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A foreclosure-free option

By David Abromowitz and Roz Greenstein

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THE MORTGAGE CRISIS and the rise in foreclosures nationwide have left the American dream in tatters and may be sparking a recession. Yet a fast-growing form of housing - the community land trust - has become a virtually foreclosure-free safe harbor. One of the best examples of this fresh approach to putting a roof over people's heads is in Boston.

The Dudley Street Neighborhood Initiative began nearly 25 years ago, in the embattled Roxbury neighborhood around Dudley Square. Its founders sought to encourage development and wealth creation while ensuring that the fruits of their labors would be enjoyed by residents of limited means long after property values rose again. The Initiative's centerpiece was the Community Land Trust, where buyers purchase homes but don't pay for the land the homes sit on.

Today, more than 400 new homes occupy once-weed-strewn lots; small businesses thrive; a greenhouse grows organic produce for local restaurants; parks and playgrounds have been rebuilt; and next door a \$100 million community center is underway. Home prices in this section of Roxbury are as much as 10 times higher than when the Dudley Street Neighborhood Initiative formed in 1984. The housing in the trust, however, remains available to the next nurse, teacher, or bank teller who wants to stay in the community.

A community land trust combines the best features of home ownership - control, predictability in mortgage costs, inheritability, and wealth creation - with protection against runaway gentrification. Ownership of the house, which stays with the occupant as in any typical homeownership situation, is split from ownership of the land underneath, which rests with the CLT.

The nonprofit entity organizing a community land trust acts as land steward for the larger community, using a long-term lease of the land to the homeowner to define the basic deal. Homes can be sold at a profit, but not for a windfall, to the next generation of buyers who need an affordable house in the neighborhood.

The approach has provided community land trust homeowners with a partner when facing mortgage defaults such as those rampant in the current subprime meltdown. Of the hundreds of homes on Dudley Street land, according to John Barros, executive director of Dudley Street Neighborhood Initiative, none has gone to a foreclosure even though several homeowners have gone into default.

"The land trust is there to back up the homeowner in financial trouble," says Barros. "We work with the lenders, who have agreed to give us rights that almost always let us work something out."

National survey results show that only a fraction of homes on community land trust land have gone to foreclosure - only two in 2007 - and in dozens of cases the community land trust has intervened to head off default.

Suburban Massachusetts communities should look hard at this approach. The land trust model can address both gentrification threatening a poor community and the changing character of suburban communities where all but the wealthiest residents are being priced out.

There are nearly 200 CLTs nationally. In the heart of affluent Orange County, Calif., the city of Irvine boasts an ambitious citywide community land trust, created after the city realized it had lost hundreds of affordable ownership units and millions of dollars of public subsidy to market speculation. The Irvine Land Trust projects that 10,000 units of housing - roughly 10 percent of the city's housing stock - will be preserved for the long term. More than 20 municipalities in Florida, suburban Evanston, Ill., Flagstaff, Ariz., and many other localities now have active CLTs. And CLTs are mainly a local effort, readily available to solution-oriented residents in every city and town.

The current decline in home values might seem to be a solution to the Massachusetts homeownership affordability crisis. A longer view shows that dependable affordability will never be secured by waiting for prices to moderate, as the down cycle is almost sure to be followed by another round of price spikes.

Buy the home but not the land; agree to some limitations on resale. Those who have discovered the Community Land Trust will testify: slow and steady is a better place to be when it comes to finding a home.

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