

Final Report

# Development without Displacement

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Christina Alperi, Daniel Bonomo, Olivia Delborne, Khaki Loughran,  
and Kade Sutton

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## Executive Summary

After decades of disinvestment in West Louisville, recent years have seen over \$1 billion of new investment west of the 9th Street Divide, with \$400 million in the Russell neighborhood alone. Accompanying this inflow of capital are fears of displacement of the current residents living in Russell as property values rise and the area becomes more desirable for investors and homebuyers alike. However, investment is also necessary to transform the Russell neighborhood back to the Harlem it once was and bring back sorely needed economic opportunities so long as anti-displacement measures are taken alongside it.

In analyzing current data regarding the neighborhood, Russell appears to be undergoing the very early stages of the gentrification process and could be considered a “susceptible” tract. Its demographic and housing make-up leave it highly vulnerable to initial economic gentrification, identified by rising property values, and later demographic displacement. It is crucial that action be taken now in order to prevent the continuation into further stages of gentrification.

After spending eight weeks researching development without displacement in the Russell neighborhood of Louisville, we have crafted a list of contributions aimed at revitalizing the community while preserving its history and culture. These recommendations range from neighborhood enhancement to strategies for sustainable economic growth. Additionally, we have looked into the issue of alleviating the food desert that covers West Louisville, as well as using art in conjunction with gardens to enhance the current experience of Russell. The city should also allocate funds to pre-existing educational programs in order to create a more efficient and effective system.

We have also spent time researching affordable housing options, particularly more permanent solutions, as well as protection for the 75% of residents who are renters. More specifically, policies such as shared equity mortgages, cooperative housing, and mortgage reserve accounts can assist in expanding and preserving the stock of affordable housing. Furthermore, we strongly recommend Louisville Metro Government continue work on the implementation of a community land trust.

Throughout all measures taken, the neighborhood must fully be informed and on board. As much as possible, ideas should stem from residents, rather from government, to promote a sense of ownership for the revitalization of the neighborhood.



## Introduction

### Who We Are

We are a team of five Morehead-Cain Scholars from the University of North Carolina at Chapel Hill. During the summer after our freshman year of college, it is our job to partake in a program known as Civic Collaboration. The purpose of Civic Collaboration is to send groups of scholars to mid-sized cities all across the nation and allow them to do a deep dive into an issue that the city is facing.


Our issue of focus is development without displacement. We have spent the past eight weeks researching and studying the potential for displacement in the West end of Louisville, specifically the Russell neighborhood, while simultaneously looking for ways to encourage the investment and revitalization that benefits current residents. Throughout our time here we have discovered many policies, projects, and best practices that we feel can greatly influence the direction of this issue and aid in the protection of the residents, while still allowing for considerable economic growth.

### History

Throughout the 19th and 20th centuries, West Louisville has endured many hardships, ranging from natural disasters to racist zoning policies that have diverted the neighborhood from the “Harlem” it once was, bustling with hope and thriving black-owned businesses. The once lively Walnut St., now Muhammad Ali Blvd., sits ridden with abandoned properties, vacant lots, and closed businesses in place of the restaurants, theatres, and nightclubs that thrived in the 1940’s. This unfortunate change was an accumulation of the flooding, white-flight, redlining, and decades of disinvestment in West Louisville. After the floods of 1937 and 1945 devastated the area, masses of affluent white people moved to higher ground, leaving a concentration of destroyed homes and sunken spirits.<sup>1</sup> The Home Owner’s Loan Corporation in 1933 created security maps grading areas of the city on a scale from “A” to “D” based on desirability. Areas with a “C” and “D” rating found it nearly impossible to get loans, mortgage insurance, or credit for decades after the maps were created. This became known as redlining, a practice rooted in racism that disproportionately negatively impacted black residents of West Louisville and whose effects

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<sup>1</sup> “About the Russell Neighborhood,” Vision Russell, 2019, Accessed June 20, 2019, <https://visionrussell.org/about/russellneighborhood/>.



continue to this day; areas given low security grades still have a lower area median income (AMI) than their counterparts in East Louisville.<sup>2</sup>

After World War II came even more hardship with misguided urban renewal policies that further isolated the West Louisville community. Aimed at clearing slums and redeveloping city areas, these urban renewal efforts ended up bulldozing commercial areas along Walnut St. and driving down property values with the increase in abandoned lots. The combination of redlining and urban renewal caused decades of disinvestment, further concentrating poverty and making it impossible to build wealth. Today, the Russell neighborhood has nearly 4,000 households with only 680 homeowners and a poverty rate 3.5 times higher than the rest of Louisville.<sup>3</sup> Now, with the neighborhood's desirable proximity to the city and low property values, investors and developers are recognizing and capitalizing on the economic potential. With this comes a fear of displacement and a loss of the neighborhood's history and culture as a result of outside investment making the area unaffordable to live in.<sup>4</sup>

## Russell Now

While Russell has faced an insurmountable amount of disinvestment throughout its recent history, there are current plans totaling up to over \$400 million in investment pouring into the neighborhood. Investment can help to mitigate pressing issues such as a lack of restaurants, improvement of recreational facilities, and the deteriorated conditions of streets and sidewalks (Figure 1). Although investment is viewed as a step in the right direction, the City must be wary of the harmful effects that could stem from this flow of money. If it does not increase the economic potential of current residents, major displacement could occur. The argument could be made that this is already occurring with the Beecher Terrace project because many residents were removed from their homes and relocated. While there are positive intentions behind the development and plans to bring as many residents back as possible, some locals have voiced that this is where the displacement has begun. Along with the Beecher Terrace development, there are many other projects, mostly located on the east side of Russell. For this reason, new protections should be implemented to ensure that residents are not displaced due to the investment. The other major development project occurring in Russell, the Urban League's Track and Field Complex, could spur major economic growth in the west end of Louisville, but could also have effects of displacement as described later in the paper.

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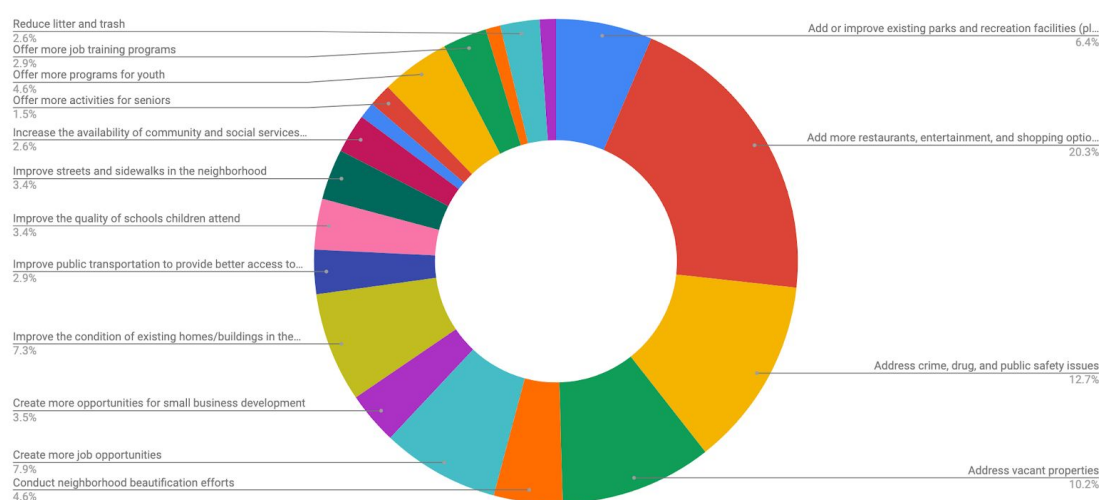
<sup>2</sup> Joshua Poe, "Story Map Series," Arcgis.com, Accessed May 21, 2019, <https://www.arcgis.com/apps/MapSeries/index.html?appid=a73ce5ba85ce4c3f80d365ab1ff89010>.

<sup>3</sup> Vision Russell, "About the Russell Neighborhood."

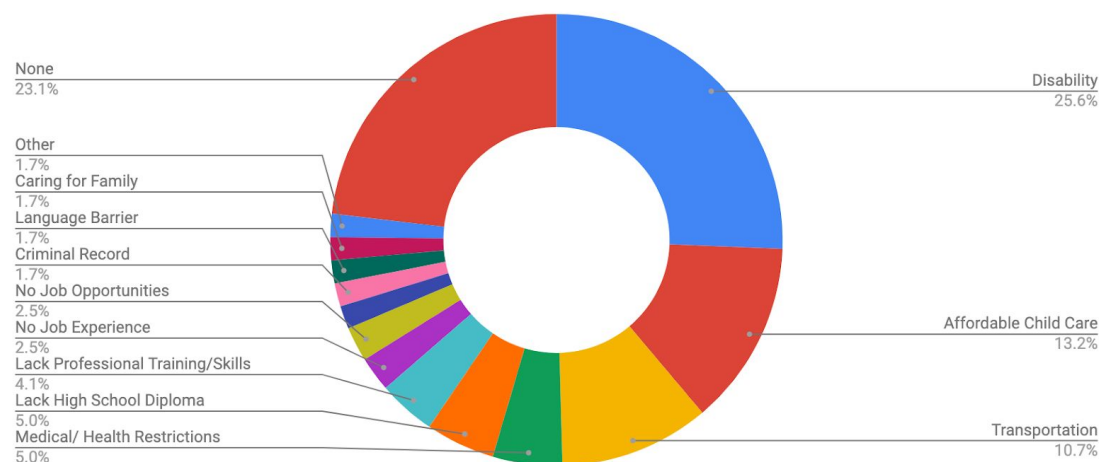
<sup>4</sup> Phillip M. Bailey, "Russell Rises: Mapping the Future While Preserving the past in Louisville's Most Historic Black Neighborhood," *Insider Louisville*, January 05, 2018, Accessed May 22, 2019, <https://insiderlouisville.com/communities/russell-future-past-louisvilles-historic-black-neighborhood/>.

The importance of investment in West Louisville cannot be overlooked, but neither can the pre-existing problems that will not be directly corrected by this spur of investment. The city must also continue to realize that there are many other long-standing issues plaguing the West End. Low levels of home ownership (approximately 20%), struggle for employment (Figures 2 & 3), and excessive amounts of trash and litter (Figure 1) are just a number of the many daily issues that residents deal with in the West end of Louisville. While the city wants to help in ways that it sees fit, they must also take into account the thoughts and needs of those that live in the community.

**Figure 1 - What Residents Want to See<sup>5</sup>**



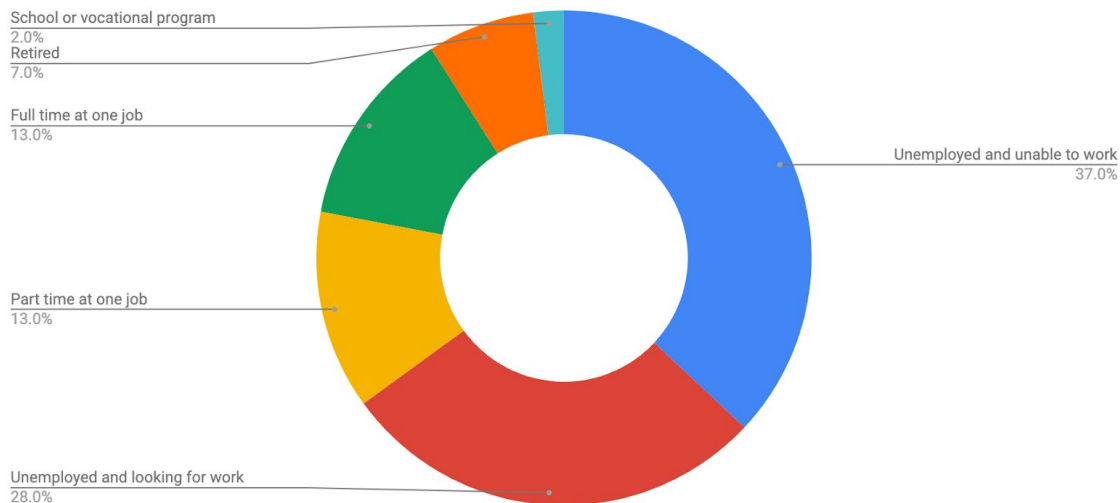
**Figure 2 - Challenges to Finding and Keeping Employment<sup>6</sup>**



<sup>5</sup> "2015 Russell Neighborhood Survey Summary Tables," Louisville Metro Housing Authority, October 2015.

<sup>6</sup> "2015 Beecher Terrace Resident Survey Tables," Louisville Metro Housing Authority, September 2015.

**Figure 3 - Employment Statistics<sup>7</sup>**



## City Attitude

### Fixing the system

It is easy to get caught up in fixing what appears broken. However, it is important to remember the years of redlining and systematic racism that drove businesses out of Russell and the West End. Rather than targeting individual residents as the problem, focusing on the broken system that has placed residents into today's problems will yield much better results when it comes to developing Russell.

### Allocation of Resources

There are many efforts to protect residents, build affordable housing, educate locals and nonprofits, etc. that the city supports. Many of these programs overlap, with the city spending a small amount of money for each organization or spending money to start a new program entirely. By allocating the currently designated affordable housing funds in an efficient and equitable way, existing organizations could work together to fuel a larger and better effort for already established education, affordable housing, and anti-displacement strategies. Communication is the key between these moving counterparts, and funds must be spent more efficiently to have a greater impact on the goals, rather than an impact on the smaller organization.

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<sup>7</sup> Phillip M. Bailey, "Russell Rises."



## Gentrification

### Definition

The term “gentrification” has become generalized and complex, with the many different definitions associated with it resulting in conflicting connotations. While one person may see gentrification with a positive impact on a neighborhood due to the revitalization of blighted areas, lowering crime and creating new businesses, another may view it as a negative means of displacing the incumbent residents in the neighborhood by more affluent newcomers. Gentrification can also specifically imply forced movement of people of minority race or lower socioeconomic status, who are then replaced with affluent white people.

For this paper, we are defining gentrification as not only economic development and neighborhood revitalization, but also displacement of residents of lower socioeconomic status. However, because the word gentrification is still confusing and provoking for many people, this paper will opt to use the words “development” and “displacement” as often as possible, referring specifically to various parts of a wider gentrification definition.

### Indicators

There are many social, physical, and economic indicators in a neighborhood that act as early warning signs of gentrification. Some of these indicators demonstrate a neighborhood’s potential for gentrification, though they may not signal that the process is underway, while other indexes can be indicative of the ongoing process. However, it is important to remember that these indicators work in conjunction with one another, and the presence or absence of any one is not evidence that the neighborhood is or is not gentrifying. A useful measure for the potential for gentrification is the abundance of older and deteriorated physical structures. These properties typically have low worth, with the value existing in the underlying land. When the economic potential of such cheap land outweighs investors’ perception of risk, neighborhoods become eligible for redevelopment.<sup>8</sup> In looking at Russell’s real estate makeup, the neighborhood’s properties generally fit this older description, with over half of houses being built before 1940. With a median home value  $\frac{1}{3}$  that of Jefferson County, outside investors may see the potential for large profits. Additionally, the 1,000 vacant and abandoned properties further depress property values, leading to an even larger potential upside.<sup>9</sup>

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<sup>8</sup> Jason Richardson, Bruce Mitchell, and Juan Franco, *Shifting neighborhoods: Gentrification and cultural displacement in American cities*, National Community Reinvestment Coalition, March 19, 2019, 9.

<sup>9</sup> Office of Housing and Development, *Russell Neighborhood Revitalization Strategy Area*, Develop Louisville, June 16, 2016, 13.

Russell's demographic data also provides evidence that its population could be highly vulnerable to displacement if costs of living rise with investment. 87% of Russell residents are of low/moderate income, compared to 39% of Jefferson County. Additionally, while the poverty level in Jefferson County is 17%, in Russell 58% of residents are below the poverty line, with 71% of children and 37% of the elderly living in poverty. The median income within the neighborhood is less than half that of Jefferson County as a whole, with 75% of households earning less than \$25,000 a year. Furthermore, 1 in 3 of Russell's labor force is unemployed.<sup>10</sup> With such abundant levels of poverty, access to an affordable supply of housing, and rental housing in particular, is crucial for the Russell neighborhood. Currently, 51.4% of Russell renters spend over 30% of their income on housing costs,<sup>11</sup> and thus meet the definition for being cost-burdened. These households may face difficulties in affording other necessities such as food or healthcare and are the most vulnerable to being displaced by rising rents.<sup>12</sup> Considering Russell's demographic data, the neighborhood would be highly at risk for negative displacement. Even small increases in rent values would be a significant burden for a large percentage of Russell renters, even though current monthly rents are \$100 lower than the median rent in Louisville.<sup>13</sup> If investment causes Russell's rent values to converge with the Louisville median, Russell could see forced displacement of a large number of its current residents.

Selected Housing Data for Jefferson County and Russell *				
	Russell	Russell (%)	Jefferson County	Jefferson County (%)
Total Housing Units	4,735		339,119	
Vacant Housing Units	1,021	21.6%	32,608	9.6%
<b>Year Structure Built</b>				
1939 or earlier	2,322	49.0%	52,883	15.6%
1940 - 1959	641	13.5%	76,870	22.7%
1960 - 1979	531	11.2%	101,946	30.0%
1980 - 1999	890	18.8%	66,422	19.6%
2000 or later	351	7.4%	40,998	12.1%
<b>Housing Tenure</b>				
Total Occupied Housing Units	3,714		306,511	
Owner-Occupied	638	17.2%	190,583	62.2%
Renter-Occupied	3,076	82.8%	115,928	37.8%
<b>Housing Cost Burden</b>				
<b>Owners</b>				
<30% Income Spent on Housing Costs	336	52.7%	147,357	77.3%
30-49.9% Income Spent on Housing Costs	183	28.7%	25,831	13.6%
>50% Income Spent on Housing Costs	114	17.9%	16,429	8.6%
<b>Renters</b>				
<30% Income Spent on Housing Costs	1,211	39.4%	56,181	48.5%
30-49.9% Income Spent on Housing Costs	546	17.8%	24,730	21.3%
>50% Income Spent on Housing Costs	1,033	33.6%	27,207	23.5%

<sup>10</sup> Ibid., 10-11.

<sup>11</sup> Ibid., 13.

<sup>12</sup> "Rental Burdens: Rethinking Affordability Measures," US Department of Housing and Urban Development, [https://www.huduser.gov/portal/pdredge/pdr\\_edge\\_featd\\_article\\_092214.html](https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html).

<sup>13</sup> "Rental Market Trends," RentCafe, July 2019, <https://www.rentcafe.com/average-rent-market-trends/us/ky/louisville/>.

Income and Poverty					
Total Population Below Poverty Level **	5,809	58.1%	123,145	16.7%	
Children (under age 18) in Poverty **	2,480	71.4%	41,337	24.6%	
Elderly (age 65 and older) in Poverty **	249	36.8%	9,171	9.1%	
Median Household Income **	Census Tract 6: \$22,535		\$47,692		
	Census Tract 24: \$18,613				
	Census Tract 30: \$9,003				
Annual Household Income					
Total Households	3,714		306,511		
Less than \$10,000	1,325	35.7%	26,190	8.5%	
\$10,000 to \$14,999	508	13.7%	18,852	6.2%	
\$15,000 to \$24,999	907	24.4%	35,351	11.5%	
\$25,000 to \$34,999	404	10.9%	34,192	11.2%	
\$35,000 to \$49,999	183	4.9%	44,774	14.6%	
\$50,000 to \$74,999	269	7.2%	54,060	17.6%	
\$75,000 to \$99,999	100	2.7%	34,272	11.2%	
\$100,000 to \$149,999	15	0.4%	34,244	11.2%	
\$150,000 to \$199,999	3	0.1%	11,786	3.8%	
\$200,000 or more	0		12,790	4.2%	
Households on Food Stamps in Past 12 Mo.	2,218	59.7%	44,670	14.6%	

Additionally, the city should be attentive to other indicators which signal both ongoing development and displacement. If the AMI rises from year to year, there is a chance that this is due to people of a higher socioeconomic status moving into the neighborhood. This hypothesis can be furthered if there are shifts in types of amenities catering towards younger, affluent people, such as bars and retail shopping replacing parks and family restaurants. Along with this is usually a loss of children and elderly people replaced by young-adults with disposable income and no kids. These newcomers tend to be younger, educated professionals, and so gentrifying neighborhoods tend to see increases in education levels, specifically among those with bachelor degrees and higher.<sup>14</sup>

Another indicator of gentrification is an increase in evictions and tax foreclosures. Rising property values in the area, resulting from increased investment and high-income residents, causes long-term tenants to be forced out to accommodate short-term rentals or higher rent prices. Also, in a neighborhood such as Russell where homeownership rates are shockingly low, an increase in homeownership can indicate gentrification as higher-income movers will be more likely to own rather than rent homes. The displacement of long-term residents that comes with changing businesses and rising property values is the greatest indicator of gentrification in a neighborhood with high amounts of investment. Finally, in a majority-minority neighborhood such as Russell, and one which has been historically African-American, a clear sign of gentrification is that of changing racial composition. A significant increase in the percentage of white residents will most likely be evidence of ongoing gentrification, with the likely candidates for displacement being the current African-American community.<sup>15</sup>

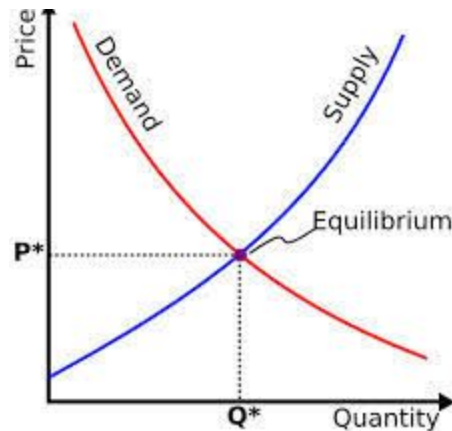
<sup>14</sup> Richardson, Mitchell, and Franco, *Shifting neighborhoods*, 8.

<sup>15</sup> Ibid., 5.

## Supply and Demand Model

Because the term gentrification results in misconceptions surrounding how it occurs, one way researchers have come to view it is in terms of a supply and demand model. Gentrification develops at the highest rates where demand and supply meet at an equilibrium:

**Figure 4 - Supply and Demand Model**<sup>16</sup>




The supply side of this model shows that initially, during a period of urbanization and industrialization in the early 20th century, housing nearest to metropolitan areas gained the most traction and popularity. As more homes were built in this area and land became increasingly scarce and expensive, people began to build farther from the city limits, moving out in a concentric pattern. In exchange for a lower property value, homebuyers were able to build larger, more expensive homes on their lots, thus creating what we now know as the suburbs. As these large homes grew more popular, housing prices at the center of the city would eventually fall, leading to depreciation of these homes and property values. With this depreciation often came abandonment of homes as their age led to dilapidation.

The demand side of this idea emerges with the changing demographics of prospective homeowners in the city. Indicators show that younger, childless, middle-to-high income couples are more likely to move into gentrifying neighborhoods. These couples, usually working white-collar jobs in urban settings, have a high demand for housing in close proximity to their offices and public transit. They see old, dilapidated homes once full of character as having high

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<sup>16</sup> Ahorn, "What Do Supply-demand Curves Really Look Like?," Economics Stack Exchange, May 20, 2015, Accessed June 20, 2019, <https://economics.stackexchange.com/questions/5706/what-do-supply-demand-curves-really-look-like>.



potential for investment, especially when the property value is significantly lower than that in other parts of the city, and thus they purchase and renovate the home. This creates a cyclical nature, for as more homes in the neighborhood are beautified, the demand to live in that neighborhood increases. As more people move in and property values rise, there is nowhere for existing residents, who may no longer be able to afford their property taxes, to go but out. This understanding of the term “gentrification” is clear and historically-driven, providing insight into how the process occurs.<sup>17</sup>

## Redefining Success

For many low-income neighborhoods, the opportunity to chase the American Dream is not a reality. Instead, the measure of success and ultimate goal of young adults is to get out of their neighborhood and find opportunity and money elsewhere. Unfortunately, this creates an outlook where success is to abandon the neighborhood and move onto something seen as greater. Any wealth or knowledge that young people earn is distributed across the rest of the world, rather than the neighborhood where they grew up that needs it most.

In order for the West End and Russell to keep young adults invested in the neighborhood, change needs to happen. Success needs to be redefined. Instead of leaving and never coming back, success should be coming back after college, bringing wealth and knowledge back into the community to help it prosper while maintaining its original history. People constantly move out of neighborhoods to follow opportunity and jobs. The question arises of what will bring them back. Russell needs economic development and the revival of the cultural hub it once was to bring young adults back to the community they were raised in. Many moving back to the neighborhood will have disposable income, boosting new local businesses even further, contributing to the success of the neighborhood rather than escaping it.

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<sup>17</sup> Steve Holland. "Gentrification: Causes and Consequences," Evangelical Lutheran Church in America, January 2016, Accessed July 01, 2019, <https://www.elca.org/JLE/Articles/1135>.

## Community Improvements and Engagement

### Health Impacts

#### Viewing Policies Through a Health-Focused Lens

Before looking into suggestions about the best practices and strategies to revitalize the Russell neighborhood without displacing its residents, it is important to keep in mind the health of the community throughout all of its decision-making. As stated in the “Health in All Policies” guide, health is influenced by the integration of social, economic, and physical environments, and addressing economic inequalities can contribute to population health more than conventional tools, such as new medical centers, can. For example, the lack of parks, green spaces, trees, and lighting contributes to higher crime rates and unsafe neighborhoods. It has also been shown that a high density of alcohol outlets contributes to higher crime rates. These outlets prevent low-income residents from having access to healthy food options, which in turn contributes to childhood obesity and poor physical health. These are just a few examples of some pressing issues faced in the Russell neighborhood that affect not only property values but also people’s lives and health.<sup>18</sup>

#### Key Recommendations:

(Adapted From “Health in All Policies: A Guide for State and Local Governments”)

- Promote health, equity, and sustainability by:
  - Incorporating health, equity, and sustainability into specific policies, programs, and processes.
  - Embedding community considerations into government decision-making processes.
  - Recognizing the relationship between inequity and poor health outcomes.
- Support intersectoral collaboration by:
  - Recognizing links between health and other issues and policy areas and building new partnerships to promote health and equity.
  - Including agencies not typically considered health-related that play a large part in shaping the economic, social, and physical environments.
- Benefit multiple partners by:

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<sup>18</sup> L. Rudolph et al., *Health in All Policies: A Guide for State and Local Governments*. Washington, DC and Oakland, CA: American Public Health Association and Public Health Institute. 2013.

- Addressing goals of public health agencies and other agencies and incentivizing with benefits.
- Finding a balance between multiple goals.
- Engage stakeholders such as:
  - Community members, policy experts, advocates, members of the private sector, and funding sources.
- Create structural or procedural change through:
  - Permanent as opposed to temporary solutions.
  - Maintenance of infrastructure that can support healthy, equitable programs and collaboration.
  - Institutionalizing health in all policies within existing structures of government.

## Beautification

### The Power of Art

In Bill Strickland's TED Talk entitled "Rebuilding a Neighborhood with Beauty, Dignity, and Hope," he emphasizes the importance of beauty and art, saying that in his vocational school there is artwork everywhere you turn because that "is the kind of world that can redeem the soul of poor people." He bought an elegant fountain for the building because he felt that "welfare mothers and at-risk kids and ex-steel workers deserve a fountain in their life." He believes that children and adults deserve flowers in their lives, good food in their stomachs, and sunshine in the hallways. The point he was alluding to is that when people are shown that they have value, they will act accordingly. This leads into the importance of creating a neighborhood that is beautiful, full of art, culture, and history that reflects those most loyal to it, such as in Russell. Studies have proven the multitude of benefits that come from seeing color and beauty in everyday life; put simply, it is inspiring. A research article from Princeton University elaborates on this idea, revealing that "the arts revitalize neighborhoods and promote economic prosperity. Participation in the arts improves physical and psychological well-being. The arts provide a catalyst for the creation of social capital and the attainment of important community goals."

It is apparent from surveys of residents in the Russell neighborhood that they want to see improvements in their area in terms of beautification, even if it is as simple as trash clean-up and landscape maintenance. In order to bring revitalization through art, other cities have successfully implemented programs to get the community involved in the process. In Seattle, WA an organization called Urban ArtWorks trains and mentors the at-risk youth in the community by offering juvenile offenders the opportunity to create murals throughout Seattle's Urban Arts Corridor. Initially a program to help rid the city of gang-related graffiti, it has blossomed into a widespread success with dozens of beautiful murals that inspire the community and offer these

youth a new direction for their life.<sup>19</sup> In a Huffington Post article titled “The Art of Revitalization,” founder of a former community development bank Mary Houghton stated “the key to community development really is to unleash entrepreneurial energy, and facilitate and support their work.” This has been proven to be true in Seattle with Urban ArtWorks, and also in Bronzeville, Chicago where a nonprofit in the South Side provides skill development opportunities for the urban youth, “marrying revitalization and growth with social inclusion.” Lastly, in Wynwood, Miami, a previously deserted warehouse district is now an outdoor graffiti art exhibit on 80,000 square feet of walls that has brought huge increases in tourism and economic prosperity to the area.<sup>20</sup> These examples are only a few of the many success stories that can be told after cities embrace the value of art and, most importantly, include their community in it.

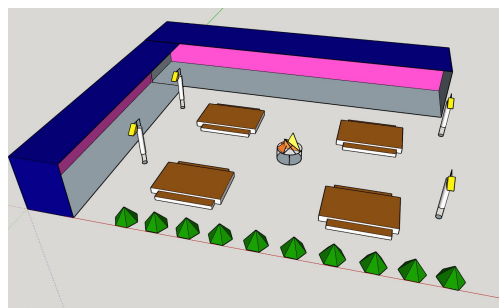
### Vacant Lot Plans

There are over 1,000 vacant housing units in Russell composed of lots and abandoned properties. Abandoned and vacant lots lower property values and invite termites, mold, and squatters to the deteriorated buildings.

However, these lots are full of possibility. Lots can be turned into gardens, play areas, playgrounds, outdoor theaters, or even a mural park.

#### Examples:

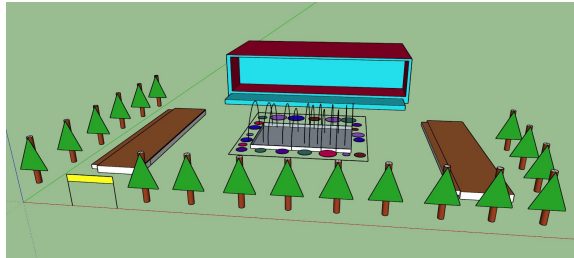
- Mural Park - similar to Florida’s Wynwood walls, this mural park would use shipping containers to create a wraparound historic timeline mural that represents the history of Russell and the West End. Inside the park would be picnic tables and a grill for cookouts, etc.
  - Shipping Container Price ≈ \$1850



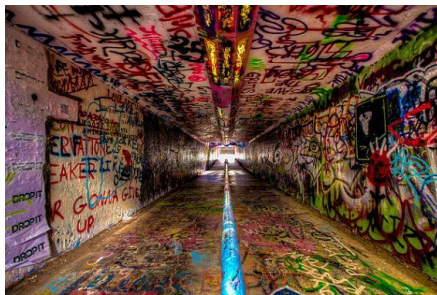
<sup>19</sup> "Urban Artworks," Urban Artworks, February 27, 2018, Accessed May 25, 2019, <https://urbanartworks.org/about/>.

<sup>20</sup> Linda Novick O'Keefe, "The Art of Revitalization," HuffPost, December 07, 2017, Accessed May 16, 2019, [https://www.huffpost.com/entry/the-art-of-revitalization\\_b\\_9990706](https://www.huffpost.com/entry/the-art-of-revitalization_b_9990706).

- Russell Community Children's Garden - this garden provides a space which encourages children to enjoy the outdoors and their neighborhood, coming together in joyful camaraderie all while learning the benefits of fresh produce and healthy eating.



- Entertainment - Russell Residents have long stated that there are not many things to do for fun in the neighborhood. The community has expressed interest in movie theaters, pools, roller rinks, etc. to keep kids and adults entertained on weekends and over the summer.
- Freedom Expression Park - Graffiti is a nuisance when it is unwanted but can be a beautiful form of artistic expression. A freedom expression park, similar to the freedom expression tunnel on NC State's campus in North Carolina, might not completely eliminate graffiti from an area but can certainly alleviate some graffiti by providing an area where it is completely legal.<sup>21</sup>



## Cleanliness

One of the most noticeable differences between the East and West Ends of Louisville is the visual appearance. Driving through the Highlands, large trees provide shade over the towering, Gatsby-esque houses. Rolling hills lead to a forest, while the perfect sidewalks lead to amazing nightlife and coffee shops along Bardstown road. Bolted down trash cans sit on every corner, making streetside litter a rarity.

<sup>21</sup> "Free Expression Tunnel (Photograph of NC State Free Expression Tunnel)," Pinterest, [www.pinterest.com/pin/105271710014402554/](https://www.pinterest.com/pin/105271710014402554/).

In the Russell Neighborhood, smaller, dilapidated houses sit next to boarded up and abandoned properties and vacant lots. Big trees scatter the backyards of various houses, but the cracked, overgrown, and uneven sidewalks have almost no shade and broken street lamps are scattered throughout the streets. Litter is common, and the rare trash cans that occupy a corner are large wire baskets, which are not bolted down and easily stolen.

In a survey taken of the Russell neighborhood, respondents wished for the abandoned properties to be addressed, trash and litter to be reduced, and streets and sidewalks to be improved, among other things.<sup>22</sup>



**(Russell and Highlands neighborhoods)**

## Trash Cans

The Metro Department of Solid Waste Management is responsible for the city's implementation of trash cans on street corners. Antonio Baldon from this department reported on the process for city trash can placement, emphasizing equality among districts. The city provides funding for an equal amount of trash cans in every district across Louisville. If a particular area would like the more expensive, bolted down trash cans, or more cans overall, the council member in charge of the area can raise the money to buy the trash cans and have them installed, and the city will add those cans to their trash pickup route.<sup>23</sup>


According to Baldon, the difference in number of trash cans in the East and West Ends is due to the East End and Downtown raising the money to add additional trash cans, rather than the city putting more in the East to begin with. However, Baldon also reported that the city will only replace stolen trash cans one time before giving up on that spot altogether and that, particularly in the West End, trash cans are stolen frequently. The Department of Solid Waste Management did not have the funds to place bolted down cans; therefore, the number of trash cans dwindles in West Louisville after thefts.<sup>24</sup>

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<sup>22</sup> Louisville Metro Housing Authority, "2015 Russell Neighborhood Survey Summary Tables."

<sup>23</sup> Antonio Baldon (Department of Solid Waste Management), interviewed by Olivia Delborne May 28 2019.

<sup>24</sup> *ibid.*



While the trend of thefts has not been thoroughly investigated, hypotheses from various conversations include:

1. Personal trash cans are only issued once, and when they are broken, it is too expensive to purchase a new personal trash can and easier to steal the free floating one on the corner.
2. While city bus stops are equipped with trash cans at each stop, school bus stops do not have trash cans and residents may move city trash cans to place at these stops in order to reduce litter when children come home from school.
3. Wire trash cans can be broken down and sold for the raw metal on various websites for a profit.

Regardless of the reasoning behind the theft, it is certainly easy for these trash cans to disappear when there are not enough funds to bolt them down.<sup>25</sup>

#### **Key Recommendations:**

- Focus on allocating city trash can funds equitably rather than equally across districts with more of a litter problem (i.e. the West End).
- Put pressure on West End District Representatives to allocate and/or raise funds to place bolted down trash cans on corners, rather than just free-floating metal baskets.
- Get the community involved in trash pickups and help raise the feeling of responsibility and duty among residents to keep the neighborhood clean.
- Have the local court system assign trash pickup in Russell as mandatory community service.
- Create a system to label personal trash cans in order to avoid theft.
- Allocate funds to implement financial assistance for households having to purchase a new personal trash can when an old one breaks/is stolen.

#### **Sustainability**

Sustainability is also important to consider as investment to the West End and Russell increases. Building with quality materials that make housing lasting and affordable to live in will make development in Russell more sustainable. While construction with cheap materials may seem easier and more cost effective, it will not benefit the residents long-term, or our Earth as a whole. Using breathable and energy efficient materials, such as wood, as well as investing in insulation and strong foundations will be more than worth it in the long run in terms of both cost and

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<sup>25</sup> *ibid.*

environmental sustainability.<sup>26</sup> Using materials like wood can help offset the effects of materials like concrete and steel, which have a larger carbon footprint.<sup>27</sup>

Russell and the West End have the opportunity to implement sustainability through the many brand-new buildings and rehabilitations coming to the area. It is a necessity to start now for the creation of an environmentally friendly and energy efficient community.

### Key Recommendations:

- Require developers and construction projects to meet high environmental standards.
- Require all new construction to use breathable, energy efficient, and environmentally friendly materials.
- Implement policies that require developers to use recycled materials and dispose of materials in an environmentally conscious manner.
- Ensure that developers use quality materials for homes to create long-lasting structures.

### Walkability

According to Complete Streets for Louisville, one of the most important factors for a community is walkability.<sup>28</sup> However, the current status of sidewalks, particularly in the Russell Neighborhood, is not up to the quality that is seen in other areas of Louisville. By improving the conditions and safety of Russell's sidewalks, walking will be incentivized. This will be especially useful along the 18th Street business corridor, as pedestrian traffic will bring more activity to those businesses. Additionally, Louisville Metro could experiment with tactical urbanism in Russell. For example, temporary bike lanes could be implemented through some of Russell's major thoroughfares, further incentivizing non-automobile traffic. Feedback from this experiment could then be collected from residents and evaluated to determine if they support permanent bicycle lanes.



<sup>26</sup> Doris Kim Sung, "Metal That Breaths," TED, TEDxUSC, May 2012, [www.ted.com/talks/doris\\_kim\\_sung\\_metal\\_that\\_breathes?language=en](http://www.ted.com/talks/doris_kim_sung_metal_that_breathes?language=en).

<sup>27</sup> The Economist, "Wooden Skyscrapers Could Be the Future for Cities," YouTube, YouTube, February 1, 2018, [www.youtube.com/watch?v=2DPp2NcnTb0](http://www.youtube.com/watch?v=2DPp2NcnTb0).

<sup>28</sup> Complete Streets for Louisville. <https://completestreetsforlou.org/>.

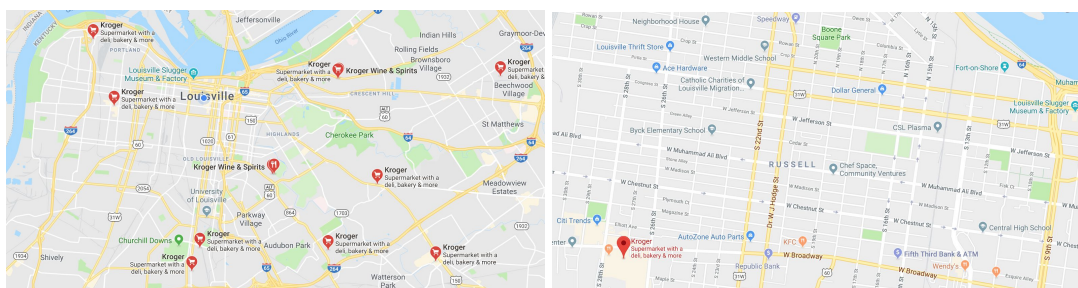
## Key Recommendations:

- Allocate funds to fix the sidewalks in the West End.
- Add and fix street lamps for safer walking at night.
- Utilize tactical urbanism to implement temporary bike lanes on major streets
  - If viewed favorably, implement permanent bike lanes to make the roads more biker-friendly
- Add crosswalks to make the neighborhood more pedestrian-friendly.
- Trim bushes and trees to keep sidewalks open for foot traffic.
- Implement a walking history tour with stops around Russell that will bring tourism and foot traffic to the area.
- Plant trees along sidewalk and on corners to provide shade for pedestrians.

## Food Desert

Grocery stores have popped up all over the United States, giving communities daily access to bread, milk, and fresh produce. Unfortunately, not every community in the U.S. has access to a grocery store, and many communities live in a food desert. By definition, a food desert exists when “parts of the country are void of fresh fruit, vegetables, and other healthful whole foods.”<sup>29</sup> In these areas, which are almost always lower income communities, the lack of transportation and capital makes it far more convenient and cheaper to purchase fast food and processed foods at a corner or dollar store.<sup>30</sup>

West Louisville is a food desert, with the closest Kroger on the Far West End of Russell.



The most obvious way to alleviate a food desert is the implementation of a grocery store in the area. However, there are many other practices and ideas that can help residents gain access to fresh foods described in the following sections.

<sup>29</sup> “USDA Defines Food Deserts,” American Nutrition Association, [americannutritionassociation.org/newsletter/usda-defines-food-deserts](http://americannutritionassociation.org/newsletter/usda-defines-food-deserts).

<sup>30</sup> Amy Grant, “What Is A Food Desert: Information About Food Deserts In America,” Gardening Know How, April 4, 2018, [www.gardeningknowhow.com/garden-how-to/lifestyle/food-desert-information.htm](http://www.gardeningknowhow.com/garden-how-to/lifestyle/food-desert-information.htm).



## Transportation

One of the barriers for residents to reach the existing Kroger is transportation to and from the store. Bus transportation is not always reliable and many residents do not have the time to walk or capacity to drive the distance to the grocery store and back, particularly with heavy groceries in tow.<sup>31</sup>

### Key Suggestions:

- Implement a free ride-share program for residents wanting to grocery shop, perhaps through an app similar to Uber/Lyft but free of charge.
- Pick a specific day of the week and time where drivers can meet and drive residents to the grocery store and then back to the meeting location.
- Partner with local churches and other organizations that could carry residents to stores on their buses and vans.

## Gardens

While gardens are a beautiful way to get involved with nature, they are also extremely useful in the alleviation of a food desert. Edible gardens grow fresh food and can be harvested for individuals or a community as a whole.

A project in Todmorden, England, called “Incredible Edible,” started using edible gardens as more than just food, but also a decoration. Years later, the entire town is covered in edible gardens. They are outside the police station, along the roads, and outside of schools. The gardens are free to anyone who wants the food.<sup>32</sup>

One of the problems that Russell specifically has struggled with is the management of gardens.


Michael Dorgan, vice president of UNC-Chapel Hill’s Edible Campus project, talked about the two main strategies that could possibly work in a larger garden system. The first one consists of a team of 2-3 people or an organization who owns the garden and rents various beds to individuals at a low price. The individuals are then in charge of buying seeds and maintaining their garden beds. This has been used in West Louisville already, for example, in the Parkland Community Garden.

The second management strategy still has a team or organization in charge of the garden, but the beds are managed by the community as a whole. The garden hosts workdays or has

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<sup>31</sup> EJP Planning Team, *Beecher Terrace Resident Survey*, 2015.

<sup>32</sup> Pam Warhurst, “How We Can Eat Our Landscapes.” TED, TEDSalon London, 2012, [www.ted.com/talks/pam\\_warhurst\\_how\\_we\\_can\\_eat\\_our\\_landscapes](http://www.ted.com/talks/pam_warhurst_how_we_can_eat_our_landscapes).



church/school/other groups sign up to work in the garden, allowing community service and volunteer work to maintain the garden, while the food is available to everyone in the community. This strategy is more inclusive of those who do not have the time to work in a garden. Produce can either be sold at a low price or free to anyone walking by.

The key for both of these strategies is to find the right organization or group of community members to serve as the leaders for the garden, as well as being cost-effective with seeds and early plantings. Hopefully more gardens will arise on vacant lots and provide the opportunity to grow fresh food, as well as a leisurely place full of greenery. In the future, rooftop gardens could be implemented to use space on industrial buildings even more effectively, but the maintenance for a rooftop garden is far more complicated and would require more equipment and specific criteria for the space.<sup>33</sup>

### **Key Recommendations:**

- Get the community involved in gardens, whether through their own responsibility for individual beds, or for the community as a whole.
- Make gardens not only edible, but also walkable and hangout-friendly. Gardens should be a place for community to convene around food and nature.
- Host events in the garden space that relate to food, such as cooking, nutrition, or agricultural education.

### **Pop-up Markets**

Pop-up markets are a great way to bring fresh produce to a neighborhood. Many farms, particularly Barr Farms and other farms with involvement in food justice, are likely willing to travel to sell their fresh produce to a community in a food desert.<sup>34</sup>

Produce from community gardens can also be sold at a pop-up market, allowing the garden to earn profit for new equipment and plants/seedlings for the next season. Additionally, residents selling produce would gain business experience, potentially leading to an increase in local entrepreneurship interest.

### **Corner Stores**

Years ago, corner stores lined the streets of West Louisville, full of prospering small businesses. Now, these same corners are boarded up and deteriorating, which is frustrating for residents wanting to see an increase in businesses.

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<sup>33</sup> Michael Dorgan (UNC-CH Edible Campus), interviewed by Olivia Delborne, May 22 2019.

<sup>34</sup> “Pop-Up Farmer’s Markets.” Received by Barr Farms Adam & Rae Strobel, Pop-Up Farmer’s Markets, May 22 2019.



However, these empty buildings provide a unique opportunity for alleviating a food desert. Instead of finding permits and developers to build a brand new grocery store, local entrepreneurs can use the existing corner stores as markets to sell food, particularly fresh produce. Empty stores present an opportunity for vegetables and fruits from edible gardens or local farms to become the foundation of entrepreneurship and local business. There have been large efforts for a cooperative grocery store in West Louisville, and an abandoned corner store could be the perfect home for something similar.

## Economic/Business Development

### Commercial Linkage Fees

A Commercial Linkage Fee (CLF) is a per square foot fee of a commercial development building that is allocated towards building more affordable housing as mitigation for the property value appreciation that the commercial structure will contribute to. A benefit to collecting fee revenue is the flexibility with which that money can be used. For example, affordable housing funds have restrictions on their use, but CLFs can be allocated towards transition homes, rentals, capital improvements, affordability preservation, homeless housing, lower AMI units, and special needs housing.<sup>35</sup>

In order to enact a CLF, a Nexus analysis of the development must be done to ensure a fair fee price per square foot. This is based on how many jobs the building will offer, the number of people anticipated to move to the area because of those jobs, and thus how many affordable housing units are needed based on the job incomes. The analysis focuses on the housing needs of new populations rather than the existing housing needs, but depending on how the fees are allocated it is likely to benefit existing community members as well as those moving in. The fee is intended to be a direct mitigation of the impacts of new development, and developers also have

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<sup>35</sup> "Commercial Linkage Fees," Inclusionary Housing, September 09, 2016, Accessed June 20, 2019, <http://inclusionaryhousing.org/designing-a-policy/program-structure/linkage-fee-programs/commercial-linkage-fees/>.

the option to personally create on or off-site residential development in lieu of paying the fee.<sup>36</sup> CLFs are a good way to increase revenue stream for affordable housing trust funds and mitigate impacts of investment into low-income areas, such as Russell and West Louisville as a whole.

### **Key Recommendations:**

- Phase in the fees slowly in order to not discourage development in that area.
- Keep fees reasonable and allow flexibility for how the developer satisfies the fee requirements, potentially by offering their own development solutions for the affordable housing problem.
  - In Arlington, VA the fee was \$1.77 per square foot. In Boston, MA the fee was about \$8 per square foot due to higher property values in the area. The fee will be adjusted to the value of the area the commercial development is being built in.
- Landowners will bear the cost of linkage fees because they will have to accept lower prices for land from developers who need to pay for the new expense. However, on city owned land this is less of an issue because it is not directly impacting anyone's wealth while offering another funding source to affordable housing that the city would have to eventually acquire otherwise.
- These commercial development projects do not need to be located in low-income areas to have these fees. In higher-income areas, it is actually more likely that the fee will be higher to compensate for the price differences.
- It is important not to only allocate funding to low-income areas to prevent all homes from becoming affordable housing. Sustainable, economically prosperous communities will include a mix of incomes to support the new business and commercial infrastructure.


### **Community Investment Trust (CIT)**

A Community Investment Trust is a new concept of asset building, of which there is currently only one example in the United States. Portland, Oregon is home to a 20,000+ sq. foot, CIT strip mall that houses a multitude of local businesses. Bought and renovated by two private investors, the complex and all its businesses are now up and running. Community members are beginning to invest in the building in hopes of accumulating assets. The strip mall operates under the following CIT model:

1. Community members can invest with a monthly payment of \$10, \$25, \$50, or \$100.
2. Annual dividends are paid to the investors based on the performance of the property's businesses.

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<sup>36</sup> *ibid.*

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3. There is a very important stipulation which ensures that investors cannot lose money. For example, if they invest \$10 per month, their annual dividend will be no less than \$120. This is secured through a bank's letter of credit.

Resident investors pay monthly payments in exchange for shares, and as share values increase they will receive a higher return. Investors are not required to do any more than that unless they want to become a member of the board.

The CIT model includes a dollar cap to limit the number of investors. This cap is the price that investors paid for the building because once the building is paid for, the investors will own the building. At this point, annual dividends for the investors will come from rent as they will be considered landlords. Once the building is paid for, the board of directors, made up of community members and investors, has fiduciary oversight of the building.

Ideally, partners will expand over time to include investors, real estate experts, and more in order to increase the quantity of CITs in the country and chances for people to invest in their community.<sup>37</sup>

Who can invest? Requirements:

- Live in specific zip code (community member)
- 18+ years of age
- Tax ID number
- SS number
- Take Required Classes (Owing to Owning Class)<sup>38</sup>

A very important factor is finding the right bank in which to partner. Because this is not a common program, it will take an educational component to make sure the bank understands all of the specifics. It is also necessary to partner with a bank that can provide the letter of credit. The existing program uses a direct pay letter of credit, which is how they get a securities exemption from SEC and is appropriate with low-income investors.<sup>39</sup> The CIT model allows low-income individuals to build asset wealth, as well as a greater knowledge of financial investments.

**Key Suggestions:**

- Talk with the executive director of the existing CIT.
- Identify a bank that can provide the letter of credit.

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<sup>37</sup> "Videos," Community Investment Trust, Accessed June 20, 2019, <http://www.investcit.com/Videos>.

<sup>38</sup> "East Portland CIT," Community Investment Trust, Accessed June 21, 2019, <http://www.investcit.com/Community>.

<sup>39</sup> John W. Haines (Executive Director of Portland CIT), E-mail interview by Kade Sutton, June 20, 2019.

- Keep the share prices at \$10, \$25, \$50, and \$100 even though the share prices change due to the performance of the property (maintains an accessible price point).
- The 18th Street Corridor could be a potential location for a CIT in Louisville, if One West were to be a willing partner.

### Track and Field Complex

The Urban League's plan for the Track and Field Complex on 30th and Muhammad Ali will bring not only new investment, but tourism and everyday traffic to the West End of Russell. The space will also provide residents with a mixed-use area for purposes ranging from hosting events to educational programs. Because the Urban League is not only in charge of the project, but also one of the leading nonprofits in education, it would be beneficial to include a major educational component to the complex for easier access and larger attendance to some of the classes they already offer, particularly the financial and homeownership ones. While Baxter Community Center is slated for major renovation, the Track and Field Complex will hopefully be another place for the community to convene and hold special events including concerts or potentially a temporary roller rink/ice rink. It is important that the new complex be centered around the community, providing the majority of positive impact for the residents rather than travellers.

With weekend track and field events on the horizon as early as 2021, the need for short-term rentals could skyrocket around the area of the proposed track and field site. The Russell neighborhood has a very low homeownership rate, and while research has reinforced that transitioning renters to homeowners is beneficial to the community, many are simply not ready for the transition. With this in mind, it is especially important to protect renters during development and investment as they are the most at-risk community residents for displacement. The market for Airbnb, VRBO, and other similar platforms will become a temptation for landlords in the West End and could lead to displacement of current tenants if the switch to short-term rentals becomes a reality for a larger profit.

Track and Field events also come with a major demand of t-shirts and other memorabilia to provide people and their families with a way to remember their competition or experience. This is a great opportunity for host organizations to raise money and provide locals with a weekend job. While this seems like a simple task, a lot of planning and coordination must go into merchandising. It must be determined whether the host organization or the complex will be the ones selling the merchandise. After that is determined, it must be determined what percentage of the proceeds goes to the complex and what percentage goes back to the host organization. Finally, it must be determined who will physically be selling the merchandise and whether it will be inside the complex or at booths in the parking lot or gate of the complex.

## Key Recommendations:

- Use the Track and Field for far more than running related events, including spaces for educational classes, special events, and community space.
- Start implementing policies to protect long-term renters around the Track and Field site, including CLT's and rent protection ordinances.
- Prohibit short-term rental permits in the geographic area surrounding the track and field.
- Build sufficient hotels around that area to house visitors and lessen the incentive for landlords to do short-term rentals.
- Allow the host organization of the meet to decide what merchandise is sold and allow most of the proceeds to go back to them.
- Use the job opportunities to give residents of the community a chance to make extra money on the weekend.
- Set up booths inside and outside the complex to give visitors a chance to buy merchandise upon arrival, before they leave, and while they have down-time during the track meet.

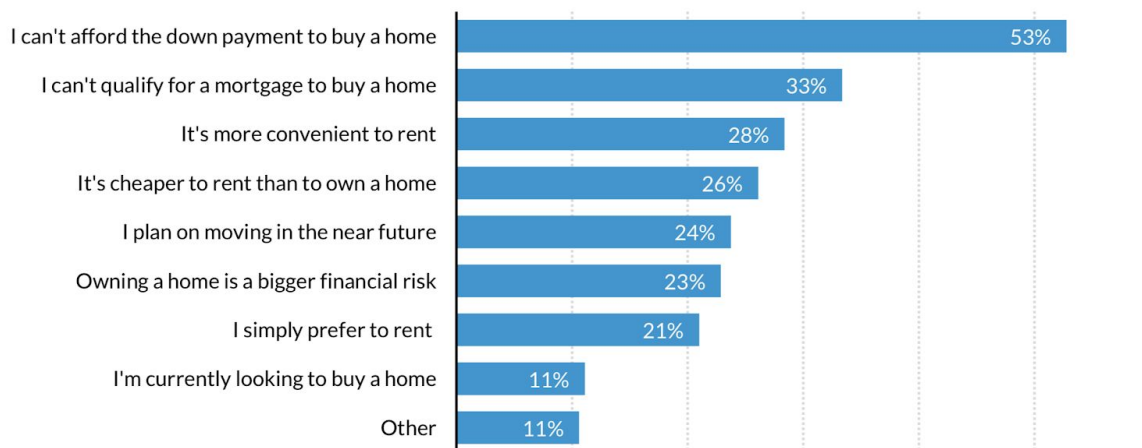


## Preventing Displacement

### Housing

#### Renting to Owning

The idea of transitioning from renting a home to owning one often scares prospective homebuyers due to the conceptions of down payments and mortgages looming before them, diminishing the number of people actively searching for a home of their own. However, owning a home rather than renting one could serve as a large component of preventing displacement. Homeownership eliminates the unpredictability of increasing rent due to rising property values and public interest in the area, a practice that eventually forces the tenant out. However, with approximately a 20% homeownership rate in the Russell neighborhood, the likelihood that this will serve as a large barrier to displacement as it currently stands appears grim.<sup>40</sup> Americans across the country, and certainly in the Russell neighborhood, see barriers to homeownership that seem insurmountable without the appropriate intervention and assistance in helping them to overcome these hurdles. According to a survey done by the Urban Institute, the chart below highlights reasons that diminish Americans' willingness to move from renting to owning:<sup>41</sup>



The Urban Institute also cites four main barriers to homeownership in America. They are as follows:

<sup>40</sup> Office of Housing and Development, *Russell Neighborhood Revitalization Strategy Area*, 13.

<sup>41</sup> Laurie Goodman et al., *Barriers to Accessing Home Ownership: Down Payment, Credit, and Affordability*, Urban Institute, November 2017, Accessed June 3, 2019, 2.



### **1. Down Payments**

There are many misconceptions surrounding down payments. 80% of renters are unaware of how much a down payment is and 53% see it as a barrier to owning a home. With 25 active down payment assistance programs in the state of Kentucky, these misconceptions should not be so severe, yet these programs may not be well marketed for public use.

### **2. The Credit Box**

Over the past ten years, median credit scores for mortgages have risen 20 points. Although the median credit score in Kentucky falls below the national average at 720 points, this is still an unattainable score for many people. The Federal Housing Administration and Veterans Affairs serve borrowers with lower credit scores, yet these options may still not fit the criteria for Russell renters.

### **3. Affordability**

As home prices appreciate, affordability decreases. However, although home prices are increasing, studies show that nationally it is still more affordable to purchase a home rather than rent one. The idea of affordability remains a threat to potential homebuyers, though, as a mortgage makes up a continuously increasing portion of spending for Americans.

### **4. Desire to Stay**

This is a large concern in the Russell neighborhood, as public safety and neighborhood cleanliness are much lower than in other areas of Louisville. Currently, a Russell resident's definition of success is getting out of the neighborhood, thus lowering their willingness to purchase a home with the intention of long-term residence. For this reason, proposals such as community gardens, artistic beautification, and an increase in public safety, all mentioned elsewhere in this paper, must be introduced in the Russell neighborhood.<sup>42</sup>

These four barriers are not the only threat to homeownership. Should a resident overcome these hurdles and purchase a home, they must learn how to successfully navigate their new role as a homeowner. This involves learning how to become financially responsible in managing their new asset. Homeowner classes do exist, but they must be accessible to Russell residents. Habitat for Humanity requires home ownership courses as part of the "sweat equity" clients must partake in

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<sup>42</sup> Ibid.

in exchange for their new home.<sup>43</sup> The Urban League also provides homeownership classes, and though these are not marketed, attendance is always at full capacity.<sup>44</sup>

### **Key Recommendations:**

- The city must share with residents the key benefits surrounding moving from renting to owning in terms of displacement, as well as clear up misconceptions surrounding down payments and other barriers in homeownership.
- The city should increase access to homeownership courses; however, rather than increasing the number of agencies offering these courses, they should allocate resources to the pre-existing ones. This could be in the form of funding for Habitat for Humanity to allow residents purchasing homes outside of the non-profit to attend their classes or funding for the Urban League to invest in more staff as a means to increase their quantity of classes offered.
- The city must also invest in beautification and public safety projects so that Russell residents want to stay in the neighborhood long-term and thus purchase a house rather than continue renting.

### **Cooperative Housing**

Cooperative housing is a housing model in which a corporation owns a property and when a person buys into it, they become a shareholder that is entitled to the use of a housing unit in the building. To purchase these shares, a buyer must take out a “share loan,” which operates similarly to a mortgage: loan payments are made to the lender, and the co-op resident must pay a proportional cost of building maintenance. The share loan does not pay off the underlying mortgage of the property itself, rather it is the cost of being in partnership with the cooperative. Resident shareholders are also required to pay typical utility bills and any payments associated with a personal insurance policy. Because the payments are operated at-cost, they are usually less expensive than apartments. Also, cooperatives do not have landlords or tenants, but rather partners that can determine any restrictions for accepting a new buyer, such as income or net worth.<sup>45</sup>

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<sup>43</sup> "Financial Education," Habitat for Humanity, Accessed June 03, 2019, <https://www.habitat.org/impact/our-work/financial-education>.

<sup>44</sup> "Youth Development & Education," Louisville Urban League, Accessed June 3, 2019, <https://lul.org/education/>.

<sup>45</sup> Lisa Smith, "Housing Cooperatives: A Unique Type of Home Ownership" Investopedia, March 31, 2019, Accessed June 20, 2019, <https://www.investopedia.com/articles/pf/08/housingco-op.asp>.



## **Economic Benefits<sup>46</sup>**

- Lowers down payment and closing costs, along with transfer costs at time of resale.
- Cooperative members are considered homeowners and thus can deduct their share of the real estate taxes and mortgage interest paid by the cooperative.
- Allows for equity building.
- No personal liability on the cooperative mortgage.

## **Social Benefits**

- No landlord and greater control over living environment.
- Member residents are mutual owners and thus encouraged to participate in decision-making for the cooperative.
- Cooperative members can share maintenance responsibility and delegate major repairs to the cooperative association.
- Cooperative ownership as opposed to rentals show a reduction in vandalism and property abuse.

## **Market Rate Co-ops**

This model of housing cooperative allows investors to buy or sell shares at market value and is the least restricted way to build equity but does not keep the co-op shares affordable. These are usually done by for-profit real estate developers and are directed towards upper class buyers.<sup>47</sup>

## **Limited Equity Co-ops (LEC)**

In a LEC there are restrictions on the resale of shares intended to encourage long-term residency and preserve affordability, and they are targeted at low- to moderate- income families. Also, LECs can receive government financial assistance in the form of lower interest rates for mortgages or Section 8 assistance paid to the cooperative. Similar to a Community Land Trust, shares are sold by a predetermined formula that limits the return.<sup>48</sup>

## **Leasing Co-ops**

In Leasing Cooperatives, also known as zero-equity cooperatives, the corporation leases rather than owns the property, usually from a nonprofit outside investor. Since the nonprofit owns the property, it eliminates taxes paid on it, but it also does not allow the cooperative to build any

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<sup>46</sup> "What Is Cooperative Housing? | LendingTree Glossary," LendingTree, Accessed June 21, 2019, <https://www.lendingtree.com/glossary/cooperative-housing/>.

<sup>47</sup> "United States of America Archives - Co-operative Housing," Cooperative Housing, The United States of America, Accessed June 23, 2019, <https://www.housinginternational.coop/co-ops/united-states-of-america/>.

<sup>48</sup> *ibid.*

equity (similar to renting). Later on, the cooperative may have the opportunity to buy the property and convert it to another model. Share prices are not limited as in LECs. This model of cooperative is of interest to investors wanting to take advantage of federal income tax credits.<sup>49</sup>

### **Key Recommendations:**

- The board of directors should be largely made up from member residents, along with establishing regular and holistic communication about all plans.
- The cooperative needs to have financial reserves for operating costs and repairs of the building.
- The cooperative board must approve incoming members who replace anyone leaving to protect its interests, financially and physically. This can include credit checks, background checks, and even an interview with a membership committee.
  - Along with this, subleasing should be restricted to protect the property and residents.
- The most likely model to be successful in Russell would be the limited-equity model to promote long-term affordability and residency in a market of rapidly increasing property values.<sup>50</sup>

## **Policies and Ordinances**

There are many vulnerable tenants in the Russell neighborhood that could potentially be displaced at any moment due to lack of baseline protections. These protections can come from implementing simple policies and ordinances at the city level to keep tenants in their homes, make affordable housing last, and aid in the relocation of residents who are displaced. The following list highlights a few options that could provide tenants with basic protection against a potential eviction by their landlord.

### **1. Just Cause for Eviction**

This ordinance is put in place to protect tenants from eviction for an improper reason.


These ordinances should include:

- A list of just causes for eviction
- The clear legal process for filing for eviction petitions
- Penalties that come with unjust cause of eviction (fees and limited access to tax and other financial assistance)

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<sup>49</sup> *ibid.*

<sup>50</sup> "Buying into a Housing Cooperative," National Association of Housing Cooperatives NAHC RSS, Accessed June 24, 2019.  
<https://coophousing.org/resources/owning-a-cooperative/buying-into-a-housing-cooperative/>  
<https://coophousing.org/resources/owning-a-cooperative/buying-into-a-housing-cooperative/>.



When an eviction notice is handed out, the tenant should be given an ample amount of time to respond to the notice, typically 30 days or more. If a “no-fault” eviction takes place, there should be relocation benefits for the tenant who is displaced (see Relocation Assistance Policies for more information). With these ordinances, there is a necessary educational component because tenants must know their rights and landlords must understand the rules and regulations they are required to follow. Rental control is usually an aid in helping these ordinances work, but with the current ban on rent control in Kentucky, this will not apply.<sup>51</sup>

- Model to follow: San Francisco, Just Cause for Eviction Ordinances

## **2. Anti-Harassment Policies**

Even with eviction protections in place, landlords are still able to coerce tenants into leaving their homes. Anti-harassment policies are put in place to prevent this from happening. The policies must clearly define harassment, including “failure to provide housing services in line with housing, health, and safety laws; attempts to coerce tenants to vacate units with intimidation and offers of payment; and interference with a tenant’s right to quiet use and enjoyment of rental housing.” They prevent the landlord from making the tenant want to leave through negligence, intimidation, and buy-out offers.

- Neglect of property maintenance and repairs can make a home uninhabitable, so the tenant must understand that this would be a part of the anti-harassment policy and hold their landlord accountable for basic maintenance.
- The landlord shall not be able to intimidate the tenant with multitudes of buy-out offers. There should be a set number of buy-out offers the landlord can make in a particular time frame, and a registry of buy-out evictions should be made and tracked at the neighborhood level.
- Citations and fines should be the result of not following the anti-harassment policies, and individuals/organizations should be given the right to sue landlords on the tenants behalf.<sup>52</sup>

## **3. Right of First Refusal Policies**

These policies will increase the number of opportunities for tenants to stay in their homes. After a home is renovated or rehabilitated, the previous tenant should be offered the chance to move back in before the house is put back on the market or re-rented to another party. Many times, the owner will intend to re-rent at a higher price so the previous tenant should also be allowed to return to the house at the prior rent levels.<sup>53</sup>

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<sup>51</sup> Causa Justa :: Just Cause, *Development without Displacement: RESISTING GENTRIFICATION IN THE BAY AREA*, 60.

<sup>52</sup> *ibid.*, 62.

<sup>53</sup> *ibid.*, 62-63.

#### 4. Relocation Assistance Policies

While relocation policies are already in place for the Beecher Terrace residents that have been relocated, there is always room to strengthen these existing policies. Federal law requires benefits to those that are displaced, but comprehensive benefits beyond what federal laws require can be added. These comprehensive benefits could include, but are not limited to:

- Monetary compensation from the city for the costs of moving
- Cost of fair market rent for an amount of time (typically 3 months)
- Benefits for families that are elderly, have children, have disabilities, and anyone with a chronic illness
- Access to case management services to identify affordable and high quality replacement housing
- Additional payment if no housing options available or if displaced for more than a calendar year
- A clear timeline for their relocation

Relocation policies should also contain “build it or find it first” stipulations so that someone is not displaced with the chance of not being able to find a suitable place to live.

<sup>54</sup>

- Model to follow: San Francisco, CA: Tenants’ Rights to Relocation for No-Fault Evictions

#### 5. Reparations and Right to Return Policy

When new affordable housing units are built, a certain percentage must be set aside for residents and families who were previously displaced from the same city due to publicly funded redevelopment projects. There should be goals put in place each year for the number of residents that they want to have return. The primary focus should be those that are disproportionately affected, such as people of color and low-income residents.<sup>55</sup>

#### 6. No Net Loss Policy

When renovation, conversion, or demolition occurs in the city, if affordable housing units are lost, they must be replaced by new affordable housing units. While the goal would be to place them in the same neighborhood as the ones lost, if this is not feasible, they must at least build them in the same city. An assessment of affordable housing should be conducted and include:

- Number of units

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<sup>54</sup> Ibid., 63-64.

<sup>55</sup> Ibid., 65.

- Rent level of units
- Household size
- Income of inhabitants

The assessment should also be broken down by neighborhood. This will allow the city to keep track of what they lose during projects, and what they should rebuild elsewhere.<sup>56</sup>

### **Key Recommendations:**

Louisville Metro Government should take these policies and ordinances into consideration and determine which would work the best in the city. Some policies, such as the “Just Cause for Eviction,” may be restricted in their effectiveness due to the block of rent control in the state of Kentucky, while others may fit better into the laws in Kentucky and Louisville. Some of these may simply be extensions of policies that are already in place and could be tacked on to preexisting law. For example, the city could make an ordinance that states renters under a certain AMI have the right to request longer notices for changes in rent price or evictions, such as 60 days as opposed to 30 to arrange for the new living situation.

### **Mortgage Reserve Accounts (MRA)**

After closing on homes, families tend to deplete liquid assets. This is proven by qualitative data which shows that families stop saving after they purchase a house because they feel that it is no longer necessary to continue to save money.<sup>57</sup>

Another major issue is the fact that poor servicing of mortgages plays a huge part in the foreclosure of homes. The mortgage reserve account program will keep families saving and help mitigate foreclosure.


The MRA program is a matched savings program that is similar to the structure of Individual Development Accounts, which are used prior to the closing on a house. The basic steps for how the program works are as follows:

1. Work with a local partner to develop a program.
2. Borrowers are contacted, given materials about the program and invited to meet with staff.
3. The family is required to document three months of savings moving forward (at least \$75/month).
4. The match check is awarded.

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<sup>56</sup> Ibid., 67.

<sup>57</sup> Doug Ryan (Prosperity Now Foundation), interviewed by Kade Sutton, June 7, 2019.

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5. At that point the family is surveyed to collect data and monitor performance of the program.<sup>58</sup>

The match check is awarded by a private foundation in the other two pilot programs (New Mexico and Oregon), but the original startup of MRAs is typically funded through a grant from the city. This grant provides seed money, technical assistance, and some of the original savings matches for the homebuyer. The program also works with Community Development Financial Institutions (CDFIs) when servicing mortgages as a point of contact.

It is hopeful that the program will:

- Lower delinquency rate
- Create more assets for low income families
- Lead to less foreclosures in the future<sup>59</sup>

### **Key Recommendations:**

Due to the fact that this is such a new idea and only two pilot programs exist, there is not an extensive amount of information accessible to the public. This will change in late September 2019 when reports are to be released.

- The Down Payment Assistance Program is a great start for MRAs
  - It may be wise to add this MRA program to the DPA program because there is already an established infrastructure, knowledge of banks, and a multitude of contacts.
- Make sure to build in foreclosure prevention and homebuyer education.
- Matching savings can get very expensive so it is important to find the right private foundation
  - Prosperity Now would be willing to work collaboratively on this
- With a low cost housing market, more people can be served with a lower match
  - This could mean that the program would work well with a Community Land Trust (described later in the report)
  - Prosperity Now is currently speaking with a CLT and potentially partnering with them
    - With a CLT the lower barrier of entry, on paper, should better facilitate savings

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<sup>58</sup> *ibid.*

<sup>59</sup> *ibid.*

## Shared Equity Mortgages

Shared Equity Mortgages are mortgages wherein the mortgage issuer is both a lender and investor into the property. The homebuyer will sell a percentage of their property to the mortgage lender in order to reduce loan size and get to a 20% down payment on the home. The borrower has no monthly payments towards the loan until they go to sell or refinance it, in which case they must repay the principle loan value and an additional percentage of the appreciation of the value of the property. The percentage of the appreciation is determined by the mortgage lender, but typically the percentage invested is the percentage of the appreciation the buyer must pay as a return on the lender's investment.<sup>60</sup>

For example, a homebuyer wants to purchase a \$200,000 house but cannot afford to get up to a 20% down payment. The mortgage lender gives a \$20,000 loan, which is a 10% stake in the property. If the homeowner sells years later for \$250,000, gaining \$50,000 in appreciation, they will be responsible for paying back the initial \$20,000 loan with an additional \$5,000, 10% of the appreciation of the house for a total of \$25,000 owed back to the mortgage lender.<sup>61</sup>

This percentage model may be typical when the city or public lenders are offering these mortgages; however, private investors will usually require a greater percentage of the appreciation. For example, a private investor may lend 10% but expect 25% of the appreciation. This is not an ideal situation because the goal is to help low-income homebuyers be able to obtain homeownership and retain most of the equity put into the home in order to build wealth. Another potential downfall of this mortgage structure is that if housing prices rise rapidly, the percentage of the appreciation owed to the lender could be more than what they would have paid in a traditional mortgage.


However, the benefits of shared equity mortgages can potentially outweigh the loss in equity. First, the mortgage lender is taking some of the risk away from the homebuyer by having a stake in the down payment. Large down payments can be risky because if the housing market declines the homebuyer could lose their money, so in this model the down payment is smaller, meaning the risk is lessened. If the property value were to depreciate at time of sale, the homeowner would owe less than what they initially borrowed from the lender due to that risk sharing. Also, shared equity mortgages allow low-income buyers to access a more expensive housing market and increases their buying power without raising monthly costs. If anything, the monthly cost would be lower because the larger down payment eliminates the necessity of Private Mortgage Insurance fees that incur when homebuyers cannot reach a 20% equity stake in their property.<sup>62</sup>

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<sup>60</sup> "Buying a Home with a Shared-Equity Mortgage," LendingTree, July 06, 2018, Accessed June 16, 2019, <https://www.lendingtree.com/home/mortgage/buying-a-home-with-a-shared-equity-mortgage/>.

<sup>61</sup> *ibid.*

<sup>62</sup> *ibid.*



This down payment assistance model, as opposed to traditional subsidies, typically requires less of an investment from the lender and a greater return on housing appreciation to maintain positive cash flow, which the city can then use to continue financing shared equity mortgages for affordable homeownership. There is usually no net loss in a growing housing market, such as West Louisville, because the loan is repaid in full along with extra appreciation value - unlike subsidies, which are not repaid. Overall, this model is great for low-income residents, especially those new to homeownership, that want access to the housing market, lower monthly payments, and a lessened risk of purchasing a home. It is also beneficial to the city due to positive cash flow from appreciation and increased homeownership rates, which in turn increases property values along with investment flowing to the area.<sup>63</sup>

### **Key Recommendations:**


- Encourage city or regional governments to offer these publicly funded loans at a generous shared-equity percentage equal to that of the stake in the down payment as demonstrated in the example above.
- Educate residents of West Louisville on the benefits of reduced-risk homeownership that still allows them to build wealth, although more limited than traditional homeownership.
- Discourage private investments that require greater shares of the appreciation in order to allow West Louisville homeowners to build fiscal and asset wealth through homeownership.
- Allocate affordable housing funds into shared equity mortgages because of the greater long-term impact on homeownership and for the return on investment when the housing value increases. The return on investment can then continue to fund other shared equity mortgages.
- Start offering these mortgage practices before the investment is fully developed in Russell in order to benefit from the initial rise in property values that will give the homeowner a large amount in equity, while also allowing the public funding for mortgages to grow and continue funding down payments in this manner.

### **Accessory Dwelling Units**

Accessory Dwelling Units, or ADUs, are secondary residential units built on single-family lots. These units are significantly smaller than the main residence and come in various types. ADUs can be detached from the main residence; attached to the main residence; or converted garages, basements, or attics.

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<sup>63</sup> "Rent, Buy or Shared-Equity Mortgage: Finding the Best Option," MortgageOrb, March 22, 2019, Accessed June 17, 2019, <https://mortgageorb.com/rent-buy-or-shared-equity-mortgage-finding-the-best-option>.



Accessory Dwelling Units can greatly increase the supply of affordable housing within an area, even if that area should be limited by single-family zoning or lots. Due to their smaller size and fewer amenities, they are more affordable than a single-family home or a comparable unit in a multi-family building. ADUs are appropriate housing options for a greater variety of people, be it students, caregivers for the elderly, or adult children who wish to live near their families.<sup>64</sup>

Furthermore, ADUs can provide a source of income for lower-income households, as they generate rental payments for the main homeowner. In this way, the homeowner is able to build additional wealth or receive additional funds to assist in mortgage payments. ADUs can be useful tools in preventing displacement of low-income renters. As the rental unit is typically managed by the homeowner who also lives on the premises, the relationship between the renter and the landlord is much closer. Thus, homeowners in ADUs are less likely to drastically raise rent prices and displace renters.<sup>65</sup>

The Russell neighborhood does not currently allow the construction of ADUs by right; residents must apply for a conditional use permit and go through the public review process. However, the city is looking towards allowing ADU construction by right in all neighborhoods with alleys. One mitigating factor in constructing ADUs in Russell is that the property values are currently so low that they do not justify ADU construction for homeowners. However, as investment in Russell increases and property values begin to rise, the value analysis of ADUs will change.<sup>66</sup> Therefore, while the city should not prioritize ADU construction in Russell at this time, it would be beneficial for the regulatory framework to be created now so that ADU construction can be incentivized in the middle stages of neighborhood revitalization. In this manner, affordable rental housing can be expanded without having to devote entire lots to that end.

In order to encourage future ADU construction, a Russell-targeted program that could waive or reduce permit application fees for ADU construction within that neighborhood would need to be implemented. The permit process for ADUs could also be simplified. For example, applicants could be required to submit fewer site plan copies. Other simplifications could also help incentivize construction. Another solution could be to allow a second ADU on a site if one of the units meets or will meet accessibility standards. To do so would be to encourage the construction of accessible units while further increasing the supply of affordable housing.

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<sup>64</sup> Lexington Senior Services Commission, *Homeowner's Guide to Accessory Dwelling Units* (Lexington, KY: 2019), 6.

<sup>65</sup> Danielle Arigoni et al., "Presentation/Lecture Title."Engaging Unconventional Partners to Spur ADU Development" (presentation, Congress for New Urbanism, Louisville, KY, June 12-15, 2019).

<sup>66</sup> Emily Liu (Louisville Planning and Zoning), interviewed by Daniel Bonomo at Louisville Metro, June 26, 2019.

## Key Recommendations:

- Simplify the permit process for ADUs.
- Waive/reduce permit fees for Russell residents.
- Allow a second ADU if one unit meets accessibility standards and space permits.

## Tax Moratoriums

One of the key fears of Russell homeowners in regards to the investments in their neighborhoods is that the increase in land values will lead to increases in their property taxes. For many low income households, these tax increases can be a significant financial burden. In some cases, the increased taxes may be enough that the home becomes unaffordable, and so the household becomes either financially distressed or the owner is displaced. In this manner, homes are not forcibly displaced, but market forces leave them few other options.

One solution to this problem would be the implementation of a targeted tax moratorium for long-term residents of the Russell neighborhood. In Philadelphia, such a moratorium was implemented through the Longtime Owner-Occupant Program, or LOOP. This program was open to income-restricted households who had lived in their homes for at least 10 years, or 5 years if the housing was acquired through a housing program. The homeowners also had to have no problems with their current taxes. For those eligible homeowners, if their primary residence tax assessment increased by more than 50% in a year, the new assessment would be limited to a 50% increase. That new assessment would remain in place as long as eligibility was maintained.<sup>67</sup>

LOOP income restrictions:<sup>68</sup>

Family size	Income cap
1 person	\$94,650
2 people	\$108,150
3 people	\$121,650
4 people	\$135,150

<sup>67</sup> Department of Revenue, “Longtime Owner Occupants Program (LOOP),” City of Philadelphia. Last updated on April 25, 2019. <https://www.phila.gov/services/payments-assistance-taxes/income-based-assistance-programs/longtime-owner-occupants-program/>.

<sup>68</sup> *ibid.*

5 people	\$146,000
6 people	\$156,800
7 people	\$167,600
8 people	\$178,400

Example: a home assessed at \$80,000 in 2018 is assessed at \$180,000 in 2019.<sup>69</sup>


2018 Assessment	\$80,000
2019 Assessment	\$180,000
Increase in 2019	125%
2019 Assessment limited at 50% increase	\$120,000

	2019	2019 with LOOP	Loop savings
Assessed Value	\$180,000	\$120,000	\$60,000
2019 Tax Rate	1.3998%	1.3998%	
Tax Due	\$2,519.64	\$1,679.76	\$839.88

Louisville does face some major challenges if it chooses to pursue a tax moratorium for Russell residents. Due to the nature of Kentucky law, any tax moratoriums must originate from the state legislature and cannot be first enacted by local government. Therefore, Louisville must seek to lobby state politicians in order to achieve this tax moratorium.

If it were implemented in Russell, the tax moratorium could be broadly similar to the LOOP program. By regulating the program through income restrictions and ownership length requirements, the city can ensure that only long-term Russell residents are able to take advantage of the program rather than new investors. Under this model, if an investor were to buy a home from a Russell resident, they would begin to pay the taxes at the full assessed value. Thus, there is reduced incentive for investors to buyout long term residents and subsequently displace them, while those residents who stay will have a smaller financial burden. The city could

<sup>69</sup> Department of Revenue, "(LOOP)."



also look to lock in the tax assessment at a lower percentage increase, such as 25% or 30%. Since homes in Louisville are not reassessed every year, the program could look at tax increases over a period of years, rather than a single year's assessment. For example, two consecutive 30% increases in the tax assessment would not make a home eligible under LOOP, but the home would be assessed at more than a 50% increase from the original value. To remedy this, Russell's program could look at 3 or 5 year periods for increases in the tax assessment value.

### **Key Recommendations:**

- Lobby Kentucky legislature for a Russell-specific tax moratorium.
- Limit tax moratorium to long-term income-restricted individuals in the Russell neighborhood.
- Limit property tax assessments to 30% increase over a period of 3 years as long as homeowner maintains eligibility.

### **Inclusionary Zoning**

Through inclusionary zoning policies, Louisville Metro can increase the number of affordable housing units while still incentivizing the production of market-rate and mixed-income housing. Inclusionary zoning requires that a certain percentage of units within a large housing development are made affordable. Such a mix of affordable and market-rate housing will be necessary if development in Russell is to be sustainable. Market-rate housing will be necessary in order to bring economic development to the neighborhood, while an increase in affordable housing will be needed to prevent displacement.

Washington D.C.'s inclusionary zoning policy requires 8-10% of units in developments with more than 10 units to be made affordable. Each unit type in the development must be proportionately represented within the affordable units. Additionally, some of the units must be reserved for 80% AMI, while others are reserved for <50% AMI. While inclusionary zoning mandates that these units be in the same development as the market-rate housing, some developers will provide affordable dwelling units above the minimum level required at a different location.<sup>70</sup> This is generally done in another area of the city that is more in need of certain types of housing, although this should be heavily discouraged within the Russell neighborhood, as the neighborhood is in great need of affordable housing.

In Washington D.C., eligible households must submit applications to request an available inclusionary zoning unit. These households will then be randomly selected through a lottery

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<sup>70</sup> Rory Pillsbury (Senior Construction Manager & Asset Manager at Hines), interviewed by Daniel Bonomo, May 28, 2019.

process. Selected households must then take inclusionary zoning orientation classes provided by the city.<sup>71</sup>

Louisville Metro should seek to pass a city ordinance requiring inclusionary zoning throughout the metro area for all developments above 10 units. In addition to creating mixed-income housing within the Russell neighborhood and throughout West Louisville, it would also create more affordable housing within East Louisville. This policy would be especially effective in areas of Louisville which are currently growing or experiencing redevelopment by creating mixed-income housing and sustainable communities. Within this policy, provisions should be made to reserve a certain percentage for households at 80% and 50% AMI.

### **Key Recommendations:**

- Create city ordinance requiring inclusionary zoning for all developments above 10 units.
- Reserve affordable units for households at 80% and 50% AMI.

### **Tax Lien Waivers**

Tax liens are an acute problem facing homes in the Russell neighborhood. There are around 600 vacant properties in the neighborhood with open code violations, and over 15% of owner occupied homes have at least one code violation. These liens present a significant burden to homeowners, many of whom cannot afford to pay them off, especially as they accumulate. These liens are obstacles to redevelopment, as they obstruct the home sale process and decenterize redevelopment, contributing to neighborhood blight.


Once code citations become tax liens, they are attached to the home until paid off, even through the sale of the home. This is a major challenge to anyone who wishes to redevelop vacant properties, as liens on the property can often amount to more than the property's value itself and which must be repaid to the city in order to complete the sale.<sup>72</sup> Therefore, widespread liens are a disincentive to redeveloping the vacant properties which dot Russell's landscape. In regards to homeowners, many cannot pay the small fine of the initial citation, much less the thousands of dollars of liens that can accumulate over time. These homes in disrepair, which is the common cause for the initial citation, cannot have the expensive repairs necessary without the repayment of the liens. Often, this can lead to residents simply abandoning the property, further adding to the vacant property problem.

In order to alleviate the burden of liens on low-income individuals, Louisville Metro currently has a lien waiver policy. This policy allows for liens on homes to be waived if the homeowner provides

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<sup>71</sup> *ibid.*

<sup>72</sup> Laura Grabowski (Director of Vacant & Public Properties Administration), interviewed by Daniel Bonomo at Louisville Metro, July 20, 2019.



documentation that they cannot afford to pay them off; if the homeowner donates the property to the city or a nonprofit; or if they sell it and the new owner promises to put the property into compliance with the city's codes. The city has plans to designate a geographic area in which any homeowner performing rehabilitation or renovation work on their property can have their liens easily waived if they agree to future compliance. However, in all of these cases the liens can only be waived if they are solely owned by the city. Situations in which liens are owned by a third party bring an extra layer of complexity and cannot be as easily solved. Russell: A Place of Promise is considering a plan to start paying off third party liens, which would start to resolve that issue.<sup>73</sup>

Therefore, the city should enact a policy preventing third parties from buying liens on any properties within Russell. The city should also continue work on their policy to waive liens if the homeowner performs rehabilitation work on their property, as well as waiving liens on vacant properties if the new owner brings them into compliance. These policies will allow funds to be spent on the rehabilitation of homes instead of liens, improving the quality of housing in Russell. It will also provide another incentive for vacant properties to be redeveloped, reducing their quantity. Furthermore, the city should explore the rehabilitation and tax lien proposal laid out in the CLT section of this document. In order to prevent the creation of large quantities of liens, Louisville Metro should direct the Codes and Regulations to cap the maximum amount of liens per property, although the specific amount per property is still to be determined. Income level should be taken into consideration when making these decisions.

### **Key Recommendations:**

- Prevent third parties from purchasing tax liens on properties within the Russell neighborhood.
- Waive liens on a property if the homeowner performs rehabilitation work and promises to remain in compliance.
- Waive liens on vacant lots if the new owner brings it into compliance.
- Pursue lien waivers through the CLT rehabilitation program.
- Direct Codes and Regulations to cap the maximum amount of liens per households.

## **Community Land Trust**


### **Overview**

A Community Land Trust, or CLT, is a “nonprofit organization formed to hold title to land to preserve its long-term availability for affordable housing and other community uses.”<sup>74</sup> The CLT

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<sup>73</sup> *ibid.*

<sup>74</sup> John D. Davis and Rick Jacobus, *The City-CLT Partnership: Municipal Support for Community Land Trusts* (Cambridge, MA: Lincoln Institute of Land Policy, 2008), 4.  
<https://www.lincolninst.edu/publications/policy-focus-reports/city-clt-partnership>.



model is one in which a nonprofit, the land trust, will acquire property, build and sell homes at an affordable price, but still retain ownership of the land itself. Buyers own the home and have a long-term lease on the land for a nominal fee and are still allowed to gain equity, but there are resale restrictions on who the home can be sold to and at what price. The CLT also operates on the basis of community control. In order to do this, it operates in a geographically delineated area and remains accountable to all residents within that area. The CLT model seeks to balance allowing homeowners to build wealth through homeownership while preserving permanent affordability. Regarding the current state of a community land trust in Louisville, the Metro government has identified that a land trust is an important housing tool that is currently lacking.

In seeking to create and preserve permanently affordable housing, Community Land Trusts aim to fulfill two key policy needs: the long-term preservation of subsidies and the long-term stewardship of housing. Subsidized homes need to remain affordable for generations to come, not just for the initial homebuyer. With traditionally subsidized housing, the homeowner is free to sell the home at market rates once the initial subsidy period has expired. This equates to a removal of an affordable housing unit, requiring another affordable unit to be constructed. However, due to appreciation, an increased subsidy will be needed to provide new affordability. The CLT model seeks to preserve the initial subsidy by restricting the homes' resale value (See following table). Additionally, preserving long-term affordability requires continuous monitoring and enforcement. The CLT can provide these necessary resources, as well as acting as a backstop to protect homeowners from foreclosure.<sup>75</sup>

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<sup>75</sup> *ibid.*, 2.

## Performance of Alternative Subsidies Over Time<sup>76</sup>


TABLE 1 Performance of Alternative Subsidies Over Time		
Initial Sale	Homebuyer Loan (No Interest)	CLT Model (AMI Index)
Initial market value	\$250,000	\$250,000
Subsidy	50,000	50,000
Initial sale price	250,000	200,000
<b>Resale in Year 7</b>		
Sale price	375,000	245,000
Repay first mortgage	(174,051)	(174,051)
Repay public subsidy	(50,000)	0
Sales costs (6%)	(22,500)	(14,700)
<b>Seller's net proceeds</b>	<b>128,449</b>	<b>56,249</b>
Affordable price to next buyer	245,000	245,000
Recaptured subsidy	50,000	0
<b>Additional subsidy required</b>	<b>80,000</b>	<b>0</b>
Total subsidy for next buyer	130,000	0
<b>Resale in Year 14</b>		
Sale price	565,000	303,000
<b>Additional subsidy required</b>	<b>132,000</b>	<b>0</b>
<b>Resale in Year 21</b>		
Sale price	850,000	372,000
<b>Additional subsidy required</b>	<b>216,000</b>	<b>0</b>
<b>Resale in Year 28</b>		
Sale price	1,278,000	458,000
<b>Additional subsidy required</b>	<b>342,000</b>	<b>0</b>
<b>Total subsidy invested over 30 years for 5 families</b>		
	<b>\$820,000</b>	<b>\$50,000</b>

In order to accomplish these goals, a CLT maintains ownership of the land, while the homeowner only owns the property. This distinction between the ownership of the land and property is the defining feature of the CLT model. The separation of the land and home significantly reduces the purchase price of the home, making it much more affordable to low-income buyers.<sup>77</sup> The homeowners will then lease the underlying land from the CLT. This contract is usually for a 99-year period, and it is both inheritable and renewable for another 99-year period. Within the contract are restrictions that the home must be for residential use only and that it must be the family's primary residence. The contract also contains resale restrictions when the homeowner goes to sell their home. The homeowner will be allowed to gain some equity from the appreciation of their home, but not the full market value of that appreciation. The percentage of appreciation kept by the homeowner differs between CLT's, but the model allows for the home to

<sup>76</sup> Ibid., 9

<sup>77</sup> Alese Bagdol, "Property Taxes and Community Land Trusts: A Middle Ground," *Texas Law Review* 91, no. 4 (2013): 942.

Shann Turnbull, "Affordable Housing Policy: Not Identifiable with Orthodox Economic Analysis," *ICFAI Journal of Urban Policy*, no 4 (2009): 26.



remain affordable for the next homebuyer, retaining the initial subsidy.<sup>78</sup> It takes about 3 years for a CLT to become established within a community. Once it reaches a large enough scale to become self-sustainable, it can provide a long-term systemic solution for affordable housing.<sup>79</sup>

Community land trusts also perform additional duties in order to appropriately act as long-term stewards. Before prospective buyers purchase a CLT home, the land trust will educate them about the rights and responsibilities of owning a home, and a CLT home in particular. Throughout the duration of the contract, the land trust will monitor and enforce compliance with the deed restrictions. This includes verifying that the homeowners maintain property insurance and pay all taxes. Finally, the CLT will proactively intervene in the rare cases of mortgage default in order to prevent foreclosure.<sup>80</sup> CLTs have shown to be very effective in preventing foreclosure among residents, with a foreclosure rate of 0.52% compared to 3.3% nationally, and many CLTs have a record of zero foreclosures.<sup>81</sup>

Although the primary goal of a Community Land Trust is to provide permanently affordable housing, there are no restrictions as to what kinds of properties can be built on its land. Though homeownership is preferred, rental units can be present in a land trust's portfolio. The rental income from these units can be valuable sources of revenue. CLTs can also be effective stewards of local businesses by owning commercial property. In this manner, local businesses can be protected from rising rents, which would otherwise lead to a displacement of local commerce. The arrangement between the business and the land trust is virtually the same as the relationship between the trust and a homeowner. Additionally, a land trust's land could be used for community gardens or parks. As long as the board, and by extension the community, approves of the use, there are no restrictions on what land trust land can be used for.

## Structure

CLTs are usually structured as independent nonprofit, 501(c)3 corporations. However, some cities have had their land trusts established and run by the local government. CLTs can be sponsored by grassroots organizations, such as faith-based or community organizations. These organizations have the advantages of being accepted by the community, market insight from being in the community, and a lack of baggage from other organizations. However, they can face


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<sup>78</sup> Andrew Kuka, *Community Land Trusts: A Help or Hindrance to Community Development in the United States*, (Stevenson Center for Community and Economic Development, 2017), 8, <https://ir.library.illinoisstate.edu/scced/27>.

<sup>79</sup> Andrea Brown (Office of Redevelopment and Vacant & Public Property Administration), interviewed by Daniel Bonomo at Louisville Metro, June 19, 2019.

<sup>80</sup> Davis and Jacobus, *The City-CLT Partnership*, 2.

<sup>81</sup> Anthony Flint, "Survey finds low foreclosure rates in community land trusts." Lincoln Institute of Land Policy, March 17, 2009, <https://www.lincolninst.edu/es/news/press-releases/survey-finds-low-foreclosure-rates-community-land-trusts>.



difficulty in building staffing and financial capacity and credibility, as well as competition from existing organizations.<sup>82</sup>

Those land trusts which are established by and as a branch of the local government, such as Houston's, possess several advantages due to their increased access to government resources. This includes public development funds, staffing support, and regulatory assistance. However, as a government entity, it may face public distrust with the government and political interference. The top-down approach may also meet resistance from community members, especially if they are not actively included within the decision-making process.<sup>83</sup>

Additionally, a land trust could be hosted by other nonprofit organizations within the same sector. These organizations can convert themselves into a CLT, adopt it as a subsidiary program, or establish it as an affiliate organization. Advantages of using a nonprofit sponsor include foundational capacity from the parent organization, credibility, and compatibility within the nonprofit housing network. However, political baggage associated with the original nonprofit, the difficulty in adjusting the board structure to include and be accountable to community members and leaseholders, and lingering control can all present challenges.<sup>84</sup>

Once the CLT is established, another key aspect of its structure is its open, place-based membership. As it operates within a given geographical area, all residents of that area, regardless of whether or not they live on CLT land, can be members of the land trust. For a small membership fee, they are allowed to take part in the land trust's leadership and decision-making. This leadership structure consists of a tripartite board. This means that  $\frac{1}{3}$  of its board should comprise leaseholders;  $\frac{1}{3}$  should be CLT members and other community partners, such as affiliated nonprofits or realtors; and  $\frac{1}{3}$  should consist of municipal leaders and organizations. This divided board structure ensures that community members are given a prominent and equal place in the decision-making process. The CLT is thus accountable to the community which it serves.

### City-CLT Partnership


A productive relationship between a Community Land Trust and its municipal partners is essential in achieving long-term, sustainable success in preserving housing affordability. City support through all phases of a CLT can help a land trust be more effective in achieving its goals, but this is particularly acute during a CLT's startup phase. The year of incorporation and the first two years of operation are critical years for a land trust which can be supported through municipal administrative and financial support, as well as donations of city-owned land and grants or low-interest loans for developing and financing projects. This includes grants to help the land

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<sup>82</sup> Andrea Brown, 2019.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid.



trust sustain its operations through the startup phase and revising tax assessment policies to ensure a fair valuation of resale-restricted homes.<sup>85</sup>

The critical startup years of a land trust require municipal support to establish the CLT within the affordable housing network and the wider community. The land trust must be marketed to other relevant city agencies that will be relevant for the trust's operations, such as in project funding, regulatory approval, and equitable taxation. Additionally, participation and acceptance from general community members, institutions, and nonprofits will be essential for the CLT's success. Many municipalities provide funding for the CLT's establishment of its portfolio, often through HOME and CDBG grants, although many cities dedicate a portion of their budget to the trust's activities as well. Inclusionary zoning policies can also assist in building a land trust's portfolio, as developers can sell their dedicated units to CLT-selected buyers and subsequently donate the land to the trust.<sup>86</sup>

During its normal operations, a CLT has many sources of funding which it can use to sustain itself. While in its initial stages it will be largely dependent on local government grants, such as CDBG grants, HOME Investment Partnership Program funds, housing trust funds, and other local sources of government funding. As it increases its operations it will be able to generate enough income to cover stewardship operations. Once it has a proven track record, the land trust will also be able to receive foundation funding and corporate grants. However, the goal is for sustainability to be achieved through development, marketing, ground lease, and other project fees.<sup>87</sup>

Another area in which the city-CLT partnership can be beneficial is in standardizing tax assessment policies for CLT properties. Valuing the homes at market price rather than the affordable level for tax purposes will lead to those homes being less affordable. Since the homeowners cannot sell their homes for the full market price, the assessed value of their homes should reflect these restrictions. This requires the land trust and local tax assessor to come to agreements to assess CLT homes at an affordable level.<sup>88</sup>

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<sup>85</sup> Davis and Jacobus, *The City-CLT Partnership*, 10-14.

<sup>86</sup> *Ibid.*, 10-18.

<sup>87</sup> *Ibid.*, 19-22.

<sup>88</sup> Davis and Jacobus, *The City-CLT Partnership*, 23-27.

## Startup Checklist for a community land trust<sup>89</sup>

### BOX 2

#### Building a CLT from the Ground Up: A Startup Checklist

##### Key Decisions Before Incorporation

- **Beneficiaries.** Who will the CLT serve?
- **Geographic service area.** Where will the CLT operate?
- **Development.** What kinds of housing or other structures will be developed on the CLT's land, and what roles will the CLT play in the development process?
- **Governance.** How will the governing board be structured and selected? Will the CLT have membership? If so, what role(s) will the members play?
- **Resources.** Where will the CLT find funding to pay for projects and operations?

##### Essential Tasks Before Incorporation

- Assign responsibility for key decisions about CLT structure, service area, beneficiaries, and activities.
- Begin outreach to community residents and key stakeholders.
- Evaluate housing market conditions, optimal prices, and likely demand for units serving the target population.
- Estimate the availability and sufficiency of public and private resources for land acquisition, housing development, housing subsidies, and CLT operations.
- Conduct legal research as needed.
- Prepare documents establishing the CLT and institutionalizing its structure and governance.

##### Formative Tasks After Incorporation

- Seat and orient the CLT's first board of directors.
- Design the ground lease and resale formula.
- Create an outreach plan and materials for building CLT membership and for educating the broader community.
- Develop and implement homebuyer selection and orientation programs.
- Create a three-year plan for bringing the CLT's portfolio to scale, including a staffing plan, operating budget, policies and procedures, and housing development goals.
- Apply for 501(c)(3) designation as a tax-exempt charitable organization.
- Review municipal and state programs for compatibility with the CLT model and negotiate modifications to expand access to funding sources.
- Negotiate property tax treatment for the CLT's resale-restricted, owner-occupied housing with the local assessor.
- Build relationships with private financial institutions in preparation for mortgaging of CLT housing.
- Develop job descriptions for staff and complete a hiring process.

## CLT Examples

The Sawmill Community Land Trust, in Albuquerque, NM, was established in 1996. It was established to both advocate for a cleaner, healthier neighborhood as well as increase housing affordability in the Sawmill neighborhood. In order to achieve these goals, Sawmill CLT worked with the city of Albuquerque to reclaim and redevelop a 27 acre former industrial site. This site became Arbolera da Vida, a neighborhood that now contains 93 affordable homes and 3 affordable apartment complexes, as well as parks, playgrounds, and community gardens. One of these apartment complexes is Villa Nueva, a 46-apartment complex for senior citizens who earn

<sup>89</sup> Ibid., 11.

50% AMI or less. Sawmill's housing serves families who earn 80% AMI or less, as well as local small businesses.<sup>90</sup>

The Champlain Housing Trust in Vermont is the nation's largest community land trust. Established in 1984, it has helped over 1,000 families reach homeownership. It currently has over 2,200 rental units, and 80% of its annual \$10 million operating budget comes from generated revenue.<sup>91</sup> The Champlain trust also has over 600 homes and 140,000 sq ft of commercial space within its portfolio.<sup>92</sup>

## Potential Consequences

When establishing a Community Land Trust, great care must be taken in both the startup phase and throughout its operations to ensure that the community is at the forefront of all decisions. Land trusts must not be a simple technocratic and subsidy-efficient affordable housing policy, but should find community control central to their mission. For example, Chicago's Community Land Trust's board was entirely appointed by the mayor and held its meetings at City Hall, greatly reducing the connection to and control of the community. Local government must play a supporting role but not a controlling one. Many land trusts can also lose this element of community as they expand to larger geographic areas. It is therefore essential to maintain close community ties and involvement. By giving low-income people the agency to decide how land is used in their community, they are empowered and disenfranchisement can be combated.<sup>93</sup>

## Grounded Solutions

After talking with lending institutions, non-profits, foundations, and other stakeholders that would potentially be a part of a CLT, we heard excitement about being involved in the process. However, for an organization to be involved simply at the end of the planning process and asked to fund or be a part of an already constructed vision is not suitable for proper engagement. For a CLT to be a successful partner of the stakeholders, the various stakeholders need to be at the table from the very beginning. Grounded Solutions, the national land trust network which is hosting an upcoming educational workshop in Louisville, is a perfect opportunity to kick off


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<sup>90</sup> Sawmill Community Land Trust, 2019, <http://www.sawmillclt.org/>.

<sup>91</sup> Burlington Free Press, "Champlain Housing Trust's Shared Equity Homeownership Program Featured in Burlington Free Press," Vermont Affordable Housing Coalition, April 14, 2016, <https://www.vtaffordablehousing.org/news/2016/04/champlain-housing-trusts-shared-equity-homeownership-program-featured-in-burlington-free-press/>.

<sup>92</sup> Champlain Housing Network, "About Champlain Housing Trust," Housing Partnership Network, 2017, <https://housingpartnership.net/about/members/champlain-housing-trust>.

<sup>93</sup> James DeFilippis, Brian Stromberg, and Olivia R. Williams, "W(h)ither the community in community land trusts?," *Journal of Urban Affairs* 40, 6 (2018): 761-762, DOI: 10.1080/07352166.2017.1361302.



planning for a CLT. However, every possible partner needs to have information ahead of time in order to get to the conference and participate from the beginning.

A compiled list of various stakeholders that should be present at the Grounded Solutions presentation was given to Metro for contacting.



## Education

### Attitude

Currently, the attitude when it comes to educating the residents of the Russell neighborhood on how to effectively become a financially-responsible homeowner is to institute more classes at the city level. However, rather than increasing the number of agencies that are offering classes, funds should be allocated to those that are already existing and successful.

### The Urban League

When it comes to educational courses regarding everything from home ownership to parental leadership, the Urban League has had extensive success, offering courses free of cost to those in the Louisville community. The Urban League is an anomaly in that it does not advertise these courses, except for listing them under the “Education” section of their website, yet the classes are always attended at full capacity. This reveals the influence the Urban League has in the West Louisville community, as the residents are active on the website and engaged in the classes offered. According to Sadiqa Reynolds, there is such an overflow in the quantity of people trying to reserve spots for courses that, should they get the funding, it would be incredibly beneficial for the Urban League to hire more staff in order to expand the quantity of classes offered.<sup>94</sup>

#### Key Recommendations:

- Rather than creating courses on home ownership and financial responsibility through the city, allocate funding to the already established and in-demand courses the Urban League offers so that they may expand.

### Habitat for Humanity

Habitat for Humanity currently offers courses offering tools to deal with budgeting, credit cards, credit reports, debts and loans, saving, investing, emergency situations, and mortgages all taught by experienced and trained individuals. Currently, these classes are only offered to those becoming homeowners through Habitat for Humanity.<sup>95</sup>


#### Key Recommendations:

- Rather than creating courses on homeownership and financial responsibility through the city, allocate funding to the already established and in-demand courses Habitat for

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<sup>94</sup> Louisville Urban League, "Youth Development & Education."

<sup>95</sup> Habitat for Humanity, "Financial Education."



Humanity offers so that they can introduce classes for those becoming homeowners through agencies other than Habitat for Humanity.

## Marketing

### Targeting the Youth


Education surrounding these proposals needs to be heavily targeted towards youth in the Russell community, as it is their future that these decisions will impact and their support that is integral in creating a prosperous community in which the residents can thrive. Town hall meetings, which are often geared towards adults and members of the workforce, must be made more accessible for the younger generation so that they feel that they have a say in the community. By providing accessible marketing and education for the youth, whether it be speaking at local high schools or recreational events, they can learn about Community Land Trusts and other proposals, thus leading to their involvement and support for the policies that will move their neighborhood towards greater prosperity.

### Strategies to Reach the Community

While the city spends time advertising classes and events through flyers and links on websites, the majority of information does not get to the Russell Community. After talking with perspectives from all over the city, it's clear that there is a disconnect when it comes to communication. The city will have to adapt to the needs of the community in order to give accurate and helpful information in a timely manner.

#### Key Suggestions:

- Be efficient with meetings. Many working-class families work hard all day long and do not have time to sit through an hour-long evening meeting. Be concise, and start and end punctually.
- Serve free food and have free childcare at meetings. Community meetings are aimed towards adults, who often work all day and do not want to pay for an extra evening of childcare. Similarly, people are more likely to come to a meeting in the evening if it means free dinner.
- Get to know the community. Some of the best advertising is word of mouth. The Urban League does not do any advertising and they have full attendance every class.
- Knock on doors respectfully. Instead of marching up to chat with neighbors while wearing a Metro ID and work outfit, try knocking on a door with a pamphlet and a business card with a name and number/email to contact with further questions. Residents are more likely to take the information if it means not having to commit to a conversation right at their door with a stranger.

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- Host informal sidewalk meetings. For less formal situations or information that needs to be spread, having a quick hangout on a corner is more inviting and less daunting to community members who have a busy evening and don't want to commit to walking to a community center and sitting for an hour.
  - Start spreading information early. The city is often criticised for not giving information until the last minute. Whether it is a lack of effective advertising or simply late advertising, the information is not reaching the people it is meant for. Start advertising and talking to people well before it is necessary so that everyone is informed on time.



## Conclusion

Looking forward, Louisville Metro must seek to balance the need to bring economic potential to the Russell neighborhood with the residents' priorities. The measures we have suggested are intended to promote that balance so that the residents prosper alongside the neighborhood. However, no single policy will be a panacea due to the complexity of the problems facing Russell, nor does this list aim to cover every possible action that could be implemented. Whatever policies are considered must take into account the needs of all stakeholders, with special consideration given to the community's wishes.

Many of the current fears of displacement arise from differing priorities between the city's long-term plan and residents'. The city must seek to align its goals with those of the current residents, not just with those of outside developers and interest groups. Initiatives must be equitable in nature, allowing current residents to be active participants in the revitalization of their own community and enabling them to take advantage of the subsequent benefits. We hope this report is helpful in presenting strategies to fully capitalize on the potential within Russell.

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## Appendix

### CLT Proposal

## Louisville Forward

444 South 5th St.  
Louisville, KY 40202  
(502) 574-4140


# Russell Community Land Trust Proposal

July 09, 2019

## Executive Summary

The Russell neighborhood, once dubbed “The Harlem of Louisville,” has experienced decades of disinvestment, redlining, and disenfranchisement that has left the neighborhood full of abandoned properties and lots, dilapidated homes, and boarded up businesses. The lack of economic opportunity has led to a concentration of poverty, with 52% of Russell residents below the federal poverty line, 29% unemployed, and 87% of low-moderate income level. Over the past few years, hundreds of millions of dollars have been invested into the neighborhood for the first time in decades. With this new investment, residents fear displacement as a result of potential increased property values and rents.

In order to protect affordable housing for residents of the Russell community, we propose the establishment of a Community Land Trust (CLT). A CLT, by definition, is a nonprofit organization that owns the land beneath a house, leasing it to the homeowners on a long-term lease, usually 99 years. Because the CLT owns the land, when the homeowner sells the house, the price remains affordable for the next owner, with the CLT taking a percentage of the new fair market value. In this process, the CLT protects the cost of the home against the appreciation of the land



beneath it as investment in Russell drives up land value. As the CLT becomes sustainable, it can expand to non-residential endeavors such as commercial establishments and community amenities including recreation and entertainment spaces. The end goal of a CLT is an economically prosperous community in which the culture of the neighborhood is preserved, affordable housing remains permanent, and residents have the opportunity to pursue career advancement and accumulate wealth.

## Community Needs

### 1. Affordable Housing

With an increase in planned and in-progress investment in the Russell neighborhood, the potential for rising property taxes, housing prices, and rental rates threatens to drive low-income residents out of their community and incites a need for equitable homeownership and rentals.

### 2. Economic Opportunity


There is a 46% annual retail sales leakage out of West Louisville due to a lack of local businesses, restaurants, and retail. Not only does this exacerbate the lack of job opportunities, but also contributes to a wealth of problems pertaining to food deserts, transportation, and accessibility.

### 3. Community Enhancement

With a plethora of dilapidated homes, vacant lots, and litter along streets of the Russell neighborhood, there is an evident need for community improvements that will ameliorate the lives, safety, and happiness of residents. Along with aesthetic improvements comes a need for cultural preservation and respect for the rich history of the community through its revitalization.

## Purpose Statement

The Russell Community Land Trust serves the community as a 501(c)3 organization that is committed to strengthening the Russell neighborhood through the rehabilitation, development, and stewardship of permanently affordable housing. The CLT strives to support a diverse



community through mixed-income housing and resources for entrepreneurship and local businesses. We provide tools for resident empowerment through financial and educational services, as well as opportunities for membership on the CLT board to encourage civic engagement.

## Goals

### **1. Create a permanent portfolio of affordable housing for residents below 80% of AMI.**

The purpose of CLT-owned land is to protect the community from displacement as a result of new investment by creating, preserving, and stewarding a permanent supply of affordable housing. The primary goal for the CLT will be to provide low-income residents with homeownership opportunities, and secondly to create affordable rental opportunities and steward non-residential assets.

### **2. Provide continuous homeownership counseling and education.** With first-time homeownership comes new and unforeseen challenges that require immediate and ongoing support and resources from the CLT through provision of various classes.


### **3. Foster a safe and stable community based on a supportive network of residents.** In creating a tight-knit community through meetings and events, residents will work to protect each other from crime and violence and support one another's endeavors.

### **4. Create sustainable and quality housing.** Efficient and environmentally conscious housing will ensure a lasting home that operates with low maintenance costs, thus preserving long-term affordability. Initially building with sustainable materials will keep the house in quality condition.

## Organizational Structure

### **1. Corporate Structure**

The CLT will be structured as an independent nonprofit corporation that may be eligible for designation by the IRS as a charitable organization in accordance with IRC 501(c)(3). The CLT should also be certified as a Community Housing Development Organization (CHDO) through the HOME program in order to gain access to funding reserved for those organizations. 15% of



this funding could be used to cover administrative costs, especially in the startup phase. There are several options as to how the Russell CLT may be structured, but the specific approach chosen for the Russell CLT will depend on which nonprofit partners can be found, if any, and their ability to support each of these models.

- **Stand-alone Nonprofit**

- The CLT may be established as a new nonprofit in Louisville, which would then partner with the city and other nonprofits in order to achieve its mission. An advantage of this model is that the CLT is free to tailor its policies and plans to best accomplish its mission with increased independence. Disadvantages of this model include increased density of affordable housing nonprofits competing for funding, lack of established connections within the community, and the need to hire trained staff.

- **Incorporated Into a Nonprofit**

- The CLT may also be incorporated into an existing nonprofit's programs. The advantages of this approach include capacity from the existing nonprofit, credibility, and compatibility within the current nonprofit network. Disadvantages of this approach include divided priorities among the nonprofit's core missions, difficulty in adapting the nonprofit's board structure to the CLT model, and political baggage associated with the parent nonprofit.

- **Affiliated Nonprofit**

- The CLT may work as a subsidiary of an existing nonprofit, rather than as a direct program. The advantages of this approach include more independence in its direction and funding and technical assistance from the parent nonprofit. Disadvantages of this approach include difficulty in establishing a subsidiary nonprofit, an unwillingness from the parent nonprofit to donate trained staff members, and issues securing funding.

## **2. Service Area**

The geographic area of the CLT will be initially limited to the Russell Neighborhood in West Louisville. As the CLT grows, its board may choose to expand its activities to other neighborhoods within Louisville. However, the CLT's ultimate geographic boundaries should be the city limits of Louisville.

### 3. Membership

Membership of a CLT is place-based and geographically limited. The membership of the CLT will be limited to those areas in which the CLT is operating. As such, membership of the CLT will only be available to those who live within the Russell neighborhood, although these residents are not required to live on CLT land in order to be members.

### 4. Staff

The following include some of the staff that will be required for the operation of the CLT. The CLT staff will expand as the CLT's portfolio and needs evolve. If the CLT is incorporated into an existing nonprofit, some functions may already be performed by current staff or nonprofit partners.

- Executive Director
  - One of the first tasks to be conducted by the CLT should be to hire a full-time executive director. This should be done in Year 1 in order to ensure continuous strategic planning from the outset. The executive director will serve as the public face of the Land Trust.
- Housing Services Director
  - Within three years of establishment of the Land Trust's activities, an experienced Housing Services Director will need to be hired. This position will be responsible for coordinating marketing affordable units, screening buyers for eligibility, monitoring compliance with the ground lease and providing backstopping support to residents.
- Community Liaison
  - A Community Liaison will serve as the intermediary between the members of the Land Trust and the executive board. This position is necessary in order to communicate needs and foster healthy relationships between the two and should be hired from the onset of the project. The liaison will be responsible for advocating the community's needs. This could be a volunteer position from a CLT member, but as a critical position it is more practical to hire a professional.
- Stewardship Coordinating Staff
  - Sales Manager

- Sales Managers will market affordable units, screen buyers for eligibility, and coordinate the sale process with individual homebuyers.
- Homeowner Orientation Manager
  - The Homeowner Orientation Manager will serve to educate homeowners on the CLT model.
- Monitoring and Enforcement
  - Monitoring and Enforcement officers will monitor and enforce residents' compliance with the terms of the ground lease and resale restrictions.
- Educators, Counselors, and Advisors
  - These staff members will provide financial education to homebuyers as well as homebuyer and homeownership counseling.
  - These positions can be through third-party partnerships to delegate roles from the CLT.

## 5. Potential Partners

- City of Louisville
  - The City of Louisville will be an essential partner for the CLT. In addition to providing  $\frac{1}{3}$  of the board seats, and thus being involved in the decision-making for the CLT, the city will also be a critical source of funding for the CLT. The city will be instrumental in coordinating the establishment of the CLT and relationships between the CLT, lenders, and other regulatory agencies.
- Louisville Landbank Authority
  - The Landbank Authority currently has over 500 parcels of land throughout Louisville. The Landbank Authority has made it clear that upon the establishment of the CLT, it will be willing to create a pipeline of property from the landbank into the CLT's portfolio at no cost to the CLT. The CLT will then steward this land in order to create affordable housing for generations, as well as returning these lands to the tax rolls.
- PVA
  - The Jefferson County Property Valuation Administrator must work with the CLT in order to adapt current property assessment practices to the CLT model. Due to the splitting of the land and physical structure, as well as the resale restrictions, a model must be agreed to fairly value and tax the CLT and its residents.
- Banks

- Local financial lending institutions can partner with the CLT to provide mortgage financing for homebuyers as well as project financing for the CLT. In addition, the unfamiliar model of the CLT may require banks to slightly modify their financing policies so that residents can finance their homes.
  - Republic
  - PNC
  - First Financial
  - Citizens Union Bank
  - Fair Way Lending
  - LHome
- Legal Community
  - Lawyers and legal advisors will be instrumental in guiding the residents through their ground lease agreements. This will ensure that the residents are fully aware of their rights and responsibilities as detailed in the ground lease contract.
- University of Louisville
  - Urban Planning specialists can provide expertise about CLT operations and best practices
- Developers
  - Both for-profit and nonprofit developers can partner with the CLT for the development of CLT homes. Some potential developers are listed below:
    - Millennia
    - Habitat for Humanity
      - Habitat for Humanity may also serve as a resource for accumulating property as they maintain their own land bank
    - Marian Development Group
    - Community Development Corporations (CDC)
      - Louisville CDC
      - Bates CDC
      - Highland Park CDC
      - Neighborhood CDC
      - Canaan CDC
- Local Nonprofits

- Local affordable housing and equitable commercial development nonprofits will be essential partners for the CLT. In addition to potentially incorporating and running the CLT, nonprofits would provide significant development, organizational, and educational expertise. Some of the potential nonprofit partners/hosts are listed below:

- **REBOUND**

- Rebound could potentially be the non-profit that houses the entirety of the CLT
- Black Lives Matter
- Urban League
- Habitat for Humanity
- Community Ventures
- YMCA
- One West
- Center for Neighborhoods
- Vision Russell
- Russell, a Place of Promise
- Housing Partnership Inc
- New Directions Housing Corporation
- River City Housing Corporation
- Metropolitan Housing Coalition
- Kentucky Housing Corporation

## 6. Potential Funding

- In the startup phase of the Russell CLT, it will rely on various private sources of funding for its operations, in addition to public monies, for its operating costs. The CLT may be able to access several funding sources, some of which are listed below:
  - Federal Government Grants/etc.
    - CDBG
    - HOME
    - Choice Neighborhood
    - Federal Low Income Tax Credits
  - Federal Home Loan Bank
  - Institute for Community Economics' Revolving Loan Fund
  - Affordable Housing Trust Fund

- National Community Land Trust Fund
- Equity Trust Fund
  - A national revolving loan fund which makes low-interest loans to community land trust organizations.
- Private Donations/Investors
- Foundations
  - Brown Foundation
  - Humana Foundation
  - Community Foundation of Louisville
  - C. E. and S. Foundation
  - Gheens Foundation
- Development Fees, Rental Income, Ground Lease Fees, Resale Fees, Membership Dues

## 7. Board of Directors



## 8. CLT Roles and Responsibilities

1. The CLT will support a stable community by hiring social workers and liaisons that will work to make the community feel supported and serve as intermediaries between the residents and directors during transition and beyond.
2. The CLT will select and acquire properties through the Louisville Landbank Authority, by direct donation, and through foreclosure auctions. The CLT may also offer funding to rehabilitate existing homes in exchange for the land being added to the CLT portfolio.
3. The CLT will provide ongoing stewardship of CLT land and properties. It will monitor and ensure that homeowners remain compliant with the ground lease and resale restrictions, as well as serving as a backstop to residents.
4. The CLT will utilize energy-efficient building practices and universal housing standards that will allow implementation of accessibility as needed, ensuring the house fits the needs of every resident.
5. The CLT will work with the Property Value Administrator to agree on a fair and beneficial tax assessment policy for CLT lands and residents' properties.
6. The CLT will provide initial and ongoing financial education and homeownership counseling to prospective homebuyers, renters, CLT residents, and community members.

## 9. Resale Formula

The resale formula should be determined by the CLT's board. The Lexington CLT specifically advised to not let the government be the sole input for this decision. The resale formula can be changed over time in order to best fit the CLT needs.

As stated in the Grounded Solutions CLT Technical Manual:

### Primary Goals of the Resale Formula:

- To ensure fair access to homeownership for subsequent lower income residents by preserving the affordability of the CLT home.
- To give the present homeowner a fair return on their investment when they resell the home.

### Secondary Goals of the Resale Formula:

- Encouragement of long-term occupancy and avoidance of incentives for quick resale.
- Promotion of homeowner mobility.
  - Homeowners must earn enough from the sale of their home to move to a new community where they want to live.
- Incentives for sound maintenance.
  - Resale formulas cannot pose economic disincentives to sound maintenance/upgrading of the home. The formula must reward an owner's investment in maintenance and penalize poor maintenance.
- Incentives for useful improvements such as weatherization and other energy-saving improvements.
- Ease of comprehension of the formula.
- Ease of administration of the formula.
  - Formulas should not need extensive record-keeping and/or frequent, detailed assessments of the value of improvements.
- Lack of intrusiveness and a sense of ownership.
  - Homeowners need a sense of privacy and control over their homes.
- Avoidance of disputes between tension of interests of homeowner and CLT/community.
  - All resale formulas inherently carry the conflict between the interests of the homeowner and their profit for equity and the homebuyer and their need for affordability. The formula should not require subjective, debatable judgements on the CLT's part to minimize disputes between the parties.

### **Commonly Used Formulas**

Adapted from the Grounded Solutions CLT Technical Manual:

- **Appraisal-based formulas**

These formulas adjust the resale price by adding to the base price (the price paid by the seller after subsidies had been applied) a certain percentage of the increase in appraised market value. These formulas allow the market to measure changes in value of the property, and any increases are shared between the CLT and the homeowner in order to give the homeowner a return for their equity and the CLT a source of funding to keep the home permanently affordable.



### Advantages

- Homeowners can capture a modest amount of the appreciated home value.
- Prevents expensive improvements from pushing the resale price beyond the level of affordability because the homeowner receives only a portion of the value added by improvements.
- These formulas avoid difficulties in distinguishing necessary repairs from aesthetic and utility improvements.
- Rely on professional appraisals which prevents controversial assessments of value.
- Detailed record-keeping is not required for these types of formulas which avoids confusion that can result in inaccurately or incompletely maintained records.

### Disadvantages

- Appraisals are time-consuming and expensive.
- Periods of rapid market appreciation may give an unduly high rate of return to owners who have not owned the home for long or have purchased the home with little or no down payment.
- These formulas do not distinguish between value added by the owner and value added by uncontrollable market factors.
- An owner who has made substantial improvements will only recapture a portion of the investment so there is less incentive for making improvements, repairs, and replacements.
- These formulas do not account for the portion of appreciation that results from monetary inflation.

**Improvements-only appraisal-based formulas** give the seller a portion of the appreciation of the home value based on only improvements made by the homeowner.

- Typically allocate 25% of the appreciated value of the improvements (not land) to the homeowner.

- If the market value of underlying land increases, it is assumed to be because of market changes instead of owner improvements.
- Some change the percentage as the homeowner's tenure increases, for example 5% after 1 year to 30% after 30 years.

**Simple appraisal-based formulas** give the seller a portion of the appreciation of the home value of the entirety of the property, including land and improvements.

- Addresses the problem of separating land and house appraisals by combining them, thus making them simpler to apply.
- However in abandoning the distinction between land and home they also cannot distinguish between factors that cause increases in value of land that are not improvements, such as uncontrollable market factors.
- As also seen in the improvements-only formula, the owner of a deeply subsidized home will receive a significantly higher rate of return than the owner whose base price covered most of the appraised value of the property, which becomes problematic in fairness.

**Compound appraisal-based formulas** give the seller a share of the appreciation of that portion of the value of the whole property that the base price covers.

- These formulas begin with the appreciated value of both land and improvements. They give the homeowner a specified percentage of only a part of that overall appreciation in terms of the distinction between the value covered by the base price and the value covered by the subsidy.
- The first step is to divide the base price by the appraised value of the total property at the time of purchase. At the time of resale, any appreciation for the total property is multiplied by this percentage to determine what value the homeowner paid for has appreciated. The CLT then applies its "appreciation sharing percentage" to the resulting amount.
- The advantage of this formula is that it keeps the percentage of return fair for highly-subsidized homebuyers and those who paid a higher base price.
- Avoids the inconsistencies entailed in distinguishing value of improvements vs. value of the land.



- **Fixed-rate formulas**

These formulas adjust the resale price upward by applying a fixed rate of interest on the base price from year to year. The percentage ranges from 2% to 3% and usually is compounded annually so that the rate is applied at the end of each ownership year to an amount equal to the original base price plus any accumulated interest as of the beginning of that year.


#### Advantages

- Exceptionally easy to apply and involve virtually no record keeping or difficult judgement by the CLT.
- Allow homeowners to know in advance exactly what price they can receive for their homes at any given time in the future.
- These formulas do not allow resale prices to be pushed upward beyond the intended level of affordability by spikes in the local housing market.
- These formulas recognize the homeowner's interest in receiving a return on their investment in the home while limiting the return level to keep it affordable for the next buyer.

#### Disadvantages

- These formulas do not distinguish between earned and unearned equity since the purchase option prices have no relationship to the degree of which the homeowner maintains or improves the home.
- These formulas guarantee a high rate of return for "highly leveraged" short-term owners while providing a limited return for long-term owners who have paid off their mortgages.
- In weak markets there is potential for resale prices to increase faster than market prices, thereby diminishing the effect of the subsidy.
- When the rate of inflation exceeds the fixed rate, the real value of the resale price for the seller will be less than the original purchase price.

- **Indexed formulas**



These formulas adjust the resale price by applying a single factor drawn from an index, such as Area Median Income (AMI) or the Consumer Price Index (CPI). If done based on AMI, the resale price can only increase beyond the purchase price only in proportion to increases in AMI. For example, if AMI increases by 25% during the family's ownership, the home can be resold for 25% more than the purchase price.

### Advantages

- Allow a reasonable return to the homeowner while limiting resale prices to a level that is likely to be affordable for other households with the same income level as the first family
- Relatively simple and comprehensible and do not require subjective judgement by the CLT or professional appraisers.
- Likely to provide a more predictable return to the homeowner that is less affected by local real estate markets.
- Information regarding common indexes is readily available for periodic reports for what the resale price would be for homeowners at that time.
- These formulas, especially CPI-based ones, are more likely to allow the real value of resale prices to keep up with inflation.

### Disadvantages

- These formulas do not distinguish between value produced by the owner and value produced by other factors so they do not provide adequate incentive for maintenance and repairs, and may fail to provide a reasonable return for homeowners that do improve their homes.
- A formula that allows resale prices to rise at the same rate as AMI may not preserve real affordability for lower-income households, as low-income people do not usually benefit from economic trends reflected in area-wide median income.
- CPI indexes can burden low-income people as increases in the costs can easily outweigh increases in their incomes.
- Short-term owners are likely to yield an unduly high rate of return.

- Weak housing markets can allow resale prices to increase faster than market prices, thereby diminishing the effect of the subsidy.
- There is no guarantee that indexes will continue to be generated and published publicly as they are not.

Based on the information presented about the most commonly used CLT resale formulas, the advantages and disadvantages to each, and taking into account the situation in Russell, we are inclined to suggest that the CLT use a compound appraisal formula because of its equitable return on investment and incentives for improvements, maintenance, and responsible homeownership.


## Projected Portfolio Growth

In the initial stages of CLT growth, the CLT intends to begin redeveloping owner-occupied homes in exchange for the land to be added into the portfolio. Simultaneously, the CLT will be able to use land from the city's landbank to redevelop and create affordable and mixed-income housing. A certain percentage of vacant lots can be designated towards homebuyers with up to 120% AMI in order to create a diversity of income within the community, subsequently supporting new local business development. As more land is acquired by the CLT, it will be able to expand its portfolio throughout Russell with further funding for rehabilitation and construction of quality housing.

If the CLT is hosted within an existing nonprofit, it will be able to begin its build-out in a more expedited manner than if an independent CLT must be created due to the existing development infrastructure of the current nonprofit. It is expected that the CLT could begin development activities by Year 2.

## General Operating Budget Requirements

The operating budget for a CLT can vary greatly depending on the cost of developing land; how many units will be initially developed; whether development will be new construction or rehabilitation, and the level of technical assistance needed to operate the CLT.



Grounded Solutions worked closely with the Lexington CLT to create a 10 year spending budget and plan that worked with their model. Hopefully, they will work with the Russell CLT as well to create a budget and short-term plan in order to start the CLT on a road to success.

## Suggestions/Best Practices

### 1. Russell Specific

- In order to preserve the current stock of affordable housing in Russell, the CLT will prioritize current homeowners in the Russell neighborhood along with developing vacant and abandoned properties. This will be done through an exchange in which the CLT will perform extensive renovations for the homeowner in return for a transfer of their land into the CLT portfolio.
- This program can be adapted from the current homeowner improvement program in which homeowners can receive up to \$25,000 for home renovations. Owner-occupied homes in extensive need of repair, as well as those with liens worth substantially more than the home itself, will be prioritized. In this partnership, the city will enter into a memorandum of understanding with the CLT and provide the funds, while the CLT will perform the redevelopment work. Upon the completion of the redevelopment, the homeowner will transfer his or her land to the CLT, while the city will proceed to waive those liens on the property. In this way the CLT expands its portfolio. In case the homeowner chooses to sell his or her home, the home will hold more value and the process will be easier because of the waived liens.
- Consider building homes with attached or detached Accessory Dwelling Units. These ADUs can then be rented out by the homeowner, thus building wealth for the homeowner as well as further increasing the housing supply.

### 2. Attitude

- Ask. Align. Act. → Ask the residents what they want to see. Align the CLT with their values, needs, and wants. Act through actions that follow those values, needs, and wants.
- Build trust through open and honest dialogue
- Respect the culture of the neighborhood and its residents and preserve it
- Acknowledge the entirety of the situation & past trauma of redlining, etc.

- Understand that the CLT is a learning process - formulas change and initial modeling is based on current conditions which can change
- Do not have a charity mindset
- Be humble enough to take criticisms from community trauma
- Know the neighbors – start listening early and often

### 3. Community Involvement

- Hire a liaison to be the go-between (get the *right* person from the community)
- Weekly meetings to ensure communications/minimize misconceptions (The Lexington community was very upset at the idea of becoming “sharecroppers,” stemming from past trauma)
- Live in the community where you are doing the work – have attunement to community aspirations (kids go to the same schools, etc.)
- Create and/or show a documentary to present the history of the neighborhood– helped community feel ownership in the project in Lexington

### 4. Practical Practices

- Dedicate social workers to help people transition and adapt to change
- Enforcing minority requirements for construction/development/contractors
- Never have an engineer/grant writer/etc. be a facilitator of a public meeting (technical language is unproductive)
- Pay attention to the difference in dress during meetings and casual conversation
- Waive certain government restrictions, payments, etc. to help residents
- Ensure flexibility of lot space early – pay attention to zoning planning
- Have someone on staff that knows funding sources and how to apply to them
- Create mixed-use spaces
- Capitalize on potential for Louisville and Lexington to partner for expertise
- Do not let developers do cheaper houses, instead do smaller, high-quality houses
- Make the city a partner of the CLT and run all of its affordable housing through the CLT as a budget item

### 5. Education

- Require homebuyer education (HUD certificate class)
- Navigate education and lease agreements with people with low education level or who are illiterate
- Provide clear definitions and use common language about fees, etc.

- Use existing resources for education, i.e. the Urban League, and funnel more resources into expanding these classes rather than creating a new education system

## Challenges and Constraints

### 1. Funding


This proves to be the biggest barrier when founding a CLT. There are many steps to be taken in tackling this challenge but strides have already been made in the right direction. The Louisville Metro government will have to do some restructuring to their budget particularly for CDBG and HOME dollars, so that they can allocate certain amounts of the grants to help with CLT funding. Many national organizations (including the National Trust Fund) listed above have been known to help with the funding of CLTs across the country and should be contacted for interest in the Russell CLT. Local nonprofits are already being informed about the idea and beginning to show interest in becoming involved with the CLT.

### 2. Getting the community on board

The idea of implementing a CLT where residents are not the owners of their land can be a difficult task to navigate. Because a community land trust is not a commonly known topic, education for the residents will be crucial in helping to excite the community around a CLT. For example, classes and discussions should detail what a CLT is, why a CLT will be helpful in preserving affordable housing, and how the community can get involved. However, it is important to acknowledge that there is past trauma from redlining, sharecropping, disenfranchisement, etc. that will require listening with compassion from those who are trying to implement the CLT.

### 3. Maintaining involvement

As the CLT progresses, it is important to make sure that the community stays involved in any decisions that the CLT makes. The structure and organization of the CLT may change over time, but the community should always have  $\frac{1}{3}$  representation. Motivation of the staff can also prove difficult; because the land lease is 99 years, there will be high turnover of staff. Values need to be consistent across new and old members in



preserving affordable housing and creating a diverse community that is inclusive of every resident.

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