



Shared Equity Homeownership

Presentation to House Commerce and Economic Development Committee

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WHAT DOES IT ALL MEAN?

- ▣ Affordable Housing
- ▣ Workforce Housing
- ▣ Shared Equity Homeownership
- ▣ Area Median Income (varies by region and household size)
 - 100% AMI (\$57,800 for all households, \$79,700 for family of four statewide)
 - 80% AMI
 - 50-60% AMI

BUSINESS NEEDS

“If I had a magic wand with three wishes, I’d ask you for affordable housing, more affordable housing and even more affordable housing.”

*Fran Tobin, Human Resources Director, Lake Champlain Chocolates
January 30, 2019 discussion on New Americans and employment*

VERMONTERS PERCEPTION

Recent VPR/Vermont Public TV poll:

- *33% of Vermonters said the cost of housing is the biggest financial stressor in their lives*
- *Taxes were a distant second at 18%*

SHARED EQUITY HOMEOWNERSHIP



John Seiferth is a custodian at Bellows Free Academy, and was able to purchase a condo through CHT's shared equity program, just a few minutes from work. His monthly mortgage payment is lower than what he was paying for in rent.

SHARED EQUITY HOMEOWNERSHIP

FAST FACTS

- Roughly 1,200 shared equity homes statewide
- Homes are in every county
- Average AMI is 68.8% (about \$54,800 for family of four)
- 37% of homes have children
- Average length of tenure is about 6 years

SHARED EQUITY HOMEOWNERSHIP

STEP ONE

Qualified buyers (either at 100% AMI or 120% AMI in some areas) must take homebuyer education, and must become mortgage ready.

This involves working with a HUD certified housing counselor.

SHARED EQUITY HOMEOWNERSHIP

STEP TWO

Several options for buying a home:

- ▣ Habitat for Humanity chapters
- ▣ Existing shared equity home up for sale
- ▣ New home being developed by non profit
- ▣ Acquisition – Rehab programs
- ▣ “Buyer Driven” program

STEP THREE

Prospective buyers hire own lawyer, home inspector and get their own mortgage through a bank or credit union.

SHARED EQUITY HOMEOWNERSHIP

STEP FOUR

The nonprofit stewards a subsidy, typically from the Vermont Housing & Conservation Board or Vermont Affordable Housing Tax Credit program.

The first time, the subsidy is typically 20% of the appraised value to help owner avoid Private Mortgage Insurance (PMI).

Buyer secures their own mortgage, and covers their closing costs.

SHARED EQUITY HOMEOWNERSHIP

WHO BUYS?

Top five employment sectors:

- ▣ Teacher/Aide
- ▣ Health Care
- ▣ Administrative
- ▣ Manufacturing
- ▣ Customer Service

SHARED EQUITY HOMEOWNERSHIP



Mediha Goretic was a refugee from Bosnia in the 1990s and arrived in Vermont in 2000. It took years, but she attained homeownership in 2014 – now she feels finally home. She works for UVM and has two teenage girls.

SHARED EQUITY HOMEOWNERSHIP



The Winchell family of Rutland were living in a cramped apartment before buying their home. Everything in their price range needed a ton of rehab and they just couldn't do it. She's a manager for a local pharmacy he works at an auto parts store.

SHARED EQUITY HOMEOWNERSHIP

RIGHTS/RESPONSIBILITIES OF OWNER

- Pays Mortgage, Insurance and Property Taxes
- Pays Condo Fees, lease/membership fee
- Maintains the property
- Can leave property to another in their Will
- Must notify local nonprofit in event of the decision to sell
- Agrees to a resale formula that preserves affordability

SHARED EQUITY HOMEOWNERSHIP

AT SALE

- Nonprofit identifies new buyer
- A new appraisal is conducted
- Original subsidy remains in full with the property

SHARED EQUITY HOMEOWNERSHIP

OWNER RECEIVES

- Everything paid down on mortgage
- Any documented value of improvements
- 25% of the increase in home value from time of original purchase to time of sale based on an appraisal

NEW BUYER

- Takes homebuyer education class
- Gets a mortgage equal to the appraisal minus original subsidy and minus 75% of any market appreciation.
- Agrees to the same conditions as the first owner.

SHARED EQUITY HOMEOWNERSHIP

SAMPLE

Original Purchase		Second Sale
\$200,000	Appraisal	\$240,000
(\$40,000)	Subsidy	(\$40,000)
	75% share of appreciation	(\$30,000)
\$160,000	Mortgage	\$170,000

In this case, the original owner receives whatever she paid off on her \$160,000 mortgage, plus 25% of appreciation, or \$10,000.

SHARED EQUITY HOMEOWNERSHIP



Sarah Robinson works at a domestic and sexual violence nonprofit. She and her husband were high school sweethearts in Brattleboro who wanted to put down roots and start a family in Vermont. They were able to build enough equity owning a housing trust home to take the leap into the market.

SHARED EQUITY HOMEOWNERSHIP

OWNER BENEFITS

- Stabilizes housing costs providing opportunities for saving
- Instead of paying rent, the average owner builds \$16,800 of wealth
- Over 60% use as stepping stone to the market
- Fewer foreclosures
 - ▣ After market crash, a national study showed shared equity homes were ten times less likely to be in foreclosure than the rest of the market
 - ▣ A snapshot in Vermont last June had just three homes in foreclosure, a 0.28% rate compared to a 2.09% rate in the market – or 7.5 time less likely.

SHARED EQUITY HOMEOWNERSHIP

PUBLIC BENEFITS

- Locks in subsidy to serve multiple families over time
 - ▣ The 1,200 homes have provided homeownership opportunity for over 1,600 owners
- Preserves affordability and is cheaper
 - ▣ One study showed that it would take five times as much public subsidy to create the same amount of affordable homeownership if we hadn't captured the subsidy
- Fewer foreclosures
- Provides an option for young Vermonters to stay in the state as owners – and all the benefits that brings

SHARED EQUITY HOMEOWNERSHIP



Ian Boyd wanted to stay in Vermont after college and had a good job as an academic advisor for CCV. But he also had \$35,000 in school debt. He spent three years working towards attaining his goal. He and his wife now have a child.

SOURCES OF SUBSIDY

- Vermont Housing & Conservation Board
 - ▣ Capital for new construction
 - ▣ Subsidy for “Buyer Driven” program
- Vermont Affordable Housing Tax Credit
- Habitat for Humanity chapters in coordination with one or both of the above

NEW CONSTRUCTION



Cambrian Rise in Burlington will have a mix of rentals and ownership, including up to 87 shared equity condos, the first phase to start this spring. VHCB Housing for All Bond funds are committed for apartments and the condos, and to create a new 12-acre park and beach along Lake Champlain.

HABITAT FOR HUMANITY – STATE TAX CREDIT



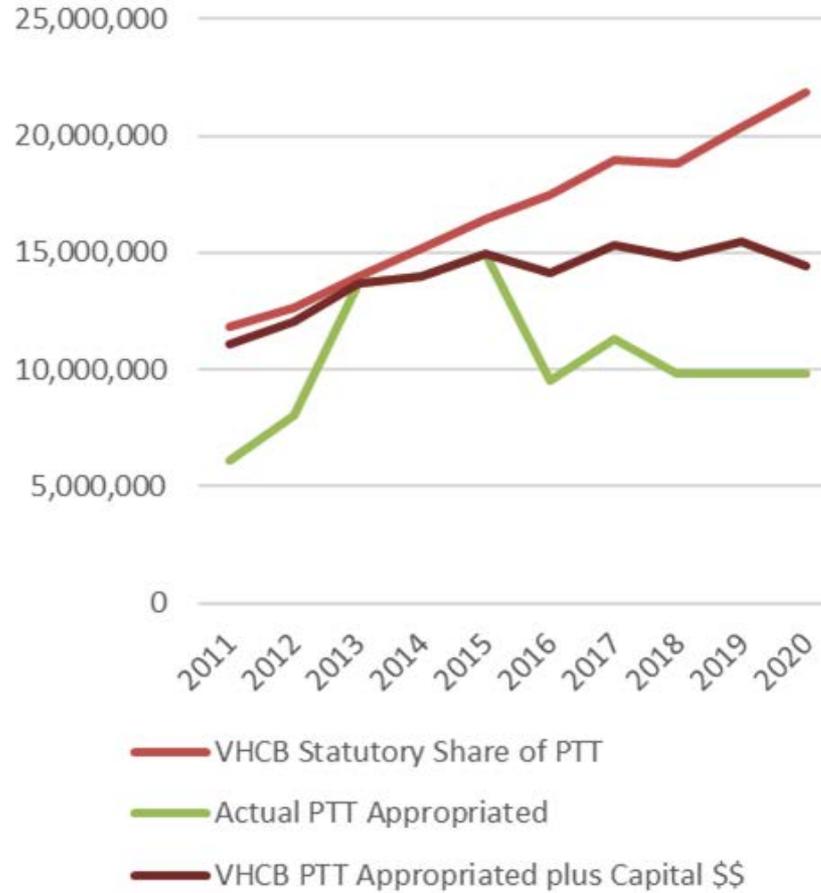
Brinkley Benson bought a home in 2018 that was made affordable through the VT Affordable Housing Tax Credit, and sweat equity and volunteerism organized by Green Mountain Habitat. He works at Lake Champlain Chocolates. His mortgage is \$300 less than what his rent was.

SOURCES OF SUBSIDY: AQUITION – REHAB



NEED FOR MORE SUBSIDY

Alligator's Mouth of VHCB
Funding 2011 - 2020



NEED FOR MORE SUBSIDY

Expanding the State Credit by \$250,000

- \$125,000 for VHFA's Down Payment Assistance
- \$125,000 for Homeownership Credit to provide resources for new construction and acquisition and rehab
 - ▣ New program to focus on Windham and Washington Counties in acquisition and rehab, supported in part by charitable giving

FINALLY...

This program has been recognized nationally and internationally and is being copied over the world.

- United Nations World Habitat Award
- Allstate-Atlantic Media Renewal Award
- New organizations in highest cost cities in the world: London, Paris, Brussels, Melbourne, Vancouver
- We get calls every week from municipalities, county governments, scholars, housing advocates on how to start a similar program