



# Shared Equity Homeownership

Bridging the Affordability Gap  
Perpetually Affordable Housing

# Housing Affordability Matrix

Based on HUD Median Family Income FY2010

2010 Income Levels and Housing Costs: FY10 HUD MFI \$58,300								
Percent of Median Income		One Person	Two Person	Three Person	Four Person	Five Person	Six Person	Seven Person
30%	Annual Income	\$ 12,243	\$ 13,992	\$ 15,741	\$ 17,490	\$ 18,889	\$ 20,288	\$ 21,688
	Affordable Monthly Hsg Payment	\$ 306	\$ 350	\$ 394	\$ 437	\$ 472	\$ 507	\$ 542
	Affordable Rent	\$ 357	\$ 408	\$ 459	\$ 510	\$ 551	\$ 592	\$ 633
	Affordable Home Price	\$ 58,675	\$ 67,057	\$ 75,439	\$ 83,821	\$ 90,527	\$ 97,232	\$ 103,938
40%	Annual Income	\$ 16,324	\$ 18,656	\$ 20,988	\$ 23,320	\$ 25,186	\$ 27,051	\$ 28,917
	Affordable Monthly Hsg Payment	\$ 408	\$ 466	\$ 525	\$ 583	\$ 630	\$ 676	\$ 723
	Affordable Rent	\$ 476	\$ 544	\$ 612	\$ 680	\$ 735	\$ 789	\$ 843
	Affordable Home Price	\$ 78,233	\$ 89,409	\$ 100,585	\$ 111,761	\$ 120,702	\$ 129,643	\$ 138,584
50%	Annual Income	\$ 20,405	\$ 23,320	\$ 26,235	\$ 29,150	\$ 31,482	\$ 33,814	\$ 36,146
	Affordable Monthly Hsg Payment	\$ 510	\$ 583	\$ 656	\$ 729	\$ 787	\$ 845	\$ 904
	Affordable Rent	\$ 595	\$ 680	\$ 765	\$ 850	\$ 918	\$ 986	\$ 1,054
	Affordable Home Price	\$ 97,791	\$ 111,761	\$ 125,731	\$ 139,702	\$ 150,878	\$ 162,054	\$ 173,230
60%	Annual Income	\$ 24,486	\$ 27,984	\$ 31,482	\$ 34,980	\$ 37,778	\$ 40,577	\$ 43,375
	Affordable Monthly Hsg Payment	\$ 612	\$ 700	\$ 787	\$ 875	\$ 944	\$ 1,014	\$ 1,084
	Affordable Rent	\$ 714	\$ 816	\$ 918	\$ 1,020	\$ 1,102	\$ 1,183	\$ 1,265
	Affordable Home Price	\$ 117,349	\$ 134,114	\$ 150,878	\$ 167,642	\$ 181,053	\$ 194,465	\$ 207,876
80%	Annual Income	\$ 32,648	\$ 37,312	\$ 41,976	\$ 46,640	\$ 50,371	\$ 54,102	\$ 57,834
	Affordable Monthly Hsg Payment	\$ 816	\$ 933	\$ 1,049	\$ 1,166	\$ 1,259	\$ 1,353	\$ 1,446
	Affordable Rent	\$ 952	\$ 1,088	\$ 1,224	\$ 1,360	\$ 1,469	\$ 1,578	\$ 1,687
	Affordable Home Price	\$ 156,466	\$ 178,818	\$ 201,170	\$ 223,523	\$ 241,404	\$ 259,286	\$ 277,168
100%	Annual Income	\$ 40,810	\$ 46,640	\$ 52,470	\$ 58,300	\$ 62,964	\$ 67,628	\$ 72,292
	Affordable Monthly Hsg Payment	\$ 1,020	\$ 1,166	\$ 1,312	\$ 1,458	\$ 1,574	\$ 1,691	\$ 1,807
	Affordable Rent	\$ 1,190	\$ 1,360	\$ 1,530	\$ 1,700	\$ 1,836	\$ 1,972	\$ 2,109
	Affordable Home Price	\$ 195,582	\$ 223,523	\$ 251,463	\$ 279,403	\$ 301,756	\$ 324,108	\$ 346,460
120%	Annual Income	\$ 48,972	\$ 55,968	\$ 62,964	\$ 69,960	\$ 75,557	\$ 81,154	\$ 86,750
	Affordable Monthly Hsg Payment	\$ 1,224	\$ 1,399	\$ 1,574	\$ 1,749	\$ 1,889	\$ 2,029	\$ 2,169
	Affordable Rent	\$ 1,428	\$ 1,632	\$ 1,836	\$ 2,041	\$ 2,204	\$ 2,367	\$ 2,530
	Affordable Home Price	\$ 234,699	\$ 268,227	\$ 301,756	\$ 335,284	\$ 362,107	\$ 388,929	\$ 415,752

For the affordable home price this table uses a 30-year mortgage at 4.75% interest (estimate). This table calculates household incomes by household size and percent of median income based on HUD data. HUD calculated 2010 median family income (for a four person household) for the Lafayette MSA to be \$58,300, as shown above. Affordable monthly hsg payment represents 30% of income, while affordable rent represents 35% of income.

2010 (June) Average Sales Price of Single Family Residential Home in Lafayette Parish \$168,570  
 Monthly Payment with \$0 down @4.75% interest for 30 yrs \$879.34



# Shared Equity Models

1. Separate Land and Improvement Ownership
  - Community Land Trusts
2. Owner Financing



# Shared Equity Models

Separate Land and Improvement Ownership

## Community Land Trusts Tenets

- Dual Ownership: one party has deed to land and other has deed to improvement
- Community Driven: community based organization governed by tripartite board consisting of CLT owners, local government, business members at-large
- Permanent Land Holdings: the land is held in perpetuity so as to maximize its value and stability
- Exclusive Use of Land: improvement owners are conveyed full use of land through a long-term ground lease (99 years) that is inheritable and renewable
- Perpetually Affordable: the improvement owner, upon selling, is entitled to a formula-based percentage of appreciation shared with the CLT



# Community Land Trust

## Example Financials

Improvement	\$75,000.00	Local Real Estate Appreciation Rate	1.50%
Renovations	\$25,000.00	Market Appraised Future Value	\$98,746.66
Initial Appraised Value	\$115,000.00	LESS: Initial Appraised Value	<b>(\$85,000.00)</b>
		Appreciation	\$13,746.66
Lessee Purchase		Lessee's Share of Appreciation	
Initial Appraised Value	\$115,000.00	Based on Formula in Lease (25%)	\$3,436.67
LESS: Land Only	<b>(\$15,000.00)</b>	CLT Share of Appreciation	\$10,310.00
LESS: Subsidy	<b>(\$15,000.00)</b>		
LESS: Nominal Down Pmt	<b>(\$1,200.00)</b>	New Sales Price	
Total Mortgage Amount	\$85,000.00	Market Appraised Value	\$98,746.66
		LESS: CLT Share of Appreciation	<b>(\$10,310.00)</b>
		CLT Program Income from Sale (10%)	\$1,031.00
		Sales Price to Next Qualified Buyer	<b><u>\$89,467.66</u></b>
FV of 10 Year T-Bont Yielding 2.5%	<b>(\$1,540.43)</b>		



# Community Land Trust

Notable Organizations Across the Nation

- Champlain Housing Trust
  - Started in 1984 in Burlington, Vermont
  - Most successful CLT
  - <http://www.champlainhousingtrust.org/>
- Sawmill Community Land Trust
  - Located in Albuquerque, NM
  - Formed by citizens to redevelop former industrial site
  - Response to high home prices
  - <http://www.sawmillclt.org/>
- Home and Hands: Community Land Trusts in Action
  - Video:  
<http://www.cltnetwork.org/index.php?fuseaction=Blog.displayBlogPost&postID=85>



# Shared Equity Model

Owner Financing: HomeShare Program

- Can be targeted for higher density development and development of air rights
- Property owner finances a percentage of equity with prospective home buyer
  - Equity balance is charged an annual fee that increases with time
  - Encourages homebuyer to buy back equity



# Owner Financing: HomeShare Program

## Example Financials

\$200,000 home with minimum 50% equity.						
			<b>FINANCING</b>			
Market Value of Home	\$200,000.00		Principal	Term (Years)	Interest	Monthly Payment
Owner Equity	50.00%		\$100,000.00	15	5.13%	\$797.32
Amt of Contribution	50.00%		\$100,000.00	30	5.75%	\$583.57
Discount (Subsidy)	\$8,000.00		<b>ADDITIONAL HOUSING GRANTS</b>			
Total Contribution	\$92,000.00		ADDI			
			LPTFA			
Start of Year	Gov't Contribution Value Carried Forward	% Inflation	Total Value for Fee Calculation at End of Year	Annual Fee Payable by Home Owner		Monthly Fee Payable by Home Owner
1	\$92,000.00	3.00%	\$94,760.00	0.00%	\$0.00	\$0.00
2	\$94,760.00	3.00%	\$97,602.80	0.00%	\$0.00	\$0.00
3	\$97,602.80	3.00%	\$100,530.88	0.00%	\$0.00	\$0.00
4	\$100,530.88	3.00%	\$103,546.81	1.00%	\$1,005.31	\$83.78
5	\$103,546.81	3.00%	\$106,653.21	1.00%	\$1,035.47	\$86.29
6	\$106,653.21	3.00%	\$109,852.81	2.00%	\$2,133.06	\$177.76
7	\$109,852.81	3.00%	\$113,148.40	2.00%	\$2,197.06	\$183.09
8	\$113,148.40	3.00%	\$116,542.85	3.00%	\$3,394.45	\$282.87
9	\$116,542.85	3.00%	\$120,039.13	3.00%	\$3,496.29	\$291.36
10	\$120,039.13	3.00%	\$123,640.31	3.00%	\$3,601.17	\$300.10

