



# Assan Sosseh

Program Manager – Lasting Affordability asosseh@habitat.org Recent market forces have dramatically challenged affiliates' business models Significant land and construction cost increases

Almost no entry level homes hitting the market

Dramatic house price appreciation

Demand outstrips availability of homeownership subsidies

These challenges are also reshaping the entire housing market Drivers are so out of scale that it is reshaping the housing market outside of the Habitat context



Investors are now 18% of all singlefamily home purchases – double the share 10 years ago



Increased demand

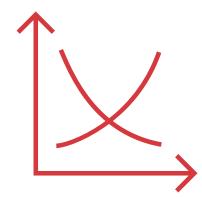
for more space-

efficient housing

forms (co-living,

sharing single family

homes, etc.)



The rental market is getting squeezed in many locales by a lack of supply

Source: https://www.redfin.com/news/investor-home-purchases-q4-2022/

### National Context

Significant land and construction cost increases Over the last ten years nationwide...

Labor and materials increased 56%

Land increased at least 60% nationally – and as much as 300% in some contexts

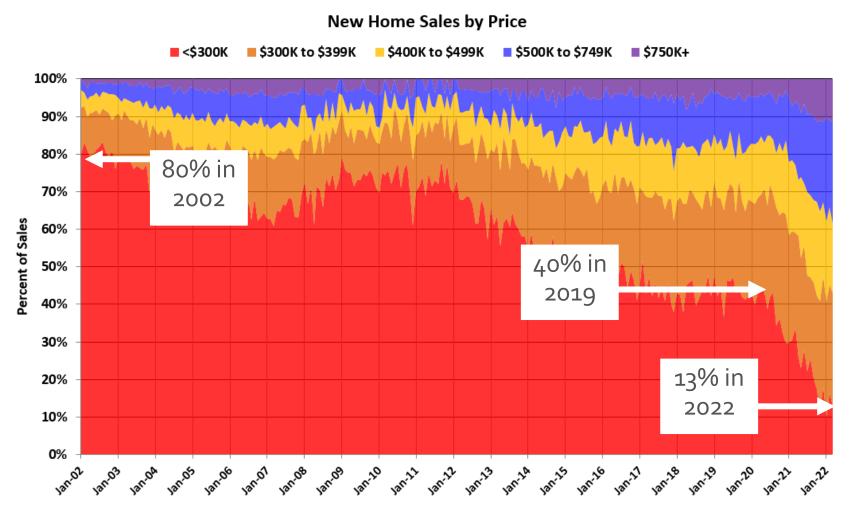
> A house that cost \$120,000 all-in to produce in <u>2012</u> <u>now</u> costs at least \$190,000, and as much as \$300,000 in some regions

Sources: Turner Construction Index https://www.turnerconstruction.com/cost-index; Social Security Average Wage Index https://www.ssa.gov/oact/cola/awidevelop.html; Working Paper 19-01: The Price of Residential Land for Counties, ZIP codes, and Census Tracts in the United States. Joint Center for Housing Studies. "America's Rental Housing 2022"; Costar Land Index.

### National Context

Almost no new entry level homes are hitting the market

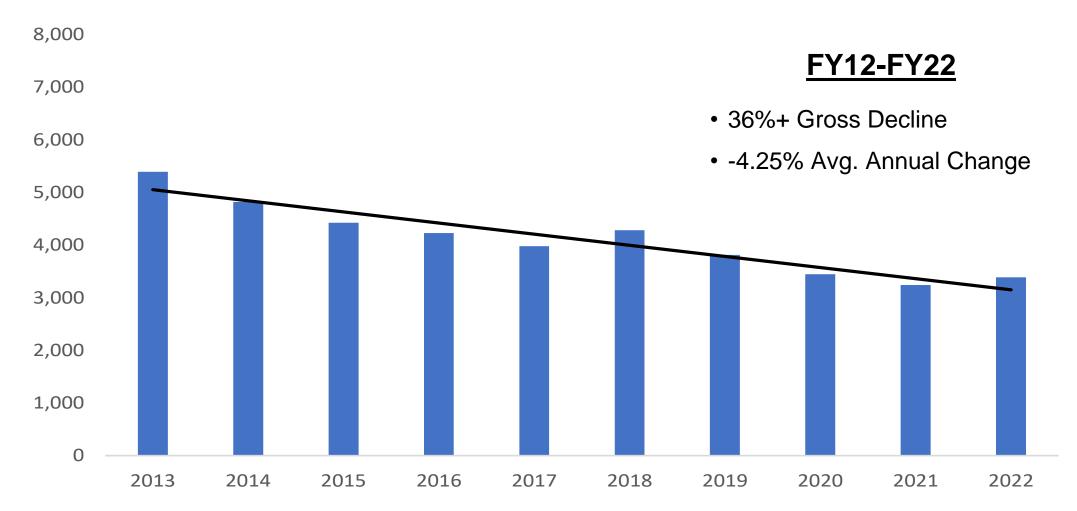
# New homes sold for under \$300,000 are a dramatically shrinking portion of the market



Source: Bill McBride, Calculatedriskblog.com April 26, 2022



## **Declining Affiliate Production**



THE ANSWER... Lasting Affordability

Strategies intended to maintain affordability for subsequent homebuyers across generations



# **Lasting Affordability**



Keeps home affordable for at least 31 years

Does not include only shared appreciation



Includes resale restrictions that survive well beyond the initial buyer

Build more. Serve more. Be the change.

# What makes lasting affordability model affordable for a homebuyer?

 $\mathbf{O}$ 

Self-sustaining model

W Habitat for Humanity®



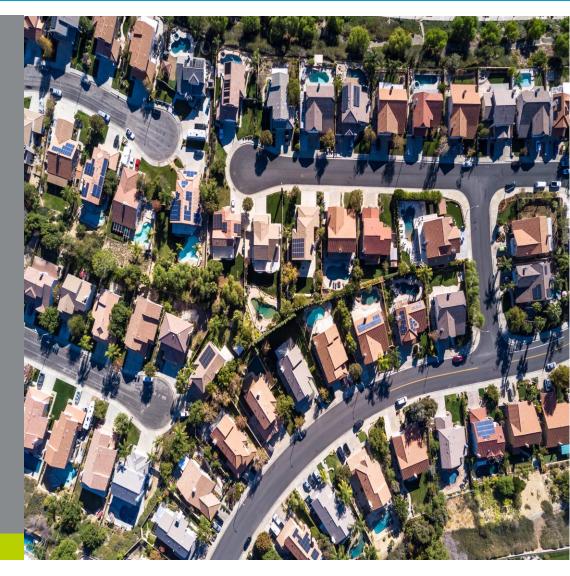
One time public/private investments to make a home affordable for a lower-income household.



Restricts the home's sale price each time it is sold to keep it affordable for subsequent low-income families who purchase the home.



# Lasting Afford ability Models



HABITAT FOR HUMANITY 2022 AFFILIATE CONFERENCE

Build more. Serve more. Be the change.

# Lasting Affordability Models

### **Deed Restrictions**

### **Ground Lease**

### Community Land Trust

We build strength, stability and self-reliance through shelter.



# **Deed Restrictions**

**We build strength**, **stability** and **self-reliance** through **shelter**.

## What is a Deed Restriction?



Deed restrictions are agreements signed by homeowners that they will only use their property for **specific purposes** in a specified manner.



Deed restrictions can restrict how long a property must remain affordable to a **specific income** level.

Resale restrictions are recorded in public real estate records, enforceable and legally binding.

# **How does a Deed Restriction Work?**

The homeowner is asked to share the affordability that has been created for them with future homeowners.



In order to keep the home affordable to future buyers, homeowners agree to sell their home for a limited price when they decide to move.



In a deed restriction, there is a final end date for affordability; but a mechanism can be included to start the affordability term again at resale.

# **Ground Lease**

**We build strength**, **stability** and **self-reliance** through **shelter**.

## What is a Ground Lease?

Through a ground lease, a low- to moderate-income borrower can purchase a home on land leased to them through a nonprofit.

The lease will include an affordable monthly fee.

The ground lease will typically require that the home can only be purchased by a low- to moderate-income family when resold.



## How does a Ground Lease Support Lasting Affordability?

An entity owns and holds title to the land for a long-term; it serves as the steward of the land.

Land is leased to homeowners through a long-term (e.g 99-year) renewable ground lease.

Homeowners own the home/unit and all improvements on the leased land.

Ground Lease and Deed are recorded, enforceable, legallybinding documents

# Community Land Trust

We build strength, stability and self-reliance through shelter.

# What is the difference between a CLT and a Ground Lease?

A CLT is an entity and a Ground Lease is a mechanism.

A CLT utilizes a ground lease to hold the land for long term for affordable housing.

A CLT provides staff to steward homeowners and the land. A ground lease does not (but the organization that owns the ground can steward the land.)

Ground Leases are recorded, enforceable, legally-binding documents

We build strength, stability and self-reliance through shelter.

Introduction to Resale Restrictions Resale restrictions help ensure long-term affordability, especially in high-demand areas.

Typically, nonprofits enable buyers to purchase homes below market value with conditions.

The goal is to maintain affordability for future buyers, providing community stability. With resale restrictions, homeowners still gain equity, though at a controlled rate:

### Wealth Creation for Homeowners

Seller's Take Home = Resale Price -Original Purchase Price + Principal Payments

In this scenario, resale restrictions enable some wealth creation while balancing affordability for future buyers.

### Scenario Overview

- On average, first time homebuyers sell the home after 7 yrs
- This scenario compares a property sold every 7 years under two conditions:
- With Resale Restrictions: Controlled price increase, enabling affordability for future buyers
- Market Sale: Unrestricted sale at full market value, benefiting the original owner only
- The example illustrates affordability preservation and some wealth creation for the homeowner with resale restrictions.





Scenario 1: With Resale Restrictions (80:20 Shared Equity ratio)

- Appraised Value: \$375,000
- Purchase Price: \$189,312
- Buyer Qualifying Income: \$60,603
- AMI = 50%
- Appraisal 7yrs: \$461,202 (3% avg/yr)
- Sellers 20% Equity: \$17,240
- Selling Price (After 7rs) : \$206,552
- Principal Pmts: \$22,717
- Gross Proceeds: \$39,957
- New Buyer Qualifying income: \$65,859
- AMI = 50%

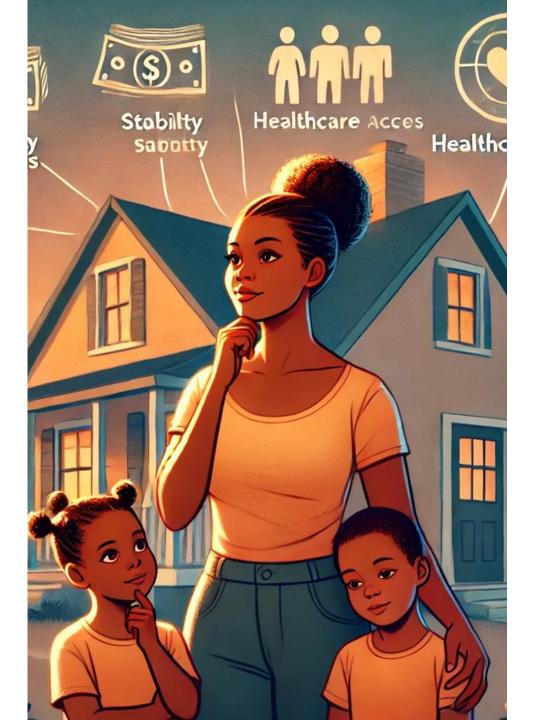


Scenario 2: Without Resale Restrictions

- Appraised Value: \$375,000
- Purchase Price: \$189,312
- Appraisal 7yrs: \$461,202 (3% avg/yr)
- Sellers 100% Equity: \$86,202
- Selling Price (After 7rs) : \$461,202
- Principal Pmts: \$22,717
- Gross Proceeds: \$108,920
- New Buyer Qualifying income: \$142,123
- AMI = ~145%

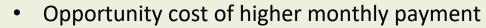
## Wealth Beyond \$\$

- Stability with homeownership
- Freedom and power to pursue opportunities
- Community empowerment
- Breaking generational barriers



#### Restricted Buyer Vs. Market Buyer

| 30 Year Comparison    |                  |   |              |
|-----------------------|------------------|---|--------------|
|                       | Restricted Buyer |   | Market Buyer |
| Appraised Value Yr. 0 | \$ 375,000.00    |   | \$375,000.00 |
| Purchase Price        | \$ 189,000.00    |   | \$375,000.00 |
| Monthly Pmt           | \$ 1,520.00      |   | \$ 2,910.00  |
| Value Yr. 30          | \$ 900,000.00    |   | \$900,000.00 |
| Sale Proceeds         | \$ 105,000.00    |   | \$900,000.00 |
| Savings invest.       | \$ 1,707,000.00  |   | \$ -         |
| Total                 | \$ 1,812,000.00  | _ | \$900,000.00 |
|                       |                  |   |              |



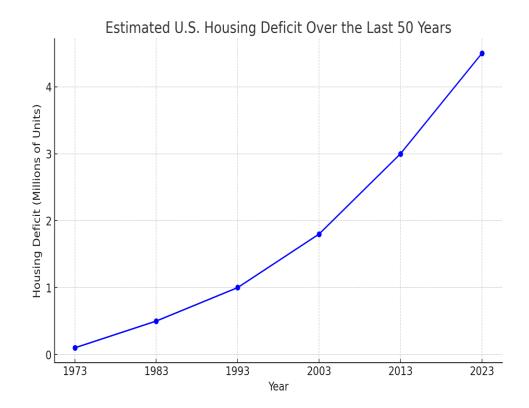
- Savings from affordable monthly payments invested in stock market over the 30yrs
- Minorities sole asset is home vs. Caucasians building wealth in stock market, businesses etc



### Income Vs. Home Price (50 yrs)

- Median Home Prices and Household Incomes (1974–2023):
- 1974:
  - Median Home Price: Approximately \$32,000
  - Median Household Income: Approximately \$11,100
  - **Price-to-Income Ratio**: ~2.9
- 2023:
  - Median Home Price: Approximately \$420,400
  - Median Household Income: Approximately \$80,600
  - **Price-to-Income Ratio**: ~5.2

# Housing Deficit (50 yrs).

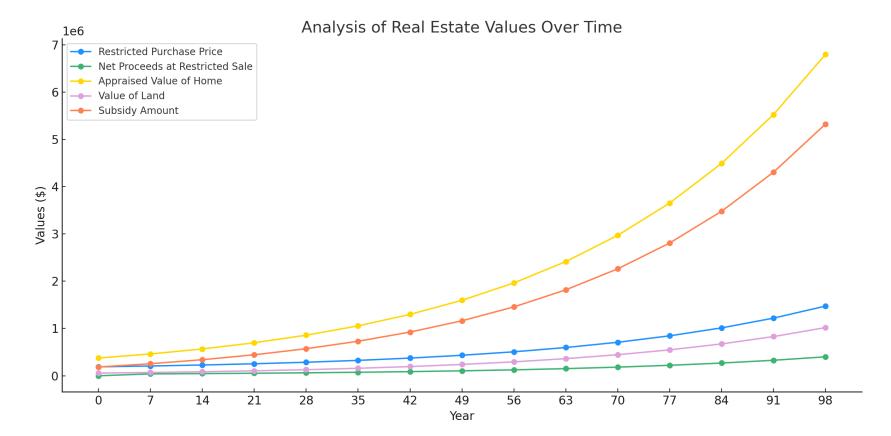


Sources: US Census Statistica

| Year | Restricted Purchase<br>Price | Restricted<br>Price /<br>Appraisal | Seller's 20% at<br>Restricted Sale | Seller's loan payments | Seller's Net Proceeds<br>at Restricted Sale | Appraised Value of<br>Home (\$) | Value of Land   | Seller's Net Proceeds<br>at Market Sale | Subsidy Amount to Make<br>Home Affordable |
|------|------------------------------|------------------------------------|------------------------------------|------------------------|---|---------------------------------|-----------------|---|---|
| 0    | \$ 189,312.00                | 50%                                | \$-                                |                        | \$-   | \$375,000.00                    | \$ 56,250.00    |   | \$ 185,688.00                             |
| 7    | \$ 206,552.54                | 45%                                | \$ 17,240.54                       | \$ 22,717.44           | \$ 39,957.98                                | \$461,202.70                    | \$ 69,180.40    | \$ 108,920.00                           | \$ 254,650.16                             |
| 14   | \$ 227,756.23                | 40%                                | \$ 21,203.69                       | \$ 24,786.30           | \$ 45,989.99                                | \$567,221.15                    | \$ 85,083.17    |   | \$ 339,464.92                             |
| 21   | \$ 253,834.09                | 36%                                | \$ 26,077.86                       | \$ 27,330.75           | \$ 53,408.61                                | \$697,610.46                    | \$104,641.57    |   | \$ 443,776.37                             |
| 28   | \$ 285,906.58                | 33%                                | \$ 32,072.48                       | \$ 30,460.09           | \$ 62,532.57                                | \$857,972.88                    | \$128,695.93    |   | \$ 572,066.30                             |
| 35   | \$ 325,351.68                | 31%                                | \$ 39,445.11                       | \$ 34,308.79           | \$ 73,753.90                                | \$ 1,055,198.42                 | \$158,279.76    |   | \$ 729,846.74                             |
| 42   | \$ 373,864.19                | 29%                                | \$ 48,512.51                       | \$ 39,042.20           | \$ 87,554.71                                | \$ 1,297,760.96                 | \$194,664.14    |   | \$ 923,896.77                             |
| 49   | \$ 433,528.46                | 27%                                | \$ 59,664.27                       | \$ 44,863.70           | \$ 104,527.97                               | \$ 1,596,082.29                 | \$239,412.34    |   | \$ 1,162,553.83                           |
| 56   | \$ 506,907.98                | 26%                                | \$ 73,379.52                       | \$ 52,023.41           | \$ 125,402.94                               | \$ 1,962,979.89                 | \$294,446.98    |   | \$ 1,456,071.91                           |
| 63   | \$ 597,155.53                | 25%                                | \$ 90,247.56                       | \$ 60,828.96           | \$ 151,076.51                               | \$ 2,414,217.67                 | \$362,132.65    |   | \$ 1,817,062.14                           |
| 70   | \$ 708,148.64                | 24%                                | \$ 110,993.11                      | \$ 71,658.66           | \$ 182,651.77                               | \$ 2,969,183.22                 | \$445,377.48    |   | \$ 2,261,034.57                           |
| 77   | \$ 844,656.17                | 23%                                | \$ 136,507.52                      | \$ 84,977.84           | \$ 221,485.36                               | \$ 3,651,720.84                 | \$547,758.13    |   | \$ 2,807,064.67                           |
| 84   | \$1,012,543.21               | 23%                                | \$ 167,887.04                      | \$ 101,358.74          | \$ 269,245.78                               | \$ 4,491,156.03                 | \$673,673.40    |   | \$ 3,478,612.82                           |
| 91   | \$1,219,023.08               | 22%                                | \$ 206,479.88                      | \$ 121,505.18          | \$ 327,985.06                               | \$ 5,523,555.42                 | \$828,533.31    |   | \$ 4,304,532.34                           |
| 98   | \$1,472,967.29               | 22%                                | \$ 253,944.21                      | \$ 146,282.77          | \$ 400,226.98                               | \$ 6,793,276.46                 | \$ 1,029,711.08 |   | \$ 5,320,309.17                           |

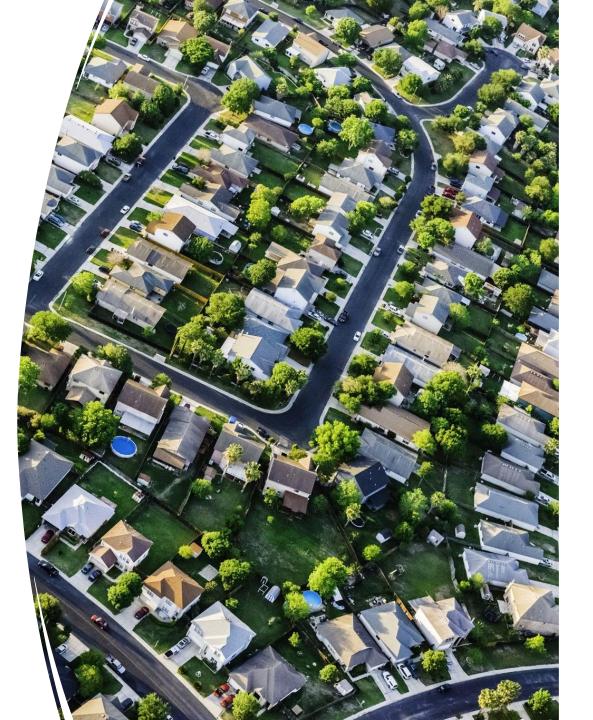
#### Comparative Resale and Wealth Creation Over Time

- The chart compares the resale prices and wealth creation for the homeowner over time under two scenarios:
- Resale Restrictions: Supports affordability with some wealth generation
- Market Sale: Maximizes proceeds for the original owner but limits access for future buyers.



## 100 Yr Outlook Cont.

- 15 ownership cycles for low income buyers vs losing to market after 1 low income ownership
- Each seller can use proceeds to transition to market home (starter home effect)
- Original subsidy of \$185k compounds in value with time





### Conclusion: Balancing Affordability and Wealth

- Resale restrictions provide a structured approach to maintaining affordability across generations:
- Supports community stability by keeping homeownership accessible
- Allows homeowners to build equity at a moderate rate
- In contrast, market sales benefit only the original owner, reducing access for future buyers.

## Lasting Affordability Team: Assan Sosseh



#### Assan Sosseh

Lasting Affordability Program Manager

Remote office: Kennesaw, GA

### **Key topic areas:**

- Subsidy Retention
- Ground Lease Model
- Community Land Trusts
- Long Term Deed Restrictions
- Resale Formulas
- 3<sup>rd</sup> Party Mortgages
- Homeowner Education Resources

Want to connect AFTER Conference?

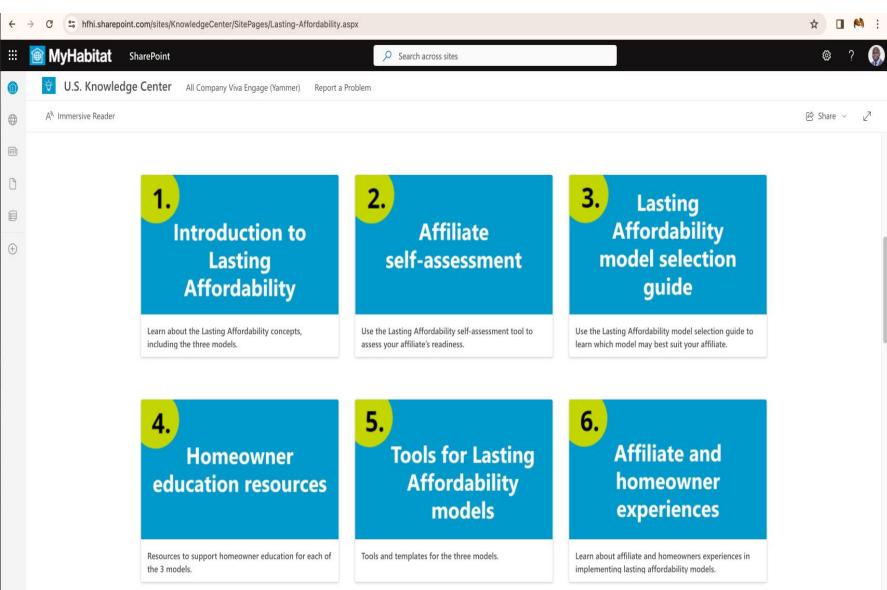
Book time with me!



Scan this QR code to join the monthly Open Office Hours!

Specific questions? Asosseh@habitat.org

## Lasting Affordability: Resource Center



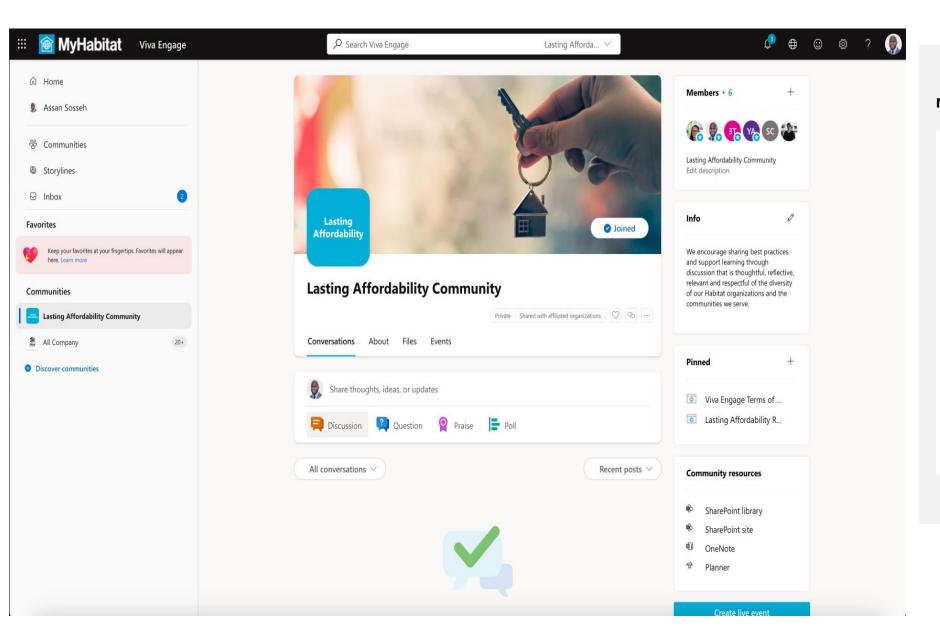
resources—and more—on MyHabitat!

Scan this QR code to access these



Questions? Ask: asosseh@habitat.org

## Lasting Affordability: Yammer Community



Scan this QR code to access these resources—and more—on MyHabitat!



Questions? Ask: asosseh@habitat.org

## **QUESTIONS...**





# Assan Sosseh

Program Manager – Lasting Affordability asosseh@habitat.org