Case Studies & Best Practices for Equitable Economic Development via CLTs

Introduction

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In 2016, the City of St. Louis, alongside the St. Louis Development Corporation, the Missouri Department of Conservation and the Metropolitan St. Louis Sewer District formed a coalition focused on three issue areas: curing vacant lots, creating open space to absorb sewer runoff, and increasing green space for City residents. This coalition, known as the Green City Coalition, or GCC, has projects today centered around urban renewal, green policy advocacy, green job creation, and equitable economic development. GCC is currently developing a Community Land Trust (CLT), in partnership with community residents, to redevelop vacant properties in the College Hill, Walnut Park, Baden, and Wells GoodFellow neighborhoods. The purpose of this paper is to provide best practices, lessons learned, and case studies around equitable economic development practices within CLTs. These best practices come from developments in other American cities and from the academic literature.

Defining Equitable Economic Development

Economic development describes the vast series of policies and programs that communities use to create and preserve jobs, increase wealth, and promote the economic well-being of a community. Traditionally, the successful growth of an economy has been defined solely in terms of its fiscal health, with little focus given to who in a community consistently benefits from growth and who is consistently excluded from prosperity. *Equitable* economic development describes a strategy that centers low-income people and communities of color in these processes, policies, and procedures to ensure that *all* citizens can benefit from economic growth, new jobs, and investment.

Since "equitable economic development" is an umbrella term for any policy or program that promotes a more inclusive economy, it is difficult to define precisely what makes an economic development approach equitable. That said, there are a number of hallmarks and values at the heart of the practice that may serve as guideposts for communities seeking more equitable economic growth. For example, equitable economic development policy is *race-conscious* and *anti-racist*. It fosters neighborhood *growth from within* and *"trickle-up" wealth generation*, and promotes improving conditions for lower-wealth neighbors. In addition, *public accountability* and *transparent investment* are vital. Most importantly, equitable economic development centers the needs and desires of community members.

Areas of focus for equitable economic development programs can include good jobs, economic security, growing local talent, healthy communities, housing, and more. Community Land Trusts (CLTs) are one tool communities can use to pursue equitable economic development, and CLTs themselves can also pursue equitable economic development for the community. In the sections that follow, this paper will explore various dimensions of the intersection between CLTs and equitable economic development, examining specific case studies along the way and highlighting potential opportunities for the Green City Coalition.

Commercial CLTs

In communities experiencing gentrification and rapid development, small businesses can often be displaced by unaffordable commercial rents or eviction. These high rents and risk of failure can also serve as barriers to entry for local residents wishing to establish a business. While CLTs typically develop residential properties to protect and promote affordable housing, this same model can be adapted for commercial use in order to protect and develop locally-owned businesses, low-income entrepreneurs, non-profit organizations, or other valuable community amenities and assets.

Commercial CLTs generally develop out of, or in conjunction with, traditional CLTs, using the existing infrastructure of the CLT to expand into commercial projects. The commercial CLT model operates much like the residential model: the CLT owns and leases the land, while the business owner owns the building. Ideally, businesses and organizations become successful enough to transition out of the building, allowing a new venture to move in. The lease typically includes a resale formula outlining the terms of the sale.

While the commercial and residential models share much in common, there are key considerations a CLT must make before diving into commercial projects. Importantly, there are notably higher costs associated with commercial real estate *and* there are fewer subsidies and resources like tax credits available than with residential properties. In addition, groups must consider any zoning or ground lease restrictions that may pertain to commercial properties. Finally, CLTs must decide whether expanding into commercial property requires additional staffing with specific knowledge related to commercial real estate.

A number of CLTs have successfully adapted their residential models for commercial use. Crescent City Community Land Trust (CCCLT) in New Orleans, Louisiana, operates one mixed-use development property, The Pythian, which blends affordable housing and a food hall that rents space to Black-owned restaurants. CCCLT has two other mixed-use properties currently in development. Sawmill CLT in Albuquerque, New Mexico, also utilizes a mixed-use model, leasing to various for-profit ventures in the community, with community approval required for businesses seeking to lease. In addition to providing space for the small businesses, Sawmill also offers educational programs and other business assistance and support. Other CLTs are also joining the commercial CLT movement, from Anchorage Community Land Trust in Anchorage, Alaska, to Rondo CLT and City of Lakes Community Land Trust in the Twin Cities, Minnesota.

Commercial CLTs acknowledge that equitable economic development occurs hand-in-hand with the preservation and creation of affordable housing. By centering equity and the needs of neighborhood residents, commercial CLTs can prevent the displacement of marginalized business owners and promote communities with inclusive economies that encourage everyone to thrive.

Shared Equity Homeownership

CLTs are one type of housing arrangement known as a Shared Equity Homeownership (SEH). At its core, SEH is designed to give residents supportive services associated with public housing alongside the freedom associated with traditional homeownership. The three main types of SEH are Community Land Trusts, Limited Equity Cooperatives, and deed-restricted homes.

Community Land Trust (CLT)

Community Land Trusts (also known as CLTs) are a type of housing arrangement in which residents hold the deed to their home while an outside entity (usually a nonprofit) owns the land that a home stands on. CLT homeowners have most of the same liberties as traditional homeowners, with a few exceptions. CLT homeowners enjoy a number of benefits, including free or reduced cost maintenance.

Limited Equity Cooperative (LEC)

Limited Equity Cooperatives are another type of SEH. In a LEC, residents own shares. This means that residents purchase *shares* (or *stocks*) in the development, rather than the units themselves. LEC residents are homeowners, though they do not own a title to their home. LECs are typically financed through a government subsidy and are sponsored by a nonprofit organization, though for-profit organizations may also be involved. LEC residents are allowed to vote for changes in their neighborhood, giving them extra decision-making privileges. Monthly payment prices are predetermined by a resale formula established at the time of construction. Formula-determined prices are usually much lower than the market price.

Deed Restrictions

Deed restrictions are the most popular and widely known form of SEH. Under deed restriction, homeowners may not rent out the building or pass it down to heirs. Deed restricted homes must be sold to people within a predetermined income bracket. Deed restrictions may also limit the number of vehicles, number of pets, or repairs that can be made. In some cases, deed restrictions are paired with a homeowner's association (HOA) as a regulation mechanism. Historically, deed restricted covenants have suffered from a lack of regulation, causing harm in certain communities. Despite these challenges, deed restriction remains the most popular and fastest growing form of SEH.

Best Practices

One Roof - Duluth, MN

One Roof was founded in 2012. This large-scale CLT manages over 270 properties in the Duluth area using HomeKeeper, a data management service from Grounded Solutions Network. One Roof offers its residents services such as homebuyer counseling and down payment assistance. One Roof owns a subsidiary construction company, Common Ground, which does most of the building for the CLT. Since its inception, One Roof has maintained affordability for its residents, meaning that 91% of original buyers are homeowners after five years. ("Habitat for Humanity Shelter Report 2017"). HomeKeeper services include a one-time onboarding fee of $3,500 and an annual fee sliding scale based on the number of units. The sliding scale has a maximum of $4,500 annually to support 1,000 units.

Champlain Housing Fund - Burlington, VT

CHT was founded in 1983. This program includes supportive services for homeowners such as loans for maintenance repairs and voluntary homeowner education and financial capability programs. Between 1988 and 2008, CHT housed over 350 families ("Habitat for Humanity Shelter Report 2017"). The optional services model allows for wraparound support where needed without imposing a particular agenda on clients, allowing residents to meet their unique goals. In order to implement this model, GCC could consider contracting with other organizations for financial literacy resources (e.g., Urban League Financial Literacy) or adding a practicum student/intern to the team.

Impact Investing

Impact Investing: Myths and Facts

Impact investments are investments into companies and organizations designed to generate positive, measurable social or environmental outcomes alongside a financial return. Impact investing has the ability to drive flexible economic development in historically under-served neighborhoods and build wealth. According to the Report on US Sustainable and Impact Investing Trends in 2020, they found that investors are currently investing $17 trillion of managed assets using environmental, social and governance (ESG). A number of investors are looking for investments that are long-term and have a social or environmental impact. Impact investing is not a grant, it is an investment. Impact Investing provides communities with the resources to become high opportunity environments without fear of losing their successes. Impact investment combined with CLTs offer underserved populations with an opportunity to create community focused neighborhoods without fear of displacement in the long-run.

According to “Investing in Community Land Trusts: A Conversation with Funders of CLTs” by Miriam Axel-Lute, impact investing has opened doors for the Oakland Community Land Trust by providing an innovative way to address foreclosures, preserve affordable housing, and build wealth in low-income communities. Since 2009, OakCLT has acquired 22 vacant/ foreclosed homes, three multi-unit buildings, 10 vacant lots, and additional developments using the CLT model. Impact investing for CLTs has the ability to revitalize neighborhoods with vacant and abandoned homes, which fills the gap in the housing market.

The Role of Impact Investing in CLTs

Based on “A Short Guide to Impact Investing” by the Case Foundation, impact investments are used in all asset classes, many sectors, and all geographies. Impact investing exists in asset classes, such as fixed income, absolute returns, private equity/ venture, public equity, and real assets. Impact investing opportunities have been seen in community development, small business finance, health and wellness, education, microfinance and financial inclusion, sustainable consumer products and fair trade, natural resources and conservation, renewable energy and climate change, and sustainable agriculture and development. The impact investing spectrum has a wide range from impact motivated to impact certified. The investment can vary from return of capital or social benefit. Investors have the ability to determine whether they want "impact first" or "finance first". Rather than assuming impact investors are only interested in profit, impact investments in CLTs can focus on long-term asset-building for low-income families.

Conclusion

As GCC moves forward with the Community Land Trust, we have considered the creation of best practices that focus on equitable economic development practices for the communities in which GCC operates—College Hill, Walnut Park, Baden, and Wells GoodFellow. We examined case studies and best practices for equitable economic development via a CLT, including examples such as commercial CLTs, impact investing, and shared equity home ownership. Best practices for CLTs include data tracking, optional support services, and strengthening external partnerships. If GCC collectively focuses on the right priorities, a CLT in St. Louis can be a powerful tool to confront the challenges faced by historically vulnerable populations in our communities. It can also be the foundation for the implementation of cost-effective and efficient solutions that generate impactful community outcomes many years into the future.