



Alternative Homeownership Models

Homeownership opportunities are becoming less accessible to middle- and lower-income households, due in part to limited for-sale inventory and a lack of diverse home ownership options. Alternative homeownership models, specifically community land trusts, limited equity housing co-operatives (co-ops), and lease purchase programs, provide benefits traditional markets cannot, such as long-term housing affordability and the ability for low- and moderate-income families to build equity.

Local governments are typically not involved in housing finance but can support alternative ownership models in a variety of ways. They can offer administrative or financial support during the planning and startup phase, transfer ownership of surplus public land at low- or no-cost, and they can offer grants or low interest loans for developing and financing projects. They may also help a nonprofit acquire and preserve housing provided by private developers to comply with inclusionary zoning, density bonuses, and other mandates or incentives.

WHAT ISSUES DO ALTERNATIVE OWNERSHIP MODELS ADDRESS?

Long-term affordable ownership options

Government agencies and nonprofits can spend large sums on down-payment assistance and other programs that help low-income people afford a place to live. These programs are critical but limited to single home sales. Families that purchase a home with down-payment assistance can sell it at market rate. To prevent this, alternative ownership models typically include restrictions or requirements on the resale of a home to ensure it continues to provide an affordable ownership opportunity.



TOOL PROFILE

Objectives

[Housing Options in Expensive Markets](#)

[Mitigate Residential Displacement](#)

[Addressing Racial Inequities](#)

Type of Tool

Other Financial Tools

Project Type

Single family

Multifamily

Ownership

Affordability Level

Market-rate incentives and tools



Community benefits

Many stakeholders in communities benefit from homeownership, including the homeowner, neighborhoods, government at all levels, and a variety of industries including construction, financial services, and real estate. Communities benefit from the long-term investment that often comes with homeownership. Alternative ownership models offer the social and economic benefits of traditional homeownership.

Reduce disparities in intergenerational wealth

Wealth is one of the largest barriers to homeownership. Many middle- and lower-income households have the income to cover a monthly mortgage payment but do not have the savings to cover a down payment. This is particularly acute for families of color, who far more often lack the intergenerational wealth transfer that assists households – most often white households – with purchasing their first home. Alternative home ownership models help to address this wealth barrier by opening home ownership to households that have been systemically kept out of homeownership for decades through redlining and discriminatory lending.

WHERE ARE ALTERNATIVE OWNERSHIPS MODELS MOST APPLICABLE?

Alternative ownership models are primarily applied to middle and higher density homes such as townhomes and mid-rise condos. The majority of the region's residential neighborhoods are zoned primarily for detached, single-family homes. This restrictive zoning can prevent the production of denser and lower-cost housing opportunities. Alternative homeownership models are typically more successful in stronger housing markets. Some models may have high start-up costs for land purchase, legal agreements, and shared management. To be successful, homes need to be priced competitively as buyers expect a discount in exchange for limiting the potential appreciation of the property. This is particularly true, as these models may not protect against depreciation.

WHAT DO I NEED TO KNOW ABOUT ALTERNATIVE OWNERSHIP MODELS?

Alternative homeownership models can offer participants with competitive returns while keeping homes affordable to lower-income buyers. Research shows that homeownership under alternative models had high levels of fiscal sustainability with low delinquency and foreclosure rates.

Community land trusts (CLTs)

Are nonprofits that enable participants to own the physical structure of their home but not the underlying land, which they lease from the CLT. When a homeowner decides to sell, the CLT either repurchases the home at a below-market price or requires the owner to sell to another income-eligible household for a below-market price.



Housing co-operatives (co-ops)

Are corporations in which residents buy a low-cost share of the ownership of a building but receive a limited return when it is resold.

Lease purchase programs

Allow participants, called lease purchasers, to select a home that a local housing finance agency or nonprofit buys on their behalf. The agency serves as the initial owner, mortgagor, and property manager for the lease period. After the lease purchaser demonstrates they can make timely lease payments, they can purchase the home from the finance agency or nonprofit by assuming the unpaid principal balance of the mortgage.

Although alternative ownership models have proven to be successful, they are quite different from traditional homeownership models, which most residents are familiar with, and can be much more complex. Local governments should familiarize themselves with the different alternative ownership models so they are prepared to engage in conversations with interested developers and residents.

The state condo-conversion tenant-to-homeowners program was established in 2022 under [ESSB 5758](#). The program provides homeownership information and resources to tenants in multifamily buildings that are being converted to condos. For example, the Housing Finance Commission must refer tenants to its payment funding assistance programs as well as any applicable homebuyer education seminars available through local partnerships.

MODEL POLICIES, MODEL REGULATIONS AND OTHER REGULATIONS

Grounded Solutions Network: [Community Land Trusts](#) (2018)

Lincoln Institute of Land Policy: [The City-CLT Partnership](#) (2008)

Lincoln Institute of Land Policy: [Stable Home Ownership in a Turbulent Economy: Delinquencies and Foreclosures Remain Low in Community Land Trusts](#) (2011)

Center for Cooperatives: [Cooperative Equity and Ownership: An Introduction](#) (2013)

WA State Department of Commerce: [Condominium Conversions Study](#) (2022)

