CHEAPER Together

NEIGHBORS INVEST IN COMMUNITY

Cooperative financing and community land trusts keep rents affordable and homeownership within reach.

Miriam Axel-Lute, John Emmeus Davis, and Harold Simon

THE STORY OF THE SAWMILL NEIGHBORHOOD, one of the oldest Latino neighborhoods in Albuquerque, is a familiar one. Sawmill was, for a long time, among the city's most affordable places to live. But it is also within walking distance of the downtown business district and adjacent to the historic Old Town area, a major New Mexico tourist attraction. In the early 1990s, a wave of property investment swept through Sawmill, which included development of a huge retail plaza, luxury condominiums, and a hotel convention complex. Businesses appeared on residential blocks once lined with affordable, single-family houses. This economic activity caused real estate values throughout the Sawmill neighborhood to spiral upward, pushing land and housing costs beyond the reach of families who had lived there for decades.

Here's where the story takes a different direction. Members of the Sawmill Advisory Council (SAC), a group of neighborhood residents formed 10 years earlier to stop pollution from a nearby particle board factory, decided they needed to do more than protest. They formed a nonprofit community development corporation to build affordable housing in the community. While working on its first seven homes, SAC learned that 27 acres of vacant land near the factory were going up for sale. Fearing that the factory would expand if it could acquire this parcel, SAC convinced the city to buy the land with the understanding that SAC would be consulted on any future development planned for the site.

As the city plodded through a multiyear process of rezoning the site to allow for residential and commercial development, SAC's leaders realized that the only way to be sure that development benefited long-time, lower-income residents was for the community itself to own the land, guide its development, and control its use.

So, in 1997, they converted the Sawmill Community Development Corporation into a community land trust (CLT). After working with residents to prepare a master plan, and months of negotiations between SAC and city officials over the details of a development agreement, the city of Albuquerque eventually conveyed title to all 27 acres to the Sawmill CLT.

Sawmill CLT is a traditional community land trust with characteristics common to most of the 260 CLTs across the United States, including two of the best-known: Dudley Neighbors, Inc., in Boston, and the Champlain Housing Trust, in Burlington, Vt. (see YES! Winter 2009 and Fall 2008). It's a nonprofit corporation accountable to a community-based membership that nominates and elects a majority of the seats on the board. A third of the Sawmill CLT board represents tenants and homeowners who live on SCLT's land, a third represents residents who live in the surrounding neighborhood, and a third of the seats are reserved for

PHOTO BY TODD HEISLER FOR THE NEW YORK TIMES

LIMITED EQUITY COOPERATIVE

Even though New York's housing costs are among the highest in the world, affordable housing still exists in co-ops. The Penn South apartment complex, above, was built in 1961 by the International Ladies' Garment Workers' Union. Over the years, the co-op has worked with the city to keep its 2,820 units among the most affordable. Current costs are $19,800 per room; a standard one-bedroom costs $69,300.

SAWMILL CLT PHOTO

COMMUNITY LAND TRUST

The culturally rich Sawmill community, one of Albuquerque's oldest Hispanic neighborhoods, is close to downtown and Old Town, a leading tourist attraction. The area is a magnet for development, but the CLT model has helped maintain affordability.

"public representatives" appointed by the elected members of the board.

Secure and affordable

A community land trust is one type of "shared equity homeownership," where the rights, responsibilities, risks, and rewards of ownership are shared between an income-eligible household and an organizational steward. In exchange for the initial subsidy, which allows them to buy the home for a below-market price, owners agree to limits on how much they can sell the house for—balancing asset-building with ongoing affordability.

While most CLTs develop new housing, about a third have buyer's-choice programs that allow homebuyers to select an existing home to be brought into the land trust. When CLTs sell houses, they retain ownership of the land underneath and give the buyers a 99-year ground lease.

Beyond helping lower-income families become homeowners—and preserving the affordability of these homes for the next generation—the CLT enters into an agreement with homeowners to support their ongoing success. A recent study »

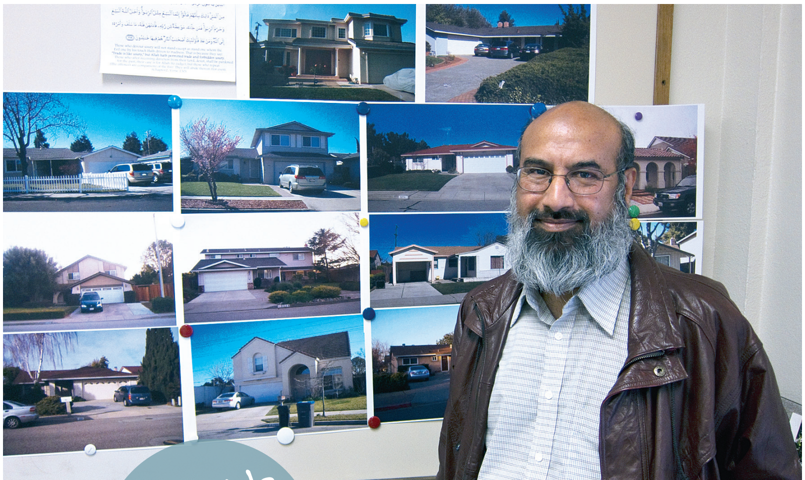

PHOTO BY PAUL DUNN FOR YES! MAGAZINE

Ameen's president Ajaz Khan at the co-op office. His own house is pictured second row, far left.

Sensible Home #2

It's not owned by a bank.

Six years ago, Ajaz Khan, an engineer in Santa Clara, Calif., was trying to figure out how to buy a home without violating the Islamic law prohibiting usury, which effectively rules out conventional mortgages. How do you buy a home without a mortgage, especially in pricey Silicon Valley?

He turned to Ameen Housing Co-op, the nation's first Islamic real estate investment trust. Ameen purchases primary residences with money from other homeowners and investors within the Muslim community. A typical homebuyer puts down 30 percent and then rents the home from the co-op based on local fair-market rents. Part of the rent goes to pay the investors and part goes to buy back shares of the house. All that mortgage interest that would have gone to a bank—one of the largest budget items for middle-class households—becomes, instead, modest quarterly dividends for investors, keeping the money within the community. After the final shares have been bought back from the co-op—this has taken as little as three years and as many as 11—the house is appraised, and the gain or loss in value is shared.

So far, 15 homes have become fully owned by members since Ameen began in 1996, and 25 more are in process. Ameen currently funds only four houses per year. Khan is now the volunteer president of Ameen and works with homeowners when they have financial difficulties. "The whole intent is to help provide homes. The goal is not about profit or loss," he said.

The idea of communities stepping in where mortgage banks have failed seems to be catching on. Khan has had recent inquiries from Muslim and non-Muslim groups about how to set up similar cooperatives. "Any group of people can do this, especially if they can put helping each other above profit."

» revealed that during the worst years of the mortgage meltdown, conventional homeowners were 10 times more likely to find themselves in a foreclosure proceeding than CLT homeowners.

Another type of shared equity homeownership is the limited equity cooperative (LEC). LECs make ownership affordable to lower-income households, who buy shares in land and buildings owned by the cooperative housing corporation and hold a secure lease for a particular unit. The co-op's members accept restrictions on the resale price of their units, ensuring that the public investment in affordability is maintained.

The largest concentration of limited equity housing co-ops is in New York City. Many were formed in buildings that had been abandoned and taken over by the city in the early 1970s, when the Urban Homesteading Assistance Board began helping tenants buy those buildings and set up cooperatives to run them. Now these 1,700 buildings and 30,000 units are bastions of affordability in an extremely high-priced city, providing lower-income households access to the city's opportunities in education, culture, and employment.

In Washington, D.C., tenants of Capitol Manor, a complex in the rapidly gentrifying U Street corridor, organized to buy it when the federal affordability restrictions on the buildings expired. It was a long haul— taking from 2001 to 2005 to secure financing from the city and National Cooperative Bank and to get the renovations done. But the determined residents won out, with the help of a developer who saw the value of keeping affordable units on a block where condos were starting to sell for half a million dollars. Along the way, black and Latino neighbors who had rarely mixed began to work together as co-owners of a precious resource.

How these things get started

The establishment of CLTs and LECs follows many different paths. Sometimes, they're the result of grassroots organizing by community residents seeking to improve their neighborhood.

Sometimes, they are formed to create bulwarks against market pressures or municipal investment that threaten to displace the neighborhood's most vulnerable residents. They are sometimes led by a community development corporation, a Habitat for Humanity affiliate, or another nonprofit organization that may have been doing affordable housing for many years. CLTs and LECs have also been started or sponsored by city governments and private employers to preserve affordability and prevent foreclosures in owner-occupied homes. In all cases, these forms of housing are local endeavors, championed and developed by people looking for ways to expand the supply of affordable housing and empower residents to determine the future of their neighborhoods.

Creating new housing or preserving existing housing is not cheap. In some cases, a CLT or LEC receives start-up funding from a foundation or private individuals to cover organizational costs. In many other instances, municipalities have provided operational funding and project funding to establish CLTs or LECs, aided by funds from federal programs like Community Development Block Grants and HOME (a federal housing subsidy program). Fees associated with the actual development, sale, and resale of affordably priced homes are also used.

The results of this careful financing can be extraordinary, as it was in the transformation of the old Sawmill area of Albuquerque.

"Today," says Sawmill CLT executive director Connie Chavez, "you wouldn't recognize the place. Instead of a polluting factory whose only interest was in making money, we have a thriving community." That community is Arbolera de Vida, or "orchard of life," a thoughtfully designed neighborhood of 93 single-family homes, with a park, plaza, community center, offices, retail space, senior apartments, and live/work spaces for home businesses. The community's upscale appearance belies the fact that almost all the residents, from young families to single seniors, have modest incomes. They live in affordably priced housing on land that is held "in trust" for future generations and leased to residents for 99 years.

The community process has now progressed to deciding what sorts of commercial uses will go on the remaining land next to the housing. Chavez says the discussion process is challenging, but worth it. "We dream big, and everyone gets a chance to throw out a vision."

That's the unique virtue of community land trusts and limited equity cooperatives, which are more than simply affordable housing options. They're democratic organizations founded on the premise of community control over land and housing resources. And because of that, they're uniquely suited to realizing a community's vision—and making big dreams come true.

Harold Simon is the executive director of the National Housing Institute (NHI). **Miriam Axel-Lute** is editor of *Shelterforce* and associate director of NHI. **John Emmeus Davis** is a partner in Burlington Associates in Community Development, LLC.

YesMagazine.org/sharing
Where sharing fits into the legal system

Taking the Profit Out of Rentals

For about a third of us, renting is the right choice.

But there are now investors treating the residential rental market as the next speculative opportunity. Warren Buffet is quoted as saying he'd buy 100,000 foreclosures to rent if he could figure out a way to manage them. Investor groups are buying foreclosed houses by the hundreds—and aiming for the thousands. Banks are accommodating those speculators by doing something they've never done before: selling foreclosures in bulk lots of 500 or more.

This does not bode well for renters. If investors are buying to hold, they will extract the maximum possible rent. If they are buying to speculate on reinflated housing prices, renters will lose the security of a stable place to live as investors sell to cash out their profits.

If there's one thing we've learned from the Great Recession, it's that turning housing into a matter of pure profit has disastrous results. We have the opportunity now to take rentals out of the for-profit market and create stability, both for renters and for their communities.

There are multiple proven models for nonprofit ownership of rentals, from land trusts to community development corporations to direct government ownership. If the market is ripe for speculators, it is equally ripe for nonprofits to buy in bulk. Taking the profit out of rentals allows greater stability for renters: They know they can stay as long as they need or want to, so they are more likely to become involved in the community. If the rent they pay is less than what they'd pay in a profit-motivated rental, they've got that much more money to spend locally or to save for when they're ready to buy.

Community development corporations have a decades-long track record of owning and managing housing for low-income people. There's no reason that proven method can't apply to rentals across the economic spectrum. Some established land trusts, such as Dudley Street Neighbors in Boston, include rentals in their holdings.

In the 1970s, New York City showed what a city government can do when, as is the case in many cities today, the landscape is blighted with abandoned real estate. New York took over thousands of empty buildings and made them available to people to buy as cooperative apartments. Those continue to thrive today, providing a model for cities to protect their tax base by rejuvenating neighborhoods where property values are held down by the after-effects of the real estate meltdown. —*Doug Pibel*