LIMITED EQUITY CO-OP HOMEOWNERSHIP

Strategies to preserve and create affordable home ownership opportunities

Under One Roof – Housing and Community Development Network of New Jersey 2017

Shared Equity Homeownership

1) community land trusts

2) low- or limited equity yield resident-owned cooperatives (LEHC)

and

3) non-profit-owned land-lease homeownership schemes

Low- or limited equity yield resident-owned cooperatives (LEHC)

LEHCs can provide ownership opportunities to lower income households while limiting the return from resale that they can receive.

It contrasts with market rate cooperatives, where memberships can be transferred at market value.

Low- or limited equity yield resident-owned cooperatives (LEHC)

Limited Equity Housing Cooperatives:

- Build member participation in the corporation
- Operate as nonprofits
- Combine business and social goals
- Rely on democratic participation

In the United States, there are more than 400,000 units of limited equity housing.

Low- or limited equity yield resident-owned cooperatives (LEHC)

LEHCs make housing affordable to low-income people by taking property off the speculative real estate market.

LEHCs can control costs by removing the investment owner from the housing cost equation.

A little history … In New Jersey

Low equity resident-owned cooperatives in the 1970's. These include High Park Gardens, High Park Terrace and University Court in Newark.

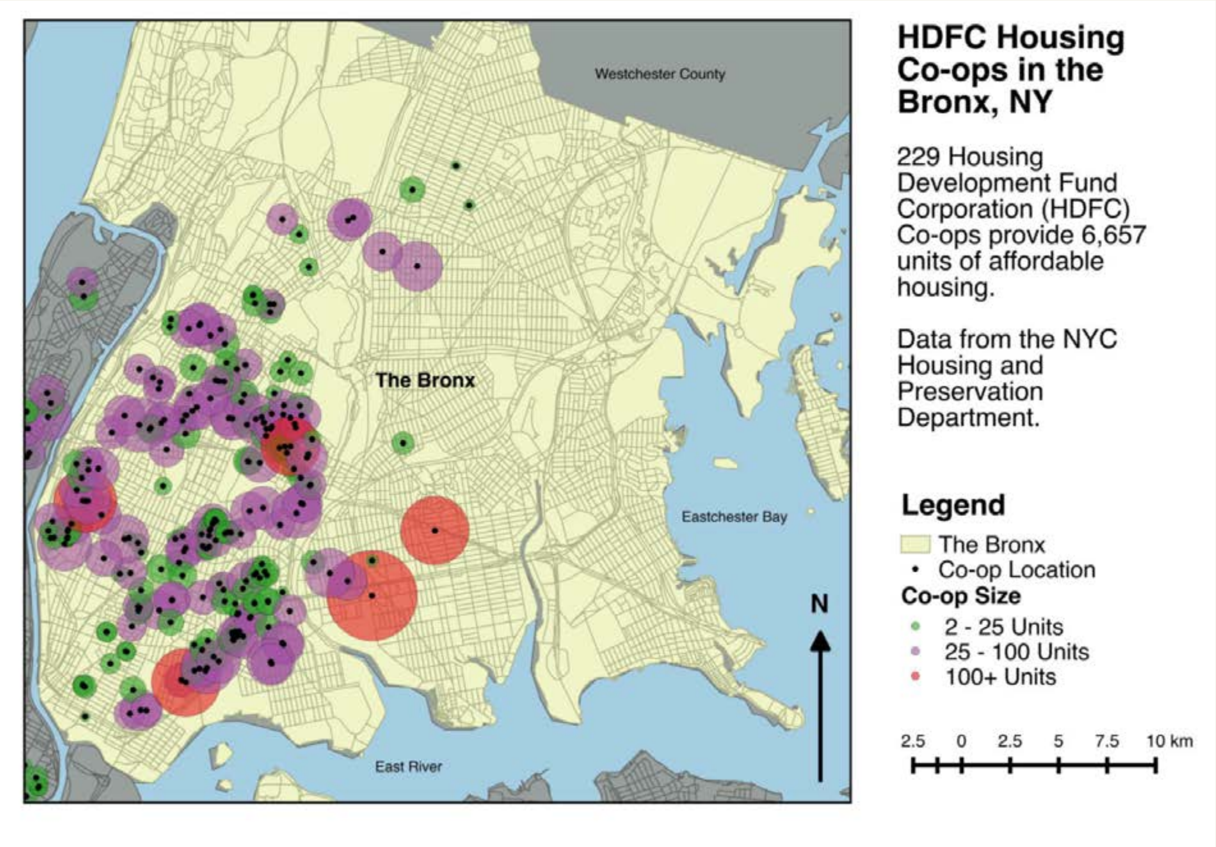
Just as with many low-income housing developments, LEHCs require subsidy or specialized sources of capital. Historically the largest community of shared-equity co-ops were ones developed almost 40 years ago, federally subsidized co-ops produced with the support of the Department of Housing and Urban Development (HUD).

Nationwide it is estimated that move than 148,000 units of housing were created with HUD underwriting.

This information and the maps come from UHAB's BUILDING CAPACITY TO SERVE AND GROW THE COOPERATIVE HOUSING COMMUNITY RESEARCH UPDATE - THE URBAN HOMESTEADING ASSISTANCE BOARD - DECEMBER 2015

A little history … New York City: 89 co-ops with 66,127 units.

Their ongoing affordability is threatened by the expiration dates for government oversight and equity restrictions.



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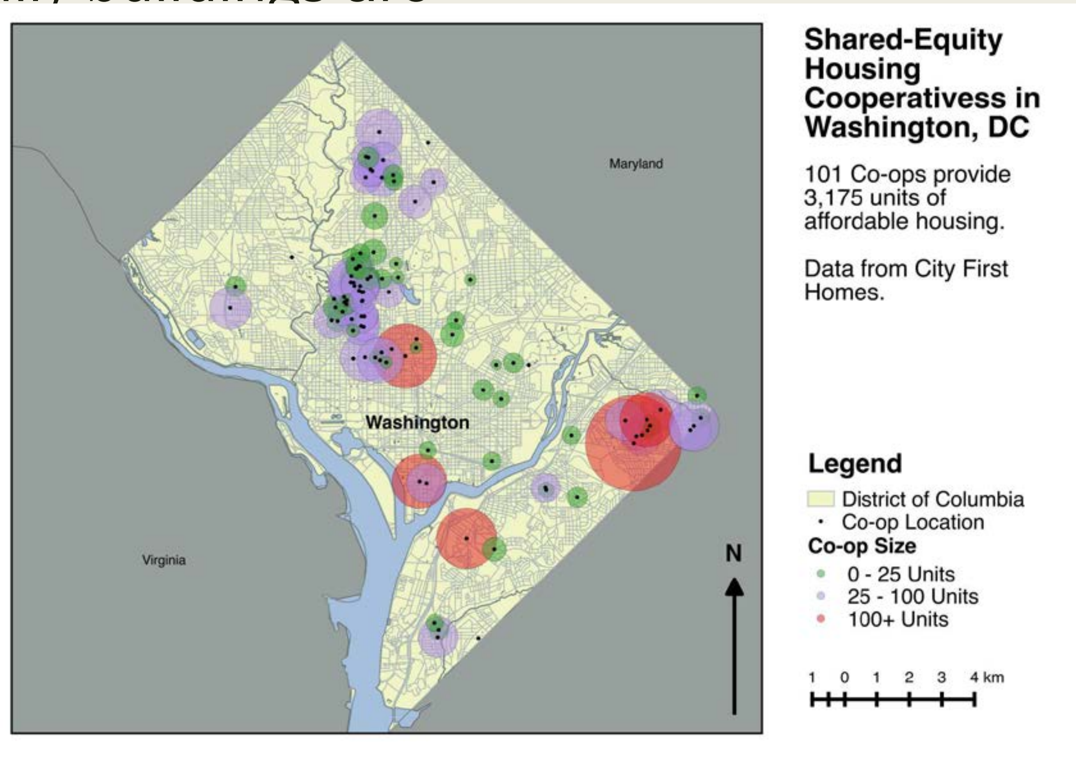
CO-OP COMMUNITIES AROUND THE COUNTY

- Washington, DC. has 3,000 units, mostly tenant converted co-ops. Through DC's Tenant Opportunity to Purchase Act (TOPA), tenants of multifamily buildings are offered the right of first refusal when buildings go up for sale, presenting a critical opportunity for residents interested in taking collective ownership of their building.

TOPA, together with a municipal loan fund, has facilitated the transfer of over 100 buildings into resident ownership as limited-equity cooperatives.



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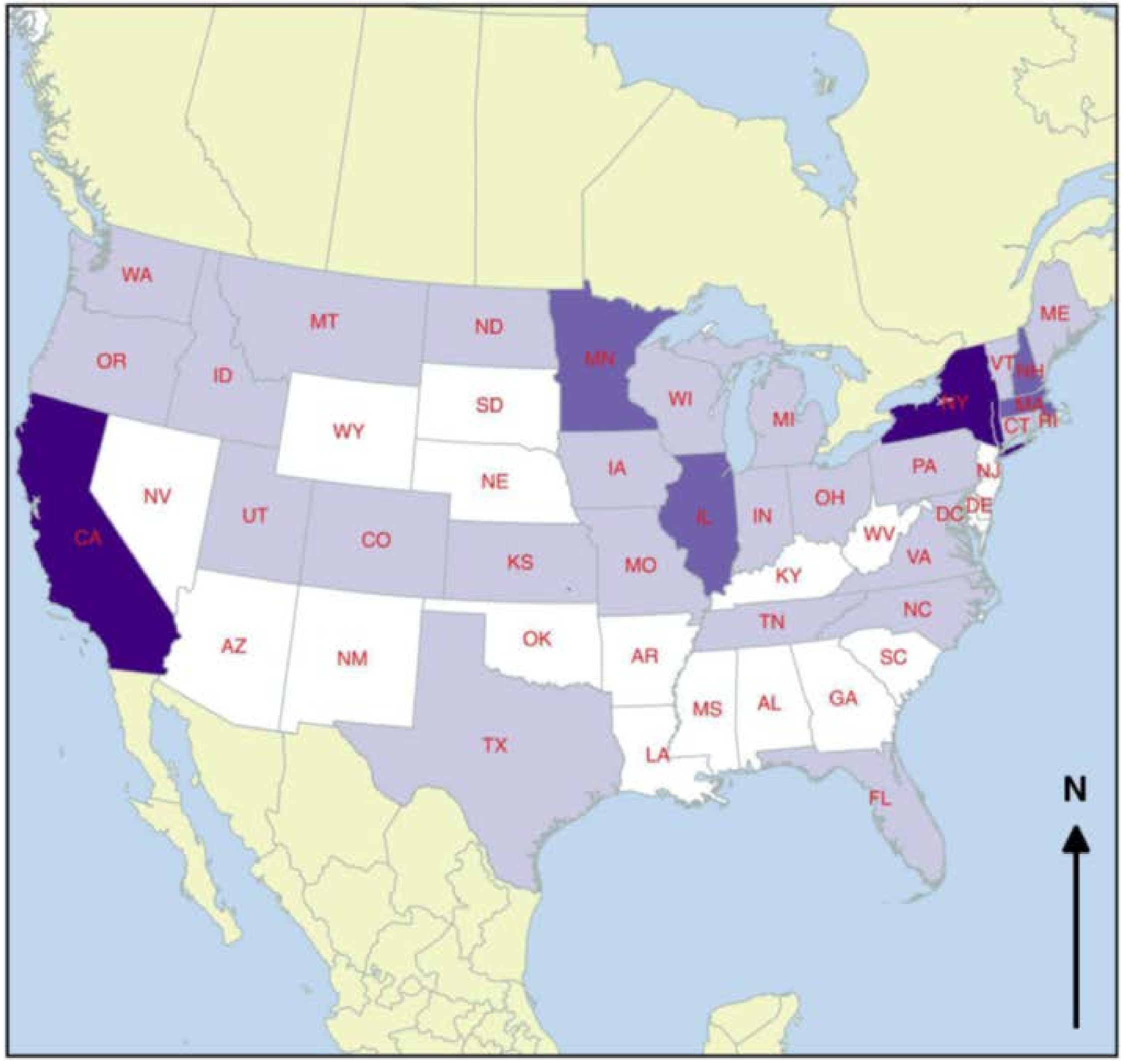

Count of Shared-Equity Co-ops by State: 2,251 Co-ops

This map shows the working count of co-ops in each state from the national database. As more data is obtained and processed, these counts are expected to increase, particularly in the Midwest, Flordia and New Jersey.

Legend

# of Co-ops by State

- No Data
- 1-50 Co-ops
- 50-200 Co-ops
- 200+ Co-ops

250 0 250 500 750 1000 km

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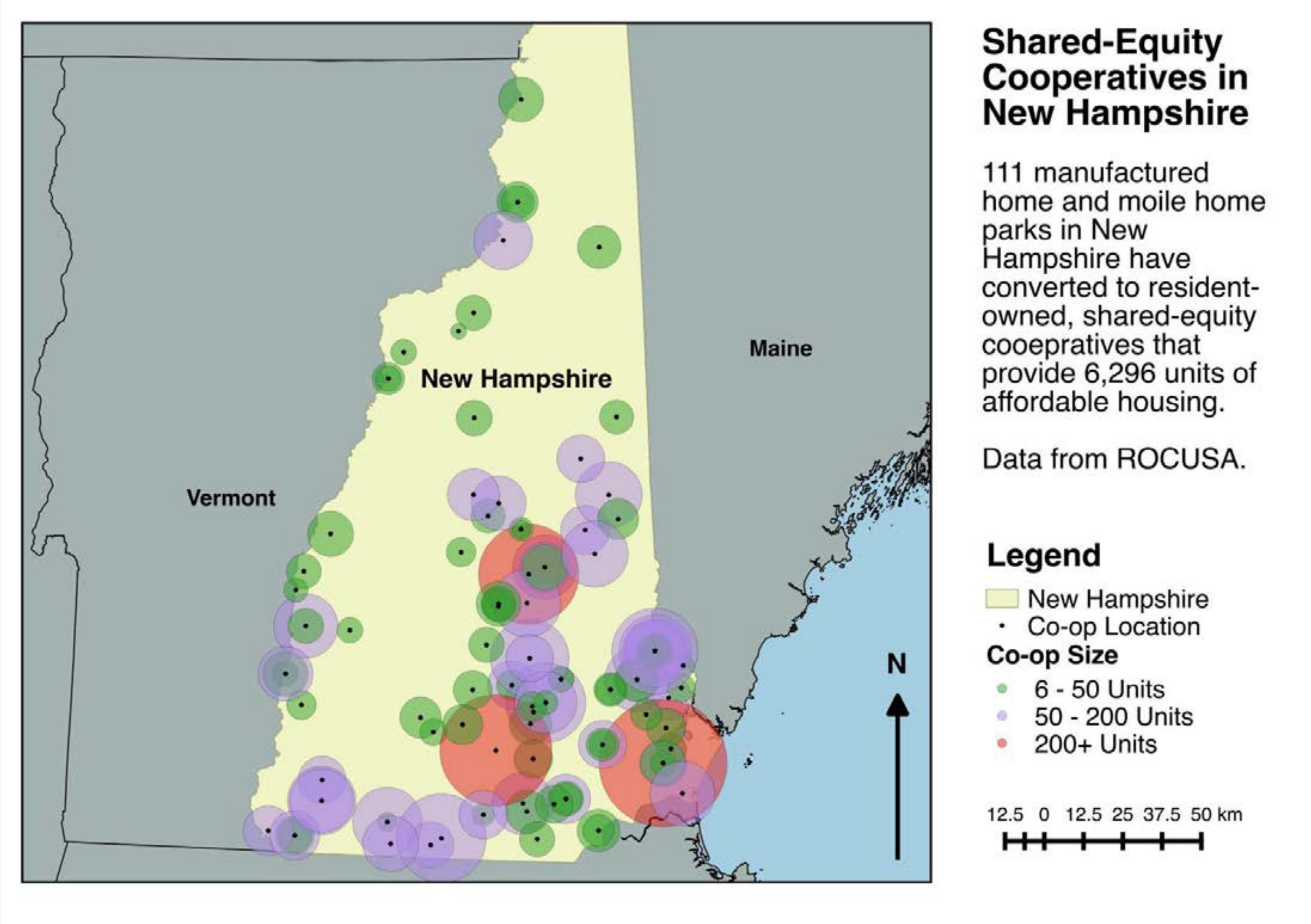
CO-OP COMMUNITIES AROUND THE COUNTY

□ Resident Owned Communities (ROC) USA mobile home, and manufactured housing cooperatives represents 10,000 units all converted from mobile home parks that were previously owned by outside third parties.

ROC USA represents the fastest growing co-op community of recent decades.

New Hampshire model has been developed into a national scale project



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Why manufactured housing communities?

Homeowners are Vulnerable

- People own homes, but lease space
- Many are low-income and elderly
- Rent can be raised or the land sold
- Landlords may not fix problems or maintain common area

- When land is sold, often developed into commercial space or market-rate housing—a net loss of affordable housing

How to Help?

- Opportunity – Right of first refusal/opportunity to purchase
- Cooperatives are complicated—owners need advice & education to organize themselves
- Also need financing—new organizations don’t meet conventional lending standards
- Ongoing technical assistance also needed

ROC USA is transforming the manufactured home community marketplace through resident ownership.

ROC USA® helps homeowners in MHC overcome the three barriers to resident ownership:

- The chance to purchase
- The expert coaching and training to purchase and manage the community
- The lack of capital to purchase and improve the MHC

ROC usa®
Resident Owned Communities
BETTER TOGETHER

Scale

- ROC USA® is scaling the award-winning 30-year statewide NH Community Loan Fund model of resident ownership
- In ROCs, homes sell faster and for more, rents are lower and homeowners feel more secure (2006, Carsey Institute)
- Capital Impact Partners, CFED and NeighborWorks® America joined the Loan Fund to form ROC USA, a 501(c)3 LLC in 2008
- The underlying economic model is designed to achieve self-sufficiency with lending ultimately covering the cost of training and education and Member Services.

ROC usa® Resident Owned Communities BETTER TOGETHER

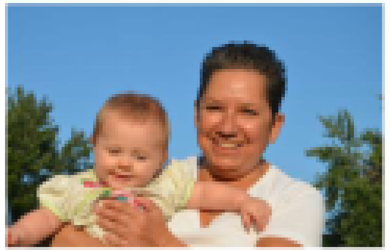
PERFORMANCE

In six years, ROC USA® has:

- Enabled 4,300 lower-income homeowners in 67 communities and 14 states to preserve and improve their communities
- Delivered $84 million in 1st mortgage community acquisition loans to 33 ROCs in 11 states
- Experienced no loan losses or delinquencies
- Built a self-supporting CDFI lending model solely on earned revenues
- Developed a network of 8 local Technical Assistance providers to serve borrower training needs pre- and post-purchase
- Built ground-breaking, scalable member services

"It's a better community. People are more at ease knowing that their rent isn't going to keep jumping dramatically every year."

- NATIVIDAD SEEFELD, *Park Plaza Cooperative, Fridley, Minn.*



Why not New Jersey?

Opportunity - New Jersey has a flawed "right of first refusal"

New Jersey's Mobile Home Protection Act enacted in 1992 gives manufactured homeowners the right to purchase their community but only when a sale is made in contemplation of change of use by the seller. This needs to be changed before
Homeowners have viable purchase opportunities. Compare NJ to Mass. Mass. has had an opportunity to purchase law on the books since 1993. NJ has one resident owned community and Mass. has about a dozen.

Why not New Jersey?

Stigma of manufactured housing has meant that New Jersey’s HMFA and its Consolidated Plan do not included manufactured housing programs. This is not the case in many other states.

Manufactured housing communities are not commonly included in a municipality's COAH affordable housing counts thus there is a lack of preservation interest.

Why not New Jersey?

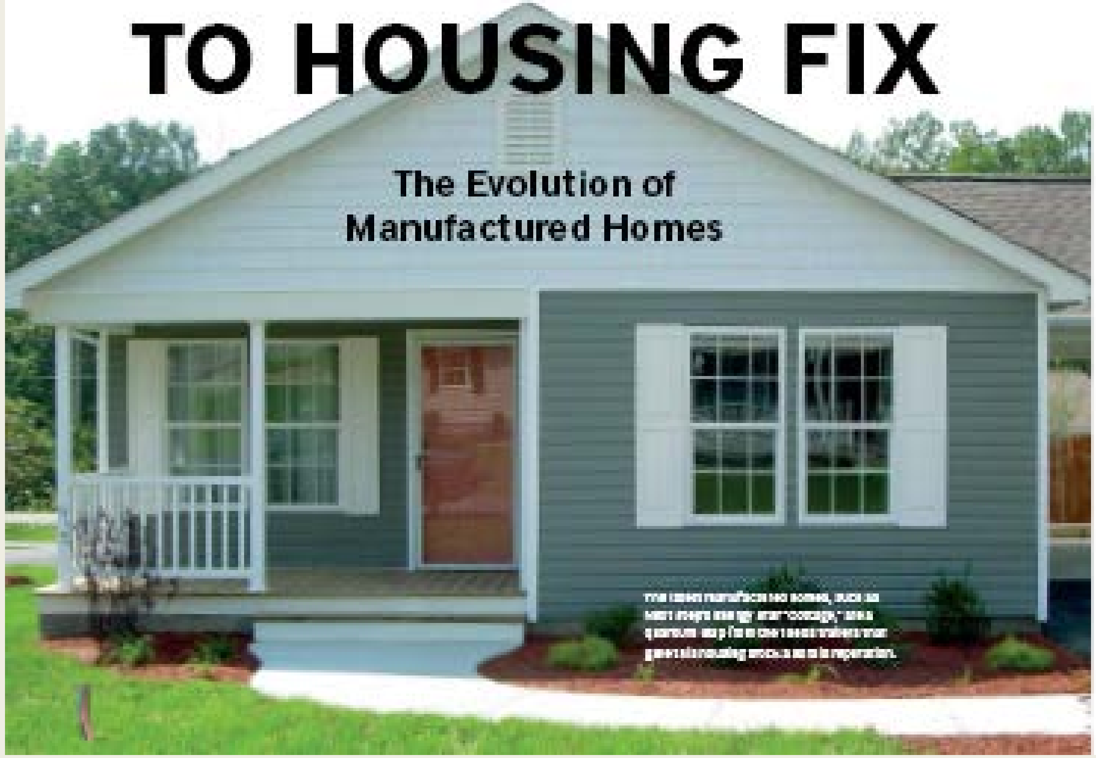
New Jersey's Planned Real Estate Development Full Disclosure Act is daunting and scary for folks who want to develop shared equity communities. We need to provide a waiver process for mission-driven community development.

All of these impediments are fixable. New Jersey has a strong network of non-profit affordable housing advocates and developers. Can we get them to focus on manufactured housing and manufactured housing homeowners for a bit?

FROM STIGMA

TO HOUSING FIX

The Evolution of Manufactured Homes



By Loren Berlin

LIZ WOOD WANTED TO BUY A HOUSE. IT WAS 2016, SHE HAD BEEN RENTING FOR A DECADE, AND HER MONTHLY PAYMENTS WERE GETTING HIGH. She was 45 and steadily employed, earning $34,000 annually plus benefits as a family educator. She didn't want anything fancy, just a place where she could "gather love and bring stability." She would stay within her means.

Nonetheless, the math was tricky. Wood lives in Duvall, Washington, a town of roughly 7,500 in the foothills of the Cascade Mountains. Steeped in lush forest, Duvall is about 30 miles from Seattle and a mere eight miles from the City of Redmond, the headquarters for Microsoft. The median income in Duvall is nearly twice that of the state of Washington, and homes in this area are expensive. In 2010, the median value of owner-occupied homes in Duvall was $375,500, compared to $262,100 for the state, according to the U.S. Census Bureau.

With few options, Wood eventually decided on a used factory-built home (also known as manufactured housing) for $55,000 in Duvall Riverside Village, a four-acre community of 25 manufactured homes in the middle of downtown Duvall. "It's amazing here," she says. "I live on riverfront property, so when I walk out my door I see water, pine trees, and a walking trail that goes from my house to the next town. I wake up in the morning hearing birds. I know all my neighbors; I'm connected to my community. I'm a block from the police station. I feel safe."

But it was still difficult. Wood owned her house, but not the land on which it sits. Instead, she rented the plot for $450 a month, plus water and utilities, as did the other residents of Duvall Riverside Village. As a result, Wood and her neighbors remained largely at the mercy of the property owner, their landlord, and forfeited much of the autonomy and security associated with more traditional home ownership models.

Their landlord prohibited garages, leaving residents limited storage options. He charged them $25 a month per additional car or adult beyond those registered at the time of move-in.