

Making housing affordable

Community land trusts offer a budget-friendly way to put homeownership in reach for more Marylanders

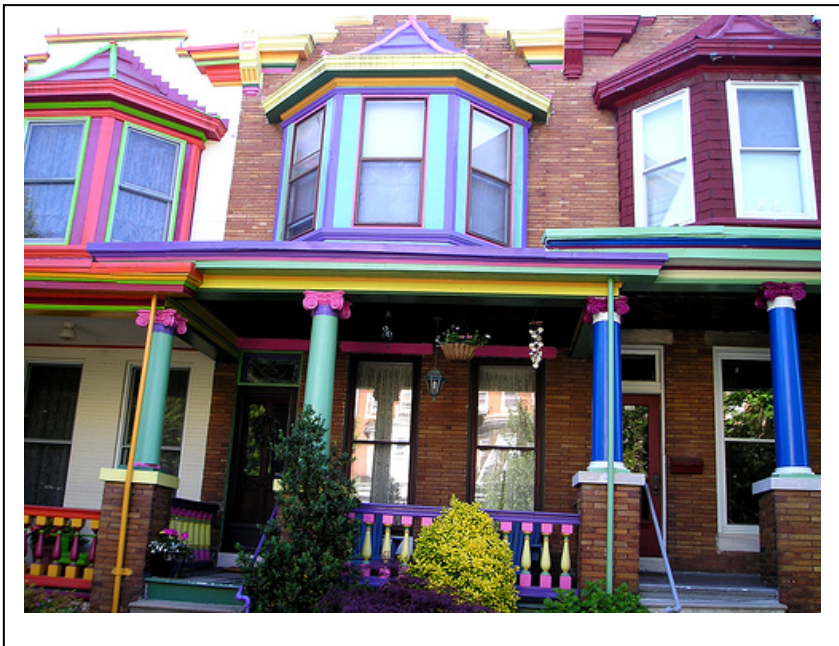
BY LAUREN MOHLIE

February 22, 2009

Two years ago, Maryland banned new ground rents in response to abuses uncovered in an investigative series by The Baltimore Sun. Now, a group of legislators wants to allow the creation of some new ground leases, but with a benevolent purpose: to promote affordable housing.

The authority to create the new leases is contained in legislation to foster community land trusts, or CLTs - nonprofit community development organizations that aim to increase the supply of decent, affordable housing by ensuring that property remains affordable even as land values increase. Next month, the House Environmental Matters Committee of the General Assembly will consider HB 1006, a bill sponsored by 18 delegates that would exempt CLTs from the prohibitions of new ground leases.

Essentially, CLTs acquire properties with the purpose of keeping them permanently affordable, and they typically use a 99-year renewable ground lease when selling the homes to low- and moderate-income residents. CLTs change the traditional model of homeownership by separating the owner of the home from the owner of the land under the home. Maryland



currently has no residential CLTs, but according to the National Community Land Trust Network, CLTs supply more than 5,000 homes in 200 communities across the country, including Madison, Wis.; Durham, N.C.; Los Angeles; and, closer to home, the District of Columbia.

This model benefits the current homeowner as well as future homeowners by balancing the homeowner's need to build equity and achieve stability with the community's desire to preserve affordable-housing opportunities for future generations. Although the homeowners agree to forgo the possibility of big profits if their neighborhood's property values take off, they receive in return a chance to own homes that they otherwise would not be able to afford.

For example, in Oregon's Portland Community Land Trust, provisions in the lease agreement allow homeowners to sell their homes for the price at which they bought them, plus 25 percent of the appreciated value.

This proposal may raise eyebrows because of the controversy created by the provocative series published by The Sun in December 2006, revealing the consequences of Baltimore's "arcane system of ground rents." Ground rent holders were abusing the system by seizing homes or extracting large fees from people who did not understand the process. The series led to a public outcry, which in turn led to prohibitions of new ground rents by the General Assembly in 2007.

Although CLTs would employ a ground lease to ensure permanent affordability, a mission-driven nonprofit would not have the same incentives as the self-interested private investors of Maryland's past. Indeed, the bill now before the Assembly would make it impossible for CLT ground leases to be used to create ground rents.

At a time of state budget cuts and federal efforts to reduce foreclosures, this bill would allow the Assembly to take a significant step to increase affordable housing - without appropriating any public funds that are already stretched tight. This measure could eventually benefit thousands of Marylanders. Even during this period of decreasing property values, low- and moderate-income families still cannot afford to purchase homes in many Maryland communities, and homeownership will likely move further out of reach for many as the economy recovers.

Community land trusts are needed in Maryland as a way to ensure that homeownership remains within reach of thousands of hardworking families that otherwise would be forced to live in substandard housing, or to rent indefinitely. This measure is not a panacea, but it would be another rung on the ladder of housing affordability.



*Lauren Mohlie is a graduate student at the **Johns Hopkins Institute for Policy Studies**. She studies affordable-housing issues and has worked for Chesapeake Habitat for Humanity and the Maryland Asset Building and Community Development Network. Her e-mail is **laurenmohlie@yahoo.com**.*