Affordable Housing Initiative

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TRENDS IN SHARED EQUITY HOUSING

A Scan of the SEH Ecosystem Landscape for the Cooperative Development Foundation

Working Paper

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INTRODUCTION

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The Cooperative Development Foundation (CDF) is a national nonprofit with a mission to promote and develop cooperatives to improve economic wellbeing for all. It is the 501c3 affiliate of the cooperative apex organization National Cooperative Business Association CLUSA International (NCBA CLUSA) CDF commissioned this landscape scan on the state of "Shared Equity Housing" (SEH) to assist its thinking and programming as it moves forward with its support for affordable housing, and to provide a resource for those looking for options to address the affordable housing crisis this country faces.

For this scan, we took an "ecosystem" approach."[1] Central to this ecosystem are: technical assistance; forms of finance with products for co-ops and SEH; and a municipal and state policy regime that supports SEH. Each of these components of the ecosystem is detailed in their own chapter.

This report is structured as follows. First, following this introduction we discuss the characteristics that unite cooperative housing with the other forms of SEH around the country. Second, we then detail the specifics of each type of SEH. This includes: limited-equity co-ops (LECs); resident owned communities (ROCs); deed restricted homeownership; and community land trusts (CLTs).

WHAT IS SHARED EQUITY HOUSING?

Shared equity homes (SEH) are properties structured with appreciation controls to ensure that homeownership opportunities provide minor wealth-building gains while permanently remaining within reach of low-income families (Temkin, K. M., Theodos, B., & Price, D., 2013). Shared equity homes achieve these outcomes through three definitive features (Davis, J. E., 2006; Ehlenz, M. M., & Taylor, C., 2019):

1. Owner-occupancy of residential property.
2. Resale restrictions limit the owners' gain in value appreciation upon resale while ensuring subsidies are enjoyed between successive generations of low-income homeowners.
3. Rights, responsibilities and benefits of the property are shared between homeowners and a third party, typically a non-profit (or local government via deed restrictions), that acts as a steward and representative of the larger community through a democratically elected board.

The third-party steward is an important element in the SE model. The steward splits the cost of the home, making the below-market price possible. The stewarding organization keeps a share of the equity, effectively administering it as a subsidy for successive generations of low-income homebuyers (Theodos, B., Stacy, C. P., Braga, B., & Daniels, R. 2019). To access SEH, homeowners generally enter a contract with the steward in the form of a deed restriction, restrictive covenant,

1 Several surveys and censuses have been conducted on SEH. See, for example, a census of limited-equity cooperatives at **www.sixthprinciple.coop**, discussed along with other SEH models in section III of this scan. Also, the Urban Institute is conducting a nationwide survey of community development organizations for the National Alliance of Community Economic Development Associations (NACEDA). Grounded Solutions (GSN) hired researchers from the University of Toronto to conduct a survey of Community Land Trusts (CLTs) and other members of GSN. Both of those should yield results sometime within the next year.

or ground lease. This contract contains an enforceable resale formula that sets parameters for determining the resale price (Ehlenz, M. M., & Taylor, C., 2019).

This report looks at the most common models of shared equity homeownership across America - Deed-Restricted Homes, Community Land Trusts (CLTs), and limited-equity cooperatives (LECs). Also identified are forms of shared equity housing on Indigenous Lands. We will also look at innovations in these models including hybrids that demonstrate their flexibility. For LECs this includes Resident Owned, manufactured housing Communities (ROCs) as well as CLTs, that may include LECs. Exclusions based on our definition of SEH include Mutual Housing Associations (MHSs); rental units; deed-restrictions for limiting equity that are under 30 years; deed-restrictions that fail to deliver affordable homeownership by allowing market-rate resale; shared ownership or appreciation schemes; or market rate condos or co-ops.

WHY SHARED EQUITY HOUSING?

Private fee simple homeownership has been the dominant housing policy in the US since the Great Depression. The literature asserts that homeownership benefits family and neighborhood health and stability by facilitating greater levels of social and civic forms of community engagement, investment and household wealth accumulation as compared to renters and rental property owners (Temkin, K. M., Theodos, B., & Price, D., 2013). It is often cited as the main mechanism for building and transferring intergenerational wealth.

This housing policy paradigm however has been challenged by the increasing financial inaccessibility of housing and the risks of homeownership to low-income people brought to the fore by the 2008 Foreclosure Crisis and Recession. Inaccessibility has been exacerbated over the past few years, as Americans who own their homes have gained more than $6 trillion in housing wealth by "in a sense ....doing nothing."[2] Though this increase in "tappable equity" can help families who own homes save for retirement or send their children to college, it is putting homeownership out of reach for more people—particularly people of color. Due to systemic and intentional discriminatory policies, the rate of homeownership and intergenerational wealth transfer (e.g., inheritances) among people of color—especially Blacks and Hispanics—continue to be significantly below that of non-Hispanic Whites.[3]

At the same time the costs of owning a home—acquisition and borrowing—have become unaffordable for low wealth and low-income households, the "US is now rent-burdened nationwide for the first time," with rent-to-income ratios at or over 30% (much higher in some metro areas) and rent rate increases of 12% or more over the past few years.[4] This also has a greater impact on households of color as "nationwide, about 58% of households headed by Black or African American adults rent their homes, as do nearly 52% of Hispanic- or Latino-led households" compared to a quarter of households led by non-Hispanic White adults and just under 40% of Asian-led households."[5] Renters also have lower median household incomes, $41,000 in 2021, compared with $78,000 among owners and spend a greater share of their income on total monthly housing costs (average 33%) compared to owners (average 22%).[6]

While rental housing is an important part of the housing landscape, renters tend to have little in the way of property rights in American policy and law.[7] Low income tenants, in particular, are vulnerable to evictions and displacements, and housing instability is a significant component of the lives of people with low incomes, and a major barrier to their abilities to improve their lives.[8]

SHARED EQUITY HOUSING AS AN OPTION

Shared equity housing (SEH) models lie between market-rate homeownership and rentals. They provide a cost-effective option to create a permanently affordable housing stock accessible to low-income households. In addition to price-point

2 Emily Badger and Quoctrung Bui (NYTimes, May 1, 2022) "The Extraordinary Wealth Created by the Pandemic Housing Market."

3 The Federal Reserve Board, Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances (September 2020) **https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.html**

4 Moody's Analytics CRE | Key Takeaways from the 4th Quarter Housing Affordability Update (**moodysanalytics.com**)

5 Drew DeSilver, Pew Research, (August 8, 2021) "As National Eviction Ban Expires a look at who rents and who owns" **https://www.pewresearch.org/fact-tank/2021/08/02/as-national-eviction-ban-expires-a-look-at-who-rents-and-who-owns-in-the-u-s/**

6 Rebecca Leppert, Pew Research (December 2022) "10 Facts about US Renters During the Pandemic". **https://www.pewresearch.org/fact-tank/2022/12/19/10-facts-about-u-s-renters-during-the-pandemic/**

7 The authors believe that this situation should be changed, and renters should have more in the way of property rights, and the laws that protect tenants should be expanded and strengthened.

8 See Desmond, Matthew. 2017. *Evicted: Poverty and Profit in the American City*. New York: Crown Books

affordability, SEHs also offer wealth building and other opportunities while mitigating the risks of market-rate homeownership (Acolin, A. et al, 2021; Ehlenz, M. M., & Taylor, C., 2019; Temkin, K. M., Theodos, B., & Price, D., 2013). In short, Shared Equity Housing offers a greater degree of wealth building than rentals, while also being more affordable than market rate homeownership.

In the era of increasing housing unaffordability, expanding wealth gaps, and mass gentrification, the potential for permanent affordability that comes from SEH can serve as a bulwark against displacement for historically disenfranchised people and communities. Beyond simply protecting access to affordable housing in gentrifying neighborhoods, SEH, specifically CLT, LEC, and ROCs, potentially provide residents with the political power to determine the futures of the communities they live in through the organized vehicle of collective resident and/or community ownership (O'Hara, Interview; Ehlenz, M. M., & Taylor, C., 2019; Davis, Algoed, Hernandez-Torrales, 2020). The retention of tenure through permanent affordability, paired with the political power of community-led development through collective ownership that SEH can deliver adds another level to what we understand as wealth building, moving it beyond simply the confines of single family homeownership, and integrating that into the larger fabric of the community.

WHAT IS NEEDED FOR SHARED EQUITY HOUSING TO "SCALE"?

Several authors already have written thorough and robust literature reviews over the years, and are cited and included in the Bibiography.[9] As we indicated above, this report instead takes an ecosystem approach in writing the landscape of SEH. We explored the contextual features that enable the growth and scaling of SEH models and stewarding organizations across the country. These include state and local policy contexts, financing tools, and capacity building, technical assistance programs or organizations. We expect that where clusters of SE housing exist there is an ecosystem that supports them; where that ecosystem has not yet been created, cooperatives and SEH housing are less common.

KEY FINDINGS

There are several primary takeaways from this report, which we will briefly summarize here, but will be fleshed out and explored in the chapters that follow.

1. While there has been a lot of interest in SEH by policy-makers and funders in the last 20 years, the numbers of housing units in SEH portfolios have still not grown to a scale that makes them a substantial share in local housing markets, or in the country's housing stock as a whole
2. However, there has been significant growth in particular forms of SEH in this century, in particular in ROCs and CLTs. Both, however, were growing from very small bases, and both remain relatively marginal as shares of the country's housing stock.
3. The growth of SEH is being constrained by the relatively inadequate or lack of supportive ecosystem for SEH in the vast majority of local housing markets in the country. While some places have more robust supportive ecosystems than other places, no local housing market has completely built out the supportive ecosystem needed for the scaling of this sector.
4. Accordingly, there are significant local and regional variations in the presence and density of the SEH sector.
5. Funders, including CDF, therefore will have to decide where to prioritize their work. Do they want to enhance the already existing, but incomplete, ecosystems of support in the places where they exist? Or do they want to invest in building the ecosystem in places where no such ecosystem is currently in existence?

9 Such literature reviews include Carlsson, A. (2019). Shared Equity Housing: A Review of Existing Literature. Harvard Law School.; Davis, J. E. (2006). Shared Equity Ownership: Changing the Landscape of Resale-Restricted, Owner-Occupied Housing.; Ehlenz, M. M., & Taylor, C. (2019). Shared Equity Homeownership in the United States: A Literature Review. Journal of Planning Literature, 34(1), 3–18.; Spotts, M. A. (2018). Building a Supportive Framework for Community Land Trusts and Shared-Equity Homeownership Programs: A State and Local Policy Landscape Analysis.; Temkin, K. M., Theodos, B., & Price, D. (2013). Sharing Equity with Future Generations: An Evaluation of Long-Term Affordable Homeownership Programs in the USA. Housing Studies, 28(4), 553–578. **https://doi.org/10.1080/02673037.2013.759541**; Wang, R., Cahen, C., Acolin, A., & Walter, R. J. (2019). Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations. Lincoln Institute of Land Policy, April, 62.

CHARACTERISTICS OF SHARED EQUITY HOUSING

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While there are important legal, technical, and programmatic differences between the different forms of SEH, there are also substantial similarities in the different forms, which allow them to be discussed together. These similarities are rooted in common logics and mechanisms that are used. Importantly, all share the logic that affordable housing should be made permanently affordable in order to both retain the subsidies that make the affordability possible, and enhance the stability of the communities in which that housing is situated. They all, therefore, constrain the market to retain those subsidies and reinforce that community stability. And they all do so with some constraints on the selling of the housing assets (either the actual housing unit, or the land it's on, or both). Further, they all rely on some form of stewardship or homeowner support to protect homeowners when they get into financial trouble.

Proponents of Shared Equity Housing point to five benefits offered to individuals and communities. They are Affordability, Subsidy Retention, Stability, Neighborhood Involvement, Community Control and Wealth Creation. While John Davis (2006) has provided good summary tables, we will review these briefly below.

AFFORDABILITY

Shared equity housing makes homeownership a possibility for low- and moderate-income people (Davis, J. E., 2006). Research shows that shared equity homeowners have less overall mortgage credit and lower monthly payments than their market-rate home owning counterparts (Theodos, B., Stacy, C. P., Braga, B., & Daniels, R., 2019). "At times, SEH models can lower costs. For example, LEC's operating costs are as much as one third lower as a result of members' pooling resources, members' concern for their property, and resident oversight of property affairs" (Chicago Mutual Housing Network, 2004: 35 - quoted

SHARED EQUITY HOMEOWNERSHIP: CLAIMS

Performance Standard	Individual	Community
Affordability	Access to homeownership is expanded for homebuyers of modest means.	Access to homeownership is preserved for future homebuyers of modest means.
Stability	Security of tenure is enhanced. The risks of homeownership are reduced.	Neighborhood stability is increased.
Wealth	Personal assets are enlarged.	Community assets are preserved.
Involvement	Social bonds and collective action are nurtured within shared equity housing.	Civic engagement is expanded outside of shared equity housing.
Improvement	Personal mobility is enabled.	Community development or community diversity is promoted.

Source: Davis, 2006

in Davis, J. E., 2006). Covering major liabilities of maintenance and major repairs with a cooperative's annual operating budget or reserves distributes risk throughout a resident community thereby increasing collective stability.

COMMUNITY WEALTH & SUBSIDY RETENTION

> *"If it is the subsidy that makes SEH affordable... it is the tenure that keeps it affordable for the next generation (Davis, J. E., 2006)."*

Shared equity models preserve affordability and keep homeownership accessible for successive generations of low-to-moderate income families by preventing the leakage of subsidies through private gain or outright privatization. As a policy choice, embedding public investments in SE housing is "both more efficient and sustainable means of delivering affordability" (Ehlenz, M. M., & Taylor, C., 2019). As a strategic measure, shared equity housing forms protect affordability against market appreciation, extending the benefits of limited funds past their first use (Davis, J. E., 2006 & 2017; Ehlenz, M. M., & Taylor, C., 2019). In this way, the SEH takes the equity created by society or contributed by government or individual donors and turns it into community wealth (Davis, J. E., 2006). As a corollary, shared equity housing offers limited individual or household wealth building potential relative to the market through the restrictions that decommodify and decouple its position within the market. When subsidies are not done in some form of shared equity, they become wealth for the individual property owner or homeowner, and are thereby lost to the larger public (Davis, J. E., 2006).

STABILITY—COLLECTIVE & NEIGHBORHOOD-WIDE

SEH models benefit communities through neighborhood stabilization. Longitudinal studies, capturing periods of economic growth and decline, have shown LECs to have survival rates of anywhere between 80 - 97% over 30+ year periods, while in a similar timeframe, CLTs were shown to have a 92% survival rate (Davis, J. E., 2006).

In gentrifying areas, preserving the availability of low-cost housing prevents the displacement of low income people and protects owner occupancy. Susan Saegert and her colleagues (2003) have documented how the LECs formed in the Clinton neighborhood of Manhattan have been a "bulwark against gentrification" in the area, and have allowed low income people to both remain in the neighborhood and be owners of their housing. Myungshik Choi and his colleagues did a quantitative analysis in 124 neighborhoods with CLTs that were facing gentrification threats, and found "strong support for the ability of CLTs to help maintain middle-class ratios, education levels, and owner-occupied housing rates, as well as increasing affordability in neighborhoods that were gentrifying. Moreover, CLTs increased racial diversity and stabilized income levels and housing prices" (Choi, et al., 2018, p. 407).

In declining markets, SEH models have been used for redevelopment, rehabilitation, and expanding homeownership "in neighborhoods that are often overwhelmingly characterized by low-quality rental units" (Davis, J. E., 2006 & 2017; Ehlenz, M. M., & Taylor, C., 2019). Recent analyses have found that SEH can play a vital role in stabilizing neighborhoods in decline.

Katharine Nelson and her colleagues (Nelson, et al., 2020) did a spatial statistical analysis of the impacts of CLT properties on the property values of adjacent and nearby homes in the city of Minneapolis in the last 20 years, and found that CLTs stabilized those property values in the low income North Minneapolis area, and this was particularly true during the foreclosure crisis and its property value declines.[10] This finding fits well with Emily Thaden's (2010) research on individual homeowners that we discuss below. SEH efforts can also be part of revitalization efforts for declining neighborhoods, and CLTs have undertaken writing and implementing comprehensive plans in partnership with non-profit, for profit or governmental organizations in Albuquerque, Boston, Burlington and Duluth (Davis, J. E., 2006).

These benefits encourage neighborhood diversity. They can be used to diversify neighborhoods either from which the poor have been historically excluded or from which are in the process of being displaced. Saegert and Benitez (2005) conclude that "LECs provide special support for the disabled, elderly, and single women—all of whom could be presumed to have a difficult time being homeowners on their own." The same study finds that compared to low-income renters, LEC residents live in their neighborhoods longer, have a greater desire to stay and participate more in local organizations.

10 Nelson and her colleagues actually found price "increases" relative to properties not near CLTs, but those "increases" were only compared to the declines found elsewhere. The CLTs did not increase prices, per se, but greatly limited price declines in a time and place where price declines were substantial when CLT properties were not present.

INDIVIDUALS & HOUSEHOLDS

Schneider, Lennon, & Saegert's (2022) study further demonstrates the stability that CLTs provide for their residents. They also emphasize that CLTs "disproportionately serve the housing insecure whom market housing targets for exploitation, including households headed by women and households of color" (Schneider et al, 2022). Their data from CLT homeowners, market homeowners, and renters in Minneapolis and Portland compared experiences across tenure and took into account additional variables such as race and gender. Demographically, they found that "market owners are less likely to be women, female heads of household, or racial minorities" and "CLT owners are more likely to be Black and in female-headed households" (Schneider et al, 2022). The access to homeownership that CLTs provide to communities who have often been structurally excluded from the market shows their stability.

The results of the study also demonstrate differential outcomes, particularly between CLTs owners and renters, which is likely the alternative for many CLT owners. Their results indicated that:

> ***"CLT owners are not significantly different from market owners on financial hardship, housing stability/security and descriptions of their house as a home. CLT owners differ significantly from market-rate owners in that they report fewer home moves in the past 5 years and describe having more time and resources to engage in various activities, such as seeing friends or pursuing hobbies. CLT owners fare substantially better on all outcomes when compared to renters, having less financial hardship, more housing stability/security, fewer residential moves, a greater sense that their house is a home, and more time and resources to pursue activities." (Schneider et al, 2022)***

Schneider and his colleagues conducted their research at a time of relative stability in the market for homeowners. Research conducted at the height of the foreclosure crisis in 2009—when homeowner wealth and stability were greatly in question—demonstrated how well SEH homeowners did in retaining their housing and their wealth. Thaden (2010) compared loans to CLT homeowners with prime and subprime loans overall and found that CLTs were five times less likely to be seriously delinquent, and almost six times less likely than *prime loans*. When compared to *subprime loans*, the numbers are 14 times and 30 times, respectively. Thus, Thaden observes that CLTs were simply "outperforming the market"—even the prime market. Temkin and his colleagues (2013) echoed this finding, but did so for data across the different SEH types, and they noted, "In every program [in their study], the site's foreclosure rates were below those HUD reported for their surrounding areas as of 2009. Over these programs' histories, the two LECs [studied] have never had a foreclosure." (Temkin, et al., 2013, p. 573).

SOCIAL CAPITAL & NEIGHBORHOOD INVOLVEMENT

SEH fosters resident engagement within their surrounding community. The stewarding organization nurtures social networks based on the mutual interests of the SE homeowners by establishing a sense of collective responsibility and facilitating collective action to improve living conditions (Davis, J. E., 2006 & 2017; Ehlenz, M. M., & Taylor, C., 2019). Saegert and Winkel (1997) use four criteria to measure this development of social capital:

1. Participation in leadership, management and maintenance of the resident association
2. Homeowner participation in resident association activities
3. Cultivation of informal social relationships amongst residents
4. Satisfaction with other residents contributions to financial and physical health of housing

While some of this might be a result of the homeowner stability discussed above—and the fact that people who stay in their homes longer tend to become more involved in the life of their community—these findings are the most consistent around LECs. In one study by Gent, Sawyer, Davis, and Weber (2005) "39.7% reported that they had become more actively involved since moving into their LEC, compared to 14.5% of the renters. Only 7.4% of the co-op's members said they had become less involved, compared to 24.5% of the renters." Even in model variations like ROCs, "residents' feelings of stability, ownership, and control were stronger than in investor-owned properties" (Lamb, et al., 2022) This is because co-ops (including ROCs), unlike other forms of SEH, have involuntary engagement among members. Cooperators have to deal with each other; CLT owners, for instance, may or may not ever see each other, depending on the level of community control and engagement of the CLT. And deed restricted homeowners have almost no reason to ever encounter each other.

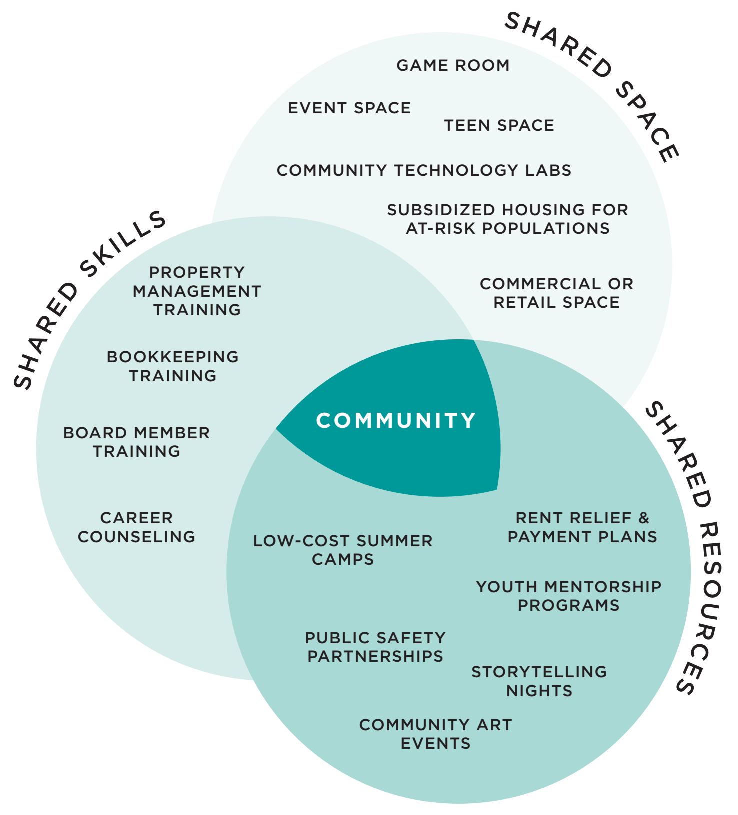
NOTABLE EXAMPLE: BOSTON'S HOUSING COOPERATIVES

In a recent report on mature cooperatives in Boston, the Cooperative Development Institute reported findings based on public records research and a series of exhaustive interviews with co-op members, boards, residents, property managers in over a dozen housing co-ops throughout the city. "Boston's Housing Cooperatives"

This assessment of the Boston housing cooperative marketplace returned the following major findings:

- The housing cooperatives in Boston have made positive community contributions beyond housing. This adheres to the stated values of cooperatives internationally.
- The co-ops are fragile and are currently under extreme internal and external pressure to survive and succeed. The major concerns and needs fall into several themes:
  - Funding and financing needed for capital improvements
  - Tension between corporate property management services and
  - democratic cooperative operations
  - External interference in cooperative resident selection and orientation processes
  - Tension between maintaining affordability and accumulating equity
  - Market forces and external relations
  - Increased isolation of cooperative leaders facing these unique challenges
- Recommendations for solutions which address each of these themes include training, technical assistance, financial support, networking and more ideas to meet and provide support for the challenges of managing Boston's housing cooperatives

SHARED SPACE, SHARED RESOURCES
HOW BOSTON'S HOUSING CO-OPS BUILD COMMUNITY



COMMUNITY CONTROL

With roots in labor, indigenous practices, and economic and racial justice movements, most shared equity models are democratically governed by residents and, sometimes, members of the surrounding community. "Shared equity housing programs can empower place-based community development coalitions to make decisions regarding land and housing, advocate for neighborhood quality of life, and resist displacement" (Carlsson, 2019).

There are, however, important caveats. First, the resident ownership and control that comes with a LEC is very different from community control in a CLT. Residents in a CLT have interests that often diverge from, and run counter to, the interests of the larger communities. The history of LECs in New York State's "Mitchell-Lama" program demonstrates these differences vividly, as many of the co-ops built and financed through that program have converted to market.[11] It is generally understood that LECs need to have some kind of third party in place that limits the resident control to mean the loss of affordable units for the larger community. Second, there are significant variations in the extent to which community control or even community engagement is evident in CLTs. Many CLTs make a point of having community control be a central part of what they do, but many others—almost certainly the bulk of CLTs at this point—do not build community control into their work (see, for instance, DeFilippis, et al., 2017).

HOUSEHOLD WEALTH BUILDING

As noted earlier, affordability and secondary community-oriented benefits that follow are made possible by controlling household wealth accumulation. The resale restrictions that enable lasting affordability and access to homeownership by low-income households also limit the wealth realized by the owners upon sale of their SEH compared to what would have been gained on market-rate housing absent these controls (Ehlenz, M. M., & Taylor, C., 2019). Arguments against SEH models typically implicate these wealth building limitations with an inability for low-income households to advance their economic wellbeing and an immobility in transferring to market rate housing (Davis, J. E., 2006). These arguments are "particularly sharp in communities of color, where there is a long history of denying asset-building opportunities through redlining and other anti-homeownership policies" (Jacobus and Sherriff, 2009 cited in Ehlenz, M. M., & Taylor, C.,2019).

What these arguments fail to address is that for low-income households, especially households of color, the choice is often not between "market homeownership or SEH" but rather "continue to rent, or SEH." This stands to reason; why would someone who could realize the full wealth potential of market homeownership want to constrain that wealth potential through SEH? Demonstrating this point, Schneider and his colleagues (2022) found that CLT homeowners closely resembled renters in their cities, and "are more likely to be Black and in female-headed households" than homeowners in their cities. Presented in this manner, SEH is an opportunity for low- to moderate-income households to accumulate equity that they otherwise would have lost to the costs of renting.

Limits on equity gains do not mean that no equity is being built by SEH homeowners. Temkin and his colleagues found that "Families realized sizable proceeds when selling their homes, and IRR [internal rate of return] across all programs but one outpaced the gains that resellers would have earned had they invested their down payments in stocks or bonds" (Temkin, et al., 2013, p. 574). Importantly, this was just measuring IRR on resales. Theodos and his colleagues looked at debt levels and monthly payment costs for SEH homeowners, and found that "shared equity purchasers pay $736 less on all credit accounts *each month* (including mortgages)" than homeowners in their cities with comparable incomes and credit scores (Theodos, et al., 2019, p. 872, *emphasis* added).

Using the Panel Study of Income Dynamics (PSID), the longest running longitudinal household survey in the world, Acolin et al (2021) reported the first study to compare wealth accumulation over the last two decades for participants in different types of shared-equity programs with outcomes of renters and homeowners with similar characteristics. The researchers found "SEH homeowners accumulate significantly (statistically and economically) more home equity than renters accumulate wealth."

> ***"The findings indicate that in real terms, median SEH homeowners accumulated about $1,700 in housing wealth annually or around $10,000 during their holding period. This amount is lower than the $2,100 median annual gain in home equity experienced by similar PSID owners but statistically and economically significantly larger than the $16 in annual gain experienced by similar PSID renters. The findings provide evidence that households participating in SEH programs experienced positive, but modest, wealth gains that were slightly lower than those of homeowners in unrestricted units but substantially higher than those of renters."***

Finally, limits on equity gains made by SE homeowners do not translate to limits on their residential mobility (Temkin, K. M., Theodos, B., & Price, D., 2013). Davis and Demetrowitz (2003) found that [three-quarters] of households who resold their SE homes traded up for market-rate homes thereafter (Davis, J. E., 2006). The 19.8% of households who slipped back into the rental market pales in comparison to the "53% failure rate

11 This history of "opt-outs" by resident shareholders recently led the State of New York (June 2022) to make it harder for resident-owners to opt out of the program.

among first-time, low-income homebuyers discovered by Reid (2005)" (Davis, J. E., 2006).

DIFFERENCES BETWEEN THE MODELS

While, for the reasons we have discussed, these different models are often discussed together, there are substantial differences between them. The table below summarizes the models, and we will briefly explain some of the differences here.

There are a few differences of note between the models, and we will focus here on the governance. First, deed restricted homeownership has almost no community or cooperative component to it. It is simply a form of subsidy retention. And while retaining the subsidy that allows units to become affordable is important, the lack of any kind of community or cooperative structure, does make it different from the other forms. Second, CLTs emphasize community governance, rather than resident governance. The classic CLT form, as we will discuss below, only has 1/3 of its governing board consisting of residents on CLT lands. This makes CLTs very different in emphasis than cooperatives or ROCs. Finally, ROCs and LECs are centered around resident ownership and control, and resident interests may or may not coincide with the larger interests of the communities around them.

DATA AND SEH CENSUSES

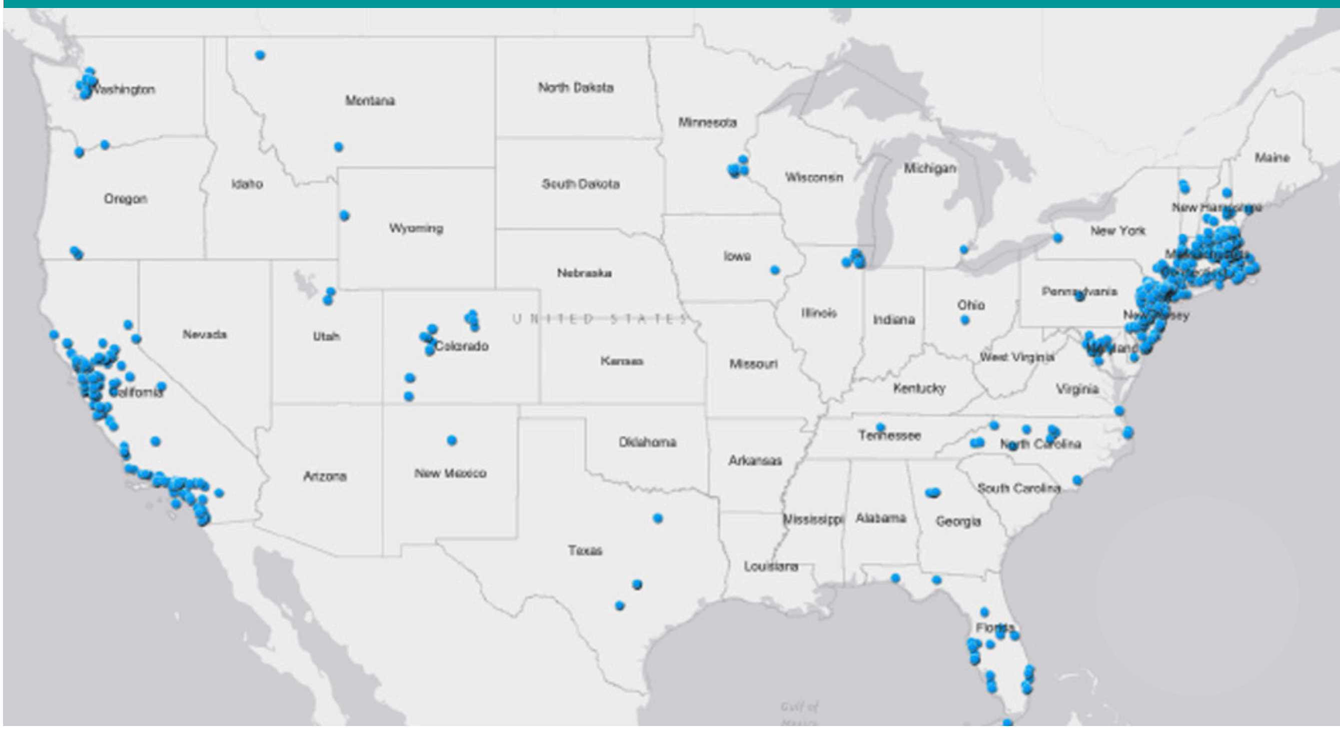
Knowing how many SEH homes and units currently exist in the United States is an important part of understanding the SEH landscape. Many organizations have undertaken counts and data gathering on

DIFFERENCES BETWEEN THE MODELS

	COMMUNITY AND TRUST (CLT)	LIMITED EQUITY HOUSING COOPERATIVE (LEHC)	RESIDENT-OWNED COMMUNITY (ROC)	DEED RESTRICTED UINIT (DRU)
Structure	Nonprofit CLT organization owns land for long-term community benefit CLT leases land to households of lower incomes, who purchase the home on the property with attached resale restrictions	Residents of multi-unit building own shares in cooperative that owns the property Residents' use of one unit is secured by a proprietary lease between the cooperative and resident, attached to purchase of a share in the corporation	Residents of manufactured housing communities own shares in a cooperative that owns land under their homes Residents retain individual ownership of their single-family homes	Use and resale restrictions are specified in a covenant that is attached to a property's deed Common for deed-restricted units to be created through municipal inclusionary housing policies
Community Control	Residents of the CLT and its service area are voting members of the organization CLT governing board is made up of equal parts residents, community members, and public figures	Residents are voting members of the cooperative that owns their building Residents vote in elections for the LEHC's board of directors and on major decisions, like bylaw amendments	Residents are voting members of the cooperative that owns the land under their homes Residents vote in elections for the ROC's board of directors and on major decisions, like bylaw amendments	Community control is not a defining element of DRUs, but can be institutionalized through affiliation with an existing CLT Municipal elections can affect city-run programs
Affordability Preservations	Resales of CLT units are governed by resale formula in ground lease/restrictive covenant that restricts resale price and allocate equity appreciation between the seller and the CLT Ground lease may guarantee the CLT a first option on resale	Resales of LEHC shares are governed by resale formula defining affordability and setting a cap on the equity that homeowners can claim when selling their share Contractual restrictions may guarantee the cooperative a first option on resale	Resales of ROC shares are governed by affordability restrictions that ensure the shares remain affordable to the next purchaser Resales of the physical homes on ROC land are typically not restricted	Resales of deed-restricted units are governed by affordability restrictions in a covenant attached to the property deed Restrictions include a resale formula setting the allowable resale price and many give the managing public agency/nonprofit first option
Stewardship	CLTs assist homeowners and monitor sales and transfers to ensure units remain affordable Ground lease on land under home gives CLTs an ongoing stake in the property	LEHC board of directions is typically responsible for enforcing and monitoring any resale or use restrictions Upfront and ongoing technical assistance and education helps residents become stewards of their own building	Resident-owned communities are self-governed, stewarded by the ROC's board of directors and residents themselves Residents can become involved in quality of life, infrastructure, and maintenance issues by voting and joining committees	Effective programs monitor residents' compliance with resale and us/occupancy restrictions Municipal programs may contract with an existing CLT or nonprofit to conduct stewardship/monitoring

Source: Carlsson, 2019 (taken from larger table) the various SEH models, and some of this data will be outlined below. As we already indicated, there are ongoing censuses in the field. However, as many of them acknowledge, it is unlikely that these numbers capture all of the existing SEH in the US given that many of the individual homes need to be sought out if they are not part of existing member networks or organizations. Yet these nationally oriented organizations have thoroughly compiled this information and can give us a general idea of the number and type of SEH that exists.

INCLUSIONARY HOUSING, DEED RESTRICTED UNITS



Source: Grounded Solutions (2019)

Website: http://inclusionaryhousing.org/map

Caption: Grounded Solutions undertook a national survey in 2018 and 2019 to identify the number of existing inclusionary housing policies and a further survey of 258 programs to learn more about outcomes.

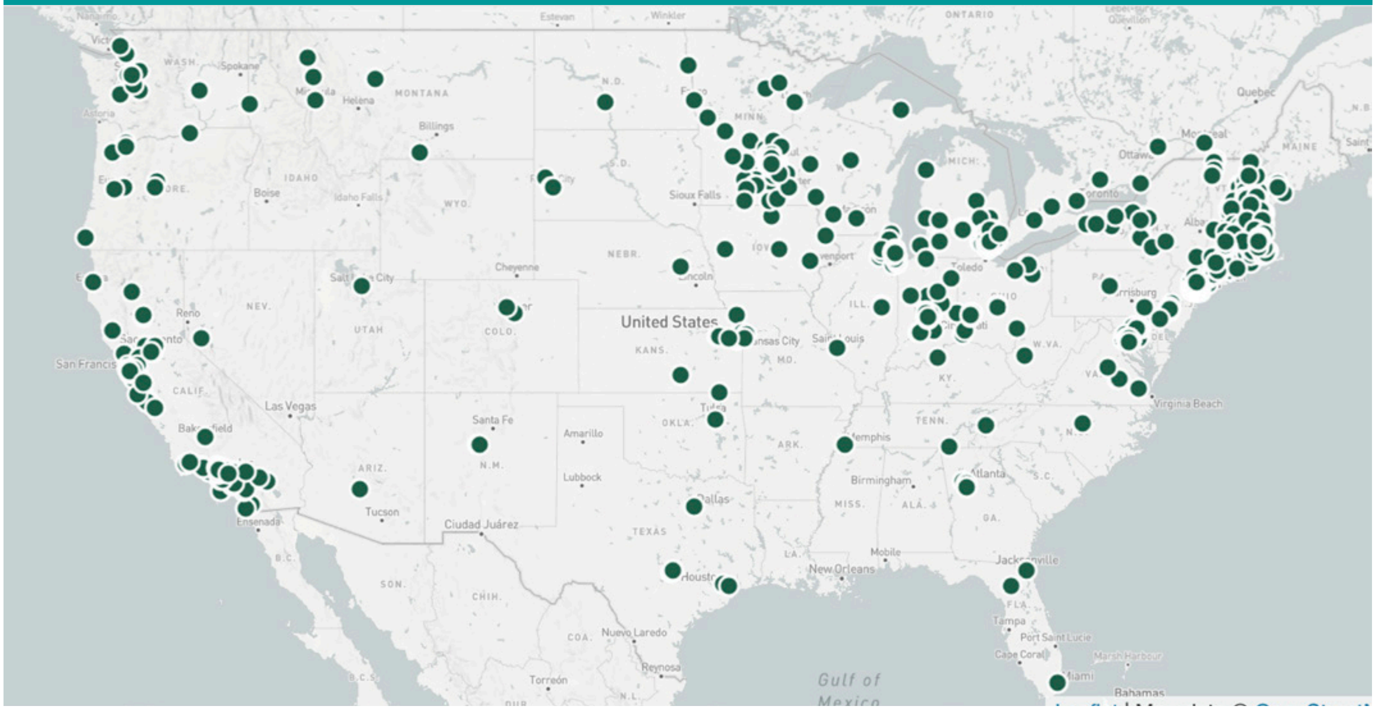
Number of Inclusionary Housing Programs: 1,059 (1,019 at the end of 2019)

Criteria for Inclusion: They use the IH definition of " 'a set of local rules or a local government initiative that encourages or requires the creation of affordable housing units, or the payment of fees for affordable housing investments when new development occurs' " (GSN, 2019). This captures both mandatory and voluntary inclusionary housing programs, as well as off-site affordable units and payments in-lieu.

Exclusions include policies without a maximum income level, policies without an affordability term, project-specific or site-specific affordability by negotiation, and state-level policies (though local programs as a result of state policy are included).

Geography: There are IH programs in 31 states and DC. There are 291 in NJ, 239 in CA, and 237 in MA. NY with 42 has the next most, though there is a dropoff between the top three states and the rest.

CO-OPERATIVE UNITS



Source: 6th Principle – UHAB

Website: https://sixthprinciple.coop

Caption: Sixth Principle Coalition is a group that unites LEC practitioners. The founding members are City First Homes, Cooperators United for Mitchell-Lama, Grounded Solutions Network, National Association of Housing Cooperatives, and UHAB. This is information they have gathered that includes affordable cooperatives, not just the members of their group.

Number of US Affordable Co-ops: 2,874

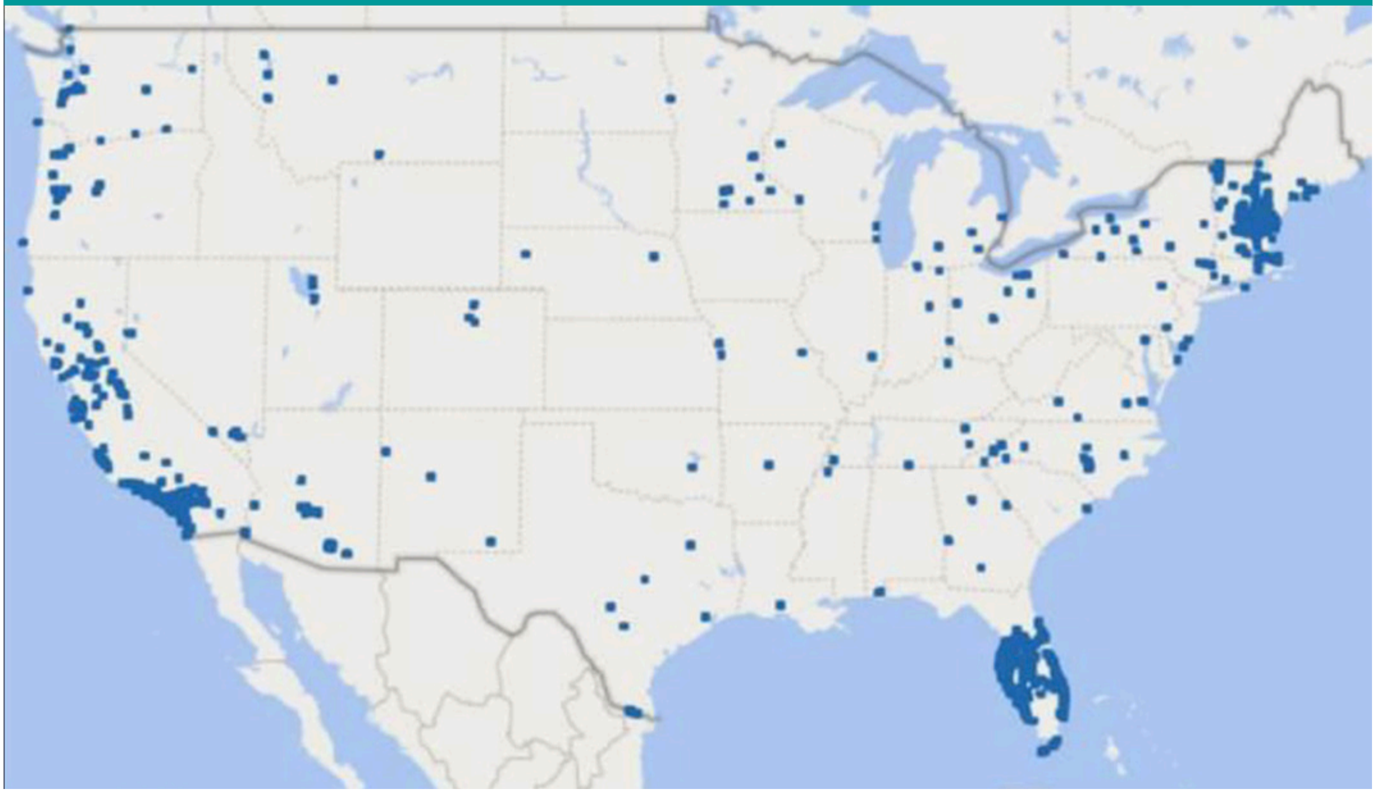
Criteria for Inclusion in the Directory: Limited equity, zero equity, and other types of housing co-ops that emphasize affordability (includes student co-ops and ROCs).

Geography: The highest concentration of affordable co-ops is in the northeast. There are also clusters around DC, in the Midwest (especially around cities such as Chicago and Minneapolis), as well as in LA and the Bay area. The New York City metropolitan area has more housing co-ops than the entire rest of the country combined.

UHAB Data: UHAB has their own data that lists 2,456 co-ops (not including student co-ops or ROCs). Their list includes affordable co-ops, income restricted HDFCs (in NYC), limited equity, limited equity Mitchell Lama (in NYC), limited equity section 8, and senior co-ops.

Number of Units: 182,776 units are captured in UHAB's data (though not all listed co-ops have unit numbers available)

ROC



Source: Freddie Mac (n.d.)

Caption: Freddie Mac conducted this research in 2018 on MHROCs using 2017 5-year ACS data as part of their "spotlight on underserved markets."

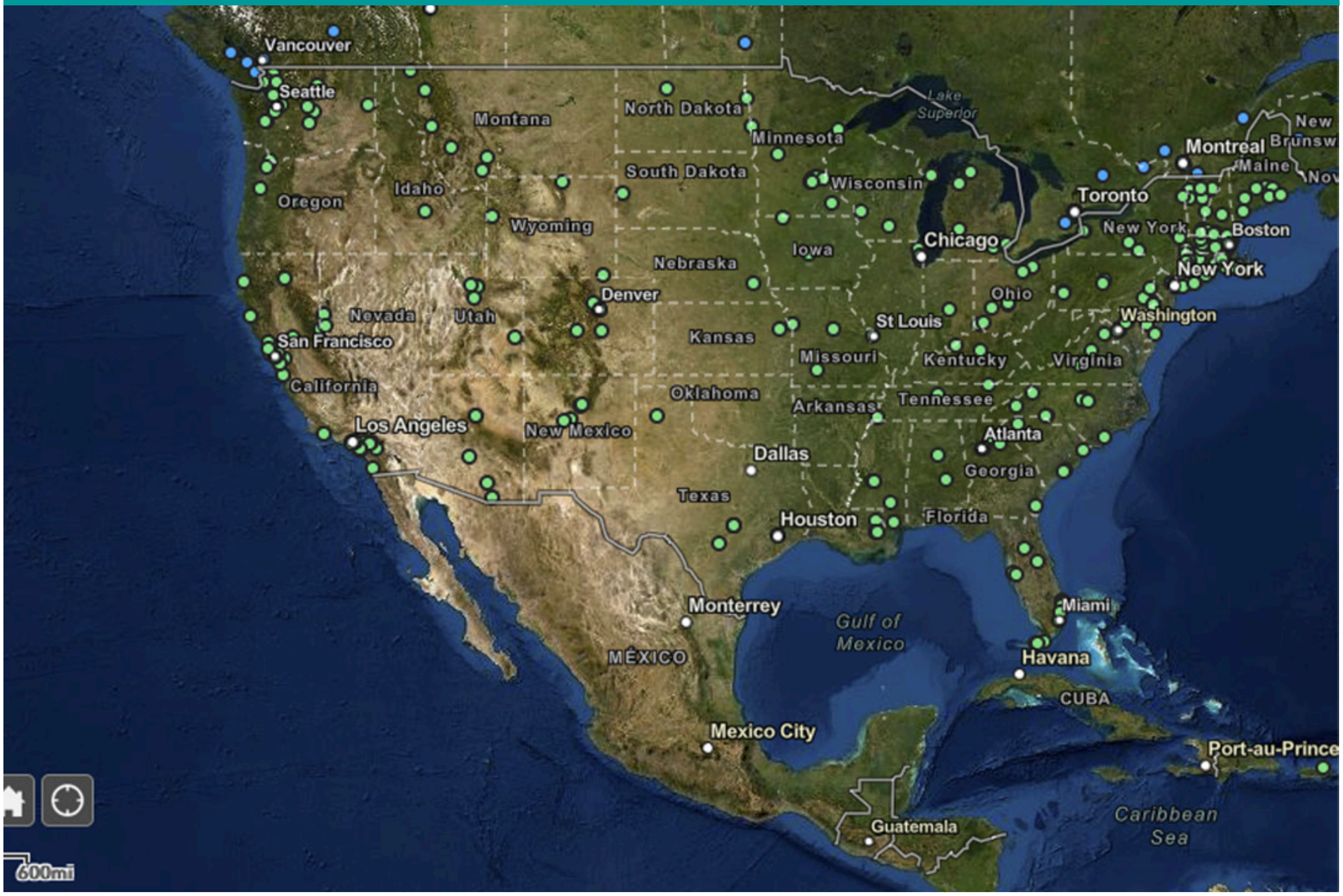
Number of MHROCs: 1,065 (including ROC USA)

Number of ROC USA ROCs: 220

Criteria for Inclusion: Both market rate and limited equity MHROCs are included in their data.

Geography: 41 states have MHROCs. Florida has the most MHROCs, almost 450 (42% of US MHROCs), then California with 242 and New Hampshire with 127. 124 of ROC USA's co-ops are located in New Hampshire.

COMMUNITY LAND TRUSTS



Source: Center for Community Land Trust Innovation

Website: https://cltweb.org/clt-directory/

Caption: The Center for Community Land Trust Innovation has gathered information about the CLTs that exist worldwide. While their criteria may exclude organizations that could be included in other counts, for example CLTs that have incorporated but do not have property, this list gives a general sense of how many CLTs exist in the US and where they are located.

Number of US CLTs: 302

Criteria for Inclusion in the Directory:

Incorporation: the organization is legally incorporated as a nonprofit, cooperative, or other similar entity.

Identity: the organization self identifies as or matches the characteristics of a CLT.

Property: the organization holds property or has site control,or is close to holding real property.

Stewardship: the organization is committed to stewardship and the mission to affordable housing through a CLT.

Geography: There are clusters of CLTs in the northeast, as well as around LA, the Bay Area, and the Pacific Northwest. There are small concentrations around other cities such as Miami and Washington DC as well. Otherwise, CLTs are fairly evenly distributed throughout the US, as shown on the map. The states with the most CLTs include 33 in CA, 25 in NY, 20 in MA, 19 in WA, and 14 in FL. There are no CLTs in Arkansas, Oklahoma, or West Virginia.

MODELS

Credit: David Thompson

DEED RESTRICTIONS

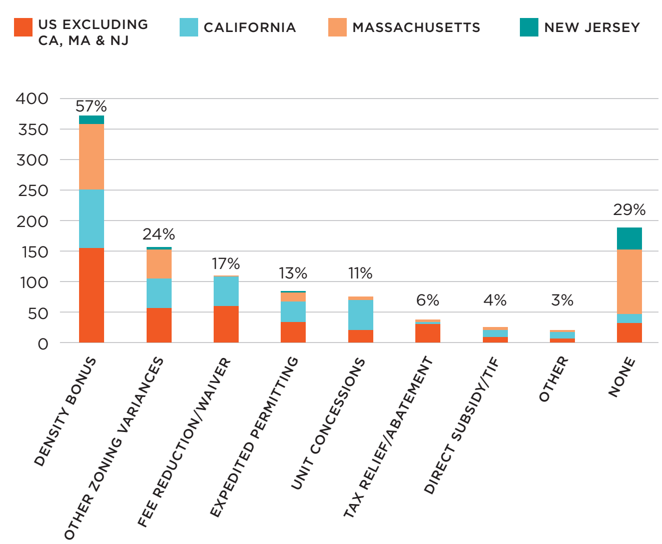
GENERAL / MECHANICS, GOVERNANCE, RIGHTS & RESTRICTIONS

At its simplest, the controls that establish shared equity housing are attached to the property deed held by the homeowner. The controls previously discussed are embedded within the design and operation of *naked deed-restrictions*. Originating from governments as opposed to movements, naked deed-restrictions typically under-anticipate the need for stewardship or any form of community control. Naked deed-restrictions are therefore a less controversial and more straightforward way for public entities to create an affordable housing stock (Carlsson, 2019; Ehlenz, M. M., & Taylor, C., 2019).

Deed-restricted units are commonly created through inclusionary housing policies, which mandate some form of affordable housing within developments (Carlsson, 2019). Mixed-income communities are an implicit goal of inclusionary housing policies by attaching affordable housing requirements to broader development projects (Mukhija, Das, Regus, & Tsay, 2015).

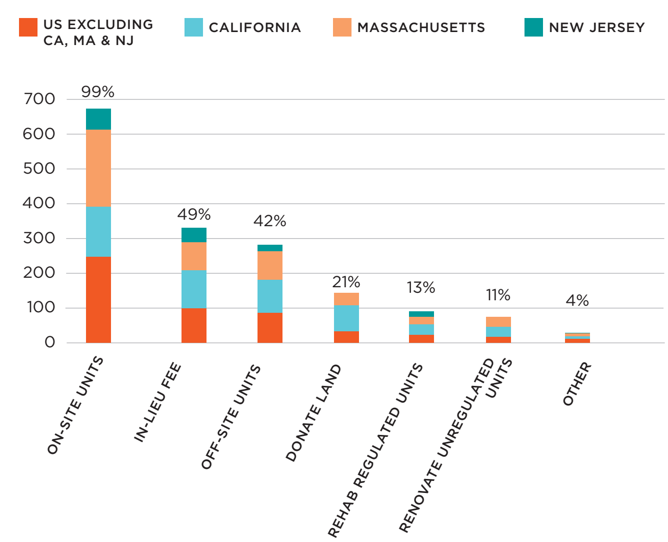
PROGRAM COUNT AND PERCENTAGE BY INCENTIVE

N=673, OR 98% OF ALL



PROGRAM COUNT AND PERCENTAGE BY COMPLIANCE OPTIONS

N=679, OR 99% OF ALL



Source: Wang, & Balachandran, 2021

OPERATIONS (SETTING THE POLICY)

Market context and developer constraints are balanced with affordable housing needs in inclusionary housing policy design. Programs vary in whether they are mandatory, what share of the development needs to be affordable, the depth of affordability, and how long the units need to remain affordable (Schuetz, Meltzer & Been, 2009). The combination that produces the most affordable housing are mandatory, low in-lieu fees, offering density bonuses, and triggered only for large projects (Mukhija & Mason, 2015). Contextually, hot market conditions with strong support for affordable housing are also most productive (Hickey, Sturtevant & Thaden, 2014).

LESS FLEXIBLE	MORE FLEXIBLE
MANDATORY	VOLUNTARY
HIGHER SETASIDE	LOWER SETASIDE
LONGER RENT RESTRICTION, LOWER INCOME TARGET	SHORTER RENT RESTRICTION, HIGHER INCOME TARGET
JURISDICTION-WIDE, ALL HOUSING TYPES	SPECIFIC HOUSING TYPES, SPECIFIC LOCATIONS
NO OPT-OUTS	OPT-OUTS: IN LIEU/OFF SITE
NO OR INEFFECTIVE INCENTIVES	MARKET-RESPONSIVE INCENTIVES

Source for table: Williams et. al., 2016

PROGRAM INCIDENCE: Where IH programs exist, they typically have a geographically bounded, unit or invested public dollar threshold which triggers the need to comply (Deutsch, 2011; Mukhija, Das, Regus, & Tsay, 2015).

BREADTH OF AFFORDABILITY: The "set-aside rate" is the percentage of units required to be below-market rate in a development that triggered the IH program. The most common range is between 10 - 20% of units (Deutsch, 2011). As the set-aside rate increases, project revenues decrease resulting in declining project feasibility (Williams et. al., 2016); although the extent of this decline in feasibility is shaped by the local market context.

DEPTH OF AFFORDABILITY: This is analogous to eligibility discussed earlier. Lowering income levels of below-market units similarly reduces project income thereby reducing feasibility (Williams et. al., 2016).

MANDATORY OR VOLUNTARY: IH policies with voluntary compliance offer developers "density bonuses" beyond current zoning limits if a portion of the units developed are to be built as affordable units. Voluntary IH programs tend to require a greater amount of federal, state and local subsidies or incentives to produce the same amount of affordable housing than would have otherwise been necessary to overcome cost deterrence (Mukhija, Das, Regus, & Tsay, 2015). Mandatory programs tend to create more affordable housing by building the requirement in as a predictable "cost of doing business" (Deutsch, 2011).

To allow for flexibility in mandatory policy contexts, allowances are commonly made in-lieu of onsite affordable units either through cash payments and fees, building affordable units offsite, or land donations (WIlliams et. al., 2016).

COST OFFSETS AND INCENTIVES: Developers rely on federal, state or local subsidies and incentives to bring projects back up to market feasibility and compensate for the production of affordable units (Mukhija, Das, Regus, & Tsay, 2015). These may be predetermined or negotiated on a case-by-case basis. Strategies include:

- Waiving design specifications like parking mandates.
- Density bonuses that allow for more units to be built than would have otherwise been allowed under applicable zoning
- "Waiving, reducing, or allowing delayed payment of impact fees and permit fees typically required of new developments" (Deutsch, 2011).
- "Expediting the permitting process so that development can take place at a faster rate." (Deutsch, 2011)

ENFORCEMENT / STEWARDSHIP

As mentioned earlier, duration of affordability relies on monitoring and enforcement that is backstopped by a stewarding body. Naked Deed Restrictions are termed such because they are at worst assumed to be self-enforcing and at best overseen by the public body that initiated them. Under these arrangements the units are vulnerable to changing policy regimes and local laws that are inconsistent across the nation. Lengths of affordability can range from 5 years to 99-years, until first resale or in perpetuity. As will be discussed later, some state laws place limits on perpetuity (Hickey, Sturtevant & Thaden, 2014; Schuetz, Meltzer & Been, 2009). In these contexts, municipalities, local housing authorities or non-profits may have "first right of refusal" on the units enabling recapture and re-initiation of deed-restrictions between occupants to, in effect, extend the life of affordability in perpetuity (Deutsch, 2011).

SHORTCOMINGS / CHALLENGES

When neglected, self-enforcing deed restrictions fail and are reabsorbed into the market. There are three routes through which failure most often occurs. One might be term expiration in the event of foreclosure, if municipalities do not seek recapture nor respond to limitations placed on perpetuity clauses (Davis, J. E., 2006). Stewardship responsibilities are sometimes willingly abdicated to allow the buyers of deed-restricted homes to benefit from a higher resale price or incentivize maintenance and improvements (Deutsch, 2011). Current and future occupants take these economic considerations to account when "overlooking" resale restrictions in contexts of neglectful monitoring and enforcement.

The most common catalysts for neglectful monitoring and enforcement are resource shortages. Resource and staffing shortages are compounded as inclusionary housing programs grow and contain greater internal complexity and variation (Hickey, Sturtevant & Thaden, 2014).

The literature frequently cites data collection as a challenge to deed-restricted units. A 2021 Grounded Solutions report estimated that there were 1019 inclusionary housing programs in the United States. Besides this, an interview with New Jersey Community Capital revealed that many deed-restrictions are held by developers or funders with the number of applied units not reported to a third-party service. Insufficient documentation of developer, property manager and owner compliance stifle enforcement (Hickey, Sturtevant & Thaden, 2014). According to Mukhija & Mason, 2015, "Most cities lack easily accessible records or fail to update them. Another problem with the available data is that they usually overlook the impacts of in-lieu alternatives to on-site requirements," as well as indirect impacts (Mukhija & Mason, 2015). Variation between inclusionary housing ordinances complicates their comparison on a research and advocate basis (Deutsch, 2011).

VARIATIONS / PARTNERSHIPS

Deed restrictions may be supplemented with additional legal instruments to overcome their vulnerability in monitoring and stewardship. *Deeds of Trust* occurs when the property's legal title is held by the municipality, "as security for the debt that is owed by the homebuyer for receiving the property at below market rate" (Hickey, Sturtevant & Thaden, 2014). By holding a deed of trust, the municipality has greater legal resources in the event of an illegal sale, increases its assurance of notification of default or delinquency, retains the right to remedy, and the right to purchase in-lieu of foreclosure or first right of refusal at resale (Hickey, Sturtevant & Thaden, 2014). Use and resale restrictions, as noted earlier, may also be appended to a homeowner's mortgage that are lifted if the mortgage is paid off or alternatively may be forgiven if the home is resold within affordability parameters (Davis, J. E., 2006).

NOTABLE EXAMPLES

- San Mateo, CA uses deeds of Trust (Hickey, Sturtevant & Thaden, 2014).
- Burlington, VT; Irvine, CA; Chapel Hill, NC; and Denver, CO all work with a CLT in administering deed-restricted homes (Hickey, Sturtevant & Thaden, 2014).

Challenges to administration of deed-restricted housing is frequently addressed through partnership with a third-party stewarding organization. Partnership has been found to reduce administrative costs and improve program performance through organizational specialization (Hickey, Sturtevant & Thaden, 2014; The Urban Institute, 2013). Policies structured with partnership in mind might allow purchase of new deed restricted units by the steward, offer them first right of refusal, or simply place them under their management. In this manner, steward production is facilitated while their operating potential is supported in reaching economies of scale that efficiently allocate labor for monitoring and enforcement (Deutsch, 2011; Hickey, Sturtevant & Thaden, 2014). Deed-restrictions become secondary mechanisms when steward partners are limited-equity cooperatives or community land trusts.

NOTABLE EXAMPLE: THE HOUSING LAND TRUST OF SONOMA COUNTY

The Housing Land Trust of Sonoma County is an example of a CLT that is mindful of the challenges to the permanent affordability of deed restrictions. Sonoma County in California has Inclusionary Housing policies in every municipality and if the IH units are not part of the CLT (which is expanded upon in the CLT section), they are affordable only through deed restriction. When the term of the deed restricted affordability ends after 30-40 years, the affordability is often lost and the unit converts to market rate. However, the Land Trust tries to step in and acquire the properties with expiring deed restrictions so that they can become part of the CLT and become permanently affordable. This process requires the city to buy the unit and donate the land to the CLT. While there are challenges in this process (one being that the particular city needs to have funds available to purchase the property), the dedication of the CLT model to maintaining permanent affordability when a deed restriction expires is an important role for nonprofit stewards to play.

(Information from Interview with Kaitlyn Garfield, Housing Land Trust of Sonoma County, September 1, 2022)

LIMITED EQUITY COOPERATIVES (LEC)

GENERAL / MECHANICS, GOVERNANCE, RIGHTS & RESTRICTIONS

In the Limited Equity Cooperative model, the steward takes the form of a [state-chartered] cooperative housing corporation whose foundational documents reflect the principles and controls of SEH (Ehlenz, M. M., & Taylor, C., 2019). The cooperative housing corporation "owns the deed, holds the mortgage, and pays all municipal taxes and fees on the real estate" (Davis, J. E., 2006; Green & Hanna, 2018). Housing co-ops can be established in a variety of building types including row houses, townhouses, detached houses, and scattered-plot single family; for buildings that include a mix of commercial uses; and in rural areas for farmworker housing or mobile home parks (Davis, J. E., 2006). The most common application however is the multi-family building.

Households enter into this arrangement by purchasing resale restricted shares in the cooperative housing corporation. In exchange, they are issued a lease by the co-op for exclusive use of their SE home. Resident households are SE homeowners in this arrangement, despite only owning shares in the corporation they lease their home from rather than holding direct title to their individual homes. In addition, they are given membership rights within the housing co-op, with voting privileges that confer control over its assets, operations, management and stewardship functions.

Sponsoring organizations are often involved, and can be mission-driven, such as co-ops started by labor unions, religious institutions, or Community Development Organizations that can sponsor co-ops for their members or mission aligned constituents. This was the model for the Mitchell-Lama program in NYC, which we have already referred to, and will be discussed in the policy section.

ENFORCEMENT / STEWARDSHIP

Member-owners elect a board of directors who are responsible for governing the housing co-op. In a LEC each household is assigned a single vote, regardless of the number or value of shares, as is the case in market-rate co-ops (Davis, J. E., 2006). The board is tasked with the responsibilities of stewardship such as collecting monthly maintenance fees, property management budgeting, creating committees, organizing resident-owner workshops, monitoring and enforcing the cooperative unit resale criteria (Green & Hanna, 2018). To aid in management and operations of individual or multiple buildings, it is common for LECs to hire property managers from the co-op sponsor or from the general public that will act on behalf of the directors in these capacities (Saegert, S., & Benítez, L., 2005).

Critical to success in working with outside management companies is that they understand how LECs function, and that the residents ultimately have the control over the decision-making processes. In essence, management companies facilitate the smooth operation and execution of the resident's bylaws, policies, and practices. Often, to ensure that LEC Boards do not dissolve the resale restrictions that maintain the permanent affordability (and thereby convert the housing to a market-rate cooperative), there is a

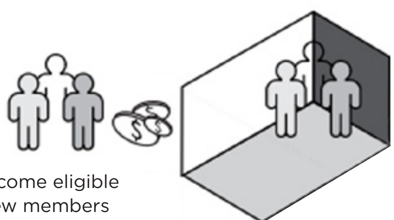
LIMITED EQUITY COOPERATIVE (LEC)

An LEC is a form of affordable, resident-controlled housing in which member-residents jointly own their building through the purchase of shares in a cooperative corporation, securing long-term rights to occupancy. LECs can preserve affordability for low- and moderate-income households by restricting resale values (profit) and establishing income limits for new members.

LIMITED EQUITY

Households are shareholders of a corporation that owns the LEC, and they have exclusive use of the unit, with rights to occupancy secured through a proprietary lease that protects tenants against unjust eviction, places resale restrictions and lasts typically 99 years.

If a household chooses to leave the cooperative, they have a cap on how much they can sell their share based on the LEC's bylaws and other legal documents. The cap on resale values is what keeps the housing affordable and allows the public subsidies and supports provided the LEC to continue to benefit current and future residents.



Income eligible new members purchase equity shares and occupancy rights from outgoing members

Outgoing members leave with the equity they invested, plus the growth in value of the equity of shares they own (minus an ageed%)

COOPERATIVE

In LECs, like with all housing cooperatives, member-residents jointly own their building, have democratic control and benefit socially and economically from living in and owning the cooperative.

Households are shareholders of a corporation that owns the LEC. The corporation, which actually owns the housing, "holds the mortgage, pays the taxes, and carries insurance on property."

The corporation is controlled by a Board of Directors, elected from among shareholders who are the residents and who assign officers to manage the everyday affairs of the cooperative.

In additon to paying for the share, each household also pays a monthly fee, to cover property taxes and operating expenses

Co-op hires maintenance and management service agency or staff

Source: Baiocchi, et. al., 2018

third-party that can limit the ability of boards to do so. This can be another not-for-profit, or it can be a municipal government through some form of regulatory agreement. This outside stewardship is important because resident interests in a cooperative may differ from a community's interests in that cooperative.

OPERATIONS

The circumstances around the target-real estate and organization personnel bear implications for the overall development of co-op housing. The threat of eviction, landlord neglect or foreclosure prompts tenants to organize for collective ownership and control over their housing (Ehlenz, M. M., 2014). Similar to condominiums, co-ops collect monthly fees from their shareholder-residents for operations, maintenance, management and to build a reserve fund for major repairs or emergencies (Ehlenz, M. M., 2014).

LECs are ideally self-governing entities with active resident participation. In practice, resident participation is uneven which, like all forms of small-scale democratic governance, allows for the emergence of labor and power differentials. While onboarding is important, ongoing shareholder training and leadership development is also required, and continuous care and investment are necessary (Saegert, S., & Benítez, L., 2005) to help avoid governance issues affecting long-term operations (Ehlenz, M. M., & Taylor, C., 2019).

SHORTCOMINGS / CHALLENGES

LECs tend to experience three shortcomings in their long-term viability.

First, lack of adequate project financing might make it difficult to get LEC projects off the ground.

While collective ownership lowers ownership barriers for low-income households through blanket mortgages and pooled financing mechanisms, finding lenders willing to finance acquisitions of this "unconventional" nature can be a challenge. In short, there remains a shortage of blanket mortgages available for LECs, and this is a significant constraint on their growth (Ehlenz, M. M., 2014; Linda Levy, 2022, interview). This is compounded by the fact that low-income households already face larger barriers in "financing requirements, available mortgage instruments, insurance restrictions, and

NOTABLE EXAMPLE: DOS PINOS CO-OP

To encourage construction of permanently affordable housing, the City Council of Davis, California, a university town with over 70,000 residents, adopted a policy (1983) that would allow developers to build a sub-division outside of the normal allocation system if they included a 60-unit limited equity housing co-op (LEHC). One developer immediately stepped forward to propose a 60-unit co-op (Dos Pinos). The co-op, completed in 1985, was one of the earliest limited-equity housing cooperatives built under a California state law for LEHC's (1979).

Acording to an analysis more than 30 years later (2017), when the average price of a single-family home was $632,000 and the average market rent for a three-bedroom unit was $2,388, the co-op's monthly costs for a three-bedroom unit were $1,165, 50 percent lower. In 2017, that meant a savings of $14,676 per year over the average market rent.

The combined annual net cash savings for the 60 households living at the co-op relative to the equivalent market-rate rental housing in Davis in 2016 was $679,296, demonstrating that the limited-equity co-op model can generate sizeable disposable household income for very low to moderate income families and create measurable wealth-building opportunities.

Also, because state law requires owner occupancy in an LEHC, all households living at Dos Pinos must be permanent Davis residents, adding to the sense of community. In contrast, most apartment complexes in Davis are 80 percent or more student-occupied. Many families would prefer family-oriented complexes, but for renters, that is not an option in Davis, outside of the co-op.

And the coop has been getting more affordable. In 1985, a family of four needed to earn 111 percent of the area median income to live in a three-bedroom apartment at the co-op. In 2017, they needed to earn only 59 percent of the area median income for the same unit. Households moving in in 2017 were of mixed incomes: 12.5 percent very low income, 25 percent low income, and 25 percent moderate income. No co-op apartment at Dos Pinos has ever been foreclosed, and in 32 years, only one member has been evicted. The vacancy rate is always zero and the vacancy reserve is never used.

Source, Thompson, David, **A Low-Cost Ownership Oasis in a Desert of Apartment Unaffordability (shelterforce.org)**

NOTABLE EXAMPLE: LAFAYETTE HDFC

With support from UHAB, the 51-unit building at 1290 Lafayette Avenue was converted to cooperative ownership in 2000. After UHAB's technical assistance funding ended, resident owners struggled to govern effectively, maintain the property, and accumulated additional debt. In 2022, UHAB reinitiated contact through their Co-op Improvement Program and reengaged concerned board members and shareholders. UHAB provided guidance and resources for seven months, resulting in the first election in more than seven years, the creation of a budget, and the passage of a critical maintenance fee increase. The co-op is exploring a low-cost loan from New York's Department of Housing Preservation and Development. Resident owners now recognize that shareholder buy-in, participation, and support from a knowledgeable and trusted third party were major enablers of their early and recent successes.

the prevalence of subprime lenders in the mortgage market." (Saegert, S., & Benítez, L., 2005).

To overcome acquisition challenges, "sponsoring organizations, financial institutions, and regulatory bodies must develop offering plans, purchase and maintenance terms, and governance and taxation structures that make the LEC investment a prudent one for low-income families." (Saegert, S., & Benítez, L., 2005). And if such frameworks are not in place, residents should not take on the role of resident-owners in a co-op. Technical assistance is needed in order for residents to be able to make the assessment about whether or not ownership makes sense for them.

The second issue is that reliance on self-governance and resident engagement can make co-ops difficult to sustain. On one hand, inevitable disagreements can become open conflicts that become compounded by differences such as class, gender and ethnicity. Though conflict is a necessary and potentially enriching part of cooperative life, owner-members should be trained in conflict resolution skills or, at times, seek the assistance of outside mediation (Saegert, S., & Benítez, L., 2005). Lack of consistent care and investment in tenant organizing, engagement, education, and succession planning can undermine management in the short term and steward viability in the long-term (Ehlenz, M. M., 2014). Resale formulas might become deliberately overlooked or completely forgotten in situations of passive stewardship, as can building maintenance. Therefore, the sustainability of LECs requires attention to ongoing shareholder education and leadership development and the continued awareness of rights and responsibilities of shareholders (Saegert, S., & Benítez, L., 2005). This is an area where technical assistance can play an important role in resident training and leadership development.

The third issue, which we have already alluded to, is that the personal stake of individual shareholders can compete with the community's collective interest in the affordability of the units; although this depends on the context. Over long periods of time or in hot housing-markets, there is increasing incentive for shareholders to dissolve the use restrictions that limit the equity and "cash out" for the prevailing market rate on their cooperative ownership shares (Ehlenz, M. M., 2014). In these scenarios, the co-op might amend its by-laws to become market rate co-ops or dissolve entirely (Davis, J. E., 2006). This is often dealt with pre-emptively by having a third party steward in place to make sure the use restrictions don't get dissolved. The CLT-LEC partnerships that we discuss below are a good examples.

NOTABLE EXAMPLE: 13TH STREET TERRACE

Built in 1920, 13th Street Terrace in Washington DC's Columbia Heights neighborhood became a limited-equity co-op in 1989 when the tenants purchased their buildings, 24 units housed in three-story buildings. In 2013, they came close to opting out of their limited-equity cooperative structure and converting to condominium units.

After the initial condo vote, some residents began to reconsider. They realized that share values would increase from $500 to as high as $300,000. That meant 13th Street Terrace might no longer remain affordable for several residents, many of whom were seniors living alone, or to future low-income occupants.

In 2014, the co-op's board fired the property manager and hired third party community development consultants to help them better understand the condo-versus-co-op situation. Late that year, they voted to abandon the condo conversion and remain a limited-equity co-op.

Through the third party, 13th Street Terrace applied for a construction loan to make long-needed property improvements and complete an interim refinancing. After that, the board reached out to National Cooperative Bank (NCB) for refinancing into a longer-term mortgage. In 2017, 13th Street Terrace secured a $960,000 loan from the bank.

13th Street Terrace is now 100 percent owner-occupied. As an NCB vice president noted, this was a reminder that "independent advice is very important when you're thinking about your co-op's future. There's a whole industry out there that supports co-ops, and boards of directors should take advantage of these resources whenever possible."

Source, NCB.coop website

Finally, there is the concern that LECs might not be willing or able to charge common charges (all corporate mortgage debt and co-op expenses) sufficient to build the capital reserves necessary for long term building maintenance. There are certainly cases where this has been an issue (Skrebutenas, 2022, interview). However, it was not clear from either our interviews or the literature that the lack of willingness of LECs to charge sufficient common charges is a major concern; it is more about the ability to charge and pay necessary common charges. LEC members are individuals with low incomes, the most vulnerable in times of recession and widespread un- or under-employment. LECs concentrate and multiply that risk from an individual one to a collective one.

In New York City, where there is by far the densest concentration of LECs, about 1,200 that provide housing for 25,000 are Housing Development Finance Corporations (HDFCs). HDFCs are affordable housing co-ops legally designated to provide housing to low-income people in New York City. HDFCs house majority people of color, and are most often run by women of color. While the vast majority of HDFCs have managed to continue operating since the program was created in the 1970s, some have fallen into foreclosure or had the city government take action because of lack of maintenance (Stewart, 2018). The issue with many of these was lack of adequate repair prior to resident ownership. As one HDFC consultant put it, "They gave titles to tenants before renovating the properties" (Stewart, 2018).

VARIATIONS

DEED RESTRICTION: If the co-operative builds its affordability covenant into its mortgage agreement, the covenant will expire upon maturity. Deed restrictions can be added to cooperatives holding publicly funded mortgages that are designed to outlive mortgage agreements (Davis, J. E., 2006).

BOARD OF DIRECTORS: Board of Director composition can be modified to control for the problem of shareholder incentives. Non-members or non-residents don't stand to gain from by-law amendments and cannot "cash-out." These "outside directors" can be appointed by the co-op developer at inception or by a majority of co-op residents at a later time in operations (Davis, J. E., 2006). Outside directors act as stewards representing the broader community's interest in preserving affordability and collective wealth [subsidies].

MUTUAL HOUSING ASSOCIATION: In the fortunate and opportune situation that one- or more housing cooperatives exist in a geographic area, they might come together to create a non-profit, Mutual Housing Association. MHAs are created to scale service provision to smaller member cooperatives, lowering their individual operating costs by pooling resources to one property management or professional provider (Lewis, T., Newcomer, B., 2017). An MHA could also be deployed when a housing co-operative or non-profit owns more than one set of land or buildings. In either situation, representatives to the MHA Board are appointed from each co-operative and/or, as well as optional positions for community representatives. Cooper Square, discussed below, in Manhattan has an MHA-LEC structure, but it sits on top of a CLT (Angotti, 2007). Thus, it's a triple-hybrid structure.

LEASEHOLD COOPERATIVES: In a Leasehold Co-operative, a third party owns the land and buildings, renting them as a whole to the housing cooperative. In this model, the member-owner has interest strictly in the co-ops leaseholder rights rather than the property itself. These are often used to allow for Low Income Housing Tax Credits (LIHTC) financing.

CLT - LEC: A modification to a leaseholder co-operative, CLTs make it possible for the LEC and its members to own rather than rent property, while the CLT retains ownership of the land beneath. This SEH variation has multiple advantages that deserve exploration.

First, this layered control of land-decoupling further preserves subsidies invested in SEH by protecting a portion of equity that might have been otherwise lost to speculation through resale while thereby also limiting financial incentives of co-op shareholders to cash-out (Green & Hanna, 2018), and protecting the affordable units should the LEC get into financial difficulties. "If the LEC's governance breaks down and the corporation dissolves, the CLT would retain property ownership and, thus, be in a landlord position" (Ehlenz, M. M., 2014).

Second, LECs confer to the CLT model (discussed later) an added layer of affordability. By requiring a purchase of shares rather than down payments for ownership rights, collective ownership of property increases the accessibility of SE homeownership for lower-income households. Potential LEC residents are able to pool their resources to collectively apply for a blanket mortgage rather than having to qualify for individual financing. In fact, Meghan Ehlenz (2014) analyzed more than ten different LEC-CLT structures from around the country, and all of them exceeded their affordability targets, with some being able to reach as low as 30% - 40% AMI.

Finally, already-established CLT's often lend the residents technical assistance when they are in the process of organizing their LEC (Ehlenz, M. M., 2014). This is particularly helpful in the many parts of the country where the technical assistance ecosystem for LECs is not well built out.

LAND-OWNED COOPERATIVES: In this variation, the land itself is cooperatively owned and leased to members whose properties are on the land. This format differs from CLTs in that the latter is a non-profit corporation free of owners and shareholders. Land-owned cooperatives are commonly used for manufactured housing units or mobile home parks, generally referred to as "Resident Owned Communities."

NOTABLE EXAMPLE: FEDERATION OF SOUTHERN COOPERATIVES

With roots that date back to the Civil Rights Movement, the Federation of Southern Cooperatives (the Federation) was established in 1967 with a mission to save farms and land owned by African Americans in the U.S. South. Today, the Federation achieves its mission through a combination of research, cooperative development training, policy advocacy, and community development.

Although the core work of the Federation has been grounded in the preservation of Black-owned agricultural land, the organization has also played an important role in the production and preservation of affordable housing for low-income rural families. One of the Federation's early efforts to create affordable housing was in 1967 when it assisted a partner organization, the Panola Land Buying Association (PLBA), to acquire around 1,100 acres of land in a foreclosure sale in Sumter County, Alabama. The joint goal of the Federation and the PLBA was to address housing insecurity among Black sharecropper families who had been evicted from the farmland on which they had both lived and worked.

Beyond its partnership with PBLA, the Federation also established its own housing program to address the need for standard, sanitary, and affordable housing among low-income families throughout the U.S. South. In particular, "the FSC's Housing Program assisted [its] member cooperatives in establishing a Cooperative Housing Program." (Source: Amistad Research Center).

To finance the development of rural housing, the Federation leveraged federal resources such as the Farmers Home Administration (FmHA) Section 515 Program administered by the U.S. Department of Agriculture (USDA) which provided financing for the construction of rural rental housing. The subsidized loans from the 515 Rural Rental Housing Program supported the Federation's work to build new rental units; to support the production of self-help housing (where a group constructs its own dwelling units); and to repair, weatherize, relocate or update the utilities of existing properties. Groups that benefited from the Federation's Housing Program included farm workers, the elderly, and high-need families.

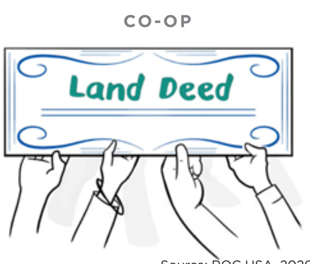
As of its 45th anniversary, the Federation estimated that the economic and social impact of its housing program included "$30 million worth of housing units constructed and rehabilitated." Moreover, the Federation has helped "300 families to secure single family loans and 200 families to secure multi-family and self-help housing solutions." In terms of unit size, the organization has managed the loan packaging and construction of over "250 units of single family housing [and] four rural multi-family projects with 126 units." (Source: Grassroots Economic Organizing). Building on this legacy, the Federation continues to play an important role in providing quality, affordable housing across the U.S. South.

RESIDENT OWNED COMMUNITIES (ROCS)

Source: ROC USA, 2020

GENERAL / MECHANICS, GOVERNANCE, RIGHTS & RESTRICTIONS

Manufactured homes account for two thirds of affordable housing developed in the United States (Durst & Sullivan, 2019), and are therefore an incredibly important affordable housing resource. One part of the savings that makes them affordable is production costs which the Census Bureau estimated in 2021 to be less than half per square foot of a site-built home (Census Bureau, 2021).



Source: ROC USA, 2020

The other part of savings is that manufactured home ownership is separate from land ownership. Manufactured homeowners typically live on land leased from and governed by a private landowner. Consequently, these homeowners are vulnerable to negligent management causing disrepair, undue rent increases, and unconsented land dispossession through for-profit sale (Freddie Mac, n.d.; Carlsson, 2019). These vulnerabilities are compounded over longer periods of time as manufactured homeowners become tied to the land by way of existing community support systems and relationships, high costs of moving, and the structural damages moving older homes can cause (Freddie Mac, n.d.).

Converting the land into a limited-equity, resident-owned cooperative allows manufactured homeowners to have democratic control over their community and prevent displacement by ensuring long-term affordability (Carlsson, 2019). ROCs are typically non-profit cooperatives that assume ownership of the land, infrastructure, and facilities while preserving individual ownership of the manufactured homes. Residents become members who have a say on major decisions through voting rights, establish the cooperative's bylaws and community rules, and elect a Board of Directors to oversee day-to-day operations (Freddie Mac, n.d., Green & Hanna, 2018).

ENFORCEMENT / STEWARDSHIP

In the establishment of their resident owned cooperative, manufactured homeowners must purchase membership interest. For limited equity ROCs this is typically between $100 - $1000 resulting in very little to no community equity contributed. Hence, ROCs typically seek financing from favorable lenders like ROC Capital (Freddie Mac, n.d.; Lamb, Z., Shi, L., Silva, S., & Spicer, J., 2022). For this reason, the limited equity ROC is synonymous with technical assistance and financial support provider ROC USA, who supports the conversion of manufactured housing communities into ROCs (Freddie Mac, n.d.). As a condition of working with ROC USA, MH communities build membership price and land resale restrictions into their articles of incorporation (Lamb, Z., Shi, L., Silva, S., & Spicer, J., 2022; O'Hara, 2022, interview). These restrictions limit the appreciation value of memberships and require that if the community "is sold to a third-party investor and reverts to a rental regime, any profits made from the sale must be donated to an affordable housing non-profit" (Freddie Mac, n.d.). Notably, as of 2017, "not one of the now more than 200 resident-owned communities that received purchase assistance from the ROC USA Network since its founding in 2008 has failed, faced foreclosure, filed for bankruptcy, or sold its community" (Catto, 2017) ROCs that operate outside of the ROC USA framework do not necessarily impose resale restrictions on private home sales within their by-laws or articles. It is common, however, that eligibility priority is given to low-income households. (Lamb, Z., Shi, L., Silva, S., & Spicer, J., 2022). Despite resale restrictions on sale of the land, ROC homeowners are able to sell their home at a fair market value, sometimes even receiving offers above asking from those who want to live in a resident-owned cooperative (Catto, 2017).

OPERATIONS

To convert a manufactured housing community into a resident owned cooperative, it is best practice to seek over 75% resident buy-in. ROC USA requires a minimum 51% at the time of conversion with the expectation of membership increases. In conversations with ROC USA, it was clear that this minimum threshold is not a concern, and in the MH communities they work with, buy-in is always much more substantial. If converted successfully, those residents who choose not to become cooperative members simply continue leasing from the ROC for market rent. Any subsequent resident must become a cooperative member (Freddie Mac, n.d.).

ROCs rely on resident maintenance fees for debt servicing, operating expenses, services, and building reserves for infrastructure improvements. As a non-profit cooperative, typical ROCs operate near break-even (Freddie Mac, n.d.). Any financial surpluses at the end of the year can either be put into a capital improvement fund; towards the following year's expenses; or returned to the members as a dividend (Green & Hanna, 2018).

After initial resident takeover, maintenance fees are generally higher than previous market rate MHC rents in order to perform financier mandated infrastructure improvements, which are often necessary because of prior inadequate investment in community infrastructure. Yet they increase at a slower rate (0.86% annually) than their market rate counterpart (3.9% annually), becoming cheaper after year 5 (Freddie Mac, n.d.). The Freddie Mac report notes that this is because ROCs have eliminated the investor interest in increasing economic returns (ibid.).

It is common for ROCs to balance their Board and member committees with property management and financial services to "avoid conflicts of interest and ensure operational efficiency" (Catto, 2017).

SHORTCOMINGS / CHALLENGES

ROCs are relatively small, but they are growing rapidly, and in the short time since they emerged, they have grown to 2.3% of the approximately 45,600 MHCs nationwide (Lamb, et al., 2022). Barriers to successful conversion include resident organization, accessibility of financing, policy and technical assistance provision. All of these factors need to either be aligned or align from the time that the land goes on the market to close, a window of roughly 60 days (Freddie Mac, n.d.).

INFORMAL SETTLEMENTS

Though unclear, there are instances of collectively owned manufactured housing communities emerging from informal settlements. Informal settlements are defined as residents purchasing a tract of land and incrementally building a home or making improvements on the lot over a long period of time outside of zoning regulation (Durst & Sullivan, 2019).

NOTABLE EXAMPLE: RURAL CALIFORNIA POLANCOS

These emerged from the 1992 Farm Labor Housing Protection Act (popularly known as the Polanco Bill) which "allowed farmers and landowners to provide up to 12 units for single-family occupation on land zoned for agriculture" (Mukhija & Mason, 2015). While many landowners took advantage of this provision to build substandard housing, there are pockets of farmworkers who collectively bought vacant agricultural land to develop informal housing cooperatives (ibid.). A major setback to considering these as SEH is that, despite them being collectively purchased, maintained and governed, formal records often only show one owner (ibid.). Without clear process to facilitate sales or inheritance of property interests, "there are likely to be conflicts and lack of clarity in property transfers" and little change of formal policy and legal support (ibid.).

NOTABLE EXAMPLE: BROOKSIDE VILLAGE AND SUNSET ACRES (PLAINVILLE, MASS)

In many ways the story of these two ROCs is typical, rather than atypical. These ROCs are both within the same small town of Plainville, Massachusetts, they are both retirement communities, and they both were going to be sold in 2019 to an investment company from New Jersey. The growth of investor ownership of manufactured housing communities is one of the defining features of this type of housing, and it represents a major threat to the affordability of this stock. The two housing communities worked with ROC USA and the Cooperative Development Institute (CDI) (CDI has worked to support the growth of ROCs in New England) to purchase the lands of these communities. The State of Massachusetts's "Opportunity to Purchase" law (discussed in the Policies section below) enabled the communities to match offers made by the outside investors. Both communities overwhelmingly supported pursuing ROC conversion—Brookside voted unanimously and Sunset Acres with 95% support (Reilly, 2020).

COMMUNITY LAND TRUSTS (CLTS)

Within the ecosystem of SEH, Community Land Trusts (CLTs) are perhaps the most innovative, adaptive, and diverse form of the models (Ehlenz, 2014). This can largely be attributed to the fact that CLTs in the U.S. were initially created and utilized in the 1960's as vehicles for rural low-income Black communities to collectively own and control land in a nation that was and is vested in a politics of racialized exclusion. Over time this model has adapted and proliferated itself in urban spaces as well (Davis, 2020). In an interview with John Davis (2022), he put this very simply, "the model is the innovation in itself."

Given this adaptability, the expressed missions of CLTs are incredibly diverse and heterogeneous. There are CLTs that embody the most radical part of shared equity housing, community governance, and to the extent possible, a divestment from extractive capitalism through forms of the solidarity economy. And there are CLTs that are affordable housing providers with no meaningful community governance. This adaptability has led to CLTs being utilized for agricultural, commercial, and housing projects, with affordable housing being the primary form (Thaden, 2012).

GENERAL / MECHANICS, GOVERNANCE, RIGHTS & RESTRICTIONS

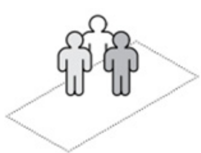
The overwhelming majority of CLTs are incorporated as non-profit organizations (even if they often emerge from a pre-existing non-profit). The CLT owns the land in its portfolio in trust. It then leases the land to community members (who can be individuals, or

COMMUNITY LAND TRUST (CLT)

A CLT is a community controlled nonprofit organization that acquires, owns and manages land and housing on behalf and to the benefit of a specific community.

COMMUNITY

The CLT serves a community of people, most often defined by those who live within a specific geographic area. Many CLTs are membership based organizations.



LAND

The CLT acquires and retains land, taking it off the real sestate market and placing it under community control through the nonprofit organization which holds the land in trust.

The CLT is a dual-ownership model that separates ownership of the land from ownership of housing.

TRUST

The CLT is a democratically governed organization. Founded on the principles of community control, residents participate in determining what happens to their housing. They also choose who sits on a governing body.

EQUITABLE DEVELOPMENT

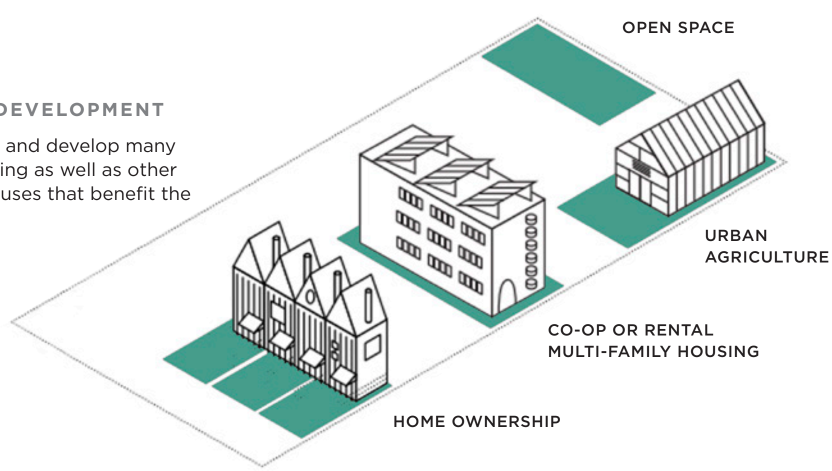
Residents who live on and around the land guide the development process through participatory planning and direct democracy.

AFFORDABILITY

CLTs can provide highly affordable housing by removing the speculative cost of land from the cost of housing, providing below-market ground leases and restrictive resale.

FLEXIBLE DEVELOPMENT

CLTs can own and develop many types of housing as well as other types of land uses that benefit the community.



another [non-profit] corporation) who usually own the improvements on the land.

For homeownership CLTs, the homeowners do not own the land, but they do own their homes and sign a ground lease for the use of the land. While single family homeownership is the most common form that CLTs take, they do also include substantial numbers of rental and co-op units—which combined made up almost half the units on CLTs in the Grounded Solutions Network's member data in 2014[12]. Apart from LECs and renters, CLT residents have to qualify for traditional mortgage financing to acquire their home.

In the classic CLT model, the ground lease is what largely shapes the rights and restrictions for the CLT and owners. The typical ground lease runs for 99 years, and is both renewable and generationally transferable. The leases include agreements about the CLT's resale formula, which determines the amount of return on appreciated value that can be realized by the homeowner/resident. For the CLT, this formula determines how much subsidy retention is captured in the land value. This decision is made by the CLT, and requires consideration of this balance as it defines both wealth building through equity and what permanent affordability looks like. The CLT also charges a "ground lease fee" which helps pay for long term stewardship of the land and its improvements.

As permanent affordability is a foundational commitment of CLTs, income caps are often utilized to protect access. HUD's Area Median Income (AMI), is the most commonly used measure for CLTs, with AMI caps of 80% being the most frequent (Thaden, 2012). Resale formulae vary substantially among CLTs, depending on how much emphasis a CLT places on household wealth accumulation, relative to the goals of community stability and permanent affordability.

CLTs can place a heavy emphasis on community engagement and governance, but this too varies. When CLTs prioritize community governance, this is most commonly reflected in the composition of the CLT's board of directors, which has historically been on a tripartite structure: one-third CLT leaseholders, one-third non-leaseholding community members, and one-third other stakeholders/experts. The tripartite board protects community decision making around issues like mission, acquisition, development, and affordability.

12 As we already indicated Grounded Solutions is currently in the field surveying CLTs and its other members. The new data should be available some time in the next 12 months.

While many CLTs do not have this board structure (see DeFilippis, Stromberg, and Williams, 2017), this board composition has the benefit of qualifying them as Community Housing Development Organizations (CHDOs), which enables them to get federal HOME grant dollars.

OPERATIONS

CLT operations include the development or purchase/rehab and resale of units, as well as the comprehensive and ongoing resident education to support secure tenure. These educational components are typified by pre and post-purchase education as well as classes on maintenance and wealth building (Thaden, 2011) (Davis, 2022). In many CLT's, part of the stewardship of operations is foreclosure prevention programs for residents. Through these programs the steward assumes the role of advocate, educator, and sometimes financial intervener if a property goes into foreclosure. Lastly, while maintenance of the land is under the auspices of the steward, the maintenance of the buildings are typically the responsibility of the resident. However, the steward does inspect, and in some cases provide funds for major repairs (Thaden, 2012).

The operations of CLTs are funded through both external and internal sources. As nonprofits, they are able to access various grants and other sources to support much of their mission directed operations. Internally they are able to generate revenue through developer fees when they act as a developer of properties, sales fees when a property is sold, and ground lease fees, which are paid monthly by the leaseholder to the CLT. An important aspect of the roles ground lease fees play in CLT's is that they are pre-calculated into measures of affordability, along with taxes, insurance, etc, to protect residents from being rent burdened after purchase (Thaden, 2012) (Ehlenz, M. M., 2014).

SHORTCOMINGS / CHALLENGES

ACCESSIBLE AND AFFORDABLE FOR WHOM?

A major challenge of the CLT housing model is that for residents to purchase a home they have to qualify for traditional mortgages (Thaden, 2012). This can prevent very low-income households from being able to participate given that they often do not have the credit history or financial resources to be viable candidates for the loan. However, adaptations to the model, specifically the pairing of CLTs with LECs has allowed for CLTs to reach lower-income households (Ehlenz, M. M., 2014).

NOTABLE CASE: CITY OF LAKES CLT, MINNEAPOLIS, MN

Formed in 2002 from a collaboration between a set of neighborhood organizations in the Powderhorn neighborhood and citywide housing advocates, the CLCLT has grown to become a national leader in the CLT movement. It currently has more than 300 houses in its portfolio. It merged with the Minneapolis Housing Services in 2015, and now administers a community loan fund to help homebuyers. In 2016 CLCLT hired a real estate agent, to allow that part of the process to occur more efficiently. In 2019 it branched out of housing and initiated the Commercial Land Trust to preserve the affordability of commercial space in the city. The expansion to commercial activity is a reminder that CLTs are about community interests in land, rather than just housing. Finally, the steady growth of the CLCLT is an example of how to grow to scale at a pace that is sustainable. For more information, **https://www.clclt.org**

LIMITED EQUITY

Perhaps the most common critique of CLTs is that the limited equity return upon resale impedes low-income households' ability to build wealth at the same rate as commodified housing (Davis, 2010). This is true to some extent, but research shows the majority of homeowners in CLTs receive a rate of return on their investment that meets or exceeds that of an investment in the S&P 500 or a 10 year Treasury Bond (Ehlenz, M. M., 2014). When compared to renting, the retention of equity provided by affordable homeownership through a CLT is a benefit. It is also important to recognize that for many residents, homeownership at a CLT acts as a launchpad from which many then transition into market-rate SFH (Davis, 2010).

VARIATIONS

DEED RESTRICTION

While it is not common, there are cases where CLTs will be part of condominium developments and use deed restrictions to preserve the affordability of the housing units (City of Lakes CLT in Minneapolis has done this). In the case of Sonoma County, California, the municipalities partnered with the CLT to have the deed restricted units that emerge from its inclusionary zoning go into the CLT, thus providing a source of new properties for the CLT, and ensuring the deed restricted units remain permanently affordable (without burdening the local governments in the county with oversight and monitoring).

CLT - LEC

As discussed earlier, this allows for a CLT to expand homeownership to lower-income households through an LEC, while maintaining ownership of the land. This adaptation also gives LEC shareholders the ongoing technical assistance provided through a CLT (Ehlenz, M. M., 2014).

NOTABLE EXAMPLE: THE COOPER SQUARE CLT

The Cooper Square CLT was formed in 1991 after 30 years of struggle against displacement in the area. It has 21 buildings and 328 apartments on its lands. The housing is collectively governed by its residents in a Mutual Housing Association, which was created at the same time as the CLT. Over the course of the 30 years, the buildings have converted from rental to cooperative ownership. Thus, the individual buildings are LECs, the residential buildings as a whole are governed through an MHA, and a CLT owns the land underneath all of those buildings. It is a complex governing structure, but it is one that provides layers of protection of resident and community interests.

INDIGENOUS LAND TRUSTS

Though there is not a lot of literature on Indigenous-led land trusts, they can serve Native individuals and communities as a tool for advancing governance aspirations and reclaiming sovereignty (Papadopoulos, 2021) and should be explored through discussion with individuals and leaders from Native communities. The land trust model can support various goals and needs of Native communities.

NATION BUILDING

The Indigenous Circle of Experts (2018) describe Indigenous governance as a model whereby the "sole decision-making power is situated in the hands of the Indigenous nation, community or organization that has authority over those areas" and is rooted in their respective laws, customs and governance systems (Papadopoulos, 2021). They see Indigenous Protected and Conserved Areas (IPCAs) as creating *reconciliation regions* or "areas focused on rebuilding Indigenous nations and communities" (Indigenous Circle of Experts, 2018). Within this vein, the Wiyot Tribe's Dishgamu Humboldt Community Land Trust can be seen as a nation-building endeavor (Interview 1, August 19, 2022). As described on their website "We facilitate the return of Wiyot ancestral lands to Wiyot stewardship, putting land in trust for the purposes of environmental and cultural restoration, regenerative economic development, and affordable housing creation."[13]

Three aspects of nation building through land trusts are worth noting. First, the ILT supports intergenerational engagement with Elders and Knowledge Holders to transfer cultural knowledge, teachings, stories, language, values, laws, customs and relationships to land (Papadopoulos, 2021). Second, that at an inter-community level these can be outward facing opportunities for non-Indigenous settler folks to learn about Indigenous heritage, history and worldviews (Papadopoulos, 2021). Third, that outsiders can be engaged in political education (Cobb Interview).

TENURE

Housing Tenures grounded in Indigenous law and culture "serve as a forum for demonstrating how to live well and respect each other and the land and water based on teachings from the land and Elders" (Indigenous Circle of Experts, 2018). The land trust "shared ownership" or shared equity model is cited as a driver of success for the Little Earth Minnesota community for the need for "families to build equity while remaining connected to community" (Gibbons, 2016). Additionally, the consideration for community wealth and durable affordability for future generations makes community land trusts resonate with the traditional Indigenous Seven Generations Teaching (Gibbons, 2016).

13 **https://www.wiyot.us/350/Dishgamu-Humboldt-Community-Land-Trust**

ORGANIZING WITH INDIGENOUS PEOPLES

> *"National Indigenous organizations, as well as provincial/territorial Indigenous organizations, are not seen as the central conduits for IPCA development or funding models. Due to the highly localized and geographically specific nature of IPCAs, it would be best to ensure a nation-to-nation approach that is not led by national Indigenous organizations or NGOs, but by Indigenous Peoples and their governments. All too often, such organizations are perceived as convenient entry points for funds, programs, initiatives and development relating to Indigenous Peoples. Unfortunately, sometimes this results in a bottleneck of funds and opportunities that do not end up having real, on-the-ground impacts for communities." (Indigenous Circle of Experts, 2018)*

LEGAL GEOGRAPHIES

The legal frameworks for Nations and how they interact with state and federal legal frameworks is highly complex. Indigenous Land title within the settler legal system lies at the nexus of zoning, title systems, taxation, and governance, often striking at the root of these frameworks. Research thus far only looks at title systems.

The Land Titles System is used to register interests in land, offering state guarantee for those interests, security against all prior interests, and possible recourse if necessary (Bankes, Mascher & Hamilton, 2014). Future research should consider "whether it is possible to preserve the integrity of indigenous conceptions of property within settler state land titles systems." Bankes, Mascher & Hamilton (2014) offer a typology for thinking about the recognition of Aboriginal title and its interactions with the Canadian settler state land titles system of the settler state, which can guide future research for the American context.

NOTABLE EXAMPLES & VARIATIONS

Little Earth Land Trust (Minnesota) — Little Earth of United Tribes is an Indigenous preference project-based Section 8 rental assistance community housing residents of 32 different Tribes that partnered with the City of Lakes Community Land Trust to provide affordable home ownership (Gibbons, 2016). This partnership was part of a larger community development and revitalization strategy to advance resident ownership, build credit, stabilize the community and acquire assets for the community (Gibbons, 2016). See more at **www.littleearth.org**

Sespite'tmnej Kmitkinu Conservancy (Nova Scotia, Canada) — The creation of the Sespite'tmnej Kmitkinu Conservancy Land Trust is a tool to establish or facilitate the Nova Scotia Mi'kmaq governance over fee-simple private lands through purchase and conservation or community easements (Papadopoulos, 2021). Purchasing and easing lands through a Land Trust, rather than through legislation or litigation, is a quicker and more direct way to achieve Mi'kmaw governance over an area (Papadopoulos, 2021). "the values and core operating principles of the land trust will be rooted in Mi'kmaw values, laws, and governance principles which will elevate Mi'kmaw worldviews and approaches to governing relations to lands and waters" (Papadopoulos, 2021). The Board of Directors includes representatives from each of the 13 Mi'kmaw communities, a youth representative, as well as a Mi'kmaw Elder. Although the land trust governance tool "still functions within the western operating system" there is still room to mobilize change by instituting sole Mi'kmaq decision-making power, and "determining land relations from a Mi'kmaw worldview that can be communicated through the trust while supporting capacity-building and leadership" through auxiliary community programs (Papadopoulos, 2021).

TECHNICAL ASSISTANCE

Source and permission: UHAB

Technical assistance (TA) can play a crucial role in promoting the short-term and long-term success of SEH organizations. With their unique legal, governance, and financial structures, SEH models require that organizations acquire a substantial amount of procedural knowledge in order to effectively navigate the process of planning, developing, and operating shared equity homes.

Given the complexity of establishing and managing SEH models, TA may prove vital in helping organizations to resolve development challenges as they arise. TA is a process that identifies the specific development needs of SEH organizations and delivers customized support to build their capacity to meet those needs. TA typically focuses on building organizational capacity through education, training, and consultation.

Development needs manifest in SEH organizations when they lack the resource capacity to address operational or programmatic issues that may threaten their sustainability or growth. The development challenges found in SEH models may relate to an organization's lack of capacity in one of the following areas: financial capacity (e.g., money and capital); human resources capacity (e.g., worker skills and talent); physical capacity (e.g., land and real property); or political capacity (e.g., political influence).

In real terms, limited capacity could mean that SEH organizations find themselves with inadequate resources to overcome challenges related to their financial health; the position of their legal risk; the effectiveness of their staff or leadership; the acquisition or maintenance of real estate assets or infrastructure; or their level of political or community support.

CRITICAL AREAS OF TA SUPPORT

SEH organizations face important challenges in and thus, have important needs in, the areas of (1) organizational development, or organizational management, and (2) physical development, or land development. These are the two areas where TA can be most helpful. TA can help SEH entities with organizational development by building the capacity of their staff, leadership board, and residents to acquire the management skills needed to run an effective operation.

ORGANIZATIONAL DEVELOPMENT

At different stages of a SEH's organizational development there are different kinds of technical assistance needed. We discuss these stages here.

STARTUP

Startup tasks include organizing the residents (in ROCs and LECs, in particular, since those may be in pre-existing buildings), the creation of business plans and bylaws, and filing incorporation documentation. Examples of the types of TA provided include groups such as Burlington Associates provide start-up support to CLTs by helping them craft business plans. The New York City Community Land Initiative (NYCCLI) helps community groups form CLTs in New York City, and Take Root Justice provides legal assistance with incorporation and writing by-laws. Urban Homesteaders Assistance Board (UHAB) assists residents in multi-family buildings when they begin to organize themselves to be co-op owners. ROC USA helps residents in manufacturing housing communities organize themselves, put together boards, and adopt bylaws; state-specific needs such as filing incorporation documents with the state may be addressed by local providers or consultants. National housing and economic empowerment community development group NeighborWorks has become increasingly active doing shared equity TA. It has partnered with Grounded Solutions to help create a CLT in Memphis, TN, and worked through its local affiliate in Montana to provide TA for the creation of 15 ROCs in that state.

STEWARDSHIP

Stewardship means protecting or preserving a resource, such as land, over a long period. Stewardship has three components: affordability, tenure security, and property management.

Affordability

Promoting housing affordability is at the heart of the mission of all SEH models, but different situations can threaten an SEH entity's ability to maintain affordability. For CLTs, resale values that are too high for low-income home seekers can threaten affordability. For co-ops, resident decisions to convert buildings to market rate housing can threaten affordability. For deed restricted units, the faulty enforcement of restrictions can threaten affordability. TA providers can help SEH organizations with each of these issue areas. Burlington Associates, for example, helps CLTs create appropriate resale formulas that balance the existing homeowner's ability to gain equity from the sale of their home with the CLT's priority to keep the home price affordable for the next homebuyer. UHAB helps co-ops build the self-management skills needed for self-governance so that board members inform residents about the downside of market rate conversions. UHAB also works to encourage permanent affordability by placing LECs on CLTs.

Tenure Security

Tenure security relates to the process of helping existing homeowners to maintain legal ownership of their homes. One of the most well-known examples of a threat to ownership tenure is foreclosure. When homeowners are behind on their mortgage payments or their home is underwater where the value of the home is less than the debt placed on it, then they need emergency intervention. TA providers can help CLTs counsel their homeowners through a process of foreclosure prevention. LECs in New York City have sometimes struggled with property tax payments, and TA providers like the lawyers at Take Root Justice and members of the HDFC Coalition have worked with LECs in their dealings with the city to retain their properties and secure their tenure. Having housing counseling or financial coaching services can provide key support to help people with income volatility or other challenges that people with low incomes often face.

Property Management

To maintain the integrity of their housing portfolio, all SEH entities and/or their residents will inevitably face decisions related to property management. For CLTs, decisions around property management are typically shared between the CLT and the homeowner where the CLT maintains property in common spaces and, possibly, around the home's exterior while the homeowner is responsible for repairs to the interior of the home. A similar cost-sharing arrangement exists for co-ops, where the co-op corporation maintains the condition of common areas and resident-owners handle upkeep for their individual units. ROCs are similarly responsible for the land and infrastructure of their communities. TA providers help create legal agreements that delineate the shared responsibilities between SEH entities and their residents. For example, one of the services of the National Association of Housing Cooperatives (NAHC) makes available to its LEC members is property management support and training.

Moreover, when SEH entities or their residents face major capital improvements such as roof replacements or upgrading a heating or cooling system, they may need to apply for a loan to finance the cost of those large-scale repairs. TA providers like Grounded Solutions Network and state associations of CLTs help CLT homeowners to find mortgage lenders that can finance their repairs. For co-op corporations, TA providers like UHAB advise them on which financial lenders to apply to for loans.

DEMOCRATIC GOVERNANCE

A key feature of many SEH models is their incorporation of democratic forms of governance where residents themselves collectively make decisions about investments in and improvements to the housing project. Democratic governance can take the form of self-governance as is the case with co-ops or shared governance as is the case with CLTs. However, collective decision-making can be challenging. Resident involvement does not just happen, it takes an intentional effort on the part of the SEH entity to sustain resident engagement, and technical assistance can help with ongoing trainings in democratic governance.

Governance can mean self (co-op board) or it could be in the context of shared governance. Cooperative housing is structured to have the cooperative corporation be governed by board members who are themselves resident owners and who are democratically elected by their peers. TA providers like UHAB for LECs and ROC USA for ROCs provide board training for co-op leaders and education for co-op residents so that they understand the role that they play in the management of the co-op as well. These TA providers also provide training on resident engagement strategies.

For ROCs and LECs undergoing conversion from investor ownership to resident ownership, the road to self-governance begins early in the process with resident organizing. ROCs need to begin the process of resident organizing to mobilize enough residents to vote to approve the conversion and move forward with the other stages of purchase. TA providers like UHAB and ROC USA help resident communities organize themselves to garner enough membership votes for conversion, and often have a limited time in which to work with the groups. Although resident organizing is especially critical at the early stages of a co-op's development, it is an important task throughout the co-op's life cycle. Because co-ops will continually face new issues to resolve, the process of resident education does not end after a successful conversion or after a new co-op building has been constructed and leased up.

As discussed in the CLT section above, CLTs often want to engage residents and community members in their work and give them the power to contribute to important decision-making about existing or future development projects. TA providers train CLT leaders on community organizing skills and on engaging community members in shared decision making.

PHYSICAL DEVELOPMENT

For physical development, SEH entities need their staff and leadership board to gain knowledge of how to navigate three major phases of real estate development. For new construction projects, those three phases include: pre-development, construction, and post-purchase. For conversion projects that involve land with pre-built structures that are moving from investor ownership to resident ownership as is most common with LECs and ROCs, the phases are: pre-purchase, purchase, rehab and post-purchase.

Pre-development and Pre-purchase

For both the pre-development and pre-purchase phase, one of the major tasks involved includes due diligence. This is a process where the SEH entity evaluates the subject property or land to identify any concerning issues such as problems with the title deed or environmental hazards. For conversion projects, it is also important to assess the quality of the existing infrastructure and the need for immediate repairs. TA providers like ROC USA walk new resident communities through the process of due diligence. Connecting national networks to local expertise can be effective when capacity is limited, including through UHAB's national work to identify local experts through its sixthprinciple.coop effort.

In addition, both new construction and conversion projects need to secure financing to acquire the land. TA providers can help co-ops find financing through federal loan programs like HUD's Section 213.

For new construction projects only, SEH entities also need to assemble a real estate development team that consists of lawyers, architects, and general contractors. This has to be locally done, since the knowledge of development team members is often geographically specific. TA providers like UHAB and the New Economy Project help SEH organizations assemble development teams in New York City; UHAB also does similar work nationally.

Development and Purchase

For both new construction and conversion projects, a major task includes securing permanent financing. Permanent financing is a loan that will "take out" or replace construction or pre-development loans. TA providers such as management and lending firm members of NAHC provide co-ops assistance with finding permanent sources of debt financing.

For new construction projects specifically, SEH entities also need to oversee the vertical construction process of their real property. TA providers such as Hester Street (NYC) help CLTs and LECs to manage the construction process.

Post-Development and Post-Purchase

For both new construction and conversion projects, the major priority of SEH organizations becomes the initial and ongoing occupancy which includes the process of marketing, selling, and re-selling their housing units to homebuyers. TA providers help CLTs understand how to market and sell their units and at what price. They may also help CLTs create resale formulas that are appropriate to meet their goals of promoting homeowner equity and affordability. Knowing how to communicate the rights and responsibilities of these models with potential residents/owners is crucial to help with governance and management issues later on.

Another major priority becomes ongoing property management which includes the management of minor or major building repairs. TA providers help co-ops find financing and engage in self-governance to make decisions on building maintenance. A big challenge for SEH has been to identify and work with management firms that understand unique governance and operational issues. NAHC, for example, offers a cooperative property management training course.

At times, SEH entities may need to secure additional loans to finance property upgrades and repairs. TA providers like UHAB and ROC USA can help LECs and ROCs, respectively, to find financing options to fund those repairs and also prepare the prepare the property. ROC's model is unique in that it has its own financing arm, which can help support communities over the long-term, an activity very much needed with SEH housing if it is to provide permanent affordability. Nationally, UHAB provides extensive stewardship support throughout process for groups developing LECs but who are resource constrained.

GAPS IN TA DELIVERY

As the examples above illustrate, TA can be incredibly important to SEH organizations when used at critical moments in their growth and development. However, there are substantial gaps that exist between what SEH entities need and what TA providers offer or what TA capacity is available. The gaps in TA service delivery relate to three areas: content, connection, and coordination. Each of these gap areas will be discussed in turn.

CONTENT

In interviews, TA providers and SEH organizations mentioned that there are not enough training opportunities for SEH leaders to build specialized technical knowledge of advanced topics. For CLTs, especially, advanced topics relate to calculating resale formulas and creating hybrid organizations to facilitate CLT and co-op structures. For example, representatives of LISC, a national affordable housing and community development organization, echoed similar concerns that too few advanced skill training programs are available for the SEH community. A representative of Oakland CLT emphasized that there is available training for the basics in SEH, but once organizations became more established and started to take on larger projects with more partners and more complex financing, there wasn't TA to provide any assistance. As he put it, "there are lots of intro classes; but we need graduate level courses."

Moreover, training programs lack longevity and are at risk of discontinuation. Popular training programs that used to exist have since been defunded or discontinued such as the CLT Academy led by John Davis until 2012. Since its closure, no equivalent training program has filled this vacuum. Grounded Solutions does offer online training webinars to members and some discuss advanced topics. However, these trainings may be limited in their reach in the sense that they mostly attract an audience of dues-paying members or they require CLTs to pay fees beyond what their budgets will allow. Publicly funded SEH capacity building, like the one in New York City and the new one established in Chicago, are always at risk of not being re-appropriated (and added time spent on advocacy for their renewal swallows up valuable time and energy that the TA providers could be using elsewhere). UHAB is developing a national incubator program, with follow on consulting to help fill the gap but financing and support is needed to meet increasing demand and reach scale.

CONNECTION TO SUPPORT

The research also shows that there are gaps in the connectivity between SEH entities and TA providers. An uneven distribution of TA capacity exists where certain areas have concentrations of TA support while others have little. This is, in part, a result of the fact that TA services follow demand. If certain regions of the country have strongholds of certain types of SEH models, then they will attract supporting industries and consultants. More importantly, TA is best provided by those who have been practitioners, and much of their knowledge will be locally-rooted (how to deal with the particular idiosyncrasies of different municipal departments; who the most reliable development partners are; etc.). Finally, much of the TA that does occur in SEH is peer learning among practitioners in a place. This can be informal conversations, or more formalized workshops which SEH providers do for other practitioners. Thus, a place's experience with SEH becomes an important enabling factor in local TA capacity (which, in turn, leads to more experience with SEH in that place).

For CLTs, strongholds exist in the Northeast (New England and New York State), the West (California), and Midwest (Minnesota). Not surprisingly, many TA consultants are located in those areas and generate significant activity there. For LECs, strongholds exist in the Northeast (New York City) and Midwest (Minnesota). Significant numbers of TA providers are headquartered there. For ROCs, concentrations of TA activity happen primarily in rural areas of the Northeast (New Hampshire), the West (Oregon), Midwest (South Dakota), and the South (North Carolina and Florida). If SEH organizations have models that are not found in the regions with concentrated TA activity, it may be harder for them to access TA services.

COORDINATION

A recurring theme from the research highlighted how there is no centralized coordination of TA provision at a national or state level[14]. Instead, TA provision is often decentralized where every TA provider creates a consultant business that has various extents of geographic reach and impact. Some TA providers offer their services on a national level and work with SEH entities across the nation. While others create boutique consultant firms that find niche markets in particular states. In this sense, TA service delivery is very localized and decentralized, though there are efforts for national support networks.

Although there is some flexibility that comes with decentralization, it also represents a missed opportunity for TA providers to create a collaborative network that enables shared learning, innovation, and information exchange that would reach SEH entities at a larger scale and scale up the production of training and educational materials that can help SEH entities located across the country to grow. Increasing the coordination between TA providers and reducing silos in their exchange of ideas and collaboration could help scale up the delivery of TA services virtually or in-person for SEH organizations. The National Association of Cooperatives (NAHC) lost most of their capacity over a decade ago to provide countrywide TA, and UHAB took on a national role to fill the gap, but there is need for more resources for TA for co-ops.

A lack of coordination can also lead to a duplication of effort among TA providers where a TA provider in one state is producing the same training materials as a provider in another state. TA providers have indicated that they would be open to opportunities to collaborate with other TA providers on the development of training resources to reduce duplication and improve coordinated efforts. What is missing is a coordinating body to facilitate that collaboration. What's more is that if those training materials are proprietary, as they often are, then it stifles the ability of the broader community to gain that knowledge without contracting with the TA provider.

Moreover, a disconnect exists between national professional networks and associations and SEH organizations. For example, the National Association of Housing Cooperatives (NAHC) has volunteer board members, who may not have the capacity or time to engage with every member in their organization on a one-to-one basis. This reduces the strength of the bond between national organizations and SEH organizations locally. SEH organizations may be unaware of new training programs and initiatives created by professional associations and thus, be unable to use them in a timely way. This is another way that information sharing and

14 A representative of the California Community Land Trust Network said they are taking on more state-level technical assistance work, and other state associations (such as in Massachusetts and Minnesota) have coordinated technical assistance in their states.

collaboration is limited. But providing tools and support for free is not sustainable.

For deed restricted housing, there is no known national association that brings together SEH organizations that enforce deed restrictions to share knowledge and best practices.

ROC USA is an important exception to this larger story of lack of capacity, coordination, and structure in TA provision. ROC USA is highly coordinated in its TA provision. They have a strong national network that includes regionally based Certified Technical Assistance Providers (CTAPs) that help ROCs through several stages of their development, from the initial purchase of the manufactured home community to the ongoing self-management duties that co-ops face. ROC members of ROC USA have to use CTAPs *for up to 10 years* as a condition of their mortgage financing. In addition, ROC USA has created a peer learning community called ROC Network which encourages information exchange between ROC members across states and regions. Grounded Solutions Network maintains **inclusionaryhousing.org**, a website dedicated to helping communities design, maintain and learn about the impact of inclusionary policy.

FACTORS CONTRIBUTING TO THE GAP

The mismatch between the demand and supply of TA creates gaps in service delivery that have impeded SEH growth. This section focuses on the factors that limit TA capacity. The first is the lack of community awareness. The lack of public awareness of the benefits of SEH makes community members and elected officials at best indifferent toward SEH models or, at worst, unsupportive of them. If the public officials are indifferent or unsupportive of SEH models, in general, then they would also see little importance in investing in funding TA services that encourage their development. Several TA providers such as those at the Georgia Cooperative Development Center, in North Carolina, and from NAHC , discussed the reality of state policy environments that made cooperative development much more difficult.

A second factor is the challenges for lawyers in working with cooperatives and other SEH participants. Though the single client, for example, may be the cooperative, there may be issues of some owners having divergent views. This can arise in for-profit deals as well where there are multiple partners, but the lawyer represents the entity. Lenders similarly view working with SEH challenging because of the multiple parties involved (either the cooperative corporation's member-owners or the CLT and homeowner).

Third, in rural areas, the lack of infrastructure (broadband, transportation, etc.) can inhibit TA work from being effectively delivered. This was particularly noted in discussions with rural TA providers like the Georgia Cooperative Development Center.

Fourth, where there are generally weak other components of the SEH, it reinforces the weakness in TA capacity. If there is no public sector support for TA work, then TA capacity is going to be limited. And if there are limited financial products TA providers can connect SEH providers to, then the usefulness of that part of TA work is itself limited.

Fifth, as we already indicated, there is a shortage of former practitioners who can provide TA to current practitioners. Many interviewees noted that "the bench is pretty shallow" when it comes to just the numbers of people who can be TA providers. Even entities that are meant to provide TA (like Grounded Solutions for its members) have noted the sheer lack of people capable of doing the job. Some of this is a result of the field lacking coordination, resources and forward-thinking to develop younger or new practitioners into TA providers. Some of it is the inconsistent and hard to rely upon salary of being a TA provider, relative to the predictability of having a salary as a practitioner. Regardless, this is a substantial concern in the field.

POLICIES

Source and permission: UHAB

Shared equity housing can be supported or inhibited by public policy and legislation at various levels of government. In this section, we start with policies that are broadly supportive of SEH across types, before moving on to specific policies for specific types of SEH. We organize the policies supporting SEH as being about: site acquisition, financing, operations and technical assistance. We note the scale of government (federal, state, or local) when discussing it.

SITE ACQUISITION

Getting sites for development or already developed properties to convert to SEH is obviously necessary for the sector to scale. The policy environment can enable this in several ways.

TENANT/COMMUNITY OPPORTUNITY TO PURCHASE LAWS

Tenant Opportunity to Purchase Acts (TOPAs) enable LECs and ROCs to grow, and Community Opportunity to Purchase Acts (COPAs) enable CLTs and LECs (municipality may step in as interim owner) to grow. These policies can be incredibly helpful to the field. As Ortiz (2017) put it, "Places with laws or programs that [give tenants the opportunity to purchase their residences] often see more LECs." The core provision of Tenant/Community Opportunity to Purchase laws is that the owner gives their residents or non-profits in the surrounding community "an opportunity to purchase the accommodation at a price and terms which represent a bona fide offer of sale" (O'Toole & Jones, 2009).

Purchase Opportunity laws typically include requirements for the Notice of Sale, which include specifics about time of notice to tenants/community, and the price and terms of the offer the property owner has received.

SPOTLIGHT ON DC TOPA

Washington DC's TOPA policy has become a model that other cities have looked at as a way to enable SEH. It became law in 1980 and granted tenants the right of first refusal typical of TOPA when their buildings were for sale. This policy was intended to combat displacement and create the conditions for longer term affordability, and "as part of this, the District supported attorneys and provided grants and loans through the FRPP (First Right Purchase Program), using federal and, eventually, local funds to purchase buildings for the creation of LECS" (Howell, 2020). The TOPA legislation is one of the main reasons DC has as many co-ops as it does, though the success was limited by the local government's financial troubles (Interview with Paul Hazen, August 3, 2022). DC currently has 96 LECs, many of which came to be through the TOPA process (Howell, 2020).

The DC TOPA process is similar to many others. Landlords notify residents when the building is for sale and what their rights are, and tenants have 45 days to form a tenant association. They have to form and incorporate a nonprofit tenant association with signatures from more than 50 percent of the units, and within 120 days decide to either form a co-op or find a developer to turn it into a rental. In order to finance this process there is funding from the District's First Right Purchase Program (FRPP) or the Affordable Housing Preservation Fund (AHPF), or the tenants can find a private lender. The building needs to be acquired within 240 days (or 360 days with an extension if they have a commitment letter from a lender). The Department of Housing and Community Development (DHCD) provides tenant associations with some TA to help them understand their rights and help with early building maintenance. However, the LECs need to support long term maintenance and find financing for capital improvement projects themselves over time. While funding is available through DHCD's Consolidated Request for Proposals, the application is competitive and tenant-organized LECs compete with other developers (Howell, 2020). DC's policy initiatives are focusing on addressing these needs to support the long-term success of the current LECs.

In the years since 1980 states and municipalities have implemented TOPAs, although much of that has been geared towards preserving federally-subsidized, but privately-owned affordable housing (Sections 221(d)3s, Section 236s, and project-based Section 8s; See DeFilippis and Wyly, 2009; National Housing Law Project, 2006). California, Illinois, and New York City have TOPAs for expiring use restrictions and opt-outs of privately-owned and federally-subsidized affordable housing. New York State currently has a TOPA bill under consideration in the state legislature. In 2020 California enacted a law to allow homeowners in foreclosure to repurchase their homes and stay in them, and is currently considering further legislation to tighten that law. COPAs are far less common. San Francisco enacted a COPA law in 2019, and the New York City Council is considering a COPA proposal..

PURCHASE OPPORTUNITY LAWS

Similar legislation has been important in the growth of ROCs in the last few decades. Opportunity to Purchase legislation requires private landowners to notify residents if they receive an unsolicited offer to purchase or of a general intent to sell (Catto, 2017). The intent of these laws is to give the residents an opportunity to make a counter offer for the land, its improvements and common areas (National Consumer Law Center, 2011). Purchase Opportunity Laws have several variable components that determine their effectiveness in promoting resident ownership. These are much the same as the TOPA/COPA laws discussed above, and center around how long the notice is (it is typically at least 60 days, which is insufficient), and what is included in the notice.

A notable barrier to resident purchase opportunities are requirements for Tenant or Resident Associations. Some states require their formation to access OP rights, sometimes up to one year prior as documented through Annual General Meeting (AGM) minutes or articles of incorporation, with a certain proportion of membership. Additionally, some states require the Association to send a notice to the landowner expressing "interest in purchasing the community, outlining its authority to do so and listing the names of the association's officers" (National Consumer Law Center, 2011).

"the most effective of these laws place a duty on the community owner to consider any offer the residents make and negotiate with them in good faith, or grant the residents a right of first refusal when the community is sold... A strong policy requires notice to all the residents even if they have not formed a resident association or notified the landowner. State agencies and local governments should also be entitled to notice to ensure all residents are informed. An effective notice should include at least the information commercial realtors customarily give to buyers so that the residents can determine whether it is realistic to begin the process of putting together a purchase offer. A strong law should also require customary disclosures during the due diligence period." (National Consumer Law Center, 2011)

FEATURES OF OPPORTUNITY PURCHASE LAWS BY STATE

First Right of Refusal
Connecticut, Florida, Massachusetts, Minnesota, New Jersey, Pennsylvania and Rhode Island

Notify Residents of Zoning Change Application
Florida, Idaho, South Carolina

NOTABLE PROGRAMS

- California Mobilehome Park Rehabilitation and Resident Ownership Program (MPRROP)
- Oregon Housing and Community Services' Manufactured Dwelling Parks Preservation Program
- Freddie Mac (2018) official offering for MHROCs

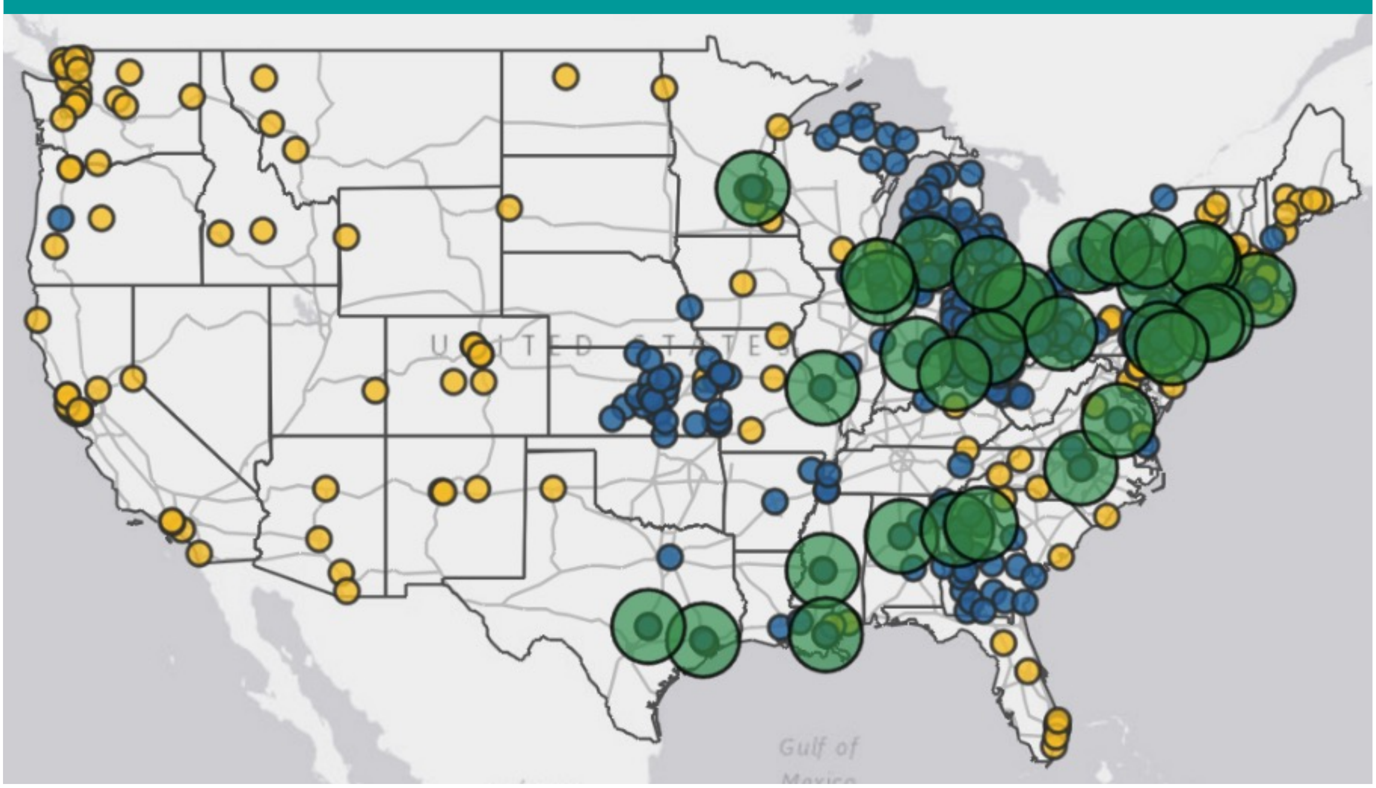
LAND BANKS AND PUBLIC LAND DISPOSITION

The prior policies focused on site acquisition for already developed properties, here we shift gears to discuss policies that focus on vacant properties and the disposition of public land. These kinds of policies are not going to benefit ROCs, but any of the three other primary forms of SEH can emerge from them.

The best-known form of these policies are land banks. Land banks are a "a governmental or nonprofit entity that acquires vacant, abandoned or tax delinquent properties for conversion into productive assets" (Schreiber, 2019). They are a quasi-public tax-exempt authority with an independent board whose power to waive delinquent back taxes, clear titles, acquire, assemble, and dispose of properties stops short of eminent domain (Schreiber, 2019). Their disposition processes can have preferences set for organizational type and project uses (Schreiber, 2019). While land banks emerged in the Great Lakes region, they have since spread beyond that region (even if they remain disproportionately concentrated there) and there are currently around 250 land banks or land banking programs in the country (Center for Community Progress, 2022). The problem with land banks, however, can be one of property disposition. Hence there is growing interest and activity around partnering land banks with land trusts. As Davis (2012) noted a decade ago, "land banks have a disposition problem. Land trusts have an acquisition problem."

Partnerships between land banks and land trusts have emerged in Albany, NY; Houston, TX; Columbus, Ohio; Richmond, VA; and Atlanta, GA (see Lowe, et al., 2022). The potential for collaboration is much greater, however, and the Center for Community Progress (2022) has mapped out the spaces where service areas of land banks and land trusts overlap. The green circles in the map below indicate where those service areas overlap.

CO-OPERATIVE UNITS



Source: Center for Community Progress (2022)

This map may not capture some collaborative efforts that are happening, but are not "partnerships" between land banks and land trusts. For example, in Philadelphia a policy passed by the City Council in 2019 allows developers (both for profit and non-profit) to acquire vacant land en masse if 51% of their project is affordable with 15 year deed restriction. While this policy largely benefits large for-profit developers, it has been extended to the local CLT, Women's Community Revitalization Project (WCRP), allowing SEH to partake in the same agreement (WCRP, 2022).

Beyond formal land banks, every municipality finds itself in the position of acquiring properties through tax forfeiture and/or abandonment. Therefore, every municipality has to have a property disposition process. Almost all simply sell those properties at auction, but some jurisdictions are creating policies to shift the land disposition process towards SEH. California has long (since 1968) had a Surplus Land Act, but amendments to it in 2019 made affordable housing the focus in its requirements of public agencies when they dispose of public land. New York City currently has a bill under consideration that would require public entities disposing of public land to prioritize permanently affordable housing in the form of a CLT or LEC.

SEH DEVELOPMENT

While site acquisition is obviously important, SEH requires capital for development, and in this section we will discuss policies that finance or in other ways promote SEH developments. These can be federal, state, or local.

FEDERAL PROGRAMS

SEH developers are able to access federal HOME Investment Partnerships Program (HOME) and Community Development Block Grant (CDBG) monies like any other non-profit affordable housing developer. There are a few exceptions, however. CLTs are often eligible Community Housing Development Organizations (CHDOs) because of their board structures, which allows them access to the 15% of HOME grants that must go to a CHDO. HOME and CDBG monies are flexible and are used by SEH providers for development, second mortgages to deepen affordability, and operations.

The Department of Housing and Urban Development (HUD) Section 213 program, which insures mortgage loans to facilitate the construction, substantial rehabilitation, and purchase of cooperative housing projects, dates to 1950, with further amendments to it in 1959. It is not, on a per unit basis, a particularly deep subsidy, and it was not intended to be a program for affordable housing. The vast majority of the cooperatives built with Section 213 insurance were completed in the 1950s and 1960s, The program is underutilized;. HUD reports that in FY2022, it provided insurance to 6 projects with 384 units nationwide (HUD, 2022).

Lease-to-Own LIHTCs

The Low Income Housing Tax Credit (LIHTC) program is one of the most productive producers of affordable housing today. In this program, the federal government issues tax credits to state housing finance agencies, who then allocate them to developers through a competitive process aligned with their housing priorities as articulated within their Qualified Allocation Plans (QAPs). Developers can exchange these credits for investor equity. Mandatory compliance ends at year 15, allowing the owner of a LIHTC property to opt out of the program, which can trigger a loss of affordable housing (Nelson & Sorce, 2013).

States can use the LIHTC as a tool to help direct projects into resident-ownership at Year-15 (Nelson & Sorce, 2013). This can happen through an "approach known as the equivalency principle [where] leases are structured at rates that mirror future mortgage amounts for prospective tenant-buyers similar to lease-to-purchase programs" (Schreiber, 2019). LIHTC lease-to-purchase programs have the benefit of long-term tenant preparedness through long-term savings horizon and credit score improvements. Additionally, preparedness can be augmented by financial literacy courses and homeownership counseling (Schreiber, 2019). Nelson & Sorce (2013) found that 67% of states incentivize conversion to tenant ownership through the QAP system.

Colorado allocates as much as 26% of its point allocation to applicants offering homeownership at year 15. "Eight states explicitly offer conversion to homeownership as an alternative to the 15-year extended use agreement" (Nelson & Source, 2013). Utah is the only state with funding set aside specifically for conversion projects.

Given that most LIHTC projects are multifamily buildings, they may be better suited for shared equity ownership rather than conventional homeownership.

Some states, however, may limit LIHTC conversions to scattered site development. The LIHTC conversions in Ohio, for instance, are financed by LISC but are scattered site conventional homeownership developments (Cutcher, interview, 2022).

Finally, if a conversion of a LIHTC to a LEC is to occur, it should be integrated into the structure at the beginning of the development, or the process becomes much more difficult. For example, residents in one LIHTC development in the Bronx have been working with the organizing group Nos Quedamos, to pursue conversion to a LEC (an HDFC in New York), and one roadblock has been that the development was not planned as an LEC initially. LIHTC's potential to scale up affordable cooperative development is a worthwhile but complicated issue, and deserves a separate and more in-depth discussion and analysis.

NOTABLE CASE: WOMEN'S COMMUNITY REVITALIZATION PROJECT, PHILADELPHIA, PA

The Women's Community Revitalization Project was formed in the 1980s following a $50 million settlement with First Fidelity Bank for violating the Community Reinvestment Act. In the years since then it has formed a CLT. On that CLT are two projects that were partially funded by LIHTC that allow renters to become SEH owners on the CLT's land. The first, Grace Townhomes in the Port Richmond neighborhood has 36 homes that are rent-to-own. The second, Nicole Hines Townhomes in Germantown, consists of 35 apartments within thirteen buildings. It was built in 2021. This is a model of using LIHTC financing to convert to SEH homeownership, that should be explored in many more places, as an alternative to rental housing.

STATE PROGRAMS

HOUSING TRUST FUNDS

Funds for affordable homeownership and rental housing can be provided through housing trust funds (HTFs) at the state and local level. HTFs have dedicated funding sources such as "real estate transfer taxes, impact fees, inclusionary zoning in-lieu-of-production fees, and other state or municipal contributions" (Davis, Jacobus, & Hickey, 2008). While HTFs are commonly used to subsidize the development, rehabilitation and financing of affordable housing, they could be a source of funds to build the capacity of SEH developers and stewards. According to estimates, state and local HTFs generate $3 billion for affordable homes. States, cities, counties and regional governments administer more than 823 housing trust funds throughout the U.S. Municipalities frequently use housing trust funds to partially or fully subsidize deed restricted projects (Hickey, 2014).

NOTABLE EXAMPLES

- *Vermont Housing and Conservation Trust Fund* (1987) offers homebuyer subsidies of up to 20% or $40,000 for shared equity houses. (Sherriff, 2010)
- *Connecticut's Housing Trust Fund* provides loans and grants to affordable housing stewards including CLTs and LECs.

OTHER PROGRAMS

NOTABLE EXAMPLES

- Connecticut's Affordable Housing Program (AHP)
- Massachusetts' Community Preservation Act

MORTGAGES AND MORTGAGE ASSISTANCE FOR SEH HOMEOWNERS

FEDERAL HOUSING ADMINISTRATION (FHA)

Existing regulations block access of SE homebuyer to FHA insured mortgage products (Stromberg & Stromberg, 2013). According to Stromberg & Stromberg (2013), HUD's Mortgagee Letter 94-2 (1994) is the agency's sole policy guiding how SEH programs and organizations can access FHA financing. FHA stated in the letter that resale, occupancy, eligibility, and monitoring provisions "undermine a lender's security interest" (Stromberg & Stromberg, 2013). The letter "set out requirements for resale price restrictions, sales to income-qualified buyers, fair return on investment, and maintaining the housing unit as a principal residence" in ways that compromise the integrity of the models themselves (Stromberg & Stromberg, 2013). For example, FHA strongly opposes the survival of deed covenants across successive homeowners as well as community-wide programs, and requires resale appreciation return of at least 50% (Stromberg & Stromberg, 2013).

FANNIE MAE

"Lenders mitigate the financial risk of lending by ensuring that their loans conform to the standards set by government-sponsored enterprises (GSEs) like Fannie Mae and the Federal Home Loan Mortgage Corporation (Freddie Mac). Chartered by the federal government, the GSEs purchase loans from lenders, securitize them, and sell them to investors on the secondary mortgage market." (Stein, 2013) Some SEH features, particularly the CLT ground-lease, do not conform to these standards, creating a disincentive for lenders to work with SEH/CLT buyers (Stein, 2013).

Fannie Mae announced in 2006 that it would purchase CLT mortgages from lenders so long as the parties sign a Uniform Rider that certifies the approved uniformity of CLT mortgages. Essentially, the Rider bypasses the individual review process Fannie Mae would otherwise require, mitigating the risk of lending to a CLT homebuyer "with increased liquidity in the secondary market" (Stein, 2013).

The Fannie Mae Rider however, effectively neutralizes CLT affordability controls in the event of foreclosure. The Rider states that all provisions of the [Ground] Lease regarding

"(a) occupancy of the Leased Premises as a primary residence by the Lessee,
(b) any limitation on the assignment of, or sublease under, the Lease,
(c) any obligation to target certain populations in marketing the leasehold estate to potential transferees,
(d) the price at which the leasehold estate may be transferred, and
(e) the income of successive transferees, and their successors and assigns,
shall be of no further force or effect with respect to such Specified Mortgagee or its successive transferees, assignees or successors.(Stein, 2013)"

Though the CLT is given the option to recapture the home after foreclosure for the cost of the outstanding debt, "[i]f someone else purchases the property at foreclosure or if the CLT does not have the financial stability to purchase the property within the allotted time period, the leasehold estate may be transferred, mortgaged and sublet an unlimited number of times, and the Lessor shall not require a credit review or impose other qualifying criteria on any such transferee, mortgagee or sublessee." (Stein, 2013)

DOWN PAYMENT ASSISTANCE

Down Payment Assistance (DPA) programs make homeownership more accessible to low-income homebuyers. These programs are often funded by HTFs or federal HOME dollars (Sherriff, 2010).

NOTABLE EXAMPLES

- Wisconsin CLTs in Madison and the four-county Coulee region use down payment assistance
- Austin's DPA program incorporates shared equity formulas into its subsidies
- New York allows down payment assistance to be used for LECs

STATE MORTGAGE FINANCE

State Housing Finance Agencies (HFAs) offer low- and moderate income shared equity homeowners an important source of low-interest financing. "HFAs in Delaware, Oregon, Rhode Island, Minnesota, Michigan, California, Connecticut, Colorado, Massachusetts, New York, Maryland, and Washington State, among other states, have developed policies that allow them to finance buyers of price-restricted homes" (Sherriff, 2010). The Minnesota HFA policies appear to have been significant in the growth of CLTs and LECs in that state.

NOTABLE EXAMPLES

- Vermont HFA's *Homeownership Using Shared Equity (HOUSE) Program* offers borrowers special low-interest rates
- Washington's HFC's House Key Plus CLT & House Key Plus ARCH

OPERATING & TECHNICAL ASSISTANCE SUPPORT

RENT-BASED SUBSIDIES

Tax Increment Financing

A Tax Increment Financing (TIF) district is an area where local governments can pay for investments in public projects through "future anticipated increase in tax revenues generated by the project" (World Bank). All states except Arizona have the power to create TIF districts (Sherriff, 2010). States can specify that all or a portion of TIF revenues go towards affordable housing financing. Most of the time, however, TIFs are used for real estate development, often in downtown areas. But there is potential for affordable housing in most state-enabling legislation.

> **NOTABLE EXAMPLES**
>
> - Delray Beach, Florida's *Community Redevelopment Agency* commits a portion of TIF revenue for the Delray Beach CLT operating expenses (Davis, Jacobus, & Hickey, 2008)

Tenant Organizing

Tenant organizing for shared equity homeownership is sometimes initiated by government entities. When mobilizing its resources, municipal staff can play a leading role in the following:

- researching and educating their community members;
- commiting to convening meetings on a long term basis, using municipal facilities;
- establishing staff advisory committees or governing boards;
- administering or acting as de facto staff;
- hiring consultants to provide technical assistance to the organizing or planning committee; and
- offering grants to support planning and incorporation

When tenant organizing is pursued by public entities, they should bring communities into the planning process as early as possible. Early engagement increases the likelihood and breadth of support or acceptance among funders, lenders, and the community at large (Davis, Jacobus, & Hickey, 2008). Conversely, if engagement is not sustained, key decisions are not made with community members, or there is a reluctance to turn over control and responsibility to affected resident communities, SEH models are less likely to be successful (Krinsky, J., & Hovde, S., 1996). Hence, cities should ensure a strong connection to the community it serves, "weaving participation and accountability into its organizational fabric" (Davis, Jacobus, & Hickey, 2008).

Municipal Operating Support

External operating support is important early on when SEH stewards' portfolio revenue does not yet cover its operating expenses. Municipalities can offer a predictable stream of revenue in the early years to support organizational and portfolio development, capital improvements and the like (Davis, Jacobus, & Hickey, 2008). Unrestricted municipal supports can be used flexibly. On the other hand, municipalities might ward support for specific projects or functions, requiring regular monitoring and reporting to ensure accountability and effective use of funds. The labor requirements of such reporting can become burdensome for SEH start-ups (Davis, Jacobus, & Hickey, 2008). New York City, for example, offers operating and technical assistance grants to the New York City Community Land Initiative (NYCCLI), which has enabled nascent CLTs to hire staff members and build their organizational capacities.

> **COMMON USES OF OPERATIONAL SUPPORT**
>
> - Hiring Staff
> - General administration
> - Strategic planning
> - Exploring the development of new projects or programs
> - Delivering homebuyer education
> - Homebuyer outreach and eligibility screening
> - Marketing homes
> - Monitoring compliance with the ground lease
> - Fundraising
> - Advocacy and community education
> - Membership development

Public Educational Material

Public entities and community organizations have taken to publishing and disseminating educational materials on Shared Equity Housing. Such materials provide profiles and examples of successful stewards, programs and resales while foregrounding their benefits.

DISSEMINATORS

- Delaware State Housing Authority
- Washington State Housing Finance Commission
- Minnesota state legislature
- North Carolina Housing Coalition

TAXATION

Though SE Homeowners have assets that have limited resale value, these assets risk being assessed for tax purposes at market value, hence compromising their affordability (Ehlenz, M. M., & Taylor, C., 2019). New Jersey Community Capital, for instance, has found that for many of their deed restricted homes in New Jersey, 80% of the carrying cost went to property taxes. Conversely, assessing SE properties at their resale-restricted value compromises the local tax base and community support (Davis, J. E., 2006). The problem of taxation has three components that must be addressed by the relevant jurisdictions (Davis, J. E., 2006; Davis, Jacobus, & Hickey, 2008)

1. Given the restrictions and their terms, what is the value of a resale-restricted home when first entered on the local tax rolls?
2. What resale formula is needed to assess how this value adjusts over time? (Rate of Increase)
3. For CLTs and ROCs, given the restrictions and the Net Present Value (NPV) of land rents or leasing fees, what is the value of the land when it is first entered on the local tax rolls?
4. Furthermore, property tax deduction determinations may require state or local legislation to authorize such measures (Spotts, M. A., 2018).[15]

NOTABLE MUNICIPAL DECISIONS

- Albuquerque, NM determines that Sawmill CLT land has no value
- Delray Beach FL determines that CLT land has no value
- Orcas Island, Washington values OPAL CLT land 40% below market
- Illinois, variable.

NOTABLE STATE ACTIONS

- North Carolina HB 1586, An Act to Clarify the Valuation of Community Land Trust Property
- California Board of Equalization Guidelines
- Vermont Law & Department of Taxes Memorandum
- Texas Home Preservation Act
- Florida Community Renewal Act of 2009
- Wisconsin Equity in Taxation Clause
- New Jersey Supreme Court 1989 case *Prowitz v. Ridgefield Park Village (568 A.2d 114)* upholds a lower tax rate for deed-covenant properties
- New York law exempting LECs from property taxes

15 Across the country, a series of "tests" have been used to determine tax reduction eligibility by assessors (Davis, Jacobus, & Hickey, 2008). These include:
- Disclosure: Informed consent of resale restrictions prior to sale are documented.
- Irrevocability: Resale controls bind current and future owners with a high certainty and are not revocable or amendable during occupancy.
- Duration: Must endure for long periods of time.
- Recording: Resale Controls are embedded in covenants, ground lease and other contractual documents.
- Public Benefit: affordability controls benefit the public and no one individual
- Diminished Return: the SE homeowners return at resale are significantly reduced as a result of resale restrictions.

MODEL SPECIFIC POLICIES

In addition to broad-based legislation affecting the SEH ecosystem, there exists laws that affect each specific model. Below is a summary of these.

DEED RESTRICTED

At the most fundamental, Deed-Restriction legislation defines and authorizes affordable housing covenants. This includes their purpose, permitted length of time, resale price, homebuyer eligibility, eligible stewarding organization (Sherriff, 2010).

Policy facilitated offsets and incentives include:

a. Inclusionary Zoning (IZ): sets the terms for deed restriction, usually through set-asides, the percentage of required affordable units, and income targeting, income cap (Area Median Income) (Deutsch, 2011).
b. Design Flexibility: Municipalities will allow developers to alter size and amenities on deed restricted projects to compensate for costs (Deutsch, 2011).
c. Density Bonuses: allow developers to exceed the zoned density limit if they incorporate a set minimum of affordable units. These extra units then offset the cost of affordability (Deutsch, 2011)
d. In-Lieu Fees: Commonly attached to IZ, it allows developers to pay fees into a housing trust to be used to develop housing off site. Matching local municipal funds are often partnered with the trust to insure the offsite development is viable (Inclusionary Housing 2022).
e. Waiving of fees: Local governments frequently waive or reduce development fees on deed restricted projects (Deutsch, 2011).

ENABLING STATE LAWS

- Vermont Title 27, chapter 5, section 610
- Maine Title 33, chapter 6, section 121
- Oregon *HB 3485*
- Massachusetts General Laws, chapter 184, section 31

As mentioned in a previous section, Deed-Restricted properties are currently commonly created through land use or planning requirements like fair share housing, inclusionary zoning, density bonuses and smart growth legislation. These mandate that developers create a marginal amount of affordable housing relative to business-as-usual market rate construction. As such, they are market driven mechanisms for the production of affordable housing that require minimal, if any, public subsidies (Sherriff, 2010).

LIMITED EQUITY COOPERATIVES

LEC legislation defines their structure and requirements to meet authorization. This includes the resale formula, its duration, establishing co-op first right of refusal upon resident sale, resident income eligibility and the percentage of residents who must meet those requirements. Co-op structure has implications for eligible public and private funding streams and resources (Sherriff, 2010). Co-op incorporation processes differ vastly by state, which has created a varied landscape across the US.

ENABLING STATE LAWS

- California, Health and Safety Code sections 33000-33013 & Assembly Bill 1246
- Vermont, Title 11, chapter 14, section 1598
- Minnesota, Minnesota Statutes 1989 Supplement, Chapter 308A Minnesota Cooperative Law

Enacted in 1950 at the prompting of labor and housing groups, HUD's Section 213[16] was a major enabling policy for co-op development. It "provided technical assistance and mortgage insurance for new cooperatives construction. The Section 221(d)(3) Below Market Interest Rate (BMIR) program introduced in 1961, which provided loans to developers and cooperatives for low-income housing, was discontinued with the National Housing Act of 1974in favor of housing vouchers. "Tenant

16 "HUD insures mortgages made by private lending institutions on cooperative housing projects of five or more dwelling units to be occupied by members of nonprofit cooperative housing corporations. These loans may finance new construction, rehabilitation, acquisition, improvement, or repair of a project already owned, and resale of individual memberships; construction of projects composed of individual family dwellings to be bought by individual members with separate insured mortgages; and construction or rehabilitation of projects that the owners intend to sell to nonprofit cooperatives." (HUD, 1976).

LAND USE OR PLANNING REQUIREMENTS

Smart Growth
- Connecticut Housing for Economic Growth Program (2007)
- Massachusetts 40R (2004) Comprehensive Plan Requirements
- Rhode Island (2004)
- Oregon
- New Jersey
- California *Cal. Gov. Code § 65580,* (updated 2009)

Fair Share Housing Requirements
- New Jersey *Mount Laurel* (1985 -)
- Illinois Affordable Housing Planning and Appeal Act (2003)
- Massachusetts *Chapter 40B* (1969)
- California Community Redevelopment Law Density Bonuses
- California Government Code section 65915 (?)
- California *Density Bonus Law* (1979)
- Maryland *Enabling Act* - Md. Code Ann. Art. 66B § 12.01 (2009)

Inclusionary Zoning
- Maryland Enabling Act - Md. Code Ann. Art. 66B § 12.01 (updated 2009)
- Virginia Affordable Dwelling Unit Enabling Act Va. Code Ann. § 15.2-2305 (updated 2009)

Builder's Remedy
- New Jersey
- Rhode Island
- Connecticut

Comprehensive Plan Requirements
- Rhode Island (2004)
- Oregon
- New Jersey
- California Cal. Gov. Code § 65580, (updated 2009)

Density Bonuses
- California Government Code section 65915 (?)
- California Density Bonus Law (1979)
- Maryland Enabling Act - Md. Code Ann. Art. 66B § 12.01 (2009)

Builder's Remedy
- New Jersey
- Rhode Island
- Connecticut

cooperatives were also formed through the various HUD programs that devolved public housing to residents." (Ganapati, 2010) Additionally, Section 216 of the IRS code "put cooperative ownership on the same level as homeownership with regard to mortgage interest and property tax deductions" (Ortiz, 2017).

Although federal funding provides co-op specific financing program, it is not widely used. Early on section 213 funding was used by the Foundation for Cooperative Housing (FCH) to develop 40,000-50,000 cooperative units. There were other co-op eligible federal programs such as sections 221B3 and 236 but those programs ended in the late 1970s. The loss of the subsidy programs led to the overextension of FCH and a subsequent decrease in co-op development (Interview with Hugh Jeffers, August 23, 2022).

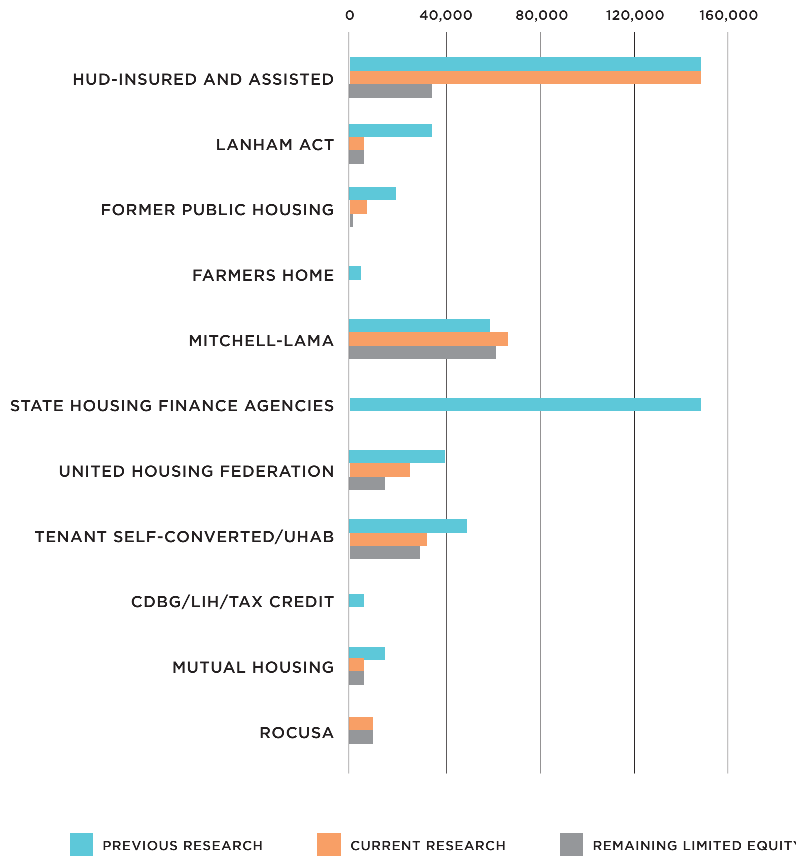
Since the late 1970s the program has mostly been used to develop senior cooperatives. The first Section 213 senior co-op was 7500 York in Minnesota, and the success of that project caused it to be replicated throughout the midwest, and more recently elsewhere in the country (Hugh Jeffers, August 23, 2022). Jeffers believes that the cooperative model fell out of favor among developers, and there are very few offices or developers that have experience in using the section 213 program besides those doing senior housing. However, there has been a recent resurgence in interest in the cooperative model over the last few years from the nonprofit and asset building sector, which see co-ops as aligned with their community values and their missions (Hugh Jeffers, August 23, 2022).

Cooperatives could benefit from further research on how the available federal funding in Section 213 can be used for more than just senior cooperatives, and that includes training people on how to use the program. Section 213 program provides funding anywhere in the country, provides financing terms that are more favorable for co-ops than banks, and accommodates the cooperative model (Jeffers, August 23, 2022). However, this federal funding is not enough to cover all financing needs for cooperatives, and may be harder to access for smaller groupsand projects.

Co-op Incorporation

LECs must incorporate at the state level a process that differs in each state. Some states do not have enabling legislation for housing cooperatives and therefore co-ops must be defined in other ways. Georgia's state co-op law, for example, is limited to agricultural marketing co-ops. Housing co-ops there must instead incorporate as a regular corporation or nonprofit and establish as a cooperative through their bylaws (Interview with Georgia Co-op Development Center, August 23, 2022). In states or municipalities with favorable co-op policies, such as NY and DC, housing co-ops are able to incorporate directly as cooperatives.

UNITS OF LIMITED EQUITY HOUSING COOPERATIVES PRODUCED AND REMAINING



GEOGRAPHIC EXAMPLES

There are several new policy initiatives in Washington, DC that seek to create a more supportive enabling environment for LECS. Proposed legislation includes property tax abatement for LECs (B24-0431) and making permanent the limited equity housing task force as part of the DC city council (B24-0430) (Interview with Paul Hazen, August 3, 2022, who sits on the current limited equity housing task force in DC). The bills were proposed in October 2021 and are still being considered by the city council. The tax abatement would help preserve the long-term affordability of LECs and the task force would ensure dedicated attention to LECs at the local level, particularly related to financing and TA to preserve and maintain existing LEC stock.

New York City has a rich history of policy that supports housing co-ops and LECs, which is the reason the city has more housing co-ops than any other US city. The Mitchell-Lama program began in 1955 and created both income-restricted rental and income-restricted co-ops (some federally assisted) (NYC HPD). However, the program now only consists of existing cooperatives that were developed in the 20th century. NYC's Housing Development Fund Corporation (HDFC) cooperatives came to be in the 1970s and 1980s when the city rehabilitated abandoned buildings and converted them into LECs. HDFC co-ops are income and resale restricted and have lower real estate taxes (NYC HPD). NYC needs to focus on maintaining both the physical infrastructure and the lasting affordability of the existing cooperative stock. The generous policy environment for cooperatives, particularly innovative methods such as rehabilitation into HDFC co-ops, are models that could be replicated in other cities as one of the ways to address their affordable housing needs.

COMMUNITY LAND TRUSTS

CLT legislation defines the structure and powers of CLTs, including their purpose, initiator, income eligibility requirements, the establishment of ground leases. It can also provide for financing streams. (Sherriff, 2010) So called "Comprehensive CLT Statutes" go a step further by addressing "organizational requirements, permitted activities, taxation and assessment, lessee requirements and transfer limitations, responsible state department(s), recordation, and relationships to other laws (Decker, 2018). By setting standards, CLT legislation facilitates the development of CLTs and the interaction among investors, "community groups, lawmakers, regulators, and the legal community" (Decker, 2018). The 15 states with CLT legislation "likely contributed to those states accounting for ninety-six of the 270 CLTs listed nationwide" as of 2018 (Decker, 2018).

Conversely, states lacking CLT legislation present communities with legal uncertainty resulting in increased resource needs, such as legal fees, as well as barriers to accessing services or funding, which can negatively impact feasibility (Decker, 2018). Model acts, freely available from the Grounded Solutions Network, can help affordable housing and economic development groups advocate for the model.

ENABLING STATE LAWS

- California, Connecticut, Florida, Georgia, Illinois, Iowa, Maryland, Minnesota, Nevada, North Carolina, South Carolina, South Dakota, Texas, Virginia, Wyoming have enabling legislation
- Of the above California, Connecticut, Maryland, South Carolina, and Texas are considered comprehensive
- Texas, Homestead Preservation Act
- Connecticut Chapter 828a, section 47-30
- Illinois Affordable Housing Planning and Appeal Act in 2003

ROCS

As cooperatives, ROCs are enabled or constrained by the states' regulatory frameworks that govern all cooperative formation (discussed on page 48). Also, we have already discussed the importance of purchase opportunity laws for ROCs as part of the larger set of policies supporting SEH (pages 38-39). Therefore our discussion here will be about the policies that enable or constrain the financing of ROCs.

At this time, public funding programs to support ROC purchasing and mortgaging are very limited. However, two states, California and Oregon have created programs that provide financing for purchasing. California's program funds both short-term conversion loans and long-term blanket loans. Oregon provides gap funds, tax credits to lower interest rates, and conversion grants. To qualify for the conversion funds, ROCs have to agree to 60% of their units being affordable at 80% AMI or below for a term of 60 years (Freddie Mac, 2017).

As of 2017 California was the only state to offer state dollars to finance share purchases for ROCs. At this time, HUD and other federal agencies do not provide financing for ROC member shares.

ROC USA Capital is the lead lender and servicer of the loans it originates. ROC USA Capital uses a loan participation model to operate nationally at scale. Over $300 million has been originated by ROC USA Capital to preserve thousands of homes for lower-income families in ROCs across 15 states. In so doing, ROC USA Capital has partnered with national institutional investors, state housing finance agencies and other CDFIs to empower homeowners with this critical financing. (ROC USA website)

FINANCE

Financial products are specific and not particularly portable from one type of borrowing entity to another type. The financial needs of SEH can be understood through the following sectors of start-up or pre-development conversion, acquisition, development, and operating costs/technical assistance. There is a consistent nexus of financial entities and pathways that support these needs. These include public funds, foundations, CDFIs, credit unions, private investors, crowdfunding, and community funds. How these entities and products interface, partner, and service SEH is slightly different for each model. The following section gives an overview of how each model works with these funders. We have already discussed the public sector funding in the prior chapter, and we limit ourselves here to non-public sector sources of financing.

DEED RESTRICTED HOUSING

At the contractual level, deed restrictions on their own do not require 'financing' as the agreement enforces itself. However, deed restricted units are nested within development projects. Therefore, understanding the needs and capacities of financing the development of deed restricted projects is necessary. Another component is the financial vehicles through which homeowners can access and purchase homes with deed restriction. While deed restrictions may be described as self-enforcing, it is clear from the leakage of the deed restricted units that this is not true. Thus, there is a growing demand for technical assistance that can support the monitoring and enforcement of the deeds to ensure subsidy retention (Hickey, 2014; (Rosen, D., Interview, 2022).

FINANCING ACQUISITION AND DEVELOPMENT

The overarching need for financing acquisition and development of deed restricted projects for developers is the ability to offset the cost and revenue differences between the affordable units and the market rate ones (Deutsch, 2011). This is often incentivized at the municipal level through policies and partnerships. CDFIs and private equity also are active investors in deed-restricted developments.

With private equity seeing affordable housing as a more attractive and supported investment, lenders at private institutions like JP Morgan Chase, CitiBank, and WellsFargo are much more willing to float housing projects that include deed restricted affordable housing. This means developers can access the gap financing necessary for acquisition and development that incentives do not cover (Foglio, Lecture. 2022).

Community Development Finance Institutions (CDFIs) are instrumental in providing finance to non-profit developers and community led projects for acquisition and development. In an interview with a representative of New Jersey Community Capital, they noted that they had worked with multiple projects through all phases of development that were using deed restriction as the primary tool for providing and protecting affordable homeownership. In the past, CDFIs have been able to channel funding from entities like HUD or the Department of Justice (DOJ) to developers to subsidize the acquisition and development of deed restricted housing (Rosen, Interview, 2022).

FINANCING HOMEOWNERSHIP FOR DEED RESTRICTED UNITS

The financing vehicles for potential homebuyers for deed restricted homes are essentially the same as for market-rate buyers. Therefore, the conventional mortgage products and programs offered and insured by public and private lenders are accessible to these homebuyers (Hickey, 2014). However, in addition to the access to mortgage products, CDFIs and other community organizations have become aware that an important pairing with mortgage products for deed restricted homes is down payment assistance. This extra extension of finance lowers the principal part of carrying cost, which in turn can offset the cost of property taxes in states like New Jersey (mentioned above) that tax SEH as market rate housing.

FINANCING TECHNICAL ASSISTANCE AND STEWARDSHIP

Many housing and finance practitioners have come to realize the real need for long term oversight as deed restrictions were not enforced or they matriculated into market-rate, thus losing the subsidies. Specifically, there is need for an entity to keep track of: the length of deed restriction; any buy-back clauses in it; the resales that do occur; the education and vetting of new homeowners; and the ongoing adherence to the deed restrictions by owners (Hickey, 2014; Rosen, Interview. 2022). As of now, the frameworks and funding sources to do this are just being built out, but new forms of finance will likely need to be identified to attend to the need and capacity.

LIMITED EQUITY COOPERATIVES

The unique ownership structure of housing co-ops presents both financial opportunities and barriers. The overall issue that continues to come up is that there are not many financial products specific to co-ops. This issue stems from a variety of factors including a lack of familiarity with the cooperative model on the part of many financial institutions, the shared ownership structure that is dissimilar from typical real estate transactions, and in the case of limited equity co-ops the lack of market-rate homeowner wealth. As Kassan (in Orsi, 2013) states, “the traditional methods of financing are almost completely inadequate to meet the needs of the sharing economy.” By the nature of the cooperative model there is not one principal owner to take on the responsibility of a loan, and that is an issue for many financial institutions.

Yet even less traditional financing sources such as community development credit unions and community development loan funds are usually not prepared to support housing cooperatives, as will be discussed below. The next step for cooperative financing should be to figure out how existing mechanisms can better support the model, as well as develop innovative new ways of financing cooperative housing ownership.

FINANCING NEEDS

There are five broad components to LEC’s financing needs, which include pre-development financing, Development/acquisition financing, Share loan financing, Refinancing/Rehabilitation and ongoing technical assistance funding. We will discuss these further below:

Pre-development Financing - This varies depending on whether the LEC is a new construction or a conversion of a multi-family rental into a LEC. Both can be hard to finance, the former because of the usual problems not-for-profits have in financing pre-development costs; the latter because of the problems in financing tenant organizing and training.

Development/Acquistion Financing - The second component of the financing needs of LECs is for the development or acquisition. The standard method of mortgage financing in an LEC is for the cooperative to obtain a blanket mortgage, secured by the property owned by the cooperative housing corporation. Nearly all of the mortgage debt is collectively held by the LEC. During the development process, there also may be a need for bridge financing to alleviate timing differences between capital needs and funding sources such as share loans.

Share Loan Financing - Third, individuals who buy into the LEC need to obtain a “share loan” to acquire their share of the cooperative corporation.

Refinancing/Rehabilitation Financing - As LECs mature,they will have to deal with building maintenance/ capital improvement and replacement reserve issues. This will involve a variety of needs including technical assistance. There are organizations, such as NAHC and regional association that can provide these services.

Technical Assistance - regular training of resident-owners is needed to make sure they understand self-governance in a housing development as well as other technical issues involved in owning and managing a commercial property. Most cooperatives budget for this type of training in their annual operating expenses. However, cooperatives that are experiencing financial difficulties may need an outside funding source to secure these services.

FINANCING CAPACITIES

Chartered by Congress in 1978 and privatized in 1981 as a cooperatively owned financial institution, National Cooperative Bank (NCB) was created to address the financial needs of an underserved market, cooperative owned organizations that operate for the benefit of their members. NCB offers blanket mortgage products and share loans for LECs and their members. Capital Impact Partners was NCB's community development financial institution until 2014 when it became a stand alone institution. One of the largest CDFIs, they provide lending to cooperatives and other entities serving the needs of communities. Other financial institutions and lenders have developed specialized products or packages of debt financing to support the development of limited equity cooperatives.

Credit Unions

As cooperatives, credit unions should be expected to adhere to the sixth cooperative principle, "cooperation among cooperatives," and therefore have developed loan products specific to LECs. For the most part that is not happening. Most credit unions do not have products that are specific to LECs. This is true even for community development credit unions (CDCUs), though there is interest in developing more training and capacity to provide such products.

To some degree this is because many CDCUs are simply too small to develop niche products, or too small to originate larger loans. For some CDCUs, however, their size and the size of the loans are not problems. There must be other causes for the absence of loan products that are still unclear to us. It may be that for a long time the National Credit Union Administration had a rule that credit unions could not lend to housing co-ops because there was no principal individual to lend to. Though this rule was changed, credit unions may not be aware of this change to the regulation and may not know that they are able to lend to co-ops without a waiver (Levy, Interview. 2022).

A notable exception to this is People's Lower East FCU in Manhattan (something noted in several interviews). People's has long had share loans to individuals. Former People's Executive Director Linda Levy has talked about share loans as easy products and operate like mortgages owed by an individual. It is therefore the kind of product that should not be hard for CDCUs to create. People's is federally chartered, and we have been told by both Cliff Rosenthal (former Executive Director of the National Federation of Community Development Credit Unions) and current staff at "Inclusiv" (the new name for that federation) that their product is portable to any other federally chartered CU; regulatory barriers are not a factor in the portability of their product. Inclusiv has developed a "secondary market" for share loans and has shown a willingness to assist member credit unions in developing share lending capacity.

The same is true with loans to HDFCs as a whole. Levy explains, "It's not rocket science, not that different from lending to every building. Looking at value of building itself, regulator will be concerned that if the loan were to go bad it would be recovered. Do underwriting on the building - what is the value, look at business structure (maintenance is being paid, is it enough to cover costs incurred by building including your loan). If building is owned by an individual, before giving mortgage you make sure rent is enough to cover all the bills—and what is the building worth if you were to take it over if they don't pay. It's all the same with the co-op but people are thrown off by the fact that it is cooperatively owned." Recently, Self Help FCU financed a LEC in San Francisco, which may indicate more activity from credit unions.

Other CDFIs and Private Financing

With some notable exceptions, large community development loan funds also do not have available loan products to LECs. Large loan funds like New Jersey Community Capital do not have a product for LECs, despite being in the New York City metropolitan area. LISC, one of the dominant actors in the community development lending field, has not been actively supporting housing cooperatives and unlikely to develop products for this segment of the SEH sector. There may, however, be more financial products available in the future. For example, Rochdale Capital, a newly formed CDFI, has as one of its focus areas of lending limited equity cooperatives.

There are CDFIs that focus almost exclusively on cooperative lending. They are mission driven and have an understanding and commitment to financing cooperatives.

- Shared Capital is a cooperative association, democratically owned and governed by its members, with 300 cooperatives in 35 states and the District of Columbia. By borrowing from and investing in the fund, members directly engage in the work, connecting cooperatives and capital and supporting shared economic prosperity and ownership.
- LEAF lends nationally, with a focus that includes low-income cooperative housing developments. Since its founding over 30 years ago, LEAF has invested and leveraged over $122 million, resulting in the creation or retention of more than 10,300 jobs.
- Cooperative Fund of the Northeast (CFNE) serves New England and New York, offering development loans and business support to cooperatives, including housing cooperatives, and a few non-profit organizations. Since its inception, CFNE has disbursed more than $70 million in over 1,000 loans to co-ops and community organizations without loss of any investor funds.
- The Working World, a part of Seed Commons, lends to and helps build cooperative businesses in low-income communities. Since 2004, it has supported more than 800 projects with over 200 businesses–lending more than four million dollars and creating hundreds of jobs in the process.

In New York, UHAB has its HomeOwnership Lending program that provides home loans exclusively to purchasers in limited-equity housing co-ops. With support from LISC and NCB, this service helps purchasers fund their share loans.

ROCS

As non-profit cooperatives that move through a conversion process to acquire the land, infrastructure, and utilities of an established manufactured home community, while maintaining individual unit ownership, ROCs' financing needs are a somewhat unique blend of CLTs and LECs. Additionally, ROCs have the ability to go through their conversion process on their own, or under the auspices of ROC USA. This decision greatly shapes the capacities with regard to funding for predevelopment, share purchases, and technical assistance. ROCs that go it on their own can use a myriad of private, CDFI, and public funding to assist them in the process. Those who choose to undergo conversion through ROC USA, automatically are extended the finance and technical assistance for the duration of the conversion (Catto, 2017; Freddie Mac, 2017).

PREDEVELOPMENT AND CONVERSION

When mobile home communities decide to transition into an ROC, the financing needed for this is for a conversion or predevelopment loan to finance the purchase of the park. Where the manufactured housing community has been poorly maintained, there are substantial infrastructure improvement costs that the ROC has to pay for. ROCs can finance this in various ways:

1. ROC USA Pathway: When a community chooses to convert through ROC USA, they are afforded all of the financing it operates as its own CDFI, providing predevelopment loans to ROCs. Through partnerships with foundations, banks, and insurance companies ROC USA's CDFI is capitalized. Some of these include: the National Cooperative Bank, MetLife Insurance, Enterprise Community Partners, and Calvert Bank. Since 2008, ROC USA has loaned out approximately 40 million to ROCs undergoing conversion (Interview. O'Hara, 2022) (Freddie Mac, 2017).
2. CDFIs: Various CDFIs have financed ROC conversions. Most notably, the New Hampshire Community Loan Fund's ROC-NH works to provide loans for ROC conversion (Community Loan Fund, 2022), and has long been an important part of the ecosystem of ROCs in that state. Beyond that role, New Hampshire Community Loan Fund was a founder of ROC-USA, and therefore was at the heart of building this ecosystem nationwide. Other loan funds, such as Mercy Loan Fund (mostly in the northwest, but it also operates elsewhere) also have loan products that have been put to work in ROC conversions.
3. Private Lending and the GSEs: Some ROCs have been able to access commercial mortgage-backed securities, but these are typically ROCs that are market rate. As of 2018, Freddie Mac found that 411 communities were financed this way. According to the Freddie Mac *Duty to Serve Underserved Markets Plan 2022-2024*, ROCs will be able to access government backed purchase loans starting in 2022.

PURCHASING UNITS/SHARES

Since ROCs are structured as cooperatives, residents require financing for shares. Through the ROC USA model, shares cannot exceed $1,000, whereas non-ROC USA communities' shares may fluctuate depending on the incorporation bylaws (Freddie Mac, 2017). The process of conversion and share financing through ROC USA allows members to purchase their shares over a period of time. This is typically combined with their monthly co-op fees. LECs may have similar agreements for shares being rolled into their fees over an agreed upon time period (Interview. O'Hara, 2022) (Freddie Mac, 2017). ROC USA also offers small personal loans that can go to cover the cost of shares (ROC USA, 2022). Similar to conversion finance, foundations typically funnel their money through a Co-operative Technical Assistance Program (C-TAP) provider or a CDFI that has products for ROCs.

TECHNICAL ASSISTANCE & STEWARDSHIP

The need for technical assistance for ROCs is similar to that of LECs. Most of the TA is front loaded to the pre-conversion portion and then there is a demand for ongoing TA to support governance as the community becomes familiarized with collective ownership and governance. Additional finance for stewardship in the form of maintenance and repairs is not so much a concern for ROCs as those are included in the monthly member fees. The surpluses generated from these fees are generally held in a capital improvement fund that the community can collectively allocate for specific projects or repairs (Freddie Mac, n.d.)(Green & Hanna, 2018).

ROC USA provides comprehensive technical support through its C-TAP program for 10 years after conversion. This ongoing support accompanies ROCs through different aspects of governance, maintenance, and improvements. It is important to reiterate that ROC USA has never had any ROCs experience failure or foreclosure while in their network (Interview. O'Hara, 2022). ROC USA communities also have a network of CDFIs they partner with, including Northcountry Cooperative Foundation, that has provided TA to thirteen communities as certified CTAP providers (NCF, 2022).

Non-ROC USA communities may be able to access technical assistance through local CDFIs or foundations that are familiar with the needs of the ROCs. ROC-NH is one such organization that offers TA to cooperative ROCs (Community Loan Fund, 2022) Foundations could also be a source for non-ROC USA groups, which could support needed technical assistance and capacity building.

CLTS

The financing needs of CLTs are very similar to the rest of the SEH models in that they are situated around start-up, acquisition, development phases (predevelopment, design, site preparation, infrastructure, construction or rehabilitation), technical assistance, and stewardship. They also require financing for homebuyers' mortgages and for many, down payment assistance funds (Davis, 2007). The equity and debt used to fund CLTs come from the already familiar cast of finance actors in the private and public sector. Just as other SEH models, CLTs have unique challenges to getting consistent finance products. This is largely because of the split that occurs with a ground lease, making the underwriting of mortgages and loans more complex than the run-of-the-mill single-family home on the speculative housing market. Therefore, at this point in time, the financing of CLTs is largely made possible by knowing a nexus of different funding sources that have the flexibility to adapt to the financing needs of the CLT model.

START-UP FINANCING

During their early stages, CLTs have historically relied on a large amount of volunteerism and grassroots community organizing to move them through the initial stages of incorporation, stewardship, and even early acquisitions. While this can have upsides of preserving strong community ties it can also impede the type of capacity needed to facilitate early critical transitions - both organizationally and with acquisitions (Davis, 2010, Thaden, 2012, Duranti-Martinez, 2022, Rosen, 2022). From the interviews, start-up financing, preferably in grant form that could secure operations for the first two years would allow staff to target their efforts more effectively (Duranti-Martinez, 2022, Rosen, 2022). Currently there are no consistent sources of funding for this, and CLTs generally have to rely on local foundations, investors, and crowdfunding to fill the voids.

ACQUISITION AND DEVELOPMENT

As previously mentioned, finding lenders and products that work for the structure of CLTs is a challenge. There are no uniform, consistent products at local, state, or federal levels that allow a streamlining of finance for acquisition and development of CLT projects. Rather, CLTs utilize a mixture of funding sources, including public entities, foundations, CDFIs, credit unions, private investors, and crowdfunding to quilt the projects (Thaden, 2012, King, 2022).

CLT practitioners and funding partners that were interviewed for this report felt that having more consistency and variety of products would also allow for CLTs to benefit from lower interest rates - which can be a significant barrier to closing out projects (King, Duranti-Martinez, 2022). It would also reduce the amount of staffing time required from stewardship to locate and secure funding for projects.

Apart from having dependable and accessible financing, having the support of the local municipalities was cited as another factor that was significant in securing financing for acquisitions and development. For example, in places with hot markets like the Bay Area where the municipality can bring partners and leverage capital in ways that other funders cannot. Municipalities also have the capacities to facilitate policies being implemented that can decrease the cost of acquisition, like diverting properties being sold for tax delinquency to CLTs instead of for-profit developers (Interview, King, 2022).

MORTGAGE FINANCING FOR CLT HOMES

Similar to acquisition and development, there are no consistent mortgage products for CLT homes. Typically, State Housing Finance Authorities and GSEs like Freddie Mac and Fannie Mae find ways to change the products to fit CLTs. However, this is usually the result of individual loan officers who understand the technicalities of CLTs and can underwrite the mortgages accordingly (Thaden, 2012) (Davis, 2010). Relying on a network to service mortgages can put CLTs in a precarious position, both in getting community members into homes, but being able to satisfy the acquisition and development lenders as well.

TECHNICAL ASSISTANCE

Because of the complexity of needs associated with stewardship and community governance, ongoing technical assistance is essential. Some CLTs are able to access this through organizations like Center for Community Land Trusts, or membership entities like Ground Solutions Network and California Community Land Trust Network. Membership dues range between $50 to $200 and can typically be raised through internal fees (Grounded Solutions, CACLT Network, Davis 2010, Thaden, 2012). While these networks do address some of the need, interviews with both CLT staff and network directors pointed to the need for an expansion of educational services - specifically with regards to identifying partners for financing projects and more niche legal aspects of CLT work (Interviews. Goldberg, 2022, King, 2022).

SOURCES OF CLT FINANCE: CAPACITIES

PUBLIC SECTOR

HUD has offered several forms of funding that can be used by CLTs. In fact, one of the few long-term public forms of finance that have been available for CLTs is through HUD's HOME Investment Partnership Program. CLTs that are registered as Community Development Housing Organizations (CHDOs) are able to access the 15% block grant carved out that gets set aside in participating jurisdictions. In a 2010 study, 34% of CLTs in the study had HOME for start-up, acquisition, and development (Thaden, 2012). Other HUD programs such as Housing Opportunities for Persons With AIDS (HOPWA) and Urban Development Action Grant (UDAG)(now closed) have been used as well (Davis, 2007).

Community Development Block Grants (CDBG) are another public finance source that CLTs can utilize for acquisition and development. This is commonly done through their Section 108 program where recipients can use their funds to leverage for financing with lower interest rates. CDBG grants can also be used for operational support (TA) in some cases. The only stipulation is that the CLT has to be registered as a 501c3 charitable organization. Unfortunately, the degree of CDBG money available can differ depending on state and municipal guidelines established for the program (Davis, 2007) (Burlington Associates, 2011).

Many CLTs are able to access public funds under more short-term programs (other than HOME, few are long-term). For example, many CLTs apparently were able to utilize Neighborhood Stabilization Program funds through CDFIs when they were made available after the 2008 housing crisis. More recently, the Oakland CLT tapped into the 2018 Infrastructure Bond issued by California to receive money allocated for housing development - housing as infrastructure (Interview. King, 2022). In another conversation practitioners reported that CLTs have been building rapport with the Bay Area Housing Agency, a joint powers authority, to secure funding for development projects through a pilot program (Interview. Goldberg, King, Duranti-Martinez, 2022). Important to remember is that these funding sources are often temporary, and the need for consistent, long-term public funding is critical.

GOVERNMENT SPONSORED ENTERPRISES: FANNIE MAE AND FREDDIE MAC

Many CLTs use Fannie Mae and Freddie Mac programs to secure mortgages. For a long time, neither GSE offered specific products for CLTs, and the CLT and homebuyers had to rely on loan officers who understand the ground lease structure and could customize the mortgage product accordingly (Thaden, 2012). That is no longer the case, and both Fannie and Freddie have products to secure mortgages on CLT lands. (Shared Equity Programs, Fannie Mae)

CDFIS AND CREDIT UNION PRODUCTS

CDFIs play a role in financing CLTs. They are more consistently able to float products for acquisition, development, and rehabilitation (Rosen, Interview, 2022). Enterprise Community Partners, for instance, was frequently referenced in interviews as a partner in CLT work (Interviews. Rosen, King, Duranti-Martinez, 2022) (Davis, 2007). As recipients of state and federal funds, they also could have the potential to shift into down payment assistance for CLTs, depending on the market conditions (Rosen, Interview, 2022).

Credit Unions (CUs) have been limited in their financing of CLTs, and most do not have CLT- specific products. Nevertheless, there are CUs that were noted in interviews with practitioners in the Bay Area. Self-Help was one such entity that partnered with the Bay Area LISC to finance the Oakland CLT and also earlier this year provided some financing for the San Francisco CLT. Working in a partnership, LISC took on the first position of finance and Self-Help was second, issuing the actual loans (Interviews. Herbert, Duranti-Martinez, 2022).

We should note that the rarity of these investments by LISC and Self Help was discussed in an article celebrating it. Oscar Abello, who covers these issues for the online journal *Next City* noted, "It's still rare for private lenders to work with community land trusts across the country, even mission-oriented private lenders like Self-Help or the Local Initiatives Support Corporation. Both of these lenders are federally certified community development financial institutions, or CDFIs. But even with CDFI certification and the doors it opens to federal and philanthropic support for financing community development, CDFIs all across the country have still been hesitant to work with CLTs" (Abello, 2022).

FOUNDATIONS

Foundations are instrumental in CLTs accessing finance for the full scope of needs. Small local foundations are often key in acquisition and development for CLTs. In an interview with Oakland CLT, the representative mentioned that small local foundations comprised two thirds of the funding for a recent acquisition. CLTs find Foundations preferable because they are frequently able to give more flexible interest rates (Interview. King, 2022).

National foundations also play a role, but are more removed from direct financing of individual CLTs. In a 2010 study, 11% of CLTs in the study had direct financial products through national foundations, compared to 38% who reported using local foundations (Thaden, 2012). Part of this gap is due to the power of local relationships and part is due to national foundations not having the frameworks for offering products for CLTs (Interview. King, 2022). Where you do see national foundations financing CLTs is through entities like the National Housing Trust or Enterprise Community Partnerships. The challenge with this approach however is their capital is then distributed through those entities, instead of making those funds directly available to CLTs, or other SEH models.

CROWDFUNDING AND COMMUNITY FINANCING

As historically grassroots organized models, crowdfunding remains a large player in finance for CLTs. This is particularly true for start-up and acquisition (Davis, 2010) (Interview. Herbert, Duranti-Martinez, 2022). In Oakland, a CLT was able to crowdsource $550,000 in a month for the acquisition of a building (Interview. King, 2022). While this has been an important strategy, the reliance on it also comes from dealing with a larger system that has for the most part, not provided reliable financial products.

In recent years the emergence of more community funds like the Ujima Project in Boston, East Bay Permanent Real Estate Investment Coop in Oakland, and City of Lakes Community Asset Fund in Minneapolis have provided templates for how communities can pool resources to fund CLT projects (Interview. Duranti-Martinez, 2022).

Small local investors have been proving to be a favored source of financing for development and acquisition. Small investors may include private entities like local businesses, religious institutions, or individuals (Davis, 2007). Their often localized and/or personal interest in the success of the CLT makes them willing to offer extremely low if not zero percent interest on their loans. For small capital projects, these relationships are ideal (Interview. King, 2022).

INNOVATIVE FORMS OF POOLING CAPITAL

Private security offerings are a recent innovative form of pooling capital, and that is how Oakland CLT structured its crowdfunding for its acquisition discussed in the prior section. (Interview. King, 2022). Wealth redistribution organizations like Resource Generation and Chordata Capital that work with wealthy individuals to divest from extractive capitalism and reinvest into Indigenous, Black, and brown communities, show potential, especially when paired with local community funds (Poole, Brown, 2022). From the community fund, the capital can be redistributed to the community to be used, if it’s the desire of the community, for a CLT. Building up the relationship between redistribution organizations, community funds, and CLTs could facilitate sustaining streams of finance for local CLTs.

PARTNERSHIPS

Similar to the dynamic with deed restriction, land banks can be beneficial partners for CLTs. Their ability to significantly cut acquisition costs by providing cheap land to CLTs can greatly reduce total carrying costs of a project. Partnerships in Albany, NY, Cleveland, OH, and Minneapolis, MN have all shown to be beneficial in expanding CLTs portfolios at a decreased cost (Lowe, Prochaska, Keating, 2022) (Interview. Cutcher, Duranti-Martinez, 2022).

CONCLUSION

Source and permission: UHAB

This landscape scan has covered the state of SEH in the United States. As we indicated in the introduction, there are a set of key takeaways for the Cooperative Development Foundation and other readers.

First, while there has been a lot of interest in SEH by policy-makers and funders in the last 20 years, the numbers of housing units in SEH portfolios are not at a scale that gives them a substantial share in local housing markets. There are some exceptions to this - the Champlain Housing Trust (CHT) in Northwestern Vermont has 3000 housing units (2400 in multi-family buildings, 600 in single family homes in SEH) in Burlington, VT, eight percent of all households live in CHT housing (Axel-Lute and Blumgart, 2021); and in New York City, LECs have long been a part of the housing landscape, and have been made and remade by waves of cooperative developers for one hundred years.

In other places, there is newer and impressively demonstrable growth. TOPA in Washington, DC has allowed for meaningful growth in LECs in the District. Minnesota's enabling framework has allowed CLTs to scale up in every major city and metropolitan area in the state—from Rochester to Duluth, while the Twin Cities has the densest network of CLTs (all of which have sizable portfolios) in the country. Finally, ROC USA ROCs have grown dramatically from the model's birth in New Hampshire. Otherwise, the story in most of the country and for most of these models is that there is a lot of interest in them, and a lot of political energy in communities, but not yet a lot of housing units and/or land in them.

Second, the lack of growth of SEH in most of the country is a function of the lack of enabling ecosystems. There is a lot of energy around SEH and a lot of interest in communities to create and sustain the SEH sector. This is a prerequisite for sector growth to occur; and fortunately it does appear that in most places that prerequisite has been filled. What most places lack, however, are the contextual factors that allow SEH to scale. In short, scaling up SEH requires: a supportive policy environment, technical assistance providers, and the availability of finance. In most of the country one or more of these components of the ecosystem are inadequate or completely absent. The growth of ROCs and homes in ROCs can be attributed to ROC USA building out much of that enabling ecosystem internally, rather than having to build an ecosystem from different organizations. Aside from ROCs, places that have sizable SEH housing in their communities all have support for them either from the public sector or from non-profit ecosystem components, or from both the public and non-profit sectors.

In most of the country that ecosystem is not yet built out, or built out only imperfectly or inadequately. Because of the variability of the robustness of the supportive ecosystems, there are substantial regional and local variations in the density and scale of the SEH sector. The maps of the SEH sector visually demonstrate this uneven regional and local geography. And these variations are also evident in the model or type of SEH in question. While New York City, for instance, has long had a density of LECs, until recently it had only one CLT (Cooper Square), and few of the newer CLTs established in the last ten years have any land or housing yet. California, alternatively, has been building out an ecosystem to support CLTs in the last 20 years, but it remains a state that lacks sizable numbers of LECs because it is, according to one interviewee in the state, “a tough state for coops.” Deed restricted homeownership units are almost completely dependent upon public sector policies, which are required to enable their growth and enforce the durability of the deed restrictions. Such policies are regionally uneven, with the bulk of them being in the Washington-Boston corridor or California. While such housing programs also exist in Florida, Colorado, North Carolina and several other states, in much of the country this form of SEH is completely absent.

Finally, the regional unevenness of the SEH sector means that funders, both large and small, have a set of choices to make. Depending on resources, do they support ecosystem development in places where it already exists, but could use further support? Or seed the sector in places where the supportive ecosystem does not yet exist, and needs to be built out? Of course, building out the ecosystem itself requires choices and the setting of priorities.

Changes in municipal and state government policies can play the most important role in enabling the sector to grow. But investments in the kind of political work necessary to change local and state government priorities can take years before they yield any kind of results, and even then are far from guaranteed to succeed. And policy “success” can often be more apparent than real, as cities in hot housing markets provide technical assistance and operational support, but little change in land disposition policies or anything else that might allow SEH providers to access sites to build new or rehab existing housing. Building out the technical assistance framework appears easier and cheaper, but it requires building a pipeline of leaders in the field, since the best TA providers (aside from land use and housing lawyers) are former or retired practitioners. This pipeline cannot be built overnight, and efforts to do so might result in TA that is unable to meet the needs of housing providers.

Building out the financial capacities might be the easiest conceptually to get done. CDFIs have a long history, are found in most of the country, and on paper should be mission-aligned with the provision of SEH. But CDFIs are often very conservative entities, and have become resistant to change. The majority have limited or no products for SEH, and appear unwilling to adopt them. The Local Initiatives Support Corporation (LISC) which has a network of CD loan funds around the country to finance community development, for instance, has not provided such support. CDF and other funders therefore need to decide whether to invest in trying to move currently existing CDFIs to get them to provide more financial products for SEH, or to invest in trying to build out financial vehicles specifically for SEH.

Thus none of the choices to scale up the SEH sector are clear cut and unambiguous. All involve compromises and imperfect choices, and all of the choices could be questioned. What cannot be questioned is that there is a lot of energy around shared equity housing. That energy should be harnessed and supported, before it dissipates in frustration; a frustration borne of the inability to generate homes for people because the supportive frameworks are absent or inadequate.

GLOSSARY OF TERMS

Community Development Block Grants (CDBGs)
The Community Development Block Grant (CDBG) Program is a federal program administered by the U.S Department of Housing and Urban Development (HUD) which supports community development activities that address needs such as infrastructure, economic development, housing rehabilitation, land clearance/ acquisition, and homeowner assistance. (Source: HUD Exchange)

Community Development Finance Institutions (CDFIs)
CDFIs are mission-driven financial institutions that create economic opportunity for individuals and small businesses, quality affordable housing, and essential community services in the United States. Four types of institutions are included in the definition of a CDFI: CD banks, CD credit unions, CD loan funds, and CD venture capital funds. CDFIs may be certified by the CDFI Fund. Certification is often necessary to receive CDFI Fund support. (Source: Office of the Comptroller of the Currency)

Community Land Trusts (CLTs)
A Community Land Trust (CLT) is a non-profit organization whose primary mission is to provide and steward land and properties for the benefit of its low to moderate income community members. (Source: CA CLT Network)

Under the CLT model, the CLT owns a tract of land and leases individual lots or parcels at below market rents to low and moderate-income homebuyers under a long-term ground lease. The ground lease is a legal document that contains certain land use and other restrictions, such as those limiting occupancy, resale price, and financing, that ensure the continued use of the property for low-income households. (Source: Freddie Mac)

Credit Unions
A credit union is a non-profit financial institution that's owned by the people who use its financial products. Members elect a board of directors to manage the credit union to ensure that their best interests are represented. Credit unions aim to serve members by offering competitive products with better rates and fees than you see with a for-profit bank. (Source: CNBC)

Shared Equity Homeownership
Shared equity homeownership is an approach to support homeownership for lower income households whereby a public or non-profit agency invests substantial public funds to reduce the price of purchasing a home for prospective homebuyers of modest means. In return, homebuyers accept a contractual limit on their equity appreciation in order to preserve affordability for future lower income buyers. (Source: Burlington Associates)

Deed Restricted Homeownership
A homeownership approach that applies a subsidy to reduce the purchase price of a new or existing home to a level affordable to homeowners at the target income level. Then restrictions are put into place requiring that the home be sold, and eventually resold, to buyers meeting certain qualifications — for example, incomes below 80 percent of the area median—at an affordable price as defined according to a formula set in the deed restriction or covenant. While these agreements are sometimes assumed to be self-enforcing, they do need to be actively monitored by an entity with an interest in maintaining ongoing affordability.

HOME grants
HOME grants (the HOME Investment Partnerships Program) are federal grants that are awarded annually to state and local governments and are then distributed to communities and nonprofit organizations as grants, loans, or other forms of credit to fund affordable housing initiatives. This includes buying or building affordable housing or rental assistance for low income households. At least 15% of HOME funds must be used by CHDOs (Community Housing Development Organization). (Source: HUD)

Inclusionary Housing
Inclusionary Housing policies set affordable housing requirements, usually tied to new development. They are generally implemented at the municipal level to

encourage the construction of new affordable housing units by private developers.

Indigenous Land Trusts
Most newly acquired tribal trust lands are located within Indian reservation boundaries or adjacent to them. Under certain conditions there may be off-reservation acquisitions. Typical uses of the acquired land include governmental operations, cultural activities, agricultural or forestry activities, increased housing, social and community services, health care and educational facilities. (Source: NCSL)

Land banks
Land Banks are usually governmental (though sometimes nongovernmental) entities that acquire, hold, manage, and eventually distribute vacant land to a new owner in a specific geographic area (usually at the municipal or neighborhood level). Holding vacant or foreclosed land in a land bank removes it from the speculative market and allows it to be designated to an appropriate owner at an appropriate time. (Source: HUD Exchange)

Limited Equity Co-ops (LECs)
A limited equity cooperative (LEC) is a homeownership model in which residents purchase a share in a development (rather than an individual unit) and commit to resell their share at a price determined by formula—an arrangement that maintains affordability at purchase and over the long term. (Source: Local Housing Solutions)

Low Income Housing Tax Credits (LIHTC)
Created by the Tax Reform Act of 1986 and administered by the Internal Revenue Service (IRS), the LIHTC program gives State and local LIHTC-allocating agencies the equivalent of approximately $8 billion in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to lower-income households. It plays a significant role in financing the production of affordable housing in the U.S. (Source: HUD)

Manufactured Housing
Manufactured homes are constructed with standard building materials, and are built almost entirely off-site in a factory and are then transported to a permanent location using a motor vehicle. The controlled construction environment and assembly line techniques remove many of the problems encountered during traditional home construction, such as weather, theft, vandalism, damage to building products and materials, and unskilled labor. In terms of quality, they are built according to the federal Manufactured Home Construction and Safety Standards, better known as the HUD Code. (Source: **MHI**)

Manufactured Housing Communities
Manufactured housing communities—also called mobile home parks—are clusters of manufactured homes located on a single parcel. They range in size from fewer than 10 homes to hundreds. Manufactured homes comprise the largest share of unsubsidized affordable home ownership in the U.S., and communities occur in both rural and urban areas. Like community land trust homeowners, manufactured homeowners own their houses and rent their land. (Source: **Grounded Solutions**)

Mutual Housing Associations (MHAs)
A Mutual Housing Association (MHA) is a nonprofit corporation that develops, owns and/or manages, or assists cooperatives and other forms of nonprofit resident-controlled housing. Residents of an MHA are members of the Association that owns the housing. In terms of governance, the MHA is governed by a Board of Directors composed of residents, in addition to representatives from the private, public and community sectors. The MHA owns all of the housing developments. Residents cannot buy or sell their units directly, however, they have a significant voice in decision-making, and have a lifetime right to live in the housing. (Source: **HUD**)

Resident Owned Communities (ROCs)
A Resident-Owned Community (ROC) is a neighborhood of manufactured homes that's owned by a cooperative of homeowners who live there as opposed to an outside landlord. In a resident-owned community (ROC), homeowners form a non-profit business called a cooperative. Each household is a Member of the cooperative, which owns the land and manages the business that is the community. Members continue to own their own homes individually and an equal share of the land beneath the entire neighborhood. (Source: ROC USA)

Shared equity programs
Shared equity programs preserve affordable homeownership opportunities by allowing borrowers to purchase homes at below-market prices. In exchange, borrowers agree to sell the property only to other income-qualified buyers and/or share the home's appreciation with the organization that subsidized the purchase. (Source: Fannie Mae)

Stewardship
Within the context of CLTs, land stewardship encompasses three principles: maintaining permanent affordability through monitoring and enforcement of deed restrictions; securing the ownership title of CLT homeowners especially during times of economic hardship and high foreclosure risk; and maintaining the building quality and livability of the CLT property over time. (Source: John E. Davis, Burlington Associates)

More broadly, it means managing CLT land and property in a way that advances CLT goals to benefit lower income community members and to promote community control. (Source: UC Berkeley Other and Belonging Institute).

Tax Increment Financing (TIF)
Tax increment financing (TIF) is a mechanism used to fund and finance public facilities and other improvements, often in infill locations where up-front investments are needed to enable real estate development. TIF captures incremental growth in tax revenues (usually property tax, although other types of revenue can also be collected) above and beyond what taxing entities currently receive within a designated geographic area. TIF revenues are typically used to pay back upfront costs or debt service for bonds issued to fund improvements such as infrastructure and other public facilities that are needed to catalyze private investment. TIF can also play an important role in providing funding for affordable housing. (Source: California **Governor's Office of Planning & Research**)

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