

A Place for Everyone:

How a Community Land Trust could protect affordability and community assets in Parkdale



November 2011

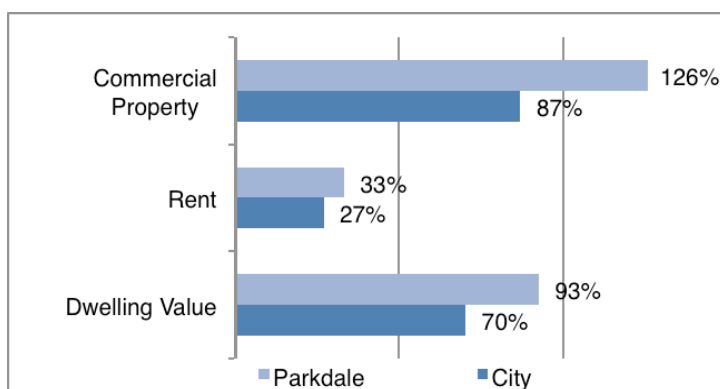
Executive Summary

Parkdale is a neighbourhood that is changing rapidly. This change isn't inherently good or bad, but it raises important questions about affordability, diversity and community assets in Parkdale. How can we ensure that everyone benefits from these changes, particularly low-income people? In this discussion paper, we propose that a Community Land Trust (CLT) is one possible solution. CLTs create a mechanism for community ownership of land and democratic control over how that land is used. In this paper, we explore the potential opportunities and challenges of setting up a CLT in Parkdale, and conclude that a CLT offers an innovative and important strategy to unite the community *and* protect affordability and community assets in Parkdale.

1. Will Parkdale remain affordable?

Most people who live or work in Parkdale agree that the neighbourhood has been changing. One of the clearest examples of this change can be seen in the value of property, which is rising at an alarming rate compared to the city average (See Figure 1). This change isn't inherently good or bad, but it raises important questions about affordability and the loss of community assets in Parkdale.

Figure 1: Rate of value change (1996-2006)



Firstly, affordability is a vital concern for a large percentage of the Parkdale community, especially those living in south Parkdale (below Queen St.). For example, in 2006, **45% of families** in south Parkdale fell below the low-income cutoff (compared to 21% for the rest of

Toronto); and **15.7% of households** relied on government transfer payments as their primary source of income (compared to 7.5% for the rest of Toronto). **91% of people in south Parkdale** are renters, some of whom live in the neighbourhood's many rooming houses. This population not only relies on affordable housing, but also affordable goods and services that are provided by the many businesses and social service agencies in Parkdale.

Secondly, Parkdale has number of community assets that make it a strong, vibrant and unique neighbourhood. This includes physical assets such as churches, schools, community centres, and community gardens, as well as social assets, such as the diverse backgrounds and rich experiences of the members of the Parkdale community.

As property values rise and redevelopment pressure increases, both affordable services and community assets are threatened, affecting not only the health and wellbeing of those who rely on them, but also the vitality of the entire community.

Protecting affordability and community assets requires the entire community. It is an issue that affects everyone because it is ultimately about *land* – who has access to it, how it's developed, and who benefits from it. A community land trust (CLT) could give Parkdale greater control over development and managing change.

Figure 2:
Map of
Parkdale



2.

What is a community land trust?

A community land trust is a non-profit organization that obtains land (through either purchase or donation) and holds it in perpetuity for the community. A unique mechanism of the CLT model is that it separates the ownership of the land (owned by the CLT) from the ownership of the buildings on that land (usually leased out by CLTs to individuals or non-profit organizations on a long-term basis). This dual ownership structure allows a CLT to maintain a level of affordability by taking land out of the real estate market.

Figure 3: A standard CLT governance structure



Board of Directors

Typically made up of an equal number of elected residents, other community members, and public officials.

oversees

CLT

manages

Land to provide affordable residential, commercial and community space.

ensures



Perpetual Affordability

The CLT rents or leases buildings on its land at affordable rates and retains an option to repurchase buildings from leaseholders should they decide

CLTs are also membership-based organizations, which are legally governed by a board of directors elected by the members. Often the board of directors is made up of: (1) leaseholders who rent CLT properties; (2) other community members at-large; and (3) public servants and non-profit organizations. This membership-based structure ensures broad community involvement in decisions over the use of CLT land (Figure 3).

In practice, community land trusts are often applied to providing and preserving affordable housing. There are a variety of reasons: availability of funding, existing expertise, precedence, and more acute needs from low-income households. However, in some cases, CLTs are also used to ensure affordability of **commercial and community** space.

3.

Beyond the status quo: Community ownership of land

A Community land trust provides a better model for ensuring affordability of residential, commercial and community spaces than existing models, because a CLT allows **community ownership and democratic control of land**. The strengths of community ownership are explored in this section in contrast to the three conventional ownership structures: private, public, and non-profit. The CLT model can go beyond the status quo because it can focus on who owns and controls land to ensure long-term affordability, rather than on how many affordable units are supplied.

Private ownership

Individuals or private corporations are often owners of land. Private owners can sell and buy land on the market where land is treated



as a commodity. A challenge in private ownership, therefore, is that it is hard to protect community interests because private owners are interested in highest and best use of land to maximize economic benefits. Of course, private development and renovation contribute to improving the perception of neighbourhood quality, safety and attractiveness.

However, home prices and rents tend to be set up at unaffordable levels for low-income households. In addition, such neighbourhood upgrading could attract higher income groups and speculative investments and development. This would greatly impact existing low-income groups, while pressuring the general affordability and diversity of the neighbourhood. In short, market demands and property owners' interests in financial returns can trump community needs of affordability.

Public ownership

Unlike private ownership, public (government) ownership promotes use of land that reflects the public interest and social needs that cannot be met in the market. However, government-owned lands are not necessarily removed from real estate markets. As a result, affordability and accessibility of land depends on the given political climate (Hulchanski, 1983).

This challenge is particularly relevant in the current Toronto context where the city administration is interested in selling off public stocks of land and housing (TCH properties) to offset costs. Furthermore, the City has not built new affordable housing for decades. In sum, although government ownership could prioritize long-term affordability, it is subject to the variability of politics.

Non-profit ownership

The third ownership structure is when a non-profit organization owns property through which it runs affordable housing services. This non-profit ownership is becoming common now because it is difficult for the private sector alone to undertake affordable housing development without significant public subsidies and policy incentives (Black, forthcoming). Under this circumstance, non-profit organizations are initiating affordable housing developments with the help of private and public donations. A good example of this model is the Edmond Place development, a supportive housing project run by the Parkdale Activity-Recreation Centre.

However, one major challenge of this model is that a non-profit organization has to take on large financial risk in order to buy and develop property. Many non-profit organizations face limited financial and human resources to do so, and don't have enough assets to even get large enough loans. While government commitments are often key to the success of this model, uncertain and unsustainable public funding makes it hard for non-profit organizations to undertake such projects. Furthermore, organizations that develop affordable housing with public funding often face difficulty in keeping rents down once the public funding runs out (Angotti, 2007), placing increased pressure on the organization to increase rates closer to market values.

Community ownership

In contrast, a CLT model allows for community ownership of land. There are four advantages to this. First, land is taken out of the market and controlled democratically by the community. Decisions on how to use land are made not on the basis of economic returns but on community interests represented by CLT members and the

elected board of directors. There are many mechanisms a CLT can use, such as resale restrictions and lease agreements that enhance community control over who can access the land and for what purpose.

Second, since a CLT is a collaborative entity made up of many people, the benefits and risks of development are all distributed more equitably and broadly (Urban Strategies Council, 2007). Even if one collaborator goes bankrupt, ownership remains in the community.

Third, CLTs can achieve more effective and sustainable use of public funds. Because of its resale restrictions, lease agreements and ability to remove land out of the market, a CLT can treat public funds as long-term investments rather than short-term funds (Eager et al, 2009).

Fourth, a CLT can be a vehicle to keep assets in the community by facilitating the transfer of private and public ownership to community ownership. As a community landlord, it can receive and manage donations of land and money to purchase and develop land. Since this is a community entity, it can also represent a united community voice in lobbying efforts.

4. Recommendations for Parkdale

Based on our research of CLTs in other cities across Canada, we have identified four recommendations for the development of a Community Land Trust in Parkdale.



Protecting affordability should be an explicit mandate of the CLT

A governance structure for the Parkdale CLT must be well thought-out, with considerable input from the community and advice from experts from various fields. It is important to understand that the needs and priorities of homeowners and renters are often not the same. Likewise the needs of homeless people, low-income people and people with mental health or addiction issues are not the same. In this way, establishing how a CLT can meet the needs of the entire community requires a governance structure that ensures the representation of all stakeholders. Although a Parkdale CLT could have a variety of goals and mandates, the mandate of protecting affordability should be explicitly stated in the CLT's mission.

Parkdale should consider pursuing a community development model

There are several models of CLTs such as homeownership, rent-to-own, cooperative, and rental. Many CLTs that work in urban areas have been established to promote home ownership by low-income families. While this is an important goal, several CLTs have found the homeownership model financially challenging – many families end up defaulting on their mortgage for a variety of reasons.

The emphasis in Parkdale, therefore, could be placed more on a community development projects - organizations, social service agencies and co-operatives that provide affordable and supportive rental housing, community services and healthy foods for low-income people. In this way, the properties that are owned by the CLT would be leased or rented out to such non-profit organizations.

Charitable status will be important, though difficult to obtain

Many CLTs obtain land through public donation or purchase at below-market rates. Unfortunately, neither of these circumstances are currently applicable to Parkdale – most property values are at or above market price and unused public land

in the neighbourhood is minimal. Thus, a CLT in Parkdale will likely have to buy properties on the market or to reach out to private owners for donation, and will have to rely on fundraising campaigns. For this reason, it would be important that the CLT apply for charitable status immediately, so it can issue charitable receipts to donors, and also reduce its own costs through tax credits.

In the United States, where CLTs are more common, it is less challenging for CLTs to gain charitable status. However, in Canada, where CLTs are less common, there is less precedence. In Canada, applications are evaluated on a case-by-case basis. As long as the CLT can prove that its activities are charitable in nature, such as protecting affordable housing or engaging in community development work, then charitable status is more likely to be obtained.

Parkdale should begin now by creating a strong business plan

Of course government donations of public land remain an option, but it is unlikely that it will be the primary source of land acquisition for a CLT in Parkdale. Furthermore, because of the wide range of tasks that the Parkdale CLT will be required to undertake, staff will most likely have to be hired. Thus, the Parkdale CLT will have both annual operating costs associated with managing the organization, and capital costs required to purchase and renovate properties.

Many CLTs faced challenges in maintaining financial sustainability in the first few years. A few of those who were successful in overcoming this challenge did so because they had a strong business plan laid out before the organization was incorporated. We recommend the establishment of a Steering Committee, which will develop a strong business plan that projects costs for the first 5 years and sets fundraising goals. This committee should include experts in the fields of housing, development, law, urban policy and financial services.

5.

What are the next steps?

Education and community outreach will be vital to the CLT's success. The next step is to gather a broad base of support and active community participation from all the diverse interests in Parkdale. In the near future, we hope to hold an open community forum to discuss the potential of creating a CLT in Parkdale.

We are also putting together an Advisory /Steering Committee. This will be a temporary group that will consist of community members, leaders and experts in the fields of finance, land-use and law. Their mandate will be:

Short term: Continue to garner community support, and broader support across Toronto, building a membership base, and answering questions/concerns

Medium term: Conduct a detailed Feasibility Study and create a Business Plan for the Parkdale CLT, including a budget for the first three years, and a fundraising strategy.

Longer term: Incorporate the Parkdale CLT as a non-profit organization, apply for charitable status, and finally run elections for the first official Board of Directors (who will then take over as the governing body).





References & Further Reading

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Contact Us...

This report was written by Brendon Goodmurphy and Kuni Kamizaki for the Parkdale Activity-Recreation Centre (PARC). Brendon and Kuni graduated from the Master's in Urban Planning program at the University of Toronto. If you have any questions or you would like to get involved, please email:

parkdale.clt@gmail.com

For more information on PARC, please contact:

Victor Willis, Executive Director
vwillis@parc.on.ca
1499 Queen Street West,
Toronto, ON M6R 1A3
(416) 537-2262