Cooperatives and Community Land Trusts: Natural Partners?

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Community land trusts provide far fewer units than other forms of affordable housing, but advocates now believe the model can be one possible solution to preserving the affordability of limited-equity co-ops. We take a closer look.

By Jake Blumgart -
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HUD Secretary Patricia Harris, President Jimmy Carter, and New York Mayor Abraham Beame tour the South Bronx in October 1977. Photo via National Archives and Records Administration

The first ever presidential visit to the South Bronx took America's chief executive to a multi-unit cooperative, a radical break from the nation's housing norms that became a symbol of hope during the depths of the urban crisis.

In October 1977, Jimmy Carter's cream-colored limousine rolled into the devastation of the South Bronx. Escorted by six motorcycles and three helicopters, the trip had been kept secret until the last possible moment. There were two stops on the tour. At one, Carter saw a ghost block where every building had been leveled, confirming the nightmarish popular image of this section of New York City.

The other stop was something else entirely. The president was driven to a multistory apartment building at 1186 Washington Ave., where tenants had taken control after the landlord walked away. The 28 apartments within had floors of oak and the halls were freshly painted, with one featuring a replication of Pablo Picasso's "Three Musicians." There were even solar panels arrayed on the roof, like those Carter would later install on the White House.



President Carter greets residents of South Bronx, New York, in 1977. Photo via National Archives and Records Administration

"There's been a rapid deterioration of this neighborhood, but high rises in the midst of devastation are holding their own," the president told reporters at the time, clearly impressed by what he had seen.

The building at 1186 Washington Ave. was just one example of the radical experimentation taking place in many American cities during the period of divestment known as the urban crisis, roughly the 1960s through the early 1990s.

The degree of abandonment is hard to overstate. "There are some parts of these cities so empty they look as though someone had dropped nerve gas," one federal official reportedly remarked in *Crabgrass Frontier: The Suburbanization of the United States*. As white and capital flight remade the geography of older urban areas in the Midwest and Northeast, community groups and housing advocates were left to do what they could.

These conditions allowed the so-called urban homesteading model in New York to flourish, as tenant groups occupied and renovated abandoned buildings, paying for the repairs with their own labor ("sweat equity") and with aid from beleaguered city governments that were willing to try almost anything. Later, in the wake of Carter's visit, the federal government provided aid in the form of grants and cheap loans from the U.S. Department of Housing and Urban Development (HUD).

To afford the upkeep, and avoid a reversion to landlord control, many of these properties were made into limited-equity cooperatives in which multiple families, sometimes dozens of them, would co-own a building together. After buying a share, which equals one apartment, each household gets a vote in the governance of the building, and affordability is preserved by limiting the amount that a unit can be resold for.

A vast network of limited-equity co-ops were created in New York, from the Lower East Side to the South Bronx. Although the model is still most common in New York, home to half the U.S. supply, there are permanently affordable co-ops in all but six American states.

But almost 45 years after Carter's tour of the South Bronx, many of the co-ops reclaimed from abandonment have vanished. A census performed by the Urban Homesteading Assistance Board (UHAB) in 2015-2016, found that there had been over 300,000 limited-equity cooperative units in the United States at the model's peak in the 1980s. Distressingly, they also found that 145,000 units had since lost their affordability restrictions.

According to UHAB's website, 1186 Washington Ave. is one of that fallen number. The building that inspired Jimmy Carter is no longer listed as a limited-equity co-op.

"The restrictions that made them limited-equity were built only into the loans, mainly HUD loans," says Andrew Reicher, executive director of UHAB. "When they come out [of the loan period], buildings do get lost when their restrictions go away."

Limited-equity cooperatives have had trouble sustaining themselves, in part, because they are not generally sustained by a larger organization. By the time their affordability restrictions have expired, the original owner-occupants are usually long gone. The ideological and political commitments of future owners may be different, and their technical and organizational aptitude is not guaranteed.

Everything is decided by the co-owners, and if the real estate market is hot there is a temptation to sell for a large profit once affordability restrictions in a mortgage expire. If there is no larger organization working to preserve future affordability, such an outcome is even more likely.

"In the 1970s, it was simply a mechanism to do sweat equity to invest in incredibly divested cities," says Cea Weaver, campaign coordinator of Housing Justice for All. "It was an anti-capital flight thing: 'If they're not going to invest, we will.' It's different from the way we're talking today, which is that we need a way to have collective wealth building to protect ourselves from too much capital."

Pairing Land Trusts and Limited-Equity Cooperatives?

One possible solution to preserving affordability in limited-equity co-ops lies in another housing policy solution borne of the urban crisis. Although community land trusts were originally a rural and agricultural phenomenon, in the 1980s they emerged as an option for preserving lower-income housing in urban neighborhoods. Two of the most famous of these organizations date to those years of crisis and decline: Vermont's Champlain Housing Trust (known for its association with Sen. Bernie Sanders) and Boston's Dudley Street Neighborhood Initiative (DSNI).

Community land trusts are nonprofits, ideally with a democratic and active membership base, that own a swath of land where housing or amenities can be built for ownership or rent. Homes on the organization's land can be owned by individual families but are tethered to the land trust by (usually) a 99-year ground lease.

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These organizations are created to provide affordability and stability, so the nonprofit will include a preemptive purchase option in the case of re-sale or default. While there is no chance for a family to cash out and make a windfall profit, they can reap the rewards of modest equity gains. During their tenure, they can rely on support from the nonprofit throughout their ownership, which ensures they avoid predatory lending or contracting. (A study by the Lincoln Institute of Land Policy found in the wake of the Great Recession that homeowners in a land trust were 10 times less likely to default on their loans than those in a conventional mortgage.)

Like limited-equity cooperatives, community land trusts stem from the era of urban divestment and abandonment. Akin to the urban homesteaders of New York City, organizers in places like the lower-income Boston neighborhood of Dudley Square were able to win control of space in their community because they faced no private sector competition (or assistance). The Dudley Square Neighborhood Initiative was able to acquire 15 acres of blighted land for less than $500 from the city of Boston in the 1980s. They were also granted the power of eminent domain over privately held vacant land in the neighborhood. It is impossible to imagine something similar happening today, given Boston's stratospheric real estate prices.

But community land trusts were more of an unknown quantity in the 1970s and 1980s than limited-equity cooperatives, and back then organizers decided against marrying the two concepts.

"With others around the country, early on we had looked at using land trusts as a way to provide oversight for buildings," says Reicher, who has been part of UHAB's leadership team since the late 1970s. "In the end, all the lawyers in the room said that it was such an unknown concept that it would be too complex to institute land trusts back then. We just kept the regulatory agreements that we had with the lenders, or with the city, as a way of having compliance."

When Reicher and his counterparts decided against creating community land trusts in the 1970s and 1980s, they had no idea that many of the sites where limited-equity cooperatives are located would come to have extremely high value. These radical housing experiments were fighting abandonment in neighborhoods like the Lower East Side and Central Brooklyn, which by the early 21st century would be among the hottest housing markets in America. Even the South Bronx has seen a remarkable rally in prices, making lower-income residents nervous about displacement.

The reversal of market fortunes in large coastal cities means that affordable housing organizers and advocates are reconsidering the choices their predecessors made during the urban crisis. That's partly because community land trusts have, arguably, attracted far more attention than other niche forms of

affordable housing provision despite providing far fewer units than limited-equity co-ops. (There are only about 12,000 to 13,000 ownership units protected by community land trusts, and about twice as many rental units.)

Despite their relatively limited impact, land trusts are a much better understood tool today than they were in the 1970s and 1980s. Advocates think the model can now provide the kind of longevity and professional oversight that limited-equity cooperatives often lack.

“Having a land trust that’s permanent underneath provides some definition for what happens after 40 years, when the regulatory agreement runs out, when the restrictions that are built into your mortgage run out,” says Reicher. “The land trust provides a framework under which the new rules could be figured out. Built into the DNA of a land trust is the stewardship side of it.”

Challenges to a Marriage of Limited-Equity Co-ops and Land Trusts

Despite the advantages of partnering limited-equity cooperatives with community land trusts, there have until recently been few cases where this combination has been successfully implemented. In 2014, professor Meagan Ehlenz of Arizona State University produced some of the only research on this question and found fewer than 10 land trusts with limited-equity co-op units in their portfolios.

The San Francisco Community Land Trust is one of the most successful actors combining the two forms, with about 200 residents across 102 units. Not all of the housing units on its land are limited-equity cooperatives, but the goal is to get them all there eventually.

“LEHCs [limited-equity housing cooperatives] and CLTs [community land trusts] together are really a great team,” says Saki Bailey, executive director of the San Francisco Community Land Trust. “LEHCs promote really robust cooperative residential participation, but they don’t necessarily have all of the technical, legal, and financial assistance that they need to stay sustainable. That’s where the CLT steps in.”

Despite the successes of the San Francisco Community Land Trust, Bailey and her co-workers are facing political problems, the inverse of those faced by their predecessors a generation earlier. Back then, cities like New York, Boston, and San Francisco were faced with abandoned buildings, empty lots, and neglectful landlords. Municipal politicians and professional bureaucrats were glad to take any help they could get, even from professionalized squatting organizations that (in many cases) were the only partners available.

Today, despite the hype around an urban exodus during the COVID-19 pandemic, these coastal cities still face a searingly hot housing market. Abandoned buildings are a distant memory. Now affordable housing advocates must not only compete with market-rate developers, but with more traditional affordable housing providers that do not use the more exotic models like land trusts or cooperative housing.

Bailey says that her organization is currently “a little stuck.” The San Francisco Community Land Trust’s main source of funding has historically been the city’s Small Sites Program, which provides funds for nonprofits to obtain small rent-controlled buildings that are at risk of being converted to market-rate pricing. But recent changes have favored more traditional affordable rental models.

“As a result of restrictions by the mayor’s office on the types of financing [offered through the Small Sites Program], they’re basically discouraging the growth of co-ops in the area,” says Bailey. “This has become a huge problem for us, so we’re trying to figure out how we can find other funding sources that don’t have these types of restrictions.”

A similar story is playing out in New York City, where Mayor Bill DeBlasio’s push to build and preserve affordable housing units has resulted in the construction of very few new cooperatives.

That’s not to say that all local leaders are unfriendly to these concepts. Washington, D.C., has long offered the Tenant Opportunity to Purchase Act (TOPA), which allows renters the first right to purchase a building if it goes up for sale and has specific provisions for conversion to limited-equity cooperatives. The law dates back to the urban crisis years, with origins in the 1980s, and it’s allowed a flourishing support network of affordable financing and community development organizations to grow to specifically support the limited-equity model in that city. Many other cities are currently to following D.C.’s example.

DC law is actually called the "Rental Housing Conversion and Sale Act of 1980"

Complementary Roles

Los Angeles is one of the places looking to pass a TOPA-style law, and community land trusts are actively supporting the campaign. In fact, one of Los Angeles’s oldest CLTs was launched with co-ops in mind from the start.

The Beverly-Vermont Community Land Trust (BVCLT), named for a key intersection in the heart of Koreatown, was founded by members of the LA Eco Village Institute (LAEVI) in 2010, the same year they created Urban Soil/Tierra Urbana (USTU), a limited-equity housing cooperative. LAEVI transferred ownership of two of its buildings to the resident cooperative in 2012, and donated the land under them to the CLT. The founding residents wanted to ensure that the land and housing would be kept affordable in perpetuity, and they decided a separate CLT was the way to do it.

Today, BVCLT has four properties—48 homes that house 75 tenants. When the organization looks to acquire new property, it seeks out buildings where the residents are already organized and tells them: “We don’t want to own this building, we are simply doing this to remove it from the speculative market and ensure its affordability,” explains BVCLT’s community organizer, Kasey Ventura. “We go into these acquisition projects thinking, ‘OK, we really want this building to be controlled by the residents, whatever that looks like.’” In one recent case, says Ventura, BVCLT was able to acquire a property because the organized residents refused to allow any prospective purchasers besides the CLT inside to view the building, and eventually the owner was forced to negotiate with the organization.

Ventura and Faizah Varlas, director of acquisition and land stewardship for BVCLT, describe a balance of different functions that the two forms bring—a cooperative enables self-governance and self-determination, control, and responsibility over one’s immediate living space. Coops are, by their nature, insular communities, says Varlas; they tend to be inward-facing and private.

BVCLT sees itself as more outward facing. The land trust connects the co-op to the neighborhood, says Varlas. Ventura calls BVCLT in part an “organizing wing” for the co-ops, there to help the residents pursue “housing justice in the greater community,” not just their buildings.

The cooperatives and CLT play mutually supportive roles in each other’s operations as well. BVCLT connects residents in their new properties with cooperative development support and training—and provides the kinds of long-term stewardship that all CLTs offer. Ventura says that having a third party like BVCLT in an ongoing relationship with the cooperative through the ground lease can be very helpful for ongoing stability. “Maintaining property is hard, even within a housing co-op,” he acknowledges. “Sometimes the land trust lends support or another set of eyes,” whether the issue at hand is planning for maintenance or handling internal conflict.

But it goes the other way as well. The experiences and skillsets that longtime residents have developed from organizing for and operating a cooperative are extremely helpful for guiding the work of the CLT and providing engaged members and board. Ventura calls it “a mutual relationship of guidance.” “At each level,” says Varlas, “we’re creating a culture of collectivism.”

Poised for Growth?

While the San Francisco Community Land Trust may be struggling to establish new co-ops in the city right now, Bailey says other governments in the region are interested in their model. She’s been working on a TOPA effort in Berkeley that is gaining political momentum. Oakland politicians too have embraced the idea.

“There’s a full ecosystem that’s starting to form and support for LEHCs in the Bay Area,” says Bailey. But there are limits, and in the land trust’s back yard there simply aren’t the resources available at the municipal level to expand, or even convert more of their existing units into limited-equity cooperatives. “The scalability question is really tied to the question of what kind of long-term soft debt or subsidies are available.”

At the federal level, there could be more room for experimentation for the first time in a generation. Joe Biden’s administration has been staffing HUD with experts who have ties to innovative advocacy groups. There has been more flexible funding as well, as the pandemic emergency has encouraged a diversity of strategies. Further funds could be forthcoming if Biden’s infrastructure bill advances, especially if his commitments to expanding affordable housing resources are fulfilled.

But so far there is no sign that a presidential motorcade will be pulling up to Bailey’s San Francisco buildings, or any other land trusts (those hosting cooperatives or otherwise).

“HUD has never really deeply invested in these models, because it’s a lot more complicated than just paying a private developer to build a rental apartment building for people at 30 percent of AMI,” says Weaver, from Housing Justice for All. “We need HUD to be committed to the model politically, and we do need support and money for acquisition.”

It’s an open question why more of these models haven’t sprung up in areas that are still experiencing the kind of divestment and abandonment that the South Bronx did in the 1970s. There are still plenty of cities and inner ring suburbs experiencing those challenges across the South, the Midwest, and other cities away from the handful of hyper-successful metropolitan areas on the coasts. There are many distressed homes across the nation that are being acquired by private-equity firms, like Blackstone.

Perhaps a catalyzing moment could still come.

“There’s a lot of opportunity in this current moment,” says Weaver. “There’s a lot of distress in the residential real estate market, and private-equity companies are buying up single-family homes. We really would like to see the state step in and purchase those homes. Now is a moment to push for limited-equity co-ops and community land trusts as an alternative.”

Additional reporting by Miriam Axel-Lute.

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