

# Community Land Trusts can progress Georgist theory

By Karl Fitzgerald

My belief is that Community Land Trusts (CLTs) can demonstrate the benefits of recycling land rents for the common good. This will support the larger Georgist agenda with a micro version of the macro vision.

It's been 12 months since we started Grounded Community Land Trust advocacy. Our job is to support the CLT movement by advocating, incubating and accelerating its growth.

After 18 years at Prosper, I felt it was time for a new challenge. This was driven by the fact that every time I mentioned CLTs in a public forum, I was surrounded by people interested in the concept. I wanted more time to explore this as a theory of change.

Ahh the purists will say, but you are only capturing one half of the story – missing the deadweight dividends delivered by removing harmful taxes. Sure, but a raft of CLTs demonstrating how land rents can be used for the common good is a tangible step in the right direction.

Part of this is also about mobilising the public. If the community can almost touch the benefits of land rents, then the bigger picture issue of land rents is more likely to become a reality to them.

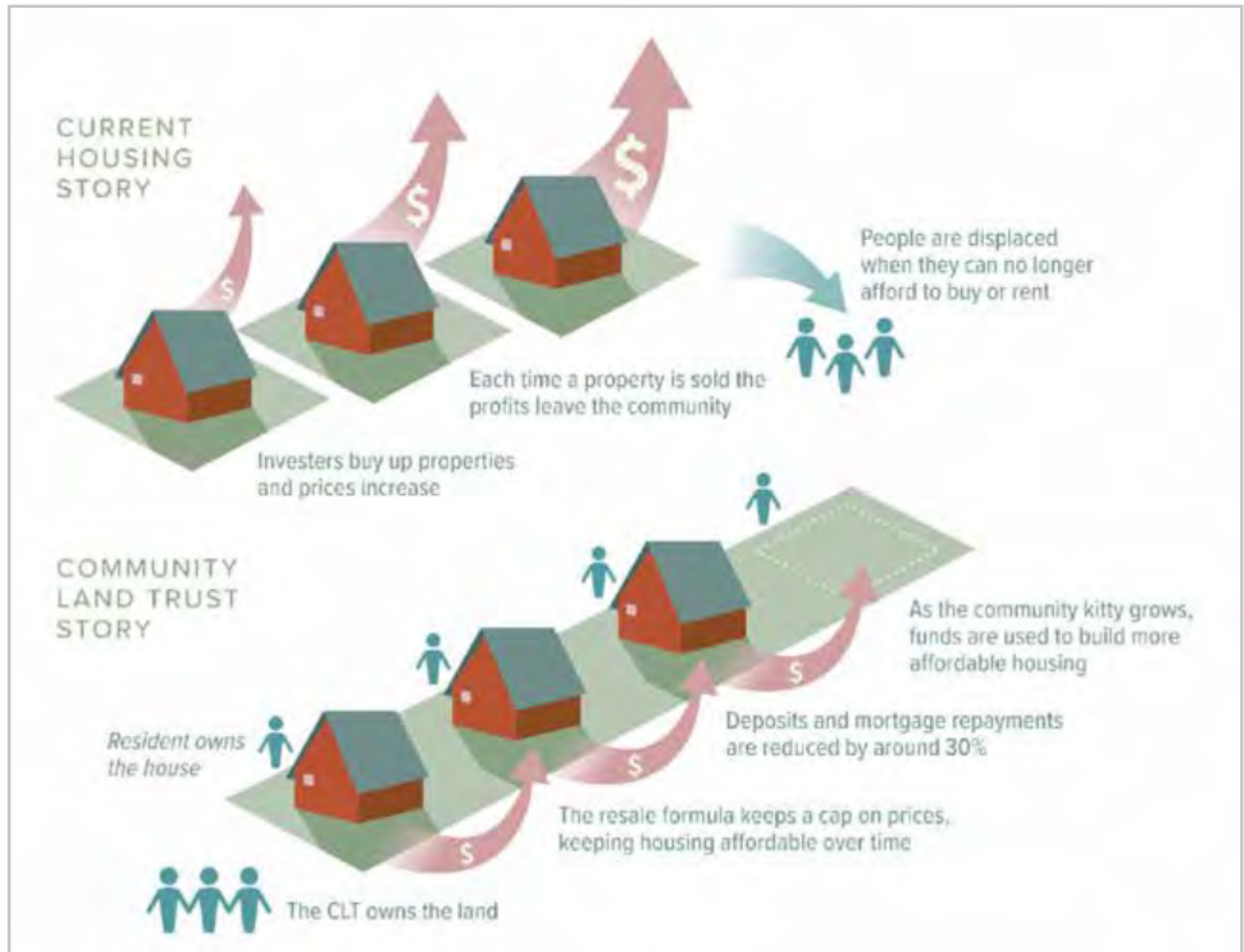


## What is a CLT?

A CLT is a community owned vehicle for removing land from the speculative market to preserve affordability over time.

The Trust owns the land in perpetuity, while the resident owns the building.

This means that the resident only has to borrow for the house (the improvements) – some 30-40% of the typical mortgage. The deposit gap is therefore greatly shortened. Residents may only



need to save \$30K, rather than the \$180K often needed in the mainstream market.

That means those in their 20s could work hard to save up a deposit and enter the market in their late 20s rather than late 30s as is the case for so many today. Can you feel the pressure valve releasing by even saying that? Women over 55 can also see merit in this approach.

Resilient communities need time to bond. The current housing story sees active communities as a magnet for speculative pursuits. We should instead celebrate such communities as a bedrock for solid citizenry. CLTs can help this occur, as the graphic demonstrates.

The typical CLT model relies on a 75% resale formula – akin to a Capital Gains Tax on sale. The Trust is expected to keep on top of monthly interest bills with a \$100 per month, per site admin fee. The small monthly fee favours larger projects and pushes towards a charity model.

Gavin Putland and I started experimenting with the CLT model in the early 2000s. We found that a Trust can get on top of the monthly interest rate burden with a higher monthly land lease fee based on market rents. Now with annual land valuations in many jurisdictions, this is easier to evaluate. The resident receives a lower resale formula in exchange for the land rent.

Since then I have continued to push the model so that it can be as market orientated as possible. The result is we can buy land at market rates (pre-market preferred). Liquidity pressures for the Trust are reduced with the monthly land rent fee.

This makes the model more equitable for both the Trust and resident, by matching liquidity requirements for both parties. The typical CLT model is too biased towards the resident, meaning that many Australian housing organisations have struggled to make such numbers stack up.

Now that we have finalised the model, we are busy presenting it to government agencies, and local affordable housing groups.

The great advantage of a CLT is that land rents are kept within the community, making it stronger. Closing that loop also adds scalability.

Unlike other so-called affordability tools such as the First Home Buyers grant, the subsidy is retained over time in a CLT. This is helped by an affordability lock on the property, ensuring that prices cannot increase above 75% of the district median.

The Victorian government is for example handing over \$600m in annual First Home Buyer Stamp Duty discounts. Not only does this subsidy instead work to deliver developer welfare, but the subsidy is lost upon sale. The impact this has on marginal pricing is dynamic and deserves more recognition. By enabling higher bids, such grants push prices up on new land supply, curbing its ability to assist affordability.

Governments should instead invest a similar amount in CLTs where a seed planted today will be a forest in years to come.

It seems that finally after 20 years of trickle down housing supply failing society that government has recognised something meaningful must be done. Support for social and affordable housing is growing at a rapid rate – a tacit admission that the housing supply focus is a costly policy failure.

Grounded is working hard to develop the tools for community groups to come together. Daylesford, near where I live, appears to be an early front runner. Our hope is that by bringing people together with the shared aim of building perpetually affordable housing, good people will come forward. With the Grounded CLT model funding more affordable opportunities, we hope ethical landlords, architects and planners will join the mission.

That's been the way CLTs have evolved around the world. A few people coming together, finding some land and pulling all the strings that community endeavours can reveal. If that appeals to you, feel free to reach out so together we can make things happen. •

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“Government should be repressive no further than is necessary to secure liberty by protecting the equal rights of each from aggression on the part of others, and the moment governmental prohibitions extend beyond this line they are in danger of defeating the very ends they are intended to serve.”

– HENRY GEORGE