AFFORDABLE COHOUSING SURVEY:
PRELIMINARY REPORT

Affordable Cohousing Task Group
The Cohousing Association of the U.S.

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Affordable Cohousing Task Group Members:

David Entin
Grace Kim
Greg Sherwin
Jerome Garciano
Kathleen Nolan
Nancy Fister
Randa Johnson
Sharon Ross
Katie McCaman
Barbara Burnham

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By David Entin, for the Affordable Cohousing Task Group
With assistance from Grace Kim and Katie McCamant
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I. Introduction

In January 2010, the Cohousing Association of the United States (COHO/US) chartered an Affordable Cohousing Task Group. The purpose was to address the need for more affordable units in cohousing communities. Many communities have struggled to create affordable units in their communities, with varying degrees of success.

One charge that is made about existing cohousing is that it is overwhelmingly middle class and not very diverse. At the same time, diversity is an important value of the cohousing movement. In the United States there are 120 completed cohousing communities with approximately six thousand residents. These communities are urban, suburban, and rural and are found in twenty-three states.

COHO/US wishes to find ways to increase the diversity of cohousing communities and especially more affordable units resulting in more low and moderate income households living in cohousing. The purpose of the Affordable Cohousing Task Group is to explore means for creating affordable units within cohousing. One of the first objectives of the Task Group has been to survey existing cohousing communities to ascertain their experiences with affordability. Results of the survey were received from seventy-nine cohousing communities, a few in the forming stage but overwhelmingly completed communities. The purpose of this report is to summarize the results of the survey.

What is most striking in analyzing the survey results is that most communities wanted to address the need for affordable units and approximately one-third actually succeeded in creating units that are affordable. Often both public and private means were employed to accomplish this objective. In some communities public resources or programs were utilized, while others were able to obtain or generate private resources to make some units affordable. The number of affordable units ranged from one to three in a majority of communities to over half of the total units in a limited number of communities. Catalysts for seeking affordability came from within the cohousing communities themselves and from public agencies and governmental bodies. The methods and types of resources utilized are noteworthy for their variety.

In some cases local or state governments have affordability requirements for housing developments. Three good examples are the states of Massachusetts and California and the City of Boulder, Colorado. Massachusetts law Chapter 40B, know as the anti-snob zoning statute, allows the state to override local zoning laws that exclude cluster developments, such as one acre minimum zoning for housing, if 10% of the housing in the municipality is not considered affordable. In return the development must assure that ten percent of the units built are affordable, defined as below 80% of the area medium income (AMI).

Many cities in California have inclusionary zoning ordinances that require a certain percentage of any new development (typically 10-25%) of four units or more to provide deed-restricted units affordable to certain incomes. For example, Frogsong, Nevada City Cohousing, and Two Acre Wood all provide some lower-priced units under their local inclusionary zoning requirements. Generally, there are no outside subsidies for these units, just a requirement to provide them, therefore, these lower cost units are factored into the budget of any new multifamily development.

The City of Boulder has similar inclusionary zoning laws requiring that every new development have at least 20% permanently affordable units, with the option to forego this provision by paying a fee of about $75,000 per unit that goes into a City fund to create affordable housing.

In many cases governmental entities have some public resources to help fund affordability. In the case of California, there are no funds available – the incentive is for the developer to achieve higher densities than would be allowed by not providing the affordable units.

II. Definition of Affordability/Number of Units

The question of what is affordable is itself complicated and in some instances in the eye of the beholder. The U.S. Department of Housing and Urban Development (HUD) formally defines both low and moderate income in each area of the country based on a percentage of AMI. The cohousing communities receiving public resources explicitly use this definition -- requiring families who occupy the subsidized units to meet the public eligibility guidelines. The predominant income category cited by communities was below 80% of area median income. Other definitions on the survey included: 60%, 80-120%, 100%, 120%, and 120-150% of area median income. (Note: in areas of the country where cost of living is extremely high, federally defined “low income” eligibility requirements could be at or exceed 100% AMI). Other interesting definitions found in the survey were: income below $30,000; a home purchase price of $195,000, or income level at 30% of housing costs (which is the basis for public housing guidelines). A few communities reported having home prices “under market rates” or “affordably priced by community standards.” We differentiate these homes as being *low cost* homes rather than *affordable* for the sake of clarity in this report.

Regardless of the formal (federally recognized) or informal (self-proclaimed) definition, the 79 surveyed communities reported a total of 181”affordable” units. Public programs subsidized ninety-four of these units. However, this figure is skewed by two developments (Elderspirit, Abington, VA and Petaluma Avenue Homes, Sebastopol, CA) with 61of these as subsidized rental units, whereas cohousing has historically been described as home ownership. Subtracting these two developments leaves only thirty-three units that were publicly subsidized in the other seventy-seven communities. However, a total of eight-seven units were made affordable with private resources, or two and a half times the number benefiting from public subsidies for home ownership. In some cases, both public and private subsidies were employed in the same community. These figures clearly indicate a need for more public resources to make cohousing more affordable.

III. Public Programs/Resources

Seven of the responding communities reported having affordable units that were publicly subsidized. Of these, five were locally funded by their municipality, one senior community was funded with HUD HOME funds, and another had a resident utilizing a HUD Housing Choices (Section 8) voucher to rent a unit. Two communities reported having more affordable units at the outset; however, due to lack of enforcement, many of the set aside units were not resold to income qualified families, and therefore, affordability was not preserved. These limited examples represent about 10% of the communities surveyed and may be indicative of the dearth in public programs to encourage low and moderate income families to afford homes within cohousing communities.

Several communities reported utilizing other quasi-public programs such as Community Land Trusts, Community Development Financial Institutions, and Habitat for Humanity to provide affordability for lower income families. Three cohousing developments in the survey had their lands costs greatly reduced by community land trusts. Community land trusts raise funds from various sources and purchase property to control its development. Land trusts typically lease land, often for ninety-nine years, to cohousing communities. A community land trust purchased the development rights for land that was used for housing subsidies for four affordable units at Cobb Hill Cohousing, Hartland, Vermont. Community land trusts enabled Ten Stones in Charlotte, VT and Columbia Ecovillage in Portland, Oregon to offer two affordable units. The Lincoln Land Institute reported that in 2005 there were more than 200 community land trusts in the United States, with a dozen being organized each year. CLTs are operating in forty-five states.

Still another example of subsidized funding is an entity generically called a Community Development Financial Institution (CDFI). These non-governmental financial institutions may be non-profit or for-profit and may make a grant or a loan for affordable housing. CDFIs usually serve low-income populations or neighborhoods and are funded by banks, venture capital firms, foundations, and public programs. There are 860 CDFIs listed on a national website (See http://www.cdfi.org/; http://www.cdfifund.gov and http://www.cdfifund.gov/docs/certification/cdfi/CDFIbyState.pdf).

Several communities reported having Habitat for Humanity homes which enabled owners to help construct their own houses and pay for them over a long time with a low or no interest mortgage. These homes have deed restrictions if sold prior to the full repayment of the mortgage, thereby ensuring long-term affordability of the home. Rosewind Cohousing in Port Townsend, WA, also reported Habitat for Humanity enabled owners to build their houses and pay for the over a long time with a low or no interest mortgage.

The vision and values of cohousing communities are often in sync with public housing programs so it is important for the Cohousing Association to develop alliances with these organizations to help them recognize the value of integrating low and moderate income families into multi-generational, mixed-income communities. And to help them effectively partner with forming communities to subsidize purchase prices for prospective low and moderate income homebuyers. More could be done with HUD's Housing Choices (Section 8) voucher program – both from a tenant based voucher to project based units.

IV. Private Programs/Resources

1. SELF-FINANCING

Twenty-four of the 79 surveyed communities reported use of private resources to help make some units affordable. Ten of these also used public resources, thus combining both public and private sources for affordability. Ten of the twenty-four provided their own private resources, a method we call "self-financing." Cohousing communities self-financed in several ways:

1) "Budget subsidy," i.e., they took some money from the LLC or development budget to subsidize one or more units – reported by three communities.
2) "Re-alignment," or increasing the price on market-rate units in order to lower the cost, or subsidize affordable units – reported by four communities.
3) Raise funds voluntarily among members before move-in to assist purchase by more moderate-income households – cited by seven communities.

These methods were not mutually exclusive. For example, Rocky Hill Cohousing (28-units) in Northampton, Massachusetts employed both the first and third methods. That community took five thousand dollars from its overall project development budget to establish an "affordability fund." In addition, half a dozen families pledged around twenty thousand dollars for the fund, with amounts ranging from ten thousand to five hundred dollars. Three loans were made to assist three households afford the purchase of their units. No interest was charged. One loan was a bridge loan that was repaid almost immediately. A second loan was repaid when the unit was sold, four years after move-in. The third loan is still outstanding and only needs to be repaid at point of sale. . Jamaica Plain Cohousing in Boston accepted voluntary loans and gifts to their community affordability assistance fund. Moderate-income purchasers could choose between a fixed second mortgage loan or have the loan due when the unit turned over. At Sonara Cohousing in Tucson, AZ, one unit was bought by several members to assist the purchase of a less well off member, establishing joint ownership of the unit. Oak Creek Commons in Paso Robles, CA did "equity sharing" for one unit. When it is sold, the funds will be put back into a "community fund" to help others needing assistance.

2. PRICE RE-ALIGNMENT

There are several examples of this method of making units affordable. Champlain Valley Cohousing in Charlotte, Vermont created two affordable units through realigning purchase prices. Mosaic and Camelot Cohousing in Berlin, MA, privately subsidized seventeen units out of sixty-eight required by the 40B state statute by raising the prices of market rate homes to cover the cost of affordable units. Silver Sage Cohousing in Boulder, CO, had the land price written down by the city and arranged for the cost of the common house only to be borne by the market rate units. Nomad Cohousing in Boulder used similar methods to make seven of the eleven units affordable (three low income and four moderate income). Nomad received $75,000 from the city for the three low income units and charges the market rate units $20 more per month for home owner association fees

3. FOUNDATION SUPPORT

Some cohousing communities reported private funding from other sources. Four said they received assistance from foundations to make a few units affordable. Island Cohousing on Martha's Vineyard, MA reported receipt of a foundation grant, while the Enterprise Foundation put in some early funds to help with sustainable features at Two Acre Wood in Sebastopol, CA. Island Cohousing also raised around $300,000 from wealthy land owners who wanted to support affordable housing on Martha's Vineyard.. These private funds helped to subsidize their four affordable units.

4. PRIVATE INVESTOR MODEL

Greg Sherwin at Boulder Commons in Boulder, Colorado is trying a unique experiment. As a private investor he has purchased thirteen units in an urban condominium complex of over three hundred units with considerable amenities. Under this "implant" model, people interested in cohousing can form a community within a larger condominium complex. Interested households can rent for six months to see how they like the concept. They receive two hundred dollars off their rent each month they offer a community meal to the other cohousers or participate in a community meal or other cohousing activity. The interested party can then decide to purchase their unit with a downpayment of 7.5% and receive a soft second mortgage from the same investor for 25% of the purchase price. The community participation discount continues for the buyer as a reduction in their monthly payment equal to the interest in the soft second mortgage. The cohousing community owns a small common house, though all residents of the larger condominium development have access to fitness facilities, a large recreation and entertainment room, swimming pool, etc.

5. REDUCTED SIZE AND LOWER COSTS

Other methods for achieving low cost housing were also mentioned in our survey. A few communities asserted that all their units were "affordable" because the cohousing community consciously built smaller and less expensive homes than are typical for new housing developments in the U.S. Cohousing communities can also take advantage of economies of scale in purchasing materials when they use the same or small number of designs.

6. SWEAT EQUITY

Two communities mentioned forms of "sweat equity." New Brighton Cohousing in Aptos, CA. allowed in-kind or volunteer labor in lieu of monthly member fees during the forming stage, lowering the initial downpayment. Another community mentioned "lots of labor by members of group in planning, research, etc." which helped reduce overall project costs.

7. RENTAL INCOME

Yet another method to assist affordability was to construct homes with small adjoining apartments whose rental income allowed the owner to afford the mortgage on their home. Sharingwood Cohousing in Snohomish, Washington, reported twenty-seven units with "daylight basement rentals . . .enabling households to afford their mortgage payments." Rosewind Cohousing in Port Townsend, WA mentioned "mother-in-law" apartments as a source of rental income. Manitou Arbor Ecovillage in Comstock, MI, noted that twelve of their twenty-eight units purposely chose to add an additional room that could be rented to offset living costs. Finally, two communities even stated that the developer lowered his profit to make the units more affordable.

V. Resale of Affordable Units

What happens to units that are initially purchased as affordable by households meeting certain income guidelines? In most cases, these units must remain affordable. So, when they are sold, they must be sold to another person/family who meets the same income guidelines for affordability. The price must also remain reduced, which limits the amount of profit for the seller. These units are usually "deed restricted," meaning that the restrictions on resale are legally contained in the property deed. Deed restrictions are very important to maintain affordability. Communities that work hard to keep initial pricing below market housing costs but do not attach deed restrictions that restrict sale prices generally lose their affordability at resale when sellers sell at whatever "the market will bear." In most cases the public program under which the original affordability was established continues to govern the future allowable resale price and purchaser income limits.

A typical case is Mosaic Commons Cohousing in Berlin, MA: "The affordable homes have limited ability to be resold at a higher rate. There is an amount of growth allowed, but since the home can only be sold to someone who is at 80% of median income with limited savings, any value increases will be moderate." In Boulder Creek Cohousing, CO, the deed provides that when the unit is sold, any "profit" is divided as follows: 1/3 to the investor providing the second mortgage, 1/3 to the seller, and 1/3 to reduce the cost to the next purchaser. Another example is Tierra Nueva Cohousing in Oceana, CA: "When a family with a subsidy sells a unit they return the subsidy plus a percentage of any profit to the community. That money is then available to subsidize the next family in that unit, or if there is no qualifying family to buy the unit, it is saved for application to the next opportunity to subsidize a unit."

VI. Observations/Conclusions

This survey of cohousing reveals the wide variety of ways that cohousing communities have found to make some units more affordable. Even though the majority of cohousing communities do not have affordable units according to federal or state definitions, it is striking how a substantial minority of communities have successfully sought varied and innovative ways to assist more moderate income households to be part of their communities. A number of communities have even used their own money, i.e., a form of re-distributive economy. It is interesting that private means are more common than public resources. This points to the need for more public programs to assist low and moderate-income households who want to be part of cohousing communities.