Community Land Trusts for Sustainably Affordable Rental Housing Redevelopment: A Case Study of Rolland Curtis Gardens in Los Angeles

Annette M. Kim
University of Southern California

Andrew Eisenlohr
Council of the District of Columbia

The views expressed are those of the authors and do not necessarily reflect the views of the Council of the District of Columbia or others in the District of Columbia Government.

Abstract

Community land trust (CLT) affordable housing projects are typically built in rural or economically depressed urban neighborhoods. In the midst of urban housing shortages and anti-gentrification organizing, local groups are turning to the CLT model to redevelop affordable housing in expensive urban centers and enable low-income households to remain in their communities and maintain access to jobs, services, and cultural amenities. This case study focuses on the synthesis of skills and strategies it took for a land trust and an affordable housing developer to join forces and transform 48 units of Section 8-funded apartments with expiring affordability covenants into 140 units of sustainably affordable housing. In addition to increasing the number of affordable units, most critically, the CLT’s ground lease design will help ensure their affordability indefinitely, unlike mainstream affordable housing projects. This study also identifies public policy changes that could facilitate similar projects and discusses the enduring challenges associated with the development of affordable housing in expensive market economies.
Introduction

Community land trusts (CLT) have become a nationwide movement. They are one promising strategy for providing land uses undersupplied by our market economy, including affordable housing and the preservation of open space. To date, most CLTs have been in rural areas or in depressed urban neighborhoods where acquiring land is relatively inexpensive. This case study focuses on how a land trust and an affordable housing developer partnered to redevelop affordable housing in a high-priced neighborhood in Los Angeles that has experienced substantial redevelopment and gentrification.

The Rolland Curtis Gardens complex (RCG) was originally built as 48 units of Section 8-funded affordable housing in 1981. The property sits within the Exposition Park neighborhood of Los Angeles, just west of the University of Southern California’s main campus. When the site’s affordability covenants were about to expire in 2011, a local land trust, T.R.U.S.T. South LA (TRUST)1 teamed up with an experienced affordable housing developer, Abode Communities, to purchase the property from the private owner and redevelop it into 140 new housing units that will stay affordable in perpetuity. When the new Rolland Curtis Gardens opened in 2019, renters who had lived at RCG and had been relocated during construction used their “first right of return” to move into the new complex, which now includes recreational space, a community-oriented health center, and a retail store.

This case study examines the factors that allowed Abode Communities and TRUST to successfully redevelop the RCG complex. In doing so, the study identifies the extent to which this strategy for redeveloping affordable rental housing and preserving their affordability is replicable in other expensive urban markets and gentrifying areas.

CLTs and the Need for Urban Affordable Rental Housing in the United States

Research about CLTs has been growing in response to the growing housing affordability problem in the United States. Research has shown that starting in the 1990s, rent prices continued to rise while renters’ incomes stagnated (Collinson, 2011; Myers and Park, 2019). By 2011, the national supply rate of affordable housing created through the market filtering of existing housing stock to lower-income households stopped and actually went negative, indicating that higher-income households are renting lower quality stock (Myers and Park, 2020).

In addition to the financial barriers that make constructing new affordable housing exceedingly difficult, many existing, federally-subsidized affordable housing units are reverting to market-rate rents due to expiring affordability covenants (Joint Center for Housing Studies of Harvard University, 1999). The project-based Section 8 subsidies that were given to property owners in the 1980s and 1990s only ensured the affordability of units for 5–30 years. For example, Los Angeles’ Housing and Community Investment Department (HCIDLA) has identified approximately 11,200

---

1 The CLT’s legal name is Tenemos que Reclamar y Unidos Salvar La Tierra-South LA.
affordable housing units across 394 properties whose affordability covenants were set to expire or rental subsidies terminate between 2018 and 2022 (HCIDLA, 2018).

Recognizing the looming disaster, the MacArthur Foundation developed an ambitious, 20-year Window of Opportunity program in 2000, aiming to preserve the affordability of 300,000 existing affordable rental housing units by 2020. The hope was that by focusing this demonstration project on federally-subsidized projects, they would be able to identify public policies that could help maintain affordability more broadly. Unfortunately, despite a major investment in policy advocacy by the Foundation over several years, a 2014 evaluation report on the Window of Opportunity program found that the Foundation was unable to change federal laws, funding, and regulations enough to increase the preservation of existing federally-subsidized affordable housing (Schwartz et al., 2016).

Although the affordable housing literature perennially finds that any one solution or strategy lacks national “scale” solutions, it may be misguided to classify them as failures, given our politically decentralized country (Howell, Mueller, and Wilson, 2019). In other words, addressing the shortage must involve varied and piecemeal strategies designed and implemented by localities, nonprofits, and philanthropies. Indeed, the MacArthur Foundation’s evaluation study suggests that a common theme of the ongoing work to preserve existing affordable housing is that successful efforts require a network of organizations working together to overcome structural barriers. Although the 2016 study emphasized the importance of reputable leaders with technical
experience in successful networks, other research has indicated that “radical collaboration”—including grassroots leadership development—is also key to preserving affordable housing (Howell and Wilson, 2019).

In hindsight, it is clear that designing affordable housing strategies requires a more sustainable approach than extending current subsidies for some years, only to face the same dilemma later. We need other models. One promising strategy for maintaining the affordability of privately owned housing is shared equity affordable housing schemes (Davis, 2006; Theodos et al., 2017), a category that includes CLTs. Although the designs of shared equity schemes vary, their essential components are the same: households may own or rent the housing unit, but the land is held in a “community land trust” and/or the deed has restrictions on resale (e.g., a ceiling on resale price is imposed). Such mechanisms help prolong the affordability of CLTs indefinitely by mitigating the capitalization and subsequent resale concerns associated with private land markets. And in the case of rental units, the presence of stewardship organizations that contain resident and/or community representation also helps prevent rent increases that undermine affordability (Abromowitz and White, 2010; Libby, 2010).

In sum, shared equity schemes like CLTs have the potential to maintain affordability far longer than the 15–40 year requirements of Low Income Housing Tax Credit (LIHTC) or Section 8-funded developments, (Pub. L. 101-239 and Pub. L. 93-383). In such cases, private developers typically own the underlying land and enlist a private property management company. After affordability covenants expire, developers have free license to raise rents or sell the property to extract profits from its capitalization, which many do, as exhibit 1 shows.

In addition to affordability, studies have found that CLTs and other shared equity housing schemes bestow a variety of other benefits on their communities, including lower rates of foreclosure and eviction, wealth creation, neighborhood stabilization, and greater racial equity of ownership (Choi, Van Zandt, and Matarrita-Cascante, 2018; Temkin, Theodos, and Price, 2010; Wang et al., 2019). Yet despite those benefits, the number of CLTs has plateaued, and CLT housing remains a minor part of the country’s overall housing stock (Thaden, 2018). The distribution of CLTs and other shared equity housing developments is also quite uneven across the United States. For example, as of 2018, of the 2,997 active CLT properties sampled by Wang et al. (2019), none were present in major metropolitan regions such as New York, Los Angeles, Dallas, Houston, Philadelphia, Atlanta, or Washington, D.C.

Several factors help explain this bottleneck in the production of CLT affordable housing. For one, federal regulatory reform is needed to allow mortgage financing on CLT properties. Moreover, CLTs have historically been financially feasible in only niche situations, where developable and relatively affordable land sites are still available, but the private affordable housing industry is underdeveloped. Low site acquisition costs explain why the largest and most famous cases of CLTs have been in rural or depressed urban areas. Yet this concentration of CLTs in rural and inexpensive land markets calls into question their viability as a substantial generator of affordable housing in the urban areas of the United States. Sharply increasing land values are a core problem of the country’s affordable housing shortage, especially within its cities.
Another limitation is that CLTs have tended to focus on new construction and homeownership instead of rental properties. Beyond the debatable inefficiencies of subsidized homeownership, the fact is that one-third of the nation rents, and in a large city like Los Angeles, roughly 64 percent of households rent rather than own (HCIDLA, 2018). If shared equity housing is to be a significant component of the affordable housing solution, the strategy must include rental housing. Furthermore, in built-out cities with only infill opportunities, redevelopment rather than new construction is a necessary approach, particularly in better locations with access to opportunities (Lens and Reina, 2016). Especially in the case of expiring affordability covenants, redevelopment offers the potential to keep people in place as popular resistance to gentrification and displacement grows nationally (Choi, Van Zandt, and Mararrita-Cascante, 2018; Zuk et al., 2018).

Expanding the potential of CLTs and other shared equity housing models to create sustainably affordable rental units via redevelopment requires exploring some thorny issues not yet well addressed in the shared equity housing literature. One of the largest hurdles is how best to buy out private owners who currently have the option to sell on the open market. Another is how best to engage current residents, rehouse them during construction, and ensure their right of return. These two types of activities point to the two disparate types of expertise that will be required: financial management and community engagement. These activities are often viewed as a tradeoff between professional scaling to reach more but less needy households versus grassroots, tenant organizing that can tailor small projects to specific needs (Bratt, 2016; Gray and Galande, 2011). But as the literature on the preservation of affordable housing has found, it seems feasible that organizations with different types of expertise could partner in synergistic ways (Schwartz et al., 2016).

To help fill this literature gap, this study examines a rare case of collaboration between CLT housing activists and a professional affordable housing developer. Their partnership resulted in the redevelopment of a rental property with expiring affordability covenants into a higher-quality housing complex that contains nearly triple the number of units and will remain affordable indefinitely. Organized chronologically by the major hurdles crossed during the development process, this case study analysis allows examination of an array of financial, political, and organizational hurdles overcome by the two partners, as well as new challenges that come with collaboration. The study then assesses the case from a system-wide view in order to find lessons for increasing the supply of sustainably affordable rental housing in American cities.

The Context: Affordable Housing Development in Los Angeles

Over the past several decades, the Los Angeles region has experienced a growing housing crisis as its economy and population have grown without a commensurate expansion in housing supply (Myers, 2019). A few interrelated dynamics have produced this situation. Contrary to the conventional wisdom of decades ago, southern California’s housing density is now relatively high, although as a polycentric urban region, its density unfolds in a distinct pattern relative to monocentric ones (O’Flaherty, Osgood, and Regus, 2014; U.S. Census Bureau, 2012) The Los Angeles region’s housing density is smoother than many other American metropolitan areas: although its urban core is not as dense as New York City’s, its “suburban” communities are
much denser than their East Coast counterparts. This situation means that nearly all housing development in the Los Angeles region must occur via in-fill and redevelopment (Eidlin, 2010).

Despite this density and the high demand for housing in the Los Angeles region, the area suffers from some of the most restrictive planning and land-use zoning regulations in the county (Broughel and Hamilton, 2019). California’s costly environmental review process (BIALAV, n.d.), in combination with the typical “not-in-my-backyard” (“NIMBYism”) obstacles, has significantly inflated the cost of developing housing in Los Angeles (Gyourko and Molloy, 2015). These challenges are especially problematic for affordable housing projects, which often require greater density and height so that lower projected revenues are offset by reduced fixed costs per unit. Because of this financial calculus, the City of Los Angeles passed the Transit-Oriented Communities (TOC) Ordinance (Los Angeles Municipal Code § 12.22 A.31) in 2017, after the RCG’s redevelopment took place. The Ordinance now allows taller and denser structures near transit stations in exchange for the inclusion of affordable housing in new developments.

Regardless, the development costs for affordable housing in Los Angeles are high. For example, the per-unit median total development cost of recent publicly funded Measure HHH affordable housing in the core of the Los Angeles metropolitan area is $558,110.2 Perhaps unsurprisingly, Los Angeles’ per-unit development costs exceed the state average of $425,000 in 2016 (Terner Center, 2020). That figure is also higher than the national LIHTC-funded per-unit development costs of $191,902 in 2018 (Lubell and Wolff, 2018).

More importantly, the affordability covenants for these new units in Los Angeles are set to expire after 55 years (City of Los Angeles, 2017). Given how extremely difficult and costly it is to create affordable housing in Los Angeles, and given the great deal of public subsidies used, it is untenable to plan to give up these units. Expiration dates were broadly instituted in the 1980s, an era of devolution and the dismantling of federal public housing, in order to entice the participation of the private sector in the provision of private, affordable housing. Some assumed that with the initial public help, the market would continue to provide affordable housing without subsidies. In places like Los Angeles, however, where populations have increased and real estate prices have outgrown incomes, this practice forestalls and exacerbates the affordability problem by allowing these units to charge market rates in the face of even larger housing shortages later. As a result, we need new strategies for sustaining the affordability of affordable housing. Community land trusts are one such strategy.

The Formation of a New Rolland Curtis Gardens

History of the Project Site, 1981–2012

The original RCG complex at 1077 W 38th Street in south Los Angeles was developed in 1981 as 48 units of affordable housing in six two-story buildings oriented around a garden courtyard. With

---

2 Measure HHH, approved by City of Los Angeles voters in November 2016, is a bond-financing mechanism for the construction of affordable housing for homeless individuals or those at risk of becoming homeless. Data on its subsequent implementation, including funded projects, is available at: https://lacontroller.org/audits-and-reports/hhhactionplan/. Our calculations isolated 87 projects south of the San Fernando Valley and north of the City’s southernmost Council District 15.
funding from the U.S. Department of Housing and Urban Development (HUD), an affordability covenant was placed on the property by the Los Angeles Community Redevelopment Agency (CRA/LA), ensuring that the complex's units would remain affordable until January 27, 2011, even as RCG changed ownership two times before then (CRA/LA, 2006). Community advocates such as TRUST, along with the City of Los Angeles, have been concerned about LA's many properties with expiring affordability covenants (LADCP, 2013). By 2010, TRUST had identified four properties whose affordability covenants were expiring in the neighborhood and began advocating for tenants. One of those four properties was the original RCG complex.

In 2011, just as RCG's CRA/LA-imposed affordability covenant was expiring, RCG's private owner announced his intent to convert the complex to market-rate housing. This decision was predictable in light of two factors: (1) LA Metro's upcoming extension of the light rail Expo line, which would result in a Metro stop directly in front of the property, increasing its transportation accessibility and therefore its market value; and (2) the property's amenity-rich location near Exposition Park and the University of Southern California. In contrast to the RCG, the owners of the three adjacent properties previously identified by TRUST voluntarily opted back into the Section 8 housing program, perhaps incentivized by the array of renewal options HUD has introduced during the past few decades. Accordingly, TRUST focused its efforts on maintaining the affordability of units in the RCG complex.

In February 2011, tenants of the complex began receiving 60-day eviction notices from the property's management company. With support from the Legal Aid Foundation of Los Angeles (LAFLA), TRUST worked with the tenants to fight eviction, forcing the private owner to follow the necessary notification procedures associated with converting affordable housing units to market-rate. As a result, their eviction notices were revised from 60 days to the legally required 90 days. In addition, TRUST and LAFLA ensured that 11 of the building's original tenants would continue receiving "enhanced" vouchers, which would allow them to continue to be tenants for the remainder of the development's use as a rental property. Despite this concerted advocacy work, by mid-2012 the property management company stopped maintaining the building, and at least 24 of the complex's 48 units became vacant (Fulton, 2012).

3 Renewals of project-based Section 8 agreements vary significantly across developments, both in terms of renewal period and unit pricing. For the full spectrum of renewal options available to owners of project-based Section 8-funded developments, please see HUD's updated guidance at: https://www.hudexchange.info/resource/4851/section-8-renewal-policy-guidebook/.
Joining Resources to Acquire the RCG, 2012

TRUST’s community organizing had achieved short-term protections for residents of the original RCG complex. Nevertheless, they realized that the site would ultimately require redevelopment with new affordable housing units because the existing structures on the parcel were nearing the end of their useful life. Property redevelopment, however, required a distinct set of skills that TRUST did not possess. As a result, they contacted one of their founding partners, Abode Communities, who had extensive experience in acquiring funding for and developing large-scale affordable housing development projects. Because Abode Communities had never officially partnered with a CLT before, this collaboration was a unique project development process for both parties.

Abode Communities and TRUST had originally attempted to purchase the RCG site from the private owner in 2010, anticipating the upcoming expiration of the CRA/LA-imposed affordability covenant. According to TRUST, the private owner was initially unwilling to sell the property. On the residents' behalf, TRUST not only fought the improper eviction notices they had received but also documented numerous property maintenance issues. This work produced substantial negative media coverage, and eventually, the Los Angeles Housing Department (now known as HCIDLA) ordered more than 300 improvements to the derelict property. Presumably, the mandated costs, as well as the enhanced vouchers that families would retain even after market-rate conversion, altered the owner's calculus. About 2 years later, on July 27, 2012, Abode Communities and TRUST were finally able to co-acquire the site for $10.05 million.
Financing the RCG site purchase was difficult for Abode Communities and TRUST for several reasons. Los Angeles’ rapidly appreciating, expensive real estate market meant land values were rising quickly through the preacquisition phase. The negotiated price of $10.05 million exceeded the property appraisal value of $8.4 million because the private owner insisted on receiving compensation for a prepayment penalty on the loan he used to originally purchase the property. Furthermore, the property appraisal's comparable sales price, developed from nearby property sales, did not account for the incoming Expo line station. In fact, Abode Communities estimates that the property's value had appreciated to $11 million by the time of redevelopment.

Both the private and public funding sources available for affordable housing development did not allow a site's purchase price to exceed its appraisal value. As a result, TRUST and Abode Communities had to creatively assemble private sources of funding to acquire the site. Together, the two groups raised $1.8 million in private foundation grants, and Abode Communities contributed $1.5 million in Capital Magnet Funds they had received from the U.S. Treasury. Later, TRUST and Abode Communities received an additional $1 million private loan from the California Community Foundation. Finally, on top of this equity, Abode Communities successfully negotiated a boutique loan with Wells Fargo Bank; the loan terms included a low interest rate and an extended, 5-year repayment period. Undoubtedly, Abode Communities’ acumen and reputation helped secure this critical financing with advantageous terms. Exhibit 3 summarizes these acquisition funding sources and amounts.

### Exhibit 3

<table>
<thead>
<tr>
<th>Site Acquisition Funding Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding Source</strong></td>
</tr>
<tr>
<td>TRUST and Abode Communities Equity</td>
</tr>
<tr>
<td>Abode Acquisition Loan</td>
</tr>
<tr>
<td>Abode Unsecured Loan</td>
</tr>
<tr>
<td>CCF Community Foundation Land Trust (“CFLT”) Loan</td>
</tr>
<tr>
<td>Specialized Wells Fargo Permanent Mortgage</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: Abode Communities.

With all their success in raising private funding, however, this affordable housing project managed by nonprofits initially lacked any public funding investments for the acquisition, and the property had no deed restrictions. In turn, the Los Angeles County Assessor's Office initially determined that the project was ineligible for a “welfare exemption” from property tax payments during the redevelopment period, which increased its overall cost. Abode Communities and TRUST therefore worked with HCIDLA to design a unique small public loan for the project, which placed new affordability covenants on the property and therefore made the redevelopment project eligible for the property tax exemption. After this project, TRUST and other members of the California CLT Network have lobbied state legislators to exempt CLTs from paying property taxes on affordable housing projects, resulting in California State Bill 1056 in 2018.
Redevelopment of Rolland Curtis Gardens

Site acquisition was costly because RCG has a valuable location with a light rail stop and bus stops, and proximity to commercial and cultural resources (see exhibit 2). Finding ways for affordable housing to exist in places with transportation access to employment is an important public policy issue. Typically, affordable private housing options are pushed farther and farther out of the urban region, with households paying more in commuting time costs and decreased opportunities and amenities (Lens and Reina, 2016). This displacement can negatively impact not only individual households’ economic opportunities but dismantle an entire community’s place of belonging (Crisman and Kim, 2019), like those of the intergenerational families that have called RCG home for decades.

Ironically, public and private investments in amenities can exacerbate the displacement of affordable housing (Zuk et al., 2018). Many studies have documented how transportation investments are capitalized into nearby real estate (Boarnet et al., 2017; Bowes and Ilihanfeldt, 2001; Goetz et al., 2010; Hess and Almeida, 2007). This situation leads to a compounded negative impact for lower-income residents, who are often more dependent on public transit; they become displaced by rising rents and isolated from employment and other opportunities. As a result, states and municipalities have recently made efforts to give preferential treatment for affordable housing projects in transit-oriented developments (Los Angeles City Planning, 2020; SCAG, 2020).

Designing for Affordability and Community, 2013–14

Abode Communities and TRUST both agreed that the redeveloped RCG would need to contain more units than the original building in order to be financially feasible and to maximize the affordable housing offered by this advantageous site. Redevelopment projects with increased density, however—and affordable housing projects in general—perennially face opposition from both residents and neighbors.

TRUST took the lead in engaging existing RCG residents, residents of the surrounding neighborhood, and members of local community-based and faith-based organizations in a participatory urban design and planning process during a 4-month period. Several factors contributed to meaningful participation. Neither TRUST nor Abode Communities had a predetermined design for the site. Instead, TRUST started with their tenant-organizing relationships, which included doing an asset-mapping project, so that the members started with knowledge about the site in relation to the neighborhood. TRUST’s organizational structure includes a board in which most of the seats are occupied by elected grassroots members, with bilingual meetings in English and Spanish to promote participation.

The five community design sessions were jointly designed and facilitated by a team of TRUST organizers and Abode Communities’ staff planners and architects. Residents originally wanted more car parking and less density, but after engaging in financial analysis exercises that clarified the tradeoffs, the community proposed a relatively dense design. Their plan increased the number of units from 48 to 140, and it incorporated an underground parking garage with reduced parking ratios. The residents also significantly shaped the design to locate commercial uses on the street front, separated from the two residential wings behind it (exhibit 4). Their participatory process was so successful that the California Community Foundation supported the creation of a “Guide to Transit-Oriented Development” informed by this work (Pasciuto et al., 2013).
The design’s higher density required additional city environmental reviews and approval, however, which extended the project’s financing costs another year. In 2014, Abode Communities filed entitlement requests under a Mitigated Negative Declaration (Case No. ENV-2013-3341-MND), and they were ultimately approved after a public comment period. Of particular note was a request seen as a daring appeal at the time: an exemption from the municipal parking code to a reduced parking ratio of 0.8 parking spaces per housing unit, justified by the site’s location directly in front of a light rail stop. Beyond this project, TRUST played an active role in the community-labor coalition that developed an ordinance initiative petition for a change in policy. Now, Los Angeles’ aforementioned TOC Ordinance, implemented in 2017, reduces parking allotments to 0.5 by right, expediting the costly entitlement process. RCG’s reduction in parking spaces was important for the project’s financial feasibility.

4 Essentially, these are requests for approval from the City’s Planning Department to implement a proposed land use (e.g., construct a building based on its proposed design) without limitation.
5 To view the MND’s Initial Study, please see: http://clkrep.lacity.org/onlinedocs/2014/14-1548_misc_e_11-3-14.pdf.
Another advantage of the larger RCG design was that it allowed Abode Communities and TRUST to divide the project components and thereby maximize public funding streams. The 140 housing units span two separate “phases” established as distinct legal entities—the East and West wings—each of which was able to receive a LIHTC investment. In a similar way, Abode Communities defined a separate Commercial portion of the plan to allow the receipt of New Markets Tax Credit equity. Exhibits 5–7 list the funding sources for the RCG CLT’s construction and permanent loans.

**Exhibit 5**

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>East Amount ($)</th>
<th>West Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Loan</td>
<td>26,238,329</td>
<td>23,500,000</td>
</tr>
<tr>
<td>California Housing and Community Development (“HCD“) Infill Infrastructure Grant (“IIG”)</td>
<td>2,280,000</td>
<td>–</td>
</tr>
<tr>
<td>HCD Affordable Housing and Sustainable Communities (“AHSC“) – Housing Related Infrastructure (“HRI”)</td>
<td>801,830</td>
<td>1,208,750</td>
</tr>
<tr>
<td>HCD AHSC Program</td>
<td>445,000</td>
<td>44,820</td>
</tr>
<tr>
<td>HCD AHSC – Sustainable Transportation Infrastructure (“STI”)</td>
<td>–</td>
<td>503,000</td>
</tr>
<tr>
<td>Los Angeles Housing + Community Investment Department (“HCIDLA”) Affordable Housing Trust Fund (“AHTF”)</td>
<td>–</td>
<td>4,900,000</td>
</tr>
<tr>
<td>Deferred Interest</td>
<td>–</td>
<td>258,000</td>
</tr>
<tr>
<td>Deferred Costs</td>
<td>895,500</td>
<td>2,211,347</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>600,000</td>
<td>760,620</td>
</tr>
<tr>
<td>GP Low Income Housing Tax Credits (LIHTC)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>LP Low Income Housing Tax Credits (LIHTC)</td>
<td>2,525,558</td>
<td>1,768,965</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$33,786,317</strong></td>
<td><strong>$35,155,602</strong></td>
</tr>
</tbody>
</table>

Source: Abode Communities.

**Exhibit 6**

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>East Amount ($)</th>
<th>West Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Loan</td>
<td>3,650,633</td>
<td>2,756,800</td>
</tr>
<tr>
<td>HCD AHSC</td>
<td>2,753,169</td>
<td>3,911,504</td>
</tr>
<tr>
<td>HCD IIG</td>
<td>2,280,000</td>
<td>–</td>
</tr>
<tr>
<td>HCD AHSC – HRI</td>
<td>801,830</td>
<td>1,208,750</td>
</tr>
<tr>
<td>HCD AHSC Program</td>
<td>445,000</td>
<td>44,820</td>
</tr>
<tr>
<td>HCD AHSC – STI</td>
<td>–</td>
<td>503,000</td>
</tr>
<tr>
<td>HCD Multifamily Housing Programs (“MHP”)</td>
<td>–</td>
<td>5,773,538</td>
</tr>
<tr>
<td>HCIDLA AHTF</td>
<td>–</td>
<td>4,900,000</td>
</tr>
<tr>
<td>Deferred Interest</td>
<td>–</td>
<td>258,000</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>600,000</td>
<td>760,620</td>
</tr>
<tr>
<td>GP LIHTC</td>
<td>100</td>
<td>1,348,933</td>
</tr>
<tr>
<td>LP LIHTC</td>
<td>23,255,585</td>
<td>13,689,637</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$33,786,317</strong></td>
<td><strong>$35,155,602</strong></td>
</tr>
</tbody>
</table>

Source: Abode Communities.
Advocating Community Support for Affordable Housing

Gaining public support for the project required considerable outreach to the neighborhood surrounding the project site. Early on in the development phase, TRUST began conducting grassroots, door-to-door conversations with local residents to promote awareness of the CLT and to encourage participation in the redevelopment planning processes.

A variety of opponents to the project appeared as well, including paid consultants warning of the project’s negative impact on environmental health, commercial competition, and poverty. In addition, a petition against the project started to circulate, targeting Latinx homeowners and an African-American neighborhood toward the west, which gained nearly 200 signatures.

In responding to these concerns, TRUST was conscious of managing the racial dynamics in the area. About 90 percent of the original RCG residents were African-American, African, or Afro-Caribbean, whereas around 78 percent of the residents in the immediate neighborhood were Latinx.\(^7\) In order to counter apprehension and misinformation, TRUST organized RCG tenants and TRUST volunteers to canvas the neighborhood in mixed pairs, one African-American and the other Latinx, with both English and Spanish-speaking capacity, to personally explain the project. Overall, during this development period, TRUST outreach teams worked with existing RCG tenants to knock on 550 doors in the surrounding neighborhood and to contact local community and faith organizations. At the final public hearing on the RCG redevelopment project, active resident and community leadership spurred the attendance of 200 supporters in matching green t-shirts, far outnumbering the few opponents present. That the proposed redevelopment project passed environmental review in less than 1 year is a testament to the effectiveness of TRUST’s community engagement. Equally important, their work may have helped establish community-based support for future affordable housing projects in the area.

Resident Relocation and Temporary Housing During Construction, 2016-2017

United in their goal to mitigate displacement, TRUST, Abode Communities, and the existing residents established a formal right-to-return policy via a collaborative process.\(^8\) Before construction could commence, the original complex’s remaining 24 households needed to vacate the site. By law,

\(^7\) Per Table B03003 of the 2012 5-year ACS, for census tract 2312.20.

\(^8\) This policy was a critical undertaking because Los Angeles residents currently have no codified rights of return, but they have rights to replacement units. Los Angeles’ Rent Stabilization Ordinance grants replacement rentals for properties built on or before October 1, 1978 (LAMC Section 151.28).
TRUST and Abode Communities reserved funds to pay tenants’ moving expenses, cover security deposits, and include professional relocation services. Despite a relocation consultant’s assistance, it was difficult for most of the residents to find places nearby that would accept their Section 8 vouchers. In fact, this situation is such a common problem that, in 2019, the California legislature passed SB-329, which outlaws blanket discrimination against voucher holders, prohibiting “No Section 8” language in advertisements.

TRUST board member John London relates that although tenants and TRUST members now speak as family and wax nostalgically about the redevelopment of RCG, there was a tough period of trust-building. With demolition approaching and residents yet to find alternative housing, he recalls yelling and bottles being thrown at meetings. Some of the residents turned to the University of Southern California’s Housing Law Clinic lawyers to negotiate a new agreement with Abode Communities and TRUST. Originally, residents had been offered the legally mandated amount in move-out expenses, starting at $1,375 per apartment, with more budget reserved for potential rent differentials. Later, Abode Communities and TRUST offered an additional $7,000 to tenants once they signed leases at new apartments (Mackovich, 2017; Poston and Smith, 2016), which was well above what was legally required.

With 90 days left before demolition, TRUST took matters into their own hands. They rented vans and drivers and formed teams with tenants that would set out at 6:00 a.m. on mapped routes, searching block-by-block for any available housing. They tailored the search to residents’ specific needs, such as accessibility for those with disabilities and proximity to schools and jobs. Most of the original RCG residents were African-American, and they faced significant discrimination in searching for new housing in the market. London recalls complicated layers to this discrimination, in which landlords on the phone would say there was no vacancy if TRUST’s team member with a Haitian accent inquired, but then would have availability if someone with an American accent inquired in person at the rental office. In addition to the group search teams, TRUST and Abode Communities leveraged their networks with other housing nonprofits to find units for the remaining original residents. In the end, Abode’s and other nonprofits’ existing affordable housing projects were instrumental in providing the relocation housing for the remaining RCG residents that the private market would not. Everyone was eventually resettled by the 2017 deadline. The state delayed their funding agreements for the project, however, so actual construction did not start until 2018.

**The New RCG Starts Leasing: 2018–19**

TRUST stayed in contact with the relocated families throughout the construction period, and they reconnected with each household to offer units when the new complex was ready to start leasing. Of the 48 households who lived in the original RCG complex, 25 ultimately decided to return to the new RCG CLT. Those who did not return preferred to stay in the relocation housing they had found, or their family situations or needs had changed.

Having received nearly 3,000 rental applications for the completed 140 units, Abode Communities hosted a public lottery to lease the new Rolland Curtis Gardens in 2018. People lined up around the block to attend the leasing meeting (exhibit 8), and frantic inquiries were
posted on social media, underscoring the deep need for affordable housing in Los Angeles. The design of the RCG came out beautifully, with water-conservation landscaping, open and passive cooling hallways, and community recreation areas that create a high-value living environment in stark contrast to the old RCG.

The new RCG also more than tripled the amount of affordable housing supplied by the property. Its 140 units currently house about 600 residents. A small, locally owned produce market and St. John's Well Child and Family Center, which is expected to serve 10,000 health clinic patients annually, moved into its commercial row. The complex also offers the same affordability for the tenants who returned. RCG’s remaining units are available to households earning a range between 30 percent and 60 percent of area median income (AMI). The agreement between TRUST and Abode Communities was that at least 36 units would be rented to households with AMI as low as 30 percent. The RCG case has been featured in a public television documentary as a promising model for countering gentrification and displacement (Baghdadi and Hammerling, 2017).

**Exhibit 8**

Lines Form to Attend the New RCG Leasing Meeting, July 12, 2018

---

*The RCG site is featured at timestamp 7:26 in this video: [https://www.kcet.org/shows/city-rising/clip/gentrification-and-displacement-the-future](https://www.kcet.org/shows/city-rising/clip/gentrification-and-displacement-the-future).*
Partnership: CLTs and Affordable Housing Developers

This case study has detailed how a community-based land trust and a nonprofit affordable housing developer were able to collaborate and build sustainably affordable rental housing in a gentrifying neighborhood. The sustainability of affordability is the defining characteristic of this project, distinguishing the CLT approach from more mainstream affordable housing projects that are still currently being built in the Los Angeles region via Measure HHH. Achieving this sustainability in the redevelopment of central city affordable housing that did not displace residents involved three key aspects: (1) right of return, (2) resident leadership, and (3) neighborhood outreach.

Because avoiding displacement is core to the goal of affordability sustainability, this case highlights the need for resident relocation during construction and “right of return” procedures. Residents had trouble finding private housing in the vicinity that would accept Section 8 vouchers during the construction period, which is exactly why this project was needed. Instead, TRUST’s and Abode Communities’ network of relationships with other nonprofits, as well as Abode Communities’ extensive portfolio of other affordable housing projects, ultimately helped secure the last of the relocation housing units. Meanwhile, TRUST’s intimate relationship with residents before, during, and after project development—and the extraordinary effort they made to find temporary housing—is work that CLTs are uniquely positioned to fulfill. In interviews, TRUST staff could name every original resident, their current residences even if they chose not to return to the RCG, and what was occurring in their life situations.

Furthermore, as the literature has found, local leadership development is key to ensuring the sustainability of CLTs. The partnership between Abode Communities and TRUST and their aligned value of community engagement produced an exemplary participatory design process and outcome, both of which helped residents gain a sense of ownership and buy-in to the project. Abode Communities architecture staff found the RCG project particularly rewarding because TRUST had been able to facilitate a productive process, one that educated residents about regulatory and fiscal constraints and enabled them to propose creative solutions that better met their needs and increased support for the project. Residents and community members are TRUST’s board members.

TRUST’s leadership in tenant organizing and neighborhood asset mapping, the relationships and knowledge they had built through their advocacy work, and their savvy in managing community racial and power dynamics in meetings were all invaluable to the project. Without the intense and continuous community outreach work of TRUST, the new RCG complex would not have been designed for community needs and would most likely have stalled in the environmental review process due to opposition from some neighbors. At the same time, without Abode Communities’ financial expertise and the management of the entitlement and development processes, the project would not have been financially feasible, especially given all the delays.

As new partners, however, the two organizations had to learn how to communicate and forge mutually beneficial arrangements. For example, much of the key community organizing contributions described previously are typically uncompensated. The CLT literature, with few exceptions (Lowe and Thaden, 2016), also tends to focus on the legal and financial aspects of
the CLT model. Sandra McNeill, TRUST executive director from 2007–17, reflects that TRUST had to learn how to better define the value that the organization brings to projects and how that translates into their own project fees to their development partners. Abode Communities and TRUST engaged a third party to audit the project budget and help identify TRUST’s compensation in contracting fees and ground-lease fees for stewarding the property and maintaining resident organizing during the prolonged development phase.

Meanwhile, like many affordable housing developers (Schwartz et al., 2016), Abode Communities’ model is to recoup their own compensation through developer fees, which in this case paid for 8+ years of staff time as well as their risk exposure in providing financial guarantees throughout the life of the project. Holly Benson, Abode Communities Executive Vice President and Chief Operating Officer, recalls that this venture was a unique project for them in working with a CLT. She appreciates that a strength of the collaboration was TRUST doing “[a much] deeper dive with the community instead of just leaving notices.” She observed that as the project progressed, TRUST had to shift in its identity, moving from a tenant activist entity to a property developer, owner, and landlord.

## Looking Forward

Although the RCG case itself was a success, it also raises questions about its replicability and potential. The case elucidates some policy changes that would facilitate future projects, but it also highlights some of the intractable problems associated with developing affordable housing in American cities.

For one, this case indicates that CLT organizations cannot achieve projects like the RCG by themselves. A partnership and synthesis of skills between a CLT and an expert housing developer are likely necessary to achieve success in complex and costly housing markets. The ultimate benefit of the CLT model—sustainable affordability for residents—does not incentivize developer participation. Neither does having to engage with a partner organization or ceding revenue to them. The community engagement and activism facilitated by CLTs are valuable in securing project approval and affordability sustainability, but that will be insufficient to gain the partnership of many private, albeit nonprofit, developers. Rather, RCG’s unusually prime location is what initially brought Abode Communities and TRUST to work together. The location’s strong and appreciating land values help ensure occupancy and the long-term financial viability of the project. Ironically, then, the problem of a rapidly appreciating real estate market and prime locations could be the most conducive context for such collaborations between a CLT and an affordable housing developer.

Still, both nonprofits were able to raise a large amount of equity for this project, and this fundraising does not appear easy to replicate. Los Angeles has an especially rich ecology of foundations, nonprofit organizations, and affordable housing corporations. Therefore, this case still confirms the CLT literature’s point that with private land sites, CLTs only work in specific niche situations of relatively feasible site acquisition costs, strong housing demand, and the supply of other affordable housing developers.
The development of the new RCG CLT was not cheaper than more mainstream affordable housing projects in Los Angeles. Its implied per-unit total development cost of $564,227 (i.e., $10.05 million in acquisition costs and $68.94 million in development costs spread across 140 units) is close to the per-unit median total development cost of $558,110 in the core of Los Angeles. Rather, what separates the CLT model from other affordable housing solutions is its sustainability, a vital aspect considering the climbing costs of housing relative to income throughout the country. Therefore, changing the calculus so that CLTs are not only utilized in “niche” situations but can be more broadly instituted is a worthy pursuit.

Cities and states have the power to mitigate many of the hurdles and costs traced in this case and thereby encourage greater participation by developers like Abode. First, policymakers could adjust the appraisal methodology for properties in rapidly appreciating real estate markets, especially where their own transit investments are spurring this appreciation. Adjusting property valuations to include recent and anticipated neighborhood changes, such as a new transit stop, would help move more appropriate levels of public funds to affordable housing projects in gentrifying areas.

Second, Abode Communities and TRUST had to expend large amounts of their own equity to build a project that can preserve affordable units in perpetuity, which is producing a substantial public benefit. Public authorities could help reduce these costs by exempting nonprofits such as CLTs from paying property taxes like other nonprofits when developing affordable housing. For example, although the RCG project needed to take out a unique HCIDLA-designed loan to avoid paying property taxes during predevelopment, California eventually addressed this issue in 2018 as a result of lobbying from a network of state CLTs. Senate Bill 1056 exempts CLTs from paying property tax from the point of site acquisition until project completion.

Third, this project spent about 3 years in the entitlement process, with Abode Communities and TRUST obtaining variances and expending considerable labor assuaging neighborhood opponents who made spurious claims. To accelerate the development timeline, cities could increase allowable density, floor area ratio, and building heights of CLT and other affordable housing projects in their environmental review requirements. Given California’s housing crisis, some cities and the state have been enacting bolder pro-housing legislation. For example, Los Angeles’ TOC Ordinance of 2017 now allows a number of affordable housing projects to be developed by-right, with higher densities and reduced parking for projects near transit.

Allowing by-right development has also assisted such projects’ developers in meeting the “shovel-ready” requirement often attached to public housing funds. Given the local specificity of the TOC Ordinance, such a policy may not be feasible for other municipalities. Similar policies that relax the entitlement process for affordable housing projects, however, like the recent Senate Bill 827 proposed by the California State Legislature or New York City’s inclusionary zoning and density bonus program, can provide similar incentives.

One should note that although California voters approved bond measures that exhibited general support for responding to the affordable housing and homelessness crisis, there have also been a number of recent anti-density referenda in the Los Angeles region seeking to suspend real estate development other than single-family by-right construction—namely Measure S for the City of
Los Angeles and Measure LV in the City of Santa Monica. Proponents of such anti-construction measures have included both the usual NIMBY, anti-density activists but also lower-income community groups seeking to stop gentrification and displacement. TRUST and Abode worked to oppose these proposals, both of which would prohibit the development of affordable housing projects. Public awareness of the relationship between density and affordable housing is starting to form with more recent measures, such as California Assembly Bill 68, which allows accessory dwelling units to be built by right. More public education, however, is needed.

In answering the initial question of how a CLT can develop affordable housing in an expensive real estate market, one answer is that it takes a lot of money. From a larger system point of view, federal, state, and local rules make it extremely expensive to build affordable housing. McNeill asks why there is not a better way than spending $70 million and a decade to build 140 units. Although some ways to decrease the costs of affordable housing development through reductions in property taxes and expediting approvals were mentioned previously in this article, another important way to encourage more CLT projects is to find a way to lower the high costs of site acquisition.

Buying space for affordable housing in the private real estate market is a core challenge. As seen in this case, the market system is predicated on property owners’ entitlement to reap appreciating values, including from public rail transit investment and proximity to other amenities. Timing is key, especially for affordable housing developers. The RCG project could have been less costly had TRUST and Abode Communities been able to acquire the site earlier, in addition to shortening the entitlement and development period. The Exposition Park neighborhood was still at early-stage gentrification in 2012 and still relatively less expensive than other parts of Los Angeles. Today, this project would not have been possible.

At its core, this case details how extremely difficult it is to redevelop affordable housing in expensive urban areas given the development costs, the neighborhood opposition, and the shortage of temporary relocation housing. This difficulty also makes it clear that this tremendous effort and its hard-fought successful outcome should not be "given away" in the future. The CLT design and local leadership are key to ensuring the preservation of affordability.

A large-scale implication is that a shift in public policy is needed that stops directing public funds for affordable housing projects with affordability expiration dates. Furthermore, a federally-funded grant program for CLT site acquisitions could help move past the current stasis levels of CLT housing production for niche situations. Given the large public benefit that sustainable affordability represents, encouraging greater public investment in CLTs seems an appropriate and effective way to broaden their implementation.

Furthermore, this case demonstrates the difficulty that CLTs face in providing housing for the poorest residents of high-rent areas in a market economy. Because of their reliance on private market funding for both construction and permanent loans, CLT developers must set tenant rent at levels that can repay the loans. In the case of the RCG, that meant establishing a minimum tenant income requirement of 30–60 percent of AMI for non-original tenants, a threshold that can be unaffordable to the lowest-income households who lack Section 8 vouchers (Foster, 2018). Again, expanding public funding sources for CLTs, for instance, by issuing public bonds
to support their site acquisitions, could help lower the development costs to deepen affordability. Still, this case study also indicates the continued need for publicly-funded, social safety net housing in America's cities. CLTs have the potential to be an important component of supplying sustainably affordable housing in cities such as Los Angeles, but they cannot meet housing needs across the entire income spectrum.

In sum, affordability covenants with expiration dates were a short-sighted strategy in the rush to engage the private market in the provision of affordable housing. It is astonishing to imagine that if HUD and state subsidies had been invested into properties with restricted deeds and been oriented around the expansion of actively-engaged stewardship organizations, hard-fought affordability could have been better sustained. This case provides details on both the difficulties and possibilities of developing affordable housing with a more sustainable approach.

Acknowledgments

We would like to thank those that we interviewed for this article, especially the many years of conversation with Sandra McNeill, but also Holly Benson, John London, and Oscar Monge. We also thank the Lincoln Institute of Land Policy for research support.

Authors

Annette Kim is the Director of SLAB, the Spatial Analysis Lab, and an Associate Professor at the Price School of Public Policy, University of Southern California. She may be contacted at annettek@usc.edu, http://slab.today/. Andrew Eisenlohr is the Deputy Budget Director at the Council of the District of Columbia. He can be contacted at eisenloh@usc.edu.

References


City of Los Angeles. 2017 (February 21). Recommendations from the Proposition HHH Citizens Oversight Committee to the Proposition HHH Administrative Oversight Committee (inter-departmental correspondence). https://facitprimegovcom/meeting/attachment/381087.pdf?name=Report%20from%20Proposition%20HHH%20Administrative%20Oversight%20Committee%20dated%204-13-21


