

Faith in land trusts

Time to consider the middle ground of housing

By George W. McCarthy and Harold Simon

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Michele McDonald/Globe Staff

More community land trusts could help reduce the number of foreclosures.

In the aftermath of 2008, a pall has been cast on home ownership. And justifiably so — Americans lost trillions in wealth. Now rentals are the new hot thing. Yet the truth remains that we don't have a system that can adequately house the population, especially those of modest means, in either the owner-occupied or rental markets.

It's time to consider a third way, a middle ground between renting and home ownership. It's commonly known as "shared equity" housing, and here's an example of how it works.

A nonprofit entity forms what's called a community land trust, which operates by selling homes — but not the land underneath them — at a manageable price to families with low

or moderate incomes. If they later decide to sell their home, a cap on resale profit keeps the price low to remain affordable to a new family of similar means.

The approach brings stability to the wild swings that can be characteristic in housing markets. Foreclosures are virtually nonexistent at one of the most successful trusts in the country, right here in Boston — the Dudley Street Neighborhood Initiative in Roxbury, this fall celebrating its 30th anniversary.

According to the Lincoln Institute of Land Policy, at the peak of the Great Recession, in 2009, conventional loans were eight times more likely to experience foreclosure than community land trust mortgages. That's even more impressive considering most people with such mortgages have lower incomes than other homeowners.

Community land trusts, along with inclusionary housing policies, can be a bulwark against gentrification as well. Research has shown they provide an outlet for affordable housing amid what are almost inevitably skyrocketing prices at transit-oriented development sites.

But although the US Department of Housing and Urban Development gave its blessing to the shared equity concept several years ago, sadly, some barriers have emerged. The Federal Housing Administration has said it can't back mortgages to community land trusts, citing a legislative technicality.

In terms of outcome — that is, people of modest means buying homes — the FHA's own experience of shared equity housing has been excellent. In the 1990s, the agency made an exception to the policy and backed mortgage loans for buyers at the Church Community Housing Corporation, a community land trust in Jamestown, R.I.

Yvette Thompson bought a home there in 2012 with an FHA-backed mortgage. "Even though I'm working full-time — I couldn't afford to pay a regular mortgage, my family's medical expenses, and buy groceries without it," says Thompson, who lives in a modest 1,500-square-foot cottage with her daughter. "A lot of people in my financial category need some kind of break to own a home."

Steve Ostiguy, director of the Jamestown organization, says of the 100 houses in the community land trust, only one went into foreclosure, and it was promptly bought back, so FHA insurance was never actually needed. "They should be beating down our door to be able to provide insurance for our buyers," he says. "We're here to educate families and help them to resolve their financial problems — so the risk for FHA is minuscule."

The new HUD secretary, Julian Castro, wants to encourage homeownership. In the latest issue of Housing Policy Debate, authors Susan Rosen Wartell and Mark A. Willis call for FHA to "promote innovation" by piloting new programs to "mitigate risk." Community land trusts are proven successes, but with credit still tight everywhere, they need FHA-backed loans.

The third path between renting and homeownership is tantalizingly within reach. It would be a shame if bureaucratic entanglements stood in the way.

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