Shared Equity Homeownership:  
Filling the Housing Gap for Greater Boston's Working Class

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Shared Equity Homeownership:

Filling the Housing Gap for Greater Boston’s Working Class

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A Thesis in the Field of Government
for the Degree of Master of Liberal Arts in Extension Studies

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Abstract

The dream of owning a home has long been associated with America’s middle class. For decades, the cycle repeated itself as one of the first major purchases for newlyweds was a home in which to raise their family. Later, after they had paid off the mortgage, the house became an asset for the homeowners, which many used to finance a comfortable retirement. That cycle was broken by the recent economic recession.

At their peak, housing prices climbed to historic heights in 2006, only to come crashing down two years later as the financial crisis took hold. Values plummeted, and many lost their homes to foreclosure. Nearly ten years later, the economy has recovered, and housing prices have surged. As a result, working class families are priced out of cities such as Boston, and housing problems in the nation’s urban centers that once affected only “poor” people are now impacting a greater number of households at higher incomes.

This thesis attempts to provide a partial solution to the housing dilemma that large urban centers are grappling with around the country. It proposes as an alternative approach, Shared Equity Homeownership (SEH), to provide a new avenue for the working class to afford homes in cities like Boston. Nine shared equity programs across the nation are examined and analyzed, as is Boston’s Dudley Neighborhood Initiative’s shared equity program.

While the data and analysis employed in this thesis show that the shared equity housing model is an effective tool to expand homeownership for lower income households, it is inconclusive regarding its effectiveness for working class income
earners. Primarily, there is not enough evidence to claim that these same programs would provide similar results if they targeted middle-class homebuyers. In addition, housing experts feel that middle income homebuyers would not want to sacrifice personal gain for the benefits of shared equity housing, even though it is available for a lower price than market-rate housing.

With more government resources and measures to standardize shared equity housing, it may be easier for shared equity homeownership programs to attract working class buyers and become a viable option. Tackling the housing affordability issue requires a multilayered approach of public and private programs. Shared equity housing has the potential to be a larger part of that approach.
Dedication

I would like to dedicate this thesis to my mother, Dr. Barbara P. McCrea. Her support has carried me through the years of my studies in Harvard’s ALM program. A late-in-life scholar like myself, she returned to school at age 50 for her doctorate, graduating with a Ph.D. in political science from the University of Notre Dame. She went on to receive two government Fulbright awards for research and teaching abroad. Her example is what inspired me to reach higher and attempt to achieve a Master’s degree, long after I had finished my undergraduate studies. I am proud of her achievement and honor her with this effort.
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Chapter I

Introduction: Greater Boston’s Rising Home Prices and the Working Class

There is a growing sense that the housing problems in the nation’s urban centers that once affected only “poor” people are now impacting a greater number of households at higher and higher incomes. Prices have shot up making the production of anything but luxury housing impossible for developers unless there are state and federal subsidies involved, and significant cost cuts in labor and materials.¹ Many fear that high urban housing prices are driving middle-income families out of their neighborhoods, creating communities consisting of the rich and the low income. At all levels of government, there is a growing sense that something must be done about workforce housing.² The issue is most pronounced in the city of Boston with its skyrocketing home prices over the last three years. Recognizing the severity of the problem and its long-term implications, Mayor Marty Walsh issued a housing plan in 2014 that stated, “Maintaining a strong middle class is critical to ensuring that Boston continues to be a thriving, diverse city where people want to live and employers want to relocate.”³

The housing issue also affects other cities and towns in the Greater Boston region. Recently, the South Shore Chamber of Commerce in Massachusetts convened a working

¹Larry Curtis, President and Managing Partner, WinnDevelopment (September 2017).

²“Building for the Middle: Housing Greater Boston’s Workforce,” Urban Land Institute.

team of bankers, developers, city leaders, housing advocates, economists, and think tanks focused on developing housing to attract young families and millennials. Stemming from findings in a study released in early 2016, the Chamber concluded that the region’s high housing costs and lack of housing products would lead to a shortage of the skilled-young professional talent needed to keep the South Shore economy competitive in the future.\(^4\)

The Greater Boston region is enjoying one of the most robust economies in the nation. From 2009 to 2015 the number of jobs increased by 12.2 percent, creating one of the highest employment rates in the country. Once a top concern to the region’s leadership, the brain drain of young, talented workers to other cities with more opportunity is no longer a central issue. In fact, sources project that future population growth will be partially led by an increase in Millennials choosing to make the area their home. These factors combined with a maturing residential base whose median age rose by 15 percent from 1990 to 2014, have created a demand for housing that has outstripped supply and pushed up prices.\(^5\)

By some accounts, an enormous expansion in new housing will be necessary to meet the surging demand. However, construction developers are faced with equally surging prices for the cost of labor, materials, and other costs involved in building housing in urban areas such as Greater Boston. “The math doesn’t work. The cost to build isn’t supported by $1,500 to $2,000 per month workforce rents,” says Larry Curtis, President and Managing Partner of WinnDevelopment, a Boston-based development company that builds market rate and affordable housing nationwide. He also notes that

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\(^4\)“South Shore 2030: Choosing Our Future,” Market Street Services Inc.

the older apartment buildings and single-family homes that were somewhat affordable to the working class, have largely been rehabbed and gentrified, thereby driving up costs and making them unaffordable to this sector of the population.

This thesis attempts to provide a partial solution to the housing conundrum that large urban centers are grappling with around the country. It begins with an assessment of the current state of the housing market in Greater Boston in the context of Massachusetts and the nation. In doing so, it examines the barriers and constraints to affordability and availability of homeownership for the working middle class in the area. It also provides a review of the current programs available to assist with homeownership and proposes as an alternative approach, Shared Equity Homeownership (SEH), to provide a new avenue for the working class to afford homes in the City.

With this study I suggest that an expansion of shared equity homeownership programs would enable more working-class families to own a home in Boston. I propose a redefinition of the homeownership model that includes a middle ground that preserves many of the benefits of homeownership with fewer risks, offering more members of the lower end of the middle class the opportunity to make the City their home.

Nine shared equity programs across the nation will be examined and analyzed, including: Dos Pinos Housing Cooperative in Davis, California; Thistle Community Housing Land Trust in Boulder, Colorado; Wildwood Park Towne Houses in Atlanta, Georgia; Island Housing Trust on Martha’s Vineyard; Northern Communities Land Trust (NCLT) in Duluth, Minnesota; San Francisco Citywide Inclusionary Affordable Housing Program; and Champlain Housing Trust in Burlington, Vermont. In addition, results from the Dudley Neighborhood Initiative in Boston will be assessed.
The research is both data driven and qualitative. Local, regional, and national data regarding the current state of housing prices and homeownership were collected from public and private sources. In addition, the research drew from sources that focus on housing issues, such as the Boston Metropolitan Area Planning Council, The Urban Institute, and realty organizations. Finally, interviews with housing stakeholders were conducted to add insight from those who are active in the policy debate. Interviewees included Clark Ziegler, Executive Director of Massachusetts Housing Partnership (MHP), a nonprofit affordable housing organization that operates statewide. MHP collaborates with the Governor’s office and the state’s Department of Housing and Community Development to increase the supply of affordable housing in Massachusetts.

Peter Forman, President and CEO of the South Shore Chamber of Commerce, was also interviewed for this paper. The South Shore Chamber is in the midst of implementing its 2030 economic and community development plan, which includes the creation of more workforce housing. In addition, Larry Curtis, an executive with WinnDevelopment was interviewed. Winn is a national development company based in Boston. Finally, interviews also included a banker, Richard C. Muraida, who is the Greater Boston Regional Lending Manager for Rockland Trust. Muraida is a seasoned commercial banking lender who has financed affordable and market-rate housing projects in Boston for more than 20 years.
Chapter II
The Current State of Homeownership

To arrive at a solution to the housing dilemma, it is important to first understand the current state of homeownership and identify the trends creating the housing affordability crisis faced by working class Americans. The dream of owning a home has long been associated with America’s middle class. For decades, the cycle repeated itself as one of the first major purchases for newlyweds was a home in which to raise their family. Later, after they had paid off the mortgage, the house became an asset for the homeowners, which many used to finance a comfortable retirement. That cycle was broken by the recent economic recession. At their peak, housing prices climbed to historic heights in 2006, only to come crashing down two years later as the financial crisis took hold. Values plummeted, and many lost their homes to foreclosure.

Nearly ten years later, the economy has recovered and with it so too have home values and housing prices. In the summer of 2017, Massachusetts housing prices achieved a new milestone when the median sales price for a single-family home reached over $400,000 for the first time in the state’s history. That represented a 5.3 percent increase over home prices the previous summer. Greater Boston set a record as well, with homes reaching a median sales price of $615,000, a 5.1 percent increase compared to the median sales price in the summer of 2016. These increases continued an 18-month trend
in rising home prices, which are well above the maximum affordable sales price of $233,000 for a middle-income family of four according to HUD data.  

At the same time, the job market and incomes have also improved. Massachusetts added 45,200 jobs from July 2016 to 2017, with unemployment staying steady at 4.3 percent, the lowest level since May 2001. Wages grew as well, increasing by more than six percent from the second quarter of 2016 to the second quarter of 2017. Along with higher employment and wages, consumer demand for homes has rebounded. By one measure, housing demand increased nationwide by 13.6 percent from April to May 2017, representing the highest level of homebuyer demand recorded since January 2013. 

Despite the high demand for housing, home sales have been consistently dropping. This is due to near-historic lows in the amount of homes available for sale. For example, in June 2017, typically one of the busiest months for real estate sales, the supply of single-family homes slid for the 64th time in the last 65 months and reached the lowest level for the month of June since 2004. As a result, the housing market is facing an inventory crisis where low supply is driving prices up to levels above what many can afford. According to the U.S. Census Bureau, homeowner vacancy rates were at 1.5 percent nationwide in the second quarter of 2017, approximately one-third lower than in 2010. Vacancy rates were also low in the Northeast at 1.6 percent. Furthermore, while improved from its historic low in the summer of 2016, the national rate for home

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6. “Massachusetts Median Home Prices Cross the $400,000 Threshold for the First Time,” Massachusetts Association of Realtors.


9. “Massachusetts Median Home Prices Cross the $400,000 Threshold for the First Time,” Massachusetts Association of Realtors.
ownership in the second quarter of 2017 rose only modestly to 63.7 percent and was even lower in the Northeast at 60.4 percent. Clearly, high demand, low inventory, and increasing sales prices prevalent in the current housing market, have put a damper on home ownership. 

A further analysis of wage and income growth reveals a disparate impact of high housing costs on the working middle class. For all workers, the national wage growth has been nominal over the last decade. Growing at a rate of 2.6 percent year over year, the increase has been nearly flat since the economic recovery officially began in mid-2009. In Greater Boston, wage growth has been very unequal with nearly all the gains realized by those in the 80th percentile of incomes. In fact, the bottom 20th percentile of wage earners has experienced a decline of almost five percent in their pay. Wages will need to grow on a consistent basis by at least four percent per year for workers to begin to realize the benefits of the recent economic recovery, and to make up for what they lost in savings and income during the Great Recession.

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In recent decades, by contrast, only very affluent families — those in the top 1/40th of the economic distribution, have received substantial salary increases. From 1980 to 2014 the poor and middle class saw a larger percentage in income growth, but their rate of gains has steadily decreased over the last three decades. Meanwhile in recent years the very affluent have gained the most in salary increases.\textsuperscript{13}

A tale of two countries
The share of U.S. pre-tax income accruing to the bottom 50 percent and top one percent of income earners, 1962-2014


Note: The unit is the individual adult and incomes within married couples are split equally.


Furthermore, the income gap in Greater Boston is among the highest in the nation, ranking sixth overall among the country’s large metropolitan areas. More significantly, Boston ranked first as the city with the highest income inequality disparity. Household income for the 20th percentile, the poorest segment of society, was 1/17th of the median household income for the top 95th percentile. This inequity in income reaches into the
middle class as well. In 2016, the median household income in the Boston area was at $78,800, less than 30 percent of the top 95th percentile’s median income of $266,244.\textsuperscript{14}

Another factor affecting middle-class fortunes is household debt, which grew to $12.73 billion, surpassing its peak reached during the recession. While most Americans say they manage their finances better since the recession, many feel defeated. Three quarters said they live paycheck-to-paycheck to cover all their expenses. Nearly seven in 10 workers reported that they are in debt and most said they felt they would always be in debt.\textsuperscript{15} The post-recession growth in jobs and wages has not increased enough to offset the rising cost of living.

Meanwhile student loan debt is plaguing the younger generation in the middle class and has exploded to new highs, deterring many millennials from purchasing a home. Student loans are the fastest growing category of household debt, and more than 44 million Americans owed $1.34 trillion on their student loans at the end of March 2017. Since 2003, outstanding student loan balances have increased by more than 457 percent. The average graduate in the class of 2017 owes over $30,000 in student loan debt, up five percent from 2015.\textsuperscript{16}

The price of higher education continues to skyrocket and given the current trend in incomes, student loan debt is likely to remain a fact of life for future generations. For the 2016-2017 school-year, the average cost for a private nonprofit four-year degree, including room and board, was more than $45,300 according to The College Board. That

\textsuperscript{14}City and metropolitan inequality on the rise, driven by declining incomes, Brookings Institution, January 14, 2016.

\textsuperscript{15}Two Thirds of Minimum Wage Workers Can’t Make Ends Meet,” CareerBuilder, August 2016.

\textsuperscript{16}“Quarterly Report on Household Debt and Credit,” Federal Reserve Bank of New York.
was a 3.4 percent increase over the previous year. For a public, four-year in-state education during the same period, that number increased by 2.7 percent to $20,090.

The staggering level of debt is preventing many with outstanding student loans from saving enough to buy a home. It is also affecting their eligibility to qualify for home loan programs. A recent survey found that 71 percent of non-homeowners with student loan debt felt the burden of the monthly debt payments was too high for them to even considering buying a home at this time. Further, more than half of those surveyed said they would put off any decisions to purchase a home for at least five years. 17

The effect of the historic level of student loan debt on millennials looking to buy a home is exacerbated by the lack of inventory in today’s housing market. This has created a paradox where younger homeowners are often unable to afford to move out of the family home and thus, their parents are unable to move out and downsize as they are still housing their adult children. The cycle continues with very few listings for sale, which pressures prices to move even higher.

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Chapter III
The State of Housing Availability in Greater Boston

Having established that the average price of a home in Greater Boston is unaffordable for middle-income earners, it is important to understand the underlying causes. The forces behind the pent-up demand for middle-class housing have created a catch-22 in housing production. Developers are eager to build more homes in Greater Boston, but for the most part the new inventory is luxury units priced above the income level of working class families. The dynamic affecting builders is that they face a number of challenges which constrain plans to expand more affordable housing to the working middle class. As WinnDevelopment executive Larry Curtis noted, nothing can be built without a deep subsidy. However, most subsidy programs serve the low-income and not workforce incomes. Subsidies are critical, because the barriers to construction are considerable: They include high land costs, high construction expenses, restrictive regulation, inadequate public resources and support, and low incentives compared to those for market-rate housing.18

Chief among these is the local regulatory environment, a challenging local topography, and the high cost of construction. In the fourth quarter of 2016, Boston ranked as the seventh most expensive city for new construction in the United States, partially driven by labor costs. These high costs are mainly driven by the price of union labor. Boston’s history includes a long-standing relationship with unionized labor, and in fact, city planning organizations that approve large building projects, such as the Boston Planning and Development Agency and the Zoning Board of Appeals, typically reserve seats on their boards for union representatives. Out of 140 developments the Boston Redevelopment Authority tracked from 2011 to 2016, approximately 75 percent of the projects and 90 percent of the man-hours worked were on full-union jobs. Moreover, the more prominent luxury projects in the City’s center were built using 100 percent union labor. As a result, Boston has the fifth highest average wages in the country for construction workers. The cost of using union labor is routinely 30 percent higher compared to nonunion labor. While wages and benefits are just one piece of a construction budget, this increased expense has a significant impact on the price of construction.\(^{19}\)

While much of construction costs, such as materials and labor, are for the most part outside of a developer’s control, in theory land is not. Land acquisition is an investment that developers choose to make and therefore, the cost should be negotiable. In reality however, private landowners have more impact on the cost of land and demand the highest price possible – especially in a hot housing market. It does not matter if a developer is willing to take a lower return on their investment by reducing rent or sales

prices to increase affordability. The land’s seller is looking to maximize his or her profit based on market-rate prices. Aggravating this issue in Boston is the density of housing per acre which further inflates land prices. Landowners factor that into their calculation when determining a sales price. At nearly four centuries old, Boston is the fifth most densely populated city in the nation. This gives Boston area property owners ultimate control over price when selling land to developers.\(^{20}\)

In addition, the lack of programs and incentives for developers to build housing for the working class also pose a significant barrier to the development of more affordable homes for the workforce. Programs that do exist are under fire, including the Low Income Housing Tax Credit (LIHTC) program, one of the few that is available to developers interested in building below market-rate housing. LIHTC encourages developers to build 100 percent affordable projects for low- to moderate-income earners, through tax subsidies. The Internal Revenue Service allocates funds on a per capita basis to each state. Housing financing agencies in each state allocates the funds in the form of tax credits to developers. The tax credits are attractive as they reduce the debt incurred by the firms. In exchange a specific number of units are rented to qualified tenants at specified rents, usually below-market.\(^{21}\) LIHTC is the nation’s most extensive affordable housing program utilized by developers to provide more modestly priced housing in urban centers such Greater Boston. According to the U.S. Department of Housing and Urban Development, an average of over 1,460 projects and 110,000 units were placed in service annually between 1995 to 2015. However, the program’s future is uncertain. The

\(^{20}\)Gyourko and Saiz, “Construction Costs and the Supply of Housing Structure,” 661-880

authors of the 2017 tax overhaul plan approved by the U.S. House of Representatives called for the elimination of the tax-exempt bonds issued by local governments to finance LIHTC development.

A further disincentive to developers for building more middle-income housing in the current market environment is that deed restriction does not provide the returns on investment that developers look for when creating more housing. Deed restriction sets limits on the sales prices of middle-income units. For developers, it has more in common with market-rate development than affordable housing, but is also subject to more regulatory oversight. Therefore, developers find it difficult to justify the expense and time involved with this type of project when they can more easily build affordable or luxury housing that will deliver greater benefits. Furthermore, the allure of the high returns developers can expect from building market-rate housing in Greater Boston’s booming economy is an added deterrent to investing in more modestly priced homes. Coupled with the lack of public subsidies for middle-income housing development, it is virtually impossible for a middle-income project to provide an adequate return on investment to the developer.22

All these forces combine to create an inadequate supply of affordable housing, affecting every income level save for approximately 2.5 percent of the region’s households who earn enough to afford the high cost of purchasing a home. Moreover, Massachusetts has one of the lowest rates of housing production in the United States. Since 2010, while the state has gained 246,000 residents and 353,000 new jobs, only

22Milchman, Draisen, Raitt, Martin, and Gardner, “Middle-Income Housing.”
81,000 units of new housing have been permitted. If population and new jobs were to remain the same with no increases, the state’s housing supply would fall 44,000 units short of demand.

New Housing Permits

Fig. 3. Clark Ziegler. “Housing Supply in the Commonwealth.” June 20, 2017. Massachusetts Housing Partnership, 3.

Most of that shortfall in affordable housing supply is in the metropolitan Boston area. At the same time, cities around the nation that Greater Boston competes with for skilled labor, such as Austin, Atlanta, and Denver, offer housing at lower costs to
homebuyers. Amazon’s current search for a second headquarters in the U.S. has put a spotlight on Boston’s tight housing market compared to other cities in the running for the winning bid. If present pace of home construction in the state is maintained at current levels, there will be a housing shortage of more than 91,000 units by 2030. With more than one million baby boomers expected to retire in Massachusetts in the next 13 years, the region cannot afford to fall short in meeting the housing needs of workers to refill those jobs and miss out on future opportunities to attract more employers such as Amazon.23

23Housing Supply in the Commonwealth, Massachusetts Housing Partnership, June 20, 2017.
Chapter IV
A Third Option: Shared Equity Homeownership

Clearly the tightly restricted supply of affordable housing in Greater Boston and its attendant eyepopping prices call for new and creative approaches to solving the issue. The tried and true formula of building more housing is no longer adequate, as most new construction is dedicated to luxury residences, while existing housing stock in once-modest working-class neighborhoods is quickly gentrifying and snatched up by high income wage earners. It is not necessary though to create yet another brand-new subsidy program. A highly successful model for low-income wage earners, known as Shared Equity Housing (SEH), offers an intriguing possibility to help ease the housing affordability crisis for the working class in Greater Boston. With some SEH programs in operation now for 20 to 30 years, there is sufficient hard data available to assess the model’s effectiveness in addressing homeownership for lower income families and consider as an option for higher income earners.

The term, shared equity housing, is a generic label covering various forms of resale price-restricted, owner-occupied housing. The U.S. Department of Housing and Urban Development defines it as “an array of programs that create long-term, affordable
homeownership opportunities by imposing restrictions on the resale of subsidized housing units.”

The most commonly known examples of shared equity housing in the United States are provided through Community Land Trusts (CLTs), limited equity cooperatives, and deed-restricted housing units with affordability covenants of 30 years or more. However, as this is a very dynamic field involving multiple participants – municipalities, developers, banks, nonprofits – new models and variations of older models are created almost every year.

The roots of today’s shared equity homeownership programs can be traced back to the housing schemes in nineteenth-century Europe. This model began in 1844 when a group of weavers in Rochdale, England, agreed upon standards for housing cooperatives for workers. These standards are the basis for the modern-day cooperative movement and spawned the first housing cooperatives in New York City in the 1870s.

Community land trusts can also trace their history to nineteenth-century England where they drew their inspiration from Great Britain’s Garden Cities movement. An urban planning method initiated in 1898, “garden cities” were intended to be planned, self-contained communities surrounded by greenery and containing a balance of residential, industrial, and agricultural usage.


Even though the sources of the most familiar models of shared equity housing date back more than 100 years, the term itself has only been commonly used over the past decade. In 2006, The National Housing Institute published a book by John Emmeus Davis that examined a middle option to the two driving forces behind American housing policy – publicly owned housing where prices are socially controlled, or privately-owned housing where prices are market-driven. Describing it as a third sector of housing that straddled the gap between the two policy approaches, Davis titled his book “Shared-equity Homeownership” and thus launched the term that is used today when referring to this category of homeownership.\(^{27}\)

According to the U.S. Department of Housing and Urban Development there are three main types of subsidy retention programs at use in shared equity homeownership models: Community land trusts, deed-restricted programs, and limited equity housing cooperatives. Community land trusts provide affordable housing by separating the cost of the land from the housing unit sales price through a ground lease. Buyers purchase the structure and lease the land from the CLT, which retains ownership of the land. Resale price restrictions on the home are built into the ground lease, which preserves affordability for future buyers. In 2012, there were more than 250 CLTs in 46 states and the District of Columbia.

The second form of shared equity model are deed-restricted programs that record resale limitations with the property’s deed. The restrictions usually have a lifespan of more than 30 years. In 2012, HUD estimated that there were 100,000 to 300,000 deed-restricted housing units nationwide.

The main feature of the third form of shared equity homeownership, limited equity housing cooperatives, is that residents are shareholders. Rather than owning a unit, they own a share of stock in the cooperative when they make their purchase. With the share, they are entitled to live in one housing unit at a much lower price than the market rate. Limitations on the resale price of cooperative shares maintains affordability for future buyers. As of 2012, the National Association of Housing Cooperatives estimated that there were 425,000 limited- or zero-equity cooperative units. 28

All these shared equity models employ subsidy retentions whereby they restrict the resale price of the housing unit (or cooperative share) in a manner that ensures the subsidy remains in place for future generations of buyers. The programs for the most part are targeted to low-and moderate-income homebuyers who meet program requirements. Through these programs homeowners only claim the equity they create through their own dollars and labors. The remainder, including the entirety of the public subsidies put into the property and most of any market gains in value, remain with the home at resale, thus reducing its price for the next eligible buyer. 29

Advocates for shared equity housing commonly claim four benefits. First is affordability in both the near term and the future. Through contractual mechanisms that limit the sales price of the units relative to market rate units, eligible buyers who would not otherwise be able to afford a home are provided with the ability to do so. This is


29Davis, “Shared-Equity Homeownership,” 668.
especially true in markets, like Boston, and rapidly gentrifying neighborhoods, such as South Boston, where housing prices are rising faster than low and middle-class incomes.

Furthermore, affordability is preserved for future homebuyers through the shared equity feature, which keeps the subsidy in place for many years. By allocating a portion to the shared equity program administrator of the appreciation gained from the sale of the home, a single investment enables the home to be affordable to generations of buyers. A side benefit is that this creates a program that is inexpensive to operate relative to other housing programs.30

A second benefit cited by supporters is the ability for homeowners to build personal wealth. While the gain from their investment may not equal that of market-rate homeowners who have no cap on sales price, owners of SEH properties do realize a long-term financial benefit. Their monthly mortgage payments act as “forced savings” and enables them to gain equity, which when they sell the home, becomes a funding source for retirement, education, and other lifestyle needs. Furthermore, because shared equity home prices are affordable, owners build equity with lower delinquency foreclosure rates than compared to market-rate housing. In fact, a study by the Community Land Trust Network found that at the end of 2010, only 1.3 percent of Community Land Trust home loans for shared equity housing, were seriously delinquent. This is compared to 8.6 percent of conventional market-rate home loans in serious delinquency at the same time.31

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Another benefit provided by shared equity housing is the greater personal mobility that comes from owning a home with the supports provided by shared equity programs. Foreclosures are rare, partially due to the stewardship of program administrators who stand behind the homes after they are purchased to ensure, among other things, that the home’s quality is maintained, and the homeowner’s security protected. This opens up more potential neighborhoods to buyers, who otherwise would have a very limited choice due to their low incomes relative to housing prices. This also increases greater diversity in markets undergoing transformation into upper class destinations. It helps families of all incomes afford to live in gentrifying areas near public transportation, job centers, and good schools.\footnote{U.S. Department of Housing and Urban Development, Office of Policy Development and Research (Fall 2012). \textit{Shared Equity Models Offer Sustainable Homeownership}. Retrieved from https://www.huduser.gov/portal/periodicals/em/fall12/highlight3.html.}

A fourth benefit often claimed is that the shared equity model creates more stability for both the homeowner and the community. It reduces the risks of traditional homeownership, including providing mortgages that fit with their incomes, and buffers them from the effects of falling home values. It also provides security and control that comes from homeownership and from occupying and running a house that is their house, not a rental. The community benefits as well with more stable neighborhoods from homeowners who have a vested interest in maintaining their property and a good environment in which to live.\footnote{Davis, \textit{Shared-equity Homeownership}, 7.}

Finally, promoters of shared equity housing propose that it is a “third sector” that bridges the gap for the low- to moderate-income between renting and owning a home. It
offers affordable housing that is bolstered by operational and social support, which helps them retain their homes through good times and bad while preserving affordability for future generations.  

Shared equity homeownership also has many critics who feel that this model does not do enough to further the interests of the homeowners themselves, nor does it better the community. In response to the claim that shared equity homeownership creates more affordability, critics contend that the form of tenure is not the lever that expands ownership for low-income households. Rather, it is the type of housing and the level of subsidy. Advocates agree with critics that if the same subsidy were to be provided on a similar market rate home, a buyer at the same income would have been able to buy that home. However, that is only for one generation and, as shared equity housing supporters point out, the shared equity models preserve affordability for future generations.

An additional critique regarding affordability is that programs enabling low-income households to purchase their first home are costly and inefficient. Critics maintain that subsidies should be allocated for rental housing since its costs are lower and it serves a population that is in even more need of affordable housing. Shared equity homeownership is more suitable for people near the middle of the income ladder and not those who are truly poor. Since this thesis focuses on the middle income, this last critique is not relevant to an analysis of the model.

Critics also debate the claim that homeowners benefit from the shared equity model through increasing their personal wealth. They argue that the owners of such

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34Davis, Shared-equity Homeownership, 116.

35Ibid.,90.
housing realize no financial gain. Furthermore, they argue that subsidy recapture is just as effective as subsidy retention. Research on the wealth building ability of shared equity homeowners in one land trust disputes these critiques. A study of the Champlain Housing Trust in Burlington, Vermont from 1988 to 2008 showed that all the households in the land trust were able to accumulate equity through their mortgage payments and that for the majority, when they sold their home, left with more assets than they had when they first bought the home, earning a relatively high rate of return on a modest investment. Furthermore, the study found that the homeowners moved as often as those who sold market-rate homes and for similar reasons. When they did decide to move, they sold their homes with little difficulty and found new homes similar to what they left behind. 36

To test the claims made by shared equity housing advocates, and the hypothesis of this thesis, nine shared equity housing programs in communities across the nation are examined in the following pages. These programs were selected due to the availability of recent data gathered and assessed by The Urban Institute. In addition, because they are operated within a broad geographic range, findings are not skewed to a particular region of the country.

Aside from the debate between proponents and opponents of the shared equity homeownership model, there are significant barriers to expanding this class of housing. While this form of homeownership is not new and has been around for over three decades, lenders in general are not familiar with this model. Even those who are experienced in the affordable housing market find it complex. Richard C. Muraida,

Senior Vice President of Commercial Lending at Rockland Trust, one of Massachusetts’s largest banks, felt that it was too confusing for most banks to engage in as a lender.

Muraida is a veteran Boston banker with years of history in the affordable housing market and an expert on the Low Income Housing Tax Credit program. A board member of the Boston Metropolitan Planning Commission, he noted that lending to shared equity homebuyers was too complicated for most lenders to take on.

Moreover, because of the restrictions on the homes in shared equity programs, standard Federal Housing Administration (FHA) loans are not available to shared equity homebuyers. This means that lenders usually must hold shared equity loans on their balance sheets and reserve capital against them. As a result, it is often difficult for homebuyers to obtain conventional mortgages. Furthermore, considering the regulatory backlash against mortgage lenders following the financial crisis, fewer institutions are willing to offer alternative financing.37

Hard data measuring the outcomes of shared equity programs has been scant as there are no official standards for this model, which can take a variety of forms, and no consistent methods to assess their results. So, the debate continues, and shared equity housing has as many detractors as it has supporters. Claims that it benefits lower income wage earners with more affordable housing options for the long term in neighborhoods they cannot afford at market rates, along with the ability to build personal wealth, are counterclaimed by critics who find fault with the model. They contend that SEH is ineffective as it delivers minimal financial gain for SEH homeowners, is too complicated to understand and operate, and ultimately does virtually nothing to expand housing

affordability to the low income. In spite of these critiques, shared equity housing has become a subject of study for an increasing number of housing policy experts, including The Urban Institute, a nonprofit research organization based in Washington, D.C. One of the Institute’s practice areas focuses on SEH and for the first time real data, that they collected over the long term on nine SEH programs in difference regions of the country, is available for review. This data provides a view of how the shared equity model has impacted low-income homeowners and how it may benefit working class wage earners.
Chapter V
Nine Shared Equity Housing Case Studies

Attracting increasing interest from affordable housing advocates, the field of shared equity housing research has become the subject of a growing number of reports and news articles in the last five years. Due to the variation among programs in multiple locations across the country and to the difficulty in obtaining data on the specific homeowners in these programs, most studies have been more theoretical rather than empirical.\textsuperscript{38} There is no single model of shared equity homeownership and the features of different programs vary in regards to the entity administering the program, the source of homes, type of homes, category of prospective buyers, financing sources and resources, and resale model. Isolating nonprofit and municipal programs for the purpose of this study does provide some basic commonalities upon which empirical research can be conducted. These programs share a common commitment to helping income-eligible families purchase homes at below-market prices. In return for the subsidized price, owners’ potential capital gains from the sale of the house are restricted.\textsuperscript{39}

Research by The Urban Institute helps fill the data gap by analyzing nine shared equity programs operating in various regions of the United States. Looking at initiatives in California, the District of Columbia, Florida, New York, Tennessee, Utah, Vermont, and Washington, the study involved 683 prospective homeowners. Study participants were potential homebuyers who had applied to the programs and agreed to participate in


\textsuperscript{39}Ibid., 12.
the research. The Urban Institute conducted their research in two waves, in June 2012 and in June 2014. The programs’ effectiveness was evaluated by focusing on buyer outcomes regarding the percentage of study subjects who bought a shared equity home through the programs, as well as the financial impact on the buyers.

Consistent with the nationwide variation in shared equity models, the features offered by the programs in the survey ranged from those focusing solely on first-time homebuyers to those open to any eligible applicant. Their source of housing varied widely, with some program administrators acquiring property outright from government sources, others acquiring extra lots from developers, as well as some providing incentives to developers to set aside shared equity housing.

Each of the nine of the programs assessed in the study was small, with housing portfolios ranging from 20 deed-restricted units up to a little over 1,000 such units. They all grappled with obtaining funding sources that did not come from grants, which are subject to many limitations including municipal budgets and political pressures. Fee income from buyers and municipalities helped fill the funding gap, but many programs need additional operational support through funding from outside sources such as the Cornerstone Homeownership Innovation Program (CHIP). ⁴⁰

The programs also predominantly targeted low- and moderate-income homebuyers, earning between 60 to 100 percent of area median income (AMI). ⁴¹ Nearly all the individuals participating in the research, 96 percent, were not homebuyers at the time they applied to one of the nine programs examined in The Urban Institute’s study.

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⁴¹Ibid., 4.
This fact reflects the requirement imposed by many of the programs that applicants be first-time homebuyers.

Overall program participants were better educated and earning higher incomes than applicants in other homeownership programs. Approximately 50 percent of the applicants had a bachelor’s degree and one-quarter had an associate’s degree – higher than the U.S. average. Incomes were on average 51 percent of their area’s median family incomes, which was far lower than incomes at which many homeowner programs become available. These programs often target families at or above 80 percent of area incomes. Approximately 50 percent were housing cost-burdened and had little net worth, with a median of $712 in savings. However, for the most part, their credit scores were “good,” with a median of 696.42

Resale formulas vary widely across the country’s shared equity housing programs as there is no set standardization for how they are calculated. However, even though there are significant differences among the nine programs in the Urban Institute’s study in terms of features and how they are administered, the resale formulas can be categorized into five general types:43

- Fixed rate: Maximum resale price is established by applying a fixed annual percentage growth rate to the initial purchase price. The maximum resale price under this formula increases with no relation to changes in area housing prices or incomes.

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42Theodos, Affordable Homeownership, 29-33.
43Ibid., 10.
• **CPI Indexing:** This formula is calculated by tying the resale price to changes in the Consumer Price Index (CPI). The maximum resale price is set by increasing the initial affordable price by a percentage equal to the percentage increase in the CPI during the reseller’s tenure. As with the fixed rate model, this formula does not take into account changes in area housing prices or incomes.

• **Area Income:** Resale prices are established by increasing the initial affordable price by a percentage equal to the percentage increase in the area median family income during the reseller’s tenure. The maximum resale price does not factor in changes in area housing prices.

• **Home Values:** The maximum resale price is set by increasing the initial affordable price by a percentage equal to the increase in area home value during the time the reseller has owned the home. Changes in home values may be measured by median sales prices or real estate price indices.

• **Appraisal based:** In this scenario, the reseller can keep a portion of the change in the home’s appraised market value. The home then resells at a price equal to the initial affordable price, plus the reseller’s share of the change in appraised value. For example, if the reseller paid $200,000 to purchase the home and can keep 25 percent of the home’s appreciated appraised value, then at resale the price would be $250,000. This formula is calculated independent of changes in home values or area incomes.

The nine programs selected by The Urban Institute for evaluation cover regions across the U.S. Surveyed were: HomeBase in Austin, Texas; Hello Housing in San Francisco; the Champlain Housing Trust in Burlington, Vermont; Long Island Housing...
Partnership on Long Island, New York; The Housing Fund in Nashville, Tennessee; Mountainlands Community Housing Trust in Park City, Utah; Homestead Community Land Trust in Seattle, Washington; the South Florida Consortium; and City First Homes in Washington, D.C.

Table 1. Descriptions of Nine Shared Equity Housing Programs
(Urban Institute, 2017)

<table>
<thead>
<tr>
<th>Name</th>
<th>Market Served</th>
<th>Year Founded</th>
<th>Portfolio</th>
<th>Resale Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>HomeBase</td>
<td>Austin and Travis County</td>
<td>2008</td>
<td>650</td>
<td>2% annual appreciation on the sales price. No credits for capital improvements.</td>
</tr>
<tr>
<td>Hello Housing</td>
<td>The greater Bay Area: Alameda, Contra Costa, Marin, and San Mateo Counties</td>
<td>2005</td>
<td>540</td>
<td>Applies different resale formulas to different jurisdictions. Some use area median family income, some use the CPI.</td>
</tr>
<tr>
<td>Champlain Housing Trust</td>
<td>Chittenden, Franklin, and Grand Isle Counties</td>
<td>1984</td>
<td>570</td>
<td>Sellers can retain 25% of appreciation based on change in appraised value of home. Receive credit for capital improvements.</td>
</tr>
<tr>
<td>Long Island Housing Partnership</td>
<td>Nassau and Suffolk counties</td>
<td>1989</td>
<td>1,250</td>
<td>Uses the CPI to limit the resale price. No provisions for sellers to recoup cost of capital improvements.</td>
</tr>
<tr>
<td>The Housing Fund</td>
<td>Statewide in Tennessee</td>
<td>2010</td>
<td>20</td>
<td>Uses a phased-in formula: In years 1-3, resellers receive 25% of appreciation based on change in appraised value. In years 3-30, they receive 50%. After year 30, they receive 100%. Capital improvements are factored into the formula.</td>
</tr>
<tr>
<td>Name</td>
<td>Market Served</td>
<td>Year Founded</td>
<td>Portfolio</td>
<td>Resale Formula</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------------------------------------</td>
<td>--------------</td>
<td>-----------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Mountainlands Community Housing Trust</td>
<td>Summit and Wasatch Counties</td>
<td>1993</td>
<td>180</td>
<td>Maximum appreciation of 3% per year on the original purchase price. Resellers can receive up to 100% of cost of capital improvements.</td>
</tr>
<tr>
<td>Park City, Utah</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homestead Community Land Trust</td>
<td>City of Seattle, and King County</td>
<td>1992</td>
<td>183</td>
<td>Allows 1.5% increase per year on the sales price. Resellers can receive up to 100% of cost of capital improvements.</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Florida Consortium</td>
<td>Consortium of programs in 5 shared equity programs in three South Florida Counties</td>
<td>Member organizations established in various years, the first in 2006 and the last in 2010</td>
<td>112</td>
<td>Formulas vary depending on the administering organization.</td>
</tr>
<tr>
<td>City First Homes</td>
<td>Washington, DC</td>
<td>2010</td>
<td>242</td>
<td>Owner retains 25% of appreciation. Also recovers 100% of value of capital improvements.</td>
</tr>
<tr>
<td>Washington, DC</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Urban Institute’s baseline report issued in 2015 on their study of these nine programs concluded that they were successful in providing availability to low-income applicants to own a home. Comparing data between the fall of 2012 to July 2014, the report showed that 211, or 30 percent, of the study participants purchased a shared equity home during that period. On average the buyers had slightly higher incomes than applicants who did not purchase a home and had saved more money for down payments, but had no difference in credit scores compared to nonbuyers.44

44Theodos, *Homeownership for a New Era*, 84.
A closer look at the market values in the study areas at the time research was conducted, highlights the challenges the program applicants face when purchasing homes on the open market. The Urban Institute estimated the maximum affordable housing price in each of the nine locations for program applicants based on their reported median income and assumed that mortgages would be a 30-year fixed rate term with a 3 percent down payment.

Table 2. Median Income and Affordability
(Urban Institute, 2017)

<table>
<thead>
<tr>
<th>Program</th>
<th>Median Income</th>
<th>Maximum Affordable House Price</th>
<th>Median existing house price in 2Q 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>HomeBase</td>
<td>$37,731</td>
<td>$145,904</td>
<td>$247,500</td>
</tr>
<tr>
<td>Hello Housing</td>
<td>$60,900</td>
<td>$235,495</td>
<td>$769,600</td>
</tr>
<tr>
<td>Champlain Housing Trust</td>
<td>$42,449</td>
<td>$164,149</td>
<td>$273,400</td>
</tr>
<tr>
<td>Long Island Housing</td>
<td>$56,400</td>
<td>$218,096</td>
<td>$412,900</td>
</tr>
<tr>
<td>Housing Fund</td>
<td>$36,036</td>
<td>$139,348</td>
<td>$184,900</td>
</tr>
<tr>
<td>Mountainlands</td>
<td>$48,800</td>
<td>$188,707</td>
<td>$242,100</td>
</tr>
<tr>
<td>Homestead</td>
<td>$42,760</td>
<td>$165,351</td>
<td>$357,400</td>
</tr>
<tr>
<td>S. Fla. Consortium</td>
<td>$28,906</td>
<td>$111,778</td>
<td>$270,000</td>
</tr>
<tr>
<td>City First</td>
<td>$50,000</td>
<td>$193,348</td>
<td>$403,600</td>
</tr>
</tbody>
</table>

It is clear that at their income level, with incomes on average at approximately half of the AMI, these buyers typically faced many challenges in buying market-rate homes without a subsidy.  

In their follow-up study issued in 2017, results from The Urban Institute’s research show that a large number of applicants, 36 percent, purchased a shared equity home. Using credit bureau data to compare the shared equity buyers to those in the study

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45Ibid., 80
46Ibid., 87.
who purchased a non-shared equity home, the study found that shared equity buyers had smaller mortgages than the other program applicants who ended up buying a non-shared equity home. It also found that shared equity purchasers had lower monthly payments on all their credit accounts. Taking all the facts from the study into account, it provides evidence that shared equity models provide an effective option for affordable home ownership to lower-income households at lower debt levels than they otherwise would have been able to achieve. An older shared equity program that has been providing homeownership to generations of low-income families also offers compelling results. It was not necessary to search nationwide for this example, as it is located in Boston. A well-known community land trust, Dudley Neighbors, Inc., is a success story that SEH advocates have proclaimed as an example of the opportunity the shared equity housing model brings to the low-income population.
Chapter VI
A Boston Blueprint for Shared Equity Housing: The Dudley Neighborhood Initiative

One of the nation’s oldest and largest community land trusts, Dudley Neighbors, Inc., (DNI) has created permanently affordable housing in the heart of Boston through its shared equity program.\footnote{Housing Crisis: Special Senate Committee on Housing Report, March 2016.} Established in 1988, by the Dudley Street Neighborhood Initiative (DSNI)\footnote{Dudley Neighbors Inc. (DNI) technically controls the land trust managed by the Dudley Streets Neighborhood Initiative DSNI). As DSNI is better known and more commonly used, this thesis will refer to DSNI to represent both DSNI and its subsidiary DNI.}, its founders sought to revitalize some of the City’s most distressed neighborhoods without resorting to the urban redevelopment that swept through so many of America’s large cities in the 1950s through the 1970s, displacing the working class and low income residents, such as the demolition of Boston’s West End.

Less than two miles from downtown Boston, the Dudley Street neighborhood is situated in Roxbury. Comprised of approximately 30 acres, this thriving urban area was once vacant and blighted with a history of poverty and deterioration.\footnote{Marie Weil, ed., \textit{Handbook of Community Practice} (Thousand Oaks, CA: Sage Publications, 2013), 276.} Beginning in the 1950s, arson became a regular event, leaving many homes abandoned. Private and public investment followed white flight out of the area to newer middle and upper-class neighborhoods north, south, and west of Boston where increased tax bases subsidized the development of suburban communities. Jobs, housing, and government services followed.
To make matters worse, Dudley became a dumping ground for trash from all over the state of Massachusetts. Old autos, toxic chemicals, rotten meat and other garbage added to the neighborhood blight. Land once used for housing, parks, and playgrounds, became wasteland. “This inner-city neighborhood, like so many around the country, was treated like an outsider city – separate equal and disposable.”\textsuperscript{50} As a result of the arson, neglect, and disinvestment, by 1976 nearly half of the community’s housing stock was demolished and by 1981, one-third of the land was abandoned with approximately 1,300 parcels sitting vacant.\textsuperscript{51} Once an industrial center, employment had dropped to 4,000 jobs in 1981 – down from 20,000 in 1947. In 1980 the Dudley unemployment rate was twice as high as Boston’s overall unemployment rate and with 40 percent of the residents below the poverty level, jobs and affordable housing were out of reach for many.\textsuperscript{52}

Another threat to the Dudley Street community was the specter of urban renewal programs that had been implemented in many of the nation’s cities beginning in the late 1950s. In an effort to stem the flight of the middle and upper-class from urban centers, city leaders ordered large-scale redevelopment programs to clean up blighted areas by demolishing and upgrading aging buildings. Ignoring the underlying social issues behind urban decay, city planners focused on physical improvements that did little to enhance the lives of current residents.\textsuperscript{53} One of the most notorious urban renewal programs took

\textsuperscript{50}Holly Sklar and Peter Medoff, Streets of Hope (Boston, MA: South End Press, 1994), 1.

\textsuperscript{51}Ibid., 32.


place in Boston’s West End, which was razed to the ground in the late 1950s to make way for high-rise apartment complexes priced for the upper middle class.

Closer to home, more than 500 acres were carved out of the Roxbury area in the late 1960s and early 1970s to create a new community named Washington Park. Taking thousands of homes by eminent domain, the City relocated 2,600 families, and leveled 150 acres of land.

A series of meetings held by local non-profits, housing activists, and residents that began in 1984 led to the creation of the Dudley Street Neighborhood Initiative in 1985. Driven by the desire to control their future, the group aimed to improve conditions in the community for the benefit of residents, rather than be subject to high housing costs and displacement from redevelopment. “We have arrived at a strategy which aims at revitalizing the community to the benefit of current residents, while fighting speculative pressures that cause displacement,” states the introduction to the organization’s inaugural plan.\(^5^4\)

In 1988, DSNI’s approval to become a Massachusetts 121A Corporation was approved by the Boston Redevelopment (BRA). With this status, they were able to obtain land in the area designated as the Dudley Triangle. More importantly, they became the first community organization in the United States to receive the right to acquire privately owned vacant land through eminent domain, setting a precedent for the future. Structured as a community land trust, DSNI was able to lease the parcels to developers to build housing that would then be sold to individual homeowners, cooperative housing organizations, and other types of limited partnerships. Combining the vacant lots

\(^5^4\)“The Dudley Street Neighborhood Initiative Revitalization Plan,” 2.
acquired through eminent domain along with City-owned parcels, DNI offers affordable housing that is consistent with its master plan for the community.\footnote{Dudley Neighbors Incorporated, http://dudleyneighbors.org/land-trust-101. Accessed 7/18/2017.}

DNI initially leases the land to developers during construction, and then once construction is completed they lease to individual homeowners, cooperative housing corporations, and other forms of limited partnerships. Homeowners hold a 99-year lease and if DNI decides to sell the land, they must first offer it to the homeowner.\footnote{Dudley Neighbors Incorporated, http://dudleyneighbors.org/land-trust-101. Accessed 7/18/2017.}

The shared equity model offered by the Dudley Streets Neighborhood Initiative’s community land trust, DNI, was created to provide guaranteed affordable housing for generations of home buyers. To ensure future affordability, the ground lease limits the sale price at which owners can sell their unit to an approximately five percent increase per year or the rate of inflation, whichever is the lesser of the two. Homeowners who make improvements to their properties are granted exceptions, so they are compensated for their expenses.

Buyers must meet basic qualification standards regarding income and credit history. Qualified buyers have access to subsidized first and second mortgages, which brings monthly housing costs down even further and thereby increases the affordability. Importantly, they still benefit from receiving mortgage interest deduction on their taxes.\footnote{Sklar and Medoff, Streets of Hope, 159-160.}

The area served by DNI is a multicultural, mainly lower income neighborhood whose residents cannot afford the steep prices the City’s commands. In 2016, the average home price in the Dudley area was $251,100, well out of reach for the majority of those
living in the area. More than half of the neighborhood’s residents earn less than $25,000 per year and only eight percent are in the high-income bracket making more than $75,000 annually.\textsuperscript{58}

A 2014 MIT study conducted over a 14-year period comparing building values between the area in the Dudley land trust (DNI) and surrounding community found evidence that the home ownership model within the land trust does maintain affordability. From 2000 to 2014, building values in the land trust rose 50.4 percent compared to an increase over the same period of 120 percent for building values in other parts of the area. The difference in land values were even greater, with land in the land trust area rising by 40 percent compared to a 219 percent increase in the surrounding community. Another interesting finding from the study was that while building values in the area around the land trust rose sharply during the housing boom of 2000-2006 and declined steeply during the recession, values in the DNI grew steadily at a moderate rate (see figure below).\textsuperscript{59}

\textsuperscript{58}A Promise in the Heart of Boston: Portraits of the Dudley Village Campus, DSNI, Boston Promise Initiative, June 2014.

Fig. 4. Lee Allen Dwyer, “Mapping Impact: An Analysis of the Dudley Street Neighborhood Initiative Land Trust” (Master’s thesis, Massachusetts Institute of Technology, Department of Urban Studies and Planning, May 21, 2015), 59, Figure 11.

The Dudley Street Neighborhood Initiative’s success in revitalizing its community and providing long-term affordable housing, inspired the creation of Boston’s Chinatown Community Land Trust in 2015. Situated between Downtown Crossing, Tufts Medical Center, and Interstate 93, Boston’s Chinatown occupies prime real estate in the City’s core. As a result, the area has been undergoing a massive gentrification in recent decades that has sprouted luxury buildings, such as the Ritz-Carlton’s Millennium Place towers, in spite of a 1990 Community Master Plan that limited the height of new buildings. During the last 17 years, 3,000 units of luxury housing have been added to the area, which previously only had approximately 3,000 units of housing. The gentrification has also caused significant demographic changes where the white population has doubled
since 2000 and Asians now comprise less than 50 percent of the population. In particular, the percentage of families living in the area has significantly decreased and there has been a marked increase in the share of nonfamily households living in the neighborhood. Currently nearly one quarter of Chinatown residents are nonfamilies as compared to five percent in 1990.60

In response, community activists are fighting to maintain the neighborhood’s identity for future generations. Chinatown has served as the center in Boston for Chinese immigrants since the early 1900s. Looking to duplicate the successful example provided by the Dudley Neighborhood Initiative land trust, they formed the Chinatown Community Land Trust to preserve the neighborhood culture and provide affordable housing for working class Chinese families. In 2017, the land trust tried to purchase a multiunit brick row house with plans to convert it to deed restricted shared equity housing. The Land Trust, which was prepared to pay close to $1 million for the property, believed the house was an ideal candidate for their program as it was owned by an active member of the community. However, an investor offered $400,000 more and the owner sold building to them rather than the Land Trust. This was one of five failed attempts by the Chinatown Community Land Trust to purchase one of the neighborhood’s historic brick row houses. In fact, as of the summer of 2017, the Trust still has not been able to purchase any housing units.

This story illustrates one of the many barriers that shared equity homeownership programs face in America’s metropolitan areas, especially those with hot housing markets. The Dudley Neighborhood Initiative was formed at a very different time, long

before the influx of white collar workers and the affluent out of the suburbs and back into the nation’s urban centers. The twin factors of middle-class flight in the mid-20th century to the suburbs and the resulting urban decay leaving vacant and neglected properties, meant that real estate in the Dudley neighborhood circa DNI’s founding in the mid-1980s was below market rate. In contrast, that real estate is much more valuable today due to its location in Boston’s resurgent real estate market. Chinatown is at the epicenter of this real estate boom and the purchase of any available land or property for sale is very competitive, with the highest price winning the prize.
Chapter VII
Discussion and Conclusion

The example provided by the Chinatown Community Land Trust is a cautionary tale for those interested in expanding shared equity programs in today’s economic climate. The success of older, more established programs may not be possible for new programs for the low income, nor do they assure that offering shared equity housing to the working class will be attractive enough to entice middle-income families to participate in the programs.

The analysis of the ten programs studied in this thesis strongly favors shared equity homeownership as a viable option for those earning a low to moderate income, but leaves the question of its suitability for the middle class open to debate. The data from the nine programs in the Urban Institute study shows that a good percentage of low-income program participants purchased homes. Furthermore, on average the subsidies on the homes were significant enough to create pricing that was affordable at the buyers’ income levels, which also provided them with the ability to build their savings for the future from the equity in their homes. In addition, the shared equity purchasers were in better financial condition with fewer past foreclosures, accounts in collection and nonmortgage delinquencies. These facts taken together support the conclusion that shared equity programs serve their core mission of providing low- and moderate-income people with access to purchasing owner-occupied housing that will not exceed their financial capabilities.
An examination of the Dudley Neighborhood Initiative also offers evidence that the shared equity model of home ownership is effective in providing long-term home ownership for low- and moderate-income families and individuals. A comparison of building values in the Dudley Street land trust with those just outside of the land trust show a pattern of lower values on the land trust, even in a rising real estate market. The built-in subsidy insulates pricing from the speculation and gentrification that occurs in booming economies, keeping the housing more affordable for homebuyers of more modest means. Furthermore, the amount of foreclosures in the land trust were very low compared to the surrounding area and from 2000 to 2014 the DNI land trust had only one foreclosure. In fact, at the height of the economic meltdown in 2008 there were no foreclosures within the Dudley Neighborhood Initiative land trust, compared to 713 in the city of Boston at that time.

However, there is not enough evidence to claim that these same programs would have yielded similar results for the middle class. As noted earlier, shared equity housing programs are complex to navigate for both the homebuyer and the home provider. The shared equity aspect that low income buyers find beneficial despite the programs’ complexity, is what may also make them unattractive to middle income homeowners who are looking for a better return on their investment. These points were noted in all the interviews conducted with housing experts for this research paper.

For example, Clark Ziegler, Executive Director of Mass Housing Partnership generally supported shared equity homeownership as a model that would help low and moderate-income buyers find affordable homes in a hot housing market, but questioned its appeal to middle-class homebuyers. He saw the benefits of shared equity
homeownership as a potential means for reaching people who might otherwise be priced out of the market. However, he noted that historically in Massachusetts limited equity ownership had little success within the general population and that these potential buyers more often preferred to wait and purchase a home without resale restrictions. He went on to say that while these types of alternative ownership models are more widely accepted in other places, like the coop ownership model in New York City, he felt that the potential for wider acceptance in Boston is limited.

Peter Forman, President and CEO of Massachusetts’ South Shore Chamber of Commerce holds a similar view. Forman believes that as with other affordable housing programs, shared equity ownership may be more beneficial to helping first time homebuyers enter the market – but not buyers who are looking to move up. He thinks that caps on resale prices along with the fact that a homeowner receives only a portion of appreciation of a home’s value and its equity increases, leaves a homeowner less flexibility to move up. His conclusion is that while shared equity ownership may provide another option to affordable housing, it is only an option and not a solution.

The interviews I conducted also uncovered possible limitations for future expansion of shared equity homeownership to fill in the affordable housing gap for the middle class: that middle income homebuyers may not participate in these programs at a rate where they are effective or efficient to operate. It would also be difficult, especially in cities like Boston with booming real estate markets to engage developers in creating shared equity housing and for nonprofits, like the Chinatown Community Land Trust, to acquire housing for that purpose. Moreover, as real estate values continue to appreciate over time in large urban areas like Greater Boston, the organizations providing the shared
equity housing units will experience increasing difficulty in their ability to acquire the units when competing with investors and developers.

Finally, as previously noted, a further limitation that this research underscores is the lack of standardization among shared equity homeownership programs. Sitting in the middle between government and private market-rate programs, there is not a common entity or industry that determines the features, criteria, or output covering all shared equity programs. Therefore, the programs vary from city to city, which also leads to another limitation – the lack of consistent and uniform data. In fact, this thesis shows that shortcoming, where in most cases the most recent data available dated from 2014.

Further, the measures by which the Urban Institute assessed the nine shared equity programs, were different from those that were available to assess the Dudley Neighborhood Initiative program.

To produce a shared equity housing model for the working class that is attractive to housing stakeholders, the federal government will need to step in and create an official framework that all SEH programs would follow. The framework should include a formal description that defines SEH programs, establish guidelines that SEH programs must follow in order to receive government support, create uniform procedures for measuring programs’ effectiveness, and provide a centralized resource to collect that data and report on it annually. In addition, federal and local governments could also help raise awareness and participation in shared equity programs with increased communications to homebuyers, lenders, and developers through channels such as advertising and homebuyer seminars hosted by financial organizations. Increased communications would help dispel confusion and demystify the complexity inherent in the model, thereby
increasing interest and engagement in shared equity housing programs. The benefit to the
government, would be an expansion of a lower cost subsidy program that endures for
generation after generation of homebuyers.

The availability of affordable housing in Boston for the middle class has reached
crisis proportions. Housing stock that was formerly at prices middle-income families
could afford is quickly disappearing, replaced by more expensive, luxury units. The pace
of gentrification in the city has accelerated over the last 15 years, almost tripling the
percentage of land in the city undergoing redevelopment into higher-priced housing. In
a report issued by the Federal Reserve Bank of Cleveland in November 2013, Boston
ranked highest out of the nation’s 55 largest cities nationwide, for the proportion of land
that had been gentrified.

Home prices amid a surging real estate market that have reached historic highs
and the continued reduction in government funding for affordable housing has reduced
incentives for developers to build below market-rate housing. It is time for a new creative
approach to expand opportunities for middle-class homeowners to live and raise their
families in Boston. Shared equity homeownership provides such an alternative route as a
“third sector” that is neither public nor private. There is sufficient data available on
current programs to support the claim that it benefits low- and moderate-income families.
Unfortunately, this study did not find the necessary evidence to make the leap to a
conclusion that it would provide a general benefit to middle-class homeowners. My

[61]Mike Maciag, “Gentrification Has Accelerated since the Millennium,” Governing 28, no. 5
Feb15.pdf.
research shows that at most, the shared equity model would be one option within a range of options to expand affordable housing for the middle class.

However, shared equity housing holds promise as a potential tool for opening up more homeownership opportunities to the working class in high priced urban areas, especially with more government support and more communication. It would be interesting to conduct a case study testing this theory by creating a focused project in a municipality providing such support. One suggestion is to leverage the success of the DNI land trust program as an experiment in expansion to higher income families in other areas of Roxbury. The project would support it with a formal framework, procedures for data measurement and reporting, and an ongoing communications program. Results gathered at the end of the case study could provide valuable information for scholars and policy makers considering expansion of the SEH model.

In conclusion, just as there is a divided consensus on whether shared equity housing programs are an effective option for working class homeownership, the assessment conducted for this thesis resulted in mixed outcomes. There is no winner and no loser in the argument and the question remains unanswered. Further study of and more experimentation with the shared equity model must be conducted to arrive at a more definitive answer.
### Appendix I. List of Interviews

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<thead>
<tr>
<th>Name and Title</th>
<th>Organization</th>
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<tr>
<td>Lawrence H. Curtis</td>
<td>Winn Development</td>
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<td>President and Managing Partner</td>
<td>Six Faneuil Hall Marketplace</td>
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<td></td>
<td>Boston, MA</td>
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<td></td>
<td><a href="http://www.winncompanies.com/">http://www.winncompanies.com/</a></td>
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<tr>
<td>Peter Forman</td>
<td>South Shore Chamber of Commerce</td>
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<tr>
<td>President and Chief Executive Officer</td>
<td>1050 Hingham Street</td>
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<td></td>
<td>Rockland, MA</td>
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<tr>
<td></td>
<td><a href="http://www.southshorechamber.org/">http://www.southshorechamber.org/</a></td>
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<tr>
<td>Richard C. Muraida</td>
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<td>Senior Vice President and Regional Manager</td>
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<tr>
<td>Commercial Lending</td>
<td>Boston, MA</td>
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<td><a href="https://www.rocklandtrust.com/">https://www.rocklandtrust.com/</a></td>
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<tr>
<td>Clark Ziegler</td>
<td>Massachusetts Housing Partnership</td>
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<tr>
<td>Executive Director</td>
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<td></td>
<td>Boston, MA</td>
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Bibliography


