

TAKEAWAYS?

TAKEAWAYS

- Affordable housing is a growth industry
- Equity is a good thing
- Homeownership is not for everyone
 - Some don't want to own a home
 - Some can't afford homeownership

AFFORDABLE HOMEOWNERSHIP: BEST PRACTICES

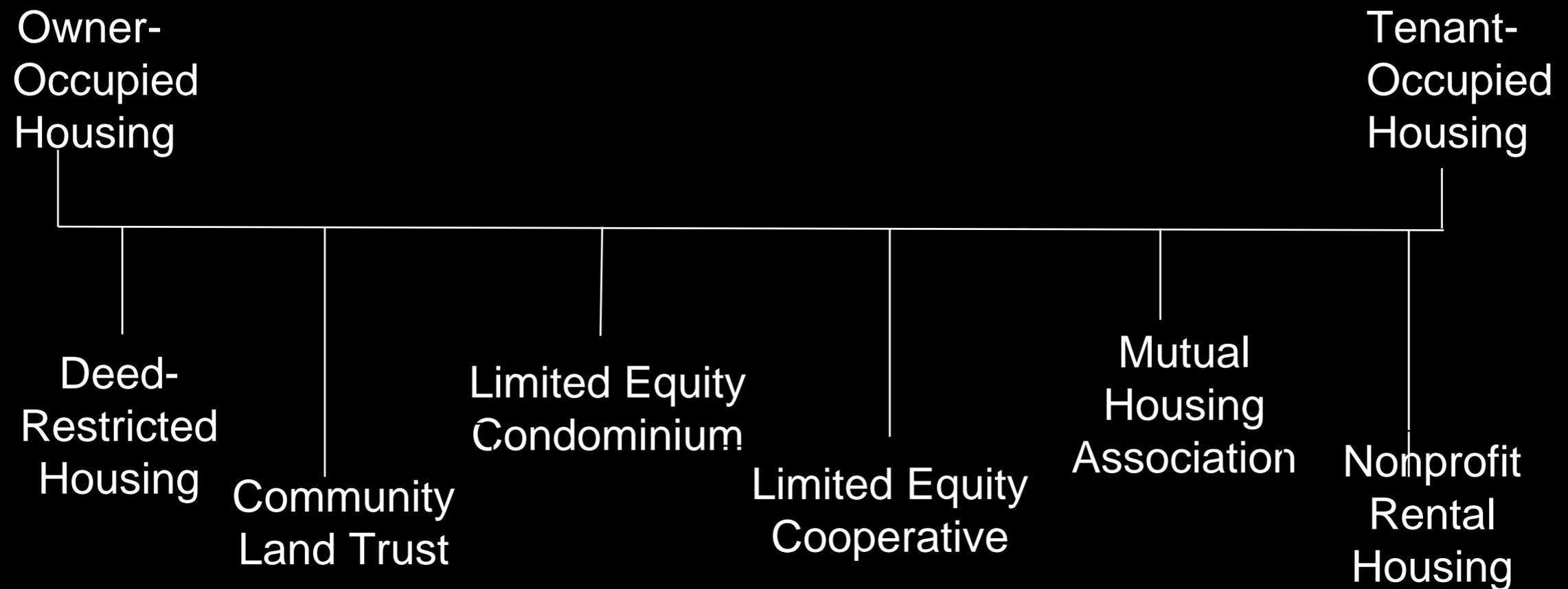
- Reducing cost of purchasing a home
- Reducing costs of operating a home
- Pre-purchase support and assistance

GETTING CREATIVE: ALTERNATIVE APPROACHES & TENURE

- Programs creating more effective pathways to homeownership
- Rent-to-own programs that work
- Multi-family homeownership options

**GETTING REALLY CREATIVE:
SHUFFLING THE BUNDLE OF RIGHTS**

The Social Housing Continuum



BALANCING RIGHTS & RESPONSIBILITIES

- Legitimate rights of competing interests:
 - homeowner — community
 - current homeowner — future homeowner
 - individual equity — community equity

BALANCING RIGHTS & RESPONSIBILITIES

- *Quid pro quo* - in exchange for affordability assistance provided, restrictions are imposed:
 1. Occupancy
 2. Use
 3. Transfer
 - Heirs
 - Resale

LEGAL MECHANISM & OWNERSHIP STRUCTURE

- Durable, binding & enforceable
- Shared equity homeownership models
 1. Deed restriction
 2. Ground lease (CLT)
 3.  Shared appreciation mortgage

AFFORDABILITY RESTRICTIONS

Example #1

Original Value (by appraisal) = \$160,000

Minus Subsidy: (\$45,000)

Original Purchase Price = \$115,000

Owner's Share of Appreciation = 25%

Resale

Value at Resale (by appraisal) = \$200,000

Increase in Value (\$200,000 - \$160,000) = \$40,000

Owner's share (\$40,000 x 25%) = \$10,000

Resale Price = \$125,000

(\$115,000 + \$10,000)

AFFORDABILITY RESTRICTIONS

Example #2

Original Value (by appraisal) = \$160,000

Minus Subsidy: (\$45,000)

Original Purchase Price = \$115,000

Index = Annual Change in Median Income

Resale

A.M.I. increases by 2.0% per year

Change in A.M.I. over 7 years = 14%

Owner's return ($\$115,000 \times 14\%$) = \$16,100

Resale Price = \$131,100

($\$115,000 + \$16,100$)

DEED RESTRICTION

- Property sold fee simple - subject to covenants recorded against deed
- Right to monitor & enforce
- Penalties for noncompliance
- For as long as term of instrument

DEED RESTRICTION

- Challenges:
 - Often, no entity is directly responsible for monitoring & enforcement
 - Length of term is limited
 - By statute and/or case law

COMMUNITY LAND TRUST

- Legal separation: land & improvements
- Land leased to homeowner
 - 99-years; inheritable; renewable
 - Lease defines mutual expectations
- Stewardship
 - Monitoring & enforcement
 - Backstopping support/assistance
 - Managing resales

DUAL OWNERSHIP



CLT separates ownership of land from home
Homebuyer buys - and owns - the affordable home
CLT leases land to homeowner

COMMUNITY LAND TRUST

- Challenges:

- Non-traditional; still unfamiliar
- Leasehold mortgage financing can be a challenge
- Additional organizational capacity required for stewardship

COMMUNITY LAND TRUST
--TANGIBLE OUTCOMES --

HOMEOWNER SECURITY

In Studies of CLT Homeownership:

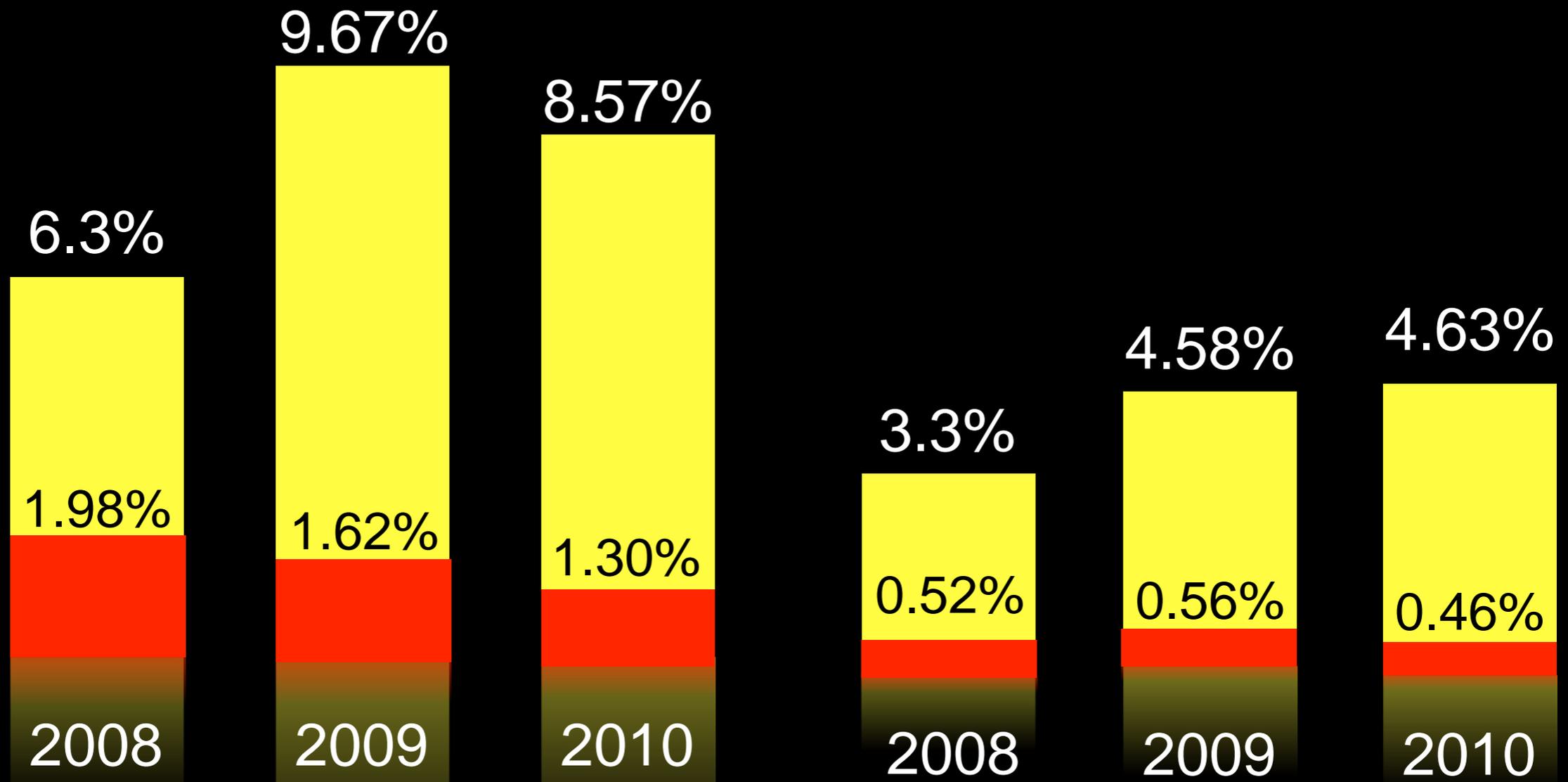
- Over 90% of CLT homeowners remain in their homes at least five years
- The average tenure of CLT homeowners is seven years
- Over 70% of CLT homeowners, when they sell their CLT homes, purchase an unrestricted, market-rate home

CLT HOMEOWNER MORTGAGE PERFORMANCE

STEWARDSHIP OUTCOMES

MORTGAGE PERFORMANCE

■ Total Loans (per MBA)
■ CLT Loans



SERIOUS DELINQUENCIES FORECLOSURES PROCEEDINGS

COMMUNITY LAND TRUSTS

- Preserve housing affordability
- Protect & leverage affordability subsidies
- Ensure safe, well-performing mortgages
- Help homeowners & residents *become and remain* successful

THOUGHTS?
COMMENTS?
SUGGESTIONS?

