



Shared Equity Homeownership Work Plan Activities & Outcomes

Strategy

NCB Capital Impact proposes to facilitate ongoing coordination among national and local organizations to design and implement a six-part strategy for taking shared equity homeownership (SEH) to scale. First, we will develop a system to assist rapid local responses to the foreclosure crisis. We will develop financing systems and products that support Shared Equity programs. We will strengthen local business models by increasing trainings, resources and model documents available for both existing and new SEH administrators to promote sustainable and scalable programs. Working through a broad range of existing national networks, we will raise policy maker and industry awareness of Shared Equity Homeownership among policy makers and leaders within the housing and real estate industries. We will coordinate a national quality improvement and research program and build a lasting tool for ongoing benchmarking of performance to help SEH programs to track and compare outcomes and to do a better job of communicating their impact to the public. And we will launch a coordinated public policy effort to educate federal policy makers about the benefits of SEH and to build support for a new federal demonstration program.

NCB Capital Impact intends to act as a catalyst and facilitator to implement these six strategies. Several other national partners, as outlined below, will take leadership in various parts of the strategy - NCB Capital Impact intends to take leadership in the financing strategy - but this is a highly collaborative process. Both the strategies and the message for going to scale remain in evolution. The one year program proposed below, however, has excited the involvement of several leaders in the affordable housing industry and creates a vital movement to make Shared Equity Homeownership an important and growing emerging market.

Strategy 1: Financing Systems and Products

Challenge: Many SEH programs report that access to financing remains a major barrier to higher rates of production. First mortgage products for Shared Equity homebuyers remain a major challenge. The process of financing each new SEH project still requires difficult face-to-face negotiations with local lenders. Institutional leadership by Fannie Mae has opened many doors and reassured lenders that SEH loans can be safe and profitable. However the idiosyncratic nature of most local SEH programs and the relatively small scale of the field have made it difficult for most national lending institutions to offer scalable standard products. Instead, most SEH loans still require lenders to bend existing rules or make exceptions, relying on relationships between lenders and local program sponsors. With the recent state of turmoil and turnover in the mortgage industry, SEH

programs cannot grow if they must continue to rely on local exceptions. Rapid growth requires standardized and simple loan products that are reliably available.

Strategy: The initiative will convene a diverse set of stakeholders from the full range of local SEH programs to work together to build more standardized financing products and conduits suitable for higher volume production of SEH units. These stakeholders will work with scale lenders that have existing relationships with secondary market institutions and socially responsible investors to offer a standard set of financing products to the range of local SEH programs.

First Mortgage Conduit: NCB Capital Impact will work closely with existing SEH practitioners to develop a set of standard first mortgage products that will conform to Fannie Mae and FHA requirements. By creating a single loan conduit focused on the unique needs of shared equity homeownership programs, NCB Capital Impact can have two distinct benefits. First, by working with multiple local programs, NCB Capital Impact can achieve greater standardization within the field. Second, by working closely with Fannie Mae and FHA on multiple local projects, NCB Capital Impact can serve as a clearinghouse for underwriting and policy challenges and can help the secondary market institutions craft more effective policies. While many SEH projects will continue to work with local lenders, having a single national institution aggressively pursuing this business will reassure local policymakers that access to financing will not be a barrier to continued growth.

Guaranteed Acquisition Fund: For Shared Equity Homeownership to grow and for its local implementers to actively address the foreclosure crisis, there also needs to be ready access to pre-development and acquisition financing. Given the uncertainty and softness in the homeownership market generally, reduced rate, patient and at-risk capital will be needed. Specifically NCB Capital Impact will raise both program related investments (PRI) and private sector financing to create pools of acquisition and pre-development financing at both the national and local level. To mitigate the risk associated with this investment and to encourage private sector investment, NCB Capital Impact will also seek foundation and local government guarantees or secondary position financing. NCB Capital Impact already has a portfolio of pre-development, construction and permanent loans for SEH and will build on that experience.

NMTC Leveraged Fund: Working with City First Homes in the District of Columbia, NCB Capital Impact has pioneered the use of New Markets Tax Credits (NMTCs) to produce lasting affordability for homeownership projects. While this particular example may not be directly replicable in other communities, NCB Capital Impact has developed a simplified structure which would match private, tax credit motivated equity investment with deferred payment local government debt to multiply the impact of local investment and produce more permanently affordable units. Given the opportunities

created by the recent Federal increase in tax exempt financing available for housing, NCB Capital Impact will also investigate using state housing finance agency financing in conjunction with a NMTC product.

NMTCs are likely to remain a limited source of funding for homeownership, but these credits can provide a crucial inducement for investors to participate in shared equity homeownership in select markets. NCB Capital Impact will conduct an in-depth study of the feasibility of this new approach, and, if appropriate, set aside up to \$15 million or 15% of any future NMTC allocation for this purpose. NCB Capital Impact will also pursue other NMTC allocatees at both the national and local level to invest their allocation through a similar structure. If feasible, initial investment through any NMTC fund would be targeted to jurisdictions participating in regional capacity building pilots.

Partners

NCB Capital Impact will lead the development of these new financial products with input from high volume producers of SEH units across the country as well as from the National Council of State Housing Agencies and its member state HFAs, National Housing Trust, Fannie Mae, FHA and other CDEs/ NMTC allocatees.

Long Term Goal: To move beyond custom approval of idiosyncratic local SEH loans to standardized national loan products that serve the range of local needs.

Short Term Indicators:

- ❑ Business plan for a SEH first mortgage conduit business completed and presented to NCB Capital Impact's Innovations Council which includes senior leadership tasked with reviewing new products to determine whether they fit the organization's mission and risk profile. If approved, NCBCI will begin marketing the product.
- ❑ SEH acquisition fund launched, term sheet developed and distributed, initial funding for program secured.
- ❑ Financial model and memo outlining a proposed structure for New Markets Tax Credits financing for SEH, reviewed by NCB Capital Impact Innovations Council, legal counsel and two potential investors. If appropriate, NCBCI will take action to set aside a portion of its NMTC resources for the program and begin outreach to potential borrowers.

Strategy 2: Supporting local responses to vacant foreclosed properties

Challenge: There is an immediate need for promotion of subsidy preservation methods as part of the roll out of the new Neighborhood Stabilization funding from HUD. The Housing and Economic Recovery Act of 2008 has asked local governments to preserve the affordability of foreclosed properties purchased with these funds. In many communities this will be the first time that long-term affordability has been considered.

Strategy: The initiative will immediately launch a coordinated effort to raise awareness of shared equity homeownership and provide technical assistance to local governments seeking to incorporate SEH into their response to vacant foreclosed properties.

Training: The Initiative will work with a set of national partners to produce and broadly distribute a series of handouts intended to help local governments determine how best to respond to HUD requirements regarding preservation of affordability - including considering shared equity homeownership programs. These materials will outline the range of alternative program design models and highlight how each approach would be implemented in the context of vacant property programs. The materials would be delivered by partner organizations that are working with local agencies to respond to the foreclosure crisis and will direct readers to further resources available online. We will provide direct training to key members of these partner organizations to enable them to incorporate education about preservation of affordability into presentations that they will be called upon to make to assist local governments with the broader set of issues related to foreclosed properties. In addition, NCB Capital Impact will coordinate a series of webcasts/conference calls that highlight local shared equity programs being developed to preserve affordability of vacant foreclosed properties.

Local Government Technical Assistance: The initiative will build a pool of consultants who are available to assist local governments to put together policies and programs that would facilitate the long term preservation of affordability for foreclosed properties purchased with public funds. The consultant pool will include both professional affordable housing consultants and SEH practitioners who are available for short engagements. NCB Capital Impact will provide training to assistance providers, assemble a set of appropriate resources and outline a template for the scope of work for a typical consulting engagement. The initiative will offer mini-grants of up to \$20,000 per jurisdiction to help a limited number of communities pay for services from pre approved consultants and will provide referrals and access to the standardized tools to any other community that can pay for assistance from their own resources.

NCB Capital Impact will also retain the services of two of the nation's leading law firms specializing in affordable housing, Goldfarb and Lippman in Oakland and Goulston and Storrs in Boston, to help define model strategies that local governments might pursue and to be available to discuss legal issues with local city or county attorneys working in jurisdictions that are receiving technical assistance.

CLT Training and Technical Assistance: The National Community Land Trust Network will coordinate training and technical assistance to established

community land trusts to build capacity to serve as long-term stewards of vacant foreclosed properties purchased with public funds. The CLTs that are selected for assistance will work with local jurisdictions to develop foreclosed property programs that have the potential to produce significant growth in the CLTs portfolio of permanently affordable housing.

Partners:

NCB Capital Impact will work with NeighborWorks America, the Center for Housing Policy, the Housing Partnership Network, Smart Growth America, Living Cities, the Local Initiatives Support Corporation, Enterprise Community Partners, National Council of State Housing Agencies, and the Association of Local Housing Finance Agencies to reach local government policymakers with information about SEH.

NCB Capital Impact will coordinate a pool of technical assistance providers including Burlington Associates in Community Development, ICF Consulting, Bay Area Economics, The Herron River Group, Bloch Works, The National Community Land Trust Network, NeighborWorks America, and others with experience establishing new SEH programs.

Long Term Goal: To support local and regional efforts to develop shared equity homeownership capacity as part of the response to the crisis of vacant foreclosed properties.

Short Term Indicators:

- Initiative partners will participate in or provide support to at least 10 workshops or similar meetings to educate local and state policymakers/housing officials about foreclosure response.
- Conduct a webinar specifically on creating SEH programs to address the foreclosure crisis.
- Execute technical assistance agreements with 10 sub-recipients of HUD Neighborhood Stabilization funding that commit to explore the feasibility of one or more shared equity models as part of their efforts to reoccupy vacant foreclosed properties.
- Execute technical assistance agreements with at least 5 existing community land trusts with identified local government partners that commit to develop programs to purchase and renovate vacant foreclosed properties.

Strategy 3: Strengthening Local Business Models

Challenge: Another key barrier to more rapid growth of the shared equity homeownership sector has been the shortage of local management capacity to develop and effectively steward shared equity homes over the long term. Successful implementation of SEH requires a local nonprofit or agency of government with a unique set of skills and systems. Even in communities that are successfully managing existing units, growth is limited because support for these

key management activities often does not scale along with the portfolio of SEH units. Designing and promoting a stronger, more scalable business model for these programs is key to the success of shared equity homeownership.

Strategy: The initiative will facilitate and coordinate the work of practitioners and consultants from the field to refine, create, and publicize standard documents and other tools that will help local practitioners to build stronger programs. The initiative will develop a comprehensive training program to transfer these skills and resources more broadly throughout the entire spectrum of organizations that are implementing SEH programs, including the following:

1. Shared Equity Homeownership Academy: Building on and adapting existing curriculum designed and developed for the Community Land Trust Academy, the initiative will craft a series of day long workshops covering every aspect of designing and effectively managing a shared equity homeownership program. The workshops will be delivered through the NeighborWorks' Training Institute, the CLT Academy, and other regional training programs. The curriculum will be offered to state and regional coalitions that wish to organize additional local delivery at cost.
2. Online Peer Exchange: As part of the Center for Housing Policy's housing policy web site (www.housingpolicy.org) the initiative will create an interactive web based discussion forum and will undertake a concerted effort to sign up substantially all of the local SEH Practitioners across the country.
3. Program Toolkit: The initiative will compile on a single web site a comprehensive set of tools designed to strengthen business practices and procedures for SEH programs. This toolkit will include many existing resources created by Burlington Associates, Lincoln Institute, PolicyLink, National Housing Institute, Center for Housing Policy, NCB Capital Impact and others. In addition, several new tools will be created including a business model planning tool designed to assist program managers in developing operating budget and fee revenue projections for SEH programs and additional resources to assist SEH programs to explain the model to potential homebuyers.
4. CLT Operating Manual: The National CLT Network (NCLTN) has embarked on an ambitious effort to update its existing legal manual into an operating manual. Creating a guide to assist local and regional efforts to create shared equity homeownership programs that includes the steps required and web-based model documents that highlight both what can be standardized and the local decisions that need to be made is an important next step to increase understanding and acceptance of shared equity homeownership. The initiative will support this effort and work with NCLTN to adapt portions of this

manual for wider distribution to non-CLT administrators of deed restricted shared equity homeownership.

Partners: The Center for Housing Policy will lead the development of the web based discussion forum and provide staff support for populating the online forum with initial materials to ensure that users find it useful from the get-go. The Center will also provide ongoing research support to track down answers to questions that members do not answer right away.

NCB Capital Impact will coordinate outreach to existing SEH programs and play an ongoing role facilitating and moderating discussion. NCB Capital Impact will manage development of the program tool kit web site and coordinate collection of new resources on an ongoing basis. NCB Capital Impact will contract for the development of the new resources to complete the toolkit.

The CLT Academy and the National CLT Network will coordinate the development and delivery of SEH workshops, manage registrations, produce training materials and track outcomes by collecting evaluations from participants. NCB Capital Impact will work with the National CLT Network to coordinate a short term working group to outline curriculum for the SEH Academy (including non CLT SEH practitioners as well as representatives from Burlington Associates, Lincoln Institute, National CLT Network and others). Development of individual workshop materials will be contracted to individual practitioners with experience in the relevant topics areas and closely coordinated with similar work being performed for the CLT Academy.

Long Term Goal: To support the growth of a robust sector of public and nonprofit agencies with the skills, systems, and scalable sources of revenue to successfully manage rapidly growing portfolios of shared equity homeownership units.

Short Term Indicators:

- Complete curriculum for four day-long workshops including PowerPoints, handouts, activities and agendas produced
- Two day-long workshops delivered including at least 50 local SEH practitioners
- Online peer exchange launched with at least 200 registered participants
- Toolkit website launched
- Revised CLT operating manual more than 50% complete
- Two completed chapters of CLT operating manual revised for distribution to non-CLT SEH programs.

Strategy 4: Policy Maker and Industry Awareness

Challenge: One of the most significant barriers to wider adoption of shared equity homeownership is lack of awareness among policymakers and other local stakeholders. Because, for the most part, the design of homeownership assistance programs is, appropriately, a local decision, broadening the reach of these programs will involve influencing the decisions of thousands of local policymakers

in cities, counties and towns across the country. These decision makers have never heard of shared equity homeownership, and among those who have, their acceptance of the model seems to be closely associated with their level of familiarity. The more people know, the more likely they are to support shared equity homeownership.

Strategy:

The initiative will build a set of national partnerships in order to increase awareness and understanding of SEH among four key target groups:

1. Local and state elected officials;
2. Local and state housing agency staff;
3. Nonprofit developers of affordable homeownership; and
4. For profit developers of affordable housing.

Network Outreach: The Initiative will build lasting partnerships with a series of national networks representing and bringing together individuals in our four target audiences and will work through those organizations to raise awareness of SEH among network members. For example, working with the National Council of State Housing Agencies, we will convene a task force of state housing finance agencies that have strongly supported SEH strategies. These task force members will be asked to help us devise strategies for educating their peers within each network. Activities are likely to include panels at conferences, web casts, productions of brief profiles of network members that have been supporting SEH programs, newsletter articles, etc. We will build similar partnerships with 5 to 7 other national networks.

Shared Equity Working Group: We will continue to convene periodic large meetings of SEH stakeholders to provide an opportunity for input on how the initiative is evolving and appropriate adjustments, a forum for broad information sharing and to generate enthusiasm for the overall effort. The working group consists of all of the key partners, plus a broader cross-section of people with deep affordable housing experience.

Partners:

The key networks we intend to work through include: Smart Growth America, National Council of State Housing Agencies, Association of Local Housing Finance Agencies, the U.S. Conference of Mayors, the National League of Cities, the American Planning Association and others to be identified. NCB Capital Impact will play a coordinating role and will work closely with the National CLT Network and local SEH practitioners to quickly and methodically build local support for SEH strategies.

Long Term Goal: To dramatically increase awareness and understanding of shared equity homeownership throughout the affordable housing and real estate industries.

Short Term Indicators:

- ❑ Formal partnerships with at least 6 national networks executed including at least 1 presentation and one mailing, e-mail or other joint outreach effort to network members.
- ❑ Three meetings of the full Shared equity working group convened (December 2008, Spring 2009, Fall 2009).

Strategy 5: Quality Improvement and Research

Challenge: Advocates for shared equity homeownership assert a wide range of benefits for individuals, communities and local governments but, to date, very little objective data has been compiled to support these claims. If the initiative is to be successful we must produce credible research showing the benefits of SEH to individual families and to their communities. In particular, broad public acceptance of SEH will require better evidence to support the claim that homeowners can expect significant wealth creation in spite of resale price restrictions.

Strategy: The initiative will undertake the first comprehensive effort to document the impact of existing shared equity homeownership programs nationwide. This effort will involve a multi site research project focused on measuring the asset building and other benefits to SEH homeowners as well as building a lasting tool for ongoing measurement and performance benchmarking for the SEH sector.

National Resale Study: Under the direction of a research advisory board, the initiative will develop a Request for Proposals and Scope of Work for an independent academic researcher to design and conduct a multi-site post occupancy evaluation of benefits to previous owners of shared equity homes. The researcher will work closely with program managers in 5-10 communities to compile data on resales of SEH units and identify, to the extent practical, the wealth building and other impacts that shared equity ownership had on these households.

Performance Benchmarking Tool: The initiative will engage the services of a consultant to work with SEH program managers from across the country to design an online tool which would allow program administrators to track and share certain key financial and outcome data with other administrators. This system will allow real time and ongoing evaluation of the relative performance of each participating program relative to a peer group of similar programs.

Partners:

NCB Capital Impact will manage the research advisory board and coordinate contracting with the researcher. Individuals affiliated with the Lincoln Institute for Land Policy, Burlington Associates, the National Housing Institute, the Graduate Center at NYU, and Rutgers University have agreed to actively participate on the research advisory board and to work with the selected

researcher to ensure that the research project meets the field building goals that we have outlined. An unbiased researcher with an academic affiliation will be selected to conduct the research project through an open process.

NCB Capital Impact will contract with a consultant with experience with success measurement projects to manage a practitioner working group on benchmarking tools which will include 10-15 program managers actively involved in local SEH programs. The National Community Land Trust Network will play a key role recruiting participants in both projects and obtaining feedback from their broader network of local practitioners.

Long Term Goal: To document the impact that shared equity homeownership is having on communities and the difference that it is making in the lives of families; to build a strong empirical case for the benefits of shared equity homeownership.

Short Term Indicators:

- Final research report documenting homebuyer benefits of existing SEH programs
- Program design and work plan for development of online tool for ongoing tracking of program outcomes

Strategy 6: Public Policy

Challenge: While shared equity homeownership is a central part of the affordable housing strategies in a growing number of local communities, SEH programs still receive only a small fraction of state and federal spending on affordable homeownership. The bulk of this spending instead goes to programs that fail to preserve the investment for future generations.

Strategy: The foreclosure and credit crisis have created a unique “learning moment” in American housing policy. The initiative will build a broad based coalition of local, state and national housing organizations who agree to work together on a single agenda to raise the profile and expand the use of shared equity homeownership. Beginning with an ambitious proposal for a \$100 million federal pilot program, we will seek to offer SEH as a promising new direction for federal housing policy. The coalition will also develop and broadly circulate a set of more detailed changes to federal housing programs which would a) remove existing barriers to implementation of local shared equity strategies and b) encourage a wider range of communities to develop SEH programs to better preserve existing federal investment in affordable homeownership. While the immediate focus will be on federal policies and programs, the initiative will also develop strategies to support similar state level policy efforts in a handful of states with the greatest potential to expand the scale of the SEH sector.

Federal Pilot Program: Prior to the November 2008 election, the initiative will develop a brief proposal for a national Shared Equity Homeownership

Demonstration Project. The proposed \$100 million pilot would select 10 local communities and provide matching funding to local governments that committed to retooling their existing homeownership subsidy programs to protect public subsidies and preserve long term affordability. The program would closely document the changes required in demonstration sites and independently document local outcomes. A final report on the initiative would include recommendations for incorporating incentives or encouragement for subsidy retention into existing federally subsidized homeownership programs.

Retooling Existing Programs: The initiative will interview policymakers and SEH practitioners from across the country and compile a comprehensive list of potential federal policy changes. Identified changes would fall into one of three categories:

1. Proposals intended to remove existing barriers to local implementation of shared equity homeownership;
2. Proposals intended to improve tracking and reporting of the extent to which federal investment in affordable homeownership is being preserved for long term benefit; and
3. Proposals intended to encourage greater local adoption of shared equity or similar subsidy retention strategies by local jurisdictions using federal housing subsidies. The initiative will convene a series of meetings between SEH practitioners and members of Congress, federal agency staff, the presidential transition team and others in order to educate federal policymakers about SEH and to discuss necessary policy changes to support the growth of the SEH sector.

State Homeownership Preservation Scorecard: The initiative will compile a state-by-state inventory of programs and policies that either stand in the way of local shared equity homeownership programs or encourage and support SEH. The inventory will look at products available through state housing finance agencies, other state housing subsidy programs, tax treatment of SEH units among other things. A brief scorecard report will be published in order to assist advocates active in individual states to push for state level policy changes and will assist the initiative as a whole to identify the few states where state policy change could have the greatest impact.

Partners:

The National Housing Conference (NHC) will coordinate the policy coalition, develop concise and compelling support materials and manage the participation of coalition members in federal policy efforts including scheduling meetings with the eventual presidential transition team, members of Congress and housing advocacy organizations active in Washington. NHC will also solicit recommendations for federal policy changes needed from work group members and organize those recommendations into a limited number of policy briefs and backgrounders designed to educate policymakers on why these changes are necessary and important.

NCB Capital impact will manage a yearlong process to compile a state homeownership preservation scorecard. We will interview SEH programs nationwide and compile a master list of key policy changes to either remove existing barriers or encourage greater use of SEH in existing programs. We will manage publication and publicity for the scorecard and will convene stakeholders in selected states to plan for release of the report and map out next steps for state level policy efforts in these states.

Long Term Goal: To dramatically realign existing affordable homeownership programs at the Federal, and state level so that shared equity homeownership is the primary approach considered whenever governments are providing significant subsidy to homeownership units.

Short Term Indicators:

- Proposal for federal pilot project submitted to the transition team of the new presidential administration
- One or more Policy Briefs outlining potential changes to existing federal housing programs to encourage greater use of SEH models
- Publication of state-by-state homeownership preservation score card