

Quarterly Housing News

March 2007

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Community Land Trusts: Ensuring Permanently Affordable Homeownership

*By: Colin Bloch
Director of Homeownership
Champlain Housing Trust*

Permanent affordability is the central and guiding principle of Community Land Trusts (CLT) and a concept that is contrary to much of what many of us take for granted about the nature of real estate ownership. Perhaps more familiar to people new to CLTs is the idea of shared ownership for a common benefit. This is how condominium associations function, but the idea is also illustrated in public facilities, institutions and infrastructure. A Community Land Trust acts as steward of a public resource (affordable housing) much in the same way that local government maintains streets, schools, libraries, sewer and water, and police and fire departments.

On January 9, 2007, the Washington Area Housing Partnership sponsored a seminar by Champlain Housing Trust, a non-profit membership organization based in Burlington, Vermont. The seminar consisted of a half-day workshop on the CLT model. Attendees were able to view a presentation about the common components and varied applications of the model, as well as hear from a panel of local experts exploring this model in the DC area. Washington DC's City Council recently voted to establish a District-wide CLT with the goal of creating 10,000 permanently affordable homes.

The model underway in DC will ingeniously use the New Markets Tax Credits Program so that scarce public funds can be well-leveraged with private investment.



31 homes at City's Edge, a 60-unit condominium building developed by Champlain Housing Trust (CHT), are kept permanently affordable through a master ground lease between CHT and the condominium association, and the use of individual deed restrictions on each home.

While permanently affordable housing is a relatively new concept, the idea that a community of individuals can own land collectively is as old as recorded history. Native Americans were certainly comfortable in their stewardship role, understanding that the land was a gift from nature and to be used responsibly and shared. There are many biblical references to shared ownership and to the concept that we, as stewards, are graced with the privilege of using the land, but that no one person or entity can truly own something that belongs to all of humanity. Some might argue that an understanding of land as a commodity is a fairly radical idea; crops grown or resources extracted may be traded, bought, sold, and consumed, but the land itself will remain for the benefit of future generations.

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Washington Area Housing Partnership
777 North Capitol Street, NE • Suite 300 • Washington, D.C. 20002
Tel: 202-962-3346
www.wahpdc.org

Chairman's Corner



More than ever, the need for affordable housing is at a critical stage in the DC metropolitan area. Teachers, police officers, firefighters, caregivers, the very cornerstones of our communities, face continued challenges in finding safe, decent, affordable homes in the communities they serve. We at the Washington Area Housing Partnership believe that the vitality of our neighborhoods is emblematic of not only the diversity of our residents but the housing options that are available to us all.

Affordable housing remains to be a prevalent theme in planning initiatives such as transit-oriented-developments (TODs) and is currently a feature topic at this year's American Planning Association (APA) conference in Philadelphia, where I, along with several noted housing advocates, will be speakers and panelists.

In this issue of Quarterly Housing News, (QHN) you will learn about innovative mechanisms to create and maintain permanently affordable homes, efforts which have also been instrumental in the revitalization of neighborhoods around the country. We hope that you find this issue of QHN to be an informative resource as you explore the provision of affordable housing in your communities.

- Barbara Favola, Chair
Washington Area Housing Partnership



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www.wahpdc.org

New Uses for Old Schools: The Wiley H. Bates Heritage Park

On March 9, the Washington Area Housing Partnership (WAHP) sponsored a presentation on New Uses for Old Schools. The presentation began with an overview by Jennifer Comey of the Urban Institute on public schools and housing options in the Metropolitan region.

Following the overview, panelists from Arundel Community Development Services (ACDS), Wiencek and Associates Architects and Planners,



and Community Preservation and Development Corporation (CPDC) highlighted their work with an adaptive reuse project in Annapolis, Maryland that involved the conversion of a former African-American high school, into a multi-use complex. According to WAHP's *Toolkit for Affordable Housing Development*, adaptive reuse projects create new housing in buildings formerly used for commercial, industrial, or public purposes. Furthermore, adaptive reuse projects are typically less costly than new market-rate developments because of the existing infrastructure on site.

The Wiley H. Bates High School, built in 1932, was named after a prominent African American businessman that donated land and funding for the school's construction. It was the only African-American high school in the Annapolis area and predates the landmark *Brown v. the Board of Education of Topeka* decision that declared race-based segregation of schools unconstitutional.

The school reemerged as an integrated high school in the mid-sixties, and despite being nominated by the National Registry of Historic Places in 1986¹, the property fell victim to abandonment and blight during the years that followed the school's closure in 1981. The Bates Advisory Committee,

a community-based task force established by former Anne Arundel County Executive Robert Neall, emerged in 1993 to discuss the future of this cultural and historic treasure. Subsequent to the School's official recognition as an historic landmark in 1994, the Bates Advisory Committee reached the decision to redevelop the property for senior housing and community activities.² The collaborative efforts of the ACDS, the Bates Advisory Committee, Wiencek and Associates Architects and Planners, and the CDPC culminated in a ceremonial groundbreaking on June 25th, 1999.

Today, the Wiley H. Bates Heritage Park includes a 71-unit independent living facility for low income seniors, a senior center, and a Boys and Girls Club. Financing the project involved a combination of public and private funding sources, that include: a construction loan, a permanent first mortgage, tax-credit equity, low-income housing tax credits, state and federal historic preservation tax credits and



The Wiley H. Bates Heritage Park, a multi-use complex consisting of a 71-unit independent living facility for low-income seniors, in addition to a Boys and Girls Club and a senior center. Courtesy www.cpdcc.org

loans from ACDS and the Maryland Department of Housing and Community Development. Total development costs yielded 14.2 million dollars.

All 71 units received Section 8 vouchers from the Housing Commission of Anne Arundel County and there is a low and moderate income split for the apartments, with 36 units available to residents earning up to 40% of the area median income and 34 units available to residents earning 50 percent of the area median income.

For more information on this and many other projects, please visit www.cpdcc.org

For information on the Toolkit for Affordable Housing, please visit: www.wahpdc.org/toolkit.html

"Land belongs to a vast family of which many are dead, few are living and countless members are still unborn."

— **A Nigerian tribal saying**

"Men did not make the earth... It is the value of the improvement only, and not the earth itself, that is individual property...Every proprietor owes to the community a ground rent for the land which he holds."

— **Thomas Paine**

These statements describe a philosophical premise that underlies the work of CLTs around the country, the attempt to take the land cost or value out of the equation of owning property. Through the community ownership of land, local CLTs create the ability to democratically manage the vital resource of land for maximum and efficient community benefit.

Described by some as "third sector" housing, the Community Land Trust is an efficient housing development approach, which provides a sustainable yield for a given investment of resources. This efficiency is created using restrictive covenants and renewable ground leases that guarantee permanent affordability. The federal definition of a CLT describes a non-profit 501(c)(3) membership organization with a tri-partite board of directors made up of 1/3 CLT resident members (typically leaseholders, but often renters also), 1/3 general members of the CLT who are not resident members, and 1/3 public members representing a category defined by the CLT. This balanced governance structure provides for inherent checks and balances ensuring that no one interest group can override the concerns of the others without mutual consent.

The democratic approach to governance, which is a defining aspect of the CLT model, encourages nimble, flexible, locally controlled organizations that can respond to the unique conditions of individual communities. While most CLTs adhere to common principles in their governance structure, their operational profiles are often as diverse as the communities in which they work. CLTs are federally defined as Community Housing Development Organizations (CHDOs) and as such are eligible for HOME and CDBG funding. CLTs are traditionally associated with single-family homeownership (and the use of leased land to ensure permanent affordability) but many CLT develop and manage rental, condominium and co-op housing, as well as commercial, mixed-income, mixed-use, and open space projects. CLTs flourish in urban, suburban and rural settings. Some CLTs focus on particular neighborhoods, while others serve a broader regional area.

Regardless of their programmatic variations, all CLTs provide value for generations of beneficiaries reaching well beyond those who currently live in the resale-restricted homes.

The typical CLT model asks that homeowners "share" the equity that may build in the property over time, in exchange for having received the benefit of purchasing the home for less than fair market value. The resale mechanisms employed by different CLTs vary but they all strive to balance a fair return to the homeowner with the community benefit of a permanently affordable home. The resale formula used by the Champlain Housing Trust calls for 25% of any appreciation to be retained by the seller. The value of any principal reduction plus the value of any improvements added to the home during the tenure of ownership are added to the 25% of appreciation to calculate the price to owner at time of sale. The bulk of the remaining appreciation get recycled into the property and adds to the subsidy available to the next buyer, thus maintaining (and in many case increasing) the home's affordability. Many sellers of CLT homes are able upon sale to use their proceeds to purchase market-rate housing. And some owners of CLT homes choose to "move up" into another permanently affordable home.

Households served by the CLT model represent a broad cross-section of society, but it is those who are most challenged in their ability to purchase homes that can often derive the greatest benefit. The ability to own your home and to build assets through homeownership is one of the central tenets of middle class wealth creation. Contrary to the critique that resale-restricted ownership traps those most vulnerable in a cycle of poverty; the existing data tells a very different story.

In a study of the first 100 homes sold by CLT owners, John Davis and Amy Demetrowitz concluded that sellers received a fair and equitable return that in fact dramatically outpaces other investment vehicles, an average annualized rate of return of 17%. The study also showed that owners of CLT homes left with sufficient equity to migrate to unrestricted, market type housing options in impressive numbers; 74% of homeowners went on to buy market-rate housing. Although investment in a CLT home will generally result in a smaller return than a comparable investment in an unrestricted home might generate, since most CLT buyers could not purchase "as much home" on the open market, or simply could not purchase *at all*, the argument can be made that a 25% return on *something* is infinitely better than a 100% return on *nothing*. In other words, CLT homeownership can be an extremely advantageous form of housing tenure which provides investment gains that are

simply not available to renters.

CLT homeownership provides many other benefits that offset the required sharing of equity. Families are able to free



Thistle Community Housing, a CLT based in Boulder County, CO has 911 homes in its portfolio consisting of 693 rental units, 135 mobile homes, and 83 single family homes and condos.

up money otherwise spent on monthly housing expense when utilizing the down payment assistance of the CLT. When families enjoy stability and can make improvements to their homes as well as live with more

predictable and lower housing costs, they are able to focus more time and energy on family and community. Tax benefits and the simple “pride of ownership” are other benefits oft-cited by CLT homeowners.

The affordable price created by the CLT relies on an initial subsidy. The initial subsidy amount may come in the form of discounted or donated land, cash from private or governmental sources or from the CLT’s development fees. In addition to lowering the total acquisition cost, the CLT subsidy can eliminate the need for private mortgage insurance if the subsidy is at least 20% of appraised value. Once the initial gap is created, the CLT is able to maintain and often increase the difference between market value and the affordable price for subsequent generations of buyers. In fact, the Davis & Demotowitz study found that CLT homes were on average affordable at *first* sale to households at 62% of Area Median Income (AMI) but became, on average, affordable to households at 57% of AMI by *second* sale, without any need for additional subsidy. The inherent efficiency of the CLT model is derived from this recycling of capital for future buyers without additional infusions. New capital or land acquired by the CLT is used to *grow* the portfolio of permanently affordable homes creating a growing and more stable asset for the local community. CLTs also allow communities to invest in disinvested neighborhoods without spurring gentrification or allowing individuals to “flip” their affordable home and thereby remove the community’s investment. Having doubled in numbers over the last 10 years to approximately 6,000 today, the number of CLT homes will double again in the next 3-5 years as those working in the field of affordable housing create sustainable forms of home ownership, rental and coop housing.

In summary, the Community Land Trust model of permanent affordability is one that provides a lasting benefit to direct recipients as well as to the general community in exchange for a one-time infusion of capital. Using this initial investment, the CLT as steward maintains or often increases housing affordability over time. CLTs *retain* subsidy within the home. Unlike traditional down payment assistance programs, additional public investment is generally not needed to maintain an affordable price for the next buyer.

Creating a pool of permanently affordable housing stock



Sawmill Community Land Trust, based in Albuquerque, NM is master developer of a 27-acre infill site. The development includes significant open space and commercial facilities, in addition to housing.

is emerging as a focused priority for communities around the country as they come to understand that access to affordable housing is vital to a sustainable economic development policy. One

hopes that an understanding of permanently affordable housing as necessary community infrastructure, in the same way that most of us view roads, utilities, public safety, education and health care, will be endorsed by community leaders and policy makers around the country.

For more information on permanently affordable CLT housing visit:

Champlain Housing Trust

www.champlainhousingtrust.org

Burlington Associates

www.burlingtonassociates.com

National CLT Network

www.nationalclt.org

Colin Bloch is the Director of Homeownership at Champlain Housing Trust. Champlain Housing Trust, based in Burlington, VT, is the largest Community Land Trust in North America.

Home Sales by Jurisdiction, as of February 2007 and 2006 (Adjusted)

Jurisdiction	Median Sales Price Feb. 2007	Average Sales Price Feb. 2007 (Adj)	Average Sales Price 2006 (Adj)	Number	Change in average 2006 - 2007	
					Percent	
Alexandria	\$429,950	\$468,556	\$486,798	-18,242		-3.75%
Arlington County	\$470,000	\$524,538	\$535,655	11,117		-2.08%
District of Columbia	\$388,990	\$490,276	\$502,712	-12,436		-2.47%
Fairfax City	\$417,500	\$417,300	\$503,421	-86,121		-17.11%
Fairfax County	\$448,900	\$508,545	\$515,526	-6,981		-1.35%
Falls Church	\$567,000	\$608,750	\$354,333	254,417		71.80%
Frederick County	\$305,000	\$343,392	\$357,504	-14,112		-3.95%
Loudoun County	\$419,900	\$486,292	\$527,459	-41,167		-7.80%
Manassas City	\$350,000	\$350,414	\$386,994	-36,580		-9.45%
Manassas Park City	\$324,920	\$344,174	\$408,181	-64,007		-15.68%
Montgomery County	\$429,750	\$515,371	\$481,848	33,523		6.96%
Prince George's County	\$331,000	\$349,843	\$324,512	25,331		7.81%
Prince William County	\$370,000	\$408,874	\$408,880	-6		0.00%

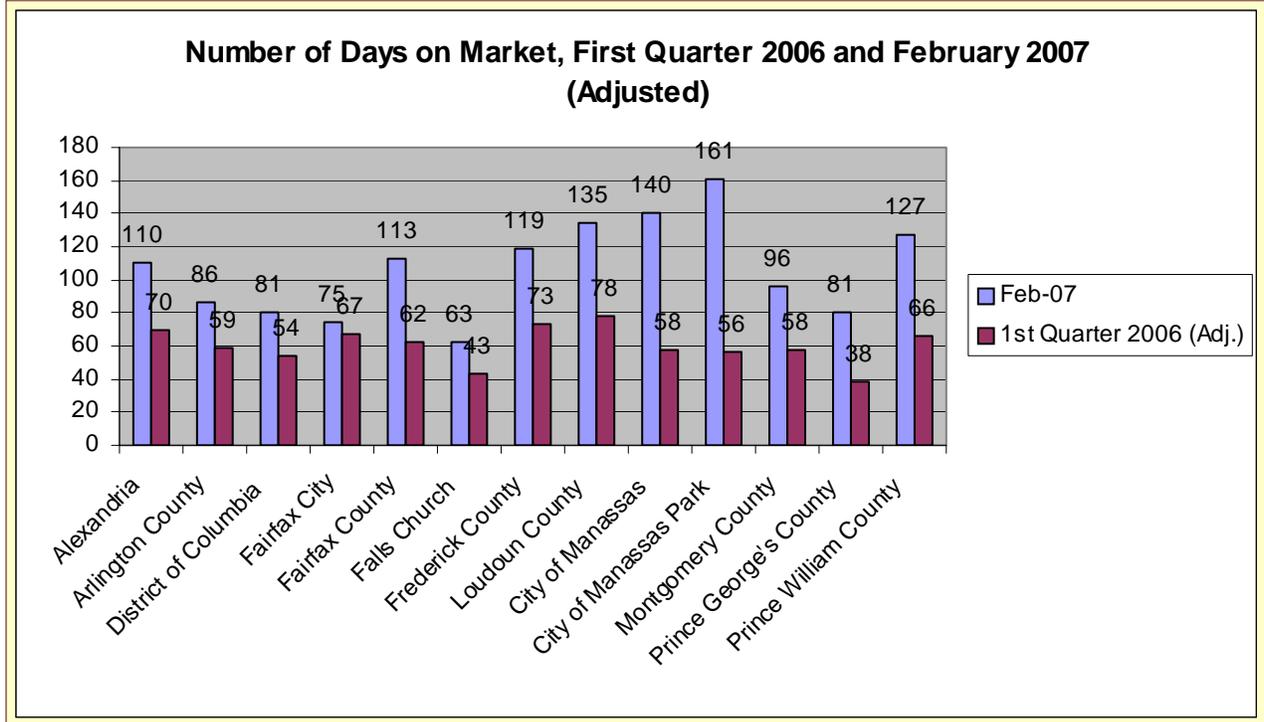
Source: Metropolitan Regional Information Systems, Inc.

Although the current trends suggest a buyer's market, jurisdictions such as the City of Falls Church have experienced marked increases in average sales prices between 2006 and February of 2007. The highest median sales prices for 2007 appear in the City of Falls Church followed by Arlington County, while Frederick County and Manassas Park City have maintained the most affordable median sales prices among the member jurisdictions.

Number of Home Sales as of February 2007 by Jurisdiction, 2007 and 2006 (Adjusted)

Jurisdiction	Feb. 2007	1st Qtr 2006 (Adj)	Change 2006 - 2007	
			Number	Percent
Alexandria	184	167	17	10.18%
Arlington County	205	175	30	17.14%
District of Columbia	561	487	74	15.20%
Fairfax City	24	14	10	71.43%
Fairfax County	1,039	1,009	30	2.97%
Falls Church	10	3	7	233.33%
Frederick County	230	263	-33	-12.55%
Loudoun County	370	387	-17	-4.39%
Manassas City	35	57	-22	-38.60%
Manassas Park City	10	24	-14	-58.33%
Montgomery County	846	860	-14	-1.63%
Prince George's County	681	896	-215	-24.00%
Prince William County	360	513	-153	-29.82%
COG Region	4555	4855	300	6.18%

Source: Metropolitan Regional Information Systems, Inc.

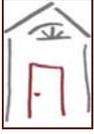


Homes in the Metropolitan Washington region sold at a slower pace during the first months of 2007 in comparison to the first quarter of 2006. In 2007, homes were on the market for an average of 106 days, in contrast to an average of approximately 65 days in 2006. Also notable in 2007, homes in the City of Manassas Park remained on the market for well over five months, in stark contrast to their being on the market for less than two months in 2006. The City of Manassas and Loudoun County also experienced a significant slowdown in sales while Falls Church was the only jurisdiction that experienced the least change in terms of the period homes remained on the market during the previous year.



The "Quarterly Housing News" is a companion to the "Regional Housing Report," released by COG on an annual basis. The "Quarterly Housing News" provides quarterly updates on housing trends throughout the COG member jurisdictions. To subscribe to this and other newsletters, please visit our website at:

www.mwcog.org/publications/subscribe.



The Washington Area Housing Partnership (WAHP) is a regional public-private partnership affiliated with, and located within, the Metropolitan Washington Council of Governments. The mission of WAHP is to expand affordable housing opportunities within the metropolitan Washington region. In its role as an information clearinghouse, the Partnership maintains and reports data on various aspects of the region's housing market. This includes the Annual Regional Housing Report, an assessment of the region's rental housing stock and analysis of the Decennial Census of the Population and Housing, the American Housing Survey and the Home Mortgage Disclosure Act. If you are interested in learning more about the Partnership, please visit our website at www.wahpdc.org or contact Keisha Ransome, Housing Planner, at 202-962-3290 or kransome@mwcog.org



The Metropolitan Washington Council of Governments (COG) is the regional organization of the Washington area's local governments and officials, plus area members of the Maryland and Virginia legislatures and the U.S. Congress. COG provides a focus for action on issues of regional concern such as housing policy, comprehensive transportation planning, economic development, and population growth and its implications for the region. COG is supported by contributions from participating local governments, federal and state government grants and contracts and through donations from local foundations and the private sector. If you would like to learn more about COG's involvement in the region's housing issues, please visit our website at www.mwcog.org or contact Ayan Addou, Housing Planner, at 202-962-3753 or aaddou@mwcog.org



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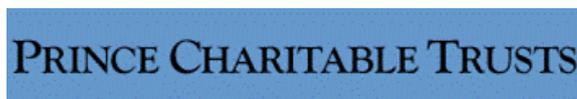
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