

# The land trust model

A new way to help homeowners and their neighborhoods

By PATTY OSTBERG

**In 2006 the Twin Cities metropolitan area experienced about 11,000 sheriff's sales of homes. When figures are released for 2007, that number is projected to more than double, according to HousingLink, a Minneapolis-based nonprofit that provides information on affordable housing. In Greater Minnesota, between 2005 and 2007, about 15,000 families are projected to have lost their homes, HousingLink reports.**

With the number of foreclosures growing, there is a suggestion to address the problem with the use of land trusts. Rep. Karen Clark (DFL-Mpls) introduced land trust legislation as part of the current capital investment bill.

In HF380, sponsored by Rep. Alice Hausman (DFL-St. Paul), the Minnesota Housing Finance Agency would be required to bring together people involved in community land trusts, providers of mortgage foreclosure prevention services, bankers, individuals who have experienced mortgage foreclosure, legal aid attorneys and a representative of the property tax division of the Department of Revenue to discuss several topics, including:

- the use of 501(c)(3) bonds as a means to prevent residential mortgage foreclosures and to address the effects of widespread residential mortgage foreclosures;
- means to make the Community Activity Set-Aside program more accessible to neighborhood land trusts; and
- alternative tax classifications for neighborhood land trust properties to make more equitable taxation of properties and

provide incentives for land trust utilization.

A report would be due to the Legislature by Jan. 1, 2009.

“Whole communities are being devastated by the kind of foreclosures that have already happened or are coming,” Clark said in a Feb. 19 meeting of the House Housing Policy and Finance and Public Health Finance Division.

Jeff Washburne, City of Lakes Community Land Trust director, said land trusts are a way to bring communities together and keep homes affordable beyond the first sale to subsequent home buyers.

They work in this way: say an individual is buying at home at the cost of \$200,000. The land trust would supply a down payment, in the form of a grant, of \$50,000. The homeowner then receives a loan for \$150,000.

If the homeowner wants to sell the property, the front-end investment of \$50,000 stays with the house. The seller receives 25 percent of any increase in value based on the difference between the purchase appraisal and the appraisal when it's sold. The remaining

75 percent would be added to the initial \$50,000 and is passed onto the next household.

Along with helping clients get into affordable housing, equally important is working with homeowners to break the cycle of foreclosures in low-income areas, Washburne said. The land trust offers ongoing homeowner education, community participation, and finance reassessment. The land trust is one of nine in the state and has been operating for about 10 years.

“We create ownership opportunities that otherwise wouldn't be created or be provided to low- or moderate-income houses,” he said. Last year in Hennepin County, there were more than 700 foreclosures. These land trusts bring those assets back into the community, he said.

Chip Halbach, executive director for Minnesota Housing Partnership, said because of the cutbacks in federal funding for public housing units, land trusts are becoming even more viable. “The best way to stop long-term homelessness is to keep people in housing,” he said.

The crisis is a pressing statewide issue, Halbach said. It affects the neighborhoods, communities and the state. “We believe the community land trust model is one of the solutions that would be particularly valuable in those impacted communities,” he said.

The City of Minneapolis recently calculated that it would cost to up to \$200,000 to turn a trashed-out vacant home back to the marketplace. Of that \$200,000, as much as \$75,000 needs to be subsidy. That's a large investment of public dollars, Halbach said.

It begs the question: how do you best distribute monies so the value of investment can be maintained for future home buyers? “The land trust model is one way and a good way to that,” Halbach said, adding, “The pulling together of the working group is going to be a very important contribution to the overall approach to deal with the foreclosures.”

A summary of sheriff's sales for 2005-2007

Region	2005 Sheriff's Sales	2006 Sheriff's Sales	Percent Change '05-'06	2007 Sheriff's Sales (Projected)*	Percent Change '06-'07 (Projected)
7-County Metro	3,759	7,039	87%	12,885	83%
Greater Minn.	2,707	4,168	54%	7,688	84%
Minnesota	6,466	11,207	73%	20,573	84%

Source: HousingLink

\* 2007 projected numbers are based on 2007 Q1-Q3 actual sheriff's sale counts