

EXECUTIVE SUMMARY

Four organizations—Clackamas Community Land Trust, Portland Community Land Trust, Sabin CDC (which operates a CLT program), and Southwest Washington CLT (in start up phase)—have collaborated on a planning effort to provide permanently affordable homeownership in the Portland metropolitan region. The planning effort has two goals: to develop an understanding of the need for permanently affordable home ownership, and to develop a business plan for each organization to meet a significant portion of that need. Organizational business planning, which is the second step in this process, will focus on on-going capacity building planning and implementation. This report will focus on the first three organizations, whose operational infrastructure is sufficiently mature to consider what it would take to produce CLT homeownership “at scale.”

Our key questions in undertaking this process were:

- What is an appropriate, sustainable number of units per year for the Portland Area CLT organizations to strive and plan to develop as they attempt to increase their capacity to meet a significant part of the need for affordable homeownership in the region?
- What staffing and infrastructure changes at PCLT, CCLT and Sabin CDC, will be necessary to increase the capacity of the three organizations such that they can develop, market and sell 50 units each of CLT housing per year?
- What public policy changes in the region are necessary to support the achievement of higher production goals?
- How Many Units in Production Per Year Are Sustainable?

We conducted an on-line survey and follow-up interviews with 24 CLTs and CDCs across the country that are producing housing at a scale. We also interviewed several intermediary organizations and funders. We were surprised to discover that only a few of the groups were succeeding in producing 31 to 60 homeownership units a year; none were producing more. The limiting factor is a lack of available funding – particularly capital to purchase land and build homes and the investment needed to bring the price of a house within reach for working families. We learned, overall, that:

- Developing CLT homes is expensive but worth the investment over the long haul.
- The Community Land Trust model is not well understood.
- Advocacy is crucial, as is political support is crucial in terms of garnering financial resources and in terms of public policy.
- A solid organizational foundation is paramount for increasing production.
- There are many paths to success.

We chose, given this information, to structure our recommendations toward the goal of increasing production modestly, to an average of 50 units per year.

I. INTRODUCTION

Purpose

This study and report were undertaken to inform the planning efforts of four organizations: Clackamas Community Land Trust, Portland Community Land Trust, Sabin CDC (which has a CLT program), and Southwest Washington CLT (still in its start up phase). These organizations asked for information and recommendations about how to expand their capacity, individually and collectively, to meet a larger portion of the need for permanently affordable homeownership in the Portland metropolitan region. This is one phase of a larger, on-going capacity building planning and implementation process that they are undertaking.

Other phases of the capacity building planning process will include:

- A needs analysis, examining the need and market for CLT homes with attention to different home types (single family, condos, perhaps co-ops), their receptivity and absorption rates in different target areas, and their applicability given land use and zoning constraints,
- An inventory and analysis of available land (both undeveloped and underdeveloped),
- A deeper assessment of resource availability (beyond what is provided in this stage), and
- The drafting of business plans for each organization, based on the information gathered and discussions with the boards and staffs of each group.

Key Questions

Our key questions in undertaking this process were:

- What is an appropriate, sustainable number of units per year for the Portland Area CLT organizations to strive and plan to develop as they attempt to increase their capacity to meet a significant part of the need for affordable homeownership in the region?
- What staffing and infrastructure changes at PCLT, CCLT and Sabin CDC, will be necessary to increase the capacity of the three organizations such that they can develop, market and sell 50 units each of CLT housing per year?
- What public policy changes in the region are necessary to support the achievement of higher production goals?

The first question could be answered in many ways, and the answer will, we presume, change over time. The answer to the appropriate and sustainable number of units to produce per year frames this entire report, and therefore we will answer it here. The infrastructure and public policy questions will be answered in sections IV through VI.

Process and Methodology

This phase of the process included:

- **Identifying a sample of nonprofit homeownership providers across the country** that are (a) acknowledged leaders in the field, (b) old enough and large enough to have experience useful to the Portland area groups, (c) diverse (different from each other).¹
- **Surveying organizations about their current capacity**²
- **Reviewing several industry studies**, both to help shape our questionnaires and to glean wisdom directly (see Acknowledgements for list).
- **Meetings with the Executive Directors of PCLT, CCLT and Sabin CDC** to discuss their questions and priorities for research.
- **A review of the current capacities of PCLT, CCLT and Sabin CDC**, done via an extensive questionnaire.
- **Conducting select follow up interviews** with a variety of experts from various intermediary organizations and surveyed organizations, to get more in-depth information in specific areas of interest.
- **Analyzing data and drafting recommendations.** The analysis and summation of the data by the consulting team, and the drafting of this report and recommendations.

How Many Units in Production Per Year Are Sustainable?

The information we had at our disposal to answer this question was the experience of the most successful CLTs (and some other homeownership providers) around the country. We discovered that only a few of the groups were succeeding in producing 31 to 60 homeownership units a year, and none were producing more. This was less than we anticipated. The key limiting factor appears to be a lack of available funding – particularly capital to purchase land and build homes; the subsidies that make up the difference between what the families can afford to pay and what it costs to create a homeownership unit. We chose, given this information, to structure our recommendations toward the goal of increasing production to this level—an average of 50 units per year. It may be that as the next phases of the local work are accomplished, more resources will be identified and the organizations will be able to set their sights higher.

Primary Resources

Two reports we reviewed had sufficiently strong impacts on the framing of this process and report to deserve special mention here.³ The first is John Emmeus Davis' *Options and Issues for Creating a Community Land Trust*. This paper was particularly important in our thinking about organization size and geography, but influenced other aspects of our thinking as well. The second

¹ These organizations included nine Community Land Trusts (CLTs), one Community Development Corporation (CDC) with a CLT program, five CDCs that do homeownership using a non-CLT model, and 4 other housing organizations (mostly larger, regional groups) that do homeownership. Some of these organizations also provide rental housing.

² See Appendix A for the full survey, and Acknowledgements for a list of the organizations surveyed.

³ See Acknowledgements for full citations.

is *More Than Bricks and Sticks: Five Components of Community Development Corporation Capacity*, by Norman J. Glickman and Lisa J Servon. This paper proposes a comprehensive framework for evaluating the accomplishments and the health of a CDC, and while not all of it applies directly to CLTs, much of it does. While we did not attempt to address everything in the Glickman/Servon framework, focusing our efforts on the arenas identified as key by CCLT, PCLT and Sabin CDC, this paper definitely informed the questions we asked the nonprofits we interviewed and the organization of our recommendations.

Succession planning is a critically important, and under-addressed issue in organizational sustainability. The Neighborhood Partnership Fund's *Succession Planning: Final Report*, did such a good job of encapsulating all of the recommendations we had heard on this subject that, rather than writing up something duplicative, we chose to largely refer readers to that report.

Other relevant documents are cited in the sections they informed. A list of all the documents used, with full citations and information about where to obtain them, appears in the Acknowledgements at the end of the report.

II. KEY FINDINGS

The sections that follow provide findings and recommendations in the areas of resource capacity, organizational capacity, political and networking capacity, and collaborations, shared services and mergers. The key findings from each of these areas are highlighted below, following a set of generalized findings.

General

Finding #1. The work CLTs do is expensive, and it pays off over the long-term. The average up front subsidy required to create a CLT homeownership unit in the Portland Metro region is \$70,000. Creating 100 units a year would cost \$7 million. However, these units stay part of the housing stock in perpetuity. So, spending \$7 million annually over 10 years creates 1000 affordable homes owned by the people who live in them, and those units continue to be resold to low-income people (in most cases, getting more affordable over time) over many years.

Finding #2. Available funding limits capacity to expand. The need for affordable homeownership is far greater than the resources available to provide it.

- Only one CLT surveyed had more than 300 CLT units in its portfolio. Four had between 101 and 200.
- No CLT surveyed brought more than 30 CLT units into its portfolio last year. Only two of the organizations surveyed brought more than 30 homeownership units into their portfolios last year.
- The two largest CLTs surveyed expect to add around 40 CLT homeownership units to their portfolios this year.

All of the CLTs and other experts we interviewed reported that the availability of subsidies was the single largest barrier to increasing production.

Finding #3. There needs to be broader understanding of the model. The CLT model is not well understood by all, and there are people who have strong negative reactions to the idea that CLT

“Imagine how different the affordable homeownership landscape would be if we had 270,000 units of permanently affordable homes for homebuyers of low income across the country.

“In the first 10 years of the HOME program (1992-2002), HUD spent \$3,100,000,000 to help 270,000 households purchase a home of their own. Unfortunately, approximately 267,000 of those homes will need to be replaced because the first home-buyer was able to sell the home on the open market when they were ready to sell.

“The other 3,000 are community land trust homes. They won’t need to be replaced because they are still affordable.”

Tim McKenzie,
Burlington Associates

homeowners don't own the land under their homes. In most cases, good outreach and education allays these concerns and builds strong support for the model.

Resource Capacity

Finding #1. Land is expensive and difficult to come by in the Portland Metro region. It is also difficult to get a clear sense of the amount and location of land that could be available for CLT development, due to the lack of a comprehensive and easy to comprehend database.

Finding #2. CLTs are committed to stewardship in perpetuity. This provides a strong incentive for the CLTs to create high quality homes, and to maintain strong relationships with their homeowner members. It is still unclear what systems are necessary to ensure that the homes will be well maintained. Analysis is being done at the local and national levels to better define long-term maintenance systems and associated costs.

Finding #3. CLTs must budget for long-term costs. When creating budgets, pro formae and responding to RFPs for government funds, CLTs must include the long term costs of stewardship in developer fees, lease fees, resale fees, etc. Funding requests must articulate the value of long-term stewardship: of making the affordable home part of the community's infrastructure, like a park, and of locking the subsidy in so that the home is likely to become *more* affordable over time.

Finding #4. CLTs need maintenance/replacement reserves. CLTs should determine the replacement costs of the major systems of a home and factor those costs into the affordability analysis. Maintenance fees and replacement reserves should be set at an amount sufficient to cover the majority of the replacement cost. The fees and reserves should increase based on the construction price index.

Finding #5. Moving beyond retail mortgaging is necessary for growth. John Davis states succinctly that when a CLT is doing 50+ units per year, *"you can no longer do retail mortgaging, when you hold hands with each buyer and beg for good financing at the bank – you need five to six lenders who understand your deal and are ready to go."*

Finding #6. CLTs must have immediate access to funds for acquisition of land. This can be in the form of lines of credit or reserves, but for a CLT to successfully produce 50+ units per year it must have funds that allow it to secure opportunities before all the project funding is in place.

Finding #7. CLTs should convene national discussions on access to capital and addressing the costs of holding land and housing in perpetuity. The CLT movement needs to come together to address these two critical challenges to CLT sustainability.

Finding #8. Inclusionary zoning policies can generate a lot of CLT units without requiring a lot of government subsidy. Two of the five high capacity CDCs surveyed received some of their units through inclusionary zoning programs, though it was a small percentage of their overall production. Staff of the existing CLT surveyed that has benefited the most from inclusionary zoning shared the following perspective: *"The inclusionary housing policy of Chapel Hill accounts for (our) steep production curve. If we didn't have that, we'd have grown much more slowly"* (Christine Westfall, Orange Community Housing and Land Trust). Of this group's 127 CLT homes, 114 have come via Chapel Hill's inclusionary housing policy. Westfall notes that units obtained through this policy require 0 to \$15,000 of public subsidy per unit, whereas the non-inclusionary units typically require

\$50,000 to \$70,000. John Davis reports that the new municipally sponsored CLT in Irvine, California expects to get the majority of its 10-year projection of 9,700 units of affordable rental and owner-occupied housing through inclusionary zoning,

Finding #9. Self-sufficiency: contrary to the desires and expectations of many foundation funders, there is no evidence that the work of CLTs can be done without grant support of various kinds, including operating support. Dee Walsh's research⁴ suggests that for organizations doing rental housing, the sustainability level is 2000 existing units and 200 to 500 per year in the pipeline. For organizations doing homeownership that therefore lack the rental income stream, the challenge is even larger. The largest CLT in the country⁵ can support only 1 FTE with its lease fees. If money could be made doing this work we wouldn't need nonprofits to do it. Public and private support will always be necessary, regardless of how professional and efficient CLTs are.

Organizational Capacity

Finding #1. Organizations need to have a solid foundation for successful expansion. Our interviewees listed the following as key to sustainable growth:

- Good communication between ED and board.
- Strong, engaged board that is thoughtful about what the organization is taking on (not just following the money).
- Expansion and diversification that clearly supports the mission.
- Making people feel like it is easy to work with you.

Finding #2. The right board structure is critical to success when expanding. This includes having strong board orientation and training, a board structure that reflects the structure of the organization, strong and active committees that include non board members, and strong relationships between program staff and relevant board committees.

Finding #3. There are many paths to success. The staffing decisions made by each organization surveyed as it expanded were unique to the community, opportunities and resources of that organization and time. What the organizations had in common was a commitment to creativity, to investing in their staff, and to growing their capacity to meet the needs of their communities.

Finding #4. It pays to hire skilled people. Christine Westfall⁶ spoke for many other interviewees when she observed, *"It pays to hire for certain skilled positions – like book keeping, construction oversight – it's important to pay more to hire skilled people... Don't be stingy about certain skill-sets that you have to have; acknowledge you're in the real estate business."*

Finding #5. Sometimes it is better to contract out work. The development pipeline is seldom steady or predictable and committing to pay a staff person who does not always have sufficient

⁴ As reported by Kate Allen of Enterprise Community Partners in an interview with Tasha Harmon in January 2007.

⁵ This organization has 1650 rental units, 120 co-op units, 400 ownership units and 80,000 square feet of commercial space.

⁶ Program manager, Orange Community Housing and Land Trust, in an interview in December, 2006.

work is costly. This can be particularly challenging in periods of rapid but unpredictable growth. Also, if the portfolio being built is diverse (single family, condos, buildings that include commercial, deals using tax credits, etc), it may be difficult (and expensive) to find someone to hire that has the level of expertise needed in all arenas. Contracting out in order to have development expertise only when an organization needs it, or to get expertise in specific arenas can be more cost effective in some cases. (The disadvantage is that much of the preliminary project work then falls on the executive director.)

Finding #6. Stability in the executive director position has been important to the growth of organizations. Only 14% of the organizations surveyed reported that their executive directors had been in place for less than three years, with over 50% reporting 6+ years of tenure. Among the five high capacity CLTs, only one reported a tenure of less than 3 years, and three reported 6+ years.

Finding #7. Succession planning is rarely done well, and is important. Most of the organizations we surveyed had done very little succession planning – many because their top staff had been in place for many years. However, there are clearly big costs to not doing succession planning and leadership development well.⁷

Finding #8. Keeping technology up to date is important. Again, Christine Westfall said it succinctly: *“Don’t spend your time trouble shooting old systems, just replace them with new equipment. Get your systems up to a reasonable standard and hire a consultant to do it; no matter how smart your staff is, hire someone to deal with the bells and whistles of the newest technology.”*⁸

Finding #9. Good job costing systems are critical. Knowing what it costs you to do a job lets you be more realistic about what fees to charge, and also about when to say “yes” and when to say “no” to possible projects.

Finding #10. Proactive, integrated planning is necessary for strong growth. This means having a clear mission statement, revised when necessary, a current and regularly updated strategic plan that is well understood and supported throughout the organization, and a business plan and work plans that reflect the strategic plan and are used. It also means being as proactive as possible in anticipating change, and being willing to respond to mission-appropriate opportunities as they arise, modifying the plans as necessary.

Political and Networking Capacity

Finding #1. Long-term advocacy efforts are important. Long-term advocacy work that builds relationships and lays the groundwork for victories that go beyond funding allocations in any given cycle is necessary to create a political environment in which CLTs can grow and can meet a significant portion of the need.

Finding #2. New alliances are important to take the next steps in effective advocacy. CLTs need to reach out to other groups affected by land speculation and/or concerned with land stewardship over the long haul. Land speculation is a common enemy for advocates of affordable housing,

⁷ The Neighborhood Partnership Fund’s report on succession planning provides an excellent overview of what good succession planning requires. (See Acknowledgements.)

⁸ See footnote 3.

protection of wild spaces and environmental quality, and protection of working farm and forest land. Working with these groups could make it possible to create a funding source for permanently affordable housing and permanently protected open space and farmland, and to create public policy that emphasizes long term stewardship in the awarding of other funding.

Finding #3. CLTs can optimize government investment. As Barbara Cartmill, the director of the Clackamas County Community Development Agency put it, “*We (the Community Development Agency) can do capital, but don’t do maintenance, statutorily – so we can provide up front money and the CLT can make sure it continues to be used for the purpose we designated.*”

Finding #4. CLTs offer a prudent way for lower-income people to become homeowners. Foreclosure rates are skyrocketing as the real cost of sub-prime loans becomes clear for the many low- and moderate-income people who have used these loans to enter homeownership in the last few years. The CLT model insulates homebuyers from these kinds of losses by providing affordable homes that are priced well under their market value, insisting their buyers use fixed rate loans and creating relationships with traditional banks, and carefully counseling their homebuyers to help them determine what they can afford. Rather than losing their first home and having a foreclosure on their credit history as so many buyers are doing now, those entering the market using a CLT home generally end up able to move on to a market-rate home after a few years.⁹

Collaboration, Sharing Services, Merging

Finding #1. The Metro Area CLTs are already collaborating. The strong existing collaborations between the four metro area CLTs provide important supports for each group, and are a solid base on which future collaborations can be built.

Finding #2. There may be opportunities for the groups to share staff or services. There is enough overlap in the services provided and the staffing needs of the four metro area CLTs, and enough interest among them, that exploring ways in which the groups might share staff (fiscal manager, housing developer, etc.) or provide services to each other’s clients (homebuyer education, etc.) appears useful. Such partnership could strengthen the organizations involved by reducing risk, making it easier to hire high-quality people, and expanding staff expertise.

Finding #3. Mergers have many pros and many cons. Exploring that option would require a great deal of support. While a merger of two or more of the metro area CLTs might create a new organization that was stronger and more efficient than the groups merging, there are many downsides to mergers. For one, larger-sized organizations may be more unwieldy, and PCLT and CCLT are already two of the largest CLTs in the country in terms of population served. If any of the groups decide that exploring a merger is a good idea, there are many supports that will need to be in place to assure a productive exploration process and good results. All reports are that mergers always take at least twice as much time and money as anticipated.

⁹ This according to a comprehensive study of the resales of CLT homes owned by Burlington Community Land Trust. 74% (60) of their homeowners whose subsequent housing situations were known (16% were not know) bought market rate homes within 6 months of selling their CLT home, 5% (4) bought another CLT home. (Davis and Demotrozitz, *Permanently Affordable Homeownership: Does the CLT Deliver on Its Promises*, pg. 3 – see Acknowledgements)

The sections that follow provide a great deal more information on what we discovered in the survey and interviews, and many more detailed recommendations.

A Few Specific Recommendations for Funders and Other Supporters

Finding #1. Commit to multi-year funding. It is a huge waste of organizational capacity to have to reapply year after year for funding to do a project or program that takes years to complete (or is on-going). Set strong accountability criteria and then commit for several years so that the organization can get on with the work.

Finding #2. Calculate investments based on life-costs, not just up-front costs. Life costs include costs associated with living in the home over time (replacement and repairs, etc.) Basing subsidies on Life-cycle cost analysis takes the long-view both in terms of the sustainability of homeownership for the low- or moderate-income purchaser, and the preservation for long-term use of the piece of community infrastructure that is this permanently affordable home.

Finding #3. Make permanent affordability a criterion for funding – affordable housing is a necessary infrastructure for a healthy community, and when we invest government dollars to create infrastructure (parks, bridges, schools, etc.) we expect it to be there for our grandchildren and beyond.

Finding #4. Get creative about supporting the work in ways beyond just providing direct funding Most of the options listed below can be implemented only by governments, but other funders can support the advocacy and education efforts that encourage these kinds of changes. Options for this include:

- ✓ Inclusionary zoning
- ✓ Planned Unit Development standards that make cluster housing and other alternative forms possible without lots of time (and money) consuming bureaucratic processes
- ✓ Data analysis support: identification of available land, need and market analysis, etc. to help the groups work efficiently and effectively
- ✓ Reasonable parking standards: reduced on-site parking standards in neighborhoods that have good transit, and in neighborhoods where parking on the street is the norm and readily available.
- ✓ Provide surplus property at below market costs when it is being used for permanently affordable homeownership units
- ✓ Reducing other regulatory barriers (examine those specific to your jurisdiction)

III. BUILDING CAPACITY, Part A:

Basic Context from the Survey Data & General Findings

Each of the next several sections of the report will begin with information about how CCLT, PCLT and Sabin CDC compare to the other organizations we surveyed. Before moving into the topic areas, this section will provide some basic comparisons, as context.

The Basics

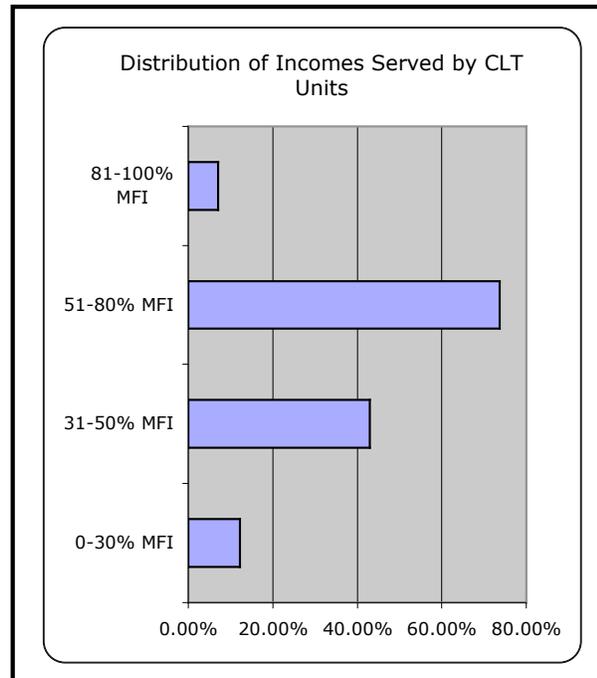
- The organizations surveyed included:
 - ✓ Nine Community Land Trusts (CLTs),
 - ✓ One Community Development Corporation (CDC) with a CLT program,
 - ✓ Five CDCs that provide homeownership using a non-CLT model, and
 - ✓ Four other housing organizations (mostly larger, regional groups) that provide homeownership.
 - ✓ Fourteen of these organizations, including six of the CLTs, also provide rental housing.
- Only one non-local CLT surveyed served a population as big as PCLT's service area population (501,000-1 million.) Two of the ten non-local CLTs/CDCs with CLT programs served areas in the same 251,000-500,000 population range listed by CCLT and Sabin. Three of the five high-capacity CLTs served smaller populations (50,000-250,000).
- Like PCLT and Sabin, almost all of the providers surveyed, including all but one of the high capacity CLTs, worked in areas where there were other nonprofits providing homeownership products.
- Sixty-four percent of the organizations surveyed served multiple jurisdictions (as CCLT does).

High-Capacity CLTs

From all of the organizations surveyed, we selected a subset of four CLTs and the one CDC with a CLT program as those most like what PCLT, CCLT and Sabin CDC are striving to become. Those organizations projected that they would produce at least 31 units of housing in the current year (three at 31-60 units, one at 61-100, and one at 100+). All other CLTs in the survey reported fewer units in their current pipeline. We will refer to the five organizations in this group as the "high-capacity CLTs" throughout the report.

People Served

- *Lowest Income:* PCLT is one of only 4 providers surveyed that reported selling any CLT homes to people at or below 30% of MFI. (12% of the total CLT units produced by our survey respondents served this income group.) One of the high-capacity groups reported that 30% of their CLT units served this income group (they also reported having CLT condos, but not co-ops in their portfolio).
- *Highest Income:* Only 3 of the 13 CLTs or CDCs with CLT programs surveyed (including one high-capacity CLT) reported selling CLT homes to people with household incomes above 80% of MFI. (7% of the total CLT units produced by our survey respondents served this income group.)
- *Non-CLT Homeownership:* By contrast, of the Non-CLT homeownership units produced by survey respondents, 5% served people at or below 30% MFI, 26% served people between 80% and 100% of MFI, and 35% served people at above 100% MFI. (Sabin is the only of the three Portland area groups to have non-CLT homeownership units. Sabin reports that 85% of those households have incomes between 31 and 50% of MFI, with the rest between 51-80% MFI.)
- *Rentals:* Looking at rental units produced by survey respondents, 53% served people at or below 30% of MFI, and only 5% people above 80% of MFI. (Neither PCLT nor CCLT have rental units in their portfolios. Sabin does, and 90% of its units serve people at 31-50% of MFI, with the remainder for 51-80%.)



General findings

Finding #1. The work that the CLTs do is expensive. In the Portland area, it requires a subsidy of \$70,000 (on average) to create a CLT homeownership unit to serve a household between 50% and 80% of MFI. This is the up front cost. The cost of stewardship in perpetuity is unknown, varying with the total number of units in the CLT's portfolio (since it is a percentage of the cost of portfolio maintenance), the number of times the unit resells, whether or not it ever goes into foreclosure, and many other factors over which the CLT has little control. (It is still, however, more cost efficient than methods of subsidizing homeownership that do not preserve the affordability of the unit.¹⁰)

¹⁰ See the Deloitte and Touche study referenced in the Acknowledgements.

Finding #2. Available funding limits capacity to expand. Resources from all sources (government, foundations, individual donors, etc.) are limited, and the CLTs are competing with other providers of homeownership units, providers of other kinds of affordable housing, and other primary community services (schools, parks, safety, etc.) and national priorities (war) for those resources.

Finding #3. There needs to be broader understanding of the model. The CLT model is not well understood by all, and there are people who have strong, negative reactions to the idea that CLT homeowners don't own the land under their homes. This can complicate the competition for funding (and marketing to potential homebuyers).

The next three sections address the challenges faced by organizations as they try to grow. We've divided these challenges, based on the thinking of Norman Glickman and Lisa Servon,¹¹ into three arenas: Resource Capacity, which encompasses all of the various types of funding; Organizational Capacity, including issues related to board, staffing, and other organizational infrastructure; and Political and Network Capacity.

¹¹ *More Than Bricks and Sticks* (see Acknowledgements).

III. BUILDING CAPACITY, Part B: Resource Capacity

The availability of resources was reported as the most fundamental factor limiting the production levels of the CLTs we interviewed, a perception shared by most of the experts we asked.

- 78% of the organizations surveyed said that it was difficult or very difficult to get unrestricted operating funds (to pay salaries, office overhead, etc).
- Over 50% said it was difficult or very difficult to get capital (subsidies/land grants).
- 35% said it was difficult to get program support.

Funding to support CLTs' work comes from many different sources. As the survey summary below indicates, developer fees rank as the second largest source of funding after rental income (shown here as included in "other"). Other major sources are federal and local government, foundations, corporate and business donors, individual donors and fee for service. Membership dues and lease fees, both categories that are often held up as sources that should be helping CLTs become "self-sufficient," are in fact quite small percentages of these organizations' budgets.

Sources of Support: Local CLTs Compared to Survey Average
 What percentage of your annual operating budget¹² comes from the following sources?

| | Survey Ave. | CCLT | PCLT | Sabin |
|----------------------------------|-------------|------|------|-------|
| Local Government support | 10.56 | 0 | 32 | 0 |
| State Government support | 5.30 | 0 | 0 | 0 |
| HOME funds | 1.45 | 9 | 0 | 1 |
| CDBG funds | 7.73 | 0 | 0 | 4 |
| Other Federal government support | 7.62 | 0 | 0 | 0 |
| Foundation grants | 11.05 | 30 | 15 | 10 |
| Membership fees | 3.45 | 1 | 1 | 5 |
| CLT Lease fees | 5.29 | 7 | 7 | 10 |
| Individual donors | 7.53 | 1 | 5 | 5 |
| Developer fees | 16.83 | 20 | 17 | 1 |
| Tuition/fee for service | 7.00 | 2 | 1 | 0 |
| Business grants/banks | 9.67 | 31 | 4 | 1 |
| Other* | 38.53 | 0 | 18 | 63 |

(*We neglected to list rental income as a source)

¹² Unfortunately, some survey participants interpreted "Operating Budget" to include development projects and some did not, making the data less useful.

Interesting findings emerged as we looked at the details of the survey responses, especially the responses of the high-capacity CLTs, compared to CCLT, PCLT & Sabin:

- **Government Funding.** All but 3 of the providers surveyed got substantially less local government funding than PCLT does (none, or 1-5% of operating budgets as opposed to PCLT's 32%). As for HOME and CDBG, CCLT, at 9%, is well above most as well. Sabin reports 5%. All four of the five high-capacity CLTs that gave us a funding breakdown reported 0-1% for local government funding.
- **Membership Size.** CCLT, PCLT and Sabin all report smaller memberships, and membership projected to grow more slowly (fewer new members each year) than most of the CLTs surveyed.
- **Membership Fees and Individual Donations.** Only 1 organization surveyed reported getting more than 5% of its budget from membership fees, three others reported getting much higher percentages (20-27%) from individual donations, which at least one organization conflated with membership dues. None of the high-capacity CLTs reported more than 2% from both sources combined. (PCLT and CCLT report 1% in member dues and 5% and 1% from individual donors, respectively, Sabin reports 5% in each).
- **Number of Business Grants.** CCLT, PCLT and Sabin all report a larger average number of business grants (6-10/yr) than all of the other CLTs surveyed, and many of the CDCs as well. Only one organization surveyed reported a larger number.
- **Amount of Business Grants.** CCLT reported a larger percentage of their budget coming from business grants and banks than any other organization surveyed, by a larger margin in most cases (31% for CCLT as compared to an average of 9.67% for the whole survey, with 4/5ths of the organizations surveyed – including PCLT and Sabin – reporting 5% or less).
- **Developer Fees.** Both CCLT and PCLT reported a slightly above average percentage of their budgets coming from developer fees. (Average was 16.83%, PCLT was 17%, CCLT 20%.) Sabin, at 1%, was lower than all but 2 of the organizations surveyed. The average among the four high-capacity CLTs reporting funding breakdowns was 19.75%.
- **Lease Fees.** Sabin reported getting 10% of their operating budget from lease fees. PCLT and CCLT reported 7%. Only two other groups surveyed got more than 4% (13% and 25% – the last was one of the high-capacity CLTs). Several very successful and large CLTs get a VERY small percentage of their budget from this source, which is surprising given that many small CLTs talk about getting to a point where lease fees will cover their “basic operating expenses.”¹³
- **Credit.** At up to \$500,000, PCLT and CCLT have more available in lines of credit than the average on the survey. Sabin was one of only three organizations that have no line of credit. The high capacity groups' credit available ranged from up to \$250,000 (one) to over \$1 million (one).

¹³ Champlain Housing Trust comes close to supporting 1 FTE with lease fees, but says they need 2 FTE to handle maintenance and resales. Resales do provide some financial return as well.

Several key issues were identified in the survey and the interviews, including access to capital, access to multi-year grants and other kinds of operating support, and shifts in the approach being taken in the foundation world.

Finding #1. Land is expensive and difficult to come by in the Portland Metro region. It is also difficult to get a clear sense of the amount and location of land that could be available for housing development, making it difficult to do strategic planning.

How Much Money is Needed to Create a CLT Home? The Portland area CLTs estimate that they current require subsidies of roughly \$70,000/CLT unit. (This is an average. The figure increases or decreases depending on unit type and size, development issues and the income level served.) Producing 30 units per year would therefore require \$2,100,000. Fifty units per year would cost \$3,500,000. For each of the three existing Oregon CLT organizations to reach 50 units/year would require \$10,500,000 in subsidies. If it is also a goal to create CLT capacity in Washington Co., in Gresham, and in Vancouver (where Southwest Washington CLT is just getting off the ground), that number will increase substantially.

Finding #2. CLTs are committed to stewardship in perpetuity—protecting the land they own and preserving the affordability of the housing on top of it *forever*. There has been insufficient thinking to date about what that entails in terms of:

- ✓ On-going relationships with the homeowners (to ensure good maintenance, upgrades that are in keeping with the goals of passing on an affordable home, etc.)
- ✓ What happens when major repairs are needed on the home that still low-income homeowners may not be able to afford.
- ✓ What happens when the housing actually gets to the point where it might be more cost efficient to demolish it and build new housing.
- ✓ How to keep the civic/membership structure alive and functioning to support homeowners, ensure that homeowners know their responsibilities to the CLT when they sell, and ensure that a list of ready homebuyers is available when a resale happens.

Finding #3. CLTs must budget for long-term costs. When creating budgets, pro formae and responding to RFPs for government funds, CLTs must include the long term costs of stewardship in developer fees, lease fees, resale fees, etc. Funding requests must articulate the value of long-term stewardship: of making the affordable home part of the community's infrastructure, like a park, and of locking the subsidy in so that the home is likely to become *more* affordable over time.

Finding #4. CLTs need maintenance/replacement reserves. CLTs should determine the replacement costs of the major systems of a home and factor those costs into the affordability analysis. Maintenance fees and replacement reserves should be set at an amount sufficient to cover the majority of the replacement cost. The fees and reserves should increase based on the construction price index.

Asset Management. Even though Community Land Trusts technically only own one asset—the land—they must of necessity pay close attention to the status of the improvements. There are three reasons: First, CLTs pledge to preserve a stock of quality homes that will be affordable forever. Second, CLTs maintain a long-term interest in the house by virtue of their right of refusal

to purchase the house at resale according to the terms of the land lease. Third, CLTs depend on the largesse of community supporters to continue their investment in the land trust, and community members are unlikely to support an organization that holds land in trust beneath blighted houses and appears to be a slumlord. Hence, CLTs take a long-term approach to their work, and have a vested interest in the quality of the portfolio of CLT homes in the community.

CLTs are homeownership organizations in the sense that they develop and sell homes to income-eligible homebuyers; ostensibly, those homebuyers then take responsibility for the maintenance and upkeep of those houses. However, the CLT is a partner in every homeownership opportunity it creates. For this reason and those described above, CLTs would do well to take a somewhat hybrid approach to the stewardship of those homes, and share in the perpetual responsibility of caring for them. Orange Community Housing and Land Trust project manager Christine Westfall says that she looks at her CLT-developed houses from a “rental perspective,” trying to anticipate their future repair needs and the way the CLT will need to step up to the plate to support the homeowners in making needed repairs.

The CLT’s role in asset management takes a variety of forms, from maintenance classes with loans to homeowners to outright grants for home repair. Increasingly, CLTs are collecting funds from the CLT homeowners to be used to pay for regular required maintenance and to fund capital replacement reserves. Strategies vary, but most CLTs who collect maintenance reserves use the funds to maintain common areas and private drives. Replacement reserves are most commonly collected to fund the replacement of external improvements such as roof and siding. These funds are collected with the monthly lease fee.¹⁴ The fund runs with the house, not the homeowner. When a homeowner sells, they do not take the fund balance with them: it stays with the house. Some CLTs charge a fee at time of resale to further fund the replacement account. Many CLT staff voice concerns that they cannot collect enough funds to cover the full, or even majority cost, of all that will need to be replaced on a home. The homeowner will need to fund some portion of the replacement of items.

Depending on the resale formula used, the purchase option price to a seller may reflect poor or deferred maintenance. In the case of an appraisal-based formula, the appraiser will discount the fee simple value of the property based on its condition. In an indexed formula some CLTs include an incentive for exceptional quality, such as the addition of a deck or extensive gardens, and disincentives for poor maintenance by discounting the seller’s return on these investments. In either case, the CLT may have to step in to repair a home and either subtract that cost from the return to the seller or add that cost to the resale price to the new buyer. Other options are being discussed by some CLTs, including self-funding the repair from a grant pool specifically set aside for home repairs, or offering small home repair loans to owners for this purpose.

“The inclusionary housing policy of Chapel Hill accounts for the steep production curve. If we didn’t have that, we would have grown much more slowly.”

- Christine Westfall,
Orange Community
Housing and Land Trust

¹⁴ The stipulations on collection and use of the maintenance fees and replacement reserves are often found in the CLT’s homeowner association documents or subdivision riders created by the CLT.

Finding #5. Moving beyond retail mortgaging is necessary for growth. John Davis states succinctly that when a CLT is doing 50+ units per year, “*you can no longer do retail mortgaging, when you hold hands with each buyer and beg for good financing at the bank – you need five to six lenders who understand your deal and are ready to go.*”

Finding #6. CLTs must have immediate access to funds for acquisition of land. This can be in the form of lines of credit or reserves, but for a CLT to successfully produce 50+ units per year it must have funds that allow it to secure opportunities before all the project funding is in place.

Finding #7. CLTs should convene national discussions on access to capital and addressing the costs of holding land and housing in perpetuity. The CLT movement needs to come together to address these two critical challenges to CLT sustainability.

Finding money. John Davis describes “three separate bottlenecks”¹⁵ that can be created by difficulties in the pipelines of different kinds of capital. Capital needs include:

- Equity investments/subsidy grants (money to buy the land/buy down the price of the housing)
- Construction financing
- Permanent financing for buyers (mortgages)

As we noted above, over half of survey respondents reported that capital was difficult or very difficult to get. We focused our local research on the first issue – capital for equity investments/subsidies. Before we move on to that, we will let John Davis underline the importance of taking permanent financing to the next level when you are doing 50+ unit/year:

“You can no longer do retail mortgaging, when you hold hands with each buyer and beg for good financing at the bank—you need five to six lenders who understand your deal and are ready to go.”

Equity Investments/Subsidy Grants. The vast majority of the funding most CLTs use to subsidize the purchase of land and/or housing and buy down the price so that it is affordable to low and moderate income people comes from government sources. We interviewed several local experts¹⁶ about what they thought funding would be like for affordable homeownership initiatives in the next few years. The sections below summarize what is likely to be available and what government staff and other experts are saying about likely shifts in the next few years. (See the section on *Political and Networking Capacity* for recommendations on advocacy work.)

*Clackamas County*¹⁷

- Key county staff people seem supportive of the CLT model and of homeownership initiatives. However, affordable housing has not been a major priority for the County. That may shift some with new leadership at the County Commission.

¹⁵ Interview with Allison Handler, December 2006. He also noted several other possible bottlenecks, which are discussed in Development Capacity below.

¹⁶ See acknowledgements for the complete list.

¹⁷ Based on interviews with Chuck Robbins, Director of Community Development in Clackamas County, Barbara Cartmill, Director of Clackamas County Development Agency, and Lynn Peterson, County Commissioner.

- CDBG funding is currently in year two of a three-year cycle. Funding has been set aside for the Land Trust Smart Growth initiative in that cycle. The project calls for an intergenerational community, developed in partnership with Northwest Housing Alternatives (NHA). CCLT would build duplex style homes for families of modest means and NHA would build a senior apartment building next door. The current federal budget proposal includes a 20-30% cut in CDBG in 2008. It is unclear whether that will actually happen.
- HOME funds have been distributed on a first come first served basis. The County has allocated \$465,000 to CCLT's Smart Growth project for preservation and rehabilitation of homes in North Clackamas. Competition for HOME funds is increasing, so this is likely to become a two application per year process, probably starting in 2009.
- For the North Clackamas Urban Renewal area (URA),¹⁸ there is a 25 year plan for the allocation of Tax Increment Financing (TIF) which includes \$3-\$5 million for affordable homeownership, including \$3 million in repair and renovation grants and \$2 million for new/redevelopment. No bonding has taken place yet in this young URA, and so funding will be in small amounts for the next few years, especially since the County's first priority is sanitary sewers.
- One basic development agency strategy is using TIF to buy parcels that can then be distributed through RFP processes, sometimes with clear criteria, sometimes not. The URA priorities for affordable housing seem to be focused on preventing displacement of current residents and avoiding flooding the area with housing that exceeds the current median cost of \$230,000. They expect to use TIF to fund a wide variety of housing initiatives that meet that basic set of goals, including CLT initiatives.
- This year in the URA the homeowner assistance funds are \$50,000, homeownership rehab is \$75,000, and there are also some façade renovation grants.
- The County is participating in the Bridges to Housing initiative (funded in part through a large Gates Foundation grant to the Neighborhood Partnership Fund). There may be opportunities there for CLTs (see Political and Networking Capacity recommendations for more on this).

“We need to inculcate an abundance mentality in our industry so we are entrepreneurial and prepared to quickly absorb the new resources.”

**- Kate Allen, Enterprise
Community Partners**

City of Portland¹⁹

- There appear to be no big changes in the allocations of federal dollars (HOME and CDBG) anticipated (though there is some possibility there will be significant cuts to CDBG at the federal level in 2008).
- The new Tax Increment Financing (TIF) set-aside level increases the city's housing resources by about 800%. The percentage of this set-aside that will be available for homeownership for

¹⁸ Urban Renewal Area boundaries are the county line and 82nd at the North to City of Milwaukie and Munroe on the South.

¹⁹ Information drawn primarily from the interview with Michael Anderson at CDN.

households between 50% and 80% AMI varies among the Urban Renewal Areas, but it is constrained by City priorities on creating affordable rental housing for those below 50% AMI and housing for the homeless.

- The new Schools Families Housing (SFH) initiative may become an important new source of resources, and will almost certainly become a new lens by which at least some affordable housing proposals will be evaluated. The SFH initiative will mainly piggyback on (and use) existing sources of funding, however, it could generate new sources at some point, and it could involve reallocation of land currently owned by the schools.
- The four-county Bridges to Housing Initiative (funded in part through a large Gates grant to the Neighborhood Partnership Fund) may also provide new opportunities for CLTs (see Political and Networking Capacity recommendations for more on this).

State of Oregon

- It appears likely that the state legislature will approve at least \$50 million for affordable housing this year (a 10-fold increase). Nine to fourteen percent will probably be set aside for homeownership.

Federal

- Reviewing the current availability of federal funds was outside the scope of this report.
- None of the people we interviewed were more than cautiously optimistic about improvements at the federal level over the next few years if the Democratic Party maintains control of Congress and a Democratic candidate wins the White House in the next election. Nobody was willing to even guess at details.

Finding #8. Inclusionary zoning policies can generate a lot of CLT units without requiring a lot of government subsidy. In other words, governments can add value without putting up more money.

There are several ways to lower the amount of the cash subsidies required to produce a CLT unit. One is to find ways to make free or reduced cost land part of the package. Land owned by government entities (school districts, Tri-Met, PDC, ODOT, Counties, etc.), particularly along transit corridors where there is higher density zoning, could be an important resource. However, in many cases there are regulations requiring (or at least encouraging) government entities to sell their land at market rate.

Inclusionary Zoning

Inclusionary zoning policies require that a certain percentage of the residential units in any development over a certain size be priced to sell or rent to households at or below a certain income level.

The requirements can be tied to the zoning code, to the creation of urban renewal districts, to government funding, or to special development permits. Ideally (though not always in practice), the affordable units created through inclusionary zoning should be required to stay affordable in perpetuity – to become part of the infrastructure of the community.

CLTs are ideal stewards for these homes, since they are designed to market limited-equity homes and to hold them forever, managing their resales, and providing support to their buyers.

Another approach is to use inclusionary zoning to get the private sector to generate permanently affordable units that the CLTs would then market and, when sold, hold the land underneath (or the equivalent in coops and condos) and be responsible for monitoring and enforcing the resale restrictions. The largest and most successful of the CLT model organizations we surveyed – Champlain Housing Trust in Burlington, VT, and Thistle Community Housing in Boulder, Co. – both work in areas that have inclusionary zoning (IZ) ordinances make IZ units available to the CLT. There are also two much newer CLT efforts, one in Chicago and one in Irvine, California, that are envisioned to create large numbers of CLT units each year, based largely on an inclusionary zoning model.

Inclusionary zoning is currently prohibited by state statute in Oregon except in cases in which it can be demonstrated that the landowner on which the inclusionary zoning requirement would fall is getting a large public benefit. To date, no jurisdiction has been willing to impose an inclusionary zoning requirement under this statute, even in urban renewal districts and areas newly brought into the urban growth boundary, where there is a very clear and large government-created increase in land value.

Other tools beyond the provision of direct subsidies that local and state governments can use to support the development of CLT housing include permanent affordability requirements (or bonus points) for government funding, the easing of off-street parking or other zoning requirements, PUD regulations that encourage cluster development, and many others.²⁰ These issues are addressed more directly in the discussion of Political and Networking Capacity below.

Finding #9. Self-Sufficiency: contrary to the desires and expectations of many foundation funders, there is no evidence that the work of CLTs can be done without grant support of various kinds, including operating support. The \$70,000 per unit figure is only the subsidy needed to create a home. CLTs also need operating and other programmatic support for the services they provide beyond the development of housing. This funding generally comes from a combination of public funding, foundation grants, individual donations and other sources that are either targeted at a specific program (i.e. homebuyer education) or are unspecified.

The CLT homeownership model, unlike subsidized rental housing, does not create a significant, on-going income stream (rents). Lease fees, which could fill that role, are never set high enough to actually cover stewardship costs. Hence CLTs are overly dependent on development and resale fees – fees that are not regular, are unpredictable, and, in the case of development fees, are dependent on continually doing new projects.

Foundations are moving away from providing multi-year grants – a particularly important source of support for organizational growth. They are further moving toward assuming that groups should be able to become “self-sufficient” over time, and basing their grant making on that goal. This is probably an unrealistic assumption for most, if not all, CLTs.

²⁰ See Tasha Harmon's *Integrating Social Equity and Growth Management: An Overview of Tools*

Foundation Funding for Operating Expenses

We asked many of the people we interviewed what changes they saw in the world of foundation funding. Much of what we heard was disturbing.

While nearly all the organizations we surveyed said that multi-year operating support grants, or grants that were renewed annually, were key in their being able to increase their capacity and get to where they are today, many of those we interviewed indicated that funders are moving away from providing multi-year grants.

This appears to be linked to what is perhaps the most fundamental challenge facing all nonprofits right now, the fact that progressive foundations appear to be focusing more and more on the idea that organizations can, and should, become self-supporting – that foundations should be investing their funds in helping nonprofits reach the point in their evolution where they can support their programs without grants. As an example, Kate Allen reports that Enterprise Community Partners is “shifting to look at sustainable organization funding that does not require operating support.”²¹ In terms of housing organizations, the focus is on getting nonprofits to a production level – a scale – that creates enough income to support the organization. Research by Dee Walsh (as reported by Kate Allen) indicates that for CDCs doing rental housing, an organization with over 2,000 units in its portfolio and a pipeline of 200 to 500 units per year is “sustainable.”

There is certainly value in exploring ways in which the CLTs can create an income stream from what they do that will help support their work, and certainly foundations can provide good and useful support in the process as nonprofits increase their ability to access different flows of funds. However, there are several aspects of the new foundation approach that seem flawed.

- 1) It is a recipe for the creation of large organizations, and probably for more nonprofits serving larger and larger geographic areas in order to get to this scale. As John Davis outlines in his

“Private developers have done some crappy things around here and they’ve walked away. The land trust really can’t walk away. A lot of the major maintenance on a house doesn’t come due for 20 years. We find ourselves in this moral and ethical quandary when things need to be repaired years later, even if technically it’s no longer our responsibility. We need to have excellent oversight of the construction process to avoid small problems becoming large problems later; we’re held to a higher standard. It’s the 99-year problem.”

- Christine Westfall, Orange Community Housing and Land Trust

“Dee’s research is that organizations with over 2,000 units and a pipeline of 200 to 500 units per year are sustainable. In Portland, no one is at that level.”

- Kate Allen, Enterprise Community Partners (referring to research by Dee Walsh of REACH CDC)

²¹ Interview with Tasha Harmon, January 16, 2007.

analysis of the pros and cons of CLTs serving large geographic areas, there are many downsides to this, including increased property management costs (scattered sites), loss of accountability, perception of the CLT as absentee “landlord” rather than “proximate partner,” competition between nonprofits (more overlapping service areas), conflicts with (or at least the need to build relationships with) many jurisdictions, less community organizing, and becoming just a housing provider instead of an organization focused on revitalization/community-building.²² While there may be good reasons for some organizations to grow to the scale Dee outlines, there is much that will be lost if all organizations have to grow to that size to survive (or, at least, to get foundation support).

- 2) The presumption that projects will create sufficient cash flow to sustain the organization contains within it the assumption that sufficient government subsidies will be available, and that governments will be willing to subsidize projects deeply enough that they can both serve the people who need them *and* provide support to the CLT. In every affordable housing project this tension exists between serving people at lower income levels and creating cash flow for the organization. And most government funding sources ask nonprofits to compete with each other for project funding based in no small part on per-unit cost – a strong disincentive to try to use

“Most important would be thinking about our entire program and project activity as business lines and how they need to contribute to funding the organization.”

- Jeff Corey, Northern Communities
Land Trust

government subsidies to bring the cost to buyers down while keeping the payment to the CLT high enough to actually cover the organization’s costs.

- 3) For CLTs that don’t have rental units in their portfolio, the challenge is bigger yet, because developer fees are not a steady stream of income (like rents can be), instead coming in chunks, often *after* a

project is completed (making it challenging for the organization pay salaries in the meanwhile). Lease fees, which many CLTs have thought would be the steady stream of income that would at least cover their basic operating expenses (though not new project start up costs or the costs of other programs and services), do not even come close to doing so for even the most successful CLTs. This is almost certainly a reflection of the perceived need to keep lease fees low in order to make the housing more affordable.

Developer Fees and Other Earned Income

As noted earlier, the two largest sources of income reported by those we surveyed were rental income and developer fees. CLTs also earn fees by providing homebuyer education (as in the case of CCLT), providing development services to other organizations, etc. There are challenges to all of these income streams, and they are largely beyond the scope of this contract. However, we did hear from many interviewees about the importance of thinking about each aspect of an organization’s activities in terms of supporting the organization.

One key decision for the CLTs to make is the degree to which they will bring development in-house vs. using partners or contractors. This decision can have major impacts on cash flow and overall income. It is discussed more in the section on Organizational Capacity.

²² Paraphrased from Davis’ *Options & Issues in Creating a Community Land Trust*

Recommendations

Recommendation #1. Look for alternative funding streams. The shifting attitudes of foundation funders and the current limited sources of public resources both argue for taking a good look at alternative funding streams (while continuing to dialogue with the progressive foundations about what is realistic, and what is healthy for nonprofit organizations and for communities). Alternative funding sources and approaches (most of which are already part of the budgets of CLTs, but which might be expanded) are:

- **Individual donors:** It appears particularly important for PCLT and CCLT, which have the potential for very large membership/donor bases given their large geographic range, to explore how possible it is to cultivate them, and whether it would be cost effective to do so.
- **Capital campaigns to create endowments:** While few nonprofits attempt this, for CLTs with long term stewardship responsibilities, insufficient cash flow from their assets and no ability to borrow against the land they own, endowments may be an important strategy for long term sustainability.
- **Grants/sponsorships from businesses:** CCLT already gets an unusually high percentage of its budget from these sorts of grants. PCLT and Sabin may be able to learn from their approach, and CCLT has already declared a need and intent to further strengthen its relationship with the Clackamas County business community.
- **Program Related Investments:** A program related investment (PRI) is an investment made by a foundation that has the primary purpose of accomplishing one or more of the foundation's exempt purposes. It most often takes the form of a low interest loan to a non-profit to support the development of affordable housing or to capitalize a loan fund for small businesses. PRIs will become increasingly important to CLTs as they search for access to low cost capital to fund the cost of housing development. Related to that is the need for CLTs to establish standard financial indicators that financiers can use to assess the financial health of a CLT.
- **Fees for service** (though again, this is challenging when trying to serve low-income people): Explore whether there are unfilled niches for services the CLTs could provide that would both pay for themselves and help support the larger organizations either through fees paid by users or by government support. CCLT currently provides a suite of fee for service classes, including First time homebuyer classes in Clackamas County. One of their partner banks pays CCLT a fee every time a homebuyer CCLT trains closes a mortgage with the bank. Other services could include construction management services for other nonprofits, TA/training for start up CLTs in other places (which PCLT is doing some of), and others.
- **Rental housing:** While PCLT is probably not in a good position to include rental housing in its portfolio under most circumstances (given the number of competing CDCs), CCLT might be. (Sabin CDC already has some rental housing in their portfolio that helps to support their operations above and beyond covering expenses related to the rental program.) Done well,

subsidized rental housing can create an on-going funding stream that can help smooth out funding for basic operations and build organizational capacity.²³

- **Mixed income developments:** Given the limits on developer fees earned on affordable housing projects it may be beneficial to develop some fee simple market rate housing in conjunction with the CLT housing. The sale of the market rate housing can generate substantial equity to fund future developments or operations.
- **Commercial lease fees/rents:** Consider whether there are circumstances in which owning land under commercial buildings (or even owning the buildings as well) would both meet community needs and provide a funding stream for the CLT. As with rental housing, commercial lease fees or rents can create an on-going funding stream that can help smooth out funding for basic operations and build organizational capacity. CAUTION: It is easy to lose money on commercial real estate, and commercial requires a lot of specific knowledge beyond that needed for residential development. Unless there is a fairly good indication that this can work as an on-going part of the CLT's work, it is probably not worth the effort. If you do decide to go forward with commercial projects, a partnership with a more knowledgeable and experienced organization, or the hiring of someone with strong expertise in this arena, will be important for the first project or two at minimum.
- **Other lines of business:** Northern Communities Land Trust in Duluth reports that it established two business lines—a nonprofit construction business and a deconstruction service—both profitable and both “captive” to the CLT. Portland Habitat for Humanity operates “ReStore,” and Central City Concern has several business lines, including a building maintenance service, a building painting company, and a used furniture store, that bring income to the organization.

Recommendation #2. Explore sharing services or merging. The trends we've noted also argue for exploring ways to at least share services between CLTs within the region, and possibly to explore merges, as ways to lower administrative costs and demonstrate collaboration and efficiencies to the foundations. Given the focus of the foundation world, grants may be available to help with moves in that direction. (See also section V – Shared Services and Mergers.)

Recommendation #3. Advocate for more public resources. The trend among foundations also argues, strongly, for focusing time and energy on advocating for changes in public policy that will increase the resources available from government sources (see Political and Networking Capacity below).

Recommendation #4. Convene a national (or regional) level discussion on long-term thinking. The national CLT movement needs to begin to think more clearly about the long-term costs of stewardship and how the CLTs are going to support those costs. Encourage working groups and workshops on this topic and the national conference and perhaps at the national network board level. This discussion should include an evaluation of how lease fees are set, what they are supposed to cover, how to determine the fee that is both affordable to a homeowner and generates sufficient revenue to the CLT, exploration of tiered lease fees, and whether/how it is possible to sell higher lease fees to funders. (This could also start at the NWCLTC level.)

²³ Rental housing can also be a constant drain on the organization's budget. One large CLT we interviewed said they lose about \$100/unit/year on their large rental portfolio (which they make up through development fees). Their big goal for this year is to “fix that.”

Recommendation #5. Budget for the long term costs. When creating pro-formas and responding to RFPs for government funds, include the long term costs of stewardship in developer fees, lease fees, resale fees, etc. Articulate both the value of long-term stewardship – of making the affordable home part of the community’s infrastructure, like a park, and of locking the subsidy in so that the home is likely to become *more* affordable over time – and also the real cost of the work of preservation.

Recommendation #6. Explore ways to expand organizational lines of credit. Jumping on good opportunities, and dealing with unexpected problems, require quick access to funds. Having enough credit available to take calculated but bold steps before all the project financing is in place will be important for growth.

Recommendation #7. Convene a national level discussion on access to capital for CLTs. Several of the nonprofits we interviewed that were doing homeownership that was not permanently affordable had succeeded in building up a rolling capital fund by selling homes at a small profit and using the gain to bankroll the next project (though all but one of them also used government subsidies and other sources of funds as well). CLTs have no such mechanism because the vast majority of the subsidies they get stay locked into the land that they own, in order to keep the housing affordable in perpetuity. The movement needs to strategize about other ways for CLTs to build up internal resources to help bankroll projects, or perhaps about how to convince government and other funders that they should underwrite CLT projects in a way that provides some capital for the next project when all the homes sell. This may come back to a serious discussion about setting higher lease fees. It should also include discussion of homeownership tax credits. (This could also start at the NWCLTC level.)

Recommendation #8. Consider creating a fundraising advisory committee. Several of the organizations we spoke with indicated that they have advisory committees that help them with fundraising and relationship building. This encourages the involvement of people who may not want to put in the time required to serve on the board but who have connections and ideas and energy that could help the organization raise money. Consider creating such a committee.²⁴

Many more recommendations relevant to building the organizations’ resource capacity are contained in the section on Political and Networking Capacity below.

²⁴ Some details on this in the interview with Jeff Corey.

III. BUILDING CAPACITY, Part C: Organizational Capacity

Organizational capacity reflects the organization's infrastructure: the board, the staff, and the internal systems and equipment that support its work. The interviews and surveys yielded good information and recommendations on Board structure and leadership transitions, systems that must be strong, and mistakes often made in these arenas.

Key Questions

The key questions we were attempting to answer in this study were:

1. Board Development

- *How do the boards of the organizations need to change as the capacity increases?*
- *What are the best strategies for board development to support those needed changes?*

2. Competent and Stable Staff

- *What is the level and mix of staffing necessary to support sustainable growth?*
- *Is there a need for the organizations to increase cultural competency in order to best serve diverse homebuyers?*
- *What types of succession planning are needed to support organizational sustainability as the organizations increase in size?*

3. Infrastructure/Managed Growth

- *What are the key systems to have in place to ensure sustainable growth?*
- *What new kinds of infrastructure will be necessary to support sustainable growth?*

Key Observations from Interviews

Finding #1. Organizations need to have a solid foundation for successful expansion. Our interviewees listed the following as key to sustainable growth:

- Good communication between ED and board.
- Strong, engaged board that is thoughtful about what the organization is taking on (not just following the money).
- Expansion and diversification that clearly supports the mission.
- Making people feel like it is easy to work with you.

Finding #2. The right board structure is critical to success when expanding. This includes having strong board orientation and training, a board structure that reflects the structure of the organization, strong and active committees that include non board members, and strong relationships between program staff and relevant board committees.

Finding #3. There are many paths to success. The staffing decisions made by each organization surveyed as it expanded were unique to the community, opportunities and resources of that

organization and time. What the organizations had in common was a commitment to creativity, to investing in their staff, and to growing their capacity to meet the needs of their communities.

Finding #4. It pays to hire skilled people. Christine Westfall²⁵ spoke for many other interviewees when she observed, *“It pays to hire for certain skilled positions – like book keeping, construction oversight – it’s important to pay more to hire skilled people... Don’t be stingy about certain skill-sets that you have to have; acknowledge you’re in the real estate business.”*

Finding #5. Sometimes it is better to contract out work. The development pipeline is seldom steady or predictable and committing to pay a staff person who does not always have sufficient work is costly. This can be particularly challenging in periods of rapid but unpredictable growth. Also, if the portfolio being built is diverse (single family, condos, buildings that include commercial, deals using tax credits, etc), it may be difficult (and expensive) to find someone to hire that has the level of expertise needed in all arenas. Contracting out in order to have development expertise only when an organization needs it, or to get expertise in specific arenas can be more cost effective in some cases. (The disadvantage is that much of the preliminary project work then falls on the executive director.)

Finding #6. Stability in the executive director position has been important to the growth of organizations. Only 14% of the organizations surveyed reported that their executive directors had been in place for less than three years, with over 50% reporting 6+ years of tenure. Among the five high capacity CLTs, only one reported a tenure of less than 3 years, and three reported 6+ years.

Finding #7. Succession planning is rarely done well, and is important. Most of the organizations we surveyed had done very little succession planning – many because their top staff had been in place for many years. However, there are clearly big costs to not doing succession planning and leadership development well.²⁶

Finding #8. Keeping technology up to date is important. Again, Christine Westfall said it succinctly: *“Don’t spend your time trouble shooting old systems, just replace them with new equipment. Get your systems up to a reasonable standard and hire a consultant to do it; no matter how smart your staff is, hire someone to deal with the bells and whistles of the newest technology.”*²⁷

Finding #9. Good job costing systems are critical. Knowing what it costs you to do a job lets you be more realistic about what fees to charge, and also about when to say “yes” and when to say “no” to possible projects.

Finding #10. Proactive, integrated planning is necessary for strong growth. This means having a clear mission statement, revised when necessary, a current and regularly updated strategic plan that is well understood and supported throughout the organization, and a business plan and work plans that reflect the strategic plan and are used. It also means being as proactive as possible in anticipating change, and being willing to respond to mission-appropriate opportunities as they arise, modifying the plans as necessary.

²⁵ Program manager, Orange Community Housing and Land Trust, in an interview in December, 2006.

²⁶ The Neighborhood Partnership Fund’s report on succession planning provides an excellent overview of what good succession planning requires. (See Acknowledgements.)

²⁷ See footnote 3.

What Interviewees Have Seen Cause Organizations to Falter and Fail as They Try to Expand

- Weak boards of Directors (unengaged); weren't paying attention to finances.
- Taking on projects outside of their mission.
- Funding bottlenecks; "We don't make this happen without public moneys, and the certainty and availability of public funding is... Limited resources, not everybody can expand capacity. Is the money going to be there to reach new goals.? Figure out what is really available and plan for that." (Robin Boyce)
- Lack of operating dollars. Organizations can have more impact when they have more staff available to get out in front of things – big challenge.

Board Development:

| | Responses of Orgs. Surveyed | PCLT | CCLT | Sabin |
|---|-----------------------------|------|------|-------|
| Number of Board Members: 12-15 8-11 | 62% 28% | * | * | * |
| Significant change in board size in the last three years: Yes No | 24% 76% | * | * | * |
| Maintaining an effective board | | | | |
| Involvement in fundraising <i>challenging or very challenging</i> | 81% | * | * | * |
| Recruitment of relevant skills <i>challenging or very challenging</i> | 33% | * | * | * |
| <i>somewhat challenging</i> | 43% | | | |
| Recruitment of homeowners <i>challenging or very challenging</i> | 33% | * | * | * |
| <i>somewhat challenging</i> | 14% | | | |
| <i>not a challenge</i> | 33% | | | |
| CLTs with a proportionally representative board | 85% | * | * | |
| Involved in strategic planning every 1-2 years | 67% | * | * | * |

- Responses to a request to list the most valuable skills and affiliations represented on their boards listed a wide variety including understanding the development process, knowing local politics and funders, financial review, networking, long term service, mission stewardship,

accounting, homeowner-specific knowledge. It was clear from responses that many organizations work to build very diverse skill sets into their boards.

Key Recommendations:

Recommendation #1. Ensure that the structure of the board replicates the structure of the organization.

Recommendation #2. Have an outcome-based committee work plan.

Recommendation #3. Bring non-board experts onto committees to expand the pool of talent you have to draw on without bogging down the policy setting process of the board by expanding the board itself. Some of these non-board experts are also likely to turn into board members at a later date, and will then come with a much better knowledge of the organization than they would have had otherwise.

Recommendation #4. Assign the right staff to each committee and cultivate strong relationships between program staff and relevant committees. Train staff in board support, and train board and committee members in staff support. Set clear expectations about the relative roles of staff, board and non-board committee members.

Recommendation #5. Create a welcoming environment where all board members know that their ideas and efforts are appreciated and where differences (beyond the basic common values) are seen as part of the strength of the organization and used creatively.

Recommendation #6. Have full buy-in for common values—the CLT model, how we interact with our clients (internally and externally), and how we keep faith with each other. This is addressed more below.)

Recommendation #7. Raise everyone's level of expertise on the board. (Also addressed below).

Recommendation #8. Help board members (and staff) become aware of the organization as an entity – with agendas, needs, strengths and weaknesses, a decision-making style, a culture. Keep this tangible for people, and stay focused on it in board processes. (This is who we are when we are together, in this role. It may be different from who we are when we are not here, in this role. What does *the organization* need/want?).

As the size and capacity of an organization increase, the structure of the staff and the organization need to shift to keep up. At the same time, the board structure needs to change to work smoothly with the rest of the new organizational structure.²⁸

Several people we interviewed emphasized that as an organization grows, the board needs to become more specialized. The committee structure becomes critically important. The board can no longer oversee everything—it must become a policy board. Most of the board/staff interaction needs to shift to the committee level. John Davis provided an example from the Champlain Housing Trust.

A key challenge as organizations grow and the board begins to need more specialized skills is that people who were (or might be) drawn into board service solely because they love the mission of the organization (including CLT residents) may feel they don't have as much to offer, or may simply feel that too much of the work of the board is on subjects around which they don't have expertise. Creating a strong committee structure and delegating much of the technical work to some of those committees, while focusing the full board on the work of setting policy, visioning, brainstorming, and reviewing the overall direction of the organization can help keep these mission-focused people involved (particularly if there are committees on which they will feel they can contribute strongly) while also providing niches for the more technically-minded board members to add value.

Board Structure at Champlain Housing Trust

(formerly Burlington CLT)

- The committee structure reflects the structure of the organization – every organizational department (i.e. property management) has a board committee to oversee its work.
- The committee overseeing a particular department must have technical expertise; it has some board and some non-board members on it.
- Every committee is chaired by a board member. The VP of the board is the “committee whip,” and makes sure that every member serves on two committees (a new structure/requirement)¹ and members step up to chair committees.
- The committee chair selects the non-board members in consultation with the person who staffs the committee; to ensure recruitment of expertise needed for oversight of that department.
- The only committee the ED staffs is the executive committee, which includes the four officers of the organization plus the chair of the asset management committee, because that department's work is so central to the organization.

On-Going Board Development Strategies

CLTs face the ongoing challenges of recruiting new board members, and educating board members and developing leadership skills even as turn-over happens. Several of the people we interviewed had strong recommendations about strategies for board development.

²⁸ Several of the experts we interviewed spoke to these issues, but none more articulately than John Davis of Burlington Associates, from which many of the recommendations below are drawn.

Recommendation #1. Develop a long-term approach to recruiting board members. Have conversations with lots of people you'd like to cultivate for board service. Have a board member as well as a staff person present for those conversations. Don't sweat the nos, or the not-nows: this is about building long-term relationships, educating more people about the CLTs, and identifying people who both have the skills and temperaments you need, and are truly available and willing to put in the amount of time you need.

Recommendation #2. Have a good board orientation package and process. Use pieces of the package as a board recruitment package as well.

Recommendation #3. Help board members (and staff) become aware of the organization as an entity – with agendas, needs, strengths and weaknesses, a decision-making style, a culture. Be clear and articulate about these qualities in the orientation process and in an ongoing way. This will help people know if they want to be part of the organization, and, it will make it easier to make changes when they are needed. Keep this tangible for people, and stay focused on it in board processes. This is not about asking people to check their identities at the door, but rather about asking them to commit themselves to a set of shared goals and values and to work from that shared commitment.

Recommendation #4. Build board members' skills. Send board members to training, networking events, advocacy days and other events that can deepen their understanding of the work and give them new skills. Have a line item in the budget for this, so that money is not a barrier for lower-income board members,²⁹ and/or Provide in-house trainings for board members. This can happen as part of board meetings, as part of the annual meeting, and in committee meetings. Board members can also be invited to be part of trainings being provided in-house for staff if that seems appropriate and useful. Board members should be encouraged to attend the regular introduction to CLT classes and homebuyer education classes (a great way to remind them of what CLTs do and why it is important).

Staffing

The questions about staff shape and size and the timing of new hires were the most challenging we tackled in this process. What we discovered, fundamentally, is that the path that each organization took to their current capacity is unique. There is no formula for what order to hire staff in, how much to do in-house vs. hiring out vs. partnering with, how much to train existing staff to step into vs. hiring new people with needed expertise, etc. What is clear is that all the organizations surveyed feel stretched thin – understaffed – most of the time, and that the limiting factor in terms of when to increase staff size is almost always funding.

In looking at the question of what level and mix of staff are necessary for an organization producing 50+ units/year, and how to build sustainably to that level, we examined the staffing mix and production levels of the high-capacity CLTs in the survey. The results are summarized in the table below.

²⁹ More than one of our experts noted that it can be difficult to get board members to go to trainings, even when they are free, hence the next recommendation.

| Staffing, Production and Programs | CDC w/CLT Program A | CLT B | CLT C | CLT D | CLT E | PCLT | CCLT | Sabin |
|---|---------------------|--------|---------|--------|----------------|--------|-------|---------|
| Production Numbers | | | | | | | | |
| # of Units Currently in Production | 100+ | 61-100 | 31-60 | 31-60 | 31-60 | 31-60 | 1-15 | 1-15 |
| # CLT Units Created to Date | 101-200 | 300+ | 101-200 | 51-100 | 51-100 | 51-100 | 26-50 | 1-25 |
| # Non-CLT HO Units Created to Date | 1-25 | 26-50 | | | 51-100 | | | 1-25 |
| # Rental Units to Date | 300+ | 300+ | 1-25 | 26-50 | 51-100 | | | 101-200 |
| Programs Offered | | | | | | | | |
| Homebuyer Training | Y | Y | | | Y | Y | Y | Y |
| Down Payment Assistance | | Y | | Y | Y | Y | | Y |
| Home Repair Loans | | Y | | Y | | | | |
| Credit Counseling | Y | | | | Y | | Y | |
| Financial Literacy | Y | Y | | | | | Y | Y |
| Post-purchase Counseling | | Y | Y | Y | Y | | Y | Y |
| Home Maintenance Training | | | | Y | | Y | Y | |
| Other | Job Training | | | | Prop. Mgt & TA | | | |
| Staffing Numbers | | | | | | | | |
| Total # of Staff | 21+ | 21+ | 4-7 | 7-12 | 7-12 | 4-7 | 1-3 | 4-7 |
| # working <1 FTE | 5 | 6 | 1 | 4 | 7 | 2 | 0 | 0 |
| FTE Allocations | | | | | | | | |
| Housing Development | 4 | 2.5 | 2 | 2.5 | 2 | .5 | .5 | .25 |
| Asset Management/ Land Stewardship | 4.5 | 3 | .25 | 1 | 1 | .25 | | .5 |
| Marketing/Sales/Outrch | 1 | | 1 | .25 | .25 | 1 | .5 | .25 |
| Home-buyer education & Counseling | 1 | 4.5 | | 2 | .5 | 1.5 | .5 | .25 |
| Programs & Support Services for Residents | .5 | 1 | .25 | 3 | .5 | .25 | | .5 |
| Fundraising & Communications | 2 | 2 | 1 | .5 | .25 | 1 | .25 | .25 |
| Management & Admin. | 4 | 5+ | .5 | 1 | 1.5 | 1 | .25 | 3 |
| Other Programs & Services | 5+ | 5+ | 0.5 | | | | | 1 |

In reviewing the staffing and production patterns above, while it is clear that there is an overall correlation between the number of units in an organization's portfolio and staff size, there is a lot of variety in how that happens, and how staff is distributed.

- There is little correlation between staff size and number of FTEs dedicated to housing development, and the relationship between housing development staff and the size of the portfolio is very inexact. This reflects a wide variety of strategies for getting housing development done, including partnerships, contracting out construction management, buyer-initiated programs and gaining units through inclusionary zoning.
- There is a fairly strong, though inexact correlation between FTEs dedicated to asset/land stewardship and the number of rental units in the organization's portfolio. It is hard to discern any relationship between these FTE allocations and the number of CLT units in the portfolio.
- There appears to be very little relationship between the number of staff (or total FTE) and the number of programs offered.

- There appears to be very little relationship between the FTE allocated to management and administration and the size of the organization's portfolio or the number of programs offered, except that the figures are highest for the two largest organizations, and smallest for the smallest. Hence this middle ground, where capacity is expanding toward the goals set by PCLT, CCLT and Sabin, is the place where the path is least clear.

While it is disappointing not to discover a road map that can provide some clear answers about questions like when to hire an in-house fiscal manager, when to bring development in house, and in what order to add staff positions, the up side of these findings are that there are many paths to success. The follow-up interviews create a picture of vibrant organizations responding to the specifics of the challenges and opportunities present in their communities and finding ways to move forward and to grow.

Observations from Interviewees Regarding Staffing Decisions

Interviewees made the following observations and recommendations about staffing:

- "...even in the NP sector, it pays to hire for certain skilled positions – like book keeping, construction oversight – it's important to pay more to hire skilled people... Don't be stingy about certain skill-sets that you have to have; acknowledge you're in the real estate business." (Christine Westfall, Orange Community Housing and Land Trust)
- "You need to think of yourself as a small business, which usually means you contract (new work) out or burden some existing staff person until it becomes overwhelming and you can't afford not to add a new position." (Mary Houghton, Champlain Housing Trust)

There are many staffing decisions to be made as organizations grow. A couple of the key ones are discussed below.³⁰

To Be a Realtor or Not?

It is not clear how many of the organizations we interviewed had chosen to have someone on their staff get a realtor's license and do that work for them (which also allows them to post on the RMLS). A couple of the people we interviewed strongly recommended doing so, feeling that it simplified things and helped avoid problems with dual agency representation. Since a realtor license is issued to a person, rather than an organization, one challenge for small organizations is that if they invest in training for a staff person to get licensed and then that person leaves they are both out significant training dollars and without a realtor. Larger organizations can have more than one staff person with this credential, thus creating a margin of safety.

To Be a Developer or Not?

As noted in the Resources section, one key decision for CLTs to make is the degree to which they will undertake development in-house vs. using partners or contractors to get this work done. This

³⁰ There is also discussion on this topic in the section on Merging and Sharing Services

decision can have a significant impact on organizational funding, but as important, it has a huge impact on staffing patterns.

PCLT has recently moved into managing its own development, rather than relying on partners to do that work. Questions remain for all three organizations about how much of this work to do in house vs. through contractors or partners of various kinds. The main disadvantage to using partners or contracted organizations to do the development work is that the bulk of the development fee then goes to pay someone outside the organization. Another down side is that the CLT still needs to be involved in many of the decisions and negotiations around development, and therefore development costs can increase (or the organization doesn't get paid for that time). In addition, it is usually the Executive Director who ends up overseeing development when much of the work of development has been delegated to partners or contractors. This limits the amount of time the Executive Director has for other activities (fundraising, policy advocacy, staff training and supervision, board support, strategic planning etc.).

The major disadvantages to bringing development in house is that the development pipeline is seldom steady or predictable and committing to pay a staff person who does not always have sufficient work is costly. In addition, particularly if the portfolio being built is diverse (single family, condos, buildings that include commercial, deals using tax credits, etc), it may be difficult (and expensive) to find someone to hire who has the level of expertise needed in all arenas. Contracting out in order to get expertise in specific arenas can be more cost effective in some cases.

A hybrid of the contracted developer versus in-house staff is to hire an independent contractor to serve as the project manager to handle the project from pre-development through construction management and closeout. This enables a CLT to only hire the skills when needed based on an actual project in the pipeline. The cost of the project manager is in the development pro forma. Disadvantages include a shortage of affordable, independent, skilled project managers and the need for the Executive Director to invest the time of getting a project funded and into the development pipeline prior to hiring the project manager. CCLT follows this hybrid model.

The experience of the groups we interviewed about when and to what degree they relied on contracted help to do development appeared to be quite diverse. Northern Communities Land Trust and Orange Community Housing and Land Trust provide perhaps the most extreme contrast:

“When we started, we decided we needed to be a housing developer, and that activity needed to pay for a large part of the organizational operating expenses. The fact that we are a developer and we are producing provides incentive for foundations to support us. It also bills well with donors and corporate partners.” ~ Jeff Corey, Northern Communities Land Trust

“We now think it’s more efficient for us to get units from private developers than to be our own developer. We’ve done both; we’ve done infill development in older developments ourselves; but larger private developers have economies of scale, and can deliver well-constructed units at a much lower price point than we can do working with our in house capacity working with our own general contractor” ~ Christine Westfall, Orange Community Housing and Land Trust

One common thread we saw in many interviews was the notion that it can be important to rely on contracted help in periods of rapid but unpredictable growth, rather than bringing a lot of work in house when you are not sure you have achieved a new baseline level of production yet. The Housing Development Center provides a wide variety of development services to nonprofits in the Portland region, and is one option for PCLT and Sabin for filling this need.

If a CLT is going to do its own development, there are significant advantages to it forming a limited liability corporation (LLC), with itself as the sole member, to do that work. Doing so limits the CLT's liability (and protects its assets – including the land that it owns) in case of problems in the development process. The CLT and the LLC can share the same board, and as member organization may “lease” office space, equipment and/or employees to the LLC so the LLC can conduct its activities. The CLT may capitalize the LLC by giving it money, by loaning it money, or by contracting with it to provide services. The requirement is that the LLC have sufficient cash on hand to pay its debts as they become due. In order to maintain limited liability for a CLT, it is critical that the CLT recognize the LLC as a separate entity and treat it as such. The CLT's funds, assets, or accounts are never mixed with LLC funds, assets, or accounts. LLC funds may not be used to pay the CLT's expenses or for any other purposes not related to the LLC's business. The LLC should be adequately insured in order to pay any judgments for personal injuries that may arise.

Executive Director Stability

There has been a great deal of stability in the executive director position in the organizations we surveyed.

| How many years has the current Executive Director served the organization as the E.D.? | | | | | | |
|--|------------------|----------------|----------------------------------|------|------|-------|
| | Response Percent | Response Total | High Capacity CLT Response Total | PCLT | CCLT | Sabin |
| <1 year | | 0% | | | | |
| 1-3 years | 14.3% | 3 | 1 | | | |
| 3-5 years | 33.3% | 7 | 1 | * | * | |
| 6-9 years | 23.8% | 5 | 3 | | | * |
| >10 years | 28.6% | 6 | | | | |

While it is difficult to say with certainty what the exact impacts have been on organizational growth, the interviews indicate that having this kind of continuity in the executive director position has been a great strength for these organizations.

Succession Planning

We did not find much experience among the organizations we survey about what types of succession planning are needed to support organizational sustainability as the organizations increase in size. Most of them had done very little succession planning, due in part to the stability of their executive directors, and in part to a perceived lack of time for this activity. We did, however, find an exemplary examination of this issue, including two case studies, done by Paula

Manley and Lynn Youngblood for the Neighborhood Partnership Fund. We strongly recommend the organizations (and other interested parties) use that document, *Succession Planning Project: Final Report* as a resource for succession planning. It is available at www.tnfp.org.

Cultural Competency

One of the ongoing challenges for all nonprofit organizations is how to be inclusive of and responsive to the broad, and growing, racial and ethnic diversity of the Portland Metropolitan region. For the CLTs, specific challenges include being inclusive and accessible when their staffs are too small to have representatives of all the languages and ethnic groups with whom they'd like to have relationships, and mistrust of a housing model where the land is not owned by the homeowner.

The first CLT in America was established by the civil rights movement in 1967 in Georgia to help African American farmers gain access to affordable farmland. It did not fulfill its promise for that group of people, but thousands of low-income families of many races and ethnicities across the country have benefited from their groundbreaking work. It is imperative for CLTs to recognize their roots in the civil rights movement and ensure that people of color are given an opportunity to participate fully as leaders, staff, homeowners and as part of the CLT community.

The metro organizations are working hard to build relationships with different racial and ethnic communities through participation in homebuyer fairs, board recruitment, outreach events, staff recruiting, cultural competency training, and other strategies. In a city that is 82% White, almost half the homeowners of both Portland CLT and Sabin CDC are homeowners of color. The figure is 15% for Clackamas CLT, while Clackamas County's population is 91% White. In Portland, CLTs have the opportunity to work in tandem with Operation H.O.M.E. to increase minority homeownership.

The CLTs also have diverse boards for their service areas. CCLT's current board includes 1 African American, 1 Hispanic, 9 Whites, 3 women, and 8 men with an age range 25 to 75. PCLT's board includes 1 Native American, 4 African Americans, 8 Whites; 5 women, 8 men; and has an age range from 25 to 65. Sabin CDC's board includes 2 Asian, 5 Whites, 8 African Americans, 9 women, and 6 Men with an age range about the same as PCLT's.

There are many culturally-specific organizations in the Portland metro area; the CLTs need to build relationships with those organizations based on trust and mutual respect. This is a long-term process and will require changes to the organizations at all levels: beyond increasing board and staff diversity, this will mean adopting policies and communications/outreach strategies that resonate with diverse homebuyers and recognize cultural differences in everything from receiving and processing information to choosing housing products.

Advice from interviewees about building these bridges included:

- Encouraging and supporting homeowners of color and people from minority language groups to participate in outreach efforts (homebuyer fairs, community meetings, etc.). This would include pairing them with experienced staff or board members, providing training, and perhaps

providing gift cards to stores that carry home repair products or furnishings as an incentive for participation.

- Continuing to be committed to having all members of the organizations involved in outreach to people of color, not just people of color on staff.³¹
- Working with the people of color and people from minority language groups in the community who already understand and support the CLT model to learn how to better address the concerns of people in those groups who do not.
- Participating in advocacy and community building activities with groups and coalitions that include strong representation from people of color and people for whom English is not their primary language.

Infrastructure

Unlike many of the other arenas we explored, there were some strong areas of consensus about what kinds of internal systems needed to be strong to support sustainable growth. There were also areas where there was not much consistency.

Physical Infrastructure. Physical infrastructure was rarely mentioned in our follow-up interviews, and groups appear to make expansion work with very different levels of physical infrastructure. The only clear recommendations we heard were about technology.

- **Keeping technology up to date:** Christine Westfall, at Orange County Community Housing said, “Don’t spend your time trouble shooting old systems, just replace them with new equipment. Get your systems up to a reasonable standard and hire a consultant to do it; no matter how smart your staff is, hire someone to deal with the bells and whistles of the newest technology.” The latter, and the importance of investing in training on new technology, was mentioned by a couple of other organizations.
- **Integrating Software:** A couple of CLTs talked about difficulties they had with software systems not “talking to each other” – mostly accounting and property management/tracking software. They strongly recommended either finding a system that would do it all, or systems that were designed to integrate with each other. (Yardi and Salesforce were both mentioned as options, and there is some work happening at the Northwest Community Land Trust Coalition and the National CLT Network on this issue.)

Systems, Policies and other Internal Infrastructure. Interviewees had a lot to say about what non-physical systems needed to be strong as organizations grow. The recommendations below are taken from interviews with CLT staff and other experts (see Acknowledgements for full list of interviewees).³² All of the recommendations below were supported by multiple interviews.

³¹ It was noted by that interviewee that PCLT is doing a good job at this.

³² Many of the recommendations are taken directly from interviews, hence the format of the list items is not always consistent.

What are the most important internal systems to have in place as capacity increases rapidly?

1. *Financial*

- Strong financial systems (quality of CFO, correct software to ensure good financial tracking);
- Good long term compliance systems, to keep a clean record;
- Fund development – you're not going to get everything you need from the public sector.
- Good financial statements, for both internal and external use, and a strong working knowledge of all the financial tools and systems on staff. (One CLT staff person noted, "Getting a \$3M line of credit from bank was easier because we knew our stuff; knew what a quick ratio was.")
- Good job costing systems: know how many hours a given job takes, and the true cost for every project. This lets you be realistic about what the fees for a project should be and when you should or should not take projects on. Without this you can get really far into a deal before you know if you should be there – big risks, need to mediate.

2. *Articulated Goals, Planning Documents*

- Clearly defining desired outcomes – clarity on mission and goals. Knowing what – geographic focus, people to serve, number of units, impact on market, etc. Knowing what the needs are that you can/want to meet. Revising the mission when that is needed.
- A current and regularly updated strategic plan that is well understood and supported throughout the organization.
- A business plan and work plans that are based in the strategic plan and that get used; keeping all the planning integrated, and staying nimble – responding to changes in the environment, being as proactive as possible in anticipating change.
- A leadership succession plan (Board, management staff, ED).

3. *Procedures*

- Solid and well documented procedures.
- Good HR policies and procedures.
- Strong systems for staying in touch with membership, keeping them knowledgeable about what you are doing, and mobilizing them when necessary.
- Good internal supervision – are all your people working where you want them to be working/adding the value you need to add? Are you leaving resources on the table by having staff not be fully utilized? Is everybody able to do the job well/able to take on whatever you need taken on? Does everybody have clear expectations and evaluations?

4. *People*

- A competent ED.
- Strong board with connections to key stakeholders, and with technical expertise.

III. BUILDING CAPACITY, Part D: Political and Networking Capacity

We looked at the current state of support for affordable homeownership and CLTs, at what public policy changes will be necessary to facilitate additional development opportunities in Portland, Clackamas County, and the State of Oregon, and at what internal changes might be necessary to support those needed changes.

Our survey asked about what public policy tools each organization had available to support their work. Below, we show results for the five high-capacity CLTs and some of the CDCs:

| Supportive Policy Tools | Number of high-capacity CLTs (★) and CDCs (⊙) (with policy tool) | PCLT | CCLT | Sabin |
|--|--|------|------|-------|
| Inclusionary zoning | ★★⊙⊙⊙ | | | |
| Dedicated local funding source(s) | ★★★★⊙ | | | |
| Dedicated state funding source(s) | ★★★★⊙ | | | |
| Permanent affordability requirement for public funding | ★★★★⊙ | | | |
| Permanent affordability bonus in public funding criteria | ★⊙⊙⊙⊙ | ★ | | |
| Special tax assessments | ⊙⊙⊙⊙ | ★ | ★ | |
| Access to government surplus property | ★⊙⊙⊙⊙ | ★ | ★ | |
| Density bonuses | ★★⊙⊙ | | | |
| Tax abatements | ★★⊙⊙⊙ | ★ | | ★ |
| Urban renewal set-asides or inclusions | ★⊙⊙⊙⊙ | ★ | ★ | ★ |
| Permanent affordability preference in local General Plan | ★⊙⊙⊙⊙ | | | |
| Limited-equity exemption from local condo conversion ordinance | ★⊙⊙⊙⊙ | | | |

Staffing for Advocacy, and Coalition Work

- All five high capacity CLTs reported their boards are involved in policy work.
- All but one of the five high capacity CLTs reported dedicating more than 10 hours of staff time to advocacy each month (all three of our organizations report 5 to 10)
- All five high capacity CLTs reported working in a variety of coalitions to do advocacy work. Their evaluation of the effectiveness of that work varied widely, and did not necessarily reflect staff hours spent - the group with the lowest number of hours reported rated their efforts as high or higher than the others (however, that group was operating in an area with long standing state and local support for the model).

The Policy Agenda

Inclusionary zoning and dedicated funding/funding prioritizing permanent affordability are key goals on both PCLT and CCLT's organizational agendas. Their policy agendas thus include changes at state, county and city levels, and in the arenas of statutory changes, rule changes, and changes to funding allocation criteria.

Current Capacity

The three organizations rated local political advocacy coalitions as useful (3-4 out of a possible 5). Their reviews of state and national coalitions were more mixed. PCLT and CCLT reported that their boards as a whole are not particularly active in advocacy work. Sabin reported that 80% of its board is active in this arena.

The organizations noted that staff has limited time to participate in advocacy work, reporting 5-10 hours per month. This range is shared with ten of the 22 organizations surveyed, but, as noted above, four of the five high capacity organizations report staff spending 10 or more hours (our largest survey category) on policy advocacy work per month.

Findings

Many of the challenges facing the CLT in the political arena parallel those listed in the section on Resource Capacity – the two arenas being inexorably entwined.

Finding #1. Long-term advocacy efforts are important. Long-term advocacy work that builds relationships and lays the groundwork for victories that go beyond funding allocations in any given cycle is necessary to create a political environment in which CLTs can grow and can meet a significant portion of the need. CLTs, like most small nonprofits, have difficulty prioritizing political advocacy in their allocation of staff time and other resources. While most organizations will mobilize each budget cycle to advocate for funds, the long-term advocacy work that lays the groundwork for larger victories is often neglected due to tight budgets and over-worked staff and boards.

Finding #2. New alliances are important to take the next steps in effective advocacy. CLTs need to reach out to other groups affected by land speculation and/or concerned with land stewardship over the long haul. Land speculation is a common enemy for advocates of affordable housing, protection of wild spaces and environmental quality, and protection of working farm and forest land. Working with these groups could make it possible to create a funding source for permanently affordable housing and permanently protected open space and farmland, and to create public policy that emphasizes long term stewardship in the awarding of other funding.

Finding #3. CLTs can optimize government investment. As Barbara Cartmill, the director of the Clackamas County Community Development Agency put it, *“We (the Community Development Agency) can do capital, but don’t do maintenance, statutorily – so we can provide up front money and the CLT can make sure it continues to be used for the purpose we designated.”*

It is challenging to prioritize social outcomes with limited resources. Tension exists between advocates for government funding for homeownership and advocates for government funding for rental housing for low- and very low- income people, homeless services, etc. The argument made is essentially that subsidizing homeownership is a misuse of scarce government funds when there is such an enormous unmet need for subsidized rental housing serving people who are too low-income to become homeowners. A corollary argument is that it is more expensive to serve people at 50% to 80% of MFI through homeownership programs than through rental programs. There is good data that can be used to back the first argument. The data used to back the second is much stronger for homeownership programs in which the subsidy goes with the homeowner rather than preserving the affordability of the unit over the long haul, but in some cases is still accurate even when comparing a CLT model to CDC-owned rental housing.

There is political resistance to heavy front investments. The CLT model is expensive up front – that is, the subsidy requirements are front-loaded, unlike, for instance, housing vouchers, which are a far more expensive way to house people over the long run, but the costs are spread out over many years. Front-loaded program are harder to sell, politically, because the politicians that have to vote for them are also the ones living with the full costs coming out of their budgets.

Finding #4. CLTs offer a prudent way for people with lower incomes to become homeowners. Foreclosure rates are skyrocketing as the real cost of sub-prime loans becomes clear for the many low- and moderate-income people who have used these loans to enter homeownership in the last few years. The CLT model insulates homebuyers from these kinds of losses by providing affordable homes that are priced well under their market value, insisting their buyers use fixed rate loans and creating relationships with traditional banks, and carefully counseling their homebuyers to help them determine what they can afford. Rather than losing their first home and having a foreclosure on their credit history as so many buyers are doing now, those entering the market using a CLT home generally end up able to move on to a market-rate home after a few years.³³

Part of the challenge, however, is that CLTs need to re-frame the conversation. Much of the momentum around the creation of homeownership in this country has been framed in terms of “the

³³ This according to a comprehensive study of the resales of CLT homes owned by Burlington Community Land Trust. 74% (60) of their homeowners whose subsequent housing situations were known (16% were not know) bought market rate homes within 6 months of selling their CLT home, 5% (4) bought another CLT home. (Davis and Demotrozitz, *Permanently Affordable Homeownership: Does the CLT Deliver on Its Promises*, pg. 3 – see Acknowledgements)

American Dream” – which seems to be as much about getting rich these days as it does about having a home of one’s own (not being at the mercy of a landlord, being able to personalize, etc.). In addition, much of the language in the upper echelons of community development (funders, agencies, intermediaries, policy makers) is about “wealth creation.” A major shift from the image of a “social safety net” or even “community development,” “wealth creation” conjures visions of “making it” in consumer America, as an individual. There are many good and useful ideas and discussions coming out of this way of framing the work of addressing the needs of low-income people – the goal *should be* to move people out of poverty, not to help them stay there a bit more comfortably – the CLT model often finds itself being accused of keeping low-income people from taking advantage of the benefits of homeownership the way middle class and wealthy people do; preventing them from “making it,” keeping them “second class citizens” or “second class homeowners.”

Furthermore, there is cultural resistance. In Portland, there is particularly strong resistance to the model from some parts of the African-American community (though 25% of PCLT’s homeowners are African-American – a very high percentage in a city in which African-Americans make up only 7% of the population) as well as the Latino community.

Opportunities and Recommendations³⁴

Opportunities and recommendations are listed by jurisdiction, with a short section at the end of other recommendations that span multiple jurisdictions. As a framework for all of the recommendations below, we offer the observation that it is easy to get into a scarcity mentality about policy advocacy work and to focus limited time and energy only on issues that feel most pressing and relevant to one’s own organization. However, experience around the country demonstrates the value of being strong, active parts of effective coalitions. This requires building the relationships over time, building awareness and understanding (both ways) and trust, and doing some work that supports the agendas of others (CDCs, minority homeownership groups, labor, hunger, seniors, environmental organizations, etc.) so that you are perceived as an active ally and worthy of support. If the CLTs are going to succeed in moving any of the larger policy described below forward, they are going to need effective alliances.

Federal Level

- There is a cautious optimism among the people we interviewed that there will be some new commitments to affordable housing in the next few years if the Democratic Party maintains control of Congress and a Democratic candidate wins the White House in the next election. Nobody was willing to even guess at details.
- Representative Blumenauer’s office appears impressed with the CLT model. It will be useful to continue to dialogue with Earl and his staff about ways he can support CLT work, particularly in the context of Smart Growth.

³⁴ Opportunities and recommendations for work on the Federal Level are not addressed here because they were not part of the scope. However, there are some interesting ideas at this level in the interviews with Michael Bodaken and Michael Anderson.

- Michael Bodaken at the National Housing Trust, a long time policy advocate in DC, is very interested in the CLT model. He is also convinced that the CLTs are thinking too small when they approach Congress about policy changes. See his interview for more details. We recommend meeting with Michael Bodaken to discuss vision, strategy and options for big picture changes.

State Level

- Odds are good that we will see an increase of at least \$50 million for affordable housing from the state legislature this year – a ten-fold increase. Nine to fourteen percent of this will probably be designated for homeownership.³⁵ Monitor this funding and be ready to submit strong applications and utilize the funds quickly. Be prepared to stay active in advocating for these funds each biennium as necessary.
- Meet with Victor Merced, new head of OHCS (who is a great believer in efficiency) to make the case for the CLTs and talk about how his office can support the model (through permanent affordability requirements or bonus points for funding, etc.) Do this before the criteria is put in place for the use of the new funds if they are not just integrated into existing programs, and/or advocate for changes to criteria for existing programs on the grounds that the funds need to be used efficiently.
- Work with the Housing Alliance to move their agenda forward, and in particular to:
 - ✓ Secure passage of the document-recording fee dedicated to affordable housing funding. This fee will probably include a set aside for homeownership. (And then talk with Victor Merced at OHCS about at least bonus points for permanent affordability in the awarding of that funding.)
 - ✓ Advocate for a real estate transfer fee (same basic thoughts as on the document-recording fee).
- Be actively involved in the Housing Alliance, and in particular:
 - ✓ Don't leave negotiations about what percentage of any given funding source will go to homeownership until the last minute (or to allies) – be part of the group process to find a consensus that all the members can live with from the start, and stick to the agreements made unless circumstances change dramatically.
 - ✓ Work with members to identify other policy tools that have a change of passage and develop strategies for moving them forward (enabling legislation for the blanket mortgages needed for co-ops, etc.).

Regional Level

- Explore ways to integrate the CLT model into the four county Bridges to Housing Initiative. The Neighborhood Partnership Fund received \$1 million from the Gates Foundation to create and administer this initiative, which seeks to provide access to housing and wrap around services to families emerging from homelessness. This could be a great opportunity for the CLTs to demonstrate the idea of “CLT housing as a missing rung in the housing tenure ladder”

³⁵ At the time of writing, The Housing Alliance's recommendation for the share to homeownership is 14%.

in the context of moving people from the gaping chasm at the bottom of the ladder all the way to homeownership. It also offers innovative ways to partner with the nonprofits doing rental housing. Specific suggestions are:

- ✓ Explore the use of the co-op model to lower the income levels of the people the CLT model can serve. Engage those involved in Bridges to Housing in getting the enabling legislation passed at the state that will all lenders to provide the blanket mortgages necessary to make co-ops work easily in Oregon.³⁶
 - ✓ Explore lease-purchase options within Bridges to Housing.
 - ✓ Explore relationships with the Initiative's rental housing providers to refer homeownership ready families at the tail end of the program. (Central to the plan is that families move through the rental units provided in 3-5 years.)
 - ✓ Explore joint projects with nonprofit rental housing providers to create mixed unit-type properties that allow Bridges to Housing clients a variety of housing choices at one site.
- Consider advocating for a change to the Metro title 11 affordable housing requirement for concept plans for land brought into the Urban Growth Boundary. Currently the plan must estimate how to develop enough stock of affordable housing without any public subsidy. This is unrealistic and leads to weak affordable housing sections in concept plans.
 - Continue to dialogue with Metro Councilors Rex Burkholder and Robert Liberty about their ideas for keeping housing affordability on Metro's agenda. This seems a very challenging arena for action in the short term, but that could change in the future as local jurisdictions get more overwhelmed with the difficulties of addressing the issue, and if leadership changes at the state, local and regional levels create a different level of enthusiasm about regional solutions.

In Clackamas County

- The shift in balance on the three-person Clackamas County Board of Commissioners from two Republicans and one Democrat to the reverse is opening up a larger discussion of affordable housing needs in the county. The Council has already been supportive of the CLT model, but it is possible that a demand for additional resources for affordable housing will emerge from this new leadership, as well as innovations in the types of funding and other initiatives (bond-financed projects, etc.). This could lead to more competition for housing funds as the profile of the issue rises and the amount of funding increases. Get involved in defining the County's priorities as new initiatives move forward. Meet with Lynn Peterson, prior to the Commission's late April session on housing, if possible, to educate her about housing needs and tools that would support CLT work.
- There is much talk about "workforce housing," with the median price of a home in Clackamas County well out of reach of most teachers, fire fighters, nurses, etc. However, there is also long standing resistance in the Community Development office to providing subsidies for people at 80% or 100% of MFI when the need at 50% of MFI is so great. Consider (or continue) framing CLT housing as "workforce" housing, serving workers at lower income levels.

³⁶ See Interview with Chuck Robbins, Director of Community Development for Clackamas Co., for more specific suggestions.

Consider talking with County staff about an initiative to serve people up to 80% of MFI (or maybe 100%, if there is a market for the CLT product at that income level), making the argument that you will be providing “workforce housing” that will stay a part of the county’s infrastructure and get more affordable, to lower income people, over time.

- The Clackamas County Development Agency’s definition of “affordable housing” appears to be about creating and preserving housing that does not exceed the current median home price in the urban renewal area as new investment occurs. Here the CLT initiatives may be best framed as a key part of a larger anti-displacement strategy, and there may be more openness to serving higher income people (if there is, indeed, a market there for the CLT model). There is *strong* appreciation on the part of the head of the Development Agency for the CLT model – she appears very clear about the degree to which the CLT adds value as a way to ensure that the goals the agency has for preventing displacement are carried out long term.
- Clackamas County is involved in the Bridges to Housing Initiative (see Regional Level above). Work with Chuck Robbins and others on that initiative.
- Concerns about the housing needs of senior and the displacement of manufactured home park residents are widespread. Look for ways to meet those needs.
- Pursue ways to work with the Development Agency, Tri-Met, ODOT, Metro and private developers to develop high-density CLT units adjacent to the light rail green line coming down I-205 to Clackamas Town Center.
- It appears that there may be an opportunity to create an urban renewal area along part of the McLoughlin corridor (following the new light rail line, which may extend into rural Clackamas County to create a park and ride). Track this possibility and, if it appears to be moving forward, be part of the process that will define the priorities for the district and the funding strategies and criteria for affordable housing. Use this opportunity to try out co-ops or condos in the higher density areas along the light rail.

In Portland

- Meet with Mark Rosenbaum, the new PDC chair, perhaps as part of a CDN delegation, perhaps just as a CLT delegation (PCLT and Sabin) to talk about the value of permanent affordability and subsidy retention (he has no housing background, and is interested in efficiency).³⁷
- Get a short, preferably informal meeting with Eric Sten (not a staff person, try for 20 minute coffee date), to brainstorm integrating the CLT model into the Schools Families Housing initiative. This is still at the early stages of development, and could involve using school owned land for affordable housing.
- Use the language of the Minority Homeownership Initiative to talk about the need for CLT housing as a rung on the housing tenure ladder. Get existing minority homeowners involved,

“We can do capital but don’t do maintenance, statutorily, so we can provide up front money and the CLT can make sure it continues to be used for the purpose we designated.”

- Barbara Cartmill, Director,
Clackamas County
Development Agency

³⁷ See interview with Michael Anderson at CDN for more detailed recommendations.

with staff, in presentations to funders and to community forums (provide incentives for their involvement – i.e. gift certificates to Home Depot – and good training so they can accurately explain and represent the model. Tell the stories of individual homeowners and tie them to the numbers. (See also recommendations 1 and 3 below.)

Other Recommendations

Recommendation #1. At all jurisdictional levels, explore possible sources of free or below market land. Land owned by government entities (school districts, Tri-Met, PDC, ODOT, Counties, etc.), particularly along transit corridors where there is higher density zoning, could be an important resource. However, in many cases there are regulations requiring (or at least encouraging) government entities to sell their land at market rate that would have to be changed.

Recommendation #2. PCLT and CCLT should consider recruiting more board members with interest and experience in policy advocacy.

Recommendation #3. Explore whether one or more policy goals can be a joint target for all three organizations, so that more energy will be focused there without requiring additional hours from any one group.

Recommendation #4. Invite opponents to talk with you about their experience, and their family's/ancestors' experience, with housing and homeownership, and then link your telling of the CLT model to that story. (Did they, or their parents, buy their first house with support from the GI Bill– a support that was the bridge for so many working class people but that is completely unavailable now? Were they mostly renters and is there a major family story about the first person who bought? Have they always been owners? Do they have kids who can't afford to buy a home in their community?)

Recommendation #5. There are several ways to address the argument that the need is greater for rental housing for very-low and low-income people than for subsidized homeownership.

- ✓ Be actively involved in coalitions with rental housing producers and advocates, and be a clear advocate for their funding as well. The work needs to be about expanding the pie, not dickering over how to distribute scarce resources.
- ✓ Implement CLT co-op model (test it to make sure there is a market). This is a far more cost effective way to meet the housing needs of people at 30% to 50% of MFI than single family homeownership, and the blanket mortgage (loaned to the corporation, not to individual buyers) means that many people whose credit histories would shut them out of traditional mortgages can qualify for co-ops.
- ✓ Talk about CLT homeownership as part of a larger tenure ladder, and note that many of the non-income restricted (market) rental units affordable to people at 50%-80% of MFI are usually occupied by people at higher income levels, creating shortages of such units that would be eased if the “over-income” occupants had an opportunity to become homeowners.

- ✓ Create a lease-purchase program, to be a clearer bridge for people who are not yet able to get a traditional mortgage.³⁸
- ✓ Work in partnership with CDCs doing affordable rentals to create a tenure ladder on a single site (see Bridges to Housing recommendations under Regional above).

Recommendation #6. Tell the story of CLTs in ways that directly address the “wealth creation” issue:

- ✓ Compare it to renting – show the many benefits to short-term and long-term financial health (sometimes lower payments than rent, insulation from rent increases, build up of equity, etc.)
- ✓ Use Tim McKenzie’s “return on cash investment” formula to demonstrate that it is a great investment (particularly when compared to renting).
- ✓ Use data from the Burlington study to demonstrate that a CLT home does work for many as a stepping-stone into market rate homeownership.
- ✓ Use the data on mortgage foreclosure rates and the growing concern over the victimization of lower-income people and minorities by outrageous mortgage products in the regular market to talk about CLT homeownership as a way for people to step into homeownership much more safely – a prudent investment.

Recommendation #7. Look for new and creative ways to do advocacy – make it easy for media to tell the story of what you do and what you want by making the advocacy work theatrical.

Recommendation #8. New allies are needed to further expand the resources available for affordable housing. There is also a need to build awareness of the model, and to reach people who already understand and support land stewardship in perpetuity, but have not applied the idea to housing. Build partnerships with the environmental groups (1000 Friends of Oregon, in particular, but also other groups concerned with land stewardship). Land speculation is a common enemy for advocates of affordable housing, protection of wild spaces and environmental quality, and protection of working farm and forest land.

Look for an opportunity to create a funding source for permanently affordable housing and permanently protected open space and farmland (Look at the Vermont coalition that created the state-level funding sources for the Vermont Housing and Conservation Board).³⁹

“It makes it easier for media to tell the story if you are doing something creative.”

-Tonya Parker,
Fannie Mae

³⁸ NEDCO has a large lease-purchase program, though it is not for CLT housing.

³⁹ For information on the Vermont Housing and conservation Board see their website, www.vhcb.org. For an overview of the Vermont funding model and how it was created, see *Affordable Housing: The Vermont Model – Perpetual Affordability Through Community-Based Nonprofits*, Tasha Harmon, unpublished Masters Thesis, June 1992, Amherst, MA. Available from the author by request (503-788-2333, Tasha@LifeWorkChanges.com).

IV. PROS & CONS OF SHARING SERVICES, MERGING ORGANIZATIONS:

Current Collaboration Between the Four Organizations

PCLT, CCLT, Sabin CDC and SW Washington CLT have already undertaken various other kinds of collaborations with each other, and with other organizations.

History

Sabin CDC was the first organization in Portland to implement the Community Land Trust model, based on the national model established by the Institute for Community Economics. Sabin's CLT program was launched in 1992 with 15 homes brought into trust. In 1999, with Sabin's success as its role model, BHCD approached Sabin CDC about establishing a City-wide CLT, namely PCLT. There was some discussion about collaboration and the outcome was that Sabin CDC shared its Land Lease with the City; PCLT adopted Sabin's Land Lease with some modifications.

After PCLT's founding, an unsuccessful attempt by the City of Portland to force a merger between the two organizations, and have Sabin CDC transfer some or all of its Land Lease properties to PCLT, resulted in severely strained relations between the organizations. Due to high costs, the proposal for Sabin CDC to consider transferring some of its Land Leases to PCLT was tabled. Since that time the two CLTs have worked to build a strong relationship. They have both marketed each others' homes to potential homebuyers and other entities. They are currently collaborating on an intensive study of the response of African American homebuyers to the land trust model of homeownership, to learn what messages resonate with that community and to understand how best to communicate about the model. Through that study, PCLT and Sabin are sharing a consultant to conduct deep and wide outreach in the African American community to build support for and interest in community land trust homeownership. In summer 2007, Sabin and PCLT outreach staff will begin working closely together with each other and the consultant as an outreach team to reach African American homebuyers.

PCLT and CCLT, established in the same year, have collaborated since their inception:

- they brought a legal case concerning property taxes for encumbered CLT homes to Oregon tax court;
- they designed and are implementing a \$3.95 million, 3-year regional program to help 60 families purchase land trust homes;
- the CLTs worked together to gain access to the State of Oregon's favorable financing rates for first-time homebuyers through "Oregon State Bond Program."

The two organizations have had brief exploratory conversations about merging or sharing services but have not spent much formal or structured time in discussion on that topic.

Southwest Washington CLT was founded in 1999 and reactivated in 2004. As an all-volunteer organization it is beginning to acquire land and funding for staff.

expand to be Metro region-wide. CCLT would be interesting to have somebody else do home repair training.

There is clear interest in the possibility of sharing the housing development function in some way. None of these organizations have a sufficiently large and predictable development pipeline to be able to confidently hire a full time housing developer (though PCLT has recently hired two staff for this purpose, for a total of .8 FTE, hoping that their pipeline will be sufficient to support them).

There appears to be some interest in sharing training and perhaps services for homebuyers and homeowners, though more exploration is needed to match the needs and ideas of the different organizations.

Sharing Staff and Services

There are many ways to share staff and services short of collaboration.

Advantages of Sharing Staff

- Staff person gains experience working on a variety of projects, makes connections, gains skills, etc. that benefit all the organizations.
- May be able to hire and retain more qualified/experienced people if you can offer them full time work.
- Reduced risk of lay-offs when work is slow for one organization.
- Can help build a culture of collaboration between the organizations.
- Funders like to see innovative partnerships/sharing of resources.

Disadvantages of Sharing Staff

- Possible bottlenecks if workloads peak in multiple organizations simultaneously.
- Time tracking must be done well – the potential exists for an organization to get short changed on time.
- If the staff person feels a stronger commitment to one organization the other(s) may get less quality, focused attention.
- Representation of multiple organizations by one staff person may create confusion in the community.
- Conflicts of interest are possible (confidential information may be handled by a shared staff person).
- Loss of control – a shared staff person is not always available when you need them, you have to negotiate for their time in crunch times.
- Distributing and reporting on grant funds supporting shared programs and services can be challenging

Models for Sharing Staff/Services

There are several possible models for sharing services between organizations. They include:

- **A joint hire between two or more organizations.** One person agrees to work part time, as an employee, for each of two or more organizations. This seems like the most challenging model, since the number of hours each organization needs from the person are likely to change at different times of the year/stages of development projects, and this would complicate the division of benefits. We would not recommend this approach.
- **An informal sharing of a contracted person.** Each of two or more organizations hires the same person to do a specific function on a contracted basis, negotiating with them about how many hours each need in a given week or month. This avoids the benefits issue, but places the burden of balancing the needs of the multiple organizations on that contracted person, which could be uncomfortable and challenging for that person and could cause resentment between the organizations when there aren't enough hours to go around. It seems most likely that it would work for someone like a fiscal manager/bookkeeper, where demands are a bit more predictable than housing development, closing sales, etc.
- **Selling Services.** One organization employs someone full time and sells their service to the other organization(s).⁴⁰ This seems the most straightforward model for sharing staff, making benefits simple, and placing the burden for planning and negotiating relative hours in the hands of the executive directors of the two organizations with input from the staff person. This model might work well for sharing a housing developer, or a fiscal manager.
- **Direct Service Provision.** One organization provides services directly to another. Training would be an obvious choice for this model – for example, PCLT could send their interested homebuyers (existing and prospective) to CCLT's classes (financial literacy, homebuyer education, etc). An IDA program could work the same way. Sales management might work this way, or might work better using the sale of services model above.

Considerations Regarding Merging Organizations

While PCLT, CCLT and Sabin are not currently engaged in active merger discussions, we were asked to examine the pros and cons of merging organizations with similar missions and adjacent or overlapping service areas, to determine whether there are compelling reasons to consider merging. We spoke at length with several people who had been involved with mergers in the recent past, either as a staff person of an organization merging with another, or as a facilitator of such a process.⁴¹ The observations and recommendations below come from those interviews.

⁴⁰ Northern Communities Land Trust uses this model.

⁴¹ People interviewed about mergers were: Mary Houghton of Champlain Housing Trust (formed through the merger of Burlington CLT and a nonprofit rental housing provider); Roberta Harold, a consultant who assisted in that (and other) mergers; Janet Byrd of the Neighborhood Partnership Fund (NPF) (who recently helped facilitate a merger of two housing organizations in rural Oregon), Cynthia Winter, also of NPF, John Davis of Burlington Associates (who has facilitated several nonprofit mergers), Kate Allen and Whit Spencer of Enterprise Community Partners; Robin Boyce of the Housing Development Center; Tonya Parker of FannieMae; and Will White of the Portland Bureau of Housing and Community Development. Some of the recommendations are taken from *Bridging the Organizational Divide: The Making of a Nonprofit Merger* by John Emmeus Davis.

We did not attempt to provide a comprehensive set of recommendations about what needs to be included in a merger process. There is a great deal of information that would help create such a list in John Davis's *Bridging the Organizational Divide*.

Observations

Merging two strong organizations is very different from a strong organizations essentially taking on and absorbing a weak one. Both types of mergers are appropriate in some cases, but they have different challenges and different benefits. They also may require different kinds of planning and due diligence.

There are many ways to collaborate. Mergers are not always the right path, and funders and nonprofit leaders can get swept up in the idea of merging and lose sight of other possibilities. It pays to look at all the options.

If possible, it is useful for two organizations considering merging to build toward that possibility by creating other kinds of collaborations. One example is the National Housing Trust's process for evaluating whether they will absorb the Revolving Loan Fund currently housed at the Institute for Community Economics. They are taking a year to manage the program while it is still housed at ICE, in order to determine whether it is a good match for them.⁴²

Reasons to Consider Merging

Merging can be, in John Davis' words "an unusually effective way of achieving greater productivity, efficiency and sustainability. When...a merger is carefully crafted, the nonprofit partners do a better job together than they did apart."⁴³

- **Combining talents.** The board and staff of two organizations can together create great synergy, a lot of learning, and a stronger organization (when the process is done well).
- **Optimizing administration.** Supporting one board of directors and keeping one set of books allows more time and resources to be directed toward mission.
- **Funders generally see mergers as a good thing.** They are looking for innovative partnership, economies of scale, cooperation, and organizations large enough to have big impacts (and to become "self-sufficient" – see the discussion of this in Resource Capacity).
- **More sustainable funding streams.** In the current political/funding climate, it is difficult (if not impossible) for multiple nonprofits doing similar work in overlapping areas to all get sufficient support to grow (or even survive in some cases). Merging can eliminate this competition issue, as well as perceptions of duplication. The new organization may also be able to tap into new funding resources because of its size and geographic scope.

⁴² As reported by Michael Bodaken in his interview with Tasha Harmon.

⁴³ Davis, *Bridging the Organizational Divide* pg. 1.

- **Stabilize cash flow.** Combining assets and funding streams and creating a larger capacity base, helping to smooth out the bumps in the road that can destabilizing to smaller organizations.
- **Increased political clout.** A larger organization may have more sway in the political arena.

“You have to realize that you need to let go of some of your past – everyone will have to. No one’s past is more important than someone else’s. You are creating something new, that means letting go of something old. Not everybody’s job is going to be saved; there is no guarantee of who is going to be kept on and who is going to be let go. This can be especially hard for community-based, mission-driven organizations – it means you are not going to be as in touch with your particular part of the community as you used to be.”

- Cynthia Winter, The Neighborhood Partnership Fund

Downsides of Merging

- **Time and Money.** Mergers always take longer and cost more than anticipated. Beyond this lack of predictability, merging is a very labor and time intensive process to do well. The workload for most nonprofit organizations is already more than they have funds and staff capacity to accomplish. Additional resources are required to hire consultants, free up staff time, etc. People burn out going through the process, and some people (board and staff) are likely to leave after it is done.
- **Loss of Community.** If the geographic boundaries are expanding for either organization, groups grounded in a particular neighborhood or community may “lose responsiveness and local presence,”⁴⁴ which can lead to loss of some kinds of funding or other support.
- **Loss of Representation.** Members and homeowners may have strong loyalties to their organization and be unhappy about the loss of organizational identity that comes with the merger. Also, they may feel they have less say/control in the larger organization, perhaps rightly.

Conditions That Make Successful Mergers More Likely

1. **Commitment.** Strong commitment to collaboration, and to the possibility of a merger, on the part of both boards and staffs.
2. **Organizational Compatibility.** Missions that match, or will blend well and easily.. Will White notes “You need to ask whether there is enough overlap in mission that we’re not tearing the heart out of one organization in the interest of efficiency.” Organizations having

⁴⁴ Roberta Harold, interviewed January 2007.

“complementary programs and complementary strengths.”⁴⁵ The groups having strengths that can compensate for/eliminate each others’ weaknesses, and/or situations in which combining the organizations will in and of themselves shore up some shared organizational weaknesses (i.e. combining two housing portfolios too small to be managed efficiently to make one that can be).

3. **Respect.** Organizations honoring each others’ values and cultures and working to integrate both in creating the values and culture of the new entity. Respect, by all parties, for the others in the process, and clarity that the differences between the organizations can become strengths for the new organization if addressed well.
4. **Strong leadership.** A competent staff at both organizations. Strong board leadership in both organizations.
5. **An existing collaborative relationship** between the organizations, or at least existing, friendly relationships between at least some staff and board members across the two organizations. (If this does not already exist, moving quickly to bring board members together to talk about vision and goals in a low-pressure setting will be important to set the stage for the harder work to follow.)
6. **Clarity around goals and process.** A realistic understanding on the part of the organizations (boards and staffs) and funders of the probable complexity, length, and cost of the merger process. Alignment of vision for the outcomes (What will the new organization’s mission and goals be? How representational will the board be? etc.). Some of this will be hammered out in the merger discussions, but the stronger the alignment is up front the easier it will be
7. **Solid research.** A decision to explore a merger that is based on solid understandings of the strengths and weaknesses of the organizations, and of the challenges and opportunities facing them – individually and as a merged entity. (This will be an ongoing part of the merger process, but having some good research and analysis up front helps a lot.)
8. **Commitment to honesty and good communication.** Willingness on the part of both board and staff of both organizations to participate in the process honestly and with goodwill. All parties being honest from the beginning about their goals, their concerns, and their degree of commitment to the process (and to particular outcomes). A commitment by those involved in the merger to “check(ing) their organizational loyalties at the door, bringing to the conversation a spirit of civility, cooperation and compromise.”⁴⁶ A strong commitment to good communication and excellent communication skills.
9. **Strong support from institutional funders**, and a hands-off attitude, a willingness to trust the organizations and the process to find the correct structure in which to move forward.
10. **No hidden time bombs.** Organizations “with weaknesses of a size and severity not likely to jeopardize the survival of the post-merger organization (including) housing portfolios containing neither serious bleeders nor ticking bombs.”⁴⁷

⁴⁵ Davis, *Bridging the Organizational Divide* pg. 29.

⁴⁶ Op. Cit.

⁴⁷ Ibid

Supporting a Good Merger Process⁴⁸

1. **Creating a good process.** Divide the process into manageable phases. Alternate between discussing big dreams and small details, to help keep the process grounded and also energized.
2. **Use of outside facilitators.** Use neutral parties to guide the meetings and the process, to referee as needed, to keep track of all the details, and to call attention to issues that may be overlooked otherwise.
3. **Documentation.** Keeping a comprehensive written record of the issues and decisions.
4. **Board leadership.** Have a Board-led, Board-dominated merger committee and process, with clear delegation of authority throughout the process.
5. **Private discussions, comprehensive reports.** Committees need the freedom to disagree, have messy processes, etc. without having to share all of this with the full board, funders, etc. Reporting should be done by phase, with a comprehensive and integrated set of reports and recommendations, not piecemeal.
6. **Continuity of committee members.** Having the core of the merger committee stay the same throughout the process, and having strong, consistent participation by committee members, allows clear forward motion.
7. **Keeping control of the process.** Keep the funders informed but uninvolved, and keep the lawyers out of the process until one is needed to check legal issues – let the board committee envision the merger's shape and form first.
8. **Staying committed to doing it right.** Do solid due diligence work. Do strong preparation at the front end, and maintain a commitment to do it right all the way through.

Other Challenges That Will Need to Be Addressed

1. **Addressing the Losses.** There are losses in any merger – loss of organizational identity, loss of ways of working/organizational culture, loss of smaller staff size, sometimes loss of familiar office space, diffusion of geographic focus/loss of neighborhood-based identity, loss of particular staff or board members (or, looking at it from the other side, of a job or a volunteer role), etc. It is important to figure out who will feel these losses and both acknowledge them and see if there are ways to mediate the losses.
2. **Blending the cultures of the organizations** (at staff and board levels).
3. **Merging the Staff.** Deciding who to keep and who not to if there is duplication in staff positions. This can be especially challenging for the executive director position. Also, it may be challenging to recognize and act on the fact that the skills needed to serve the new, larger and more complex organization may be different than the skills that were necessary either to run one of the smaller organizations or to make the successful merger happen.

⁴⁸ The first ten of these come from Davis, *Bridging the Organizational Divide* pp. 30-35.

4. **Merging the Boards.** Deciding how to merge the boards (and, again, who to keep and who not to if the final board is not the size of the two previous boards combined – thought the odds are good that some of the board members who worked diligently on the merger will be ready to leave board service for a while afterward).
5. **Merging Systems.** Systems and legal documents will need to be merged/reconciled, some to a greater degree than others (and depending in part how the organizations merge). Systems and documents include: personnel policies (including salaries and benefits packages), ground leases, board make up and election processes, homebuyer criteria and processes, contracts, fiscal systems, software, board support processes and documents, etc.

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Organizations Participating in the Online Survey

- Northern Communities Land Trust, Duluth MN
- Kulshan Community Land Trust, Bellingham, WA
- City of Lakes Community Land Trust, Minneapolis, MN
- OPAL Community Land Trust, Orcas Island, WA
- Northern California Land Trust, Berkeley, CA
- Champlain Housing Trust, Burlington, VT
- Dudley Neighbors Inc, Roxbury, MA
- Orange Community Housing and Land Trust, Carrboro, NC
- Sawmill Community Land Trust, Albuquerque, NM
- Thistle Community Housing, Boulder, CO
- HomeSight, Seattle, WA
- NEDCO, Eugene, OR
- REACH CDC, Portland, OR
- NW Housing Alternatives, Milwaukie, OR
- Urban Edge, Roxbury, MA
- Portland Habitat for Humanity, Portland, OR
- NeighborImpact, Redmond, OR
- HOST Development, Inc., Portland OR
- Low Income Housing Institute, Seattle, WA

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