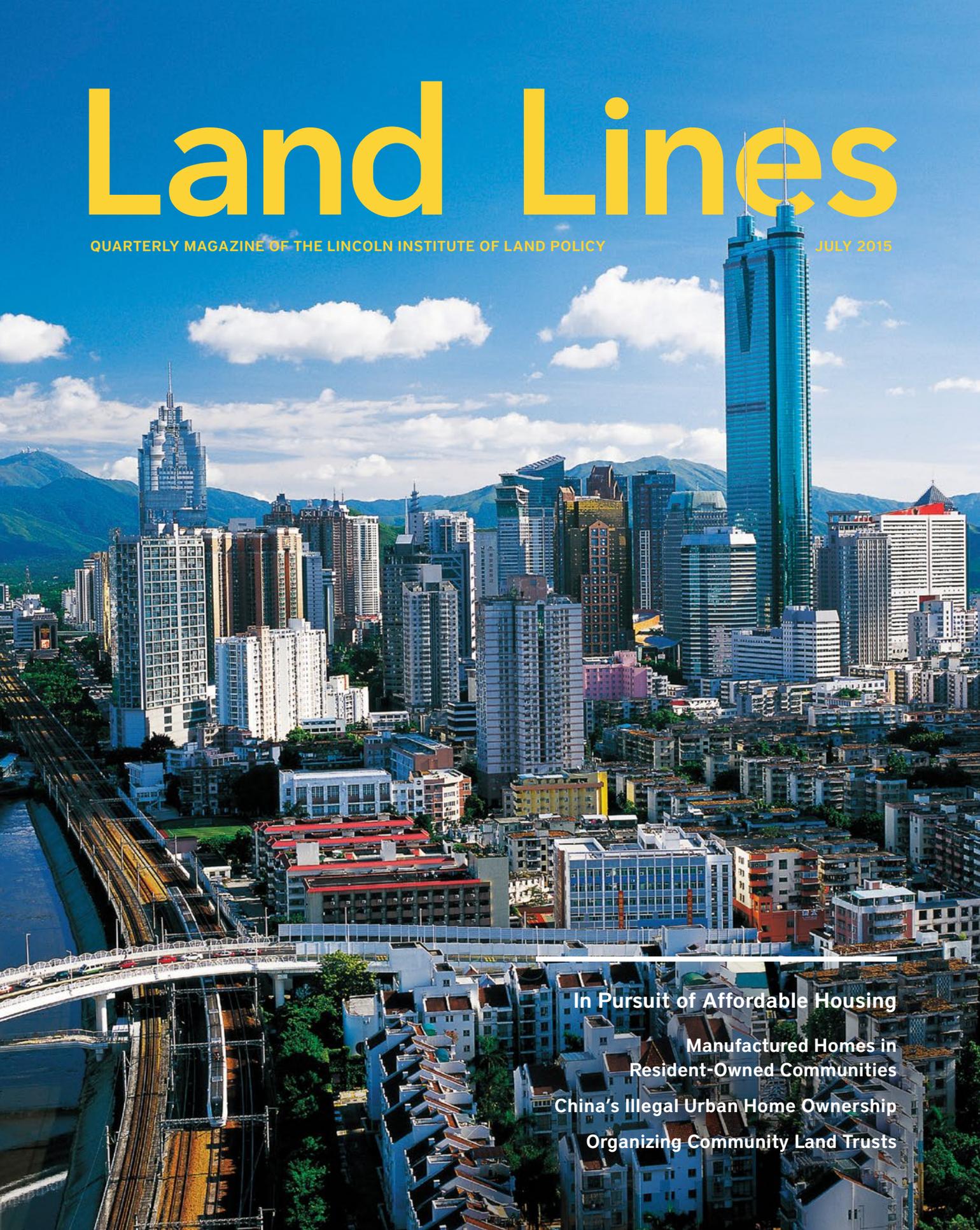


Land Lines

QUARTERLY MAGAZINE OF THE LINCOLN INSTITUTE OF LAND POLICY

JULY 2015



In Pursuit of Affordable Housing

**Manufactured Homes in
Resident-Owned Communities**

China's Illegal Urban Home Ownership

Organizing Community Land Trusts

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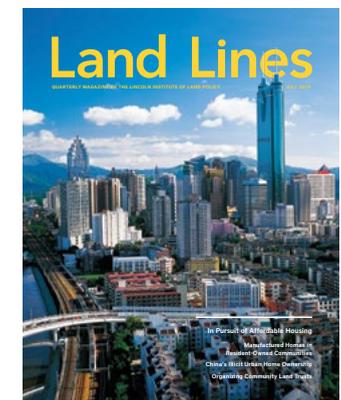
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Cover: In 1980, Shenzhen was a rural town with 50,000 residents; today, its population is 11 million. Cover photo credit: © Krause, Johansen / Viewstock / Corbis



Protecting a Share of the Housing Market

PEOPLE WHO WORK WITH ME ARE OFTEN SURPRISED BY THE EXTENT TO WHICH MY PHILOSOPHICAL CANON DERIVES FROM LOW-BUDGET OFFBEAT FILMS, typically from the 1980s. When in need of wisdom, I frequently turn to the teachings of *Repo Man* or, for this essay, Terry Gilliam’s allegorical masterpiece *Time Bandits*. In the movie, a group of public workers are employed by the Supreme Being to fill holes in the time-space continuum left from the haste of creating the universe in seven days: “It was a bit of a botched job, you see.”

stems from wrongheaded analysis of the problem, and the conclusion that market-based solutions can be designed to solve the mismatch between the supply of affordable housing and demand for it. In his 1949 State of the Union address, President Truman noted that to fill the needs of millions of families with inadequate housing, “Most of the houses we need will have to be built by private enterprise, without public subsidy.”

To support this claim, permit me a short departure into market theory. From the now-preferred mathematical approach to economic analysis, a market is simply a system of partial differential equations that is solved by a single price. The partial differential equations capture the complex decisions made by consumers and producers of goods, reconciling tastes, preferences, and budgets of consumers with the technical complexities of producing goods to arrive at a price that clears the market by settling all transactions that suppliers and consumers of goods are willing to make.

Acclaimed economists Arrow, Debreu, and McKenzie proved the theoretical existence of a single set of prices that can simultaneously solve for the “general equilibrium” of all markets in a national or global economy. One important aspect of this Nobel Prize-winning contribution was the observation that a unique price cleared each market—one market, one price. There was no expectation that a single price could maintain equilibrium in two markets. But this is the fundamental flaw of the housing market—it is actually two markets, not one. Housing markets supply both shelter for local consumption and a globally tradable investment good made possible by broad capital markets that serve global invest-

ors. This dual-market status used to be more descriptive of owner-occupied housing, but, with the proliferation of real estate investment trusts (REITs), rental markets are now in the same boat.

Markets for consumption goods behave very differently than investment markets, responding to different “fundamentals.” On the supply side, prices for consumption goods are dictated by production costs, while prices in investment markets are dictated by expected returns. On the demand side, such things as tastes and preferences, household incomes, and demographics determine the price of housing as shelter. Investment demand for housing is dictated by factors like liquidity and liquidity preferences of investors, expected returns on alternative investments, or interest rates.

In developed countries, global capital markets and the market for shelter collide locally with little chance of reconciliation. Local households compete with global investors to decide the character and quantity of housing that is produced. In markets that attract global investment, plenty of housing is produced, but shortages of affordable units are acute, and worsen over time. This is because a huge share of new housing is produced to maximize investment return, not to meet the needs of the local population for shelter. For example, there is no shortage of global investment willing to participate in developing \$100 million apartments in New York City. But affordable housing, being much harder to finance, is in short supply. And in markets that have been abandoned by global capital, house prices fall below production costs, and surplus housing accumulates and decays. In extreme cases such as Detroit, market order can only be restored by demolishing thousands of abandoned homes and buildings.

Perhaps it is time that we reconsider the analysis that led President Truman, and thousands of housing policy makers after him, to conclude that one could forge market-based solutions to the challenge of sheltering a country’s population. Truman concluded that “By producing too few rental units and too large

The number of housing units supplied in developed countries such as the United States significantly exceeds the number of households. In 2010, the U.S. Census estimated that one in seven housing units were vacant.

a proportion of high-priced houses, the building industry is rapidly pricing itself out of the market.” But Truman was thinking about the market for shelter, not investment. It is remarkable to note that the number of housing units supplied in developed countries such as the United States significantly exceeds the number of households. In 2010, the U.S. Census estimated that there were 131 million units of housing in the country and 118 million households—one in seven housing units were vacant. It is even more shocking to note that in the United States this oversupply of housing characterizes every metropolitan market in the country—even metropolitan markets with extreme shortages of affordable housing. In 2010, 8.5 percent of housing units were vacant in Greater Boston, 9.1 percent in the San Francisco Bay area, and 10.2 percent in Washington, DC. The problem is that many households have insufficient incomes to afford the housing that is available.

In the end, rather than fill the holes in the fabric of time and space, the Time Bandits decided to take advantage of them to “get bloody stinking rich.” The bandits sought to capitalize on celestial imperfections in the same way that global investors seek returns from short-term market dislocations. To illustrate the dangers of naked speculation in unregulated markets, consider an apocryphal tale from a very different market. In 1974, heavy rains during planting season in Bangladesh suggested that rice might be in short supply at harvest time. In anticipation of these shortages, rice prices started to rise. Savvy commodity speculators realized that there would be a good return on any rice that was held off the market. Despite the fact that the actual harvest produced a bumper crop, the interaction



Tassafaronga Village in East Oakland, California, set a new standard for energy-efficient, beautifully designed affordable housing when it opened in 2010. Credit: David Baker Architects.

market for goods and the market for investment can inflict on local populations, perhaps public policy should focus on protecting a share of the market—and the public—from the ravages of speculation. In this issue, we describe some nascent efforts to produce permanently affordable housing by insulating it from speculation—through community land trusts, inclusionary housing, and housing cooperatives. Miriam Axel-Lute and Dana Hawkins-Simons discuss the mechanics of organizing local community land trusts. Loren Berlin describes efforts to preserve affordable housing in the form of manufactured homes and to promote permanent affordability of that stock through the conversion of manufactured housing communities to limited equity cooperatives.

On more cautionary notes: Cynthia Goytia discusses the ways that low-income communities circumvent housing regulations that drive up housing costs to produce their own affordable but substandard shelter in informal settlements around Latin American cities; and Li Sun and Zhi Liu discuss the tenuous status of one-quarter of urban Chinese households that purchased affordable shelter with uncertain property rights on collectively owned land at the rapidly developing edge of cities and in “urban villages,” former rural settlements now surrounded by modern construction. As capital markets deepen in these countries, the competition between housing as investment good and housing as shelter will likely exacerbate informality in Latin American cities and make property rights of these Chinese families more precarious. After almost seven decades of failed efforts to get private markets to meet populations’ needs for affordable shelter, it might be time to develop, and to export, another approach that is based on a more realistic understanding of the complexity of housing and capital markets. □

In developed countries, global capital markets and the market for shelter collide locally with little chance of reconciliation. Local households compete with global investors to decide the character and quantity of housing that is produced. In markets that attract global investment, plenty of housing is produced, but shortages of affordable units are acute, and worsen over time.

between market expectations and market manipulations by commodity investors produced one of the worst famines of the 20th century—with an estimated 1.5 million famine-related fatalities. The famine was not the result of real food shortages. The collision of the market for goods and the market for speculative investment priced rice out of the reach of the local populations, with landless families suffering mortality at three times the rate of families with land.

Perhaps shelter and food are too important to be left to unregulated markets to allocate. In light of the damage that the conflict between the

WalkYourCity.org

AS A GRADUATE STUDENT STUDYING URBAN DESIGN AND PLANNING, Matt Tomasulo organized a clever wayfinding project to encourage residents of Raleigh, North Carolina, to walk more rather than drive. With a group of confederates, he designed and produced 27 Coroplast signs, each one-foot square, printed with simple messages such as: “It’s a 7 Minute Walk to Raleigh City Cemetery,” color-coded by destination category, with an arrow pointing the way. The group attached these with zipties to stoplight poles and the like around three downtown intersections. It took less than 45 minutes to install them all—after dark, because, although the signs looked official, this effort was “unsanctioned,” as Tomasulo put it.

As you might expect, the city had the signs taken down. And that could have been the end of it: a provocative gesture and a smart portfolio piece. But in fact, Walk Raleigh has undergone an unexpected metamorphosis since it first appeared back in 2012, evolving into Walk [Your City] (WalkYourCity.org), an ambitious attempt to take the underlying idea nationwide and work with (instead of around) city and planning officials. This year, Tomasulo’s fledgling organization received a \$182,000 grant from the Knight Foundation, sparking a new phase for the project

that includes a particularly thoughtful series of deployments coordinated with officials in San Jose, California.

This surprising outcome owes much to shrewd uses of technology—and perhaps even more to the input of a handful of planning officials who saw deeper potential in what could have been a fun but ephemeral stunt.

Decades of traffic engineering have eroded the sense of walkability in built environments where signage is arranged to be visible to drivers, and offers distance information in the car-centric form of miles.

The core of Tomasulo’s original insight was to probe and attempt to shift *perceptions* of walking: he’d come upon some interesting research suggesting that people often choose not to walk because a destination simply “feels” farther away than it really is.

Older downtowns such as Raleigh’s are often “more walkable than people realize,” says Julie Campoli, an urban designer and author of *Made for Walking: Density and Neighborhood Form* (2012), published by the Lincoln Institute. But in many cases, decades of traffic engineering have eroded the sense of walkability in built environments where signage is arranged to be visible to drivers, and offers distance information in the car-centric form of miles. For the most part, she says, “The streets are designed for cars.”

Tomasulo did his own research in Raleigh, asking neighbors and others if they would, say, walk rather than drive to a certain grocery store if it took 14 minutes. “They’d say, ‘Sure, sometimes, at least.’ And I’d say: ‘Well, it’s 12 minutes.’ Again and again I had this conversation. People would say, ‘I always thought it was too far to walk.’”

Thus Tomasulo’s original signs were oriented to pedestrian eye level, and described distance in terms of minutes to a particular destination of potential interest. Tomasulo documented and

The way in San Jose is more pedestrian-friendly with signage from Walk [Your City]. Credit: Walk [Your City]





More than a hundred municipalities have participated in Walk [Your City] since Matt Tomasulo installed his original signs under cover of night in Raleigh in 2012. Credit: Walk [Your City]

promoted the project on Facebook. The enthusiasm there helped attract media attention, climaxing in a visit from a BBC video crew.

That's when Tomasulo reached out via Twitter to Mitchell Silver, Raleigh's then planning director, and a former president of the American Planning Association. Silver didn't know much about Walk Raleigh, but agreed to talk to the BBC anyway, discussing the desirability of pro-walking efforts and praising this one as a "very cool" example . . . that probably should have gotten a permit first. The clip got even more attention. And when that resulted in inquiries about the signs' legality, Silver removed them himself and returned them to Tomasulo.

"Did Walk Raleigh do something wrong or are our codes out of date?" says Mitchell Silver. "Innovation tests regulation. Matt, without realizing it, tested us."

But Silver also recognized the bigger opportunity. Raleigh's long-term comprehensive plan explicitly called for an emphasis on increasing walkability (and bike-ability), an issue that resonated with the fast-growing municipality's notably young population (about 70 percent under age 47 at the time). "It really became a

critical thing," he recalls. "Are we going to embrace innovation? Did Walk Raleigh do something wrong or are our codes out of date?" says Silver, now commissioner of the New York City Department of Parks and Recreation. "Innovation tests regulation. Matt, without realizing it, tested us."

The short-term solution: Tomasulo could donate his signs to the city, which could then reinstall them on an "educational pilot" basis. To help Silver convince the City Council, Tomasulo used online petition tool SignOn.org to gather 1,255 signature in three days. The Council unanimously approved the return of Walk Raleigh.

Tomasulo pushed a little further. (He has since finished with school, and has a Masters in city and regional planning from the University of North Carolina at Chapel Hill, and another in landscape architecture from North Carolina State University.) Raising \$11,364 on Kickstarter, he and partners built WalkYourCity.org, which offers customizable signage templates to anyone, anywhere. This has led to more than 100 communities creating citizen-led projects in large and small municipalities across the U.S. and beyond.

That shouldn't be a surprise, given what Campoli describes as a growing interest in walkability among citizens and planners alike. The smart growth movement has revived interest in compact city forms, she says, "And in the last

ten years, that has converged in this idea of walkability." Particularly in key demographics—millennials and empty-nesters prominently among them—there has been a recognition that car culture is "not as wonderful as it was made out to be," she observes.

And there's an economic dimension for cities, she adds. One way to gauge that is through growing real-estate values associated with more compact, walkable forms.

The economic impact factor inspired a recent collaboration with officials in San Jose, which stands out as an example of how tactical urbanism can cross over into real-world planning influence. Sal Alvarez, of the city's Office of Economic Development, was a fan of WalkYourCity.org as an open online platform—but pointed out that "The city will probably come take the signs down," he says. "You need a champion on the inside, really." He and Jessica Zenk of the city's Department of Transportation served that role in San Jose, quickly launching three pilot programs.

Each is concentrated and strategic. The first leverages the popularity of the newish San Pedro Square Market, a concentration of restaurants and businesses in the city's two-square-mile downtown. It's a favored local destination, but the sort that people often drive to and from without exploring. So a set of 47 signs points to attractions in the adjacent Little Italy district, a park with extensive walking trails, the arena where the city's National Hockey League team plays, and a second park that has been the focus of ongoing revitalization efforts. A second downtown project involved recruiting a dozen volunteers to help put up 74 signs meant to draw links between the city's SoFa arts district and walking-distance landmarks like the convention center.

The popularity of these two experiments inspired a city council member to propose the third, set in a neighborhood outside the downtown core. This centers on a road currently being converted from four lanes to two, with a middle turn lane and bike lane to enable a shift away from vehicle travel. Tomasulo has added a new batch of color-coded sign designs that point specifically to other car-alternative infrastructure, including bike-share locations and Caltrain stops. The

city has been gathering traffic data around this project that may help measure the impact of these 50 or so signs at 12 intersections. To Alvarez, the signs are useful tools in pushing the cultural changes that help make infrastructure shifts take hold.

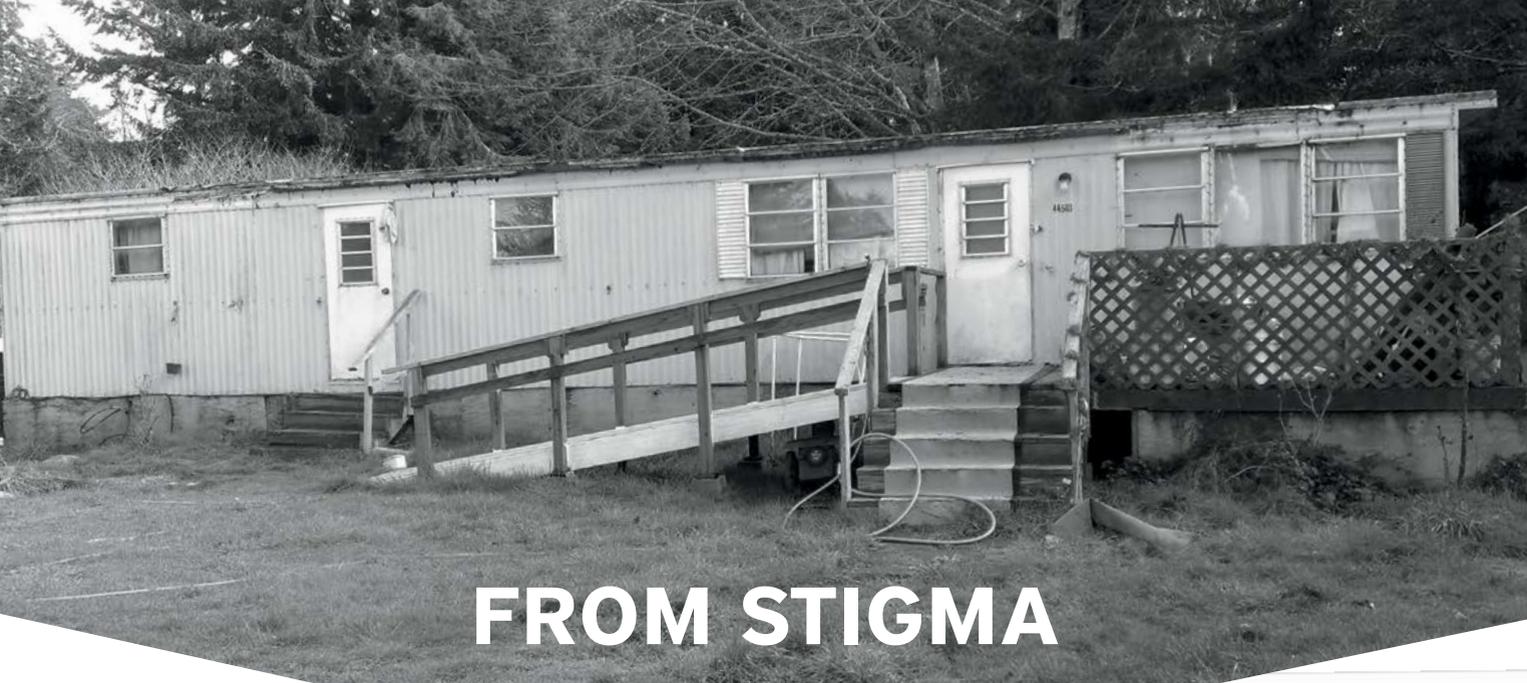
Tomasulo uses a term for officials whose enthusiasm, creativity, and practical how-to-get-it-done wisdom cuts against an all-too-common stereotype. "They're not bureaucrats," he says. "They're herocrats."

More broadly, San Jose officials are working with Tomasulo to "put some tools in the toolbox" of Walk [Your City] to encourage and help enthusiasts to find their own champions within local municipalities, so these projects can contribute to the planning process. "If you don't get the city to buy in at some point," Campoli says, "you're not going to get that permanent change that a short-term event is intended to lead to."

Back in Raleigh, the original project is evolving into a permanent feature of the landscape, with fully vetted and planned campaigns in four neighborhoods, and a partnership with Blue Cross/Blue Shield. That's a solid example of what Silver advocated: a city embracing a grassroots urbanism project instead of just regulating.

But the San Jose example is showing how much the reverse proposition matters, too: tactical urbanism can benefit from embracing official planning structures. Tomasulo certainly sounds pleased with his project's transition from "unsanctioned" experiment to active partnerships with insiders in San Jose and elsewhere. He uses a term he picked up for officials whose enthusiasm, creativity, and practical how-to-get-it-done wisdom cuts against an all-too-common stereotype. "They're not bureaucrats," he says. "They're herocrats." □

Rob Walker (robwalker.net) is a contributor to Design Observer and *The New York Times*.



FROM STIGMA

TO HOUSING FIX



**The Evolution of
Manufactured Homes**

The latest manufactured homes, such as Next Step's Energy Star "Cottage," are a quantum leap from the 1960s trailers that gave this housing stock a sordid reputation.

By Loren Berlin

LIZ WOOD WANTED TO BUY A HOUSE. IT WAS 2006, SHE HAD BEEN RENTING FOR A DECADE, AND HER MONTHLY PAYMENTS WERE GETTING HIGH. She was 43 and steadily employed, earning \$34,000 annually plus benefits as a family educator. She didn't want anything fancy, just a place where she could "gather love and bring stability." She would stay within her means.

Nonetheless, the math was tricky. Wood lives in Duvall, Washington, a town of roughly 7,500 in the foothills of the Cascade Mountains. Steeped in lush forest, Duvall is about 30 miles from Seattle and a mere eight miles from the City of Redmond, the headquarters for Microsoft. The median income in Duvall is nearly twice that of the state of Washington, and homes in this area are expensive. In 2010, the median value of owner-occupied homes in Duvall was \$373,500, compared to \$262,100 for the state, according to the U.S. Census Bureau.

With few options, Wood eventually decided on a used factory-built home (also known as manufactured housing) for \$55,000 in Duvall Riverside Village, a four-acre community of 25 manufactured homes in the middle of downtown Duvall. "It's amazing here," she says. "I live on riverfront property, so when I walk out my door I see water, pine trees, and a walking trail that goes from my house to the next town. I wake up in the morning hearing birds. I know all my neighbors; I'm connected to my community. I'm a block from the police station. I feel safe."

But it was still difficult. Wood owned her house, but not the land on which it sits. Instead, she rented the plot for \$450 a month, plus water and utilities, as did the other residents of Duvall Riverside Village. As a result, Wood and her neighbors remained largely at the mercy of the property owner, their landlord, and forfeited much of the autonomy and security associated with more traditional home ownership models.

Their landlord prohibited garages, leaving residents limited storage options. He charged them \$25 a month per additional car or adult beyond those registered at the time of move-in.



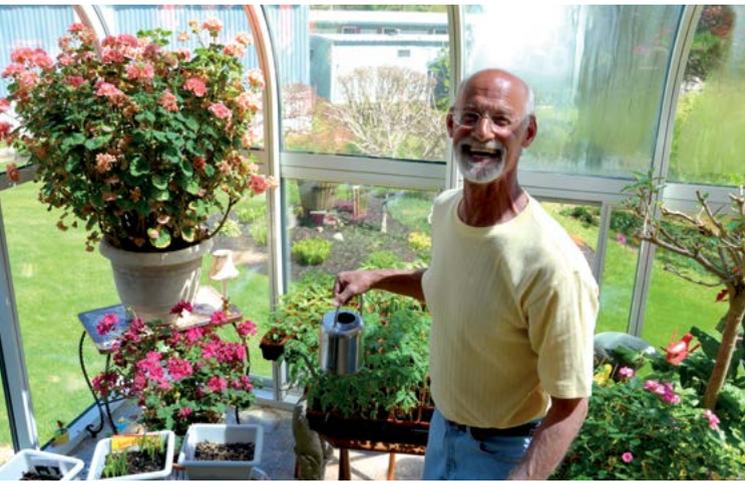
Liz Wood is president of Duvall Riverside Village in Duvall, Washington—a resident-owned manufactured housing community between an artsy downtown Main Street and the Snoqualmie River. Credit: ROC USA PHOTO / Mike Bullard

He charged \$5 a month for every pet and required dogs to be leashed at all times. There was a \$5 monthly fee for every extra half-cord of firewood, which Wood needed to fuel her stove. Though he employed a groundskeeper, he didn't install outdoor lights, nor did he maintain the community roads, which were pocked and cracked.

Today's manufactured homes are robust, efficient, and inviting, with the potential to help alleviate the nation's shortage of safe, affordable housing.

In 2012, Wood and her neighbors received a written notice that the owner was selling the land. Unlike many owners, who prefer to sell their properties to a developer, this landlord was open to selling to residents. He had agreed to host a meeting between the tenants, a real estate broker, and the Northwest Cooperative Development Center, a nonprofit that supports cooperatives. The parties discussed the possibility of establishing a nonprofit, resident-owned cooperative to purchase the property. In doing so, they would conserve the land for manufactured housing, continue living there as a community, and collectively manage it to guarantee a safe, affordable, high-quality experience.

The residents voted to go for it. The landlord had two demands. He wanted fair market



David Bissaillon tinkers in the greenhouse addition of his home in Wheel Estates, a resident-owned manufactured housing community in North Adams, Massachusetts. Credit: ROC USA PHOTO / Mike Bullard

value, and he wanted to complete the sale by the end of the year. It was already August. They had five months.

In addition to the collaboration with Northwest Cooperative Development Center, the residents also began working with ROC USA, a New Hampshire-based nonprofit organization that offers residents of manufactured housing communities a mix of technical assistance and affordable financing to purchase their rented land when it becomes available for sale. Since its establishment in 2008, ROC USA has successfully facilitated 80 of these transactions nationally and secured more than \$175 million in financing for them.

ROC USA works with a network of eight regional affiliates, including the Northwest Cooperative Development Center. In Duvall, the nonprofits worked together with the residents to assess the economics of a possible deal and to confirm that the community was a good fit for resident ownership. Next, the organizations helped the residents to hire a third-party lawyer and establish their cooperative, which would operate as a democracy with residents elected into leadership positions by fellow residents. ROC USA assisted the residents to hire an independent engineer and conduct due diligence of the property; secure financing through ROC USA's lending subsidiary, ROC USA Capital, to purchase the property and undertake critical repairs; and organize the real estate transfer.

On December 27 of that year, the newly

formed cooperative bought the Duvall Riverside Village with \$1.3 million in purchase financing from ROC USA Capital, granting Wood and her fellow home owners control over their living arrangements, and permanently preserving 25 affordable homes in a town where such housing stock is scarce.

The residents continue to pay \$450 a month to rent the land, but now they vote to determine community rules, and use the rent to make improvements and to pay the community's mortgage, taxes, and expenses.

"Now, you can have a garage if you want," explains Wood, who is president of the Duvall residents' cooperative and a ROC USA board member. "And we spent \$35,000 to fix the roads. We don't have to live in fear anymore, so people are willing to invest in their homes. We have annual meetings to vote in projects. We can lower the monthly rent if we are over-budgeting for things we don't need. The bottom line is that we are in control of our own destiny."

Upon completing the sale, ROC USA and the Northwest Cooperative Development Center have continued providing the residents with technical support to ensure smooth operations.

"If they had just lent us the money and said, 'these are the guidelines, here's what you need to do, have at it,' we would have failed," explains Wood. "But they are an ongoing resource. They help us with tough situations, or when we don't know how to do something legally. The goal is for us to become independent and to be able to run our community like a business. Pay your bills, and your house can stay where it is. Period. Forever."

Benefits

Across the United States, more than 18 million Americans live in factory-built homes, which represent 5 percent of the nation's housing stock in metro areas, and 15 percent in rural communities. They range significantly in quality. Roughly 25 percent of today's manufactured housing stock is the stereotyped, rickety trailers of the 1960s and early 1970s, produced before the federal government introduced quality controls in 1976. The remaining 75 percent complies with the

federal standards, and includes charming, energy-efficient homes, indistinguishable to the untrained eye from their site-built counterparts. Though manufactured homes have long been cast aside as a housing choice of last resort, today's models are robust, efficient, and inviting, with the potential to help alleviate the nation's shortage of safe, affordable housing.

Modern manufactured homes cost approximately half as much as their site-built counterparts and can be built five times faster, making them a genuinely viable option for low-income consumers. The production process is less wasteful, and models that comply with the federal government's Energy Star standards offer home owners meaningful energy savings. And they are durable. Whereas manufactured homes built prior to the 1976 regulations were made to be portable, like recreational vehicles, modern models are built with stronger materials and designed to be permanent. Today's manufactured homes can sit on any foundation that would otherwise accommodate a site-built structure, creating the flexibility to use the housing in a wide range of geographies and environments.

"The manufactured housing stock is a critical component of the nation's affordable housing," says George McCarthy, president and CEO of the Lincoln Institute of Land Policy. "It easily outnumbers our subsidized stock two or three times in almost every market."

Manufactured homes are cheaper to produce than site-built houses because of the manufacturing process. As Andrea Levere, president of the Corporation for Enterprise Development, writes in the *Huffington Post*, the "term 'manufactured housing' itself has less to do with quality and more to do with the production process, which is a derivative of Ford's assembly lines. This model allows manufactured homes to be built in a more controlled work environment, translating into predictable costs, increased efficiencies, and reduced waste" (Levere 2013).

In 2013, a new, energy-efficient manufactured home cost \$64,000, compared to \$324,500 for a new, site-built one, according to the U.S. Census, though the price for the latter includes the land. Even after stripping out the land costs,

manufactured homes are still significantly less expensive, averaging \$44 per square foot, versus \$94 per square foot for site-built homes. And they are unsubsidized, which is a boon given the extremely short supply of subsidized housing compared to demand. Currently, only one in four income-qualified families receives a housing subsidy according to the Bipartisan Policy Commission, leaving the remaining 75 percent in need of an affordable, unsubsidized alternative. By helping to fill that gap, manufactured housing can relieve some of the demand for subsidized housing that state and federal governments are struggling to supply in the face of shrinking budgets. "The majority of families who live in manufactured housing would qualify for subsidized housing, but instead they choose this less expensive and unsubsidized option," says McCarthy.

"During the immediate aftermath of Hurricane Sandy, recovery workers got 17 manufactured homes on the ground in New Jersey within weeks of the hurricane—before most organizations even had a housing plan," says McCarthy.

The stock is also very versatile, argues McCarthy, who cites its role in housing people during the immediate aftermath of Hurricane Sandy. "Recovery workers got 17 manufactured homes on the ground in New Jersey within weeks of the hurricane—permanent homes for displaced renters, not the problematic 'Katrina trailers.' And they did it before most organizations even had a housing plan. This speaks to the efficiency and nimbleness of building manufactured housing. The production times are about 80 percent shorter than for site-built homes, making them the best housing option for disaster response."

Nevertheless, manufactured housing often gets a bad rap, due largely to the widespread misperception that today's models are the same as the earliest generations of mobile homes built prior to the introduction of quality control

standards by the U.S. Department of Housing and Urban Development in 1976. Today, there are roughly 2 million of these pre-1976 homes; many are barely hanging together and house the nation's most vulnerable populations, including the elderly and disabled. Though the pre-1976 stock is virtually unrelated to its present-day counterpart, these older, dilapidated dwellings dominate the general public perception of manufactured homes in the United States.

The housing stock's reputation is further diminished by the vulnerabilities facing home owners who do not own the land on which they live. Roughly 3 million people live in one of the nation's 50,000 manufactured housing communities, while another 3 million rent on private property. There are manufactured housing communities in every state in the country. Like Duvall Riverside Village, many of them are on prime real estate, and the landowners routinely receive purchase offers from developers.

Advocates working to improve the manufactured home ownership experience, and to promote the stock's viability as affordable housing, are focusing on three critical areas of innovation: conserving mobile-home parks; replacing pre-1976 units with modern, energy-efficient homes; and increasing access to affordable financing for potential buyers, which is virtually unavailable in the current market and is imperative to building equity and preserving a home's resale value.

Conserving Manufactured Housing Communities

The conversion of Duvall Riverside Village from a privately owned mobile home community to a resident-owned cooperative is not common. For every community available for purchase that is successfully preserved as affordable housing, there are many more that end up sold for redevelopment, displacing residents who may lack good alternatives.

"It's not as simple as just moving the home," says Ishbel Dickens, president of the National Manufactured Home Owners Association. "First,

there's the question of whether the home can even be moved. It may be too old or unstable to survive a move. And even if it can be moved, it's expensive to do so, and very hard to find a space in another community. In most instances, when a park closes, the residents are probably going to lose the home and all their equity in it. In all likelihood, they will never own a home again. They'll likely end up on a wait list for subsidized housing, or may even end up homeless."

To some degree, it's an accident of history that so many of today's mobile home parks occupy plots of coveted real estate, says Paul Bradley, president of ROC USA. As he explains it, in the late 1950s and 1960s, Americans began to embrace transportable trailers and campers, in part because of a cultural shift toward outdoor recreation, and in part because post-World War II factories began producing them to utilize excess manufacturing capacity, making them widely available and affordable. As the units grew in popularity, they transitioned from temporary structures to permanent ones, and people began adding makeshift carports and sunrooms. At the time, urban planners accepted the evolution toward permanency. As they saw it, most of the trailers were on land that no one else was using in outer-circle developments. Why not let these campers stay for awhile, until the cities expanded to meet them, at which point the land would be redeveloped?

"These original communities were built with a plan to close them," says Bradley. "Back then, no one contemplated the full implications of creating a housing stock for which home owners lacked control of the underlying land. No one anticipated that these communities would be full of low- and moderate-income home owners who spent their own money to buy these homes and had few alternatives. And that's what we are still grappling with today. That lack of control of the land means that home owners live with a deep sense of insecurity and the feeling that it's irrational to make investments in their properties because they won't get it back. What's the implication for home owners who cannot rationally argue for investing in their home? What does that mean for the housing stock? For neighborhoods?"

Short-sighted land use policies are not the only challenge to preserving manufactured housing communities. An equally onerous obstacle is the lack of legal protections afforded to residents. In 34 states and the District of Columbia, the landowner can sell the property without giving residents the opportunity to purchase it. In fact, in most states, the landowner doesn't have to notify residents that the community is for sale; the landowner can wait until the property has been sold to inform residents of the transaction, suddenly leaving them in a tenuous position. Even the 16 states that require the owner of a manufactured housing community to provide residents advance notice of a sale do not necessarily afford tenants the necessary protections. "In most of the states with advance notice, there are so many limitations on the notice requirements that it is rarely of any use to residents," says Carolyn Carter, director of advocacy at the National Consumer Law Center.

To better protect residents, advocates support legislative reforms to state laws and tax incentives for landowners who sell to residents. The most effective of these strategies are state laws requiring a landowner to give residents both advance notice of the sale—ideally 60 days—and the opportunity to purchase the property, argues Carter. According to her, there are six states with laws that "work on the ground and provide effective opportunities for residents to purchase their communities," including New Hampshire, Massachusetts, Rhode Island, Florida, Vermont, and Delaware. She says Oregon passed promising legislation in January 2015. "In those states with effective notice and opportunity to purchase laws, resident ownership takes off," Carter explains. Roughly 46 percent of the 80 communities that ROC USA supports are in either New Hampshire or Massachusetts—two small states with some of the nation's strongest resident protections. There are an additional 89 resident-owned cooperatives in New Hampshire that predate ROC USA's launch.

To understand the value of strong consumer laws for residents, consider the story of Ryder Woods, a 174-unit mobile home park in Milford, Connecticut, 11 miles south of New Haven, just



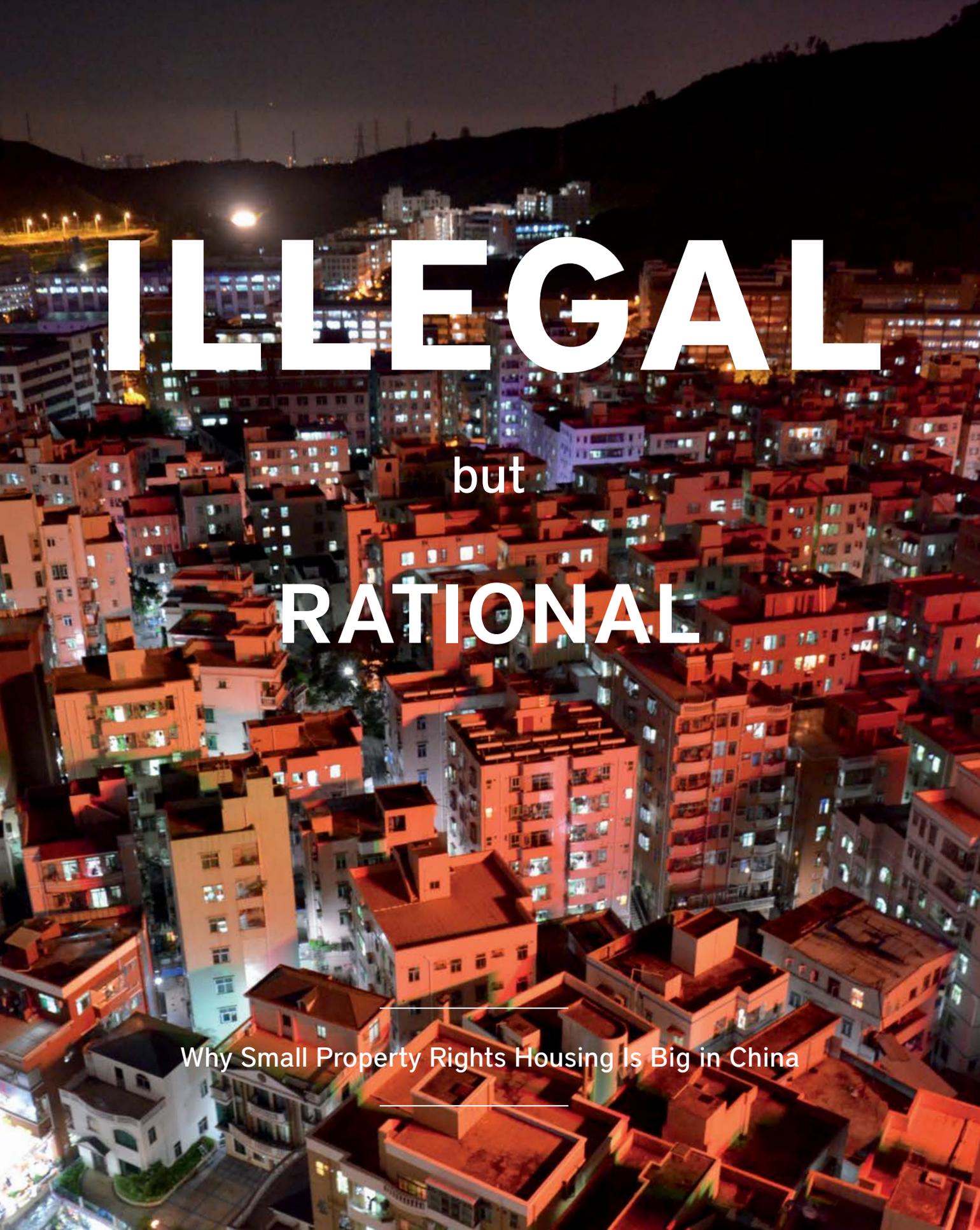
A resident of Prairie Lake Estates in Kenosha, Wisconsin, paddles along the shore of this resident-owned community on Lake Michigan. Credit: ROC USA PHOTO / Mike Bullard

off a major thoroughfare. Connecticut is one of 19 states that either offer tax incentives or provide residents "some" protections when a community is sold, but also contain "significant gaps," according to Carter.

In 1998, Ryder Woods' landowner sold the property to developers. He informed the residents via eviction notices, in violation of state laws requiring him both to give them advance notice of the pending sale and to provide them the right of first refusal to purchase the land. Ryder Woods had an active home owners association, and very quickly they organized protests and petitions and lobbied the state legislature to reverse the sale. Eventually, the local news picked up their story, at which point a Milford-based attorney volunteered her services to help them. As she dug into the case, she realized that the law was on the side of the residents and that the community needed more legal support than she alone could offer. She enlisted help from a friend and fellow attorney—a partner at a prominent, Hartford-based firm—who agreed to take the case pro bono and assigned it a team of attorneys. The case ended up going to trial, eventually making its way to the state's highest court. Uninterested in the unfolding legal headache, the original buyer resold the property to a second developer.

Four years after the original sale, the courts ruled in favor of the residents. In an unprecedented deal, and as required as part of the settlement, the second developer purchased a new piece of land a mile from the original parcel and completely rebuilt the community there. The developer purchased 174 new mobile homes and

CONTINUED ON P. 32



ILLEGAL

but

RATIONAL

Why Small Property Rights Housing Is Big in China

By Li Sun and Zhi Liu

“BEING A MIGRANT WORKER FOR 13 YEARS, I HAVE LONGED TO OWN A HOME AND LIVE A NORMAL FAMILY LIFE HERE IN SHENZHEN,” said Mr. Wang, a former farmer from Sichuan Province who now earns 3,100 yuan (US\$500) per month in the manufacturing sector of this sprawling city in South China. Wang recently purchased what is known as “small property rights” (SPR) housing—an illegal but widespread type of residential development built by villagers on their collectively owned land in peri-urban areas and urban villages, rural settlements surrounded by modern development in many Chinese cities. While no official statistics are available, the number of SPR units is estimated at 70 million—perhaps one-quarter of all housing units in urban China (Shen and Tu 2014). “Small property rights housing fulfills my need,” continued Mr. Wang. “It’s affordable. It is the best choice for me,” he says.

Sold primarily to individuals without local household registration, or *hukou* (box 1), SPR housing violates China’s Land Administration Law, which stipulates that only the state, represented by municipal governments, has the power to convert rural land into urban use. Unlike buyers of legally built homes, buyers of SPR housing do not receive a property rights certificate from the housing administration agency of the municipal government; they sign only a property purchase contract with the village committee. Because Chinese laymen often see the state as the “big” institution, housing units purchased from village committees are popularly called “small” property rights housing.

The widespread development of SPR housing raises a number of legal, political, social, and economic concerns that have prompted academic study and heated public policy debates (Shen and Tu 2014; Sun and Ho 2015). Why has SPR housing emerged in China where administrative control is generally considered tight?

Pingshan Village in Shenzhen has many small property rights (SPR) housing units, built and sold illegally on collectively owned land in this rapidly developing city. Credit: Zhang Xili

The number of SPR housing units is estimated at 70 million—perhaps one-quarter of all housing units in urban China.

What drove the village committees to develop SPR housing in violation of the Land Administration Law? Do SPR housing buyers worry about their tenure security? Why has the government so far tolerated SPR housing ownership? To find answers, one has to look at a number of factors contributing to the rise of SPR housing, including China’s land management system, municipal finance, and public attitudes toward laws and regulations.

The Rise of Small Property Rights Housing

The pace of China’s urbanization is unprecedented. Between 1978 when economic reform began and 2014, the urban population more than quadrupled from 173 million to 749 million, with average annual growth of 16 million. In official

BOX 1

CHINA’S *HUKOU* SYSTEM

China is phasing out its household registration system called *hukou*, which dates to the 1950s. *Hukou* identifies a citizen as a resident of a particular locality and entitles the *hukou* holder to the social security, public schools, affordable housing, and other public services provided by their district, township, or village. Many urban public services are available only to urban *hukou* holders. Because most migrant workers hold rural *hukou*, they are ineligible for many public services in the cities where they work and live. Moreover, they have to return to their registered places of residence to apply for marriage certificates, passports, personal ID card renewals, and other documents—a requirement that comes at significant cost and inconvenience.

counts, the urban population includes residents with *hukou* and, in recent years, migrants who stay in a city for more than six months. Amid such explosive growth, the government's institutional capacity to manage urbanization has often lagged behind, at best barely responding to emerging issues.

"The informal development of SPR housing is regarded as an extra-legal practice and a type of spontaneous urbanization," wrote Dr. Liu Shouying, a senior researcher with the Development Research Center of the State Council, in his newly published book, *Land Issues in the Transitional China* (Liu 2014).

"There is no law explicitly addressing the emerging issues of SPR housing," said Peking University Professor Zhou Qiren, a well-known property rights scholar in China (Zhou 2014).

LEGAL AND ECONOMIC FACTORS

Under China's dual land management system, urban land is owned by the state, and rural land is collectively owned by the villages (figure 1).

There is no private ownership. Only the state has the legal power to expropriate rural land and convert it to urban use. Villages have no land development rights. Compensation to villages for expropriated rural land is based on the land's agricultural production value rather than its higher market value.

When the state expropriates rural land for urban use, it allocates it to residential and commercial uses through concessions to real estate developers, who pay a fee for land use rights. This system allows municipal governments to expropriate rural land for industrial and urban development at low costs, and to generate handsome revenues from land concessions.

The municipal governments' ability to expand the urban land supply is heavily limited, however, by China's strict farmland preservation requirements. Under this policy, 1.8 billion *mu* (equivalent to 1.2 million sq. km) of high-quality agricultural land nationwide must be reserved for food security. The Ministry of Land and Resources annually approves the amount of urban land for



Most of the residential construction in Shenzhen's urban villages (rural settlements surrounded by modern development in Chinese cities) is SPR housing. Credit: Zhi Liu

Because Chinese laymen often see the state as the "big" institution, the housing units purchased from village committees are popularly called "small" property rights housing.

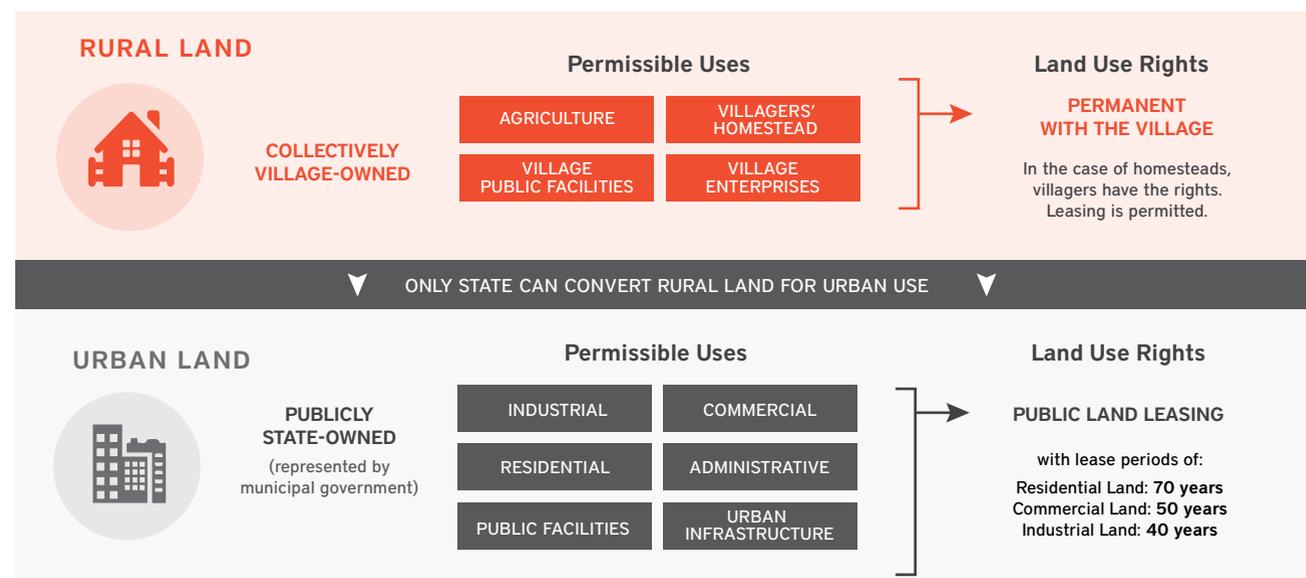
each city, and the municipal government then allocates this supply to various purposes, leaving a small fraction (usually around 30 percent) for residential development. Given the limited supply of residential land in the major cities, prices are bid up very high.

By contrast, most cities offer industrial land to manufacturing firms at very low and subsidized prices in order to compete for investment and employment. They expect these firms to yield jobs, economic growth, and tax revenues for the municipality, and then for those new jobs to generate increased demand for housing and services—in turn creating more jobs, economic growth, and tax revenues. As a result, the price for residential land is up to 15 times higher than the price of industrial land (figure 2).

Over the last few years, concession fees from commercial and residential land were typically as high as 40 to 60 percent of municipal tax revenues. With these revenues, municipal governments not only subsidize industrial land, but also fund public investment in infrastructure and other services. Because farmers' compensation was only a tiny fraction of the value created from the state-monopolized development rights, they were keen to find ways to share in these revenues, setting the stage for SPR housing.

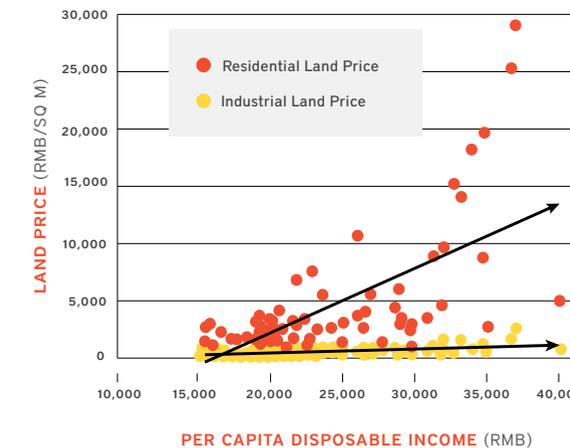
There are three types of rural land in China: one is used for agriculture, one is used for construction, and the third is unused. SPR housing units are usually built on rural construction land, which allows for villagers' residential plots and public facilities. While strict enforcement of the national farmland preservation policy generally prevents conversion of agricul-

FIGURE 1
LAND OWNERSHIP AND PROPERTY RIGHTS IN CHINA



Source: Li Sun and Zhi Liu

FIGURE 2
COMPARISON OF INDUSTRIAL VS. COMMERCIAL AND RESIDENTIAL LAND PRICES IN 70 MAJOR CITIES IN 2013



Source: Liu and Wang 2014

tural land into construction land, villages are not explicitly prohibited from using construction land for village industries, restaurants, hotels, warehouses, rental plants, and rental housing. Indeed, property rental businesses have existed in rural areas for many years. For example, rural households living in urban villages and at the rapidly growing urban fringe have built multi-story housing on their residential plots and rented the units to migrant workers.

SPR housing units are typically 40 to 60 percent cheaper than comparable formal housing in the same location.

When urban housing prices started to soar in the mid-2000s, the villages saw opportunities to make handsome profits from building and selling homes. Each year from 2006 to 2014, house prices climbed about 20 percent in Beijing, 18 percent in Shanghai, 17 percent in Shenzhen, and 11 percent in Chengdu (PLC-HLCRE 2014). The rapidly rising prices of residential land drove part of these increases.

Demand for home ownership in China remains strong, thanks to the growing urban population, rising household incomes, high savings rates among urban households, and lack of alternative household investments. And SPR housing units are much less expensive than comparable formal housing units in the same location. Indeed, their prices are typically 40 percent to 60 percent cheaper, because villages do not pay land concession fees as the urban real estate developers do, and the administrative costs of providing SPR housing are also lower. Thus, SPR units became the rational housing choice for many migrant households, and even for some urban households with *hukou* in their city of residence.

SOCIAL AND CULTURAL FACTORS

The village committees understood that building and selling SPR housing violated the Land Administration Law and the associated local land regulations, but the lure of profits drove them to test the legal limits. And once a few villages

started selling SPR housing, others were quick to follow. The central government responded by issuing a series of administrative circulars calling for a halt, but took little action due to the lack of legally effective and socially acceptable measures to put an end to the practice.

Meanwhile, given the lack of legal protections, one might ask why SPR housing buyers do not opt for rental housing. The answer is that the rental market in urban China is poorly regulated, and contract enforcement is weak. Tenants often face the risk of unexpected rent hikes and premature termination of leases. In addition, participation in the affordable housing programs run by the municipal governments is not an option for most migrant workers because they do not have local urban *hukou*.

At the same time, Chinese households strongly prefer home ownership for a number of social and cultural reasons. Most households consider a stable home essential to their lives. As Dr. Sun Yet Sen (1866–1925) famously said: “Every household ought to have a home.” The Chinese word for “family” (*jia*) is literally the same as the word for “home,” both in written form and speech. Most Chinese think that an ideal home is a secure place for the family, and the most secure home is a self-owned one. One SPR housing buyer in Shenzhen said, “With my newly purchased SPR housing unit, I don’t have to worry about being forced out of the rented unit any more, and I could make my own place a real home.”

Because healthcare and educational opportunities are better in cities than in rural areas, many migrant workers purchase SPR housing units so that their families can take advantage of these services. And for young men, buying SPR housing units is a way to improve their chances in the highly competitive marriage market, where men outnumber women by 34 million, according to the National Bureau of Statistics. Moreover, herding behavior—where everyone wants to do what everyone else does—is a significant factor, and the housing purchases of some buyers heavily influence the purchase decisions of others.

As some newspaper interviews and Internet surveys reveal, buyers generally do not worry about being prosecuted for living in SPR housing.

They do not believe that the government would attempt to enforce the law on millions of citizens. There is a popular saying in the Chinese legal enforcement tradition: *fa bu ze zhong* (the law does not punish everyone). If many people violate a law or a regulation in China, people often consider the law itself flawed.

Indeed, over the history of economic reform in China, there are celebrated cases in which mass violation of a law drove change, resulting in legalization of formerly prohibited activities. Based on this history, many SPR housing buyers expressed confidence that the government would not evict them from their homes. This confidence is evident from the fact that SPR housing owners often spend a substantial amount of their incomes, savings, or borrowed money on home improvements such as interior decoration and furnishings.

Many SPR housing owners feel that they are already a large enough group to defy any government actions that penalize them. Eviction is highly unlikely, given that the Chinese government’s top priority is maintaining social stability. One SPR housing owner in Beijing said, “I am sure that the government will not evict us from our homes. If it happens, where should we live? In front of the municipal hall?”

A Major Challenge to Government

Enforcing the law against SPR housing development on millions of households would indeed be politically unwise. Doing so would likely trigger social unrest—the last thing the government wants to see. However, amending the law is not easy, and for some time the central government seemed unable to come up with a land management system suitable for an urbanized China. Without a clear solution, the central government thus tended to tolerate SPR housing.

Local governments, however, were more uncomfortable with the growing numbers of SPR housing units because they reduced demand for government-supplied residential land and therefore revenues from land concessions. But again, the fear of social unrest left most



The shorter buildings in the foreground here are SPR housing built by villagers on their residential plots in Shenzhen, while the high-rises are SPR housing built by the village collective corporation, whose members share the profits. Credit: Zhi Liu

local governments with nothing to do but repeat the central government’s rhetoric about its illegality. Government tolerance also reflects the fact that SPR housing developments afford shelter for many lower- and middle-income groups that the government and the market have been unable to provide. In the public debate, the argument for SPR housing is that it serves an important social function by housing the large number of migrant workers essential to China’s rapid urban economic growth.

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COMMUNITY LAND TRUSTS GROWN FROM GRASSROOTS

Neighborhood
Organizers
Become
Housing
Developers

By Miriam Axel-Lute and Dana Hawkins-Simons

AS INTEREST IN URBAN LIVING GROWS, the cost of residential real estate in many hot markets is skyrocketing. According to the Joint Center for Housing Studies (JCHS 2015), in 2014 rental vacancy rates hit their lowest point in two decades; rents rose in 91 out of 93 metropolitan areas studied; and the consumer price index for contract rents climbed at double the rate of inflation—and 10 percent or more at the top end, in Denver, San Jose, Honolulu, and San Francisco. Despite some interruption from the mortgage crisis, asking prices for homes for sale have continued to rise as well, often beyond the reach of potential home buyers (Olick 2014); in Washington, DC, the median home value nearly tripled from 2000 to 2013 (Oh et al. 2015). As housing activists look for effective tools to prevent displacement of lower-income families from gentrifying neighborhoods and create inclusive

communities, many are turning to community land trusts (box 1) as a way to help build the nation's stock of permanently affordable housing.

Much like community development corporations (CDCs), many CLTs grew from grassroots neighborhood organizations. Traditional community organizing (distinct from broader “resident outreach”) creates a base of residents who are empowered to determine for themselves what they need and mobilize to get it; as a united front, these individuals are better able to counter-balance corporate or governmental opponents and other forms of institutional power. Strategic collaboration and strength in numbers are essential to the successful formation of a CLT. But the skills required to organize politically around local concerns are very different from the skills required to manage real estate. While both sets of skills are required to implement and sustain a CLT, growing these core competencies under the same roof might hamper the neighborhood-based organization's ability to pursue or achieve its core founding mission.

T.R.U.S.T. South LA CLT raised funds to enhance green space in the neighborhood where it maintains 48 permanently affordable rental units. Credit: Cooper Bates Photography

BOX 1 THE CLT MODEL

Under the CLT model, a community-controlled organization retains ownership of a plot of land and sells or rents the housing on that land to lower-income households. In exchange for below-market prices, purchasers agree to resale restrictions that keep the homes affordable to subsequent buyers while also allowing owners to build some equity. The CLT also prepares home buyers to purchase property, supports them through financial challenges, and manages resales and rental units.

CLTs thus bring sustainable home ownership within the reach of more families, supporting residents who want to commit to their neighborhoods for the long term. In gentrifying areas, they provide an effective way for lower-income families to retain a stake in the neighborhood because they take a single initial subsidy (which could come from a variety of

sources, often public programs such as the HOME Investment Partnerships Program or Community Development Block Grants) and attach it to the building, keeping the units affordable over time without new influxes of public money. In weak housing markets, they are beneficial as well (Shelterforce 2012), providing the financial stewardship that ensures fewer foreclosures, better upkeep, and stable occupancy. In 2009, at the height of the foreclosure crisis, Mortgage Bankers Association (MBA) loans were 8.2 times more likely to be in the foreclosure process than CLT loans, despite the fact that CLT loans were uniformly made to low-income households (Thaden, Rosenberg 2010), and MBA loans included all income brackets. Of the very few CLT homes that did complete foreclosure, none were lost from the CLT's portfolio.

How have community organizations that created CLTs navigated the challenge of building two seemingly incompatible skill sets? We examined the experience of five established CLTs in locations across the country to see how they addressed this challenge and how their focus evolved as a result. From Boston to Los Angeles, community organizers faced a range of conditions, from high-vacancy neighborhoods with almost no housing market to booming areas where displacement was the top concern. Yet all five organizations had remarkably similar reasons for starting a community land trust: each

CLT director spoke of wanting community control of land to prevent residents from either losing a home or being unable to afford one. Even those CLTs that began in weak housing markets were located near downtowns, university districts, or other popular areas, and recognized the potential for displacement as conditions in the neighborhoods improved. All agreed that a clear community vision is essential to the success of a CLT, but some groups take direct responsibility for creating and implementing that vision, while others are devoted to housing work on behalf of a parent organization charged with shepherd-

ing the larger vision. Approaches to organizing and housing development varied as well, but all agreed that these two activities can be a difficult mix.

DUDLEY NEIGHBORS INC., BOSTON, MA

The oldest organization in our study, Dudley Street Neighborhood Initiative (DSNI), formed in a cold market in the 1980s to fight illegal dumping on broad swaths of vacant land left behind by a wave of arson. The city was proposing a master plan for the area without seeking input from residents, and community members responded by organizing DSNI to assert the community's right to direct decisions about land use within its boundaries. They won that right and through DSNI decided that a CLT was the best tool to help the organization implement the community's vision. "A lot of times, groups want to jump into creating a CLT thinking it will magically solve a neighborhood's problems," says Harry Smith, director of DSNI's CLT, Dudley Neighbors Inc. (DNI). "But first we say: 'Have you written down a vision of development in your community, and can you say how a CLT fits into that?'"

Founded in 1984, DNI is an independent organization, but it maintains close ties to its parent organization. The two groups share staff, and DSNI appoints a majority of the CLT's board. The CLT is responsible only for providing affordable housing and community control of land,



freeing DSNI to make organizing and community planning its main priority. Neither DSNI nor DNI carry out development directly, but instead partner with local affordable housing developers.

Because of its long history and established relationships, DSNI engages in less confrontational organizing than it did in its earliest days. But it doesn't shy away from it if necessary. In fact, Smith reports that maintaining a CLT can be a unique political strength. When DSNI organizes around the fate of a particular parcel of land, "Having a land trust gives us an extra level of impact," he says.

SAWMILL COMMUNITY LAND TRUST, ALBUQUERQUE, NM

Located in Albuquerque, New Mexico, Sawmill CLT was born in 1996 when, after a decade of community organizing, low-income residents banded together to fight a nearby factory that polluted their air and threatened their health.



Above: Dudley Neighbors CLT in Boston provides affordable housing and community control of land on behalf of its founding organization, the Dudley Street Neighborhood Initiative (DSNI), freeing DSNI to focus on community planning and organizing. Credit: Travis Watson

Left: Sawmill CLT is one of the nation's largest community land trusts, with 90 home owner properties and 203 rental units on 34 acres of land in Albuquerque, New Mexico. Credit: Sawmill Community Land Trust

TABLE 1
PROFILES OF FIVE SAMPLE CLTS

ORGANIZATION	DUDLEY NEIGHBORS, INC.	SAWMILL COMMUNITY LAND TRUST	SAN FRANCISCO COMMUNITY LAND TRUST	T.R.U.S.T. SOUTH LA	COMMUNITY JUSTICE LAND TRUST
YEAR FOUNDED	1984	1996	2003	2005	2010
LOCATION	Boston, MA	Albuquerque, NM	San Francisco, CA	Los Angeles, CA	Philadelphia, PA
SERVICE AREA	One neighborhood	One neighborhood, expanding into second	City	One neighborhood	One neighborhood
FOUNDING GROUP	Dudley Street Neighborhood Initiative (DSNI)	Sawmill Advisory Council	Various citywide housing organizers	Esperanza Community Housing Corporation, Strategic Actions of a Just Economy, and Abode Communities	Women's Community Revitalization Project (WCRP)
CURRENT DIRECTOR	Harry Smith	In transition	Tracy Parent	Sandra McNeill	Nora Lichtash
STRUCTURE	Subsidiary	Standalone	Standalone	Standalone	Program
DEVELOPER?	Via partners	Yes	Yes, but existing property only	Via partners	Yes, via parent
HOME OWNERSHIP UNITS*	96	90	0	0	0
RENTAL UNITS*	52	203	9	48	238
CO-OP UNITS*	77	0	45	0	0
WHO DOES ORGANIZING?	Parent group	Self; supported civic groups	Founding partners	Self, in coalition	Parent group
LEADS ON COMMUNITY VISION?	No	Yes	No	Partners	No

* As of December 31, 2014. Source: National Community Land Trust Network

Affordable housing development is a complicated and expensive business that no community organization should take lightly if it is thinking about starting a CLT.

They wanted to assert control over future use of the space. After leaders attended a conference to learn more about CLTs, they held a series of community meetings on the topic. Though some residents aired concerns about the lack of land ownership in the CLT model, a community elder reminded them that they didn't truly have ownership of their property in any case, either because they were renting or were ill-equipped to control what happened on their land. Former executive director Wade Patterson says, "The fact that the work was specifically geared toward controlling housing costs assuaged concerns about gentrification and displacement. The fact that we got a house instead of another factory was something we couldn't argue with."

Sawmill CLT was created as a standalone organization dedicated to housing development, stewardship, and property management. It's one of the largest CLTs in the country, with 34 acres,

which includes rental, ownership, and senior housing. Recently, it won an RFP issued by the city of Albuquerque to revitalize an old motel in a new neighborhood in the city, and the CLT is figuring out how to enter the community respectfully from outside.

Albuquerque's Sawmill-area neighborhood associations, including the Sawmill Advisory Council, which launched the CLT, focus on "community building" through cultural events, says Patterson. The CLT supports neighborhood organizing by offering meeting space in one of its buildings and other support. Patterson says, "Our goal isn't to lead but to be behind them."

SAN FRANCISCO COMMUNITY LAND TRUST, SAN FRANCISCO, CA

SFCLT was launched in 2003, at a time when the city was already one of the hottest real estate markets in the country, and low-income residents were concerned about soaring rents and illegal evictions for condo conversions. Housing organizers were seeking a model that could prevent evictions and give lower-income residents more control over their living situations.

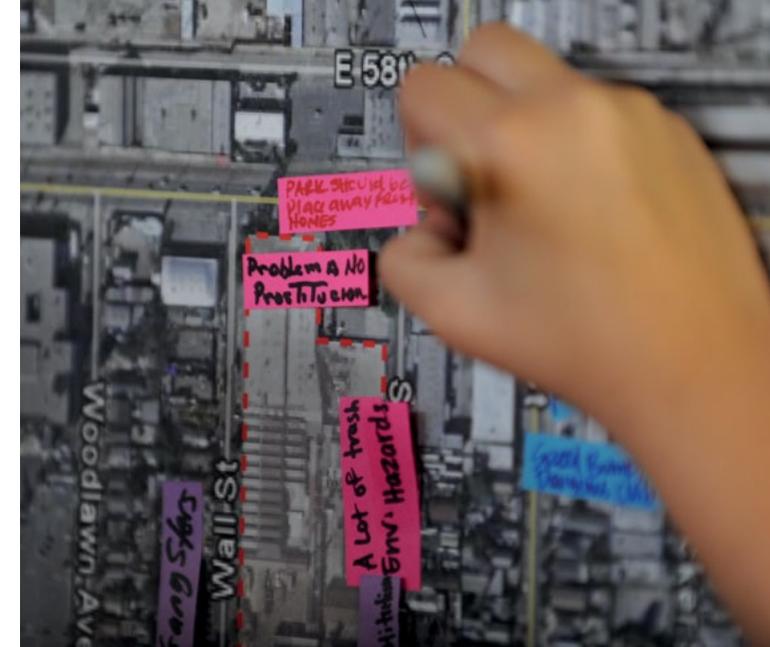
The CLT is a standalone entity, but it maintains a close relationship with the housing

organizers who founded it. When its partner groups organize to prevent evictions or condo conversions in an at-risk building (generally small apartment buildings), SFCLT steps in as a preservation purchaser and converts them to co-ops on CLT-owned land. SFCLT has in-house real estate expertise, but does not develop new buildings, and it contracts out any needed rehabilitation. It handles the financial aspects of the acquisition and the conversion, the stewardship of the land, and the training and support that helped residents form a co-op board and carry out co-op governance. "Housing groups refer everyone to us; we're the only housing organization that can help stabilize a multi-unit apartment building by buying it," says director Tracy Parent. SFCLT organizes its member base to support the broader issues that its coalition partners push for, but it doesn't "initiate organizing" on issues, according to Parent.

T.R.U.S.T. SOUTH LA, LOS ANGELES, CA

When T.R.U.S.T. South LA was formed in 2005, its target neighborhoods were filled with vacant lots and deteriorated housing, while surrounding areas were under increasing development pressures. While the founders—Esperanza Community Housing Corporation, Strategic Actions of a Just Economy, and Abode Communities—originally envisioned the CLT as primarily a housing tool, it has taken on a broader role in implementing a community vision. "Originally, we formed as a land acquisition group. Then our members wanted to organize," says executive director Sandra McNeill. The CLT has, for example, organized against a slumlord who was trying to evict residents from a building he had strategically let deteriorate in order to cash in on expiring section 8 affordability restrictions. It has also organized to raise funding for transportation and green space improvements in its neighborhood and participated in coalitions to support broader citywide policies such as increased funding for affordable housing.

The group now describes itself as "a community-based initiative to stabilize the neighborhoods south of downtown Los Angeles." T.R.U.S.T. South LA is a standalone organization that considers



T.R.U.S.T. South LA's mission is to "stabilize the neighborhoods south of downtown Los Angeles." Credit: Cooper Bates Photography

itself part of the development team on housing projects, partnering with others to purchase, finance, and construct or rehabilitate housing.

Although T.R.U.S.T. South LA does a lot of organizing, nearly all of its policy work is conducted in collaboration with other groups, including its founding partners. "Affordable housing developers generally aren't risk takers," says McNeill. "They may be involved in political work to ensure that funding streams are in place for affordable housing, but that's as far as most of them go."

COMMUNITY JUSTICE LAND TRUST, PHILADELPHIA, PA

Community Justice Land Trust in Philadelphia formed in Northeast Philadelphia in 2010 amid combined cold and hot market challenges. Although the neighborhood suffered from a large number of vacant and abandoned properties, it was surrounded on all sides by booming markets, and those rising prices and development pressures seemed likely to spread. The Women's Community Revitalization Project (WCRP), along with a coalition of local civic organizations, held dozens of public meetings to help the community members understand what forming a CLT would mean and to explore their concerns about resale restrictions. Attendees voted in favor.

CONTINUED ON P. 35



San Francisco CLT purchases small, at-risk apartment buildings and converts them to co-ops on CLT-owned land. Credit: Tracy Parent



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Since 2009, the Lincoln Institute has supported her research on the impacts of residential land use regulations on informality, urban extension, and land values in Latin American cities. In her consulting practice, she has worked with a number of government departments in Argentina and other Latin American countries, as well as several international organizations such as the World Bank, UN University World Institute for Development Economics Research, and the Development Bank of Latin America, among others.

Cynthia holds a M.Sc. in urban economics and a Ph.D. in regional and urban planning from the London School of Economics and Political Science.

The Impacts of Land Use Regulations in Latin America

LAND LINES: Local land use regulation is a difficult topic to tackle. Although zoning and other interventions can be a strong remedy for market failures, they can have unplanned adverse effects. How did you come to take on this type of research?

CYNTHIA GOYTIA: I became interested in the economic analysis of land use interventions as I began to recognize that land markets are about more than just land and location. Over the last 30 years or so, land use regulation and zoning have become much more important than land taxation in determining quality of life for people in cities. And over time, I noticed that land use interventions designed to achieve socially desirable ends sometimes had unintended negative consequences that planners and policy makers had totally failed to anticipate. For example, government regulations affect access to a wide range of public goods and, as a result, may lead to increased residential segregation and informal development.

All these facts encouraged me to research the effects of government interventions on the land market. I also realized that part of the knowledge gap about regulatory effects in Latin America resulted from the lack of comparable and systematic data on land use. So in 2005, I began an extensive research agenda on this subject, which started as a cooperative effort with Argentina's national government and later gained the strong support of the Lincoln Institute.

LL: How relevant to Latin America are the results of recent studies claiming that over-regulation of land use in developed countries drives up housing prices?

CG: Our empirical research provides evidence that by increasing prices in the formal land market, thus reducing the supply of housing affordable to low-income households, some aspects of land

use regulation could promote more informal development. For example, the Land Use Law enacted in Buenos Aires Province 38 years ago defined new requirements for minimum lot size and forced developers to finance the infrastructure for new subdivisions. These requirements priced low-income households out of the legal land market and into the informal sector.

While the overall objectives of the law were not bad, they had unintended consequences for housing affordability. As a result, the land market was severely skewed to the higher-income segment, while the low-income submarket—households that previously had been allowed to construct their own houses on residential lots—was practically dismantled by the time the new land use standards were enacted and enforced. Not surprisingly, these types of constraints have led to illegal occupation of land in nearly two-thirds of the municipal jurisdictions forming Argentina's metropolitan areas, including Buenos Aires Metropolitan Area.

LL: Many analysts assert that exclusionary building and land use codes are largely responsible for rampant informality in the region. How would you respond to that criticism?

CG: My recent research supports the claim that land use regulation is used not only to correct for market failures, but it can constitute a way to achieve exclusionary aims as well. We have found that municipalities with large shares of both educated households and disadvantaged populations tend to impose more restrictive residential zoning to maximize the benefits that formal home owners receive from their local governments.

There are some interesting correlations between the use of exclusionary measures in some jurisdictions and conditions in nearby areas. For example, municipalities in Buenos Aires with stringent policies about infrastructure provision are surrounded by municipalities with large shares of households that lack basic services. Indeed, under-provision of infrastructure is central to the idea of urban exclusion. The local government may thus attempt to indirectly regulate the scope of informal

development by failing to pave the roads or provide connections to water and sewerage services. Under-servicing informal settlements may be a strategic device to discourage migration to areas experiencing population growth pressure, which are already highly populated, richer, and reluctant to share their tax base with lower-income migrants.

Land use interventions designed to achieve socially desirable ends sometimes had unintended negative consequences that planners and policy makers failed to anticipate.

LL: Among the many factors accounting for informality in Latin America, where would you place land use regulation?

CG: Our research provides evidence of a link between land use regulation and the housing choices of urban households in Argentina. Municipalities that have enacted more land regulatory measures also have larger informal sectors, suggesting that the regulatory environment severely constrains development of formal low-income land and housing markets. For example, minimum lot sizes set up land consumption levels that low-income households cannot afford. Moreover, these regulations determine the amount of housing that can be built on lots by setting maximum heights, floor area ratios, or allocation of open space—skewing the supply to the upper-income market. Relatively high project approval costs (in terms of both time and money) also have negative impacts by raising the final cost of housing and/or discouraging developers from building housing for low-income households. At the same time, however, inclusionary policies—including value capture or betterment levies, impact fees, and setting vacant land aside for affordable housing—reduce the likelihood that households resort to informal land markets.

One of the most important concepts we need to understand is that informality is not merely a poverty issue, but rather a land market distortion that affects households of all incomes. Therefore, land use regulation should contribute to the design of policies that are able to address the fundamental causes of informality and hold down the prices of serviced land.

LL: The efficiency-equity trade-off seems to be at the heart of debates about land use regulation. This trade-off is played out under different rules when it comes to higher-income and lower-income urban areas, as plainly revealed in Brazil's special zones of social interest (ZEIS)—low-income areas preserved for affordable housing by the state.

CG: You are right. Rules such as general-purpose urban zoning regulations are quite different from the pro-poor standards allowed in ZEIS. General-purpose zoning is meant to improve the efficiency of urban land use, especially in the formal housing market. Adequate planning facilitates timely infrastructure investment and large-scale urban development. Overall, efficient land use contributes to improved urban productivity. But many times, it does not in itself ensure affordability for lower-income groups.

We need to understand that informality is not merely a poverty issue, but rather a land market distortion that affects households of all incomes.

At present, we do not have a rigorous evaluation of ZEIS effects, but it is important to consider two facts when it comes to the less stringent standards set for low-income housing. First, the rationale for allowing different regulations for particular segments of the housing market is that doing so enhances general welfare. Second, the pragmatic solution of regularizing informal areas raises the question of why municipalities do not allow higher densities in the first place, provided that the appropriate

infrastructure is put in place. In theory, allowing higher-density development in formal areas would increase the overall supply of buildable land, thereby reducing prices and increasing the availability of affordable housing.

LL: Are there any good examples of politically feasible, socially inclusive land use regulations?

CG: In most developing countries, the challenge is to design policies that address the fundamental causes of informality and promote social inclusion. Jurisdictions that have adopted—and effectively implemented—inclusionary measures are now better able to provide more affordable housing options in the formal market. But there are at least two distinct types of approaches, which push the land use regulation agenda in our cities in different ways and have various implications.

The first type of approach focuses on easing land use restrictions that disproportionately affect the supply of low-income housing. We know that higher land costs due to “forced consumption” make housing less affordable to lower-income families. Revising these types of standards—such as allowing condominium units in low-density areas (where most low-income households live), increasing floor area ratios, and reducing minimum lot sizes for subdivisions where infrastructure is phased in—helps to improve housing affordability in the formal market. These measures also make it more profitable to develop low-income housing, thereby increasing the incentives to supply units for this market segment. There are now some examples of formal developers building low-income subdivisions and affordable housing units in some municipalities where population and affordable housing demand have been growing fast, such as La Matanza, in the Buenos Aires metro area.

The second type of land use innovation involves making changes to regulatory frameworks. Government jurisdictions at all levels are now enacting a variety of policies that play a more active role in land and infrastructure development and finance, guiding urban growth and infill development while also capturing the

value of large-scale public investments. Rosario, Argentina, provides a great example. The government there grants building rights—notably in high-income areas—as long as the proceeds are used to fund the public investments necessary to support higher densities and to provide serviced land for affordable housing or for informal settlements.

I have already underscored the importance of infrastructure spending. Over the last decade, metropolitan agglomerations in Argentina were expanding 3.5 percent annually on average while the population was growing by 1.2 percent annually. This development path makes the financing of infrastructure imperative. Some municipal governments have responded by implementing betterment levies. Trenque Lauquen is a case in point. The municipality has used the levies not only to finance infrastructure investments, but also to manage urban growth and make land available for different uses, including low-income housing. Although limited in scope, this success shows that betterment levies are a feasible and flexible instrument that can help expand urban services. It also prevents informal land subdividers from exploiting the gap between the prices of raw and fully serviced formal land.

LL: Based on what we know and do not know about land use regulation in Latin America, which research priorities do you think the Lincoln Institute should pursue?

CG: The Lincoln Institute of Land Policy has been doing a great job in generating knowledge about land use regulation in Latin America through its support of research, seminars, and other activities, and by encouraging valuable interactions among a broad audience of urban planners and policy makers in the region. Now we need to build on this knowledge to promote policies that improve land and housing affordability, and to identify the sources of supply distortions that lead to low compliance and widespread informality.

This means improving our understanding of the impacts of regulatory innovations now taking place in the region. Although we have some case

studies about the effects of these new tools, we need to carry out a comprehensive review of the ways cities, municipalities, states, and national offices define their regulatory frameworks. Creating a comprehensive database of this information for the main urban agglomerations in the region would allow comparisons over time and across municipalities.

To this end, we at CIPUV performed a nationwide survey of planning officials about local land use regulations in Argentina's metropolitan areas. The set of indicators assembled in the CIPUV Index of Land Policy (CILP) provides detailed information on such parameters as the existence of land use plans, the authorities involved in zoning changes and residential project approval processes, the existence of building restrictions, the costs related to project approvals, and the implementation of value capture instruments.

Over the years, our research has started to reshape planners' attitudes about regulatory frameworks. We have initiated a dialogue with planners and public officials in the hope of gaining new insights about the role of land markets within cities and the impacts of regulations. In addition, our standardized indices have enabled comparisons of regulations across municipalities as well as analysis at the metropolitan and state levels. As a result, some municipal and provincial jurisdictions in Argentina have recently updated, or are in the process of updating, their land use plans and laws, some of which date back nearly half a century.

LL: Would it be feasible to develop an international version of the CIPUV Index of Land Policy?

CG: Yes. Taking up such an initiative would have two important effects. First, it would allow comparisons of metropolitan areas throughout Latin America and increase the visibility of successes that some cities have had in increasing land affordability. And second, it would provide fertile ground for policy makers and researchers to learn which initiatives lead to better outcomes. It is not only feasible, but a central challenge that should be addressed in the coming years. □

Zoning Rules! The Economics of Land Use Regulation

William A. Fischel

ZONING HAS A VENERABLE HISTORY but is being over-used by local communities to block new housing development in ways that exacerbate sprawl and social inequity, according to *Zoning Rules! The Economics of Land Use Regulation*, a new book published by the Lincoln Institute of Land Policy.

In a definitive economic, political, and legal account of local land use regulation, author William A. Fischel, a professor at Dartmouth College, reveals how home owners seeking to protect their investment have made development difficult and costly. “State, federal, and judicial interventions to control local zoning have done more harm than good,” Fischel says. “To help grow the economy, decrease inequality, and improve the environment, America needs to take the wind out of the sails of local land use regulation.”

For a century, zoning has been a useful and popular institution, enabling cities to chart their own course and home owners to protect their main investment. But as residential real estate prices have soared in recent years, Fischel says, concern about home values has created barriers to growth—contributing to suburban sprawl, entrenching income and racial segregation, and slowing the growth of the American economy. Once dismissed by economists as a paper tiger, municipal zoning is now regarded as a major influence on development.

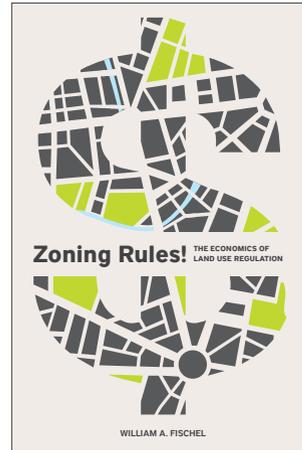
Zoning Rules! explores the behavioral basis as well as the economic effects of local government land use regulation. This requires not just an economic model of how zoning works but a deeper understanding of

the social, political, and technological factors that guided its history over the last century. Zoning’s popularity is due to its success in protecting the value of single-family homes, and anti-sprawl reforms must take this into account.

Takeaways from *Zoning Rules!* include the following recommendations:

- Curtail federal tax subsidies to owner-occupied housing, beginning with the home mortgage interest deduction.
- Re-assess concern about exactions. Courts and legislatures should be aware that new development can have public impacts that are greater than previous developments.
- Abolish rent control, which can reduce the supply of rental housing, driving more people into the owner-occupied sector and fueling more NIMBYism.
- As a remedy for exclusionary zoning, play down the threat of monetary damages.

Fischel concludes with an inversion of Daniel Burnham’s famous dictum, by suggesting that communities should “make only little plans.” Large plans are often high-profile targets for people who oppose development, he says. Modesty in scale often gets things done, not least because many reviews have thresholds that intentionally allow small players more leeway. More particularly, the megaprojects of urban renewal, like that of New London, Connecticut, create holdout situations and adverse publicity that more modest and contingent development can more easily avoid. □



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William Fischel has taught economics at Dartmouth College since 1973. He has written four books, including *The Economics of Zoning Laws* (1985) and *The Homevoter Hypothesis* (2001), and more than 50 articles with local government themes. He served on the Hanover, New Hampshire, zoning board for 10 years and was a member of the board of the Lincoln Institute of Land Policy for four years.

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State Trust Lands in the West: Fiduciary Duty in a Changing Landscape (Updated)

Peter W. Culp, Andy Laurenzi, Cynthia C. Tuell, and Alison Berry

State Trust Lands in the West (Updated) introduces readers to the concept of state trust lands, which Congress granted to each state upon inception for the purpose of supporting public institutions, primarily K-12 public schools. This report explores the history and current status of trust lands in the West, where 85 percent of the remaining 46 million acres of these lands are concentrated. And it offers examples of initiatives to help land managers and other interested parties fulfill their multiple trust responsibilities while producing larger, more reliable revenues for trust beneficiaries, accommodating public interests and concerns, and enhancing the overall decision-making environment for trust management.

This comprehensive report is an updated version of the original 2006 publication. It reflects the current status of initiatives profiled in the case studies, and the graphics, charts, and appendices include statistics from fiscal year 2013. *State Trust Lands in the West* is the product of Western Lands and Communities, a joint program of the Lincoln Institute of Land Policy and the Sonoran Institute.

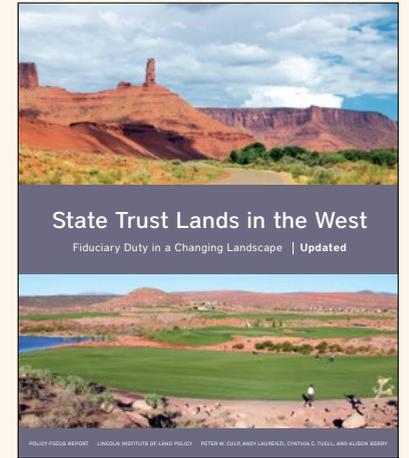
State trust lands are an often misunderstood category of land ownership in the U.S. According to Stephanie Sklar, CEO of the Sonoran Institute, “This popular report was updated and reprinted so it can continue to serve as an introductory primer on the issue; one that clearly illustrates the varying degrees of flexibility the states have in managing their trusts, all while meeting their fiduciary responsibility to the beneficiaries.” She adds that Sonoran Institute makes a practice of sending

this report annually to all new trust land managers, “The history and core content of the report have not changed significantly, but updated data makes it more timely and useful.”

State Trust Lands in the West and a companion website, www.statetrustlands.org, show how much land each state holds in trust, the type of revenue-generating activities conducted on trust lands, who the beneficiaries are, and the annual revenue generated and distributed to the beneficiaries.

Across the West, communities are changing rapidly as a result of population growth and an ongoing nationwide shift toward a more diversified, knowledge-based economy. This report presents strategies and approaches that state trust land managers have taken in response, including these measures:

- Establish comprehensive asset management frameworks that balance short-term revenue generation with long-term value maintenance and enhancement.
- Incorporate collaborative planning approaches with external stakeholders to achieve better trust land management.
- Encourage real estate development activities that employ sustainable land disposition tools and large-scale planning processes, especially in fast-growing areas.
- Support conservation projects that enhance revenue potential, offer ecosystem services, and allow multiple uses of trust lands.
- Introduce comprehensive reforms to expand flexibility and accountability of trust land management systems. □



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Alison Berry is the energy and economics specialist at the Sonoran Institute, where her work focuses on land use issues in the West.

ALSO AVAILABLE

In a related report, *Conserving State Trust Lands: Strategies for the Intermountain West*, authors Susan Culp and Joe Marlow examine strategies to conserve state trust lands with ecological and environmental value, while maintaining the trust obligation to earn revenue for K-12 schools and other beneficiaries.

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sold them to the residents at significantly reduced prices with more favorable mortgage terms than any available in the conventional financing market. He built a community center and a pond, complete with swans. And, as required by their agreement, he provided the residents the opportunity to form a cooperative and buy the land, which they did in 2009 with \$5.4 million in purchase financing from ROC USA Capital. They closed on their purchase in the offices of the Hartford firm, which had continued to volunteer its services to the residents through the sale's completion. Today, there is a Walmart on the land that housed the original Ryder Woods community.

"Sometimes, when we look back, we think it was crazy. We chartered a bus, went to Hartford, spoke to the legislature, and just fought it. We stuck together and won against two big-time, billion-dollar developers," explains Lynn Nugent, 68, a part-time merchandise associate at Sears, and one of the residents who helped organize the campaign, along with her husband, a retired locksmith. "Now I always say, 'Somebody else used to own us, and now we own ourselves.'"

Improving Access to Quality, Affordable Manufactured Homes

Unlike the residents of Ryder Woods, many owners of manufactured homes struggle to secure a quality unit with affordable financing. Here again, legislation is a primary culprit. Under federal law, manufactured homes are considered personal property, like a car or a boat, opposed to the real property designation assigned to traditional

homes. Consequently, buyers cannot access mortgage loans. Instead, financing is available in the form of personal "chattel" loans. More expensive than mortgage loans, they average an additional 50 to 500 basis points and provide fewer consumer protections. More than 70 percent of purchase loans for manufactured homes are these higher-cost loans, which are considered a proxy for subprime products.

"This second-tier status is one of the biggest limitations to increasing the stock of permanently affordable manufactured homes," says McCarthy. "It makes financing the homes more challenging and expensive than it should be, and it diminishes the homes' wealth-building potential because it reduces effective demand for existing units."

While the dream fix would be to change federal titling laws, such revisions are not forthcoming. Instead, Next Step, a Kentucky-based nonprofit organization, has established "Manufactured Housing Done Right (MHDR)." This innovative strategy works to make high-quality, affordable manufactured homes—and financing—available to low- and moderate-income consumers through a combination of energy-efficient homes, home buyer education, and affordable financing. Here's how it works.

First, Next Step gives low-income buyers access to high-quality manufactured homes. The organization created a portfolio of models that are both robust and affordable. Each Next Step home meets or exceeds Energy Star standards, reducing utility costs for the home owner and shrinking the environmental footprint. According to Next Step, testing has shown these homes to be 30 percent more efficient than a baseline code home and 10 to 15 percent more efficient than a baseline Energy Star home. On average, this results in \$1,800 in energy savings each year for every pre-1976 mobile home

replacement and \$360 each year for every new home placement.

Additionally, Next Step homes are "value engineered to ensure affordability while upholding quality standards." They are installed on permanent foundations, providing for greater structural support against wind and reducing settling issues. The homes contain high-quality flooring and insulation, which helps to increase durability and reduce energy costs. And because water is the number one problem for foundations, Next Step homes contain additional safeguards to protect against moisture.

Improving Access to Sustainable Financing

Next Step also makes sure the home buyers can secure sustainable, affordable financing. "One of the problems facing the industry is that the capital markets don't participate in a big way," explains Stacey Epperson, CEO of Next Step. "The secondary market is not there in any meaningful way, so there are very few lenders in this marketplace and very few options for buyers. Our solution is to prepare our borrowers for home ownership, and then bring them good loans."

Next Step works with a mix of nonprofit and for-profit lenders, vetted by the organization, to provide safe, reasonably priced financing. In return, Next Step reduces the lenders' risk. The homes are designed to meet the lenders' requirements, and the home buyers receive comprehensive financial education so that they are equipped to succeed as home buyers. Consequently, Next Step home buyers not only secure a better initial mortgage, but also have the capacity to build equity and obtain a good resale price for the home should they decide to sell it one day.

Importantly, each Next Step home is placed on a permanent foundation in

order to qualify the home owner for certain government-backed mortgage programs, which are less expensive than a chattel product. Next Step estimates it has saved its 173 home buyers approximately \$16.1 million in interest payments.

"Right now, close to 75 percent of all financing for manufactured housing is going out as chattel. But 70 percent of new manufactured homes are going out on private land where, in many cases, the home could be put on a permanent foundation, and the owner could get a mortgage with a lower interest rate and a longer term," says Epperson.

The MHDR model is innovative in part because it is scalable. Next Step trains and relies on a membership network of nonprofit organizations to implement the model in their respective communities. Next Step sells the homes to members at competitive prices, and then member organizations oversee the process of identifying and educating buyers, assisting them to secure the loan, and managing the installation.

"The way the industry works, there has never really been a way for a nonprofit to buy a manufactured home at wholesale prices. That's what we've engineered, and that's what makes these homes a lot more affordable than if the nonprofit or home owner tried to buy them on their own," explains Kevin Clayton, president and CEO of Clayton Homes, one of the nation's largest producers of manufactured housing, and one of Next Step's long-time supporters.

"The Next Step program works because it sets people up for success," says Clayton. "Next Step takes them through home ownership counseling, and supports home owners if they have a hardship down the road. They get to buy the house for a lot less than they otherwise could have, build equity in the home, and have a low monthly loan payment and energy costs."

Cyndee Curtis, a Next Step

home owner, agrees. Curtis was 27, single, and pregnant when she purchased a used, 1971 Fleetwood mobile home for \$5,000 in 2001. She put it on the lot she owned just outside the town of Great Falls, Montana.

"I didn't have money, I didn't have a degree, and I didn't have choices," says Curtis. "The old steel septic tank was a ticking time bomb, with rust holes. The carpet was worn through, the linoleum underneath had burn spots on it, and the ceiling leaked where an addition had been added. Every year, I would buy construction books, go to Home Depot, and ask how to fix that leak. And every year I ended up there by myself, trying to fix it. There was mold on the doorway from that leak, and I had a newborn in there."

In 2005, Curtis went back to school for two years, obtained her nursing degree, and began working as a licensed practical nurse, earning \$28,500 a year. "I figured now I am earning a livable wage and can explore my options," says the single mother of two. "I wanted something that my kids could grow up in and be proud of, and to make the most of owning the lot I lived on."

But her credit was poor, and eventually she ended up at NeighborWorks Montana, a nonprofit Next Step Network member that told her about the Next Step program. Over the next two and a half years, Curtis worked with the staff of NeighborWorks Montana to repair her credit. With their assistance, she secured a mortgage and purchased a Next Step home for \$102,000, which included not only the house but also the removal, disposal, and replacement of her old septic system. Because the Next Step home is on a permanent foundation that meets certain qualifications—and because of Curtis's improved credit history, income, and geography—she qualified for a mortgage from the U.S. Department of Agriculture's Rural

Development program, which was significantly less expensive than the more common chattel products. Additionally, whereas Curtis's previous mobile home was titled like a car, her Next Step home is deeded like a site-built house. Consequently, a future buyer will also be eligible to apply for a traditional mortgage.

Curtis says her Next Step home has provided her significant energy savings. "I have 400 square feet more now than I had previously. I went from having one bathroom to two. And still both my gas and power bills have been cut by about two-thirds."

She continues. "My house is a thousand percent better than what I lived in before. If a person goes inside my house, they can't tell it's a manufactured home. It has nice doorways, nice walls that are textured. It looks like any new home you would want to live in."

"Sometimes people think they have to suffer with poor housing conditions. I know how it is, and I want them to know that if you put in some hard work, you can make a difference for yourself and your family." □

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Perhaps the bigger concern for government is the impacts of SPR housing development on real estate markets, municipal finance, and future urban forms. As it is, the formal urban housing market is already in over-supply. Additional provision of SPR housing units would further weaken formal market demand and increase bank credit risk. Moreover, China's city planning efforts do not cover rural land outside designated planning areas. The spread of SPR housing in these areas would therefore lead to undesirable urban development patterns.

Recommended Reforms

In recognition of the root causes of SPR housing development, the Third Plenary Session of the Communist Party of China's 18th Central Committee issued a document in November 2013 spelling out directions for a set of reforms directly related to land, *hukou*, and municipal finance.

On land: Integrate the urban and rural construction land markets. Allow the sale, leasing, and shareholding of rural, collectively owned construction land under the premise that it conforms to planning.... Reduce land expropriation that does not promote public welfare.

On *hukou*: Accelerate the reform of the *hukou* system to help farmers become urban residents.... Efforts should be made to make basic urban public services (such as affordable housing and the social safety net) available to all permanent residents in cities, including rural residents who have migrated to cities.

On municipal finance: Improve the taxation system and expand the local tax base by gradually raising the share of direct taxation (mainly the personal income tax and property tax).... Accelerate property tax legislation.

These reform efforts aim to dismantle the dual system of land management, allowing villages to share in the benefits of land development and raising the transaction costs of land expropriation. The *hukou* system will be phased out gradually, starting in the smaller cities. While detailed actions on these two reform fronts are now being worked out or tested in pilot programs, municipal finance reform remains a major concern. If the scope of land concessions is reduced and the *hukou* system is dismantled, cities will see significant reductions in land sales revenues and increases in public expenditures for providing services to migrant workers and their families.

While residential property taxes are expected to become a new source of municipal revenues, this change will not occur immediately. Indeed, the central government is currently drafting the property tax law, and it may be at least two years before its passage by the National People's Congress. Since it will also take a few years for cities to establish assessment systems, residential property taxation will not support municipal budgets for some time. Nevertheless, there is hope that this new round of policy reform will properly address the critical issue of SPR housing. □

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Community Land Trusts Grown from Grassroots

CONTINUED FROM P. 25

Community Justice CLT is set up as a program of WCRP, which has its own in-house development and organizing expertise, including an entire department devoted to organizing.

But as WCRP's executive director Nora Lichtash warns, "Sometimes you lose relationships when you're organizing. . . . Sometimes people don't like to be pushed to do the right thing." Indeed, WCRP apparently pressured its local council person enough on certain issues that she declined to give the CLT vacant land it had hoped to secure for its first development. In the end, however, the council person helped the group establish a citywide land bank (Feldstein 2013–14), which furthers some of the same goals as the land trust.

Despite potential tensions like these, Lichtash believes that organizing and CLT functions should stay closely related. "It's important to remember that organizing and building affordable housing fit together," she says. "Your funders think you should be doing one or the other, but it's not good

for CLTs to be separated from organizing. You're building your capacity for present and future work. When you organize, you're respected because you have people power."

To Develop or Not to Develop: A Big Decision

Affordable housing development is a complicated and expensive business that no community organization should take lightly if it is thinking about starting a CLT. As DNI's Smith says, "If you do development work, it will take time away from organizing, which is cumulative. It takes time and a lot of sacrifice to form a truly representative, neighborhood-based organization. If you cut corners, you risk jeopardizing a lot of the power you've built up over the years."

The Boston experience, for example, begins with a cautionary tale. DSNI stepped in when the original developer for the CLT's first project backed out of the deal. It was "traumatic" for staff and board, says Smith. "It took so much time. It distracted DSNI from its core functions."

The idea of controlling development resources and accessing developer fees

can be seductive to grassroots groups, says WCRP's Lichtash. But they should proceed with extreme care. "Becoming a developer can muddy the waters," she says. "You have to focus on every detail in million-dollar deals. It takes you away from educational work."

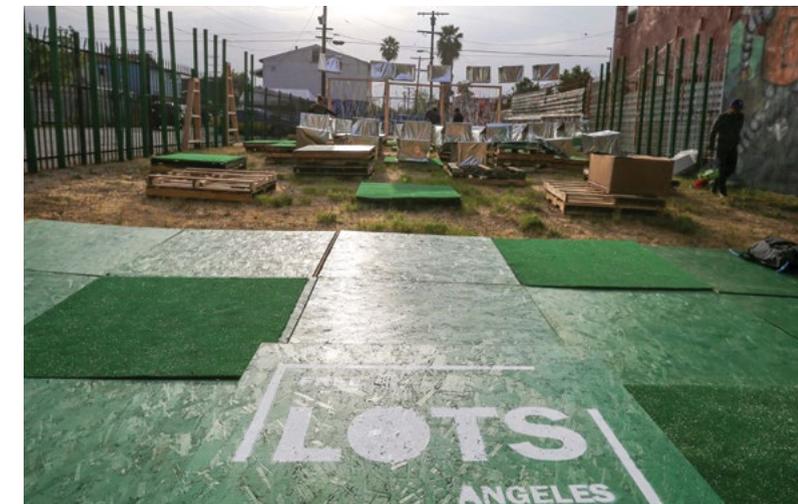
"Real estate work is very hard, speculative," Lichtash continues. "You think you're getting one thing and instead you get another. I tell people to partner for a long time first. It's hard to keep both tenants and funding sources happy."

Patterson of Sawmill agrees and adds that it's particularly difficult "to meet all the deadlines and reporting requirements on funding [for development]. I'm always shocked by the amount of administrative overhead that's required." He also advises that if you can't make the numbers work, "it's important to know you can pull out of a project if needed."

T.R.U.S.T. South LA's McNeill says, "Development definitely has its own language. It's complex stuff. Nonprofits that do it have large budgets and tend to have sizable staffs. I respect the skill it takes to pull off these deals. It's a very different skillset from what we do."

Another consideration is that affordable housing development is not an easy industry to break into these days. In the current funding environment, many of the subsidies that CLTs have traditionally used to develop and steward their units are being slashed, and mortgages for potential CLT home buyers are harder to find. McNeill says, "We've gone through enormous shifts in the housing industry. The reality is that there isn't an opening now for new organizations to get into the development business. It's definitely not the time."

Even the ongoing stewardship of a CLT requires a different kind of relationship with residents than an organizer would have. "Developer fees



Vacant lots and deteriorated housing were rampant in South LA when the T.R.U.S.T. CLT formed in 2005 to revitalize the neighborhood and preserve affordable housing there. Credit: Rudy Espinoza

and rent collection could impact the relationship with residents and the power dynamic,” says Smith of DNI. “You’re responsible to leaseholders and non-leaseholders in your community, so there are tensions,” according to Lichtash of WCRP. And as SFCLT’s Parent comments, “Organizers often paint issues as clear moral choices,” but when you are involved as a property manager, “there are nuances.”

Eyes on the Prize

Once a community group has determined that a CLT is an appropriate tool for keeping housing affordable to local residents, the next questions should be: How will the roles be divided up? Who is taking the lead on implementing the broader vision? Is there an organization already in place that’s committed and able to take that on, or does one need to be created? Are there groups serving the community that already have development expertise and access to funding that could partner with a CLT or even fold one into their work? How can the new CLT partner with and support the community’s organizing work rather than distract from it?

Many newer CLTs are following the lead of groups like DSNI and T.R.U.S.T. South LA by setting up a separate organization to manage the stewardship and land ownership functions, and then drawing on the capacity of existing affordable housing developers through partnerships. While every locality is different, this approach seems like a wise place for groups to start, especially if they want to preserve their energy for the important work they started with: fighting for vibrant, equitable communities. □

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FELLOWSHIPS

The Lincoln Institute of Land Policy announced recipients of the C. Lowell Harriss and David C. Lincoln Fellowships, named as part of a continuing effort to support research on the cutting edge of tax and land policy.

C. LOWELL HARRISS FELLOWSHIPS 2014–2015

The C. Lowell Harriss Fellowships, named in honor of the Columbia University economist (1912–2009) who served for decades on the Lincoln Institute’s board of directors, support work on dissertations. Administered through the departments of Valuation and Taxation and Planning and Urban Form, the program provides a link between the Lincoln Institute’s educational mission and its research objectives by supporting scholars early in their careers.

DAVID C. LINCOLN FELLOWSHIPS IN LAND VALUE TAXATION (LVT) 2014–2015

The David C. Lincoln Fellowships in Land Value Taxation (LVT) were established in 1999 to develop academic and professional interest in this topic through support for major research projects. The fellowship program honors David C. Lincoln, former chairman of the Lincoln Foundation and founding chairman of the Lincoln Institute, and his long-standing interest in land value taxation (LVT). The program encourages scholars and practitioners to undertake new work in the basic theory of LVT and its applications. These research projects add to the knowledge and understanding of LVT as a component of contemporary fiscal systems in countries throughout the world. The 2014–2015 DCL fellowships announced here constitute the fifteenth group to be awarded.

The recipients and their topics are:

Kyoochul Kim *Pennsylvania State University*
Analysis of the Effect of Land Value Taxation on Land Value and Land Intensity

Ross Milton *Cornell University*
The Political Economy of Property Tax Structure

Alexander Bartik *Massachusetts Institute of Technology*
The Efficiency and Incidence of Improvements in Local Amenities: Evidence from Census Data and Local Property Values

Lyndsey Anne Rolheiser *Massachusetts Institute of Technology*
The Local Tax Implications of Inefficient Land Use

Alex Anas *Professor of Economics, State University of New York at Buffalo*
The Effects of Land Value Taxation in Los Angeles and Paris in a Computable General Equilibrium Model

Kevin C. Gillen *Economist and Senior Research Consultant, Fels Institute of Government, University of Pennsylvania*; and
Guy Thigpen, *Director of Research, Philadelphia Redevelopment Authority*
The Empirical Development and Application of Land Price Indices

Tina Beale *Program Director, Land Economy and Valuation Surveying Division, University of Technology at Jamaica*;

Rochelle Channer-Miller *Assistant Lecturer, Land Economy and Valuation Surveying Division, University of Technology at Jamaica*;

Cadien Murray-Stuart *Senior Lecturer, Land Economy and Valuation Surveying*

Paul Edward Bidanset *City of Norfolk, Virginia*
Using Locally Weighted Regression with Simultaneous Spatial, Temporal & Attribute Weighting Functions to Improve Accuracy of Mass Appraisal Models

Charles J. Gabbe *University of California*
Why are Regulations Adopted and What Do They Do? The Case of Los Angeles

Andrew McMillan *University of Illinois at Urbana-Champaign*
After the Foreclosure Crisis: Measuring Neighborhood Recovery and Contributing Factors

Linda Shi *Massachusetts Institute of Technology*
Resilient Regions: U.S. Experiments in Metropolitan Climate Adaptation?

Division, University of Technology at Jamaica; and
Amani Ishemo *Associate Professor, Urban and Regional Planning Division, University of Technology at Jamaica*
Towards Property Tax Compliance: A Case Study of Attitudes Toward Paying Property Taxes in Jamaica

Robert W. Wassmer *Professor, Department of Public Policy and Administration, California State University at Sacramento*
Property Taxation, Its Land Value Component, and the Generation of “Urban Sprawl”: The Needed Empirical Evidence

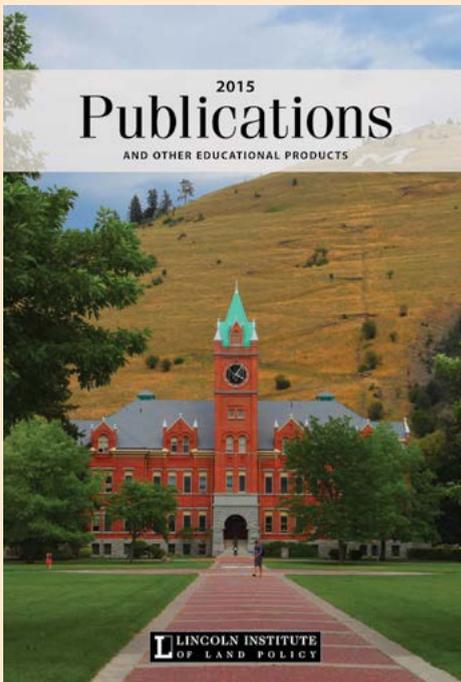
Zhou Yang *Assistant Professor of Economics, Robert Morris University*
Differential Effects of Two-Rate Property Taxation: New Evidence from Pennsylvania

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