The Answer

SHELTERFORCE

Q: What's the point of shared-equity homeownership in weak market areas?

A: In an appreciating or expensive neighborhood, the value of creating permanently affordable housing through shared-equity homeownership* is easy to grasp: it preserves ongoing access to opportunity for those of modest means. But why would such programs make sense in disinvested neighborhoods or weak markets where housing costs aren't soaring?

Weak markets aren't weak forever.

It may be hard to imagine while standing in a suffering neighborhood, but real estate does cycle, and when a neighborhood does improve you want the lower-income families who have been there for the long haul to continue to benefit.

"The neighborhood where we work included the poorest census tracts in the state when we first started doing our development. There are three neighborhoods around us that are gentrifying and the only place left to go is into our neighborhoods. People are being displaced." —Nora Lictash, director of Women's Community Revitalization Project, which is starting a land trust in East North Philadelphia

You can offer more people a chance of sustainable homeownership.

When values are low, the same amount of initial subsidy can reach people who otherwise wouldn't be able to afford homeownership.

"We required a minimum mortgage of $100,000 when our Homebuyer Initiated Program started in 2005 because that was necessary for a buyer to find a livable home. More recently, we have been able to serve homebuyers qualifying for $50,000 or $60,000 mortgages." —Staci Horwitz, program director of City of Lakes Community Land Trust, Minneapolis, Minnesota

It provides a safety net for families.

Good shared-equity programs not only ensure their homeowners are in sound mortgages, but stay involved, preventing predatory refinancing, helping homeowners handle financial and maintenance crises, and even sometimes curing defaults. This cushions low-income homeowners from some of the ravages of marketplace ups and downs while still allowing them to build assets—even more important in a weak market area.

"Conventional homeowners were 10 times more likely to be in foreclosure proceedings than CLT homeowners at the end of 2010, while [CLTs served] a much lower income population." —National Community Land Trust Network 2011 comprehensive survey

Communities should control their land.

Much of what goes on in disinvested communities is controlled by outside interests. With a board structure that keeps decisionmaking local, community land trusts and co-ops are more than just housing providers —they are building assets that are under community control for the long haul.

"Instead of someone else buying the land and building what they want, why don't we do it? That way we can control what goes there." —Patricia Jones, director of Lower 9th Ward Neighborhood Empowerment Network Association in New Orleans, which has incorporated a land trust in its recovery strategy.

It generates stability for communities.

The same stewardship measures that protect homeowners also protect the neighborhood by stabilizing owners, making sure properties aren't abandoned or turned into absentee rentals, requiring a basic standard of maintenance, and replacing vacant buildings or lots with functional homes.

"Our land trust provides an important alternative to the absentee investors who are buying properties in Albany for speculative purposes and draining cash and equity from Albany's neighborhoods." —Roger Markovics, board member of the Albany Community Land Trust, which works in the most disinvested neighborhoods of Albany, N.Y.

***Shared-equity homeownership programs make owner-occupied homes permanently affordable through resale price restrictions in exchange for a below-market purchase price. Community land trusts, limited-equity co-operatives, and deed-restricted inclusionary housing are all forms of shared-equity homeownership. For more, see: www.nhi.org/go/SEH.**