



SquareOne Villages

## Sample Bylaw for Community Land Trust

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*Nonprofits can adopt this sample article to their bylaws in order to restrict the sale of land owned by the nonprofit for purposes of ensuring long-term affordability controls—in essence acting as a community land trust.*

*For a comprehensive guide on how to start a community land trust from scratch, visit the Grounded Solutions Network at: <https://groundedsolutions.org/start-upclthub>.*

### ARTICLE X: STEWARDSHIP OF LAND AND IMPROVEMENTS

1. **Principles of Land Use.** The Board of Directors shall oversee the use of land owned by the Corporation and shall convey the right to use such land so as to facilitate access to land and affordable housing by low-income people. In so doing, the Board shall be guided by the following principles:
  - a. The Board shall consider the needs of potential lessees and shall attempt to effect a just distribution of land use rights.
  - b. The Board shall convey land use rights on terms that will preserve affordable access to land and housing for future low-income residents of the community.
  - c. The Board shall convey land use rights in a manner that will promote the long-term well-being of the community and the long-term health of the environment.
2. **Encumbrance of Land.** The decision to mortgage or otherwise encumber land owned by the Corporation shall require the approval of the Board of Directors. Any such encumbrance shall be subordinated to any ground leases relating to such land.
3. **Sale of Land.** The sale of land does not conform with the philosophy and purposes of the Corporation. Accordingly, land shall not be sold except in extraordinary circumstances, and then only in accordance with the following guidelines.
  - a. A parcel of land may be sold pursuant to a resolution adopted by an affirmative vote by at least two thirds of the entire Board of Directors at a regular or special Board meeting, provided that (i) the parcel is not leased to any party, and (ii) the resolution states that the location or character of the parcel is determined to be such that the charitable purposes of the Corporation are best served by selling the land and applying the proceeds to the support of other activities serving those purposes.

- b. If any of the Corporation's land is to be sold to any person or entity other than a not-for-profit corporation or public agency sharing the purposes of the Corporation, any ground lessees on that land shall have the opportunity to exercise a right of first refusal to purchase the land that they have been leasing from the Corporation.
4. **Preservation of Affordability.** It is a purpose of the Corporation to preserve the affordability of housing and other improvements for low-income people in the future. Accordingly, when land is leased for such purpose, the Board of Directors shall assure that, as a condition of the lease, housing on the land may be resold only to the Corporation, to another low-income person, or a limited equity housing cooperative whose members are low-income and only for a price limited by a "resale formula" as described in Section 5 below. However, notwithstanding the foregoing, the Board of Directors may choose, for reasons consistent with the charitable purposes of the Corporation, to lease certain parcels of land for uses that do not require continued affordability for low-income people, and in such cases the resale restrictions described above shall not be required as a condition of the lease.
5. **The Resale Formula.** Whenever its purpose is to preserve affordability, the Corporation shall restrict the price that ground lessees may receive when they sell housing and other improvements located on the land that is leased to them by the Corporation. A policy establishing such restrictions in the form of a "resale formula" shall be adopted by the Board of Directors, in accordance with the following principles:
  - a. To the extent possible, the formula shall allow the seller to receive a price based on the value that the seller has actually invested in the property being sold.
  - b. To the extent possible, the formula shall limit the price of the property to an amount that will be affordable for other low-income [or low and moderate income] people at the time of the transfer of ownership.
6. **Procedures for Adoption of the Resale Formula.** The adoption of the resale formula shall require an affirmative vote by at least two thirds of the entire Board of Directors at any regular or special Board meeting, provided that written notice of such meeting has set forth the proposed formula with an explanation thereof.