EXPANDING OWNERSHIP
shared equity and collaborative ownership for housing and agriculture

Webinar 4: Additional Shared Equity Tools
Staff Organizers
(in chronological order by webinar)

Fran Miller, CAFS @ Vermont Law and Graduate School
Sarah Danly, White River Valley Consortium (Vital Communities)
John Haffner, Vital Communities
Sarah Wraight, Two Rivers-Ottauquechee Regional Commission
Alana Redden, Vital Communities
Erika Hoffman-Kiess, Green Mountain Economic Development Corporation
Shared Equity and Collaborative Ownership

community land trusts  ground leases
cooperatives  variations on CLT model
resident-owned communities  LLCs
other co-ownership agreements
equity-building lease provisions
deed restrictions & easements
Models where individual homeowners, landowners, and land stewards share ownership with each other or with the community, in order to make it more affordable to have some ownership.
Our goal is...

- To think creatively about different ways that land use and land ownership could work in, and for, our community
- To gain inspiration and insight from great work happening in other states that we may never otherwise stumble across
- NOT to imply that younger generations or marginalized communities should give up on the opportunity for wealth building and settle for being renters forever

- NOT to imply that any one of these tools is right for all people or for all communities
- While also recognizing that there are many excellent efforts happening in Vermont already
- But rather to consider tools that could help MORE people build equity, even when traditional property ownership is not accessible.
Jamboard for connecting between sessions

https://jamboard.google.com/d/13JBATaUH5hW3z9mk7O0Ydad82oX0I_JryYm06ZAn9wA/edit?usp=sharing
Session 3: Additional Shared Equity Tools
Agenda

• Recap of the webinar series, Sarah Danly
• Intro to tonight’s theme & guest speakers, Erika Hoffman-Kiess
• Seth Leonard, Vermont Housing Finance Agency
• Beth Boepple, environmental and land use lawyer
• Q&A/Conversation with Audience
• Closing
So, how do the tools we’re looking at tonight relate to the other ones we’re covering in this series?
Seth Leonard
Approaches to financing Homeownership

Vermont Housing Finance Agency
February 2023
Indicators of current housing market imbalance

Rental vacancy rate
Some Vermonters face inequitable opportunities finding decent, safe affordable housing …

BIPOC Vermonters are less likely to own their home and more likely to experience homelessness.

Percentage of VT households who own their homes, by householder race

- **26%** Black or African American alone
- **52%** Total BIPOC
- **74%** White alone
Underlying data: 30,000-40,000 homes needed by 2030

Homes needed to meet projected demand at pre-pandemic (lower) and pandemic-era (higher) growth rates, address homelessness and normalize vacancy rates.

17% of homes are seasonal/vacation homes, meaning some past construction aren’t permanent residences.
**Underlying data: Need for primary homes by 2030 (pandemic-era household growth)**

<table>
<thead>
<tr>
<th>New homes needed 2024-2029</th>
<th>Rental</th>
<th>Owner</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional households expected*</td>
<td>6,632</td>
<td>17,054</td>
<td>23,686</td>
</tr>
<tr>
<td>Needed to house homeless (2022 PIT)</td>
<td>2,780</td>
<td>2,780</td>
<td></td>
</tr>
<tr>
<td>Needed to replace homes lost</td>
<td>727</td>
<td>1,869</td>
<td>2,596</td>
</tr>
<tr>
<td>Needed to achieve a healthy vacancy rate**</td>
<td>1,923</td>
<td>9,099</td>
<td>11,023</td>
</tr>
<tr>
<td><strong>Total new homes needed</strong></td>
<td>12,062</td>
<td>28,022</td>
<td>40,084</td>
</tr>
</tbody>
</table>

**Assumptions:** Assumes that the average rate of household growth that occurred between 2019 and 2021 continues (i.e. 1.4% per year), that 5% is a healthy vacancy rate, and that the 0.15% of the housing stock is lost to decay and other conversions each year.
Rising interest rates and prices decrease home affordability

<table>
<thead>
<tr>
<th></th>
<th>January - October 2021</th>
<th>January - October 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vermont median primary home purchase price</td>
<td>$270,000</td>
<td>$305,000</td>
</tr>
<tr>
<td>Average mortgage interest rate</td>
<td>3.11%</td>
<td>5.28%</td>
</tr>
<tr>
<td>Monthly mortgage payment</td>
<td>$1,771</td>
<td>$2,363</td>
</tr>
<tr>
<td>Income needed to afford</td>
<td>$70,831</td>
<td>$94,529</td>
</tr>
<tr>
<td>Estimated Vermont renters with enough income to purchase median priced home</td>
<td>17,500</td>
<td>8,500</td>
</tr>
<tr>
<td>Percentage of Vermont renter households</td>
<td>23%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: VT Property Transfer Tax (PTT) records; Freddie Mac 30-Year Fixed-Rate Mortgages with no points; U.S. Census Bureau American Community Survey 5-year estimates, 2020. Monthly mortgage payment includes estimated principal, PMI, insurance, property taxes.
Momentum in many Vermont communities
Policy: Removing Barriers

- Working with State Policy makers on larges suite of land-use regulation modernization in state’s history

- Sparking conversation about what inclusive communities look like, and attitudes about housing

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States: Largest Lots

<table>
<thead>
<tr>
<th>STATE</th>
<th>MEDIAN SQ. FT.</th>
<th>PRICE PER SQ. FT.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vermont</td>
<td>78,408</td>
<td>$5.95</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>49,223</td>
<td>$10.70</td>
</tr>
<tr>
<td>Maine</td>
<td>45,738</td>
<td>$7.17</td>
</tr>
<tr>
<td>Montana</td>
<td>43,560</td>
<td>$14.59</td>
</tr>
<tr>
<td>Alaska</td>
<td>42,423</td>
<td>$10.02</td>
</tr>
<tr>
<td>Mississippi</td>
<td>31,799</td>
<td>$5.71</td>
</tr>
<tr>
<td>Connecticut</td>
<td>30,928</td>
<td>$18.94</td>
</tr>
<tr>
<td>Arkansas</td>
<td>24,829</td>
<td>$7.85</td>
</tr>
</tbody>
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“We do still have to recognize that having a lack of entry homeownership opportunities into the market has that kind of impact on the ability of Black families and particularly new Americans to purchase their home.”

Chittenden County Sen. Kesha Ram Hinsdale
Creating Investment tools for Homeownership

Historical Investment in Homeownership: State Tax Credits, Private Activity Bonds, Vermont Housing and Conservation Board

Neighborhood Homes Investment Act creates focus on new homeownership opportunities

American Rescue Plan Act: State directed historic investments into housing

Legislative Proposal by Governor that expanded focus to serve 80-120% AMI

$15 million in funding capacity, received $23 million in requests in 60 day application window
Housing Subsidy Covenants: 27 V.S.A. § 610

• As used in this section, “housing subsidy covenant” means a covenant the purpose of which is to encourage the development and continued availability of affordable rental and owner-occupied housing for low and moderate income persons.

• Duration. A housing subsidy covenant may be perpetual or may be limited to a period of time specified in the document and may be amended or terminated by written agreement of the owner of the land and all persons or entities holding the right to enforce the covenant.
Models for Shared Equity & Long-Term Affordability we finance in Vermont

**Shared Equity Model**
- Community Land Trust provides subsidies to lower price of home to households between 50-100% AMI
- Resale Restrictions: Ground Lease and Covenants established with local Community Land Trust. Covenants require 75% of appreciation to stay with home to make affordable to next buyer.
- Self-Sustaining Affordability assuming appreciation. May include buyer-driven programs. Some program index this differently, for example Massachusetts allows for 5% appreciation per year

**Static Subsidy Model**
- State, municipal or non-profit entity provides a subsidy to reduce sales price of home to meet target. Often used to target between 80-120% AMI
- Resale Restrictions: Subsidy stays in the home to reduce sales price for future homeowner. Right of First Refusal established for state or local governmental entity.
- Static nature of subsidy allows to additional equity from the owner. Opens opportunity for future conversion to Shared Equity stock.

**Cooperative Models**
- Primarily used for Manufactured Home Communities (MHC) in Vermont, though we do have existing stick-built cooperatives as well
- Vermont has “notice of sale” requirements that give MHCs that allow residents to purchase their own community
- Focus is currently on making ownership for the cooperatives sustainable. Resources to replace old homes, address infrastructure, and affordable financing tools.
Other Initiatives & Resources

- Vermont Land Access and Opportunity Board:
  
  There is created the Vermont Land Access and Opportunity Board to promote improvements in access to woodlands, farmland, and land and home ownership for Vermonters from historically marginalized or disadvantaged communities who continue to face barriers to land and home ownership.

- Farmworker Housing Initiatives

- Success of Vermont Housing Improvement Program

- Additional Investment in “Missing Middle Homeownership Development Program”
Missing Middle-Income Homeownership Development Program

- $15 million for Development
- $2 million for Construction Guarantee Pool
- 33% of funding set-aside
- Shared Equity Homes
- Subsidy Retention required for all homes
- Serves households at or below 120% AMI
- New Construction & Rehabilitation

Up to 35% of Development Costs may be eligible for subsidy:

Value Gap
Homes Cost more to build than they will appraise for

Affordability Gap
Modest homes are not priced for households between 80-120% Area Median Income
What about rental housing development?

10 Unit Project
- Three – 2 Bedroom Units 65% Households
- Three – 2 Bedroom Units for 80% Households
- Four – 2 Bedroom Units for 100% AMI Households

Development Cost
- Estimated $375,000 per unit development cost
- Total Development Costs $3,750,000
- Current Interest rates: 6-8%

Sources and Gap
- Maximum Debt @ Rent Levels: $2,062,500 (55%)
- Developer Equity/Cash: $375,000 (10%)
- Funding Gap: $1,312,500
Employers and municipalities want to be part of the solution

Employers having difficulty attracting and retaining employees are participating in development of new housing or acquiring existing rental properties.

Municipalities have created revolving loan fund or housing development grant pools that are often too small to make a meaningful impact on their own.
STAY TUNED FOR NEXT STEPS!
Reminder to please feel free to connect with each other or with the organizers in the meantime!

https://jamboard.google.com/d/13JBATaUH5hW3z9mk7O0Ydad82oX0lJryYm06ZAn9wA/edit?usp=sharing

You can also email sdanly@vitalcommunities.org to be put in touch with any of the organizers.