Amy Harvey

From: Karen Stegman
Sent: Wednesday, June 20, 2018 4:40 PM
To: Roger Stancil; Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Ross Tompkins
Cc: Loryn Clark; Sarah Vinas; Nate Broman-Fulks; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Lindsey Bineau; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Sabrina Oliver
Subject: Re: Draft Presentation: Item 15: 2200 Homestead Rd Concept Plan
Attachments: Galina_Shared Equity.pdf

Dear Colleagues,

Given the inclusion of shared co-housing in the Homestead Rd concept plan, I wanted to share a useful resource with you - a working paper which lays out the idea of a limited equity co-op. I am excited that we are considering this model, which would be new and innovative for the community. This is an effort that Justice United has been working on for some time. Jacob Henkels will be attending the meeting tonight and plans to speak to share a bit about the model and the work they have been doing.

Hope this is helpful background.

Best,

Karen

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Subject: Draft Presentation: Item 15: 2200 Homestead Rd Concept Plan

Samantha Galina

Homeownership: Making the American Dream a Reality through Shared Equity

Introduction

The American Dream is a metaphorical white picket fence, a good public school and the guarantee of social mobility with hard work. Homeownership is the spark that ignites the American Dream. Coupled with self-sufficiency, it is integral in breaking the cycle of poverty. *Owning* a home facilitates generational wealth building and thus the incentive to work hard for oneself and one's family.

This report will address a viable solution to provide homeownership to hard working low-income Americans, who could not otherwise afford this increasingly weighty expense. Equally, it is an attempt to bridge the dichotomy between renting and homeownership to create an accessible middle ground for hard working, low-income Americans. The report will adapt the existing Limited Equity Housing Co-op model to maintain its benefits while removing potential pitfalls and adding a safety net for low-income individuals. This report will examine the federal government's role in this hybrid model as well as certain social constructs of co-housing.

Challenges to Homeownership

Federal Housing Programs

In 1937, the U.S. Housing Authority formed the first Public Housing program. The original intent was to provide housing for those temporarily affected by the Great Depression. "Between 1997 and 2006, according to the S&P/Case-Shiller national home-price index, American house prices rose by 124%."[1]Following the sub-prime mortgage crisis, the American economy faced the greatest economic decline since the Great Depression.[2] In 2007, following the burst of the "housing bubble", the $8 trillion housing market fell apart. In the process, hundreds of thousands lost their homes and America saw an increase in the number of extremely low-income renters. From 2007 to 2011, low-income renters increased from 9.6 million to 12.1 million, but only 6.8 million housing units were available.[3] No wonder then, that the 2008 financial crisis is often more aptly termed the Sub-prime mortgage or housing crisis. Simultaneously, minimum wage adjusted for inflation has decreased by 30 percent since 1968. [4] A combination of lower real wages and less affordable housing has created a real housing crisis for low-income

[1] "CSI: Credit Crunch." *The Economist (US)*, October 19, 2007.
[2] "CSI: Credit Crunch." *The Economist (US)*, October 19, 2007.
[3] "Key Facts." *The State of the Nation's Housing* (2013). Joint Center for Housing Studies of Harvard University.
[4] *U.S. Bureau of Labor Statistics* "Inflation Calculator: Bureau of Labor Statistics." (U.S.:U.S. Bureau of Labor Statistics)

families. The U.S. Department of Housing and Urban Development (HUD)[5] offers varied rental assistance programs, including Housing Choice vouchers Section 8 (HCV)[6], Public Housing and privately owned subsidized housing. These programs vary from government ownership to private landlord ownership, yet, all programs have one common pitfall; residents do not have any ownership.

Public Housing

The image evoked by Public Housing is the warzone of Cabrini-Green in the North side of Chicago. Public Housing is consistently associated with crime, narcotics abuse and gang violence, which have reached epidemic levels across America. Some argue that “Violent crime and gang conflict have become so ubiquitous that mothers often do not let their children play outside or walk to school alone.”[7]

Public Housing Authorities (PHA) build, own and operate public housing for low-income individuals, while the federal government underwrites the capital cost of the development.[8] An ill-fated economy frequently led [Public Housing Authorities] PHAs to use unsustainable materials in the building process. Most public housing developments are in need of major repairs; rooms are oftentimes overcrowded and cramped. Many units contain materials that have since been deemed hazardous, such as lead paint and asbestos.[9]

Housing Choice Vouchers (HCV) Section 8

Faced with public housing, Housing Choice Vouchers (HCV) may appear to be the better option for low-income renters. However it may take years to receive a HCV. According to the Housing and Urban Development Authority (HUD) “Since the demand for housing assistance often exceeds the limited resources available to HUD and local housing agencies, long waiting periods are common. In fact, a PHA may close its waiting list when it has

[5] **Department of Housing and Urban Development (HUD)-** U.S. government agency founded in 1965 whose mission is to “create strong, sustainable, inclusive communities and quality affordable homes for all. HUD is working to strengthen the housing market to bolster the economy and protect consumers; meet the need for quality affordable rental homes; utilize housing as a platform for improving quality of life; build inclusive and sustainable communities free from discrimination, and transform the way HUD does business.

[6] **Housing Choice Vouchers Section 8 (HCV)-** Very low income to moderate-income families can apply to receive a HCV from their local HUD office. The HCV will subsidize the family’s rent based on the fair market rent for the area. Families must fall within certain limits of the Area Median Income. The family that receives the voucher must not pay more than 40% of their adjusted monthly income.

[7] Schill, Michael H. "Distressed Public Housing: Where Do We Go from Here?" *The University of Chicago Law Review* 521.

[8] Schill,. "Distressed Public Housing: Where Do We Go from Here?" 499.

[9] Schill, "Distressed Public Housing: Where Do We Go from Here?" 504.

more families on the list than can be assisted in the near future."[10] In a study on the affordable housing market in Austin, researchers found that HCV lists in the Austin Metropolitan Suburban Area (MSA) had been closed most of the time for the past several years.[11] Additionally landlords have the right to refuse voucher holders, which renders the program ineffective since the option to choose where one lives is severely diminished. In the same study of Austin, of the 86,807 units that qualified for HCV rents, only 8,590 units, or less than 10% of units, accepted vouchers. These statistics did not even include units that do not qualify for HCV rents.[12]

HUD does offer homeownership vouchers as a part of HCV, but at a much lower rate and predicated on the local HUD office's experience with these vouchers.[13] Waiting lists to receive vouchers may take years and are difficult to acquire. There is no current federal program in place for shared equity homeownership or what is also known as "third sector housing".[14]

Homeownership

Homeownership is often considered the best way to improve one's quality of life by obtaining property, achieving housing independence and accumulating equity.[15] Yet, homeownership has been slipping further and further from the grasp of the average American family. In the last 12 years, alone, homeownership rates have fallen by 6 percent. These rates are dramatically lower amongst minority families and families with incomes below the median family income.[16]White householders reported a 72.1 percent homeownership rate. All other race householders were significantly lower at 53 percent and Black alone householders were the lowest at 41.5 percent. Households with family income less than the median family income represented only 48.9 precent of homeowners.[17] The gap between family incomes in the lower two quintiles and the cost of housing has continued

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[10] "Housing Choice Vouchers Fact Sheet - HUD." Housing Choice Vouchers Fact Sheet - HUD. Accessed July 19, 2016.
[11] Austin Tenants' Council. "Voucher Holders Need Not Apply: An Audit Report on the Refusal of Housing Choice Vouchers by Landlords in the Austin MSA." *Housing-Rights.org*, November 2012 5.
[12] Austin Tenants' Council. "Voucher Holders Need Not Apply: An Audit Report on the Refusal of Housing Choice Vouchers by Landlords in the Austin MSA."4.
[13]U.S. Department of Housing and Urban Development. "Homeownership Vouchers." HUD.
[14]Davis, John Emmeus. *Shared Equity Homeownership: The Changing Landscape of Resale-restricted, Owner-occupied Housing*. (Montclair, NJ: National Housing Institute, 2006), Preface.
[15] Saegert, S., and Lymari Benitez. "Limited Equity Housing Cooperatives: Defining a Niche in the Low-Income Housing Market." *Journal of Planning Literature* 19, no. 4 (May 2005) 435.
[16]USA. U.S. Department of Commerce. Social, Economic and Housing Statistics Division. *RESIDENTIAL VACANCIES AND HOMEOWNERSHIP IN THE FIRST QUARTER 2016.* By Robert R. Callis and Melissa Kresin. (Washington DC: US Census Bureau April 28, 2016) 9.
[17] USA. U.S. Department of Commerce. Social, Economic and Housing Statistics Division. *RESIDENTIAL VACANCIES AND HOMEOWNERSHIP IN THE FIRST QUARTER 2016.* By Robert R. Callis and Melissa Kresin. (Washington DC: US Census Bureau April 28, 2016) 9.

to widen over the past 25 years. In addition while incomes adjusted for inflation have remained flat, housing prices have continued to surpass the rate of inflation. [18] "Tight credit conditions limit access to homeownership, particularly for low-income and minority households. Home Mortgage Disclosure Act (HMDA) data demonstrates that the share of mortgage loan originations to low- and moderate-income homebuyers fell from 36 percent in 2010 to 27 percent in 2014." [19]

Homeownership is not just a roof over a family's head; homeownership creates social and economic benefits for generations to come. Homeownership provides stable housing because residents create roots and ties within their community and remain for much longer than renters. Residential stability has been shown to strengthen social ties between neighbors. In the late 90's the Brookings Institute found the teenagers of homeowners are more likely to stay in school and daughters have lower rates of teenage pregnancy. Teenage pregnant mothers have been correlated with a greater likelihood of receiving welfare.[20] Thus one can expect stable housing and homeownership to lead to lower levels of public assistance.[21] The Joint Center for Housing Studies of Harvard found that the children of homeowners have higher levels of achievement in reading and mathematics. Those children exhibit fewer behavioral issues at an early age, which results in less deviant behavior later in life.[22]

Residential stability, achieved through homeownership, lies at the heart of such causation. Rental units for low-income families perpetuate the cycle of poverty, residents cannot accrue equity or security of tenure. This lack of control and stability results in negligence of property maintenance, lower community participation, and lower health and educational outcomes. In contrast, Traditional homeownership offers indisputable benefits. While renters have less of an incentive to improve and maintain their residence, homeowners benefit from financial investments that result in the appreciation in the value of their home. Additionally, homeowners are incentivized to maintain their property because they have the ability to pass it down to their children. Homeowners were found to be more involved in their community since they perceived that their physical asset was tied to a specific geographic location and the value of their home was impacted by the condition of their neighborhood.[23] Researchers found merely owning a home increases the number of hours spent volunteering in the community.[24]

[18] Davis, John Emmeus. *Shared Equity Homeownership: The Changing Landscape of Resale-restricted, Owner-occupied Housing* 8.
[19] "Key Facts." *The State of the Nation's Housing* (2013) 23.
[20] Sawhill, I., "Teen Pregnancy Prevention," Brookings Institute's Policy Brief #38. (Brookings Institute 1998).
[21] *Social Benefits of Homeownership and Stable Housing*. Report. Research Division. (National Association of Realtors, 2011) 15.
[22] Haurin, Donald R., Toby L. Parcel and R. Jean Haurin "The Impact of Homeownership on Child Outcomes." Low-Income Homeownership Working Paper Series LIHO-01.14, (Cambridge, MA) Joint Center for Housing Studies of Harvard University, 2001.)
[23] *Social Benefits of Homeownership and Stable Housing*. 11.
[24] *Social Benefits of Homeownership and Stable Housing* 11.

Researchers Rohe and Stegman found that low-income people who recently became homeowners self reported higher self-esteem, control over their lives and overall life satisfaction.[25] All of these consequences are consistent with the theory of social disorganization, which states poverty, low educational attainment, frequent residential mobility, breaks in familial structure and racial segregation lead to the break down of social bonds between families and communities. High levels of social disorganization result in widespread crime, teen pregnancy, drug use, juvenile delinquency and suicide.[26]

Shared Equity as a Solution

Unfortunately homeownership for low income and minority families comes with a series of acute challenges. The first hurtle is American housing policy's rigid dogma. American housing policy has a long withstanding tradition of creating dichotomies: separating owners from renters, private residential housing from public housing and the haves from the have-nots. This report explores the solution of shared equity as a bridge between these dichotomies. It differs from rental and homeownership since equity is restricted in order to maintain long-term affordability while the responsibilities and benefits of homeownership are also shared amongst members. Shared equity can be simplified to mean resale restricted owner-occupied housing. In comparison to market rate homes owner- occupants of shared equity housing cannot sell their home at market price. There is a limit imposed on the price they may charge and thus the equity they receive when they sell their home. [27] Additionally the responsibilities and benefits of homeownership are shared amongst members.

Shared equity provides lower barriers to entry with lower entrance costs in comparison to traditional home buying. The equity is shared with the community through a community land trust or limited equity co-operative or other regulatory mechanism. Shared equity provides lower entrance costs than traditional home buying. Shared equity also provides lower monthly costs in comparison to rental units. Individuals in shared equity residences receive numerous additional economic and social advantages. Shared equity enables individuals to have greater control of their housing costs and improvements, security of tenure, the ability to accumulate assets, tangible wealth to pass down to their heirs and access to a wide range of exemptions, tax deductions, and credit enhancements that are generally reserved for only homeowners. The difference between shared equity models and traditional home buying is the amount of equity residents may accrue and the price they can charge when they sell their property. This limit placed on equity accrual ensures the affordability of the residence for years to come while

[25] *Social Benefits of Homeownership and Stable Housing* 13.
[26] *Social Benefits of Homeownership and Stable Housing* 14.
[27] Davis, John Emmeus. *Shared Equity Homeownership: The Changing Landscape of Resale-restricted, Owner-occupied Housing* 1.

expanding homeownership access.[28] Due to the shared burden of homeownership, low-income individuals do not bear the burden of owning a home alone. Responsibilities and costs are collectively shared through separate households linked together for a common goal, which creates a safety net for all residents.

Housing Co-operatives

This report examines a specific type of shared equity model known as a Limited Equity Housing Co-operative (LEHC)[29]. A LEHC is a housing Co-operative in which residents are very low-low income. HUD classifies individuals at 30% of the Area Median Income (AMI) to be extremely low income,[30] residents at 50 percent of the AMI to be low income[31] and residents at 80 percent of the AMI to be low income[32]. Number of family members will slightly alter the percentage. For example in North Carolina in 2016 a family of four that earns $28,800 a year is considered very low income (50 percent of the AMI), a family of two that earns $23,050 a year is also considered very low income. [33]

The central tenets of LEHCs are democratic control through collective ownership and limitations on share value. In a LEHC, each resident must purchase one share in the co-op corporation. This share along with a proprietary lease gives the individual the right to live in the co-op and have voting rights and responsibilities. Additionally each resident pays a proportionate share of the co-op's monthly costs or "carrying charges". Carrying charges can differ from one co-op to another but typically cover part of the underlying or blanket mortgage, interest, property taxes, utilities, maintenance and management. The equity residents can accrue is capped at a certain level, which allows LEHCs to remain affordable for generations. The LEHC model imposes a lower financial burden on individuals because the risk of homeownership is spread amongst shareholders. [34]

The first housing cooperatives in the United States were created in New York City in the 1870s, however they did not gain in popularity until the time between world wars. Their main objective was to create affordable

[28] Davis, John Emmeus. *Shared Equity Homeownership: The Changing Landscape of Resale-restricted, Owner-occupied Housing* 6.
[29] **Limited Equity Housing Co-op-** A Housing Co-operative in which residents are low to moderate income. Residents purchase shares within the building at reduced rates and pay monthly costs or "carrying charges". The equity residents can accrue is capped at a certain amount that allows LEHCs to remain affordable for generations.
[30] **Extremely Low Income**- Individuals/families at 30% of the AMI (adjusted for family size)
[31] **Very Low Income**- Individuals/families at 50% of the AMI (adjusted for family size)
[32] **Low-income**- Individuals/families at 80% of the AMI (adjusted for family size)
[33] U.S. Department of Housing and Urban Development. "FY 2016 Income Limits." (Washington: Dept. of Housing and Urban Development, 2016)
[34] Saegert, S., and Lymari Benitez. "Limited Equity Housing Cooperatives: Defining a Niche in the Low-Income Housing Market." 429.

housing for their members that were generally part of labor unions or immigrant organizations and shared collective goals and backgrounds. After World War II the federal government established the 1949 Housing Act. Section 213 of the Housing Act is a federal mortgage insurance program. In 1950 the program offered 98 percent blanket financing and down payments as low as 2 percent. The program resulted in 200,000 co-operative units with the lowest default rates for any HUD multi-family program. Currently the program provides below interest mortgage rates and federal subsidies based on the income levels of members. Section 213 has proven to be HUD's most successful programs, default rates are lower than for any other HUD multi-family program, and Section 213 loans outperform all other loan programs in HUD's portfolio.[35]

The National Association of Housing Cooperatives estimates 35 percent of the 1,190,000 co-op housing units are limited or zero equity. Cooperative Housing corporations are operated and governed by shareholders who live within the co-op. The corporation owns the multi-family real-estate property and the underlying mortgage. In order to become a member of the co-op an individual must purchase shares in the co-op. These shares give the member co-ownership within the corporation, thus co-ownership of the real estate. The members are given a proprietary lease to reside in a specific dwelling.[36]

The greatest difference between a market rate co-op and a limited-equity co-op is the price, LEHCs offer below market share prices but limits are placed on who can purchase a share and how much they can sell the share for. The limit on the resale value allows LEHCs to maintain affordability. The shareholders in a limited equity co-op each hold one share, which correlates with one vote that is used to make decisions about the corporation's assets, operations ands enforcement of bylaws. [37] Co-ops are a much more effective form of affordable housing than federally subsidized limited dividend and non-profit housing. Co-operatives are economically sound; average operation costs were 15 percent lower than non-profit housing and 35 percent less than limited dividend housing.[38]

Multi-Stakeholder Co-operatives

[35] Chicago Mutual Housing Network, University of Illinois at Chicago, and Natalie P.Voorhees Center for Neighborhood and Community Improvement. *Affordable Housing Cooperatives: Their Conditions and Prospects in Chicago*. (Chicago, IL: Chicago Mutual Housing Network, 2004),12.

[36] Lawton, Julie D. "The Legal Hybrid of Housing Cooperatives." *Cooperative Housing Journal*, 2015. National Association of Housing Cooperatives 5.

[37] Davis, John Emmeus. *Shared Equity Homeownership: The Changing Landscape of Resale-restricted, Owner-occupied Housing* 23.

[38] Sazama, Gerald, and Roger Willcox. *An Evaluation of Limited Equity Housing Cooperatives in the United States.* (University of Connecticut: Economics Working Papers, 1995).

Multi-Stakeholder co-operatives are a specific type of co-op that allows for governance from multiple "stakeholder" groups all within one organization. These groups could be the consumers, producers, workers, volunteers, and community sponsors. While most co-ops have a single class of membership, multi-stakeholder co-ops provide different types of beneficial use for different classes of members. [39]

Example of Limited Equity Housing Co-op: Dos Pinos, Davis CA

Established in 1985, Dos Pinos is a 60 unit limited equity Housing Co-op located in Davis California. A 2010 comprehensive case study analyzes 25 years of data and 276 sales that took place since Dos Pinos' inception 25 years ago. In 2008 the area median income (AMI) in Davis was $71,000, whereas Dos Pinos resident members had median incomes at 73.2 percent of the AMI, $51,988. 40.3 percent of members were first time homebuyers. Dos Pinos contains 1, 2 and 3 bedrooms and in 2008 carrying charges were $627, $865, and $1,076, respectively. These monthly fees or "carrying costs" cover the cooperative's general operating costs which include the mortgage, insurance, replacement reserves, garbage removal, property taxes, corporate taxes, municipal assessments from schools and special districts, management and water and sewage.[40] Comparably sized rental units were around $360 more expensive than co-op units.[41]

One of the key objectives for Dos Pinos was maintaining affordability over time and through re-sales. The 2009 share price to become a member of Dos Pinos was $22,000, almost 5 times greater than the price in 1985. When adjusted for rising price and income levels, researchers found "that the real required minimum income declined between units' initial and subsequent resale by 1.6 percent per year, which is an increase in affordability over time."[42] Additionally each year residents remained in their unit they saw a 1.3 percent decrease in income needed to pay for carrying costs. [43]

The cooperative established in their bylaws that shares could not be sold for more than the maximum transfer value (MTV). The MTV is the sum of the value of the share at the time of purchase, the annual appreciation in the share's value over the span of the residency, and the depreciated value of any permanent improvements made by the member. [44] In 2008 sellers received $19,585 in cash, 18.2 percent of which came from

[39] Lund, Margaret. *Solidarity as a Business Model: A Multi-Stakeholder Cooperatives Manual*. (Kent State: Cooperative Development Center, 2011) 1.
[40] Temkin, Kenneth Mark, Brett Theodos, and David Price. "Shared Equity Homeownership Evaluation: Case Study of Dos Pinos Housing Cooperative." *The Urban Institute*, October 2010 1.
[41] Temkin, et al. "Shared Equity Homeownership Evaluation: Case Study of Dos Pinos Housing Cooperative.",4.
[42] Temkin, et al. "Shared Equity Homeownership Evaluation: Case Study of Dos Pinos Housing Cooperative.",8.
[43]Temkin, et al. "Shared Equity Homeownership Evaluation: Case Study of Dos Pinos Housing Cooperative.",8.
[44] Temkin, et al. "Shared Equity Homeownership Evaluation: Case Study of Dos Pinos Housing Cooperative." 2.

appreciation. The median net gain in equity was $4,171 on an initial investment of $18,363. The median return realized by sellers, which can be found by applying the appreciation to the share price, was 6.5 percent.[45] If these Co-op members had rented units instead they would have gained nothing in equity. Members expanded their personal wealth while saving for their future.

Program Proposal

This report advocates for the creation of multi-stakeholder co-operative programs in which very low-low-income residents and local Public Housing Authorities (PHAs) form a limited equity-housing co-op (LEHC). This multi-stakeholder LEHC would be made of two classes- residents, and the local PHA. The equity would be divided amongst the classes as per the bylaws, thus providing residents with a stake in their homes. The Resident class membership would include voting rights and equity participation minus the equity held by the PHA. This would maintain the Resident share price below market value. The PHA class would also maintain a residual interest through its equity participation in the cooperative. This addresses the combined objectives of long-term sustainability and affordability.

Homeownership Vouchers as well as 30 percent of resident's income could be used to cover carrying costs. Carrying costs would include a portion of the underlying mortgage[46], interest, utilities, taxes, maintenance and management. Share prices would be kept low and determined by the co-op. The co-op would utilize income restrictions to make units available to the targeted very low to low-income population. The largest problem with standard LEHC's is they tend to lack internal organization and experience in homeownership. This lack of education and know how can result in an entire co-op failing due to something as small as a water boiler breaking down. In this multi-stakeholder model this problem is circumvented with the inclusion of the PHA as a mechanism to advise and support the LEHC. The PHA would provide management, homeownership counseling and Family Self Sufficiency counseling (FSS)[47]. The co-op's mortgage would be insured by HUD's "Mortgage Insurance for Rental and Cooperative Housing: Section 221(d)(4)". This program insures mortgage loans made by private lending institutions to facilitate cooperative housing projects.[48] The co-ops bylaws would require educational

[45]Temkin, et al. "Shared Equity Homeownership Evaluation: Case Study of Dos Pinos Housing Cooperative."10.
[46] **Underlying "blanket" mortgage**- A type of loan used for the purchase of the entire LEHC building rather than individual loans for each resident's apartment within the building
[47] **Family Self Sufficiency Counseling (FSS)-** FSS is a program provided by HUD that provides low income families with services to help increase their earnings and reduce their dependency on welfare assistance and subsidies.
[48] U.S. Department of Housing and Urban Development. Multifamily Rental Housing for Moderate-Income Families, § (Section 221(d)(3) and (4)) *HUD Programs*. (Washington: Dept. of Housing and Urban Development, 2016).

services for residents, which could be contracted out to local co-op development centers or other agencies to ensure sustainability.

One reason to organize as a multi-stakeholder co-operative is that lenders are much more willing to make one large “blanket” loan to a corporation rather than small loans to low-income individuals. An underlying or “blanket” mortgage is a loan for the entire LEHC building, rather than individuals each having their own separate mortgage for their unit. Each month, co-op members would pay a share of the underlying mortgage in proportion to the size of their unit. Cooperative lenders such as National Cooperative Bank, Shared Capital Cooperative, and Local Enterprise Assistance Fund (LEAF), are accustomed to underwriting housing cooperatives in this manner. The cooperative repays the loan. Cooperative residents purchase their membership share through structured payments. The Co-op can essentially finance share purchase directly through a rent surcharge, or third party lenders can finance share purchase. Individuals at lower AMIs would be able to receive a loan, whereas traditional home purchasing would not have offered this option. The co-op would hold the mortgage and shares for the real estate and pay monthly fees or carrying charges. The individual resident is the ultimate beneficiary. They become homeowners at a lower cost, enjoy all the related social and economic benefits and are provided with a tiered social safety net through their LEHC.

Researcher Jaime Becker wrote a conclusive dissertation about individuals living in Coop 3, a low income housing co-operative within *Solara,* a co-op in Northern California. [49] Research determined low-income co-op residents, relative to moderate-income co-op residents, overestimated risks due to their lower income. They felt more vulnerable, exploited and helpless which led to institutional distrust. [50]Becker’s findings are consistent with Ruby Payne’s “Framework for Understanding Poverty”, where she finds individuals bring “hidden rules” of class with them, including thoughts patterns, social interaction and organization. [51] Payne found that individuals living in poverty place the greatest emphasis on the present by putting their immediate need for survival first, relative to the middle class that places the greatest emphasis on the future and makes present decisions based on future consequences.[52] Becker’s dissertation concluded organizational structure of the Coops must be flexible to different “hidden rules” and allow input from non-culturally dominant members in order to create positive interactions cycles. [53]Becker makes several recommendations to create positive interactions such as capping the

[49] Becker, Jaime. "Solara: Hidden Class Assumptions in a Low-income Housing Cooperative." PhD diss., University of California at Davis, 2005. 2005. https://www.nasco.coop/sites/default/files/srl/Solara- Hidden Class Assumptions in a Low-income Housing Cooperative.pdf.
[50] Becker, Jaime. "Solara: Hidden Class Assumptions in a Low-income Housing Cooperative." 15-16
[51] Becker, Jaime. "Solara: Hidden Class Assumptions in a Low-income Housing Cooperative." 23
[52] Becker, Jaime. "Solara: Hidden Class Assumptions in a Low-income Housing Cooperative." 27
[53] Becker, Jaime. "Solara: Hidden Class Assumptions in a Low-income Housing Cooperative." 41

length of meetings, compensating board members for meeting time, and providing Spanish language interpretation at meetings. [54]

Additional research on the organizational structure of varied cultures determined African American structure is cohesive, rather than the Eurocentric structure which promotes competition. African American structure promotes shared responsibility, group tasks and teamwork. [55] I believe integrating aspects of co-housing to the LEHC would further diversify the organizational structure, incentivize long-term savings and foster community partnerships. Co-housing is an intentional community in which private living quarters surround shared spaces; there are over 160 co-housing communities throughout 37 states in the U.S.[56] By including aspects of co-housing such as shared kitchens, dining rooms, childcare spaces and laundry rooms members are invited to work together for the greater good of the co-op and not as separate individuals. Community activites would feature shared meals, meetings and workdays. Work within the community could include gardening, meal preparation and childcare. This would provide a more diverse organizational structure with an emphasis on cohesion. Shared responsibility and teamwork are promoted through non-Eurocentric structures, which will allow members to thrive. Childcare is essential for working parents and currently the annual childcare costs for an infant as a share of full-time minimum-wage earnings in North Carolina is 61 percent.[57] By including childcare as an aspect of cohousing in the model members can minimize present costs, work together while providing an incentive to save for the future.

Conclusion

It is the responsibility of our government to provide Americans with a means out of poverty through home ownership. Rental housing assistance provided through HUD is simply not enough. Renting is cyclical in nature, and provides no equity or opportunity for the growth of generational wealth. This lack of control and stability disincentives renters to maintain their property, participate in their community and results in lower health and educational outcomes. Traditional homeownership, while it presents many benefits, is simply too expensive for low-income earners especially in light of recent economic trends. Absent federal programs for building wealth, individuals from low-income families have little to no opportunity to build long term wealth through housing. This shared equity proposal would provide homeownership and it's extensive benefits to lower income individuals. Sharing equity between owner-occupants and local PHAs would provide most of the benefits of homeownership, especially psychological, while providing a regulating advisory mechanism, the PHA. A multi-stakeholder LEHC

[54] Becker, Jaime. "Solara: Hidden Class Assumptions in a Low-income Housing Cooperative." 41
[55] Becker, Jaime. "Solara: Hidden Class Assumptions in a Low-income Housing Cooperative." 14
[56] "The Cohousing Association." *The Cohousing Directory.* The Cohousing Association of the United States
[57] Gould, Elise, and Tanyell Cooke. *High Quality Child Care Is out of Reach for Working Families*. Rep. no. Issue Brief #404. Economic Policy Institute

would provide homeownership, encourage participation and assist individuals in creating equity. It may just be the solution to America's affordable housing crisis.

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