

Are Land Trusts An Answer to Affordable Housing?

By Flathead Beacon, 1-23-09

When the Whitefish Housing Authority convenes this week for its annual beginning-of-the-year meeting, a central talking point will be a new community land trust program that is designed to provide permanent affordable housing options.

Last year, Whitefish implemented the state's third community land trust. Missoula and Bozeman have similar programs. As the popularity of these trusts increases nationwide and as application deadlines near for the federal Neighborhood Stabilization Plan, more municipalities such as Kalispell and Eureka are looking to join the list.

The stabilization plan, part of the Housing and Economic Recovery Act of 2008, provides Montana with \$19.5 million in funds for housing programs. Cities hoping for a chunk of that money must turn in applications soon, as funds are expected to be available beginning in February. Following the housing authority's Jan. 28 meeting, SueAnn Grogan, the group's director, said she will spend a week straight filling out applications and writing grants.

Thus far, the Whitefish Area Land Trust has secured \$500,000 in grant money from the Montana Department of Commerce, Grogan said. She hopes for roughly another \$1 million in grants in addition to the money homeowners will bring in through mortgage payments. Grogan said the trust could have buyers as early as June.

In a community land trust, a nonprofit buys land and holds it in perpetuity for the purposes of affordable housing. Low- and moderate-income homebuyers then can purchase existing houses on the land or stake claim to homes that will be built. In Whitefish, the trust already owns a lot on Second Street East and will be purchasing more as funding allows. Homes will sell for about \$100,000.

After the purchase, the buyers only own the house. The trust still owns the land, while the homeowners lease it at an inexpensive rate. They also enjoy the usual perks of home ownership, such as tax benefits. The idea is that the trust keeps the land off the market and holds it in common for the community.

Under the agreement, the resale price is limited. Therefore, homeowners get a modest paycheck for the appreciation in value if they decide to sell, but nowhere near market price. This way the house will still be affordable for the next purchaser or the owner can pass it along to an heir.

"A house isn't a commodity, it's a home," Grogan said.

Officials in Kalispell and Eureka have also been looking into the viability of community land trusts. The proposed Siderius Commons development in south Kalispell, has plans to hold at least 100 homes in a community land trust. The development was recently recommended for annexation by the Kalispell planning board.

Also, Kalispell Community and Economic Development Director Kellie Danielson said the city has been looking into land trusts outside of Siderius Commons. At a Jan. 5 city council meeting, national housing expert Michel Brown of Minnesota discussed the costs and potential benefits of the affordable housing programs.

Danielson said a community land trust is an especially intriguing proposition in Flathead County, where median home prices far exceed the buying power of average wages.

“There’s a really big gap in housing affordability here,” Danielson said. “If a person is paying 30 percent of their income or more (on mortgage payments), then they are really stretched.”

Federal and state grants, Danielson said, can pay for the actual purchase of the land, but not the day-to-day operational costs. Trusts, like other organizations, require staff and management price tags. Danielson said Kalispell used to have a full-time housing staff that could deal with such matters, but the city can no longer afford to do so.

After gathering information from Brown’s presentation, Danielson said the city is drafting a business plan that would, hopefully within the next couple of months, outline the specific costs of community land trusts in Kalispell. She said the city, in these “exploratory stages,” is working with private organizations, such as Northwest Montana Human Resources, to help figure out a cost-efficient plan.

“We don’t have the resources to have a housing staff at this time,” Danielson said. “What happens is other entities in the community make up for that.”

There are more than 250 community land trusts in the nation. The model for Montana over the past decade has been the North Missoula Community Development Corporation. Bob Oaks, the NMCDC’s director, said he frequently receives phone calls from city officials and housing specialists throughout the West who have questions about setting up a trust.

Through three different projects, the NMCDC has established 42 affordable town homes and condominiums, along with five single-family detached houses. The remaining homes are selling for \$101,000 to \$127,000, compared to the median price in Missoula of more than \$200,000. Oaks said the concept of a home that doesn’t substantially increase in value flies in the face of the “wealth-building capacity that Americans have,” but it’s an effective formula for affordable housing.

“It’s becoming the workforce model of choice all across the country,” Oaks said.

Oaks added that the foreclosure rate among these homes is miniscule compared to the market-based houses.

“Land trusts have done very well in terms of the housing crash,” Oaks said.

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