The US housing market is in disarray. Real-estate prices are rising in some housing markets while collapsing in many others. The US Case-Schiller Home Price Index has fallen 25.1% since its peak in mid 2006. President Obama recently announced a US$75bn (AUD$117bn) bailout to homeowners facing foreclosure; a staggering amount but already labelled as inadequate.

Belatedly, US policymakers are examining new models of homeownership, especially ones that provide low-income households with basic protections: preserve affordability at the top of the business cycle; maintain housing quality at the bottom of the business cycle; and prevent displacement at both ends of the business cycle.

Once again US policy makers have learned that market-based, go-it-alone models of homeownership fail to provide these protections. Yet they are standard features of alternative ownership models including community land trusts (CLTs), limited equity cooperatives (LECs), and resale-restricted houses and condominiums with protective covenants lasting many years. These unconventional models of tenure are known by the generic name of “shared equity homeownership.”

Individuals who occupy shared equity housing are homeowners. They possess many of the expected rights of homeownership including a deed of ownership, a ground lease, or corporate shares that are transferable and inheritable. The occupants of shared equity homes thus enjoy security of tenure and control over their property alongside the responsibilities and risks of running their own patch. Unlike their counterparts in market-rate housing, however, some of these rights, responsibilities, risks and rewards are shared with a public-sector or non-profit organisation that remains in the picture long after these homes are sold.

Part of what is shared are capital gains. The owners of shared equity housing typically recover at resale their outlays on equity, maintenance and improvements, often augmented by a modest return. They are not allowed to walk away, however, with the entire gain in value, since much of the gain is attributable to the community’s investment. This might be in the form of equity assistance or reduced price at the time of initial purchase arising from a public grant, charitable donation, or a mandated concession from a private developer. The value gain might also arise from public investments in infrastructure, improvements in surrounding properties, or changes in the regional economy. This value is retained in the home, keeping it affordable for the next homebuyer of modest means, one resale after another.

A longitudinal study of one community land trust, the Burlington Community Land Trust (BCLT), between 1984 and 2002, found that at the time of initial sale the average BCLT dwelling was affordable to households on 62% of area median income (AMI). At resale, the average dwelling was affordable to those on 57% of AMI, confirming that the trust was succeeding in maintaining housing affordability. At the same time, the study showed that individual wealth had also been created, with BCLT homeowners experiencing an annual rate of return of 17% on their initial outlays. When selling after 5 years, the average BCLT homeowner received the initial deposit plus US $6,184.

Equity, however, is not reducible to a dollar amount. Equity is the “owner’s interest”, the package of rights, responsibilities, risks, and rewards that accompany the property ownership. In market-rate housing, this package resides with the homeowner. In shared equity housing, it does not; or not exclusively.
Shared equity homes are wrapped in a durable garment of stewardship, where homeowners are never forced to go it alone.

No one really knows how much shared equity housing might actually exist in the USA. Estimates range from 500,000 to one million dwellings. What is known, however, is that there has been a steady increase in the number of non-profit organisations developing resale-restricted dwellings for owner-occupation housing, alongside a steady increase in the number of private lenders financing such housing, and in the number of governmental agencies using their dollars and powers to assist the development of these schemes. A lengthening list of cities and states now administers homeowner assistance programs, housing trust funds, inclusionary housing programs, or housing incentive programs with long-term contractual controls.

The rapidly evolving landscape of shared equity homeownership is producing many ways to structure and manage the ownership and operation of residential property. Some common elements of shared equity homeownership schemes are observable:

- They expand access to homeownership for persons of modest means who otherwise would not have been able to acquire ownership in residential property;
- They allow homeowners to recoup their personal investment, while providing an opportunity for a modest gain in wealth;
- They protect the community’s investment; and
- They maintain the stock of affordable dwellings while mitigating against foreclosures. In 2007, the foreclosure rate of CLT homes was 0.06%, less than 1/30th the US national foreclosure rate.

In short, shared equity homes are wrapped in a durable garment of stewardship, where homeowners are never forced to go it alone. These homes and the ways people live in them are designed to last, in good economic times and bad.

Are there lessons for Australia?

Australia is experimenting with shared equity schemes such as HomeNorth in the Northern Territory, First Start in Western Australia and HomeStart in South Australia. These involve shared borrowing practices where a state or non-profit agency holds a portion of the mortgage value. The assumption behind this arrangement is that homebuyer will either buy the agency’s share and take full ownership, or sell at market rate, with agency’s recouped funds then becoming available for re-use in partnership with a new low-income home purchaser. There is a slow subsidy leak in such schemes, however, as the pool of money available for re-loan falls relative to increasing house prices. Hence further subsidisation is required in these schemes to retain housing affordability.

Further, the subsidy arrangements in shared equity schemes in Australia are generally not tied to the construction of new housing stock, and so may exacerbate already-inflated housing markets by increasing buyer numbers. In contrast, US shared equity schemes include a supply-side strategy that automatically re-invests start-up subsidies into a dedicated stock of owner-occupied dwellings so that they remain affordable in perpetuity. These US shared equity schemes therefore reduce future funding requirements compared to the Australian shared borrowing schemes and add a permanent and expanding pool of dedicated affordable housing stock to the market. There are important lessons here for Australian policy makers to consider.

John E Davis is a visiting fellow at the Lincoln Institute of Land Policy. John will be visiting the Urban Research Centre and presenting a professional short course and public events during March. See details on the short course and public events below. Louise Crabtree is Research Fellow and Research Program Coordinator at the Urban Research Centre.
PUBLIC SCREENING: HOMES & HANDS - COMMUNITY LAND TRUSTS IN ACTION PLUS A NEW WAY HOME - SHARING EQUITY TO BUILD WEALTH.

Sidetrack Theatre, Addison Road Community Centre
142 Addison Rd, Marrickville
Sunday 22 March, 7pm - 9pm

As part of John E Davis's visit to Sydney, the Urban Research Centre and Marrickville Council are hosting a free public screening of two key films documenting Community Land Trusts in the United States. John will run Q & A sessions between and after the films.

Registration for the screening is mandatory. Please RSVP to Louise Crabtree on 02 8833 5931, l.crabtree@uws.edu.au. Addison Rd Community Centre has ample free parking and is accessible on the 428 Sydney Bus route which runs between Canterbury and the Sydney CBD.

PUBLIC SEMINAR: COMMUNITY LAND TRUSTS - PERPETUALLY AFFORDABLE HOUSING AND COMMUNITY RESILIENCE

Mitchell Theatre, Sydney Mechanics School of Arts
Level 1, 280 Pitt Street, Sydney
Wednesday 25 March, 11am - 1pm refreshments from 10.30am

The Urban Research Centre and ShelterNSW are hosting a free public seminar and panel discussion on Community Land Trusts. Featured panellists are Adam Farrar, Executive Director, NSW Federation of Housing Associations; Helen O’Loughlin, Director, Centre for Affordable Housing; Louise Crabtree, Research Fellow, Urban Research Centre.

Registration for the seminar is mandatory to comply with seating capacity. Please RSVP via www.shelternsw.org.au/docs/fly0903seminar-about.html.

SHORT COURSE: COMMUNITY LAND TRUSTS WITH JOHN E DAVIS, 23-24 MARCH, 9AM - 5PM

Community land trusts are a proven model of permanently affordable homeownership for low-median income households, balancing the dual aims of household equity gain and affordability protection over time through a model of land stewardship. This two-day short course is for people who want to learn about CLTs in the USA and their potential in Australia. It deals with the basic structure and function of community land trusts in the USA, addresses the transferability of CLTs to an Australian context and the integration of housing affordability and community resilience to challenges such as climate change and food insecurity.

For a full description of all short courses and registration, please see www.uws.edu.au/urban.

REPORT: THE IMPACT OF HOUSING ON THE LIVES OF WOMEN AND CHILDREN POST DOMESTIC VIOLENCE CRISIS ACCOMMODATION

The Urban Research Centre has undertaken research in partnership with the NSW Women’s Refuge Movement’s Resource Centre to assess the impacts of post-refuge housing availability and security on women and children leaving domestic violence. The report was launched at Parliament House on Wednesday 25 February by the Hon. David Borger, Minister for Housing. Details of the study are available from Professor Peter Phibbs via p.phibbs@uws.edu.au.

The study involved in-depth interviews that explored the perceptions, thoughts and feelings of women in the journey of leaving violence. The report highlighted that providing women and children with feasible alternatives for acquiring stable and secure housing after experiencing domestic violence is vital to ending the cycle of violence. Furthermore, the report confirmed that support systems that address women’s needs in an integrated, respectful and consistent manner contribute to a more stable and secure new life for women and their children. The report’s findings add to the discussion of policy issues in housing and community services by identifying programs that need improvement, as well as highlighting alternatives that have benefited the women who participated in the study.

The Urban Research Centre, University of Western Sydney
Urban Research Centre
FROM THE DIRECTOR

The word ‘crisis’ is all about. For some years now Australian cities have been seen as experiencing crises in public transport, water and electricity supply, infrastructure generally, housing affordability and skilled labour. Now our cities must confront a global financial crisis and a growing crisis in the real economy.

Governments at all levels in Australia are in a spin as they try to react. Quite rightly, the federal government is leading from the front. A concern, though, is that the effectiveness of the federal government’s chosen response pathway – the big spend – may suffer because of its lack of focus. A huge Keynesian-style cash injection, loosely targeted, is seen as capable of not just resolving the financial crisis and holding off recession, but also capable of resolving most of the other crises that are about. No wonder the state premiers are cheering the feds on.

What should be clear, though, is that a public transport crisis, for example, will only be alleviated by good public transport policies, backed by properly targeted spending initiatives at state and local levels. So too water and electricity supply concerns need specific solutions. Keynesian stimulus packages cannot be cure-alls. State and local government cannot sit on their hands and hope that others do the job for them.

The Urban Research Centre is hosting the visit of US housing expert John E. Davis in order to introduce innovative solutions to the housing affordability crisis to the Australian scene. The events – advertised in this issue of Urban Concerns – are part of our contribution to targeted debate and effective policy development.

Sure, we can worry about things in general. But good solutions are always cleverly specific.

Phillip O’Neill

RESEARCH OPPORTUNITIES

The Urban Research Centre is running a number of research programs during 2009. To enquire about becoming involved in any of the following projects, please contact Dr Louise Crabtree on 02 8833 5931, l.crabtree@uws.edu.au.

FEEDING SYDNEY

The Feeding Sydney project is underway with a much needed land use survey of the Sydney basin. The survey is led by the Urban Research Centre’s Spatial Indicators Analyst, Ms Maria Piquer-Rodriguez with the assistance of consultant Mr Ian Sinclair. A new appointment, Sarah James, will commence work shortly at the Urban Research Centre as the Feeding Sydney Project Officer and further research opportunities will emerge at that time. The Urban Research Centre is a joint sponsor of the Sydney Food Fairness Alliance’s Food Summit in October 2009.

URBAN INDICATORS

Dr Sumita Ghosh commenced work as the Urban Indicators Project Officer in early 2009. Sumita is coordinating the development of a suite of urban performance indicators to apply to existing and new suburban development. The indicators will measure and track social, environmental and economic change and the impacts of suburban expansion in Sydney in line with the UN Habitat Global Urban Observatory program.