Community land trusts overview

Community land trusts (CLTs) are mechanisms for creating affordable homeownership units and maintaining the units as affordable over the long-term.

Traditionally, CLTs achieved and maintained affordability by retaining ownership of the land and requiring the homebuyer to purchase only the home that is situated on the land. While many CLTs continue to operate this way, others ensure affordability instead through other affordability mechanisms, such as deed covenants. CLTs are generally managed by a nonprofit or quasi-governmental organization and governed by a body comprised of purchasers of CLT homes, members of the public, and governmental and nonprofit stakeholders to ensure they remain grounded in the needs of the community. CLTs typically maintain long-term affordability by building resale conditions into the long-term ground lease that accompanies purchase of the structure. The ground lease generally includes a formula that is used to establish the price of the home at resale and provisions that limit resale to income-eligible families and give the CLT a purchase option when the home is put up for sale. Resale formulas vary from one CLT to another and typically reflect a balance between the goals of preserving long-term affordability of the CLT units and allowing the homeowner to build wealth. Homeowners build wealth in two ways: through the forced-savings gained by paying down the principal balance of their mortgage and through the share of home price appreciation allocated to them under the resale formula.