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Community land trust: A Minneapolis group helps make homeowners out of low-income families and plans for the next generation

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About three years ago, Keira Deidrich decided she'd like to buy a house. She took homebuyer classes with a girlfriend but once she started looking, it seemed like the classes had been a waste of time: she couldn't find anything that she could afford.

"It's just so unrealistic to buy a house on a single income in the city," she said.

Deidrich was earning less than \$20,000 a year at a local food cooperative. She and her 3-year-old son, Torin, shared a one-bedroom apartment.

Then, last year, Deidrich talked to a Powderhorn Residents Group counselor, who told her about the City of Lakes Community Land Trust, an organization that helps low- and moderate-income people buy homes. Though Deidrich wasn't making much more than she had been a few years earlier, they told her she'd be able to buy a house.

On February 28, Deidrich closed on a corner unit in Franklin Station Townhomes. It's a block from the Hiawatha light rail line and has a view of downtown. The house doesn't have a yard, something Deidrich wanted, but there's a porch, a small deck, and the developer is putting in a common play area. "It's great," said Deidrich. "It's so much better than where we had been living before. Torin has his own bedroom now."

The Minneapolis-based City of Lakes Community Land Trust is one of 11 active land trusts in the state. Some people think of land trusts as organizations that focus on preserving wilderness; these groups focus on creating and preserving affordable housing. Using a model created in the 1970s on the East Coast, the trusts help people with low and moderate incomes buy homes at substantially below market value, and it helps to keep those homes affordable each time they are sold.

How do they do it?

The City of Lakes Community Land Trust grew out of a combined effort by several Minneapolis neighborhood groups that wanted to create permanently affordable housing. They knew they needed an innovative model, said Sarah Hannigan, project director at the trust, because the traditional approach didn't work, or at least didn't work for long. Often, the buyer who got a good deal on an affordable home would sell it when the market got hot, at a price that was no longer affordable to low-income buyers.

"Neighborhood groups and nonprofit developers would invest thousands of dollars into making something affordable and the market would take off and that buyer would sell, and that affordability would be lost," Hannigan said.

The land trust model, however, keeps homes affordable sale after sale.

The land trust buys a property, either an existing home or a new property, then sells the home and leases the land on to the buyer. That way, the buyer only needs a mortgage to cover the price of the building, instead of the land a building. The savings can be tens of thousands of dollars. The buyer gets a lower mortgage payment and the land and the buyer sign a contract regulating any future sale of the home.

"The land trust is the owner of the land," explained Hannigan. "The homeowner is the owner of the home, and they into a long-term 99-year agreement that gives the homeowner exclusive rights to use the land, and privacy and all that, and the ground lease ensures that when they sell the home, they'll sell it for a price that will be affordable to a land trust buyer."

The City of Lakes Community Land Trust began in 2001 as a program of the Powderhorn Residents Group, and incorporated in 2002. Since last fall, they have closed sales on 21 houses in Minneapolis.

Many of the houses are townhomes like Deidrich's. Bernadette Ntuv, another land trust homeowner, bought a town in Hope Community in the Phillips neighborhood.

"When I came and I saw it, I fell in love with it," said Ntuv.

About this time last year, Ntuv, who makes \$10.68 an hour as a nursing assistant, had just started her search for a house and she quickly got discouraged. The only houses she could afford were in areas where she didn't feel safe walking to and from the bus stop.

"I found one on Morgan in North Minneapolis," she recalled. "Before taking the house, I went to see the neighborhood. One time I went by myself, it was like maybe I was a prostitute. When I would be coming back from work I would have to walk two blocks to the house and it would be dangerous for me."

She was also thinking about the safety of her children, one of whom lives with her. The other two are in Ntuv's native Cameroon, waiting for her to bring them here.

Then she found out about the land trust and went to see the Hope Community townhomes. She liked what she saw. Before she could buy a home through the trust, however, she had to meet certain requirements: she attended homebuyer classes, got pre-approved for a mortgage, filled out an application and got financial counseling.

"[There was] a lot of paperwork," Ntuv laughed.

Ntuv persevered and closed on a three-bedroom townhome in September 2004, only three months after she'd first seen it.

"I can walk to my work," she said. "It takes me 15 minutes when the weather is fine. I love it. Even if all three of [my children] were here, it would be enough."

Ntuv is now on the land trust's board.

A wise investment

When Stefani Wacek decided to move back to Minnesota with her four-year-old daughter, she was shocked to realize that rent was about double what it was in Virginia, where she was living. Land trust townhomes caught her eye because of their low price. She completed the application long-distance.

Wacek, who makes about \$27,000 a year as an inpatient claims assistant at the Department of Veterans Affairs in Minneapolis, wouldn't have been able to afford her townhome at its market value of \$180,000. But she was able to get a mortgage for \$116,000: the amount left after Wacek received a subsidy from the land trust and some neighborhood grants.

In December 2004 she moved and moved in.

"The day I saw my house is the day I closed on it," she said. "It was big. I left Roanoke on Friday, drove up here, and started work on Monday."

Wacek's home will appreciate in value over the years, just like any other, and like any other homeowner, she'll be : think of that increased value as money in her pocket but she won't be able to pocket all of it when she sells. Under trust's resale formula, she'll sell the house for no more than 25 percent of the increased value (as appraised by a tl party).

Perpetual affordability is one of the reasons the land trust model works, said Hannigan.

"Funders like this because they don't have to subsidize homes over and over and over and over and over again, a their initial investment is an investment, really, in perpetuity. It will always ensure that there will be an affordable hc the area for low- to moderate-income households," she said. "The thing that ties land trusts together is that they se create and preserve affordability."

The City of Lakes Community Land Trust gets its operating funds (i.e., staff salaries and other operating costs) ma from private foundations. Their projects (investments in housing units) are subsidized by state, city and county government agencies.

The trust is seeking to expand its reach: they recently launched the Homebuyer Initiated Program, or HIP. This pro helps families buy homes of their choice under the land trust model (instead of homes the land trust has already purchased).

For Wacek, things couldn't have worked out better.

"I have an amazing place to live," she said. "I wouldn't trade it for anything."

For more information, call CLCLT at 612-721-7556 or visit their web site at www.clclt.org.

A biography of land trusts

The Institute for Community Economics (www.iceclt.org), in Springfield, Mass., created the land trust model about years ago, as a way of putting land ownership in the hands of the community. Since then, they've helped hundreds organizations establish permanently affordable housing units. They describe their work as "promoting economic ju through community land trusts and community investment."

There are an estimated 150-200 land trusts around the country. Eleven are active in Minnesota, including First Ho Rochester (www.firsthomes.org) and Northern Community Land Trust in Duluth (www.landtrustduluth.org).

St. Paul has the Rondo Community Land Trust. Minneapolis has the City of Lakes Community Land Trust, which is brainchild of several neighborhood groups, including Seward Redesign, Powderhorn Park Neighborhood Associati Powderhorn Residents Group, Lyndale Neighborhood Development Corporation and Hawthorne Area Community Council.

The land trust cycle

1. The CLCLT

acquires a home

2. An appraisal is done

to determine the

value of the house

and the land

3. A low- to moderate-income family purchases the house and leases the land from the land trust

4. Ongoing homeowner education, community participation, and financial reassessment for CLCLT homeowners

5. When the owner wants to sell, the house is appraised again

6. The land trust limits the resale price, letting it rise enough so the selling family receives 25% of the house's increase in appraised value, but keeping the home affordable for another lowto moderate-income buyer

Source: City of Lakes
Community Land Trust

How it works: home ownership

Most land trusts use a legal mechanism called a ground lease to ensure that the property remains affordable in spite of rising market values. They own the land under the house and lease it to the homebuyer. This makes the house more affordable, because the buyer takes out a mortgage only on the value of the house.

When the homeowner is ready to sell, the land trust uses a resale formula (see diagram) to determine the price. Part of any increase in value goes to the homeowner, and part of it stays with the land trust.

Although land trust homeowners don't get as much return on their investment as with a traditionally financed home, they do earn some capital in some cases, enough to buy another home.

Eligibility

Households at or below 80 percent of Twin Cities median incomes are eligible to apply.

\$40,600 for a single homeowner; \$46,400 for two people; \$58,000 for four people.

The application process includes steps like taking homebuyer classes, financial counseling and orientation, and getting pre-approved for a mortgage.

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