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Land trusts seen as way to save communities

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The view behind Ada Loper's West Rehoboth home has changed considerably in the last five years. She remembers when the small community had its own shops and restaurants.

However, her once thriving, open neighborhood is now boxed in behind mammoth privacy walls shielding luxury townhomes from the crumbling community's now growing crime.

"When they built that wall, that's when I really got mad," Loper says looking at the concrete blockade replacing her open view.

Ironically, West Rehoboth's proximity to prime real estate has raised the neighborhood's land value to the point of pricing its 200, predominantly minority residents out of their own

homes. Loper's neighbors are constantly bombarded with speculative real estate offers by out-of-state investors who would love to level the long-standing community to make way for

new high-priced homes. Additionally, some of the property owners inherited their interest and are neither residents nor invested in West Rehoboth's future.

The same scenario is being played throughout Delaware, especially in high-development areas. Working, longtime residents fight to retain the right to purchase an affordable home. In

the process, they see communities they could once afford replaced by expensive development they could never touch. The potential effects on the state's economy are particularly

profound when a majority of its workforce is priced out of the market.

"The affordable housing dilemma is the state's major frustration. This has been especially exasperating due to the run-up of housing prices in recent years," said longtime land use

consultant Van Temple inside his Ardencroft home. "There are a number of people who have steady jobs, who have lived here for years, but can't get into the first-time home buyer

programs."

A well-established yet underutilized concept to help control rampant housing costs called Community Land Trusts (CLT) has taken hold among Delaware affordable housing advocates.

Van Temple recently became executive director for the relatively new Diamond State Community

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Land Trust, working with housing organizations like Delaware Housing Coalition and the

State Housing Authority to curb rising property prices by taking the land value out of the equation.

Land trusts already are extensively used in Delaware, Temple's Ardencroft home being in one of the state's oldest such trusts. The land on which a home stands is in trust for perpetuity

under a nonprofit 501(c)(3) status, its home owners subject to 99-year leases. The trust is managed by a separate governing body and the land itself entirely equity protected. Those who

buy structures in a land trust have full ownership of the improvements, the sale price of which being regulated by fair market value. However, home owners have no shared equity in the land. They're lessees only.

A Community Land Trust differs in that home owners share formulaic equity in the land value, but are subject to equally formulaic control of their homes' sales prices. The affordability

quotient provides a unique tool communities can use for creating viable housing options benefitting those making 80 percent median income, or \$30,850 - \$60,000 annually. That income

group is the primary target for most first-time home buyer programs.

Already widely-implemented in Pacific coast states and areas like Florida and Vermont, Delaware's affordable housing groups see CLTs as crucial weapons in their own fight to provide

workforce housing. "As I've seen this work across the country and see consulting in traditional affordable housing options, it's a great addition," said Temple. "I've run into a few people

who are principally opposed to having anything other than full-equity ownership. But most think it's a nice option."

Some CLTs are built around the theoretical standpoint of saving a community, as in the case of the West Rehoboth Community Land Trust. Residents like Ada Loper and interested

activists began community improvement programs under West Side New Beginnings, using more than \$50,000 in Sussex County grants. They soon learned of CLT options through

contact with the Delaware Housing Coalition and decided more could be done.

The group formed West Rehoboth CLT, hiring community housing veteran Roxie Sturgis as its executive director in late 2006. "It started as a housing committee. Then we realized that we

had to get serious as an organization and get our 501(c)(3)," said West Rehoboth CLT board member Mabel Granke. "We're surrounded by high-end Rehoboth Beach properties. Some

out-of-state land owners basically say they want this smaller community to go away. For me all along, it's really been a matter of social justice."

"Decent housing is the cornerstone of any viable community," explains Roxie Sturgis. "This community really needs revitalization and decent, affordable housing. We want to find a way to hold on to the land to be able to build that affordable housing."

The key to both Diamond State and West Rehoboth CLTs? success ultimately rests upon showing tangible results. "Money from nonprofit and federal sources has really dried up,"

explained Sturgis. "They're giving money to more long-standing organizations. We've only been going a few years. We don't have a track record."

One easily quantifiable benefit is the way CLTs extend the effect of those diminishing first-time home buyer funds beyond single owners. "From the point of view of the subsidies, first-time

home buyer programs are not efficient," Temple explains. "Most of them create a one-time benefit, because they only make the home affordable for the first buyer. When the first buyer

sells, the market determines the price for all other owners beyond. Then you have to continue providing subsidies to extend the benefit."

With a CLT, the land is taken out of the equation and there are affordability restrictions on each sale. That way the benefit extends throughout the life of the 99-year lease. Additionally,

statistics show approximately 65 percent of those buying their first homes through CLTs are still in ownership after five years. That compared with the 50 percent retention in traditional

first-time home buyer programs. The shared equity value for CLT owners increases over time, determined by a formula built on longevity of ownership.

Both CLTs are planning projects to illustrate the concept in practice. Diamond State CLT has a number of plans, including buyer-initiated programs encouraging those who can afford

traditional homes on the open market to place them into CLT stewardship. It's also working with municipalities to encourage rehab and infill projects using CLT models.

However, its spearhead development is the New Horizons Homeownership and Agricultural Project in Sussex County, a cooperative effort between Diamond State CLT and 12 residents of

the former Morris Mill Pond Cooperative who were displaced when their landlord shut down the Morris Mill community. The 30-unit, manufactured home residential component would

constitute a ground level CLT, while the group hopes to acquire up to 40 acres for cooperative community agricultural use. New Horizons would be the biggest part of Diamond State

CLT's near-term efforts, which include 23 CLT units in the new construction, 36-unit Village at South Colony in Kent, and rehab projects in various communities.

Likewise, West Rehoboth CLT also plans a flagship project of four units in two duplex buildings on a community parcel. The two-story, three bedroom, two and one-half bath units will

each include a one-car garage. Developers Ocean Atlantic Associates are donating services of its Element Design Group architectural/engineering and Schell Brothers construction

divisions to flesh out the project.

"Preston and Chris Schell have made it clear they're working to give back to the community," Sturgis said of Ocean Atlantic's project commitment. "The first project really is a

show-and-tell. There's been so many promises made to this community that have fallen through."

West Rehoboth CLT board member Michael Legatsk agrees that others are watching with great interest. "There's quite a bit of skepticism in the community as to whether we can get

something going. So the first project is crucial."

Both Diamond State and West Rehoboth CLTs know buyer education is pivotal to their projects' success. Diamond State CLT, in cooperation with NCall Research, Inc. in Dover, Interfaith

Community Housing of Delaware, Inc. in New Castle County, and First State Community Action Agency, is developing an entire buyer training program for use throughout the state. "You

have to have special training for buyers," explained Temple. "We're creating our own home buying curriculum to train people to become CLT home owners. In some cases, the potential buyer needs really basic stuff. Some might have a lot of debt and need to know how to manage it."

With both organizations in relative infancy, there's a great need for communication of CLT's economic benefits and viability in Delaware's larger development picture. In November,

Diamond State CLT and the Delaware Housing Coalition will hold a combined annual board meeting, using the occasion to publicly showcase CLTs and other affordable housing concepts

in an effort to get people involved.

"We're doing a lot of missionary work," Temple said. "I'm talking to a lot of developers and

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bankers, trying to get these few projects going so that we can show that it works. The

relationship between the state, counties and for-profit developers is very important, helping all those players see this as an additional rung on the home ownership ladder that fits with the Delaware market and is a much more efficient use of subsidies."