is reduced because it does not include the price of the land. Third, the trust works with lenders to reduce mortgage costs by using the equity of the land as part of the mortgage calculation. This reduces the size of the down payment and other closing costs, and eliminates the need for private mortgage insurance. In all,





CRAIG LINE FOR CHAMPLAIN HOUSING TRUST

the trust can cut the cost of home ownership by 25 percent or more.

For longtime CHT member Bob Robbins, purchasing a home through the trust was the only affordable option. "We did not have access to money for a down payment on a regular home, and at our income level, we wouldn't have qualified for a mortgage," Robbins says. "Through the CHT, we were able to purchase a \$99,000 home with just \$2,500 down."

Unlike federal programs that only help the initial buyer, the CHT keeps the property affordable in perpetuity by restricting the profit buyers are able to take when they sell the house. According to the terms of the CHT leases, homeowners get back all of their equity plus the market value of any capital improvements they made. However,

they only get 25 percent of any increase in the value of the house, and none of the increase in the value of the land.

This model gives the buyer access to the benefits of homeownership otherwise beyond her means, including tax deductions, wealth accumulation through equity, and stable housing costs. In return, she gives up her chance at windfall profits. A study of trust homes sold to a second generation of buyers showed that members were realizing a net gain of 29 percent on the money they had invested. "These aren't sky-high returns," says CHT executive director Brenda Torpy. But most CHT

**New homeowners at a land trust development in the Old North End neighborhood of Burlington, Vermont. In the early 1980s, soaring housing costs were pricing longtime residents out of their own neighborhoods, and so the nation's first municipally funded community land trust was born. Today it's the nation's largest, and this year it's being honored with a prestigious U.N. World Habitat Award.**

homeowners would never have been able to buy homes otherwise.

"We're trying to stop the concentration of land in the hands of a wealthy minority," says Torpy.

The CHT has become an increasingly important force in Burlington's housing market as well as in the surrounding counties, even as city administrations have come and gone. After 25 years, the trust has over 2,100 households living in its homes, condos, and apartments, not concentrated in pockets of poverty, but spread throughout the area. Since the 2006 merger of the Burlington Community Land



» Trust and the Lake Champlain Community Development Corporation into the CHT, the trust has become one of the region's largest managers of rental property.

The CHT is remarkable not only for its size, but for its promotion of community empowerment. CHT tenants and owners vote for and serve on its governing board, along with government officials and other city residents with technical expertise, such as architects and urban planners. The system is designed so that all interested parties have a voice and a vote, making it an experiment in democratic self-governance as well as an affordable housing program.

### Booms Without the Bust

CHT employs several strategies to make sure their model succeeds, even during tough times. They offer homes below the market rate—typically half the price of a comparable open-market unit. Unlike shady mortgage brokers, “we’re not going to let people take risky mortgage products,” says Chris Donnelly, CHT’s director of community relations. And if residents run into trouble, the land trust works with them. “It’s not hand-holding,” Donnelly says. “It’s standing next to the homeowner.”

A study conducted in December showed that foreclosure rates among members of 80 housing trusts across the United States were 30 times lower than the national average.

Tenants in the trust’s rental properties are also benefiting from CHT’s commitment to affordability and community building. By leveraging grants and subsidies, and because they aren’t seeking a profit, CHT is able to keep rents up to 30 percent below market rate, even though they use the most environmentally rigorous building standards and set aside funds to cover future maintenance and repairs. The trust fixes up the buildings that for-profit companies won’t touch. “When a fire destroys a block, we’re the ones who come running in to restore the neigh-

borhood,” says Donnelly.

“We’re going to steward these places forever,” says Donnelly.

Housing advocates in Burlington have created a sustainable model for affordable housing through shrewd politics and a belief that housing is a fundamental human right rather than a commodity. Their model is being emulated across the country. There are 200 community land trusts in the United States today, including in large cities like Atlanta and Cincinnati. Washington, D.C., is in the midst of creating a 1,000-home land trust with advice and support from the CHT. Half of these trusts started up in just the past seven years.

Back in Burlington, the main obstacle to CHT’s expansion is money. The trust relies on government programs, grants, and donations to bring new properties into its model. “We’re doing about 25 new homes each year, and about 25 to 30 resales. We could easily do 100 sales a year if we just had enough cheap capital. The model has been proven to work. It’s gone to scale. It would be a great way to fill the need without the problems we’re seeing nationally,” says Donnelly. But public funding has been flat or falling in recent years, and the economic downturn will make other funding harder to find.

Donnelly hopes that the recent troubles in the conventional housing market and some international accolades will help spur more interest in the land trust model.

In October, CHT will be honored with a World Habitat Award at the annual gathering of UN-HABITAT, the global agency dedicated to sustainable living. The award is one of only two given out each year. Donnelly is proud of the achievement. “It’s like the Nobel Prize for sustainable development and housing.”

**Daniel Fireside** is book editor at *Dollars & Sense* magazine, [www.dollarsandsense.org](http://www.dollarsandsense.org). An earlier version of this article appeared in *Dollars & Sense*. Interested in joining or starting a land trust in your city? Contact the National Community Land Network, [cltnetwork.org](http://cltnetwork.org).



Co-op members earn 50-100% more than they would make working for a conventional cleaning company. On average, their household incomes have increased by 45%.

## CREATE YOUR OWN WORKPLACE

### Layla Aslani

Maria Rosales always dreamed of owning her own business and had the know-how to do it. She grew up helping her parents run a restaurant, market, and farm in Mexico, and later helped her sister with her work at a banana export business. But when Rosales immigrated to the United States, she found she lacked the formal education and capital to start her own business. So she took a job on a Silicon Valley electronics assembly line.

Life changed for Rosales years later when she learned about Women’s Action to Gain Economic Security, or WAGES, a San Francisco Bay-area organization that helps low-income women start businesses. The staff of WAGES invited her to join four other women in starting a cooperative.

Under a cooperative business model, each participant is both a worker and an owner of the venture, sharing the costs and profits equally.

“Cooperatives give more people access to business ownership,” says WAGES executive director Hilary