



HEALTHY AND AFFORDABLE HOUSING Fact Sheet

Community Land Trusts

Overview

Safe, stable housing can contribute to improvements in mental and physical health, civic engagement, social skills, educational and professional achievement, and can decrease use of emergency services.¹ When housing is affordable, it can prevent stunted growth in children and decrease hospitalizations.² Homeownership is in the nation's best interest because it brings stability to families, and can revive struggling communities and contribute to economic growth.³ Unfortunately, safe and stable housing via ownership is not attainable for everyone. The number of people in the U.S. experiencing homelessness has been increasing steadily since 2016, and as of January 2023, that number is over 653,000.⁴ Thirty-five percent of households nationwide are considered "housing cost burdened" because they spend more than 30% of their income on housing. Renters are more likely to be housing cost burdened than homeowners, even when they have similar income levels as homeowners.⁵ Because of this burden, renters can have difficulty saving for a down payment and transitioning into homeownership. Renters are also unable to accumulate wealth by way of building value (equity) in their residences and cannot pass their residences to their loved ones to build generational wealth.

A system of "shared ownership" called a community land trust (CLT) can make homeownership permanently more affordable and accessible, especially in areas facing rapid economic change and appreciating land values.⁶ CLTs drive the cost of housing down by separating the price of the land from the price of the residence on the land. CLTs, typically organized as non-profits, buy properties and sell the residences on the properties for a low price to individuals or families with low incomes.⁷ The CLTs then lease the underlying land to the buyers for a low price and a long lease term. Typically, the leases last 99 years and cost the homebuyers anywhere from \$1 per year to \$100 per month.⁸ Proceeds from the land leases typically go toward the CLT's administrative expenses, fund a long-term property repair reserve, and/or cover property taxes.⁹ The buyer is then free to use the land and make improvements to the property as desired, the same as traditional homeowners. However, CLTs often have power through the land lease agreement to force a homeowner to make necessary repairs if the residence falls into disrepair.¹⁰

When a homeowner decides to sell their home and give up their land lease, the sale price of their home is determined by a CLT-adopted formula that takes into consideration improvements made to the property, market conditions, and other factors. They are required to sell the home to someone who meets the CLT's income requirements, and the CLT typically reserves the right to buy the house back.¹¹ The equity on the residence is usually split between the seller and the CLT, allowing the seller to benefit from their ownership and any improvements they made on the residence that increased its



value, but keeping the residence affordable for the next buyer.

The table below offers a comparison of CLT and traditional homeownership.¹²


Typical CLT Homeownership	Traditional Homeownership
Mortgage from a bank	Mortgage from a bank
Accumulates limited equity	Accumulates full equity
Free to make improvements to the land and residence	Free to make improvements to the land and residence
Homeowners may bequeath their land lease	Homeowners may bequeath both their land and their residence
Varies, but may share responsibility with the CLT for repairs, insurance, property taxes, etc.	Responsible for all repairs, insurance, property taxes, etc.
Homeowner owns only the residence, leases the land	Homeowner owns both the residence and the land
Must sell to a person with low income according to CLT restrictions	May sell to anyone
Must sell for a below-market price set by the CLT	May sell for any price

Community land trusts are one form of shared equity homeownership. Other models of shared equity homeownership include deed-restricted homeownership and limited-equity cooperatives.¹³ Deed restrictions have been used for decades to regulate the appearance and character of neighborhoods and condominiums, but they can also be used to preserve affordability.¹⁴ In the context of shared equity homeownership, deed restrictions may place limits on resale price, eligible buyers, and permissible use of land (e.g., use as a primary residence), similar to the resale restrictions on CLT residences.¹⁵ Limited-equity cooperatives have many of the same characteristics as CLTs, except that participants purchase a share in a development, as opposed to buying a specific individual unit.¹⁶ This fact sheet focuses on CLTs, which are the most prevalent model of shared equity homeownership in the United States.¹⁷ Contact the Network if you have questions about other models.

History and Prevalence

The CLT model emerged in the U.S. during the civil rights movement, as an effort to provide opportunities for long-term stability and independence for African Americans in the south.¹⁸ The first CLT was established in Ohio in 1969, but the model did not rise to prevalence until the 1990s.¹⁹ Today, there are over 250 CLTs across the country.²⁰ The model has also spread to other continents and is continuing to gain popularity in North and South America, Australia, Africa, and Europe.²¹ CLTs in the United Kingdom have been “growing exponentially for a decade.”²²

The largest CLT in the world operates in Vermont – the Champlain Housing Trust has over 3,000 homes available for families and individuals with low incomes.²³ The Trust has a variety of residences and land types, from manufactured home lots, to condominiums, to four-bedroom single family homes, all offered at prices 30% to 400% lower than area medians.²⁴ In Texas, the Houston CLT helped house 47 people in 21 homes between June 2019 and June 2020, and according to its annual report is the fastest growing CLT in the country.²⁵ The median sale price of residences in the



Houston CLT is just over \$75,000, more than three times lower than the area median of \$240,000.²⁶

State and local governments can encourage CLT formation and growth through subsidies for land purchases and other policy measures. For example, in the Fall of 2021, the mayor of Baltimore, Maryland announced that \$4 million would be given to CLT initiatives as “part of a broader mixed-income housing strategy.”²⁷ The state of California adopted a law in 2016 designed to keep property taxes low for CLT properties. The law requires assessors to consider the fact that the CLT is in place intentionally to keep value appreciation low in order to keep prices low, leading to a lower assessed land value and lower property taxes.²⁸

Impact

CLTs are immensely valuable to the communities they operate in. By regulating sale and resale prices of residences and granting 99-year leases, they keep housing affordable in the long term without losing money or significantly disadvantaging residents. Although funding for land purchases and residence repairs or new construction can be difficult to acquire, once the initial investments are made, CLTs are self-sustaining and do not require significant additional resources.²⁹ CLTs are also beneficial because they are sensitive to local needs and priorities. They are governed by boards that often include subject-matter experts, local government leaders, and community members, including those who live in the CLT-sponsored residences.³⁰ CLTs can also protect their communities from negative consequences of gentrification because they own the land and are not at the mercy of changes in the economy that can begin to price people out of their communities.³¹ CLT residences and residents are not subject to the same negative stigma that surrounds other affordable housing programs – such as rent controlled units and project-based housing – because CLT residences are often spread throughout a community, with CLTs buying up whatever property they can when it is financially feasible to do so. Residents are also homeowners – they are not as transient as renters, and they have an incentive to improve and maintain their properties. Although CLT residents cannot benefit financially as significantly from homeownership as traditional homeowners because of equity sharing and resale price restrictions, unlike renters they do experience some appreciation in value and get a return on their investment.³² Finally, CLT residents have low rates of foreclosure likely due to affordable purchase prices and the willingness of many CLTs to assist their residents in case of default.³³

Conclusion

Community land trusts are emerging as a sustainable and effective tool to improve housing affordability and help under-resourced families and individuals become homeowners. Although CLTs have not been as widely studied for effectiveness as more prevalent housing affordability tools such as rent control and public housing have, the data that does exist suggests that CLTs may be one of the most effective tools for increasing homeownership. Some even refer to CLTs as “proven winner[s].”³⁴ While some minor challenges for establishing CLTs exist (e.g., securing initial funding), states and local governments and non-profit organizations should consider establishing them in their communities to improve the health and wellbeing of community members who could not otherwise secure safe and affordable housing.

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SUPPORTERS

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