



AN INTRODUCTION TO SHARED EQUITY HOMEOWNERSHIP

Wednesday, April 20, 2011

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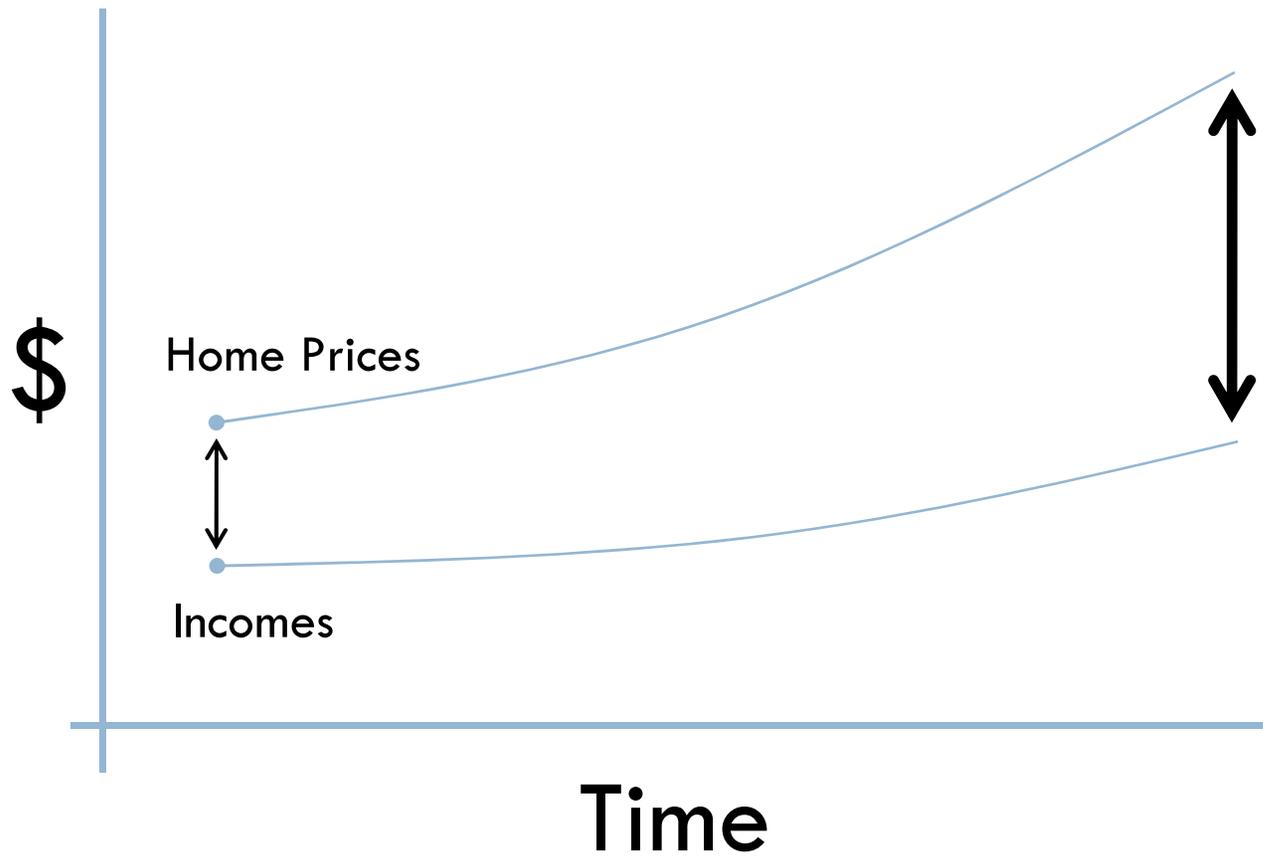
CENTER FOR HOUSING POLICY



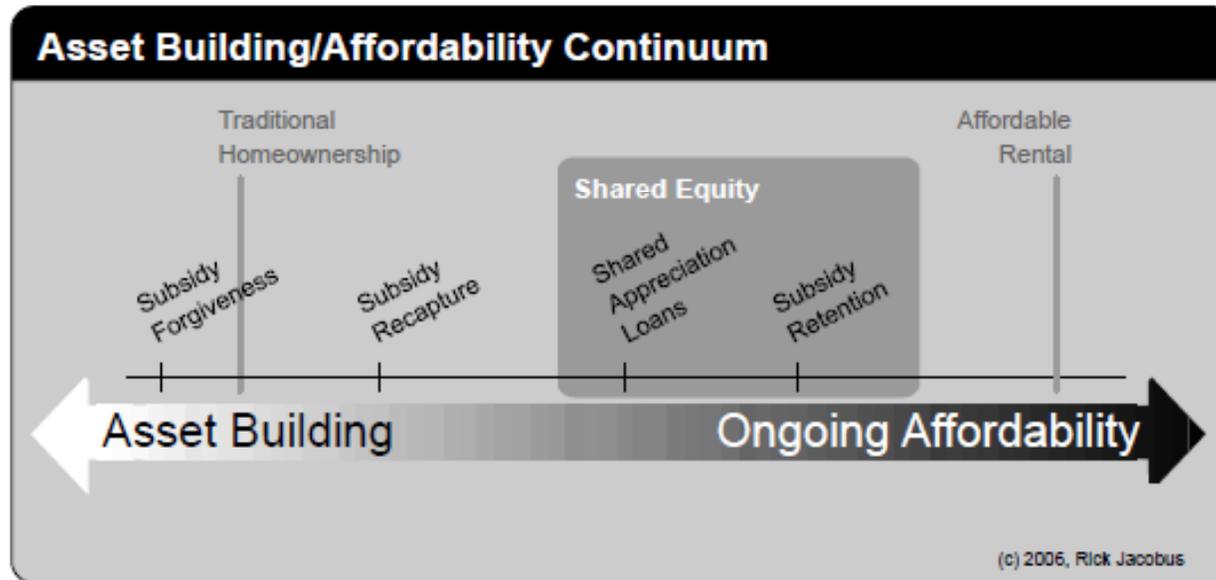
The Affordability Gap



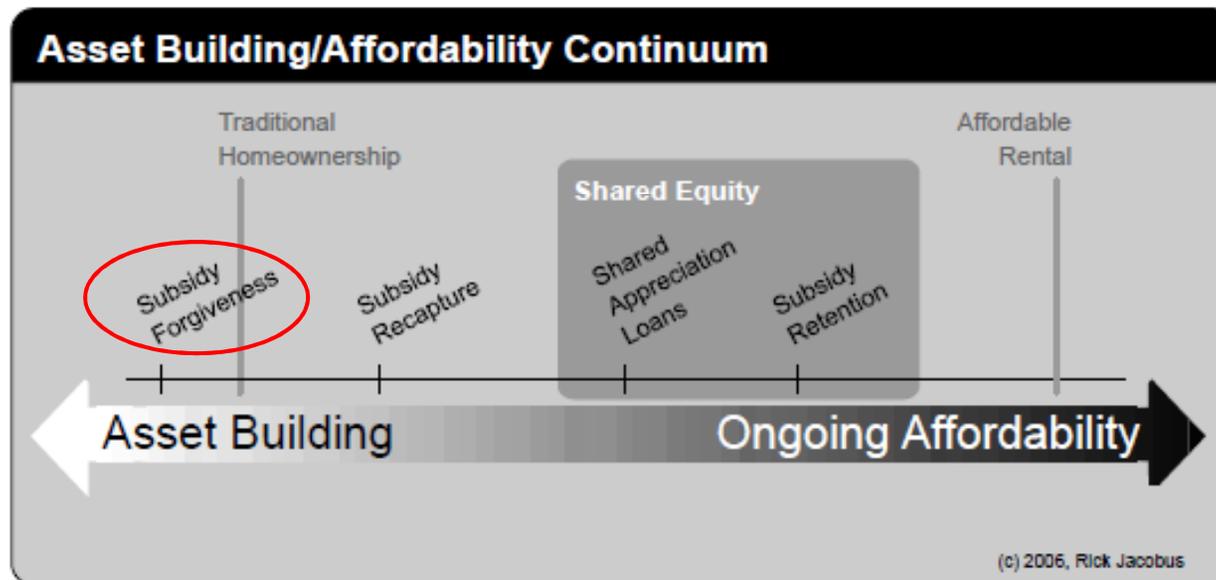
The *Growing* Affordability Gap



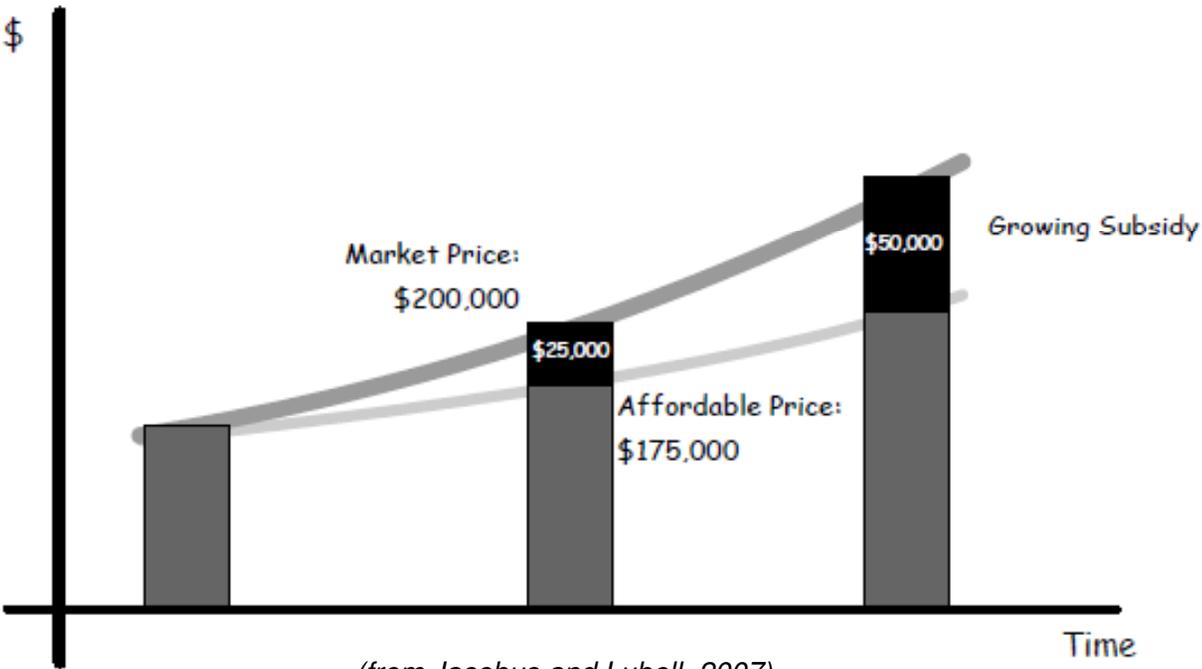
Asset Building vs. Ongoing Affordability



Subsidy Forgiveness

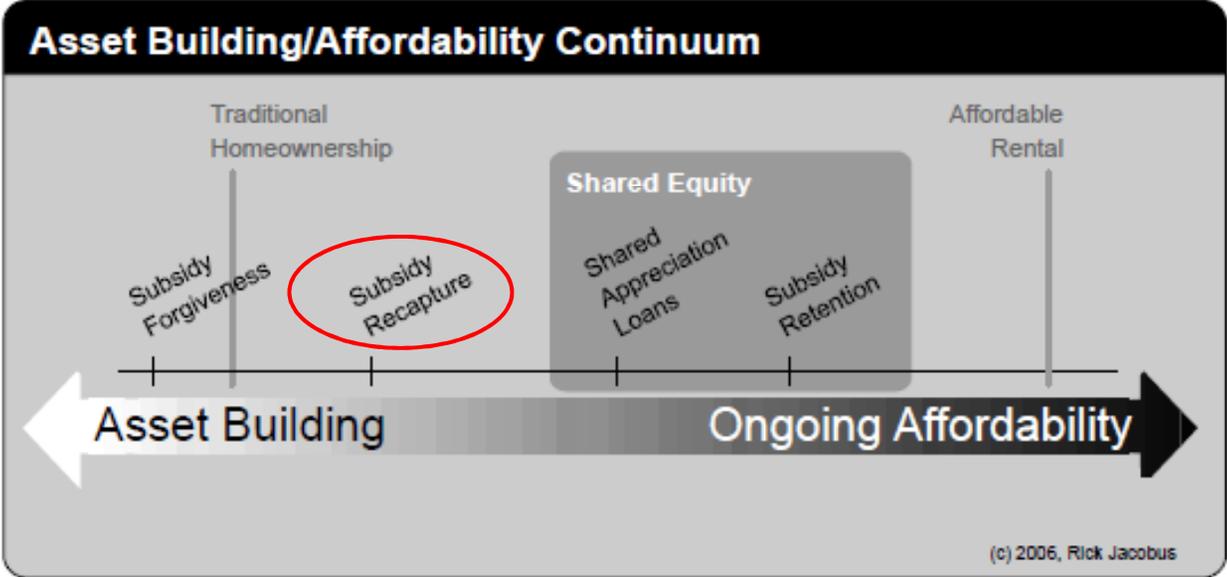


Subsidy Forgiveness

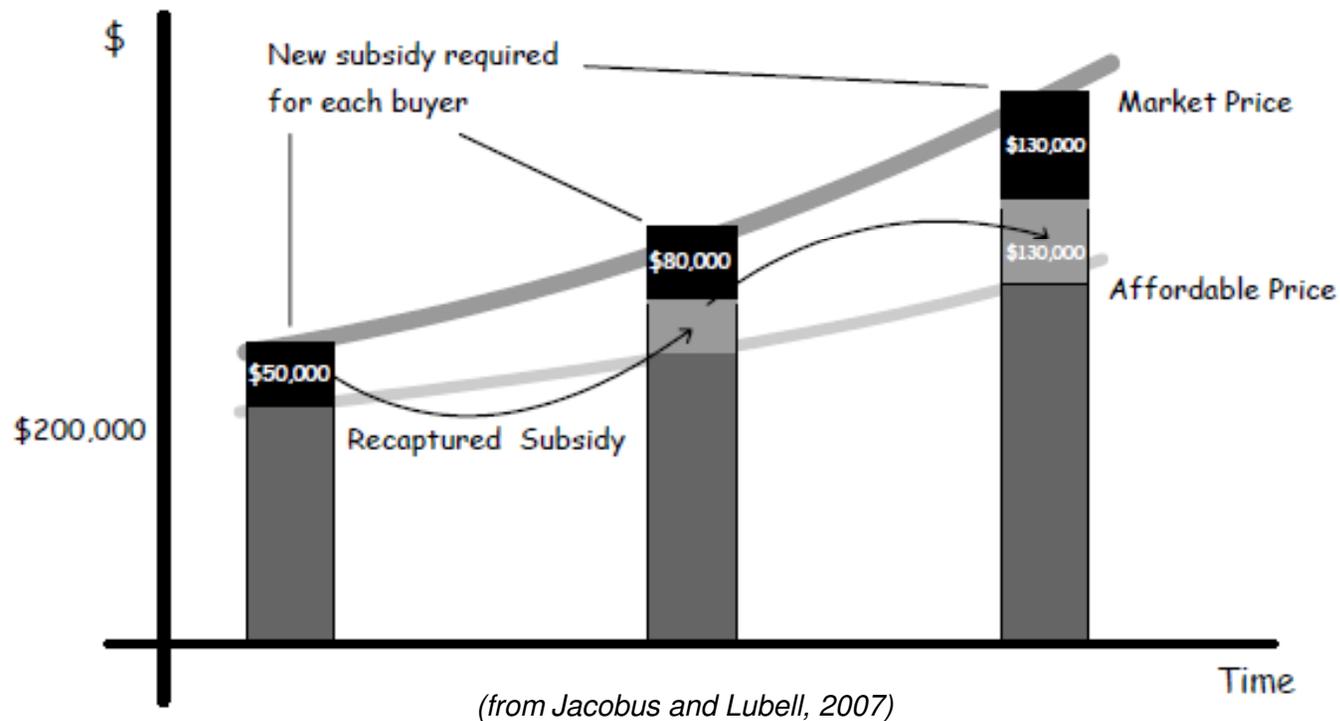


(from Jacobus and Lubell, 2007)

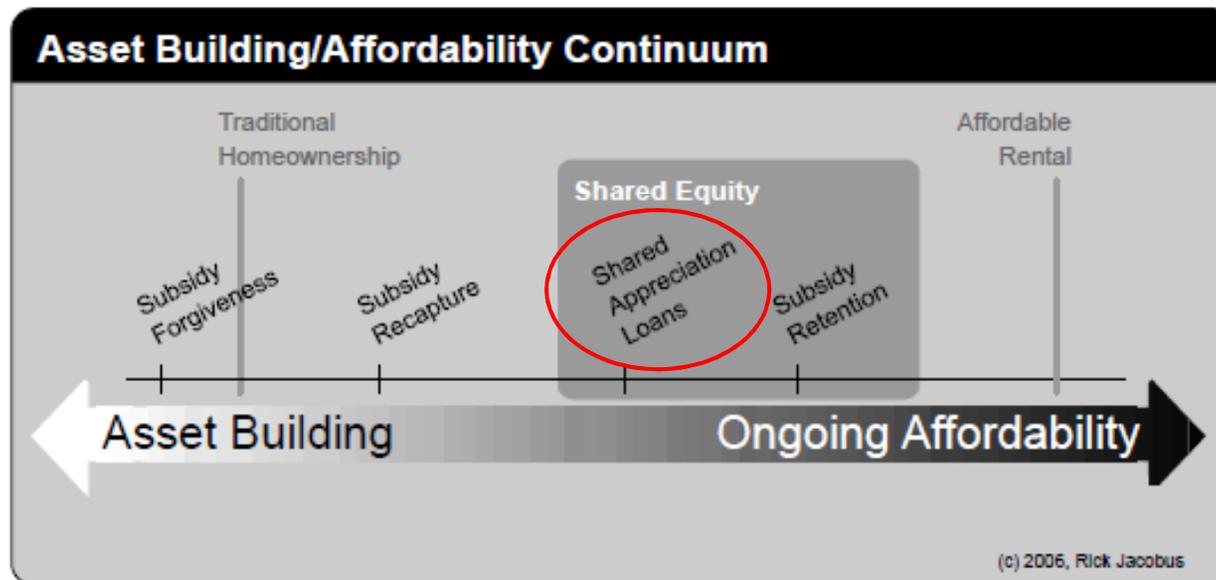
Subsidy Recapture



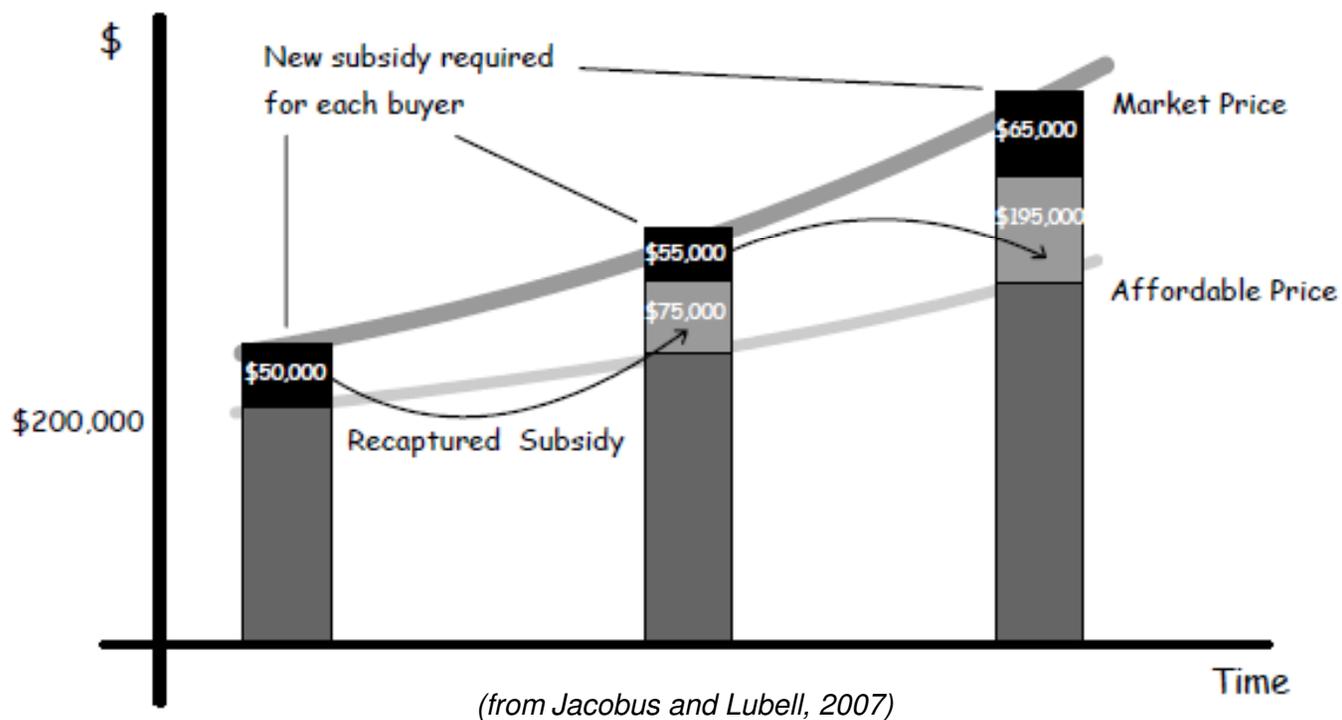
Subsidy Recapture



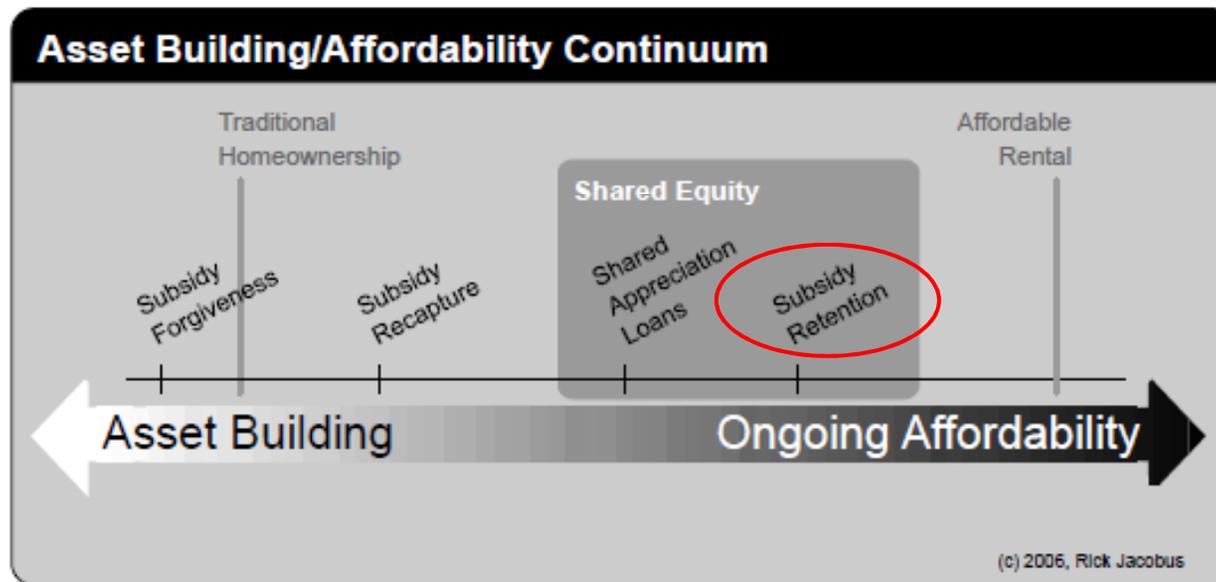
Shared Appreciation Loans



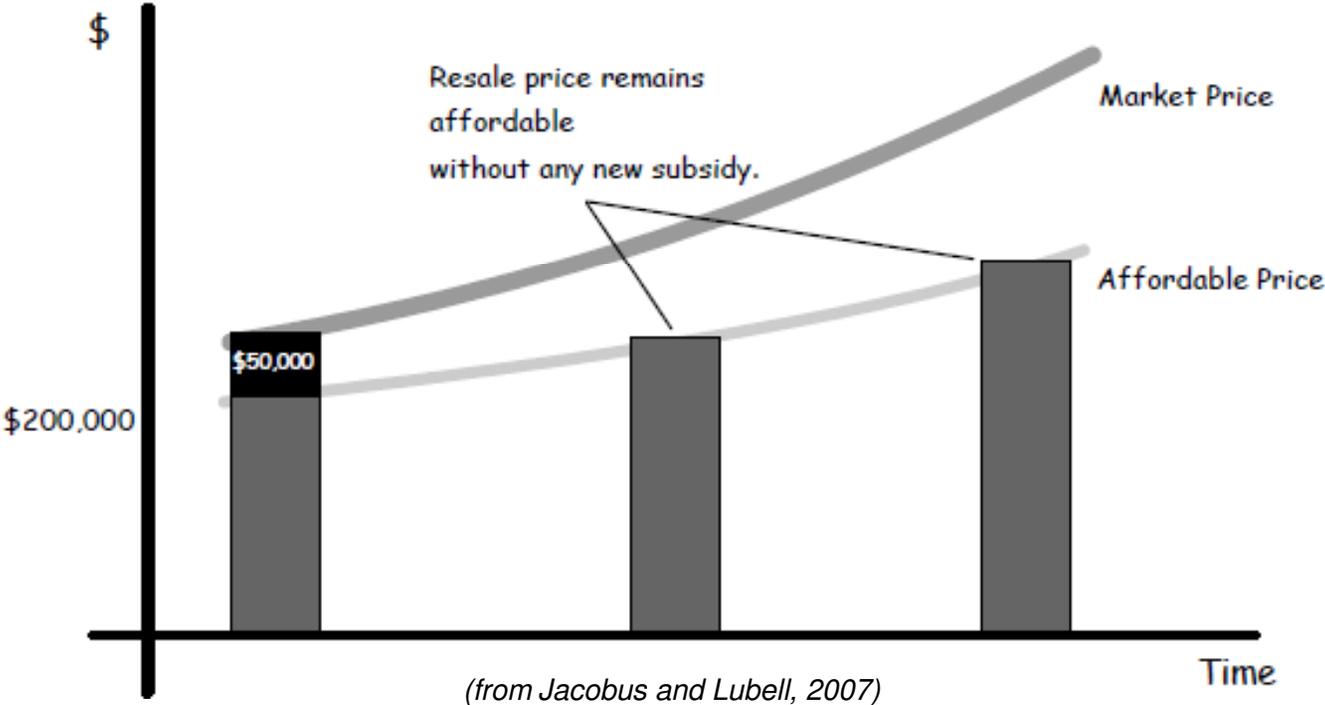
Shared Appreciation Loans



Subsidy Retention



Subsidy Retention



Where did the subsidy go?

“It’s in there...”

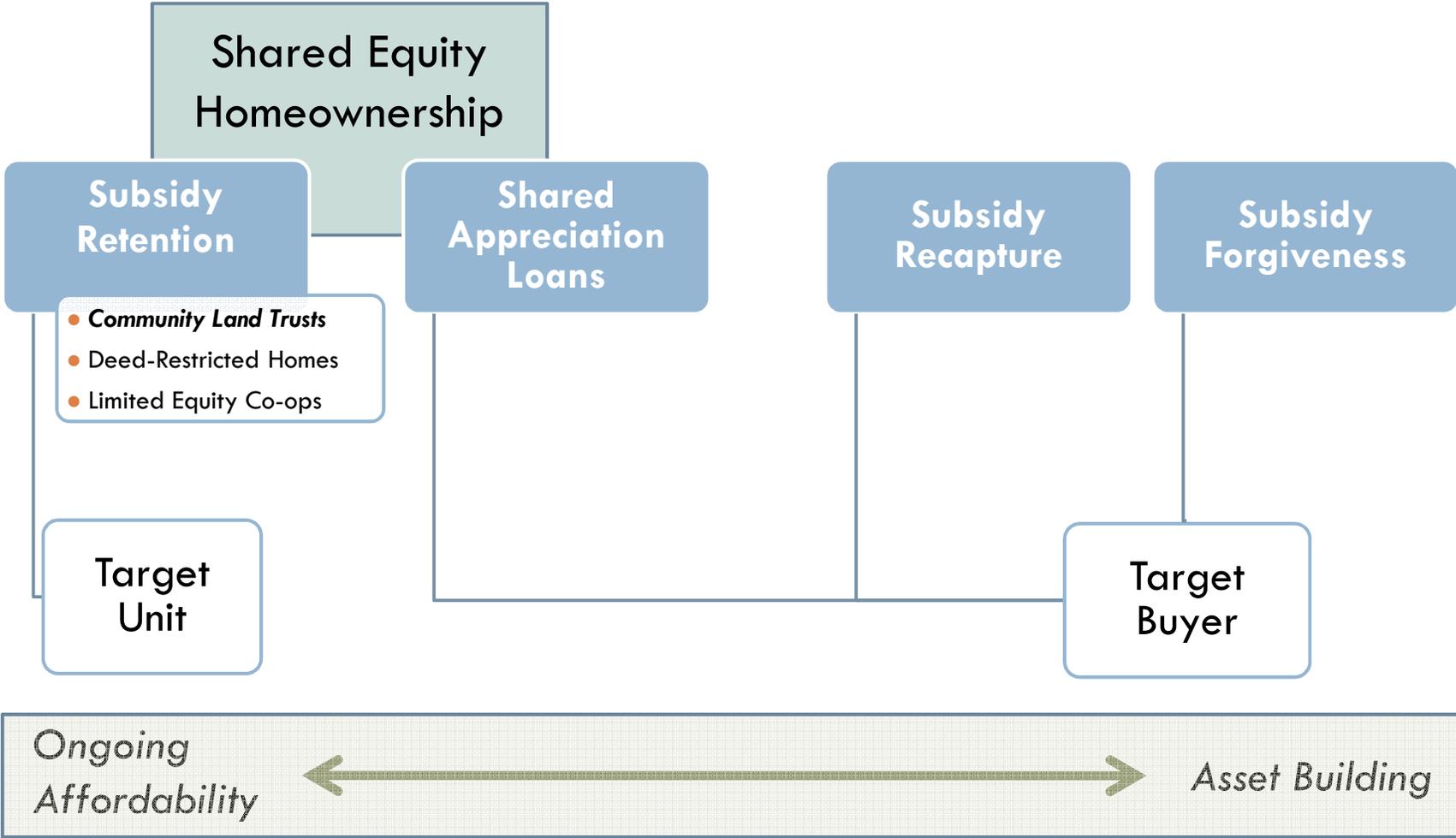


Where did the subsidy go?

“It’s in there...”



Targeting Unit vs. Targeting Buyer



Prevalence of Subsidy Retention Models in the U.S.

- Community Land Trusts
 - Over 200 CLTs in over 40 states, DC and Puerto Rico
 - Approximately 15,000 units
 - Significant growth – just over 100 CLTs in late 1990s

- Deed-Restricted Homes:
 - Several hundred thousand or more
 - Fastest expansion due to inclusionary zoning

- Limited-Equity Co-ops
 - Approximately 500,000 units
 - Little expansion in recent years

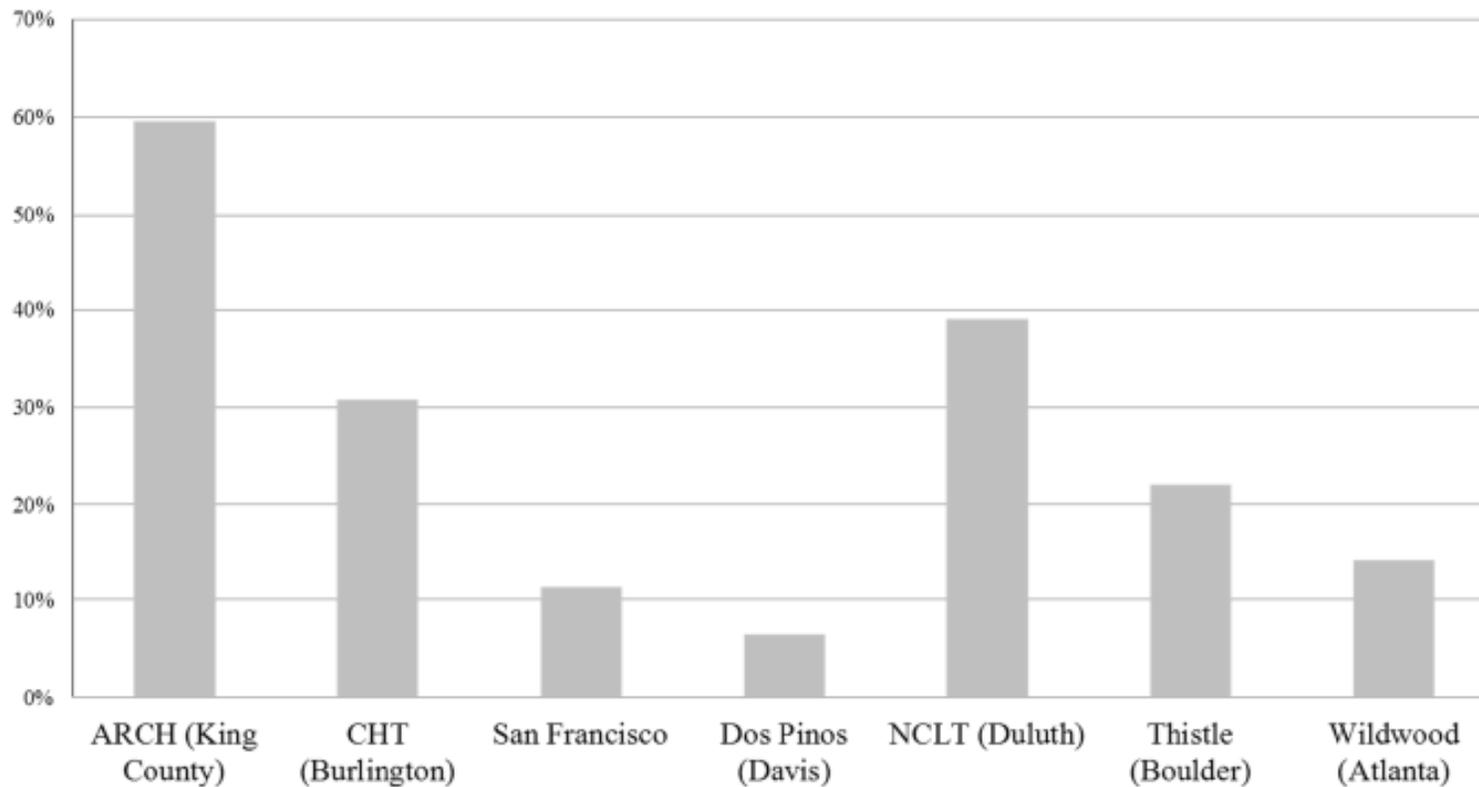
Negative Perceptions of Shared Equity Homeownership

- It is unfair to make lower-income homebuyers share their equity when others do not.
- Shared equity is not “real” ownership.
- Shared equity homeowners will be trapped because they won’t earn enough to move up to a market-rate home.
- Buyers don’t understand the restrictions, and if they did they would not buy.
- **“Shared equity programs don’t allow any equity building” or “Shared equity homeowners don’t earn enough equity.”**

(from Jacobus and Sherriff, 2009)

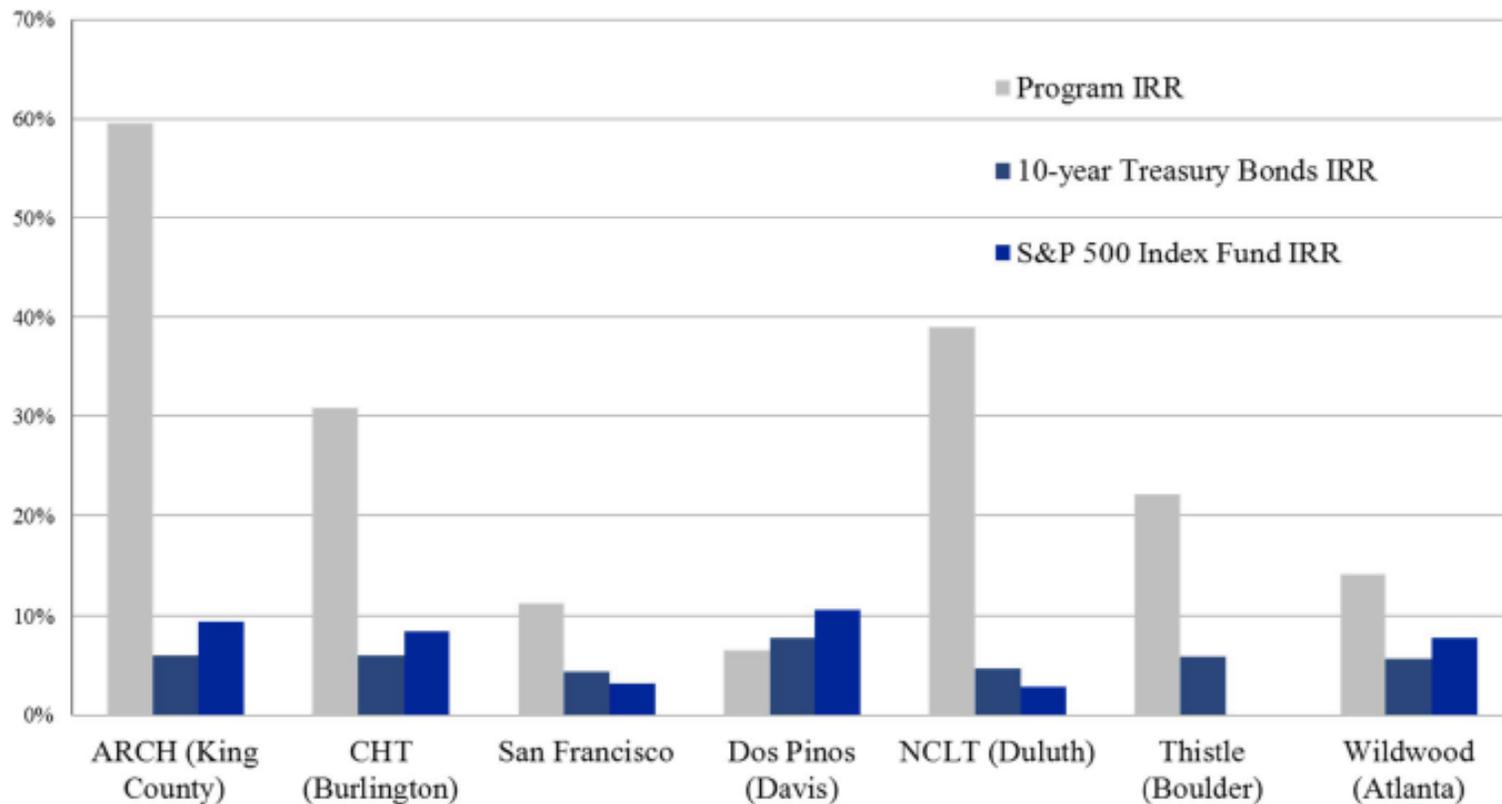
The Wealth Building Potential of Shared Equity Homeownership

Median IRRs for Programs



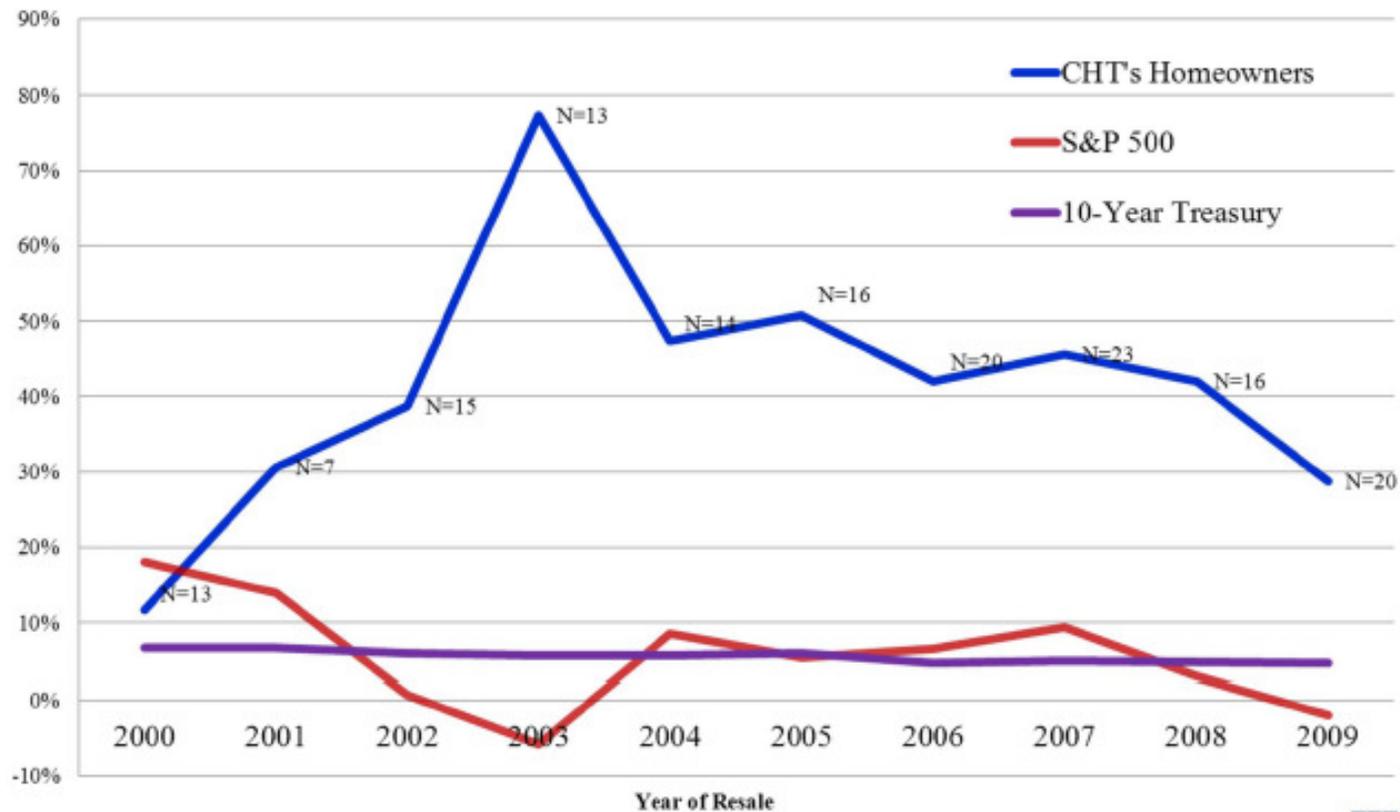
The Wealth Building Potential of Shared Equity Homeownership

Comparing Alternative Investments



The Wealth Building Potential of Shared Equity Homeownership

IRR by Year at CHT (Burlington)



Removing Barriers to Local Implementation

□ Authorizing legislation

- Helps to eliminate potential legal/regulatory barriers
- Enables use of long-term affordability restrictions
- Provides guidance and consistent application across state
- **Examples:** *Illinois, Connecticut*

□ Removing tax barriers

- Require or allow localities to assess based on restrictions
- Depends on compliance of local assessors
- Legislation provides consistent requirements/guidance
- **Examples:** *North Carolina, Florida*

Building Long-Term Affordability into State and Local Housing Programs

- Funding programs
 - ▣ State housing trust funds
 - Connecticut's Community Housing Land Bank and Land Trust Fund
 - ▣ Down payment assistance/second loan programs
 - Funded through state housing trust funds or federal (often HOME) funds
 - Wisconsin (Madison, Coulee region) and Texas (Austin) examples

- Preserving affordability through planning/zoning requirements
 - ▣ New Jersey – Fair Housing Act of 1985
 - Cities create certified “fair share plans” that require 20% set aside of long-term affordable housing (30 years or more)
 - ▣ Massachusetts – Chapter 40B (Comprehensive Permit Law)
 - Developer bonus allowed with 20-25% set aside of affordable housing
 - Most jurisdictions require perpetual affordability

National Advocacy Efforts

- Changes to federal regulations (*HOME, FHA*)
- National CLT / shared equity demonstration
- Tie-in with housing & transportation / TOD
- Neighborhood stabilization / foreclosure prevention

Cornerstone Partnership

www.affordableownership.org

Member Benefits

- Trainings and Peer Insight Webinars
- Program Assessment Tool
- Program and Policy Document Library
- Customized Technical Assistance
- Sector Performance Data System

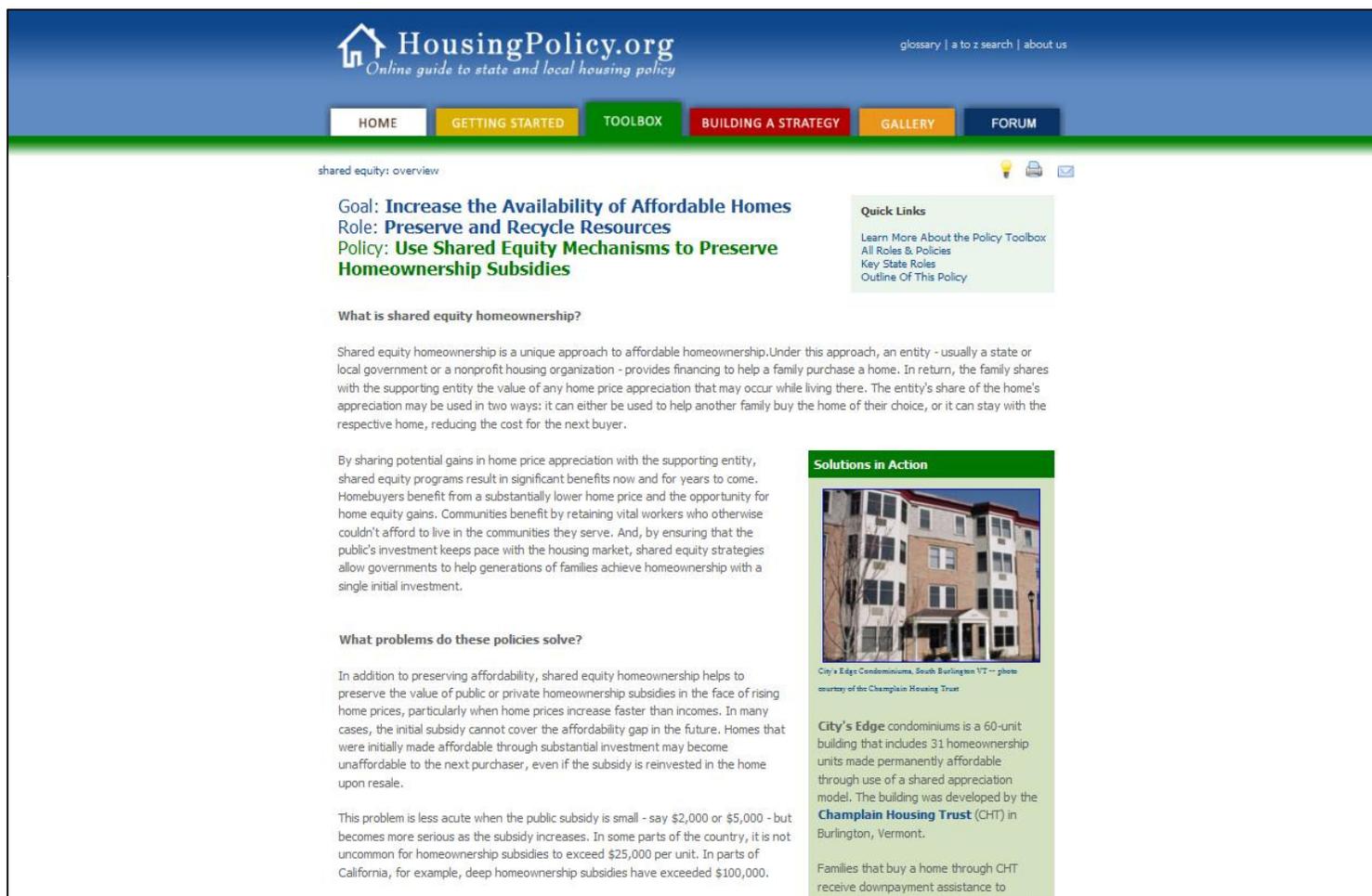
Targeted Groups

- Local housing administrators
- Nonprofit developers
- Monitoring and support agencies
- Social equity advocates
- Elected Officials



SEH Policy Section on *HousingPolicy.org*

www.housingpolicy.org/toolbox/strategy/policies/shared_equity.html



The screenshot shows the HousingPolicy.org website. The header includes the logo and navigation tabs: HOME, GETTING STARTED, TOOLBOX, BUILDING A STRATEGY, GALLERY, and FORUM. The main content area is titled "shared equity: overview" and features a goal, role, and policy statement. A "Quick Links" box is on the right, and a "Solutions in Action" section includes a photo of the City's Edge Condominiums and a description of the shared appreciation model.

HousingPolicy.org
Online guide to state and local housing policy

glossary | a to z search | about us

HOME GETTING STARTED **TOOLBOX** BUILDING A STRATEGY GALLERY FORUM

shared equity: overview

Goal: Increase the Availability of Affordable Homes
Role: Preserve and Recycle Resources
Policy: Use Shared Equity Mechanisms to Preserve Homeownership Subsidies

Quick Links

- Learn More About the Policy Toolbox
- All Roles & Policies
- Key State Roles
- Outline Of This Policy

What is shared equity homeownership?

Shared equity homeownership is a unique approach to affordable homeownership. Under this approach, an entity - usually a state or local government or a nonprofit housing organization - provides financing to help a family purchase a home. In return, the family shares with the supporting entity the value of any home price appreciation that may occur while living there. The entity's share of the home's appreciation may be used in two ways: it can either be used to help another family buy the home of their choice, or it can stay with the respective home, reducing the cost for the next buyer.

By sharing potential gains in home price appreciation with the supporting entity, shared equity programs result in significant benefits now and for years to come. Homebuyers benefit from a substantially lower home price and the opportunity for home equity gains. Communities benefit by retaining vital workers who otherwise couldn't afford to live in the communities they serve. And, by ensuring that the public's investment keeps pace with the housing market, shared equity strategies allow governments to help generations of families achieve homeownership with a single initial investment.

What problems do these policies solve?

In addition to preserving affordability, shared equity homeownership helps to preserve the value of public or private homeownership subsidies in the face of rising home prices, particularly when home prices increase faster than incomes. In many cases, the initial subsidy cannot cover the affordability gap in the future. Homes that were initially made affordable through substantial investment may become unaffordable to the next purchaser, even if the subsidy is reinvested in the home upon resale.

This problem is less acute when the public subsidy is small - say \$2,000 or \$5,000 - but becomes more serious as the subsidy increases. In some parts of the country, it is not uncommon for homeownership subsidies to exceed \$25,000 per unit. In parts of California, for example, deep homeownership subsidies have exceeded \$100,000.

Solutions in Action



City's Edge Condominiums, South Burlington VT -- photo courtesy of the Champlain Housing Trust

City's Edge condominiums is a 60-unit building that includes 31 homeownership units made permanently affordable through use of a shared appreciation model. The building was developed by the **Champlain Housing Trust (CHT)** in Burlington, Vermont.

Families that buy a home through CHT receive downpayment assistance to

For More Information

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Center for Housing Policy website:

www.nhc.org

Center's policy website:

www.housingpolicy.org

