



# Community Land Trusts

Permanent Affordable Housing for  
Central Texans



A Product of the Housing Local Member Council of ULI Austin

# Community Land Trusts

## Affordable Housing Forever

*CLTs are an essential, strategic solution for permanently affordable family and workforce housing.*



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## ABOUT ULI AUSTIN

As the preeminent, interdisciplinary real estate forum, the Urban Land Institute (ULI) facilitates the open exchange of ideas, information and experience among local, national and international industry leaders and policy makers who are dedicated to creating better places. ULI has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

Established locally in 1994, ULI Austin is a district council of the Urban Land Institute where real estate professionals from across Central Texas exchange ideas and best practices to serve community needs. ULI Austin brings together leaders from both private and public sectors who share a common interest in responsible land use strategies and a commitment to excellence in development practice.

ULI Austin does not advocate; we offer fact-based information through research, education and publishing. ULI Austin collaborates with other industry-leading organizations on a number of land use initiatives, including but not limited to workforce housing, high-capacity transit and roadways, the reuse of existing infrastructure, and planning healthier environments.

Learn more about ULI: <http://austin.uli.org/about-us/>

### Local Member Councils

This white paper is a product of the Housing Local Product Council. Local Member Councils are designed to engage members based on their expertise and passion within the land use industry. Local Member Councils are topically focused, multidisciplinary groups that meet regularly to exchange ideas, examine industry trends, and share information and best practices in a collaborative and collegial manner. Local Member Councils are a mission-focused way of bringing together ULI members to have an impact in our communities by:

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
- Fostering collaboration within ULI's membership – and beyond – by developing trusted connections through dialogue, knowledge sharing and problem solving;
- Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
- Advancing land use policies and design practices that respect the uniqueness of both the built and natural environments; and
- Leveraging the expertise of ULI's membership to strengthen the Institute's overall impact.

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# EXECUTIVE SUMMARY

Throughout cities, families and individuals in the workforce increasingly fall into the gap between those qualifying for low-income housing and those who can afford market-rate housing. While there is not a single solution, Community Land Trusts (CLTs) offer a unique tool to fill that gap in the housing continuum.

Land trusts are not a novel concept. They have been used for conservation purposes to protect land for public benefit, such as wildlife preservation or open space. More recently, they have been used to advance community interests, such as long-term affordable housing and stabilization of rapidly changing neighborhoods.

CLTs are nonprofit organizations created by communities to acquire and hold land for the purpose of developing and preserving long-term affordable housing on the land. CLTs can provide affordable housing for low- to moderate-income residents in two ways:

1. **Homeownership:** selling a house located on the land to a resident and leasing the land to the resident under a ground lease, or
2. **Rental:** leasing a housing unit located on the land to the resident.<sup>1</sup>

Affordability is protected in the near-term through income requirements (under 60% MFI for rental and 60-120% MFI for homeownership). Affordability is permanently protected through fixed home value appreciation and a 99-year ground lease that includes resale restrictions and renews with each home sale transaction. Long-term affordability protections can be applied to rental units through land use restriction agreements.

CLTs require investment to acquire land. This can be from capital that an established nonprofit already has or from a community investment (such as general obligation bonds or housing trust funds). In either case, it is a one-time investment in an asset that creates permanently affordable housing for future generations.

CLTs help alleviate the affordable housing conundrum without ongoing subsidies. The community invests in a one-time, self-sustaining property asset that creates permanently affordable housing that is attainable today and affordable for future generations.

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<sup>1</sup> Texas Local Government Code Section 373B.002 and 373B.004.

The following table summarizes community stakeholders who benefit from CLTs, and the way each benefit can be achieved.

**Table 1: Realizing the Long-Term Value and Benefits of Land Trusts**

Value	CLT Benefits	How it Works
Stabilizes neighborhoods	Reduces displacement of existing neighbors.	<ul style="list-style-type: none"> <li>CLTs can support revitalization of neighborhoods.</li> <li>CLT can support long-term residents and create new housing opportunities for existing residents.</li> </ul>
	Provides long-term stability to neighborhoods, with resulting benefits to families and childhood education	<ul style="list-style-type: none"> <li>Fixed asset appreciation guards against market volatility.</li> <li>CLTs can provide homebuyer education, support, and foreclosure prevention as part of the regular communication with its homeowners.</li> <li>Preventing and mitigating property tax and mortgage defaults is built in to the relationship and agreement between CLT and homeowner.</li> </ul>
Affordable housing for family and workforce	Provides housing opportunities for working class households	<ul style="list-style-type: none"> <li>CLT targets 60-120% MFI for homeownership.</li> <li>CLT can provide home buying opportunities for income demographic that has scarce opportunities otherwise.</li> </ul>
	Upward mobility between low-income and market-rate housing	<ul style="list-style-type: none"> <li>Modest increase in equity through fixed appreciation helps homeowners move beyond CLTs.</li> </ul>
Long-term community investment	Permanently affordable housing, including future residents	<ul style="list-style-type: none"> <li>CLT 99-year ground lease moderates resale price and ensures income requirements in future resales.</li> </ul>
	Asset continues to benefit community that owns it	<ul style="list-style-type: none"> <li>CLT owns the land; taxing jurisdictions collect taxes on improvements and lease value of the land.</li> <li>CLTs become self-sufficient over time.</li> </ul>
Opportunity for public-private development	Can involve market-rate developers	<ul style="list-style-type: none"> <li>For-profit builders can develop CLT housing.</li> </ul>
	Can provide for a mix of housing opportunities	<ul style="list-style-type: none"> <li>If well-capitalized, nonprofit CLTs can respond quickly to land-acquisition opportunities — more so than government.</li> <li>CLTs are commonly used for homeownership but also can be used for rental housing.</li> </ul>



Texas code defines CLTs, allowing them to be used statewide. The following best practices capitalize on the unique strengths of CLTs or strengthen them further:

- Get a memorandum of understanding (MOU) from the applicable tax assessment district to determine property value sooner, for property tax predictability.
- Expand CLT use for rentals, mixed-income developments, and commercial property.
- Offer homeowners regular counseling on the resale formula, so they know how to build wealth through their homes. Keep the formula simple to lower administrative burden and dispute risk.
- In the monthly ground lease fee, include enough to help fund CLT operations.
- Require a certain number of multi-bedroom units that attract families.
- Ensure the CLT can own land debt-free.
- When deciding whether to start a separate nonprofit or add the CLT program part of an existing nonprofit, work with a lawyer.
- Purchase as much land and as many existing homes as possible while costs are affordable. Consider converting some existing rental homes into CLT homeownership homes.

The “[Guide for Developing CLT Affordable Homeownership Programs in Texas](#)” (Eliza Platts-Mills, University of Texas, 2018) from the Entrepreneurship and Community Development Clinic at The University of Texas School of Law provides the blueprint for creating and scaling CLTs statewide.



*Figure 1: Ribbon cutting for actual CLT home and family in Austin*

# COMMUNITY LAND TRUSTS

## Why Study CLTs

In cities across the country, families and individuals who sustain those cities are getting priced out of their neighborhoods or displaced due to skyrocketing property taxes. These low- and moderate-income families include those who make our cities run — from firefighters, construction, and service industry workers to teachers, paralegals, and healthcare workers. As more people fall into the gap between those qualifying for low-income housing and those who can afford market-rate housing, community land trusts (CLTs) offer a unique tool to fill that gap in the housing continuum.

Land trusts are not a novel concept. They have been used for conservation purposes to protect land for public benefit, such as wildlife preservation or open space. More recently, they have been used to advance community interests, such as long-term affordable housing and stabilization of rapidly changing neighborhoods.

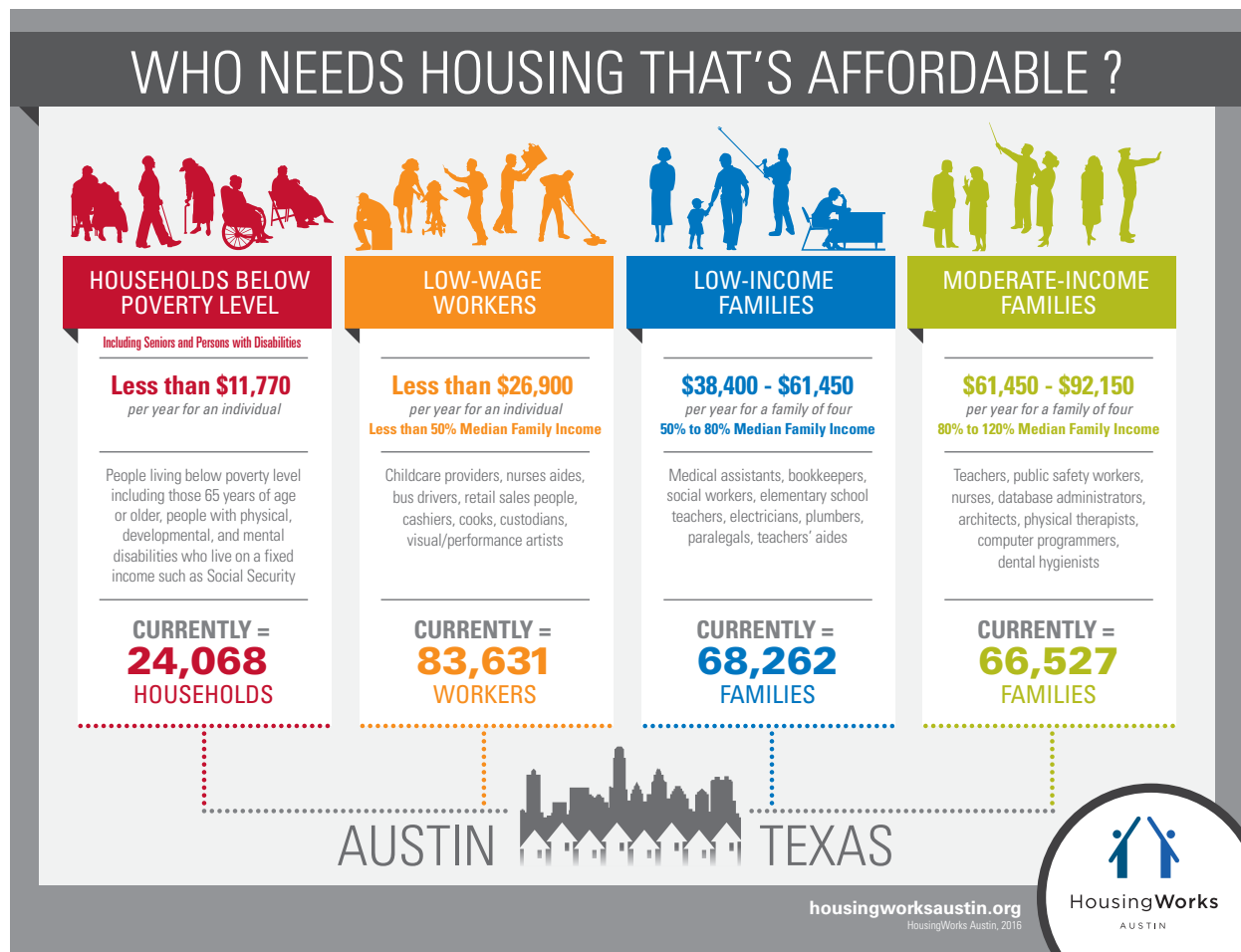


Figure 2: Understanding who needs affordable housing in Austin, Image provided by HousingWorks Austin.

## Home Ownership and Rentals on Community-Owned Land

CLTs are nonprofit organizations created by communities to acquire and hold land for the purpose of developing and preserving long-term affordable housing on the land. CLTs can provide affordable housing for low- to moderate-income residents in two ways: (1) homeownership: selling a house located on the land to a resident and leasing the land to the resident under a ground lease, or (2) rental: leasing a housing unit located on the land to the resident.<sup>2</sup>

CLTs enable community stability through shared equity between homeowner and land trust — without any direct government assistance. A homeowner buys the house and leases the land from the CLT. Likewise, a multifamily building owner would lease the land from the CLT, with guidelines for renters that correspond to those for homeowners.

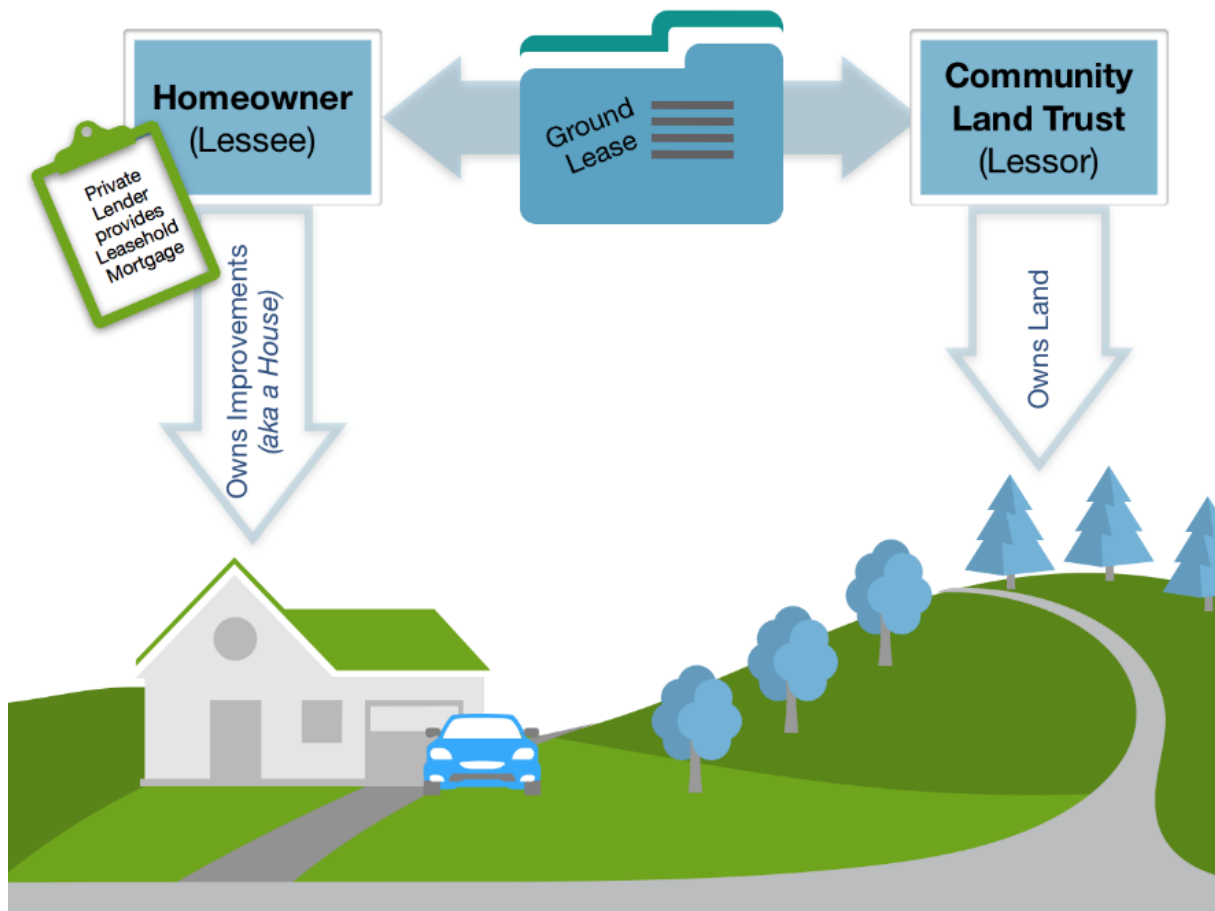


Figure 3: How a CLT Works. Image created by ULI Austin

<sup>2</sup> Texas Local Government Code Section 373B.002 and 373B.004.



## How CLTs Work

1. CLT:
  - a) Secures capital to acquire land within the designated CLT area.
  - b) Builds or rehabilitates housing on CLT property by working with nonprofit or for-profit developers.
  - c) Defines land lease terms including improvement appreciation limitations for resale value to ensure long term affordability and limit improvement tax liability.
  - d) Limits tax liability, even if resale value increases, amortizing the improvement, not the land.
  - e) Pays property tax on the land based on its leasing income (with agreement of tax assessment district).
2. Owner residents:
  - a) Buy the housing on the CLT — but lease the land from the CLT.
  - b) Pay a monthly ground lease fee to the CLT to support its operations.
  - c) Resident can sell the house at a price guided by the CLT agreement, earning part of the increase.
  - d) Pays property tax on improvements, with limited liability due to resale appreciation limits included in the CLT.
3. Next-generation resident:
  - a) Buys the house at the still-affordable price.
  - b) Agrees to the same resale requirements as previous owner through renewal of 99-year ground lease.
4. Rental resident:
  - a) Up to 60% MFI resident rents unit from CLT.

### Opportunity to Expand CLT

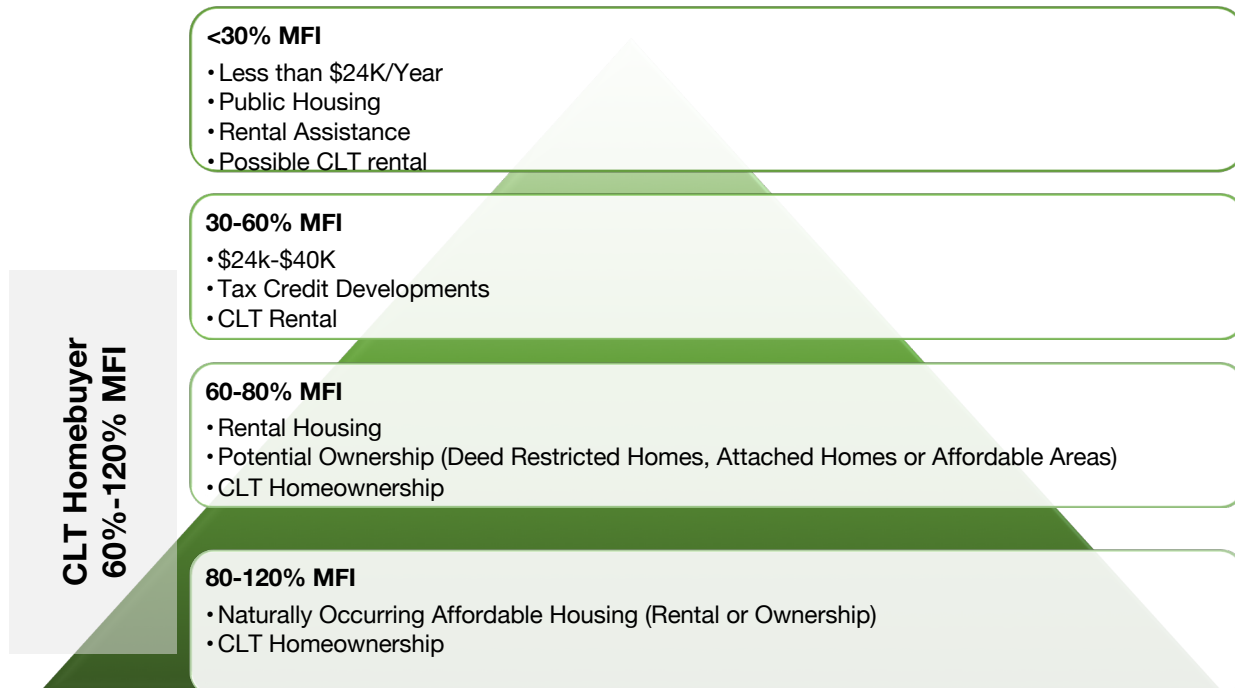
The City of Austin November 2018 ballot contains a \$250M bond that includes \$100M for land acquisition. CLTs would be one way to invest the money so that it would continue to benefit the city forever. Austin Housing Finance Corp (not the city) could use the land acquisition dollars to purchase land and turn it over to a designated CLT. Alternatively, CLTs or nonprofit developers, or for-profit developers working in tandem with nonprofit developers could apply for some of that money to do the same and develop homes on the land.

While the CLT retains ownership of the land, ownership of the improvements is conveyed via warranty deed<sup>3</sup> and the use of the land is conveyed via a 99-year ground lease. Every time a house on a CLT sells, it includes a 99-year ground lease. Valuing the land based on the long-term ground lease moderates the property tax, keeping the housing affordable to low- or moderate-income families. A homeowner can make limited money on the improvements and land value is stabilized by the long-term lease and CLT agreement — ensuring continued affordability.

<sup>3</sup> Kelly Weiss, “CLT Report,” (City of Austin, Austin, Texas, 2005), 8.

Several aspects of the 99-year ground lease help maintain neighborhood stability and affordability in perpetuity:

- Resale price is agreed to between CLT and homeowner. It is set to give homeowners a fair return<sup>4</sup> on their investment, but at a price that is affordable to low- or moderate-income buyers.
- A fixed appreciation rate, usually 2% annually, is part of the CLT agreement. As a result, property tax (and rent includes a share of that) increases slower when you buy a home or rent an apartment from a CLT because the long-term land lease stabilizes property taxes on improvements (paid by homeowner) and on the land lease income (paid by CLT).
- Income qualification and verification for renters and buyers on a CLT is built into the ground lease. The ground lease requires that when a property is sold, it is to a low- or moderate-income buyer, based on percentage of median family income (MFI), ranging from 60% to 120% MFI.
  - In Austin, most CLT home buyers are at or below 80% MFI, but CLT housing provides housing for a range of 60% to 120% of MFI
  - CLT renters range up to 60% MFI
- The CLT ground lease fee covers administrative and operating costs. As a nonprofit entity, separate from government, the CLT handles homeowner/renter communications and relations, ranging from mandating repairs to curing defaults<sup>5</sup> that might result in foreclosure.



<sup>4</sup> Weiss, "CLT Report," 8.

<sup>5</sup> Weiss, "CLT Report," 11.

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The CLT is typically a community-based organization, with members from its own leaseholders, residents, and the community at-large. The CLT board of directors is traditionally composed of three parts, each with an equal number of seats, to ensure that all interests are balanced: ground lease holders (homeowners), people from the community, and those representing the public interest (such as public officials, local funders, nonprofit housing providers, or social services).<sup>6</sup>

### *Resale Formula*

When selling a CLT home, homeowners sell at a price set by a formula determined by the CLT organization, and they must sell to an approved buyer with income-based eligibility. The ground lease includes the resale formula — the CLT model’s key to ensuring affordable homeownership in perpetuity.<sup>7</sup>

CLT resale formula objectives:

- Guarantee access to affordable homeownership for future low-income residents.
- Provide a fair return for the current homeowner on the owner’s investment.
- Promote long-term occupancy and adequate maintenance by homeowners.

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<sup>6</sup> Weiss, “CLT Report,” 9.

<sup>7</sup> Eliza Platts-Mills, “Guide for Developing CLT Affordable Homeownership Programs in Texas,” (Austin, Texas, Univ. of Texas, 2018), 15. <https://law.utexas.edu/wp-content/uploads/sites/11/2018/07/2018-07-ECDC-CLT-Toolkit.pdf>

# CLT BENEFITS

## Demand for Affordable Housing

Families and workforce subjected to the speculative land market often get priced out of their neighborhoods or displaced due to property taxes. How can we solve the growing gap between those who qualify for low-income housing and those who can afford market-rate housing? A key opportunity can be found in the incomes of families in that gap. Bridging the disconnect between income growth and rising property tax burdens can enable those homeowners and renters to stay in their homes.

CLTs can bridge that gap by helping people who cannot afford market-rate housing, but do not qualify for low-income housing. These land trusts are not typical low-income housing that require ongoing public funding, and they do not involve low-income housing tax credits (LIHTC). They are for families and individuals who can afford housing, but



*Figure 4: Example of Housing for a CLT*

not at rapidly rising market rates and not near where they work. CLTs do not compete with other nonprofit housing as much as they offer a unique tool to fill the gap in the housing continuum.

While various low-income housing options can fill the immediate need for affordable units, CLTs offer a unique tool for long-term affordable housing. There is still a need for the variety of nonprofit housing providers and other low-income housing developers, especially those who serve households at or below 50% median family income (MFI).

The various affordable housing solutions available often cannot deliver enough affordable units in a fast-growth market, even when given the funding and support to succeed. Consider Austin, Texas, where “Between 2010 and 2016, housing cost increases outpaced household income at a rate of nearly 750%.” (From Impact Hub’s Affordability Accelerator page: <https://www.impacthubaustin.com/accelerator/affordability/>)

Government-assisted housing has its opponents, it can be uncertain due to changing laws, and it can be difficult to attain. CLTs enable community stability by way of a community-driven investment — without the need for continued funding, beyond the initial investment to acquire the land. Similar to an infrastructure investment, a CLT stimulates individual investment and growth. It does so by creating attainable housing for buyers and renters, housing that remains affordable forever.

Nonprofit and public investment enables individuals to invest in homes on a CLT, but it also dovetails with private market-rate development. For-profit volume builders can continue to offer affordable housing, but with long-term benefits. CLTs create lasting community assets while increasing tax income for the city and minimizing neighborhood gentrification.

## One-time Investment, Permanent Affordability

CLTs require investment to acquire land. This can be from capital that an established nonprofit already has or from a community investment (such as general obligation bonds or housing trust funds). Either way, it is a one-time investment in an asset that creates permanently affordable housing for future generations.

The CLT is designed to preserve household affordability, one owner after another, one generation after another, forever.<sup>8</sup> CLTs add a unique tool for achieving permanent affordable housing. They create lasting community assets like infrastructure, but with a return on the investment. CLTs enable families to pay for housing while maintaining long-term affordability. One ULI Austin Housing Local Member Council member explained “it’s about ensuring that housing choices are not limited to only subsidized or market-rate.”

## Transforming Affordable Housing

Community land trusts make affordable housing work for everybody by transforming a controversial problem into a community asset. They unite the private sector, public sector, and low-income community to attract both public and private investment. Since CLTs are not government-built or market developer-built public housing, the CLT can be nimble and flexible — not subject to politics — so it can better negotiate land acquisition in the private market.<sup>9</sup>

The community supports CLTs because the community is built into the structure and process: residents, neighbors, and financing organizations are part of the CLT board of directors. Those stakeholders all benefit from the resulting stability of permanent affordable housing.



*Figure 5: Example of Housing for a CLT*

Homes on CLTs are marketable. CLT homeowners can build equity since housing is of competitive quality and location. With housing quality ensured by the CLT agreement and organizational involvement, the home is eminently sellable — even as it remains more affordable than what is available in the purely private market. Affordability is ensured by the 99-year ground lease that moderates resale price and ensures income requirements in future resales.

CLTs help homeowners advance to market-rate homeownership by enabling them to earn a return on their own investment in the property on that CLT. The CLT ground lease stabilizes land value while maintaining flexibility for housing values (improvements) to appreciate.

<sup>8</sup> Weiss, “CLT Report,” 8.

<sup>9</sup> Weiss, “CLT Report,” 4.

## Benefits of CLTs

The CLT model provides distinct and important advantages for securing and maintaining perpetual affordability.

The following table shows how the benefits of CLTs can be achieved.

**Table 2: Benefits of CLTs and How They Work**

Value	CLT Benefits	How it Works
Stabilizes neighborhoods	Reduces displacement of existing neighbors.	<ul style="list-style-type: none"> <li>• CLTs can support revitalization of neighborhoods.</li> <li>• CLT can support long-term residents and create new housing opportunities for existing residents.</li> </ul>
	Provides long-term stability to neighborhoods, with resulting benefits to families and childhood education	<ul style="list-style-type: none"> <li>• Fixed asset appreciation guards against market volatility.</li> <li>• CLTs can provide homebuyer education, support, and foreclosure prevention as part of the regular communication with its homeowners.</li> <li>• Preventing and mitigating property tax and mortgage defaults is built in to the relationship and agreement between CLT and homeowner.</li> </ul>
Affordable housing for family and workforce	Provides housing opportunities for working class households	<ul style="list-style-type: none"> <li>• CLT targets 60-120% MFI for homeownership.</li> <li>• CLT can provide home buying opportunities for income demographic that has scarce opportunities otherwise.</li> </ul>
	Upward mobility between low-income and market-rate housing	<ul style="list-style-type: none"> <li>• Modest increase in equity through fixed appreciation helps homeowners move beyond CLTs.</li> </ul>
Long-term community investment	Permanently affordable housing, including future residents	<ul style="list-style-type: none"> <li>• CLT 99-year ground lease moderates resale price and ensures income requirements in future resales.</li> </ul>
	Asset continues to benefit community that owns it	<ul style="list-style-type: none"> <li>• CLT owns the land; taxing jurisdictions collect taxes on improvements and lease value of the land.</li> <li>• CLTs become self-sufficient over time.</li> </ul>
Opportunity for public-private development	Can involve market-rate developers	<ul style="list-style-type: none"> <li>• For-profit builders can develop CLT housing.</li> </ul>
	Can provide for a mix of housing opportunities	<ul style="list-style-type: none"> <li>• If well-capitalized, nonprofit CLTs can respond quickly to land-acquisition opportunities — more so than government.</li> <li>• CLTs are commonly used for homeownership but also can be used for rental housing.</li> </ul>



# AMPLIFYING CLT BENEFITS

## Strengthening CLTs and Best Practices

CLTs offer a unique tool for long-term community investment that fills a growing gap in the housing continuum. It is worthwhile to consider best practices that capitalize on those unique strengths and changes that strengthen them further.

The “[Guide for Developing CLT Affordable Homeownership Programs in Texas](#)” (Eliza Platts-Mills, University of Texas, 2018) from the Entrepreneurship and Community Development Clinic at The University of Texas School of Law provides the blueprint for creating and scaling CLTs statewide.

### *Property Taxation*

Unless it is defined in the tax code, it is important to get a memorandum of understanding (MOU) from the tax assessment district to determine property value sooner for predictability. In the case of Austin, that MOU is issued by Travis Central Appraisal District (TCAD). Otherwise, a CLT might not know how taxing entities will tax until late in the project.



A comprehensive property tax strategy would help reduce the tax burden and prevent out-of-control market rate appreciation.<sup>10</sup> For example, the City of Austin waives the land tax and collects the improvement tax; exemption from other taxing jurisdictions would strengthen CLTs. Alternatively, allowing use of the income method of taxation, where the land is taxed based on the income obtained from long-term ground lease, would boost the effectiveness of the CLT 99-year ground lease on long-term affordability.

Another best practice is for homeowners in a CLT to pay property taxes on both the home and the leased land—rather than the CLT organization paying. Both taxes are likely to be much lower than typical market-rate property due to CLT resale restrictions.<sup>11</sup>

### *Scalability*

As CLTs become more understood, their flexibility will enable them to scale:

- CLTs can be used for a variety of development types around a city, including mixed-income areas.

<sup>10</sup> Weiss, “CLT Report,” 4.

<sup>11</sup> Platts-Mills, “Guide for CLT Programs in Texas,” 17.

- Beyond housing, mixed-use property can benefit from CLTs by preserving land for commercial, arts, and cultural uses. Local businesses and creative-based services that shape a city's character are subject to similar displacement due to skyrocketing property taxes. An evolving CLT model can help those organizations thrive together with market-driven businesses.
- CLTs are defined in Texas government code,<sup>12</sup> so they can be used state-wide.

One Austin nonprofit, Guadalupe Neighborhood Development Corporation, has established a successful CLT that provides both homeownership and rental housing opportunities. Home prices in this CLT range from \$85,000 to \$156,000, and rental homes range from \$200 to \$800 a month. Refer to Appendix C for more information on Guadalupe Neighborhood Development.

### Rentals

Rentals (multi-family housing) can also benefit from CLTs since the land tax exemption results in lower rents that are insulated by the long-term land lease.

Resident affordability can be maintained if multi-family housing owners adhere to a 99-year ground lease agreement that guides the rent offered by the landlord. Guidelines for renters follow guidelines similar to those for homeowners, such as income requirements.

### Resale Formula

CLT homeowners deciding to sell their homes sell at a price set by the CLT resale formula, and they must sell to an approved buyer with eligibility based on income. For example, a CLT can set the resale formula to permit a homeowner to earn appreciation up to 2% per year, capped at 30 years.

To ensure CLT success, homeowners should receive initial and ongoing counseling on the resale formula, so they understand the possibilities and limitations that it imposes on their ability to build wealth through their home. It is critical that both the governing body of the nonprofit organization and prospective homeowners understand how the resale formula works and its impact.<sup>13</sup>

Designing a resale formula that is easily understood by both CLT staff and homeowners lowers the CLT administrative burden and risk of future dispute between CLT and homeowner. It can also make it easier for the staff of the local appraisal district to appraise the CLT home appropriately.<sup>14</sup>



*Figure 6: Actual CLT home and family in Austin*

<sup>12</sup> Texas Local Government Code Section 373B.002 and 373B.004.

<sup>13</sup> Platts-Mills, "Guide for CLT Programs in Texas," 24.

<sup>14</sup> Platts-Mills, "Guide for CLT Programs in Texas," 25.

### *Monthly Ground Lease (and One-time Lease Initiation Fee)*

CLT homeowners pay a monthly ground lease fee to the nonprofit CLT for use of the land. It is typically set considerably below the market value of the land. While not a requirement, it is common for the fee to include additional money to help the CLT organization fund its CLT-related operations.

Some CLT organizations also collect a one-time lease initiation fee of 1%-3% of the purchase price to cover administrative costs related to the sale.<sup>15</sup>

### *Family Focus*

Since one goal of CLTs is to provide stable neighborhoods and housing for families, better land trusts require multi-bedroom units that attract families. This prevents single-room housing that attracts more transient residents who are more likely to have steeper income increases or leave the city.

CLTs with community amenities such as playgrounds and outdoor gathering areas also serve to attract families.

## Creating a Stronger CLT

How a CLT is created makes a difference. Making choices in the following areas that are appropriate for the situation can ensure the long-term success of the CLT organization.

### *Financing and Sustainability*

Strong partnerships with neighborhood-based nonprofits and community housing development organizations (CHDOs) help CLTs long-term success by growing roots and nourishing connections throughout the community.<sup>16</sup> In Texas, having its own CHDO designation will qualify the organization for CHDO-specific property tax exemptions.<sup>17</sup>

To maximize CLT benefits, ensure it has enough financial resources to own land debt-free.



*Figure 7: Actual CLT home and family in Austin*

<sup>15</sup> Platts-Mills, "Guide for CLT Programs in Texas," 17.

<sup>16</sup> Weiss, "CLT Report," 4.

<sup>17</sup> Platts-Mills, "Guide for CLT Programs in Texas," 19.

### *Separate Nonprofit vs. Part of Existing Nonprofit*

A CLT can be created as a separate nonprofit organization, or it can be a program added to the services of an existing nonprofit organization. When making this decision, it is a good idea to seek guidance from a lawyer who can evaluate the specifics of your situation.<sup>18</sup>

This decision affects funding, staffing, and governance. Refer to “[Guide for Developing CLT Affordable Homeownership Programs in Texas](#)” (Eliza Platts-Mills, Univ. of Texas, 2018) for more information and some of the trade-offs between starting fresh and leveraging existing resources and reputation.<sup>19</sup>

### *Purchasing More Land and Homes*

CLTs that actively acquire land increase affordable housing supply. They can construct or rehabilitate housing on CLT property<sup>20</sup> by developing their own projects or working with nonprofits, government, or private developers.

Existing CLT organizations advise other organizations considering CLT programs to purchase as much land and as many existing homes as possible while costs are affordable.



In addition to acquiring new land and homes, it can be advantageous for an organization to convert some of its existing rental homes into CLT homeownership homes — especially if tenants currently renting from the nonprofit can qualify for a mortgage and afford switching to CLT homeownership.<sup>21</sup>

<sup>18</sup> Platts-Mills, “Guide for CLT Programs in Texas,” 18.

<sup>19</sup> Platts-Mills, “Guide for CLT Programs in Texas,” 19.

<sup>20</sup> Weiss, “CLT Report,” 9.

<sup>21</sup> Platts-Mills, “Guide for CLT Programs in Texas,” 20.

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# CONCLUSION

## CLTs Provide Affordable Housing Forever

Community Land Trusts (CLTs) offer a unique tool for achieving long-term housing affordability, through community investment that fills a growing gap in the housing continuum. Families and individuals in the workforce increasingly fall into that gap between those qualifying for low-income housing and those who can afford market-rate housing.

CLTs are nonprofit organizations created by communities to acquire and hold land for developing and preserving long-term affordable housing on the land for low- to moderate-income residents. The concept is simple: A homeowner buys the house and leases the land from the CLT. Likewise, a multifamily building owner would lease the land from the CLT, with guidelines for renters that correspond to those for homeowners. CLTs are defined in Texas Local Government Code Section 373B.002 and 373B.004.

Affordability is protected in the near-term through income requirements (under 60% MFI for rental and 60-120% MFI for homeownership), and permanently protected through fixed home value appreciation and a 99-year ground lease that includes resale restrictions and renews with each home sale. Long-term affordability protections can be applied to rental units through land use restriction agreements.

CLTs require investment to acquire land. This can be from an established nonprofit's existing capital or from a community investment (such as general obligation bonds or housing trust funds). Either way, it is a one-time investment in an asset that creates permanently affordable housing that is attainable today.

CLTs enable community stability through shared equity between homeowner and land trust. They can mitigate the growth-driven housing dynamic and displacement by restraining property tax valuations. Nonprofit and public investment can also dovetail with private market-rate development. Under the home ownership model, families and local workforce can invest in and build value in their own homes.

Texas code defines CLTs, allowing them to be used statewide. The following best practices capitalize on the unique strengths of CLTs or strengthen them further:

- Get a memorandum of understanding (MOU) from the applicable tax assessment district to determine property value sooner, for property tax predictability.
- Expand CLT use for rentals, mixed-income developments, and commercial property.
- Offer homeowners regular counseling on the resale formula and keep the formula simple.
- In the monthly ground lease fee, include enough to help fund CLT operations.
- Require a certain number of multi-bedroom units that attract families.
- Ensure the CLT can own land debt-free.
- When deciding between a separate nonprofit or an existing nonprofit, work with a lawyer.
- Purchase as much property as possible while costs are affordable.

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## APPENDIX A: PARTICIPANTS

ULI Austin thanks the Member of the Housing Local Member Council who spent many hours researching Community Land Trusts and compiling information for this white paper. ULI Members who participated in the development of this white paper are listed alphabetically by last name.

### *Michael Wilt (Chair)*

Michael Wilt is the External Relations Manager for the Texas State Affordable Housing Corporation. In this role, he leads the organization's government, community, and peer organization relations activities while also supporting marketing and communications efforts. His more than nine years of affordable housing and commercial real estate policy expertise include representing a prominent industry organization, working in both chambers of the Texas Capitol and for the former Mayor of San Francisco. He holds a J.D. from the University of San Francisco School of Law and a B.A. in Government and Latin from the University of Texas at Austin

### *Reagan Wood (Co-Chair)*

Reagan is a former land development engineer and has been around land investment since childhood. As a result, she sees land differently than most brokers. Reagan enjoys tackling complex deals that have unique entitlement constraints. Her technical background allows her to provide superior analysis of properties and submarkets. Reagan also enjoys connecting with property owners and earning their trust. In her opinion, all real estate professionals are in the relationship and data business. Mrs. Wood has a Bachelor of Science, Civil Engineering, Georgia Institute of Technology (Georgia Tech).

### *Margie Burciaga*

Margie is a Business Development Representative for Independence Title Company. She has been a Commissioner for the City of Austin MBE/WBE small business procurement board from 2015-2017. Margie is also active in the Austin community as a member of ULI, CTCAR, and RECA. Margie has a Bachelor's in finance and banking from the University of Arkansas.

### *Fred Evins*

Fred is a registered Architect, with experience in both private and public sectors. In his 31 years with the City of Austin, he managed the delivery of public infrastructure projects, as well as public-private redevelopment projects such as the Triangle, Domain 1, Robertson Hill, 2nd Street District, Seaholm Power Plant redevelopment, and Green Water Treatment Plant redevelopment. Fred is a graduate of Teas A&M University.

### *Bryan Jones*

Bryan leads the architecture efforts for the Beck Austin office. With more than two decades of experience, most with Beck, Bryan has significant leadership experience in design and build projects. Noting that every day brings new challenges, his early roles with Beck have prepared him for his current position by exposing him to the various aspects of the Beck design and build organization. Bryan moved to Austin to begin our architectural efforts in 2009 and has since become a part of the Austin community, becoming involved in the Mueller Neighborhood Association, Urban Land Institute Austin and the Real Estate Council of Austin.



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### *Ellen Ray*

Ellen is an urban planner at Cambridge Systematics, providing municipal, state, and federal transportation planning and policy solutions. Previous work includes Americorps service with the City of Austin, Capital Metro, the Federal Reserve Bank, and the Urban Land Institute. She holds a Master's in City and Regional Planning from the Georgia Institute of Technology and a BA in American Studies from Yale.

### *Jason Qunell*

Jason has 30 year's experience in banking. He currently is the Senior manager of commercial Lending at UFCU. He has previously worked at CapitalOne, BBVA Compass, Guaranty Bank and Wells Fargo. Mr. Qunell has a Bachelor's degree in finance from Texas Tech University and. Master's in Business Administration from St. Edwards University

### *Shawn Massock*

Shawn has over 25 years of experience in land planning and landscape architecture with a core focus on the integration of built and natural environments. He has worked on a wide-variety of public, private, local, regional, and international projects involving master-planned communities, mixed-use communities, retail/commercial sites, resorts and recreational facilities, military bases, and hospitals. Mr. Massock has a Bachelor of Landscape Architecture from Kansas State University.

### *Jefre Outlaw*

Jefre is a developer who has been in the Austin market since 1983. He has worked with both small scale developers and large scale including an \$80M fund raise. He currently the Executive Vice President of Sales for Sprout Tiny Homes, who is the only commercial certified manufacturer of Tiny Homes in the United States. Mr. Outlaw received his degree in finance with concentrations in real estate development from University of Texas.

### *James Schissler*

James is is Vice President and Partner at Civilitude. Jim has more than 30 years of experience in land development for commercial and residential projects including expertise in all phases of design from feasibility and conceptual layout to permitting and construction management for office, retail, industrial, multi-family and single family projects. He sits on the City of Austin Planning Commission, was a past Board member of the South Central Waterfront Advisory Board and is active in the Hill Country Conservancy. He holds a Bachelor of Science from the University of Maryland.

### *Chong Shin*

Chong is a licensed Architect with at Carson Design having over 20 years' experience in commercial and residential architecture including retail, multifamily, mixed use, office, and institutional projects ranging in size from several thousand to several million square feet. He is a graduate from Texas A&M University.

## APPENDIX B: OTHER CLT'S

### CLTs Across the Country and in Texas

#### *Additional Research on CLT Impact*

In 2011, The Housing Fund Vanderbilt University in partnership with the National Community Land Trust conducted an industry survey (<https://community-wealth.org/content/results-2011-comprehensive-clt-survey>) to gather information on the total number of CLTs across the country and measure their impact.

#### *Key Facts & Figures*

Based on the latest industry survey by Community-Wealth.org

Estimated number of community land trusts, 2011	242
Housing units, 1991	<2000
Housing units, 2010	9,543
Percent of residents who are first-time homebuyers	79%
Percentage of residents with income less than 50% of area median	82%
Percentage of residents who are non-white	31%

Chart found at <https://community-wealth.org/strategies/panel/clts/index.html>

#### *There are 10 CLTs currently operating in Texas*

##### **Avenue Community Development Corporation**

Houston, TX

[www.avenuecdc.org](http://www.avenuecdc.org)

##### **Austin, TX – Department of Neighborhood Housing and Community Development**

Austin, TX

[www.austintexas.gov/department/housing](http://www.austintexas.gov/department/housing)

##### **Austin Habitat for Humanity**

Austin, TX

[www.austinhabitat.org](http://www.austinhabitat.org)

##### **City of Houston**

(See Appendix C for additional information on this CLT)

Houston, TX

[www.houstontx.gov/housing/](http://www.houstontx.gov/housing/)

##### **Community Wheelhouse, Inc.**

Austin, TX

[www.communitywheelhouse.com](http://www.communitywheelhouse.com)

##### **Equity Community Land Trust**

Austin, TX

[www.hacanet.org](http://www.hacanet.org)

##### **Guadalupe Neighborhood Development Corporation**

(See Appendix C for additional information on this CLT)

Austin, TX

[www.guadalupecdc.org](http://www.guadalupecdc.org)

##### **HomeBase**

Austin, TX

[www.homebasetexas.org](http://www.homebasetexas.org)

##### **Mariposa Village Community Land**

Amarillo, TX

[www.mariposaamarillo.com](http://www.mariposaamarillo.com)

##### **Rude Mechanicals**

Austin, TX

[www.rudemechs.com](http://www.rudemechs.com)

#### *Other Trusts in Across the United States*

330 Land Trusts Nationwide - <http://cltnetwork.org/directory/>

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## APPENDIX C: CASE STUDY

### Guadalupe Neighborhood Development Corporation CLT

#### *Land Trust Details*

The [Guadalupe Neighborhood Development Corporation \(GNDC\)](#) is an 11-acre site, which was acquired in 2011:

- A partnership between GNDC (nonprofit) and Saldana Homes (for profit) acquired 7 acres.
- General obligation bonds were used to acquire 4 acres.
- Community Development Block Grant (CDBG) funds were used for streets and infrastructure (CDBG is a program of the U.S. Department of Housing and Urban Development.)

#### *Location*

The geographic service area for the community land trust program includes Guadalupe-Saldaña Net Zero Subdivision (on Father Joe Znotas Street in East Austin) and scattered site rental homes.

#### *Developer*

Guadalupe Neighborhood Development Corporation

#### *Property Details*

The GNDC CLT subdivision encompasses 11 acres plus additional acreage for scattered site rental homes.

Households:

- 35 houses (18 completed and 17 in predevelopment or under construction)
  - Sale price: \$85,000 to \$156,000 (average sales price: \$124,000)
- 17 scattered site rental homes
  - Rental range: \$200 to \$800 / month

#### *Residents Served*

Most of the homeowners have generational ties to the neighborhood or surrounding community and were able to stay in the community because of the CLT.

Target demographic of residents:

- 75% at household incomes below 80% MFI
- 25% at household incomes below 60% MFI

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### *Additional Information*

In addition to existing homes in the GNDC service area, this CLT relocated homes from Rainey Street (historic district in the southeast corner of downtown Austin) to the subdivision and preserved those historic structures.

Working with Travis Central Appraisal District (TCAD) was initially a challenge, but they now have predictable tax assessment:

- GNDC gets a property tax bill on \$15,000.
- GNDC leases the land to homeowners for \$25 per month; that equates to a \$15,000 lease value according to TCAD.
- Homeowners are taxed at the sales price (\$85,000 - \$156,000) plus 2% each year in fixed appreciation.

Finding a mortgage lender was a challenge, but GNDC eventually found one in California. Now, there are other mortgage companies providing loans for CLT homes.

GNDC would like to serve households with income up to 120% MFI, but it needs to find more flexible funding sources for that.



*Figure 8: Actual CLT home and family in Austin*

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# APPENDIX D: CASE STUDY

## Houston CLT

### *Land Trust Details*

The City of Houston developed a Community Land Trust Business Plan that outlines core functions, organizational needs, and stewardship required for implementation. Houston has partnered with the Grounded Solutions Network, to implement their CLT. The City of Houston's CLT is a City wide and not limited to one site.

Funding remains a challenge, with the following progress:

- Mayor Sylvester Turner will direct 60% of local and federal housing funding — including Community Development Block Grant (CDBG) Disaster Recovery funds — toward the Complete Communities initiative.
- The City will also work with banks and local philanthropy to direct community reinvestment activities toward an improvement fund for Complete Communities.
- So far, the City has appropriated \$1,000,000 in value-capture Tax Income Reinvestment Zone funds toward startup operations, management, and land stewardship for the Houston Community Land Trust, overseen by the Houston Housing Finance Corporation.

### *Location*

The geographic service area for the Houston Community Land Trust initiative will be the city limits, although the CLT may prioritize its activities in certain neighborhoods within the city. During the first few years of operation, the CLT may strategically target neighborhoods included in the City of Houston's Complete Communities initiative.

### *Developer*

Various – to be determined

### *Property Details*

Anticipated Pace of Sale

- 2017 – 245 owner occupied homes + 110 rental homes
- 2018 – 380 owner occupied homes
- 2019 – 450 owner occupied homes
- 2020 – 620 owner occupied homes
- 2021 – 622 owner occupied homes

### *Residents Served*

Target demographic of residents:

- Priority will go to households with an income below 80% MFI.
- Households also can be considered with incomes up to 120% MFI.

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### *Additional Information*

The City of Houston is promoting the community land trust model as a way to ensure permanent housing affordability in areas most vulnerable to gentrification and displacement. In 2017, Mayor Sylvester Turner launched the *Complete Communities* initiative, focused on five under-served neighborhoods: Acres Homes, Gulfton, the Near Northside, Second Ward, and Third Ward. Hundreds of community engagement meetings in each area led to the development of five neighborhood action plans, adopted by City Council in August 2018. Two of the five plans specifically call for the creation of a community land trust.

Working with the Grounded Solutions Network, the City developed a Community Land Trust Business Plan. It outlines the core functions, organizational needs, and stewardship required for implementation.

Funding remains a challenge, but Mayor Turner will direct 60% of local and federal housing funding (including CDBG Disaster Recovery funds) towards Complete Communities. The City will also work with banks and local philanthropy to direct community reinvestment activities toward an improvement fund for Complete Communities. So far, the City has appropriated \$1,000,000 in value-capture Tax Income Reinvestment Zone funds toward startup operations, management, and land stewardship for the Houston Community Land Trust, overseen by the Houston Housing Finance Corporation.

One of the Complete Communities neighborhoods, Houston's Third Ward, is already the site of an effort to launch a community land trust. A collaborative of multiple longstanding neighborhood groups, the Emancipation Economic Development Council, identified areas well-suited for a land trust in Third Ward. These plans build on existing neighborhood organizing and a 2016 partnership with the MIT Department of Urban Planning.

Learn more at <https://groundedsolutions.org/clt-accelerator-program/>