

**PERMANENTLY
AFFORDABLE
HOMEOWNERSHIP**

**Does the Community Land Trust
Deliver on Its Promises?**

**A Performance Evaluation
of the CLT Model
Using Resale Data from the
Burlington Community Land Trust**

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FOREWORD

By Brenda Torpy
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Those of us who were involved in establishing the BCLT back in 1983 always knew that the true test of our vision of permanently affordable homeownership would come only when the first generation of BCLT homeowners sold their homes to the next. In our first decade, we worked hard to build industry support for this new model of homeownership and we cooperated with other housing advocates in developing state and local funding sources dedicated to creating permanent affordability. Our second decade has been devoted to bringing the program to scale through the creation of a Homeownership Center and the expansion of our service area. Over these last ten years, the resale of BCLT homes has also become a regular part of our business. Both sellers and buyers have expressed satisfaction with their experience of owning a limited-equity BCLT home. Similarly, public officials and private citizens who have helped to fund the BCLT have expressed satisfaction with the BCLT's performance in preserving affordability, retaining subsidies, and stabilizing neighborhoods.

We believed all along, therefore, that we were achieving our goal of equitably balancing the interests of first-time homeowners with the interests of a larger community. It seemed evident to us that the community land trust model was working, but we had never found the time to do an in-depth analysis of the dozens of homes being developed and resold through the BCLT. More importantly, until we had a critical mass of home resales, we did not have enough cases on which to base any sort of conclusions about the BCLT's performance.

By the end of 2001, however, our portfolio of resale-restricted, owner-occupied housing had exceeded 200 homes. They were re-selling at a rate of about 10 a year. We believed that we finally had sufficient numbers to enable an objective, data-based evaluation of our limited-equity homeownership program. We asked John E. Davis, a local community development consultant who had published extensively on the topic of limited-equity housing, to design and write the study. He agreed to do so in partnership with the BCLT's project developer, Amy Demetrowitz. Amy had been responsible for our Homeownership program in its critical years of growth and was best equipped to extract and compile the data from a twenty-year backlog of case records. Over the next fourteen months, John and Amy contributed their time to this study, a pro bono contribution to the BCLT and to community land trusts throughout the United States.

The study's findings support what we have long maintained: that limited equity homeownership is an equitable and sustainable model of ownership that benefits a growing number of citizens who are priced out of the market. These homeowners build security and equity for themselves, while ensuring access to that same opportunity for others far into the future. We call it building equity and sharing wealth. Moreover, we've used the model to address a pair of community development issues that challenge many of the nation's urban centers: inner-city decay and inaccessibly-priced suburbs. BCLT homes are part of a successful revitalization strategy in Burlington's Old North End. The homes are also scattered throughout the county's very expensive suburban communities, opening these enclaves to persons of modest means.

There is no one-size-fits-all model of affordable housing. Every model, including the community land trust, must be adapted to local circumstances. We do not claim to have found the answer to every housing problem facing every community. Our numbers show, however, that the model of limited-equity homeownership that we've been using in Burlington for nearly two decades has been unusually effective in doing what we said it would do. The community land trust has performed as promised.

Permanently Affordable Homeownership

Does the Community Land Trust Deliver on Its Promises?

John Emmeus Davitt
Amy Demetrowitz

Executive Summary

Between 1984 and 2002, the Burlington Community Land Trust (BCLT) in Burlington, Vermont developed 259 moderately-priced single-family houses and condominiums. All of these homes were sold to first-time homebuyers subject to durable controls over their occupancy and resale, controls designed to maintain their availability and affordability for low-income households far into the future. The first resale of a BCLT home occurred in 1988. By the end of 2002, the BCLT had overseen the resale of 97 houses and condominiums.

This pool of resales provided a rare opportunity to evaluate the performance of a housing model that promises to secure the benefits of homeownership for persons of limited means, while achieving larger social goals like the preservation of affordability, the stewardship of public subsidies, and the stabilization of residential neighborhoods. There had been no systematic evaluation of these claims heretofore, because most of the nation's CLTs are still too new and too small to have had a significant number of resales. The BCLT was an exception. Its sizable portfolio of resale-restricted housing offered enough cases to assess how effective the BCLT had been in actually delivering – and equitably balancing – the individual benefits and the community benefits promised by its innovative model of homeownership. The study's principal findings were as follows:

- **Preserving affordability.** Affordability not only continued between successive generations of low-income homebuyers, but improved – even when the favorable effect of falling mortgage interest rates was eliminated. The average BCLT home was affordable to a household earning 62% of Area Median Income (AMI) on initial sale. On resale, it was affordable to a household earning 57% of AMI.
- **Retaining community wealth.** Public subsidies invested in these houses and condominiums remained in the homes at resale, underwriting their affordability not only for the first buyers but for subsequent buyers as well. Only in two cases of foreclosure were these subsidies lost. More typically, these subsidies not only remained in the property but increased in value. On the initial sale, the total value of the public subsidies put into the BCLT's homes was \$1,525,148. On resale, the total value of these retained subsidies was \$2,099,590.
- **Enhancing residential stability.** Land and housing brought under the stewardship of the BCLT were rarely removed from its portfolio. Affordability and owner-occupancy protections remained in place for ninety-five percent (95%) of the 259 units of owner-occupied housing developed by the BCLT between 1984 and 2002. Even in cases where homeowners defaulted on their mortgages, their resale-restricted homes stayed under the BCLT's care – neither lost to the market nor lost to absentee ownership.

- **Expanding homeownership.** Access to homeownership for persons excluded from the market was expanded. All of the households served by the BCLT earned less than median income. A majority earned considerably less than 80% of AMI.
- **Creating individual wealth.** When reselling their BCLT homes, most homeowners walked away with more wealth than they had possessed when first buying a BCLT home. Their equity gains were modest when compared to what they might have realized from the resale of an unrestricted, market-rate home, had they been able to afford such a home, but BCLT homeowners still earned a respectable return on their initial investment. Their annualized rate of return, across all 97 resales, averaged 17%. The average BCLT homeowner, reselling after five years, recouped her original downpayment and then realized a net gain in equity of \$6,184.
- **Enabling residential mobility.** Mobility was assured, with households who left the BCLT doing so for similar reasons, with similar destinations, and with similar success as homeowners buying and selling on the open market. Probably the most surprising finding, in light of the relatively modest equity gains realized by these homeowners on resale, was that a majority of them bought market-rate homes after leaving the BCLT. Sixty (60) households made the leap into market-rate homeownership; four (4) bought another resale-restricted BCLT home; sixteen (16) became renters; and one died. (The subsequent housing situations of another sixteen (16) households could not be determined, primarily because they left the state.) Among the BCLT homeowners whose subsequent housing situations were known, 74% of them bought market-rate homes within six months of re-selling their limited-equity houses or condominiums; another 5% traded their first resale-restricted home for another, choosing to remain within the BCLT.

The Burlington Community Land Trust operates in a housing market with rising prices, a growing demand for moderately-priced housing, and a chronic shortage of houses and condominiums within the financial reach of persons earning below 80% of median income. Community land trusts operating in markets different from the BCLT's may achieve different results. Nevertheless, the performance of the BCLT's portfolio of resale-restricted, owner-occupied housing provides encouraging evidence of the model's effectiveness, while lending credibility to the limited-equity homeownership programs of many other organizations, CLT and non-CLT alike, that seek to promote the legitimate interests of first-time homebuyers, without sacrificing the legitimate interests of a larger community. For over nineteen years, the community land trust in Burlington, Vermont has been doing what it promised to do.

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**Does the
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Permanently Affordable Homeownership

Quietly thriving amid the more familiar forms of affordable housing promoted by governmental agencies or by for-profit investors in the United States, a robust "third sector" of private, nonmarket housing has grown to maturity during the past thirty years. Contained within this sector are many types and tenures of housing, including nonprofit rentals, mutual housing associations, limited equity (and zero equity) cooperatives, limited equity condominiums, community land trusts, and deed-restricted single-family houses.¹ Most of these models, with the exception of those focused on rental housing, bestow the benefits of homeownership on their occupants, who hold many of the same rights any other homeowner would expect to possess when gaining title to residential property. The owner-occupants of third sector housing, however, may not sell their homes to whomever they want or for whatever the market will bear. In order to perpetuate the affordability of their homes, limits are placed on the equity these homeowners may pocket and on the price they may charge when their property changes hands.

This commitment to the continuing affordability of owner-occupied housing, while common to many third sector models, is preeminent in the community land trust (CLT). In the pronouncements of the grassroots activists who promote the model, in the rationale of the public funders and private donors who support it, and in the day-to-day practice of dozens of CLTs around the country, permanent affordability is the guiding star toward which every CLT is pointed. All of the homes within the resale-restricted domain of a CLT are designed to remain affordable for low and moderate-income households one resale after another, one generation after another, far into the future. Hopefully, forever.

News from the field has tended to confirm that the CLT does, indeed, deliver on its stated promise of lasting affordability. Local CLTs have reported for years that the owner-occupied homes within their portfolios resell for prices that are affordable for households at the same level of income as the households who initially purchased these homes. CLTs have claimed they continuously serve the same targeted group of low or moderate-income homebuyers, without the need for additional subsidies, regardless of the number of times a home is resold.

Beyond a mountain of anecdotal evidence, however, there has been no systematic, data-based evaluation of the model's effectiveness, mainly because most of the nation's CLTs are still too new and too small to have had a significant number of resales. Without many cases to draw from, over a span of many years, it has been difficult to gauge whether the model performs as promised.

The community land trust in Burlington, Vermont is an exception to this pattern of too new and too small. Incorporated in 1984, the Burlington Community Land Trust (BCLT) has assembled a sizable portfolio of resale-restricted single-family houses and condominiums. The first resale of a



BCLT home occurred in 1988. Over the next fourteen years, ninety-seven (97) owner-occupied houses and condominiums were resold through the BCLT, all of them subject to durable controls designed to maintain their long-term availability and affordability for low-income households.

The record of these resales offered a rare opportunity to test whether the CLT actually secures the social benefits that are claimed for it. Does the model deliver on its promise of lasting affordability? Does it preserve the community's investment in affordable housing, retaining those subsidies needed to bring homeownership within the financial reach of low-income households? Does it protect homeownership gains over time? There was also an opportunity to evaluate the benefits said to inure to the individuals who own and occupy CLT housing. Is the CLT successful in expanding access to homeownership for persons who could not otherwise afford a home? Does the model allow a fair return and an easy departure for CLT homeowners who later sell their homes? Why do they sell? Where do they go? What kind of housing do they obtain after leaving the CLT?

These are the kinds of questions our study was intended to answer. We have used the performance of a particular CLT in a particular housing market to evaluate claims that are common to nearly all CLTs. While acknowledging that variations exist among the hundred or so organizations calling themselves a community land trust and that differences exist from one housing market to another, we believe the BCLT's experience with limited equity homeownership to be fairly representative of the experience of many other CLTs — and, for that matter, of many nonprofit housing organizations that are not CLTs — in many other communities. To the extent that is true, the success (or failure) of the BCLT may be seen as a crucial test of the model itself, with implications that extend beyond a single CLT in a single city.



The Burlington Community Land Trust

The Burlington Community Land Trust was created in 1984 at the instigation of city government and with the broad support of neighborhood activists throughout the city. A \$200,000 grant, awarded out of municipal revenues by Burlington's city council, was used to seed this new organization. The founding purposes of the BCLT were:

- to increase the number of affordable homeownership opportunities for families of modest means;
- to provide access to land and decent housing for low and moderate-income persons; and
- to promote neighborhood preservation and improvement through the responsible use and management of land.

The organization's form and function followed the basic blueprint for a community land trust (CLT). This unusual model of housing and community development had been created nearly two decades before by the Institute for Community Economics (ICE), a national intermediary based in the neighboring state of Massachusetts. ICE had been hired by Burlington's Community and Economic Development Office to assist in crafting a city-wide CLT soon after the start-up money was appropriated by the city council. It was no accident, therefore, that the new organization closely resembled the "classic" CLT, as that model had been described by ICE since the 1960s and as it was later defined in federal statute.² Its key features — and their particular expression in the BCLT — are as follows:

Nonprofit, Tax-exempt Corporation. The "classic" CLT is an independent, not-for-profit corporation that is legally chartered in the state in which it is located. Most CLTs, including the Burlington CLT, are 501(c)(3) organizations, a federal tax exemption for which they are eligible because their activities and resources are targeted toward charitable activities like providing housing for low-income people and redeveloping blighted neighborhoods. In the BCLT's case, all of its housing is priced to serve households earning no more than 80% of Area Median Income. The majority of the BCLT's homeowners and renters earn much less.³ Neighborhood improvement is also part of the BCLT's mission. This activity, unlike the multi-county scope of the BCLT's housing work, is concentrated in Burlington's most impoverished neighborhood, the Old North End.⁴

Community Base. CLTs operate within the physical boundaries of a targeted locale. They are guided by — and accountable to — the people who call that locality their home. Any adult who resides within the geographic area deemed by the CLT to be its “community” and who supports the CLT’s goals can become a voting member of the CLT. This membership elects a majority of the CLT’s board of directors. The BCLT originally defined its “community” as the entire city of Burlington. This service area was expanded in 1987 to include all of Chittenden County and was expanded again in 2001 to add the northern counties of Franklin and Grand Isle. By the end of 2002, the BCLT had 1,800 voting members. Members have the power to nominate candidates for two-thirds of the seats on the BCLT’s board of directors and to elect the entire board.⁵

Balanced Governance. The 12-person board of the BCLT conforms to the three-part structure of the classic CLT. One third of the board represents the interests of people who lease land or apartments from the BCLT.⁶ One third represents the interests of people who live in the surrounding “community” who do not reside on the BCLT’s land. One third is made up of public officials, local funders, nonprofit providers of housing or social services, and other individuals presumed to speak for the public interest. Control of the BCLT’s board is diffused and balanced to ensure that all interests are heard but no interest is predominant.

Dual Ownership. The CLT acquires multiple parcels of land throughout its targeted geographic area with the intention of retaining ownership of these parcels forever. Any building already located on the land or later constructed on the land is sold off to an individual homeowner or, in some cases, to a cooperative housing corporation, a nonprofit developer of rental housing, or another nonprofit, governmental, or for-profit entity. In the BCLT’s case, every single-family house, duplex unit, or condominium located on land acquired by the BCLT has been sold off to an individual homeowner, with the BCLT retaining ownership of the underlying land. Dual ownership is a feature of all of the BCLT’s cooperative housing and most of its rental housing, as well. The BCLT holds title to the land and another corporate entity holds title to the buildings. There are a few sites within the Old North End, however, where the BCLT has retained ownership of both the land and the buildings. These exceptions have occurred for some of the BCLT’s rental housing and for most of the nonresidential buildings developed by the BCLT for other nonprofit organizations.⁷ Other exceptions are condominiums located

on lands that were never owned by the BCLT. Most of these condominiums are scattered among market-rate units in larger residential projects originally constructed by for-profit developers.

Leased Land. Although CLTs intend never to resell their land, they provide for the exclusive use of particular parcels of land by the owners of any buildings located thereon. Parcels of land are conveyed to individual homeowners (or to the owners of other types of residential or commercial structures) through long-term ground leases. This two-party contract between the landowner (the CLT) and the homeowner protects the latter’s interests in security, privacy, legacy, and equity, while enforcing the CLT’s interests in preserving the appropriate use, the structural integrity, and the continuing affordability of any buildings located on its land. The BCLT’s ground lease has a duration of twenty years, but is renewable “at the sole discretion of the Lessee for as long as the grass grows and the water runs.” A new lease is executed and recorded each time ownership of a building located on the BCLT’s land changes hands. Lessees pay a fee of \$25 per month for use of the land.⁸ All of the BCLT’s single-family houses and duplexes are located on leased land. The BCLT’s first condominiums were located on leased land, as well, but because later condominiums came into the BCLT’s hands through inclusionary zoning or other arrangements with private developers, where acquisition of the land by the BCLT was never part of the deal, ground leasing proved impractical. The occupancy, condition, and affordability of these units are protected, instead, through state-sanctioned affordability covenants, attached to each condominium’s deed.

Perpetual Affordability. The CLT retains a preemptive option to repurchase any residential (or commercial) structures located on its land and any condominium units for which it holds a covenant, should their owners ever choose to sell. The resale price, set by a formula contained in the ground lease or the covenant, is designed to give present homeowners a fair return on their investment, while giving future homebuyers fair access to housing at an affordable price. The resale formula used by the BCLT allows homeowners to recoup their original downpayment, any equity earned by paying off their mortgage, and the value of any pre-approved capital improvements made by homeowners. In addition, if homes appreciate in value between the time of purchase and the time of resale, their owners are granted 25% of that appreciation.⁹ The BCLT may choose not to exercise its option to repurchase homes that are put up for

resale, if no income-eligible households are ready and willing to buy them.¹⁰ In every one of the 97 resales covered by the present study, however, the BCLT did in fact repurchase the home at the below-market price set by the BCLT's resale formula. These homes were immediately resold to other homebuyers of modest means.

Perpetual Responsibility. As owner and lessor of the underlying land — and as the future buyer of houses and condominiums for which it holds a preemptive option — the BCLT has an abiding interest in what happens to these homes. For those units that are owner-occupied, the BCLT's primary interest, beyond maintaining their affordability, is maintaining occupancy by the same persons who own them. Absentee ownership is prohibited. Subletting is strictly regulated. The BCLT's leases and covenants also allow the BCLT to intervene in cases where homeowners have failed to maintain their homes or to make necessary payments on mortgages, utilities, etc. Should a homeowner default on his or her mortgage, the BCLT has the right to step in and cure the default, forestalling foreclosure. Should a cure not be warranted (or practical) and a foreclosure occurs, the BCLT has the right to repurchase the property from the mortgagee. In short, the BCLT remains a party to the deal, safeguarding the condition of the housing and the continuity of the homeownership opportunity it has worked so hard to create.

Political and economic conditions favored the BCLT's growth. Throughout the 1980s, 1990s, and beyond, the organization enjoyed the steady support of an activist municipal government whose housing policy was founded on the twin pillars of encouraging the non-profit production of affordable housing and ensuring the perpetual affordability of any housing produced using subsidies provided by the public.¹¹ A similar policy guided public spending for affordable housing by the State of Vermont. Organizations like the BCLT were given a special boost in 1987 by the state's creation of the Vermont Housing and Conservation Board (VHCB). The enabling legislation that established this quasi-public entity contained a statutory priority for investing in projects that "prevent the loss of subsidized housing and will be of perpetual duration."¹² VHCB became a major source of project grants and operating support for the BCLT and for other housing and conservation land trusts throughout the state, all of whom share a common commitment to the long-term stewardship of property purchased with public dollars.

The rising cost of land and housing in Burlington's real estate market did not make it easy for the BCLT to

deliver a homeownership product that low-income households could afford. Nevertheless, using grants provided by the City of Burlington, grants provided by VHCB, and units acquired at below-market prices through inclusionary zoning and other municipal requirements imposed on private developers, the BCLT managed to offer 259 modestly-priced houses and condominiums for sale between 1984 and 2002, all of them selling for less than comparable units available through the open market. Falling rates for residential mortgages and favorable financing from the Vermont Housing Finance Agency (and local banks) helped to ensure that low-income households could actually afford the lower-priced units that the BCLT offered for sale. The demand for BCLT homes — both on initial sale and on resale — has remained strong, except for a period in the mid-1990s when the BCLT had the same trouble selling condominiums as every other condo developer in a soft market.

By the end of 2002, the BCLT was managing a diverse portfolio of over 500 price-restricted residential units, including single-family houses, duplexes, condominiums, cooperatives, rentals, transitional housing, and several residential facilities for persons with special needs. It had total assets of \$22 million, a staff of 28, and an annual operating budget of \$1.5 million.

Design & Scope of the Study

The BCLT study was designed to evaluate the community land trust model on its own terms. Since CLTs draw a distinction in their theory and practice between the legitimate interests of individuals and the legitimate interests of community, so did we. Our point of departure was a description of the model contained in *The Community Land Trust Handbook*, published the year before the effort to establish a CLT began in Burlington. The introductory chapter had this to say about the CLT's commitment to "balancing individual and community interests":

"What one individual does to secure his or her interests may interfere with the interests of other individuals or the community. And what the community does to secure its interests may interfere with the interests of individuals. A satisfactory property arrangement must not advance the interests of one individual or group at the expense of another. Any effectively balanced arrangement requires that there be agreement not only on what the legitimate interests are but on how they are limited by each other."¹³

A homeownership program like the one sponsored by the BCLT, judged by this standard, must be effective in delivering two kinds of benefits: those that accrue to persons who own and occupy the resale-restricted homes (**individual benefits**) and those that accrue to the advantage of the surrounding community or, more grandly, to the advantage of society as a whole (**community benefits**). These benefits must be pursued in relation to one another. Homeowners served by the CLT cannot prosper at the expense of future generations of low-income homebuyers, at the expense of scarce subsidies the community cannot afford to lose, or at the expense of neighborhoods in need of stability. Similarly, a community's interest in lasting affordability, subsidy retention, and residential

owner-occupied housing in its portfolio — with a couple of exceptions. To ensure compatibility and comparability among the resale-restricted, owner-occupied homes being studied, two types of housing were removed from the pool. We did not include 129 units of owner-occupied housing contained in eight limited-equity cooperatives, located on land that is leased from the BCLT. The property possessed by the members of these co-ops, evidenced by shares of stock and a proprietary lease, is very different from the property possessed by the owner-occupants of BCLT houses and condominiums. Equally important, the resale formula that determines the transfer value of these co-op shares is not the same formula used by the BCLT to determine the resale price of its houses and condominiums. Nor did we include 19

Community Benefits Claimed for the CLT Model

Preserving Affordability. The CLT is effective in maintaining the affordability of owner-occupied housing, one resale after another. Each time a home is resold, the CLT is able to serve a household at the same income level as the household who previously owned that home.

Retaining Community Wealth. The CLT is effective in retaining public (and private) subsidies put into making housing affordable in the first place. These subsidies are locked into the housing for the continuing benefit of future generations, rather than pocketed and removed by homeowners when they leave the CLT.

Enhancing Residential Stability. The CLT is effective in protecting homeownership gains that result from a community's investment in helping low-income households to buy homes. The CLT prevents the loss of land and housing to absentee ownership, even in cases of foreclosure.

Individual Benefits Claimed for the CLT Model

Expanding Homeownership. The CLT is effective in bringing homeownership within the reach of low-income households who would not otherwise be able to purchase a home.

Creating Individual Wealth. The CLT is effective in building assets, providing homeowners with a net gain in equity and a fair return on their investment when reselling their homes.

Enabling Residential Mobility. The CLT is effective in serving as a stepping stone to comparable housing for homeowners who leave the CLT. Homeowners move on with relative ease when reselling their CLT homes.

stability cannot come at the expense of enabling low-income households to gain access to homeownership, to build assets for the future, or to move easily into other housing and neighborhoods of choice, should they someday desire to leave the CLT.

Applying this standard of a "balanced arrangement" to the design of our study, we discerned six separate claims for the model's worth — six criteria that could be used in weighing whether the BCLT was actually doing what it promised to do.

The data used to evaluate these claims were drawn from the BCLT's case records for all of the resale-restricted,

condominiums developed by another nonprofit organization for which the BCLT acts as the guarantor of long-term affordability, using a resale formula dictated by a state agency that is different from the formula applied to the BCLT's other condominiums. We removed from consideration, in other words, only those dissimilar components of the BCLT's portfolio of owner-occupied housing that could not be accurately compared to the rest.

What remained were 259 owner-occupied houses and condominiums sold by the BCLT subject to a similar set of controls over their occupancy, use, and resale (see Table 1, pg 6). Within this pool, our particular focus was on the subset of 97 homes where title

Table 1
BCLT Portfolio of Owner-occupied Houses and Condominiums
Included in Resale Study *

	Houses Added to BCLT Portfolio	Condominiums Added to BCLT Portfolio	Units Added to BCLT Portfolio	Units Removed from BCLT Portfolio	Cumulative Total	Resales Houses & Condos	Foreclosures** Houses & Condos
1984	1	0	1		1	0	0
1985	3	2	5		6	0	0
1986	5	0	5		11	0	0
1987	0	2	2		13	0	0
1988	1	0	1		14	1	0
1989	3	0	3		17	1	1
1990	8	1	9		26	0	0
1991	12	3	15		41	1	0
1992	10	23	33		74	2	0
1993	3	13	16		90	2	0
1994	14	15	29		119	5	1
1995	13	18	31		150	7	0
1996	10	3	13	1 Condo	162	7	0
1997	6	4	10		172	12	0
1998	11	2	13	9 Condos	176	10	2
1999	15	7	22	2 Condos	196	10	1
2000	5	2	7		203	14	0
2001	9	6	15		218	10	2
2002	9	20	29		247	15	0
Totals	138	121	259	12	247	97	7

* Included in the BCLT's portfolio of single-family, owner-occupied housing -- but NOT included in this year-by-year count of houses and condominiums -- are eight limited-equity cooperatives (containing a total of 129 units) and nineteen condominiums developed by another nonprofit for which the BCLT acts as the steward of affordability, using a resale formula **not** comparable to the standard formula used by the BCLT in its other owner-occupied housing.

** Cases of material default resulting in the transfer of a home's ownership via foreclosure or deed-in-lieu-of-foreclosure. Despite foreclosure, **none** of these seven homes were removed from the BCLT's portfolio. They are contained within the cumulative total of 247 units that remain in the BCLT's portfolio.

changed hands from homeowner to homeowner one or more times between June 17, 1988, the date of the first BCLT resale, and December 31, 2002.¹⁴ Every one of these resales was included in the study, even the seven resales caused by foreclosure.

The information on resales used in evaluating the BCLT's performance was compiled in two different ways. Data were extracted, case by case, from files maintained by the BCLT on every household that ever purchased a home from the BCLT. From these files, we were able to determine the timing, pricing, and value of every sale, both when a home was first purchased from the BCLT and when it was later resold. We were able to determine the household size and household income of every buyer. We were able to determine how much public money went into lowering the price of a BCLT home for the first homebuyer — and how much remained in the property to subsidize the second homebuyer on resale. We were able to calculate how much equity each homeowner realized when leaving the BCLT.

The data collected by combing through these records provided nearly all of the information we would need to evaluate the BCLT's performance on every count but one. The case files contained little information

about the mobility of the BCLT's homeowners. Documentation was scarce regarding why they decided to sell their BCLT homes, where they moved, and what housing they obtained after leaving the BCLT.

A methodology other than reviewing case files was required, therefore, if we were to evaluate the mobility of the BCLT's homeowners. We considered surveying all 97 homeowners who had left the BCLT since 1988, but current addresses for many of them were unknown, especially for those who had moved out of state. We adopted an alternative strategy of surveying those BCLT employees who had directly supervised the purchase and resale of the houses and condominiums.¹⁵ They were asked to recall the "why and where" behind these resales. They were also asked to share any knowledge they might have had about the housing secured by these homeowners after they resold their BCLT homes. When they had little knowledge of people who had moved away from the BCLT many years before, a research assistant was assigned the task of tracking down these missing homeowners, using local and out-of-state telephone directories. A number of former BCLT homeowners were eventually located and interviewed by phone, supplementing the information provided by present and former staff of the BCLT.

This strategy worked well in generating information about the reasons for the homeowners' departure from the BCLT. The employees who had supervised the BCLT's resales answered this survey question easily and fully. There were no missing cases. Answering the question about the sellers' destination after leaving the BCLT proved more difficult, as did the question about the tenure and quality of the next housing obtained by these former BCLT homeowners. There were 10 missing cases for the first; i.e., no destination was given. There were 16 missing cases for the second, where nothing was known about the kind of housing obtained by these homeowners after they left the BCLT. Nevertheless, because we did get information about the destination and subsequent housing for over 80% of the BCLT's resales, we decided to report these findings and to use them in evaluating the mobility claims of the BCLT. The incompleteness of the data, however, and its anecdotal nature compelled us to qualify our conclusions more than we might have liked.

One final note on the study's design. Our analysis of the BCLT's resales was done not only for the purpose of evaluating the performance of this particular CLT, but also with an eye toward providing other CLTs with a template for evaluating their own performance. We chose methods and statistics, therefore, that are readily available and easily understood by practitioners and policy makers who are working with this model on a daily basis. We kept it simple. We kept it familiar. Every CLT maintains case records that are similar to those of the BCLT. Every CLT collects the same kinds of information on sales and resales, sellers and buyers. They already have in hand most of what they would need to do the same sort of study we have done for the BCLT. All they lack are the tools (and the time) for analyzing their data and measuring their success. Some of these tools might be found, we hope, in the pages that follow.

The Study's Findings

The six claims commonly made for the effectiveness and worth of the CLT were the standards we used in evaluating the BCLT's portfolio of resale-restricted, owner-occupied housing. Presented first are our findings for the model's community benefits, weighing what was delivered by the BCLT against what was promised with respect to preserving affordability, protecting the community's investment, and ensuring residential stability. It should be noted that these benefits are not as different in practice as our presentation

might suggest. Subsidy retention and residential stability are corollaries of whatever success the BCLT has had in preserving affordability. The preservation of affordability is a consequence of whatever success the BCLT has had in retaining subsidies initially invested in making homeownership affordable. These benefits are intertwined, despite being treated in our discussion as if they were separate and distinct.

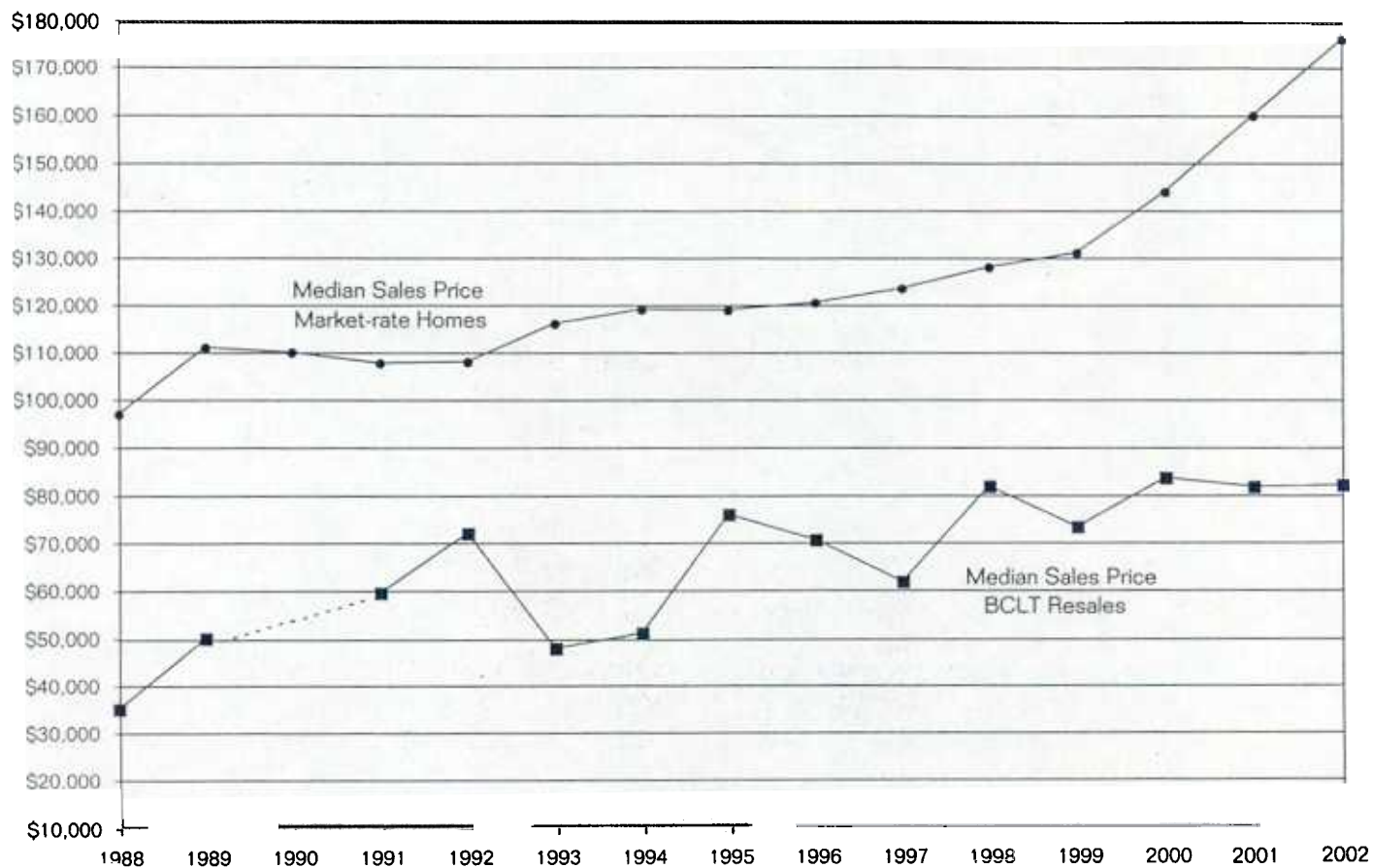
Preserving Affordability

Community land trusts attempt to preserve the affordability of owner-occupied housing by permanently removing all (or most) of the cost of the underlying land from the purchase price of houses and condominiums and by permanently restricting their resale price when these homes are transferred from one homeowner to another. In cases where a CLT does not own the land beneath a particular condominium project, affordability is perpetuated by preventing the removal of any subsidies that have gone into creating affordability and, again, by permanently restricting the price for which these condominiums may be resold. The result, if the model works as promised, is a growing stock of owner-occupied housing that retains the same level of affordability over time, serving households at the same level of income, one resale after another.

Our examination of the BCLT's effectiveness in perpetuating the affordability of owner-occupied housing began by charting two trend lines: the median price of houses and condominiums resold through the BCLT and the median price of all market-rate, single-family houses, condominiums, and mobile homes with land sold during the same period and within the same geographic area served by the BCLT (see Figure 1, pg 8). Prices for market-rate homes moved slowly upward until the late 1990s and then began a rapid rise. By comparison, the trend line for houses and condominiums resold through the BCLT remained relatively flat. There were some dips in the median price of BCLT resales during the mid-1990s, caused by a disproportionate number of condominiums being resold during a slump in the condo market, and there was an early climb in prices between 1988 and 1992, an anomalous pattern produced by a tiny number of resales. These fluctuations aside, the general trend for BCLT homes was one of price stability, especially from 1998 onward, when the rate of increase in the median price of market-rate homes was accelerating.

Did the BCLT's apparent success in moderating prices in its portfolio of owner-occupied housing, however,

Figure 1
Median Price of Market-Rate Sales vs
Median Price of BCLT Resales
Burlington MSA, 1988 - 2002



Medians for market-rate homes provided by Vermont Housing Agency based upon property transfer data for sales of houses, condominiums, and mobile homes (with land) in Chittenden County, 1988-2002. No BCLT resales in 1990.

translate into maintaining affordability for persons of modest means? To answer that question, we had to compare these resale-restricted homes not with market-rate homes, but with themselves, doing so at two different points in time: when these homes were first purchased from the BCLT and when they were later resold through the BCLT.

We wanted to know, first of all, whether the households buying the houses and condominiums being offered for resale had incomes that were roughly the same as the households who had initially purchased those homes. We discovered they did. Indeed, the BCLT tended to serve households at a slightly lower level of income the second time around. The average seller had a household income of 69% of median when she first purchased her home from the BCLT. The average buyer of a resold BCLT home had a household income of 68% of median (see Table 2, pg 9).

This pattern changed only slightly when the resale of BCLT houses was examined separately from the resale of BCLT condominiums. The buyers of BCLT houses had an income, on average, that was 8% lower than the income of the homeowners who were selling these houses.¹⁶ By contrast, the buyers of BCLT condominiums had an income, on average, that was 1.7% higher than that of the sellers of these condominiums. A softening in the condominium market during the mid-1990s created a temporary glut in lower-priced condominiums being offered for sale throughout the county. On occasion, there were no low-income households waiting and willing to purchase BCLT condos that came up for resale.¹⁷ Rather than allowing them to remain vacant, the BCLT was sometimes forced to sell these condos to households whose incomes were somewhat higher than those of the households who had initially bought and later resold them. This resulted in the tiny upturn in income between the sellers and

Table 2
Continuing Affordability of BCLT Homes:
Time of Purchase vs. Time of Resale

	Housing Unit Sold to:			Housing Unit Affordable to: (Actual Annual Mortgage Rates**)			Housing Unit Affordable to: (Standardized Mortgage Rate***)			
	Years home owned by seller	Seller's income at initial purchase (%AMI*)	Buyer's income at time of resale (%AMI*)	Gain (+) or Loss (-) in affordability between purchase and resale	Unit affordability at initial purchase (%AMI*)	Unit affordability at time of resale (%AMI*)	Gain (+) or Loss (-) in affordability between purchase and resale	Unit affordability at initial purchase (%AMI*)	Unit affordability at time of resale (%AMI*)	Gain (+) or Loss (-) in affordability and resale
Condos Average	5.21	69.2%	70.4%	-1.7%	59.0%	51.3%	+13.1%	61.5%	56.7%	+7.8%
Houses Average	5.50	69.7%	64.1%	+8.0%	61.4%	52.3%	+14.8%	63.0%	57.2%	+9.2%
Combined Average (condos and houses)	5.33	69.4%	67.8%	+2.3%	60.0%	51.7%	+13.8%	62.2%	56.9%	+8.5%

* Percent of Area Median Income (%AMI) is calculated by dividing a household's income by the median income for the Burlington SMSA. The latter is published and periodically updated by HUD. The lower the %AMI, the higher the affordability.

** Affordability calculations based on the actual mortgage interest rates that were in effect at the year of purchase and the year of resale.

*** Affordability calculations based on a standardized mortgage interest rate of 7%, the 19-year average (1984-2002) for the lowest-priced mortgage product offered by the Vermont Housing Finance Agency, used by nearly all first-time homebuyers in buying a BCLT home. These calculations assume that a 7% mortgage was used both in financing the home at initial purchase and in financing the same home on resale.

buyers of BCLT condominiums, from 69% of AMI to 70% of AMI respectively.

We then shifted our attention from the actual households who had purchased from the BCLT ("sold to") and focused, instead, on the minimum income that a hypothetical 4-person household would have needed in order to buy that home ("affordable to"). We wanted to know whether the affordability of the houses and condominiums resold through the BCLT had remained constant between the time they were initially purchased and the time they were eventually resold. For example, if a BCLT home had originally sold for a price that was affordable for a household earning 65% of median income (regardless of whether it was actually bought by someone earning that amount), did it resell for a price that was also affordable for a household earning 65% of median?

Our first strategy for answering that question was to use the actual prices charged for a BCLT home at the time of purchase and at the time of resale, along with the actual rates for a 30-year mortgage then available to a BCLT homebuyer during the year she bought her BCLT home.¹⁸ Our affordability calculations included, as well, standardized estimates of the taxes, insurance, and lease fees (or condo association fees) that would have been paid by a BCLT homeowner, adjusted for the year in which the home was initially purchased or even-

tually resold. Our analysis revealed that BCLT homes not only remained affordable on resale, they became more affordable. On average, there was an affordability gain of nearly 14% between the time a BCLT home was initially purchased and the time it was resold to another low-income buyer. This gain in affordability for homes resold through the BCLT was slightly greater for houses (14.8%), when examined separately, and slightly smaller for condominiums (13.1%).

Despite this finding, we were not yet prepared to conclude that the BCLT had indeed been effective in preserving the affordability of owner-occupied housing, one resale after another. Most of the BCLT's resales had occurred during a period when home mortgage interest rates were falling. This meant, in many cases, that the homeowner who bought a BCLT home at resale had obtained a mortgage at a lower rate of interest than the rate obtained by the BCLT homeowner who was selling that home. Perhaps the increased affordability of a BCLT home, between the time of initial purchase and the time of resale, was due mostly to a drop in mortgage rates. We tested this alternative hypothesis by calculating the average mortgage interest rate over the nineteen-year period between 1984 and 2002 and then using this standardized rate to re-analyze the affordability of every resale. We found that affordability gains were, in fact, reduced when the effect of falling mortgage rates was

removed. Reduced, but not eliminated. Seventy-nine (79) of the 97 homes resold through the BCLT became more affordable for the next generation of homebuyers; 6 remained equally affordable; and 12 became less affordable (see Figure 2 below). Every one of the dozen homes that became less affordable on resale was still offered for a price that a 4-person household earning less than 70% could afford. Averaged across all 97 resales, affordability increased by 8.5% between initial purchase and eventual resale, even when the sellers and buyers of BCLT homes were both assumed to have used mortgages having the same rate of interest.

Finally, having demonstrated the BCLT's success in preserving affordability, we wanted to know what por-

ter-day subsidies had already been subtracted from our analysis so as not to skew the calculations and comparisons of affordability.¹⁹ Some of that differential could be attributed, however, to the lower value of the BCLT's homes. The smaller size, older condition, and less desirable location of many of the houses and condominiums acquired by BCLT as "starter homes" for persons of modest means undoubtedly caused them to appraise for less and to sell for less than most of the homes being offered on the open market. We found, in fact, that 59% of the average price differential between BCLT resales and market-rate homes in the Burlington MSA was due to the lower appraised value of these BCLT homes (see Table 3, pg 11).

This still left unexplained a significant portion of the price differential. This portion of the difference between the median price of the market-rate homes and the median price of the BCLT's resales could only have been caused by the BCLT's unique approach to homeownership. By limiting the amount of appreciation that homeowners could pocket on the resale of their homes, the BCLT had managed to moderate the price at which these houses and condominiums had changed hands. Forty-one percent (41%) of the lower price of the BCLT's resales could be directly attributed to the model used by the BCLT to sustain affordability, a price differential that averaged \$23,070 per unit.

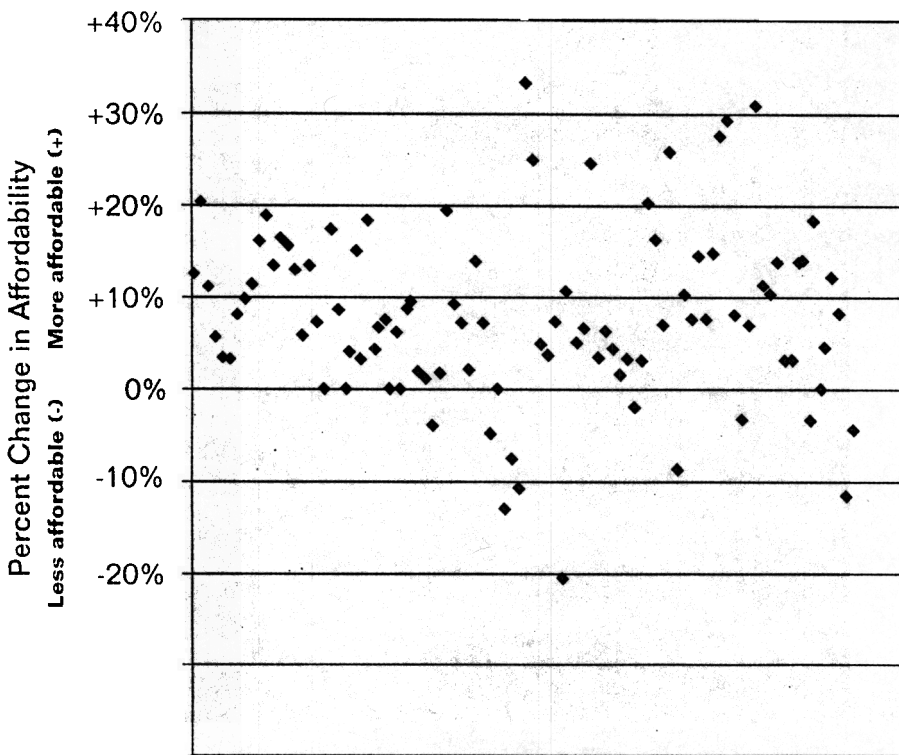
In sum, during a period when the prices for market-rate homes were moving steadily upward, the BCLT was effective in stabilizing the prices of its own stock of owner-occupied housing, ensuring that the same class of people who had initially bought these homes could still afford them when they were

eventually resold. Between 1988 and 2002, the BCLT delivered on its promise of preserving affordability, one resale after another.

Retaining Community Wealth

The BCLT and every other community land trust claims that the model is also effective in retaining any public

Figure 2
Change in Affordability of BCLT Homes
Between Time of Purchase and Time of
Resale (Standardized Mortgage Rate), 1984-2002



tion of that success was due to the model itself — that is, to the effective operation of the BCLT's resale controls. The median price of homes resold through the BCLT was, on average, 47% lower than the median price of homes sold on the open market, a price differential of nearly \$60,000 per unit. None of that differential could be attributed to additional subsidies brought to the deal at the time of resale, since any lat-

Table 3
Price Differentials:
Sale of Market-rate Homes vs. Resale of BCLT Homes

Year	Number of BCLT Resales	Median Price of BCLT Resales*	Median Price of Market-rate Sales	\$\$\$ Price Difference (Price of Mkt-rate home - Price of BCLT home)	% Price Difference (\$\$\$ Difference/Price of Mkt-rate home)	Median Appraised Value** of BCLT Resales	% of Price Differential due to lower appraised value of BCLT homes	% of Price Differential due to operation of the CLT model
1988	1	\$35,000	\$96,900	\$61,900	64%	\$50,000	76%	24%
1989	1	\$50,000	\$111,000	\$61,000	55%	\$86,000	41%	59%
1990	0	-	\$110,000	-	-	-	-	-
1991	1	\$59,500	\$107,650	\$48,150	45%	\$85,000	47%	53%
1992	2	\$72,000	\$108,000	\$36,000	33%	\$97,000	31%	69%
1993	2	\$47,800	\$116,000	\$68,200	59%	\$76,000	59%	41%
1994	5	\$51,000	\$119,000	\$68,000	57%	\$84,000	51%	49%
1995	7	\$76,000	\$118,950	\$42,950	36%	\$83,500	83%	17%
1996	7	\$70,500	\$120,500	\$50,000	41%	\$90,000	61%	39%
1997	12	\$61,789	\$123,500	\$61,711	50%	\$79,000	72%	28%
1998	10	\$81,875	\$128,000	\$46,125	36%	\$97,500	66%	34%
1999	10	\$73,250	\$131,000	\$57,750	44%	\$85,250	58%	42%
2000	14	\$83,650	\$144,000	\$60,350	42%	\$103,750	67%	33%
2001	10	\$81,803	\$160,000	\$78,197	49%	\$110,250	64%	36%
2002	15	\$82,100	\$176,000	\$93,900	53%	\$122,000	58%	42%
AVG.				\$59,588	47%		59%	41%

* In some cases, the actual sales prices for homes resold by the BCLT were **lower** than the figures presented here because additional subsidies, secured by the BCLT at time of resale, allowed the BCLT to push the resale price even lower than the formula-determined price. Such latter-day subsidization occurred in 25 of the 97 resales. To ensure the comparability of all 97 resales -- and to test the effectiveness of the model **by itself** in preserving affordability -- any subsidies brought to the deal at the moment of resale have been removed.

** Appraised value of BCLT resales is a market valuation of the entire property, building and land, conducted by analysis and comparison of comparable properties as though title to the building and land was held in fee simple absolute, disregarding restrictions on use and resale imposed by the BCLT ground lease.

or private subsidies put into making homeownership affordable in the first place. These subsidies are typically used by CLTs to buy the underlying land, removing a significant component from the purchase price of owner-occupied housing. CLTs operating in high-priced housing markets or CLTs that develop limited-equity condominiums that are not on leased land put their subsidies not only into purchasing land but also into constructing or rehabilitating the housing itself. Because a CLT's land is never resold and because the resale price of every house and condominium developed by a CLT is capped, subsidies are not removed by homeowners who later leave the CLT. Nor are they recaptured and re-loaned, a common practice of many state and municipal housing programs, one that typically results in a gradual erosion in the value of the community's investment in markets where housing is appreciating in price. In these markets, "recycled" subsidies buy less and less over time. In the CLT, if the model works as promised, subsidies are retained in the subsidized property. They are neither lost nor diminished during resales. The community's investment in affordable housing is preserved.

For all of the BCLT's resales, we compiled a list of the subsidies committed to each property. These subsidies included grants from the City of Burlington, grants

from the Vermont Housing and Conservation Board (VHCB), grants from the Vermont Community Development Program, the Vermont Housing Finance Agency's most affordable mortgage product, and price concessions extracted from private developers through municipal measures like inclusionary zoning. These publicly-provided or publicly-mandated subsidies allowed the BCLT to initially sell each home for less than the combined appraised value of the building and its underlying land. We knew, of course, that other public grants and private donations had helped to support the operations of the BCLT since 1984, making the community's total investment more than the amount invested and retained in individual housing units. The only subsidies we could compute with accuracy, however, and assign with specificity to the owner-occupied portion of the BCLT's portfolio were those with a direct impact on lowering the price that was actually paid for a particular property by a particular homebuyer.

To test the claim of retention, we compared the value of these subsidies at two different points in time: when a house or condominium was initially sold by the BCLT and when that same home was eventually resold. We asked three questions. Among the 97 resales, were there cases where the community's investment was

lost? Were there cases where the community's investment was eroded? If the answer was yes, on either count, were there cases where the loss or erosion of these subsidies forced the BCLT to invest more of the community's wealth to preserve the affordability which these subsidies were supposed to buy?

There were two cases where the public subsidy was lost in its entirety. Both were condominiums. Both were foreclosures. In neither case was the housing removed from the BCLT's portfolio. The BCLT reacquired the condominiums, rehabilitated them using additional subsidies provided by VHCB, and resold them to other low-income homebuyers.

There were 32 cases out of 97 resales where the subsidy invested in a house or condominium had a value at the time of resale that was lower than its value had been when the home was initially purchased, meaning there was some erosion in the community's original investment. This happened not because homeowners pocketed a portion of the subsidy, but because the homes themselves had not held their value between purchase and resale. The spread between their purchase price and their appraised value had narrowed.²⁰ Even so, the impact on affordability was minimal. Only in one case was there both a decline in the value of a home's subsidy and a decline in the level of a home's affordability. Only in eight cases, counting the two foreclosures mentioned above, were additional subsidies put into homes for which the value of the original subsidy had declined. Ninety-two percent (92%) of the time, therefore, when a BCLT home changed hands, enough of the community's original investment remained in the home so as not to require an additional infusion of the community's scarce resources to preserve that home's affordability.

When the BCLT's resales were considered as a whole, the community's investment was found to have grown in value by 38%, the combined result of inflation in the general economy and appreciation in the appraised value of the housing in which the subsidies were invested. At initial sale, the subsidies contained in the 97 houses and condominiums totaled \$1,525,148 — an average of \$15,723 per home. At resale, the subsidies retained in these same homes had a total value of \$2,099,590 — an average of \$21,645 per home. Had these subsidies been removed, carried away in the pockets of the departing homeowners, the City of Burlington, the Vermont Housing and Conservation Board, or some other public agency would have needed to re-subsidize this housing to the tune of \$2,099,590 for it to have been purchased by households at the same average level of income (68% AMI)

as those who were served by the BCLT on resale. Instead, these subsidies remained in place, locked into housing that was rising in value but staying affordable (or becoming more affordable) year after year. Subsidy retention, for most of the owner-occupied housing resold through the BCLT between 1988 and 2002, was a reality.

Enhancing Residential Stability

The BCLT, along with every other community land trust, makes the claim that the model is effective in stabilizing residential neighborhoods by protecting that portion of a neighborhood's residential property that is owner-occupied. If the model works as promised, any land and housing incorporated into a CLT's portfolio should never be lost to absentee ownership. Any homeownership gains achieved because of a CLT should be permanent.

The proponents of CLTs are hardly alone in suggesting that residential neighborhoods with a higher percentage of owner-occupied housing may have more stability than neighborhoods where the housing stock is mostly renter-occupied, especially if much of it is owned by absentee landlords. Among policy makers, municipal officials, private citizens, and academics, there is a widespread belief that homeownership confers multiple benefits on a neighborhood: reducing the turnover of its residential property, encouraging upkeep, stabilizing property values, increasing participation in community organizations, and improving social conditions like high school dropout rates and crime rates. Nationally, the evidence for some of these suppositions is strong; for others, the evidence is weak or mixed.²¹ Either way, this is not a debate we had the data to join. We did not attempt to address the question of whether a higher rate of homeownership might actually enhance neighborhood health. Furthermore, because the BCLT now operates in three counties, scattering its resale-restricted, owner-occupied units across dozens of neighborhoods, we did not attempt to measure whether the overall homeownership rate had actually increased in any neighborhood as a consequence of the BCLT's efforts. We considered only whether the BCLT was effective in stabilizing its homeownership gains, ensuring the continuity of its own stewardship over land and housing while preventing the loss of owner-occupancy in the face of various challenges.

In market housing, owner-occupancy is most commonly lost in three different ways.²² The property is

resold by the homeowner to an absentee owner, who either operates the property as rental housing or converts it to a nonresidential use. The property is sublet by the homeowner to a succession of renters under short-term (or long-term) leases. Or the property is seized through foreclosure and conveyed immediately to an absentee owner or held vacant until a buyer can be found.

CLTs are committed to making such losses a rarity. The model's proponents point to four lines of defense, embodied in the model itself, that combine to ensure that land and buildings that are owner-occupied today will remain owner-occupied tomorrow.

Resale controls. A homeowner cannot sell directly. All resales are supervised by the CLT, ensuring not only that homes change hands at the formula-driven price but that homes are resold to other income-eligible households who will occupy these homes as their primary residences.

Occupancy controls. A homeowner cannot sublet freely. All owners of CLT homes must occupy the premises for at least six months of every year and may not sublease the premises without the prior written approval of the CLT.²³

Foreclosure controls. A lender cannot act unilaterally. Mortgagees must notify the CLT in cases of delinquency or default and must grant the CLT an opportunity to cure. Should preventive intervention prove insufficient, leaving the lender with no choice but to proceed to foreclosure, the CLT still has the first right to repurchase the home from the lender.

Landownership interests. The CLT cannot sell easily the land that it owns, nor can it disregard entirely what is happening to the buildings thereon. Its bylaws require approval of two-thirds of the board and two-thirds of the membership for the CLT to sell any parcel of land. In all but a few cases, its ownership of land is permanent. So is its stewardship of the buildings. Its leases and covenants make the CLT both monitor and regulator for provisions controlling the occupancy, subletting, use, and improvement of every building located on its land. The CLT is also the once and future owner of these buildings, with a preemptive right to repurchase every one that goes up for sale. The CLT has an abiding interest in these buildings, therefore, and an unavoidable obligation to enforce its own covenants and controls. Because the CLT is vest-

ed, the CLT is vigilant, a watchfulness that extends to the preservation of owner-occupancy.

All four of these features are present in the model used by the BCLT. What we wanted to know was how well they had worked. Did they ensure that, whenever owner-occupied units were developed, sold, and resold by the BCLT, these units remained in the BCLT's domain, retaining their character as resale-restricted, owner-occupied housing?

Examining the entire stock of owner-occupied houses and condominiums developed by the BCLT between 1984 and 2002, we found that 95% (247 out of 259) of these units were still under the BCLT's control. The BCLT continued to regulate their occupancy, use, and affordability. They continued to be occupied by homeowners. Only twelve condominiums developed by the BCLT were no longer in the BCLT's portfolio by the end of 2002. The BCLT no longer regulated their occupancy or use and no longer retained a preemptive option to repurchase them at an "affordable," formula-determined price.

Although a 5% loss is rather small, the BCLT is committed to permanent ownership of land, the perpetual affordability of any housing located on its land, and the continued owner-occupancy of any housing dedicated to homeownership. The conversion to market ownership of even a few BCLT condominiums would seem a departure from the organization's mission and a challenge to its claim of continuity. Every case where the model seems not to have delivered on its promise warrants a closer look. Why did the BCLT allow controls over these twelve condominiums to lapse? And what happened to them after they returned to the marketplace?

Ten of these "lost" condominiums were one-bedroom units in a single, three-story building on Burlington's waterfront that had been converted from an industrial use. They had spectacular views of Lake Champlain, but this was their only amenity. They were small, narrow, noisy, and dark — five "railroad car" units arrayed side-by-side on one floor, with five identical side-by-side units situated directly overhead. They proved very difficult to market, especially on resale. A weak preemptive option (modified and strengthened for later condo projects) gave the BCLT only 90 days to repurchase these waterfront condominiums.²⁴ If the BCLT did not exercise its option, homeowners were free to sell their units for whatever the market would bear. Homeowners had an enormous incentive, therefore, not to cooperate with the BCLT in seeing their units pass into the hands of another low-income buyer.

The combination of a weak option, unattractive units, uninterested buyers, and obstructionist sellers finally convinced the BCLT to allow its occupancy, use, and affordability controls over these units to lapse. They were put on the market in 1998, selling for prices that few households below 80% of AMI could afford. By 2002, two of the ten condominiums were being rented out by absentee owners. The others remained owner-occupied. The BCLT retained ownership of the underlying land and continued to collect fees for its use.

The two other condominiums removed from the BCLT's portfolio were lost simply because the BCLT could not find a low-income buyer for either of them. One, a two-bedroom condominium in a rural community, came up for resale in 1996, a time when the county's condominium market was quite depressed. After trying unsuccessfully for nearly a year to find an eligible buyer, the BCLT removed its controls and allowed the homeowner to sell on the open market. Another owner-occupant eventually purchased the unit and the BCLT was repaid the subsidy that had gone into lowering the unit's original purchase price. The same scenario was played out for the second condominium, a one-bedroom unit located in a dense, poorly designed complex that had come into the BCLT's portfolio as the result of an agreement between the project's for-profit developer and the city, reached during the permitting process. After six months of failing to find a low-income buyer, the BCLT removed its controls over the unit and recovered its subsidy when the condominium was eventually sold to another owner-occupant.

Looking closely at the units removed from the BCLT's domain of price-restricted housing, therefore, we discovered several patterns. Although 12 units were lost to the market, no public subsidies were lost. They were all recaptured and returned to the state agency that had granted them. Nor was any land lost from the BCLT's portfolio, since the BCLT retained ownership of the land beneath the waterfront condominiums and had never owned land beneath the two other condominiums. There was a modest loss, however, in the level of owner-occupancy. Two condominiums were converted into rentals.

This loss of a dozen units to the marketplace — and the loss of two homeowner units to tenancy — proved to be exceptions to the rule. The rest of the 259 units of owner-occupied housing developed by the BCLT between 1984 and 2002 remained under the BCLT's stewardship — and remained owner-occupied. The protections put in place by the BCLT to prevent the

loss of property from its own portfolio and the loss of owner-occupancy had worked well. BCLT homes were regularly resold, but the BCLT ensured their transfer from one homeowner to another. BCLT homes were occasionally sublet, but the BCLT ensured their return to owner-occupancy within a short period of time. BCLT homeowners occasionally defaulted on their financial obligations to third-party lenders, but the BCLT intervened to prevent most of these defaults from proceeding to foreclosure.²⁵ Seven BCLT homes eventually did change hands because of foreclosure (or the transfer of a deed in lieu of foreclosure). But, in all seven of these cases, the BCLT re-acquired title and resold the home to another low-income homeowner. These homes remained in the BCLT's portfolio.

Owner-occupied housing developed by the BCLT, in short, has rarely disappeared from the BCLT's domain — or from the realm of owner-occupancy. It is too soon to say these homeownership gains are "permanent" because only nineteen years have passed since the first sale of a single-family house by the BCLT. Throughout that period, however, the BCLT achieved a high rate of success in ensuring the continuity of land ownership and the continuity of homeownership for property brought into its portfolio. Ninety-five percent of the time, the BCLT delivered on its promise of residential stability.²⁶

Expanding Homeownership

All community land trusts are committed to bringing homeownership within the reach of persons who are priced out of the conventional market. On initial sale, the purchase price of a house or condominium is reduced because public subsidies, public powers, or private contributions have enabled the CLT to offer that home for a price that is lower than its market value. On resale, the purchase price of the same home is reduced not only because these subsidies are retained in the property, but also because the CLT has reacquired the home at a below-market price and passed along these savings in the price charged to the next homebuyer. If the model works as promised, a CLT should be able to sell its homes, both initially and continuously, to households who could not otherwise have gained access to homeownership.

In the Burlington MSA, access to market-rate homes for would-be homebuyers earning less than 80% of Area Median Income (AMI), the BCLT's target population, remained elusive during the entire period of 1988 to 2002, even during the mid-1990s when the median

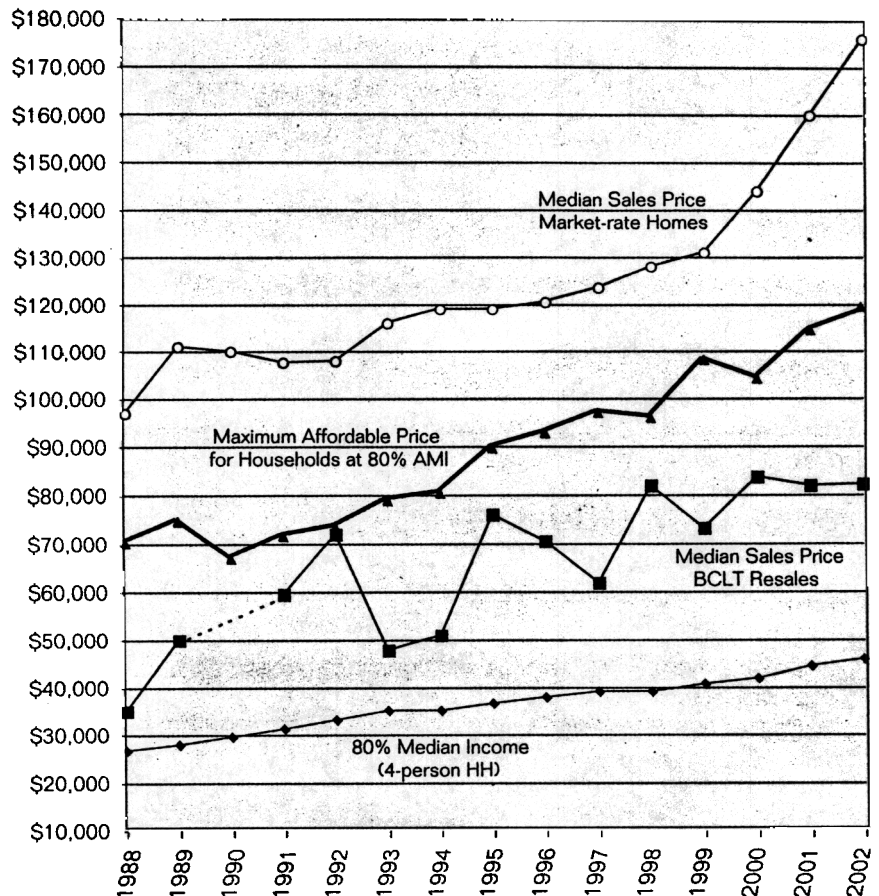
sales price of market-rate homes briefly dipped (see Figure 3). After 1996, housing prices began a steep climb, with household income lagging far behind. Fortunately, mortgage rates were falling during this same period, so the affordability gap widened more slowly. The availability of less expensive mortgages kept the prospect of homeownership from completely vanishing over the horizon, but there were still few homes being put on the market that households below 80% of AMI could afford.

The BCLT succeeded where the market could not. In our examination of the 97 houses and condominiums resold through the BCLT, we found that households earning less than 80% of AMI initially purchased 81 of these homes (see Table 4 & Figure 4, pg 16). Households earning less than 60% of AMI purchased 23 of them. When re-acquired by the BCLT and resold to a second generation of homeowners, 78 of these houses and condominiums were purchased by households earning less than 80% of AMI; 31 of them were purchased by households earning less than 60% of AMI. On average, the BCLT served households at a lower level of income the second time around, although the difference was slight. The household income of those who initially purchased a BCLT home averaged 69.4% of AMI. The household income of those who purchased a resold BCLT home averaged 67.8% of AMI.

These homes could have been bought by households earning even less. As reported earlier, when evaluating the BCLT's claim of preserving affordability, the average BCLT home was offered for a price affordable to a household earning 60% of AMI. On resale, it was offered for a price affordable to a household earning 51.7% of AMI (cf., Table 2). There was a significant spread, in other words, on both initial purchase and eventual resale, between the average household income of those to whom a home was sold and those for whom a home was affordable.

The spread might have been wider, since the BCLT is willing to sell its homes to any interested households

Figure 3
Maximum Affordable Price for BCLT's
Target Population
(80% of Area Median Income)
Burlington MSA, 1988 - 2002



Medians for market-rate homes provided by Vermont Housing Agency based upon property transfer data for sales of houses, condominiums, and mobile homes (with land) in Chittenden County, 1988-2002. No BCLT resales in 1990.

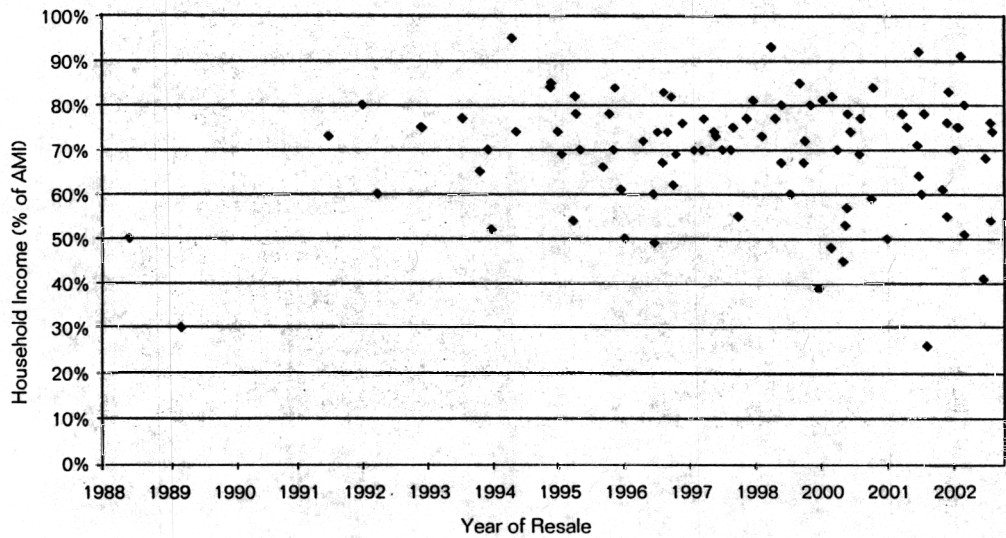
who have the wherewithal to buy them and who earn less than 80% of AMI. Thus an average BCLT home offered for purchase at a price affordable to a household earning 60% of AMI could have been sold to a household earning 80% of AMI. It was more likely to be sold, as the evidence shows, to a household earning 69% of median. The BCLT's policy, whenever more than one income-eligible household is waiting, willing, and able to purchase a home, is to sell that home to the household having the lowest income. That is why the average household income of the BCLT's homebuyers was closer to 60% ("affordable to") than to 80% ("targeted to").²⁷

These findings demonstrate that the BCLT's efforts did expand homeownership opportunities for persons excluded from the market. There is evidence, more-

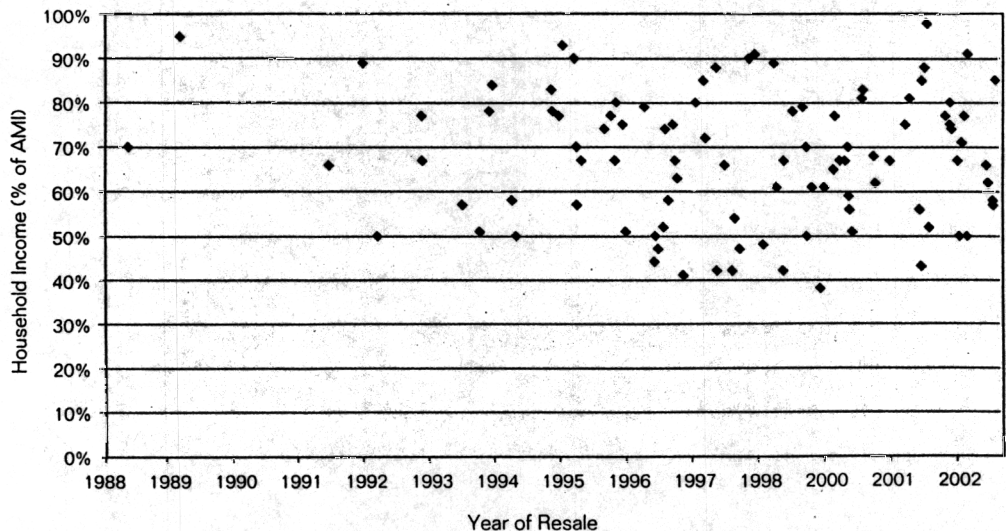
Table 4
Access to BCLT Homeownership
Homebuyer Income at Time of Purchase

HUD Income Category	Area Median Income (Burlington MSA)	Initial Sale of BCLT Homes: Number of Homebuyers in Each Income Category	Resale of Same BCLT Homes: Number of Homebuyers in Each Income Category
Very Low Income	50% AMI or Below	10	16
Low Income	51% - 60% AMI	13	15
Low Income	61% - 70% AMI	22	24
Low Income	71% - 80% AMI	36	23
Moderate Income	81% - 90% AMI	12	14
Moderate Income	91% - 100% AMI	4	5
TOTAL HOUSEHOLDS:		97	97
AVERAGE HOUSEHOLD INCOME (at purchase)		69.4% AMI	67.8% AMI

Figure 4
Homebuyer Income at
Time of Purchase:
Initial Sale of
BCLT Homes



Homebuyer Income at
Time of Purchase:
Resale of Same
BCLT Homes



over, that access to homeownership for this economic class was not only preserved when BCLT homes were resold, but was increased. In many cases, the BCLT succeeded in reaching persons at a lower level of income the second time around. During a period of rising housing prices, when there remained a substantial gap between what a low-income household could affordably purchase and what the market could reliably provide, even with mortgage rates approaching their lowest point in 30 years, the BCLT was making homeowners out of households excluded from the conventional market. Promising greater access to homeownership for persons of modest means, the evidence shows that the BCLT delivered.

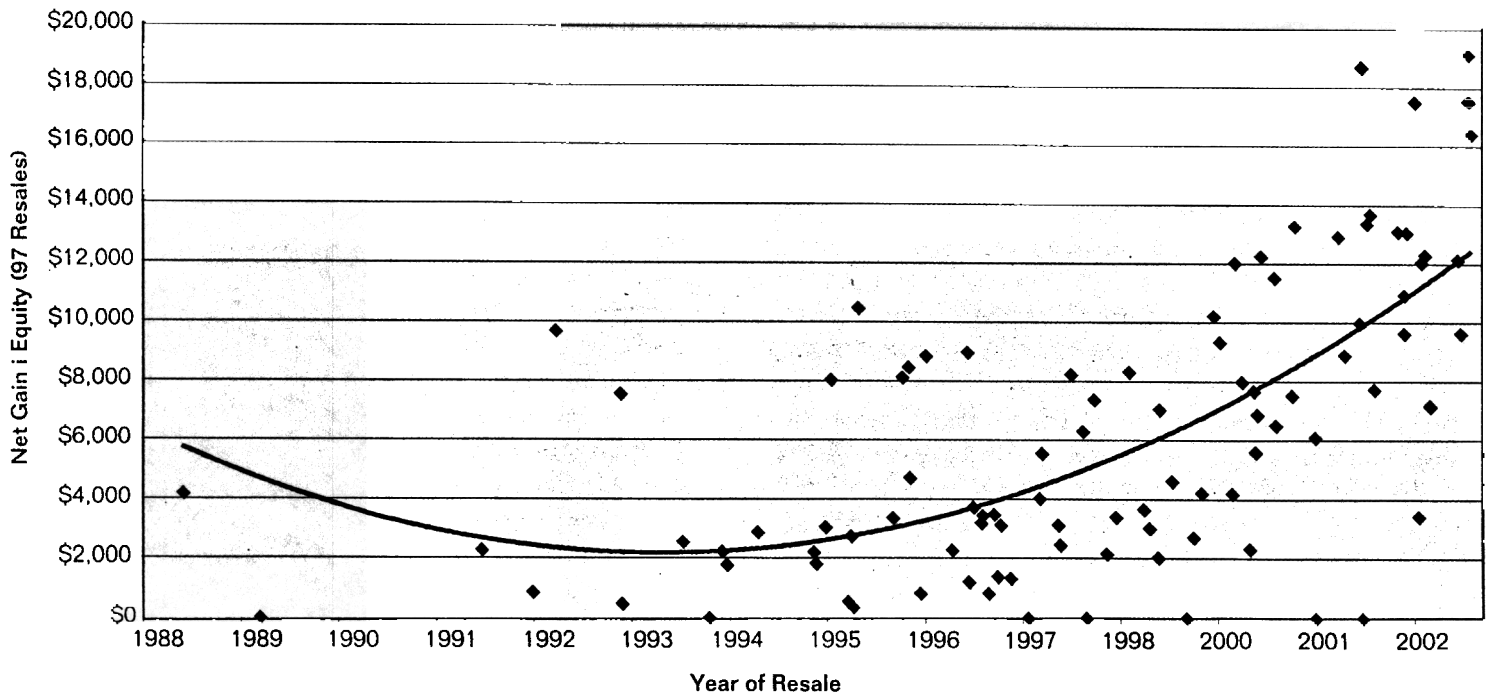
Creating Individual Wealth

Every community land trust, including the BCLT, limits the equity which homeowners may claim as their own when reselling their CLT homes. Homeowners are allowed to pocket on resale whatever equity they brought as a downpayment to the purchase of their home, as well as any equity earned in paying off their mortgage (principal reduction).²⁸ They may also claim a portion of their home's appreciated value, if appreciation has occurred. They do not get all of the

appreciation, however, not even most of it. The bulk of a property's appreciation remains with the property itself, along with any subsidies invested in bringing the home within the financial reach of a low-income homebuyer. This enables the CLT to re-acquire the home from the first homeowner and to re-sell to a second homeowner at an "affordable" price that is often significantly below the property's market value.

There is a trade-off here. While access to homeownership for a future generation of low-income homebuyers is expanded, the amount of wealth available to the present generation of CLT homeowners is limited. CLT homeowners can never walk away with a substantial economic windfall, should their homes soar in value. On the other hand, they seldom walk away empty-handed, as long as they meet their mortgage payments, maintain their home in good repair, remain in the home for a number of years, and happen to live in a locale where real estate values are not collapsing. At a minimum, the typical CLT homeowner will pocket proceeds on resale that no renter will ever see: i.e., a portion of the monthly payments she has made to retain her home. At a maximum, the typical CLT homeowner will realize an additional gain: a share of her home's appreciation.²⁹ If the model works as

Figure 5
BCLT Homeowner Equity Gains* 1988-2002



* Equity earned by homeowners on the resale of their BCLT homes, after recouping initial downpayment. Net equity includes both the retirement of mortgage principal and the homeowner's (limited) share of appreciation.

Table 5
Return on Investment for BCLT Homeowners
on Resale of Houses and Condominiums

	Number of yrs owned	Owner's Share of Appreciation (App)	Owner's Retirement of Principal (Princ)	Owner's Net Proceeds (App + Princ)	Annualized Return		
					Owner's Initial Investment (Downpayment)	Owner's Net Gain in Equity*	Return on Initial Investment**
Averages for all condo resales:	5.21	\$3,066	\$3,627	\$6,693	\$2,103	31.60%	18.83%
Averages for all house resales:	5.50	\$2,139	\$3,349	\$5,488	\$1,997	27.14%	14.15%
Averages for all BCLT resales:	5.33	\$2,674	\$3,509	\$6,184	\$2,030	29.95%	17.06%
<hr/>							
Averages for those condo resales with any appreciation:	5.84	\$4,641	\$4,489	\$9,129	\$2,080	33.42%	22.23%
Averages for those house resales with any appreciation:	6.26	\$3,373	\$4,330	\$7,703	\$2,004	28.64%	17.06%
Averages for all resales with any appreciation:	6.02	\$4,118	\$4,423	\$8,541	\$2,059	31.31%	20.04%

* Annualized return based on owner's net proceeds (over and above the initial downpayment): share of appreciation plus retirement of principal.

** Annualized return based on owner's share of appreciation (after recouping initial downpayment).

promised, the amount of money a homeowner puts into her pocket when she leaves the CLT should be greater than the amount of money she took out of her pocket in making a downpayment on a CLT home. There should be a net gain in wealth, a fair return on the homeowner's investment.

We began our investigation of wealth creation by calculating the total proceeds, over and above a homeowner's initial investment, that each BCLT homeowner realized when reselling a house or condominium. Two types of proceeds were included in these calculations: the amount of principal that each BCLT homeowner had paid on her mortgage; and the share of appreciation that each BCLT homeowner had earned, if her home had increased in value between the time of purchase and the time of resale. In 90 out of 97 resales, BCLT homeowners gained equity through the amortization of their mortgages. The only cases in which no equity was earned through principal reduction were those seven homes that changed hands because of a foreclosure or a transfer of deed-in-lieu of foreclosure. In 63 out of 97 resales, BCLT homeowners gained equity by sharing in their home's appreciation (see Figure 5, pg 17).

The size of these equity gains varied from homeowner to homeowner, depending on length of residence, type of housing, price paid for the home, interest paid on the mortgage, and growth in the home's appraised value (if any). There were familiar patterns. Generally, the longer a home was owned, the greater were the homeowner's proceeds.³⁰ Homeowners who paid a higher price for their homes and a lower rate for their mortgages had higher gains than homeowners who bought lower-priced homes and obtained higher rate mortgages. And, of course, homeowners whose homes appreciated greatly in value gained more equity than homeowners whose homes appreciated minimally — or not at all. There were, in fact, 34 BCLT homeowners who realized no gain from appreciation, either because there was no increase in the appraised value of their homes or because, in four cases, appreciation occurred but foreclosure prevented the homeowner from receiving a share.³¹ The owners of BCLT homes, in this situation, are no different from the owners of market-rate homes. They can only benefit from appreciation if there is appreciation.

When the 97 resales are considered as a whole, the average BCLT homeowner was able to pocket — after

reselling her home, retiring her mortgage, and recouping her downpayment — net proceeds of \$6,184. This represents, on an annualized basis, a net gain in equity of 30% per year. Counting only those proceeds derived from appreciation, we found that the rate of return on the homeowners' initial investment was 17% (see Table 5, pg 18).

These are averages for all of the houses and condominiums resold through the BCLT between 1988 and 2002. As such, they include resales where homeowners earned nothing due to foreclosure and resales where homeowners did not earn a share of appreciation, since their homes did not increase in value. Not surprisingly, when these cases are removed, the averages rose. Considered separately, those BCLT homeowners whose property did increase in value and who did earn a share of appreciation pocketed, on average, net proceeds of \$8,541. They realized an annualized net gain in equity of 31%. The rate of return on their initial investment, counting only those proceeds from appreciation, averaged 20%.

Having established that BCLT homeowners did, indeed, walk away with more wealth than they pos-

sessed when they initially bought their BCLT homes, we asked a more difficult question: did BCLT homeowners earn a "fair" return when reselling their resale-restricted homes? The answer must depend, of course, on what is meant by "fair," a rather slippery term. "Fair" to whom? "Fair" as compared to what? If the only standard of a "fair" return is the amount of money that conventional homeowners receive in an appreciating market on the resale of homes having none of the restrictions that encumber a BCLT home, the returns received by BCLT homeowners must suffer by comparison. Consider the hypothetical example of a BCLT home that was purchased for \$67,767 in the early 1990s and that rose in value by \$12,000 over a 6-year period (see Table 6).³² Had this been an unrestricted, market-rate home, purchased with the lowest-cost mortgage available to a first-time homebuyer in the Burlington area, that homeowner would have walked away on resale with \$17,350 in equity (over and above the initial downpayment), an annualized gain in equity of nearly 32%. The same home, if purchased and resold through the BCLT, would have netted the homeowner \$7,339 in equity, an annualized gain of 29%. The BCLT homeowner, in short, would not have fared as well in an appreciating market as the owners

**Table 6
Comparison of Returns by Housing Tenure
and Type of Investment**

	Renter "Investing" in Security Deposit (Returned w/interest)	Renter Investing in the Stock Market	Homeowner Investing in BCLT Home: No Appreciation	Homeowner Investing in Market-rate Home: No Appreciation	Homeowner Investing in BCLT Home: w/Appreciation	Homeowner Investing in Market-Rate Home: w/Appreciation
Purchase price ¹	\$0	\$0	\$66,767	\$82,320	\$66,767	\$82,320
Initial investment ²	\$2,003	\$2,003	\$2,003	\$4,116	\$2,003	\$4,116
Mortgage amount	\$0	\$0	\$64,764	\$78,204	\$64,764	\$78,204
Years occupied	6.02	6.02	6.02	6.02	6.02	6.02
Total appreciation	\$0	\$0	\$0	\$0	\$12,000	\$12,000
NET PROCEEDS (beyond initial investment)						
Principle retirement claimed by occupant ³	\$0	\$0	\$4,339	\$5,350	\$4,339	\$5,350
Appreciation claimed by occupant ⁴	\$0	\$0	\$0	\$0	\$3,000	\$12,000
Interest claimed by occupant ⁵	\$542.30	\$1,747.57	\$0	\$0	\$0	\$0
net proceeds claimed by occupant	\$542	\$1,748	\$4,339	\$5,350	\$7,339	\$17,350
ANNUALIZED RETURN						
Return on Investment ⁶	4.06%	10.98%	0.00%	0.00%	16.42%	25.45%
Net gain in equity ⁷	4.06%	10.98%	21.10%	14.84%	29.155	31.57%

Note 1: On average, the initial purchase price of a BCLT home was \$15,553 below its appraised price. Had that same home been a "market-rate" home, therefore, it would have sold for \$82,320.

Note 2: BCLT homeowners made a downpayment of 3% (or less); 5% is the standard downpayment for a market-rate home, using the lowest-rate offered by the Vermont Housing Finance Agency.

Note 3: A 7.7%, fixed-rate, 30-year mortgage is used for calculating the principal retirement for both the BCLT home and the market-rate home.

Note 4: A BCLT homeowner's share of appreciation is 25%; a market-rate homeowner gets 100%

Note 5: The net proceeds for the renter "investing" in a security deposit assumes that the renter recoups her entire security deposit, plus interest at an annual rate of 4%. The net proceeds for the renter investing in stocks and bonds assumes that \$2003 was invested in a growth and equity fund earning 10.5% per year—the average rate for such a fund during the 13-year period 1988-2002.

Note 6: Return on investment takes account of initial investment only (i.e. downpayment, security deposit, or purchase of a CD) and counts only those returns which accrue as a result of that initial investment, not as a result of later payment or deposits. In the case of BCLT homeowners and market-rate homeowners, their "returns" include share of appreciation only. Tax benefits of homeownership are not included in the calculation of the homeowner's equity.

Note 7: Net gain in equity includes all proceeds to a renter or homeowner, over and above initial downpayment. In the case of BCLT homeowners and market-rate homeowners, their gains include all proceeds from the sale of their homes; share of downpayment AND retirement of principal. Tax benefits of homeownership are not included in the calculation of the homeowner's equity.

of unrestricted, market-rate homes. Her total equity would have been less.³³

This is comparing the real against the ideal, however. Few of the households who initially bought a BCLT home could have purchased an unrestricted, market-rate home, then or later. Equity windfalls from a form of housing that remains stubbornly out of reach of the lower-income households served by the BCLT may not be the best standard against which to judge whether the BCLT's homeowners earned a "fair" return when reselling their homes.

There are better comparisons to be made. The equity earned on resale by the average BCLT homeowner might be compared, for instance, to what a tenant would have received after paying rent on the same home for six years. Even in those instances where a tenant's security deposit is not only returned when leaving the rental, but returned with interest, the net proceeds earned by the renter (\$542) would have been a fraction of those earned by the average BCLT homeowner.³⁴ Alternatively, a comparison might be drawn between the returns realized by the average BCLT homeowner and the returns the same person might have realized had she invested in something other than a BCLT home. What if a renter, instead of making a downpayment on a BCLT home, had taken her \$2,003 nest egg and placed that money in the stock market for six years, investing in a growth and income mutual fund promising substantial returns? At rates prevailing for such mutual funds during the 1990s, a period of unusually high profitability for stocks, she would have earned \$1,748 on her investment, an annualized gain of 11%. Her earnings would have been considerably less, however, than the \$4,339 in principal retirement and the \$3,000 in appreciation that she would have received had she gone ahead and bought one of the BCLT homes that appreciated in value between time of purchase and time of resale. Even had she bought a BCLT home that experienced no appreciation, she would still have walked away with twice as much money as she would have gained by investing in the stock market. Her risk would have been less, moreover; so would her taxes.³⁵ A BCLT home would have been the better investment.

The best way to assess whether the BCLT's homeowners earned a "fair" return on resale, however, may be to compare the BCLT's performance against the standard that the model sets for itself. We alluded earlier to the trade-off inherent in the CLT model, where access to homeownership for the next generation is weighed against access to wealth for the pres-

ent generation. This is, in effect, a balancing act between two kinds of fairness: fair access for one group of homeowners versus fair return for another. From this perspective, the question of whether BCLT homeowners received "too little" equity when reselling their homes cannot be separated from the question of whether receiving "too much" equity would have impeded the next generation of low-income households from buying a BCLT home.

A "fair" return," within the mission and logic of the model being used by the BCLT, therefore, would be one that ensures maximum reward for those who are reselling price-restricted homes without jeopardizing minimum affordability for those who are buying them. A perfect balance between these competing interests would limit a homeowner's share of appreciation to no more than what is necessary to maintain a home's affordability at the same level for the same population between initial purchase and eventual resale.

Examined in this light, the balancing act achieved by the BCLT over its first 97 resales must be seen as one that tilted slightly in favor of the next generation of homeowners. BCLT homes not only maintained their affordability between initial purchase and eventual resale; they became more affordable, an average gain in affordability of 8.5%. This suggests that the BCLT's homeowners could perhaps have earned a bit more equity in reselling their homes without compromising affordability. The return on investment for the households reselling a BCLT home might have been somewhat "fairer," in other words, had their proceeds been somewhat higher.

Had they been too much higher, however, perhaps even a little bit higher, the second generation of homebuyers would have found it harder to buy a home. Under the BCLT's present resale formula, 79 of the 97 homes resold through the BCLT became more affordable for the next generation of homebuyers, even when the effect of falling rates for residential mortgages was removed; 6 remained equally affordable; and 12 became less affordable. Suppose the BCLT's resale formula were amended to bestow enough additional equity upon the sellers of BCLT homes, above what they actually received, to push the average gain in affordability for these resold homes toward zero. The average BCLT home, under this scenario, would have retained exactly the same level of affordability between initial purchase and eventual resale. The "perfect balance" of this average result, however, would have produced a particular result of pushing dozens of BCLT homes from the "more affordable" or

"equally affordable" side of the ledger to the "less affordable" side. Such results would have been less desirable — and, arguably, less "fair" — for the buyers of BCLT homes than the balance that was actually achieved by the BCLT between 1988 and 2002.

In the end, after considering the issue of "fairness" from several angles, we reached the following conclusions. The BCLT's homeowners received less equity and a somewhat lower return on investment than they would have received had they been able to make the leap into market ownership — *if* their market-rate homes had subsequently appreciated in value. The return received by the owners of the BCLT's limited-equity homes was higher, however, than other investments realistically within their reach. There was an opportunity for these owners to build assets, walking away with more wealth than they had possessed when coming to the BCLT. At the same time, the affordability of the homes that had generated those gains was preserved, giving the next generation of low-income homebuyers the same shot at asset-building as the first generation was given. The BCLT managed to achieve a reasonable balance between the competing interests of sellers and buyers, across nineteen years of volatility and unpredictability in prices, incomes, and mortgage rates. This balance was not perfect, but it was fair.

Enabling Residential Mobility

Community land trusts like the BCLT make the claim that their homeowners are just as mobile as other homeowners in a country where changes in residence are relatively common. Far from being "trapped" in their price-restricted homes, CLT homeowners move with similar frequency and for similar reasons as homeowners who buy and sell homes on the open market. When they decide to relocate, moreover, CLT homeowners resell their homes with relative ease and obtain housing that is comparable to the housing they left behind. If the model works as promised, the mobility of those who own and occupy CLT housing should be similar to those who own and occupy market-rate housing.

Examining the 97 houses and condominiums resold through the BCLT, we found the mean (and median) number of years that a BCLT home was owned prior to resale to be 5.33 years. Compared to national averages, the owners of BCLT homes moved less frequently than renters, whose median length of tenure is 2.1 years, and somewhat more frequently than the owners of market-rate homes, whose median length of

Table 7
Length of Ownership for BCLT Resales,
1988 – 2002

Number of Years Owned Prior to Resale	Number of Homes
Less than 2 years	8
2 – 4 years	26
4 – 6 years	23
6 – 8 years	22
More than 8 years	18

tenure is 8.2 years.³⁶ A breakdown of length of ownership for all homes resold through the BCLT is shown on Table 7.

Why did BCLT homeowners sell and where did they go? There was little information contained in the BCLT case files that might have enabled us to answer these questions. We were forced to rely, therefore, on the recollections of four different BCLT employees, present and former, who had supervised resales during the period covered by our study. Their written responses to our questionnaire were supplemented by phone interviews with former BCLT homeowners, when they could be located. We discovered that BCLT homeowners changed residence for the same reasons one would expect to find for any other group of homeowners (see Table 8). They bought another home. They

Table 8
Why BCLT Homeowners
Decided to Sell

	Number	Percent
Bought another home	29	29.9%
Got married	25	25.8%
Moved out of the area	13	13.4%
Financial difficulties	14	14.4%
Got divorced	6	6.2%
Death, incapacity, or medical	3	3.1%
Move closer to job	3	3.1%
No reason given	2	2.1%
Move closer to family	1	1.0%
Move closer to church	1	1.0%
TOTALS	97	100.0%

got married or divorced. They decided, out of preference or necessity, to live somewhere else. Some moved because the financial burden of owning a home was too great. Their financial circumstances had changed since buying a BCLT home and they either defaulted on their mortgage or simply decided that homeownership was no longer within their means.

Most BCLT homeowners, having made the decision to move, had their homes repurchased by the BCLT within a relatively short time. They notified the BCLT of their intent to sell and, in consultation with the BCLT, arranged for an appraisal to be done. Upon completion of the appraisal, the BCLT was then granted by the ground lease (or covenant) a period of 120 days to repurchase the property, if a house, or 180 days, if a condominium. Although the BCLT never exercised its option until another low-income household was lined up to buy the home, the BCLT assumed responsibility for marketing it, a service provided free-of-charge to the seller. For most of the 97 resales, the BCLT found a buyer within the four-to-six month option period, allowing sellers to recoup their downpayments, pay off their mortgages, realize whatever equity they had earned, and relocate to other homes. Some transfers took longer, however. Similar to the sale of market-rate homes, the sale of limited-equity homes through the BCLT slowed whenever the housing market cooled or mortgage rates spiked. During the slump in the condo market in the mid-1990s, in particular, the resale of BCLT condominiums frequently took longer than six months. When Burlington's housing market

heated up again, after 1998, the resale of BCLT condominiums became easier — and faster.³⁷

A majority of the homeowners who left the BCLT did not go very far. After reselling their BCLT homes, only 21.6% of these households moved out of state; another 9.3% moved out of the county, but remained in Vermont (see Table 9). Most of the others either moved from a neighborhood inside of Burlington to one of the suburbs surrounding the city or moved from one Burlington neighborhood to another.

Table 9
Where BCLT Homeowners
Relocated after Selling their BCLT Homes

	Number	Percent
Stayed in Chittenden County, but outside Burlington	37	38.1%
Moved outside of Vermont	21	21.6%
Moved to a neighborhood inside Burlington	19	19.6%
No location given	10	10.3%
Moved outside of Chittenden County but remained in Vermont	9	9.3%
Death of BCLT Homeowner	1	1.0%
Totals	97	100.0%

Table 10
Kinds of Housing Secured by BCLT Homeowners
after Selling Their BCLT Homes

	Number	Percent of all 97 households who resold	Percent of 81 households whose subsequent situations are known
Owner-occupied, market-rate housing	60	61.9%	74.1%
Owner-occupied, BCLT housing	4	4.1%	4.9%
Renter-occupied housing	16	16.5%	19.8%
Death of BCLT homeowner	1	1.0%	1.2%
Unknown	16	16.5%	0.0%
TOTALS	97	100.0%	100.0%

Finally, we wanted to know what kind of housing was secured by homeowners after they resold their BCLT homes. This proved to be the most difficult data of the entire study to collect. After surveying the BCLT employees who had directly supervised these resales and after tracking down a number of former BCLT homeowners whose subsequent housing situations had not been known by a BCLT employee, we still found ourselves with 16 missing cases. Most of these people had moved out of state and could not be located. What we learned about the rest — that is, the 81 former BCLT homeowners for whom we did have information — was that 60 of them (74.1%) had purchased a market-rate home within six months of reselling their BCLT home (see Table 10, pg 22 and Figure 6 below). Four others exchanged one BCLT home for another. One homeowner died.³⁹ Sixteen others became renters after leaving the BCLT.

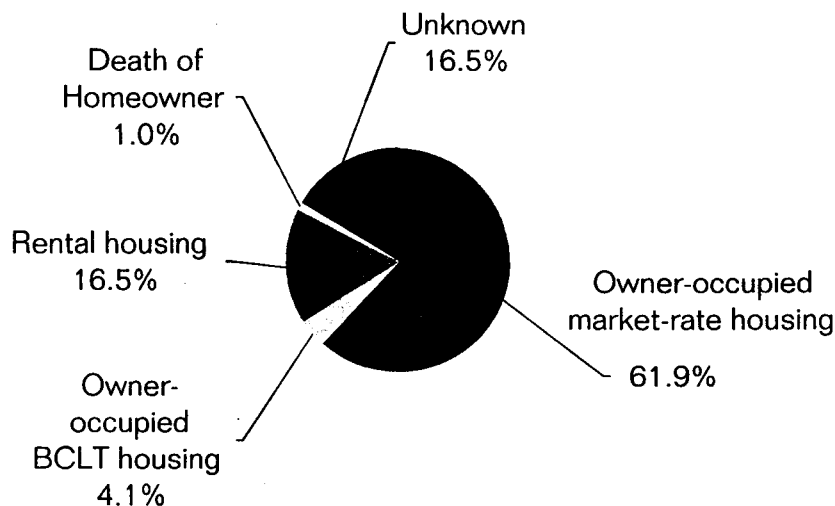
The discovery that ownership of a limited-equity BCLT home had served as a springboard to the ownership of a full-equity, market-rate home for so many participants in the BCLT's program was rather surprising. CLTs do claim that their homeowners are not "stuck" in this unusual form of tenure, declaring that they move as frequently and as easily as other homeowners. On the other hand, most CLTs do everything they can to dampen the expectations of prospective homebuyers that they will someday be able to resell their homes for enough money to make the leap into the market. In fact, as we have already seen in the case of the BCLT, the amount of equity earned on resale by the average BCLT homeowner, while significant, was not substantial. A homeowner leaving the BCLT with net proceeds of \$5,000 - \$8,000 (plus her original downpayment of \$2000) would have had a nice nest egg to invest in another home, especially during years when mortgage interest rates were falling toward historic lows. Even so, this would not have been sufficient to purchase most market-rate homes in most of the communities to which the BCLT's former homeowners moved. Something more was at work; something else was to credit for the sheer number of homeowners who ended up in market rate homes after leaving the BCLT.

There are several possible explanations, all of them speculative. The ownership of a BCLT home may have helped households to increase their savings, a consequence of stabilizing their housing costs. Homeowner-

ship may have enhanced the households' credit rating, making it more likely that a lender would offer them a mortgage for their next real estate purchase. Homeownership may have given some people the confidence, steadiness, and motivation to earn an academic degree or to acquire training for a better-paying job. There may also be a link between homeownership and household formation, given the large number of homeowners (25) who left the BCLT because they got married.³⁹ Regrettably, we did not have the data that might have allowed us to test any of these hypotheses. We can say what happened when people went looking for a home after leaving the BCLT; we cannot say why they ended up where they did.

In the end, our findings tended to confirm the model's claims for residential mobility, mostly by showing how ordinary were the motivations and choices of the BCLT's homeowners. Their decisions about why to move and where to move were no different from those commonly made by homeowners buying market-rate homes.⁴⁰ When they moved, moreover, they found housing that was similar to the homes they had left behind. To the extent that they (or others) believed moving to the suburbs or acquiring a market-rate home to be an improvement in their housing situations, most homeowners who left the BCLT may be said to have secured subsequent housing that was not only "comparable" to their BCLT homes, but "better." They had moved out and up with relative ease, using the BCLT as a stepping stone toward a desired destination.

Figure 6
What Kind of Housing Was Secured by 97
BCLT Homeowners After Selling
Their BCLT Homes?



Conclusion

Our purpose in conducting this study was to use the performance of a particular CLT, the Burlington Community Land Trust, to evaluate claims that are common to nearly all CLTs. The model is said to provide — and to balance — an unusual mix of community and individual benefits. We set out to assess whether the BCLT, in applying this model to its own portfolio of resale-restricted, owner-occupied housing, had actually provided these benefits, delivering on the model's multiple promises.

The evidence suggests that it had. For most of the 97 owner-occupied houses and condominiums resold through the BCLT between 1988 and 2002, we found that:

- affordability not only continued between successive generations of low-income homebuyers, but improved;
- public subsidies invested in making these homes affordable not only remained in the property at resale, but increased in value;
- the continuity of land ownership by the BCLT and the continuity of homeownership by individuals purchasing BCLT homes were preserved, arguably enhancing neighborhood stability;
- access to homeownership for persons previously excluded from the market was expanded, with a majority of the homebuyers served by the BCLT earning considerably less than 80% of area median income;
- individual wealth was created, with most homeowners walking away with more assets than they had possessed when initially buying a BCLT home; and
- residential mobility was nothing out of the ordinary, with most households leaving the BCLT for similar reasons, with similar destinations, and with similar success as home owners buying and selling on the open market.

Only for the last claim, where available information was more anecdotal and less complete than for the other claims, was it necessary to add a caveat. The data available to us indicated that the transition out of the BCLT, for most homeowners, was easy, ordinary, and upward. There is nothing to indicate that our conclusions would have been different had the motivations, destinations, and subsequent housing situations of these homebuyers been noted at the time they left the BCLT and recorded in their case files. Nevertheless, it is still necessary to acknowledge that the factual foundation beneath our findings for residential mobility is not built of the same materials as the foundation beneath our other findings.

Even with this in mind, it can be said with some confidence that the BCLT was highly effective in doing what it claimed to do, for that period covered by the study and for that portion of its portfolio included in the study. With few exceptions, the model used by the BCLT performed precisely as promised.

Ninety-seven resales are not nearly enough cases, of course, on which to base any sort of sweeping conclusion about the model's general applicability. These resales occurred, moreover, in a place with a very tight housing market during a time of rising housing prices, lagging incomes, and falling mortgage rates. A different community land trust, using a different resale formula and operating under different market conditions, might be expected to produce somewhat different results. The BCLT's performance can only be regarded, therefore, as a preliminary test of the model's effectiveness.

There are reasons to believe, on the other hand, that the patterns revealed by our study may not be unique to this particular CLT. Every community land trust uses some variation of the BCLT's basic approach to developing and managing limited-equity houses: leasing the land, selling the structural improvements, regulating their occupancy and use, and capping the price for which this owner-occupied housing may be resold. Many nonprofit housing development corporations use some variation of the BCLT's basic approach to developing and managing limited-equity condominiums: controlling the sale and resale of owner-occupied housing via affordability covenants appended to deeds. Many cooperative housing corporations use occupancy

controls and limited-equity resale formulas resembling those of the BCLT. All of these organizations, CLT and non-CLT alike, are attempting to achieve in their own programs the same sort of balance achieved by the BCLT between the interests of individual homeowners and the interests of a larger community. The BCLT's performance does not prescribe the exact form these other limited-equity homeownership programs should take. Nor does the BCLT's performance predict the exact results that other programs will get. It does demonstrate the practicality of this balancing act — and the possibility of success. If the BCLT can expand homeownership for the present generation while preserving affordability for future generations, if the BCLT can create private wealth while preserving community wealth, if the BCLT can enable individual mobility while enhancing the stability of residential neighborhoods, then others can too.

Furthermore, while the market in which many of these organizations operate may be different from the housing market in Burlington, Vermont, the relationship between housing costs and household incomes is much the same. Mortgage rates may temporarily tumble or market prices may temporarily stumble, but the long-term trend has been for the cost of homeownership to move increasingly beyond the reach of persons of modest means. In hundreds of cities and towns, the affordability gap has grown wider over time.

The Burlington Community Land Trust has been working on this troublesome problem for almost twenty years, promising that homeownership can be made affordable initially and can be kept affordable continuously, one homeowner after another. To the extent that the BCLT has been able to deliver on that promise — and on several others besides — there may be lessons for every organization having a similar mission and for every community facing a similar problem.



FOOTNOTES

1. A more detailed description and comparison of these various models of "third sector housing" can be found in John Emmeus Davis, "Beyond the Market and the State: The Diverse Domain of Social Housing," in J.E. Davis (ed.), *The Affordable City: Toward a Third Sector Housing Policy*, Philadelphia, PA: Temple University Press, 1994. It should be noted that, while the CLT can stand alone as a unique form of housing tenure, it is often combined with other models of "third sector housing." For instance, limited equity cooperatives, limited equity condominiums, and even nonprofit rental projects are often sited on land that is leased from a CLT.
2. There is considerable variation among the 130 organizations in the United States that call themselves a "community land trust." Several features are common to most of them, however. These features, constituting what might be called the "classic" model, are enshrined in a definition of CLTs that appeared in Section 212 of the Housing and Community Development Act of 1992.
3. Although all of the housing provided by the BCLT is priced to serve households below 80% of Area Median Income and most of the households served by the BCLT earn less than 80% of AMI, the BCLT is permitted to serve households earning up to 100% of AMI under several federal, state, and municipal housing programs. The BCLT's policy is to give priority in the sale of its units to households at the lowest possible income, all else being equal, but this policy is applied only in situations when two or more prospective homebuyers are vying for the same unit. Otherwise, the BCLT sells its units on a first-come-first-served basis to any household earning less than median income. About one out of every five sales, a BCLT house or condominium is sold to a household earning between 80% and 100% of AMI.
4. The Old North End received federal designation as an Enterprise Community in 1994. In recognition of the ten years that the BCLT had already devoted to revitalizing residential and commercial sites within the neighborhood, the BCLT was given a leading role in implementing key sections of the EC's strategic plan.
5. Although members elect 100% of the BCLT board, members may nominate candidates for only two-thirds of the seats. Nominations for the remaining seats (i.e., those directors representing the "public interest") are made by the BCLT's board of directors.
6. In the BCLT, "leaseholders" represented on the board of directors include not only the owners of single-family houses but also the owners of condominiums, the owners of co-op units, and the occupants of rental housing.
7. The BCLT holds title to scattered parcels of land beneath 129 units of co-op housing, owned by eight different cooperative housing corporations, and 249 units of rental housing. Most of these rental units (approximately 70% of them) are contained in tax credit projects that are owned by half-a-dozen limited partnerships. The BCLT retains ownership of the underlying land. The BCLT also owns 7 non-residential buildings, containing 76,137 square feet of commercial space, most of which is leased to other nonprofit organizations.
8. Lessees are also required to pay all service bills, utilities charges, property taxes, and other governmental assessments charged against the leasehold premises.
9. The BCLT's resale formula gives the departing homeowner 25% of the appreciation for that portion of a residential property she originally bought and actually owns. The BCLT originally assumed that the entire cost of the underlying land would always be removed from the selling price of a house. Appraisals were done on the house alone, with the homeowner receiving 25% of the appreciated value of the house. As the years passed, however, the BCLT discovered that land prices were rapidly escalating and that public subsidies to buy land were not keeping pace. The BCLT also began to have trouble getting accurate appraisals for the land alone, because (1) very little vacant land still existed, (2) there were few sales of vacant land, and (3) there were few comparables on which to base the appraisal. The BCLT revised its formula. Instead of assuming that the homeowner's interest would always be synonymous with the value of the house, the BCLT defined the ownership interest as that portion of the property's total value, land and house, which the homeowner purchased from the BCLT (represented as a ratio: Purchase Price/Appraisal₁.) When the homeowner resells his/her ownership interest, s/he receives 25% of the appreciation that is attributable to his/her own-

ership interest, plus the price s/he paid in initially purchasing the home. The homeowner is entitled to this share of appreciation regardless of length of residence (assuming, of course, that appreciation has actually occurred in the value of his/her property.) There is no requirement that a homeowner must reside in a BCLT home for a minimum number of years before being able to claim a share of appreciation. Symbolically, the BCLT's resale formula can be expressed as follows:

$$\frac{\text{Initial Purchase Price}}{\text{Appraisal}_1} \times (\text{Appraisal}_2 - \text{Appraisal}_1) \times 25\% = \text{Homeowner's share of appreciation}$$

$$\text{Initial Purchase Price} + \text{Homeowner's share of appreciation} = \text{Resale price paid by the BCLT to the departing homeowner}$$

10. The BCLT has declined to exercise its preemptive option to re-purchase owner-occupied units on a dozen occasions. None of these units are included among the 97 resales examined by the present study. The removal of these twelve condominiums from the BCLT's portfolio are discussed in detail under the section entitled "Enhancing Residential Stability."
11. More information on the housing policies and programs of the City of Burlington, during the formative years of the BCLT, is provided by John Emmeus Davis, "Building the Progressive City: Third Sector Housing in Burlington," in J.E. Davis, (Ibid., 1994).
12. 10 VSA chapter 15, section 322. For more on VHCB, see James M. Libby and Darby Bradley, "Vermont Housing and Conservation Board: A Conspiracy of Good Will among Land Trusts and Housing Trusts," in C. Geisler and G. Daneker (eds.), *Property and Values: Alternatives to Public and Private Ownership*, Washington, DC: Island Press, 2000.
13. Institute for Community Economics. *The Community Land Trust Handbook*, Emmaus, PA: Rodale Press, 1982, page 8.
14. Eight of the condominiums and two of the houses included in the study were resold twice between 1988 and 2002. The 97 resales involved 87 different housing units.

15. Four different BCLT employees supervised transfers of owner-occupied housing between 1984 and 2002. Each employee was given a list of resales that occurred during his or her "watch" and asked why the BCLT homeowner decided to sell, where they relocated, and what kind of housing they obtained after moving out of their BCLT home. The completed questionnaires were then reviewed and tabulated.
16. More precisely, what is being compared here is the household income of buyers and sellers, as a percentage of Area Median Income (AMI), on the day they initially bought their homes. Regardless of whether homeowners' incomes changed during the time they owned and occupied a BCLT home, their income at the time of purchase was used in making all comparisons between BCLT sellers and buyers.
17. The lack of buyers was not only a function of competition from a glut of low-priced condominiums on the market at that time, but of the lack of readiness among potential low-income homebuyers for the BCLT's units. Motivated in part by a desire to remedy this latter problem, the BCLT opened a NeighborWorks® HomeOwnership Center in 1996 to provide counseling and assistance to first-time homebuyers.
18. The year-by-year mortgage rates used in our affordability calculations are based on a special mortgage product offered to BCLT homebuyers by the Vermont Housing Finance Agency (VHFA), a product known as "HOUSE." Approximately 90% of the BCLT's homebuyers have, in fact, used this VHFA program. To ensure consistency in comparing the affordability of one BCLT resale to another, we have used VHFA mortgage rates in all of our calculations.
19. The BCLT added subsidies at the time of resale to 25 houses and condominiums. Our analyses of affordability assume that these later subsidies never happened. We wanted to measure the model's operational effectiveness in preserving affordability, not the BCLT's political effectiveness in wangling additional grants from public funders when homes resold. We removed the favorable effect of these later subsidies, therefore, in calculating and comparing affordability at the time of initial purchase and at the time of later resale.

20. The spread between the purchase price and the appraised value of these units had narrowed for a variety of reasons. For most of the units, the spread narrowed simply because the houses or condominiums were offered for resale during a time when their market values were depressed. For others, the difference between their purchase price and their appraised value narrowed because the spread itself had been artificially inflated at the time of purchase by optimistic appraisals or, in seven unusual cases, because first-time homeowners had done an inadequate job of maintaining their homes.
21. See Rohe, Van Zandt, and McCarthy, "Social Benefits and Costs of Homeownership," in Nicolas P. Retsinas and Eric S. Belsky (eds.) *Low-income Homeownership: Examining the Unexamined Goal*, Washington, DC: Brookings Institution Press, 2002.
22. Three other events that can cause the loss of owner-occupancy are not mentioned here, because they are less common: eminent domain, demolition, and bankruptcy. There are protections in the BCLT ground lease against all three possibilities, designed to protect the BCLT's interests and to prevent the eventual loss of owner-occupancy. None of these threats to owner-occupancy have materialized to date, in the case of the BCLT.
23. Section 4.4 of the BCLT's single-family ground lease reads: "Except as provided in Section 4.5 below, Lessee shall occupy the Leased Premises for at least six (6) months of each year or this Ground Lease Agreement shall terminate. Occupancy by Lessee's children or other family members or dependents shall be deemed occupancy by Lessee." Section 4.5 reads: "Lessee may enter into a sublease of the Leased Premises for a period not to exceed six (6) months in any one year period. Lessee may not sublet the Leased Premises for more than six (6) months without prior written approval of the Lessor."
24. The affordability covenant that is now used by the BCLT for its price-restricted condominiums gives the BCLT 180 days to re-purchase at the formula-determined price. If the BCLT does not exercise its option, the condo owner may sell to whomever she wishes for whatever price she can get, but must re-pay to the BCLT 100% of any subsidy that went into lowering the original purchase price and 50% of any appreciation in the condominium's appraised value occurring between time of purchase and time of resale.
25. The BCLT intervenes in default situations on the average of twice a year, an estimate provided by the director of the BCLT's HomeOwnership Center. When becoming aware that a homeowner is in trouble, the BCLT immediately suspends collection of its own lease fees and begins working with the homeowner. The BCLT may help the homeowner to pay property taxes and may work directly with the mortgagee (typically the Vermont Housing Finance Agency) to restructure the loan.
26. We have focused on a single dimension of stability — i.e., the continuity of tenure for land and housing under the BCLT's stewardship. Another dimension should be mentioned, even though it is outside the scope of the present study, namely the financial stability of that component of the BCLT's operations dedicated to servicing this land and housing. The BCLT's entire stock of resale-restricted, owner-occupied homes had become large enough by about 1998 to generate all of the revenues needed, on an annual basis, to cover the BCLT's costs of managing this portfolio, including monitoring the leases, preventing foreclosures, and supervising resales. These revenues came primarily from lease fees, paid monthly by homeowners living on the BCLT's land, and from transfer fees included in the price paid by homebuyers on the resale of a BCLT home. (The BCLT collected the latter fee only when the spread between a home's appraised value and formula-determined resale price was wide and only when the addition of this fee to the purchase price of a resold home did not compromise its affordability for another low-income homebuyer.) During the final four years of the period covered by our study (1998-2002), this component of the BCLT's operations was financially self-sufficient. The addition of any new owner-occupied units to the BCLT's portfolio still required external subsidies; the stewardship of existing units did not.
27. There is a practical advantage to the BCLT of being able to offer a price that is affordable to households considerably below 80% of AMI. The wider this spread, the deeper the pool of potential homebuyers who are able to purchase a BCLT home when it becomes available. It should be noted, as well, that on resale there is a practical necessity for the BCLT to ensure that a new buyer

is found within a reasonable amount of time. While the BCLT's policy is to serve households at the lowest possible income, the BCLT is also committed to helping homeowners who are selling their homes to recoup their investment and to move on. It would be a disservice to them if the resale of homes were to be delayed for months and months while the BCLT was waiting for the lowest income household that could afford to buy an available home. About 20% of the BCLT's homes have been sold to households earning over 80% of AML. No BCLT home has ever been sold, either on initial purchase or eventual resale, to a household earning more than the median.

28. The BCLT also allows homeowners to recoup most (or all) of the value of any capital improvements made by the homeowner during her tenure, if those improvements were done with the prior approval of the BCLT. A "capital improvement credit" was claimed by several of the 97 homeowners who resold their homes between 1988 and 2002. In calculating the net proceeds realized by BCLT homeowners on the resale of their homes, we did not include credits for capital improvements. Had we not removed this credit from our calculations, the homeowner's share of appreciation in those cases where capital improvements occurred would have been artificially high. The credit was included, however, in the purchase price paid by the next homebuyer, when the home was resold. This credit was not removed, in other words, from our calculations of affordability.

29. All CLTs do not use the sort of appraisal-based formula used by the BCLT, where rising real estate values result in an increase in the equity earned by a departing CLT homeowner. For CLTs that use what are known as "indexed formulas or "itemized formulas," it is somewhat misleading to describe the equity gains made by a homeowner who is selling her home as a "share" of the home's "appreciation." Indexed formulas adjust the original purchase price by applying a single factor — the change in a particular index (e.g., the CPI) between the date the homeowner purchased his/her home and the date s/he resells that home. Itemized formulas adjust the original purchase price by adding or subtracting multiple factors that affect the value of the owner's investment in a home and the value of the home itself. More detail on these different formulas for determining the

resale price of CLT homes can be found in "Designing a Resale Formula," Chapter Eight of the *Community Land Trust Legal Manual*, published by the Institute for Community Economics, 2002.

30. The strength of the correlation between the length of tenure and the size of a homeowner's net proceeds was due largely to the retirement of principal. The longer a homeowner remained in a BCLT home the greater was her equity, as she steadily paid off her mortgage. The correlation between length of tenure and a homeowner's share of appreciation was much weaker. Longer residence did not necessarily result in greater gains from appreciation.

31. There was no increase in the appraised market value for 19 out of 56 (34%) condominiums and for 15 out of 41 (37%) houses resold through the BCLT. There was no discernable pattern here, except for the timing of a home's purchase and resale. Homes experiencing no increase in market value tended to be those that were purchased when Burlington's housing market was hot and resold when the housing market was cold. Timing mattered more than the age of the home, the size of the home, or even the location of the home in distinguishing those houses and condominiums that appreciated from those that did not.

32. This hypothetical example was constructed to approximate the average return on investment for "all resales with any appreciation" presented in Table 5.

33. Much of this advantage disappears if there is no appreciation. When this portion of a market-rate homeowner's equity is removed, representing 69% of the homeowner's proceeds in the Table 6 example ("Homeowner Investing in Market-rate Home: w/ Appreciation"), the equity differential between a market-rate home and a BCLT home shrinks dramatically. Indeed, because the BCLT homeowner is typically paying a lower downpayment for a lower-priced home, the rate of equity gain for a BCLT homeowner may actually exceed the rate for a market-rate homeowner.

34. In the BCLT's service area, this example is hardly the rarity that it is in many housing markets. Since 1994, Burlington has had an ordinance on the books (Burlington Code, Section 18-120) that requires landlords to return security deposits to

tenants who are vacating a rental unit, if there has been no damage beyond normal wear and tear and if there are no unpaid bills for rent or utilities. The security deposit must be "held by the owner in an interest-bearing account, with an interest rate at least equivalent to a current Vermont bank pass-book savings account." Both the security deposit and any interest earned must be returned to the tenant within fourteen days from the date on which the rental unit was vacated.

35. Given the volatility of stocks and bonds, putting \$2000 into a mutual fund must be regarded as a far riskier investment than making a \$2000 down-payment on a house or condominium. The capital gains derived from a mutual fund, moreover, are usually accompanied by a substantial tax liability, reducing the investor's net proceeds. There is no such tax liability — and no such erosion in net proceeds — for a homeowner who sells her primary residence for a price higher than she paid.
36. These national averages are taken from Rohe, Van Zandt, and McCarthy (*Ibid.*, 2002: 392).
37. Two other exceptions to the pattern of BCLT homes selling within four-to-six months were the transfer of seven homes precipitated by foreclosure and the sale of a dozen condominiums on which the BCLT did not exercise its option to repurchase. Finding buyers for these latter units took considerably longer than six months, which was the principal reason for the BCLT's eventual decision to allow their conversion to market-rate housing.
38. At the death of the BCLT homeowner, her home was reacquired by the BCLT and resold to another low-income household. Equity due to the deceased homeowner from the sale of her BCLT home went to the owner's estate and was then split between her heirs.
39. Approximately 30% of the original owners and subsequent buyers of the 97 homes resold through the BCLT between 1988 and 2002 were female-headed households. This characteristic of the BCLT's clientele may have contributed to the high number of homeowners who left the BCLT because of marriage and may have contributed, as well, to the high number of homeowners who purchased market-rate homes after leaving the BCLT.

40. See, for instance, the American Housing Survey for the United States, conducted every other year by HUD and the Census Bureau. The survey documents over two dozen different reasons given by owners and renters for changing residence. The reasons that typically garner the most responses in this national survey are the same as those voiced most often by the BCLT's homeowners: "establish own household," "wanted better home or larger unit," "married," "new job or transfer," "widowed, divorced, separated," etc.

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