V. Performance

Claims and Criticisms of Shared Equity Homeownership

Shared equity housing is designed to balance the competing interests of individuals and community. Five pairs of benefits are commonly claimed for these alternative models of tenure, creating a multifaceted set of standards by which the performance of shared equity homeownership may be judged. The evidence for and against these claims is sometimes convincing and sometimes inconclusive, contradictory, or non-existent. Where evidence is lacking, the stage is set for future research.

Shared equity homeownership, in all of its forms, is designed to achieve an equitable and sustainable balance between the legitimate interests of individuals who own and occupy residential property and the legitimate interests of a larger community. Between these pairs of interests, there is an unavoidable tension, for "what one individual does to secure his or her interests may interfere with the interests of other individuals or the community; and what the community does to secure its interests may interfere with the interests of individuals."[161] The challenge taken up by shared equity housing is to manage this tension over a lengthy period of time in a manner that is fair to both parties.

The performance of shared equity homeownership is to be judged, therefore, by its success in delivering – and balancing – a handful of benefits that are commonly claimed for these nonmarket models of tenure by the public officials who support them, the private lenders who finance them, and the community activists who promote them: affordability, stability, wealth, involvement, and improvement. There is an individual dimension and a community dimension to each, with some benefits accruing primarily to the owner-occupants of resale-restricted homes (individual benefits) and some benefits accruing primarily to the surrounding neighborhood or, more grandly, to society as a whole (community benefits). These property-based benefits are pursued in relation to one another. Every benefit realized by an individual homeowner has a corresponding benefit realized by the larger community. Neither is pursued in isolation from the other. Neither is advanced at the expense of the other. By design, they march in tandem, benefiting individual and community alike.

These complementary pairs become the yardstick by which the performance of shared equity homeownership may be measured, evaluating how close it has come to doing what it promises to do. Not every model of resale-restricted, owner-occupied housing delivers every benefit to the same degree, nor does it promise to do so. Not every model performs the same way every time in every place. By using a common measure, however, it is possible to discern not only how a particular model performs under different conditions, but also how the sector as a whole performs relative to the publicly subsidized rental housing, the market-priced rental housing, and the market-priced homeowner housing which surrounds it. The five pairs of benefits which shared equity housing is most frequently claimed to deliver and to balance may be summarized as follows:

Shared Equity Homeownership: Claims

Performance Standard	Individual	Community
AFFORDABILITY	Access to homeownership is *expanded* for current homebuyers of modest means.	Access to homeownership is *preserved* for future homebuyers of modest means.
STABILITY	Security of tenure is enhanced. The risks of homeownership are reduced.	Neighborhood stability is increased.
WEALTH	Personal assets are enlarged.	Community assets are preserved.
INVOLVEMENT	Social bonds and collective action are nurtured *within* shared equity housing.	Civic engagement is expanded *outside* of shared equity housing.
IMPROVEMENT	Personal mobility is enabled.	Community development or community diversity is promoted.

Another yardstick is available to us in evaluating these nonmarket models of homeownership. Rather than viewing them exclusively through the positive lens of their supporters, they may also be viewed through the negative lens of their critics. Claims for the worth of shared equity housing are widely contested. These models are sometimes attacked for doing too little to promote the interests of the individuals who occupy them. They are sometimes attacked, from the other flank, for doing too little to promote the interests of community. The most common of these criticisms are the following:

Shared Equity Homeownership: Criticisms

Performance Standard	Individual	Community
AFFORDABILITY	It is not the form of tenure which expands homeownership for low-income households, but the type of housing and the level of subsidy.	Helping low-income households to become homeowners is high-cost and low-volume. Public subsidies should be put into rental housing instead.
STABILITY	Occupants gain security, but relinquish independence. They have too little choice and too little control over their personal living space.	Stabilization is limited to a small pool of housing, with little impact on the neighborhood as a whole. Instability among the housing's sponsors, moreover, may jeopardize neighborhood gains.
WEALTH	Resale-restricted housing is a poor personal investment. Occupants build relatively little wealth.	Public subsidies should be recaptured and reinvested, not locked passively and permanently into low-cost housing.
INVOLVEMENT	Too many contentious meetings and too many "free riders" put a strain on neighborliness and deplete social capital.	The owners of shared equity housing turn inwards, not outwards. Self-absorption, not civic engagement, is the more likely result.
IMPROVEMENT	Resale-restricted housing creates barriers to economic, social, and geographic mobility. Occupants are "stuck."	The tenure of a neighborhood's housing does not matter very much in promoting either development or diversity.

The purpose of the present chapter is to apply and to refine both of these yardsticks in assessing whether various models of shared equity homeownership perform as promised. After describing more fully the claims and criticisms that attend these models, we shall consider the quality of the available evidence for confirming the claims that are made for shared equity homeownership or rebutting the criticisms that are leveled against it.[162] Where evidence is lacking – or where findings are contradictory – we shall note the need for additional research if the performance of this sector is to be adequately assessed.

A word of caution must be sounded before embarking on this survey of what is known and not known about the performance of shared equity homeownership. As Apgar (2004: 40) has warned,

> At its best, quantitative housing policy analysis can "probe not prove." Indeed, in complex real life situations, "proving" something is particularly elusive. The methodological challenges confronting efforts to measure the impacts of alternative housing policies are numerous. In large measure, understanding the consequences of tenure choice is difficult because this research requires the isolation of a single variable in what is often a complex series of behavioral relationships.

Proving that nonmarket models of homeownership do what they claim to do is no less elusive than proving that market-rate models perform as promised.[163] Tenure matters, but it is often hard to say how much it matters, or when.

Performance Standard 1: Affordability

Individual Affordability	Access to homeownership is *expanded* for current homebuyers of modest means.
Community Affordability	Access to homeownership is *preserved* for future homebuyers of modest means.

Affordability is the first standard by which the performance of shared equity homeownership may be judged. If these nonmarket models perform as promised, they will succeed where the market cannot, making homeowners out of households who could not otherwise afford the cost of buying and operating a house, townhouse, condominium, or cooperative apartment on their own. These models will also maintain the relative affordability of this owner-occupied housing over time, serving households at the same level of income (or at a lower level of income) across multiple resales. Shared equity homeownership can be deemed to have been effective in delivering and balancing its promised benefits, in other words, when shared equity homes are made affordable initially and kept affordable continuously, one lower-income homebuyer after another.

Individual Affordability: Weighing the Pros and Cons

What do we know about the relative affordability of shared equity housing? The evidence shows that deed-restricted homes, community land trusts, and limited equity cooperatives do serve households at a lower level of income than comparable housing that is priced and sold through the market. Low-income households are the ones who predominantly buy and occupy shared equity housing. Most of this housing is targeted to households earning less than 80% of Area Median Income; much of it is targeted even lower. In many of the highest-priced housing markets in the United States, moreover, where access to homeownership has become all but impossible not only for the poor but for moderate-income households as well, resale-restricted housing is selling for a price that is low enough to allow many who have been excluded from the market to acquire an ownership stake in their housing. CLTs, LECs, and the sponsors of deed-restricted housing regularly accomplish what the market cannot.[164]

Critics are quick to assert, however, that the affordability of these models is more a function of the level of subsidy they enjoy than the form of tenure they employ. There is nothing intrinsic to the models themselves that results in a lower purchase price or lower operating costs than market-rate housing of a similar type, subsidized to a similar degree. Supporters of shared equity housing readily agree – up to a point. It is obviously the subsidy that reduces the price of a newly acquired home when it is first brought into the resale-restricted domain of shared equity housing. In every case, had the same amount of subsidy been poured into a market-rate home of similar size, quality, and type, a household at the same level of income would have been able to purchase that home.[165]

If it is the subsidy that makes shared equity housing affordable for the first generation of low-income homebuyers, however, it is tenure that keeps it affordable for the next generation.[166] Although a benefit earlier described and later discussed as one that accrues primarily to "community," the perpetuation of affordability clearly benefits individuals as well, for it enables LECs, CLTs, and the sponsors of deed-restricted housing to preserve ownership opportunities that public subsidies and private donations have made possible. The supply of resale-restricted, owner-occupied housing is not diminished every time another subsidized home is resold. Instead, the supply increases with every new home that is produced and subsidized, expanding access to homeownership for a growing number of people.

The tenure of shared equity homes may contribute to affordability in three other ways. First, the lower operating costs that are regularly reported for limited equity cooperatives are more likely to result from an LEC's ownership structure than its subsidy structure. A number of studies support Silver's (2002: 12) conclusion that "cooperatives cost less than virtually any kind of subsidized housing," with LECs in particular showing lower maintenance and management costs than comparable multiunit projects operated by for-profit landlords, nonprofit landlords, or public housing authorities.[167] The operating costs for LECs have been reported to be as much as a third lower in comparison with similar rental properties because of "members' pooling resources, members' concern for their property, and resident oversight of property affairs" (Chicago Mutual Housing Network, 2004: 35). Lower operating costs translate into lower carrying charges for an LEC's resident members, lowering the affordability threshold for homeownership.

Secondly, tenure sometimes matters in the competition for public assistance. Wherever a city or state has made regulatory concessions, fee waivers, or tax reductions available to dwelling units encumbered with durable controls over their use and resale – benefits not offered to market-rate housing – the form of tenure of a proposed residential project can have a significant impact on its initial affordability. Bellingham, WA, for example, provides a 50% density bonus for newly constructed owner-occupied housing that is made "permanently affordable."[168] Burlington, VT, provides a 50% waiver of impact fees for that portion of a proposed residential project that initially sells for a price affordable for households earning less than 75% of median income, if there is "continuing affordability" for a period of 99 years.[169] New Jersey, Vermont, and California, among other states, require municipal tax assessors to take account of long-term resale restrictions in establishing the taxable value of publicly assisted, owner-occupied housing.[170] Such measures either lower the cost of constructing a shared equity home or lower the cost of mortgaging and operating it. They make housing that is owned and operated as shared equity housing more affordable, expanding access to homeownership for persons of modest means.

Finally, tenure may affect affordability by influencing the front-end decisions that developers make when designing and building affordable housing. Shared equity housing comes with contractual restrictions and stewardship responsibilities that last many years. This may encourage those who are drafting the specifications, choosing the materials, and selecting the insulation, heating, and cooling systems for a newly constructed residential project to think in terms of a longer time horizon than is customary when planning the production of low-cost housing for low-income homebuyers. Some advocates for shared equity housing have argued, in fact, that a commitment to durable affordability is likely to lead to the use of more durable materials and the installation of more sustainable systems, development decisions that can have a major impact on stabilizing the long-term cost of operating a home. Their assertion must be treated as merely a hypothesis, however, since no one has yet studied this connection.

Community Affordability: Weighing the Pros and Cons

The lower prices reported for shared equity homes and the lower incomes reported for the people who occupy them may be due, initially, to the subsidies that made this housing affordable. When lower prices persist over many years, however, and when shared equity homes continue to be acquired and occupied by low-income households as most of the market-rate housing around them moves steadily beyond their reach, something else is at work. There is something different about the way that shared equity housing is owned and operated that allows people who are being priced out of the market to still have access to homeownership. Tenure may play a peripheral role in creating affordability; it plays the principal role in maintaining it.

At least, that is the claim. What evidence do we have that rearranging the rights of ownership to include durable controls over resale can actually preserve the affordability of owner-occupied housing? Much of the evidence is inferential or anecdotal. For over 30 years, a growing number of cities, counties, and states have been using deed covenants, ground leases, and other contractual components of shared equity housing to perpetuate the eligibility, occupancy, and affordability of housing produced with the assistance of public dollars or public powers. In California alone, virtually all of the 107 jurisdictions with inclusionary housing programs "now report that they have formal mechanisms to maintain affordability over time."[171] That is true for inclusionary housing programs in New Jersey, Massachusetts, Colorado, and several other states as well. The popularity of these mechanisms does not prove their effectiveness, of course, especially when there is so much variability in the resale formulas and other design features that make up a shared equity homeownership program. On the other hand, if these resale controls did not work – that is, if shared equity housing was not effective in maintaining affordability – the number of jurisdictions requiring such controls should be declining, not increasing.[172]

In light of how many jurisdictions are now requiring lasting affordability not only for inclusionary units, but also for homeownership units receiving financial assistance from a housing trust fund or some other public program, it is surprising how little documentation exists examining the performance of these resale-restricted units. Public officials throughout the country regularly assert that the conditions and controls they have imposed on privately owned housing are effective. Private practitioners, whose deed-restricted units, CLTs, or LECs have been the beneficiaries of public largess, regularly proclaim the capability of these tenures in retaining subsidies and maintaining affordability across multiple resales. But almost nobody – neither city, state, nor nonprofit – is systematically collecting, compiling, and analyzing data on resale-restricted, owner-occupied housing to measure how well – or how poorly – these models are actually performing.[173]

There are a few exceptions. In 2004, the Coalition for Nonprofit Housing & Economic Development published a study of limited equity cooperatives in the District of Columbia which examined, among other questions, the performance of LECs in maintaining long-term affordability. The study reported that:

> Limited-equity cooperatives remain much more affordable over the long run than either market-rate, multifamily rentals or condominiums because resale prices are restricted and as a result carrying charges (the equivalent of mortgage payments) are kept low. For the 30 cooperatives we examined . . . median monthly membership charges being levied in 2003 were just about half HUD's 2003 fair market rental rate for the District. (CNHED, 2004:14)

When the researchers focused more narrowly on |three gentrifying neighborhoods where nearly half of Washington's LECs are located, the comparative affordability of cooperative housing vis-à-vis market-rate housing was even greater. In 2003, the household income required to buy a median-priced condominium in Columbia Heights, Shaw, and Adams Morgan, neighborhoods that have experienced a steep increase in housing prices in recent years, was more than four times what was needed to pay the median carrying charges in the neighborhoods' limited equity cooperatives; the income required to pay the median rent for rental housing in these same neighborhoods was more than three times the cooperatives' carrying changes (Ibid.: 16).

Studies of limited equity cooperatives in New York City and Chicago found a similar pattern of continuing affordability amid escalating prices for nearby market-rate housing. Saegert et al. (2003: 22) examined 49 LECs in Manhattan's Clinton neighborhood and concluded:

> In summary, despite indications of gentrification in the area, LECs remain affordable to lower income residents. Our data indicated that while LECs were in better physical condition than neighboring housing, monthly costs were lower.

The Chicago Mutual Housing Network (2004) examined both LECs and market-rate cooperatives in a study of 206 housing cooperatives. The shares in Chicago's market-rate cooperatives were found to be selling for an average price of $75,000, at a time when the average price for a market-rate house or condominium in Chicago was $224,000. Affordability was far greater in the city's LECs. Median share prices in these limited equity cooperatives were $1,390 for a one-bedroom unit; $2,875 for a two-bedroom unit; and $3,315 for a three-bedroom unit. Over a third of the city's LECs had a share price between $500 and $3,000.

With share prices so low and with monthly carrying charges comparable to the rents charged in the average subsidized rental project, Chicago's LECs have attracted and retained a population with an income that is too low to enter the private housing market, but too high for most subsidized housing. A majority of the member households are headed by African-American women earning $28,000 to $40,000 per year (CMHN, 2004: 10–11). The lower prices of these LECs and the lower incomes of the households who occupy them have the same cause, according to CMHN (Ibid.: 17):

> These cooperatives are affordable to subsequent member-owners because the increase in resale price is usually capped at a fixed rate. . . . This model guarantees long-term affordability and stability for both residents and neighborhoods.

Claims for the continuing affordability of shared equity housing other than LECs have received far less scrutiny, except for a recent performance evaluation of a single CLT. Davis and Demetrowitz (2003) examined 97 limited equity houses and condominiums that were sold and resold through the Burlington Community Land Trust between 1988 and 2002. They found that affordability not only continued between successive generations of low-income homebuyers, but improved – even when the favorable effect of falling mortgage interest rates was removed. The price of the average BCLT home was affordable to a household earning 62% of AMI on initial sale. On resale, it was affordable to a household earning 57% of AMI. The durable controls encumbering these BCLT homes had caused an 8.5% gain in affordability, averaged across all 97 resales.[174]

> In sum, during a period when the prices for market-rate homes were moving steadily upward, the BCLT was effective in stabilizing the prices of its own stock of owner-occupied housing, ensuring that the same class of people who had initially bought these homes could still afford them when they were eventually resold. Between 1988 and 2002, the BCLT delivered on its promise of preserving affordability, one resale after another. (p. 10)

Although the case for the continuing affordability of shared equity housing rests on very few studies – and lots of anecdotal evidence – critics of these alternative models have rarely challenged the claim that contractual controls are effective in preserving access to homeownership for populations excluded from the market. Instead, they have challenged the preference for homeownership itself, asserting that the community's interest is poorly served whenever scarce housing subsidies are poured into helping a few fortunate households to purchase homes. For people who lack safe, decent, and affordable housing, homeownership is more than they need, say these critics, and certainly more than the public can afford. Public funds for affordable housing would be better invested in subsidizing rental housing, since its costs are lower, its affordability is deeper, and it serves a population whose needs are greater. Homeownership, by contrast, is a high-cost, low-volume public investment, serving people near the middle of the income ladder, not those who are truly poor.

This particular line of criticism is not specific to shared equity housing, of course, for it condemns every public program or policy priority that favors homeownership over rental housing. The form of homeowner-ip is unimportant to these critics. It does not matter to them whether the homeowner housing being assisted by the public is encumbered with resale restrictions or not.

But it *should* matter, answer the advocates for shared equity housing. They tend to agree, perhaps a little too quickly, that subsidizing homeownership for the poor is a pricey proposition compared to the cost of subsidizing rental housing. They concede the point that the front-end cost of closing the gap between a purchase price that a low-income household can afford and the total development cost of a house or condominium can be excessive – but only if the homeowner is allowed to pocket this subsidy when the home is resold. If the subsidy is retained in the housing, as it is in shared equity homeownership, aiding multiple generations of low-income homeowners, then the higher per-unit subsidy needed for homeownership becomes a more reasonable investment. Those who argue this position sometimes go further: They assert that subsidizing homeowner housing with durable restrictions over its use and resale is not only less costly than subsidizing market-rate homeownership, but also less also costly than subsidizing low-income rental housing over the long run.[175]

The evidence for subsidy retention will be examined below, when we consider the claim that shared equity housing is effective in protecting the community's investment in affordable housing. It can be said here, however, that very little research has been done comparing the long-term cost of subsidizing shared equity homeownership versus the long-term cost of subsidizing market-rate homeownership or low-income rentals. Walker and Gustafson (forthcoming: 11) compared limited equity cooperatives developed through the federal 221(d)(3) program with low-income rental housing owned either by nonprofit organizations or by for-profit investors and concluded that "average monthly costs in cooperative housing appear more affordable, and therefore required shallower rent subsidies." Barton (1996) compared the cost of subsidizing the acquisition and development of permanently affordable "social housing" versus the cost of subsidizing the monthly rents of low-income tenants. Dubbing the first an "acquisition" program and the second a "housing allowance" or "direct assistance" program, he showed the former to be more cost-effective in the long run:

> Clearly the immediate advantage of a housing allowance program is that you can reach a lot more people right away with the same amount of money. The long-term advantage of the acquisition program, however, is that the number of units assisted increases every year, while the housing allowance program helps the same number of people each year. It takes fourteen years before the acquisition program helps as many people as the direct assistance program does, but from year fourteen on, the acquisition program helps more people than the housing allowance program does. (p. 113)

These studies lend some credence to the notion that the larger front-end subsidy that is usually required to boost low-income tenants into homeownership may be justified, if directed toward models of tenure that perpetuate affordability over many years. But these studies are hardly conclusive. More research will be needed before it is possible to refute those critics of shared equity housing that say homeownership is a poor investment of scarce public funds if the housing needs of the poor are to be met, no matter what form homeownership might take.

Performance Standard 2: Stability

Individual Stability	Security of tenure is enhanced. The risks of homeownership are reduced.
Community Stability	Neighborhood stability is increased.

Stability is the second standard by which the performance of shared equity homeownership may be judged. If these nonmarket models perform as promised, people with limited resources, most of whom have become homeowners for the very first time, will succeed. They will remain in their homes for as long as they want. They will maintain their homes in good repair. They will continue to meet the financial obligations of homeownership. They will rarely default. They will seldom lose their homes through foreclosure, even in the face of economic hardship. The accumulation of these small, individual successes will benefit the community as well. Especially in neighborhoods where the condition, affordability, or security of low-cost housing has been put at risk by disinvestment or reinvestment, shared equity housing can be a rock of relative stability. These models can be deemed to have been effective in delivering and balancing their promised benefits, in short, when first-time homeowners succeed in maintaining and retaining the housing that is theirs and when any gain that a community has made in expanding its stock of affordable, owner-occupied housing is preserved.

Individual Stability: Weighing the Pros and Cons

There are indications that the owners of shared equity housing do succeed in the ways described above, although none of the evidence is so complete or so conclusive as to "prove" the case for individual stability. Discussed below is what we know and do not know about the effect of shared equity housing on four indicators of individual stability: length of residency, condition of units, diversity of occupants, and security of tenure.

Length of residency. A number of studies of limited equity cooperatives have noted lower rates of turnover, accompanied by a tendency of co-op members to live in their homes longer than is typical for either renters or market-rate homeowners.[176] Similar studies have not been done for CLTs or for deed-restricted housing. In Chicago, co-op residency averages 17.6 years (CMHN, 2004: 7). In the New York LECs examined by Saegert et al. (2003: 14), over 80% of the residents had lived in their buildings for more than ten years. An earlier study of LECs in New York City (Task Force on City Owned Property, 1993) compared for-profit rentals and cooperative housing, finding a longer average residency in the latter. Walker and Gustafson (forthcoming: 8), on the other hand, in a comparative study of LECs, nonprofit rental housing, and for-profit rentals, found that the "average length of tenure in cooperative projects is higher compared to for-profit projects, but no different from nonprofit projects."

Condition of units. Another measure of stability is the physical condition of the property commended into a homeowner's care. If housing deteriorates because a low-income homeowner cannot afford its upkeep or, even worse, if the burden of maintenance threatens the homeowner's security of tenure because she cannot meet either the fluctuating cost of unexpected repairs or the fixed cost of a mortgage, the individual's success as a homeowner is hardly assured. This is not uncommon. A recent study of low-income and moderate-income homeowners who had purchased market-rate homes with the assistance of a NeighborWorks organization reported that 56% of these newly minted homeowners encountered unexpected repairs and that 20% were unable to make such repairs, even to roofs and foundations (Saegert, Justa, and Winkel, 2005).

A promise of shared equity homeownership, by contrast, is that the condition of this housing will be maintained, despite the modest incomes of most of the people who occupy it. As DeFilippis (2004: 108) has noted:

> Problems arise when low-income homeowners are faced with large-scale repairs and unexpected costs they cannot afford. . . . In contrast, these collectives are frameworks that can protect the long-term maintenance of the units as well as their long-term affordability.

Several studies have confirmed that the owner-occupants of one form of shared equity housing, the limited equity cooperative, do a superior job of maintaining their property, especially when compared to rental housing.[177] In an LEC, the costs of maintenance and major repairs are either absorbed by the cooperative's annual operating budget or covered by the cooperative's reserves. Some repairs are avoided altogether because the responsibility for upkeep is collectively shouldered by a cooperative's members. As CMHN (2004: 20) observed, in its study of Chicago's cooperatives:

> A co-op corporation is in a vastly superior position to a condominium or the owner of a single-family home, where the costs must be absorbed by

> the individual owner. Since the co-op sets standards for residents, such problems as damage to the facilities, excessive utility usage, noise, and crime are forestalled.

Similar standards are established for the residents of CLT housing and, in many cases, for the residents of deed-restricted housing. CLT ground leases typically require homeowners to "maintain the Leased Premises and Improvements in good, safe, and habitable condition in all respects, except for normal wear and tear, in full compliance with all applicable laws and regulations." The same sort of provision is found in many deed covenants. The resale formula contained in many leases and covenants, moreover, either rewards the sellers of shared equity homes for keeping their property in good condition or penalizes them for failing to do so.

There is no way of knowing whether such mechanisms work as well in CLT housing and in deed-restricted housing as they seem to work in LECs, however, since no one has yet studied this particular feature of CLTs and deed-restricted homes. Anecdotal reports from the field suggest that this housing is being kept in decent condition. Neither CLTs nor the sponsors of deed-restricted housing seem to be incurring extraordinary costs in refurbishing homes on turnover or to be experiencing condition-related difficulties in reselling them to new buyers, but without more data it cannot be said with certainty that the administrative oversight and shared responsibilities that are incorporated into these models are resulting in adequate maintenance.

Diversity of occupants. The claim that shared equity housing is an attractive and supportive form of tenure for populations with an inability to bear individually the burdens of homeownership has so far been examined only with regard to cooperative housing. Saegert and Benitez (2005), in their assessment of the benefits offered by limited equity cooperatives, concluded that "LECs provide special support for the disabled, elderly, and single women – all of whom could be presumed to have a difficult time being homeowners on their own." An earlier study by Leavitt and Saegert (1990) noted the predominance of women among members and leaders of the LECs developed through New York City's Tenant Interim Lease program. Case studies by Wekerle and Novac (1989) and Wekerle (1988) tracked the empowerment of women in several Canadian cooperatives. Women and female-headed households were also found to be a dominant presence in the Chicago LECs examined by CMHN (2004) and in the 221(d)(3) cooperatives examined by Walker and Gustafson (forthcoming). Less evidence has been found of cooperatives being favored by and beneficial to persons with disabilities or persons who are elderly.[178] Indeed, the percentage of residents who were disabled or elderly was significantly lower in the LECs studied by Walker and Gustafson than in the comparison groups of nonprofit and for-profit rentals.

Security of tenure. Amidst the national drumbeat of political support for increasing homeownership among low-income families, it is sometimes difficult to hear the concerns of those who wonder whether everyone can bear – or should bear – individually the burden of owning a home.[179] They worry about the precarious hold that low-income homeowners have over the market-rate housing that is theirs. With too little preparation for the added responsibilities of homeownership, too little protection against predatory lenders, too little ability to assess the soundness of a property prior to purchase, too little savings to make unexpected repairs after purchase, or too little income to cushion against mortgage default when a job is lost, a marriage dissolves, or earnings decline, too many low-income homeowners end up losing their homes. This is hardly a rare occurrence. Reid (2005) determined that only 47% of first-time low-income homebuyers in her study were still homeowners five years after purchasing a market-rate home. Boehm and Schlottmann (2004: 33) discovered a "high likelihood that lower income families will slip back to renting after attaining homeownership" and went on to recommend that more attention be paid to policies and programs "designed to ensure that once households achieve homeownership, they remain homeowners (rather than reverting to rental tenure)."

Shared equity homeownership is designed to do just that, safeguarding a homeowner's security of tenure. Most sponsors of resale-restricted housing retain the authority to review and to approve any mortgage or lien prior to it being recorded against a shared equity home. This allows the sponsor to protect its homeowners against predatory lending, while protecting itself against mortgage provisions that can undermine its ability to regulate the home's use and resale.[180] Most sponsors of resale-restricted housing do a careful job of inspecting properties, upgrading systems, and preparing homeowners prior to purchase. Most provide default intervention and foreclosure prevention services as well, similar to those provided by many homebuyer counseling and homeownership assistance programs. These services have demonstrated their effectiveness in protecting homeownership in cases where first-time homebuyers, experiencing personal hardship and getting behind in their financial obligations, can face the loss of their homes. What is different about shared equity housing – LECs and CLTs, in particular – is that such backstopping is not an external service, but an internal component of the housing itself. The corporate sponsors of the housing have a direct and durable stake in seeing that their member-owners succeed, accompanied by a durable right to intervene should they falter.[181] Conversations with LEC board members and with CLT staff are replete with stories of homeowners in distress being helped to hang onto their homes because of the LEC's or the CLT's intervention. The CLT studied by Davis and Demetrowitz (2003), for instance, reported that such events occurred on the average of twice a year.[182]

There is reason to believe that the front-end and back-end protections, services, and interventions that are commonplace in shared equity housing may indeed produce a higher rate of success among first-time homeowners than is typically found among low-income homeowners who are forced to navigate the perils and shoulder the burdens of market-rate homeownership by themselves. Little data has been compiled to date, however, looking specifically at the effectiveness of these security enhancements – examining whether the hold which the owner-occupants of shared equity housing have over their homes is actually more secure than that which is found among the owner-occupants of market-rate housing or, for that matter, among the tenant-occupants of publicly regulated or publicly subsidized rental housing.

Although more research on all four indicators of individual stability is clearly needed before it can be said with confidence that low-income owners of shared equity housing succeed at a higher rate, most critics of these nonmarket models are inclined to concede that sharing the risks and responsibilities of homeownership can enhance security over the long run. What they see it producing day to day, however, is greater dependency. Their objection is that the occupants of shared equity housing have only a semblance of the autonomy that homeownership is supposed to provide. They cannot use, shape, or develop their personal living space independently of the dictates of another. They cannot choose who may purchase and occupy their homes when they decide to sell. Indeed, they possess so few sticks in the traditional bundle of rights and exercise so little control over their housing, say these critics, that it is probably a stretch to call them homeowners at all.[183]

Aside from the fact that most shared equity housing is authorized, zoned, financed, and taxed in ways that are indisputably closer to homeownership than to tenancy, the most telling rebuttal to this line of criticism comes from the occupants themselves. They are far more likely to compare themselves to the tenants they were, celebrating rights they have gained, than to compare themselves to the owner-occupants of market-rate homes, lamenting prerogatives they have foregone. They call themselves homeowners. They behave like homeowners. Even in limited equity cooperatives and mutual housing associations, where the occupants possess fewer of a homeowner's traditional rights than do the occupants of CLT housing or deed-restricted housing, most resident-members tend to see themselves as homeowners, not as tenants.

They are not so different, in this regard, from those owners of market-rate housing whose homes are part of common interest communities like condominiums, planned developments, or market-rate cooperatives. There are no restrictions on resale prices in these communities, but the associations which govern them frequently exert as much control – in some cases, even more control – over the selection of homebuyers, the subletting of homes, and the personal use of individual property and common property as can be found in any form of shared equity housing. The far-reaching powers of these associations are well described by Silverman and Barton (1987: 5):[184]

> Common interest developments may require particular types of carpeting or soundproofing, restrict the presence of children or pets, and regulate the color of doors and curtains, the design of porches, patios, and walks, the use of alcoholic beverages in public areas, parking, the use of swimming pools and tennis courts, and even the use of residences by relatives and friends of the owner. . . . The association further has the power to raise monies through regular and special assessments and to punish members for rule violations by revoking voting rights and rights to use common areas, and by leveling fines. In the case of nonpayment of dues, the board can place liens and foreclose upon the unit.

When the same sorts of restrictions are discovered in shared equity housing, it seems disingenuous to suggest that the occupants of such housing cannot be considered "real" homeowners because they have relinquished control to some outside party.[185] In reality, it is the newfound control which the occupants of shared equity housing now possess over their housing environment, more than any other factor, which seems to nurture and sustain their self-identification as homeowners. Whether that control is exercised individually by one occupant (as in deed-restricted housing), collectively by all occupants (as in an LEC or MHA), or jointly by the occupant and the landowner (as in a CLT), the residents of shared equity housing are quick to point out that they are the ones who are calling the shots, accepting the risks, and deciding the fate of the housing that is theirs. More than anyone else, they are the ones in charge. Even in larger projects, where a majority of residents tend to absent themselves from most day-to-day decisions affecting their housing, they never entirely relinquish the control that is theirs. As Cooper and Rodman (1992: 242) observed in the LECs they studied in Toronto:

> The majority who were uninvolved or only moderately involved retained a fairly strong ability to assert their control. They contributed in decision making on those issues that excited them and could object to decisions made by the board of directors that seemed to run counter to their interests.

This is not autonomy. The residents of shared equity housing do not have total sway over the use and resale of their property. But they do make most of the decisions affecting the cost, quality, and stability of their housing.[186] They have left the dependency of tenancy far behind. In their own minds, they are homeowners, no matter what the critics might say.[187]

Community Stability: Weighing the Pros and Cons

It is an article of faith among public officials, private citizens, and academics alike that residential neighborhoods with more owner-occupied housing will have more stability than those in which most of the housing is renter-occupied. Among the many neighborhood benefits that homeownership is believed to confer are reducing turnover in the residential population, encouraging the upkeep of residential buildings, preserving property values, increasing participation in community organizations, and reducing social maladies like juvenile delinquency, high school dropout rates, and crime. To the extent that the presumed correlation between higher homeownership rates and stronger neighborhoods is actually valid – and the evidence for some of these neighborhood effects is unconvincing[188] – any increase in homeownership caused by shared equity housing should make a positive contribution toward neighborhood stability.

CLTs and LECs, in particular, have often been called upon to play this stabilizing role, both in neighborhoods that are declining and in neighborhoods that are gentrifying. In declining areas, where stabilization is a matter of reversing the effects of too little investment, shared equity models have been used to redevelop vacant lots into new housing, to rehabilitate decrepit buildings into decent housing, and to expand homeownership where no homebuyer market has previously existed.[189] In gentrifying areas, where stabilization is a matter of moderating the effects of too much speculative investment, shared equity models have been used to preserve the affordability of low-cost housing and to prevent the displacement of low-income people.[190]

Although the record is mixed and the documentation is spotty, CLTs and LECs have clearly had some success in both types of neighborhoods, at least when it comes to stabilizing conditions for their own residents. What is less clear is how successful these models have been in stabilizing conditions outside their own domain, since their wider impact on persons, properties, and prices in the surrounding neighborhood has rarely been studied. It becomes difficult, therefore, to rebut those critics who say that community interests are poorly served because the sphere of influence of shared equity housing is too small. Whatever stability is enjoyed by these owner-occupants is limited to them alone. All who are lucky enough to live in these shared equity homes have the security of knowing that their housing is somewhat insulated from market forces that bring deferred maintenance to some doorsteps and gentrification to others, but the rest of the community is not so fortunate. Beyond the safe harbor of shared equity housing, the bulk of a neighborhood's residential property is left dangerously exposed to what DeFilippis (2004:144) has described as "the possibility of uncontrollable flows of investment and disinvestment and the vagaries of the market." The stabilization achieved by shared equity housing is real, concede these critics, but only for those homeowners residing safely within its walls.

Another aspect of community stability attracts its own set of critics. For LECs, CLTs, and deed-restricted housing, stability is a function of longevity. Whatever contribution these models may make toward stabilizing a neighborhood is largely dependent upon their ability to preserve whatever gains they have made in expanding a neighborhood's stock of affordable, owner-occupied housing. If affordability is lost when the housing is resold, if owner-occupancy is lost when a homeowner defaults, when a bank forecloses, or when a homeowner simply decides there is more money to be had in subletting than in occupying the home, the neighborhood loses some of the ground that was previously gained. Stability is eroded, not enhanced.

Preventing such losses, the record suggests, is probably what these models do best, for they preserve both the affordability and owner-occupancy of the housing they have helped to create. Owner-occupancy is required. Subletting is regulated. Mortgaging is monitored. Resales are controlled, as are behests. What starts out as affordable homeownership stays that way for as long as the controls over affordability and occupancy are designed to last. Even when a homeowner does not succeed, despite whatever "backstopping" has been offered by the housing's sponsor, the assisted home is rarely lost to the market. Under most forms of shared equity housing, the sponsor is able to regain possession of the property in cases of an incurable default or actual foreclosure, eventually reselling it to another low-income homebuyer. The homeownership opportunity survives, even when the homeowner fails.[191]

That is possible, however, only if the sponsor also survives. The corporate entity that supports and sustains this resale-restricted housing must itself be sustained for a very long time if shared equity homeownership is to have a lasting impact on neighborhood stability. To put it another way, the LECs, CLTs, and other organizations that assume responsibility for maintaining the affordability and owner-occupancy of such housing must be as durable as the controls they are expected to enforce. Critics have their doubts. Pointing to several high-profile failures of nonprofit housing developers, they question whether prospects for the survival of LECs, CLTs, and other nonprofit sponsors of shared equity housing are any better.[192] Will they last long enough to deliver the stability they promise?

The record to date is fairly encouraging. As usual, LECs have been researched more extensively in this regard than other forms of shared equity housing. The resiliency of the LEC was first demonstrated during the Great Depression, when all but two of New York City's market-rate cooperatives died, while all of its LECs survived (Siegler and Levy, 1986). For a later generation of LECs, Calhoun and Walker (1994) found that 80% of the Section 221(d)(3) mortgages provided to limited equity cooperatives between 1958 and 1989 were likely to "survive"; that is, to continue performing as paying loans. This was somewhat better than the performance of comparable projects owned by limited-dividend companies and much better than the performance of projects owned by nonprofit organizations. A similar pattern has been found in the Section 213 FHA mortgage insurance program, where default rates on Section 213–insured cooperatives have been lower than for any other HUD multifamily program.[193] A study of limited equity cooperatives in the District of Columbia (CNHED, 2004) discovered that only four of the 81 LECs formed in the 25 years following passage of the District's Rental Housing Act of 1977 had been lost to foreclosure. Another 20 had been lost through sales to private owners. Fifty-seven still existed as LECs.[194] The performance of LECs in New York City, across the same span of years, was even better. Since 1975, 1,036 LECs have been developed for low- and moderate-income residents. All but 27 still exist – a survival rate of 97%.[195]

Much less attention has been paid to the survivability of community land trusts, due in part to CLTs being relatively new and relatively few in comparison with LECs. Until recently, there existed neither an accurate count of how many CLTs have been created in the United States, nor a reasonable estimate of how many have failed. Early in 2006, however, Burlington Associates in Community Development, a consulting cooperative that provides technical assistance to many CLTs nationwide, reported the preliminary results of its own analysis of survival rates among organizations making use of the CLT model to hold land for residential purposes.[196] Out of 194 CLTs formed in the United States between 1970 and 2006, Burlington Associates found that 175 had matured to the point where they owned at least one parcel of land. Among these "propertied" CLTs, 162 were still in existence on May 1, 2006 – a survival rate of 92% (Burlington Associates, 2006).

Almost nothing is known about the survivability of the organizations charged with monitoring and enforcing occupancy, eligibility, and affordability restrictions imposed on deed-restricted housing. Where a public agency has been assigned this responsibility, there is probably little danger of that agency disappearing before covenants lapse on the deed-restricted housing which the same agency may have helped to create. On the other hand, with a change in priorities or a change in administration, a public agency that was once diligent in overseeing its stock of deed-restricted housing can become negligent. The covenants may endure but, with no one to watch over them, they may have very little effect.[197] Where the responsibility for overseeing such housing has been delegated to a nonprofit partner instead, the risk of neglect may be reduced. But the nonprofit organization itself must still have the capacity to meet its oversight responsibilities over a long period of time. The most stable partnerships for the monitoring and enforcement of publicly created, deed-restricted housing may resemble those in King County, WA, and in Massachusetts, where local governments or state agencies have contracted with nonprofit organizations to carry out their oversight responsibilities.[198] No one has yet studied, however, how common or sustainable such arrangements may be.

Amidst these signs of survivability, there are also hints of fragility. Sazama (2000) and Skelton (2002) have called attention to the relative weakness of housing cooperatives in the United States, compared to their counterparts in Sweden, due to the lack of an interlocking system of secondary and tertiary cooperatives that can support individual cooperatives when they get in trouble. The study of LECs in the District of Columbia found 80% to be in "stable" or "excellent" condition, but it also concluded that 20% of the District's LECs are "severely troubled and in need of immediate assistance" (CNHED, 2004: 13). Saegert et al. (2003: 22–23), while documenting the durability of LECs in a gentrifying neighborhood in Manhattan, noted that "some LEC shareholders now threaten the existence of LECs by undermining the resale policy and opening the door for market value sales." The struggle to maintain affordability controls in LECs within the Cedar-Riverside neighborhood of Minneapolis has been described by Stoecker (2005). Similar battles have been reported within mature cooperatives in Illinois and Massachusetts, where the conversion of LECs to market-rate housing has threatened to privatize both capital gains and public subsidies (Sazama and Willcox, 1995: 28). Even in New York's Co-op City, the largest LEC in the country, there has been a rumbling about possibly relaxing the cooperative's resale controls (Frazier, 2006).

As for community land trusts, Burlington Associates (2006) discovered only 13 "propertied" CLTs that had dissolved during the past 35 years, a failure rate of only 8%. But another 25 CLTs were found to be "dormant." These CLTs still owned property and, in many cases, still had leaseholders living on their land, but they no longer had staff members or board members who were actively monitoring and enforcing the CLT's leases. Representing 15.4% of all CLTs with property, the proportion of dormant CLTs nationwide approaches the percentage of troubled LECs in Washington, DC.

These frailties must be kept in perspective. The organizational sponsors of shared equity housing look pretty solid when compared to the failure rates among start-up businesses, where three out of five tend to collapse within the first five years. They also look pretty solid when compared to foreclosure rates among housing projects owned by for-profit developers. They look pretty solid when compared to the litigation rates among members of condominium associations and many other market-rate common interest communities.

Nevertheless, the organizational frailties of shared equity housing are real. Too many LECs are shaky. Too many CLTs are dormant. Too many arrangements for the monitoring and enforcement of deed-restricted housing seem unsubstantial or unsustainable. That does not mean that critics who challenge the stabilization claims of shared equity housing are necessarily correct. When asserting that community gains may be short-lived because the organizations that safeguard them are likely to be short-lived, these critics tend to ignore both the history of durability displayed by most shared equity housing and the levels of redundancy incorporated into many of these models and programs, particularly when public money is involved.[199] If the front-line organization with primary responsibility for preserving occupancy, eligibility, and affordability controls mandated by government should fail, there is often a contractual provision for another nonprofit or public-sector organization to take its place. On the other hand, there are enough cracks in the organizational foundation of shared equity housing to suggest the need for more research into why some LECs, some CLTs, and some sponsors of deed-restricted housing prosper, while others founder or fail.[200] Proving the claim that shared equity housing can be effective in stabilizing residential communities depends, in part, on showing that these models have the capacity to endure.

Performance Standard 3: Wealth

Individual Wealth	Personal assets are enlarged.
Community Wealth	Community assets are preserved.

Wealth is the third standard by which the performance of shared equity homeownership may be judged. If these models perform as promised, there should be a net gain in wealth for the households who own, occupy, and eventually resell this housing. Homeowners should be better off when they move out of a shared equity home than they were when they moved in. At the same time, there should be no net loss in the value of the community's investment. Whatever wealth a community has contributed toward making homes affordable for one generation of low-income homeowners should be retained for the benefit of subsequent generations of low-income homebuyers. These nonmarket models can be deemed to have been effective in delivering and balancing their promised benefits, in other words, when the assets of individuals are enlarged and the assets of community are preserved.

Individual Wealth: Weighing the Pros and Cons

It is striking how many of the public debates and private discussions regarding LECs, CLTs, and deed-restricted housing start from the unfounded but unshakable misconception that the owner-occupants of such housing realize no financial gain. To say "yes" to equity limitation, in the minds of many, is to say "no" to wealth creation. As Jacobus (2004: 5) has observed:

> Both critics and advocates for permanent affordability regularly overlook the very real equity building that happens in most limited equity ownership programs. All permanently affordable homeownership programs generate assets for the homeowners. Some do a much better job than others.

Some allow for the buildup of only a little equity. Some allow for a lot. Seldom does a homeowner walk away with none. The real question is not whether wealth is created for the owner-occupants of shared equity housing, but how much. And is it enough?[201]

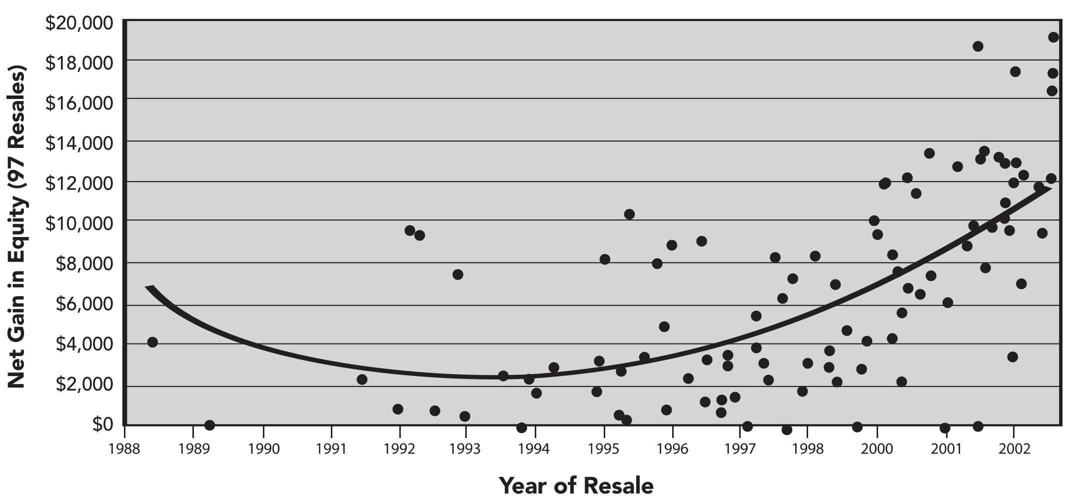
If the standard of "enough" is that persons who buy, occupy, improve, and resell resale-restricted homes reap more financial gain from their housing than persons who rent, then the claim of wealth creation should be easy to prove. These owners recover a portion of the payments they have made in purchasing, mortgaging, and improving their shared equity homes. They get back their downpayment – or, in the case of cooperative housing, the purchase price of their shares. They get back whatever equity they have accumulated by paying off a portion of their mortgage or share loan.[202] They may recover some or all of what they have spent in making major capital improvements. They may also be able to resell their ownership interest (depending on the terms of their resale formula) for more than its initial purchase price, realizing a significant gain.

By contrast, renters neither build equity nor recover costs. In many cases, they do not even recover their security deposits, the "investment" they made to gain access to their dwellings. It is hardly a stretch to claim, therefore, that the owners of shared equity housing walk away with more wealth than renters – and with more wealth than they themselves once possessed.

There has been remarkably little interest, however, in documenting how much the owners of shared equity housing actually put into their pockets when they resell their houses, townhouses, condominiums, or cooperative shares. The magnitude of that wealth has rarely been measured. The one study that explicitly tackled this neglected topic relied on relatively few cases. In their performance evaluation of the Burlington Community Land Trust, Davis and Demetrowitz (2003) calculated the equity gains for 97 BCLT homeowners who resold a limited equity house or limited equity condominium between 1988 and 2002. Two types of proceeds were included in their calculations: the amount of principal that each BCLT homeowner had paid off on her mortgage; and the share of appreciation that each BCLT homeowner had earned, if her home increased in value between the time of purchase and the time of

Figure 5.1

BCLT Homeowner Equity Gains, 1988-2002



resale, a period of occupancy that averaged a little over five years.[203] In 90 out of 97 resales, BCLT homeowners gained equity through the amortization of their mortgages. The only cases in which no equity was earned through principal reduction were seven homes that changed hands because of a foreclosure or the transfer of a deed in lieu of foreclosure. In 63 out of 97 resales, BCLT homeowners gained equity by sharing in their home's appreciation.[204] These gains are plotted in Figure 5.1, above.[205]

Averaged across all 97 resales, BCLT homeowners were able to recoup their original downpayment of $2,000 and to pocket additional proceeds of $6,184 after paying off the balance of their mortgages. On an annualized basis, where the average BCLT resale occurred after 5.3 years of owner-occupancy, this represented a net gain in equity of 30%. Counting only those proceeds derived from appreciation, the rate of return on the homeowners' initial investment was 17%. Included in these averages, it should be noted, were resales where homeowners earned nothing, due to foreclosure, and resales where homeowners did not earn a share of appreciation, since their homes did not increase in value. When these cases were removed, the averages rose. BCLT homeowners whose property increased in value and who earned a share of this appreciation were able to pocket, on average, net proceeds of $8,541. They realized an annualized net gain in equity of 31%. The rate of return on their initial investment, counting only those proceeds from appreciation, averaged 20%.

It would be difficult to deny that wealth was being created for these individuals. Most homeowners clearly left the BCLT after five years with more assets than they brought with them when buying their resale-restricted house or condominium. But was it "enough?" Many critics of shared equity housing would answer "no," relying on one or more of three different arguments:

- The wealth realized by the owners of resale-restricted housing is not enough because it is less than what the owners of comparable market-rate housing would earn, especially when the real estate market is booming.
- The wealth realized by the owners of resale-restricted housing is not enough because these homeowners will never be able to move up into market-rate housing.
- The wealth realized by the owners of resale-restricted housing is not enough because it is too little to allow low-income people to transform their lives and the lives of their children.

Although critics of shared equity housing have made little effort to substantiate these arguments, it must also be said that advocates have done just as little to rebut them. Only occasionally has the claim for wealth creation been buttressed by the kinds of data and analysis that would allow the advocates for shared equity housing to say with confidence that their critics are wrong.

What we do know from the data provided by Davis and Demetrowitz (2003) is that during a single span of 14 years, in one market, under one resale formula, CLT homeowners realized a very respectable 17% to 20% return when reselling their limited equity homes. They earned less than the owners of market-rate homes in the Burlington MSA during the same period of time, but the return on their shared equity home exceeded what they could have realized had they put their downpayment into a low-risk investment like a mutual fund instead of buying a BCLT home.

Jacobus (2005) found a similar pattern. He modeled the earnings of homeowners in market-rate housing and the earnings of homeowners in limited equity housing under different economic conditions, some hypothetical and some based on historical trends. He then compared the earnings that both sets of homeowners could have realized through alternative investments. He found that market-rate homeowners realize much higher gains than limited equity homeowners when housing prices are rapidly rising. Even in periods of "normal" price inflation,[206] market-rate homeowners did better, although the spread was smaller. Under normal conditions, the owners of market-rate homes earned a 33% return on their investment, while the owners of limited equity homes earned "only" a 29% return. This was a far better return, however, than the 1% to 2% rate of interest that a savings account would have offered the same homeowners, the 3% to 4% rate of interest for a Certificate of Deposit, or an 8% to 9% return from mutual funds, the investment strategy of choice for many middle class families. Jacobus concluded that "there is simply no other reasonably safe investment that provides the kind of return on investment that limited equity housing offers – except unlimited equity housing" (2005: 24).

Jacobus also examined whether the owner-occupants of resale-restricted housing realized enough equity on resale to make the leap into the conventional home-ownership market. Comparing various resale formulas, he found that "regardless of how generous our appreciation formula is, buyers who initially required a public subsidy will find comparable market-rate homeownership unaffordable as long as their household incomes rise more slowly than housing prices" (2005: 23). This would seem to corroborate the criticism that individual mobility into market-rate homeownership may be impeded by limiting the equity of low-income homeowners. But Jacobus goes on to note that:

> . . . even with a strict resale price restriction, these families will have improved their buying power relative to their initial position, even if housing prices rise faster than their incomes. The reality is that homeowners who sell limited equity houses do manage to buy market-rate housing.

Davis and Demetrowitz (2003: 23) would agree, since their data revealed that three-quarters of the home-owners who resold a limited equity home managed to buy a market-rate home after leaving the BCLT. In the parlance of the real estate industry, 74% of these lower-income homeowners "traded up" to a second home, using the equity they had earned and the experience they had gained from owning a BCLT home as a stepping stone toward a home of higher value.[207] Unfortunately, this evaluation of a single CLT seems to be the only published study ever to track the subsequent housing situations of homeowners leaving any form of shared equity homeownership. It remains an open question, therefore, as to whether these alternative models of tenure create "enough" wealth for mobility. (We shall return to this topic later on, when we consider the claim for individual improvement.)

The most intriguing of the three criticisms regarding wealth creation in shared equity housing is the last, especially when couched in terms of Shapiro's concept of "transformative assets." Home ownership is one of several forms of wealth, according to Shapiro (2004: 10), which are capable of "lifting a family beyond their own achievements." It is "transformative": first, because it helps a family to improve their class standing, social status, the kind of community they live in, and the quality of their children's schools; and, second, because it is inheritable. The asset is handed down from one generation to the next, giving the homeowner's children a boost in standing and status they did not achieve by themselves.

Is homeownership equally transformative when it comes encumbered with limitations on the homeowner's equity? Although Shapiro does not consider this question himself, there are many critics of shared equity housing who would answer that only unencumbered home-ownership, allowing individuals to realize the full wealth-generating benefit of their appreciating property, is capable of transforming the lives of lower-income families, especially African-American families whose lack of assets is part of what keeps them poor.

There are two problems with this criticism, aside from the lack of evidence substantiating it. First, it fails to ask whether other aspects of homeownership might be just as important as wealth creation in improving the lives of low-income families. A case might be made, for instance, that what transforms a family's life the most, when moving from renting to owning, is the right to stay put (security) or the right to use and improve one's living space free of the dictates of another (control). Adhering more closely to Shapiro's definition of a transformative asset, a case might also be made that homeownership bestows a host of social advantages (status), financial advantages (taxes, credit, and collateral), locational advantages (better schools, etc.), and intergenerational advantages (legacy) that collectively have a much greater impact on a family's day-to-day life than the realization of equity gains when a home is eventually resold. Since all of these rights and advantages accrue to the owners of shared equity housing, as well as to their heirs, there is reason to believe that owning a resale-restricted home may be transformative to a similar degree as owning a market-rate home.

The second problem with the argument that the transformative potential of homeownership is undermined by limiting a homeowner's equity is the dubious assumption that there is a "tipping point" in wealth creation, where "too little" a return on one's housing investment makes no difference to a family's class standing or social status, while "just enough" catapults a family to a higher level. Even if true, nobody really knows where this tipping point might be.[208] Absent any evidence one way or the other, there is as much reason to believe that the amount of wealth accruing to the owners of shared equity homes will be sufficient to tip the scales toward transformation as to believe the critics' contention that only unlimited gains from market-rate homes can cause this salubrious result.[209]

If the transformative effects of homeownership are caused by advantages of property other than wealth or by amounts of wealth less than what the critics of shared equity housing presume to be necessary to achieve those effects, then maximizing how much each individual can earn becomes a lower priority for an anti-poverty strategy than maximizing how many individuals can be helped into the ranks of homeownership. Spreading the wealth becomes as important as creating it. When the burden of proof no longer rests entirely with those who would limit a homeowner's equity, the debate over wealth creation becomes a bit more balanced. Advocates for shared equity housing must still show why the modest gains they would allow are not "too little," but their critics are called to task as well, for they must show why the market gains they would allow are not "too much."

Community Wealth: Weighing the Pros and Cons

The best way to spread the wealth of homeownership, according to the advocates and sponsors of shared equity housing, is to ensure that individuals pocket only that portion of their property's equity which they themselves had a hand in creating. The equity created by society or contributed by government (or by private donors) stays with the property, reducing its price and increasing its affordability for successive generations of low-income homebuyers. By preserving the community's wealth, in other words, the number of households who are given a shot at individual wealth is increased.

Evidence for the claim that shared equity housing expands access to homeownership has already been considered under the rubric of *Affordability*. What has not yet been considered is evidence for the claim that these alternative models of tenure are effective in preserving the community's investment in affordable housing. Are the subsidies that go into creating affordable housing retained for the benefit of a larger community of future homebuyers, or is the value of these subsidies diminished over time?[210]

There are three ways this question might be addressed: Researchers might look into the rate of mortgage defaults, comparing the frequency with which public subsidies are lost in foreclosures involving shared equity housing versus foreclosures involving market-rate housing. Researchers might also look into the long-term value of public (or private) subsidies invested in shared equity housing, examining whether the wealth that remains in the housing grows or shrinks across multiple resales. And researchers might look into the re-subsidization of assisted housing, comparing the additional investment that is needed to assist the same number of units when subsidies are not retained. Very little of this research has been done.[211]

Mortgage defaults among LECs and CLTs were previously considered under *Stability*, where some evidence was presented suggesting that these forms of homeownership have experienced lower default rates than their market-rate counterparts. Worthy of special note is the stellar performance of cooperative housing under the federal Section 213 program. The Section 213 program has never required a credit subsidy from the federal budget. What's more, the program "has had so few defaults that it has been able to refund pooled mortgage insurance premiums to the cooperatives that paid them" (Cooperative Housing Coalition, 2001: 29).[212]

The only explicit attempt to gauge the continuing value of the public's investment in shared equity housing was done by Davis and Demetrowitz (2003). They compiled a list of the public subsidies committed to each limited equity house or condominium resold through a local community land trust between 1988 and 2002.[213] To test the claim of retention, they compared the value of these subsidies at two different points in time: when a property was initially purchased and when that same property was eventually resold. They asked three questions: Among the 97 resales, were there cases where the community's investment was lost? Were there cases where the community's investment was eroded? Were there cases where the loss or erosion of these subsidies required an additional investment of the community's wealth to preserve the affordability which these subsidies were supposed to buy?

They found only two instances where a public subsidy was lost in its entirety. Both were foreclosures. There were 30 other cases (out of 97 resales) where the subsidy invested in a house or condominium had a value at the time of resale that was lower than when the home was purchased, meaning there had been some erosion in the community's investment. This happened not because homeowners pocketed a portion of the subsidy, but because the homes themselves had not held their value between purchase and resale. Even so, the impact on affordability was minimal. Only in one case did there occur both a decline in the value of a home's subsidy and a decline in the level of a home's affordability. Only in eight cases, including the two foreclosures mentioned above, were additional subsidies put into homes where the value of the original subsidy had declined. Ninety-two percent of the time, when a CLT home changed hands, enough of the community's original investment remained in the property so as not to require an additional infusion of public resources to preserve that property's affordability.[214]

The only other housing studies to focus on the preservation of community wealth are those that compare policies of subsidy retention and subsidy recapture. A financial analysis commissioned by the City of Portland (OR), for example, concluded that a "permanent subsidy is more economically effective than subsidy recapture" (Sacon, 1996: 35). An earlier study by Cohen (1994), examining data from San Francisco, Boston, and San Mateo, concluded that long-term restrictions on the resale of privately owned housing are much better at preserving a municipality's investment in affordable housing than programs that recapture those subsidies and re-loan them to other first-time homebuyers of market-rate housing. In her words:

> Subsidy recapture does not measure up, not even to the minimal standard that it sets for itself of "recycling" and protecting a pool of public subsidies. Public dollars are better protected through subsidy retention, leveraged over time into greater and greater community wealth.

Although these conclusions contradict those critics of shared equity housing who say that subsidy recapture is "just as effective" as subsidy retention (but more politically palatable), a more subtle line of criticism is less easily refuted. While conceding that shared equity housing is effective in retaining public subsidies, some critics argue that this is an unacceptably passive form of public investment. Subsidies are locked into particular properties for a particular use for far too many years. As conditions change, these precious resources are unavailable to meet new needs or to take advantage of new opportunities. A more flexible, entrepreneurial approach is needed. Government should be able to recapture these subsidies after a short period of time so they can be reinvested elsewhere, either recycled into residential projects in neighborhoods with greater needs or reallocated into nonresidential projects having a higher priority, like job creation or downtown redevelopment.

At issue here is not the effectiveness of shared equity housing as a vehicle for retaining public subsidies. The challenge is to retention itself. This is a debate that pits one social good against another, where affordable housing must vie with any number of worthy competitors for its fair share of the public purse. The performance of shared equity housing in preserving community wealth is almost beside the point. It does what it promises to do but, in the eyes of some critics, this is not a promise that should be kept.

Performance Standard 4: Involvement

Individual Involvement	Social bonds and collective action are nurtured *within* shared equity housing.
Community Involvement	Civic engagement is expanded *outside* of shared equity housing.

Involvement is the fourth standard by which the performance of shared equity housing may be judged. These models are claimed to be incubators for interpersonal relationships and mutual interests among those who share the same form of tenure, nurturing the growth of "social capital." If these models perform as promised, the owner-occupants of deed-restricted homes, community land trusts, and limited equity housing cooperatives will regularly interact on the basis of residential interests they hold in common. They will work together to preserve and to improve their shared equity homes. They will participate in governing whatever organization is charged with responsibility for safeguarding the security, amenity, and affordability of those homes. Energized and empowered by the experience of working together to operate their housing, they will also look outwards, involving themselves in the politics, block associations, watch groups, and civic activities of the society that surrounds them. These models can be deemed to have been effective in delivering and balancing their promised benefits, in other words, when the residents of shared equity housing are actively involved with their peers in running their housing and actively engaged with their neighbors in bettering their community.

Individual Involvement: Weighing the Pros and Cons

"Four factors representative of social capital" have been proposed by Saegert and Winkel (1997) to gauge the extent of individual involvement in multifamily housing. Involvement may be considered high when homeowners participate in activities of their residents' association; when they forge informal social relationships with other residents; when they participate in the leadership, management, and maintenance of their residential community; and when they are satisfied that other residents are also collectively and effectively contributing to the physical and financial well-being of their housing.

By these standards, individual involvement in LECs has been repeatedly shown to be superior to other forms of multifamily rental housing. Leavitt and Saegert (1990: 231), for example, observed low-income members of LECs in New York City being closely bound to each other in unique ways because of their collective experience in the "shaping of and making of place."[215] Saegert and Winkel (1997; 1998), comparing different ownership structures in multifamily buildings, found that LECs produced the highest levels of social capital, while ownership by a city agency or by a private landlord produced the lowest. Other studies have reported similar findings. Focus group discussions with members of 17 LECs scattered throughout Chicago, for instance, confirmed the presence of "strong inter-resident networks, which can provide a social support structure for members" (CMHN, 2004: 33). A resident survey of LEC members in Burlington, VT, conducted by Gent, Sawyer, Davis, and Weber (2005: 33), found 94.6% of them reporting they were either "very involved" in managing and operating their housing co-ops (55.4%) or "somewhat involved" (39.2%). High levels of participation were also reported in an earlier survey of resident leaders from 271 housing cooperatives in California (Bandy, 1993).[216]

Although greater involvement is most commonly claimed for cooperative housing, other models of shared equity housing may deliver a similar benefit. Community land trusts, for example, and many community development corporations sponsoring deed-restricted housing are community-based organizations with governing boards and an active membership that include both people living in their housing and people residing nearby. Many of these organizations go to great lengths to involve their members in their activities and governance (cf. Davis, 2005). The same sort of social bonding and collective action that is claimed for cooperative housing, therefore, is often claimed for these other shared equity models as well.

There may be reason to expect a lower level of individual involvement in these other models, however. CLTs provide fewer opportunities for homeowners to involve themselves in the organization that developed their housing or to interact with one another than most LECs provide. CLT homeowners have a common *political* interest in the organization that owns the land beneath their feet, but they do not have a common *ownership* interest. CLT homes are individually owned and individually operated. They are often located far apart, scattered throughout a neighborhood, city, or region. Except where CLT homes are clustered in a larger development, there may be few times when a CLT's homeowners are in the same place at the same time, and few chances for collective action.[217]

The owner-occupants of deed-restricted housing would appear to have even fewer mutual interests and even less opportunity for involvement. In many places, there may be nothing more that ties these homeowners together than a distant municipal agency, charged with administering contractual controls over the use and resale of hundreds of resale-restricted homes dispersed over a large geographic area. Connecting with each other or participating in the activities or governance of this administrative agency would seem unlikely.[218]

The only study of individual involvement in shared equity housing other than limited equity cooperatives seems to be one that was done by Levinger (2001). In a national survey of CLT homeowners, 44% reported having volunteered in their community land trust; 32% said they had served on a land trust committee; 24% reported having served on the board of their local land trust; and 35% reported having participated in other types of land trust activities in the previous six months. Overall, 55% of the respondents in Levinger's study had participated in at least one of these ways.

Critics of shared equity housing generally concede that these models do nurture and require higher levels of involvement from individuals who own and occupy such housing. They question whether this is necessarily a good thing, however, especially for low-income people who may have neither the extra time nor the necessary skills to take on the responsibilities of managing and governing a multiunit housing project.[219] Too many contentious meetings, moreover, or too many years of mounting resentment over neighbors who do less than their rightful share are more likely to deplete social capital than to nurture it. The involvement demanded by shared equity housing is not a benefit, in the eyes of these critics, but a burden.

The ability of low-income people to manage, maintain, and govern MHAs, LECs, and other shared equity housing is well documented.[220] So, too, are the benefits that are individually and collectively realized by residents of LECs when social capital is high, including lower crime, better maintenance, and more social supports for the persons who inhabit such housing.[221] At the same time, it is widely acknowledged that the involvement demanded by some models can have a darker side. In their case study of housing cooperatives in Toronto, for example, Cooper and Rodman (1992: 228–231) described frequent bickering and occasional battles between co-op members and their boards. Saegert et al. (2004: 19) have noted a "downside to living in an LEC," including "time invested, hassles, lack of privacy, frustration with other tenants' low participation, and more trouble in general than renting." They also found that residents who live longer in an LEC tend to have less trust in their neighbors. Since Saegert and her colleagues had just concluded that "when residents trust each other more they are more likely to participate in issues related to the building" (Ibid., 17), the implication is that people who live longer in co-op housing may be less likely to involve themselves in collective efforts to manage and govern it. In the same vein, Miceli, Sazama, and Simans (1994: 474) and Sazama and Willcox (1995) have described the ever-present problem of free riders in LECs, where a few people do most of the work – eventually burning out from the effort – while others do nothing.

In sum, there is reason to believe that shared equity housing does nurture social capital, at least in the more collective forms of shared equity housing. More research is needed before the same can be said about the more individualistic forms, like CLTs and deed-restricted housing. Furthermore, while the benefits of involvement have been studied, the burdens have not. More research might be directed here as well.

Community Involvement: Weighing the Pros and Cons

The challenge to the claim of community involvement is that homeownership is more likely to turn an individual's energies and concerns inward than outward. This may be especially true for the owners of shared equity homes, according to some critics, because of the extra demands that are made on an individual's time: attending meetings, resolving disputes, and participating in the kinds of collective action that are needed to maintain, manage, and govern such housing. Instead of struggling for better public facilities, better social services, and a higher quality of life for everyone who resides in a particular locale, the owner-occupants of shared equity housing are more likely to be tending to their own turf. Shared equity homeownership is a recipe for self-absorption, not civic engagement.

Most evidence suggests, on the contrary, that homeowners are generally more engaged in civic affairs than renters. As Rohe, Van Zandt, and McCarthy (2002: 395) concluded:

> The empirical evidence on the relationship between homeownership and participation in both voluntary organizations and local political activity is both extensive and consistent. After controlling for income, education, and other socioeconomic characteristics, homeowners are indeed more likely than renters to participate in voluntary organizations and engage in local political activity. [222]

One theory for why homeowners exhibit higher levels of civic engagement is that they are seeking to protect the economic investment in their homes. If true, this theory would suggest that people who live in resale-restricted homes, where the return on their investment is limited, might participate less than people who live in market-rate homes. But, as Rohe, Van Zandt, and McCarthy (2002: 397) point out, "studies that tested to see whether investment orientation influenced participation rates found no support for this proposition." Saegert and Benitez (2005) confirm, in fact, that: "studies have found that LEC residents participate more in neighborhood organizations, live in their neighborhoods longer, and have a greater desire to stay, compared to other low-income renters."[223] A recent survey of low-income residents of multiunit rental housing and multiunit LECs developed and managed by the same nonprofit housing organization asked residents whether the level of their involvement in neighborhood activities had changed since moving into their apartments (Gent, Sawyer, Davis, and Weber, 2005: 40). Among the co-op members, 39.7% reported that they had become more actively involved since moving into their LEC, compared to 14.5% of the renters. Only 7.4% of the co-op's members said they had become less involved, compared to 24.5% of the renters.[224]

What is there about living in this particular form of shared equity housing that seems to contribute to heightened involvement in neighborhood activities? Saegert et al. (2003: 20) pose one possibility:

> Limited equity cooperatives help to create a space to reconnect local activism with the neighborhood by enforcing values of civic participation and creating spaces for interaction. The social and leadership skills that are learned in LECs increase residents' resources and motivation for civic participation.

Similarly, the Cooperative Housing Coalition (2001: 2) suggests that the involvement of co-op members in one sphere of activity may translate into engagement in another:

> They have learned to participate in the small democracy that governs their housing and they are not about to be excluded from the larger public debate. Cooperatives provide their members with proof that they can exercise power over an important element of their lives. Perhaps it is the knowledge of this power that propels cooperative homeowners into a significantly higher level of involvement in community activities and a strikingly lower level of isolation from the world around them than renters.

These are speculations, however. The reasons behind higher participation rates among co-op members, like the reasons behind the higher rates of participation among market-rate homeowners, are not clear. It is also unclear whether participation might vary among different forms of shared equity housing. Are the owner-occupants of deed-restricted housing or CLT housing as likely to be engaged in the politics and voluntary associations of their surrounding neighborhoods as the owner-occupants of LECs seem to be? Furthermore, it has not been established for sure whether the owners of shared equity housing, whatever its form, are as likely to be engaged in civic affairs as the owners of market-rate housing. All of these propositions are worthy of further investigation.

Performance Standard 5: Improvement

Individual Improvement	Personal mobility is enabled.
Community Improvement	Community development or community diversity is promoted.

Improvement is the fifth standard by which the performance of shared equity homeownership may be judged. If these nonmarket models perform as promised, they will serve as platforms for personal mobility. The lives of those who own a shared equity home will improve – while occupying it, when reselling it, or both. Conditions in the surrounding neighborhood will also improve. In more impoverished communities, shared equity housing will make a significant contribution toward enhancing the collective quality of life. In more affluent communities, shared equity housing will make a significant contribution toward increasing economic and racial diversity. These models can be deemed to have been effective in delivering and balancing their promised benefits, in other words, when individuals and their communities are transformed for the better.

Individual Improvement: Weighing the Pros and Cons

It is often difficult to separate the claims for individual improvement from the claims for individual wealth, since both may involve more dollars being put into the pockets of the poor. Mobility is more than money, however. There are improvements that shared equity housing can cause in the personal lives of those who own and occupy such housing that occur, it is argued, even if the money they earn when reselling their property is rather modest.

This particular claim, as we have already seen, flies in the face of the criticism that only market-rate homeownership, unencumbered by the resale controls that come with shared equity homeownership, is capable of transforming the lives of low-income people. Equity limitation, in the eyes of these critics, is a barrier to mobility. The owners of shared equity housing cannot better their lives or the lives of their children because they are prevented from accumulating the kind of wealth that makes mobility possible. Their homes are burdened by so many eligibility, occupancy, and affordability restrictions, moreover, that their owners will have difficulty selling them. If eventually successful in finding buyers, they will have difficulty purchasing homes of comparable quality. They will find it next to impossible to purchase market-rate homes of better quality or to move out to neighborhoods of better quality. In a word, they are stuck – economically, socially, and geographically.

There is some evidence suggesting the opposite may be true. LECs, for instance, have been repeatedly shown to improve the living conditions of the residential environment occupied by low-income residents.[225] The owner-occupants of housing cooperatives have been found to have "higher average incomes as a result of upward economic mobility than residents of physically similar rental properties" (Cooperative Housing Coalition, 2001: 11). In a study of LECs in Burlington, VT, co-op members were asked to assess whether various aspects of their lives had improved while living in their LEC. Among those who responded to this question, 29.2% reported a gain in employment since moving into their housing co-op; 22.4% reported that one or more members of their household had pursued additional education or job training; 18.2% noticed a change for the better in their children's performance in school; 36.5% reported an increase in household savings; and

77% reported an increase in their "general happiness" (Gent, Sawyer, Davis, and Weber, 2005: 34–39).[226]

A national survey of CLT homeowners reported a similar pattern of personal improvement (Levinger, 2001: 13). Overall, 86% of the respondents agreed with the statement, "Since I purchased my land trust home, I feel better about myself"; 55% agreed with the statement, "Since I purchased my land trust home, my children are doing better in school"; 53% agreed with the statement, "Since I purchased my land trust home, my children are healthier"; and 61% agreed with the statement, "Since I purchased my land trust home, I have been healthier."

Although such findings must be taken with a grain of salt, since they depend entirely on a resident's subjective assessment of being "better off" in housing provided by an LEC or a CLT,[227] they do suggest that the transformative effects frequently attributed to homeownership may not be confined to market-rate housing alone. The effect that has received the most attention, in this regard, is the relationship between tenure and childhood outcomes. The children of homeowners have been repeatedly and consistently found to do better in school, to be more likely to graduate, and to be less likely to be involved in crime, idleness, or teenage pregnancy than the children of renters. No statistically significant link has been found in any of these studies, however, between these desirable childhood outcomes and the level of a homeowner's equity. Instead, most researchers have been inclined to attribute the favorable effects of homeownership to the reduced residential mobility of homeowners, a benefit unaffected by the resale restrictions of shared equity housing.[228]

Not only do things seem to get better for the families who *stay* in shared equity housing; things may also improve for those who *leave.* Contrary to the notion that these homeowners are "stuck" in an inflexible form of tenure that allows neither lateral mobility into comparable housing in other neighborhoods nor vertical mobility into the conventional homeownership market, at least one study suggests that the owners of resale-restricted housing may have more success in moving out and moving up than is commonly presumed. Davis and Demetrowitz (2003:22–23) examined the subsequent housing situations of 97 CLT homeowners who resold their limited equity houses or condominiums and moved into other housing. Few of them remained in their old neighborhood. Over 80% moved to another neighborhood in the same city, to a suburban town in the same county, to another county in the same state, or to another state. What kind of housing did they move into? Of the 81 homeowners whose subsequent housing situations could be determined, 60 of them (74%) purchased a market-rate home within six months of reselling their CLT home. Four others (4.9%) exchanged one CLT home for another. Sixteen (19.8%) became renters after leaving the CLT, and one homeowner died (1.2%). In sum, the affordability restrictions encumbering these CLT homes prevented neither the movement of families to other locations nor their movement into the market.

The upward mobility achieved by so many low-income homeowners leaving the shared equity housing of the BCLT is even more impressive when seen in the light of the downward mobility exhibited by so many low-income homeowners in market-rate housing. The "high likelihood that lower-income families will slip back into renting after attaining homeownership," discovered by Boehm and Schlottmann (2004: 33), and the 53% failure rate among first-time, low-income homebuyers, discovered by Reid (2005), stand in sharp contrast to the much smaller percentage (19.8%) of BCLT homeowners who returned to renting upon leaving the BCLT.

A handful of studies do not come close to confirming the claim that shared equity homeownership enables mobility, of course. More research is clearly needed into both the monetary and nonmonetary improvements in people's lives that occur as a result of inhabiting such housing. What these few studies do suggest, however, is that the critics of LECs, CLTs, and deed-restricted housing should be less quick to assume that equity limitation is necessarily a barrier to personal improvement. Each side has a long way to go before proving its case.

Community Improvement: Weighing the Pros and Cons

The minimalist claim for community improvement is that shared equity housing can make a positive contribution toward rebuilding the residential property of neighborhoods in which the poor have been heavily concentrated, as well as toward diversifying the residential population of neighborhoods from which the poor have been historically excluded. The more substantial claim is that deed-restricted housing, LECs, and CLTs not only succeed in promoting development and diversity, but do so because of the way in which these models allocate and regulate the rights of ownership.

As a tool for promoting community development, the sponsors of shared equity housing have sometimes been tapped to play the leading role in rebuilding an impoverished area. On other occasions and in other communities, they have been cast in a supporting role, contributing a housing development component to a broader strategy for a neighborhood's revitalization. Community land trusts are more likely to play the former role; LECs and deed-restricted housing are more likely to play the latter. CLTs, for example, have been the principal players in revitalizing impoverished neighborhoods in Syracuse, Durham, and Washington, DC.[229] They have played the principal role in planning and redeveloping entire neighborhoods in Albuquerque and Boston.[230] They have partnered with other nonprofit, for-profit, and governmental organizations in implementing comprehensive plans for the revitalization of neighborhoods in Burlington and Duluth.[231] LECs and deed-restricted housing, by contrast, have rarely been the main vehicles for a neighborhood's revitalization, yet both forms of shared equity housing have made their own contributions to community development. Years ago, LECs financed through the federal government's 221(d)(3) program were key components of urban renewal plans in Chicago, Cincinnati, and elsewhere.[232] More recently, LECs have been extensively used in New York City to acquire, convert, rehabilitate, and return tax-delinquent apartment buildings to the tax roll.[233] LECs have been used to revitalize public housing (and their surrounding neighborhoods) in cities nationwide.[234] Deed-restricted homes, as well as housing developed on leased land, have been used in the massive redevelopment of the Lowry Air Force base in Denver.

As a tool for promoting community diversity, CLTs, LECs, and deed-restricted housing have been widely used to produce and preserve affordable housing in neighborhoods, suburbs, and towns where people with lower incomes would not otherwise be able to live. Deed-restricted housing, in particular, has been the tenure of choice for many public agencies and private developers when meeting the inclusionary requirements of a municipal ordinance or the "fair share" targets of a regional plan. In states like New Jersey, California, and Massachusetts, for example, in cities like Boulder and Boston, and in counties as far apart as Montgomery County, MD, and King County, WA, nearly all of the owner-occupied housing created through inclusionary programs has been made up of deed-restricted houses, townhouses, and condominiums.[235]

While deed-restricted housing has been the dominant player in opening up residential enclaves to greater economic and racial diversity, there has been growing interest in recent years in using LECs and CLTs for the same purpose. The regionalization and suburbanization of the CLT movement, in particular, has created new opportunities for penetrating enclaves and expanding fair share. A number of newer CLTs and a handful of older CLTs have expanded the boundaries of their service areas far beyond the cities in which they were originally established. A number of suburban communities have supported the creation of CLTs as a means of meeting fair share obligations or "smart growth" expectations. The Burlington CLT, for example, has developed LECs and limited equity houses on leased land not only in Burlington, VT, but also in affluent suburbs and rural towns within a three-county region. Thistle Community Housing has developed CLT housing not only in Boulder, CO, but also in surrounding towns. In Rhode Island and Delaware, regional CLTs are being developed which will monitor and enforce affordability restrictions imposed by state and municipal agencies for housing projects scattered throughout these small states. CLTs in the suburban counties surrounding Minneapolis and St. Paul have become vehicles for implementing regional fair share targets imposed by the Metropolitan Council.[236] CLTs operating within Portland, OR's regional growth boundary have promoted permanently affordable, owner-occupied housing as a means of addressing some of the negative externalities of smart growth.[237]

Not enough has been done to measure the success of any of these models in remaking the places in which they operate. Too little research has been conducted into the wider impact of deed-restricted housing, LECs, and CLTs beyond the walls of their own domains, a problem mentioned previously during the discussion of community stability. Yet, from the documentation that does exist, these models do seem to make a difference. They have contributed to development or diversity in a variety of settings. Their communities have been changed for the better.

It is difficult to say, however, which aspects of shared equity housing should be credited with these changes. The larger claim for community improvement is that tenure matters. Deed-restricted housing, LECs, and CLTs are claimed to have special advantages when it comes to developing or diversifying residential communities. These models make a difference, in other words, because they themselves are different. But that is not a claim that goes unchallenged. Even someone as sympathetic to shared equity housing as DeFilippis (2004: 109), after documenting the ways in which an MHA in Stamford, CT, and a CLT in Burlington, VT, have "partially transformed" their neighborhoods, is moved to admit that "it is unclear whether their role in place-making was the result of a form of ownership of the housing, or the result of rather traditional organizing efforts that could have been undertaken by any CDC, regardless of how they structure the tenure of their housing."

The only evidence we have that tenure really does matter in developing and diversifying residential communities is indirect. Equity limitation has been shown to preserve access to homeownership for persons who would otherwise be excluded from neighborhoods with rising housing prices. To the extent that a rising rate of homeownership is a contributor to community development, therefore, and to the extent that a lasting supply of affordable housing is a contributor to community diversity, the structure of ownership of deed-restricted housing, CLTs, and LECs may be credited with improving their communities. Similarly, the pooled risks and shared responsibilities that are characteristics of LECs and the durable right to intervene in cases of mortgage default that is a characteristic of CLTs have been shown to be effective in backstopping the residential security of first-time homeowners. To the extent that such security enhancements protect homeownership gains which a community has achieved, therefore, or to the extent that these enhancements increase the likelihood that low-income persons who have "moved to opportunity" will succeed,[238] models of shared equity housing may be credited with promoting both development and diversity.

These are hypotheses more than confirmations, however. When a community containing shared equity housing has changed for the better, tenure may be posited as a possible cause. The different way in which deed-restricted housing, CLT housing, or LEC housing is owned and operated may have engendered these changes. But, as the earlier quote from DeFilippis suggests, there may be other explanations. These improvements may have occurred not because of tenure, but because of the capital invested, the people mobilized, the jobs created, the services provided, or the pressure exerted on the powers-that-be by the nonprofit sponsor of shared equity housing – activities that are hardly unique to CLTs, LECs, or the organizations developing deed-restricted homes. The third possibility is that both are true: The improvements observed in communities in which these nonmarket models are present are a consequence of combining an unconventional structure of homeownership with a conventional array of organizational strategies for developing or diversifying a residential neighborhood. Sorting out the relative contribution to community improvement that is made by each of these factors is one of the many challenges awaiting the next round of research into shared equity homeownership.