



City
Council
Work Session

August 22, 2022



Shared
Equity
Homeownership

What is SEH?

Shared Equity Homeownership is a self-sustaining model that takes a one-time public investment to make a home affordable for a lower-income family and then restricts the home's sale price each time it is sold to keep it affordable for subsequent low-income families who purchase the home.



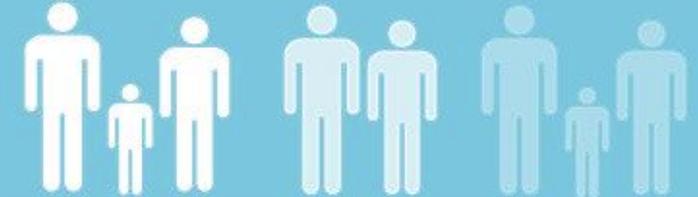
How it Works



A one-time investment makes a home affordable for purchase by a working family with modest means, and the home remains affordable for family after family that purchases it.



In return for being able to buy a home below its market-rate value, the family agrees to limit their proceeds when they sell so another family with a modest income can afford to purchase the home.



The first family builds wealth and then “pays it forward.” The affordable house is self-sustaining, and the use of public funds is prudent since that one-time public investment serves an endless number of families.

The first family builds wealth and then “pays it forward.”

Benefits

What are the Benefits of Shared Equity Homeownership?



Statistics



95%

of shared equity homes are priced affordably (under 30% of monthly income) for households earning 80 percent of AMI or below

7 out of **10**

shared equity homeowners are first-time homebuyers



The median shared equity household accumulates

\$14,000

in earned equity. (compared to a median initial investment of \$1,875)

6 out of **10**



shared equity homeowners use their earned equity to eventually purchase a traditional market rate home.



Over **99%**

of shared equity homes avoid foreclosure proceedings

The share of minority households living in shared equity homes increased from

13% to **43%**
(1985-2000) (2013-2018)





708 E. 2nd Street

First Shared Equity project in
partnership with PURA



Home Details

- \$265,000
- 4 Bedroom
- 2 Bathroom
- 960 sq ft.
- Built with shipping containers



Deed Restricted Homeownership

Operates through a deed-restriction where the homeowner owns the land and home. Subsidy is used to reduce the purchase price and restrictions are put in place to ensure owner qualification and resale price via a re-sale formula.

- Uses a 99-Year Deed Restriction
- Restricts the home to qualified buyers and the amount in which it can be sold through an appraisal-based resale formula
- Renews with each purchase, keeping the home affordable in perpetuity.
- Approved by Fannie Mae and Freddie Mac

Shared Equity

708 E. 2nd St.

Initial Purchase Price

\$265,000

\$185,000

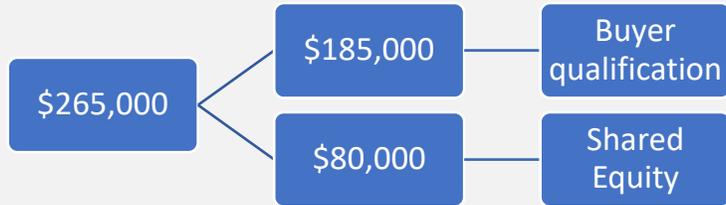
\$80,000

Buyer
qualification

Shared
Equity

Amount NWSoCo contributes
from initial public investments

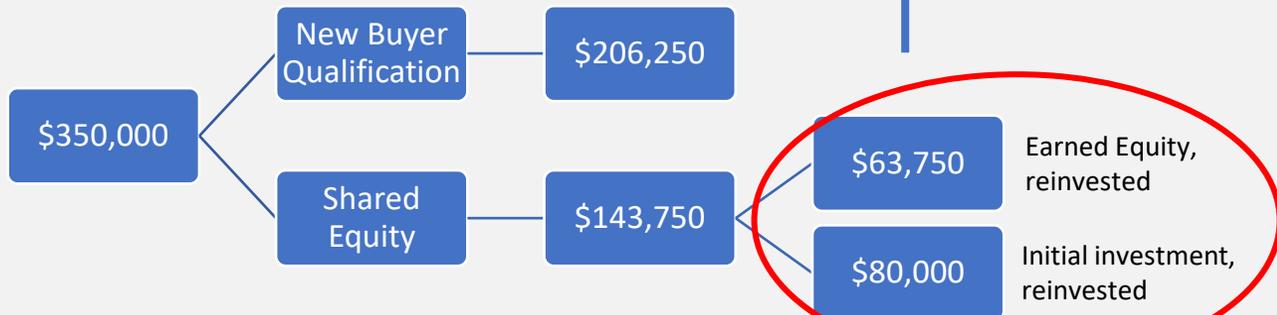
Initial Buyer Purchase



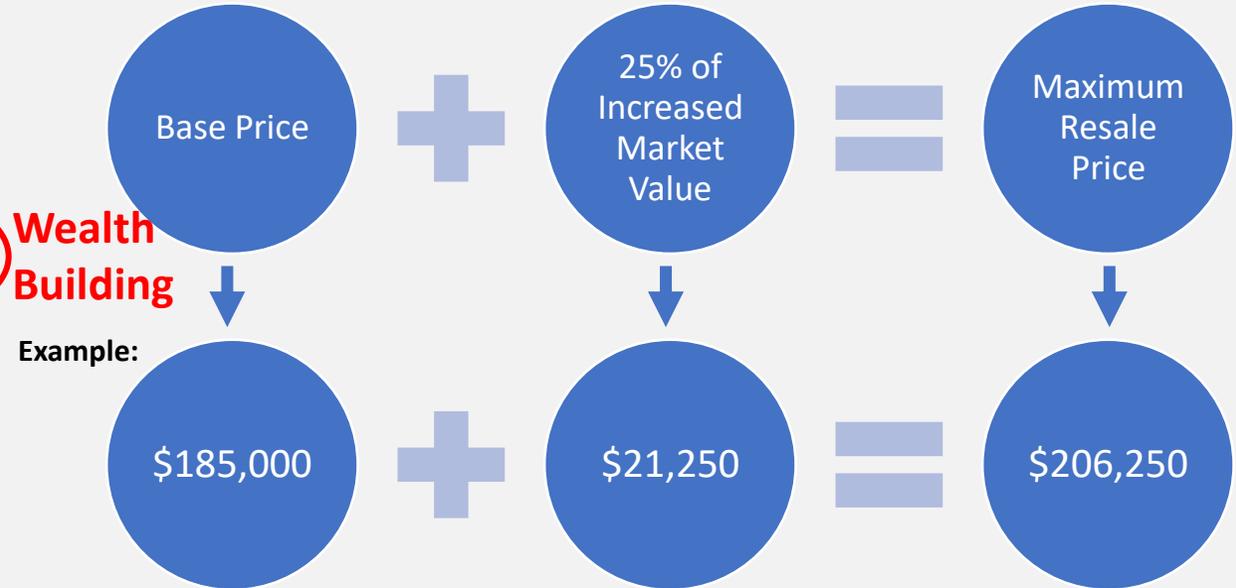
Example:
New Home Value Upon Sale - \$350,000



New Buyer Purchase



Resale Formula



Wealth Building

Example:

Public Investment Grows!

Upon selling, the homeowner would be responsible for a 3% resale fee

How Can You Contribute?



The one-time public investment comes from a variety of sources including, Federal, State & Local grant funding, Private funding, and Investment in infrastructure.

The City's public investment contribution to infrastructure would significantly reduce the costs to build the homes and prevent those costs from being passed on to the buyer and result in lower purchase prices.

Questions?

