

Elevating affordable homeownership strategies

May 16, 2019

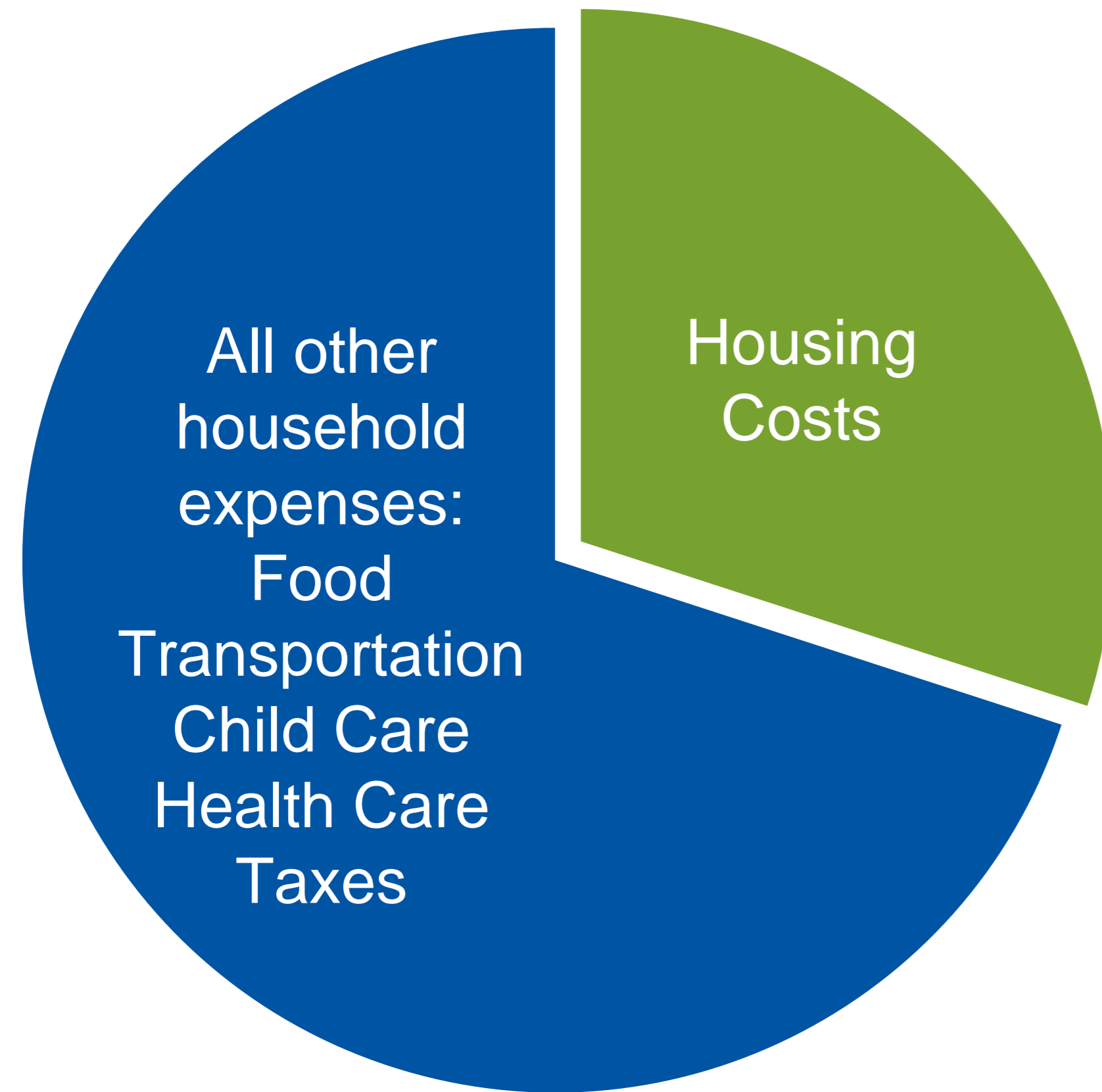
Land Use Advisory Committee



Overview of today's presentation

1. What is “affordable” housing?
2. Why is the Council elevating affordable homeownership strategies?
3. What are key affordable homeownership strategies?
4. Where are the best opportunities to expand affordable homeownership strategies?
5. How can LUAC help steward this work?

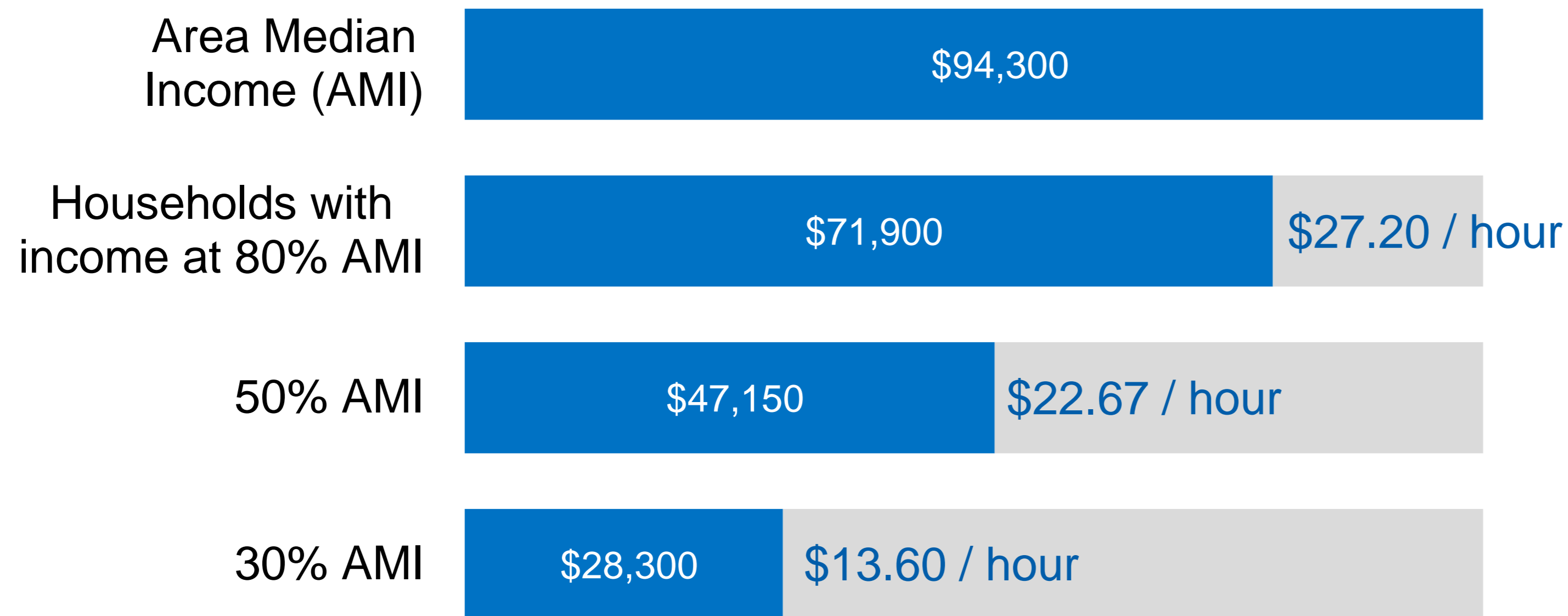
First, what is “affordable” housing?



Housing is considered “affordable” if it costs less than 30% of a household’s gross income...more or less

Which households are “low-income”?

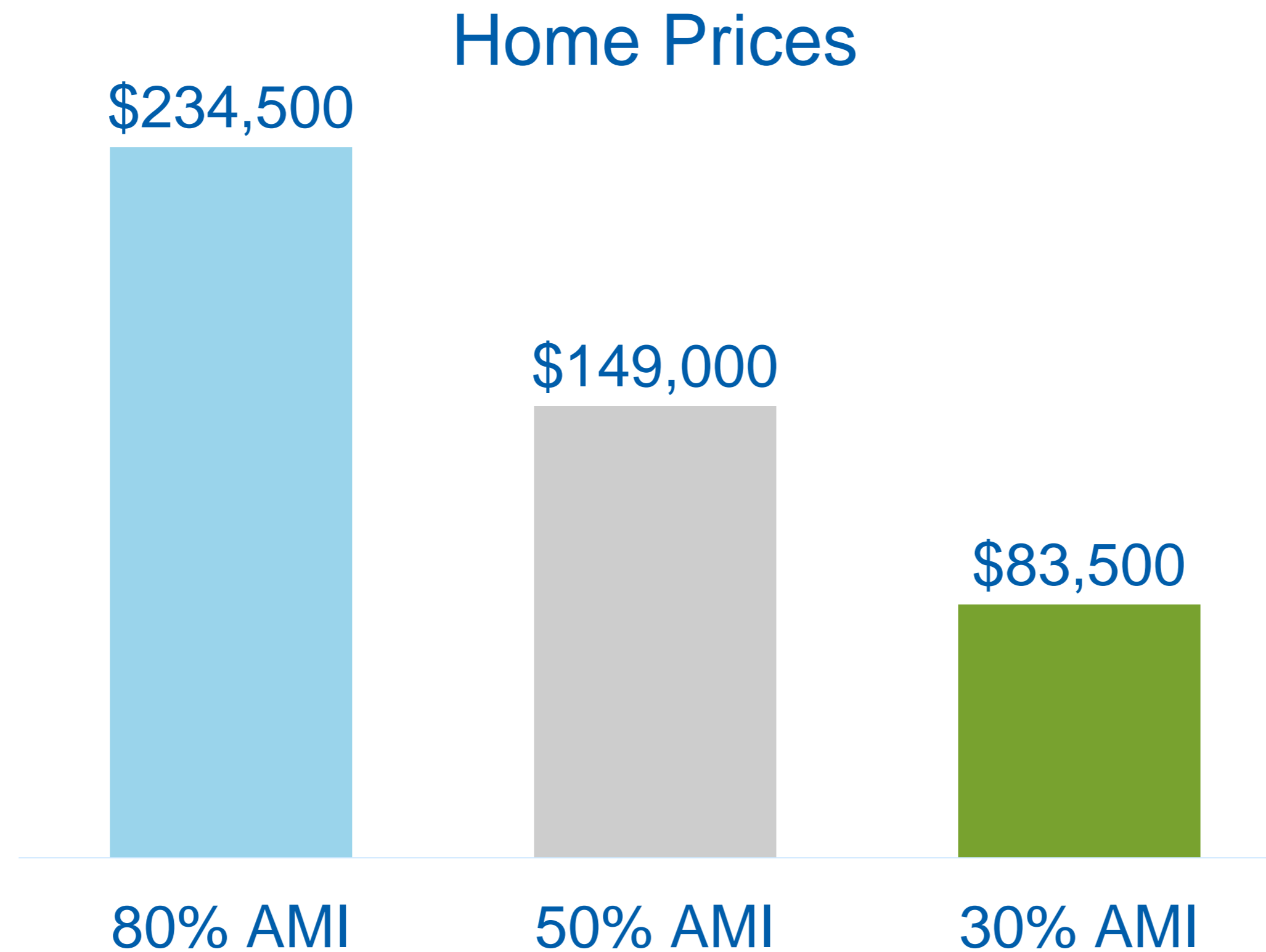
Based on family of four in 2018



Since 2011, the Council uses the term “affordable” to describe housing units that low-income households could pay for with up to 30% of their monthly income. **Low-income households are those with incomes up to 80% AMI.**

Source: U.S. Department of Housing and Urban Development.

What could low-income households “afford” in 2018?



Sources: U.S. Department of Housing and Urban Development and Metropolitan Council

What is the Council's role in affordable homeownership?

- Council housing work is guided by the *2040 Housing Policy Plan*
 - Providing rental assistance to low-income households
 - Providing data and analysis to understand regional trends, both current and forecasted
 - Reviewing local comprehensive plans for housing content
 - Funding housing development through the Livable Communities Act programs
 - Providing technical assistance and support to local governments
 - Collaborating with and convening partners and stakeholders to expand the regional housing dialogue

Why is affordable homeownership important?

- Home prices are high, but not as high as they're going to be!
- Racial disparities in homeownership are not improving
- Homeownership housing is the dominant type of housing in the region

NEWS > BUSINESS

Realtors: Record high prices highlight 2018 Twin Cities area housing market

By PIONEER PRESS | news@pioneerpress.com
January 22, 2019 at 5:38 pm

Posted by [Thrive MSP](https://www.thrivehumanity.org) on 10/19/17



Already-low homeownership rates of Twin Cities minorities fall further

The gap is another reflection of disparities between white and nonwhite incomes in Minnesota.

By Jim Buchta (<http://www.startribune.com/jim-buchta/10644536/>) Star Tribune |
AUGUST 19, 2017 — 10:52PM

Affordable homeownership: Resources vs. strategies

Resources

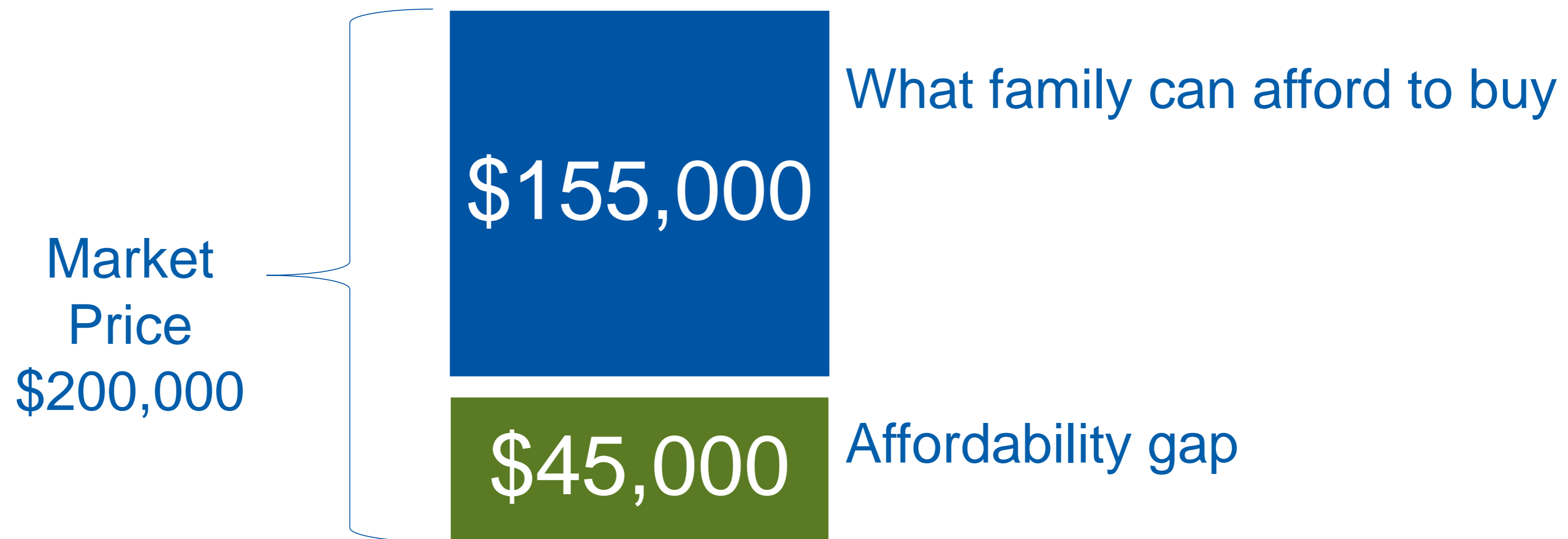
- Down payment assistance
- First time homebuyer programs
- Mortgage products for low-income households

Strategies

- Community Land Trusts
- Manufactured home community preservation
- Cooperative housing

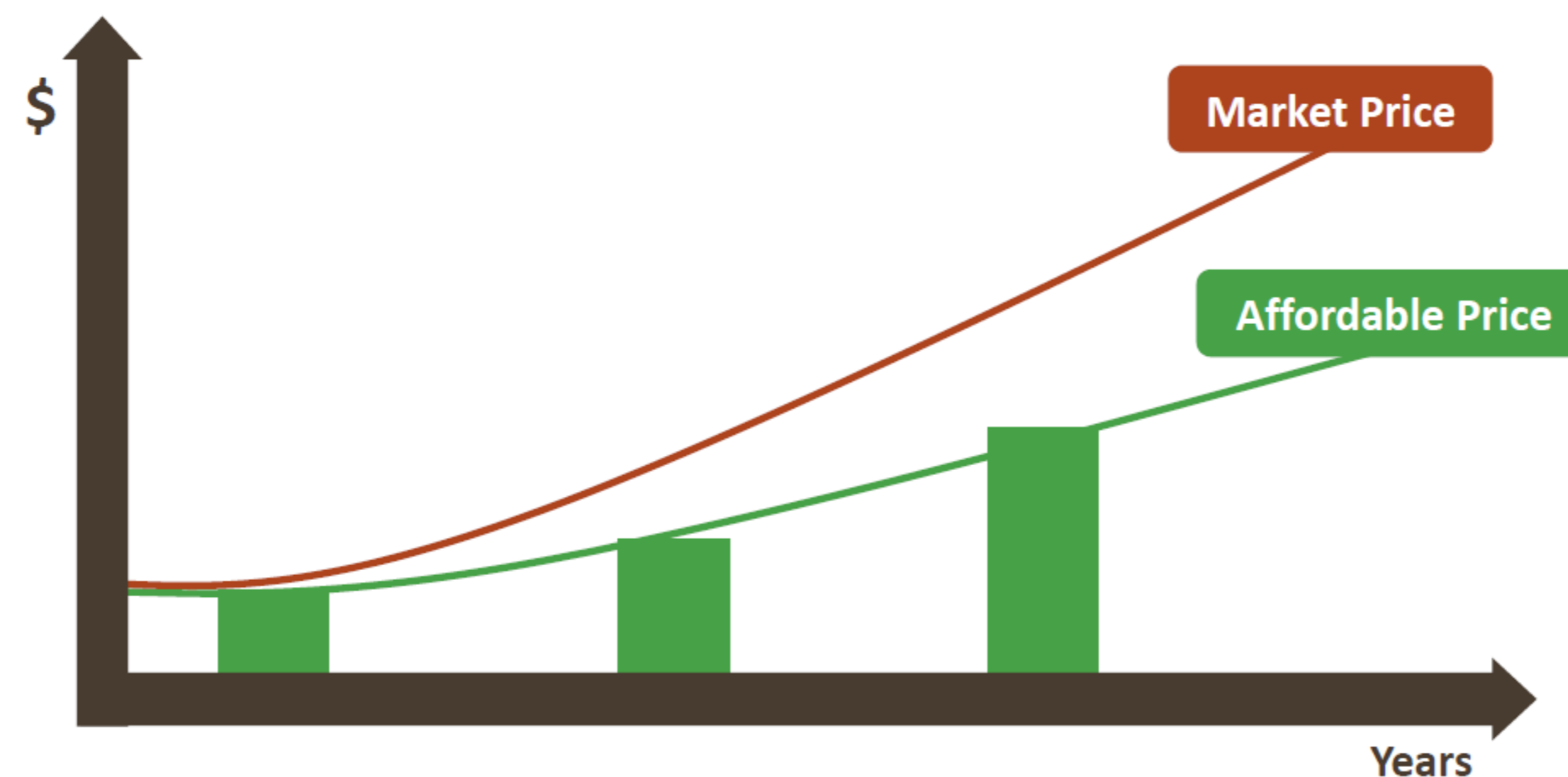
Community Land Trusts: How do they work?

Affordability gap



Community Land Trusts: Perpetual affordability

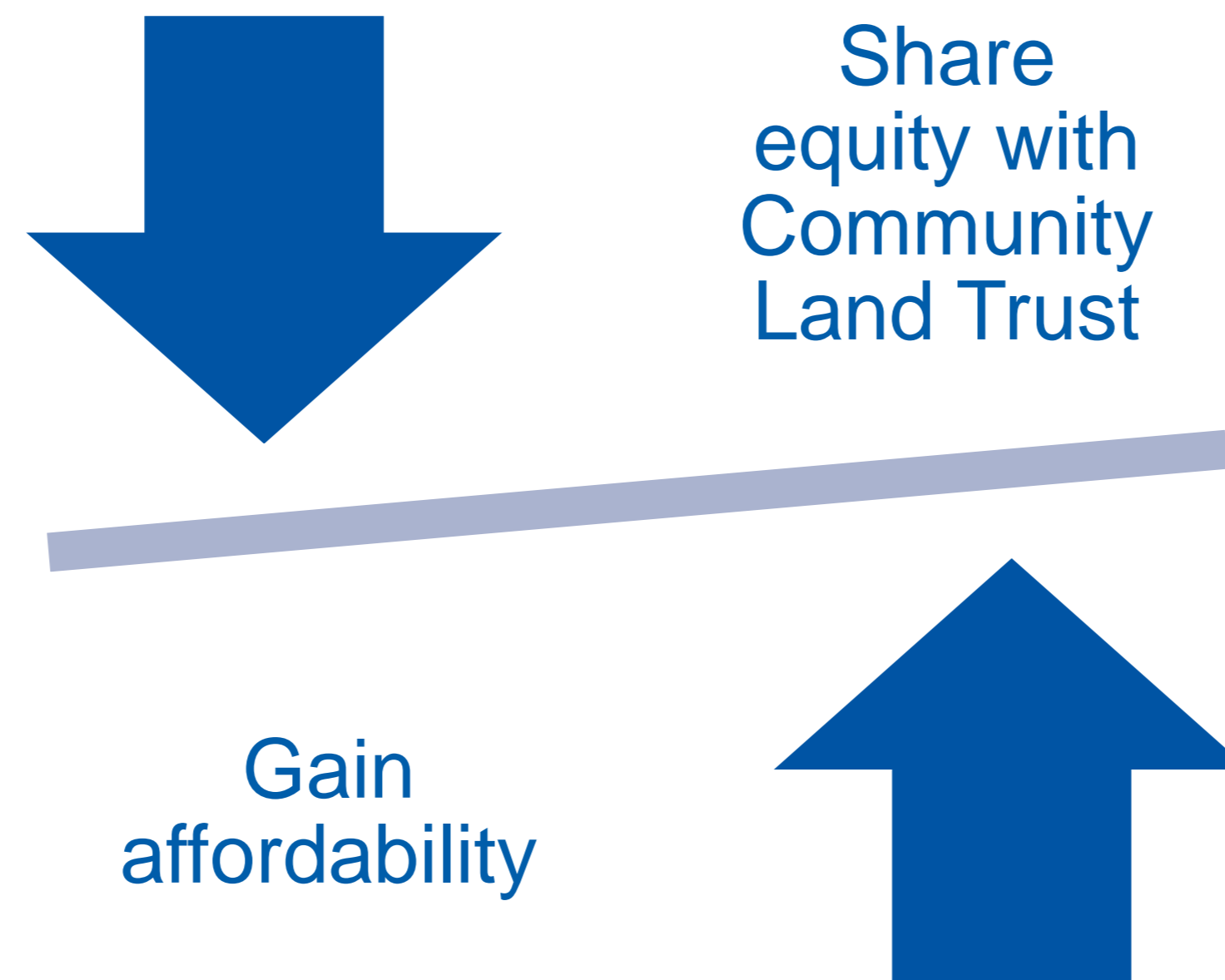
- In “exchange” for the affordability gap subsidy, the land trust retains ownership of the property’s land, leasing it back to the owner through a ground lease
- The owner has title to the house itself (“improvements”)
- The land trust and owner share any market value equity created at the time of re-sale (owner retains any retired principal)
- The land trust uses its share of the equity to keep the sale price affordable



Community Land Trusts: Sharing equity

Though owners will have to share any equity gained upon resale with the land trust, they will also:

- Enjoy stable housing costs (no rising rents)
- Enjoy a stable housing location (no moving)
- Enjoy more equity than had they rented during that time



Community Land Trusts: How can cities support them?

- Already served by a land trust?
 - Partner – foreclosures, code incompliance, stay in place
 - Fund – Community Development Block Grants, Housing Trust Funds, Housing and Redevelopment Authority levies
- Not yet served by a land trust?
 - Reach out to assess interest – neighboring cities, county, non-profits
 - Offer resources (financial, in-kind) to explore land trust creation

Manufactured Housing Communities

- Vulnerable source of affordable homeownership
- Over 14,000 units in the region
- Only one community in the region is cooperatively owned



Manufactured Housing Communities: Two levels of ownership

- Homeowner owns manufactured housing unit but rents land it sits on
- Homeowner owns manufactured housing unit and the land is cooperatively owned by residents



Manufactured Housing Communities: How can cities support them?

- Help with infrastructure
- Help with safety
- Ensure homeownership programs are accessible and promoted
- Adopt relocation policies
- Support organization toward cooperative ownership

Cooperative Housing

- Commonly a multi-family building owned by a legal entity made of residents – or “shareholders”
- Buying a “share” of the cooperative gives owner rights to their own unit
- Can be used to maintain affordability and still allow modest wealth creation

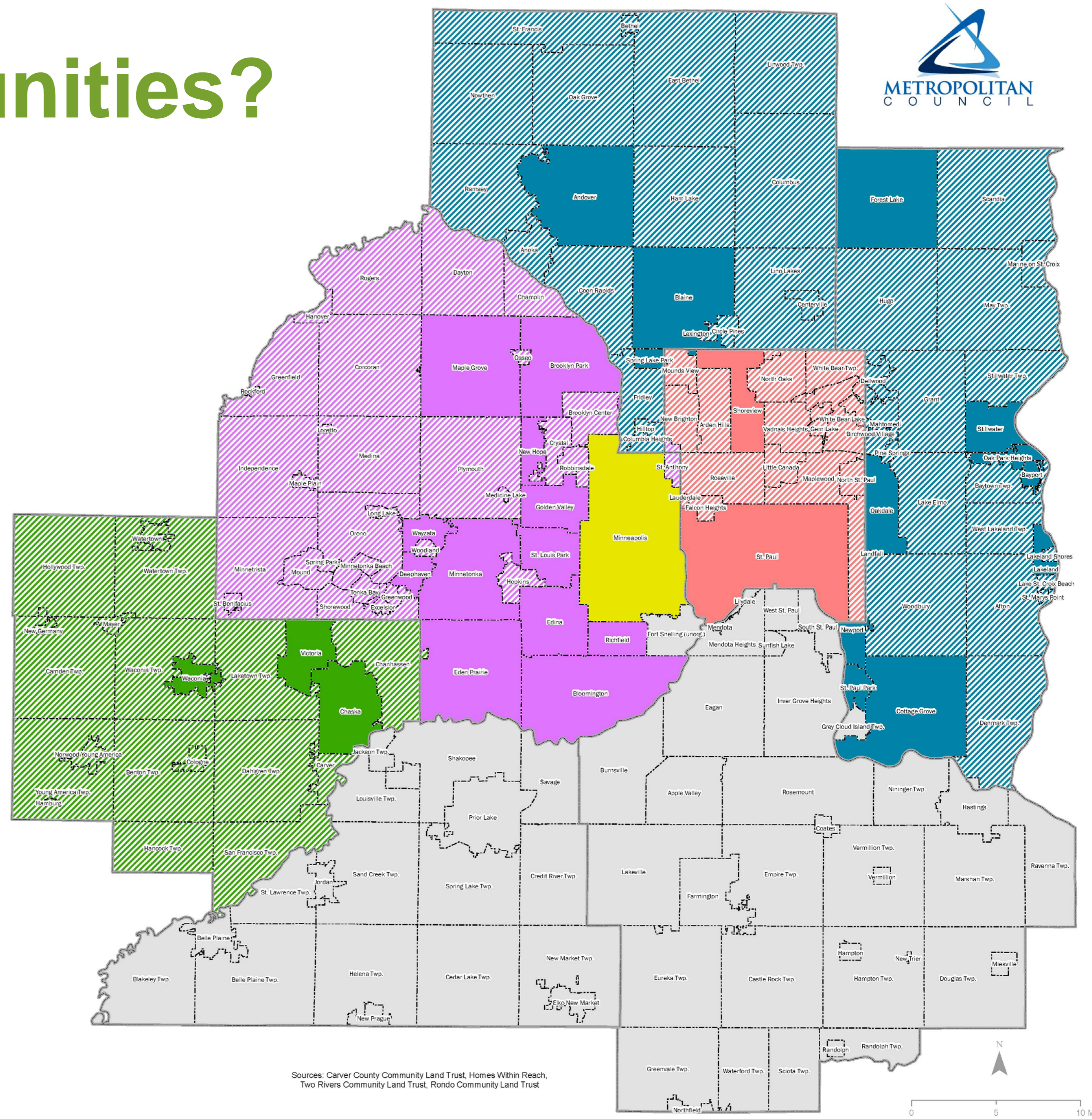


Rolling Meadow Cooperative
Inver Grove Heights

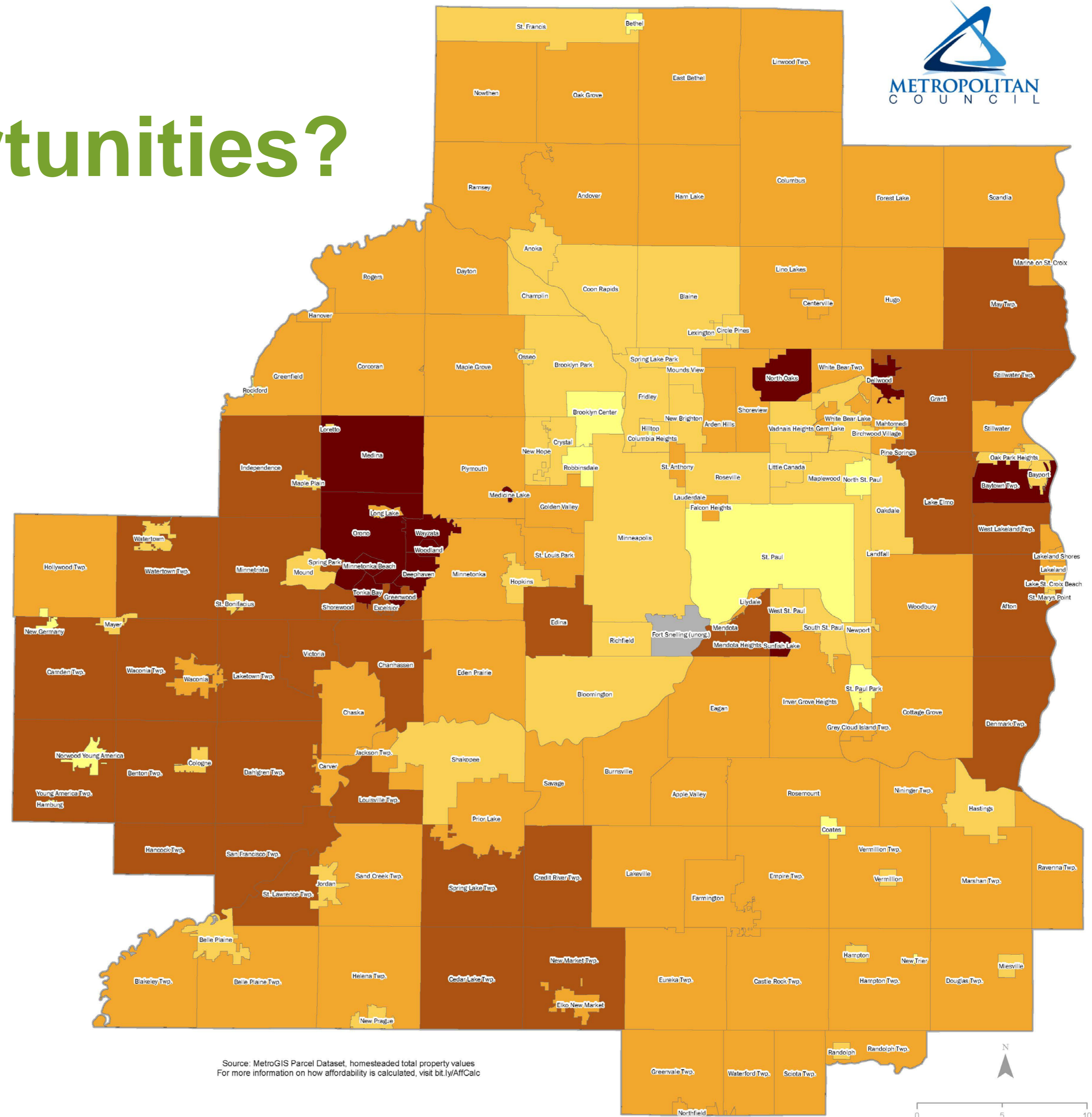
Cooperative Housing: How can cities support them?

- Make housing cooperatives an eligible use for all existing affordable housing programs
- Provide financial support for cooperative purchase of real estate
- Allow for tenant right-of-first-purchase for existing multifamily properties

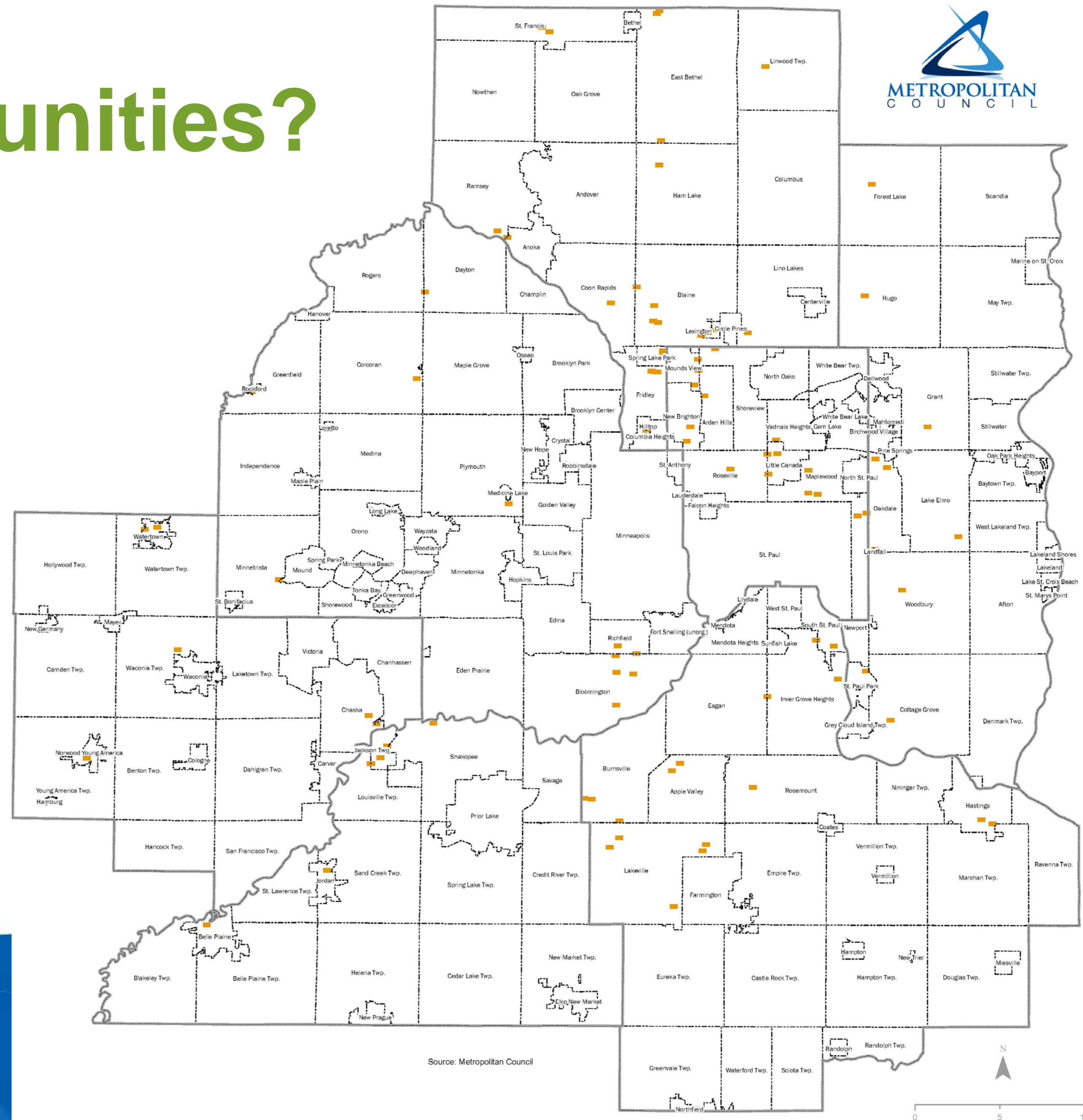
Where are the opportunities?



Where are the opportunities?



Where are the opportunities?



Source: Metropolitan Council

Maple Hill Estates, Corcoran MN

Park Plaza Cooperative, Fridley MN

How can LUAC help?

- Become a Community Land Trust, Manufactured Housing Community, and Cooperatively Owned Housing **advocate**
- Ask your elected officials, city managers, and community development directors to **learn more**
- Meet with local experts, or hire a consultant to **explore opportunities**
- **Ask Council staff** to come talk to committees, councils, and boards

Thank you!

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