

# **Partnerships between Community Land Trusts and Habitat for Humanity Affiliates**

## **A Survey and Evaluation of Emerging Partnership Attempts**

A report prepared for the Madison Area Community Land Trust

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Michelle St. Clair  
Sarah Davis  
Rich Felsing  
Lisa Krause  
Susanne Petro  
Quasan Shaw  
URPL 844:Housing and Public Policy  
Dept. of Urban & Regional Planning  
University of Wisconsin—Madison

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## I. Introduction

As funding sources for non-profits continue to decline, and the need for affordable housing continues to rise, many housing non-profits have considered collaborating and partnering in an effort to sustain the available stock of affordable housing. The Madison Area Community Land Trust, in a desire to partner, requested an exploration and assessment of ongoing partnerships across the nation.

In an attempt to provide meaningful information to the Madison Area Community Land Trust, we undertook to survey Community Land Trusts (CLTs) and Habitat for Humanity affiliates across the country, by telephone and email, to determine the degree and the effectiveness of partnering activity between the two organizational models (these survey write-ups are found in Appendices C, D, and E). We did not use a systematic survey method, but instead utilized a networking approach. We were given the names of likely contacts by Julie Orvis at the Institute for Community Economics (ICE) and called those persons. We then relied on names and local-level affiliates suggested by these individuals during our initial interviews, and continued calling (persons we contacted are listed in Appendix A). In addition, we posted the survey to the ICE listserve, accessible to all member CLTs, and received several email survey responses (survey forms are found in Appendix F). In addition to responses to survey questions, a few interviewees provided us with sample written agreements and other useful documents (can be found in Appendices G and H).

These interviews form the basis of this report, and inform its conclusions. This report assesses the viability of emerging partnerships between CLTs and Habitat affiliates. We begin with a comparison of the differences in mission and philosophy, administration and operations, funding sources, and populations served. The report then addresses emergent themes yielded by these joint ventures, which include the necessity for clear communication and formal written agreements, the reality of the high cost of land driving such partnerships, and the need for a shared vision. Finally, it explores critical issues arising from specific local-level partnerships during the pre-development phase, construction phase, and stewardship phases of the collaboration.

## **II. A Comparison of Organizations: Community Land Trusts and Habitat for Humanity**

Community Land Trusts and Habitat for Humanity affiliates are both locally administered non-profit organizations that acquire land in order to build or rehabilitate affordable housing. However, there are significant differences between the models followed by these housing providers. Key distinctions tend to be drawn around a cluster of issues driven by diverging cultural values or philosophies, organizational structure, relationships with funders, and the income, status, and values of clientele served by either nonprofit agency. Any attempts to generalize are further complicated by varying circumstances and the repeated observation that one cannot generalize about Habitat affiliates or Community Land Trusts with a single broad-brush stroke.

### **A. Missions & Philosophies**

Community Land Trusts (CLTs) are secular, private non-profit organizations with a mission to “acquire and hold land for the benefit of a community and provide affordable access to land and housing for community residents.” Simply put, the CLT mission shapes an organizational philosophy in which land trusts see themselves as “community development intermediaries.” The CLT organizational philosophy tends to recognize structural problems that impede the housing market’s ability to provide affordable housing.

Consequently, the organization’s overarching mission is to promote permanent affordability on behalf of the community. More specifically, the Institute for Community Economics (ICE) reports that Community Land Trusts help communities gain a measure of control over local land use, provide affordable housing, promote broader homeownership opportunities, maintain permanent affordability, and build community empowerment.

Habitat for Humanity affiliates are Christian-based, private non-profit organizations with a “missionary-driven” goal to build affordable housing side-by-side with the families who seek affordable housing. Habitat is founded on the principles that every human being should have a simple, decent, and affordable home to live in safety. According to former President Jimmy Carter, Habitat does

not “have any giveaway programs....We are helping people meet their own needs.”<sup>1</sup> Habitat is a “self-help” program; it is not meant to address structural issues related to housing.

Therefore, while CLTs seek to help provide communities with affordable housing stock, Habitat’s overarching mission is to help individuals on a case-by-case basis, in order to help people help themselves in obtaining first-time individual homeownership, through sweat equity. In fact, one Habitat International partner stated that Habitat’s mission “is...not the house but the people who participate in the building of the house.”<sup>2</sup> More specifically, Habitat seeks to build affordable housing for people in need. It achieves this mission by requiring future Habitat homeowners to invest sweat equity, by accepting private donations, encouraging volunteer work, and partnerships with others.

Though differences exist between CLT and Habitat organizational philosophies, particularly in the CLT focus on permanent affordable housing for the community versus Habitat’s focus on affordable housing for a single household at one point in time, there are indications that these differences will have diminishing significance. A recent decision of Habitat for Humanity’s National Policy Committee indicates passive acceptance of the permanent affordability concept and community land trust model:

The U.S. Council will inventory the ways in which Habitat affiliates have worked with affordability and equity restrictions that have increased opportunities for homeownership, especially in high cost areas. This will include, but not be limited to the potential role of Community Land Trusts.

— *Habitat’s National Policy Committee*

In addition, the Institute for Community Economics (ICE), an organization working to build a national CLT network, states that, while it has no official policy on Habitat, “it was ICE that pursued Habitat to have a neutral stance on permanent affordability; and in practice, we have welcomed working with Habitat” (3/18/02 Interview with Julie Orvis, ICE).

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<sup>1</sup> Slavitt, Andrew. “Habitat for Humanity International.” Harvard Business School. Boston, MA. January 5, 1994. (p. 2)

<sup>2</sup> Slavitt. (p. 7)

## **B. Administration and Operations**

CLTs are established at the community level, and though they receive guidance and support at the national level from ICE, local CLTs establish their operational agendas and strategies. Nonetheless, all CLTs share similar features in their administration and operations. Administratively, CLTs structure their governance as “membership corporations,” with a board of directors elected by the membership (members include CLT homeowners along with other community residents and representatives). In addition, CLTs have a tri-part board structure that includes representation from resident members, non-resident members, and broader community interests.

CLTs share some basic operating principles in order to ensure permanent affordability. For instance, all CLTs operate by acquiring land for the community and holding that land permanently while selling the housing on the land. CLTs help people to own their own homes, and couple mortgages to a long-term, low-cost renewable ground lease (usually 99-year) for the land under the house. Finally, all CLTs ensure permanent affordability by limiting the equity a CLT homeowner may appreciate on a property (i.e., CLTs lock in subsidies through limited equity formulas).

In comparison, Habitat for Humanity is an international organization with local affiliate chapters that organize at the grassroots level. It is administered in a “top-down” fashion. Each affiliate is required to sign an “Affiliate Covenant,” agreeing to tithe 10% of the money it raises to overseas projects, as well as to follow set Habitat operating principles. Because the money flows only from affiliates to the national office, some, like the Rochester Area (Minnesota) and East King County (Washington) affiliates, are comfortable embracing the CLT model if it meets the needs of their community (Interview with Trent Fluegel, Rochester Area HFH; interview with David McDaniels, East King County HFH).

Habitat’s operating principles are core to its mission. The first, and perhaps most fundamental Habitat principle is the reliance on volunteer labor and donated materials to build and rehabilitate affordable housing for people in need. This goes hand-in-hand with another key principle requiring future Habitat homeowners to contribute hundreds of hours of “sweat equity.” Another key

principle is that Habitat housing is not “given away”; houses are sold to selected Habitat Homeowners at zero profit through long-term zero-interest mortgages. . . . Despite the integration of the international organization’s key operating principles and an apparent organizational hierarchy, Habitat affiliates are independent, autonomous non-profit corporations that are responsible for their own administration, finance, and operations.

In several instances, the independence of Habitat affiliates and Community Land Trusts have allowed for partnerships to grow organically. A discussion of the opportunities and barriers these partnerships present, as well as a discussion of how these partnerships have taken form will be addressed in Parts III and IV.

### **C. Organizational Funding**

CLTs tend to receive most of their funding from grants; two main sources of support are Community Development Block Grant (CDBG) funds and the Department of Housing & Development (HUD) HOME funds. In addition, some rural CLTs are eligible for HUD’s Self-Help Opportunity Program (SHOP).

In contrast, local Habitat affiliates are typically financed through individual and corporate donations (monetary and in-kind), volunteer labor, estate gifts, and general revenues (which includes recapture costs from houses sold). Historically, Habitat’s organizational culture rejected any notion of accepting government funds and loans.<sup>3</sup> However, Habitat now participates in selected government initiatives, including HUD’s SHOP program and the AmeriCorps program.<sup>4</sup> Habitat affiliates still refuse to access government funding for housing construction, but will now accept assistance for land acquisition as well as infrastructure development.

Due to differences in organizational attitudes towards government assistance, CLTs and Habitat affiliates do not compete for funding, with the exception, in limited rural areas, of support provided through the SHOP program. Because both nonprofits have limited means at their disposal, but are able to access different — but complementary — resource pools, local-level partnerships

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<sup>3</sup> Slavitt. (p. 8)

<sup>4</sup> \*\*\* “Our Commitment to Sound Stewardship.” [Habitat for Humanity International 2001 Annual Report.](#)

have coalesced that maximize their ability to provide affordable housing. See Parts III and IV for a discussion of partnerships between CLTs and Habitats.

#### **D. Population Served**

CLTs provide a wide variety of housing and homeownership opportunities to those who would otherwise not be able to afford a home. The typical CLT homeowner earns about 75–80 percent of the median area income. The family selection process can become a long process depending on the affiliate; most will do in-depth background checks, credit checks, as well as counseling sessions if the need exists.

Families working with Habitat for Humanity to find affordable shelter apply with their local affiliate chapter. From there, the application goes to the family selection committee for further review. The family selection committee then selects homeowners based on the level of need, willingness to participate in the sweat-equity requirement, and ability to repay the Habitat's no-interest housing mortgage. It is important to note that Homeowners selected through Habitat have lower incomes than homeowners selected for CLT housing; Habitat homeowners typically earn anywhere from 25–50 percent of the median area income.

Habitat for Humanity finances mortgages unlike other nonprofit housing corporations. Habitat funds mortgages in the form of zero points and 0 percent mortgages to families that qualify. Habitat is able to provide these terms because materials, labor, and funding are all donated to the affiliate. In many cases, the land is donated by the local municipality or redevelopment authority. The materials are purchased and then donated to Habitat from numerous community service associations and businesses; labor is also donated by volunteers in the community. Due to reduced operating costs attained through material donations and volunteered services, Habitat homeowners often have incomes at approximately 30–40 percent of the median area income.

#### **E. Conclusion**

The above discussion of CLTs and Habitat affiliates outlines some organizational differences that may impede partnerships between these two nonprofits, but it also indicates complementarities that offer partnership

possibilities. Overcoming obstacles posed by differences in organizational mission/philosophy, administrative structure and method of operating, sources of funding, and population served may prove to be more or less difficult depending on circumstances, especially local housing market dynamics.

Though differences exist, they also present opportunities for mutually beneficial collaboration, as discussed below. The specific abilities of Community Land Trusts to reduce the price of housing, paired with the characteristic strengths of the Habitat for Humanity model, can minimize the effects of multiple factors contributing to rising housing costs. Lowering the costs of land, labor, material, and mortgage terms will make both organizations more effective in providing affordable housing and stabilizing available stocks during boom-and-bust real estate cycles.

### **III. Themes Emerging from Partnership Attempts**

#### **A. Opportunities and Constraints Presented by Differences between Nonprofit Agencies**

Any successful collaboration among nonprofits will be the result of the willingness of agency members to perceive joint ventures to be in the agency's self-interest. Both the CLT and the Habitat affiliate involved in any formal attempt to collaborate must feel they are gaining something from the relationship. Differences in the agency models and approaches can lead to truly remarkable results. For example, local Habitat for Humanity chapters are homebuilders that have secured long-term, consistent donors of volunteer time and materials. This allows homes to be built for a fraction of their market cost.<sup>5</sup>

CLTs, in contrast, have found a long-term solution to the rising cost of land, by eliminating the land price from costs to homebuyers. By combining the specific advantages of each model, as has been done in Ames, Iowa, central Vermont, eastern King County, Washington, and Rochester, Minnesota, houses can be built cheaply and remain permanently affordable. Such a collaboration — in lowering the costs of labor, land, and material — “eliminates any windfall to developers, contractors, or individual homeowners,” according to Trent Fluegel, the Executive Director of the Rochester MN Area Habitat for Humanity.

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<sup>5</sup> Slavitt. (p. 2)

The underlying models of either agency certainly prohibit some working alliances, as the limited number of formal partnerships indicates. Marty Kooistra, Senior Affiliate Support Manager at the Midwest Resource Center of Habitat for Humanity, sees beliefs about landownership as an obstacle to successful collaborations. According to Kooistra, “owning land is American and empowering.” Fluegel responds to the difficulty Kooistra identifies by indicating that they have successfully sold the CLT model to a broad base of supporters in Minnesota. This was accomplished by first educating people about accepted business arrangements and housing models that do not involve landownership — such as the success of condominium and franchise systems in this country. Second, they emphasized the lack of a windfall in the CLT model. Third, they placed emphasis on assistance to first-time homeowners instead of the use of the term “affordable housing” — which can have negative connotations (See surveys in Appendix D).

### **B. The Necessity of Communication**

All partnerships require open and frequent communication as well as written agreements providing accountability. The need for clear communication and legally binding agreements to make these partnerships successful cannot be stressed enough. “If an [Habitat] affiliate builds on land trust land, there must be a clear prior understanding calculation of the equity limitation formula, the lien position of Habitat and the community land trust, and the ground rent.”<sup>6</sup> According to Anjeanette Perkins of the Ames, Iowa, Habitat affiliate, “the partnership needs to be outlined on paper. This way, there is no confusion on who is supposed to be doing what.” In summary, these legal agreements should consider rights and responsibilities related to the partnership at all phases, including the predevelopment, construction, and stewardship phases, as is discussed below.

### **C. Shared Vision or Inapposite Missions**

The importance of a shared vision should not be overlooked. “There must be commitment to a larger vision, to the core idea of affordable housing” for it to work, according to Marty Kooistra at the Habitat for Humanity Midwest Resource Center. Anjeanette Perkins added the insight that partnerships can be time

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<sup>6</sup> See appendix H: Community Land Trusts and Habitat for Humanity Affiliates: Issues in Working Together.

consuming, especially when nonprofits are already short-staffed. Interestingly, those places that *are* collaborating do not see CLT and Habitat affiliate missions as different, whereas those places that *are not* working together describe their missions as completely different. For example, the Executive Director of the Habitat chapter in Worcester, Massachusetts stated: “a land trust does not allow people to take advantage of accrued value to fund their retirement.” The inaccurate perception that no equity accrues to the homeowner in the CLT model can clearly be problematic. Community Land Trust typically return 25 to 30 percent of The Development Coordinator at the Huron Valley Habitat affiliate in Michigan concurred, saying “the missions are fundamentally opposite.” Where collaboration is occurring, the shared vision is crafted and sold to constituents through education. For example, in Rochester, Minnesota, where land is appreciating at a very quickly, the coalition has a broad base of support. In the mind of the Executive Director of Habitat, creating a sustainable base for housing stock is an excellent notion and the ability to sell a “no windfall” message helps the cause of affordable housing.

#### **D. Cost of Land as a Driving Force**

The issue of rising land costs seems to generate divided opinion among Community Land Trusts and Habitat for Humanity affiliates. In some communities, high land costs are forcing these two non-profit groups to join forces in order to provide housing to those in need of shelter. In other communities, where land costs are not as high, these two groups refuse to partner because they feel their models and missions in regards to land ownership are too different. For instance, in Ames, Iowa, collaborating seems like the most logical thing to do given the price of land in the area. The average price of a lot in Ames is \$42,000. Habitat usually sells the home for the price of the land plus building materials. By the time the price of the lot is added in, the home does not seem all that affordable anymore. In such cases, where land values are extremely high, collaborating represents more of an opportunity for both groups to provide homes to those in need of affordable shelter. The cost of land led the Habitat affiliate in Rochester, Minnesota, to adopt the CLT model exclusively. As the Executive Director stated: “Land is appreciating at a very high rate in

Minnesota. One of the major funders of this project, the Mayo Clinic, is a proponent of the land trust model, as they feel it is a very salable project.”

However, even in tight markets differences in beliefs about land ownership may still keep these organizations from partnering because, as the Worcester Habitat affiliate stated, “a land trust does not allow people to take advantage of the accrued value to fund their retirement.” Habitat does not require a lot to remain affordable forever, but a land trust attempts to do so. The Habitat for Humanity Midwest office believes that partnering is a good idea, but maintains that “owning land is American and empowering” — and of course, land trusts maintain ownership of the land.

The different beliefs about land ownership are an obstacle standing in the way of resolving the problem of high land costs. Nevertheless, is the idea of limiting equity “un-American”? The Executive Director for the Habitat for Humanity in Rochester, Minnesota, believes that it permanent affordability through limiting equity accruing to homeowners is not un-American. He pointed out that there are many business and housing arrangements in the United States that do not involve land ownership, such as restaurant franchises, condominiums, and mobile home parks. If these types of living and business arrangements make sense — and are seen as perfectly acceptable throughout America — then Habitat and CLTs partnerships can make sense as well.

### **E. Benefits of Collaboration**

The one major benefit repeatedly mentioned in interviews is that collaboration increases the ability to deliver affordable housing in those areas where land values are extremely high. Without developing formal alliances in these areas, it would be difficult for either group to provide the kind of housing needed by some members of the community. This type of joint venture also helps to maintain affordable housing within a particular area. While the two models have differences, some areas have found ways to deal with this issue. It has come down to the fact that the provision of affordable housing is more important than arguing over the differences in the models and missions of the two groups involved. In Rochester, Minnesota, a major funder has come to the conclusion that this model is sustainable and is therefore the most appropriate model. Creating a shared vision and selling that vision to major funders

can serve to solidify a strong partnership. Finally, each housing provider has specialized in, and improved upon, specific methods and strategies over time. Their independence allows them to maintain that expertise, and to maintain positive relationships with external groups — the benefactors, volunteers, and social networks that have traditionally provided support — and still join forces in bringing to bear a range of techniques on the same project.

#### **F. Homeowner Selection**

Reaching agreement on what constitutes a qualifying family can raise tensions between the two groups when they do decide to partner. Habitats tend to choose families that come from a lower income level than Community Land Trusts. Habitat sells to families earning 25–50 percent of an area’s median income, whereas CLTs sell to families earning less than 80 percent of the median income of an area. Habitat maintains very stringent guidelines when it comes to the type of family that is chosen to live in a particular home. Similarly, CLTs have their own review process. Many of the interviewees stated that who is selected, the guidelines for that selection, and who/which organization makes any final decisions about homeowner selection should be outlined carefully on paper. It is particularly important for agreements to be clear at this stage of the process in order to minimize confusion and/or disputes that may arise later on.

### **IV. Lessons from Local Level Partnerships**

#### **A. Pre-Development Phase**

##### **1. Partnership Arrangements**

In practice, at the onset of local level partnerships, one partner appears to take the initiative in beginning a given project, and carries the process as far as its expertise will allow. At local level partnerships, it appears that the organization that spearheads CLT and Habitat partnerships varies. It seems to depend on which potential partner is better able to supply cost savings — by bringing to bear the specific strengths and methods *it* has developed — the initiator draws the other nonprofit into the process. This means that partnership arrangements have been highly variable at the local level, according to which partner initiates the development and where their relative strengths lie. Some

partnerships are minimal, involving only shared training resources, while other partnerships are highly complex, involving more complex development and ownership arrangements at the outset. CLT and Habitat partnership arrangements for housing deal with a series of issues at the pre-construction phase that involves written agreements, homeowner selection, site selection, and financing.

## **2. Communication and Written Agreements**

As noted above, formal written agreements that clearly spell out the responsibilities of each nonprofit organization, and agree on the means of satisfying the interests of each agency, are critical to the success of any joint venture. Explicitly setting out the financial relationships, as well as the future disposition of contributed assets at point of sale, can eliminate confusion and minimize any potential for disputes in the future. The strength of nonprofit organizations can ebb and flow over time, and a written agreement will serve as a shared reference point for either agency. It clearly eliminates the likely potential that preliminary verbal discussion of possible alliances between like-minded people can be mistaken for firm agreements, and for the terms of solid agreements to be misunderstood or unilaterally abandoned when circumstances change (see Appendix G and H for sample written agreements).

Because close knowledge of pivotal pieces of information is often embedded in a few specific people working at such civic groups, written documents in general take on a strong role in maintaining institutional memory. The presence of written agreements with external groups — as well documents reflecting internal process and policy — can be a redeeming feature in the event of turnover in personnel.

This observation carries with it key implications for nonprofit institutions that revolve around the significance of communication in general. Observers often cite the clarity of communication as an important component in their work, and frequency of communication is equally important. Yet building “relationships” with community groups may require conversing even when partnerships are not in the offing, investments of time without apparent yield, and sharing apparently off-topic concerns or information. Consequently, communication within and

between organizations is key to partnering. Sharing information can increase the motivation, strength, and effectiveness of nonprofit groups.

### **3. Homeowner Selection**

Interviews revealed that one organization often takes the lead in homeowner selection in CLT and Habitat partnership arrangements. For example, in Rochester, Minnesota, the Habitat will choose the participants, provide the zero interest mortgage, and maintain the ongoing relationship with the homeowner. The CLT's role is limited to owning the land and collecting the land lease payment. The CLT ensures that participants understand the CLT model and that they are fully informed of their legal rights at the beginning of the process. A representative of the CLT meets with prospective participants, provides them with an orientation packet, as well as free legal advice, which is donated by two area title companies.

In other collaborations, the CLT is less involved in the homeowner selection process. In the Burlington, Vermont partnership, Habitat selected the homeowner at the outset, but it was the CLT that maintained an ongoing relationship with the new homeowner. However, problems had emerged under this arrangement. The Central Vermont CLT suggested that if a CLT is to successfully maintain an ongoing relationship with homeowners, it is essential for the CLT to be involved in the initial homeowner selection process in order to establish that crucial relationship.

### **4. Land Availability & Site Selection**

Interviews suggest that land availability can be a salient issue in forging partnership arrangements. The availability of parcels for the development of affordable housing by either Community Land Trusts or Habitat affiliates is important. A tight housing market, and/or limited resources for land acquisition seemed to motivate partnerships in many areas.

Though site availability has forged some partnerships in many localities, it has also prohibited partnerships in others. The selection of a given site may be beyond the control of either the CLT or the Habitat affiliate. For instance, in

Ames, Iowa, parcels became available when the city donated three lots to the local Habitat affiliate. The Ames CLT developed one of the three homes on these lots, and runs all six homes built by the partnership. In addition, the lack of control over when land becomes available may preclude joint ventures. One nonprofit group's willingness to initiate a partnership may not integrate smoothly into the other nonprofit's scheduled obligations. The experience of the CLT run by the North Missoula Community Development Corporation (NMCDC) show how public and private funding sources come with strings and time frames attached. Sometimes time frames can prohibit the possibility of collaborating. In that case, the local Habitat affiliate, though eager to work with the CLT, had made commitments to funders to build in 2002, and could not move quickly on the opportunity. NMCDC in turn had commitments to *its* funders to build by 2002, and was obligated to proceed on its own. Premature commitment to a given site can prohibit the chance to exploit the strengths of both nonprofits, but greater coordination and close communication can aid in more strategically allocating resources.

Geographic location can present strong barriers to partnership arrangements, even where the will to work together does exist. For example, the charter of the State College Community Land Trust specifies the Borough of State College, Pennsylvania as its operating territory. Working outside the Borough presents an organizational quantum leap, with little return on that investment. On the other hand, Habitat can make use of cheaper land on the urban outskirts. The remote location of the Woodlands Community Land Trust, along with Appalachia's endemic poverty, puts area residents beyond the reach of churches with sufficient resources to work with Habitat.

#### **4. Financing**

Both the source of funding and the desire to recapture subsidies invested in a given development can dictate the existence of a partnership and the relative viability of ongoing ventures. The Coos Bay, Oregon, Habitat affiliate stated: "our development is in a land trust because that is how we got the money for infrastructure." The Orange County Community Land Trust (NC) expressed dissatisfaction with the course of its first partnership with Habitat, stating that

“Habitat uses a lot of subsidies, and if a home is sold Habitat wants its subsidies back.”

Clearly, the willingness to contribute financing — in the form of subsidies, mortgage terms, or cash — will depend on the ability of nonprofit groups to meet their specific future interests. This points again to the necessity of negotiating formal agreements in writing, and to setting out the division of tasks and responsibilities in those agreements. The purpose is not so much to organize one’s activities in order to secure financing provided by a potential partner, but that the organization of financial resources serve the needs and desires of both partners, not only in its initial purpose, but in its eventual disposition. The *arrangement of those resources* can be a key.

Even more important, the terms and conditions attached to grant money, loans, or other fiscal advantages will determine what a nonprofit must do as it develops a property. Such conditions can dictate construction time frames, and without sufficient foresight or communication, may preclude undertaking joint ventures. Terms tied to receipt of grants, tax credits, or loans can determine design features, service area, or candidate families. As elaborated above, such requirements can dictate circumstances that close off partnerships, but it can also serve as a road map for arranging activities in a way that makes successful collaborations possible.

## **B. Construction Phase**

### **1. Method and Quality of Construction**

One of the main concerns during the construction phase regarding partnerships between Habitat for Humanity and Community Land Trusts is that the type of housing provided is very different. Habitat for Humanity’s goal is to eliminate substandard housing, while Community Land Trusts attempt to provide affordable housing by selling only the house and retaining ownership of the land. Typically, CLT homeowners earn about 80 percent or less of a community’s median income, while those obtaining homes through Habitat for Humanity earn between 25 to 50 percent of an area’s median income. This difference creates a disparity in the kind of houses built by the two models. Generally, homes built by Habitat for Humanity are quite basic, whereas Community Land Trust homes offer garages and more bedroom space.

According to the Northwest Regional Affiliate support manager, the largest house Habitat builds is 1,150 square feet, and they never include a garage. Ann

Stewart, Development Coordinator for the Huron Valley Habitat for Humanity in Ann Arbor, stated that they are building comparably sized homes without garages and that these homes would go for as much as \$150,000 if sold at market rate due to the high cost of land. Since CLTs believe that garages are important, some collaborations address the issue in their construction agreements or policies. The written agreement defining the partnership in Rochester, Minnesota, requires that Habitat homes built on CLT land include garages. The agreement between the two nonprofit groups in Montana also requires that any homes have “an attached single car garage and . . . be compatible with the overall architectural design of other homes in the . . . Subdivision” (See Appendix H). Under the Central Vermont CLT (CVCLT) construction agreement, houses must be constructed according to a “house design and site plan . . . subject to final approval by CVCLT” (See Appendix G)

## **2. Construction Timelines**

Another issue arising with these partnerships is the time line structure. Since Habitat for Humanity builds homes with volunteers, the time it takes to build a home may be up to a year, although average construction time in the Northwestern region in 2000 was four months. Community Land Trusts, in contrast, frequently use professional builders, although they do sometimes rely on volunteers. Rick DeAngelis, of the Vermont Housing and Conservation Board, suggests that a written construction agreement should be developed and in place by the time construction of a house begins on CLT-owned land:

This agreement should address the payment of taxes and insurance, basic building requirements, abandonment, length of time etc. As part of the initial agreement for the construction of each home Habitat should indicate in writing whether or not it intends to continue to provide 0% financing for subsequent homebuyers.<sup>7</sup> (See Appendix G & H for sample construction agreements).

Establishing clear communication long before any construction starts is essential, as are clear expectations of what both parties will contribute to such joint ventures. There are many issues relating to construction in such partnerships, however, none appear to be

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<sup>7</sup> DeAngelis, Rick, “Habitat and CLTs Working Together Discussion,” p. 1–2.

insurmountable. With hard work and effective communication, strong collaborations can evolve, with the capacity to produce affordable housing for many generations.

## **C. Stewardship Phase**

The permanent affordability principle often embedded in Community Land Trust and Habitat partnerships raises the issue of stewardship. Partnerships must devise clear agreements on each party's long-term responsibilities, their respective roles in providing ongoing guidance and in future decision-making, which organization bears specific obligations, and who benefits from perceived entitlements. Down-the-line decision-making and the eventual disposition of contributed subsidies and accrued equity all have a bearing on the continued maintenance of a positive ongoing relationship. For instance, in a CLT and Habitat partnership, which organization bears what responsibilities after a house has been sold is a serious issue.

In practice, several stewardship issues tend to arise when CLTs and Habitat affiliates enter into partnerships. There are the obvious issues such as which organization maintains rights to the house built via the partnership, as well as which organization has responsibility for maintaining an ongoing relationship with the homeowner. In the case of a Burlington, Vermont partnership, problems arose because the CLT did not take part in initial selection of candidate families. Yet, it inherited the ongoing responsibility for maintaining a positive relationship with the homeowners. Under good times, this situation did not prove problematic; however, when one of the homeowners created difficulties for the CLT, it became clear that early involvement on the part of the CLT may have prevented the problem from arising at all.

### **1. Selection of Subsequent Homeowners and Financing**

The resale of housing created through CLT/Habitat partnerships has also proven to pose problems. In a Vermont venture, there were conflicts over which partner should select the next homeowners, and whether Habitat's zero-interest mortgage should be available for the next homeowner, or recaptured by the Habitat affiliate for use in another location. Furthermore, the Orange County, North Carolina CLT, now in the planning stages of a partnership, has found forging resale formula agreements to be problematic because there is disagreement over which organization recaptures what values when a house is up for resale by the initial homeowner. In Rochester, Minnesota, where the

Habitat affiliate has completely embraced the CLT model, the affiliate continues to provide its zero-interest mortgage to subsequent buyers. Under a reciprocal agreement with the CLT, Habitat can place subsequent families in the CLT homes.

## **2. Legal Agreements**

In theory, stewardship issues should be addressed prior to CLT and Habitat partnerships, and arrangements should be confirmed through legal agreements. Partnership arrangements dealing with stewardship issues should address which organization has legal rights to the house and to the land, including rights of first refusal and lien positions. There should be a clear understanding and agreement on the allocation of accrued equity and long-term appreciation among the CLT, the Habitat affiliate, and the homeowner who seeks to sell. The calculation of the limited equity formula should be spelled out and made clear to all parties involved (See Appendix G: Community Land Trusts and Habitat for Humanity Affiliates: Issues in Working Together).

There needs to be a clear understanding and agreement on ground lease provisions, including ground rents. Also necessary is a clear understanding of long-term partnership responsibilities, including the selection and support of new homeowners, and an agreement on the continued provision of Habitat's zero-interest mortgages at the point of resale. If either the CLT or Habitat affiliate should cease to exist, specified written arrangements for the rights of first purchase, both for the house and the acquisition of the ground lease(s) must exist. Of course, all agreements should be amended as the need arises.

Lastly, and perhaps most important for a successful stewardship arrangement, the CLT and local Habitat must forge a "shared vision for stewardship of the property" at the onset of their partnership.

## **V. Conclusion**

This report indicates that a continuum of collaborative efforts exists. The survey research suggests that the nature of the partnership arrangements is related to the opportunities and constraints of a given area, which may include the rising cost of land, the orientation of local funders, and the presence of

leaders who willingly embrace the vision of permanent affordability. Those organizations that have not even approached partnership tend to see the respective missions as completely inapposite and do not embrace limited equity principles.

If the Madison Area Community Land Trust or other CLTs choose to pursue partnerships with local Habitat affiliates, attention must be paid to open and frequent communication, clarity in written partnership arrangements, and the construction of a shared vision. A commitment to permanent affordability and the understanding of the ramifications for limited equity to the homeowner must be embraced by both organizations. Community Land Trusts should be aware of recurring Habitat affiliate concerns, including equity-limiting resale restrictions, equity allocation among partners and resident families, the lien position, and the ability to exercise right of purchase or the right of first refusal.

Broadly speaking, the news is hopeful: Habitat for Humanity affiliates are increasingly receptive to partnering opportunities with Community Land Trusts. Many partnerships are occurring resulting in complementary strategies to minimize the cost of land, labor, and materials in the same project.

## Appendix A: Persons Contacted

### Community Land Trusts

Burlington Community Land Trust	Mary Hoyt	(802) 862-6244
Central Vermont CLT/ General info about partnerships	Rick DeAngelis	(802) 828-3256
First Homes, Rochester, MN	Cheryl Richardson	(507) 287 7117
Good News Housing/Community Land Trust, Providence, RI	Nancy Rogvie	(401) 461-1230
Homestead Community Land Trust, Seattle, WA	Sheldon Cooper	(206) 323-1227
Land Stewardship Program, Missoula, MT	Allison Handler	(406) 829-8414
Lopez Community Land Trust	Sandy Wood	
Mountainlands Community Housing Trust, Park City, UT	Ginger Tolman	(801) 647-9719
Monroe County Housing Solutions, IN	Jeff Stone	(812) 334-8385
Orange Community Housing and Land Trust, NC	Christine Westfall	(919) 960-0076
Washtenaw Affordable Non Profit Housing Corp., MI	Alan Dailey	(734) 747-6824
Woodlands Community Land Trust, Clairfield, TN	Marie Cirillo	(423) 784-6832

### Habitat for Humanity Affiliate

Ames, Iowa	Anjeanette Perkins	(515) 232-8851
Bend, Oregon	Chuck Tucker	(541) 385-5387
Coos Bay, OR	Sheila Ward	(541) 756-9080
East King County, Redmond, WA	David McDaniels	(425) 869-6007
Huron Valley, Ann Arbor, MI	Ann Stewart	(734) 677-1558
Midwest Regional Resource Center, HFHI	Marty Kooistra	(800) 721-8030
Northwestern Regional Office		(541) 383-4637

Rochester Area	Trent Fluegel	(507) 252-0849
Sandtown, Baltimore	Allen Tibbels	(410) 669-3309
Worcester, MA	Nancy Stell-Kiely	(508) 799-9259
<b><u>Institute for Community Economics</u></b>	Julie Orvis	(413) 746-8660