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Providing Guidance to GreenRoots on Creating a Community Land Trust in Chelsea, Massachusetts

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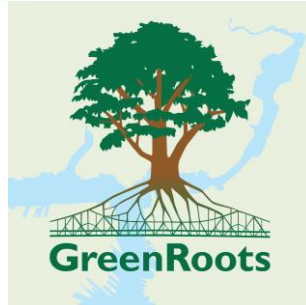
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Providing Guidance to GreenRoots on Creating a Community Land Trust in Chelsea, Massachusetts

An Interactive Qualifying Project
Submitted to

The Faculty of the
WORCESTER POLYTECHNIC INSTITUTE
in partial fulfillment of the requirements for the
Degree of Bachelor of Science

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This report represents the work of three WPI undergraduate students submitted to the faculty as evidence of completion of a degree requirement. WPI routinely publishes these reports on its website without editorial or peer review. For more information about the projects program at WPI, please see:

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Abstract

Chelsea, Massachusetts is currently in the process of gentrifying due to an increase in public transport, density increases of middle to high class commercial business, and increases in educated, middle class population. While these changes are beneficial to the new populations, current residents are at risk of displacement from their homes. Our goal is to help the Chelsea-based nonprofit GreenRoots by providing them with benefits and challenges of implementing a community land trust (CLT). We accomplished this by learning about other community land trusts and how they are able to maintain sustainable affordable housing. We also gathered interest about implementing a CLT from other Chelsea-based organizations, which will help GreenRoots determine if a CLT is appropriate for Chelsea.

Executive Summary

Chelsea, Massachusetts is currently gentrifying due to its growing accessibility to Boston and relatively low property values. A consequence is that rents and property values increase, such that low-income residents are at risk of displacement.

Our project focuses on a form of affordable housing called a Community Land Trust (CLT) to ameliorate the effects of gentrification in Chelsea. CLTs have the ability to provide affordable housing by using various subsidies to take the land out of the equation and limiting the sale/rent value of their houses are strictly affordable.

GreenRoots, our sponsor organization, wanted to explore the feasibility of the installation of a CLT in Chelsea. Our goal in this project was to conduct an exploration of feasibility through analyzing stakeholder opinions, providing technical information and providing cost/benefit analyses for different technical options one needs to consider in creating a CLT in the context of Chelsea.

Methods

Our goal of informing GreenRoots on the main topics concerning the creation of a CLT trust was compartmentalized into five distinct objectives. These objectives were:

- Objective 1:** Identify stakeholder opinions of a community land trust in Chelsea
- Objective 2:** Identify the processes for establishing a community land trust
- Objective 3:** Identify alternative approaches for community land trusts to acquire and manage land
- Objective 4:** Identify screening methods and resale formulas
- Objective 5:** Identify alternative different funding options for community land trust projects and operations

For our first objective we interviewed five stakeholder organizations in Chelsea, namely the Chelsea Collaborative, Chelsea Restoration, The Neighborhood Developers, Chelsea Department of Planning and Development. We also had a chance to interview the Massachusetts Housing and Urban Development Secretary, Jay Ash. We recorded the interviewee whenever it we had consent, and took notes if recording was not an option. We used interview raw data to provide a comprehensive stakeholder analysis to GreenRoots.

Our team completed objectives 2-5 through literature review and interviews with CLT executive directors. We have interviewed with the executive directors of the Sawmill CLT in New Mexico, and Worcester Common Ground in Worcester. We have asked them a battery of interview questions that concern the topics of CLT establishment, land acquisition, land management, resale formulas, screening processes and funding options. The raw interview data helped to provide benefits and drawbacks for the variety of options that a fledgling CLT must consider in establishing themselves.

Findings and Analysis

A CLT is a tool to provide affordable homeownership. Affordable rents, a sense of community, and empowerment of residents. In this vein, we identified five main benefits that a CLT in Chelsea would provide and listed them below:

1. Community land trusts will increase the amount of affordable housing in Chelsea.
2. The establishment of a community land trust will mean more buildings will be safe and up to code. Many of Chelsea's buildings are not up to code, and the severe amount of overcrowding makes many buildings unsafe.
3. Many CLTs provide community spaces or activity spaces as a means of bringing the community together.
4. The CLT model will also diversify the types of affordable housing in Chelsea.
5. A resident group brings social momentum for a CLT as a medium of affordable housing.

While a CLT seems desirable, starting a CLT poses many challenges, and we have identified four challenges that will impede the establishment of a CLT in Chelsea: Land shortage, conflict with other organizations, stigma of developing a new organization, and funding.

1. Opportunities for land acquisition in Chelsea is rare.
2. Overcrowded and costly, regular properties are the conventional way of acquiring land, but in order to pass this roadblock, a CLT in Chelsea may have to look for alternative methods.
3. A community land trust can create conflict with the organizations that already create affordable housing in Chelsea.
4. The main driver for a community land trust to exist is funding. The CLT needs funding to buy properties, restore buildings, pay taxes, and subsidize housing. We have seen in our research that getting funding is competitive, and success in this avenue corresponds with the track record of the applicant organization, which a fledgling CLT lacks.

We have interviewed the stakeholders below to gauge their interest and understand their standing on a possible CLT in Chelsea. Below are summaries of their mission statements, and their standings towards a CLT in Chelsea.

1. Chelsea Restoration - This non-profit creates affordable homes through the process called 'Receivership'. While they recognize the need for a way to provide affordable housing before a property goes into receivership, they believe that by joining a CLT process would limit the people they can help.
2. Chelsea Collaborative - A non-profit that strives to empower residents. They help anyone that comes to them in some manner. Chelsea Collaborative took a large interest in participating in a CLT.
3. City of Chelsea - This part of the government works with city planning and urban development. They also have programs to create and provide affordable housing. The two members of the Department of Planning and Development that spoke with our team are Ms. Bethany Rosa and Mr. Karl Allen. While both Rosa and Allen are proponents of the idea of a CLT, they have concerns about available space. "Everything is being used" and "There is almost no space for new development" were heard often when discussing land acquisition.
4. The Neighborhood Developers - A local CDC. Works with the city and completes a majority of the projects to create new affordable housing. The representative we have had the pleasure of talking to from The Neighborhood Developers (TND) is Mr. Jose Iraheta. While not at liberty to speak for the company, he personally believes that Chelsea always has a need for affordable homes, so he welcomes any tools that can provide such services.

5. Secretary Ash - As the former city manager of Chelsea, Secretary Ash has worked with providing affordable housing for Chelsea's residents before. Like many of the other stakeholders, he welcomes every tool that can provide affordable housing. He states, "The most important thing to a person's prosperity is having an affordable place to live... It's never a bad thing to put somebody in a place that is affordable for them" (Ash, 2017). He thinks that the model for a CLT is good since it takes the land out of the equation.

Our team found four main topics that a CLT organization needs to consider in creating a CLT. These details define the CLT organization character and function. Our research has shown us that every CLT adapts to the needs of their community based off their own circumstances. Below is a list of the things a CLT must do, followed by a discussion of these requirements:

1. A CLT must register itself as a non-profit organization.
2. A CLT must explore options and make a choice on how to provide property management to its residents.
3. A CLT must decide on a resale formula. To do this they must consider different types of resale formulas to decide which provides a good tradeoff between affordability and good return value for their particular situation.
4. A CLT must figure out how to select and screen people.

Using a non-profit is necessary in registering a CLT. By becoming a certified nonprofit, an organization gains access to funding options, as well as registering as a tax-exempt entity so companies would provide grants. In doing this, two documents need to be created, Articles of Organization and Bylaws.

Through our interviews, our team learned how CLT organizations manage their land. Most CLT organizations contract professional property management companies. The upside of contracting professional property management companies is the transfer of responsibility of management from the CLT to another entity that is professionally in this business. The downside is that a CLT organization has no oversight over the operation of the property management contractor. The only avenue for the CLT organization to get feedback would be to ask their tenants if the property management company's service is adequate, which might require some investigative effort on the CLT organization's part.

The resale formula, which is a formula that a CLT uses to calculate the sale value of a property, is how CLT properties maintain affordability. Four categories of resale formulas exist: itemized formulas, appraisal-based formulas, indexed formulas, and mortgage-based formulas.

The itemized formula utilizes a list of items that result in a quantifiable amount of appreciation or depreciation. When selling, the owner will assign a dollar value to any improvements or damages to the property. The resale price is finalized if the CLT board approves the owner's assessment (Burlington Associates, n.d.). The appraisal-based formula utilizes two appraisals, one at the time of purchase, and one at the time of resale. Professionals appraise the properties, rather than the homeowner. The difference between the first and second appraisal is multiplied by a percentage that is determined by the CLT governing body. This value is generally around 25 percent. The percentage-multiplying factor reduces the effect of the house market on rents and resale prices (Burlington Associates, n.d.). The indexed formula solely utilizes the change in a select index at the time of original sale and resale. An example for an index choice would be the change in median income (Burlington Associates, n.d.). The mortgage

formula is a formula that is used rarely in CLTs to address extreme needs concerning affordability. The formula does not depend on the original price of the property, and assures affordability of the property for the next buyer (Burlington Associates, n.d.). Appraisal-based formula incentivizes improving and maintaining the property and requires resources to calculate, whereas in the indexed and the fixed-rate formulas do not incentivize improvement and maintaining of property and are very easy to calculate.

In screening for potential residents, the Worcester Common Ground (WCG) CLT adopts the screening criteria enforced by the United States Department of Housing and Urban Development (HUD). They must adapt their criteria, for WCG applies to and extensively utilizes HUD grants for affordable homes (Dyson, 2017). On top of the HUD income limit and the first-time homebuyer classes, WCG uses a tailor-made approach in choosing their residents by asking them for their tax returns, pay stubs, credit checks etc. to make an informed guess as to whether if they will be able to handle the mortgage that is required to buy their home. Sawmill CLT is no different in that they also utilize HUD grants extensively, and have to abide by the grant specific income limits that the HUD enforces. Since Sawmill CLT is one of the largest CLTs in the country, they use a less personalized screening system than WCG, which is to use a simple lottery system to choose amongst the many potential homebuyers.

Conclusion and Recommendations

It is evident at the end of this project that Chelsea has an affordable housing crisis. The stakeholder interviews all showed that many of Chelsea's residents do not own a house or an apartment, but sublease a singular room or porch. The vast amount of overcrowding, coupled with many residents living below poverty levels, means that the amount of people that will be displaced when gentrification hits is uncountable. The government has no way of counting how many people are living in a single housing unit.

After meeting with the stakeholders, and through our own research, our team recommends that a community land trust may not be the most effective use of funding when it comes to creating more affordable homes in Chelsea, Massachusetts. Although this is said, if by the recommendations, we provide below or some other sequence of actions, the hurdles that make a CLT not financially desirable in the first place are dealt with, we truly believe that a CLT will make a meaningful addition to the types of affordable homes in Chelsea, Massachusetts.

GreenRoots and stakeholders should gather more information about the types of funding that are available to them, and which types of these funds create a conflict of interest with other organizations, so that they can either avoid or get around these conflicts of interest.

GreenRoots should also look into alternative modes of land acquisition. This is because opportunities for land in Chelsea are rare, so the trust will have to get creative by taking advantage of the following methods of land acquisition: brownfields, receivership, blighted land, and regular purchase.

One way CLTs can acquire land is through buying brownfields from their owners with the help of government and other organizational subsidies. The Sawmill CLT has benefited from this mode of land acquisition. One benefit of this approach is that the initial plot of land can be acquired for little to no cost with certain subsidies. The drawbacks of this approach are numerous. Although many subsidies for decontamination of brownfields exist that the CLT organization can apply for, these subsidies do not guarantee it will cover the full cost of the decontamination.

Another alternative method of land acquisition that a CLT in Chelsea could use is receivership. Unlike regular purchase, acquiring land through receivership is done through a court process. Using this method to acquire land has drawbacks. Chelsea Restoration also uses receivership, and the CLT will be directly competing for land.

Blighted lands are often abandoned and left without oversight, and as a result serve as a medium for illegal activity such as hard drug use and trade, garbage dumping, and hazardous housing for the homeless population. One upside to acquiring blighted lands is that since it is in the city's own interest to develop on these lands, the founding CLT organization is able to acquire the land for little to no cost.

The trust can also purchase standard properties in Chelsea. This method is the most expensive option for land acquisition. Based on a report on land from Tufts University, we characterized the current developed properties by price per square foot, and listed the 10 cheapest properties on that compound formula.

Acquiring land is costly, and funding is still a challenge for established and successful CLT organizations. However, the social momentum for a community land trust should not be ignored. If the interested resident group is willing to put in the time and effort, it may be possible to create a CLT in Chelsea. The city, as well as other organizations all understand Chelsea has a housing crisis. If the people want to establish a CLT in Chelsea, then they will need to work with the other organizations that strive to give every resident in Chelsea a home. If creating a community land trust is still a priority, then our team suggests meeting with the city as well as the stakeholders to discuss methods for establishing a CLT to determine wants to have a leadership role in its establishment as a first step.

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1. Introduction

Chelsea, Massachusetts is currently gentrifying. Gentrification is “...a general term for the arrival of wealthier people in an existing urban district, a related increase in rents and property values, and changes in the district’s character and culture” (Grant, 2003). Chelsea’s gentrification stems from two main phenomenon: growing accessibility to Boston and influx of an educated population who is attracted to the relative affordability of houses in the Chelsea area. Plans for the new Chelsea Silver Line route will increase the connectivity between Chelsea to Boston (MassDOT, 2016). The influx of young professionals stems from the new FBI building that will be located in Chelsea (Valencia, 2017). In addition, noticeable changes are already occurring according to GreenRoots as well as the Department of Planning and Development in Chelsea. Commercial buildings are catering towards new audiences, the density of middle class high rises is booming, and rents are starting to increase. In addition, Chelsea has a large overcrowding problem where residents are renting out single rooms and porches, rather than housing units (Allen, 2017). With the social and economic changes Chelsea is experiencing, the low-income residents are at risk of the negative unintended consequences of a gentrifying city.

This project focuses on one method of alleviating impacts of gentrification: Community Land Trusts (CLT). CLTs are nonprofit organizations that develop and steward properties that sit atop land owned by the CLT itself (Swann, 1972; Conaty, 2011). They provide affordable housing at costs independent of the fluctuating housing. The CLT model is successful because a board representative of the community governs the CLT. The board’s decisions try to serve the community because the board is a part of it. Governance, funding, formation, and organization are all choices that require careful consideration when establishing a CLT (Davis, 2010).

Our sponsor, Green Roots, is considering alternative ways of community organization to mobilize against gentrification. They have considered Community Land Trusts as a medium to provide affordable housing and maintaining open space. GreenRoots has not been involved in a CLT before. The organization is seeking to learn about the potential benefits and limitations of CLTs, the regulations and processes for creating a CLT, available lands and properties that could be included in a CLT, and the possibility of implementing a CLT in Chelsea.

Our goal was to research the entire creation process of a CLT. We did this by studying previous implementations of community land trusts around urban New England areas and around the United States. In addition, our project objectives included identifying stakeholders and finding out their stance on a CLT in Chelsea. From our research, we created a database of a variety of funds that could potentially support the CLT, delineated the legalities of finding a CLT corporation under federal law, and learned the benefits and challenges of every option available for a CLT in Chelsea.

2. Background

2.1. Gentrification as an emerging problem in Chelsea

Chelsea, Massachusetts is a city just north of Boston whose citizens are at risk of experiencing the unintended side effects of gentrification. Chelsea is currently one of the most poverty-ridden cities in Massachusetts. Based on the American Community Survey (ACS) which is run by the U.S. Census, 20.9% of Chelsea's population is below poverty level, compared to the national average of 13.5% (Kollar, 2015; Town Charts, 2016). If the cost of living increases, many residents may experience significant housing cost burdens that they will not be able to afford, and they will be forced to move. Chelsea's changing population and business demographics make the city at risk of gentrifying.

Chelsea is experiencing demographic changes because an educated population has emerged and wants to be in close proximity to where they work. This is primarily due to Boston's booming technical and life science industries. Living in Boston, however, is very expensive. Its neighbor, Chelsea, has very low land values (U.S. Census Bureau, 2015). Chelsea's low-income neighborhoods puts Chelsea at risk of experiencing an increase in density of young educated professionals who wish to live closer to the city for cheap. The commuter rail connects Chelsea to Boston's North Station, and future additions to the Silver Line will serve Chelsea (MassDOT, 2016). The improvement in public transportation makes Chelsea even more desirable to young workers (Allen, 2017). The new accessibility to a technical hub may cause a rapid increase in a young and educated population living in Chelsea and quickly change the demographic in Chelsea.

Chelsea is beginning to show signs of the common marker of gentrification where businesses change to cater emerging populations. By decreasing the amount of businesses that serve low-income communities, residents may have to move elsewhere in order to have reasonable access to goods and services that they can afford. Businesses that serve the middle class, such as hotels, coffee shops, and finer restaurants are increasing in density across Chelsea. Changing business demographics may limit the accessibility to affordable goods and services to low-moderate income residents (Freeman, 2006). While these changes offer greater diversity to consumers, it also brings an increase in the cost for such goods or services (Freeman, 2006). The new, educated population may see this as a benefit since they can have more choices in their merchandise. On the contrary, the existing residents may not be able to afford the increase in merchandise cost. Based on a discussion with Green Roots, our group learned that Chelsea is experiencing a change in commercial demographics. If low-income businesses are overlooked and are not protected, then their decline may drive residents elsewhere to get reasonable access to goods and services they can afford.

One example of changing business demographics is that Chelsea will soon be the location of the Boston FBI's office building headquarters (Valencia, 2017). The 8-story building will contain state of the art research and computer forensics labs. When the building is complete, the agency will work together with local officials to discuss strategies in dealing with concerns with crime in local communities (Valencia, 2017). This addition to Chelsea will increase the number of government workers and researchers, as well as decrease crime rates, which may make Chelsea more attractive to different demographics. The addition of this facility is already changing the building demographic in Chelsea. After speaking to the Planning and Development

Department in Chelsea, they believe the construction of the new luxury apartments at One North are correlated to the FBI building, since it does not cater to Chelsea's established residents. Pictures showing the difference between One North and Chelsea are shown in Figure 1



Figure 2-1: New luxury apartments in Chelsea/ Downtown Chelsea

2.2. Community Land Trusts

A successful solution to combating displacement due to gentrification is a Community Land Trust (CLT, Davis, 2006). CLT's are "non-profit, community-based organizations designed to ensure community stewardship of land" (community-wealth, 2015). Community land trusts have five major characteristics that help combat effects of gentrification.

1. Most rentals and ownerships on CLT land have 99-year leases. Long leases prevent property owners from raising the price of rent on tenants, or just flat out evicting tenants (Davis, 2006).
2. A CLT can control rent because the owners of buildings on CLT land need approval by the trustees to raise rents. In response, those who live in buildings built on the trust's land will not have to be afraid of sudden changes in rental costs. Even if the town starts to be urbanized and the cost of rent goes up, the rates of property on CLT land will remain consistent (Davis, 2006).
3. CLTs can control housing prices as well. Housing costs still fluctuate according to the market, but the CLT is able to provide a buffer such that the houses maintain affordability. Whenever the property is sold, it has to be at a reduced price, and must be sold back to the CLT or to an income eligible buyer.
4. CLTs can also own community spaces, such as parks, gardens, or farms. While these properties produce no income, many CLTs recognize that common spaces for events or social activity are necessary in order to build and maintain a vibrant. Acquiring these kinds of properties occurs through deals with a city, where the CLT will buy a neglected piece of land at a low cost such that it can be renovated to something that benefits the community.
5. CLT's have a screening process to make sure that people who want live in a CLT home meet both income and lifestyle standards. In order to be eligible, the resident would have to go through HUD certified counseling agencies to learn about the financial commitment and overall responsibility of owning a home.

A CLT is established when land is put into a trust and is owned by the trust, which is managed by the trustees. Trustees are usually part of the local government, since they are presumed to have the community’s best interests in mind. While CLTs can be used to protect property or nature, they are often used to ensure low-income individuals have access to secure and affordable housing (Davis, 2006).

2.3. Potential Benefits of a Community Land Trust

Community land trusts have been successful in helping preserve and advance the communities they set out to help. Part of this success is the reduction in rent that naturally follows the development of affordable housing units. As of early 2017, The Dudley Neighbor’s Inc. land trust encompasses 225 affordable housing units, including 95 units of permanently affordable homeownership, 77 cooperative housing units, and 53 rental units. They have a playground, a mini orchard and a community garden (Dudley Neighborhood Initiative, n.d.). Since its inception, the Dudley Neighbor’s Inc. land trust has only seen four foreclosures in total. The before and after picture in Figure 2 shows the full extent of DNI’s revitalization and preservation of Dudley Square. The areas marked with black represent vacant land, and the pastel grey represent the land that was in use. In the “after” picture, the legend marks a number of residential areas that have filled in almost all of the vacancies that are shown in the “before” picture.

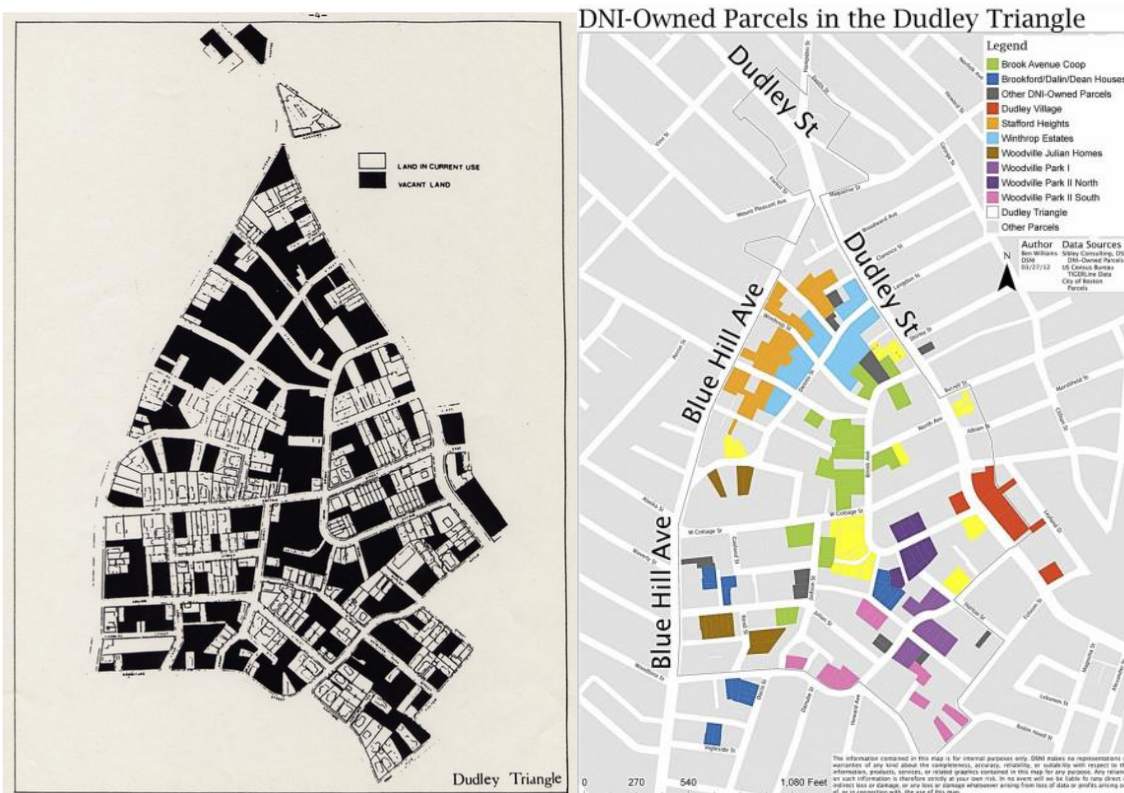


Fig 2-2: Before and After the Implementation of the DNI CLT

Some community land trusts have become so operationally efficient that they have decided to expand onto neighboring communities. The Sawmill Community Land Trust sits atop 34 acres of reclaimed industrial land, and operates 3 affordable apartment complexes and 93 affordable ownership homes (Sawmill Community Land Trust, n.d.). In 2007, the governing body of the community land trust voted to expand onto Bernalillo County, the county housing the Sawmill community (Sawmill Community Land Trust, n.d.). Another example is the Champlain Housing Trust. This is the biggest community land trust in the United States, with the trust housing 2,200 apartments and stewarding 565 owner-occupied homes. The trust started out around the city of Burlington, but now operates throughout the northwest part of Vermont (CHT, n.d.). CLTs benefit their communities because they operate as a clear manifestation of the will of the people. One of the many examples of this is The Sawmill Community Land Trust located in New Mexico (Sawmill Community Land Trust, n.d.). This organization was founded because of the escalating real estate values in the Sawmill area. The residents of the area recognized the imminent problem of the neighborhood slowly becoming unaffordable for the working-class families. Low-income residents of the neighborhood founded the organization that runs the trust (Sawmill Community Land Trust, n.d.). Figure 3 shows the campus where Sawmill CLT was founded.



Fig 2-3: One of the many activity spaces located in the Sawmill CLT

Another example is the San Francisco Community Land Trust. Founded in 2003, the community land trust steps in as a preservation purchaser whenever an at-risk building is about to be converted into a condominium or other upscale property. They convert the land to a co-op or a CLT-owned land (San Francisco Community Land Trust, n.d.).

A seminal example is the Dudley Neighbors Inc. (DNI). Shortly before 1984, Dudley Neighborhood in Boston started to report an increasing number of arson related crimes, and this

left many large vacant areas in the city. The local government proposed some plans for development on the area without consulting any of the residents of Dudley, and these propositions displayed a clear conflict of interest with the residents and the local governance. In protest to this, an organization named Dudley Neighbors Inc. was formed; its function was clear: to make sure that the community had a say in what was to be done on this swath of land. DNI succeeded in their mission, and after this fact and with the input of the local residents, they decided that a Community Land Trust was appropriate (Dudley Street Neighborhood Initiative, n.d.).

Chelsea, Massachusetts is no exception when it comes to people congregating to fuel a grassroots effort to create a CLT. Leo Martinez from GreenRoots has told us that an existing resident group holds weekly meetings at GreenRoots with the goal of discussing the possibility of a Community Land Trust in Chelsea Massachusetts (Martinez, 2017).

2.4. Potential Drawbacks of a Community Land Trust

Our team identified five main criticisms of CLTs that obstructionists express: CLTs prevent housing as an equity builder, contractual fees, homeownership as a privilege, sustainability of affordability, and interference of the free housing market.

The first drawback is that CLTs do not reward the low-income resident with a good return on investment regarding their property (Reese, 2008). They argue that this deems a CLT property a second-class form of home ownership that selectively targets low-income residents, and creates a lower class of citizen who do not own the land on which their homes sit (Reese, 2008). In response to this, previous city manager of Chelsea, Jay Ash, points out that studies show homeownership is the one of the biggest aggregators of personal wealth, and that being a homeowner has actually the opposite effect that this particular opposition suggests (Ash, 2017).

The second drawback is criticism that Yvette Dyson, the Executive Director of Worcester Common Ground, has dealt with. She mentioned that contractual fees might trap residents. If an owner decides to leave the CLT owned building before the ground lease is up, that owner will have to pay back renovation fees for the remaining years of the ground lease (Dyson, 2017). This contractual bind might prevent homeowners who cannot afford to pay these fees to move from their current home to a different home for personal reasons. Yvette mentioned that this criticism does not come from CLT homeowners themselves, but that the criticism still reinforces opposition against CLTs. In defense of CLTs, our research shows that most other CLTs do not have a contractual trap, but rather a way for the CLT homeowner to still sell their property whenever they want, albeit at a price that does not reflect the full appreciation to the property.

The third drawback comes from people who subscribe to the idea that homeownership is a privilege as opposed to a right. They argue that one must earn the right of homeownership and granting this right would only cause further dependency on the government by populations who are in this situation, and this in turn would ensure continued poverty (Reese, 2008).

The fourth criticism stems from a CLTs' ability to maintain affordability. Following a downturn in the condominium market, the Burlington Community Land Trust (BCLT) had to allow homebuyers with higher incomes than the BCLT homeowner average to buy BCLT homes instead of letting these homes be unsold (Reese, 2008). Critics questioned whether if CLTs are an effective way of providing long-term affordability with limited subsidies, especially when given that most CLTs are not deeply subsidized (Reese, 2008). From another perspective, having uniformity in income of residents in a given affordable housing effort can lead to financial class

segregation, which can lead to more problems down the line. Jay Ash states that Chelsea should have more mixed income developments to prevent income segregation (Ash, 2017). However, some CLTs have already followed a mixed income model. In the Sawmill CLT, 12% of the sold units are at market rate to promote a less financially segregated community (Angel, 2017).

The last drawback to CLTs comes from free market advocates. They see CLTs as a hindrance to the housing market's optimal operation. By definition, CLTs decrease the number of available properties available in the housing market. With a decreased number of houses in the market, people who are not income qualified for a CLT home have fewer options for housing and increased costs for this decreased number of housing options (Reese, 2008).

2.5. Barriers and Challenges to Implementing a Community Land Trust

A number of barriers and challenges present themselves in the process of implementation of a CLT. CLTs are founded and operate in neighborhoods that are in the process of gentrifying. This poses the problem of acquiring land in a market where prices are becoming more expensive (PolicyLink, 2001). In retort, our contact from the Chelsea's Department of Planning and Development states that almost all CLTs who are successful start out with big plots of undesirable land, and that envisioning a CLT in Chelsea is tricky since the city is already overcrowded and stretches of undesirable land are uncommon (Allen, 2017).

To combat this challenge, CLTs often utilize government funds to subsidize their developments, either to be able to operate in very affluent neighborhoods, or to be able to provide affordable housing for extremely low-income residents. In doing so, the CLT will have to maintain a satisfactory relationship with the government and the local municipality they operate within. This often means that a city can leverage this relationship to enforce certain constraints. These constraints can be in the form of setting minimum standards for a CLT to be eligible to use the city's resources, the city getting involved in resident eligibility, or the city specifying how the CLT can market their properties (Miller, 2013). These constraints are not necessarily a drawback since the city needs to ensure affordability rather than pushing their agenda (Allen, 2017). It should also be noted that some affordable homeownership organizations in Chelsea, like Chelsea Restoration, rely solely upon private donations and grants, and find the restrictions that come with Housing and Urban Development (HUD) grants "very limited and limiting" (Zucco, 2017).

CLTs also often face opposition in ideological form. The Burlington CLT has faced opposition by an organization consisting of homeowners and realtors named the Homeowners Against Land Trust, who deemed the actions of the Burlington CLT as a "communist plot" (PolicyLink, 2001).

More subtle barriers that presents themselves in the process of creating a CLT are cultural barriers, marketing, and the fact that CLTs are an untested form of land tenure. Historically, a number of communities have experienced deceptive land agreements. Past forms of exploitative land tenure that selectively targeted certain cultural communities can make it so that these communities are apprehensive to non-traditional forms of home ownership. One example to this is sharecropping, an agricultural system in which the tenant of the land allows usage of the land in return for a portion of the crops grown on that land, that the African-American community had endured (Ladenburg, 2007). Marketing presents itself as a challenge for similar reasons. The CLT presents a non-traditional form of home ownership, and the unfamiliarity of the concept can pose an initial barrier to peaking prospective residents' interests (PolicyLink, 2001). The barriers

of culture and marketing are only two examples of the myriad of barriers stand between affordable homes and people who need them. Our contact from CDPD states that the solution to all these barriers is homeownership education. In homeownership education, prospective homeowners get an objective description of how a CLT, or any affordable homeownership program that they are planning to partake in works, thereby eliminating any misconception (Allen, 2017).

Lastly, since the CLT is a relatively new concept, practical problems regarding its organization remain largely unanswered. Some common unexplored issues are the problem of inheritance, tax reassessment upon transfer of property, and concerns on whether widely used practices regarding to time length of the lease and other things are truly effective (Housing Assistance Council, 1993). From our own research, we see that every CLT implements a particular, case-dependent solution to all of these problems that works for their particular environment. For example, with Worcester Common Ground the inheritor of land must be income qualified to be able to inherit the affordable housing unit. If not, the unit is sold back to the CLT. (Dyson, 2017).

As surveyed, from major financial barriers and ideological resistance to historical stigma and the untested nature of the concept, the creators of a CLT can possibly face and will need to endure many different challenges.

3. Methodology

The goal of this project was to inform GreenRoots of the benefits and challenges to implementing a community land trust in Chelsea. CLTs are very location-specific. What works in one community may not be the best practice for Chelsea. However, by providing GreenRoots with information about the benefits a CLT can bring, and challenges that other CLT organizations have encountered, they can analyze if a CLT is an appropriate medium of providing affordable housing. Ultimately, any final decisions lie upon GreenRoots. However, our team hopes that providing GreenRoots with information about the impacts a CLT can have in Chelsea, we will help GreenRoots make more informed decisions. In order to analyze the implementation of a CLT in Chelsea, we have completed the following objectives:

Objective 1: Identify stakeholder opinions of a community land trust in Chelsea

Objective 2: Identify the processes for establishing a community land trust

Objective 3: Identify alternative approaches for community land trusts to acquire and manage land

Objective 4: Identify screening methods and resale formulas

Objective 5: Identify alternative different funding options for community land trust projects and operations

3.1. Stakeholder Analysis

A community land trust in Chelsea would not only affect the residents but also other stakeholders within Chelsea. We used interviews to identify stakeholder opinions of a CLT in Chelsea, what they would think would make a successful CLT, and if they would be interested in taking a leadership or management role in establishing a CLT in Chelsea. Organizations our team interviewed included non-profits, such as Chelsea Collaborative or Chelsea Restoration, community development corporations, such as The Neighborhood Developers, and different government officials, such as the Chelsea Department of Planning and Development and the Massachusetts Housing and Urban Development Secretary.

3.2. Community Land Trust Organizations

In order to understand the benefits and challenges a community land trust offers, our team interviewed staff from other CLT organizations. These interviews would complete objectives 2 through 5. Understanding how CLTs work to sustain affordable housing, day to day tasks, establishment, and funding are crucial to if a CLT in Chelsea is appropriate for the city. CLT organizations that our team got in contact with are Worcester Common Ground and Sawmill Community Land Trust. In addition, our team also researched Dudley Neighbors Initiative, a CLT organization in the Boston area we could not establish communication. After interviewing and researching CLT organizations, our team developed a CLT matrix. This matrix outlines how each organization accomplished objectives 2-5. From this matrix, our team can compare and contrast the methods other organizations used to operate. In addition, this matrix helped our team provide GreenRoots with guidance on options they can use, as well as establishment factors that they need to decide on based on the community needs.

3.3. Interviews

The main method our team used to gather information was through interviews. All of our interviews were semi-structured interviews, where we had a set list of open-ended questions, but kept the interviews a conversational setting. We used this interview method for the stakeholders on the project and for other CLT organizations because it allowed our team to be flexible about learning other thoughts of interviewees while still maintaining an effective meeting. This helped our team to learn about other topics stakeholders were concerned about regarding the implementation of a CLT. Interview guides are in Appendix A.

4. Findings

The goal for our project was to inform GreenRoots about the benefits and challenges of implementing a community land trust in Chelsea. Based on our interviews and research, this section outlines problems that a group may encounter when establishing a CLT, as well as the positives of using this method of creating affordable housing.

4.1. Benefits of a Community Land Trust in Chelsea

Our team identified five main benefits that a community land trust in Chelsea will bring:

1. Community land trusts will increase the amount of affordable housing in Chelsea.
2. The establishment of a community land trust will mean more buildings will be safe and up to code. Many of Chelsea's buildings are not up to code, and the severe amount of overcrowding makes many buildings unsafe.
3. Many CLTs provide community spaces or activity spaces as a means of bringing the community together.
4. The CLT model will also diversity the types of affordable housing in Chelsea.
5. A resident group brings social momentum for a CLT as a medium of affordable housing.

Increase the Accessibility of Affordable Housing to Low-Income Residents

Community land trusts will increase the amount of affordable housing in Chelsea. "Subsidized Housing Inventory (SHI)" is the measurement of affordable housing in a city. The state of Massachusetts requires all cities and towns to have at least 10% SHI. Not every municipality reaches that requirement. Chelsea almost doubles the requirement with 18% SHI, making it one of the densest in the state. However, no group in Chelsea shied away from more opportunities. Chelsea has a significant low-income population, and organizations welcome more tools for creating affordable housing. The CLT model reduces costs because the land is not part of the purchase; therefore, the property is more accessible.

Buildings are Safer and Up to Code

The establishment of a community land trust will mean more buildings will be safe and up to code. According to the city, many of Chelsea's buildings are not up to code, and the severe amount of overcrowding makes many buildings unsafe (International Code Counsel, 2015). "There was a fire that affected three apartments, and twenty people were displaced," says Dinanyili Paulino from Chelsea Collaborative (Paulino, 2017). The fire affected many people because they will sublease rooms and porches, rather than entire housing units, leading to overcrowding (Iraheta, 2017). This type of tragedy is common in Chelsea. The city does inspections, but the frequency for most properties is every five years (Allen, 2017). A community land trust is responsible for the safety of its buildings, and can enforce building code more frequently than the city.

Opportunities for Open Space

A Community land trust in Chelsea can not only provide affordable housing, but also empower the community. Many CLTs provide community spaces or activity spaces as a means of bringing the community together. Gardens, farms, and parks are all methods other CLTs use to help the surrounding areas. A CLT in Chelsea can implement these areas as a means of

bringing the community together. While a CLT in Chelsea would be just starting, and may not have the funds to invest in these spaces right away, it is something that a CLT can offer to Chelsea. Established and successful CLTs recognize the importance of these spaces to the growth of the community, even though they are “money pits” and do not provide any income (Dyson, 2017).

Diversify the Types of Affordable Housing in Chelsea

A CLT can diversify the types of affordable housing in Chelsea. Affordable home ownership is difficult because many times an individual that qualifies for affordable housing does not have the knowledge of the responsibilities of home maintenance (Allen, 2017). CLTs are a stepping-stone, where the owner still has home ownership responsibility, but the board will provide assistance if needed.

Social Momentum

A CLT is appropriate for Chelsea because residents want to use CLTs as a means of providing affordable housing. A resident group in Chelsea already exists that has been working on researching CLTs to find out how to start one. The social momentum exists, and if organizations were to create one, they would have the support of their residents.

4.2. Challenges of a Community Land Trust in Chelsea

Our team identified four main challenges to implementing a community land trust in Chelsea:

1. Opportunities for land acquisition in Chelsea is rare.
2. A community land trust can create conflict with the organizations that already create affordable housing in Chelsea.
3. A new organization would run a CLT in Chelsea, and new organizations may have a stigma against them when operating.
4. The main driver for a community land trust to exist is funding. The CLT needs funding to buy properties, restore buildings, pay taxes, and subsidize housing. We have seen in our research that getting funding is competitive, and success in this avenue corresponds with the track record of the applicant organization, which a fledgling CLT lacks.

Land Shortage

A nonprofit must acquire land when beginning a CLT. Our earlier research has led us to believe that land must fit some criteria, and CLTs consider these criteria in operation. We found out no such criteria exists, and every CLT has adapted to their unique circumstances in which they were established. A CLT in Chelsea would struggle because opportunities for acquiring land is rare. Overcrowded and costly, regular properties are the conventional way of acquiring land, but in order to pass this block, a CLT in Chelsea may have to look for alternative methods. Our team has identified four methods work around the land shortage in Chelsea: Brownfields, receivership, blighted land, and regular purchase.

Brownfields

One alternative method a CLT in Chelsea could use to acquire land is through brownfields. The Environmental Protection Agency defines brownfield as “a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.” (EPA, 2017). Brownfields are a heavy burden to the city they exist within, and their successful rehabilitation is in conjunction with the self-interest of the residents living around it, and the government who serve these people by proxy.

One way CLTs can acquire land is through buying brownfields from their owners with the help of government and other organizational subsidies. The Sawmill CLT has benefited from this mode of land acquisition.

One benefit of this approach is that the initial plot of land has little to no cost with certain subsidies. Since the city wants to revitalize the lot of land, they would be willing to cooperate with an entity that has an extensive revitalization plan. A CLT would fit the bill in this scenario. Another benefit is that the brownfield might come with specific grant opportunities that try to subsidize the process of cleaning the land. These subsidies concerning the decontamination of the land will prove helpful in easing the cost of the decontamination at large.

The drawbacks of this approach are numerous. Although many subsidies for decontamination of brownfields exist that the CLT organization can apply for, these subsidies do not guarantee it will cover the full cost of the decontamination. This will require the CLT organization to take on additional costs in decontamination. Another drawback is that the decontamination process will take time, and this might delay the creation of the CLT. Brownfields are much rarer than other modes of land acquisition, making them harder to find at any given time and undependable as a tool for continuous CLT expansion.

Our research has led us to find six brownfields in Chelsea, Massachusetts. We used the MassDEP database, thus our results reflect the brownfields that were reported to MassDEP. The listings for these lots are in Table 4-1 below.

Table 4-1: Brownfield Locations in Chelsea

| Address | Site Name | Current Owner | MCP Status | Contamination | Former Use | Current Use | Total Acreage |
|--------------------------------|---|--------------------------------|--------------|-----------------------|------------|-------------------|---------------|
| 1 Forbes Street Marginal St | Forbes Lithographic Co Fmr | YHE Forbes LLC | TMPS | Ash and Ink Waste | Commercial | Apartment Complex | 18.3 |
| 1100 Revere Beach Pkwy | Webster St | Fr Chelsea Commons Ii | RAO | Oil | Commercial | Commercial | 1.53 |
| 145 Thru 155 Beech St | Intersection With Carter St | Lawrenceville LLC | TIER 2 | Hydrocarbons, PCB | | Vacant | 1.8 |
| 100-132 Library St | No Location Aid | Atlas Historic Investments Llc | RAO | Aroclor | | | 1.01 |
| Rte. 1 Row | Abutting 145-155 Beech St. Site (3-17917) | Massdot | PSC | PCBs, Metals, EPH, | ROW | Vacant | 0.5 |
| 211 Everett St | City of Chelsea/The Maple Hotel Co | Pre-Class | UNCLASSIFIED | TCE, Petroleum, LNAPL | Commercial | Hotel | |

Receivership

Another alternative method of land acquisition that a CLT in Chelsea could use is receivership. Unlike regular purchase, acquiring land through receivership contains a court process. A property must be in violation of sanitary codes in order to fall into receivership status. This usually means that the house contains poisonous materials, like lead paint or asbestos fireproofing, rather than biohazard waste. If the violations to the sanitation code cannot be fixed unless a receiver is appointed, then the court will appoint a receiver to make such changes. The receiver must have a court-approved plan on how each violation will be remedied. Once approved, the receiver can begin work on renovating or restoring the property. The court then holds the receiver accountable for making the appropriate changes, and once such changes are made, the receiver can sell the property.

Using this method to acquire land has drawbacks. Chelsea Restoration also uses receivership, and the CLT will be directly competing for land. Another drawback is not every property that goes through the court process can be sold at affordable rates. The court process determines the type of sale, meaning the land can be an affordable unit in a lottery, market rate sale, or an eligibility based sale. The availability of land through this method is limited by how many properties violate state and city sanitation codes. If no properties are reported and confiscated in a whole year, then the CLT will suffer from no sales.

Benefits to using this method are reduced labor costs and improving the safety of the community. Labor costs to repair or renovate properties can be reduced by working with prisons. By fixing homes that violate sanitation codes, it also helps the safety of the surrounding community.

Blighted Land

Blighted lands are uncontaminated plots of land that are subject to neglect. Blighted lands are often abandoned and left without oversight, and as a result serve as a medium for illegal activity such as hard drug use and trade, garbage dumping, and hazardous housing for the homeless population.

Dudley Neighbors Initiative (DNI) has utilized this mode of land acquisition in acquiring their initial lots of land, which are the vacant lots in the Dudley Triangle. The CLT organization came up with a detailed revitalization project, and the city granted eminent domain of these lands to the organization.

One upside to acquiring blighted lands is that since it is in the city's own interest to develop on these lands, the founding CLT organization is able to acquire the land for little to no cost. Since the land contains no chemical hazards, the cost to bring the land up to sanitary code is less than the cost required to decontaminate brownfields. Developing on these lands also helps make the neighborhood seem safer, raising the standards of living for the people who live nearby in effect.

This mode of land acquisition does not have many downsides other than the cost concerning renovating the property to bring it up to code.

Regular Purchase

Although not an alternative method, the trust can also purchase standard properties in Chelsea. These lots may have buildings on them or can exist as empty space. These properties do not need any renovation work to resell.

This method is the most expensive option for land acquisition. Little to no subsidies exist for

purchasing regular properties, meaning the trust would have to purchase this type of land on their own. If the lot has a building on it, the trust would have to separate the building from the land in the title before it can be a part of the CLT.

Regular properties have no additional required repair or renovation costs. These properties can allow the CLT to have a mixed income population. The CLT can resell these properties at market rate and allow the residents to use the home as an equity builder, while maintaining some of the other benefits of being a part of a CLT, such as access to their parks and open space.

Due to their high cost, it is not common that a CLT in Chelsea would want to buy regular properties. However, if the other methods for land acquisition do not work, and the CLT is to remain, then the criteria for finding regular property would be dependent on its cost. Based on a report from Tufts University, we characterized the current developed properties by price per square foot, and listed the 10 cheapest properties on that compound formula. Table 4-2 is shown below.

Table 4-2: Cheapest Properties by Square Footage

| Address | Building Value | Land Value | Compound Value (\$/sq ft) | Owner |
|-----------------------|----------------|-------------|---------------------------|------------------------------------|
| Summit Avenue | \$0 | \$6,300 | \$0.60 | Massachusetts Commonwealth |
| 1C Winnisimmet Street | \$108,800 | \$172,600 | \$4.28 | Fitzgerald Peter Trustee |
| 155 Sixth Street | \$0 | \$449,00 | \$4.76 | Chelsea Economic Development Board |
| Washington Avenue | \$0 | \$1,864,400 | \$5.03 | Chelsea Housing Authority |
| Washington Avenue | \$0 | \$24,200 | \$5.70 | Gallo Lawrence |
| 54 Warren Avenue | \$0 | \$131,800 | \$8.75 | Damico James V & F Gross Brothers. |
| 300 Carter Street | \$0 | \$269,500 | \$9.07 | Chelsea City |
| 44 County Road | \$206,000 | \$135,200 | \$10.84 | Shoemaker Loretta J |
| 110 Marginal Street | \$893,300 | \$504,000 | \$11.08 | Boston Hides and Fur LTD |
| 23 Grand View Road | \$137,800 | \$135,200 | \$11.12 | Lawlor John F Jr. |

Conflict with other Organizations

A community land trust can create conflict with the organizations that already create affordable housing in Chelsea. One method to prevent conflict is an inclusionary board. If a representative runs the CLT from each of these organizations, then each organization gets a say on how the CLT run and prevent conflict. This only works if all the organizations have a representative, and our interview with Chelsea Restoration indicated they would not want to be a part of a CLT. Since one of the land acquisition methods is receivership, this could directly compete with Chelsea Restoration. If the CLT decides to buy land to develop and build, then they would come in conflict with The Neighborhood Developers. While a monopoly on affordable housing development should not be encouraged, it would be hard for a new organization to compete with the largest community developer in the city. Another method

would be to empower the resident group that is interested in a CLT. The conflicts still exist, however, but other organizations may be more willing to work with residents rather than other organizations.

Stigma of Developing a New Organization

Starting a new organization makes every aspect of creating a CLT more difficult. GreenRoots does not have the capacity to run a CLT on their own, so a new organization would need to be created. New organizations have less influence since they do not have any previous achievements. This makes applying for funds more difficult because the organization has no history or knowledge on how to use money. One solution to this is to have an inclusionary board. If accomplished individuals from organizations around Chelsea have a representative, they will have more political influence on project approval, funding, and community support. The organization will also make more informed decisions, and can work together to avoid conflict.

Funding

The main driver for a community land trust to exist is funding. The CLT needs funding to buy properties, restore buildings, pay taxes, and subsidize housing. A new organization may not have the funds initially to start a CLT, but options exist to try to get started. Recently Chelsea voted to pass the Community Preservation Act. A city appointed board holds CPA funds for approved projects regarding housing, open space, and historic preservation. The Massachusetts Affordable Housing Trust Fund provides funding to organizations that support the creation and preservation of affordable housing. Chelsea is also part of the North Suburban Consortium, a coalition of 8 Massachusetts towns and cities that work together to receive HUD HOME program funds. The Community Development Block Grant is a federal and state fund program to ensure that the most vulnerable communities have access to affordable housing and jobs through business retention. In addition, Chelsea residents can apply for residential tax exemption, which helps reduce the cost of taxes. Funding can also come from local businesses and banks. They can invest in CLTs and get annual tax breaks. Another way of getting funds is through other developers. If a developer builds 100 housing units, and does not want to make any percentage of them affordable, they can opt to pay money into a fund. Other affordable housing projects can receive money from this fund.

4.3. Decisions about Creating a Community Land Trust in Chelsea

Our team has identified four main decisions that need to be made before a community land trust is created: Creation of a non-profit, property management, resale of properties, and screening processes.

Creation of a Nonprofit to Run a CLT

Using a nonprofit is necessary in registering a CLT. By becoming a certified nonprofit, you gain access to funding options, as well as registering as a tax-exempt entity so companies would provide grants. In doing this, two documents need to be created, Articles of Organization and Bylaws. The Articles of Organization are in place to inform everyone on who leads/owns the nonprofit. The Bylaws help in structuring how the non-profit is governed. The process of

choosing a board for other CLTs was based off interest level, and was not very thought out.

Property Management

Through our interviews, our team learned how CLT organizations manage their land. Most CLT organizations contract professional property management companies.

The Sawmill CLT contracts a property management company to manage their properties. For the Sawmill CLT, contracting property management makes sense since they manage 97 single-family homes and 250 apartments for rent, and this volume of property management requires domain specific expertise to be effective and still affordable. Mona Angel, the executive director of the Sawmill CLT, says that property management is “very lucrative” and that some CLTs should also exist as property management companies that manage their own properties at very low costs, and contract with other housing development organizations to generate revenue for the CLT itself (Angel, 2017).

This is similar to how Worcester Common Ground (WCG) manages their lands and properties. WCG employs one full time facility manager for their properties, and they contract with a property management company to manage 66 of their 73 units of housing.

The upside of contracting professional property management companies is the transfer of responsibility of management from the CLT to another entity that is professionally in this business. This means that the contractor would be more cost effective in doing their work, and that they would have had more experience with it, providing better service to tenants in effect.

The downside is that a CLT organization has no oversight over the operation of the property management contractor. The only avenue for the CLT organization to get feedback would be to ask their tenants if the property management company’s service is adequate, which might require some investigative effort on the CLT organization’s part.

In contrast to contracting, having in-house resources either was a tertiary form of aiding land and property management, or was never used at all by the CLTs interviewed. As Mona Angel says, to be able to have in-house land and property management, one needs to create a whole another organization that possess the ability and expertise to do management professionally. Although this is a big task, it is forgiven by the promise of creating a strong and continuous avenue of revenue for the CLT itself.

While this can be inferred from the previous text, it must be noted that the downside of in-house property management is the opportunity cost that comes with refocusing the CLT organizations efforts to the major task of creating a subdivision of property management, and if this is not done, the possibility of providing subpar property management to CLT residents.

Screening and Resale Formula

In this section, we foray into the details of the resale formula and the screening process CLTs use to choose residents. The first section concerns itself with the resale formula. We start out by exploring the resale formula space, grouping it by theory first and then practice. Then, in light of this exploration, we examine the resale formulas used by the CLTs we have interviewed and provide discussion. We continue with explaining the insights we gained on how to conduct the screening process for a CLT.

As previously stated in the methods chapter, the theoretical space in which resale formulas exists can be divided into four categories to categorize all resale formulas in existence. These categories are itemized formulas, appraisal-based formulas, indexed formulas, and mortgage-based formulas.

Resale Price (itemized) = Original Price + investment - damages

The itemized formula utilizes a list of items that result in a quantifiable amount of appreciation or depreciation. The investments and the damages on the property are assigned a dollar value by the owner, and added onto the original sale price. If the CLT board approves this assessment, the resale price is set (Burlington Associates, n.d.).

An example usage for this formula would be as such: A house which costs 100,000 dollars with 20,000 dollars of investment done on it and 4,000 in damages suffered would result in 116,000 dollars. The calculation is given in equation form below:

$$\text{Itemized} = 100,000 + 20,000 - 4,000 = 116,000$$

Resale Price (appraisal) = Org. Price + (Org. Appraisal - Sale Appraisal) * %

The appraisal-based formula utilizes 2 appraisals, one at the time of purchase, and one at the time of resale. The appraisals are done by professional appraisers, and the difference between the latter and the former appraisal is multiplied by a percentage that is determined by the CLT governing body. This value is generally around 25 percent. The percentage multiplying factor reduces the effect of the house market on rents and resale prices (Burlington Associates, n.d.).

An example usage for this formula would be as such: A house which costs 100,000 dollars initially is appraised to be 100,000 dollars at the time of the very first sale, and the appraisal at the time of sale is 150,000 dollars. The index that is used in this example is the arbitrary constant of 0.6. The resale formula gives a resale price of 130,000. The calculation is given in equation form below:

$$\text{Appraisal} = 100,000 + (150,000 - 100,000) * 0.6 = 130,000$$

Resale Price (index) = Original Price * (1+Change in Index)

The indexed formula solely utilizes the change in a select index at the time of original sale and resale. An example for an index choice would be the change in median income (Burlington Associates, n.d.).

An example usage for this formula would be as such: The chosen index is the ratio of annual low-income yearly wage to annual median-income yearly wage, which is an index that would assure affordable homeownership by lowering the prices of homes in proportion to how much less a low-income potential homebuyer makes. For the purposes of this example, the change in this index is 10,000, from 80,000 to 90,000 and the original price of the house is 100,000. The calculation is given in equation form below:

$$\text{Index} = 100,000 * (1 + (90,000 - 80,000) / (80,000)) = 112,500$$

Resale Price (mortgage) = Price affordable to buyer at % of area median income

The mortgage formula is a formula that is used rarely in CLTs to address extreme needs concerning affordability. The formula does not depend on the original price of the property, and assures affordability of the property for the next buyer (Burlington Associates, n.d.).

An example usage for this formula would be as such: The 60 percent of area median income could be determined to reflect the income of low-income residents. Then the board of CLT would decide what price is affordable for this low-income people, and enforce that price. This price is entirely dependent on the decision of the board.

Common Formulas

As stated, the categories above comprise the entire space of possible resale formulas. Now that the reader has a background in the theory of resale formulas, we will provide a cost/benefit analysis for popular resale formulas. Popular resale formulas amongst CLTs in existence “fall between the extremes of the more theoretically pure itemized and mortgage-based formulas” (White, 2011).

Appraisal-based formulas

The advantages for appraisal-based formulas are many. First, an appraisal-based formula allows for the capturing of a sensible amount of appreciation when it comes to improvements made on the house. The homeowner still is incentivized to make improvements on the house, but this incentive is smaller than a regular homeowner would have since the resale price is also intended to provide affordability for the buyer. Appraisal based formulas also allow for avoiding the trouble of differentiating between repairs and improvements (an itemized formula would have needed this distinction). The transfer of responsibility concerning the valuation of the home from the CLT organization is also a benefit, since this assessment is open to controversy. Making such an assessment would require the CLT organization to keep track of all the improvements made on the house, and this type of formula protects the CLT from possible grief caused by conflict or confusion regarding record-keeping (White, 2011).

The disadvantages are also numerous for this appraisal method. An appraisal takes a lot of time and money. This entails that the homeowner cannot get a valuation for their property on the spot. While the multiplier variable of the appreciation value is smaller than zero, it might still allow for an unjust amount of return to the homeowner if the market rapidly appreciated. The fact that any repair or improvement done on the house makes for an investment that the homeowner will never get back fully disincentives the homeowner from improving upon the house. One last disadvantage to add would be that appraisal based formulas do not account for the inflation of the US dollar. If inflation happens at the same rate with the appreciation of the local real estate market, a longtime house owner could find themselves owning a property that has only depreciated in value (White, 2011).

Fixed-rate formulas.

This type of formula is identical to an indexed formula except that the fixed-rate does not have to depend on an actual index, and can be set arbitrarily by the CLT.

Benefits of fixed-rate formulas mostly stem from the fact that it is a very easy formula to adapt and understand. The formula requires no record keeping by the CLT organization. In addition, the formula does not depend on human input after the rate is set, and a homeowner could calculate how much their home would sell for any given time. Since the formula does not

depend on an appraisal, is allows for a guaranteed, constant tradeoff between affordability and providing the seller with fair return on their investment. Since the CLT organization defines the fixed-rate, any confusion or conflict is avoided concerning the rate if it were determined by some rate that is calculated by some external organization whose credibility might be put to question (White, 2011).

Drawbacks of fixed-rate formulas also stem from the simplicity of this type of formula. Since the resale value is only dependent on the fixed-rate, the formula does not incentivize the homeowner to maintain and improve their home. In addition, if the local housing market was to appreciate at a very slow rate, the formula could result in a resale price that diminishes or even completely annuls the effect of the subsidy coming from land (White, 2011).

Indexed formulas

Depending on the index chosen, index-based formulas are capable of providing reasonable return on investment to the homeowner while providing a good level of affordability to the next buyer. Like the fixed-rate formula, the index-based formula does not depend on the subjective appraisal of the CLT organization or an appraiser, thus any complications that could have resulted from the subjectivity of the judgements are avoided. On a spectrum of predictability of final resale price, the index-based formula lies between appraisal-based and fixed-rate formulas. It provides a midpoint to the CLT organization if they desire such a tradeoff. Many public subsidy programs will approve this kind of resale formula without explicit negotiation. A third party that allows the homeowner or the CLT organization to appraise a property provides the index (White, 2011).

Like fixed-rate formulas, index-based formulas do not provide the homeowner with an incentive to maintain and improve their house. If the index were to be related to the area median income, this might pose problems since the area median income often does not reflect the trends in income levels for low income populations. This type of formula, like the fixed-rate formula, presents the possibility of resale prices being not affordable in housing markets that do not appreciate at a healthy rate. A certain index may not be published perpetually, thus this type of formula might prove defunct in the long term (White, 2011).

Formulas Other CLTs Use

The Sawmill CLT uses an appraisal-based formula, where an appraiser makes an appraisal of the property, and then this appraisal is subtracted from the appraisal at the time of purchase of the property. This subtraction results in a dollar value for the appreciation of the property. 25% of this appreciation, in addition with the original purchase value of the property goes to the seller of the property, while 3% of the appreciation goes back to the Sawmill CLT. This means that the house is sold at a reduced price of the original purchase price of the property and the 28% of the appreciation that was calculated with the help of the appraisal made at the time of sale (Angel, 2017).

Worcester Common Ground also uses an appraisal based formula. An appraisal for the property that will be sold is appraised by Maria Hopkins Associates. The initial sale price is subtracted from this value to get the appreciation for the property. This increase in value is multiplied by a factor of 0.6, then the initial purchase price and the improvements made on the property are added to determine a precise resale price (Dyson, 2017).

Screening

In screening for potential residents, the Worcester Common Ground (WCG) CLT adopts the screening criteria enforced by the United States Department of Housing and Urban Development (HUD). They must adapt their criteria, for WCG applies to and extensively utilizes U grants for affordable homes (Dyson, 2017). The criteria HUD pushes onto WCG is only an income limit that is specifically set by the HUD for every type of grant. This highlights the drawback of accepting HUD grants, which is that the CLT must relinquish the possible desire to enforce a certain income limit to cater to a certain subset of low-income residents.

WCG explains that since the demand is so high for these homes, even after the HUD criteria, they are left with multiple willing potential homebuyers. To pick amongst these potential homebuyers, WCG requires them to take a homeownership class (Dyson, 2017). This provides further screening of candidates since only the potential homebuyers who are serious about buying these homes attend these classes, which according to the WCG are immensely vital to take for a first-time homebuyer. On top of the HUD income limit and the first-time homebuyer classes, WCG uses a tailor-made approach in choosing their residents by asking them for their tax returns, pay stubs, credit checks etc. to make an informed guess as to whether if they will be able to handle the mortgage that is required to buy their home. While this might seem invasive to onlookers, WCG explains that since the homes they maintain are not many, they opt for screening mechanisms that minimize the risk for their CLT. This is a relevant point to make for any CLT in Chelsea, since the shortage of land would most possibly make for a small CLT without numerous properties, and they would require a similar approach in minimizing risk.

In WCG, the property manager makes the final decision concerning the eligibility of a potential resident.

Sawmill CLT is no different in that they also utilize HUD grants extensively, and have to abide by the grant specific income limits that the HUD enforces. The HUD limits, of course, bring limitations to a CLT that are discussed above. After this step of screening, since Sawmill CLT is one of the largest CLTs in the country, they use a less personalized screening system than WCG, which is to use a simple lottery system to choose amongst the many potential homebuyers. Since a lottery system is easy to implement and is inherently impartial, it seems like the perfect screening method. However, the lottery system has its downsides in exacerbating the risk of selling a house to a homebuyer who is not equipped to handle homeownership. This might result in a foreclosed property, or require the CLT to expend time and money on the homeowner, both of which would put the CLT under financial strain. This is particularly undesirable since CLTs do not make revenue consistently, use most of their money to further subsidize their properties, and have limited staff and time.

5. Conclusions and Recommendations

It is evident that Chelsea has an affordable housing crisis. The stakeholder interviews all showed that many of Chelsea's residents do not own a house or an apartment, but sublease a singular room or porch. Overcrowding, coupled with many residents living below poverty levels, means that the amount of people that will be displaced when gentrification hits is difficult to quantify. The government has no way of accurately counting how many people are living in a single housing unit.

It is also clear that even though Chelsea has one of the greatest percentages of subsidized housing units in the state, it will probably never be enough to satisfy the needs of Chelsea. Even at 18% SHI, almost double the state requirement, people are leaving Chelsea to live in surrounding towns, like Lynn and Lawrence. We can only assume they will go back to similar living situations.

After meeting with the stakeholders, and through our own research, our team recommends that a community land trust is may not be the most effective use of funding. However, not owning the land is a tangible benefit in its model. By taking the land out of the equation, units can become more affordable, and anything that puts people in their own homes is a good thing for that person. We believe that this challenge of implementing a CLT is the driving factor as to why a CLT would not be optimal. Opportunities for land are rare, so the trust will have to get creative by taking advantage of unconventional methods such as brownfields or blighted properties. Our team recommends researching the economic feasibility of these methods in more depth.

We recommend GreenRoots researches the many unanswered questions about community land trusts we identified while completing this project. Who would the community want representing them in a CLT? Whom would the community want to collaborate with? Is a CLT able to sustain affordable housing for a long (100+ years) duration? Does enough land in Chelsea exist to sustain affordable housing? Will continually increasing the amount of SHI in Chelsea have any effect on the city's growth/economy? How will a housing market crash affect a CLT in Chelsea? Is funding a CLT more effective than giving more opportunities to other established affordable housing organizations? We recommend that further research efforts go into answering these questions to understand how the implementation of a CLT will affect Chelsea.

Acquiring land is costly, and funding is still a challenge for established and successful CLT organizations. However, the social momentum should not be ignored. If the interested resident group is willing to put in the time and effort, it may be possible to create a CLT in Chelsea. The city, as well as other organizations all understand Chelsea has a housing crisis. If the people want to establish a CLT in Chelsea, then they will need to work with the other organizations that strive to give every resident in Chelsea a home. If creating a community land trust is still a priority, then our team suggests meeting with the city as well as the stakeholders to discuss methods for establishing a CLT, and who wants to have a leadership role in its establishment as a first step.

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7. Appendices

Appendix A: Interview Guides

Stakeholder Questions

- 1) Do you think the creation of a CLT would be appropriate for Chelsea?
- 2) What are the most common problems that people you work with (low to moderate-income residents of Chelsea) tend to have? Would a CLT help these problems?
- 3) How would you collaborate with other organizations in the establishment of a CLT?
- 4) How do you think the creation of a CLT will influence your goals of providing education and assistance to first time homebuyers?
- 5) How do you think that implementing a CLT would fit your mission?
- 6) What do you think are some benefits and risks associated with starting a CLT?

CLT Establishment Interview Questions

- 1) How does your organization legally charter itself?
- 2) How did you go about legally chartering yourself to be a non-profit?
- 3) What are the tax break related benefits of being a non-profit in the context of a CLT?
- 4) What is the kind of governance does your organization use?
- 5) Are your bylaws general in the sense that they can be any other CLT's bylaws? What particular sections pertain to your particular CLT, and what are general clauses that exist in all CLT bylaws?
- 6) Did you consider other forms of governance for your organization? Why?
- 7) What are the day-to-day operations of your organization? (This question will probably start a very long conversation about the number and function of employees)
- 8) Alongside stewardship, what else constitutes your relationship with your residents?
- 9) Do you legally define your relationship with your residents? If so, how?
- 10) What kinds of options exist for establishing a trust that owns land?
- 11) What forms or applications are needed to properly register a community land trust?
- 12) Can the trustee do this process or is a lawyer needed?

CLT Acquisition and Property Management Interview Questions

- 1) What are metrics your organization have considered in choosing land to start your CLT?
- 2) What are metrics your organization have considered in choosing properties to start your CLT?
- 3) What third party organizations/software did your organization consult/utilize in selecting initial land and properties that your CLT consists of?
- 4) How does your organization maintain its land?
- 5) How does your organization maintain its properties?

- 6) Does your organization use in-house resources or contractors for maintaining properties and land?
- 7) How much money is spent on maintaining your properties, and what is the breakdown of this spending?
- 8) How much money is spent on maintaining your land, and what is the breakdown of this spending?
- 9) What were some considerations your organization made in choosing how to maintain your property and land?

CLT Resale and Purchase Interview Questions

- 1) What is the resale formula your CLT uses?
- 2) What have you given consideration to in choosing this resale formula?
- 3) What other resale formulas that you have considered?
- 4) How do you ensure that the resale formula produces fair prices for the current homeowners?
- 5) Is(was) your resale formula ever subject to change? For what reasons?
- 6) How does your CLT screen potential homebuyers?
- 7) What are metrics used in screening potential homebuyers? Is this process automated?
How many people work on this?

CLT Funding Interview Questions

- 1) What are sources of funding that your organization has utilized in founding your CLT?
- 2) Do these sources of funding fall under particular categories?
- 3) What are benefits and drawbacks of these funding categories?

| | | Worcester Common Ground |
|---|--|--|
| Objectives | | |
| Community Land Trusts - General | | |
| Type of Land Trust | | WCG has a CLT that is only for home ownership. They are a community development corporation. Their CLT contains only properties suited for first time homebuyers, and does this to prevent investors from taking the equity out of the housing in the area and increase home ownership among low-income residents. The properties they have are "triple deckers", where 3 families can live in the same building. The original homeowner will be screened and certified, and own the building on a 15 year ground lease principle. The owner will then become a landlord of that building, and two additional tenants will move in to the remaining living spaces. These additional folks are not held responsible for the 15 year lease, only the original buyer. |
| Research Mission Statements and Goals | | WCG's CLT was created to create more opportunities for homeownership among low-income populations. |
| Community Land Trusts - Establishment | | |
| Nonprofit Creation | | WCG began in 1988 as a CLT, and the non-profit expanded into a CDC. It was created by regular homeowners in the area who were concerned about the lack of homeownership |
| Bylaw Collection | | WCG has provided us with their bylaws, an example of their 15 year lease, as well as an example for a 'deed rider' |
| CLT Governance Interviewing | | WCG is run by a board of 9, where a majority shall be residents of the target area and members of the organization. Many decisions are solved by voting in meetings, which all |
| Community Land Trusts - Land Acquisition | | |
| Determine metrics for suitable land for affordable housing | | Blighted properties, abandoned properties, ect. Yvette described the process for selecting properties as almost an instinct. To paraphrase, You just know when a house or property is falling into disrepair. We have meetings and everyone knows which houses are dropping in value. |
| Space available for "community space", for example parks, community gardens | | Similar metrics are used for determining land for community space. It is essentially just abandoned properties. WCG works with the city, and is either given the property or sold very cheap for the sole purpose of converting it into a "community space". They are money pits, however, as these spaces create no revenue, but are necessary to a growing |
| Community Land Trusts - Funding | | |
| List all funding options for affordable housing organizations | | WCG has a budget of approximately \$1.2 million dollars a year. They bring in about \$850k from the rental units they own and manage, membership fees, as well as donations. This money is used towards property tax, utility costs, project management, and income of employees. This leaves a deficit of approximately \$350k. This money is obtained |
| Community Land Trusts - Resale and Screening | | |
| Learn about the details of CLT resale formulas | | The resale formula is an appraisal based one. It works as follows: an appraiser, in this case "Maria Hopkins Associates" makes an appraisal for the property. The initial sale price is subtracted from this value to get the increase in value. This increase in value is multiplied by a factor of 0.6, then the initial purchase price and the improvements made |
| Misc. Objectives | | |
| Community Feedback | | WCG gets feedback from monthly open forums. Here, they also discover what properties are starting to lose their equity, what struggles the communities are facing, |

Appendix B: CLT Matrix

Sawmill CLT

Sawmill CLT is more like a neighborhood. Many times, when you have a CLT, their properties may be in one general area, but there is no "campus" of some sort. Sawmill CLT is different in that aspect. The majority of their buildings are located on a 34 acre area that used to be a sawmill. This area contains a mix of housing units and rental complexes, although the housing units vastly outweigh the number of renting complexes. They have community spaces as well, and are working to expand the CLT outside the original 34 acres, as well as increase the diversity throughout the campus.

Created due to the fact that the sawmill interrupted a peaceful life. It was loud, it was dusty, and polluted everywhere. The people protested, and groups and the city saw an opportunity to use the land as a place for affordable housing. Today, it remains a community dedicated for affordable housing, but they are starting to expand their demographics by creating some houses to be sold at market price.

The Sawmill CLT is actually run by a CHDO, or a community housing development organization. While they are still a non-profit, they can receive funding from the HUD (Housing for Urban Waiting on Bylaws, 99 year lease agreement.

Sawmill CLT has an advisory board of 7 who are made up purely by members of the CLT. They also have a board of directors of 10, who are folks of varying specialties, who are the 'bosses' per

This organization has only gone outside their original 34 acre area once, and the property they used was involved in some sort of crime or drug related incident. They were able to restore the building and now serves as an additional apartment complex, but other than that once property they have not needed to analyse acquisition properties since they are settled on a campus

Sawmill CLT has "activity spaces", or what we defined them to be "community spaces". They are all in the campus, and they have gardens, plazas, and a few open areas for recreational use.

Similar to the living space, they did not really use metrics to determine what spaces were suitable, as the area that the activity spaces are in are the original 34 acres.

The main two sources of funding for the Sawmill CLT are through HUD and grants/partnership with Wells Fargo. Mona mentioned that the city also is in partnership with the CLT, as their influence spreads to areas greater than their campus.

They use an appraisal to appraisal formula. A fraction of the new appraisal is used to determine the sale value of the property.

Dudley Neighbors Initiative

Dudley Neighbors Initiative is a Community Land Trust that was formed by grass-roots efforts of citizens living in the Dudley Neighborhood's famous "Dudley Triangle". The CLT is formed on 1300 parcels of abandoned land, that the former owners left to rot, or burned down to scam their insurance companies. These 1300 parcels equate to 30 acres of land, and the Dudley Neighborhood Initiative aims to create a community, a neighborhood with green and open spaces.

Our Mission is to implement the community revitalization plans of the Dudley Street Neighborhood Initiative (DSNI), which espouses development without displacement and includes affordable housing, economic development, open space and other amenities of the Urban Village.

Dudley Neighbors, Incorporated (DNI) is a Community Land Trust created by the Dudley Street Neighborhood Initiative (DSNI) to implement and develop DSNI's We do not have bylaws for DNI

DNI was incorporated in August of 1988, with three Dudley Street Neighborhood Initiative (DSNI) board members as the original incorporators. It has an 11-member

Blighted and abandoned properties.

The developments for this category include: Dennis/Huckins Street Garden, Tina Persad Park, and Lewis Place Orchard.

The main two sources of funding for DNI are through HUD, CDBG and private donations.

Did not provide us with their resale formula.

Appendix C: Workplan

| No. | Description | Priority | Status | 2021 | | | | | | | | | | | | | | | |
|-----|---------------------------------|----------|-------------|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|--|--|--|
| | | | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | | | | |
| 1 | Finalize the Workplan | High | Completed | | | | | | | | | | | | | | | | |
| 2 | Review and Approve the Workplan | High | In Progress | | | | | | | | | | | | | | | | |
| 3 | Implement the Workplan | High | Not Started | | | | | | | | | | | | | | | | |
| 4 | Monitor and Report Progress | Medium | Not Started | | | | | | | | | | | | | | | | |
| 5 | Evaluate the Workplan | Low | Not Started | | | | | | | | | | | | | | | | |

Appendix D: CLT Contact Information

Dudley Neighbors Incorporated: Tony Hernandez, DNI Director, at 617.442.9670

Champlain Housing Trust: HQ Chittenden County: 802-862-6244; Main Office: 802-527-2361

Sawmill Community Land Trust: Phone: 505-764-0359; Mona Angel, Executive Director:

mangel@sawmillclt.org; info@sawmillclt.org

Greater Worcester Community Land Trust: 508-795-3838

T.R.U.S.T. South LA: info@trustsouthla.org; Executive Director: sandra@trustsouthla.org;

(323) 233-4118

Appendix E: Authorship

Abstract - Primary writer: Daniel Barra, Primary editors: All

Executive Summary – Primary writer: Ada Dogrucu, Primary editor: Dan Barra

1. Introduction - Primary writers: All, Primary editors: All

2. Background - Primary writers: All, Primary editors: All

2.1. - Primary writer: Daniel Barra

2.2. - Primary writer: Jonathan Cohen

2.3. - Primary writer: Ada Dogrucu

2.4. - Primary Writer: Ada Dogrucu

2.5. - Primary Writer: Ada Dogrucu

3. Methodology - Primary writers: All, Primary editors: Jonathan Cohen

3.1. - Primary writer: Daniel Barra

3.2. - Primary writer: Daniel Barra

3.3. - Primary writer: Ada Dogrucu

4. Findings - Primary writers: Dan, Primary editors: Jonathan Cohen

4.1. - Primary writer: Daniel Barra

4.2. - Primary writer: Daniel Barra

4.3. - Primary writer: Ada Dogrucu

5. Conclusions and Recommendations - Primary writers: Dan Barra, Primary editors: Jonathan Cohen

6. References - Primary writer: Daniel Barra

7. Appendices - Primary writer: Daniel Barra, Ada Dogrucu