Pathways to Transfer Private Housing to Permanent Affordability

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PATHWAYS TO TRANSFER PRIVATE HOUSING TO PERMANENT AFFORDABILITY

UEP Field Projects 2017
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In partnership with Greater Boston Community Land Trust Network members:
Chinatown Community Land Trust
Dudley Neighbors Inc.
City Life Vida Urbana
Coalition for Occupied Homes in Foreclosure
Greater Bowdoin/Geneva Neighborhood Association
Urban Farming Institute of Boston
Alternatives for Community & Environment,
Boston Tenant Coalition
Community Action Agency of Somerville
Fairmont Greenway Collaborative
Highland Park Neighbors
Mattapan United
New England United for Justice
Right to the City Boston
In the spring of 2017 the Greater Boston Community Land Trust (GBCLTN) sponsored a team of graduate student researchers from Tufts University’s Urban and Environmental Policy and Planning Department (UEP) to examine the barriers and opportunities for those interested in transferring their homes into affordability in Boston. This project built off UEP field projects that had been conducted over the past two years with the Network and its facilitating organization, Dudley Neighbors, Inc. The GBCLTN was founded in 2015 to share resources, best practices, and political power amongst existing and potential land trusts in the area.

Boston is in the midst of an affordable housing crisis. With more than 40,000 residents currently wait-listed for less than 15,000 affordable housing units, the city has too few affordable rental units and homes to meet current demand. Skyrocketing real-estate values, speculative purchases, increased pressure from private commercial real-estate developers, and the effects of tourism and short-term rentals all threaten to make living in the city unaffordable for all but the wealthiest. The incentives for homeowners to sell into a rapidly escalating market and reap tremendous private wealth gains creates substantial barriers to transferring into long term affordability. A tension emerges between the collective, community interest and the individual, family interest, as those who wish to sell their homes are offered prices far above the market value, often in cash, and with a quick turnaround.

This project was inspired by challenges faced by the Chinatown Community Land Trust (CCLT), a core member of GBCLTN. Chinatown provides an example of the many issues facing homeowners in highly competitive housing markets. The area is located in downtown Boston, with ample access to public transit. As a result, property values have increased dramatically over the last decade, leading to rapid gentrification and displacement of long-term residents. There is a very real concern that Chinatown might not exist as a cultural enclave in the coming years if current trends continue.

This work was catalyzed by the challenges that CCLT has encountered in acquiring land since their founding in 2015. Due to rapidly rising property values and a lack of vacant and city-owned land, the CCLT is working to better understand the opportunities and barriers faced by homeowners interested in ensuring the long-term affordability of their homes: how does one balance the personal wealth to be gained from selling their home in a hot housing market with the desire to contribute to the stability and health of a neighborhood? While the barriers to acquiring land by the CCLT are somewhat unique to the specific housing market conditions of Chinatown, the tools developed throughout our project are designed to aid other groups in the Network, as well as community land trusts throughout the country that are in comparable housing markets.
The report presents pathways for homeowners interested in transferring their homes into affordability and addresses the barriers faced by homeowners considering this option. Through interviews with homeowners and housing experts, the researchers present a list of recommendations for the GBCLTN on state, municipal, and community levels. These recommendations include partnering with city agencies to provide loans and financial assistance to homeowners in exchange for a right of first purchase or direct transfer to a CLT, providing outreach to city agencies, financial institutions, and homeowners about the various options for transferring, and providing formalization and legitimacy to pre-existing affordability mechanisms, including deed restrictions and rights to first purchase. They also recommend that the Network acknowledge the role that the greater housing market plays in providing a barrier for those interested in transferring into affordability and recommend supporting tax policies and regulations that would “cool” the market in Boston.

By developing strategies to address the needs of both homeowners and the policy needs of CLTs and other affordability mechanisms in Boston, the researchers’ recommendations benefit the GBCLTN, CCLT, other CLTs and housing affordability advocates as they continue to grow.
Acknowledgements

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I. Introduction

Boston is in the midst of an affordable housing crisis. With more than 40,000 residents currently waitlisted for less than 15,000 affordable housing units, the city has too few affordable rental units and homes to meet current demand. Skyrocketing real-estate values, speculative purchases, increased pressure from private commercial real-estate developers, and the effects of tourism and short-term rentals, all threaten to make living in the city unaffordable for all but the wealthiest. The incentives for homeowners to sell into a rapidly escalating market and reap tremendous private wealth gains creates substantial barriers to transferring into long term affordability. A tension emerges between the collective, community interest and the individual, family interest, as those who wish to sell their homes are offered prices far above the market value, often in cash, and with a quick turnaround.

There are creative means, however, to preserve and grow the affordable housing stock. From community land trusts to cooperative housing to loan and down payment assistance, there are many opportunities for community housing organizations and cities to work collaboratively to ensure long-term housing affordability. For decades, housing affordability advocates in Boston have worked hard to guarantee home affordability. Yet, there is more to be done to make the dream of a livable, diverse, and vibrant city a long-term reality. Creating ways for homeowners to transfer their homes into long-term affordability is a critical action that communities can take to help maintain affordability for future homeowners and families. Longtime homeowners, who purchased their homes when real-estate values were more affordable, can work to ensure that Boston is an affordable city for all by transferring their homes into long-term affordability. Homeowners might be interested in transferring their homes into long-term affordability for many reasons, ranging from a personal passion for maintaining affordability in their neighborhood to ensuring that their property is passed on to heirs in a way that aligns with their values. In addition, communities can provide resources to prospective homebuyers that reduce the barriers to purchasing a home. Finally, the city is a vital partner in this process, through the creation of supportive policies such as anti-speculation taxes and short-term leasing regulations to assisting with technical assistance and serving as an information hub.

This report synthesizes findings from more than a dozen interviews with homeowners, housing affordability advocates, and city officials and review of literature on affordability mechanisms. In addition, we synthesize current policies and proposed regulations that serve to tamper run-away real-estate property values and speculative behavior. We include spotlights on progressive housing policies and programs in other U.S. cities that work to build the urban affordable housing stock.

We hope that this report is a useful tool for Boston community housing organizations and those beyond the Boston area.
II. Project Background

CHAPTER CONTENTS

› Research Question
› Housing Affordability in Boston
› Greater Boston Community Land Trust Network
› Chinatown Community Land Trust
› Methods

RESEARCH QUESTION

What are the barriers for homeowners interested in transferring their homes into affordability? How can the Greater Boston Community Land Trust Network support development of tools, programs, policies and partnerships to encourage the transfer of homes into long-term affordability?

HOUSING AFFORDABILITY IN BOSTON

Boston is experiencing an unprecedented housing market boom, leading to rapidly escalating rents, rising property values, and increasing affordability concerns for tenants and homeowners. The 2016 median price for a home in the Boston-metro area was $435,300, while the median household income was only $80,000.1 The median income in the City of Boston is much lower, however, at around $35,000.2 Incomes have remained stagnant while home prices have increased rapidly throughout the city. As of 2015, 38.4 percent of homeowners are paying more than 30 percent of their gross income for housing, compared to 26.7 percent in 2000.3 Of particular note is the rapidly increasing price of the iconic Boston “triple-decker”. A recent report from the Boston Foundation found that the price for a single unit in a triple decker had almost doubled from $244,172 to $477,057 between 2009 and 2015.4 More than 40,000 households are currently waitlisted for 15,000 affordable units. This is due to increased demand, in addition to the stagnant growth, of the city’s affordable housing stock. The supply of decent, affordable housing in the city is a threat to ensuring the long-term affordability of the city.5 Therefore, increasing the stock of affordable housing in Boston is necessary to meet both current and prospective affordable housing needs. The following guide will serve as a catalyst for creative solutions to the housing needs for the Boston community.
GREATER BOSTON COMMUNITY LAND TRUST

This project was developed in partnership with The Greater Boston Community Land Trust Network (GBCLTN) to help the network identify strategies for acquiring private homes or otherwise preserve affordability. The GBCLTN was formed in 2015 in response to the escalating costs of housing, gentrification, and displacement pressures, which threaten Boston’s low- and moderate-income communities. GBCLTN is a coalition of community organizations that facilitates the exchange of best practices and peer support among members and advocates for policy that aids in the creation and maintenance of community land trusts (CLTs). A CLT is an affordable housing mechanism whereby a community organization owns the land while the homeowners own the home on the land. The CLT leases the land to homeowners and places some affordability restrictions on the resale value of the home. This allows homes to stay affordable even if property values in the surrounding neighborhood increase rapidly due to development pressures. GBCLTN has affiliated members interested in increased access to urban agricultural spaces.

Member organizations work to implement and expand the CLT model in Boston, to prevent eviction and speculation in areas at risk of gentrification and displacement, and to create local jobs, economic development and productive public spaces.

Although there are 270 community land trusts nation-wide and CLTs have been active in Boston for more than 25 years, the general public is largely unfamiliar with the CLT model and its many benefits. Proliferation of the CLT model relies on community education and the formation of strategic partnerships between all stakeholders including municipalities, financial institutions, nonprofits and residents. The GBCLTN has been garnering support for CLTs in the Greater Boston area over the past several years. Tufts University Field Project teams have worked with the coalition over the past two years to support the network’s public launch and build its capacity.
CHINATOWN COMMUNITY LAND TRUST

In Boston, the most well-known land trust is Dudley Neighbors, Inc. based in Roxbury, and affiliated with DSNI. During the 1980s, Roxbury suffered from depopulation and disinvestment. Community residents, frustrated by the city’s inaction in addressing urban poverty but moving forward with redevelopment plans, decided to create a community land trust to ensure that Dudley-area community members would have a continued voice in any neighborhood development projects. DNI was able to secure the right to eminent domain from the city, allowing them to establish and increase the size of the community land trust. This land is now holds 225 affordable homes, a community greenhouse, an urban farm, a playground, gardens, and other amenities.

In 2015, community residents and advocates formed the city’s first new community land trust in over 30 years in Chinatown, the Chinatown Community Land Trust (CCLT). Today, Chinatown faces rapidly escalating property values and the encroachment of downtown luxury development, a situation very different from Roxbury more than 30 years ago. Acquiring land for CCLT in this hot market has been challenging. They have initiated discussions with Chinatown landowners about selling or transferring their land to the community land trust to ensure long-term affordable housing.

In addition, CCLT has been in conversation with city government concerning community ownership of city-owned properties in the neighborhood, such as the China Trade Center. While not all neighborhoods in Boston are experiencing the same pressures as Chinatown, CCLT’s struggles helped us to define research questions that we believe will benefit the entire Network.

Community land trusts are a means of ensuring long-term affordability in a community because a CLT insulates real-estate property values from the runaway speculative pressures that drive up the price of property in rapidly developing areas. The DNI community land trust, with over 225 affordable homes, is able to guarantee secure affordable housing for the long-term, regardless of development that occurs in the neighborhood. There are other means to ensuring long-term affordability such as deed restrictions, right to first purchase agreements, and co-operative housing, however, all of these mechanisms are complex and remain largely inaccessible to homeowners interested in preserving long-term affordability.
METHODS

Our project used the following methods to identify key opportunities and barriers to transferring homes into long-term affordability, local and state policies that are either helping or hindering, and points where further research is required.

Interviews

Community housing experts: We gained an understanding of the context for our work through conversations with 11 actors within the housing policy and advocacy community. Interviewees included Tufts UEP professors specializing in housing policy, cooperative housing experts in Boston, the chief counsel and two attorneys at the Massachusetts Department of Housing and Economic Development, a policy maker at the non-profit housing developer Preservation of Affordable Housing (POAH), and staff members at the National Community Land Trust Network, the Dudley Street Neighborhood Initiative, and the Coalition for Occupied Homes in Foreclosure.

Homeowners: We conducted four interviews with individuals who have considered or have successfully transferred their homes into affordability. These individuals were referred to us through our conversations with community housing experts.

Policy Landscape Analysis

We gathered information on current housing policy in Boston and Massachusetts from our community housing partners and homeowners to better understand the unique challenges and opportunities faced by each housing organization, and efforts by the city to address these challenges.

Best Practices - Spotlights:

In order to develop an understanding about how other cities and jurisdictions have encouraged private homeowners to transfer their homes into affordability, we researched policies that have been successfully implemented in other cities. Throughout this report we have added several “Spotlight” features that detail successful housing affordability policies and mechanisms and list potential opportunities and challenges to implementing those policies in Boston.
III. Barriers for Homeowners

INTRODUCTION
Through a series of interviews with homeowners and community housing experts from various neighborhoods in Boston, we developed an understanding of the financial, logistical, and technical barriers faced by those interested in transferring their homes into affordability.

SUMMARY OF BARRIERS

› A competitive housing market that encourages home sales to occur quickly and at high prices

› Difficulties with establishing affordable housing options in a neighborhood that is already undergoing a rapid increase in real-estate value

› Short-term rentals, such as AirBnb, removing valuable housing stock from the supply of available, affordable housing

› Lack of access to a scattered site CLT

› Lack of access to information about how to transfer or donate one’s home or to formalize informal agreements

› Costs of home repairs and/or of bringing one’s home up to code

› Lack of cohesive information about transferring into affordability amongst city agencies, banks, and community organizations

› Lack of available information tailored to specific audiences, specifically seniors
First and foremost, the housing market in Boston is very competitive and encourages drastically increased home sale prices. As detailed above, the housing market in Boston is one of the most expensive in the country. Several homeowners stated that they had been contacted, repeatedly, by investors offering to purchase their homes for cash. In addition, several interviewees recalled that when they considered selling their homes, investors were willing to purchase quickly and often at above-market values. One homeowner recalled that her neighbor sold his home for 200% of what he purchased it for just a few years earlier. Another stated that when faced with a personal financial crisis, he had no choice but to turn to investors and banks to purchase his home, while he would have preferred to place it into a long-term affordability mechanism.

It is difficult to establish affordable housing options when a neighborhood is already undergoing rapid gentrification and witnessing an increase in real-estate property values. When property values are low it is easier for community housing organizations, such as CLTs, to purchase homes and ensure long-term affordability for the community. The DNI community land trust, for example, was established at a time when property values were very depressed and the city was willing to work with the community in order to reduce the total number of homes owned by the city. As a neighborhood undergoes development and rising property values it becomes more difficult for non-profits organizations to compete with for-profit real-estate developers.

In addition, the city might be less willing to work with community housing organizations to ensure affordability out of fear that it will drive away potential investors. This sentiment was expressed in an interview with one homeowner who regretted that her community had not engaged earlier with community housing organizations to preserve affordability prior to increased development.

AirBnb allows homeowners to earn supplemental income through short-term rentals. However, some homeowners highlighted the stresses that removing housing from the housing supply can put on the available housing stock in a neighborhood. One former Chinatown resident recalled how multi-unit properties in the neighborhood were being purchased by outside investors and developers in order to convert them into short-term rentals. Owners can earn significantly more per month through short-term rentals than they can through long-term leased units or affordable housing. The homeowner stressed that renting out an available bedroom in one’s home was distinctly different from buying a multi-unit dwelling and turning it into a number of short-term rentals, with the latter placing extreme pressure on an already vulnerable housing stock.

However, the hot housing market is not the only barrier faced by homeowners. There are homeowners we spoke with who would like to contribute to their communities by transferring their homes, but still face challenges, particularly if their homes are not in a neighborhood with an active community land trust. Some homeowners do not live in areas of the city that have well-established CLTs, such as Dudley Neighbors, Inc. One homeowner, interested in transferring her home into a CLT, faced hurdles to doing so due to the fact that she did not live in a community that had an active, established CLT.

Access to technical assistance and outreach materials is limited. Many of our interviewees
were actively engaged in the Boston-area housing affordability community and were aware of the many resources available. Yet, they still expressed frustration with the lack of technical assistance or a formal process to help homeowners transfer their properties into permanent affordability. Many agreements are informal, spoken agreements between homeowners and tenants. Several homeowners expressed interest in formalizing informal affordability agreements that they had negotiated with their tenants, but were unaware of how to do so.

Home repairs and maintenance costs can be a substantial hurdle to homeowners interested in keeping their homes affordable. A homeowner who rents out several units in a triple-decker, for example, may find that it is easier and cheaper to sell their home on the market, rather than be forced to pay for costly home repairs. A homeowner may have to raise rents on their tenants in order to cover maintenance expenses or take out a costly home-repair loan.

While the city has home repair loans available for owners of affordable units, the amount is small and certain code requirements discourage owners from taking advantage of this program. Generally, many of our interviewees reported that there is a lack of clarity in the knowledge that stakeholders have about affordability mechanisms and options. City agencies, financial institutions, and community organizations need more information about how residents can transfer their homes and what tools are available to them.

Finally, providing specific assistance to target audiences is key. Boston is a collection of many diverse communities and residents with different needs, desires, and objectives. One homeowner stressed the need for information and mechanisms tailored towards the senior community. Seniors may need assistance developing an understanding of what they can do to ensure long-term affordability, including how to implement, formalize, and guarantee deed restrictions on their property, and how to work with others in their community who may be facing similar issues.

These barriers are addressed in the recommendations section found later in this report.
The affordable housing struggle in Boston’s Chinatown dramatically illustrates the challenges of transferring privately owned homes and property to a CLT or other forms of long-term affordability. As Chinatown is encroached on by the luxury development taking place throughout Boston, activists and residents in the area have tried to hang on to the neighborhood as a cultural enclave. While some affordable housing has been built in the community, it is not nearly enough to fill the need, particularly for new immigrants moving to the city. Today, Asian-Americans comprise only 47 percent of the population, compared to more than 70 percent in 2000, a sign of the gentrification of the neighborhood. The total population grew 44 percent between 1990 and 2008.

Currently, Chinatown is experiencing a persistent housing stock shortage, and many Chinese immigrants, who have recently arrived in Boston lack access to housing in Chinatown due to high demand and low supply. In such a dense geographic space, the heavy demand for housing has forced rent prices to rise and increased developers’ interest in the neighborhood.

The historic row homes that have been privately owned by Chinese families for many years, have been a focus of CCLT’s efforts since its founding. Many of the families who own and live in these homes consider themselves a part of the Chinatown community. However, they face a difficult decision when considering, on the one hand, the option of selling their home in the private market, for substantial financial gain, and their desire, on the other hand, to contribute to the long-term collective benefits of the neighborhood by transferring their home into affordability.

Drastically low amounts of undeveloped land, paired with high population density, institutional pressures, and quick housing turnover add to the heightened affordable housing constraints in Chinatown. Due to this combination of barriers, CCLT is facing a property acquisition challenge, unprecedented when compared to many other community land trusts.

Bordered by Essex Street to the north, Massachusetts Turnpike to the south, the Southeast Expressway/Central Artery to the east, and Washington and Tremont Streets to the west, Chinatown is geographically contained by highways and other major arterial roads.
INTRODUCTION

The following housing policy and mechanism review lays out suggested housing affordability tools, identified through our research, to address the barriers individuals face in transferring their homes into long-term affordable housing. We created two graphics that outline the impact of policy on the housing market, and the existing and potential mechanisms in Boston that can be used to encourage the transfer into affordability. Through interviews with homeowners and community experts, we found that barriers faced by homeowners interested in transferring to affordability are reduced by programs made available by community housing groups and government, but affected by the broader housing market.

GRAPHIC I: “POLICIES THAT AFFECT THE TRANSFER OF HOUSING TO PERMANENT AFFORDABILITY”

This graphic depicts housing policies and mechanisms that affect transfer of housing to permanent affordability. The light blue inner circle represents the stock of affordable housing that exists outside of market pressures. The arrows represent mechanisms that the city and community housing organizations can use to provide pathways for homeowners to transfer their homes. These mechanisms are outlined in further detail in graphic 2, “Affordability Options for Homeowners”.

The middle ring in graphic 1 represents the housing market, showing how it is impacted by both mechanisms for direct transfer, as well as broader government policies. One could visualize the middle ring expanding as the housing market becomes hotter or shrinking as the market weakens. The reach of this ring is influenced in part by the internal and external sections.

The dark blue, outer area labeled “External Policies” represents policies that can be used at the municipal or state level to influence the housing market so it is easier for homeowners to transfer their homes to affordability. The policies listed outside of the circle help to regulate the market, while the inner circle represents programs that can be provided by community organizations and government.
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**GRAPHIC II: “AFFORDABILITY OPTIONS FOR HOMEOWNERS”**

This flow chart shows the strategies that operate within the lightest blue “Direct Transfer Mechanisms” circle in graphic I. This chart outlines the various mechanisms that currently exist (blue) or have the potential to exist (orange) for those interested in transferring their homes. The dotted orange lines signify a “Potential Collaboration”, or partnership that has yet to be made between an actor and mechanism, but may help to decrease some of the barriers that homeowners face. Descriptions of each mechanism are described in the following sections.
Policies that Affect the Transfer of Housing to Permanent Affordability

Boston, MA

External Policies

AirBnb/Short-term regulations

Real Estate Transfer Tax

Zoning tools

Luxury Tax

Property Speculation Tax

Tax Credit for Affordable Rentals

Direct Transfer Mechanisms

Technical assistance for co-op organizers

Easy Right of First Purchase

Loan assistance programs facilitated by CLTs

Home Equity Conversion Mortgages

Donation tax credits

Housing Market
Affordability Options for Homeowners

Boston, MA

Findings

I'm a potential owner:
- I am financially restricted
  - Downpayment Assistance
    - City

I'm an individual owner interested in:
- Transferring to affordability
  - Setting to a non-profit developer
    - Donation Tax Credit
    - Shared Equity Homeownership
  - Go-op
    - Technical Assistance
    - Deed Restriction
    - CLT
- Estate planning
  - Will
  - Living Trust
- Making repairs that I can't afford
  - Right to First Purchase
  - Home Repair Loan
  - State Income Tax Credit
    - Renting Unsubsidized Properties at Below Market Rents
- Providing affordable rental units
- Addressing personal finance constraints
  - Foreclosure Assistance
  - CLT
  - Connect with COHIF
  - Home Equity Conversion Mortgage
  - Senior Option

Key:
- Existing Tool
- Potential Tool
- Potential Collaboration
- Senior Option
COMMUNITY HOUSING MECHANISMS

The following section describes pathways for homeowners interested in transferring their homes into affordability. It addresses the varying circumstances homeowners may be facing and provides existing and potential options for transferring. These pathways are reflected in Graphic II.

I’m an Individual Owner Interested in...

Transferring to Affordability

This option is best suited for homeowners interested in taking advantage of affordability tools to provide housing for those in need. These individuals wish to invest in their communities, rather than earn a profit from selling their homes.

There are five options outlined for this type of homeowner.

1. Selling to a non-profit developer
A homeowner can sell or donate their home to a non-profit developer, who then converts the home into affordable housing units within their own portfolio. Non-profit developers include community development corporations (CDCs) that work locally or nationally.

2. Massachusetts Donation Tax Credit (DTC)
The DTC would provide a tax credit beyond the federal donation credit for those who donate property to nonprofits who will use the property to create affordable housing. The DTC is in the development phase and will not be finalized for a few months. Those interviewed highlighted the impact that DTC could have for owners of larger buildings with many units; however the policy could still benefit single-family homeowners interested in donating their homes into the affordable housing stock. More research is needed to ascertain the viability of this option.

The follow three options fit within a shared equity housing framework. Shared equity housing restricts the home value appreciation that is transferred to the homeowner upon resale, keeping the home affordable in the long term. These mechanisms are used to expand community control, as well as to maintain and increase the stock of affordable housing.

3. Cooperatives
Cooperatives are housing structures wherein residents own shares in a corporation that owns the home they live in. In a limited equity cooperative, residents are allowed a modest growth in equity between the initial purchase value and eventual resale value of their corporate shares, keeping the home affordable for future residents. Cooperatives provide an avenue for a group of people to transfer. If given the opportunity, a group of apartment dwellers can purchase a building from its previous owner...
and create a cooperative that restricts equity. In Boston, the cooperative system lacks cohesion and is misunderstood and mischaracterized by the city, as well as community banks. For cooperatives to be a more successful option, technical assistance is needed to guide those interested in converting their homes into cooperatives.

4. Deed Restrictions
Deed restrictions are legal documents that restrict a home’s sale price. If not carefully negotiated, deed restrictions can often be circumvented. As indicated by the orange dotted line, a deed restriction could be enforced by a CLT, making it a more legitimate affordability mechanism.

5. Community Land Trusts
Community Land Trusts (CLT) are non-profit, community-based organizations focused on creating and maintaining affordable housing in perpetuity and fostering community stewardship of the land. The trust acquires land and holds ownership over it, while leasing it to a family or individual who owns the house on the land. When the home is sold, it is at a restricted rate that is decided by the CLT by an agreed upon formula. The home, therefore, stays affordable for new residents in the future. Transferring or selling one’s home to a CLT is one way to ensure long-term affordability. Private homeowners may find pathways to sell their homes to CLTs as a means of showing their support for the availability of affordable homeownership opportunities in their community.
Estate Planning

Estate Planning can be done by homeowners of all ages, but is particularly relevant to senior citizens who may be making plans for their estate after they die. Planning one’s estate provides an opportunity to consider transferring one’s assets ahead of time and guarantees that they are transferred into trusted hands. This can be done either by a will or a living trust. As a part of their will or living trust, an individual can choose to transfer their assets to a CLT. Living trusts are most applicable to seniors and provide an easier transfer of a home to a non-profit than a will. For more information, see Appendix B.

Making Repairs I Can’t Afford

Home repairs can be costly and unexpected. For low-income residents who require substantial funds for home repair projects, a loan may be necessary. The Department of Neighborhood Development offers such loans. CLTs have the opportunity to partner with DND to provide a matching loan, or potentially give out their own loans to homeowners. During this process, the CLT could either receive a right to first purchase from the homeowner, or have the home transferred into the land trust.

A right to first purchase is a legal document establishing contractual rights to a potential purchaser of a property by the current owner to be the first party offered the option to purchase the property. All parties must be fully aware of the consequences of the transaction. In order for this process to be transparent, the CLT structure must be communicated clearly with the homeowner so as to not be take advantage of a homeowner in an already vulnerable financial situation. For more information on home repair loans, see Appendix D.
I'm an Individual Owner Interested in Providing Affordable Rental Units

There is a state income tax credit for those who rent their unsubsidized homes at rates below the market rate. By ensuring the long-term affordability of their property, landlords can receive a tax credit under a landlord affordability tax credit mechanism. Thus, landlords have a direct incentive to provide affordable units to renters.

I'm an Individual Owner Interested in Addressing Personal Finance Constraints

If an individual homeowner is facing economic hardships, they have two opportunities based on whether or not they are at risk of foreclosure. If they are not at risk of foreclosure but are looking for some extra income, one option is to take out a home equity conversion mortgage, commonly known as a “reverse mortgage”. These mortgages are available to seniors and allow them to convert the equity in their homes to a steady income stream. The property is then owned by a bank or other entity that provides the mortgage. A CLT could potentially provide a home equity conversion mortgage and include an agreement wherein the home would be transferred into the trust after the homeowner dies.

If the homeowner is at risk of foreclosure, they have two potential options: they can seek services from the Coalition of Homes in Foreclosure (COHIF) or receive foreclosure assistance from a CLT. COHIF purchases homes in tax foreclosure and rents them back to their occupants, allowing families to stay in their homes. A CLT could provide a similar service and take the property into the trust or receive a right to first purchase.

I'm a Potential Owner... And I Have Financial Restrictions

When an individual is beginning the home-buying process, they can consider making their home a part of the affordable housing stock, either immediately or in the future. The Massachusetts Housing Partnership and the Boston Department of Neighborhood Development provide down payment assistance for low-income, first time homebuyers. These programs provide financial help in the form of loans with no interest, deferred payments, and 10-year loan terms that are forgivable after ten years. A CLT could potentially partner with these agencies and either match city funding or provide its own loan package in exchange for a right of first purchase to the property when the homeowner eventually sells, or an agreement by the homeowner to transfer the home into the CLT upon purchase.
In 1992, Homestead Community Land Trust was incorporated by a group of low-income residents of the Central District and South Seattle in Washington. The organization launched the Advantage Program in 2004 - a homebuyer driven program that provided purchase assistance grants to home-buyers between 2005 and 2009. Buyers were able to purchase market-rate homes through the assistance program and then bring them into the land trust. Funds from the WA State Housing Trust Fund, the City of Seattle and King County were bundled to provide deep subsidies to help first time homebuyers purchase homes they selected, with the agreement that those homes would be transferred into the land trust upon purchase. However, due to a state budget shortfall, funds from the State Housing Trust Fund ceased to be available. The program was re-invented to target homes selected by Homestead CLT, which were then marketed directly to buyers. The organization found that this option allowed them to better leverage private subsidies without realtors being involved in the process. Approximately 50 homes were added to the trust. Upon the program’s launch, HCLT assembled $4.2M in grants and deferred loans to assist 53 families in purchasing homes.

TAKEAWAYS:

- Realtors and individual homebuyers do the work of finding appropriate homes for the land trust.
- Available homes are not limited by what the land trust has already acquired — consumers have more options.
- The City of Boston already provides first time homebuyers assistance. A CLT could potentially partner with this program.

CHALLENGES:

- The program is expensive and requires a great deal of public subsidy.
- Homes acquired in this manner are scattered site — they are not restricted to a specific geographic location. Currently, there are no scattered site CLTs in Boston.

Source: Homestead Community Land Trust
MUNICIPAL POLICIES

The policies outlined in Graphic 1 go beyond those affecting direct transfer, playing a role in the overall housing market. State- and city-level tax policies can help steer the market towards ensuring long-term affordability. Tax policies help temper hot housing markets, like the one seen in Chinatown, by taxing certain speculative behavior that have inflationary effects on the housing market. Revenue generated from these taxes could be used by the state or city to provide for increased affordable housing, or to help homeowners ensure long-term affordability. As noted above, these tax policies can work in conjunction with the mechanisms outlined in the previous section.

**Property Speculation Tax**

A Property Speculation Tax (PST) attempts to lessen speculative behavior by investors who buy property intending to earn quick profits and take advantage of other capital growth opportunities. A PST attempts to dampen pro-cyclical behavior that increases housing price volatility in highly speculative markets. PSTs are tapered over time to encourage owners to not flip their property. To do this, the tax must be steep enough to discourage flipping. The tax can be set up in a number of ways. Most common is to tax capital gains, rather than simply the sale or purchase price. Like any tax, a PST raises revenue for the government, which can be earmarked for housing affordability in the city.¹⁴

A PST could help ensure long-term affordability in Boston in a number of ways. The tax would discourage speculation, which quickly raises the price of property in a neighborhood and pushes out or precludes some residents due to steeply rising property values and taxes. A PST would also raise revenue which could be used to finance affordable housing options in the city.

**Real Estate Transfer Tax**

A real-estate transfer tax is imposed at either the state, county, or municipal level. It is a tax on the title of the property sold within that jurisdiction. Thirty-seven states, including Massachusetts, have some form of a real-estate transfer tax. Currently, the rate in Massachusetts is 0.456%, which falls in the higher tax rate range.¹⁵ Somerville is considering a 1% real-estate transfer tax to help fund and ensure permanent affordability in the city.¹⁶ A real-estate transfer tax could encourage housing affordability by dampening speculative pressures in the city and by raising additional government revenue that could be used to fund affordable housing.
AirBnB/Short-Term Rental Regulation

As short-term rental services such as AirBnB become more popular, residents in tourist heavy cities have recognized that they can make a large profit from renting out extra rooms or entire properties for high prices. Cities can ensure that more existing housing is used for long-term rentals, which are more likely permanently affordable, by addressing the short-term rental market. Platforms such as Airbnb facilitate the conversion of long-term rental units to short-term units, an issue that was expressed by a homeowner in Chinatown. Policies have been enacted in different cities around the globe to stem the rapid proliferation of the conversion of housing that could be used for long-term residents into short-term rental units.

SPOTLIGHT: Regulating Short-Term Rentals Seattle, WA

Seattle regulates short-term rentals in order to balance economic opportunity, while maintaining a healthy supply of long-term rentals at a variety of prices. The regulations prevent long-term rentals from being turned into short-term rentals by limiting the time window of available renting to 90 nights in a 12-month period. However, if the property is the primary residence for the operator, then the window can exceed the 90-night threshold. This regulation has enough flexibility to allow residents to gain additional income through renting their property.

TAKEAWAYS:

- Airbnb guests pay state taxes, but these taxes go to various funding streams, not specifically affordable housing. There is an opportunity to use these funds to directly fund affordability programs within the city.
- Lowers the incentive for buying units for the sole purpose of short-term rentals, providing more housing stock for long-term rentals.

CHALLENGES:

- Short-term rental regulations are difficult to regulate and enforce.
- Pushback regarding platforms to turn over information about the individual operators, which is required under the ordinance.
A luxury transfer tax is similar to a real-estate transfer tax, but it only applies to homes above a certain assessed property value. New York City, for example, imposes a 1% transfer tax on all residential sales less than $500,000. San Francisco recently voted to increase the tax rate from 2% to 2.25% for properties sold for between $5 million to $10 million, from 2.5% to 2.75% for properties sold between $10 million through $25 million. Again, this tax would generate revenue for Boston that could be used to ensure affordability.

Certain transfers, however, are not subject to the tax, namely transfers that are considered gifts, either to a non-profit or other organization, an inheritance, or between an individual and one’s own trust. Due to increasing property values, San Francisco raised almost $274 million in 2016 from transfer taxes. Revenue goes in the general appropriations fund and is not earmarked for special housing affordability programs.

<table>
<thead>
<tr>
<th>If entire value or consideration is...</th>
<th>Tax Rate for entire value is...</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than $5,000,000 but less than or equal to $10,000,000</td>
<td>2.25%</td>
</tr>
<tr>
<td>More than $10,000,000 but less than or equal to $25,000,000</td>
<td>2.75%</td>
</tr>
<tr>
<td>More than $25,000,000</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

**TAKEAWAYS:**
- Facilitates tax exemption for affordability in rental properties, condominiums, or multi-family properties.
- Facilitates mixed income residential development in urban centers
- Suitable for developers and owners of multifamily buildings

**FINDINGS:**
- Restricted to residential areas
- Does not account for individual homeowners wanting to transfer their homes into affordability.
The City of Seattle’s Multifamily Tax Exemption (MFTE) program provides a property tax exemption to developers and owners of multifamily rental and for-sale residential projects.

In the case of rental properties, if the property owner rent-restricts at least 20 percent of the units for income-qualified households, they are excused from the property tax on residential improvements during the period of exemption. For condominiums or other multifamily properties, the tax exemption is received by the owner of each income- and price-restricted unit, so long as at least 20 percent of the units are set aside. In no case does the exemption apply to land or non-residential improvements. Under state law, the program currently provides a 12-year exemption.

One hundred sixty three projects are actively receiving the tax exemption in 2017. The combined appraised value of residential improvements for these projects, as determined during their initial appraisal year, totaled approximately $2.36 billion. This does not reflect any subsequent appraisals, during which property values may increase significantly.

**TAKEAWAYS:**

- Facilitates tax exemption for rental properties, condominiums, or multi-family properties.
- Facilitates mixed income residential development in urban centers.
- Suitable for developers and owners of multifamily buildings.

**CHALLENGES:**

- Restricted to specific residential areas.
- Does not account for individual homeowners wanting to transfer their homes into affordability.
V. Recommendations

INTRODUCTION

We recommend that the GBCLTN consider the following recommendations as they address the barriers identified by our interviewees and policy research. While the intended audience is the Network, we believe that much of this information can be useful to other organizations in the city and beyond. We highlight both opportunities and potential barriers to implementation. These recommendations include state, city, and community housing organization collaborations, as well as outreach to various stakeholders.

Table I, on the next page, displays a rating system of our recommendations organized by feasibility and impact. While we cannot judge the feasibility of each recommendation without consulting with GBCLTN in its entirety, we believe this table represents an accurate depiction of the time range and potential impact of each recommendation. Those recommendations that could be achieved in the short term (between six months to 1 year) and have a high impact are those that we strongly support, including deed restriction enforcement, and outreach and education through homeownership classes and in conjunction with city agencies. We define short term as a policy or program that can be achieved in six months to a 1 year, medium term as one year to 3 years, and long term as more than three years.
**Recommendations for the Transfer of Private Housing to Permanent Affordability**

*Boston, MA*

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Collaboration Partners</th>
<th>Time Period*</th>
<th>Impact</th>
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<tbody>
<tr>
<td>Support Housing Tax Policy</td>
<td>Mass Department of Housing and Economic Development</td>
<td>Medium/Long</td>
<td>High</td>
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<tr>
<td>Down Payment Assistance</td>
<td>Mass Housing Partnership and Boston Department of Neighborhood Development</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Home Repair Loans</td>
<td>Boston Department of Neighborhood Development</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Cooperative Outreach and Technical Assistance</td>
<td>Cooperatives</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Deed Restriction Enforcement</td>
<td>Specific CLTs</td>
<td>Short</td>
<td>High</td>
</tr>
<tr>
<td>Home Equity Conversion</td>
<td>Specific CLTs</td>
<td>Long</td>
<td>Medium</td>
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<tr>
<td>Right to First Purchase Formalization</td>
<td>Housing Lawyers</td>
<td>Short</td>
<td>Medium</td>
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<tr>
<td>Outreach and Education</td>
<td>Homeownership Classes</td>
<td>Short</td>
<td>High</td>
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<tr>
<td></td>
<td>Banks</td>
<td>Short</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>City Agencies</td>
<td>Short</td>
<td>High</td>
</tr>
</tbody>
</table>

*Short term: 6 months - 1 year
Medium term: 1 year - 3 years
Long term: 3 years+*
STATE-LEVEL STRATEGIES

Various opportunities exist for collaboration between GBCLTN and state agencies including the Massachusetts Department of Housing and Economic Development (DHED).

Support for Housing Tax Policy

- Within DHED, the Department of Housing and Community Development (DHCD) has created the Donation Tax Credit (DTC). This credit could be better suited to aid the mission of shared-equity housing organizations and GBCLTN by creating a streamlined process or additional incentives for homeowners who want to donate a property directly to a CLT. As of the writing of this report, the creation of DTC has yet to be completed, allowing for the Network to influence the role of CLTs in this program. However, qualifying for the DTC may be difficult in a dense area, such as Chinatown, because the credit may be reserved for large-scale housing projects, not single-family units or smaller multi-family buildings such as row-homes. As the program is in the initial phases, there is not enough information to gauge its potential impact.

- The Network can join advocacy efforts for the implementation of a luxury tax, speculation tax, and real-estate transfer tax to raise revenue for land trusts, which can then be used to purchase homes that can be transferred into affordability. Advocating for progressive tax policy in the legislature requires organizing, mobilization, and lobbying of local leaders and elected representatives. If the Network has the organizational capacity, they could start a working group to focus on policy advocacy with the state. While these tax policies do broadly affect the housing market, they do not all directly incentivize homeowners to transfer their homes to permanent affordability.

- Finally, GBCLTN can mobilize and lobby for short-term rental (Airbnb) regulations. Homeowners may be opposed to regulations that limit their ability to take advantage of the short-term rental market. GBCLTN could partner with other housing organizations working on this issue to increase support.
The Massachusetts Housing Partnership and the Boston Department of Neighborhood Development provide down payment assistance for low-income, first-time homebuyers. The GBCLTN may consider a partnership with these agencies to provide matching assistance or primary assistance for homeowners interested in the programs. A CLT can then offer assistance in exchange for an agreement for the home to be placed into the CLT or to receive a right to first purchase agreement. An important consideration is that providing assistance to those already in need in exchange for rights to their land runs the risk of being predatory. A CLT would have to be extremely transparent and communicative about the options they are providing and how the program would function. In addition, this option may be cost-prohibitive for some CLTs.

Before receiving down payment assistance, interested homebuyers must complete a homebuyer’s class through the city or a partnering agency. These classes could provide an opportunity for CLTs to disseminate information about down payment assistance programs.
COMMUNITY HOUSING INITIATIVES AND PROGRAMS

Cooperative Outreach and Technical Assistance

GBCLTN can involve existing cooperative networks in Boston to increase collaboration and engagement with housing affordability advocates. This collaboration would increase awareness of cooperative living options in the city and provide technical assistance to those interested in transferring their home into a co-op. GBCLTN and the co-op community should reach out to the city to further relationships and potential points of collaboration. However, increased involvement with additional organizations requires additional time and effort on the part of all partner organizations.

Deed Restriction Monitoring

Creating a sense of confidence in the enforcement capacity of a deed restriction is crucial to their success. Therefore, GBCLTN could take on the responsibility of monitoring deed restrictions that ensure long-term housing affordability in Boston. This would require GBCLTN to facilitate a network of lawyers and experts who are able to assist interested homeowners and create a partnership with the City. It would also have to make it known that it was providing this assistance and oversight.

GBCLTN could serve as a one-stop-shop for those interested in placing a formalized deed restriction on their property by providing access to lawyers, housing specialists, and others who can provide required technical assistance. GBCLTN would assure that the legal restrictions will be monitored and adhered to by future owners.

Recommendations
GBCLTN can involve existing cooperative networks in Boston to increase collaboration and engagement with housing affordability advocates. This collaboration would increase awareness of cooperative living options in the city and provide technical assistance to those interested in transferring their home into a co-op. GBCLTN and the co-op community should reach out to the city to further relationships and potential points of collaboration. However, increased involvement with additional organizations requires additional time and effort on the part of all partner organizations.

Many homeowners and experts highlighted the potential benefits of a right to first purchase agreement between a CLT or other non-profit and an interested homeowner. However, these are often informal agreements that are not legally binding. The Network should work to find ways to formalize agreements between community non-profit developers and interested homeowners. This could be in the form of legal assistance. In addition, the Network could serve as a third-party that can recommend technical assistance experts. This process would require additional effort on the part of the Network to ensure agreements are formalized in a fair and transparent way.
OUTREACH AND EDUCATION

While it is not represented in the diagrams above, outreach and education are vitally important in making options to transfer homes into affordability more accessible to homeowners. Through our research we discovered a significant lack of awareness on the part of interested homeowners and financial and municipal stakeholders.

Housing Classes

Boston’s Department of Neighborhood Development has expressed interest in providing a class on shared equity homeownership models. The Network can use these classes to provide information to homeowners about pathways to maintaining affordability. A detailed plan would need to be devised to organize these classes, including creation of materials, marketing the class, and ensuring that accurate information is disseminated.

City Outreach and Relationship Building

Increased information sharing between the GBCLTN and the City of Boston is crucial in order to best support CLTs. By creating partnerships with land trusts and communicating regularly, the city can be made aware of the pertinent issues and policies that could be used to address them. The two groups must overcome political barriers that may hinder increased collaboration between community organizations in the city as they work towards the common mission of housing affordability.

Bank Education

The GBCLTN should expand existing relationships with community banks, to build more knowledge on how these programs work and how banks can aid the process. Building curriculum that can be shared with banks in the region requires significant time, resources, and technical aid.
FINAL RECOMMENDATION REMARKS

Throughout our research, it became apparent that there are countless ways to address issues of housing affordability. While the recommendations above stem from months of interviews and research, we see the continued need for research on a variety of partnerships that may benefit the GBCLTN.

First, a shift in the structure of CLT’s in Boston may need to be considered if the Network hopes to keep up with the demand for affordable housing. Up until this point, a scattered site CLT has not been of interest to the Network, however it may be useful to look into the possibility of City CLT Collaboration that would support scattered properties with the help of existing city infrastructure. There may also be funding opportunities for CLTs through the various “anchor institutions”, such as Tufts University, Harvard University, and Tufts Medical Center. Funding may be available through these institutions in the form of PILOTS (Payments In Lieu of Taxes) to the City and community benefits agreements that could provide funding and possibly even land and buildings for affordable housing. Because anchor institutions have a vested interest in the well-being of the community, they may be persuaded to support local community organizations with similar goals.
Building and maintaining an affordable housing stock is one of the biggest challenges facing the City of Boston and the greater metropolitan region. The potential personal wealth one can gain from putting their home on the market often times outweighs the desire to invest in the collective community interest to provide affordable housing for future generations. Through a series of 14 comprehensive interviews with homeowners and community housing experts, we identified barriers and opportunities for homeowners that may discourage or incentivize the transfer of their property to permanent affordability. Using this knowledge, we crafted recommendations for affordable housing organizations to further their missions. These recommendations include collaborations and outreach with state and city agencies, financial institutions, other housing organizations within the Network, and potential or current homeowners. The recommendations are intended to provide guidance for the GBCLTN as they grow as an organization.

We also recognize that this project represents one of many aspects of the sustained partnership between Tufts UEP and the GBCLTN, one that continues to grow and develop year on year. As the partnership continues, Tufts’ students can continue to support the GBCLTN through more in-depth research on options for program design and the implementation of our recommendations.
INTERVIEW SCHEDULES

Expert Interview Questions
1. Do you have any ideas as to what might be stopping homeowners from selling their homes to CLTs or using other affordability mechanisms?
2. One aspect of our research is to look into other policies that have been used by city governments to encourage homeowners to sell their homes into affordability. Have you heard of any policies that you think might be worth looking into?
3. Do you know of anyone who has attempted to or has successfully transferred their homes into affordable housing? Would you be willing to connect us with them so that we might interview them about their experiences?
4. Are there any state or local policies (in the Boston area) that you think might impact how people sell their homes into affordability? Do these policies make it easier or harder for people?

Homeowner Interview Questions
1. Set-up: Thank you for sitting down with me. How are you today? Did you receive the interview consent form and do you have any questions before we get started? Is there anything that you'd like to know before we get started? The questions are organized into three or four categories. If there are any questions you'd rather not answer or don't have the answer to, please feel free to let us know and we'll skip that question and move on.
2. Background: Can you tell me a little about the neighborhood you live in:
   a. Where is your home in the neighborhood, how long have you been in the neighborhood, have you noticed changes about the neighborhood since you've been here?
   b. Are there any community organizations, community land trusts, neighborhood affiliations that you're a part of or that are prominent in the neighborhood?
   c. When did you start to consider transferring your home to ensure that it would remain permanently affordable for the neighborhood?
   d. What inspired you to transfer your property to ensure permanent affordability?
3. Those who successfully utilized a mechanism for ensuring permanent affordability: Can you tell me more about how you ensured that your home will remain permanently affordable?
   a. What mechanisms did you consider?
   b. Why did you choose that mechanism over other mechanisms available?
   c. Did you partner with any local non-profit organizations to assist you?
   d. Were there any city or state or federal incentives that helped you to choose to place your home into some permanently affordable housing mechanism? Which of these worked best for you, which of these did not work for you?
   e. What challenges did you face when considering placing your home into permanent affordability?
   f. Looking back, is there any service or assistance that would have made it easier for you to make your home permanently affordable?
   g. Are there other in your community that you can think of who might consider doing something similar?
Homeowner Interview (continued)

4. Those who considered placing their home into a permanent affordability mechanism:
   a. Can you tell me more about your interest in permanent affordability in your neighborhood?
   b. What mechanisms did you consider?
   c. What mechanisms did you try?
   d. What are some of the challenges you've encountered when considering placing your home into permanent affordability?
   e. Do you have any ideas of what could have made this process easier for you?

5. Outcomes: have you noticed any positive outcomes from your decision? If so, do you think this will help others do the same? Have you realized any negative outcome from your decision? If so, do you think there is anything that could have been done differently to avoid those problems? How would you talk about the value that this has had in your community and to yourself to others who may be considering doing something similar with their home?

6. Anything else you’d like to tell us about your experiences? Any questions for me?
LONG TERM FINANCIAL PLANNING

Living Trusts

A living trust is a written legal document that places a person's assets into a trust for their benefit during their lifetime, so that the assets can be transferred to the designated beneficiaries after the person's death by the person's chosen representative. This representative is called a "successor trustee." A will is a written legal document with a plan of distribution of one's assets upon their death. The difference between a will and a living trust is that in the case of will, nothing takes effect until the person dies.

One of the major benefits of a living trust is the expedited process of distribution of the assets because it does not go through probate. This reduces the cost of the distribution of assets, while probate court costs are taken from estate. A living trust provides privacy as it is not made public upon one's death and one's estate is distributed privately. A living trust also ensures preparedness as the successor trustee is entrusted with the responsibility to manage the asset without the intervention of the court. It is a trust that becomes effective during the lifetime of the trustee.

Estate Planning

The process of preparing for the transfer of a person's wealth and assets after his or her death is called estate planning. Assets, life insurance, pension, real-estate, cars personal belongings and debts are all part of one's estate. These plans are written, signed and notarized by the person who owns the estate. Estate planning begins with a will or a living trust. Wills are legal documents that express the intensions of the owner of the estate, stating whom they wish to transfer their estate to when they die. A judge allows the transfer of the property from the owners to the beneficiaries account. Estate Planning also includes planning for one's possible incapacity, as well as a process of reducing or eliminating uncertainties over the administration of a probate, while maximizing the value of the estate by reducing taxes and other expenses. The goals of estate planning are determined by the needs of the client and can simple or complex. An estate plan requires payment of U.S Federal estate taxes if the property is transferred to anyone other than a spouse or any qualified charity.
APPENDIX C

SHARED EQUITY HOMEOWNERSHIP

Housing Cooperatives

There are three types of housing cooperatives: market-rate cooperatives, limited equity cooperatives, and zero equity (or par value) cooperatives. For the purposes of this project, which is focused exclusively on housing affordability, we focus on the last two. In a limited equity cooperative, homeowners are allowed modest growth in equity between the initial purchase value and eventual resale value of their corporate shares. In a zero-equity cooperative, there is no growth in the homeowner’s investment and the homeowner sells for essentially the amount that they paid for the property.

Each homeowner that lives within a cooperative owns shares in the corporation that owns their home, rather than the title itself. They are each voting members of the corporation and have control over its operations, assets, restrictions of use, and the resale of shares. There are three documents that outline the regulations of a cooperative—the subscription agreement (disclosure document and purchase-and-sale contract for prospective purchaser of co-op shares), stock certificate (proof of the occupant’s ownership over his or her shares), and the bylaws of the corporation itself. These three documents all include the resale formula and also grant the cooperative corporation, in most cases, a preemptive right to repurchase shares for their restricted, formula-determined price.

Cooperatives provide another way that a group of people can transfer their home into affordability. If given the opportunity, a group of apartment dwellers can purchase the building from its previous owner and create a cooperative that restricts equity appreciation. Some have experimented with combining the CLT model with the Limited Equity Cooperative model. Opportunities for cooperative ownership would be enhanced in Boston if tenants were given a right to purchase before the building was put on the market.
Deed Restrictions and Restrictive Covenants

With deed restrictions, long-term affordability is achieved through a restrictive covenant appended to a property's deed or, in some cases, to a property's mortgage. These covenants may last forever or may lapse after a specified period of time. They can exist on a wide variety of housing types—including single-family homes and also condominiums and apartments. In the latter case, the title to the land and the building may be held separately by many different homeowners.

Restrictions of this type require the owner-occupant to resell the property to someone from a specified pool of income eligible buyers for a specified, formula-determined price. The covenant may also contain a preemptive option, giving a nonprofit corporation, a public agency, or some other party the first right to repurchase the homeowner's property at the formula-determined price. All these requirements go with the deed, binding both the present owner and any subsequent owners of the encumbered property.

Often, an outside party, such as a non-profit, is assigned to administer the regulations. However, that is not always the case. At times it is thought that a restriction needs no oversight and that outside agents such as the buyer's lender, the buyer's lawyer, or any company asked to issue title insurance will block the sale. However, without enforcement, and with enough money on the table, sellers have been able to find ways around affordability restrictions.
PAYMENT ASSISTANCE TOOLS

Payment assistance tools are funding mechanisms that could be provided by affordable housing organizations to populations in need of financial support related to their housing needs. These tools could be utilized by a CLT to purchase properties over long periods of time. They require that the CLT have pre-existing funds that can be invested in property procurement over time. Homeowners could use these types of assistance, though their ultimate goal may not have been to transfer their home into permanent affordability.

Downpayment Assistance

Many homebuyers struggle to find the money for a down payment. Some cities offer down payment assistance programs for first-time homebuyers. Boston’s program, for example, provides loans that offer no interest, deferred payments, and ten year payment plans that are forgiven after ten years. Mass Housing Partnership also provides a ONE Mortgage program, a mortgage loan product that provides consumer education, low interest rates and fees, mortgage insurance coverage, and a minimum 3 percent down payment on single family homes.34

Tax Foreclosure Assistance from CLT

This idea was originally introduced by Maureen Flynn of Coalition for Occupied Homes in Foreclosure (COHIF), a Boston-area housing organization that assists homeowners who are in or threatened with foreclosure. A CLT could assist homeowners who are at risk of foreclosure, particularly the elderly who are unable to pay property taxes, by paying their back taxes. In exchange, the homeowner would give the home to the CLT or place affordability restrictions on the home when the homeowner dies.

Home Repair Loans

Cities across the country offer home repair loans for low-income individuals. The City of Boston’s Department of Neighborhood Development provides loans through its HomeWorks Home Equity Loan Program. They provide interest free loans for projects both inside and outside of the home of up to $20,000.$35
LONG TERM FINANCIAL PLANNING

These mechanisms are intended, to facilitate a strategic plan for property transfer well before the actual transfer. These mechanisms ensure preparedness for both the homeowner and the CLT who receives the property.

Right of First Purchase

A potential buyer receives a right of first purchase, which is an opportunity to purchase before a property is put on the open market. It can be a right of first offer, a right of first negotiation, a right of first refusal, or a combination of these rights. A grant by the owners to the organization of a right of first purchase can provide the organization with certainty that it will have some opportunity to get the property before the owners put a property up for sale.

The right of first offer requires the owner to offer the property to the person who then holds the right before offering the property to others. A right of first negotiation, which acts as an addition to the right of first offer, requires the owner to negotiate with the holder in good faith for some period of time. Finally, the right of first refusal allows the holder the right, after offers are solicited from others, to match any offer that the owners are willing to accept.

These rights often act in combination so that the holder has the first opportunity to act on the owner’s interest in selling and also comes with an assurance that if the owner’s expectations are unrealistic, there is still an opportunity to match a price offered by some other buyer, once the property is out in the market.

Home Equity Conversion Mortgage

This is a type of a Federal Housing Administration insured reverse mortgage. It allows seniors to convert the equity in their home to cash. This amount may be borrowed based on the appraised value of the home, and the age of the borrower (borrower must be 62 years old or older). The money is advanced against the value of the home, and interest accrues on the outstanding loan balance, but no payments are made until the home is sold or the borrower dies. It is at this point that the mortgage must be repaid entirely. The home secures the mortgage and hence no credit check is made on the borrower. HECMs typically have low interest rates and act as an alternative to a reverse mortgage, but do require a credit check.37

HECMs are increasingly popular amongst seniors who wish to supplement their income and have equity in their homes. This is the only mortgage insured by the U.S. Federal Government and is only available through a FHA approved lender.38
Housing Donation Tax Credit (DTC)

Through an expansion of the current State Low Income Housing Tax Credit (SLIHTC), a tax donation credit has been deployed that provides a credit against Massachusetts income tax liability for property owners who donate existing housing properties to nonprofits that commit to long-term affordability. In combination with a federal charitable deduction, this option makes donation a competitive option when compared to selling on the open market.
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