

Federal Funding, Local Impact: Shared Equity as a Housing Solution



Shared equity homeownership models provide housing stability and long-term affordability for residents. Photo credit: [istockphoto.com/monkeybusinessimages](https://www.istockphoto.com/monkeybusinessimages)

Shared equity homeownership models increase access to homeownership, support resident autonomy, and preserve affordability. Although nonprofit organizations have used various shared-equity models for decades, interest in them has increased as rising home prices, driven by high construction and land costs, exclude low-income households from wealth-building opportunities. National nonprofit organizations are distributing resources locally to support shared equity projects. On March 2, 2022, nonprofit affiliates gathered at a [virtual event](#), “Federal Funding, Local Impact: Shared Equity as a Housing Solution,” hosted by the National Housing Conference. Moderated by Kristin Siglin, vice president for policy and partnerships at the National Community Stabilization Trust, the panel included Shanti Abedin, director of shared equity housing at NeighborWorks America; Tony Pickett, chief executive officer of Grounded Solutions Network; Jenny Ortiz, vice president of design and development at Neighborhood Partnership Housing Services; and Kaia Peterson, executive director of [NeighborWorks Montana](#). In addition to presenting different types of shared equity models, the panelists discussed how these models are preserving housing affordability, their scalability, and misconceptions about their prohibition of wealth building.

Shared Equity Programs Provide Resident Autonomy and Long-Term Affordability

Many variations of shared equity homeownership models exist, but panelists focused on how their organizations have supported unique local approaches to two specific models: community land trusts (CLTs) and limited equity cooperatives (LECs). CLTs split ownership between a nonprofit, which represents the community and owns the land, and households, who purchase any improvements to the land or existing structures. When families leave a CLT, they sell their portion of the built property, leaving it affordable for a new resident, while the nonprofit continues to own and manage the land. Peterson described NeighborWorks Montana’s experience with CLTs in Big Sky, Montana, a resort town with housing costs so high that local workers cannot afford to live there. NeighborWorks Montana worked with a [local housing trust](#) to develop 52 condominiums that sold between \$155,000 and \$320,000, less than one-third of the area’s median condominium sales price.

Although its recent successes have involved CLTs, NeighborWorks Montana’s interest in shared equity solutions began 10 years ago, after the organization realized that manufactured home communities at risk of displacement from redevelopment projects could be transformed into LECs. In an LEC, each household

owns a structure; however, unlike a CLT, the residents own the land collectively. NeighborWorks Montana provides technical assistance and education for the residents of these manufactured home communities, who, according to Peterson, undergo a “huge learning curve” on the path to autonomy and ownership. This assistance includes negotiating a feasible sale with the original property owner and helping establish the new cooperative’s governance structure, which typically includes a board that ensures that rents remain affordable as tenants come and go.

How Technical Assistance Can Scale Shared Equity Projects at the Local Level

Scaling shared equity solutions is feasible when national nonprofit leaders offer technical assistance to local organizations that are helping residents form CLTs and LECs. Each of the panelists’ organizations are affiliated with NeighborWorks America, a congressionally chartered nonprofit that receives more than \$150 million in federal funds annually to serve smaller, local organizations through coursework, coaching, and grants. NeighborWorks America has received an additional \$5 million since launching its shared equity program in 2019. As a grantee, NeighborWorks Montana established 15 resident-owned communities in the state, preserving more than 600 homes for 1,300 residents. This model shows promise for preserving affordable housing nationwide, particularly in rural areas, where a significant portion of unsubsidized housing consists of manufactured homes.

In addition to distributing resources to its umbrella network of more than 250 nonprofit organizations, NeighborWorks America has partnered with peer nonprofits that are also national leaders in shared equity projects. Networking led to the organization’s partnership with [Grounded Solutions Network](#), a national nonprofit scaling shared equity solutions that prevent displacement and retain the unique identities of neighborhoods. Pickett explains that the partnership was particularly successful at launching the [Binghampton Community Land Trust](#), which was founded in 2018 to acquire, rehabilitate, and resell blighted housing in the Binghampton neighborhood of Memphis, Tennessee. Through its partnership with NeighborWorks America, Grounded Solutions extended technical support to the local nonprofit that included helping prepare the CLT legal documents and delivering presentations to city, county, and state policymakers. This CLT model, which includes paperwork templates and a specific method of educating both potential homeowners and stakeholders, served as a template for creating a coalition of CLTs throughout the city. Because the blight and disinvestment previously existing in Binghampton is present in many U.S. cities, Pickett says, the Grounded Solutions Network’s goal is to scale its shared equity model across the country over the next 10 years.

Addressing Misconceptions Regarding Shared Equity Models and Wealth Building

Shared equity models provide housing stability and affordable housing for residents at risk of displacement, but many people wonder if participation in CLTs or LECs inhibits wealth building. The panelists agree that this belief is a common misconception; Pickett argued that Grounded Solutions Network’s data show that this affordable housing model does permit a limited but “reasonable amount of wealth creation.” Pickett reported that homeowners tend to decide to sell within 5 to 7 years, and 60 percent of these sellers move on to purchase an unrestricted, market-rate home, which implies upward economic mobility. In addition, the subsidies that support preservation of homeownership and improvements to blighted properties acquired in a CLT lead to home appreciation, the value of which residents receive if they decide to sell. Peterson also notes that, although most models limit accrued equity, residents leave with the ability to afford housing in the traditional market, because participation in a shared equity project serves as a stepping stone to other opportunities for wealth and equity building.

To help shared equity become a mainstream solution to affordable homeownership, panelists suggest two federal actions. The HOME Investment Partnerships program could become a pathway for shared equity projects, Pickett says, although many practitioners feel that access to the program is too complicated; HUD clarifications could be a solution. The other action, as Abedin suggests, is to expand federal funding to

organizations such as NeighborWorks America that can distribute resources to state and local officials who need more knowledge and exposure to this type of affordable housing solution.

Published Date: 19 April 2022

Source: <https://www.huduser.gov/portal/pdredge/pdr-edge-featd-article-041922.html>