CHRA ACHRU

Shared Equity Approaches to Affordable Homeownership

A CHRA Congress Session Summary

BC Housing

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Jeff Corey, *Executive Director, One Roof Community Housing*
Heather Tremain, *Principal, Urban Fabric Group*

Moderator:
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Owning a home is associated with many benefits, but homeownership is an increasingly expensive proposition that many families cannot access. Homeownership programs with long-term affordability controls, such as the shared equity model, are one potential solution. The shared equity approach provides homeownership opportunities at below-market prices by sharing the appreciation in value that is realized upon resale of the home, preserving the affordability of that home for future buyers. The shared equity model thereby allows homeowners to earn competitive returns while homes remain affordable to moderate to low-income buyers over time. This workshop highlights three different affordable homeownership programs that have utilized a shared equity approach to homeownership.

Tara Cooney – Attainable Homes Calgary Corporation, Calgary, AB

Attainable Homes Calgary Corporation (AHCC) is a non-profit organization and wholly owned subsidiary of the City of Calgary that works to deliver entry-level homes for moderate-income Calgarians. Over the past decade, the milestone of owning a home has become more difficult as the rise in incomes has failed to keep pace with the rise in housing prices in Calgary. The cost of renting leaves little room to save for a down payment, while day-to-day living expenses can further delay homeownership goals.

In response to an increasingly unaffordable real estate market, the City of Calgary in 2009 developed the Attainable Home Ownership Program (AHOP) as a part of the city's 10-year plan to end homelessness. The AHOP program, operated by AHCC, offers the opportunity for middle-income families in Calgary to build equity through homeownership by providing affordable prices on homes, a forgivable down payment loan and a shared appreciation plan that provides homeowners with a financial stake in the sale of their home.

While Calgary has one of the highest median family incomes in Canada, housing affordability remains a challenge. Over the last year housing prices were driven up as the June 2013 floods put downward pressure on the vacancy rate to a low of one percent by October 2013, and increased the average rent of a two-bedroom home by 7.2 percent, to $1,224 a month. Market housing also appreciated over this period, with condominiums selling for an average of $269,778, bungalows for an average of $468,967 and standard two storey homes for an average of $461,089.

The Attainable Home Ownership Program has relieved some of this pressure on the rental and housing market by helping more families attain affordable homeownership. This is made possible through partnerships with local builders, from whom AHCC purchases units in bulk at discounted rates passed onto homebuyers as a lowered market purchase price. Lenders and insurers recognize this lowered purchase price as a gifted down payment, or forgivable equity loan, reducing the sizeable down payment required on the market. Eligible homebuyers must contribute a minimum $2,000 deposit, as well as confirm mortgage approval, and must also complete an AHCC-approved homeowner education course.


Photo: AHCC

Evanston Square, one of Attainable Homes Calgary Corporation's (AHCC) unit acquisition projects offering affordable one- and two-bedroom homes in an amenity rich northwest community.

Eligibility for the AHOP program is determined based on an annual household income of less than $90,000 for single and dual parent families with dependent children living at home, or $80,000 per annum for singles and couples with no dependent children. Personal assets cannot be in excess of $100,000 (excluding primary vehicle, registered retirement and education savings plans and pension), and once purchased, the home must be the permanent sole residence of the buyer.

Owners retain the right to sell at any time, at which point the unit is sold on the market and a portion of the home's appreciation is reinvested back into AHOP to create additional homeownership opportunities for future moderate-income buyers in the city. The longer a homebuyer lives in their home, the larger their share of its appreciation to a maximum of 75 per cent. The first buyer of each unit thereby attains the financial benefits, while the revenue generated through the resale of each home supports the development of additional attainable homes for other Calgary families.

With a focus on multi-unit family projects as opposed to single-family homes, AHCC offers 1 to 3-bedroom units with a starting price between $155,000 and $263,900. Most homebuyers are between 18 and 39 years of age, have an annual household income of between $50,000 and $79,999 and work in the public sector.

The Government of Alberta provided start-up capital for the program, with funding matched by the City of Calgary. The program was designed to be self-sustaining, with capital generated through the appreciation of the re-sale of homes at market rates used to cover AHCC's upfront costs and overhead expenses, allowing AHCC to function at arms-length from the city without relying on ongoing government subsidies. To date, 341 attainable homes have been sold through the AHOP Program, and 2,620 households have completed the home education session. Over 11,000 families have registered interest in the Attainable Home Ownership Program since it was launched.

Since the financial sustainability of the Attainable Home Ownership Program is based on the reinvestment of the appreciation gains at the time of resale, the program hinges on the continued rise in housing prices, and is also vulnerable to a 'hot' real estate market in which builders can easily move units themselves. However there is a safety mechanism in place that requires a minimum repayment amount from all AHOP homeowners upon resale, regardless of the equity position of the property.

The self-sustaining Attainable Home Ownership Program is ultimately designed as a platform to transition renters into homeownership by providing families with the equity they need to bridge the housing affordability gap by bringing down the upfront costs of buying a first home.

Before:

After:

Photos: OneRoof

Formerly foreclosed home in West Deluth acquired and rehabilitated by One Roof Community Housing.

Jeff Corey – One Roof Community Housing, Duluth, MN, USA

One Roof Community Housing (One Roof) located in Duluth, Minnesota is a non-profit, membership and community-based organization formed in 2012 by the joining of Northern Communities Land Trust and Neighborhood Housing Services. Located between St. Paul, Minneapolis and the Canadian border, Duluth is a shipping, commercial and manufacturing center, and like many cities across the United States, is facing a tight housing market and rising housing prices. With the aim of strengthening communities by building, renovating and maintaining affordable homes, One Roof supports low-to-moderate income buyers in attaining homeownership.

There are over 200 Community Land Trusts (CLT) across the United States, including 8 CLTs in Minnesota, of which One Roof Community Housing is the largest, with 250 homes and growing.

As a Community Land Trust, One Roof makes if possible for low-to-moderate income households to buy and own homes on land leased from the CLT through long-term (typically 99-year), renewable, inheritable ground leases. One Roof leases the land for a nominal fee to homebuyers, allowing for the purchase of the property's home and exclusive use of the land, while the organization retains the land in perpetuity.

By separating the ownership of land and housing, the land trust prevents market factors from causing housing prices to rise significantly, guaranteeing that housing will remain affordable to future generations. A CLT thereby effectively removes the value of land from the sale price of the property without disconnecting residents from establishing a financial interest in owning a home. Just like any other homeowner, the CLT homeowner obtains a mortgage, accumulates equity, pays property taxes, and can undertake capital improvements to the home.

Although buyers have to qualify for a mortgage, homes are generally sold at $20,000 to $40,000 below market value. Additionally, down payment and closing cost assistance comes in the form of a 0 percent 30-year deferred loan, due on sale or refinance, while the amount of assistance is determined on a case-by-case basis from $500 up to $2,000.

Eligibility for CLT homeownership is based on completion of an approved homebuyer education class and one-on-one-counseling with One Roof staff, a total annual household income of no more than 80 per cent of the area median income per household size, and acceptance of a purchase agreement. The house must also be sold through the land trust to future income-eligible buyers and remain owner-occupied.

Upon sale of the home, a Resale Formula ensures the current homeowner receives their initial investment plus 25 percent of the increase in the value of the home. The Resale Formula thereby secures One Roof's initial investment of the down payment assistance, which remains with the home each time it is sold. Homeowners also receive full value of any qualified capital improvements that have been documented during the time of ownership.

To date One Roof Community Housing has resold 83 land trust homes, leveraging $15 million in local, state and federal resources invested in CLT homes. As of April 2014 One Roof manages 250 permanently affordable occupied land trust homes with 99 percent of homebuyers still in their home after 5 years. The average annual income of buyers is $30,236, with the average income served being 60 percent of the area median income per household size. The average market value of a home in the area is $120,000 while the average CLT listing price is $91,500.

Almost all One Roof community land trust homes being developed at this time are acquisition rehabilitations of formerly foreclosed and damaged properties. The US foreclosure crisis has created increased need for housing affordability in the area, and in 2012 One Roof expanded their CLT housing development activity within Minnesota to include the cities of Cloquet and Two Harbors in addition to Duluth, Proctor and Hermantown. In developing affordable community land trust homes for sale to low-to-middle income households, One Roof Community Housing is facilitating long-term housing affordability and community sustainability within established neighborhoods in Minnesota.

Heather Tremain – Urban Fabric Group, Vancouver, BC

Verdant is a unique partnership between Simon Fraser University (SFU) Community Trust, ReSource ReThinking Building and Vancity Enterprises Ltd. designed to create affordable family housing within UniverCity, a complete community located atop the Burnaby Mountain next to Simon Frasier University. UniverCity is a mixed-use, transit-oriented and award winning community in which sustainable planning practices and building design work in harmony with the natural environment.

With 3,200 residents and a projected population growth of 10,000, Verdant was born out of an innovative resale, financing and sustainability model providing high-quality, energy-efficient housing at below market prices for SFU faculty, staff and their families. In prioritizing families, a demographic often priced out of Vancouver's real estate market, Verdant is aimed at supporting the attraction and retention of a qualified workforce within the Simon Frasier University community in providing affordable homeownership options atop Burnaby Mountain.

Completed in 2007, Verdant is a 60 unit, four-storey, wood framed stacked townhouse project offering large two and three-bedroom homes sold for 20 percent below market value. Affordability has been achieved due to a myriad of strategies, including purchase of a 99-year ground lease through SFU Community Trust at a significantly reduced cost, and by fixing the developer's return on equity. A tailored online marketing campaign was also launched targeting SFU faculty and staff; reducing traditional marketing costs from approximately $10,000 - $15,000 to $3,000 a door.

As one of the most energy-efficient LEED™ certified residential complexes in Canada, the sustainability principles incorporated into the design of the building have also had a significant impact on affordability. Using geothermal heating, Verdant has achieved a 60 percent reduction in energy usage over a conventional code building. The up-front costs of the heating system were financed through a "green loan" secured through Vancity Capital Corporation – the first of its kind in BC and repaid through energy savings – significantly reducing monthly heating

Photo: Verdant@UniverCity

Completed in 2007, Verdant is a 60 unit, four-storey, wood framed stacked townhouse offering family housing within UniverCity, a complete community located atop the Burnaby Mountain next to Simon Frasier University.

bills. Additional energy-efficiency cost-saving features include in-floor radiant heating, double glazed windows, Energy Star appliances, zoned occupancy-controlled lighting in the parkade and common areas, as well as a 50 percent reduction in potable water use.

The initial fair market value of each of the units has been individually assessed, with the appraisal value less 20 percent used to determine the final below-market sale price of each home. Homeowners are required to maintain the unit as their primary residence, and cannot rent the units. A Resale Control Agreement ensures future affordability by requiring all homes be sold at the same 20 percent below market. This allows homeowners to benefit from the appreciation of their home through a return on investment, while homes remain affordable at below market rates to subsequent owners. Verdant's smallest unit, at 518 square feet, sold in 2007 for $129,000, while its largest three-bedroom units at 1,247 square feet, sold for $311,000. This represents a savings of $30,000 and $80,000 respectively in relation to the purchase price at the time of comparable homes in downtown Vancouver.

Affordability is further achieved through the reduction in parking to one stall per unit, and through an effective building design in which 95 percent of the building is owner occupied, minimizing additional per-unit square foot costs through the exclusion of a lobby, common room and fitness amenities. The savings achieved were through land savings 33 per cent, design efficiency 25 per cent, financing 17 per cent, reduction in parking 12 per cent and marketing 13 per cent.

Connectivity and community were further considerations incorporated into the design of Verdant, where a central courtyard supports resident interaction and provides a safe outdoor play area for children. The building also includes a daycare facility for twelve toddlers for the Verdant residents and the larger SFU community. Significant consideration was given to the use of non-automobile transit, particularly as the units were sold exclusively to faculty and staff and are located in close proximity to work and amenities atop the Burnaby Mountain. Each unit receives a monthly transit pass at a reduced rate, further helping to ease the reliance on automobiles.

And with the market for affordable housing continuing to grow, Verdant's innovative financing partnerships, energy-efficient practices and conscientious design have proven that the seemingly impossible is possible. That sustainable design can enhance communities and minimize the impact of development on finite natural resources while remaining affordable.

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