

RESEARCH REPORT



Land Trusts & Self Help: Report
of a CMHC/CHRA Symposium
December 3-4, 1993



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LAND TRUSTS & SELF-HELP

**REPORT OF A CMHC/CHRA SYMPOSIUM
DECEMBER 3-4, 1993**

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Land Trusts and Self Help Symposium

EXECUTIVE SUMMARY

Background

This report is the result of a two day symposium, sponsored by Canada Mortgage and Housing Corporation (CMHC) and the Canadian Housing and Renewal Association (CHRA) on December 3 and 4, 1993. The aim of the symposium was to explore ways in which "self-help" housing and land trusts could be used to create more affordable housing. The focus was on multiple housing in urban settings in Canada.

Self-help refers to housing in which the owner either acts as his own general contractor, co-ordinating the work inputs of various trades (self-promoted housing in which some "white collar" costs and profit-taking are avoided) and/or participates directly in the construction himself (self-build housing in which cost savings are generated by the labour supplied by the owner).

Land trusts, which have been widely used in the United States, are non-profit organizations which purchase land and lease it to individual homebuyers, non-profits or housing co-ops for the purpose of creating affordable housing. The long-term affordability of the housing is maintained by the terms of the lease which often restrict the conditions under which the housing may be sold.

Conclusions

In putting forth possible next steps, the symposium's Final Report notes the need to strike a balance between further research and practical application. Several areas for further research were identified for both self-help and land trusts. Specific further steps included:

1. Further research to assess impacts of self-help housing in various public policy areas (taxation/tax expenditures, job generation, trade impacts, etc) and the potential of self-help to address the need for affordable housing (ie. to reduce housing costs to levels that can be carried by those in need).
2. Development of How To manuals for Self-Help Housing and Land Trusts directed to low-income communities.
3. Promotion of the concepts and the introduction of the How To materials, possibly through regional workshops offered to representatives of low income communities and leading to a call for proposals for demonstration projects.

Symposium Discussion

1. Land Trusts

Discussion focussed on the various roles that land trusts could play, the impact they could have on affordability, and the applicability of the U.S. experience to Canada. In the U.S. model, land trusts are seen as a form of community self-help which can have applications to economic development outside of housing. It was generally agreed by participants that a key goal of land trusts is that of "stewardship" ie. the prudent management of land so as to achieve the public policy goal of permanently maintaining a stock of affordable housing. There was considerable discussion, however, on the advisability of land trusts becoming involved in land development since the risks involved in such activity could conflict with conservative approach required for the stewardship function.

The most common method of ensuring affordability is through the use of land leases from the trust to lessee-homeowners. Drafting the terms of these leases is a complicated task since the interests of the trust, the lessee and the lender must be balanced. Most participants felt that there has been too little experience with land trusts to say whether or not they can significantly affect affordability over the long term.

Limitations on the usefulness of the U.S. experience for Canada were also discussed. The most important of these was the greater tax incentives for private philanthropy in the U.S. and the greater flexibility of U.S. legislation.

2. Self-Help Housing

Symposium participants focussed on the economic impacts of self-help: the cost savings for homeowners, and impacts on wage structures, tax revenues and the building industry. Barriers to accessing self-help housing, particularly for low-income groups, was also discussed. There was disagreement over the value of combining self-help and land trusts. Some felt that the two were a good tool for pursuing affordable housing while others felt that land trusts were an unnecessary complication and that joint ventures between community groups and builder/developers would be better.

Summary of Papers

1. Savings and Access to Savings Through Self-Provided Housing

The purpose of this paper is to demonstrate the importance of self-help housing, review the ways it reduces housing costs, and identify the barriers to its use. Self-help can include varying amounts of both self-promotion and self-building. Focusing on individual households rather than community efforts, the author shows that self-help housing is quite prevalent in the industrialized countries. In metropolitan centres in Canada, for instance, he notes that self-help accounted for 23% of all housing completed in the 1980's. The two sources of cost savings in self-help housing are the labour provided by the owner and the saving of

profit and overhead paid to builders and developers. Most case studies report reductions of 20-30% for self-building and 5-15% for self-promoting. The author cites other work of his own in which he estimated that the cost savings in Atlantic Canada are about one third for self-building and 10% for self-promoted housing. There are several potential barriers to self-help housing - substantial expenditures for land, materials and tools, the time input required, and the high price of, and limited access to, developable land.

2. Community Land Trusts (CLTs) and Self-Help Housing in the United States

This paper describes the operation of CLTs in the U.S.. CLTs create a stock of owner-occupied housing that remains permanently affordable. This is accomplished via the CLTs permanent ownership of land which is in turn leased to homeowner-lessees. The affordability of this housing is maintained by the CLTs preemptive right to purchase the house, if the owner wishes to sell, at a price determined by a resale formula. The terms of these formulas seek to balance the residents' interest in profiting from their contribution (eg. through self-help) with the community's interest in ensuring affordable resale to another low income buyer.

With respect to the financing of CLT projects, the CLT typically acquires and develops the property with conventional mortgage financing since title to the land and improvements has not been separated. When a home is sold and title to the land and improvements (ie. the house itself) are separated, a lender for the lessee-homeowner is needed. Savings and loans and commercial banks are increasingly willing to make such loans, however the terms of the ground lease are very important because they affect the security of the lender. The U.S. Department of Housing and Urban Development has approved FHA mortgage insurance for CLT lessee-homeowner mortgages.

The author notes that CLTs and self-help can be combined in that some CLTs require a labour contribution from potential homeowners. The paper describes the operation of several specific CLTs in the U.S. and concludes with an outline of the process involved in setting up a CLT.

3. Building Urban Neighbourhoods: The Self-Help Approach

This paper describes 20 self-help projects in the U.S. - the demographics of the participants, the types of housing built, and the costs. It also describes the process involved in self-help - from the development of a non-profit organization to oversee things, to finding a site, design and marketing of units, pre-construction activity such as designing a self-help participant agreement, and actual construction.

4. The Co-operative Land Trust in Practice

This paper describes the experience of two land trusts in Ontario. One was set up by the Co-operative Housing Federation of Eastern Ontario, and the other was Colandco (formerly the Inner City Land Trust), which was set up in 1986 by the Co-operative Housing Federation of Toronto in response to a contribution of \$2 M (as part of a density-bonusing agreement) from Campeau Corporation for affordable housing in Toronto.

The paper also discusses land trusts as development vehicles. The trust can create "limited equity" housing by the use of resale formulas in the lease. It can also contribute to community development by providing a vehicle for community involvement in urban renewal issues.

5. The Legal Framework of Land Trusts in Canada in the Context of Self-Help Housing

This paper deals with the legal issues associated with land trusts. It notes that there is a bundle of rights associated with the ownership of land, most importantly the right to freely buy and sell it. Ensuring the perpetual use of land for affordable housing, in contrast, involves restricting its use. In particular, this means that the legal status of land as a freely tradable commodity has to be altered so that it cannot be bought or sold without regard for its use for affordable housing. The paper provides a legal overview of the American CLTs and a discussion of legal issues related to the possible use of that model in Canada. These issues include: the enforceability of provisions in the ground lease, taxation issues such as property tax and the possibility of GST on leases, and environmental liability of the CLT as a landowner.

Symposium sur les fiducies foncières et sur l'autoconstruction

RÉSUMÉ

Contexte

Le présent rapport fait suite à un symposium parrainé par la Société canadienne d'hypothèques et de logement (SCHL) et l'Association canadienne d'habitation et de renouvellement urbain (ACHRU), qui a eu lieu les 3 et 4 décembre 1993. Le but de cette rencontre était d'examiner de quelle façon les concepts de l'autoconstruction et de la fiducie foncière pouvaient être mis à profit pour produire des logements abordables. Les logements collectifs en milieu urbain constituaient le point central des discussions.

Dans un contexte d'autoconstruction, le propriétaire participe à la construction de son propre logement des façons suivantes : soit en tant qu'«entrepreneur général» coordonnant le travail des divers corps de métier (méthode de l'autoconstruction par sous-traitance, qui élimine certains frais administratifs ainsi que la réalisation d'un profit); soit en tant qu'ouvrier participant directement aux travaux (méthode de l'autoconstruction par le propriétaire, par laquelle le propriétaire réalise des économies en effectuant une partie du travail).

Le concept de la fiducie foncière, largement répandu aux États-Unis, est appliqué par des organismes sans but lucratif qui achètent des terrains pour les louer à des propriétaires-occupants, à d'autres organismes sans but lucratif ou à des coopératives d'habitation, favorisant ainsi la production de logements abordables. L'abordabilité à long terme du logement est assurée par les conditions du bail, qui imposent souvent des restrictions concernant la vente du logement.

Conclusions

Pour ce qui est des perspectives de développement, le rapport final du symposium souligne la nécessité d'atteindre un équilibre entre la poursuite de la recherche et la mise en pratique des idées. Voici un aperçu des domaines pouvant faire l'objet d'une recherche plus approfondie, tant sur le plan de l'autoconstruction que de la fiducie foncière.

1. Poursuite de la recherche pour mesurer l'incidence de l'autoconstruction sur divers sujets d'intérêt public (impôts et dépenses fiscales, création d'emplois, répercussions sur les corps de métier, etc.) et pour en évaluer les possibilités sur le plan de l'abordabilité (réduction des coûts de logement à un niveau qui soit abordable aux ménages dans le besoin).
2. Élaboration de guides pratiques pour la mise en oeuvre des concepts de l'autoconstruction et de la fiducie foncière dans les collectivités où les revenus sont bas.
3. Promotion des concepts et introduction des guides pratiques, si possible par l'entremise d'ateliers régionaux à l'intention de représentants de collectivités où les revenus sont bas, en vue d'un appel de propositions relativement à des projets de démonstration.

Discussions tenues dans le cadre du symposium

1. Fiducies foncières

La discussion a porté sur les divers rôles que pourraient jouer les fiducies foncières, sur leurs répercussions possibles sur l'abordabilité, et sur l'applicabilité au Canada de l'expérience menée aux États-Unis. Dans le modèle américain, les fiducies foncières sont considérées comme une forme d'entraide communautaire pouvant stimuler le développement économique dans des secteurs autres que le logement. Les participants se sont entendus pour dire que l'une des caractéristiques clés des fiducies foncières est l'administration responsable (gérer les terrains avec prudence, afin de maintenir un stock permanent de logements abordables et ainsi réaliser un objectif de la politique gouvernementale). On s'est toutefois beaucoup interrogé sur l'opportunité d'intégrer le principe de la fiducie foncière dans l'aménagement foncier, le risque associé à cette activité-ci étant potentiellement incompatible avec la prudence qui caractérise une administration responsable.

La signature de baux fonciers, entre la fiducie et le preneur à bail-propriétaire-occupant, est la manière la plus courante d'assurer l'abordabilité. Toutefois, rédiger les conditions de ces baux n'est pas chose facile, car il faut concilier les intérêts de la fiducie, du preneur et du prêteur. La plupart des participants au symposium sont d'avis que trop peu d'expériences ont été réalisées avec les fiducies foncières pour conclure quant à leur incidence réelle sur l'abordabilité à long terme.

On a aussi discuté des facteurs qui limitent la transposition au Canada de l'expérience américaine. Les principaux sont les avantages fiscaux plus substantiels dont profitent les oeuvres de bienfaisance privées aux États-Unis et la plus grande souplesse des lois américaines.

2. Autoconstruction

Les participants au symposium se sont penchés sur les aspects financiers de l'autoconstruction (économies réalisées par les propriétaires-occupants et répercussions sur la structure des salaires, sur les recettes fiscales et sur l'industrie de l'habitation). On a aussi discuté des obstacles à l'autoconstruction que rencontrent surtout les groupes à revenu faible. Par ailleurs, on ne s'est pas entendu sur l'opportunité de combiner autoconstruction et fiducie foncière. Certains estiment que les deux concepts sont un bon moyen de produire des logements abordables; d'autres, par contre, sont d'avis que les fiducies foncières posent des difficultés inutiles et qu'il vaut mieux leur préférer des partenariats entre les groupes communautaires, d'une part, et les constructeurs et les promoteurs, d'autre part.

Résumé des documents

1. Possibilité de réaliser des économies par l'autoconstruction

Le but de ce document est de démontrer l'importance de l'autoconstruction, d'expliquer en quoi elle réduit les coûts d'habitation, et de cerner les obstacles à son développement. Ce concept peut intégrer, à

des degrés divers, les méthodes d'autoconstruction par sous-traitance et d'autoconstruction par le propriétaire. L'auteur, en mettant davantage l'accent sur les ménages que sur les efforts des collectivités, montre que la pratique de l'autoconstruction est assez répandue dans les pays industrialisés. Il fait remarquer que dans les régions métropolitaines du Canada, par exemple, on a recouru à l'autoconstruction pour 23 % de tous les logements achevés durant les années 80. Les deux sources d'économies rattachées à l'autoconstruction sont le travail que le propriétaire exécute et les sommes qu'il ne verse pas en profits et en frais généraux aux constructeurs et aux entrepreneurs. Selon la plupart des études de cas, la réduction des coûts est de l'ordre de 20 à 30 % dans le cas de l'autoconstruction par le propriétaire, et de 5 à 15 % dans celui de l'autoconstruction par sous-traitance. L'auteur cite d'autres études effectuées par lui, dans lesquelles il estime que les économies réalisées par l'autoconstruction, dans le Canada atlantique, correspondent à environ un tiers des coûts pour l'autoconstruction par le propriétaire, et à 10 % pour l'autoconstruction par sous-traitance. De nombreux facteurs font potentiellement obstacle à l'autoconstruction : les fortes dépenses nécessaires pour l'acquisition du terrain, des matériaux et des outils; la somme de temps à investir; et le coût élevé de même que la rareté des terrains constructibles.

2. Fiducies foncières communautaires (FFC) et autoconstruction aux États-Unis

Ce document décrit le fonctionnement des fiducies foncières communautaires (FFC) aux États-Unis. Celles-ci créent un parc de logements de type propriétaire-occupant qui restent abordables à long terme. Selon ce modèle, la FFC jouit de la propriété permanente des terrains, qui sont loués à des preneurs à bail-propriétaires-occupants. L'abordabilité du logement est garantie par un droit de préemption permettant à la FFC d'acheter le logement (lorsque le propriétaire souhaite le vendre) à un prix fixé par une formule de revente. Cette formule cherche à concilier les intérêts des deux parties, d'une part en permettant au résident de profiter de sa contribution (autoconstruction), et d'autre part en garantissant que le logement sera revendu à prix abordable à un autre acheteur à faible revenu au sein de la collectivité.

Pour ce qui est du financement, la FFC contracte habituellement un prêt hypothécaire ordinaire pour acquérir et aménager une propriété, puisque les droits dans le bien-fonds et dans les améliorations ne sont pas distincts. Lorsqu'une propriété est vendue et que les droits dans le bien-fonds et dans les améliorations (c'est-à-dire la maison) sont séparés, le preneur à bail-propriétaire-occupant doit recourir à un prêteur. Les caisses d'épargne et de crédit et les banques commerciales sont de plus en plus disposées à consentir des prêts de ce genre. Les conditions du bail foncier sont alors très importantes, car elles ont une incidence directe sur la garantie détenue par le prêteur. Le Département du logement et de l'urbanisation des États-Unis a accepté d'appliquer l'assurance hypothécaire FHA aux prêts consentis à des preneurs à bail-propriétaires-occupants participant à des FFC.

L'auteur note que les concepts de la FFC et de l'autoconstruction peuvent être combinés, de manière que certaines FFC puissent exiger une

contribution sous forme de travail des éventuels propriétaires-occupants. Le document expose le mode de fonctionnement de diverses FFC aux États-Unis et fournit, en conclusion, un aperçu du processus d'établissement d'une FFC.

3. Établissement de quartiers urbains : l'autoconstruction

Ce document fait le point sur 20 projets d'autoconstruction réalisés aux États-Unis (caractéristiques des participants, types de logements construits et coûts). Il donne aussi un aperçu des étapes à suivre, soit la création d'un organisme sans but lucratif chargé du projet, le choix d'un emplacement, la conception et la commercialisation des logements, les activités préalables à la construction (élaboration d'un accord liant le participant) et la construction comme telle.

4. Mise en pratique de la fiducie foncière coopérative

Ce document fait le point sur deux fiducies foncières créées en Ontario. La première a été établie par la Fédération des coopératives d'habitation de l'est ontarien inc. La seconde, Colandco (autrefois Inner City Land Trust), a été mise sur pied en 1986 par la Co-operative Housing Federation of Toronto, par suite d'une contribution de 2 millions de dollars de Campeau Corporation (relativement à une entente de densification) en vue de la production de logements abordables à Toronto.

Le document examine en outre le rôle que jouent les fiducies foncières en tant qu'outils de développement. Par des formules de revente contenues dans le bail, la fiducie peut produire des logements dans lesquels les propriétaires ont un avoir propre limité. Elle peut aussi contribuer au développement des collectivités en favorisant la participation de la population aux questions touchant le renouvellement urbain.

5. Cadre juridique des fiducies foncières au Canada et contexte de l'autoconstruction

Ce document porte sur les aspects juridiques de la fiducie foncière. On y souligne que de nombreux droits sont associés à la propriété d'un terrain, le plus important étant celui de la liberté d'acquisition et de vente. Or, garantir qu'un terrain servira de façon permanente les fins du logement abordable implique certaines restrictions quant à son utilisation. Le statut juridique du terrain, en tant que bien librement échangeable, doit notamment être modifié de telle sorte que la notion d'abordabilité intervienne nécessairement lors de l'achat ou de la vente du bien-fonds. Le document fournit une vue d'ensemble des questions juridiques associées aux FFC aux États-Unis, en plus de traiter des implications légales de l'application éventuelle de ce concept au Canada. Ces implications ont trait notamment à l'applicabilité des dispositions des baux fonciers, à la responsabilité environnementale de la FFC à titre de propriétaire du bien-fonds ainsi qu'à des considérations fiscales telles que la taxe foncière et l'imposition possible de la TPS sur les baux.



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**FINAL REPORT
ON THE CHRA/CMHC
LAND TRUST AND SELF-HELP SYMPOSIUM**

FEBRUARY 1994

Prepared

for

The Canadian Housing and Renewal Association

by

Richard Peddie

INTRODUCTION

This report grew out of a two-day symposium sponsored by the Canada Mortgage and Housing Corporation (CMHC) and the Canadian Housing and Renewal Association (CHRA) in Ottawa. CMHC is interested in how land trusts and self-help models might assist in the development of affordable housing in Canada. The corporation particularly wanted to explore how, at little or no cost to government, these approaches might help low income groups secure affordable housing. It was anticipated that the symposium would focus on both individual and collective models of self-help in urban areas and include consideration of conventional ownership, ownership with limited equity returns and forms of non-profit and co-operative rental housing.

CMHC and CHRA invited five people with experience in land trusts and self-help housing to prepare written papers and present them at the symposium. The papers presented wide-ranging views of the experience with these topics in Canada, the United States and, in the case of individual self-help, Europe. The following sections represent an attempt to capture the main threads of agreement and dissent that ran through the two-day session. They try to avoid repeating the material contained in the five papers. For reasons of clarity this was not always possible and some minor duplication might be in evidence. The papers should be read ahead of the synopsis for the reader to have the full benefit of the information that provided the basis for discussion.

There were two objectives in preparing this synopsis of the discussions; the first was to gain a greater understanding of the two topics from the detailed presentations and the experiences of other participants; the second was to assess if and how land trusts and self-help might be applied to tackling problems of housing affordability in Canada.

A. LAND TRUSTS

The discussion touched a number of issues, both with respect to land trusts, or community land trusts, *per se* and the relationship of such trusts to self-help housing. Debate focussed on the various roles that land trusts could usefully play, the applicability of the American experience in Canada today and the relationship of land trusts to the provision of affordable housing.

It was generally agreed among the participants that an important goal of land trusts was that of "stewardship". Land trusts were seen to be imbued with a "moral right", once established, to protect the public interest over the land being held. The particular public interest seen to be served by these discussants was that of keeping the land affordable for housing. Other goals have played important roles in American land trusts: notably, to produce affordable housing, to create opportunities for resident ownership and to foster control of community resources.

The most common vehicle for ensuring long-term affordability has been through individual land leases from the trust to homeowners and others (e.g. non-profit and co-operative housing providers). The use of land leases to insure the continuity of the trust can be a complicated and sensitive matter. When lessees come to encumber the land, through mortgaging for example, the interests of the mortgagee, the trust and the lessee have to be

carefully balanced. Experience in the U.S.A. indicates that great care is required in drafting such leases so as not to jeopardize the security of the interest of the land trust. Also, in the course of development, land trusts might be faced with long-term liabilities and obligations to the lessees and future users of the land. Although it received only passing reference in the symposium, the responsibility of environmental improvement would be a good example of such a liability.

It was also noted that the goals of the land trust might reasonably change in the long term. So the policy and legal framework should provide for some flexibility for the land trust to respond to changed circumstances and goals over time. It is assumed that such changes would continue to be in the public interest as then defined. Conceivably, it might also be appropriate to dissolve the land trust at some time in the future when it has attained its goals.

The notion of public stewardship gives land trusts the opportunity to occupy the "moral high ground". Consequently, it may be easier to generate contributions from the public and private sectors to initiate and sustain the operations of the trust. Such contributions may be in the form of land, other real property, money or technical assistance. Land trusts also function to protect direct public investment in areas where it is needed over long periods of time. The holding of lands as assets in the trust also gives it collateral against which to borrow funds from lending institutions to pursue its goals. However, the discussants were concerned about this since, if capitalization is adopted as an explicit objective of the trust, it may lead to undue risk-taking and jeopardize the stewardship objective. However, as land leases come to maturity there might be significant capital available for further development of the trust's functions without such risks being necessary.

The American experience in generating funds from the private sector through philanthropy was discussed, but may not be entirely appropriate in Canada because of differences in the tax laws of the respective countries. American tax legislation is much more supportive than Canadian in this respect. It permits donors to offset the entire donation against income, with the result that many projects and individuals are effectively subsidized. Similarly, as a result of such offsetting provisions, land may be bought by trusts at prices below the prevailing market, again generating an indirect subsidy for the land trust.

An important distinction here is that, in Canada, a registered charity cannot be a land trust because of the business activities of the latter. In addition, generous subsidies in Canada are highly unlikely in the present financial climate and philanthropic giving for housing purposes is not as well-established. While the discussants were pessimistic about the potential for "tax subsidies" for land and housing purposes in Canada, they felt it might be useful to review the American experience with a tax driven model to determine which features, if any, might be adapted for future application in Canada.

The notions of partnerships, community involvement, local control and grass roots involvement in the planning process were central to the discussions of the potential benefits

of land trusts. In the seventy-five or more land trusts developed with the support of the Institute for Community Economics mobilization of the local community around an issue, or set of issues, was an important measure of success. Communities would effectively "cut their teeth" on small issues and build upon the experience to play a more comprehensive role in planning and developing their communities. The goals of the land trust would be formulated around the needs of the local community. The actual acquisition of the land may take place through partnerships with the municipality for the transfer of municipally-owned land at a nominal cost or from the private sector as noted previously.

The discussants found the potential for community participation and long term control of the land to be attractive features of the American model of land trusts. But the creation of a land trust around, say, a local problem of housing affordability is no guarantee that people will in fact obtain access to lower cost housing without some form of subsidy, directly or indirectly, or without other "cost-free" inputs, like their own sweat equity or help from other members of the community. One advantage, though, of the land trust model is that it protects public investment in perpetuity.

Theoretically, the model would work best in an appreciating land market in which long term control over resale prices could temper inflation in housing costs to families. But affordability is not guaranteed at the outset for those most in need. In most Canadian housing markets today the combination of low land and house prices and the lowest mortgage interest rates in recent history would suggested a limited role for land trusts in facilitating affordable housing in the near term. On the other hand, if one were to anticipate a return to the inflationary times just ended, this might be an opportunity to bring real property under control at a reasonable cost and thus ensure housing affordability over the long term for Canadian households in need. However, most of the discussants felt that there has been too little experience with land trust models to be confident that they can significantly affect housing affordability in the longer term.

Although local control of land trusts seemed to be the preferred model, there was some discussion about the role of municipalities which have the ability to assemble land through their expropriation and purchasing powers. They could also bring technical expertise to the establishment and administration of land trusts. However, there is also the risk that, for political reasons, a municipality might decide to dissolve a land trust and sell off the assets. But, as was noted previously, even a community-based land trust may choose to do so at some future time with good reason. The discussants also thought municipalities might act as a sort of "umbrella" for smaller, locally-controlled land trusts.

The American experience suggests that community land trusts have served a wide variety of purposes and have been tailored, in terms of organizations, documents, policies and procedures, to suit local conditions and particular opportunities. The nature of the land trust model therefore shifts from state to state to conform with state and local laws and regulations. Exact replication of the American approach in Canada is difficult because Canadian legislation tends to be broadly written and intolerant of exceptions, in addition to

the absence of tax incentives noted previously. Canadian trust law also tends to be complicated and somewhat arcane. Therefore, before American models are applied in Canada considerable care should be taken to research the legislation both in Canada and the United States to determine the best approach and to ensure legal clarity at the outset.

In selecting the appropriate model in terms of the legal framework and the ongoing administration of a trust, it is obviously important to decide on its objectives . While there was unanimity on the function of stewardship, there was considerable disagreement about the extension of land trusts into development activities. The American models discussed appeared to encompass an aggressive role for the community land trusts as land and housing developers. In some cases they appeared to the discussants to be functioning as "community development corporations" encompassing a wide range of economic and social development objectives often as a result of grass roots involvement in comprehensive community planning.

To be successful in development requires an organization to be businesslike, well capitalized and able to withstand the failures that are associated with risk-taking in an industry that is notorious for its cyclical behaviour. Most non-profit organizations in the housing field do not meet these criteria. The experience of the cooperative housing sector in Toronto suggests that the costs of establishing and running the trust for development purposes tend to outweigh the benefits. The land trust is also likely to incur unnecessary legal liabilities as it pursues multiple objectives (e.g. for environmental clean-up). Thus, if a land trust is to pursue development goals, great care has to be taken that these are not pursued at the expense of other, primary goals.

Although there are many successful land trusts currently operating in the United States, it was also noted that there have been failures. Much of this relates to the need to be businesslike in managing scarce financial resources and to the success of the land trust managers in obtaining seed funding to help the trust through that critical first phase of organizing, involving and educating the community.

The relations between land trusts and self-help housing were discussed. Experience in the United States illustrates that self-help action to achieve affordable housing can occur successfully within the context of a land trust; although it was not clear whether land write-downs were a necessary criterion for success. The discussants had mixed opinions about the advantages of combining the two, particularly in reference to the discussion above about land trusts having too many functions. It was suggested that other vehicles might be more useful in promoting self-help in Canada: for example, public-private joint ventures.

While the concept of land trusts was generally well received by the discussants, they expressed concern about a number of issues: their immediate applicability in Canada, especially as a solution to the problem of housing affordability; their applicability to various tenure forms; the use of the American models in view of the differences in law, taxation and the importance of philanthropy; and the advantages and disadvantages of constraining the objectives of trusts.

B. SELF-HELP HOUSING

This part of the discussion reflected the range of experience displayed in the formal papers and considered both the individual and collective models of self-help. Discussions of the Canadian experience focussed on the former, while those on the American experience dealt mainly with the collective model. This is not to imply that both have not been applied in the development of affordable housing in either country. Rather it seemed to result more from the content of the papers and the recognition that, in Canada, the collective model seems to have been employed less often; one exception being the "building coop" model in which the coop as an organisation is terminated on occupancy.

The group noted the spontaneous nature of the individual self-help sector and the fact that its importance has been overlooked, at least in Canada. In the discussions the distinction was made between "self-promoted" and "self-build". Technically, this distinction refers to the degree of involvement a householder might have in the construction of a new home: more in the front end (planning, design, financing) in the self-promoted version, and total involvement from start to finish in the self-build version (e.g. in construction labour). Of course there would be many variations of these types. There was a suggestion that the distinction may be important from a social perspective, in that self-promoted housing might be more characteristic of middle and upper-income households, while lower-income households might be attracted to the latter approach to self-provision. This might be worth further exploration if measures to stimulate self-help housing are contemplated (e.g. using the Australian model or the demonstration approach used by CMHC in Rural and Native Housing).

A number of critical issues guided the debate: what could be learned from the sector and how it could be encouraged without being constrained; how to improve accessibility for those in need of affordable housing; what barriers and problems were facing the sector; and, as before, whether it would be useful to link self-help and land trusts.

Although the individual self-help "sector" contributed in excess of 40 percent of the ownership stock in the nineteen-eighties, scant knowledge exists about it. Further investigation should be undertaken to increase that knowledge to determine how, if necessary, the success of that sector might be increased. In particular, since over 23 percent of all new dwellings built since 1980 in Canadian metropolitan areas involved some form of individual self-help, it would be useful to know more about how this is happening. In addition, since it is likely that the locus for future collective self-help, which will probably embrace forms of multiple housing, will be in urban areas, further knowledge about existing initiatives would be useful.

The group was concerned both about the costs and benefits of self-help housing. In particular, the impacts on the building industry and on tax revenues were identified as areas for clarification. Although it was noted that small builders and the construction trades already play a significant part in the individual self-help ownership sector, the potential role

of the larger builders, organized labour and the financial services sector, requires serious thought. If it were decided to launch an initiative to promote a collective self-help sector in Canada, the cooperation of these other sectors is critical.

Involvement by the private sector in both individual and collective self-help housing should be viewed as an opportunity rather than something to be resisted. Historically, people were building their own homes before the development of codes and regulations and the involvement of organized labour in the field. Given the impressive volume of housing produced in both countries by this sector, there is a demonstrated interest. There is already considerable involvement on the part of private financial institutions and small contractors in the sector. So it would seem reasonable for organized labour and the home building sector in particular to start to tap into it and perhaps help widen its scope, recognizing that much of the activity will generate "new business".

The discussants especially identified the need to examine the economic impacts of self-help. This would encompass the savings inherent in individual self-help housing, which have been estimated to range from 5 to 60 percent of the total cost; the potential of the sector for further job generation especially in skilled areas; the economic repercussions on wage structures and income taxes; and the implications of another source of potential profit for the organized house building industry. Related research should also examine the potential regulatory barriers to self-help, such as labour laws, occupational health and safety, residential standards, building codes and home warranty programs in various provinces. This research should be action-oriented and might be carried out in tandem with small demonstration projects.

In Canada, it seems that the individual self-help sector mainly serves the needs of middle-class, employed families. In specific regions lower income groups do benefit, especially in cases where the overall costs are lowered, say by involvement in the construction process. By way of contrast, the American collective, self-help sector seems to be directed more at enabling lower income households to obtain access to affordable homes. The advantages of the tax system, access to philanthropic donations and lower land and other costs may play a role in explaining these differences. Access to sufficient capital is recognized as the most significant obstacle prohibiting lower-income Canadians from achieving home ownership through self-help. The American experience would support this; although, there are more opportunities for subsidies in that system.

Clearly, there are other also barriers, such as available time and physical disadvantages, that need to be factored into the discussion since they put constraints on the ability of lower-income groups to attain affordable home ownership through the individual self-help model. The difficulties faced by mother led families in freeing up the significant amount of time required in the individual self-help model, and the obvious constraints on the physically disabled, are but two examples. The American experience has shown that these difficulties can be overcome in the collective model: for example, through the provision of day care services. The attractiveness to single parents of owning an affordable home is certainly a

strong motivating force. A final concern is the considerable stress that self-help may place on family life over an extended period. The Australian experience with a collective self-help approach suggests that such stress may be contained. A carefully-developed, collective model of self-help housing provision may help overcome these restrictions.

Although the institutional financial sector is willing to finance homes built at least in part on the basis of sweat equity, most lower income households would not qualify unless there was considerable equity in the home. Some of the examples from the United States illustrate that cost savings can be effected by proper organization of community self-help, employer assistance and employment of skilled professionals in key areas of the building process. These will help improve access for lower income households, but it is difficult to believe that significant gains can be achieved by this approach alone. For example, there was discussion of the need to require cash equity from participants. Some of the American experience indicates that even very, low income households can come up with equity contributions. Many of the Canadian participants were sceptical that this could happen in Canada, particularly in these times. The affordability gap for lower income groups will therefore likely continue to be a problem which may have to be tackled through direct government assistance. Although there is governmental resistance to subsidies toward equity accumulation, it is not without precedent in Canada. It might be useful at this stage to have some financial modelling carried out by CMHC/CHRA to explore the options.

A review of the American experience in using alternative financing techniques such as municipal bonds, government loan guarantees, project development funding and construction start-up loans would be useful in designing a Canadian, collective self-help model. The group also identified possible roles for CMHC's Centre for Public-Private Partnerships, Part IX (NHA) demonstration projects. Proposal Development Funding to assist non-profit groups to become more efficient in securing professional and other services, and ACT funding from CMHC as avenues to be explored.

As before, the discussion about the relationship between self-help and land trusts generated diverse opinions. Some thought that the combination of the two could make for a very powerful tool in achieving affordable housing goals. Others believed that land trusts would prove to be an unnecessary complication and that other techniques, such as joint ventures between community groups and builder/developers, might be more effective. A small number of well-designed demonstration projects might be a fruitful way of testing the various assertions both about land trusts and self-help individually and about their real or imagined symbiosis.

The group thus generated a lot of ideas for developing the role of self-help ownership in Canada, but noted a number of areas for further investigation which will be laid out in the final section. However, it was stressed that the individual self-help sector in Canada is a spontaneous and vital sector of the housing economy. It was pointed out that there are dangers in interfering too much in it, even with good intentions. Care should be taken in further investigations, and in the recommendations which might flow from those, not to

suggest regulations or policies which might have the effect of inhibiting, rather than promoting growth of the sector. Rather, the approach should be guided by the spirit of nurturing the sector and making it more accessible to Canadians who require affordable housing.

C. FURTHER STEPS

The discussants wrestled with the conflict between the need for more knowledge and the desire to initiate some positive actions in both areas. As noted in the preceding sections there was probably more hesitancy about moving forward in the area of land trusts to a practical "demonstration" of some kind than there was with self-help. The follow-up agenda developed as the discussions progressed but did not appear as an explicit, comprehensive statement at the end. This section is an attempt to give some coherence to the next steps. For convenience, and the purpose of further dialogue with the participants, it is divided into three sections. The challenge in following up on the papers and seminar is to strike the right balance between further research and practical application and testing of the ideas and hypotheses put forward. The best course is probably to move forward on various fronts in tandem.

1. Potential Research Topics

(i) Land Trusts

- An analysis of the legal and financial structure of selected land trusts in the United States with a view to identifying features that could be applied in Canada.
- Analysis of the implications of combining land trusts and community development corporations.
- Evaluate why some land trusts have been unsuccessful in the United States.
- Examine the linkages between collective self-help housing and land trusts.

(ii) Self-Help Housing

- Document and evaluate the role of individual self-help housing in urban areas in Canada. Include both new-build and renovation in the review.
- Evaluate the economic impacts of individual self-help housing in Canada with particular attention to its impact on taxes, incomes, labour markets and profits in the house building industry.

- Analyze the potential barriers to both individual and collective self-help with focus upon labour laws, home warranty programs, program regulations and the concerns of organized labour, the home builders and the financial sector.
- Evaluate various program models of self-help housing in Canada and abroad targetted at lower income households acknowledging that they might be site specific.
- Review the potential utility of available financial mechanisms to get collective self-help started (e.g. project development funds, construction start-up loans, CPPP involvement, potential for individual equity contributions)
- Assess the potential for multiple-unit, self-help housing projects in different urban environments.

2. Developing Practically Useful Information

Given that there is in fact a great deal of practical expertise in land trusts, individual self-help housing in Canada and collective self-help projects in the United States, it would be useful to move forward with the development of some practical "guides" in these areas. Their preparation would be based on current knowledge and supplemented with useful information as various research tasks are completed. Three streams came out of the discussions:

- (i) a consultation process with the house building industry, organized labour and the financial services sector to solicit their views, particularly on self-help housing, and to explore the nature and extent of the opportunities that this sector of the housing market could present to them. This would include an attempt to resolve any issues that arise in the course of the consultation process;
- (ii) the preparation of "primers" on how to go about developing self-help housing and land trusts. These primers could be developed through short, in-depth discussions with groups of two or three recognized experts in each of the fields. In fact, some of the relevant information already exists in the papers accompanying this synopsis. Once developed, the primers would be circulated to a wide range of groups and individuals working in the housing field (municipalities, resource groups, animal clubs); and
- (iii) the preparation of promotional materials (brochures, videos) and dissemination of information by way of workshops, clinics and the like.

3. Demonstration Projects

There was considerable disagreement on the subject of follow-up demonstration projects. Part of this stemmed from the original discussions about the benefits of land trusts and the desirability of linking collective self-help housing with land trusts. It was agreed, however, that demonstrations of both process and product were desirable at some point, provided the objectives were crystal clear. Some members thought that a series of small demonstration projects would be more useful than a few, larger-scale projects. These demonstrations could be designed to test a number of assertions (e.g. the potential flexibility in using UIC or welfare payments in self-help; the linkages between collective self-help and a land trust; innovative financing). There was general agreement that there was a potential role for CMHC here, either through the Centre for Private-Public Partnerships or through the A.C.T. Project.

The suggestion was made to move forward in two stages: the first would be a national competition for feasibility studies, which could serve to flush out good ideas and innovative approaches. It might also provide some insights about potential problems at the local level. The second stage would build on this and provide seed money and access to land and construction funds to implement the demonstration projects. These stages would have the dual purpose of permitting an assessment of the extent of the interest in the community and for CMHC to communicate the principles, models and guidelines it feels that might be beneficial in developing land trusts and community self-help housing projects. By the time the physical demonstration stage is reached, the review work identified above should have been completed to the extent that it may make a useful contribution to defining the purposes and structure of any demonstration project.

**SAVINGS AND ACCESS TO SAVINGS THROUGH
SELF-PROVIDED HOUSING**

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1 INTRODUCTION ¹

Self-provided housing--where the first occupants arrange for the building of their own dwelling and, in various ways, participate in its production--is of substantial importance in nearly all of the advanced capitalist countries. Indeed, in many it is the major means of producing new housing and in most is the dominant way of producing new housing for owner-occupation. Self-provided housing also has important effects on consumer choice and access, and on the housebuilding industry.

The purpose of this paper is to demonstrate the importance of self-provided housing, to review the ways that this reduces costs (and improves access), and to discuss the barriers to using this form of provision. As part of this discussion I will pay particular attention to the role of land. In Section 2, I define self-provided housing, Section 3 reviews the importance of this sector in housing provision in advanced capitalist countries, Section 4 presents some information from the Canadian research, and Section 5 reviews barriers to self-provisioning including access to and the cost of land.

2 DEFINITION OF SELF-HELP

Before proceeding, it is important to define self-help in relation to other forms of promoting or producing accommodation. This is because of the confusions that have grown up where terms like self-provision, self-promotion, self-build, self-help, autonomous housing, autoconstruction, informal housing, and even illegal housing are used haphazardly and non-exclusively. This is partly because housing analysis has tended to focus on the tenure arrangement (eg. homeownership, rental, public housing, cooperatives) rather than the forms used to promote and produce the housing; that is, who initiates development, finds land, manages the scheme and owns the housing before allocation to consumers and, secondly, who actually builds it. It is in promotion and production that self-provided housing has its specificity.

With self-provision, the first occupants promote the construction of their own dwelling and are involved in the production process in various ways. This does not only affect cost to the consumer. There are also a number of ramifications in terms of the differential access to production profits and development gain. In turn this means that various agents in the housing market will change their behaviour in response.

Self-provision refers therefore to all housing provision forms where it is the household itself that acts as promoter and developer (Category 3 in Table 1). In principle the household (alone or collectively) finds finance, buys land, manages the project and owns the final product. In one form of self-provision, households do not engage in much of the actual building work, but rather accept a tender from commercial builders (ranging from large housebuilding firms to individual tradespeople) to build the dwelling. The household may also take on the role of general contractor in organising various builders and suppliers; this includes the situations where the

household buys a home kit from catalogue builders. This is self-promoted housing (category 3.1). Alternatively, the household may itself (individually or collectively) also carry out the bulk of the building work. This is self-build housing (category 3.2).

In practice there is a grey area between the two categories; most self-promoters do some building work if only final decoration and landscaping and only rarely do self-builders carry out all construction work (see Rowe:1983). Various hybrid forms are also possible. For instance the Stockholm City Housing Department itself promotes self-building (accounting for about 10% of total completions in Stockholm since WWII - fully one-third of new owner-occupied homes). This could be categorised in Table 1 as either self-provided with an institutional builder or as non-profit promotion with household contractors.

Note that 'access to profits' in Table 1 does not mean successfully appropriate--other agents may intervene and take profits (for instance landowners or state authorities), the market may not develop as anticipated, and so on. The point is that without access, the agents identified in Table 1 will not have the chance for successful appropriation. (See Duncan, 1986 and Rowe, 1989, for further discussion).

With self-provision, development gains from land appreciation and speculation in the finished house are denied to contractors who merely sell their building services to self-providing households. The latter acquire the land themselves, and own the finished housing product. And if the household in addition uses its own labour to carry out the actual building, the construction firms will also be denied access to production profits. Of course, landowners may be able to make a killing at the expense of self-providers, and building material suppliers may also make a higher level of profits from the sale of materials to self-providers. The point remains, however, that self-provision structures access to profit sources in different ways for different agents and hence alters their behaviour. This is helpful in understanding the different reactions of groups such as builders associations to self-provided housing as compared to other forms of promoting and producing housing.

We should not forget that building work subsequent to final completion is also an important part of the housing provision process. This ranges from 'do-it-yourself' for simple repairs to complete conversions carried out by large housebuilders. Most of this is 'self-promoted' and much is self-build. However, this paper is concerned with new build only.

3 OVERVIEW OF SELF-HELP IN INDUSTRIAL NATIONS

As Figure 1 shows, in most of the advanced capitalist countries of Western Europe, North America and Australasia, self-provided housing accounted for a substantial proportion of housebuilding in the 1980s. Indeed in many countries this was the single most important way of producing new housing. Only in Britain did self-provision account for less than 10% of completions, and the British figure of 6% can usefully be compared with the French and West

German figures of around 50%. (These national comparisons are arrived at from a number of sources and in some cases are rough estimates. See Duncan and Rowe, 1993 for a discussion).

Nor is self-provision limited to rural areas or regional backwaters.

- . For metropolitan Canada, 23% of all housing completed in the 1980s was self-provided (with 14% self-build),
- . In Greater Stockholm, 12% of completions were self-provided and another 10% were self-built under the auspices of the Stockholm City Housing Department,
- . In the Ile de France, including Paris, and in Greater Rome, about 30% of completions were self-provided during the 1980s.

The importance of self-provided housing clearly increases even more as a means of supplying owner-occupied housing, for self-provision is by our definition owner-occupied in the first instance. In most countries, self-provision is the major way of supplying such housing (see Figure 1). For instance, in West Germany almost 80% of owner-occupied housing was promoted in this way during the 1980s. In Sweden, with large public rented and cooperative sectors, only 42% of housing built during the 1980s was destined for owner-occupation, but fully 65% of this-- or 27% of total housing output-- was produced through self-provision. Only in a relatively few countries did self-provision account for less than half of owner-occupied housing during the 1980s. This dominance is boosted even further if we consider 'single-family' detached dwellings alone where often self-provision is the only way of supplying such housing. For instance, in Denmark self-provision accounted for only 13% of total output during the 1980s. Nonetheless, almost all single detached dwellings were produced through self-provision. In France, at the other end of the spectrum, as much as 53% of total output was self-provided in the 1980s with 87% of single family dwellings produced in this way.

Different mixes occur between the two forms of self-provision. In France, for example, only about 20% of self-provided housing is self-build--with the remaining self-promoted housing being split fairly equally between housing commissioned from individual builders and housing bought from 'catalogue' producers. In Canada and Norway in contrast, around two-thirds of self-provided housing was self-built during the 1980's. Because self-build has the greater implications for costs, access to profits and behaviour in the housing market (see Table 1), this means that Figure 1 cannot be taken as giving a rank order of the economic and social effects of self-provided housing. This is likely to be greater in countries like Canada and Norway with much self-build.

3.1 Cost Advantages of Self-Help

Self-provision provides opportunities to lower the money costs of housing--or much the same thing--to obtain larger and higher quality housing for a given expenditure. Most of these cost-reducing opportunities are unique to the self-provided sector, and arise from its structural position in the promotion of housing as summarised in Table 1. Self-providing households have both more control over the production process and, because they own the site and the dwelling, they are able to retain the savings made.

There are two major ways in which cost reduction occurs. First, and most obvious, is the 'sweat equity' of unpaid labour provided by self-providers themselves. Labour savings in construction are usually taken to be the distinguishing characteristic of self-provided housing, but in fact these savings mostly occur in the self-build variant. For example, Canadian case studies from the 1980s (Bishop, 1985; Rowe, 1983, 1990) showed that on average around 50% of construction labour was furnished by self-providing households, but for self-promoters this was, on average, only 8% (usually finishing, decorating and landscaping) and not that different from the amount furnished by households purchasing a private sector produced dwelling (about 4%).

However, we should not forget what we might call the 'white-collar sweat equity' of initiating and managing the development. These tasks include those of promotion (arranging finance, obtaining land, getting planning and building permissions, selecting a design) and administration (organising the development process) as well as more detailed management (eg. buying materials, arranging deliveries, on-site management). Self-builders will normally carry out a large portion of this 'white-collar' work in addition to construction labour itself. While self-promoting households will usually leave more detailed work to an overall contractor, most will undertake the bulk of this 'white collar' labour. For instance, in Norway in the 1980s, 31% of sampled self-providing households furnished less than 400 hours of building work in completing their dwelling, as compared to an average of 1150 hours. Another 7% reported that they provided no building labour at all (Norwegian Building Research Institute Housing Survey - 1988). For these households, white-collar savings would be predominant.

The second main area of cost savings lies in avoiding profits and overheads paid to builders and developers. This results, as Table 1 indicates, from the structural position of self-provided building. The savings made in this way will vary according to the potential for making such profits. In some countries, such as Sweden and to a lesser extent France, the scope for private-sector housebuilders to make speculative gains is less than in others, such as in Britain. Hence, potential savings on commercial profits will also vary. Similarly, profit savings may be greater in boom periods, when private-sector firms can more easily increase development gains through speculation, than in slumps. Finally, self-builders have greater scope for profit/overhead savings than self-promoters.

Ultimately, all the savings made by self-providing households, as reductions in labour costs or in any other way, depend on their structural position in the ownership of property. The money

costs of self-promoted housing will tend towards a 'non-speculative' commercial price made up of land costs, construction costs, and normal overheads. The money costs of self-build housing will tend towards the costs of land and materials.

Estimates of the actual money savings made reflect these differences. Compared to equal size and quality industry building, most case-studies report reductions of 20-30% for self-building and 5-15% for self-promotion, although reductions of up to 60% are sometimes recorded. Drawing from a number of surveys, I have estimated elsewhere that the average cost saving for self-build in Atlantic Canada is about one-third, and for self-promoted building about 10% (Rowe, 1991). For West Germany in the 1970s and 1980s, Harms (1982, 1992) gives figures of 15-20% cost savings for self-build (or 20-40% if land costs are excluded). Indicatively, state authorities in Germany routinely cost self-built housing at 20% less than equivalent commercial production (Harloe and Martens, 1990). Similarly, for a small sample of Norwegian self-builders from 1984, Rosnes (1987) quotes average savings of 15% while in Sweden local-authority-promoted self-build has normally reduced entry costs by 20% (Volny, 1977). Although only looking at individual projects, Harloe and Martens (1990) report a 25% saving for total self-build, a 10% saving when the building shell was constructed by contractors, and 5% for 'self-design'. Finally, for Ireland, Jennings (1990) reports price differences of around 40-50% between self-provided housing and industry-produced housing.

We should also remember that savings can be translated into housing quality rather than cost reductions. Hence, Rosnes found that 20% of his sample were self-builders because they could then afford a higher-quality, bigger house than if they bought on the market. Likewise, Rowe (1983) found that in Canada the self-provisioning sector included more 'larger' dwellings, and, surprisingly, even self-provisioning households of retirement age often built larger than average dwellings.

4 SELF-HELP IN CANADA

The preceding section has included information from Canada in many of the comparisons, however it is possible to provide more detailed information about the extent, impact and costs of self-provisioning in Canada. The principal sources for this information is contained in Rowe (1983, 1989, 1990, 1991a, 1991b), Bishop (1985).

4.1 Extent and Economic Implications of Self-Provisioning in Canada

- . In Atlantic Canada about 50% of total new housing and 60% of single detached dwellings are produced through self-provisioning (Rowe, 1989, 1991a),
- . Using indirect indicators of the provincial levels of self-provisioning, the sector is strongest in Atlantic Canada, followed by Saskatchewan, Quebec and British Columbia with middle levels of self-provisioning. Ontario, Manitoba and Alberta appear to have the lowest levels of self-provisioning. No information has been

found to indicate the level of self-provisioning in the Yukon and NWT,

- . Over 22% (\$2.2 Billion) of the total value of new 1985 housing completions in Canada was by the self-provisioning sector (Rowe, 1989, 1991a). Since most of this was single detached dwellings this suggests that a third of the value of new single-detached dwellings constructed in that year were produced through self-provisioning (Rowe 1989),
- . One consequence of this level of activity by self-provisioners is that they are an important source of employment in the residential construction industry. CMHC (Hansen 1976:40) estimates that the production of a single detached dwelling requires 1.267 years of labour. There were 98,624 single detached dwellings constructed in 1985 (CHS 1985): self-provisioning builders would have built over 31,000 of these, a level of output generating almost 40,000 full-time jobs in that year,
- . Slightly over 23% of all new dwellings produced since 1980 in Canadian Census Metropolitan areas were produced through self-provisioning (Rowe 1991b),
- . According to Statistics Canada data self-provisioning accounts for almost half (41% of reported value) of the total value of renovation activity recorded in Canada. It is also well known that there is a high degree of under reporting in renovation, and it is likely that self-help renovations are more likely to go unreported than those carried out by contractors. Consequently this Statistics Canada estimate should be regarded as being conservative (see Rowe 1991b),
- . The absolute value of sub-contracts awarded by self-provisioning builders is substantial. For example, in 1985 the value was \$6 Billion compared to \$2.5 Billion of sub-contracts let by the private sector in the same year, and despite self-provisioning accounting for only about 23% of the value of all residential construction.

In summary, self-provisioning appears to be highest in Atlantic Canada, however significant levels of self-provisioning also occurs in British Columbia, Saskatchewan and Quebec. During the 1980s about 23% all new residential construction in CMAs was produced by the self-provisioning sector. The total value of that production is estimated to have been \$2.3 Billion in 1985. Moreover, sub-contracts to self-builders accounted for a further \$6 Billion in 1985, compared to \$2.7 Billion in sub-contracts to the residential construction industry.

4.2 Cost Advantages of Self-Provisioning in Atlantic Canada

Self-building provides opportunities for the household to fully capture substantial savings in the production of a dwelling by reducing construction costs. This is the principal reason for the relative advantage of many Atlantic Canadians in housing: higher levels of security through lower levels of indebtedness and lower housing costs, despite lower and less regular incomes. Two case studies have provided considerable information about the cost savings of self-provisioning (Rowe, 1983, 1990 and Bishop, 1985).

Savings on land are only available to households who buy the land themselves; savings on land are therefore possible only for self-builders or for households who employ a builder to build on land they have previously purchased (self-promotion). It appears that self-provisioners are sensitive to land prices, and tend to locate their dwellings where they can obtain land at a favourable price.

Significant savings on labour costs were made by self-builders who provide about 46 percent of total labour requirements themselves in P.E.I.. This is, of course, the advantage of self-building as opposed to self-promotion or industry produced housing. For the years of the P.E.I. study this represented a saving of about \$11,000, compared to households who do not supply any labour themselves. Many households contributed far higher levels of labour to the construction of the dwelling and, consequently, the reduction in costs would also be far greater. The most common type of labour provided by the household was rough carpentry such as framing and closing in of the wood-frame detached dwellings. However it was not unusual to see households also completing rough plumbing and electrical tasks, and a considerable amount of finish carpentry (Rowe 1983:83-85 and Bishop 1985:56).

Savings on materials are very difficult to estimate because of the variety in designs and the range of options in finish and materials. About 25 percent of self-building households obtained materials at reduced prices from alternative sources. The majority of these were wood related. Few households purchasing a dwelling from the residential construction industry have an opportunity to realise any savings on materials. However contractors have greater opportunities to negotiate discounts on material purchases, some of which might be passed on to the purchasing household.

In addition to these savings, self-builder's costs do not include the development gains of industry builders. However, in areas where self-provisioning is frequent, actual development gains are quite low, averaging 2% (see Rowe, 1991a). Thus the average contractor is estimated to make a \$885 gain on an industry dwelling, slightly less on a self-promoted dwelling, and nothing on self-built dwellings.

In sum, significant savings in inputs are possible for self-builders. Building sites for self-provisioning households were about 6% in the P.E.I. case study, and self-building households saved an average of 21% on labour costs. In addition, savings on material costs were also available to some self-builders. These savings do not include speculative gains which appear to

run around 10% in the P.E.I. case study.

In addition, self-providing households often obtain savings on cash flow. While these are not reductions in the cost of the dwelling, but they are ways that self-providing (usually self-build) households reduce the current financial demands of construction. Problems with cash flow occur at two distinct stages of construction: in the initial stages, when the foundation and materials must be paid for, and towards completion, when households have frequently exhausted their savings or credit limits and the effects of underestimating construction costs are felt.

Many households either live with relatives during construction or arrange inexpensive accommodation near the building site so that it is possible to commit more of their current income to construction. Towards the end of construction many households circumvent problems in cash flow by occupying their dwelling before it has been completed. Early occupancy allows the household to save on current costs of accommodation or extend the duration of the project and therefore pay for construction costs out of current income. Nearly one-third of self-building households (27.8 percent) occupy their dwelling while there is still a significant amount of work remaining to be done. The corresponding figure for households purchasing a dwelling is 2.2 percent.

The P.E.I. case study provides a rough indication of how self-provision reduces the access costs of housing. In housing markets such as P.E.I. where self-building dominates, this has an important downward impact on the costs of accommodation, in addition to the clear cost advantages for individual households. It also means that the residential construction industry must face self-building as a competitive means of housing provision. It clearly finds it difficult to meet this challenge and this is why self-building remains so important in Atlantic Canada. The effects of this upon the residential construction industry are discussed in Rowe (1989); generally the industry is deprived of the surpluses required to modernise its production. Consequently there is little likelihood of the residential construction industry being able to improve its competitive position with respect to self-building and thus self-building will, in all likelihood, continue to be a major form of housing provision in Atlantic Canada and by implication, in much of the industrialised world.

5 BARRIERS TO SELF-PROVISIONING

In this section I will deal with individual barriers to self-provisioning as well as reviewing access to and the price of land as a barrier.

5.1 Individual Barriers to Self-Provisioning

Even in the classic situation where the household provides all of the building labour itself, self-provided housing requires substantial capital outlays for land, materials and tools. Sometimes, it is true, land is acquired free and occasionally financial institutions will accept self-build labour as equity (see Ferrence and Associates, 1989). But even in these lowest-cost situations, research

shows that self-provided housing will predominantly remain middle-income, nuclear families with paid employment (eg. Norway survey 1988; Rowe, 1991; Harms, 1992). Most of those in greatest housing need--in the absence of substantial financial help from better off relatives or the state--will simply not be able to save or borrow sufficient funds to purchase the necessary materials and tools. This individual financial barrier is a fundamental restriction to the extension of self-provided housing.

A large number of households will also not be able to afford the time necessary for self-provision. For self-building this can be quite substantial. Volny (1977) on Sweden, Harloe and Martens (1990) for The Netherlands and Rowe (1991) for Canada quote a 6-9 months building period, using holidays, weekends and summer evenings, although Harms (1982) quotes a longer period of 2000-2500 hours spread over 1.5-2 years for W. Germany and Harloe and Martens (1990) in additional claim that 1100 hours p.a. is the most any single person can spend on self-building, this being equivalent to four weekday evenings, the whole weekend and the annual holiday. (Although note that building standards and technologies, etc. will also vary). The inputs are less for self-promotion, but then too are the cost reductions. This time constraint will impede self-provision for those without such time to spare, therefore. In particular, people with the sole responsibility for caring--such as lone parents or many elderly couples (caring for another)--will not be able to participate.

In addition, the flip side to joys of self-expression and realisation can be considerable stress as an all-consuming project eats up time, money and effort. High levels of pre-existing social confidence would be useful. This will further put off households with marginal resources of time, energy and self-confidence.

It seems very likely that traditional family gender roles are one means used to manage this problem of time and energy allocation. Commonly, women in part-time employment, or working full-time as housewives, extend their domestic labour to free up yet more time for their male partner who can then work on the housing project. Sometimes, where the man has help from male relatives and friends, the woman will also find herself having to cook particularly large and symbolically nutritious meals for the whole group. Similarly there may be strict divisions of labour on site even if women are involved. This interaction between gender roles and self-provided housing is not researched, but it is likely to be important to how, or even if, it proceeds.

These personal attributes of income, time resources and household type go a long way towards explaining the social distribution of self-provided housing. What does not seem to be an important barrier, however, is the possession of construction experience or specialised building skills. In Atlantic Canada, for example, construction workers were just as likely to be self-builders, self-promoters, or buyers, while their involvement in the former was less than many other occupational groups. Similarly, first-time self-providers were no more likely to have previous building experience than buyers--although having built one dwelling they were more likely to use self-provision on subsequent occasions (Rowe, 1990, 1991a). The situation seems much the same in other areas with high levels of self-provision (eg. Rosnes, 1987 on Norway).

This is not so strange when we remember that most difficult tasks will be contracted out, even with self-builders, and that the enormous developments of prefabrication, building components, and do-it-yourself has made building a far easier task. In addition simplified building systems such as the Canadian Wood-Frame construction ease the difficulties of constructing a sound dwelling and government sometimes make things easier by providing technical assistance in the form of advice, standards and publications (although legal concerns have limited the willingness of government to offer advice in Canada). It seems that only in countries like Britain, where self-provided housing is a relative rarity and where housebuilding is also technically archaic, will the lack of construction experience act as a barrier to self-provision.

5.2 Land as a Barrier to Self-Provisioning

Access to land and the price of land is a crucial element in any housing provisioning system, and particularly for self-provisioning. Both can provide a barrier to self-provision, where it is necessary to acquire a building site in order to produce a dwelling. In fact, this is so important as to be the structural equivalent of household income in imposing a fundamental restriction on self-provided housing provision. Britain can be taken as a prime example of this. Land ownership is concentrated, building land is very expensive (around 30% of final house prices in 1990), and the planning system makes little or no provision for self-provided housing. Hence, potential self-providers are left searching for some marginal sites no one else wants or paying the going (high) price. Only in peripheral regions with low land rents and fragmented or favoured land access, as in crofting areas of N.W. Scotland, is self-provisioning at all common (Clapham and Kintrea, 1992).

In areas with higher levels of self-provisioning we usually find more favourable land ownership and planning systems. In Ireland, for example, land ownership is fragmented into a number of small holdings, and outside of the Dublin area, land prices are generally low. So as many as 64% of the Irish sample had no land costs at all (they already owned the land or were given access by relatives) while most of the remainder bought their sites very cheaply (Jennings, 1990). In Atlantic Canada, over 30% of building sites were obtained free, while about half of the remainder were purchased cheaply from relatives or neighbours (Rowe, 1983, 1991). Similarly, in Norway around 40% of self-providers found land through inheritance of family (Norway Survey, 1988).

It is not the case, however, that self-provisioning becomes marginalised once a formalised and commercial land market develops. Rather, it is a question of the planning and housing system recognising the needs of self-providers. In Sweden, for instance, self-providers have the same access to publicly owned land (and to state subsidised construction finance) as other developers. Indeed, many local authorities plan for a substantial amount of self-provided in their housing programs and make special provision for it. In France, land assembly firms selling land to self-providers are required to be legally separated from catalogue firms selling them kits. In this case, commercial interests are regulated in such a way as to encourage land provision for self-providing households.

6 SUMMARY

Self-provided housing is a major form of housing provision in nearly all of the developed countries of W. Europe, N. America and Australasia. In many, like France or Germany, it accounted for the major part of housing output in the 1980s. Self-provision is not associated with backwardness; on the contrary, self-provided housing is often the major element in the expansion of major metropolises like Frankfurt, Paris and Stockholm, where highly developed markets in kits and components sometimes reach the heights of 'post-fordist' product development. Self-provision lowers the money costs of housing and usually ensures higher quality, and in this way enlarges the housing choices of middle-income nuclear families. Materials and land costs remain substantial barriers to self-provisioning, and the more disadvantaged groups are usually unable to participate. However, the presence of a large self-provided sector can indirectly improve their housing position. Housing cycles will be calmed, spatial polarisation will be less severe, and there will be less competition from the more advantaged in rental markets. A significant self-provisioning sector can also have important effects on the housebuilding industry, both through direct competition (usually with self-build) and by presenting a different market environment.

ENDNOTES

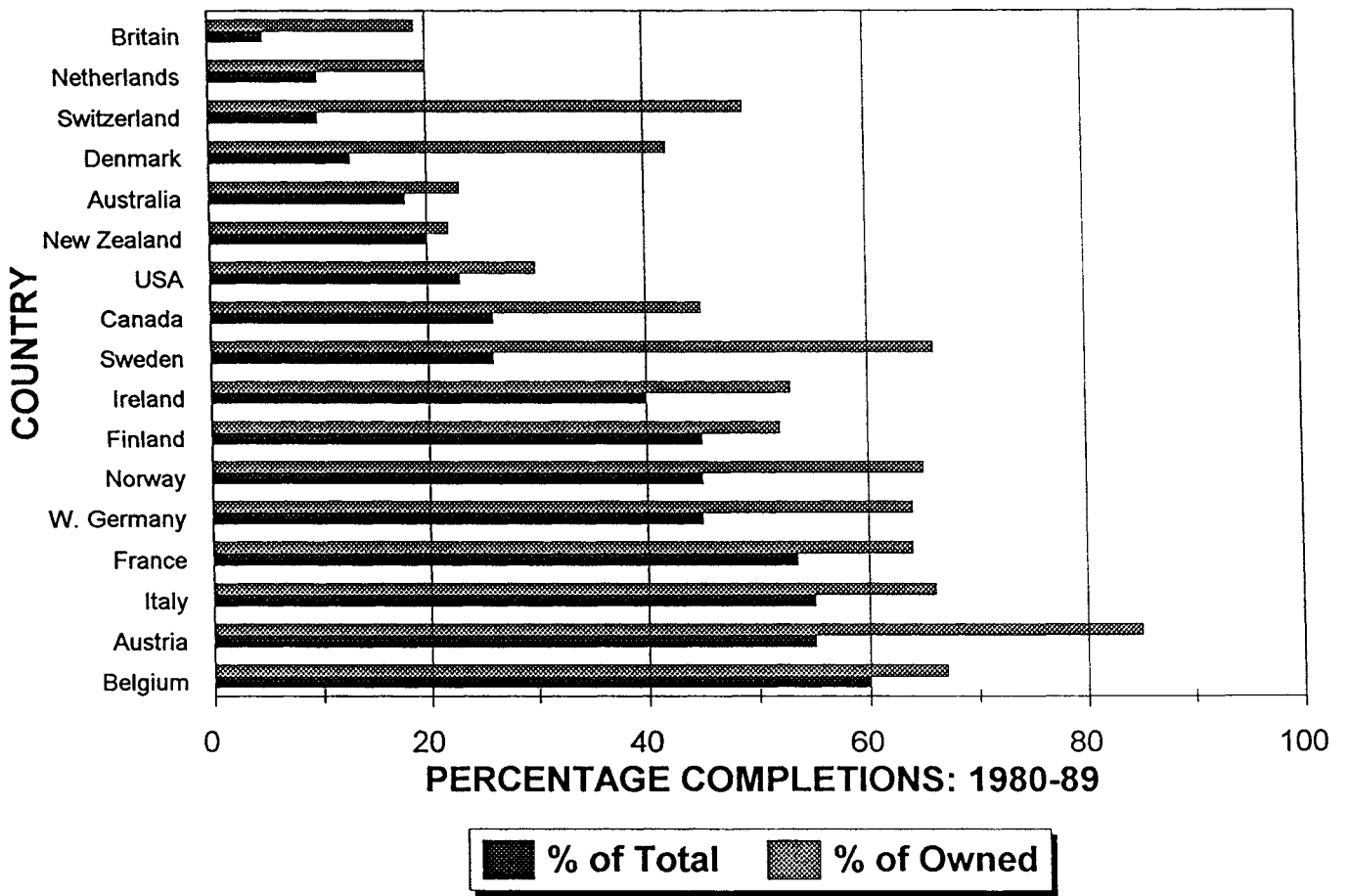
1. This paper draws heavily on Duncan and Rowe (1993), and although I have authored this version of our work, any credit has to be shared with Simon Duncan.

FIGURES

**TABLE 1
PROVISION FORMS, ACCESS TO PROFITS AND SELF-PROVIDED HOUSING**

#	Who promotes the development	Who actually builds the dwelling	Who has access to the profits?	
			Development Gain (1)	Production profits (2)
1	Private Sector Promotion			
1.1	Speculative housebuilders (direct labour)			
	Construction Co.	Construction Co.	Construction Co.	Construction Co.
1.2	Contracted out			
	Developer	Construction Co.	Developer	Construction Co.
2	Non-Profit Promotion (eg. public housing or co-operative housing)			
2.1	Direct labour			
	Institution	Institution	Institution	Institution
2.2	Contracted out			
	Institution	Construction Co.	Institution	Construction Co.
3	Self-Provision			
3.1	Self-build (direct labour)			
	Household	Household	Household	Household
3.2	Self-promoting (contracted out)			
	Household	Construction Co.	Household	Construction Co.
<p>(1) Development gain refers to profits made by acquiring property (land and/or housing) cheaply and selling it at a higher price.</p> <p>(2) Production profits refer to those profits made from the creation of new value in housing.</p>				

FIGURE 1
THE EXTENT OF SELF-PROVISIONING



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Community Land Trusts and Self-Help Housing in the United States

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Community land trusts and self-help housing in the United States

Introduction

The community land trust is one of the most innovative methods for creating secure housing and affordable homeownership for people with low and moderate incomes. Improving on conventional homeownership opportunity programs, community land trusts (CLTs) also serve the surrounding community's long-term interest by creating stock of housing that remains permanently affordable without requiring repeated infusions of scarce public resources. The CLT has proven to be a particularly effective way to both empower residents of low- and moderate-income communities, and to address the roots of the housing crisis in those communities. Since 1980, the number of CLTs in the U.S. has increased twenty-fold, with more than 100 formed or now forming in 23 states. In addition, there has been considerable interest in Canada from both the co-op sector and from grassroots neighborhood groups.

The Institute for Community Economics (ICE) is the principal provider of technical assistance to CLTs, as well as the communications link for this growing, national network. Through its programs, ICE addresses one of the fundamental problems of low-income communities and people: the lack of local control of land, housing, and capital. ICE works to affect structural change in the patterns of ownership of land and housing in low-income communities, and to increase capital allocation to these communities. We do so through an integrated program of technical assistance and financing to community-based organizations across the nation, as well as a program of education and outreach to the general public. The principal recipients of our assistance are community land trusts, limited-equity housing cooperatives, and other nonprofit organizations that are developing resident-controlled, permanently affordable housing in urban and rural low-income communities.

CLTs and other community-based housing groups need access to capital in order to develop affordable housing, but they are often denied such access by conventional financing sources. ICE operates a national Revolving Loan Fund to fill this gap. The RLF has made almost 300 loans totaling close to \$20 million and we have assisted with the formation of more than a dozen community loan funds across the nation.

The Community Land Trust Approach

The community land trust approach is a distinctive, flexible means of achieving the following affordable housing goals:

- . Maximize the cost-effectiveness of public investment in housing by recycling all subsidies for public benefit rather than allowing them to be privatized.
- . Preserve the affordability of subsidized housing to create an expanding pool of permanently affordable housing that will eventually be sufficient to meet the needs of all people at all income levels.
- . Promote resident control and ownership of housing for lower income households in order to provide domestic and economic security with a long-term interest in the place of residence.

Promote greater community control of land use and development in order to encourage locally appropriate and efficient development and the preservation of local housing stock, with continued affordable access for local residents.

CLTs are distinguished from other nonprofit housing organizations both in the way that they treat the ownership of land and housing and in the way that they are structured and controlled. The approach to ownership involves permanent CLT ownership of land, which is leased to local residents. These lessees may own homes or other improvements on the leased land, but their ownership is subject to restrictions on use and resale that are stated in the ground lease. The organizational structure of the CLT involves an open membership including both the CLT's lessees and other local residents. The board of directors includes balanced representation of both the lessee members and the non-lessee members. In both its approach to ownership and in its structure, the CLT is concerned with balancing the interests of individual residents with the interests of the "community" as a whole.

The word "community" in this context means the residents of the geographical area served by the CLT, all of whom are presumed to have an interest in the ways that land, housing, and other resources within the area are allocated and used. Some CLTs serve areas as small and tightly defined as a single, clearly bounded neighborhood. Others serve much larger territories, sometimes defined as entire cities or rural counties.

A Balanced Approach to Ownership

The community land trust model is based on the principle that land, as a finite resource, should be held in trust for the community of people who occupy and use it, and that this community has both a right and an obligation to allocate land use rights fairly to local individuals and groups, and to do so in a way that promotes the long-term interests of the community as a whole. Some community land trusts make land available for agricultural or commercial uses or for use by community service providers, but most CLTs are primarily concerned with residential use -- and in particular with use by lower income households who would otherwise be denied affordable access to housing.

To the extent that is feasible and appropriate, CLTs promote resident-ownership of housing on CLT land, whether in single-family homes or in multi-family buildings organized as resident cooperatives or condominiums. The CLT may purchase and rehabilitate existing housing, or develop new housing on vacant land, or it may work with other developers to provide affordable housing on CLT-owned land. In any case, the CLT is normally involved in marketing the housing, in selecting households to purchase the housing, and in working with these households to arrange affordable financing.

Many CLTs also operate rental housing on their land, either on a transitional basis until residents can be helped to achieve ownership through a lease-purchase arrangement, or sometimes on a longer term basis to meet a need for affordable rental housing offering long-term security.

In the case of resident-owned housing, the CLT leases the land to the residents through a long-term (often 99 year) renewable lease, which has several distinctive features. Because it is the CLT's purpose to promote resident-ownership, the ground lease normally prohibits absentee ownership and subleasing of homes, except for limited periods of time. The ground lease also limits the residents' equity in the home by giving the CLT a preemptive right to purchase the home, if the owners wish to sell, for a price determined by a specified "resale formula." Each CLT establishes its own resale formula, and these formulas vary in the extent to which they limit resale prices. In all cases, however, the intent is to balance the resident's interest in recovering her investment in the home with the community's interest in limiting the price of the home to a level that will allow affordable resale to other lower income residents.

Community land trusts address both the legitimate interests of the individual and those of the community. The individual obtains security of tenure, equity for her investment, and a legacy for her children. The community has provided permanently affordable housing for its residents, secured an economic base for future development, and provided a means of community planning.

Organizational Structure

CLTs are organized as private non-profit organizations with membership open to anyone in the area served who supports the organization's purposes. The CLT's lessees are normally granted automatic membership under the terms of the ground lease. The members elect a board of directors, which includes designated representatives of both the lessee members and the non-lessee members. (Typically 1/3 of the board consists of lessee representatives, 1/3 consists of representatives of the non-lessee members, and 1/3 consists of representatives of the "larger public interest.") The structure of the organization thus avoids the self-interested shortsightedness possible in an organization composed solely of resident owners, and the paternalism of an organization in which residents have no voice.

It should be noted that the term "community land trust" is sometimes used to describe certain organizations that employ the basic CLT approach to ownership but that do not exactly fit the structural model described here. Such organizations include:

- . Land co-ops, whose memberships are limited to those who lease land from the organization.
- . Nonprofit housing developers that have adopted the CLT approach to ownership -- retaining title to the land and limiting the lessees' equity in the home -- but that are not organized as membership organizations with balanced representation of lessees and non-lessees.
- . Land trusts established by coalitions of community development corporations, with boards of directors elected by the member organizations.

Financing for CLT Projects and Leaseholders

Loans secured by improvements on leased land raise special concerns for the lender and for the CLT, as well as for the lessee. Each of these parties has interests in both the mortgaged improvements and the leased premises where the improvements are located. Each is concerned with the way in which these interests are affected by the terms of the ground lease. Dealing with these concerns is therefore one of the more complicated tasks that a CLT faces in drafting its ground lease.

CLTs themselves typically acquire and develop property with mortgage financing. In such cases, title to land and improvements has not yet been separated, so the lender's security will be just as it is with a conventional mortgage. Even in this situation, however, the lender may take an interest in the terms of the ground lease that will apply when title is eventually separated and the home is sold. The lender clearly has such an interest if the mortgage is to be assumed by a lessee-homeowner. But even short-term lenders, who are to be repaid in full when the home is sold to occupants, may want to be sure that the proposed ground lease will not present an obstacle to the marketing of the home or to the financing of the home for prospective lessee-homeowners.

An increasing number of sources are becoming available for the necessary long-term financing for CLT lessee-homeowners. Savings and loans and commercial banks are increasingly willing to make such loans, and many CLTs have arranged financing for their lessees through various bank-capitalized loan pools or bank consortia established specifically to provide home mortgages for low and moderate income people.

For the most part, private financial institutions have not lent to CLT lessee-homeowners through conventional home mortgage programs but have negotiated special arrangements with CLTs. In these cases banks have often been willing to hold the mortgages rather than selling them on the secondary market, although Fanny Mae now has special provisions to allow the purchase of some CLT lessee-homeowner mortgages. More important to date is the fact that a number of state housing finance agencies purchase CLT lessee-homeowner mortgages originated by banks, and at least one such agency (Vermont) has established a special program to finance permanently affordable homes on favorable terms.

Municipal and state programs providing direct loans to low or moderate income homeowners are also important sources for some CLTs. At the federal level, after long negotiations regarding the terms of the ground lease, HUD officials have approved FHA mortgage insurance for CLT lessee-homeowner mortgages. The Farmers Home Administration (FmHA) has also agreed to provide financing for homes on land leased from a CLT.

Initial mortgages to purchase homes are of course not the only type of mortgage financing that CLT lessee-homeowners may need. They may also seek home repair or home improvement or "home equity" loans. In some cases the CLT may play a role in negotiating a home improvement loan (often through a municipal program) as part of the initial financing package

that will allow rehab of a home for owner-occupancy. But the CLT must also anticipate future situations when the lessee-homeowner may seek such financing on her own. In such cases, the CLT still has an interest in seeing both that the loan meets the needs of the lessee-homeowner and that the CLT's interests are not endangered by the loan.

Self-Help and Community Land Trusts

Overview

There is great variety in the housing programs run by CLTs. There are CLTs in rural, urban, small town and suburban communities. Some CLTs are located in disinvested neighborhoods, others are in gentrifying. There are CLTs which primarily develop multi-family rental housing, others build single-family detached homes, and some CLTs do not develop housing but hold land that is developed by other non-profits. This diversity reflects the high degree of local control in the CLT movement, and it makes it very difficult to generalize about the type and level of self-help utilized by CLTs.

As used in this paper, the term "self-help" refers to a range of activities that have the common purpose of directly involving CLT residents in the creation and preservation of housing. These activities combat the notion that affordable housing is a charity to be bestowed on a needy family by a public or private institution. Rather, it implies a mutually beneficial partnership between the developer and the recipient of the housing.

A self-help program can provide critical labor, thereby reducing the cost of housing. It can help ensure that the CLT's programs are relevant to the needs of its constituents. A self-help program can aide in the selection of qualified residents by requiring a commitment of time from potential residents. The residents who participates in a self home program also benefits. They may realize lower housing costs by contributing volunteer labor. They may find access to a vital community network by being involved with a CLT Board or committee. A self-help participant may learn new job or leadership skills.

CLTs provide self-help opportunities through the following activities:

- . Housing construction and rehabilitation
- . Equity build-up through ownership
- . Resident management of rental and cooperative housing
- . Empowerment through participation in the CLT

Housing Construction and Rehabilitation

Many of the CLTs in the U.S. involve community members and potential CLT residents in the construction or rehabilitation of housing. Examples of this type of self-help activity include the following:

- 1) Some CLTs require potential residents to participate in construction crews, but they do not earn equity for their labor. With this type of program, potential residents may be working on

either their own home or on a home for another resident. The type of work undertaken by the household depends on their skills, but it often involves those tasks which are most labor intensive such as demolition, dry walling, or landscaping. The purposes of this type of self-help program include: reducing the cost of development of the housing and therefore increasing affordability, providing a skill-building opportunity, or to earn eligibility for future housing through the CLT.

2) Other CLTs which utilize the construction labor of potential residents do provide equity in return for labor. "Sweat equity" is typically applied to a resident's downpayment which reduces the cash that the homebuyer must contribute at closing and reduces their monthly mortgage payments. Sweat equity programs only work in those situations when it is clear that value is added by a participant's labor and when a lender will allow the utilization of this labor as equity. (It should be noted that sweat equity programs require a fair amount of oversight by the CLT and that it is critical that all parties have a clear understanding of the responsibilities and benefits associated with the program.)

3) The CLT in Camden, New Jersey provides training and jobs for neighborhood people by operating its own construction crew. According to the CLT's Resource Coordinator, "The way all the other nonprofits in Camden work is that they get some government money and it passes through their office into the hands of a contractor, who is almost always a non-Camden contractor, with non-Camden workers. They do the housing, but the wages, benefits, and skill development go outside the city. What we've done here is assemble a rehab crew made up entirely of neighborhood residents. All the money stays in the neighborhood, the skills stay in the neighborhood."

Equity Build-up Through Ownership

Generally, CLTs provide housing ownership opportunities for households which otherwise would be renting. The CLT may be assisting families which have been paying rent regularly all their lives, but who do not have the resources for a downpayment, or lack a credit history, or who cannot make the monthly payments on a house which does not have subsidy funds to reduce the cost. When a family buys a CLT home, they build up equity over time. Typically, equity is realized through principle repayment on the mortgage and by making improvements on the home. (However, the resident does not build equity from the "social appreciation" in the value of their home.)

The accumulation of equity by CLT residents may allow them to purchase a home in the unrestricted market after being in the CLT home for a period of time. Or, the resident may be able to utilize the equity for another purpose, such as to meet a family emergency or to help send a child to school. Or the equity can be passed on to the resident's heirs. By assisting lower-income households in this way, all CLTs which provide ownership opportunities operate a self-help program.

Resident Management of Rental Housing

A number of CLTs develop and own rental housing. The population served by rental housing may not want or be prepared for homeownership. In these cases, many CLTs encourage resident participation in the management of the housing. This self-help program is implemented in a variety of ways. Residents may have a management contract for the property, or there may be a resident committee which provides input to the CLT or a management company. In cases of resident participation in management, the CLT, or another non-profit, typically provides training for residents on the management of rental housing, including budgeting for operating costs, undertaking resident selection, and property maintenance. For many residents in CLT rental property, this may be a unique and challenging opportunity to participate in decisions that have a direct impact on the quality of their life.

Empowerment Through Participation in the CLT

Resident participation in community-based housing programs can be a skill building process. The process of operating a successful housing program, from planning to occupancy, is not an easy one. To the extent that non-professional residents are involved in the process, the base of community influence and expertise is expanded. The empowerment of individuals who participate in a CLT is difficult to quantify, but it is one of the most important functions of participation. Robert Fisher describes the benefits of participation in a neighborhood-based group in this way:

The development of dignity, hope, self confidence, and pride, the planting of seeds of organizational experience which may come to fruition years later and perhaps far away from the initial community experience, the raised political consciousness of organization members, can all prove more important than more measurable victories. In general, the lion's share of gains of neighborhood organizing rests not with tangible results but rather in the lives of people who participate in them. . . Few who participate in a significant way in a neighborhood organization, to the point of making it an important part of their lives, leave the organization without being deeply affected.¹

Community land trusts, because they are membership organizations and are governed by a grassroots board of directors, effectively promote self-help through participation.

Case Studies

Rose City Community Land Trust for Housing

Rose City Community Land Trust for Housing in Norwich, Connecticut, is six years old. In that time, it has developed nine properties, including 12 housing units, with acquisition and rehab of another five units now in process. But the importance of Rose City CLT is not in the modest amount of housing developed. It is important as an organization that has grown from a grassroots base and has succeeded in retaining a genuine grassroots character, in large part

because of its commitment to a self-help approach to affordable housing development. The CLT is also important because it has had an impact on public policy that goes far beyond the borders of its own community.

Norwich has been described as "a small town with big city problems." Many low-income people have moved to Norwich from the surrounding smaller towns, which generally lack social service support systems. In the mid-80s, a survey showed that 26% of the children in Norwich schools were being raised by mothers on welfare. At the time, affordable housing for such people was disappearing rapidly, as a result of the booming defense industry and a state-wide real estate market that was among the hottest in the country.

Large old houses that had been divided into low-cost apartments were now being purchased and converted to luxury housing. On Church Street in one of the oldest sections of town, more than a hundred families were displaced when a developer bought up and converted what had been some of the most affordable housing in the area. Others were displaced as attempts to redevelop the downtown district resulted in the demolition of apartment buildings.

As displacement reached crisis proportions, an occasion for establishing a CLT presented itself. According to Joanne Sheehan, Rose City's President, "Jim Fox, who worked locally as a counselor, was inspired to do a self-help project with some of the low-income folks in the area. He met at the soup kitchen with ten to twenty people at different times. At first he was interested in doing a literacy program, but the people kept saying, 'What we need is housing.'" At that point, Joanne says, "We brought in some other people to discuss the idea. We tried to bring in people who had a real grassroots perspective, as opposed to just looking for housing experts. I think that was really the beginning of our strength. There was a real strong spirit in the group that we could do this, and it was the people living on the street who created the spirit. They believed so much that this could happen, that the rest of us couldn't disappoint them."

The CLT's board has since become much more expert in housing and financial matters, but the grassroots spirit has been consciously preserved. Joanne says, "We gradually brought on some more experienced people, but making sure that we never left our resident representatives or other board members in the dust." From the start, the CLT has utilized a self-help approach by involving its low-income members not only in the governance of the organization but in the development of the housing itself. Before members receive housing through the CLT they are required to complete at least 100 hours of labor, either on their own home or on other CLT activities.

Jobs requiring specialized skills are subcontracted. Other tasks are completed by prospective residents and volunteers. Some people with building skills are made available through the court's community service program, and on some occasions weekend crews of cadets are made available by the Coast Guard Academy and the Navy's submarine school.

"The trick is coordinating it all," Joanne says. "With our first house we had the advantage of a board member with building experience who took four months off to coordinate the project.

With our next house we didn't have her and it took twice as long. We've tried different approaches since then, but it's still draining for our Building Committee, which has the highest burn-out rate of all our committees."

In large part because of the success of Rose City and the dramatic testimony of its members, the state of Connecticut has passed several important housing bills. The legislature has passed bills including one establishing a "Community Land Trust/Land Bank Program" to subsidize acquisition costs for housing projects where affordability is permanently preserved, and a program providing operating support for CLTs and other community organizations was also established. Connecticut has also implemented a "Forever Housing" policy which requires that publicly assisted housing have long-term affordability controls.

United Hands Community Land Trust

United Hands CLT in Philadelphia, Pennsylvania was organized in 1988 through the efforts of the Kensington Joint Action Council (KJAC), a strongly established organization promoting unified action by poor and working people -- White, Black, and Hispanic -- on issues affecting the community. For a decade, KJAC has been involved in a squatting campaign, assisting poor families in taking possession of abandoned row houses and negotiating with the City to have title to the homes turned over to the families. Over the past decade, between 500 and 600 families have become homeowners through this process.

Several years ago, however, some new concerns arose around the squatting campaign. Though there were still hundreds of abandoned homes in the area, the cost of making them livable had risen beyond what poor families could afford without substantial assistance. There was also growing concern about what would happen to homes that were eventually sold by the original squatters: Would they continue to serve the interests of poor and working residents, or would they serve forces that threatened the community? In some sections of Kensington, early signs of gentrification and real estate speculation had begun to appear. In other sections, intensive drug traffic was a daily threat to neighborhood residents. In response to these concerns, KJAC and other community leaders formed the United Hands CLT.

Low-income people interested in acquiring homes through the CLT attend two orientation sessions to learn about the land trust concept and the self-help program. They then become members of the organization, are assigned to one of the standing committees, and attend monthly membership meetings. Before they can acquire homes through the land trust, members must participate in the "sweat equity crew," which works on the buildings being rehabbed for four hours every Saturday. Members move up on the waiting list according to the total number of hours they have worked. Typically they participate for a year and a half before they gain a home of their own. During this time they must also save the required

\$500 down payment -- no easy task for families whose annual incomes range from \$5000 to \$15,000.

The sweat equity crew guts the houses as necessary, scrapes and cleans, installs dry wall, tapes and paints. Other work is contracted, including plumbing, wiring, heating, roofing, and major structural repairs. The cost of materials and contracted labor ranges from \$27,000 to \$34,000 per house. A portion of this cost is covered by subsidies, including Community Development Block Grant funds allocated by the City. The balance, typically \$8000 to \$15,000, is borrowed. Loans for the first houses have come from the Delaware Valley Community Reinvestment Fund. The loans are amortized on a fifteen-year schedule, with balloon payments due in five years. Families assume responsibility for the mortgage payments when they take title to their homes, with the land trust serving as intermediary between homeowners and the Reinvestment Fund. When balloon payments are due, refinancing will be sought from banks. Efforts are also under way to arrange immediate bank financing for houses to be developed in the future. A bank has recently agreed to make such loans at an interest rate 1.5 points below prime.

Thirty-eight homes developed by United Hands are now occupied, and 14 more are under development. For those who persevere through the rigorous process of resident selection and participation in a rehab crew, the eventual homeownership becomes intensely important -- and so does membership in the CLT. The families will own the homes individually, but the feeling of solidarity among those who have gone through the process together is similar to that of a well organized sweat equity coop. United Hands President Madalyn Dillard, who was the CLT's first homeowner, says, "When people start out they don't know each other, but they end up knowing each other. We feel like we're family."

Dudley Neighbors Incorporated

Boston's Dudley Street Neighborhood Initiative (DSNI) has made the news as the first community based organization in the U.S. ever to have been granted the power of eminent domain as a means of controlling the redevelopment of its neighborhood. With this power, DSNI will acquire about 15 acres of absentee-owned vacant land, which, in combination with another 15 acres to be turned over by the City, will be developed according to a plan adopted by the neighborhood residents. A community land trust -- Dudley Neighbors, Inc. -- will own the land and make it available for development through a long-term lease that will permanently control the affordability of housing on the land.

With a growing membership of more than 850 local people, DSNI has created a true community-based structure for controlling the future of the neighborhood -- a structure that has given birth to a powerful community land trust. This impressive achievement was made possible by, and was shaped by, a years-long process of community organizing that should stand as an inspiring model for other communities.

Early in 1985, Peter Medoff was hired as Executive Director of DSNI. An experienced organizer, he brought a clear sense of how organizing should relate to the planning process. "A lot of the agency representatives," he says, "saw resident involvement as a communications process -- the organization would create a plan and there would be regular meetings where people could hear

what was going on. That wasn't my idea of organizing. In fact I thought it would be harmful to start putting together a plan if the neighborhood wasn't strong enough yet to feel control over what was going to happen."

The immediate focus was therefore shifted from planning to organizing. The strategy was to organize a number of smaller block associations, then bring these together as a federation for the entire neighborhood. Medoff says, "We started off just doing basic organizing around the usual issues -- getting more public services, cleaning up vacant lots, getting better police protection, getting stop signs put up, street lights repaired, basic things like that."

These successes were important not only because they brought immediate improvements to the neighborhood but because they raised neighborhood morale, increased the neighborhood's political influence, and established a basis for a true neighborhood-based planning process. As DSNI's present Organizing Director, Ros Everdell, says, "Having some victories gives people the motivation to keep going through this long process."

As the organizing effort moved forward, DSNI laid the groundwork for a strategic planning process. A grant was secured to hire consultants to work with the organization in developing a revitalization plan covering housing, economic development and human services. A nine-month planning process was initiated, involving the DSNI board and more than a hundred neighborhood residents working on various committees. The City government cooperated with the process, providing a substantial amount of information to the planners.

The plan that resulted was clearly the neighborhood's own plan. Among its important features were the following:

- . Plans for 1000 units of new housing and rehab of another 1000 units, with an emphasis on affordability for all segments of the existing community.
- . Plans for a central "urban village," involving a common area with adjacent retail businesses, neighborhood offices, and community facilities, providing a safe and convenient area for people to meet and shop, and strengthening the community's identity.
- . An emphasis on economic development and job training that would address the economic needs of the existing residents.
- . An emphasis on improving human services in the area, with greater accountability to the residents on the part of nonprofit service providers.
- . An emphasis on community control of vacant land and the development of that land.

A new corporation, Dudley Neighbors Incorporated, was created as the vehicle to take privately owned land and to hold permanent title both to this land and to the land that the City would turn

over as development projects were approved. A remarkable feature of this agreement is the requirement that the land be held permanently by DNI, that it be leased not sold, and that the groundlease assure that the affordability of subsidized housing developed on the land be preserved permanently. In effect the agreement not only allows DNI to function as a community land trust but requires it to do so.

350 to 400 units of new housing were planned for the Triangle. There would be a mix of single-family, two-family, and three-family buildings, some of the latter with storefronts on the first floor. All would have backyards. Playgrounds and a large number of "tot lots" would be scattered through the area. At a series of neighborhood meetings, residents considered proposed uses of the various parcels of land -- how many units of what type of housing would be built where, what land would remain open, where would the tot lots be. The residents' knowledge of the neighborhood resulted in a number of modifications in the proposal, particularly regarding the distribution of open space. The resulting land use plan, including 358 units of housing, was unanimously approved by the DSNI membership at the annual meeting in June of 1989.

The planned housing will involve a mixture of single-family resident-ownership, cooperative ownership, and rental. The broad guidelines for affordability require that 40% of the total be affordable for low-income families (below 80% of median income) and that another 30% be affordable for moderate income families (below 100% of median), with the final 30% sold or rented at market rates. To achieve these levels of affordability, subsidies will be provided through the City from a combination of state programs, Community Development Block Grant funds and the City's Linkage Program (funded by fees from developers of lucrative downtown projects).

DSNI's process of assembling land, selecting developers, approving specific plans and packaging financing for a number of related development projects, involving many players, has been complicated to say the least. However, their unwavering commitment to community self-help through participation and organizing has already resulted in dramatically improving the quality of life in the Dudley Triangle.

Starting a Community Land Trust

This outline of the stages for developing a community land trust (CLT) is based on ICE's experience working with numerous start-ups. As with any organizational development process, there is no automatic formula for success. This outline should be evaluated and modified to suit particular situations.

The development of a community land trust is more than simply putting together a set of legal documents. It is an outreach and education process. Ultimately, the success and dynamism of the organization will have a lot to do with the people involved, the level of internal education and training and the effort put into organizing and outreach. What follows is a series of steps that most groups use in starting a CLT. (Note that this process, in part, relates to meeting US corporate laws. The specific tasks of committees would need to be adapted to meet Canadian and/or Provincial requirements.)

Exploring the Option

Initial Education and Outreach

1. Organize a gathering of community residents to share information on a variety of housing options and strategies.
2. Distribute educational materials about local housing problems and the community land trust model.
3. Identify individuals interested in pursuing discussions about whether a community land trust might be appropriate for your community.

Initial Research Tasks

1. Who else is out there? Identify existing organizations in the community that are working to address housing problems. Determine whether a new organization is necessary. Speak with representatives of existing organizations about the community land trust model.
2. Assemble existing data. Collect any existing studies or information about housing problems in your community. Survey development activity, plans, and local lending patterns. It is very useful to know what statistical and anecdotal trends exist in your community. Any information and stories gathered will be useful for future outreach efforts and promotional materials.
3. Determine whether to move ahead. Based on the information about housing needs and the response of existing organizations, a tentative decision is made about whether to move ahead in developing a community land trust.

Initial Working Group and Committee Tasks

Convene an Initial Working Group

1. Individuals are invited to broaden the existing core group. One-to-one contact is the most effective way to get people involved. Look for:
 - low-income advocates
 - tenants/potential future leaseholders
 - an attorney to assist in legal work
 - concerned private sector individuals
 - representatives of local government
 - representatives of labor and civic organizations
2. Convene an educational meeting to attract new working group members.

Initial Working Group Tasks

1. Conduct additional education or training about regional housing needs and the community land trust model, if necessary.
2. Discuss organizational goals and objectives.
3. Make preliminary decision about geographical scope of organization and target areas.
4. Divide development tasks by forming the following committees: Legal Structure and Policy; Outreach and Membership; and Acquisition and Finance.

Legal Structure and Policy Committee

1. Based on full group discussion, draft a statement of organizational goals and purposes.
2. Draft corporate bylaws with guidance from an attorney.
3. Present draft bylaws to full working group and facilitate group discussion of key issues.
4. Redraft bylaws until approved by entire working group.
5. Draft Articles of Incorporation.

Outreach and Membership Committee

1. Identify and approach additional people for the working group. Conduct personal orientations for people who are late coming into the development process.
2. Coordinate education and training opportunities for the working group/future board. It may be useful to design a number of skill-building workshops to strengthen the knowledge and confidence of group members.
3. Draft an outreach strategy for the CLT. Identify key individuals and groups to talk to about the CLT
4. Develop a proposed timeline for presentations and one-to-one approaches.
5. Review outreach strategy with full working group and assign individuals to do personal outreach.
6. Coordinate the community outreach and education process.

7. Communicate with interested media.

Acquisition and Finance Committee

1. Develop a list of potential financing sources for CLT homes in the community.
2. Briefly survey the available housing market in the target area to get a sense of acquisition and rehab costs.
3. Identify a range of projects and prepare several hypothetical acquisition/financing packages (include anticipated subsidies) for review and discussion by the entire group. This is useful to determine whether there is basic agreement about the strategy for implementing the goals of the organization.
4. Draft selection criteria and guidelines for acquisitions (target areas, price range, necessary income level, type of houses, etc.)
5. Meet with local banks and housing finance agencies to discuss the possibility of financing for homes on CLT land.

Incorporation, Board Formation and Training

Incorporation

1. File articles of incorporation.

Formation of Board

1. Convene first annual membership meeting to adopt bylaws and elect board of directors.
2. First board meeting
3. Form standing board committees: Lease and Policy; Acquisition and Project; Finance and Fundraising; Outreach and Membership; Personnel and Nominating; and Resident Selection and Training.

Board Training and Development

Possible training/discussion topics:

1. Effective group process and decision-making
2. Roles of board members and committee responsibilities and tasks

3. Review of the community land trust model

Preparing for Start-Up - Tasks of the Board

While the organization is incorporated and has a formally constituted board, it still may not be quite ready to own real estate. There are a number of essential tasks which will strengthen the foundation of the CLT. Many of the standing committees will easily evolve from the initial start-up committees. Several new committees will form, and it will be necessary to draw in even more new people to serve on these committees.

Lease and Policy

1. Organize a workshop on the design of resale formulas and the CLT ground lease.
2. Facilitate discussion among board and membership on different approaches to resale formulas.
3. Design resale formula and submit to Board and/or membership for approval in accordance with bylaws.
4. Draft ground lease (including resale formula) with guidance from an attorney. Submit to Board for approval.
5. Prepare and file application to IRS for tax-exempt status.

Acquisition and Project

1. Based on information about housing needs and financing sources, discuss criteria for first acquisitions.
2. Identify properties for possible acquisition.
3. Continue contact with potential lenders and discuss prospective projects. Have lenders review your CLT's ground lease in connection with possible financing.
4. Review proposed acquisition criteria with entire board for ratification.
5. Work with Resident Selection and Outreach committees to design outreach and marketing plan to attract individuals and families to community land trust housing.

Finance and Fundraising

1. Prepare draft operating budget for organization.

2. Work with board to determine staff and funding needs for operations. Identify grant sources and begin application processes.
3. Set up organizational bank accounts, financial procedures and accounting systems.
4. Oversee and direct staff and consultants in maintaining quality financial records and reporting systems.

Outreach and Membership

1. Develop an outreach brochure and supporting materials.
2. Continue outreach and membership drive, including personal approaches to key individuals and organizations.
3. Organize and convene informational meetings for new members and interested individuals.
4. Maintain membership mailing list and records.
5. Produce a newsletter or networking publication.

Personnel and Nominating

1. Identify sources of volunteers and pro-bono assistance to the land trust.
2. Assess staffing needs and draft appropriate job description(s). Work in conjunction with the entire board to set salary level(s) and circulate job notice(s). Interview and hire staff and consultants.
3. Note any weaknesses in board representation from key constituencies and encourage interest in eventual service on board.

Resident Selection and Training

1. Develop resident selection criteria and guidelines.
2. Present resident selection criteria to entire board for adoption.
3. Design, in conjunction with the Outreach Committee, informational meetings and orientation sessions for prospective buyers.
4. Develop application form and draft selection process guidelines.

- 1 Robert Fisher, *Let the People Decide*, p. 165.

Building Urban Neighbourhoods: The Self-Help Approach

**CMHC/CHRA Conference
Land Trusts and Self-Help as Housing Program Tools
December 3 - 4, 1993
Ottawa, Ontario**

**Submitted by:
Aleta Fowler
22 November 1993**

Building Urban Neighbourhoods: The Self-Help Approach

Introduction

Self-Help Housing, Sweat Equity, Owner Built Housing. By whatever name, housing personally constructed or rehabilitated to live in for years and years to come has an appeal that goes beyond issues of money, time, effort or perhaps even reason. In September 1987, Reader's Digest published a short article on an owner-built project done four years earlier in the Portland, Oregon area. It gave the simple facts: A \$52,000 split-level home for a \$38,000 conventional mortgage and a "down payment" of \$14,000 worth of hard labour put in at 40 hours a week, for nine months. Households with annual incomes between \$16,800 and \$27,000. And it gave the kicker: for the 11 advertised and filled openings, 289 other households were turned down. But it also outlined the opportunities: 22 virtual amateurs, one too pregnant to work, built their own homes.

The good news went beyond what the article reported. The 1300 square foot homes the families had built for a \$38,000 mortgage, were actually appraised at \$56,000, in a neighbourhood having average home prices of \$65,000. And one man, trained on the site, went on six months later to become a builder.

Within a week of the publication of "Mr. Davis Builds His Dream House", my office at Neighborhood Reinvestment became a warehouse for letters. A special team had to be rallied to begin answering all the inquiries. Over 3,000 letters were initially received, and they would continue to arrive for the next year. All 50 states were represented as well as countries from Argentina to Canada, Japan to Israel.

Who are the successful self-help participants?

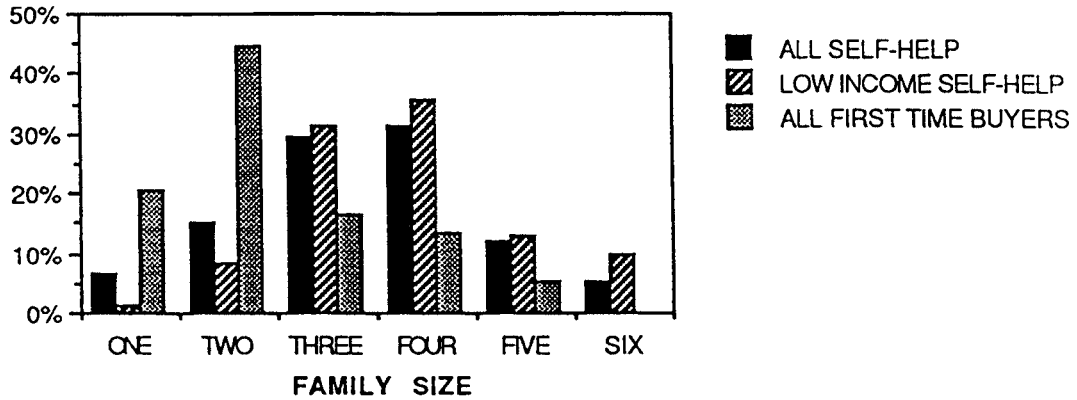
Self-help developments are tailored to the needs of an area's residents and the factors influencing the site, both natural and cultural. There is no generic self-help profile of the households involved, or of the housing types constructed or rehabilitated. In 1986 Neighborhood Reinvestment took a look at self-help developments undertaken in 11 cities, several of which I would begin administering in 1987 (the specific data used for the body of this paper will be drawn from more recent studies of 20 developments, Attachment A, which have not been as exhaustively collated as these 11). These were defined as coming from "a process which trains low-to-moderate-income families to collectively build homes for themselves and their neighbors through the investment of 40 hours of labor each week". A note should be added that this data was collected only from developments which would reach completion. Of projects started, many do not reach completion. Therefore, this generic data may represent some structure which contributes to success.

Demographics:

The median household size was 3.5 persons, compared with home purchasers nationally who had 2.8 persons per household. 72% of the self-help households

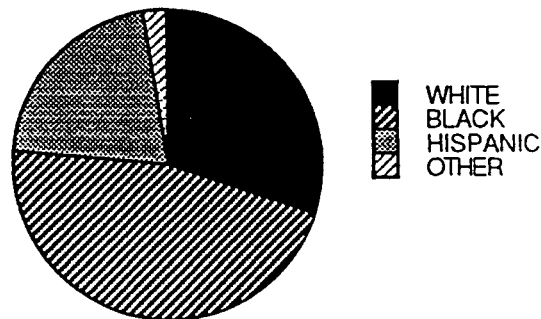
were married. Of the single households, 71% were female, and 84% of these were heads of household.

HOME OWNER FAMILY SIZE



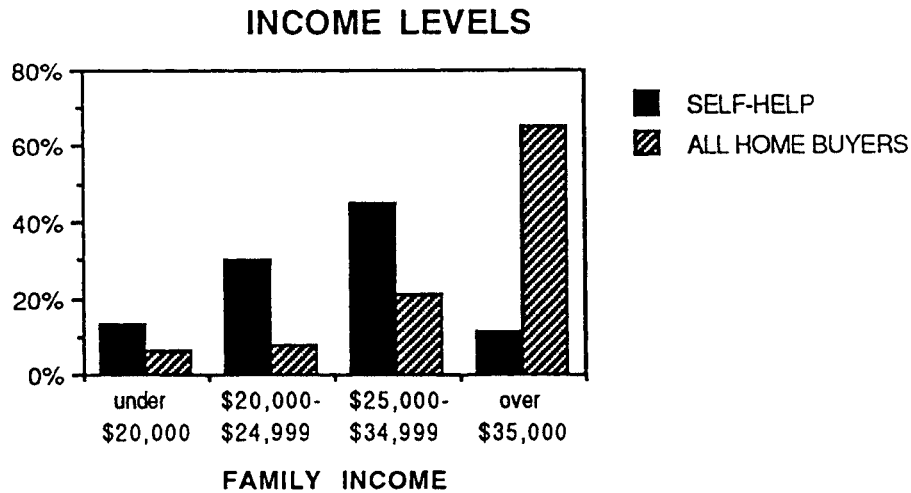
Of the self-help participants, in samples from 11 cities, 70% came from minority groups:

ETHNICITY OF SELF-HELP PARTICIPANTS

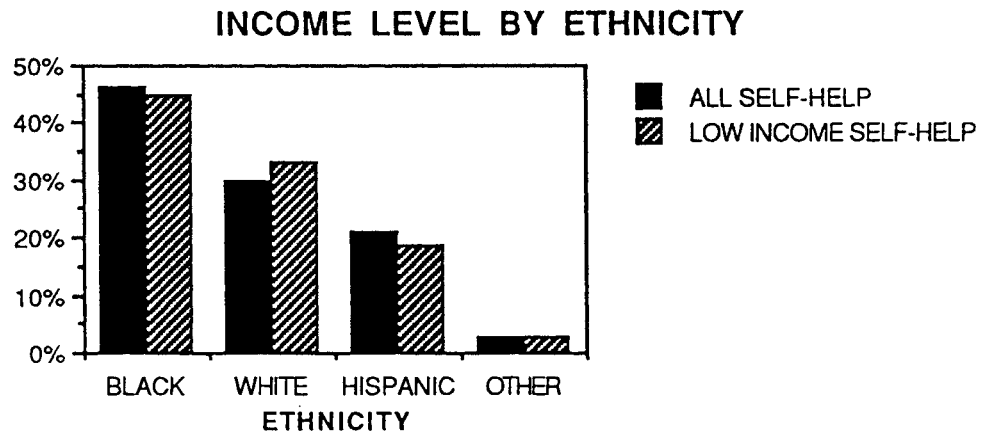


Income:

One of the key comparisons which makes self-help developments so appealing is to compare the incomes of the self-help households, with those of all home buyers nationally. A note should be made that the size of a self-help household is 0.7 persons larger than that of all home buyers nationally. This larger household size effectively makes the income gulf even wider.



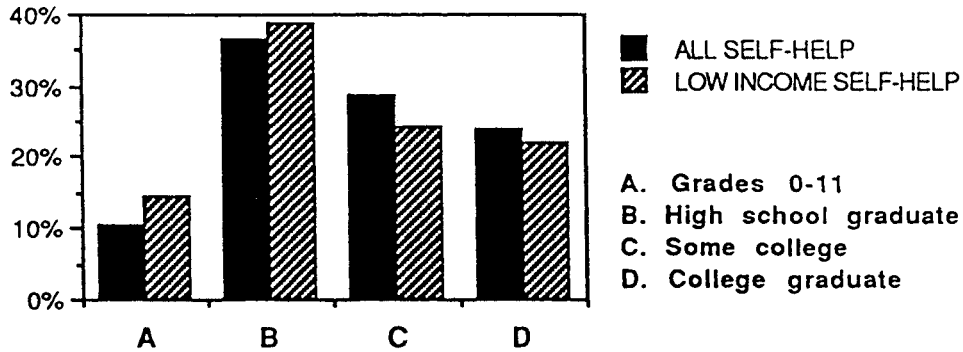
The median annual self-help household income for all developments surveyed ranged from \$19,848 to \$37,550. Overall, 50% of the participants were considered low-income as defined as having an income of less than 80% of that of the region as adjusted for family size.



Educational and occupational background

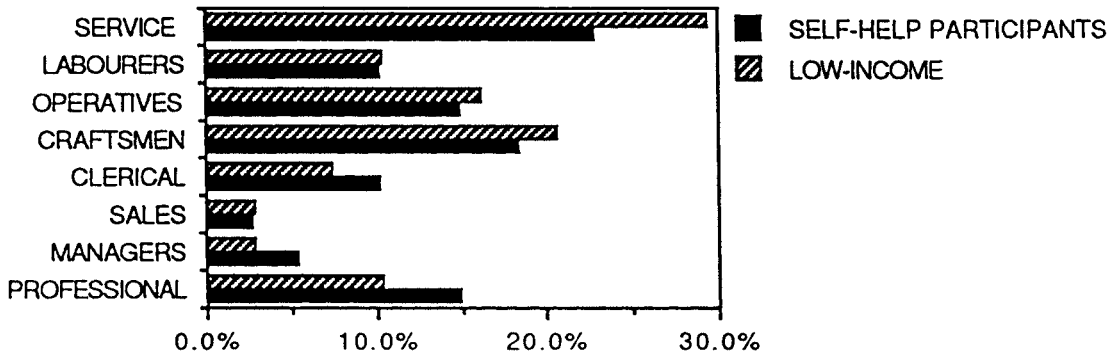
The median age for the self-help heads of household was 29.7 years. Although ages ranged from 21 to 60 years of age, 93% were between the ages of 21 and 40. Many had completed high school (36.5%), and 24% more were college graduates. Median years of education was 12.8.

EDUCATION LEVELS OF SELF-HELP PARTICIPANTS



98% of all the self-help participants were employed having a median income of \$25,851, or 61% of that of home buyers nationally. Most participants worked in the service industry or as craftsmen. There were a number of professionals among the moderate income participants:

OCCUPATIONS OF SELF-HELP PARTICIPANTS



Project Data:

95% of the households participating in the self-help projects surveyed were previously renters. Their median rent was \$275 per month.

A number of financial mechanisms were used to reduce land costs in many of the locations. Average land cost was \$6,487 per lot, or 13% of the completed unit costs. Site improvement costs averaged \$3,973. And although the costs of the units varied by site, ranging from \$37,500 to \$87,000 per unit, the average was \$39,404. Compared with all home buyers nationally, the benefits of self-help housing are immediately evident: households can become homeowners without having to accrue large cash assets.

Characteristics	Self-Help Units	All Units Nationally	Percent Savings
Appraised Value	\$72,169	\$75,000	3.9%
Median Down Payment	\$ 1,127	\$14,100	1,151.1%
Mortgage Amount	\$48,738	\$60,900	25.0%
Loan-to-Value Ratio	67.5	81.2	20.3%
Annual Mortgage to Income Ratio	21.3	16.2	(23.9)%

It should be noted, that for the low-income self-help participants, their annual mortgage payment represented 24.6% of the median family income. Therefore, it is very likely that for many of the participants, after payment of real estate taxes, insurance, etc., the total housing cost exceeded 30% of their annual income.

Self-Help Overview

The spin-off benefits to communities of self-help programs are well-known:

- crime reduction
- stabilization and maintenance of neighbourhoods
- stimulation of investment
- spurring of employment/commercial/cultural opportunities
- creation of long-term affordable housing
- reduced cost to tax payers to produce affordable housing
- increased tax base

The difficulties of self-help housing are less well-known. The failure rate of self-help developments is high. The near-failure rate, where the development is saved only through massive infusion of effort, and sometimes capital, is also high. Those communities or organizations which choose to use the expertise gained by doing a first self-help project, to initiate a second project, rarely do. And, for everyone involved in a self-help project, the personal psychological cost can be high. Fortunately, most of the circumstances contributing to these difficulties can be mitigated with some foresight and knowledge.

In the U.S., self-help projects became less appealing as interest rates dropped. At lower interest rates, it was better for a family to take a second job, than to put in the 40 hours a week working on their future place of residence. It

was faster and entailed fewer divorces. Further, at the low number of units a self-help program produced each phase, it was not cost-effective in terms of hours expended by the sponsoring organization, in the use of land or in the higher costs of the relatively small orders of materials. Non-profits were more cost-efficient when building larger numbers of units, with each phase using conventional means.

In Canada, there is the potential for self-help to be effective. Land costs are, generally, lower than in the U.S. Canadian suppliers are, generally, more receptive to small orders than in the U.S. There are, generally, fewer opportunities for a second job in Canada. Generally, the urban centres of Canadian cities are still viewed as viable residential areas. Canadians, generally, are not willing to commute the vast distances people do in U.S. urban areas for the privilege of a preferred residential style. And, generally, Canadians do not want to have to settle for the types of urban dwellings that households in the U.S. have had to learn to accept.

The Self-Help Process

All self-help projects entail the same basic steps; an outline is provided in Attachment B. The highlights of these steps will be illustrated using the 20 developments in Chart A and will focus primarily on the self-help component of the process rather than extensively detail the necessary community organizing, financial planning and administrative operations.

It is important to remember that every region, every city and every neighbourhood poses a unique set of opportunities and obstacles. A self-help approach that works in one area, may be a failure in another. Each development must be individually researched, planned and organized.

The basic steps to a self-help development are:

1. The development of a non-profit organization
2. Data collection and goal formation
3. Development of a resource base
4. Finding a site
5. Design and marketing
6. Pre-construction activities
7. Construction
8. Evaluation
9. The next project....

1. The Development of a Non-Profit Organization

A non-profit organization is needed to be able to channel charitable funds. The structure which works best is a Board of Directors which is comprised of neighbourhood residents, business people and representatives from

governing bodies. The residents have a vested interest in neighbourhood improvement. From the business people, the organization is tapping into a network of resources, both technical and financial. And the government representative helps keep projects on-track and moving through the bureaucratic mechanism.

One of the biggest housing development issues in the U.S. today is the impact of regulations on project timing and costs. In Canada, this same impact is beginning to be felt, and it helps to have a government representative.

In Boston, a self-help project that was initiated in 1985 spent five years battling bureaucracy, and ironically, infighting between non-profit groups, without breaking ground. In many cities, U.S. and Canadian, there are a number of non-profit groups and the atmosphere can be competitive, especially when financial resources and available land are limited. By building in community representation and support at the Board level, some of this can be mitigated.

The interaction between the Board and the staff of the non-profit is a system of checks and balances. The Board should be protected by liability insurance. The Board is also a means of insuring the continuum of the non-profit's goals as the turn-over of staff in such organizations tends to be frequent.

In a Midwest city, a substantial monetary grant given for an organization to undertake a self-help housing development disappeared. The Director was fired, but the Board of Directors had had several months to notice errors, and had failed to notice the obvious discrepancies.

Conversely, in Oakland, California, a strong and astute Board and staff have moved from project to project. In three phases, they developed 31 units of self-help housing in one of the more blighted areas of the city. An ingenious move the Board took was to hire the construction supervisor from one of the early phases, as Director of the organization. In addition to self-help projects, he instituted a new project entailing affordable subdivision development.

A mechanism to maintain momentum is to have self-help participants serve on the Board. They learn the process from being involved, and can be instrumental in planning, marketing and recruiting for the next phase of development after they have moved into the units that they built.

2 Data Collection and Goal Formation

Data collection tells the organization what it has and what is needed. The goal formation is the identification of the shortest distance between the two. In St. Louis, as in many older Canadian cities, there is a stock of reasonably priced, aging buildings in "transitional" urban neighbourhoods. Purchase and rehabilitation can be cheaper than new construction. In the St. Louis example, the self-help households were urban pioneers who revitalized a neighbourhood and moved crime out. Note should be made that aging

buildings should be carefully selected. A photo opportunity of the motivated staff and families was marred when the background building-to-be-rehabilitated collapsed.

In Minneapolis, as in most cities, there were a sizable number of lots throughout the city which were individual eyesores in otherwise attractive neighbourhoods. Although self-help development on scattered sites is very challenging, several goals were achieved using this approach. Families attained ownership of 2000 square foot residences, having a mortgage one-third of the appraised value, and the appraised value was 10% greater than the average house price in Minneapolis. Not only did these neighbourhoods attain a more cohesive appearance, but properties adjacent to the new construction became more marketable.

Phoenix, Arizona also produced very affordable housing through self-help and filled in vacant gaps in the neighbourhood fabric. The sponsoring organization was approached by local officials regarding purchase of homes which needed to be moved off their present sites. These were relocated to the vacant lots and rehabilitated. As older homes, they fit in well with the neighbourhood. Older Canadian homes are typically well-constructed and this potential does exist. Queen's University in Kingston, Ontario recently moved three brick houses from their new library site to a site 15 blocks distant for use by Corrections Canada.

The non-profit organization in Durham, North Carolina spotted an abandoned armory. Although derelict, they were able to get it placed on the National Register for Historic Buildings. It provided four self-help rehabilitated units which had mortgages 25% under the appraised value, which itself was 22% under the area average housing cost. The neighbourhood has a very different appearance with a historic building brought back to its original dignity at its centre.

Barberton, Ohio was very interested in starting a self-help program. However, errors seem to have been made in assessing the target neighbourhood and in assessing public interest. Although funding was increased as the project got into trouble, the eventual outcome was a smaller development.

A self-help project in Hartford, Connecticut started small, but enthusiastically: 10 small Cape Cod style "saltboxes", for which a newspaper announcement had generated over 300 responses. Realizing they had stumbled upon a very large need, their second self-help project entailed 30 units. To handle a project of this size, they used pre-fabricated panels and a townhouse design. Affordability was further enhanced by having a rental unit on the bottom of each three story unit. A total of 60 families were affordably housed. This approach has great potential for Canadian cities where both the rental and ownership markets can be addressed. And in slow economic times, rental

income can supplement family income. Further, the positive impact of 60 new, community-spirited families in a "transitional" neighbourhood is conspicuous.

On-going data collection is necessary to direct and verify goals. In Anchorage, an organization completed a self-help developments which was so impressive, it was internally called the "Taj Mahal". Their intent was to follow success with more success using the expertise from the first development. However, the real estate market bottomed-out, and they wisely chose to switch to purchasing vastly discounted, recently foreclosed properties to rehabilitate into affordable housing using contractual labour. Although real estate markets do not shift so drastically in most Canadian cities, it highlights the importance of continual data collection and goal evaluation.

3. Development of a Resource Base

Many successful self-help programs are preceded by high profile, less ambitious, more "grassroots" style programs. Boise, Idaho, for example, ran an increasingly comprehensive neighbourhood spruce-up campaign, called "Paint Your Heart Out" involving hundreds of businesses and volunteers for a one-day annual event, before starting affordable housing developments. San Luis Obispo, California began with a simple self-help program. Families whose homes needed repairs were organized into teams under a supervisor to train for one specific repair task, such as roof replacement. These intermediary steps establish technical and financial contacts.

In the U.S. there are numerous financial mechanisms to initiate self-help projects, all of which have been used at some point. Every self-help project is structured differently. Bonds were often an important resource as were various tax credit or deferment arrangements, housing trust funds and employer-assisted housing programs. An active secondary market purchases mortgages issued by non-profits and financial technical assistance is widely available in the U.S.

4. Finding a Site

Sites come to organizations in two ways: they are presented, or it's a lot of hard work. Many U.S. and Canadian cities have land at their disposal through land-banking. In Oakland's second self-help project, the land came from the City. It was an irregular strip remaining from the construction of a freeway. Once developed, however, it became a pleasant neighbourhood.

CMHC, and other groups, have excellent guides for criteria to use when searching for, and evaluating, land. It is best to keep land costs under 15% of total project costs. The Civic Center Barrio Housing Corporation in Santa Ana, in the Los Angeles metropolitan area, where land is as scarce as water, summed up the land search:

Tangibles

Appropriate Land
 Appropriate Seller
 Acceptable Terms
 Availability of Funds
 A Broad Base of Support

Intangibles

Creativity
 Persistence
 Patience
 Timing
 Luck

In Canadian cities there are very few sites available to accommodate self-help developments. Aside from use of knowledgeable Realtors, and inventorying government holdings, one approach is to find parcels or buildings which fit the organization's needs and contact the owner for direct negotiation. Seduction methods, such as offers of naming the development after the owner, offering the owner a place in the development, resolution of property difficulties, providing service on another property, or provision of extensive and positive media coverage sometimes works. Creative alternatives to cash sales sometimes works as well. And, to control costs to the self-help participant, there are several models of land tenure including freehold, cooperative holding, land trusts and lease-to-own programs.

Ideally, self-help parcels should be contiguous to avoid costly and time-consuming transfer of materials and participants to scattered sites. High rise buildings for self-help rehabilitation will realistically need to have more of the work sub-contracted and will therefore, not be as affordable. But, for most affordable, self-help urban projects, there are few land options. The Santa Fe group avoided the land issue altogether by selecting only those participants for the self-help program who already had land. The St. Louis group went into a neighbourhood so undesirable, it was difficult to get police patrols. And in Boston, the group found a hillside, overlooked for development, because it required specially engineered foundations.

5. Design and Marketing

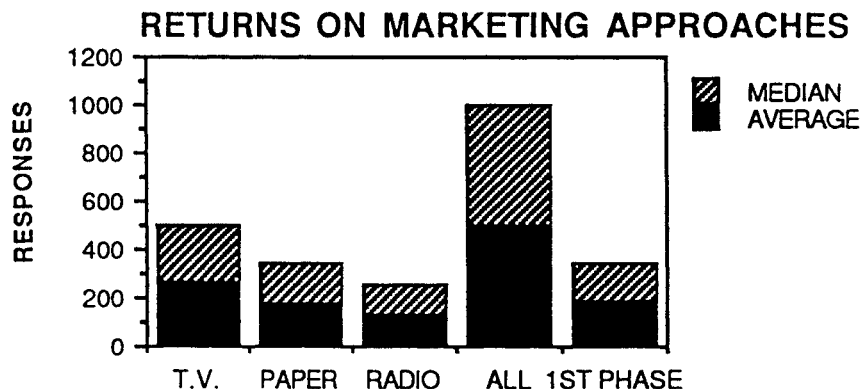
This is the first phase where the participants in the self-help program may become involved. The sponsoring organization needs to decide which comes first: the participants or the design. Design can make the self-help construction portion of a development easier and cheaper; simple is preferred to complex. Optimum Value Engineering (OVE) guidelines should be used to reduce costs. If an organization elects to select the participants prior to design, their input on both site layout and unit design may make it more complex, but this usually results in greater future satisfaction with their residences and neighbourhood.

In Richmond, California a "modern" design was chosen by the organization. When they elected, however, to hold "focus groups" to provide feedback on owner preferences, the organization was surprised to discover that households overwhelmingly preferred the more traditional split level ranch style home.

There are several good sources for site and unit designs which maximize the use of land and materials. One of the grossest inefficiencies, and subsequent expenses, of the self-help approach is the limited number of units which can be produced. The failing is in the number of households which can be adequately trained and supervised. A team of more than 12 households is difficult to manage; fewer than 10 is inefficient. However, once an organization builds capacity, several teams can be operating concurrently, entailing savings in material purchases, land carrying costs and cost of infrastructure installment.

Use of pre-fabricated components can also speed the process and permit larger numbers of households to be supervised. In multi-family buildings, or rental developments, use of partial self-help efforts can be used to increase team sizes and project progress.

For a fledgling organization, getting self-help participants in the door can be difficult. Examining the generalized profile given at the start of this paper can help establish target populations. Of the 20 developments outlined in Chart A, several approaches were used. 6 used newspaper announcements, 4 used T.V., 2 used radio and one used all three media.



Two groups paid for the use of professional marketing agencies, each group receiving over 1,000 responses. For those groups having completed a self-help project, no marketing was necessary - over 200 responses, on the average, were received just from word-of-mouth.

In San Bernadino, California, the organization decided to only market to veterans. They received 60 responses, a very low rate, but proceeded nonetheless with 10 units. The first five were successfully completed, but for the second five, interest was lost and an outside party had to be brought in to sell some of the units on the open market.

In any self-help marketing effort, there are some very basic rules of thumb:

- A. Design a strategy to acquire community endorsement of this program
- B. Establish a marketing approach and determine whether it will be implemented in phases
- C. Have a fair marketing plan which includes a deadline date and time for applicants
- D. Determine an amount to charge for the application processing
- E. Pre-determine the number of households and alternative (replacement) households needed to begin the development
- F. A description of the criteria for qualification should be ready
- G. Decide, in advance, whether selection of households will be done on a first-come, first-served basis, a lottery or some other priority system
- H. Determine whether or not there will be an interview process
- I. Establish how the households will choose or be assigned to their unit, and at what point in the development process this will occur
- J. Check into local or provincial requirements regarding condominium, cooperative, rental, subdivision or appropriate form of development for the self-help project
- K. Marketing may require legal review to ensure that the language or uses of materials are not discriminatory and do not lead to liability problems

The marketing strategy and selection process should not differ substantially if the units are to be freehold, condominiums or cooperatives, newly constructed or rehabilitated. Marketing self-help for a rental development, however, is difficult. People rent because they are transient, because they are in the process of trying to earn a downpayment to purchase a home, or because they are not interested in, or unable to handle, the maintenance of a home. With the enticement of tenant management, there may be success in marketing some degree of a self-help program.

6. Pre-Construction Activities

Attachment B outlines a number of details which need to be attended to prior to putting households on the job site. The obvious ones, such as insurance, financial arrangements, building permits, etc. will not be discussed here. The sponsoring organization should try, however, to keep its' administrative costs to no more than 15 - 20% of the project costs.

Four major activities need to occur during this period which will determine the success of the project:

- a construction supervisor must be hired;
- selection of sub-contractors and suppliers needs to be finalized
- an agreement must be drawn up outlining responsibilities and recourse during construction; and
- participants need to be oriented and trained.

Hiring the Construction Supervisor

The single largest expense in a self-help project is the Construction Supervisor, and it is money well spent. The person to be hired has to have a complete knowledge of the construction industry; be able to do scheduling and cost estimating; inventory and order materials; coordinate deliveries, sub-trades and self-help participants; potentially provide and maintain tools for the entire project; keep track of self-help activities and hours; resolve disputes; train novices and fairly allocate tasks; assure the safety and security of the job site; maintain morale and encourage group solidarity; enforce the project timetable; and keep the project within budget.

Usually the Construction Supervisor is a contractor from the area who has local respect, a good temperament and the ability to teach. Most projects also retain a paid assistant for the Supervisor. The assistant's role is be more "hands-on" moment to moment with the self-help participants and in the facilitation of liaisons between the participants, the organization and the Supervisor.

I devised a 12 page exam (copyright pending; available upon request) to screen applicants for Construction Supervisor positions. This exam was taken by hundreds and hundreds of applicants across the U.S., yielding an accurate measure of a person's abilities, but only one person scored 100. That was the Construction Supervisor for the Portland, Oregon project featured in Reader's Digest.

Selection of Subcontractors and Suppliers

Some subcontractors may be needed. The less they are used, the more affordable the development. For the best prices, subtrade items are usually put out to bid with screening for licensing, ability to bond, provision of warranties and supplier lien releases. A rule of thumb is that no contractor or subcontractor should undertake a job which exceeds 30% of their annual gross income.

Suppliers have to be flexible. In many urban areas, it is not practical to store materials at the job site; the supplier may have to provide this space. In addition, however, delivery of these materials from the supplier needs to be prompt.

Self-Help Participant Agreement

The agreement between the self-help participants and the sponsoring

organization defines the self-help project. This agreement will vary from project to project and will be tailored specifically to each set of participants and circumstances. Examples of issues to be clarified by formal agreement before construction through the agreement are:

How will the families be organized during construction?

The two most common approaches are to establish a formal association with an elected president, vice president, etc., or have a single person nominated to act as liaison with the sponsoring organization and the Construction Supervisor. The formal association has had consistent success in maintaining project schedules and resolving conflicts.

How many hours must each household contribute per week?

This figure typically ranges from 30 to 40 hours weekly. 40 hours is considered advantageous as it shortens the construction period. A rule of thumb is that one unit is produced per month for each household on the project; i.e.: 10 households, 10 months; 12 households, 12 months. In Anchorage, however, the participants voted to work 50 hours per week during the long summer days, and 40 hours during the shorter winter days.

When are working hours?

Are there going to be regular working hours, or can households do "catch-up" work when convenient? Will there be penalties for not being present for pre-arranged training?

Who may contribute these hours?

Are households going to be limited to the number of assistants they may have? Do these assistants need to be cleared prior to construction or can they be approved at the job site on any given day? The Construction Supervisor will already be training and overseeing an average of two adults and two children per household on the job site. Therefore, the more control and order which can be maintained, and stipulated from the onset, the better.

Who can be on the job site?

Although insurance policies will settle part of this question, job sites cannot be open grounds. The question of baby-sitters, relatives, children's friends, or a replacement volunteer being present needs to be decided beforehand.

Are all the units to be worked on simultaneously, or can one household work on only their unit?

For training and supervising purposes, as well as for group morale, it is generally better for the self-help participants to work as a team on all units. The degree to which this team organization can be flexible needs to be pre-determined.

What counts toward work on the project?

Does food preparation and overseeing communal child care count toward household hours? Does extra work a household does on their own unit count?

What happens when a household falls behind in their committed hours?

Will there be a penalty? How many hours must be missed before this is applied? How many hours must be missed before a household becomes disqualified and a replacement household substituted? Will the original household receive any remuneration or reimbursement?

What is the chain of command and terms for mediation?

One of the best clauses to have in the agreement is "The authority of the Construction Supervisor on the job site is final." Advice of a lawyer on mediation terms and grievances is recommended, particularly if one outcome can be expulsion of a self-help participant.

Will the self-help participants have any duties for the sponsoring organization?

Self-help participants may be involved with the Board prior to beginning training for the project. This period can be used to better acquaint households with the process, and the households can be partially responsible for marketing the next phase of the project.

How are tools supplied?

Tools are a big issue because they are a big expense. There are three options in use:

- the participant can provide all or part of the tools
- the sponsoring organization can establish a tool bank
- there can be communal tools owned collectively by the group, provided by the contractor, paid for through fees to the sponsoring organization, etc.

What fees, if any, should be decided upon at the onset. Many organizations report that well-maintained, safe and functional communal tools are the exception rather than the rule. Tool banks have more withdrawals than deposits. Some organizations have decided that the best way to maintain control over the quality and availability of tools is to have one person be responsible for all tools - preferably the tool's owner.

Will there be resale restrictions?

Households should be aware, from the beginning, if the sponsoring organization plans to try to maintain permanent affordability of the units through some form of resale restriction or alternative form of property title. Many organizations do not use resale restrictions unless restrictions can be tied to the terms of grants or below-market rate financing received by the household.

Training and Orientation of Self-Help Participants

Orientation of the participants should begin well before the start of construction. They need to know how to manage their lives, the project and each other. Because an average of 95% of the incoming participants are renters, financial management, enforcing warranties, scheduling of home maintenance, energy use and other skills are taught. A preview to construction is given; familiarization with construction terms; management of the job site; chain of command and responsibilities. Realities of the job site are examined: the relentless time frame of 40 hours of work for 40 weeks or more; what a circular saw sounds like; just how heavy a hammer is; knowing there will be days spent up high on a roof, or in a tight place, or a wet place, or a hot place.

During this orientation and training, households and the organization staff will have a chance to become familiar with each other; ideally the construction supervisor can be involved as well. The participants will be electing either association members, if a formal association is set up, or a person to act as liaison with the organization and supervisor. The group dynamics will foreshadow the interaction on the job site. The shirker of the group will be known, as will the know-it-all, the whiner and the clown.

7. Construction

Although this is the part of the self-help process which immediately comes to mind, in actuality, it occurs near the end of a lengthy process.

The first couple of weeks on the job site are energy-charged, and exterior work moves so gratifyingly fast. The whole family turns out for training, many in new work clothes which will be kitchen rags by the end. There is a real solidarity as people who have never used circular saws learn to handle its kick and cut straight lines, as walls are framed and teams hoist them into place, as swarms of people mass on a roof with a score of hammers to nail sheathing in place. Muscles develop and the pace picks up as techniques become more familiar.

Behind the scenes, the Construction Supervisor has to establish a routine and a reputation. Suppliers must know they have to deliver on time. Self-help participants must know to arrive on time, and put in the allotted hours. Subcontractors have to be worked in with the self-help crew. Records of everything must be kept, and in between, disputes must be equitably settled. Further, the supervisor has to keep tabs on group dynamics, keeping morale high, tempers low and "burn-out" at bay.

Well-managed projects usually use the Critical Path Method of scheduling and tracking projects. This is a system of linking events in time, and permitting cost forecasting to take advantage of supplier discounts and to track expenditures. Waste scrap and lumber alone typically amount to 5% - 10% of that ordered. By using material use diagrams, this can be reduced to 3%. And use of

Optimum Value Engineering, begun in the design phase, can further reduce costs as much as 30%.

The job site should be as carefully laid out as a floor plan to avoid accidents and damaging tools and materials. In urban areas, pre-arranged deliveries arrive every day to avoid theft and vandalism. Tricks of the trade like marking lumber with odd colors of paint to reduce its' attractiveness, and for identification if stolen, combined with storage of materials in large, hard-to-move bundles are worth the attention and time.

Behind the scenes, families have to cope as well. 98% of heads of household are employed. 66% of the self-help participants have both partners employed, and an average of 2 children to mind. Free time is a commodity and when poor weather stops work, or a missed delivery delays work, it's hard to find the 40 hours again. Later in the project, relatives and friends who signed-on as assistants will begin to make excuses and fail to show up.

In any self-help development, the people are the most important component. What does make self-help projects work, and what is most evident at the job site, are group dynamics. A good Construction Supervisor needs to know the constraints of the site and the self-help participants to manage group dynamics toward a positive end.

For example, the self-help project in Anchorage entailed 50 hours of work per week per household in the summer. This stretches anyone's endurance. And during the winter, working in snow, hammering in gloves and doing finish work in unheated rooms was a trial. However, not only were the finished townhomes affordable, but they were appraised 10% higher than the prevailing market-rate homes.

At the Pueblo, Colorado job site, not only was it hot, but they were constructing homes of adobe - a sloppy undertaking. Making the adobe blocks nearly doubled the time a self-help project normally takes taxing group dedication. The savings is in long-term energy-efficiency in addition to saving 50% over the cost of a market-rate home.

With self-help infill projects, such as in Minneapolis and Phoenix, conditions on the job site were complicated, for both the Supervisor and the participants, by having to move people, tools and materials from site to site. And, at each site, respecting the neighbours wishes regarding work hours, noise levels, traffic and parking. Regardless of these additional obstacles and subsequent costs, mortgages ranged from 20% to 35% below the appraised value.

The rehabilitation of the buildings in St. Louis bordered on disgusting. Long abandoned, with a hundred years of grime, the buildings first had to be gutted. The self-help participants did not get the benefit of seeing clean, new materials until well into the development. However, they quickly agreed to

undertake a second phase of self-help rehabilitation. Families with incomes as low as \$18,000 a year were moving into 1700 square foot homes for about half of what it would have cost them for a market-rate home.

The Durham, North Carolina rehabilitation of the old armory was nearly as messy as the job in St. Louis. However, as a historic building, the rehabilitation was more like restoration: it could not be completely gutted. It would have been painstaking work, even for professionals. Floors were refinished, wood and plaster details were preserved. Remarkably, a household with a \$10,000 annual income was able to secure the \$36,000 mortgage needed for one of the four condominium units.

In Hartford, Connecticut, for their second self-help project, participants went beyond standard wood framing where drywall can cover most errors, and drywall errors can be covered by tape, and the final trim can hide what's left. Three story townhouse construction was made possible through use of pre-fabricated panels. Pre-fabricated components are usually easier to use, and more reliably constructed than the first efforts of a self-help crew. However, the mounting of panels requires precision to avoid shims and misfits at junctions. It was extraordinarily difficult, especially when constructing 30 units. In the end, however, not only were households with annual incomes as low as \$22,000 able to participate, but the ground floor rental units housed 30 more households.

8. Evaluation

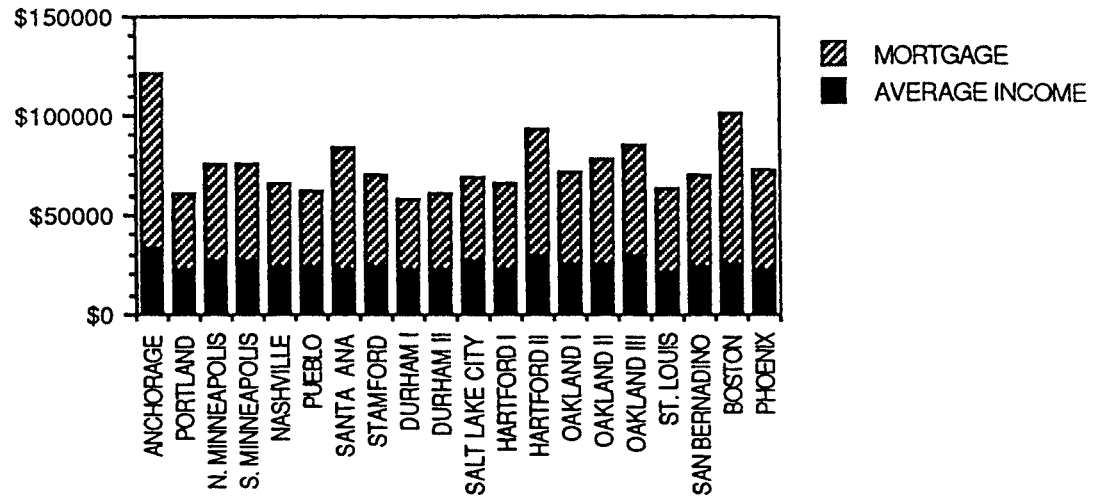
Attachment B outlines some of the tasks to close-out a development. One goal of a sponsoring organization should be to continue to use the expertise they have developed, the resources they have located, and the contacts they have established to continue producing self-help projects. To do this, all households should be interviewed shortly after they move in regarding what worked, what didn't, and what should be changed in the future.

One year later, the sponsoring organization should interview households again (reminding them to check on their warranties). By compiling and analyzing this data, self-help projects should become increasingly creative and affordable, responsive to the needs of the participants and easier to organize and manage.

9. The Next Project....

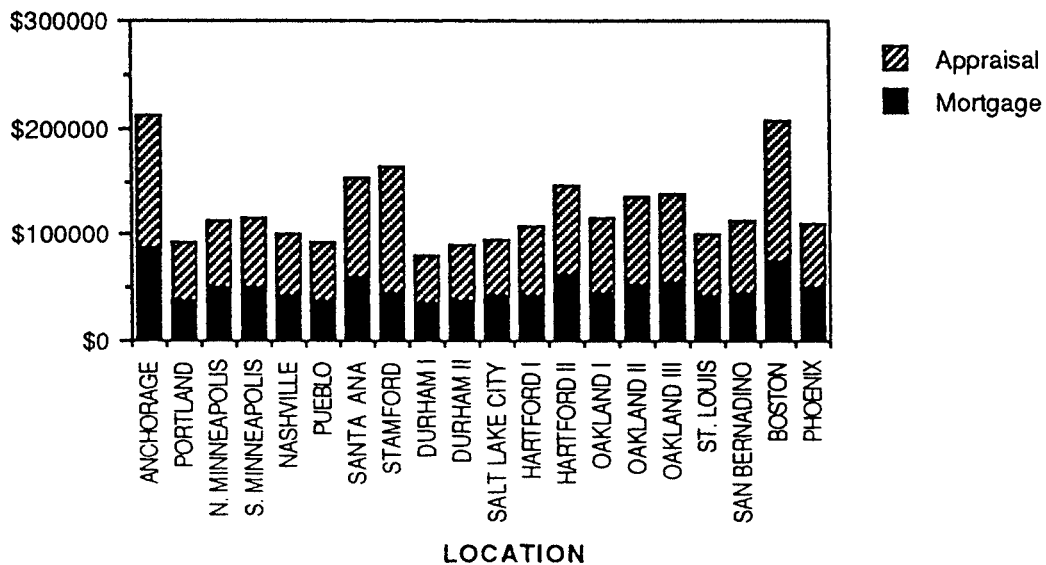
In Canada it is likely that there will always be the potential for the next project. Canada's cities have liveable cores with their share of vacant buildings and lots. Despite low interest rates, and falling housing prices, there are still households which cannot be adequately served by the traditional market. And too, people have a need to personally invest themselves in their home, the allure of "building your own home" is timeless. And the cost savings are unmistakable.

INCOME TO MORTGAGE RATIO



The power of the group dynamic cannot be under-estimated. Households may not be willing to risk the expense of building, if they have no building experience. But to be trained as a group on a self-help project is not threatening. And households might not move into a "transitional" neighbourhood alone. But in a group of 10 or more households, being an urban pioneer takes on a more comfortable appeal.

LOAN TO VALUE RATIO



For the sponsoring agencies, producing affordable housing through conventional means is not "sexy" enough by itself to attract outside investment or media attention. But a group of 40 people, previously renters, easing the taxpayer's burden by building it themselves, or rehabilitating urban eyesores, attracts a lot of cameras, good will and investment.

To find out if self-help housing is a viable approach to production of affordable urban housing in particular locations in Canada, the market study is the litmus test. A comprehensive market study, tying in the necessary complementary preliminary site investigation studies, costs the average non-profit organization \$15,000. In the U.S., about 50% of proposed self-help projects were abandoned based upon market study findings. The self-help projects which moved forward, had nearly \$900,000 of labour, grant and leveraged investment per 10 unit project by the time of completion. \$15,000 invested in a market study up front to verify interest and direct strategy, can save tremendous sums of money in the long run.

Many times, any new strategy which has "human" appeal, such as self-help projects, will succeed simply through its novelty. This novelty inspires extra effort by the sponsoring organization and attracts higher funding and donation levels. With this environment, it is hard to fail. However, in the U.S., fewer than 15% of sponsoring organizations pursued a second self-help project, despite the expertise they'd gained from the first. In those cities, no alternative non-profit sprung up to serve any pent-up demand left in that void. There simply was no further demand for the self-help approach. Therefore, despite the vast need for affordable urban housing in the U.S., self-help programs were not the appropriate strategy for the longer run.

In Canada, should the first self-help project lead to a second, then, as with the non-profit groups in Hartford and Oakland, it is an approach which satisfies a market need. From experience, having prepared and reviewed numerous market studies, it is clear that each phase in each city or location must be re-examined. The group in Anchorage avoided a costly mistake with a \$15,000 market study; the veterans in San Bernadino did not.

While the communications media is likely to draw attention to the flashing hammers and buzzing saws of a self-help project under construction, the real product is apparent in seeing what the neighborhood looks like several years later. This is the inspiring image.

Self-Help Project Sites

Attachment A

<u>Project Information</u>	<u>Anchorage Alaska</u>	<u>Portland Oregon</u>	<u>Minneapolis Minnesota Northside</u>	<u>Minneapolis Minnesota Southside</u>	<u>Nashville Tennessee</u>	<u>Pueblo Colorado</u>
Number of units	16 units	11 units	6 units	4 units	9 units	5 units
Site Description	Subdivision	Contiguous	Scattered	scattered	Contiguous	Scattered
Unit Description	Condominium	Single Family	Single Family	Single Family	Single Family	Single Family
Unit Features	two-story	two-story	split-entry	split-entry	3 bd/1 ba	3 bd/2 ba
Land Costs per Lot	\$15,000	\$9,083	\$3,500	\$3,500	\$3,700	\$5,000
Lot Improvement Costs	\$13,000	\$6,553	\$1,900	\$1,900	\$4,000	\$1,200
Down Payment	\$1,500	\$1,000	\$1,500	\$1,500	\$500	\$1,000
Mortgage Amount	\$87,000	\$38,000	\$49,650	\$49,650	\$41,632	\$37,500
Income Range Served	\$30,000 - \$38,000	\$17,000 - \$28,000	\$23,000 - \$30,000	\$23,000 - \$30,000	\$20,000 - \$28,000	\$16,000 - \$32,000
Appraised Value	\$125,000	\$56,000	\$65,000	\$67,000	\$60,000	\$56,100
Local Average Price	\$113,000	\$65,000	\$60,000	\$60,000	\$60,000	\$65,000

Self-Help Project Sites

page 2

Attachment A

<u>Project Information</u>	<u>Santa Ana</u> <u>California</u>	<u>Stamford</u> <u>Connecticut</u>	<u>Durham</u> <u>N. Carolina</u> phase 1	<u>Durham</u> <u>N. Carolina</u> phase 2	<u>Salt Lake City</u> <u>Utah</u>	<u>Hartford</u> <u>Connecticut</u> phase 1
Number of units	20 units	10 units	4 units	8 units	14 units	10 units
Site Description	Subdivision	Contiguous	1 Building	Contiguous	Contiguous	Contiguous
Unit Description	Condominium	Condominium	Condominium	Townhomes	Single Family	Single Family
Unit Features	3 bd/2 ba	two story	historical	two story	split level	3 bd/2 ba
Land Costs per Lot	\$13,500	\$7,800	\$11,250	n/a	\$8,500	\$1
Lot Improvement Costs	\$1,500	\$2,500	n/a	n/a	\$6,000	\$5,000
Down Payment	\$3,000	\$0	\$1,000		\$1,000	\$650
Mortgage Amount	\$59,900	\$45,000	\$36,000	\$38,000	\$41,600	\$43,000
Income Range Served	\$15,000 - \$32,000	\$18,000 - \$32,000	\$10,000 - \$35,000	n/a	\$20,000 - \$35,000	\$20,000 - \$26,000
Appraised Value	\$95,000	\$119,000	\$45,000	\$53,000	\$55,000	\$65,000
Local Average Price	\$100,000	\$100,000	\$55,000	\$55,000	\$50,000	\$75,000

Self-Help Project Sites

Attachment A

page 3

<u>Project Information</u>	Hartford <u>Connecticut</u> phase 2	Oakland <u>California</u> phase 1	Oakland <u>California</u> phase 2	Oakland <u>California</u> phase 3	St. Louis <u>Missouri</u>	San Bernadino <u>California</u>
Number of units	30 owner+30 rent	14 units	9 units	8 units	10 units	5 units
Site Description	P.U.D.	Contiguous	Contiguous	Contiguous	Scattered	Contiguous
Unit Description	Single Family	Single Family	Single Family	Townhomes	Single Family	Single Family
Unit Features	rental unit also	3 bd/2 ba	3 bd/2 ba	3 bd/2 ba	historical	3 bd/2 ba
Land Costs per Lot	\$1,000	\$3,000	\$3,000 donated	\$2,500	\$2,000	\$7,100
Lot Improvement Costs	n/a	\$5,000	\$9,375	\$2,000	\$2,000	\$2,000
Down Payment	\$1,000	\$1,500	\$3,000	\$500	\$500	\$0
Mortgage Amount	\$63,500	\$46,000	\$53,000	\$56,000	\$42,000	\$46,000
Income Range Served	\$22,000 - \$38,000	\$21,000 - \$31,000	\$20,000 - \$31,000	\$25,000 - \$34,000	\$18,000 - \$25,000	\$21,000 - \$28,000
Appraised Value	\$83,000	\$70,000	\$83,000	\$83,000	\$59,000	\$68,000
Local Average Price	\$80,000	\$80,000	\$80,000	\$90,000	\$62,000	\$63,000

Self-Help Project Sites

page 4

Boston **Phoenix**
Massachusetts Arizona

Project Information

Number of units	17 units	10 units
Site Description	Scattered	Scattered
Unit Description	Townhouses	Move-On
Unit Features	3 stories	rehab
Land Costs per Lot	\$1,500	\$22,000
Lot Improvement Costs	\$4,000	\$2,000
Down Payment	5%	\$1,500
Mortgage Amount	\$76,000	\$50,000
Income Range Served	\$24,000 - \$27,000	\$20,000 - \$26,000
Appraised Value	\$130,000	\$60,000
Local Average Price	\$130,000	n/a

Self-Help Housing Administration Schedule

Development Process (Month 0 - 4)

Board of Directors Resolution
Organize Self-Help Advisory Committee
Land Research/Identification
Identify/Secure Administrative Funding Resources
Land Cost Feasibility Analysis
Community Endorsements
Secure Tentative Construction/Take-Out Financing
Locate Land Option Resources
Design Preliminary Housing Unit Plans
Preliminary Cost Estimate for Mortgage Amount
Identification of Target Income Groups
Initiate Local/Provincial Real Estate Requirements
Option Land

Pre-Construction Process (Month 4 - 10)

Receive and Implement Grant/Charitable Funds
Initiate Self-Help Related Insurance Policies and Bonds
Advertise and Hire Construction Manager
Finalize Cost Estimate, Mortgage Amount and Unit Plans
Construction/Take-Out Loan Commitments Secured
Develop Marketing Tools
Secure Site Improvement Contracts
Self-Help Contract Documents Designed and Approved
Building Permits Secured
Initiate Public Relations and Market Self-Help Program
Screen Applications for Potential Participants
Open Accounts with Suppliers
Select Participants
Train Participants in Money Management, Construction Process
Submit Loan Applications to Lender
Open Accounts
Submit Plans for Local Building Permits
Set-Up Construction Accounting Procedures
Form Household Associations
Advertise/Hire Additional Construction Staff
Train Self-Help Construction Staff

Construction Process (Month 8 - 22)

Bid for Construction Materials and Subcontractors
Plan Layout of Construction Activity
Establish Construction Goals through Timetable
Finalize Bonding Obligations and Deposits
Secure Tools and Equipment
Open On-Site Office and Lavatory
Coordinate Site Improvements
On-Site Self-Help Participant Construction Training
Set-Up Weekly Association Labour Record Keeping
Monitor Associations Labour Record Keeping
Weekly Association Meetings with Construction Staff
Bi-Weekly Meetings with All Staff

Self-Help Housing Administration Schedule (continued)

Construction Process (Month 8 - 22)

Coordinate Periodic Inspections
Payment of Construction Invoices
Periodic Health and Safety Audits
Periodic Self-Help Loan Status Review
Notification of Preliminary Liens
Initiate Final Inspections

Closing Process (Month 22-23)

Initiate Formal Escrow for Take-Out Financing
Close-Out Construction Loans
Final Payments to Suppliers and Subcontractors
Maintenance Training for Self-Help Participants
Title Reconveyance
Close Self-Help Bookkeeping
Move-In

Post-Occupancy Evaluation (Month 35 - 37)

Develop Criteria for Evaluation
Interview Households
Analyze Data
Refine/Modify Program

THE CO-OPERATIVE LAND TRUST IN PRACTICE

Prepared by Jon Harstone
Colandco
November 1993

The Co-operative Land Trust in Practice

PART I - HISTORICAL BACKGROUND

In comparison with co-operative housing movement in Europe, the Canadian co-op housing sector is fragmented. Membership in the national, provincial and local federations are voluntary. The Co-operative Housing Federation of Canada (CHFC) plays a coordinating role, establishing policies rather than enforcing rules. In part of this is a reflection of Canadian geography, but it is also a result of numerous consultants assisting the development of small scale community sponsored projects. During the 1980's the co-op housing sector began to develop a significant amount of housing in Canada. Some of the leadership, feeling that the level of anarchy was too high, looked for a better way to organize co-op housing.

Land trusts were seen as a possible way to bring order to the chaos. In the mid 1980's the co-op housing sector debated the merits of land trusts. Lynn Hannley, at Communitas in Edmonton, did extensive research, and produced a number of background and focus papers to assist the discussion. Land trusts had a number of features which could be used to provide a structure for the sector:

1) Guaranteeing Non-Profit Status

There is concern that a co-op will sell the project and distribute the "profits" to its members or to a select few on the board. Although there are safeguards in place, such as the operating agreement and legislation in Ontario and Newfoundland, there are a number of ways in which a co-op can circumvent these safeguards. The situation is even more serious after the mortgage is paid off and the operating agreement is ended. At this point the co-op will own its land and buildings free and clear with no agreements limiting its actions. The potential for abuse is very high.

If the land on which a co-op was built was owned by a sector controlled land trust then the decision to sell the co-op would be made by the sector and any benefits or profits from the sale would accrue to the sector and not to the individual co-op members.

2) Stabilization - Providing a Framework for Co-op Housing

Each housing co-op is an independent organization. Other than the operating agreement there are no restrictions on how a co-op acts. If a co-op acts inappropriately the co-op sector is unable to intervene or to get the co-op to adhere to sector policy. The credit unions and agricultural co-ops have a strong central organization. It was suggested that a strong central organization would be essential if co-op housing was to flourish in the future.

Land trusts were seen as the mortar which would bind the co-op sector together. The land trust's lease could contain provisions requiring the co-op to be a member of its local federation and the Co-operative Housing Federation of Canada (CHFC), and to put the co-op into receivership or to appoint a manager if the co-op acted inappropriately. These provisions would strengthen the co-op housing sector.

3) Expansion - Capitalizing the Sector

The development arm of the co-op housing sector is undercapitalized. Developing co-ops, and the resource groups assisting them, do not have the funds to place deposits on land, or to pay consultants to do the work required (soil tests, preliminary design etc.) to determine if a site is feasible.

The lack of capital means that co-ops have to buy land on a "retail" basis, paying a premium for land which is "ready to go". High land prices squeeze the rest of the budget and result in lower quality projects. It has been argued that if the sector was properly capitalized then co-ops could buy raw land at wholesale prices, hold it and rezone it. The profit on the land would accrue to the co-op sector, and the land would be sold below market allowing the co-op to be built to a higher standard.

Some of the staff at resource groups felt that the distribution of capital in the co-op sector was out of whack. The resource groups take significant risks to secure land, they find the site, and put in the staff time "on spec" to rezone it. In the private sector the developer would get the capital appreciation based on the increased value of the land, in the co-op sector the capital appreciation is received by the co-op. The resource group which acted as the "developer" receives a fee which covers overhead and salaries, but does not receive funds to assist with the development of the next housing project.

In addition some residents of housing co-ops built during the 1970's are paying a market rent which is significantly below market. These individuals receive a significant monetary benefit by living in a housing co-op. These savings are as result of the co-op sector's investment in the project. It has been argued that the housing charges should be raised so that the surplus would accrue to the sector, rather than benefiting individuals.

The land trust is seen as a way to mobilize the assets of the sector to assist with development. The land lease would contain provisions, similar to the ones which follow, which would allow the assets to be redistributed:

Lease Renewal Charge - In Ontario land transfer tax is payable on leases in excess of fifty years. To avoid land transfer tax Colandco's leases have a forty-nine year term. The co-op would be charged a fee, at least equal to then value

of the land in current dollars, to renew their lease. This charge would require the co-op to obtain mortgage financing to pay raise the funds required.

Post-Mortgage Rent - When the NHA mortgage is paid off a rent payment becomes due for the balance of the lease period. The Colandco leases use a complicated formula which would raise the housing charges to 75% of the market rent. In 1993 dollars this provision could generate \$200 to \$300 per unit per month, assuming that there was no major refinancing required when the mortgage was paid off.

Market Adjustments - Although the Colandco leases do not contain such a provision, it has been suggested that the land trust leases should contain a provision which would allow the trust to implement a rental payment in the middle of the lease term if the co-op's housing charges fall too far below market.

Initial Response to the Idea of Co-op Housing Land Trusts

Everyone agreed that land trusts are a useful way to ensure that co-ops would remain non-profit forever, so the debate within the co-op housing sector focused on the proposal that land trusts should be used to capitalize the sector. The individual housing co-ops were very distrustful of the idea, feeling that the resource groups were making a grab for their assets.

The motion which was passed by the CHFC members focused on the control structure of the land trust. Land trusts had to be part of the co-op sector. The majority of the board of directors had to be members of leasing co-ops or representatives appointed by sector organizations such as CHFC or the local federations. There were limits placed on the land trust's ability do development. The CHFC resolution in 1985 effectively ended the discussion of land trusts. As someone said at the time "Why would anyone go to all the bother of starting a land trust if the only thing it could do was to keep co-ops non-profit." The issue was revisited in 1991 when a more comprehensive resolution was adopted. A copy of the 1991 resolution is attached.

Formation of Colandco (Inner City) and the Eastern Ontario Land Trust

Given the emphasis on control by the co-op sector it is not surprising that the two co-op land trusts were established by federations. A land trust which is a subsidiary of a federation is clearly part of the co-op sector, and such a land trust would not run afoul of the CHFC resolution.

The land trusts were established in response to specific development opportunities which existed in Toronto and Ottawa. In the case of the Eastern Ontario Land Trust

the land trust was set up by the Co-operative Housing Federation of Eastern Ontario (CHFEO) because the development of the Vanier site required a severance and it was easier to get a leasehold severance than a freehold severance. The land trust was set up to make it easier to develop that particular site.

PART II - COLANDCO'S EXPERIENCE AS A LAND TRUST

Colandco (formerly Inner City) was established by the Co-operative Housing Federation of Toronto (CHFT) in 1986 in response to an offer by the Campeau Corporation to donate \$2,000,000 to assist with the development of affordable housing in Toronto. From the beginning Colandco was seen as a development vehicle which would acquire and develop sites for co-op housing in the greater Toronto area.

Although Colandco referred to itself as a land trust, for the first four years it acted as the development arm of CHFT. In 1991 a decision was made by the CHFT members that the organization should become a land trust and that board should have broader representation. The current board is appointed by CHFT and includes representatives from the leasing co-ops, from the resource groups and from CHAO. All the projects on which Colandco took the lead development role were initiated during the first four years when the board was composed of CHFT staff and directors.

The following is a brief description of some of the projects developed by Colandco:

Northview Meadow

In February 1988, Colandco purchased a 9.37 acre parcel of land on the west side of Ritson Road in the north end of Oshawa. The purchase price was \$3,266,552. The land was eventually rezoned to permit the construction of a 261 unit co-op development and a 103 unit condominium. A plan of subdivision had to be registered and then the site plan approved before the co-op project could start construction in September 1991. During the three and a half years it took to get the site ready to go Colandco spent over \$2,000,000 on interest and consulting fees. The co-op made an upfront lease payment of \$4,822,503 and the City purchased two acres of parkland for \$400,000. When the condominium site is sold Colandco will make money on the project, however the condo market in Oshawa is dead and it may be several years before the site is sold.

The biggest problem was obtaining interim financing to cover interest costs and to allow the letters of credit required for the subdivision to be posted. Because Colandco was a land trust, holding land for several projects, it was easier to get mortgage financing and the \$350,000 line of credit which was needed to cover the project's costs. To a bank, the land trust appeared to be a more reliable borrower than a

housing co-op or a resource group.

It should be noted that this was a very risky project. The co-op was fortunate in being able to secure a 261 unit allocation. Land prices were falling when the commitment was issued. If there had been additional delays getting the subdivision registered or finalizing the site plan the costs could have been well in excess of revenue, which would have jeopardized Colandco continued existence.

Orchard Grove

In April 1988, Colandco purchased a 1.33 acre site on Kingston Road in Scarborough for \$1,400,000. Interim financing was provided by the Metropolitan Toronto Housing Company. The site was rezoned to permit the construction of a 83 unit townhouse project. Colandco's holding and development costs were \$542,966. The upfront lease payment made by the co-op in September 1991 was \$2,160,895. Colandco earned a surplus of \$217,929 on the development.

Chord

In October 1989, Colandco purchased a house on Goldwin Avenue in the borough of York for \$405,000. Simultaneously Colandco entered into an option to purchase to purchase a further five houses for \$2,650,000. Approval for a 133 unit co-op project was obtained for this one acre site. By the time construction started in February 1992, land prices has started to fall, but the Ministry agreed that the co-op could make an upfront lease payment equal to Colandco's actual costs of \$3,219,455.

Ujamaa

In November 1989, Colandco purchased a 1.25 acre site on Bellamy in Scarborough for \$2,145,000. It took almost four years to rezone the site to permit the construction of a 56 unit apartment building and eight single family lots. Colandco incurred over \$900,000 in holding and consultants costs. While the site was being rezoned land prices were falling. The Ontario Ministry of Housing was prepared to pay only \$13,000 per unit in September 1993 for the land, but they did agree that the co-op could pay a portion of the holding and design costs for its part of the site. The co-op made a upfront lease payment of \$1,932,000. The single family lots are currently for sale. Colandco stands to loose approximately \$750,000 on this project.

City Park

In October 1989, Colandco purchased the City Park project in central Toronto for \$59,366,800. The complex consists of 772 apartment units in three buildings. Since this was an existing project there were no holding or development costs associated

with the project. The upfront lease payment covered the purchase price, and Colandco did not make or lose any money on the project.

The City Park project was part of the Seaway/Graymac flip of the Cadillac/Fairview portfolio. The project was sold by way of tender by the receiver. The tender had to be accompanied by a deposit of 1% of the purchase price. Colandco provided the funds for the deposit, and the corporate shell which could make the offer.

Lessons from Colandco's Development Experience

Setting up a land trust was the only viable option which CHFT had when they received the \$2,000,000. The money could have been used to write down the land price for several co-op housing projects, but the funds would have soon disappeared. The money could have been used to capitalize a separate development company, but there would have been a conflict of interest if CHFT clients purchased the sites rezoned by the company. Combining a land trust with a sector controlled development company made it possible to get CMHC and Ministry of Housing acceptance of a sector controlled development company. Setting up a land trust allowed the \$2,000,000 to be used as a revolving fund for land development for CHFT clients, with the surplus going into the fund rather than to the resource group. A land trust was the only politically acceptable option which maximized the use of the \$2,000,000.

The only advantage Colandco had when it came to development is that it looked credible. A large part of development is slight of hand. With rezonings taking up to four years, a successful developer spends a lot of time reassuring the vendor and lender that the project is on track and not to worry. This is particularly difficult with social housing projects where the purchaser is a non-profit group without assets or a track record. Using the land trust as the development vehicle made it easier to convince the parties involved that everything is under control. Colandco's credibility made it easier to borrow money and keep the lender from panicking.

Land Trusts as Development Vehicles

The question which needs to be answered is: "Can land trusts help with the delivery of affordable housing, and if so, how?"

The experience with co-operative housing has shown that a land trust is a useful development vehicle. It gives credibility to the non-profit group to use a land trust when they purchase a site and assists them to obtaining interim financing. However the costs of setting up and operating a land trust out weigh the benefits.

Based on the experience of the Community Land Trusts in the United States, land trusts can be used to develop limited equity housing and to create community based development groups to deal with urban renewal and housing issues. Demonstration projects should be funded to explore the viability of these ideas.

Limited Equity Housing

Land trusts can play a valuable role in the development of limited equity housing. The challenge in developing limited equity housing is finding a suitable mechanism to keep the housing affordable in the long run. The land trust, by putting resale formulas in the lease, can ensure that the housing remains affordable in perpetuity.

The concept is particularly applicable for government owned land which had been designated as surplus and will be sold for housing. For instance it would make sense to use a land trust to develop a limited equity housing component on the Downsview site in Toronto. CMHC could sponsor a demonstration project which would develop permanently affordable housing in central Toronto.

Community Development

Land trusts can be used to develop a broad based coalition to deal with urban renewal issues. A community based land trust would be the most appropriate vehicle to tackle issues such as cleaning up West Lodge Apartments in the Parkdale area of Toronto. The land trust would allow a community approach to dealing with the problem. Tenants in the building, local businessmen, community activists and government agencies could participate on the land trust's board and jointly develop the strategy to deal with building. A demonstration project which shows the value of this approach should be considered.

Aboriginal Development

The land trust concept may have applicability to development issues being addressed by the First Nations. This is an area which needs more research.

Land Trust Technical Issues

This paper discusses some of the technical issues which need to be kept in mind if land trusts are to be used to develop affordable housing in Canada.

1. Should land trusts own land?

There are serious risks involved with owning land. If these risks turn into problems, the land trust could be obliged to take action or pay money to resolve the situation. If the problem can not be easily resolved it could jeopardize the land trust's existence, or its ability to grant lease renewals. Some of these risks are:

- a) **Environmental Concerns:** The responsibility to clean up environmental problems have changed the way people think about land. This is particularly applicable to people who are not the beneficial owner of the land, but have some other relationship with it. Mortgage lenders (and Mortgage Insurance Fund) are concerned that they could be responsible to cleanup environmental problems if they take back a property. The cost of cleaning up the site could be greater than the value of the property.

The land trust has a problem similar to a mortgage lender when it comes to environmental concerns. Although the land trust does not have the right to use the property, as the owner of the land they would be responsible to pay for the cleanup. The land trust would try to get the leasing co-op or homeowner to pay for the cleanup, but in the event they could not, the land trust would have to use its other assets. This could involve encumbering other land trust properties.

Does the land trust have a responsibility to independently verify that all the environmental concerns on a site are resolved? If so, the land trust would have costs involved with reviewing soil reports and making environmental judgements on each site.

- b) **Other Liabilities:** Aside from environmental concerns, land owners have other liabilities. As the land owner, the trust signs the subdivision and site plan agreements with the municipality, and although the co-op or homeowner is responsible to perform the work required in the agreements, the land trust would be on the hook if the work is not done. There is also an issue about general liability. If someone slips on the sidewalk, the land trust could be sued.
- c) **Mortgage Lender:** The mortgage lender is concerned that if a problem arises they have the right to take over the property. This means that the lender has to enter into a relationship with land trust as well as the borrower. This raises the question of to what extent the land trust would be liable if the borrower did not

make their mortgage payments.

- d) **Administrative Complexity:** Owning land requires a sophisticated administrative system to keep track of the land and the various obligations relating to it. As the land owner, the trust needs to know if the taxes are paid, if the insurance is up to date, if extensive renovations are being done, etc. There are board resolutions which need to be passed and documents which need to be signed when the mortgage rolls over etc. There is a lot of work and it is expensive.

At Colandco we are discussing the idea of using a land trust agreement which is registered on title as an alternative to owning the land. In Ontario such an agreement is valid for only twenty years, so we will need legislation to make it valid for a longer period of time. The agreement would give the land trust the ability to keep co-op projects non-profit in perpetuity without incurring the risks involved with owning land.

A private member's bill has been introduced into the Ontario Legislature which would allow land trusts to enter into binding agreements.

2. Risk Avoidance

Land trusts which engage in development find that their stewardship function is at odds with the development function. Housing development is inherently risky. Land stewardship requires all the risks to be eliminated.

At Colandco we dealt with this contradiction by incorporating a separate company for each project, and amalgamating the development corporation with the land trust when the project was completed. This solution is cumbersome and expensive. It is also confusing. At one point Colandco has 23 separate corporations and had a corporate structure which looked more like Olympia and York than a non-profit organization. In addition to legal fees, there are separate books, financial statements, tax returns, and corporate filing requirements for each corporation.

3. Taxes

- a. **GST:** Colandco had received a ruling from Revenue Canada concerning land trusts. Land trusts are not registrable corporations, and do not qualify for input tax credits. When a land trust buys a property they have to pay GST to the vendor, and apply for a rebate from Revenue Canada.

Colandco borrows the money to pay the GST from the co-op who is developing the site. We have waited up to six months for the rebate.

- b. Land Transfer Tax:** In Ontario, Land Transfer Tax is payable on leases in excess of fifty years. This limits the ability of the land trust to give long term leases to homeowners or co-op groups without incurring tax.

A private member's bill has been introduced into the Ontario Legislature which would exempt land trusts from paying Land Transfer Tax.

4. Operating Costs

Our experience at Colandco is that land trusts are expensive to operate. In order to get co-ops not developed by Colandco to give their land to the trust, we agreed that the land trust should be transparent. It would make no difference to a co-op if they were in the trust or not in the trust. Colandco agreed to pick up all the legal and administrative costs associated with the trust. The founders of Colandco thought that the development revenue would be sufficient to pay for the ongoing operation of the trust. This was not realistic given how hard it is to make money from development.

It is not practical to expect the co-op members of Colandco to pay for the operations of the land trust. Co-ops would have to contribute \$5.00 per unit per month to cover Colandco's current operating costs. (Colandco has been spending \$100,000 a year for legal, audit, and accounting.) And what benefits do they receive from the land trust? In comparison, membership in Co-operative Housing Federation of Toronto (CHFT) costs \$3.50 per unit per month and the co-op receives technical and educational support.

Co-op members would never approve a \$5.00 housing charge increase to cover the costs of a land trust which does not provide them with any tangible benefits.

The long term viability of the land trusts needs to be thought about carefully before a decision is made to set one up.

Housing Land Trusts in Canada

1. Colandco
 - 22 Mowat Ave, Suite 100, Toronto, M6K 3E8 - 538-7511
 - Board appointed by the Co-operative Housing Federation of Toronto
 - Owns 14 co-op housing projects with a total of 2,350 units
2. Eastern Ontario Land Trust
 - 1355 Bank Street, Suite 501, Ottawa, K1H 8K7 - (613) 521-5670
 - Board appointed by the Co-operative Housing Federation of Eastern Ontario
 - Owns 1 co-op and 1 non-profit housing projects with a total of 120 units
3. Tenants Non-Profit Redevelopment Co-operative (TNRC)
 - 120 Carlton Street, Suite 401, Toronto, M5A 3K2 - 323-1912
 - Board appointed by the Federation of Metro Tenants Associations (FMTA)
 - Owns 8 co-op housing projects with a total of 960 units
4. Fiducie Fonciere Communautaire du Sud-ouest de Montreal (FFCSOM)
 - Proposed board calls for representatives from the community and leasing co-ops
 - Owns no projects - being organized
5. B.C. Land Trust
 - 4676 Main Street, Vancouver, V5V 3R7
 - Board appointed by the Co-operative Housing Federation of British Columbia
 - Owns no projects - being organized

Land Trusts developing limited or shared equity housing projects

1. Affordable Housing Action Association
 - 90 Dundas Street West, Suite 105, Mississauga, L5B 2T5 - (905) 949-9770
 - Working on the development of their first land trust project
2. Homes First Society, Toronto
 - Discussing using a land trust model as part of a limited equity project.
3. Toronto Islands Land Trust (TILT)
 - 16 Second Street, Ward's Island, Toronto, M5J 2A8
 - The trust was created by legislation, and owns the land on which 250 island homes are built. TILT plans to develop 100 new homes and an 80 unit non-profit co-op on leased land.

Land Trusts and Self-Help Housing
Symposium
CMHC - CHRA

December 3 - 4, 1993
Ottawa

**Observations On
The Legal Framework of Land Trusts in Canada
In the Context of Self-Help Housing**

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Introduction

The broad task of this Symposium is to explore the potential of both land trusts and self help housing as the bases for affordable housing development. How can these two notions be made to work together in ways which will enhance access to housing for low income people? Quick on the heels of this kind of question follows the inevitable need to know the "legal framework".

Legal issues stem from a cohesive pattern of law that generates both questions and answers. Legal issues and the underlying body of law that gives them meaning presumes a policy context. Clearly stated legal issues require rigour about desired outcome. The definitional and policy exercise to establish "what-do-we-want-and-why" for land trusts and self help housing is in the early stages. In an inductive way, the current exchange assembles the largely anecdotal experiential evidence of practitioners. Preliminary results suggest that something should be able to be fashioned which would more easily facilitate the kinds of successes which have been achieved over the last 15 to 20 years. But because the successes to date are seemingly idiosyncratic, the applicable legal frameworks are case specific. As a result, there is no single, commonly applicable legal "framework" in Canada which applies to land trusts and self help housing. Yet there is enough agreement on several broad policy themes to allow a preliminary statement of legal issues to be suggested.

The remainder of this briefing paper highlights these policy topics and with that as a basis, then describes what might be called a "meta-framework" of legal concerns of land trusts and self help housing.

General Land Trust and Self-Help Housing Concepts

In our socioeconomic system, land is an attractive marketable commodity. It is freely traded for the highest possible price. In a market capitalist society land is an attractive form of property. This legally supported fact clearly benefits those with the resources - financial and otherwise - who want to barter this specie of property. Wealth, power and influence result. For those without the necessary resources, there is a corresponding barrier to the benefits.

Law deals with compellable rights to and in things. One way to alter the commodity nature of land is to shackle or fetter its commodity status. This is done by changing the legal character of land as property. It involves altering the bundle of rights that constitutes the legal definition of land. One constant in any discussion of land trusts is that the character of land must be changed so that it cannot be bought and sold without regard for its use for affordable housing. The various methods chosen to constrain use are merely the means by which perpetual affordability is sought to be achieved. At its most fundamental level then, the legal framework for land trusts is the combination of legal techniques that most effectively and efficiently accomplishes that purpose.

Although somewhat of a digression, it is interesting to speculate on the origin of the phrase "land trust". The legal meaning of trust is especially appropriate to the chosen purpose: constraining use. Trusts in Anglo-Canadian law began in the Courts of Equity. In turn, equitable jurisdiction arose in the years following Henry VIII as a way to lessen the harsh strictures of the Courts of Law. One principal technique was the "use" which evolved to become the modern trust.

Land Trusts, Self Help Housing: The Legal Issues

A trust is not a legal person. Instead it is a relationship among the person or persons giving property to another, the limitations on the use of the property by the other and the people or purposes which take the benefits. A settlor gives land to a trustee on the express trust condition that it be made available as building sites for people of low income. If "perfected" this trust would be enforced by the courts. Unfortunately trust law is perhaps the most arcane, complex and middle-kingdom-like area in a field not known for simplicity and clarity. But "trust" in popular speech carries with it the notion of moral propriety which in a way is just what trust law deal with: enforcing moral obligations by legal means.

If land trusts are a method of ensuring a particular use for land, self-help housing describes the range of techniques by which people participate in creating their own housing. In doing so, they achieve a range of benefits, not the least of which is a reduction in the financial cost of their housing. And it is this combination of dedicated and enforceable land use with reduced cost through participant involvement which achieves long-term, affordable housing development. The degree of affordability is an empirical question. How to dedicate and enforce land use is a legal matter.

Brief Legal Overview of ICE CLT Model

For the Institute of Community Economics (ICE) there are four long-term goals that need to be borne in mind when trying to alter the commodity nature of land so as to constrain its commodity status.

Land Trusts, Self Help Housing: The Legal Issues

1. Maximize the cost-effectiveness of public investment in housing by re-cycling all subsidies for public benefit rather than allowing them to be privatized.
2. Preserve the affordability of subsidized housing to create an expanding pool of permanently affordable housing that will eventually be sufficient to meet the needs of all people at all levels of income.
3. Promote resident control and ownership of housing for lower income households in order to promote domestic and economic security with a long-term interest in the place of residence.
4. Promote greater community control of land use and development in order to encourage locally appropriate and efficient development and the preservation of local housing stock, with continued affordable access for local residents.¹

The Community Land Trust was conceived as one means to accomplish these objectives. The goals suggest the need to consider how the land is to be held and how it is to be governed, the structure and control by which that is done. In the CLT model, the CLT is a non-profit corporation which permanently owns the land and leases it by means of long terms leases to local residents. The use of the land and the constraints that are imposed to accomplish the stated goals are written into the ground lease. The governance structure is one of open membership to CLT Lessees and other local residents. The Board of Directors includes a balance of representation from lessee members and non-lessee members.

¹ The Community Land Trust Legal Manual, The Institute for Community Economics pp 1-7

Land Trusts, Self Help Housing: The Legal Issues

The CLT model has the CLT corporation retain title to the land and leases it to homeowners of leasehold interest which ground lease requires owner-occupancy, prohibits specified inappropriate uses and gives the CLT corporation a pre-emptive right to purchase the home for a limited price should the owner wish to sell. The governance structure is designed to remove the possibility of completely self-interested operations.

The following general legal issues flow from this design:

- a. the nature of the CLT corporation, its by-laws, tax status, its ability to hold land, property taxes, responsibility of directors, rights of membership;
- b. the nature of limitations imposed in the ground lease including whether to use subsidy recapture provisions, resale price restrictions (itemized formula, appraisal-based formulas or indexed methods) or occupancy and use restrictions or some combination. Use restrictions could be imposed through deed or title limitations, options, financing documents and constating document controls.

Legal Issues Relating to Use of ICE CLT Model in Canada

The ICE CLT model clearly establishes a policy context that focuses the legal issues by requiring that a known body of law be brought to bear. And many of the issues raised in the previous section would have the same legal result in Canada. This is especially true

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for the broad characteristics of the CLT corporation². But careful attention would have to be paid to a number of other important matters, especially the enforceability of the provisions of the ground lease dealing with forced sale. This would require a legal opinion in each case from an experienced real estate practitioner. In addition the following matters should be carefully considered:

- i. Goods and Services Tax - This tax regime imposes difficult planning issues. Is the CLT capable of being a registrant? In many cases the answer will be no. In other cases, the land lease might attract GST with no possibility of a related party election and a likely problem in making an agency argument.
- ii. Property Tax - A number of provinces have complicated property tax regimes that might force what effectively amounts to two taxes on the same property. Also, the CLT corporation might be treated as a commercial landlord for certain purposes.
- iii. Land Transfer Tax - Different jurisdictions have requirements that land transfer fees and taxes be paid on long leases.
- iv. Environmental Protection - The range of issues here is immense. The CLT as owner of the land would be legally responsible for clean

² The corporate law of membership or non-share corporations varies widely across Canada. In some provinces the ability to carry on a business is prohibited for some types of corporations. Moreover, non-share capital corporate structures have not undergone the modernization that characterizes many US states. The result is legal options which may be quite inappropriate to the level of sophistication demanded for the CLT corporation.

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up. The issues raised by this subject-matter would have to be carefully considered in the ground lease.

- v. Injurious Reliance - This is the area of law which affords remedy to those who suffer damage because they have relied on the advice of someone whom the law presumes to be in a superior position.³ It is easy to imagine claims by lessees against the CLT where there was no independent advice about their legal relationship. In an effort to minimize costs there will be a tendency to use the CLT lawyer or treat the ground lease like an apartment rental - one not worthy of legal counsel. Given the potentially crippling costs of legal actions, this is to be avoided.

Alternatives to ICE Model and Related Legal Issues

One can imagine a continuum of alternatives to the ICE CLT model by positing the range of different policy choices that might be made about key attributes.

- CLT corporation is not a membership organization;
- Tenure form is a co-operative of multiple unit dwellings or scattered units and membership is open only to those with occupancy rights.

³ This is the area that has made many municipal and provincial authorities reluctant to offer advice on a variety of programs. This might well be a serious programmatic limitation where land trusts are coupled with self-help initiatives.

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- CLT corporation has a broader membership that lessees and local residents and might represent coalitions of community organizations or municipal or provincial housing authorities.
- Ground leases provide variations on the limitations imposed in the ground lease, and the occupancy and use restrictions.

Every choice made to deviate from the conditions that ICE has determined for its version of the CLT will impose the requirement to analyze the legal implications. For example, imagine a CLT where the tenure form is co-operative housing of a multiple unit kind. But membership in the CLT is broadly held with the membership represented from the co-operative being at or less than a third of the Board of Directors. The occupancy relationship between the members and the co-operative is established by by-law. The landholding relationship between the CLT corporation and the co-operative is established by lease. The CLT wants to pass on to the co-operative a newly imposed land carrying cost recently established by the municipality. The lease provides for that to be done. However the charge is a lump sum that must be pre-paid and the CLT corporation cannot afford to carry it. The occupancy charges for the co-operative have been established in accordance with by-law at an annual meeting. The Board refuses to impose an additional occupancy levy. The failure to provide for congruence between the land lease and the by-laws might result in a very difficult situation, exacerbated by the tendency of oppositional political groupings to form in membership organizations.

General Observations

Land trusts and self help housing as housing program tools raise a range of legal questions. These will become clear as a particular approach emerges. But beyond the detailed legal issues presented by any model and each application, there is a need to carefully design a relatively simple method to achieve clear policy objectives. But no

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matter how simple the program elements might be, the unique legal requirements of each CLT will require significant transaction costs which might well be difficult to justify in the context of broad program objectives. Yet if these requirements are minimized in an effort at false economy, the goals of affordable housing development might be jeopardized no matter how effective, economic and replicable the other elements of an approach using land trusts and self-help components might be.

**CANADA MORTGAGE AND HOUSING CORPORATION
&
CANADIAN HOUSING AND RENEWAL ASSOCIATION**

SYMPOSIUM ON LAND TRUSTS AND SELF-HELP

**DECEMBER 3-4, 1993
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