

Affordable Homeownership Project
Glossary of Terms

1. **Permanently affordable homeownership** refers to a housing model that ensures long-term affordability for homeowners. It aims to address the challenges of housing costs, wealth disparities, and racial and economic segregation. Here are the key aspects:
 - **Affordability Period:** In traditional models, jurisdictions provide one-time development subsidies or down-payment assistance loans to low- or moderate-income households. These subsidies create an **affordability period** (usually five to fifteen years) during which the cost of homeownership is subsidized. If the homeowner sells within this period, they must return a portion of the grant or loan. However, once the homeowner remains in the home beyond the affordability period, they can capture the full market value upon sale.
 - **Permanence:** Unlike short-term affordability programs, permanently affordable homeownership models aim to maintain affordability indefinitely. These models ensure that homes remain affordable even after the initial affordability restrictions expire.
 - **Racial and Economic Justice:** Permanently affordable homeownership advances racial and economic justice by ensuring that affordable homes remain in neighborhoods experiencing gentrification or rich in community assets.
 - [Common models of permanently affordable homeownership include community land trusts and other innovative approaches that prioritize long-term affordability and equitable access to housing](#)
2. **Shared Equity Housing**
 - Shared equity homes are properties structured with appreciation controls to ensure that homeownership opportunities provide minor wealth-building gains while permanently remaining within reach of low-income families. Models typically follow these tenets:
 - Owner-occupancy of residential property.
 - Resale restrictions limit the owners' gain in value appreciation upon resale while ensuring subsidies are enjoyed between successive generations of low-income homeowners.
 - Rights, responsibilities and benefits of the property are shared between homeowners and a third party, typically a non-profit (or local government via deed restrictions), that acts as a steward and representative of the larger community through a democratically elected board.
3. **Cooperative homeownership**
 - a. **Ownership Structure:**
 - In a co-op, homeowners do **not** own their individual units outright as they would in a condominium; each resident becomes a shareholder in the cooperative itself.
 - The number of shares owned by each resident is typically based on the size of their unit within the co-op.
 - b. **Financial/Governing Aspects:**

- Co-ops can be an attractive alternative to traditional homeownership, especially in areas with high living costs.
- They operate on an at-cost basis, collecting money from residents to cover expenses such as bills and maintenance.
- Some co-op owners may be allowed to sell their co-op shares in the open market, subject to approval by the co-op board.
- Smaller co-ops are often self-managed by residents who collectively handle duties like maintenance and rule-setting.
- Larger co-ops may have a board of directors representing a subset of residents.

4. **Limited equity agreement models** in the context of housing. These models aim to strike a balance between homeownership and affordability. Here are three notable ones:

a. **Deed-Restricted Homeownership:**

- In this approach, a subsidy is applied to reduce the purchase price of a new or existing home, making it affordable for homeowners at the target income level.
- Deed restrictions are then put in place, requiring that the home be sold (and eventually resold) to buyers meeting specific qualifications (e.g., incomes below 80% of the area median).
- These restrictions ensure ongoing affordability, but active monitoring is necessary to enforce them.
- [An example is the Moderately Priced Dwelling Unit \(MPDU\) program in Montgomery County, Md., which has produced over 9,500 units of affordable owner-occupied homes since 1974¹.](#)

b. **Limited Equity Cooperatives (LECs):**

- In LECs, families purchase a “share” in the cooperative rather than an individual unit.
- LECs are often applied in apartment or townhouse communities.
- Each member receives the right to occupy one unit and has a vote on common matters.
- Share prices are determined by a formula in the co-op’s bylaws, subscription agreement, and stock certificates.
- The concept of common ownership and shared decision-making distinguishes this model.
- [Approximately 400,000 to 500,000 limited- or no-equity cooperative units exist in the U.S., including both multifamily buildings and resident-owned manufactured home communities¹.](#)

c. **Community Land Trusts (CLTs):**

- CLTs acquire and hold land, while homeowners own the structures on the land.
- Homebuyers purchase the home but lease the land from the CLT.
- The CLT ensures long-term affordability by controlling land prices and resale terms.

- [CLTs are prevalent in affordable housing initiatives and promote community stability¹.](#)

5. **Condos and townhouses**

1. **Condos (Condominiums):**

- A **condo** is a dwelling located on a shared piece of land.
- Other dwellings on the property are owned by other people, and the street entrance may be shared.
- Condo buildings sometimes resemble apartment buildings, but the key difference is that **apartments are rented**, while **condos are bought and sold as individual units**.
- As a condo owner, you don't own the land the unit sits on. Instead, you own the space inside your unit and share ownership of common areas (such as the lobby, roof, elevator, parking lot, pool, fitness center, or clubhouse) with other condo owners.
- A **Homeowners Association (HOA)** is responsible for maintaining these shared assets, and condo owners contribute to the cost through monthly HOA fees.

2. **Townhouses (Townhomes):**

- A **townhouse** shares at least one wall with another house.
- The street entrance to a townhouse is private and not shared with other residences.
- When you own a townhouse, you **do own the land it sits on**.
- However, like condo owners, townhouse owners might also be subject to HOA fees (similar to detached houses in some communities).
- Townhouses are usually at least two stories tall and provide a sense of individual ownership within a shared community.