

## **Stiftung trias**

### **How to obtain land and remove it from the market**

Rolf Novy Huy, edited by Martin Large

#### A short history of affordable housing and land speculation

In reviewing historical developments from the 1840's to the present day, we see the price of land has always been one of the key cost factors for providing affordable housing. Land values normally continue to rise and are consequently a focus of speculative investment. Land use and land tenure issues have long been a matter of debate in Germany, as for example we can refer back to land reform idealists such as the politician Adolf Damaschke (1865-1935), or the economist Franz Oppenheimer (1864-1943). At an international level we can look to Henry George (1839-1897) in America and Ebenezer Howard who created Letchworth Garden City in 1903 in Britain. Still, after so many decades, the political strategy of transferring privately or publicly owned land into the hands of non-profit, civil society, community trusteeship has never successfully been realized on a large scale.

One interesting example was the land use policy in the German colony of Tsingtao (Qingdao) in China. Ludwig Wilhelm Schrameier, acting on behalf of Germany, was able to secure the option to purchase all land on the colony (so-called "right of first refusal"), making it possible to control land use and urban planning. A tax was levied on land speculation transactions equivalent to a third of the profits: this was not primarily financially motivated but rather was developed for social and planning reasons.

The international Garden City movement of the late 19th and early 20th century is another example. However, it is not widely known that the original Garden City at Letchworth was based on a large community land trust in the form of several 'co-operative land societies'. Ground leases still provide around £8 million per year income to Letchworth Heritage Trust which is reinvested in social and cultural services.

'One outstanding exception on a human scale level was the creation of the new town of Letchworth, 34 miles north of London in 1903, by the First Garden City Ltd (FGC), led by Ebenezer Howard and with an initial acquisition of 4,000 acres (extended later to 5,500 acres) of farmland. A range of ethical Investors - including those in the Co-operative movement along with Quakers, philanthropists and other social Investors - held the shares of FGC in trust for its future citizens.

The scale of Letchworth, which now has a population of 33,600 citizens, allowed before 1945 the economic values generated by its mutually owned infrastructure services like water, sewerage, gas, electricity, roads, transport services, places of employment, farms schools, hospitals and recreational amenities to be captured, utilized and shared for the mutual benefit of all its inhabitants.

No other UK collective land reform initiative has matched the outstanding economic success of Letchworth. Its success arises from a confluence of four features:

1. Letchworth was a new town created on a "Greenfield" site that generated substantial new economic development values that did not previously exist;
2. Nearly all development values were captured by the FGC to be collectively retained and used to allow development to become self-financing on a long-term sustainable basis as is still evident over a century later;
3. The size and scope of FGC allowed for a holistic integration of the city's housing with light industry to provide not only employment income for residents but also rent from the wealth creating sector to cross subsidize affordable housing, schools, hospitals and other community facilities on a sustainable basis. Self-sufficiency was also furthered from the output of FGC farms on the first 'Green belt' established in the UK which also produced "export" earnings and additional rent/rates;

The ethical, religious and co-operative social investors whose money seeded the creation of Letchworth also forged it with social values to further its economic viability and resilience.' (Conaty, Pat and Large, Martin, Co-operative Place Making, Garden City and Community Land Tenure Solutions for Building Commonwealth, September 2013

Ebenezer Howard's use of the ground lease for capturing and securing land value was paralleled by German examples. However, in Britain, as in Germany there remains the challenge of scaling up such work through engaging civil society, government and social business.

## **German CoHousing movement**

A modern German CoHousing movement has been built since the 1970s which is largely independent of government policy and instruments. Characteristics of these new initiatives include community-oriented practices in daily living, sometimes encompassing care for elderly as well as low-energy, barrier-free and ecological architecture. Self-organisation and community-orientation are at the forefront. Groups often want to manage their own buildings and to democratically select new residents.

This movement is quantitatively small, making up about 3% of the housing market. At the same time these projects attract a great deal of public attention, as they are understood to represent a qualitatively new and significant approach. Traditional housing actors are also realizing they can learn a lot from these new developments.

### **Constructive local Government Policies?**

Hamburg reserves a proportion of public land being sold for community-oriented housing. This means 20% of land is set aside for self-organised housing projects giving them an option on the land for 12-18 months so that they have time to develop their plans and financing. This helps remove the risk of losing land to larger investors and rival bidders on the market. Hamburg likes such groups because they can contribute to more social and diverse neighbourhoods. Such groups are often able to pay the normal market land value after exercising their option. As cities usually look for normal commercial investors, CoHousing groups need to be more self-confident in arguing the benefits they can offer for improving a city's social infrastructure. Cities often aim to recycle brownfield land rather than develop such new green land, so as to limit land consumption. In new planning areas, such as Tempelhof in Berlin (former airport), local CoHousing initiatives are trying to convince the government to make land available to civil society, non-profit housing groups. Among other things it is being argued that as such a land transfer will help implement city policies therefore the City should reduce the land sale price by 15%.



**trias CoHousing project in Hattstedt, Germany, near the North Sea**

## ***The Stiftung trias – trias Foundation***

*Interview with Rolf Novy-Huy, managing director and founding member*

The Stiftung trias was established in response to the difficulties seen - over and over again - with community groups and housing projects trying to obtain financing from conventional as well as ethical banks. The trias Foundation wanted to primarily work on solving such fundamental problems, rather than 'simply' developing additional CoHousing projects. This Foundation began by establishing an information base for new groups.

I was challenged by someone who invited me to take the first steps, saying that, 'We need an organisation that stewards the land in trust, taking it out of the market. We really need a new organisation for that, and you are the person to do this!'

At the same time, we made our experiences with the initial financing of projects. We had to start again and again with the challenges of having sufficient project capital. We asked the question, 'Would it be possible to develop a mutual fund for land purchase and investment and to channel the values of investors and donors into a financial instrument?'

One way we are realizing this vision is that each land project that has been developed has been asked to yield some extra money for reinvestment in a fund run by trias - rather than waiting for the government or a big donor, or other private help. So we knew we had to develop a strong Foundation based on sound finance and long term agreements because people who donate capital or who give loans can change with time. We are building for the long-term future.

### **The Stiftung trias**

**Collects land**

**Obtains long term and secure money gifts and loans**

**Develops knowledge, skills and methods**

Inheritances and bequests were not initially part of the Foundation strategy. However, we came to realize this would be an important part of our work. Instead of offering the conventional advice on how not to pay taxes, we give advice to those who want to give money. We also advise those who receive financing and we manage this so that all involved parties can be satisfied. We ask how it is possible to work with culture, knowledge and intelligence, and be guided by our values.

A great challenge is how to use the know-how of the financial 'jungle' and apply this to good purposes such as advising people how to build up assets, using our knowledge of finance, law and taxes for making a social profit and furthering the common good.

When we work with projects we are entrepreneurial, and we are not 'social workers'. We have to ask, is this project viable, and will there be a surplus for the Foundation so that we can continue to do our work? And so we raise the necessary funds so we can support other projects and initiatives.

## Ground Leases

- 4% interest on the purchase price value is a basic trias Foundation condition
- If it is a significant non-profit project and trias can organize financing with favourable conditions, then a ground lease can be arranged with lower interest rates.
- 99 year lease contract
- Often the project group wants lease conditions similar to the Foundation such as: energy efficiency, ecological building materials, rain and grey water systems, social principles, etc. For example with the ExRotaprint, Berlin project, trias wanted to do neighbourhood development work just as the local project group.
- Currently, buying land with trias is economically not so attractive, as it may be cheaper to buy otherwise. What makes work with trias interesting is that trias safeguards the aims of the project, for example with the mix of artists, social businesses and commercial workspaces at ExRotaprint.

The Ground Lease can be understood to be something of an 'old socialist law', and at this a very valuable instrument. The government first created this possibility in 1919 to help support decent living and housing conditions and to secure land for certain uses. In such contracts, leases can be cancelled and land can be taken back if the original agreed to use of the land, e.g. kindergarten or farm is changed into an industrial use.

A ground lease can be more valuable to projects than the benefits of getting a cheaper loan for buying the land. The ground lease generally increases with the cost of living, for example every five years, though the interest could be kept stable through the first ten years.

The trias Foundation has developed a standard method for future renegotiation of land lease related uses. Representatives from trias and from the project are expected agree on new land uses. New uses must respect the Foundation's ethics, but if this is not possible then the lease can be changed allowing for other uses and partners. In this case it would be possible for trias to take the interest that is raised from this new land use to be applied elsewhere for a use relevant to the Foundation. The lease can be continued, with the position that 'profane values can generate profane assets'. Still, the land will never be sold.



**ExRotaprint gGmbH, Berlin: Art – NPO - Business**

The idealism of older, established community projects usually does not go as far as being able or willing to financially support new projects. With this in mind trias represents an attempt to gather resources among projects, and to build on and sensibly invest money committed to community-oriented housing.

With the help of donations and low-cost loans, the Foundation acquires land that it then makes available to housing projects via a ground lease contract (*Erbpacht*). This enables the Foundation to build up assets and income, in turn making it possible to support new projects. Further capital is acquired through inheritances bequeathed to the foundation. With these strategies trias functions much like a revolving fund.

Through the acquisition of land as part of the Foundation's assets and its subsequent lease, the land price is 'frozen' for a period of 99 years. The leasehold increases only with the cost of living, and should therefore remain affordable for the project group. For charitable purposes, the lease may be even lower. The aims of the project are additionally anchored in the ground lease contract – an instrument that the supporters and residents of such projects value highly.

The development of a foundation of this kind requires considerable time and effort and not least voluntary contributions by many people. It also represents an example of how civic commitment can respond more flexibly than state-run institutions to take action for the future and help develop new forms of housing.



## **Stiftung trias charitable foundation for land, ecology and housing**

**“trias” means “three” and refers to the three pillars of the foundation:**

- **Land:** no land speculation, work against further land consumption
- **Ecology:** environmentally friendly building materials, energy conservation, reduction of land use and the paving of land
- **Community-oriented self-managed housing**

**The Foundation invests its assets in property:**

- A “decent profit” is sufficient
- The aims of the project are anchored in the lease or tenancy agreements
- Income is re-invested in new projects

## **Funding and education**

Educational initiatives are supported as the Foundation’s assets are not only monetary but also include the knowledge and know-how it gathers and makes available to pioneers in the field. This includes the provision of a database of model projects

[www.wohnprojekte-portal.de](http://www.wohnprojekte-portal.de) as a source of references and contacts for people interested in housing projects.

trias also funds charitable projects (e.g. for sufferers of multiple sclerosis) directly and supports and cooperates with organisations that pursue similar aims.

**The Foundation provides an instrument for making**

- long-term loan investments,
- donations, and
- inheritances

available for community-oriented housing projects. trias also provides consultation for those wishing to donate or bequeath funds.

## CoHousing land and agricultural land

Stiftung trias is contacted by projects bringing together new forms of living and housing on the one hand and a new ways of farming on the other. CSA (Community Supported Agriculture) very often is the subject. If the farming aspect is expected to dominate we recommend contacting our partners with the **Stiftung Aktion Kulturland**. Their abilities and networks are specialized on agriculture, whereas the Stiftung trias concentrates on housing projects also in rural areas. Both foundations have however realised that there is the opportunity of a very helpful alliance, and so these two are working together instead of competing. This combines knowledge of financing, the instrument of the ground lease and knowledge and connections regarding farming. This is good for the projects, the foundations and the general goals and objectives.

[www.aktion-kulturland.de](http://www.aktion-kulturland.de)



**StadtGut Blankenfelde e. V., a Stiftung trias project in the North of Berlin**

## trias Foundation History

Founded: March 2, 2002

Starting capital: 70,000 €

Capital assets in 2013: approx. 5.7 million €

Project sites: 23

Other land and building properties: 7

Staff includes executive director and 2 assistants

4 members of the board (unpaid)

10 trustees (unpaid)



## Practical example of how to buy a piece of land

The first contact very often is a telephone call between a new project and trias. To be honest most people are looking for some financial support. It may however be possible, that they already know the 'trias-model' and would like to get some more details. The Foundation brochure is in any case a good introduction to trias' aims, history and working structure. The project is expected to provide a description of its goals to the Foundation. Both sides need to obtain a thorough knowledge of each other. It is not only a question of producing paperwork but more of convincing people, who will have to be engaged. If the effort of a train ride looks like it could be worth it, trias will visit the project in order to get to know the building and, much more importantly, get to know the people starting their CoHousing project.

### Questions concerning the Foundation very often are:

- Is trias sufficiently organized on a long term basis?
- What happens if the foundation goes bankrupt?
- Do banks generally accept the ground lease construction?

Much to our astonishment our partners accept the entrepreneurial structure of the trias Stiftung as a 'service' organization working for an alternative economy. It is believed to not be necessary to have a grass-roots democratic structure for this work. But, politically speaking, it will in the long run be necessary to find a more democratic way of decision-making regarding how land use and ownership. A more regionalized structure would also make sense for the long run.

Back to financing questions:

Many project pioneers just ask: "Can you buy our land?" Then we have to answer, that we have never enough funds available. When trias does have funds, this money is invested within about a year. Only when there is a donation (and without strict conditions regarding the use by the donor) is it possible to invest in property.

So if we are lucky to have *some* funds we usually propose:

1/3 of purchase price will be organized by trias

1/3 has to be generated by the project (future tenants or friends of the project) as additional donations to trias

1/3 has to be arranged as a loan through trias

Very often, however, we have to ask for a 50/50 solution (one half is generated by the project as a donation, one half arranged as a loan).

**Donations:** May be given by “one rich old lady” or in small amounts from many, many people.



### **KunstWohnWerke eG in Munich: Art and CoHousing**

#### **Loans:**

If we are lucky there will be somebody in the project who will not only donate but is financially able to give a loan in addition. (Please be aware of the fact that there can be a kind of ‘equity capital competition’ between loans for the land purchase on the one hand and financing the building on the other hand.

An example: If somebody sells his/her house to move into the project he/she is in a very exceptional situation to have a lot of money in the bank. Being in this unusual situation of having, let us say €250,00 at the bank he can consider donating €10,00 and giving a loan of another €100,00, even if the interest rate is quite low.

If there is no private loan-giver on the project side or with trias, then trias will have to raise money with other finance institutions.

For more than a decade, trias has never had to take up loans from a bank (this would, however, be the last possibility for a loan - so why not. And of course with ‘ethical banks’.), but has arranged loans from other foundations. Some foundations like to invest money with an ethical or ecological focus and on a secure, long-term basis.

All loans have to be secured by mortgages. Otherwise Germany’s authorities, and the central banks, will define these activities as “not allowed banking business”.

**A calculation of land purchase could look like this:**

<b>Purchase price:</b>	€ 300.000,00
Charges and taxes	€ 20.000,00
<b>In total</b>	<b>€ 320.000,00</b>

**Financing:**

Donation given by a single person	€ 60.000,00	
Donations given by 25 different people	€ 40.000,00	
Funds available with trias	€ 50.000,00	(trias, donation capital)
Loan: 3 % interest, 2 % repayment	€ 170.000,00	→ payment of <b>8.500 € per year</b>
<b>In total</b>	<b>€ 320.000,00</b>	

**Yearly payments:**

<b>land-lease rate 4 %, calculated on the total investment for buying the land: 320.000 x 4 %</b>	<b>€ 12.800</b>
<b>interest and repayment</b>	<b>€ 8.500</b>
<b>surplus for foundation work:</b>	<b>€ 4.300</b>

As it is usually difficult to get enough donations, the surplus very often is smaller than in the previous example. trias in any case works for a sound economical calculation. The surplus is not only for the Foundation's work, allowing us to give support to others, but for future interest changes as well – a very closely watched development.

Currently we have 1/3 loans and 2/3 equity capital in our balance sheets. This is not expected to be downgraded.

Of course, we dream of the time where we no longer have to repay loans, meaning we would have increased earnings for our work. This would finally enable us to buy land for financially weak groups with our own funds. We also have to tell people that we can only do

'good work' with 'cheap money'. If people need higher interest rates then their loans are not of interest to us.

We are acting as a non-profit organisation. Our financial knowledge, a very intensively maintained network and steady acquisition of significant funds are however entrepreneurial. We are certain that – if we could convince more people to take a step out of the classical economy and instead use their professional abilities to work for an alternative social economy, we could manage much more. It is – after our first decade – obviously possible to take the next steps.

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