

SHARED EQUITY HOMEOWNERSHIP IN THE U.S.: A LITERATURE REVIEW

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Abstract

This article reviews the concept of shared equity homeownership (SEH) in the U.S. The review examines the origins of the SEH model and its historic precedents. It considers the impetus for SEH, setting the discourse within the context of U.S. housing policy and, specifically, low-income homeownership research. Subsequently, the review assesses the current state of SEH research, including the evidence associated with SEH as an affordable housing strategy, its application and challenges in the field, and gaps in the scholarly discourse.

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1. Introduction

As communities recover from the Great Recession and housing crash, some affordable housing advocates are looking to shared equity homeownership (SEH) as a viable complement to traditional home ownership or rental choices in the U.S. Sometimes referred to as “third sector housing,” SEH models offer low-income households an opportunity to access critical wealth-building benefits through affordable homeownership. Shaped by 20th century economic principles, the model reconsiders the “bundle of property rights” associated with homeownership, in order to arrive at a model that prioritizes both equity building and permanent affordability.

At the forefront of the SEH movement is John Emmeus Davis, who describes the evolving sector as rooted in models of resale-restricted, owner-occupied dwellings (Davis 2010d, 2017a). The model is flexible, responding to a variety of housing demands and challenges, while adhering to a similar set of characteristics, including permanent affordability (Davis 2012). In practice, the application of the model is quite diverse (Gray 2008). The most common forms of SEH models include community land trusts (CLT), limited equity cooperatives (LEC), and deed-restricted houses and condominiums with permanent affordability covenants (30+ years) (Davis 2017a). In recent years, the sector has focused on clarifying its core principles and refining its approaches, while also building awareness through education and outreach. These priorities are reflected in the

broad base of SEH literature, encompassing academic research articles, practitioner publications, and agency reports.

This article reviews the concept of SEH, beginning with a core definition and an overview of its origins. Subsequently, the review situates the SEH model as a strategy within the larger arena of U.S. housing policy, low-income homeownership and wealth. These streams of literature frame the critical issues facing affordable housing policy in the U.S. and define the homeownership niche that SEH models attempt to fill. The final section reviews the state of the emergent SEH field, emphasizing the two primary categories of scholarship. First, it considers research that provides rationales and evidence for SEH models. Subsequently, the review considers the critiques of SEH in the literature, as well as the challenges and knowledge gaps identified in the current discourse.

2. The Definition, Origins, and Evolution of Shared Equity Homeownership Models

SEH models encompass a range of affordable housing tools, all characterized by two primary principles (Davis 2012). The first is permanent affordability, principally achieved through subsidy retention and resale formulas that limit the amount of appreciation a homeowner may claim upon sale of the property (Davis 2010a, 2010d). The second principle is active and ongoing stewardship of the land and homeowner, achieved through the creation of a non-profit steward and a community-represented board (Davis 2010d, 2017a, 2008).

Previously, the SEH model was defined by the constraints it placed upon homeowners—namely, the limits on equity gains due to resale restrictions (Davis

2010a). However, this perspective does not adequately encompass the broader SEH mission, nor the benefits—both monetary and non-monetary—afforded to SEH homeowners (Thaden, Greer, and Saegert 2013; Saegert et al. 2015; Temkin, Theodos, and Price 2013). As SEH scholarship and projects grew in popularity, the need arose for a new classification (Davis 2012). In response, Davis introduced the concept of “third sector” housing (1994), which was followed by the term “shared equity homeownership” in a study of permanently affordable housing strategies commissioned by the National Housing Institute (Davis 2006). The term encompasses housing that is non-governmental and operates outside of conventional market models, and that more accurately underscores the notion of “shared” investment and stewardship (Davis 2000).

More recently, the definition of SEH has grown to encompass “a generic term for various forms of resale-restricted, owner-occupied housing in which the rights, responsibilities, risks, and rewards of ownership are shared between an income-eligible household who buys the home for a below-market price and an organizational steward who protects the affordability, quality, and security of that home long after it is purchased” (Davis 2010a, 270). This operational interpretation of SEH focuses on the programmatic features of the model and makes a regular appearance in the literature.

2.1 Origins of the Shared Equity Movement

The precedents for SEH exist in the underlying tension between land and property, which were cause for social and economic debates in the late 19th and early 20th centuries. The argument, propounded by Henry George (1879) and John Stuart

Mill (1900), was that land is not a product of man's ingenuity or innovation and, thus, no person can claim direct ownership over it as property. Yet, humans can capitalize upon the land by putting labor into and building upon it, all of which can be assigned explicit ownership. These assumptions fuel opposition between the two forms of "ownership": (1) that which has no initial "owner" or creator (i.e. land and other natural resources) and (2) that which is the product of human endeavor.

George and Mill expounded upon this problem, relating it to land ownership, speculation, and wealth accumulation. In *Progress and Poverty*, George (1879) wrote of the widening gap between the wealthy and poor in industrializing cities. He concluded that speculation was the root of inequality: Those with resources could purchase large quantities of land and, subsequently, leverage it for wealth accumulation through rent earnings and increasing land values. The poor lacked the financial capacity to purchase land and, thus, were relegated to tenant-status, paying ever-increasing rents without the ability to accumulate wealth from their surrounds. Critics characterized land-based wealth as a laborless endeavor that derived financial benefit from the monopolization of a common resource. Mill described this means of wealth accumulation as the "unearned increment" (1900).

The proposed solution for the financial misappropriation of land was to apply a single tax on its value, while dissolving taxation of the productive uses upon it (i.e. improvements) (George 1883). The ground rent assessment of land would equalize wealth distribution by destroying the speculative land market, as the tax would be derived from the true value of the land and not its (under-utilized) use. Further, a single tax on land value would be substantial enough to abolish all other

taxes, providing an incentive for maximizing its productivity without fear of tax penalties. This argument serves as a foundation for the SEH model, which separates the “unearned” increment of land value and speculation from that of the equity gained on improvements.

2.2 Shared Equity and the Collective Increment: First Generation Models

While George laid out the principles recouping the “unearned increment” from speculators and wealthy landowners at the turn of the century, others attempted to turn thought into practice, including Ebenezer Howard (1902). In many respects, these efforts serve as a first-generation model for SEH.

Howard proposed to right urban wrongs by establishing small-sized or limited cities. In *To-Morrow: A Peaceful Path to Real Reform* (1898) (later reissued as *Garden Cities of To-Morrow* (1902)), he envisioned a society that combined the strengths of the city (i.e., town) with the benefits of the country, while converting George and Mill’s problematic “unearned increment” into a “collectively earned” increment (1902, 29). Each satellite community would be financed by investors, who would retain ownership of the land. Landholders would pay ground rents to cover the interest and principal used to finance the community. Once the debt had been satisfied, land ownership would transfer to the municipality with future ground rents going towards amenities and, when necessary, affordability subsidies, similar to that which was described by George two decades earlier (1883).

In the early 1900s, two Garden Cities, Letchworth and Welwyn Garden City, were built outside of London, representing many of the basic ideals outlined by Howard (Fishman 1982). However, investors required concessions that removed

collective ownership and affordability clauses. While neither of the English Garden Cities fully satisfied Howard's vision, the idea contributed significantly to the land reform discussion and CLT movement.

2.3 Shared Equity and the Community: Second Generation Models

In the 1960s, a number of small, rural CLTs emerged in the U.S. (Institute for Community Economics 1982). Reminiscent of early 20th century intentional enclaves and the back-to-the-land ideologies, these CLTs offered opportunities for families to qualify for newly constructed single-family homes via affordable financing and sweat equity. Farming, food co-operatives, and entrepreneurial employment initiatives were often incorporated into the initial rural CLTs. This period introduced an organizational transition that marks the second generation of the SEH model. Contrasted with the ownership- and taxation-based conversations of George, Mill, and Howard, the present-day emphasis on *community* was born out of the work of New Communities, Inc. in rural Georgia.

Founded by civil rights activists in 1968, New Communities, Inc., sought to provide affordable housing and cooperative farming opportunities for rural Black families (Davis 2010b). This nonprofit organization established a land trust owning nearly 6000 acres of land (Cohen and Lipman 2016). However, discriminatory practices ultimately led to the CLT's financial erosion, including efforts by: local food processors, who refused to purchase from the Black-run cooperative; financial institutions, who refused to allow the CLT to refinance into more favorable terms; and the USDA, who refused to extend loans or subsidies despite promises to the contrary.

Although the organization was not successful in retaining its land in perpetuity, it did accomplish two major feats. New Communities, Inc. facilitated the transition of SEH from theory and into practical application, paving the way forward for other organizations. Its founders also introduced the concept of broad participation and open membership into the U.S.-based SEH model, achieving a more standardized organizational form. From this point forward, the CLT could be distilled into three essential components, as described in *The Community Land Trust Reader* (Davis 2010d, 9):

- Land is owned by a non-profit organization with a membership open to all parties within a geographically defined community (service area);
- The majority of the governing board for the organization is elected by its membership; and
- The governing board is embodied by balanced interests including leaseholders, non-leaseholders within the community, and representatives of the “public interest,” typically in a 1:1:1 ratio, referred to as a “tripartite board.”

Through the establishment of basic organizational components, the CLT began to move beyond a simple land steward opportunity for like-minded people. It fostered clear relationships between the individuals living on the land, their neighbors, and the broader community. Outside of these characteristics, however, the organizational structure of the CLT remained flexible, allowing the non-profit to respond creatively and directly to the needs of the community it serves.

2.4 Shared Equity as an Affordable Housing Strategy: A Modern-Day Movement

The economic and social concepts originally described by George and Mill continue to inspire discussions about land speculation and the tension between individual property rights and stewardship. Several scholars, Davis prominently among them, have used this dialogue as a platform for considering the way land might be incorporated into the nation's affordable housing strategies (Axel-Lute 2010; Davis 2006, 2009, 2010a; Jacobus 2007; Jacobus and Davis 2010; Jacobus and Sherriff 2009; Davis 2017a, 2010d; Kelly 2009). These scholars argue that only a portion of a property's value is derived from individual endeavor—namely the structures and activities developed on land. The remaining value is contingent on community investment and other outside influences including public investment in infrastructure, schools, and safety; enforcement of land use and zoning regulations that preserve and/or enhance values; adoption of economic development policies that strengthen the tax base; and/or, in the case of affordable housing, direct investments through public subsidies or developer concessions (Davis 2010a).

This principle forms the central tenet of the modern SEH movement (Davis 2006, 2010a; Harmon 2003; Jacobus 2007; Jacobus and Abromowitz 2010; Jacobus and Davis 2010). Its proponents offer an alternative to the traditional market-based approach, where the community-established value is embedded into a property, creating “a permanent repository for subsidies invested and gains deposited over time by the larger community” (Davis 2010a, 263).

In application, the CLT is among the most common forms of SEH, typically relying on a ground lease to separate the land and improvements, embedding

subsidies into the former and assigning stewardship responsibilities to the CLT itself (Kelly 2009). In this ground-lease model, the CLT retains full enforceability of permanent affordability restrictions, achieved through their title to the land (Abromowitz and White 2010; Kelly 2009); they also serve as a steward of housing quality, providing resources and support to homeowners through, for instance, home maintenance education and/or foreclosure prevention.

Deed restrictions or covenants represent another SEH model, embedding affordability and/or resale controls into the property deed itself (Abromowitz and White 2010). The strategy itself does not grow out of the SEH movement—it has long been used to enforce guidelines in planned communities, but has also been used as a “simpler” mechanism to protect affordability targets. While its advantages include a more straightforward and less controversial approach to homeownership (i.e. the land and improvements are not “unbundled” and are treated in a more conventional manner), deed restrictions can suffer from a lack of stewardship and challenges to its enforceability in perpetuity (Libby 2010; Abromowitz and White 2010). As Libby argues, deed restrictions are not, ultimately, “self-enforcing” and continue to require a third-party to monitor and protect affordability controls over time (Libby 2010, 557).

Alternately, SEH can be achieved through a cooperative, either alone or in tandem with a non-profit entity (Institute for Community Economics 1982; Kennedy 2002; Ehlenz 2018). In LECs, multiple households enter into a co-op through the purchase of a share in the co-op corporation (Saegert and Benitez 2005). SEH principles are embedded into the co-op bylaws, preserving affordable share prices

upon initial purchase and at resale (Kennedy 2002). Unlike CLTs or deed restricted homes, LEC owners generally retain control over the land and improvements, as well as the enforcement of any affordability requirements. Owing to their collective ownership features, the LEC can provide a lower threshold to entry for low-income households than other SEH models, in addition to autonomy and security of tenure to households who are often in vulnerable rental situations (Kennedy 2002; Leavitt and Saegert 1990). Conversely, LECs can be difficult to sustain over time owing to their reliance on self-governance and they do not inherently feature the same permanent affordability controls, which can hinder enforcement over time (Davis 2006).

3. U.S. Housing Policy and Low-Income Homeownership

As an affordable housing strategy, U.S.-based SEH exists within a much larger discourse of housing policy, homeownership, and wealth. To adequately engage with SEH research, it is critical to contextualize it within (1) the broader U.S. homeownership conversation and (2) U.S. housing policy gaps the model attempts to address, particularly for low-income households (Davis 2008). This section reviews the major facets of U.S. housing research as a basis for SEH arguments, emphasizing the role of homeownership, its benefits and risks, and the breadth of strategies available to low-income homeowners. It is followed by an in-depth review of SEH-specific research.

Since the Great Depression, homeownership has been the cornerstone of U.S. housing policy (Schwartz 2014). These policies have historically supported the notion that homeownership is within reach for most individuals and families,

making it the centerpiece of an achievable American Dream. This is evident in both the social norms elevating single-family homeownership and federal policy. In 2014, the federal government allocated approximately \$50 billion to low-income housing assistance, which primarily covered non-ownership programs for 4.8 million households (Congressional Budget Office 2015). In contrast, federal homeownership supports totaled \$130 billion, including mortgage interest and property tax deductions.

Why does homeownership matter? Housing research demonstrates that homes are both the largest investment and greatest source of wealth for U.S. households (T. Shapiro, Meschede, and Osoro 2013). In 2006 (pre-Great Recession), real estate accounted for more than half of total U.S. assets; it has continued to be a key factor in the economic well-being of individual households (Jacobus and Davis 2010). Homeowners, generally speaking, claim substantially more assets than renters (Denton 2001; Grinstein-Weiss et al. 2013; Herbert and Belsky 2008; Kim 2000; Shlay 2006). For instance, a report on the Survey of Consumer Finances found that a homeowner's net worth was 36 times greater than that of a renter (\$194,500 versus \$5,400) (Bricker et al. 2014). Similarly, research on low- and moderate-income households during the Great Recession found homeowners—excluding those with sub-prime mortgages—accumulated \$11,000 more in wealth over three years than renters (Grinstein-Weiss et al. 2013; Herbert, McCue, and Sanchez-Moyano 2014).

Beyond tenure-based wealth gaps, homeownership literature also finds asset differences between classes of homeowners (i.e. low- versus middle- and

upper-income households; households of color versus White households) (e.g. Denton 2001; Herbert and Belsky 2008; Kim 2000; Reid 2004; T. Shapiro, Meschede, and Osoro 2013). Historically, middle-class White households have been the primary beneficiaries of homeownership (Denton 2001; Reid 2004; Schwartz 2014). These benefits stem from higher homeownership rates, as well as greater access to intergenerational wealth transfers to support homeownership (Killewald, Pfeffer, and Schachner 2017; Herring and Henderson 2016; Burd-Sharps and Rasch 2015). Conversely, lower homeownership rates among households of color emanate from long-standing barriers to wealth and homeownership, including residential segregation, historic redlining of neighborhoods by lending institutions, and continued constraints on credit and lending access (Reid et al. 2017; Servon 2018; Rothstein 2017).

3.1 Asset Poverty and Accumulation: An Argument for Homeownership

While income has long been the measurement of poverty in the U.S., asset inequality has moved towards center stage since the 1980s. Homeownership is a key part of the asset equation (Jacobus 2010; Jacobus and Davis 2010). A review by Herbert and Belsky (2008) conjectured homeownership was nearly the only means of building wealth for low-income households, although it was neither a foolproof nor a guaranteed method. In another study, Reid (2004) tracked low-income households of color between 1976 and 1994, concluding that those who remained renters accumulated negligible assets, while households that transitioned into homeownership amassed \$25,000-\$30,000 in assets.

At its most basic level, assets can be characterized as the resource that helps households “get ahead.” While income pays the bills, assets accumulate and move families forward within the big picture. As Jacobus describes “[wealth] is a means to freedom, opportunity, a wider range of life choices and, perhaps most importantly, the ability to take risks without worrying that your whole life will fall apart if you go without pay for a few months” (2007, 46). These ladder-boosting assets are referred to as “transformative assets”—the kind that can change a household’s circumstances, transform their lives, and impact the future of their children (T. M. Shapiro 2006).

Studies have illustrated that families with similar incomes, but disparate levels of assets, lead very different lives (Jacobus and Davis 2010). According to the 2016 Asset & Opportunities Scorecard, nearly half of US households (44%) faced “asset poverty,” defined as lacking sufficient assets to survive at poverty level for three months if their incomes were to disappear (Wiedrich et al. 2016). The situation is more dire for households of color, who are “2.1 times more likely to live below the federal poverty level and 1.7 times more likely to lack liquid savings” (2016, 3).

Caner and Wolff (2004) illustrate the complexity of reversing asset poverty, suggesting it is substantially more difficult than overcoming income poverty. Utilizing Panel Study of Income Dynamics data, they found 41.6% of income-poor families remained that way five years after the initial measurement. Asset-poor families were significantly more static, however, with 70% declared asset-poor five

years later. When they considered families headed by women with children, 85% of households were asset-poor for the duration of the study.

Given the importance of assets to household stability, the literature broadly agrees about the consequences of persistent asset poverty and the primary role of housing as a wealth-building strategy. Jacobus (2010) asserts that “any serious effort to overcome persistent asset inequality will require renewed efforts to overcome barriers to homeownership.”

3.2 Benefits, Risks, and Barriers to Low-Income Homeownership

Upon review of the asset-building literature, it could be easy to see homeownership as a panacea to wealth disparities in the U.S. But, while scholars generally agree that homeownership is the most prominent means of building wealth, it is achieved with substantially higher costs and risks for low-income households (Davis 2010a)—and especially households of color. The following section examines the benefits, risks, and barriers to homeownership for low-income families.

3.2.1 Homeownership Benefits for Low-Income Households

The low-income homeownership literature emphasizes three primary benefits: social and behavioral impacts, economic returns, and the outcome of low-income homeownership on children. On the social end of the spectrum, scholars generally find that homeownership has positive effects on low-income households, although they are limited at best. In a seminal study undertaken by Rohe and Stegman (1994, 1996), low-income homeowners were compared with a sample of low-income renters in Section 8 units. Homeowners were more likely to be involved in neighborhood organizations and generally expressed a greater degree of

satisfaction with their lives. However, Rohe and Stegman are quick to caution that these results may not be solely an outcome of homeownership, but a reflection of the broader neighborhood influences, a warning that is prevalent in the literature.

Economic benefits stem from the broader homeownership discourse, where much is said for the stability and scale of housing as an asset (Grinstein-Weiss et al. 2013; Jacobus and Davis 2010; Shlay 2006). However, there are distinct differences in the way low-income households experience housing as an investment. In many cases, homeownership is perceived as a type of “forced savings,” as low-income households direct resources that previously went towards rent into an equity repository (Davis 2010a; Shlay 2006). It is also often a substitute for other types of investments, such as 401Ks or mutual funds. Herbert and Belsky (2008) found that homeownership often delivered returns two to four times larger than stocks would have, concluding “[s]ince housing is a leveraged investment, even modest appreciation in value combined with paying down mortgage debt over time, results in fairly significant wealth accumulation.” Further, when a household secures a fixed-rate mortgage, it offers greater predictability in housing costs and can stabilize its economic condition (Shlay 2006; Schwartz 2014).

However, post-Great Recession research highlights the disparities in the accrual of homeownership benefits for households of color. Whereas home equity gains for White and Black households of similar educational and income levels were once forecast to be nearly equal by 2050, post-Recession estimates predict a nearly \$30,000 gap between the two groups (Burd-Sharps and Rasch 2015). The fact that more than 70% of Black wealth is tied to home equity compounds the

issue, as the Great Recession precipitated steeper losses for these households than their White counterparts during the 2007-2009 and 2009-2011 periods. The Center for Responsible Lending highlights similar trends facing Latino households, finding that Black and Latino homeowners were disproportionately affected by foreclosure relative to non-Hispanic Whites (Bocian, Li, and Ernst 2010).

A separate body of research has focused on the outcomes of homeownership for children. In a fundamental study, Boehm and Schlottman (1999) discovered the children of homeowners were 25% more likely to become homeowners themselves. In addition, homeownership tended to happen at a younger age for those children and they accumulated greater wealth than the children of renters. Another study compared the impacts of homeownership on low-income versus high-income children, finding that low-income children benefited more from owner-occupancy (Harkness and Newman 2003). While high-income children were positively impacted by their parents' qualities, including education and income, low-income children experienced benefits from homeownership that extended beyond family influence. Despite these findings, however, scholars caution that it is difficult to untangle the features of housing and homeowners to identify causality (Shlay 2006).

3.2.2 Homeownership Risks for Low-Income Households

Meanwhile, homeownership benefits are contingent upon the household successfully navigating risks associated with ownership. The literature outlines a tenuous pathway for low-income households—evident in the post-housing crash research—that suggests homeownership is riskier for them than previously

believed. Research demonstrates that households of color suffered greater wealth and home equity setbacks as a result of the Great Recession, putting them at greater risk moving forward (Burd-Sharps and Rasch 2015; Bocian, Li, and Ernst 2010). Additionally, many scholars suggest that low-income homebuyers may realize less appreciation than others, dedicate a higher percentage of their income towards mortgage payments, and are more likely to depend on high-risk financing and to experience foreclosure (Grinstein-Weiss, Key, and Carrillo 2015; Herbert and Belsky 2008; Jacobus 2007; Jacobus and Davis 2010; Wiedrich et al. 2016). These risks proved even greater for homeowners of color during the Great Recession (Carr and Anacker 2012; Burd-Sharps and Rasch 2015). Still, some research argues the benefits continue to outweigh the risks (e.g., Grinstein-Weiss et al. 2013; Herbert, McCue, and Sanchez-Moyano 2014); and others contend that one should not throw out the concept of low-income homeownership altogether, but should reimagine a more sustainable variation (Davis 2017a).

A major risk identified by the literature relates to the location of low-income homeownership. As Davis states, “[t]he hidden flaw in this wealth-building strategy is that many of the homes that low-income households can afford... are located in neighborhoods where real estate appreciation has been chronically low or nonexistent” (2010a, 274). Herbert and Belsky (2008) supported this contention, finding that low-income households generally purchased lower quality housing units, situated in less desirable neighborhoods. As a result, these households experienced less appreciation than middle-income households. Similarly, Davis argues that low-income homeowners face higher obstacles with regards to

maintenance and upkeep of more affordable, lower quality homes; this burden is even greater during times of economic distress (Davis 2017a).

The timing of a purchase or sale also represents a significant risk. The flexibility to wait for the right market (i.e., a “buyer’s” or “seller’s” market) is of the utmost importance to the value of a homeowner’s asset. Low-income homeowners are less likely to possess the resilience to stay in a market until they can capitalize upon their investment (Davis 2017a; Herbert, McCue, and Sanchez-Moyano 2014). The duration of ownership and scale of transaction costs are critical variables. In many cases, low-income homeowners sell their properties at a loss and have not gained enough equity to cover transaction costs, therefore weakening the argument for housing as a wealth-building strategy.

Reid (2004) contributed a longitudinal study that tracked the experience of low-income homeowners over the span of 10-years. The study supported earlier findings about the elevated risks low-income households face, considering the impact of those risks on household tenure status. Perhaps the most critical discovery was that only 47% of households remained homeowners after five years, as compared to nearly 80% of higher-income households. The literature generally supports that a household must remain in their home five to ten years before they realize positive gains in their investment (Thaden 2011); Reid’s finding implies that more than 50% of low-income households are exiting homeownership prior to realizing those positive wealth returns. Several longitudinal studies have confirmed Reid’s findings, concluding that 43% to 53% of low-income households were unable to sustain homeownership beyond five years (e.g., Herbert and Belsky

2008). Aside from the low rate of tenure stability, studies also find that low-income homeowners spend a much higher proportion of their incomes on housing and experienced a lower rate of appreciation for their homes (Reid 2004; Wiedrich et al. 2016). Ultimately, Reid contends—and the broader literature supports, there is a high rate of return to rent-based tenure, indicating the need for ongoing support of low-income homeowners past the initial purchase.

Studies exploring the equity returns from homeownership imply there are a multitude of variables that have bearing on the financial outcome for low-income households. Not only are low-income households exposed to substantially more housing risk than their higher-income counterparts, but they are also diverting resources away from other assets, such as retirement funds (Goetzmann and Spiegel 2002). Beyond the initial economic constraints, Boehm and Schlottman (2008) suggest that the low-income households benefiting most from homeownership as an asset-building strategy are those who are able to “trade up,” successfully selling their first home and upgrading into a second one. Yet, they found that few low-income households and, particularly, minority households are often unable to move past the first rung of the homeownership ladder.

These risks paint a complicated picture of low-income homeownership, calling into question its overall strength as a wealth-building strategy. Collectively, the literature provides conflicting conclusions with some believing that, given the uncertain nature of homeownership, encouraging low-income homeownership will only increase wealth disparities; others assert, despite the challenges,

homeownership continues to provide the only consistent means for asset building among low-income households.

3.2.3 Homeownership Barriers for Low-Income Households

Beyond the risks and benefits, the research has also considered the obstacles preventing many low-income households from crossing the homeownership threshold. On the one hand, there are supply constraints that limit the number of units that are both affordable and in adequate condition (Davis 2017a; Schwartz 2014; Collins, Crowe, and Carliner 2002). Research found that, given the current housing stock, homeownership was not possible for 80% of renters due to their incomes and assets—equal to 21 million households (Listokin et al. 2001). However, scholars also point to demand-side constraints that make it difficult for low-income households to realize their homeownership dreams.

Low-income homeownership literature generally agrees that there are three primary economic barriers to achieving homeownership (Jacobus and Abromowitz 2010; Jacobus and Davis 2010; Listokin et al. 2001), including:

- Credit barriers: Discriminatory or predatory lending practices that impede potential consumers from obtaining an appropriate mortgage product;
- Income barriers: Housing prices that are unaffordable to consumers, despite qualifying credit scores; and
- Wealth barriers: Limited financial resources available for down payments and/or transaction costs, despite qualifying consumer incomes and credit scores.

Of these three obstacles, the SEH literature has consistently identified wealth, not income, as the most prevalent obstacle to homeownership (Jacobus and Abromowitz 2010; Jacobus and Davis 2010). That said, households impacted by one of the barriers are likely impeded by the others and SEH scholars frequently discuss the interaction between the obstacles, highlighting the model's ability to apply permanent subsidies, secure lending opportunities, and homeownership resources in order to overcome them.

Several studies have attempted to quantify the number of households impacted by each barrier. A 2013 US Census Bureau report found that 24.5% of renters lacked only a down payment (wealth barrier alone); only 1.8% of renters faced an income barrier alone; and 73.6% of renters were hindered by both income and wealth (Wilson and Callis 2013). Through a simulation, the report considered how the three barriers to homeownership would impact mortgage qualification rates for renter applicants in 2009. They found lowering credit barriers via reduced mortgage rates (up to 3%) had minimal impact, improving access for only 7% of all renters and fewer than 3% of Black or Hispanic renters. Eliminating down payments requirements entirely had a small impact, increasing homeownership access for 8% of all renters and fewer than 3% of renters of color. However, providing potential homebuyers with a purchase subsidy of \$10,000 substantially increased the number of qualified renters, raising the qualification rate for all renters by 16% and by nearly 10% for Black and Hispanic renters.

Despite research identifying wealth as the largest barrier, many federal and state housing programs target income and credit barriers and spend little, if any,

resources on reducing wealth impediments (Jacobus and Abromowitz 2010). The literature points to the “innovation” of the mortgage industry during the 1990s and early 2000s, which used two approaches to substantially expand the pool of low-income homebuyers (Schwartz 2014; Herbert and Belsky 2008). The first was an adjustment in the loan-to-value (LTV) ratio necessary to qualify for a mortgage, drastically reducing down payment requirements. While the adjusted LTV ratios artificially minimized the wealth barrier, it highly leveraged a low-income buyer’s investment and increased risk exposure. The second strategy consisted of adjustable rate mortgages (ARM) and subprime loans. Characterized by low teaser rates, a household’s carrying cost was at significant risk of increasing when the mortgage rate re-adjusted to the market three to five years down the road. Compounded with lax underwriting standards, the results of creative lending practices have proven detrimental to low-income buyers (Grinstein-Weiss, Key, and Carrillo 2015; Immergluck 2009; Joint Center for Housing Studies 2016; Santiago et al. 2010; Wiedrich et al. 2016).

The homeownership barrier literature supports the reevaluation of both housing policies and the strategies employed to bolster homeownership rates. Specifically, the research endorses investing in purchase subsidies and decreasing wealth barriers, citing these as the most effective means of closing the homeownership gap and addressing asset inequality (Herbert and Belsky 2008; Jacobus and Davis 2010; Savage 2009; Shlay 2006). With this grounding in the homeownership literature, the review now shifts towards a discussion of the ways SEH—a model rooted in purchase subsidies and reduced wealth barriers—

responds to the gaps in low-income homeownership and reviews the evidence for the model.

4. Shared Equity as a Homeownership Strategy

The Great Recession has caused many scholars and public officials to question the tenets of homeownership and, more specifically, the soundness of homeownership as a goal for affordable housing programs (Saegert 2015; Saegert, Fields, and Libman 2009; Stein 2010). Davis (2010a, 273) neatly describes the spectrum of thought for public officials across the country: “[T]here were a growing number of public officials in hot real estate markets who fretted about the rising per-unit cost of subsidizing homeownership. There were others who lamented the leakage of affordably priced units created through municipal programs like inclusionary zoning. But the desirability of helping low-income households to attain market-rate homes went largely unchallenged, as it does today.” However, as Davis and other scholars argue, despite the problems surfacing for affordable housing programs, administrators were quick to point to deficient lending practices, while ignoring the mounting evidence “about the vulnerabilities inherent in the way these homes were owned”(Davis 2010a, 273).

Only recently have governments, nonprofit organizations, and other affordable housing advocates begun to reconsider conventional homeownership (Davis 2010a; Jacobus 2010; Jacobus and Abromowitz 2010; Jacobus and Davis 2010; Stein 2010; Davis 2017a). While there are some calls for an end to homeownership for low-income households, others view the housing crisis as an impetus for change and an opportunity to reconsider the mechanics of affordable

housing (e.g., Wegmann, Schafran, and Pfeiffer 2017). Obviously, the status quo did not provide a sustainable means of building wealth. However, the housing literature also concludes that expanded homeownership can offer real and meaningful benefits, particularly to low-income households that have traditionally been excluded from conventional homeownership. Thus, SEH providers and advocates are putting forth an alternative form of ownership: a model that offers permanent affordability, long-term stewardship, and a meaningful way for reducing the wealth gap.

SEH models are part of an emergent housing sector that is being applied in diverse settings and adapted into new permutations. Its literature can be broadly categorized into:

- Education and outreach: Articles that describe the SEH model and build familiarity within related fields, which appear in both academic journals and practitioner publications.
- Reported outcomes and longitudinal studies: Studies in academic journals and agency-funded reports that analyze SEH as an affordable housing strategy and outcomes for participating households.
- Targeted policy research: A growing number of articles, mainly in academic law journals, that emphasize specific policy issues related to SEH including legal challenges at the federal and state levels.

The remainder of this article reviews the SEH literature, focusing on: the contemporary arguments for the model; evidence for SEH models; and the limitations of SEH, including policy challenges.

4.1 Rationales and Evidence for Shared Equity Homeownership

The literature distills the argument for SEH as an affordable housing strategy into two major points. The first rationale is economic: SEH is unique in its provision of *permanent* affordability. While the model is sometimes criticized for employing prohibitively expensive purchase subsidies, advocates argue that the front-end investment is both a more efficient and sustainable means of delivering affordable housing over the long-run (Jacobus and Abromowitz 2010; Jacobus and Davis 2010; Davis 2017b, 2000).

While many conventional homeownership subsidies benefit the initial low-income buyer alone, SEH models retain affordability by embedding them into the property (Davis 2017a). Jacobus and Abromowitz (2010, 317) project “a one-time investment of \$5 billion [at a national scale] could make homeownership possible for between 600,000 and 1.5 million families over a thirty-year period, based on typical rates of turnover, and depending upon size of initial subsidy.” In a similar thought experiment, Lubell estimates that a pool of 10,000 SEH units could serve two to five times more families relative to a similar investment in more conventional affordable housing subsidy programs (2013).

The second rationale is that SEH programs have been successful at providing homeownership opportunities to low-income households traditionally excluded from the market, while generating wealth-building opportunities and sustaining permanently affordable housing portfolios (Davis 2017a, 2000). Housing scholars generally agree that homeownership is the backbone of wealth accumulation for most households; yet, the durability of SEH strategies are often

contested. Contemporary SEH research offers a growing body of evidence to demonstrate the viability and success of their approach.

4.1.1 Providing a Boost to Homeowners: Evidence of Asset Accumulation and Wealth Building

SEH homeowners have access to more affordable homes than would be available on the conventional market; further, that affordability is preserved over time. Davis points to evidence from Grounded Solutions Network, demonstrating the relative affordability of SEH homes compared to market-rate homes for low-income households (Davis 2017a, 48). Across 971 SEH transactions, initial and resale prices were affordable to households earning 55.5 to 53.6 percent of the area median income (AMI), respectively; comparatively, market-rate homes were priced above 70 percent of AMI for initial and resale prices. Additional evidence regarding SEH programs and affordable homeownership access comes from the Urban Institute: A 2017 study compared SEH homeowners to an unmatched comparison group of non-SEH households, finding SEH participants were able to achieve homeownership with substantially lower credit scores, lower incomes, and lower revolving debt, in accordance with SEH program goals (Theodos et al. 2017, 52).

These homes represent wealth-building opportunities for low-income households, generating more assets than other strategies might. In a sample of 624 SEH homes, Ground Solutions found the average homeowner recouped more than \$15,000 in wealth upon resale of their home, including their initial down payment (\$2,355), mortgage equity (\$6,714), and property appreciation (\$6,550). By comparison, they estimate the average homeowner would have claimed only

\$33 in appreciation if they had invested their money in the stock market (Davis 2017a, 48).

The Champlain Housing Trust (CHT), located in Burlington, VT, offers another perspective on asset accumulation. As one of the most established SEH programs in the U.S., CHT offers longitudinal insights into how homeowners fare over the long run. Jacobus and Davis (2010) found that CHT homeowners saw their investments appreciate by approximately 25% during their tenure. While this is less than their neighbors earned in the conventional market (53% appreciation), it is also more than if they had remained renters. More importantly, Jacobus and Davis point out that without the alternate form of tenure and affordability offered by an SEH program, these households would have been unable to access the wealth-building opportunity of homeownership at all. In addition, they found the average participant invested savings equal to 58% of the asset poverty level and, upon resale, claimed equity equal to 284% of the then-current asset poverty level.

An Urban Institute study (Temkin, Theodos, and Price 2010) arrived at a similar conclusion, calculating internal rates of return between 6.5% and 59.6% for SEH households within their study. They suggest households accumulated these assets via four pathways: Claims upon their share of appreciation, which is regulated by the resale features of the specific program; “forced savings” achieved through mortgage payments that are applied to the principal loan balance, thereby preserving equity that would have gone towards rent; recovery of their initial equity investment (i.e. down payment); and returns on their capital investments into their property, realized upon sale. The authors also emphasized that, in the majority of

cases, the rates of return for SEH owners were higher than the households would have earned if they invested their down payment in an S&P 500 index fund or a 10-year Treasury Bond.

Durability of homeownership is another critical issue. Low-income homeownership literature reported a high rate of return to the rental market, with nearly 50% of low-income households regressing from homeownership within the span of five-years (Herbert and Belsky 2008; Reid 2004). This backwards movement represents a serious threat of increased asset poverty. SEH programs must be able to defend the longer homeowner trajectory in order to justify their call for an alternate low-income housing strategy.

Research on the trajectory of SEH homeowners illustrates the model is effective at helping families both attain and sustain homeownership. Temkin et al. (2013) found that over 90% of SEH participants in their sample remained homeowners after five years. While they cautioned their results are limited due to data availability, it is a promising trend for the field and a topic generating additional discussion within the literature. Data collected by Grounded Solutions also supports this finding: more than 94 percent of tracked SEH participants remained homeowners after five years, either living in the original home (82 percent) or transitioning into a conventional home (11.5 percent) (Davis 2017a, 54). And an analysis of CHT homeowners found 67% of owners who sold their homes between 1998 and 2008 traded up into an unsubsidized home (Jacobus and Davis 2010).

4.1.2 Beating the Odds: Loan Performance and Defaults

Lending practices are a key determinant behind the checkered success of low-income families and homeownership. More specifically, low-income households are perceived as high-risk consumers and, thus, generally receive less favorable loan terms than other borrowers. However, an Urban Institute study found SEH households accessed homeownership at a lower cost, with significantly smaller mortgages and monthly credit payments (inclusive of mortgages) than comparable non-SEH households (Theodos et al. 2017).

Studies evaluating loan performance for SEH homebuyers are limited, but underscore the success of SEH programs. The primary research in this arena originates from a series of surveys conducted by the National Community Land Trust Network (NCLTN)—now Grounded Solutions Network—that collected data from 62 US-based CLTs and 3,143 resale-restricted homes. Thaden (2011) compared the loan performance of SEH properties to loans reported by the Mortgage Bankers Association’s (MBA) National Delinquency Survey. She found that SEH loans substantially outperformed conventional mortgages in terms of delinquency and foreclosure rates. The SEH loans performed better than conventional loans on every measure, including: mortgages facing serious delinquency (1.3% SEH versus 8.57% conventional); number of loans in foreclosure proceedings (0.46% SEH versus 4.63% conventional); and general trends for serious delinquency rates (SEH rates declined between 2008 and 2010, while conventional rates increased).

Thaden contextualized her findings, indicating that the conventional category incorporated a full-spectrum of buyers, from very high income to low-

income buyers, while SEH homeowners were all of low- to moderate-incomes. In other words, had this been an apples-to-apples comparison of low-income buyers within SEH programs and conventional markets, the differences likely would have been much more drastic. Temkin et al. (2013) found similar results, suggesting that any number of factors could contribute to the better performance of SEH homeowners, including borrower education, financial assistance from the program in the event of emergency, and/or the type of loans SEH buyers were able to access. While it is difficult to tease out the source of stability, the literature is building a case for SEH that responds directly to some of the most pressing risks experienced by low-income homeowners in the unsubsidized housing market.

4.2 Critiques against Shared Equity Homeownership

The literature makes it clear that SEH goals are complex and distinct from other affordable housing models. Designing a housing program that maximizes either wealth creation or affordability is a relatively straightforward endeavor; establishing a program that aims to achieve balance between both goals is more difficult (Jacobus 2007). Although SEH programs vary considerably, the premise is generally the same: Property values can be attributed to both homeowner and community investment and, therefore, should be allocated as such with neither party claiming more than their fair share (Stein 2010). The mechanisms for allocating property value typically include: (1) a ground lease, deed restriction, or restrictive covenant that serves as the contract between homeowner and community; and (2) a limited equity resale formula, enforced by the contract, that

sets the price for which the property may be transferred from one homeowner to another (Davis 2006; Jacobus 2007; Jacobus and Sherriff 2009; Stein 2010).

Limitations on equity gains at resale represent one of the most contentious aspects of the SEH model. Stein describes the issue concisely when she states: “[t]he resale formula is the fulcrum of the tension between durable affordability and individual wealth creation” (2010, 231). Critics claim resale restrictions prevent homeowners from realizing the full amount of appreciation, thereby hampering the asset-building opportunities for those low-income households (Lubell 2013; Stein 2010). The notion of restricted equity stands in direct opposition to the traditional homeownership doctrine, making it difficult for many policymakers and communities to relate. Davis asserts “what distinguishes (or damns) SEH models... is the attempt to regulate the amount of appreciation that departing homeowners may claim as their own” (2010a, 264). This counter-argument is particularly sharp in communities of color, where there is a long history of denying asset-building opportunities through red-lining and other anti-homeownership policies (Jacobus and Sherriff 2009).

SEH advocates respond by underscoring what is shared in the model, as well as acknowledging the risk reduction of SEH homeownership relative to the conventional market (Davis 2017a). While the homeowner assigns a portion of the appreciated value to the community—and, by extension, the stewarding organization, the organization shares the risks of property ownership and appreciation (or depreciation) with the homeowner. This mutually beneficial relationship, proponents argue, offers low-income households support in not only

achieving homeownership and accessing its wealth-building potential, but also avoiding predatory lending products and sustaining homeownership over time (Davis 2017a).

Scholarship points to SEH models as a defense mechanism against a number of factors that, absent their permanent affordability features, steeply disadvantage low-income households in the conventional market (Saegert et al. 2015; Thaden, Greer, and Saegert 2013; Davis 2017a). As Davis argues, the model shifts the focus away from either subsidy or home preservation to a new formula that privileges both tenure and stewardship for “homes that last” (Davis 2017a, 5, 2008).

In gentrifying locations, affordability subsidies remain with the property in perpetuity, helping to mitigate rapid appreciation that can price low-income homeowners out of a neighborhood (Davis 2017a). The limited equity resale formula provides the seller with a portion of the appreciated home value, while still enabling the buyer to purchase an affordable home. Similarly, public subsidies used to bring down the market value of the home are also preserved, remaining with the property and benefitting multiple generations of homeowners. In the same market, SEH properties advance fair housing aims, enabling low-income households to access neighborhoods that they have historically been excluded from (Davis 2017a). In short, SEH represent “islands of security and opportunity” alike, serving as both a “bulwark against displacement...” and an inclusive opportunity for “low-income people when economic conditions, schools, shops, services and public safety finally take a turn for the better” (Davis 2017a, 58).

In depreciating markets, SEH models also help shield homeowners from equity erosion and foreclosure threats, while protecting durable homeownership opportunities over the long term. As illustrated in the discussion of the benefits, risks, and barriers to low-income homeownership, there are numerous consequences for low-income households and households of color faced with housing insecurity and eroding markets (Saegert et al. 2015). As Davis argues, SEH programs serve a number of distinct purposes in weaker housing markets, including: The addition and protection of permanent, stewarded homeownership opportunities in neighborhoods that are often overwhelmingly characterized by low-quality rental units; the opportunity for low-income households to not just become homeowners, but to access homeownership with limited exposure to foreclosure risks and/or deteriorating property conditions; the preservation of subsidies in areas with lower-cost real estate, but also with fewer affordable housing dollars to spend; the development of social capital networks through ongoing stewardship by the organization and among SEH homeowners; and a proactive investment in a community to preserve and protect affordable homeownership opportunities ahead of future potential market appreciation and tightening (Davis 2017a).

Yet, the SEH responses do not adequately satisfy many critics. As a quote in *Shelterforce* suggests, “Americans don’t have a big place in their heart for communal ownership” (Pitcoff 2002). Limiting equity continues to be perceived as limiting wealth-building opportunities in the eyes of some policymakers, although

evidence-based SEH research is helping to substantiate the argument for an alternative to the status quo.

4.3 Challenges to Shared Equity Homeownership Models

The economic circumstances of the past decade have provided a laboratory for the implementation and outcome assessment of SEH models. Beginning with the tight housing markets and rapid appreciation present in many parts of the U.S. during the housing boom and followed by the housing crash and Great Recession, SEH models have proven to be both durable and resilient (Davis 2010a, 2017b, 2017a). Yet, more time and research are needed to fully understand the long-term potential benefits and risks of SEH. At present, the field is still “too young, too small, and too few to render a final verdict on their performance” (Davis 2017b, 3).

While the benefits are significant and meaningful to communities choosing to invest in SEH models, a number of challenges remain. One obstacle relates to the scalability of the model, which would enable it to become a more meaningful strategy for affordable homeownership and SEH programs. As articulated in an Urban Institute study, SEH programs need to grow their real estate portfolios in order to achieve financial stability (Theodos et al. 2017). In their interviews, “[SEH representatives] estimated they require about 300 units in a portfolio to generate sufficient revenue to cover annual operating expenses” (2017, 58). Based on the 2011 CLT survey results, most programs maintain portfolios well below benchmark, reporting a median of 29.5 units in their program with 25% owning fewer than 11 SEH units and 75% owning fewer than 57 (Thaden 2012). To remedy this challenge, SEH programs would require significant financial resources. In the

Urban Institute report, the average subsidy for an SEH property was \$94,292 (approximately 39% of the unit's value) (Theodos et al. 2017), which suggests a need for expanded affordable grant funds.

Outside of challenges within SEH programs, key some obstacles are rooted in lack of familiarity, which can be remedied through education and outreach; others are more entrenched and require legislative solutions.

4.3.1 Policy Challenges

From a policy perspective, the SEH literature identifies three primary obstacles for the field. The first is rooted in communication and education: While evidence illustrates SEH has something substantial to offer the affordable housing field, the model is simply unknown or, worse yet, misunderstood (e.g., Lubell 2013; Theodos et al. 2017). As a long-time SEH advocate, Davis (2010a, 271) proclaims the problem lies in the approach of SEH proponents: "Instead of trumpeting its superiority, [SEH advocates] are more likely to be found defending its equivalency, trying modestly to convince a skeptical public or resistant bureaucracy that their non-market approach to homeownership is 'almost like' conventional homeownership, 'almost as good as' market-rate tenures that promise homeowners a rich return on their investment." In short, SEH advocates are often shrinking violets, attempting to make their product equal to the status quo. Davis contends the field would do much better to assert that there is a distinct role for SEH models to fill and, in fact, it would be better at filling that role than existing strategies have been.

The second policy barrier is technical and slowly receding into the background. Until recently, the literature offered a great deal of description about the conceptual foundations of SEH models and characterizations about various program structures. However, there were few empirical studies to underpin their assertions. In the past decade several studies have filled this void, but data collection remains a challenge. This has been particularly true of asset accumulation and loan performance data, which originates at the client-level and requires a great deal of coordination to amass records from disparate programs. Grounded Solutions Network has been tackling this gap in recent years through their HomeKeeper program, a national data hub that supports data collection from SEH programs across the country (Grounded Solutions Network 2018).

Third, there are philosophical policy questions in the literature. Although SEH models have existed for several decades, they have not yet experienced a renewal of their 99-year leases or faced the changes that will surely occur in their neighborhoods over the course of a century. The tension between permanent affordability and the short-term perspective of the conventional housing market will result in serious questions for SEH programs in the years ahead (Curtin and Bocarsly 2008). For example, in rapidly appreciating neighborhoods, SEH organizations will need to make decisions about properties that have appreciated several-hundred percent over the initial purchase price; in declining neighborhoods, they will face questions of how to proceed when the neighborhood around their property has fallen into disrepair. Similarly, SEH programs will need to consider economic conditions within their neighborhoods and region, as

incomes fluctuate and the term “affordable” shifts. SEH models have demonstrated malleability in the face of change; looking forward, they will need to continually revisit their mission and adapt to shifting circumstances.

4.3.2 Government Challenges

Government entities can also present obstacles for SEH models. At the federal level, national legislation shapes the lending requirements that affect the entire SEH sector (Fields 2014; Stein 2010; Davis 2017a). At the state level, support is variable with some states proving to be less difficult to navigate than others. For instance, all 50 states have housing trust funds, but fewer than 20 stipulate standard mid-range affordability controls (five to 25 years), much less permanent affordability—only Vermont stipulates that degree of preservation (Davis 2017a). Given their roles as direct funders for affordable housing, modifications to state legislation is equally important as federal legislation (Sherriff 2010). And local legal challenges are prevalent as well, with equitable taxation and expanded inclusionary housing programs representing the most direct impediments and opportunities for SEH programs (Davis 2007, 2017a).

The legal topic garnering the most attention from SEH programs at the federal level stems from mortgage lending standards (Stromberg and Stromberg 2013; Zonta 2016). SEH homebuyers are not enabled to use the standard mortgage forms due to the ground lease provisions that accompany them (Stein 2010). And lenders are not assured the loans will be packaged for the secondary market, which poses a liability (Theodos et al. 2017). While there are some lenders who believe SEH models are a credit enhancement, owing to active stewardship

embedded in the program structure, the broader consensus is that they perceive SEH buyers to be significantly riskier than they are. In addition, SEH buyers are unable to access FHA loans due to incompatibilities between FHA requirements and the SEH model, including resale restrictions and income thresholds (Lubell 2013; Saegert 2015; Stromberg and Stromberg 2013; Theodos et al. 2017).

In 2006, Fannie Mae adopted a Uniform Rider as a means of standardizing conditions for the financing of SEH homes, which meant lending institutions would be able to sell these deals on the secondary market if the SEH program signed off on the rider (Stein 2010; Zonta 2016). While the presence of the rider is intended to facilitate access to mortgage financing, it also requires SEH programs to strip away all of their affordability provisions, including the restrictive-resale formula, in the event of foreclosure (Curtin and Bocarsly 2008; Stein 2010). Moving forward, this likely represents the most decisive legal challenge facing SEH programs, as it directly attacks the central tenets of the model. As Stein (2010) asserts, government policy has an obligation to develop policies that support asset accumulation and affordable housing opportunities for low-income households; they should not be the body stripping SEH programs of their affordability protections, much less institutionalizing them through federally-backed programs. Recent proposals from FHA suggest progress, including the Federal Housing Finance Agency's Final Rule on Duty to Serve that includes SEH programs (Davis 2017a). However, true adoption of SEH models in conventional housing finance markets has not yet come to fruition.

At the local level, there are predominantly two challenges facing SEH models. Among the most pressing is the general absence of policy support for permanent affordability strategies. As primary gate keepers for many affordable housing resources and local programs, many cities continue to prioritize policies without permanent affordability requirements, allowing subsidy dollars and affordable housing units to “leak away in a steady stream” (Davis 2017a, 25). To rectify this loss, Davis advocates that cities attach permanent affordability clauses to local housing subsidies and modify policies to ensure that additional affordable housing supply is sustained over the long term (2017a).

Recent research demonstrates how SEH models can be coupled with local affordable housing policies and subsidies—specifically inclusionary zoning (IZ) programs—to maximize their impact within a community. A 2014 study compiled the first national inventory of IZ programs and conducted an analysis of 20 specific policies to evaluate their affordability controls, terms, and stewardship characteristics (Hickey, Sturtevant, and Thaden 2014). Hickey et. al. identified more than 500 IZ programs in 487 U.S. localities and collected detailed affordability characteristics for 330 IZ programs. They found that more than one-third of programs featured permanent affordability controls for rental (36%) and homeownership (33%) units. These requirements were principally implemented via deed covenants or ground leases and administered by local government agencies (i.e., in-house) or non-profit partners, including CLTs. Yet they also found several opportunities to strengthen IZ programs through improved stewardship—a number of them cited too few resources and inadequate long-term preservation

plans for their housing stock—and more consistent legal mechanisms that protect leakage of units over time.

A policy report compliments the empirical research by Hickey et. al., arguing the true power and potential for IZ programs does not come from the initial construction of units, but from the ongoing stewardship and maintenance of the program over time (Jacobus 2015). There is substantially less research on the preservation of affordability across IZ programs than the production of units, though advocates are highlighting the need for more (Jacobus 2015; Hickey, Sturtevant, and Thaden 2014). In both reports, authors emphasize the ways SEH models could address the policy challenges facing IZ strategies, minimizing the loss of incentive investments over time and ensuring the production of IZ housing satisfies the program’s policy intent over the long term via stewardship.

Taxation policies appear as a second local challenge for SEH programs (Bagdol 2013; Davis 2007; Sherriff 2010; Davis 2017a). The basic argument is as follows: SEH homeowners are restricted in the amount of appreciation they will realize over time, yet they are frequently assessed at market value. As a result, these homeowners will often pay more tax on the property than they are eligible to earn in equity; over time, the taxes can significantly reduce the affordability of the home. The more equitable approach, many scholars conclude, is to tax SEH properties based on their resale-restricted value instead of the market assessment (Bagdol 2013; Davis 2007; Davis, Jacobus, and Hickey 2008; Sherriff 2010). This is controversial in some locales, in part due to its potential to erode the tax base. However, SEH properties are also fulfilling an affordable housing demand within

the community. Thus, SEH advocates portend the model requires local government to balance their affordable housing policies with tax assessment ordinances.

Looking ahead, Davis (2010c) considers the future implications of SEH programs, when the model has amassed larger numbers of properties throughout the U.S. At present, SEH properties are few relative to the conventional real estate market, reducing the likelihood that they will be viewed as a threat. However, as the model expands, future opposition from real estate interests could challenge the limits on equity earned by homeowners, citing “unreasonable restraint” on the buying and selling of property. In another outcome, he surmises a challenge among SEH programs: As they expand and become more prevalent, there may be increased competition for physical, economic, and political resources.

5. Discussion and Conclusions

The homeownership and asset-building literature is clear about the importance of homeownership to wealth accumulation. For most households, a home represents the bulk of their net worth; for low-income households, it may represent their only opportunity to build wealth for themselves and their families. Following the tumultuous housing experience that accompanied the Great Recession, it is critical for low-income homeownership advocates to identify a policy that provides access to real estate investments, while also minimizing the risk of failure. Research shows that while wealth accumulation is the biggest hurdle to low income homeownership, federal and state policies continue to pursue income and credit-

based barriers instead; meanwhile, local policies often pursue programs that allow affordable housing subsidies to leak away over time.

SEH scholarship highlights a viable alternative: a model that targets wealth-barriers and promotes homeowner investment and responsibility alongside community stewardship and education. Although young, the field has demonstrated remarkable resiliency in the face of rapidly changing economic conditions and, as a result, is drawing support from communities seeking affordable homeownership opportunities that are stable and permanent. Its homeowners are representative of other low-income households, yet they access more stable ownership opportunities, with lower mortgages and credit payments, and perform better, as measured by foreclosure and delinquency rates.

As the SEH sector evolves, scholarly discourse will provide a more comprehensive perspective of the many permutations of the model. Areas for expanded study include: the various hybrid models that are beginning to emerge around the country, such as collaborations between different organizations (e.g., city partnerships with SEH programs) and land trust permutations (e.g., CLTs and housing cooperatives) (for example, see Davis, Jacobus, and Hickey 2008; Ehlenz 2018), and international variations of SEH programs (e.g., Bassett 2005; Moore and McKee 2012; Thompson 2015). Additionally, time will be a significant factor in the development of the field, as programs face changing neighborhoods and difficult decisions on their path towards permanent affordable housing and stewardship. Longitudinal analysis of household outcomes will allow for a better understanding of how SEH homeowners fare over the longer term with respect to

housing moves, credit, and wealth-building. However, despite any unresolved or unexplored questions, it is evident that SEH models contribute a meaningful solution to the complex, interrelated challenge of affordable housing and wealth inequality.

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