Miscellany

Community Land Trusts: One Route to Affordable Housing

The housing crisis worsens daily. The numbers of homeless are growing, available affordable housing stocks are shrinking, and the gap between the number of low-income families and the number of low-rental units is widening. Traditional approaches — federal housing subsidies, zoning remedies, and for-profit development — are not solving the problem. More and more of the population, especially the young, the elderly, and the poor, are being priced out of affordable shelter.

One possible source of relief has been the development of Community Land Trusts (CLT). A CLT is a democratically structured non-profit corporation (usually tax exempt) that purchases land, and rehabilitates or constructs housing for those who cannot otherwise afford it. By combining public and private approaches — government subsidy, volunteer effort, community investment, and individual ownership — the CLT is able to provide affordable housing. Using the CLT model, houses or apartments are sold to individuals or cooperatives. The CLT retains title to the land while granting a long-term lease (usually 99 years) to residents. If the homeowner chooses to sell, the CLT retains a first option to purchase the home and its improvements for a price that gives the homeowner a fair return for time and money invested. At the same time, the CLT retains the value created by public investment and community effort. Because of this, CLT houses transfer at lower costs and remain affordable for successive homebuyers.

The CLT concept was developed in the late 1960s by the Institute for Community Economics (ICE), a non-profit national organization. The first CLT in the U.S. was formed in a rural area near Leesburg, Ga. in 1968. Now CLTs are established in urban and rural communities in more than 20 states and in every region of the country.

The typical CLT takes about a year to incorporate as a non-profit, and spends the first few years slowly acquiring and developing property, often rehabbing or producing only a few units during that time. But as development experience, bank financing, and public support increases, successful CLTs begin to develop 20 to 30 units per year by their third or fourth year. While support for CLTs originated primarily with church groups and neighborhood activists five years ago, today initiatives for new CLTs come more from town planners and local municipal officials.

The model is beginning to receive legislative recognition as well. Connecticut and Vermont are the first two states in the country to pass legislation appropriating funds for CLT development. In Congress, Rep. Joe Kennedy has introduced HR 3891, "The Community Housing Partnership Act," which is the first congressional bill to mandate permanent affordability requirements for projects receiving those federal funds.

Today, ICE (Greenfield, Mass.) assists over 35 CLTs around the country. Of those, 19 are located in New England where property value appreciation of 15 to 20 percent a year over the last five years makes new affordable units unaffordable more rapidly than they can be built. Another reason that the idea may have taken hold in New England is the region's well-developed infrastructure of government partnerships with non-profits, and a town-meeting tradition of local involvement in town development.

One of the largest and oldest CLTs is the Burlington Community Land Trust in Burlington, Vt. Since its incorporation in 1984, the trust has produced more than 60 units of "perpetually affordable" housing and non-profit commercial space, and has leveraged $3,000,000 in public and private subsidies. Many of the properties are multi-family units, and the organization plans to convert these to cooperatives. Some will probably remain rentals, with the trust as the landlord, "since the need is so great for rental housing," according to the trust's Director of Development Pat Peterson. Peterson says that those buying CLT homes can save as much as 25 percent over buying conventionally. But buyers must agree that if they decide to sell at some point, they will keep only 25 percent of any increase in value. Because of the long-term affordability guarantees built into the CLT model, this housing approach does not offer much to the developer looking to profit from the eventual sale of subsidized properties at market rates. But as more municipalities turn to the CLT approach, they create opportunities for builders to participate in the construction and rehab of affordable properties. ■

Andrew Baker is media coordinator for the Institute for Community Economics, Inc. (ICE). The Institute publishes and distributes The Community Land Trust Handbook *(225 pages, $6) as well as a free literature list of ICE publications on land trust and loan fund issues. A manual on the legal aspects of CLT development is in progress. For more information on ICE and CLTs, contact ICE, 151 Montague City Road, Greenfield, Mass. 01301; 413/774-7956.*

HOMEOWNERSHIP RATES

BY REGION AND AGE

Region	1973	1976	1980	1983	1987
Northeast	59.2%	59.8%	60.7%	61.4%	61.4%
Midwest	69.1	69.5	70.3	70.0	67.1
South	66.5	66.4	68.3	67.1	66.9
West	60.6	61.2	60.5	58.7	57.9
Age					
Under 25	23.4%	21.0%	21.3%	19.3%	16.1%
25-29	43.6	43.2	43.3	38.2	35.9
30-34	60.2	62.4	61.1	55.7	53.2
35-39	68.5	69.0	70.8	65.8	63.8
40-44	72.9	73.9	74.2	74.2	70.6
45-54	76.1	77.4	77.7	77.1	75.8
55-64	75.7	77.2	79.3	80.5	80.8
65-74	71.3	72.7	75.2	76.9	78.1
75+	67.1	67.2	67.8	71.6	70.7
Total	**64.4**	**64.8**	**65.6**	**64.9**	**64.0**

Source: **1973 to 1980 from *Annual Housing Survey***
1983 to 1987 from *Current Population Survey*

Young households trying to buy their first home are among the biggest losers in the housing market, according to a report released by the Joint Center for Housing Studies at Harvard University. Homeownership rates among households aged 25 to 34 have fallen sharply due to the lack of affordable housing, the report concludes. In addition to studying homeownership rates by age and region (see chart), the group also looked at other factors such as income levels, household types, and location (rural vs. urban). It also studied the cost and quality of housing, including rental housing. For more details, contact Joint Center for Housing Studies, 53 Church St., Cambridge, MA, 02138; 617/495-7908.

Maine Firm Converts Construction Waste to Fuel

While communities throughout New England are running out of landfill space, a company in Maine is offering an alternative way to get rid of wood waste — by turning it into biomass fuel.

Clean wood waste is accepted by FTI Limited Partnership in Lewiston, Maine, for a tipping fee of $16 per ton. The company then processes the waste into wood chips, which are used to fuel boilers in electric power plants.

There's a ready market for the wood chips. Maine's thriving biomass industry consumes over three million tons of woodchips annually. The vast majority comes from green wood. FTI is affiliated with KTI Energy, Inc., a company that develops and operates trash-to-energy plants.

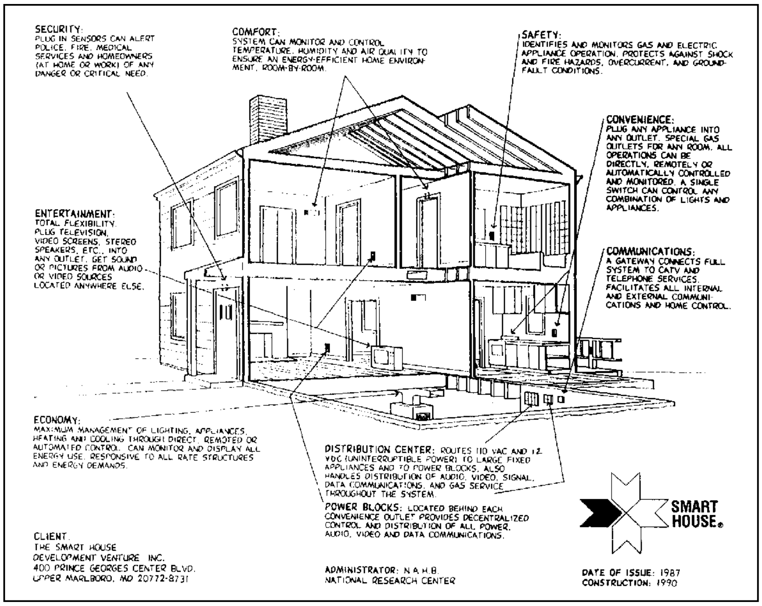
The $16-per-ton tipping fee translates to about $3 per cubic yard of wood waste, according to FTI Manager Mark Woodbury. That's a relative bargain as existing "stump dump" space is disappearing, and the cost of developing and operating new landfills sometimes reaches $20 per cubic yard.

FTI has stringent standards for the waste it will accept. A shipment that contains less than 95 percent wood, or that includes hazardous materials, will be turned back. "We don't take Sheetrock," says Woodbury.

But the company does accept scrap lumber, demolition wood, used timbers, pallets, wire cable spools, pilings, railroad crossties, and even brush. That allows communities to save their landfill space for materials that can't presently be recycled, such as asphalt shingles, plaster, and drywall.

FTI has been in business for nearly two years, and the growing landfill crisis has led to a rapid increase in volume, according to Woodbury. When it reaches its full capacity, the facility will be able to process 100,000 tons of wood waste annually, he says.

While many builders could benefit from programs like FTI's, Woodbury acknowledges that "most builders aren't set up to separate debris and transport it to Maine." At present, he says, most of the waste wood is brought in under contract with municipalities and private haulers. ■



The Smart House project has abandoned (for now) the hope of supporting a new generation of direct-current appliances. But the main goals of security, convenience, safety, and communications are still on track.

Smart House Scraps DC Appliances

For the past two years, the concept of a "Smart House" has been under development by the National Association of Home Builders and a consortium of electronics and appliance manufacturers. According to its promoters, a "smart" house uses the latest advances in electronics to integrate energy distribution, communications, and control within the residential wiring system. Delivery on that promise, however, has proven a bit harder than originally planned. According to Ken Jeremiah, Assist. Vice President for Information of the Smart House Development Venture, Inc. (a wholly-owned subsidiary of the National Association of Home Builders), "the original concept had to be translated into practical reality."

The Smart House was first introduced at the January 1986 NAHB Annual Convention in Dallas, when most attendees got to see a Smart House promoter poke his finger into an electrical outlet without fear of being electrocuted. (The outlets are dead, unless an appliance is plugged into it.) Although this feature remains, another aspect of the project, which also received a great deal of publicity at the time, has been scrapped. Because it was not found cost-effective, the system will no longer provide 48 volts of direct current. (The project will still provide uninterruptible 12 VDC to keep the electronics alive in the event of a power failure). According to Jeremiah, this is a "minor change," and does not "preclude 48 DC five or ten years down the road." Originally this was to allow DC distribution to larger appliances, such as refrigerators and washing machines, saving energy along the way, and simplifying the machinery.

"However, the cost of central distribution was much more than it would cost to adapt the appliance itself," Jeremiah says. He estimated that adding a 48 DC converter to the appliance itself would add about $50 to the appliance cost — whereas it would cost $500 to deliver DC to that appliance from a central source. When asked whether manufacturers involved with the project were interested in redesigning their appliances with a 48 DC adapter, Jeremiah said "he couldn't say with any certainty." But he did say he knew of one washing machine manufacturer who had designed such a model, but he could not name it. ■

Spot Checks Prepared for New York State's Remodeling Law

The Rochester, N.Y. Attorney General's office is preparing to enforce a two-month-old state law regulating the way contractors handle home-improvement downpayments, despite small contractors' claims that it is forcing them out of business.

The law was designed to eliminate gypsy and fly-by-night operations that take consumers' down-payments for remodeling jobs and never complete them.

The Attorney General's office will spot check contractors and lenders to make sure contractors in the Rochester area comply with the law, said Eugene Welch, assistant attorney general of the Rochester regional office.

Under the law, projects over $500 must have a written contract with an estimated start and completion date. Consumers can cancel a contract within three days.

A contractor must deposit into an escrow account all payments made before the job is finished. Instead of using escrow accounts, a contractor could apply for a surety bond, in which an insurance company becomes liable for the performance of the contractor's services.

In the past, many contractors used down-payments to buy supplies and pay salaries and bills for any of the projects they had underway.

Now a contractor can be fined $100 per violation of any provision, and $250 for not setting up an escrow account." I suspect that most contractors are abiding by the law," Welch said.

But Carmen Santora, executive director of the local Better Contractors Bureau, estimates that of about 10,000 contractors, many aren't obeying the law.

The non-profit trade group fields more than 15 calls a week from small contractors complaining about the law, he said. Contractors argue that putting down-payments in an escrow account creates shortfalls in operating capital. In addition, they said, applying for surety bonds is too time-consuming.

"Most small contractors lack the formal financial statements to get bonding," said Nick LaMendola, vice president of sales for the Flanders Group, an insurance company in Pittsford, N.Y.

As a result, he said, "Many contractors are going to have to learn to put their profits back into the business, and work to develop a line of credit with a local bank."

But general contractor Leon Cohen doesn't see the law that way. Cohen, who owns Manfred & Sons, Inc. in Rochester, said he refused four remodeling jobs in the past month.

"With all my money tied up, I can't afford to take on more work."

Other contractors said licensing would have been a more effective way to curb unscrupulous contractors.

"I think a consumer feels more safe when they know they are dealing with a licensed contractor," said John Gregory, who owns Gregory Carpentry and Construction in Webster, N.Y.

Santora said his trade group is discussing with several insurers the possibility of bonding based on the contractor's volume of work for the entire year.

The trade group plans to lobby state legislators to amend the law to include yearly bonding, Santora said. Meanwhile, consumers are being advised to call the Attorney General's office if they suspect a contractor is not following the law. ■

Judith Evans writes for the Democrat and Chronicle, *Rochester, N.Y. This article originally appeared May 21, 1988 in the Democrat, and was reprinted with permission.*

Tax Talk:

Deducting Business Meals and Entertainment

Dear to the heart of every taxpayer is the ability to deduct meals and entertainment as business expenses. But the Tax Reform Act has affected this deduction, and the smart business owner should pay attention.

Under the old law, 100 percent of a "quiet business meal" with a customer could be deducted, even if no business was discussed. According to the new rules, only 80 percent of a business meal — quiet or otherwise — is deductible and then only if business is discussed before, after, or during the meal.

And entertainment — a ballgame, the opera — done only for a business motive is never deductible as a stand-alone activity. To become deductible (80 percent of the expense), the activity must be preceded or followed by a bona fide business discussion.

Now let's put the two rules together and get two deductions for one meal. For example, Mark Seller takes Joe Buyer, a customer, to lunch. They talk business. Then they play a round of golf. The business lunch did double duty. First, the lunch is deductible; there was a bona fide business discussion. Second, the cost of the golf is deductible; it was preceded by a business discussion.

To avoid confusion, and make the most of these deductions: Make sure you and everyone in your company who engages in entertainment activities understand these rules. Get receipts and bills. And record the information needed to support the deduction on them as soon as possible. ■

Irving L. Blackman, CPA, J. D., is with Blackman, Kallick, Bartelstein, in Chicago, Ill. He specializes in closely-held businesses. For more information on maximizing your entertainment deductions, send for The Complete Guide to Building Your Entertainment Deductions… Legally *($19 to Book Division, Blackman, Kallick, Bartelstein, 300 South Riverside Plaza, Chicago, IL 60606).*

From What We Gather

Condos are losing popularity with first-time buyers — dropping from 17 percent of their buys in 1986 to 12 percent in 1987. In 1987, condos accounted for 13 percent of all home sales, according to the Chicago Title Insurance Co.

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Quote of the Month: "In New York… there are 64 steps to take before you can put a spade in the ground — that's if you're not doing anything unusual. But we don't have as much trouble as most builders." — Spoken by low-income housing developer I.D. Robbins in an interview with *Builder* magazine.

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The giant home center chains are taking a bigger slice out of home construction and repair. One-third now sell home building components, almost a third fabricate them, and a fourth install their own remodeling products. But so far, only 11 percent sell complete home packages.

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How many remodelers are there? Lots, according to just released Census data. As of 1982 there were 93,632 residential builders with payrolls. Of these, 23 percent did strictly remodeling, while another 61 percent did both new construction and remodeling. Of the single-family contractors that did both, almost half their income came from remodeling. Source: NAHB Remodelors Council.

Copper roofing is hot stuff on high-end commercial and residential structures, according to the Copper Development Association. In fact, copper roofing shipments in 1987 increased 36 percent over 1986, capping off 11 years of continuous growth.

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Earthquakes do less damage to woodframe structures than to brick or unreinforced concrete according to damage assessments made after last year's Oct. quake in Los Angeles. But wood homes with concrete pillars supporting porch roofs, and those with stucco exteriors showed the most damage in the quake, according to Doug Mitchum of the Western Wood Products Association.

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The expression "whole nine yards" did not originate with a fully loaded concrete truck, which used to hold only about 3 yards. Rather it comes from the 9 yards of cloth a prosperous Londoner would turn over to his tailor to make a suit. Inevitably, the tailor would use the "whole nine yards." Source: *Concrete Construction*.

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Historic rehab has fallen sharply due to tax law changes made in 1986. The total number of tax-credit projects approved in 1987 was 1,931, down 35 percent from 1986. This represented $1.1 billion invested in 1987, also down 35 percent.

Maine Passes Energy Standards

Effective January 1, 1989, all new buildings being built in Maine must be insulated to state standards. After six years of political lobbying the Maine legislature finally passed L.D. 2539 in April, "An Act to Revise the Energy Building Standards Act."

Previously, Maine had adopted ASHRAE 90 Energy Standards for buildings funded with public money. Voluntary standards were adopted for all other buildings. But all residential buildings in the state will now be required to insulate ceilings to R-38; walls to R-19; floors to R-19; foundations to R-10 or R-20 depending on design; and windows to R-2. Log buildings and owner-built homes are exempt.

Commercial and industrial buildings must meet ASHRAE 90, although spec buildings may be left uninsulated, as long as they are "promptly" insulated by the new owner/tenant.

Penalties for non-compliance shall not exceed 5 percent of the value of the building.

Maine is one of the last states in the nation to mandate energy standards for new construction. ■

— William Lotz

Education's Gone Down the Toilet

Those wishing a "Master's Degree in Toiletology" need look no more. Fluidmaster (Anaheim, Calif.) puts out an 8-minute employee-training video covering toilet-tank operation plus repair and installation. After viewing the tape, employees are asked to take a short quiz. If they make the cut, they receive a degree and a gift. ■

Cat Tale

In a first-of-a-kind ruling, cats have been banned forever from a planned housing development project in San Rafael, Calif. According to an article in the April 12, 1988, issue of the *Burlington Free Press* (Burlington, Vt.), cats are forbidden in the development because they pose a risk to two rare and endangered species (the salt marsh harvest mouse, and the clapper rail bird) that live in a nearby salt marsh. Homeowners in the 224 single-family community are ordered by the city planning commission to form an association that will be responsible for enforcing the cat crackdown, including setting up traps to catch strays. The ban was a condition for approval of the project, and may set a precedent for similar conditions in future land use decision-making. ■