



SquareOne Villages
HB 3368 Testimony

The vast majority of public investment into affordable housing goes to low-income rental housing, where residents lack control, security of tenure, and equity.

But homeownership is not a one size fits all solution. In traditional single-family homeownership, lower-income residents are exposed to significantly greater risk and are far less likely to generate wealth when compared to higher-income homeowners.

Shared-equity homeownership offers an alternative, self-sustaining model that takes a one-time public investment to make a home affordable for a lower-income family and then restricts the home's sale price each time it is sold to keep it affordable for subsequent low-income families who purchase the home. The model balances wealth building for families who would otherwise be unable to afford owning a home with preserving the community's investment.

There are two primary types of shared-equity homeownership: Community Land Trusts (CLTs) and Limited-Equity Cooperatives (LECs). In a CLT, a nonprofit owns the land and provides a long-term ground lease to the resident, who owns the structure. In an LEC, the residents own a share of a cooperative corporation, which wholly owns the property. When combined together CLT-LEC hybrids provide a promising model for operating within existing real estate law to create a more accessible and sustainable homeownership option for low-income households.

Since 2017, SquareOne Villages has developed two affordable housing cooperatives in Lane County serving households under 60% AMI, Emerald Village in Eugene and Cottage Village in Cottage Grove. Both are leasehold co-ops, where the co-op lease the entire property from SquareOne Villages.

In future projects we would like to develop limited equity cooperatives (LECs), where the residents collectively own the housing. SquareOne would act as a CLT and retain ownership of the land under the buildings, ensuring the housing remains permanently affordable for generations to come. A ground lease ties the interest of both parties together and ensures the long-term success of the cooperative. This provides a pathway to owner-occupied housing for households under 60% AMI, that would be unable to qualify for a mortgage individually.

While LECs are classified as a form of homeownership, they are developed and operated more similarly to rental housing. There is a single blanket mortgage for the project,

and residents pay monthly rent to the cooperative (of which they are an owner) in order to cover all housing expenses including debt service, utilities, insurance, maintenance, replacement reserves, and other operating expenses. In this way LECs may be more appropriately classified as resident-owned rental housing.


OHCS funding programs are divided into either rental housing or homeownership, creating a challenge for LECs which fall somewhere in between. Thus, with HB 3368, we are proposing a shared-equity homeownership pilot program to create a flexible funding source compatible with the CLT-LEC hybrid ownership structure in order to learn more about the benefits of the ownership structure that can help inform future OHCS programs.

This program would build on the success of the Manufactured Dwelling Park Preservation Program, in which the LEC ownership structure is utilized to form Manufactured Dwelling Park Cooperatives. This model has proven to create a more equitable housing option by providing tenants first right of refusal to purchase and collectively own their park as a cooperative. Why not expand this opportunity to low-income rental housing on the front end? Approval of HB 3368 would provide funding to do just this.

Thanks to grants from Meyer Memorial Trust, SquareOne has been able to further research and develop the CLT-LEC ownership structure over the past few years and can provide further information on the benefits of and precedent for this model upon request. We are currently developing a very small CLT-LEC for six households in Springfield, with occupancy expected in October 2021. Due to the small size of this project we have been able to develop it with private sources. However, we currently have a purchase agreement with Peace Presbyterian Church in Eugene on which we can develop approximately 64 units of permanently affordable cooperative housing. Scaling up this model requires larger public investments than what is currently being supplied in the homeownership programs, and we ask for your support in implementing a shared-equity homeownership innovations program.

Sincerely,

Andrew Heben

A handwritten signature in black ink, appearing to read "Andrew Heben", written in a cursive style.

Project Director,
SquareOne Villages