

# Strategies for Sustainable Growth in Community Land Trusts

Aneliese Palmer

Edward M. Gramlich Fellow in  
Housing and Community Development

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## Introduction

Community land trusts (CLTs) are place-based nonprofits that hold land in perpetuity on behalf of a community. CLTs can help preserve affordability in hot markets and help revitalize neighborhoods in cold markets. Despite their potential, only a handful of the nation's more than 220 CLTs hold over 50 housing units in their portfolios.<sup>1</sup> Moreover, while there has been significant research on the formation and impact of CLTs, less has been written on either the obstacles that have stymied the growth of existing CLTs or the strategies used by the handful of CLT leaders who have significantly expanded their group's housing portfolios.

This report aims to fill these gaps via literature reviews and interviews with leaders of 10 notable CLTs and other experts in the field. I find the strategies taken by these leaders to fall into five “macro strategies” for scaling-up:

- Secure the support of local public officials,
- Use mixed portfolios and programs,
- Leverage partnerships,
- Reducing reliance on grants, and
- Advocate as a collective movement.

While these “macro strategies” were broadly similar across organizations, each leader's specific tactics depended on the housing market of their CLT's service area, their larger goals for the organization, and their assessment of the needs of the communities served by their CLT.

## Overview of the Community Land Trust Model

Under a community land trust (CLT), land is treated as a shared resource of the community. The CLT model thus structures land as a wealth-building mechanism for the community rather than for an individual.<sup>2</sup> In most cases, CLTs use public subsidies to maintain a stock of permanently affordable housing. Unlike subsidized rental programs, CLTs allow individuals to own and build equity in homes that would otherwise be unaffordable. However, unlike conventional homeownership programs, CLTs also limit those individuals' ability to make

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<sup>1</sup> Emily Thaden, “The State of Shared-Equity Homeownership,” *Shelterforce* (blog), May 7, 2018, <https://shelterforce.org/2018/05/07/shared-equity/>.

<sup>2</sup> For a historical overview of shared-land communities and CLTs, see John Emmeus Davis, “Origins and Evolution of the Community Land Trust in the United States” (Lincoln Institute of Land Policy, 2014).

windfall profits when they sell their home. That limitation allows the unit to be sold at an affordable price to its next owner. In this way, the CLT preserves the opportunity for low- and moderate-income families to build wealth from the unit in perpetuity.

### ***A Brief History of CLTs***

The first CLT, New Communities, Inc., was founded in 1969 by a group of civil rights leaders including Robert Swann, Slater King, and Charles Sherrod. A 5,000-acre farm in rural Georgia was designed to ensure African-American farmers could farm land securely and affordably.<sup>3</sup> The project's founders drew upon the models of existing planned communities, including Gramdan villages in India and moshav and kibbutz communities in Israel.<sup>4</sup> Following a few projects, the Institute for Community Economics published *The Community Land Trust Handbook* in 1982. This provided a common definition, structure, and vocabulary to practitioners and policymakers interested in using the model. The text informed the definition of a CLT that was incorporated into federal law through the Housing and Community Development Act of 1992.<sup>5</sup> By designating CLTs as community housing development organizations (CHDOs), the Act made it easier for CLTs to receive federal funding from such programs as the HOME Investment Partnership Program.<sup>6,7</sup> In large part because of this law, the number of CLTs in the United States grew from less than 100 in the early 1990s to just under 200 in 2006 (with another

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<sup>3</sup> Davis, "Origins and Evolution of the Community Land Trust in the United States."

<sup>4</sup> These communities focused on communal ownership or labor. During the Gramdan movement, a village would "donate" itself to the society as a whole. The private ownership over land ceases to exist, with villagers working together according to ability and sharing in resources according to need. A kibbutz is a collective community in Israel that was traditionally based on agriculture. A moshav is a type of cooperative agricultural community. In contrast to the collective kibbutzim, farms in a moshav tended to be individually owned but of fixed and equal size.

<sup>5</sup> Housing and Community Development Act of 1992, Pub. L. No. 102-550, 106 Stat. 3672.

<sup>6</sup> John Emmeus Davis, "Summary of HUD Regulations Affecting Community Land Trusts" (Burlington Associates, 2012), <http://www.burlingtonassociates.com/files/2113/4463/2951/>.

<sup>7</sup> The HOME Investment Partnerships Program (HOME) provides formula grants to states and localities that communities use – often in partnership with local nonprofit groups – to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. HOME funds are awarded annually as formula grants to participating jurisdictions (PJs). The program's flexibility allows states and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancement, or rental assistance or security deposits.

[https://www.hud.gov/program\\_offices/comm\\_planning/affordablehousing/programs/home/](https://www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home/).

15 that were planning to incorporate).<sup>8</sup> Today, there are an estimated 225 CLTs in the country overseeing approximately 12,000 owner-occupied units.<sup>9</sup>

The size and scope of individual CLTs vary greatly. The largest, Champlain Housing Trust in Burlington, Vermont, has over 2,765 properties in its portfolio.<sup>10</sup> However, most CLTs are quite small. Excluding the five largest CLTs,<sup>11</sup> the remaining 220 CLTs average less than 50 units each, and 60 of these are start-ups with no homeownership units in their portfolio.<sup>12</sup> Within the NeighborWorks® America network, over 30 organizations have shared equity programs, yet over half of all shared equity properties in the network are owned by only three organizations.<sup>13</sup>

### *Characteristics of CLTs*

The legal structures that govern the relationship between CLT and homeowner vary by organization. Most commonly, the land underneath the house is owned by the CLT and leased to homeowners via a 99-year, inheritable, renewable ground lease.<sup>14</sup> Ground leases vary by organization, but in general, they give homeowners and their heirs the right to possess the land for a small monthly fee.<sup>15</sup> The CLT retains the right to intervene in the event of a foreclosure and the first right of resale. The ground lease also establishes resale restrictions such that the home remains affordable to future buyers in a target income range, while giving sellers a modest return on investment.

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<sup>8</sup> John Emmeus Davis, “Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing” (National Housing Institute, 2006).

<sup>9</sup> Thaden, “The State of Shared-Equity Homeownership.”

<sup>10</sup> Champlain Housing Trust, “About Champlain Housing Trust,” accessed January 21, 2019, <http://www.getahome.org/about-us>.

<sup>11</sup> These are Champlain Housing Trust, Proud Ground, One Roof Community Housing, City of Lakes CLT, and Dudley Neighbors, Inc.

<sup>12</sup> Thaden, “The State of Shared-Equity Homeownership.”

<sup>13</sup> These are: Champlain Housing Trust, One Roof Community Housing, and Thistle. In addition to CLTs, this includes limited equity co-ops and resident-owned communities. However, these organizations account for a very small portion of shared equity units in the NeighborWorks network. See “Network Activity in Shared Equity in 2017” (NeighborWorks Rural Initiative, 2018).

<sup>14</sup> In some cases, a CLT may choose to use a deed covenant instead of a ground lease. This would be in cases where the organization encounters difficulties, legal or otherwise, in splitting ownership between the land and the house. Brenda Torpy, Interview with author, September 10, 2018.

<sup>15</sup> For a model ground lease, see Kirby White, “The 2011 CLT Network Model Ground Lease,” in *idem*, *The CLT Technical Manual* (The National Community Land Trust Network, 2011).

For example, the Champlain Housing Trust in Burlington, Vermont allows owners to sell their home for what they paid for it plus roughly 25 percent of any appreciation in the value of the home.<sup>16</sup> Resale restrictions are usually pegged to the average median income (AMI) in the CLT's service area. For example, if the AMI has risen by 20 percent since purchase, a CLT may allow the owner to sell the property for 120 percent of the original purchase price. In essence, lower-income households get access to stable, affordable homeownership that would otherwise be out of reach in exchange for waiving the ability to earn unrestricted equity on that home.

Like many other affordable housing programs, CLTs use some form of public subsidy to close the gap between the cost of developing or acquiring (and often renovating) a unit of housing and the amount of money that low- or moderate-income households can spend on housing without being cost burdened.<sup>17</sup> The CLT model is unique, however, in that the property remains permanently affordable without needing additional subsidies even as residents receive some financial benefits of homeownership.<sup>18</sup> At resale, the homeowner and the CLT share any increase in the value of the property. In essence, the CLT passes on its share of the gains to the next income-qualified buyer in the form of a reduced home price. Doing so maintains the unit's affordability in perpetuity. In this way, the CLT reinvests the subsidy in the property itself: as the home's value grows, the "built-in" subsidy to the next buyer also grows. In a down-payment assistance program, where the owner pockets the original subsidy at resale, the same home requires a new, larger public subsidy at each resale for it to remain affordable. A CLT, instead, uses one public subsidy to achieve the same level of affordability in all future resales.

The shared equity model appears to be effective in building wealth for homeowners while preserving affordability for future households. A 2013 study from the Urban Institute found that homeowners of three CLTs and four shared equity programs with similar resale restrictions<sup>19</sup>

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<sup>16</sup> Champlain Housing Trust, "How to Buy a Champlain Housing Trust Home," <http://www.getahome.org/homes>, accessed January 21, 2019.

<sup>17</sup> In general, households spending more than 30 percent of their income on housing are considered cost burdened and those spending more than 50 percent are considered severely cost burdened. As of 2016, nearly half of all renter households and a quarter of owner households were considered cost-burdened. Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2018" (June 2018), 31.

<sup>18</sup> Lubell, Jeff, "Filling the Void Between Homeownership and Rental Housing: A Case for Expanding the Use of Shared Equity Homeownership" (Joint Center for Housing Studies at Harvard University, August 2013), 12-13.

<sup>19</sup> These are: Champlain Housing Trust, Thistle Community Housing (now, Thistle), and Northern Communities CLT (later merged with another organization to become One Roof Community Housing). Two organizations, Dos Pinos Housing Cooperative and Wildwood Park Towne Houses, were limited equity co-ops that used resale restrictions similar to those used by CLTs to preserve affordability for target income groups. Two programs, the San Francisco Citywide Inclusionary Affordable Housing Program and A Regional Coalition for Housing, were

received 22-to-39 percent rates of return when they sold their homes.<sup>20</sup> These returns varied due to differences in resale formulas, the amount of the original down payments, how long a homeowner stayed in their home (with the median homeowner selling after 4.3 years), and how much housing prices had risen in each organization's service area. Nevertheless, in all cases the return was greater than if the owner had invested her down payment in a 10-year Treasury bond or in an S&P 500 index fund for the same period of time as owning her shared equity home while continuing to live in rental units.<sup>21</sup> However, the returns were substantially less than what owners would have received had they been able to sell their homes on the open market.

Moreover, a 2010 study by Emily Thaden and Greg Rosenberg of 96 CLTs across the country found that CLT homeowners were 10 times less likely to be in foreclosure proceedings and 6.6 times less likely to be seriously delinquent than conventional homeowners, a result that is particularly impressive given the lower income limits usually placed on CLT home buyers.<sup>22</sup> This is likely because the model ensures a long-term interest in the property's success, leading to a distinct emphasis on stewardship activities (loan counseling, repair or renovation funding, etc.) that provide support to low-income homeowners.

CLTs also have become increasingly diverse, tailoring the model to different community needs or markets. Many CLTs acquire land for non-housing needs, like incentivizing commercial investment in a neighborhood or ensuring community control in development.<sup>23</sup> CLTs may lease land to businesses, nonprofits, or government entities that own commercial space, community

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deed-restriction models also with similar resale restrictions. The organizations were also similar in how they facilitated home sale transactions, and all organizations' median homeowner income was substantially lower than the average median income for the area.

<sup>20</sup> Kenneth Temkin, Brett Theodos, and David Price, "Sharing Equity with Future Generations: An Evaluation of Long-Term Affordable Homeownership Programs in the USA," *Housing Studies* 28, no. 4 (2013): 553–78, esp. 567–69. See also: Kenneth Temkin, Brett Theodos, and David Price, "Balancing Affordability and Opportunity: An Evaluation of Affordable Homeownership Programs with Long-Term Affordability Controls" (Urban Institute, October 2010), 41; and Rick Jacobus and John Emmeus Davis, "The Asset Building Potential of Shared Equity Homeownership" (New America Foundation, January 2010), <http://cltnetwork.org/wp-content/uploads/2014/01/2010-Asset-Building-Potential-of-Shared-Equity.pdf>.

<sup>21</sup> The authors assumed that resellers would hold their 10-year Treasury bonds until maturity, and so did not calculate any gains or losses that would have resulted from selling their bonds at the time the owners sold their homes.

<sup>22</sup> Emily Thaden and Greg Rosenberg, "Outperforming the Market: Delinquency and Foreclosure Rates in Community Land Trusts," *Land Lines* (Lincoln Land Institute, October 2010).

<sup>23</sup> One CLT in this study, Anchorage Community Land Trust, solely holds commercial land to revitalize the business corridor of Anchorage's Mountain View neighborhood. See Anchorage Community Land Trust, "ACLT Properties," *Anchorage Community Land Trust* (blog), December 23, 2015, <http://anchorageclt.org/aclt-properties/>.

centers, low-income rental housing, parks, or gardens. In many cases, a CLT owns and operates these properties instead of leasing land to another organization. One aspect that remains constant across organizations is the central role of stewardship and community participation in the organization.

CLT proponents also contend that CLTs can both preserve affordable housing in hot markets and stabilize housing in weak markets. As housing costs rise, and the gap between affordability and market-price widens, CLTs can maintain a stock of homes accessible to low- and moderate-income families. In cold markets, CLTs can stabilize neighborhoods via stewardship activities: CLTs may provide, or even require, pre- or post-purchase homeowner education, financial literacy education, legal assistance, and access to trusted mortgage lenders.<sup>24</sup> Some may help homeowners fund repairs and renovations, and most will intervene to prevent foreclosure. CLTs can also revitalize commercial corridors by offering affordable leases to businesses or community services.

However, for all their benefits, CLTs are not a magic bullet. General concerns about the CLT model are that it can be cumbersome and administratively difficult, more so than a deed restriction or down payment assistance program.<sup>25</sup> While these concerns are valid, a deed restriction program may not provide the stewardship activities that result in low foreclosure rates among CLTs. Another common critique is that CLTs create a “second class” of homeowners who cannot earn the full appreciation of their homes on resale. This is also a valid criticism, but often does not account for the fact that by preserving public subsidy and creating permanent affordability, a CLT expands *access* to homeownership to more households than a traditional down payment assistance program. Like many funding choices, CLTs involve a trade-off between expanding homeownership to more households and building more wealth for a smaller number of households. While a down payment assistance program builds substantial wealth for a single household, the CLT creates a permanently affordable house that builds limited wealth for a legacy of homeowners.

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<sup>24</sup> Thaden and Rosenberg, “Outperforming the Market.”

<sup>25</sup> Lubell, “Filling the Void Between Homeownership and Rental Housing,” 22-23.



## Research Questions and Methodology

With increasing concerns about housing affordability, there has been growing interest in CLTs. Notable work exists in describing both the model’s potential and in strategies for forming new CLTs.<sup>26</sup> But though existing CLTs seem to be effective in a variety of markets, there has been less research on when and how existing CLTs have been able to grow. This research aimed to fill that gap by focusing on three interrelated questions:

- How do CLT practitioners define taking a CLT “to scale”?
- What barriers limit the growth of existing CLTs?
- How have leaders of successful CLTs overcome these obstacles?

### *Methodology*

To answer these questions, I reviewed literature on CLTs, particularly existing work on obstacles to their growth, as well as literature on challenges to growth faced by a variety of nonprofit organizations, including work on differing definitions of – and approaches to – growing to scale.

I then identified notable CLTs whose leaders might shed light on my research questions. I identified all CLTs with significant holdings in the NeighborWorks America network, as well as large or otherwise noteworthy CLTs outside of that network via recommendations from experts and my independent research. In the end, I identified 10 organizations (See sidebar on “CLTs Discussed in This Report”). Nine of these had significantly expanded their portfolios or were in the process of strategizing for such growth in the near future. One entity – Thistle Communities – was in the process of strategizing how to downsize its CLT portfolio.

Between June to September 2018, I conducted 20 semi-structured interviews with leaders of 10 different CLTs as well as staff from the Grounded Solutions Network (formerly the National Community Land Trust Network), an organization that advances affordable housing solutions,<sup>27</sup> and staff from NeighborWorks America who are familiar with CLTs. I also reviewed

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<sup>26</sup> See Grounded Solutions Network, “Start-up Community Land Trust Hub,” <https://groundedsolutions.org/start-upclthub>; John Emmeus Davis, “Starting a CLT: Organizational and Operational Choices” (Burlington Associates, 2006), <http://www.burlingtonassociates.com/clt-resources/starting-a-clt-organizational-and-operational-choices/>; Kirby White, *The CLT Technical Manual* (The National Community Land Trust Network, 2011), <http://cltnetwork.org/2011-clt-technical-manual/>.

<sup>27</sup> See Grounded Solutions Network, “About Us,” <https://groundedsolutions.org/about-us>.

annual reports, financial statements, and strategic plans from the 10 CLTs. I asked interviewees open-ended questions about their vision for growth, challenges to and strategies for growth, how the organization acquired recent properties, and how it funded operational costs. (See Appendix A for a complete list of interview questions.)

<b>Overview of CLTs Discussed in This Report</b>						
	<i>Service area</i>	<i>Year began</i>	<i>Total No. of properties</i>	<i>No. of owner-occupied homes</i>	<i>No. of rental units</i>	<i>No. of other properties</i>
Anchorage CLT	Mountain View, Anchorage, AK	2003	5	0	0	5
Beyond Housing / 24:1 CLT	Normandy School District, St. Louis, MO	2011 <sup>1</sup>	499	27	472	1
City of Lakes CLT	Minneapolis, MN	2002	276	272	4	*
Champlain Housing Trust	Chittenden, Franklin and Grand Isle Counties, VT	1984	2815	615	2200	
Dudley Neighbors, Inc.	Dudley triangle, Roxbury, MA	1988	227	97	130	
Durham Community Land Trustees	Durham, NC	1987	282	52	230	
One Roof Community Housing	Duluth, MN	1990 <sup>1</sup>	282	282	0	
Proud Ground	Portland, Clackamas, Clark, Lincoln, Multnomah, Washington, OR	1999	296	296	0	
Thistle	Boulder County, CO	1989	874	223	651	120 <sup>1</sup>
Vivacité	Quebec, Canada	2012	240 <sup>1</sup>	240		
*Commercial CLT program announced						

## *Framing Issues Suggested by the Literature Review*

### What Might Stymie Growth?

Research by Grounded Solutions Network indicates that lack of subsidy funding, limited financing sources, complexity, and reputation of the model are the main barriers to CLT growth.<sup>28</sup> Other research from John Davis and Emily Thaden also attributes CLTs' growth spurts and sputters to changes in access to federal funds.<sup>29</sup> The practitioners I spoke with corroborated the findings of Grounded Solutions Network, with CLT leaders mentioning access to land and capital as a key barrier to reaching scale, compounded by fluctuations in the housing market. Most of the organizations I spoke with received funding from the federal HOME Investment Partnership Program, as well as Self-Help Homeownership Opportunity Program (SHOP) and Community Development Block Grant (CDBG) funding.<sup>30</sup> The organizations I studied also generated large portions of their revenue from earned income via rental projects, developer fees, and/or resident fees, and from individual donations and other philanthropic funding. A majority of CLT practitioners also cited the model's uniqueness and complexity as the main impediments to winning public and philanthropic funding.

Below are findings from Grounded Solutions Network on existing barriers to CLT growth:<sup>31</sup>

- *Lack of access to subsidy capital and/or land:* Lack of access to subsidy is categorized into two types of barriers: (1) lack of funding for homeownership subsidies in general, and (2) difficulty, for CLTs, in securing the funds that do exist. Funding for subsidies has been relatively level or has shrunk in recent years, especially HOME, SHOP, and CDBG programs. Moreover, as housing prices in many metros have risen faster than incomes, higher subsidies have become necessary to create affordable units.

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<sup>28</sup> Jenee Gaynor, interview with author, August 7, 2018; Grounded Solutions Network, "Growth and Sustainability Areas for Exploration" (October 2017).

<sup>29</sup> Thaden, "The State of Shared-Equity Homeownership"; Davis, "Shared Equity Homeownership."

<sup>30</sup> See U.S. Department of Housing and Urban Development, "HOME Investment Partnerships Program," accessed January 22, 2019, [https://www.hud.gov/program\\_offices/comm\\_planning/affordablehousing/programs/home/](https://www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home/).

<sup>31</sup> Grounded Solutions Network, "Growth and Sustainability Areas for Exploration."

- *Lack of financing sources for homeownership development:* Following the foreclosure crisis, more lenders have opted out of financing nonprofit development on speculation and require more units to be pre-sold. Thus, CLTs report that it is easier to finance the acquisition and development of rental units than of for-sale units.
- *Reputation of CLTs and their position in market:* While growing in popularity, the CLT model is still an unfamiliar and complex housing solution for many policymakers and funders. This situation requires CLT staff to spend a large amount of their time educating and advocating for the model, and makes it more difficult to generate buy-in. These difficulties exacerbate the challenges of securing grant subsidy/land and financing.
- *Lack of access to operational funding:* The final barrier to growth is a dependency on grant and donation funding for operational costs. CLT staff spend too much time fundraising and grant writing, which can limit the capacity of the organization.

The problems of limited funding, staff capacity, and competitive grant processes are not unique to CLTs. However, CLTs are different from other nonprofit organizations that produce for-sale housing units in their need for sustained stewardship capacity. As defined by The National CLT network (which later merged with another entity to form the Grounded Solutions Network), a CLT must have not only “growth capacity” to acquire new land, but also the “stewardship capacity” needed to carry out the long-term responsibilities related to owning and managing that land.<sup>32</sup> Fulfilling these responsibilities requires access to ongoing sources of funding.

### What Does “Reaching Scale” Mean?

Since I found that the definitions of “reaching scale,” “scaling up,” and “operating at scale” vary by sector, it was important for me to understand what they meant in the context of CLTs. In my discussions with CLT leaders, I learned that they often had differing visions of

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<sup>32</sup> Kirby White, “Planning for Sustainability,” in *idem*, *The CLT Technical Manual* (The National Community Land Trust Network, 2011).

“growth” that depended on their organizations’ goals and ultimately impacted the different strategies they pursued to reach these goals.<sup>33</sup>

Specifically, I found two main definitions for “reaching scale” as a CLT, which correlated with existing definitions for both businesses and nonprofits. For a business, “reaching scale” means operating at the size where increasing revenues would require equally significant increases in costs. Scaling-up is the proportional growth required to get to this size. But in the nonprofit sector, “reaching scale” is a more amorphous concept because the literature suggests an organization successfully “scales up” when it increases impact for its target populations.<sup>34</sup> As is discussed below, the leaders of CLTs sometimes used “at scale” in the business sense and sometimes described “scaling up” in terms of their social impact.

### *Operating At-Scale: The Sustainability Threshold*

Many leaders and much existing literature suggest a CLT operates at-scale when it is able to cover its operating expenses via earned income – the monthly lease fees, membership dues, resale fees, etc. paid by its units’ owners. This is called reaching the “sustainability threshold,” a certain number of units in a CLT’s portfolio such that the CLT has reached an economy of scale.<sup>35</sup> The “sustainability threshold” is said to be around 150-200 units, but depends on the fee structure of the CLT, its operational costs, and its resale formulas.<sup>36</sup> Any new subsidy or grant income goes towards new projects or new properties, rather than helping cover the operational costs of its existing portfolio. John Davis, a leading scholar of CLTs, refers to operating at this size as the “stewardship phase” in the life of CLT.<sup>37</sup>

Many larger CLTs are close to reaching this point. Champlain Housing Trust, for example, has a large enough portfolio that its resale, development, transaction, and ground lease fees account for nearly 85 percent of its shared equity operating budget, with the remaining 15

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<sup>33</sup> See the “Discussion” section, below.

<sup>34</sup> For example, a recent report by the Wallace Foundation cites nonprofit scaling up as “a process for significantly increasing the number of sustained implementations of a successful program, thereby serving more people with comparable benefits.” R. Sam Larson, James Dearing, and Thomas Backer, “Strategies to Scale Up Social Programs: Pathways, Partnerships, and Fidelity” (The Wallace Foundation, September 2017), <https://www.wallacefoundation.org/knowledge-center/Documents/Strategies-to-Scale-Up-Social-Programs.pdf>.

<sup>35</sup> John Emmeus Davis, Rick Jacobus, and Maureen Hickey, “Building Better City-CLT Partnerships,” Working Paper (Lincoln Institute of Land Policy, 2008), 45.

<sup>36</sup> Jason Webb and Jenee Gaynor, interview with author, July 3, 2018.

<sup>37</sup> Davis, Jacobus, and Hickey, “Building Better City-CLT Partnerships,” 45.

percent coming from philanthropic sources.<sup>38</sup> This operating budget funds staff and stewardship costs, and allows new public funds to go entirely towards subsidizing the development or acquisition of new units.

The practitioners I interviewed saw the sustainability threshold as a means to further growth, not necessarily as the beginning of a phase focused on stewardship rather than expansion. Many did say their goal was to build or acquire enough units to generate the earned revenue needed to consistently support their operating budgets. However, most CLT leaders sought grants from public and nonprofit entities to fund additional programs and staff persons to further their goal of successful housing and community development. Put another way, coming close to the “stewardship phase” was a strategy for growth, not an end goal for the organizations.<sup>39</sup>

### *Scaling Up for Social Impact*

While the sustainability threshold is a useful framework, the practitioners I interviewed defined “going to scale” more holistically. Each organization’s definition of scaling-up depended on its goals and mission, but ultimately involved increasing the number of sustained implementations of a program in order to serve more people. This is not to say the two definitions of reaching scale are necessarily at odds; an organization may expand its impact most effectively by reaching the sustainability threshold as defined by Davis.

Brenda Torpy, executive director of Champlain Housing Trust, for example, defined operating at scale as having a consistent pipeline of well-maintained properties and programs. “You have to be able to help people buy and sell units well,” she explained. “You need to make sure the homes are in repair and look good. You need a consistent offering, a reliable and steady source of homes.”<sup>40</sup>

Similarly, Chris Krehmeyer, president and CEO of Beyond Housing, framed the goal of the 24:1 CLT as meeting the varied needs of their community, explaining: “I’ve never seen anybody that can say ‘if you do this many units you’ll reach scale and magic will happen for your community.’ What I do know is that we need to do more than what we’re doing now. We need

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<sup>38</sup> Rob Leuchs, interview with author, January 18, 2019.

<sup>39</sup> Literature suggests this is a larger trend for CLTs beyond those organizations researched for this report. Webb and Gaynor, interview with author.

<sup>40</sup> Brenda Torpy, interview with author, June 21, 2018.

more programs at greater volume to meet the unmet need. ... How do we think through different solutions to those problems that have existed over time? How do we include others around the table so we can have greater impact?”<sup>41</sup>

Others concurred. Tony Hernandez, director of Dudley Neighbors, Inc., envisioned a large enough portfolio that revenue can be directly reinvested into the community, in whatever ways the community sees fit.<sup>42</sup> Diane Linn, executive director of Proud Ground, and Jeff Corey, executive director of One Roof Community Housing, defined scale as meeting demand. “The more the better. We have 450 families on our waitlist waiting for the chance to pursue homeownership and be released from the brutal rental market,” said Linn,<sup>43</sup> while Corey noted, “We can’t meet the demand that we have, we’d always like to do more.”<sup>44</sup>

## **Findings: Five Strategies for Growth**

Five broad strategies emerge among organizations for overcoming barriers to growth by increasing access to funding and familiarizing stakeholders with an unfamiliar, complex model. The approaches, detailed below, are:

- Secure the support of local public officials,
- Use mixed portfolios and programs,
- Leverage partnerships,
- Reduce reliance on grants, and
- Advocate as a collective movement.

These strategies are by no means exhaustive, nor are they mutually exclusive. Many of these strategies amplify one another or overlap. Additionally, each strategy may help to overcome different barriers for different organizations.

### ***Strategy 1: Secure the Support of Local Public Officials***

Most CLT leaders I interviewed said getting the support of city and/or state officials – both elected and appointed – was a key factor to successful expansions of their CLT’s portfolio.

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<sup>41</sup> Chris Krehmeyer, interview with author, July 31, 2018.

<sup>42</sup> Tony Hernandez, interview with author, August 7, 2018.

<sup>43</sup> Diane Linn, interview with author, August 2, 2018.

<sup>44</sup> Jeff Corey, interview with author, July 30, 2018.

These officials help in two primary ways. First, getting buy-in from local elected and appointed officials can help CLTs compete for limited public funding for affordable housing, such as local allocations of federal funding for affordable housing.<sup>45</sup> In addition to allocating funds, local governments can help CLTs in many other ways. They can donate or sell land at below-market rates and also ensure that other local policies – such as tax assessments – are aligned with the CLT approach instead of being an impediment to growth.

Since the specific types of policies that support CLTs have been extensively researched,<sup>46</sup> my interviews focused on the particular tactics that CLT leaders used to secure funding or policy change. Nearly all reported that working with public officials was a significant part of their work. In particular, CLT leaders reported that they tried to build local support in four main ways: (1) using resident engagement for political mobilization, (2) aligning their CLT’s strategy for growth with their city’s goals, (3) finding a champion in city hall, and (4) and securing government buy-in by occupying a niche in the market.

### Resident Engagement for Political Mobilization

CLT leaders cited the power of having an engaged resident base as a way to show local officials that their organizations and the CLT approach have broad-based, grassroots support. Champlain Housing Trust has over 3,600 members who can be mobilized to support or oppose particular local policies and initiatives, said Torpy, who added: “people try to get rid of inclusionary zoning every year, but if you have a community of people that are really invested, you have a powerful lobby.”<sup>47</sup> Each year, she reported, 300–500 members take part in advocacy, membership building and organizational activities and partner with other organizations, such as Vermont’s Affordable Housing Coalition and Vermont Tenants Inc.

Dudley Neighbors, Inc.’s initial policy win – securing the power of eminent domain in parts of Boston’s Roxbury neighborhood —came as a direct result of community organizing in

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<sup>45</sup> Federal housing money (HOME, CDBG) funds states, metropolitan cities and urban counties directly. Organizations and individuals cannot receive funds directly from HUD but apply for funding through their local government agency.

<sup>46</sup> Davis, Jacobus, and Hickey, “Building Better City-CLT Partnerships”; Davis, “Summary of HUD Regulations Affecting Community Land Trusts.”

<sup>47</sup> Torpy, interview with author, June 21, 2018.



the largely black and low-income neighborhood.<sup>48</sup> Throughout the 1970s, the areas surrounding Dudley Street were overrun with abandoned houses and illegal dumping of toxic waste. Community members organized and, with help from the Riley Foundation, started Dudley Street Neighborhood Initiative (DSNI). DNI, a subgroup of DSNI, was established in 1988 to revitalize the community. Through organizing and advocacy, the group won the support of key city and state officials and was ultimately allowed to become an official Urban Redevelopment Corporation with a host of powers, including the right of eminent domain.<sup>49</sup> With these powers and the support of key officials, DNI was then able to create and expand its portfolio by obtaining and then leasing out abandoned lots.

Political mobilization remains a core tenet of DNI's strategy, according to Hernandez, its director, who explained: "You have to remind officials that they were elected to represent people, and if they won't, we have got to organize."<sup>50</sup> Although DNI initially had a "rocky relationship" with city officials, they are now key supporters of DNI, he added, reporting: "On a biweekly basis, we look at parcels of land that the city is looking to get off their books but want to place in the right hands. They approach us and say, 'We will give [these parcels of land] to your organization if you intend to generate affordable housing on them.' And that's the cycle; they give us parcels of land. The city then remains a partner at the table by subsidizing the costs of development."<sup>51</sup>

The leaders and staff of the Durham CLT (DCLT) focus their organizing work on issues of displacement and racial justice. DCLT was started by residents in Durham's West End neighborhood to better housing conditions, in response to absentee landlords and housing disrepair.<sup>52</sup> Now, 30 years later, its leaders say the neighborhood's residents are being displaced by outside developers and rising housing costs. Executive Director Selina Mack is concerned that because of high real estate prices, the organization will be able to grow only by accessing below-market city-owned land. "We're creating noise ... [and] we're advocating," she reported. "We're saying 'Look, these people are being displaced, where are they going to go?' ... The city doesn't

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<sup>48</sup> Hernandez, interview with author. See also Peter Medoff and Holly Sklar, *Streets of Glory: The Fall and Rise of an Urban Neighborhood* (Boston: South End Press, 1991).

<sup>49</sup> Hernandez, interview with author; Juan Leyton, interview with author, August 3, 2018.

<sup>50</sup> Hernandez, interview with author.

<sup>51</sup> Ibid.

<sup>52</sup> Durham Community Land Trustees, "History," accessed January 22, 2019, <https://www.dclt.org/about-dclt/history/>.

have a place to put them.”<sup>53</sup> Mack credits DCLT’s rich history of resident engagement and organizing as key to its success.

### Alignment with City Goals

CLT leaders developed partnerships with municipal officials by aligning the organization’s goals for growth with the priorities of the city. (See sidebar on “The City of Lakes CLT’s Sustained Legacy Program”). Champlain Housing Trust was founded when Bernie Sanders was mayor of Burlington. The ethos and values of the city’s mayor and officials were aligned with the collective nature and community ownership inherent to the CLT model.<sup>54</sup> Torpy credits the city’s early support as instrumental to CHT’s success, with a capacity grant, staffing through the city, and a commitment that all housing dollars would go only to permanent affordability.<sup>55</sup> Similarly, the last property acquired by Dudley Neighbors, Inc. was financed completely by the City of Boston to meet its goals of preventing displacement.<sup>56</sup> DNI’s leaders were able to capitalize on political momentum to develop a partnership with city planners and lead the community planning process.

#### **The City of Lakes CLT’s Sustained Legacy Program (Minneapolis, MN)**

In Minneapolis, there are thousands of low-income and/or disabled homeowners. Even though many of these people do not have a mortgage, many could lose their homes because they are unable to pay property taxes and/or utility charges or to fund needed repairs to their homes. In response to this problem, city officials identified City of Lakes CLT (CLCLT) as a possible solution because of its reputation in the community and its experience serving low-income households. The City and CLCLT partnered to develop the Sustained Legacy Program, in which elderly or disabled households at risk of losing their homes due to unpaid taxes, fees, or bills are referred to the land trust by the City, the County, or Legal Aid Minnesota. In seven instances to date, CLCLT has intervened to remedy past-due homeowner debt obligations and to address deferred maintenance issues in exchange for the home becoming part of CLCLT’s portfolio. As a result, the homeowners are able to remain in their homes and City of Lakes CLT gets control the units if and when the homeowners (or their heirs) decide to sell.

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<sup>53</sup> Selina Mack, interview with author, July 9, 2018.

<sup>54</sup> Torpy, interview with author, June 21, 2018.

<sup>55</sup> Ibid.

<sup>56</sup> Leyton, interview with author.

Mary Duvall, CEO of Thistle, reports that at its inception, the organization missed an opportunity to partner with the city, which made it difficult to later secure public funding. City of Boulder officials wanted to create a stock of permanently affordable housing, and in doing so, created a city-run deed restriction program which ultimately competed with the CLT for funding. Duvall explained, “[The previous leaders] could have worked that relationship differently. ... When the City started their deed restriction program, Thistle could have offered to take on that service and do it on behalf of the city.”<sup>57</sup>

### A Champion in City Hall

Having an individual champion is a necessary part of securing municipal buy-in. Most practitioners who mentioned having robust city support said that having an elected official take special interest in the organization facilitated easier partnerships and processes. Leaders of Champlain Housing Trust and Dudley Neighbors, Inc. both said their cities’ current mayors were key champions, while two former One Roof residents are now city councilors in Duluth.<sup>58</sup> Jeff Washburne of City of Lakes CLT added that CLTs need not only a political champion, but also an administrative one, specifically someone with a the mid-to-senior level position in city hall who could help support bureaucratic processes as CLT projects moved forward.<sup>59</sup>

### Securing Government Buy-in by Occupying a Niche in Market

While not necessarily a ‘strategy’ that can be adopted by other CLTs, leaders of many organizations reported securing buy-in because they were occupying a unique niche in the market. Corey of One Roof noted that his organization’s status as the only developer of affordable single-family housing in Duluth was a reason they were likely to get local funding. He recalled: “The city’s community development manager said to me, ‘We need you guys to be our CHDO [Community Housing Development Organization] developer. We have to put a certain amount of HOME funds towards [single-family development] and you're the only group that is consistently doing it.’”<sup>60</sup> In a somewhat similar vein, Durham CLT’s Mack also said that, while city officials appreciated them for their development work in targeted neighborhoods,

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<sup>57</sup> Mary Duvall, interview with author, July 23, 2018.

<sup>58</sup> Torpy, interview with author, June 21, 2018; Hernandez, interview with author; Corey, interview with author.

<sup>59</sup> Jeff Washburne, interview with author, August 7, 2018.

<sup>60</sup> Corey, interview with author.

historically they “did not understand the model nor appreciate it.”<sup>61</sup> However, as the city’s housing market has heated up, city officials have come to see the merit in the land trust’s model for permanent affordability. As a result, she said: “Suddenly, they’re awarding money based on how long things are going to be affordable.”<sup>62</sup>

## ***Strategy 2: Use Mixed Portfolios and Programs***

CLTs are often associated with single-family developments in a specific neighborhood. However, all organizations I studied had varied portfolios, and a majority are responsible for non-CLT community development programs. Varying portfolios and programming has several notable financial benefits. First, it lets CLTs cross-subsidize their properties and spread out their financial risks. Second, having a diverse slate of community programs and development types allows organizations to be nimbler in seeking funding from a variety of public and philanthropic sources. Finally, flexibility in programming and property makes it easier for CLTs to react to their communities’ needs and to fluctuations in local housing markets. CLTs achieve this flexibility in four ways: (1) mixed portfolios, including mixed-income developments and commercial or rental properties, (2) scattered-site models, (3) flexible means of acquisition, and (4) other community programs.

### Mixed Portfolios, Including Mixed-Income Developments and Rental or Commercial Properties

Nearly all the CLTs I studied owned properties other than low-income, single-family homes. This trend is reflected nationally. According to a 2011 survey from the National CLT Network, roughly two-thirds of all properties in CLT portfolios are rental units funded by Low Income Housing Tax Credits.<sup>63</sup> The move towards mixed portfolios (namely, rental properties and/or mixed-income developments) not only was helpful during and after the Great Recession as mortgages tightened, but also reflects the strategic decisions CLT leaders must make about the organization’s focus. CLT leaders often feel that financial necessities and programmatic realities can force them to take on projects – such as higher-income homeownership developments or

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<sup>61</sup> Mack, interview with author.

<sup>62</sup> Ibid.

<sup>63</sup> Maxwell Ciardullo, “Community Land Trusts Have Renters Too,” *Shelterforce* (blog), October 15, 2013, [https://shelterforce.org/2013/10/15/community\\_land\\_trusts\\_have\\_renters\\_too/](https://shelterforce.org/2013/10/15/community_land_trusts_have_renters_too/).

permanently subsidized rental properties – even if those projects might not directly align with their organization’s original mission of expanding homeownership opportunities for low-income households.

In 2005, for example, Durham CLT’s leaders expanded the organization’s portfolio to include income rental properties. Mack reported that this shift was a response to an increased need for rental housing in Durham, but was also practical because rental units could be funded via then more-plentiful Low-Income Housing Tax Credits (LIHTC). Moreover, there were fewer affordable single-family homes available to purchase.<sup>64</sup> Since the housing crash in 2008, rentals have continued to be a priority, and they help financially support the organization while filling a need for affordable rental housing in the community.<sup>65</sup>

Proud Ground’s leaders have recently expanded the organization’s development of mixed-income homeownership projects. Proud Ground is completing development of a condominium project that will include a range of subsidized units for households earning as low as 30-percent-AMI as well as unsubsidized market-rate units. This mixed-income project is a result of funding opportunities that create density while serving families with historic ties to gentrified neighborhoods. Under the City of Portland’s Preference Policy, city officials allocated \$20 million to assist communities that have been displaced, including \$5 million in housing subsidies in an historically African-American community.<sup>66</sup> Proud Ground is not often a lead developer but decided to partner with Habitat for Humanity Portland Metro East to build family-sized units for Preference Policy households. According to Linn: “We have had to adapt and be responsive to opportunities. If you are serious about going to scale, then building more, higher-density projects is necessary, especially in a growing community like Portland.”<sup>67</sup>

### Scattered-Site Model

The early, urban CLTs had a defined service area usually around a single neighborhood with a common historic or sociopolitical identity.<sup>68</sup> Yet with the exception of DNI, 24:1 CLT,

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<sup>64</sup> Mack, interview with author.

<sup>65</sup> Durham Community Land Trustees, “Vision,” accessed January 22, 2019, <https://www.dclt.org/about-dclt/vision/>.

<sup>66</sup> Linn, interview with author; City of Portland, “N/NE Neighborhood Housing Strategy,” accessed January 22, 2019, <https://www.portlandoregon.gov/phb/72705>.

<sup>67</sup> Linn, interview with author.

<sup>68</sup> Davis, “Origins and Evolution of the Community Land Trust in the United States,” 38.

and Anchorage CLT, the other organizations I studied now use a scattered-site model in which their properties are spread over a much larger service area. Leaders of these groups say that the scattered-site model allows their organizations to more efficiently acquire financially viable properties. Defining the service area of an organization is a strategic decision that balances multiple factors, including financial feasibility and historic ties to a single community. Some organizations began their operations using a scattered-site model, while others had originally focused on a single neighborhood before shifting to a scattered-site model due to financial pressures or changing community needs. For example, Durham CLT's Mack reported that since the organization was being "priced out" of development opportunities in their original service area, it expanded to other neighborhoods with their new strategy to acquire property in the city center near social services and transit centers.<sup>69</sup>

Corey said that One Roof has adopted the scattered-site development strategy of trying to find "diamonds in the rough" in more affluent neighborhoods. Acquiring property in affluent neighborhoods cross-subsidized One Roof's portfolio.<sup>70</sup> Similarly, Vivacité in Quebec, Canada diversifies its portfolio based on risk.<sup>71</sup> In thinking like a for-profit developer, its leaders have structured the organization's portfolio such that one project is in a very risky market (a central-city neighborhood destroyed by a train accident), three are in suburban markets, and four are in other urban markets. These outlying properties cross-subsidize the ones in the central area and, because the markets for them vary, should reduce the group's overall financial risks.<sup>72</sup>

The idea of scattered-site developments in larger service areas, sometimes encompassing multiple counties, may seem counter to this original "community" focus. In fact, when Dudley Neighbors, Inc. put this decision to a vote, its members decided that they wanted the organization to continue focusing on the Dudley Triangle rather than expand its service area.<sup>73</sup> Instead, its leaders decided to support other communities by helping them develop their own CLTs.<sup>74</sup> However, leaders of CLTs that have larger geographic scopes contend that the larger service

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<sup>69</sup> Mack, interview with author.

<sup>70</sup> Corey, interview with author.

<sup>71</sup> Marie-Sophie Banville, "Shared-Equity Homeownership with No Public Subsidy," *Shelterforce* (blog), July 11, 2018, <https://shelterforce.org/2018/07/11/shared-equity-homeownership-with-no-public-subsidy/>.

<sup>72</sup> Marie-Sofie Banville, interview with author, August 21, 2018.

<sup>73</sup> Hernandez, interview with author.

<sup>74</sup> See the section "Advocate as a Collective Movement."

areas are not at odds with groups' focus on community-controlled growth and governance. For example, even though Champlain Housing Trust has expanded to a three-county service area, it has retained the traditional CLT tripartite board, with one-third of the seats designated for residents of the group's properties.<sup>75</sup>

### Flexible Means of Acquisition

Like scattered-site models, having flexible means of acquisition allows an organization to react quickly to market fluctuations. Corey, for example, said that One Roof is able to pivot when conditions require a different strategy.<sup>76</sup> Its first 100 units were buyer-initiated acquisitions: individuals in the target income range proposed homes that they would like to purchase with financial help from the CLT. At resale, the price is restricted, and the home remains in the CLT's portfolio. However, as the market fluctuated, the houses that buyers in the organization's target AMI could afford required so many repairs that those costs sometimes made those houses too expensive for the eligible buyers. One Roof's leaders responded by building the group's portfolio through "acquisition-rehabilitation" (buy cheaper units, fix them up, and sell them) to supplement newer, more expensive construction. This, too, became difficult as the market heated up: "even junky houses cost too much before the crash."<sup>77</sup> As the recession hit, the organization stopped doing new development and entirely focused on acquisition-rehabilitation. In the last three years as the local housing market has started to pick up, One Roof reduced its acquisition-rehabilitation work by half and began new construction once again.

### Other Community Programs

Following the theory that "scaling up" a CLT means expanding its larger social impact, nearly every organization I studied ran social-impact programs that went beyond stewardship of CLT properties. (See sidebar on "Thistle's Resident-Owned Communities"). 24:1 CLT, for example, owns and runs a community coffee shop.<sup>78</sup> This is in addition to the myriad programs under Beyond Housing, its parent organization. Similarly, Anchorage CLT's leaders also

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<sup>75</sup> Champlain Housing Trust, "About Champlain Housing Trust."

<sup>76</sup> Corey, interview with author.

<sup>77</sup> Ibid.

<sup>78</sup> 24:1 Coffee House/café, "About Us," accessed January 22, 2019, <https://www.241coffeehousecafe.com/About-Us>.

believed that if more businesses were going to be in its service area, then residents should own many of those businesses. But there were no micro-lenders in the state that could support that effort. Consequently, they started Set Up Shop to provide training, lending, and technical assistance to local entrepreneurs.<sup>79</sup>

### **Thistle's Resident-Owned Communities (Boulder, CO)**

Since 2004, Thistle has owned and operated Mapleton Mobile Home Park, a 135-unit community in Boulder, Colorado. Thistle applied the CLT lease structure to the mobile home park. The owners of the mobile homes lease the land from the CLT and participate in its control. As one of the few resident-owned communities (ROCs) in the state, Thistle began receiving calls from other mobile home residents inquiring how they, too, could have more ownership of their park. Responding to this need, the organization became a ROC Certified Technical Assistance Provider (CTAP) via the ROC USA Network in 2017. As a CTAP, Thistle helps privately owned mobile home parks become resident-owned communities. After purchase, Thistle provides ongoing technical assistance to the ROC's Board of Directors.

Thistle's pivot towards providing technical assistance to ROCs responds to community need while being a financially prudent move. As a CTAP, Thistle generates more revenue than through its traditional CLT work, and this new revenue allows it to cross-subsidize its homeownership units.

### ***Strategy 3: Leverage Partnerships***

All the CLT leaders I interviewed cited strong partnerships with other nonprofits or developers as key to growth. The same is true for many nonprofits: partnerships can reduce costs, let an organization focus on its comparative advantage, and bolster funding applications. Small organizations with limited capacity, in particular, can outsource tasks that require overhead or expertise (real estate development, for instance). Such outsourcing is particularly important for the complex work of a CLT. Practitioners described three types of partnerships: (1) operational incubators, (2) cross-sector partnerships, and (3) support from intermediary organizations.

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<sup>79</sup> Kirk Rose, interview with author, August 14, 2018.



## Operational Incubators

Both the 24:1 CLT and Dudley Neighborhood, Inc., are housed within larger nonprofits.<sup>80</sup> Because being embedded within a larger organization spreads out fixed costs, it has helped facilitate their growth.<sup>81</sup> Moreover, a nonprofit with varied community development programs may have access to different pools of grant funding. Larger nonprofits may also have better chances of winning grants, attracting donors, and securing larger loans to fund development work. Some CLTs, like Proud Ground, have started incubating smaller or new CLTs. Incubation achieves both lower overhead for the smaller CLT, and a way for the larger CLT to expand its social impact. (See sidebar on “Proud Ground’s Hub and Spoke Model”).

### **Proud Ground’s Hub and Spoke Model (Portland, OR)**

Proud Ground is pioneering a “Hub and Spoke” model to expand its portfolio beyond the Greater Portland Metropolitan, and to help smaller CLTs serve families throughout Oregon. In this model, Proud Ground acts as the “hub,” providing institutional knowledge on CLT stewardship and administrative infrastructure to smaller community ‘spokes’ through partnership agreements. The model’s success is dependent on the establishment of an organizational partner, local contacts, and supporters in the geographical area of each spoke, along with representation of each spoke by a member of Proud Ground’s Board of Directors. Some spokes choose to maintain a long-term partnership agreement, where Proud Ground continues to offer administrative support while the smaller organization maintains its independent status. Others choose to fully integrate with Proud Ground. Executive Director Diane Linn describes the rationale: “You put a lot of effort into sustaining a little tiny nonprofit without any outcomes for families. And that is a sad use of public funds. So that’s why we pursued the hub and spoke model.”

Proud Ground recently expanded into Lincoln County under this model. The county had received federal stimulus money to start a CLT. Proud Ground and the county commission worked together to decide that instead of spending \$90,000 for an executive director plus other operational costs, Lincoln County could act as a spoke, and purchase units to be incorporated into Proud Ground’s portfolio. Proud Ground plans to add eight more units in Lincoln county within the next year and to reach 20 units within four years.

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<sup>80</sup> Beyond Housing (<https://www.beyondhousing.org/>) and Dudley Street Neighborhood Initiative (<https://www.dsni.org/>), respectively.

<sup>81</sup> Krehmeyer, interview with author; Leyton, interview with author.

## Cross-Sector Partnerships

“Cross-sector partnerships” bring in other expertise and/or service providers to help meet a CLT’s goals. The leaders I interviewed cited this practice as particularly useful given the complexity of the CLT model and the many different services CLTs need to succeed. For example, most CLTs have developed partnerships with community lenders or bankers to help secure mortgages for buyers who might not otherwise qualify if standard underwriting procedures were used to assess their applications. Partnerships with bankers were particularly important when CLTs were more unusual and legal frameworks had not been well developed for shared-equity mortgages. However, the Federal Housing Finance Agency included increasing access to shared-equity mortgages in a 2015 rule concerning Fannie Mae’s duty to serve underserved markets, and starting in August 2016 lenders could use the Desktop Underwriter Tool to underwrite CLT mortgages.<sup>82</sup> Fannie Mae has also developed a model rider for CLT mortgages.<sup>83</sup> These developments streamlined a once-complicated process to increase access to CLT mortgages.

Other CLTs partner with nonprofit or for-profit developers for construction of new units. These partnerships not only can help a CLT cut costs in acquiring new properties, but also can strengthen its community reach and impact. Leaders of the Anchorage and City of Lakes CLTs both said that partnering with developers who had connections with, and a positive reputation in, the community, has been helpful both for securing funding and amplifying their organization’s mission.<sup>84</sup> Interviewees from Proud Ground and Champlain Housing Trust also cited robust partnerships with Habitat for Humanity on advocacy work and development projects.<sup>85</sup>

One Roof’s leaders have developed particularly creative partnerships with non-housing organizations. In the past, the organization has partnered with a local excavator to do soil

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<sup>82</sup> Federal Housing Finance Agency, “Enterprise Duty to Serve Underserved Markets: Proposed Rule,” accessed January 22, 2019, <https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Enterprise-Duty-to-Serve-Underserved-Markets-Proposed-Rule.aspx>; Fannie Mae, “Community Land Trust Lending Update, Part 1,” January 26, 2016, accessed January 22, 2019, <http://www.fanniemae.com/portal/media/business/clk-pt1-012616.html>.

<sup>83</sup> Fannie Mae, “Community Land Trust Ground Lease Rider” (December 2010), [https://www.fanniemae.com/content/guide\\_form/2100rev.pdf](https://www.fanniemae.com/content/guide_form/2100rev.pdf).

<sup>84</sup> Rose, interview with author; Washburne, interview with author.

<sup>85</sup> Linn, interview with author; Torpy, interview with author, June 21, 2018.

exploration. Corey, the organization’s CEO, recalled: “We asked, ‘How can we more cheaply understand the soil conditions of our houses?’ So, we teamed up with an excavator that we knew would want to bid on our houses. . . . It didn’t cost us but a day of work, and then the excavator had a lot more confidence when he went to bid.”<sup>86</sup> Corey added that he was also exploring a partnership with a start-up modular house manufacturer incubated by the University of Minnesota’s Natural Resources Research Institute to build kit houses with pre-installed electrical wiring as part of their portfolio.<sup>87</sup>

Vivacité’s partnership with a local Quebec credit union, Caisse d’Économie Solidaire, helps the CLT operate without government subsidy.<sup>88</sup> Vivacité develops multifamily properties under a for-profit model, generating surplus revenues by including any operational costs within each project’s total costs. The difference between the cost of each housing unit and its market value is captured by the credit union. Instead of the CLT “losing” this profit by selling condos at below-market prices, credit union leaders agreed to treat this value-gap as part of the 20 percent down payment for a buyer’s mortgage. Although no money actually changes hands, the value is still acknowledged – if the credit union has to foreclose on the mortgage, it could capture that value. The remaining money needed for the down payment, usually around 25 percent, is funded by private investors who receive a six percent internal rate of return.<sup>89</sup> The money used to remunerate impact investors comes from Vivacité’s share (75 percent) of its units’ appreciation upon resale. The partnerships with Caisse d’Économie Solidaire and private investors allow Vivacité to grow its portfolio without public subsidy.

### Intermediary Organizations

Nearly all facilitators credited intermediary organizations, usually NeighborWorks America or Grounded Solutions Network or both, as crucial in sharing best practices, providing training, and connecting CLTs as a movement. Being connected with such entities, leaders said, helped them save on operational costs, build capacity, and more effectively advocate for the CLT model. Torpy of Champlain Housing Trust said that the intermediary organizations were critical because they help ensure that “municipalities don’t have to make it up as they go along. Shared

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<sup>86</sup> Corey, interview with author.

<sup>87</sup> Ibid.

<sup>88</sup> Banville, “Shared-Equity Homeownership with No Public Subsidy.”

<sup>89</sup> The rate of return is modeled over a 15 year period. It assumes an average tenancy of nine years before resale, with an estimated 20 percent of units not resold or being resold at a loss. Banville, interview with author.

knowledge and infrastructure help smaller programs get to scale without falling apart.”<sup>90</sup> Duvall of Thistle cited the national exposure and resulting opportunities that come from being part of the NeighborWorks network.<sup>91</sup> Furthermore, interviewees cited the ability to ask for and receive technical support. As One Roof’s Corey said: “We’ve gotten a lot of mileage from being honest about what we didn’t know and what help we needed. We took every capacity-building grant we could get, all the training classes we could get, and we just gobbled it up.”<sup>92</sup>

#### ***Strategy 4: Reduce Reliance on Grants***

Creating a viable and sustainable business plan is the basis of the “sustainability threshold,” the initial idea of what it meant for CLTs to get to scale. Internally funding operating costs allows staff to devote their time to non-fundraising work, and additional revenue can be used to develop or acquire more properties. Reducing reliance on grants via business planning may be an obvious strategy, but the tactics organizations use are unique to their goals and market. CLTs reduced reliance on grants via (1) earned revenue and fees, and (2) diverse revenue streams.

#### **Earned Revenue and Fees**

Most CLTs have resident fees that are large enough to cover a substantial portion of their operating costs. (See sidebar on “Champlain Housing Trust’s Responsive Fees”). These fees are a mix of resale fees, membership fees, and/or monthly lease fees. Additionally, CLTs also receive funds from developers’ fees, income from rental/commercial properties, and/or revenue from subsidiary companies. For many organizations, this earned revenue makes up of a large part of its operating budget. Earned income, for example, accounts for 68 to 72 percent<sup>93</sup> of One Roof’s CLT program’s revenue (predominantly through developer fees), while nearly all of Thistle’s operating budget comes from earned revenue, particularly income from its work as a

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<sup>90</sup> Torpy, interview with author, June 21, 2018.

<sup>91</sup> Duvall, interview with author.

<sup>92</sup> Corey, interview with author.

<sup>93</sup> This is for One Roof’s CLT program. If considering its non-shared equity programs, such as the Homebuyer Counseling, Tenant-Landlord Connection, and Lending programs, the percentage of the organization’s total revenue made up by earned income is much lower.

ROC Certified Technical Assistance Provider, its work as a third-party property manager, and from its large portfolio of rental properties.<sup>94</sup>

### **Champlain Housing Trust's Responsive Fees (Burlington, VT)**

Champlain Housing Trust is the largest CLT in the country with 615 homes in its shared equity portfolio and over 2,200 rental units. The homeownership program generates its revenue almost entirely from a diverse stream of fees:

- 35 percent from developer fees from new construction;
- 27.5 percent from ground lease fees, paid by the homeowner and set at \$35 per month;
- 15.5 percent from resale fees, paid by the homeowner and fluctuating with the home sale price;
- 6 percent from transaction fees, paid by the buyer and set at a one-time payment of \$1200.

Because of these fees, the homeownership program runs a surplus and helps to fund member education programs. Rob Leuchs, Director of Homeownership Programs, explained that CHT is able to responsively structure its fees such that a balance is struck between earning enough revenue and still creating wealth for homeowners. For example, the resale fee is structured as part of a portfolio, where the resale fees from properties that have increased more in price subsidize those that have not. "Every year we set a goal for what we wanted to earn for our resale development fees. Last year it was \$125,000. For properties that haven't gone up, we take what we can, but not too much so it's still affordable." The flexibility and concern for balancing affordability with revenue is illustrated with CHT's worksheet on calculating the resale price, where considerations are given for the homeowner's equity including current mortgage balance, any other liens or outstanding fees, and if the owner is "under water." These factors can reduce the resale fee to retain more wealth for the seller if necessary.

Interviewees referenced the importance of judiciously building in these fees and making sure that funders are aware why these fees exist. City of Lakes CLT's Washburne, for example, noted the philanthropic power of earned revenue: "After you're around for a while, funders are tired of funding you. They want to see earned revenue through fees."<sup>95</sup> He says this consideration informed the CLT's decision to transition from buyer-initiated acquisitions to becoming a developer. While buyer-initiated acquisition and partnerships with developers spread out risk and allowed for expansion in the organization's early years, becoming a developer sustained long-

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<sup>94</sup> Corey, interview with author; Duvall, interview with author.

<sup>95</sup> Washburne, interview with author.

term growth by simultaneously lessening dependence on philanthropic dollars and increasing attractiveness to funders.<sup>96</sup>

### Diverse Revenue Streams

CLTs have varied sources of public and private funding that help them weather funding fluctuations. This diversity helps them avoid scrambling for new funding if an investor pulls out or a grant expires. Dudley Neighbors, Inc. has diverse philanthropic streams of funding because there is no guarantee that public funding will be continued, and requirements for using philanthropic money tend to be more flexible.<sup>97</sup> Staff at One Roof are considering a private capital gift campaign as an additional revenue stream.<sup>98</sup> Anchorage CLT relies mostly on earned revenue from their commercial properties, which allows it to be choosier about grant funding. “None of this works à la carte,” said Executive Director Kirk Rose. “We won’t take your money if you’re trying to give it to us à la carte. If you want us to build that new thing, we need a new staff member and you’ll have to pay for that too.”<sup>99</sup>

### Other Earned Revenue

Many organizations had other programs to generate revenue in addition to fees and philanthropic funding. 24:1 CLT operates a community coffee shop, which generates enough revenue to cover the shop’s operational costs while serving as a community center.<sup>100</sup> As mentioned earlier, Thistle’s work as a ROC Certified Technical Assistance Provider generates revenue to subsidize its CLT properties.<sup>101</sup> Linn of Proud Ground has signed six memorandums of understanding with Habitat for Humanity affiliates to manage the affiliates’ permanent affordability requirements for their State of Oregon LIFT funding.<sup>102</sup> These MOUs are fee-for-service agreements, helping the affiliates continue to qualify for the bond funding while furthering Proud Ground’s mission for permanent affordability. Proud Ground also provides

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<sup>96</sup> Ibid.

<sup>97</sup> Hernandez, interview with author.

<sup>98</sup> Corey, interview with author.

<sup>99</sup> Rose, interview with author.

<sup>100</sup> Krehmeyer, interview with author.

<sup>101</sup> Duvall, interview with author.

<sup>102</sup> Oregon Housing and Community Services, “Local Innovation and Fast Track Housing Program,” <https://www.oregon.gov/ohcs/DO/lift/resources/LIFT%20Summary.pdf>.

market-rate real estate brokerage services and uses the commissions it receives to support its core programs. The effort has generated \$75,000 to \$100,000 per year since 2015.<sup>103</sup>

### ***Strategy 5: Advocate as a Collective Movement***

The complex and lesser-known CLT model requires significant public education and advocacy. Consequently, many of the people I interviewed spent time and energy promoting the CLT model generally, as opposed to their specific organization's activities. Such advocacy included challenging accepted notions of property, housing, and community control, and typically involved a mix of promoting the CLT model and supporting other CLTs.

#### Promotion of CLT Model

A better understanding of the model leads to better partnerships, municipal and philanthropic support, and a pipeline of buyers. All the CLT leaders interviewed for this report did advocacy work at the local or national level for a variety of stakeholders. Hernandez from Dudley Neighbors, Inc. noted that it was important to tailor his message to his audience. He recalled, for example, that DNI held a bankers' forum to educate its lending partners on the CLT model, since they found many banks rejecting their applicants. Since this forum, six banks have produced a mortgage package specifically for the CLT model. "You need to be specific to the audience," he noted. "So that's what we did—we spoke 'bank talk.' If you're working with a banker, you've got to talk 'banker.' With a lawyer, you've got to talk 'lawyer.' With a community organizer, you talk 'real talk.'"<sup>104</sup> City of Lakes CLT leaders tried to give their narratives a human face by sharing individual success stories on social media. According to Washburne, these stories helped infuse a "sense of urgency," since the Minneapolis/St. Paul housing market is still more affordable than hot markets in other cities.<sup>105</sup>

Cultivating demand from potential buyers did not appear to be a concern for any of the leaders I interviewed. Rather, most cited significant demand for their organization's homes. However, some also said they had to make sure the buyers were qualified (to prevent foreclosures and secure mortgages) and understood the CLT model (so they were not surprised at

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<sup>103</sup> Linn, interview with author.

<sup>104</sup> Hernandez, interview with author.

<sup>105</sup> Washburne, interview with author.

the resale restrictions when they sold their units). At Champlain Housing Trust, for example, buyers must take an eight-hour class on shared-equity homeownership, then have a one-on-one meeting with a homeownership counselor to discuss their specific situation and go over the terms of the ground lease.<sup>106</sup> Torpy also noted that while demand for their homes was high, it was important to market a reliable, consistent supply of units to maintain the pipeline of buyers.<sup>107</sup> For One Roof, a relatively weak local housing market has created an opportunity for education through realtors. “Our product is not so different in price from the market,” said Corey. “We can’t thumb our nose at the realtor community. We’re a licensed broker and our properties get listed just like every other home in Duluth. And we pay commission to the buyers’ realtors if they’re not working with us first. ... [The realtors] will see it’s a good deal for the buyer and accept [the CLT model] whether they want to or not.”<sup>108</sup>

### Developing Support for Other CLTs

In line with the idea that scaling up expands social impact, leaders of many organizations cited their efforts to support other CLTs as a key part of growth. (See sidebar on “The Greater Boston CLT Network”). Linn of Proud Ground recommended that leaders of smaller CLTs join alliances that will help with learning best practices. Her group is part of the Northwest CLT Alliance, where their representatives share materials and support smaller groups. As she noted: “If you start from scratch, it’s going to be difficult to find subsidy on your own and compete for public funds.”<sup>109</sup> Similarly, as the largest CLT in the country, Champlain Housing Trust has been hailed as a champion for the model and for smaller groups. The organization supports smaller CLTs not only to advocate for the mission and the model, but because having a strong network of successful and visible CLTs will help CHT secure funding and support in the future.<sup>110</sup>

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<sup>106</sup> Leuchs, interview with author.

<sup>107</sup> Torpy, interview with author, September 10, 2018.

<sup>108</sup> Corey, interview with author.

<sup>109</sup> Linn, interview with author.

<sup>110</sup> Torpy, interview with author, June 21, 2018.



### **The Greater Boston CLT Network (Boston, MA)**

When asked about their strategy for growth, DNI's Hernandez quickly mentioned the group's work on the Greater Boston CLT Network. DNI launched the network in 2016 to support new CLTs and to amplify the power of the model in Boston. The goal of the network is two-fold. First, it will help CLTs compete for public and philanthropic funding and more effectively advocate for municipal buy-in. He noted that philanthropic organizations and public entities would rather put money into a network than into individual organizations. Second, the Network will disseminate expertise and best practices among members. DNI leaders hope to share its successes and weaknesses with communities who want to start their own CLT or have recently started a CLT because, as Hernandez explained, "scaling up happens through sharing the wealth of knowledge."

## **Discussion**

Macro strategies for growth were broadly similar across CLTs, but each organization's tactics depended on its local housing market, organizational goals, and local needs.

### ***Market Types and Subsidies: Lukewarm markets are a sweet-spot for growth***

Adding new units in a hot market is difficult because land is so expensive that each new unit requires a large subsidy to make it affordable for low- to moderate-income households. In response to rising prices, some CLTs, like Durham CLT, have expanded to different neighborhoods and started acquiring different kinds of properties. Other entities, such as Dudley Neighbors, Inc., have not followed this path but have instead expanded their program offerings within their initial service area.

In contrast, while it may be less expensive to add new properties in a very weak market, such acquisitions may not be financially feasible because the cost of building new units or renovating old ones may exceed the market price for that housing. 24:1 CLT's Krehmeyer also noted that finding qualified buyers can be difficult in a weak market because people in those areas might be too poor to qualify for even a lower-cost mortgage or because the homes available

on the open market already are so inexpensive that the CLT option does not appeal to potential buyers.<sup>111</sup>

The housing market affects a CLT's method of acquisition, as seen with One Roof's flexible strategy of either rehabilitating old homes or doing new construction, depending on market fluctuations. There also appears to be a "sweet spot" for growth when housing prices are increasing but still relatively affordable. Rob Leuchs from Champlain Housing Trust puts this increase at 1-3 percent.<sup>112</sup> As Washburne describes the market in Minneapolis, "the median home price is still less than what it costs to build, so [City of Lakes CLT] is at a ripe spot to [buy] homes before it's too late."<sup>113</sup>

### ***Market Type and Narrative: Hot markets generate the most public support for CLTs***

Although a CLT in a hot market usually requires a bigger subsidy to add units, CLT leaders reported that there is often more support for the CLT model in those markets, particularly in places where there are growing concerns about displacement. Mack, for example, speaking in the context of Durham's hot housing market, observed: "Google the recent comments written about CLTs, and you'll see people talking about it who haven't talked about it before. That's because the market is shifting and there is outside pressure. Housing costs are getting expensive and people are being displaced."<sup>114</sup> Duvall of Thistle made a complementary observation. Speaking in the context of Boulder's relatively stable housing market, she suggested that a cooler market made it harder to generate support for the CLT model: "[Community control] doesn't resonate with people here because the need isn't directly in their face."<sup>115</sup>

### ***Organizational Goals: Size of service area and theory of change***

The CLTs I studied covered vastly different service areas. Some encompass entire states or counties, while others serve a single neighborhood. CLTs that use a scattered-site model

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<sup>111</sup> Krehmeyer, interview with author.

<sup>112</sup> Leuchs, interview with author.

<sup>113</sup> Washburne, interview with author.

<sup>114</sup> Mack, interview with author.

<sup>115</sup> Duvall, interview with author.

across a large area will have different strategies for growth than CLTs that emphasize community development in a specific neighborhood. Organizations that have more flexibility in where they can acquire property may be able to add units at less cost than those CLTs that operate in a more constrained service area. One Roof's Corey noted that a larger service area was helpful for the organization's growth because it provided geographic flexibility as the market changed.<sup>116</sup> Conversely, an organization with a more holistic focus on a single neighborhood often has better access to funding sources. For example, the Dudley Street Neighborhood Initiative's non-housing community development work has attracted philanthropic donors whose flexible funding can go towards the group's CLT.<sup>117</sup>

The organization's mission, including its theory of change, impacts its strategy for growth. Champlain Housing Trust values homeowner mobility, and CLT homes often serve as stepping stones for families that later buy market-rate properties. CHT averages 34 to 45 resales each year, and 68 percent of its sellers move into homes on the open market.<sup>118</sup> High turnover generates resale and transaction fees, allowing CHT to rely on that earned income. In contrast, leaders of other organizations, such as Dudley Neighbors, Inc., said that residents see their CLT homes as a permanent home in their preferred neighborhood.<sup>119</sup> Consequently, DNI's leaders viewed their mission as strengthening a place-based community rather than providing a stepping-stone towards market-rate homeownership. As a result, DNI does not have many resales and therefore cannot rely on resale and transaction fees as a major source of operating funds.

### ***Community Need: Nonprofit landscape affects strategic decisions***

Leaders of nonprofit organizations often try to identify and capitalize on their organization's comparative advantage. Leaders of CLTs are no exception. Many practitioners, when asked what advice they would give a new CLT, said to make sure there wasn't already an organization doing the same work in the community. The idea of finding a niche and developing an organization's "wheelhouse" came up repeatedly in interviews: "Be clear about what you're trying to accomplish and figure out what you do best," said Krehmeyer of the 24:1 CLT.

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<sup>116</sup> Corey, interview with author.

<sup>117</sup> Hernandez, interview with author.

<sup>118</sup> Leuchs, interview with author; Temkin, Theodos, and Price, "Balancing Affordability and Opportunity."

<sup>119</sup> Leyton, interview with author.

Similarly, Proud Ground’s Linn noted that “[Portland has] plenty of agencies that do rentals. We have a very clear wheelhouse. We are the permanently affordable home ownership team.” Hernandez from DNI echoed the same theme, noting: “We tried to develop one project, but it was out of our capacity. We decided to partner with other folks who do it better and stick to what we do best—community organizing.”<sup>120</sup>

Existing nonprofits and community need also affect the strategic decisions made by a CLT’s leaders. CLT leaders must examine such factors as the community’s socioeconomic profile, the landscape of existing housing services, and the competition for public and private funds. They then use this information to make a host of decisions on issues such as: the profile of their target buyers; whether to develop single-family, owner-occupied homes versus or multi-family rental properties; whether they should expand to include non-housing services if a need or opening exists in the community; and whether the organization should develop properties on its own or partner with nonprofit or private developers.

## **Conclusion & Further Research**

In the face of decreased funding and rising housing costs, leaders of successful CLTs have been able to expand their social impact, whether by growing their portfolios or investing in other programs and organizations around them. They have shown that the CLT model is not only scalable but may function better at a large scale. Furthermore, they have shown that CLTs can be successful in a variety of service areas, housing markets, and political climates.

But while the model is scalable, CLT leaders face difficulty growing their organization’s impact without sustained, robust public support. While many organizations were able to succeed in the absence of a dedicated funding stream, most required sympathetic and willing local government officials to help foster their growth. Looking forward, this suggests a consistent source of funding, continued municipal partnerships, and ongoing public education campaigns will allow more CLTs to scale up their operations and create more affordable homeownership opportunities for low- and moderate-income households.

To this end, further research on how CLTs develop municipal support and buy-in is necessary. This research may include closer examination of effective messaging in a variety of

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<sup>120</sup> Krehmeyer, interview with author; Linn, interview with author; Hernandez, interview with author.

political environments, including a review of materials that best explain how the CLT model can lead to more efficient use of limited public funds. Such gains in efficiency could create a larger stock of permanently affordable housing and extend the benefits of homeownership to more families at a time when housing prices are continuing to rise, and the share of cost burdened renters remains near historic highs.

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## **Appendix A:**

### **List of questions for semi-structured interviews with CLT leaders**

Tell me about your past expansion(s) as a CLT, both in terms of units and other programs. What did it cost, and how did you secure funding?

What were the main challenges you faced during this expansion?

Were there any challenges you anticipated that did not materialize?

What strategies or tools did you use to overcome these challenges? Of those, which were most successful? Was there anything you wished you had done differently?

Tell me about your future plans for expansion, including the process for deciding to expand.

Is there a 'right size' for your organization? What does your organization look like in 5 years, in 10 years?

What does it mean for a CLT to operate at scale? Is this the same for your CLT/organization?

If your organization were to receive an influx of unrestricted funding, what would you use it for?

If a city or community were considering starting a CLT, what would you tell them? Are there things a CLT should put in place now, to foster growth later?

Tell me about your relationship with the local and state government.

Are there/have there been any local, state, or national policies that have helped your organization to expand? Any that hinder growth?

How does your organization generate buy-in from public officials?

What role, if any, do residents/community members play in expanding your portfolio?

How does your organization generate support or engagement from residents?

How has the housing market in your area affected growth?

Does your resale model / per unit subsidy affect your strategy for expansion? How?