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A home you can afford: How land trusts are changing Bay Area home ownership

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A year ago, Norma Sanchez and Ambrocio Carrera were on the verge of losing their East Oakland home — staring down a massive rent hike and with no hope of affording a new place close to their jobs or their three sons' schools.

Now, thanks to an innovative strategy gaining traction in the Bay Area, not only did the family stay put, they're on their way to owning that home.

"It's very emotional," Carrera said in Spanish. "It's something that, in the beginning, you don't believe. But here we are."

Sanchez and Carrera held onto their home with the help of a community land trust — an organization that buys up residential properties, keeps ownership of the ground beneath the buildings and then rents or sells the units back to low-income residents at a discount. It's an unusual strategy that does two things traditional government-subsidized affordable housing does not — it guarantees the property will remain affordable forever, and it gives residents the chance to build equity in their home.

As soaring prices continue to squeeze Bay Area renters, leaving both cities and affordable-housing advocates desperate for solutions, community land trusts are becoming an increasingly attractive option. There are at least seven operating in the Bay Area, including in Oakland, San Francisco, East Palo Alto and Sonoma County. And though the average resident likely hasn't heard of the wonky concept, the trusts have secured affordable housing for dozens of families.

“There is really a resurgent interest in this model, because we see that so many other approaches are not really measurably moving the needle in terms of the crisis,” said Steve King, executive director of the Oakland Community Land Trust, which bought Carrera’s and Sanchez’s house.

Separating the house from the land under it is a key piece of the land trust strategy because it acts as a safeguard to ensure the property can never again be sold at market rate. Instead, if the owners decide to sell, they go through the land trust, which sets a price that keeps the unit affordable for the next low-income family.

“It’s sort of this rearrangement or this reconfiguration of what property ownership really means,” King said.

The Oakland Community Land Trust received $974,150 from the city earlier this year and also pulls in funding from foundations, banks and other sources. Since 2010, the trust has purchased 20 single-family homes, two mixed-use buildings and one seven-unit live-work building.

“The city thinks very highly of community land trusts,” said Darin Ranelletti, Oakland’s policy director for housing security — a role Mayor Libby Schaaf created this year to address the housing shortage. “We think that they’re a great model.”

On the other side of the Bay, the San Francisco Community Land Trust controls 13 properties, including one across the street from the Transamerica Pyramid. Residents of that 21-unit apartment building each pay a $10,000 deposit, plus monthly mortgage payments, to own a stake in their building.

“It’s one of the very few tools we have to provide a way to home ownership for the very low-income folks of San Francisco,” said Tyler Macmillan, the land trust’s organizational director.

The Housing Land Trust of Sonoma County, which houses nearly 80 families, is an official part of the local government’s affordable-housing strategy. When new low-income units are built, cities hand them over to the land trust, which then sells them to low-income residents at an affordable price.

Land trust fever has spread to East Palo Alto as well, where former Mayor Duane Bay is launching the Pahali Community Land Trust. He's working on buying three properties — two single-family homes and a vacant lot where he hopes to build townhouses.

For 41-year-old Sanchez, who works cleaning homes in San Jose, and 45-year-old Carrera, who works at a Togo's in Pleasanton, the Oakland land trust saved their two-bedroom home. Last August their landlord, Steve Kalmbach, notified them he intended to double their rent — raising it from $1,200 to $2,400. Under California's Costa Hawkins law — which voters will decide whether to repeal in November — single-family homes are exempt from rent control.

Sanchez and Carrera fought back with protests and petitions, and the rent hike was put on hold. But then the landlord began making plans to sell the property, leading them to fear they would be kicked out by the new owner. They began trying to convince Kalmbach to sell to the Oakland Community Land Trust. After a year of contentious negotiations — which included the family picketing Kalmbach's Piedmont home on Halloween, and Sanchez and Carrera's 15-year-old son, Jonatan, putting his fist through the "For Sale" sign in the front yard in a moment of despair — Kalmbach agreed to sell for $335,000. He could not be reached for comment.

Now the family pays $1,800 a month in rent to the land trust, and in a few years they'll have the option to funnel some of that money toward a down payment. They pay $50 a month to lease the land under the home from the land trust.

When 28-year-old Javier Prescott first heard about land trusts, he was reluctantly considering moving to Oregon with his fiance to start a family because they couldn't afford to buy a home in the Bay Area. A Sonoma County native, Prescott works as lead custodian for the county's Office of Education, and his fiance is a bartender studying to be a nurse.

This year, they did something they never thought they'd be able to do — they bought a house in Petaluma for $323,000 with the help of the Housing Land Trust of Sonoma County. They pay $2,197 for the mortgage — about 25 percent of their combined incomes — plus $90 a month to lease the ground under the house.

“Oh my God, you don’t even understand how amazing it feels to be a homeowner in Sonoma County,” Prescott said. “The housing market is just so overwhelming, that someone my age — it’s not even a thought.”

If they sell the house, the price will be tied to the area’s median income gains, not the housing market’s fluctuations. So if the median income in Sonoma County rose 10 percent, for example, they could sell the house for 10 percent more than what they paid.

Prescott doesn’t mind not making a windfall.

“Since I was kind of gifted with this awesome situation, I don’t really have any kind of issue paying it forward,” he said.

The community land trust model also can prevent small businesses from being displaced.

When the owner of a mixed-use building on 23rd Avenue in East Oakland decided to sell, the tenants raised $90,000 during an eight-week crowd-funding campaign — enough for a down payment. The Oakland land trust put that money toward buying the building in April and now is training the residents to manage the property themselves, as a collective, with the idea that their rent payments will become mortgage payments in about 10 years.

Now the residents — which include families and individuals, as well as nonprofits renting office space — are figuring out how to do everything from fix sinks to conduct safety audits of fire extinguishers. The former was a skill they needed almost as soon as they signed the contract, said Devi Peacock, founder of Peacock Rebellion — a queer and trans arts and culture group that rents space in the building.

“It was so emotional, because we’re like, ‘Oh my God we signed,’ and then almost right away a sink broke,” Peacock said. “We cheered. Because you know what? It was like our problem now. And what a thrilling feeling.”

Javier and Margaret Prescott

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