

# MULTIFAMILY HOMEOWNERSHIP: Pathways to Addressing the California Housing Crisis



## Executive Summary

Too often, U.S. housing policy imagines only two categories of housing: single-family homeownership and multifamily rentals. But the actual picture is much more complicated, and **multifamily homeownership (MHO)** is a reality for millions of Americans. This form of homeownership gets relatively little attention or discussion in housing circles, which means the role it can play in California's housing crisis has been largely ignored. That's no longer viable.

Multifamily homeownership can play a significant role in solving our state's housing dilemma, but only if both its potential and its pitfalls are understood and addressed. This initial assessment of MHO in California and the U.S. seeks to establish a baseline from which we can improve our understanding of this area and develop policies that can take us to a future in which every resident has a comfortable, secure and affordable home and homeownership is within reach of all who want it.

## 8 Reasons Why Multifamily Homeownership Matters

**1**

**MHO is how millions of Americans actually live.**

**2**

**MHO is more prevalent in BIPOC communities.**

**3**

**MHO is understudied and under-appreciated.**

**4**

**MHO can help families impacted by the housing crisis.**

**5**

**MHO is a key piece missing from land use reform efforts.**

**6**

**MHO is a key pathway for community ownership.**

**7**

**MHO could be a unifier in divisive housing politics.**

**8**

**MHO units are less expensive, but not as much as they could be.**

## Key Findings

### There is no single, universally agreed definition of multifamily homeownership.

- For this report, we have chosen a broad approach, defining MHO as any structure or land in which two or more unmarried/un-ioned adults share ownership, either formally or informally. This very broad view includes a variety of important categories of collective ownership.<sup>i</sup>

### Multifamily homeownership can take many forms:

- Including condominiums, co-ops, community land trusts, tenancies-in-common, and many others, including an array of informal arrangements that typically lack clearly defined rules and legal obligations.

### Condominiums represent the most common form of multifamily homeownership, housing millions of Americans.

- As of 2021, California had 1.15 million condo units and the U.S. had 7.7 million.<sup>ii</sup>

### MHO can be more affordable.

- A 2022 Urban Institute analysis found that across the country, condos are generally more affordable than single-family homes, sometimes by a wide margin. In Los Angeles, the gap is approximately \$250,000. In addition, specific structures such as community land trusts are often designed for the express purpose of making homes affordable for purchase.

## Key Findings, Cont'd.

### There is an income gap between condo and detached homeowners.

- According to findings from the 2021 American Housing Survey, a higher percentage of owners of detached homes have annual incomes over \$100,000 compared to condo owners.

### Greater affordability means that MHO can be part of the solution to California's housing affordability crisis.

- Both renters and potential home purchasers now struggle to meet California's staggering housing costs, and the door to homeownership is effectively locked shut for millions of California families. The potential for MHO to create affordable homeownership opportunities needs more attention.

### The racial wealth gap makes housing affordability a particularly acute crisis for communities of color, who could benefit from better MHO policies.

- The lower wealth and incomes in Black, Latino, Indigenous and certain Asian and Pacific Islander communities limits their ability to own a home, and, because homeownership remains this nation's major wealth building avenue, lack of access to homeownership then perpetuates the racial wealth gap. MHO represent a viable but underutilized path toward homeownership for these communities.

### We lack urgently needed data on MHO.

- To maximize benefits and minimize risks of MHO, we need to understand it, and right now the field has huge data gaps. Federal data-gathering agencies like the U.S. Census Bureau ask only minimal questions about housing, generally looking only at owning versus renting and not many of the spaces in between. Some data that does exist is proprietary and unavailable, while other information is buried deep in the records of public agencies, making it nearly impossible to find. As a result, we simply do not have the information needed to fully understand the range of MHO in the U.S. and California.

## Key Findings, Cont'd.

### Informal MHO situations are common, but information is lacking.

- Examples of informal MHO might include buying a home with your sibling and their family or a best friend and theirs, with a handshake deal regarding financial and maintenance arrangements. It could involve converting a family home that one of you already owns, thus making it affordable to both families in the long term. It might be an existing duplex or triplex, or converting a single-family home to a duplex. A multigenerational household living under one roof might all chip in on the mortgage, but with only Grandma on the deed. One estimate suggests that over two million Californians might be living under such arrangements, but solid numbers simply do not exist.

### Financing MHO units can be difficult and expensive.

- For example, financing a condo purchase is both more difficult and more expensive than financing a single-family home. Lenders see condos as riskier than single-family homes, and particular issues — such as the number of rented units in a condo complex — are viewed as increasing the risk level. Financing a co-op or TIC purchase is even harder and more expensive than financing a condo, even though the purchase price may be lower.

### Larger MHO units are in generally short supply, and those that are available tend to be expensive.

- While overall, MHO units tend to be cheaper than single-family houses, they often are not cheaper per square foot. Mostly, they're cheaper because they're smaller. Affordable, family-sized units are scarce.

### Governing a housing complex with a group of neighbors is challenging.

- Issues like expensive maintenance and how to handle those who don't pay homeowners association dues, etc., can get complicated, and owners dealing with these challenges have access to little help and support. In the worst case, this can contribute to disasters like the collapse of a Surfside, Florida condo tower — a catastrophe that might have been avoided had structural repairs been done earlier.

## Recommendations

### Federal and state governments, as well as private entities, must increase research on MHO.

- We need better data on a wide variety of issues, ranging from informal MHO arrangements to use of federal programs like the Low Income Housing Tax Credit to fund affordable MHO purchases. We need to better understand the issues and risks around lending for MHO in order to make loans more readily available, and we need a clearer picture of why we lack affordable larger units. Among other actions, federal data-gathering agencies such as the Census Bureau should move quickly to add relevant questions to their surveys.

### Fannie Mae, HUD and other federal agencies who touch on the mortgage lending industry should work with advocates and industry representatives to make MHO lending as affordable and secure as single family home lending.

- Among other things, this should include analyzing MHO lending rules and working with the financial industry to develop specific loan products appropriate for diverse forms of MHO. Agencies should end the common practice of calling all homeownership work ‘single-family.’

### The State of California, housing advocates and the housing industry should make leadership on MHO issues a priority.

- Specific actions should include creating an Office of Multifamily Homeownership or state coordinating body to examine challenges related to MHO, including how state housing funding programs can better support MHO development, support and purchase.

### California should create a public-private partnership to expand San Francisco’s DAHLIA housing portal statewide.

- This will help build a robust market and a trusted information system for supported and secure MHO opportunities. Only a statewide system will both create real access and be efficient.<sup>iii</sup>

## Recommendations, Cont'd.

### California should pass legislation enabling and encouraging small-scale (<10 unit) for-sale subdivisions.

- These would be perfect for many different types of MHO — and would also be ideal for new, BIPOC developers working to build housing that builds wealth in their communities.

### The state should encourage new regional agencies to support MHO.

- New regional housing finance agencies could support critical public funding MHO efforts in small jurisdictions who don't have the staff capacity or expertise, but may have the political will and even some subsidies via in-lieu fees and other sources.

### State affordable housing programs should be adjusted to include support for homeownership.

- At present, these programs focus almost entirely on rentals. Community Land Trusts in particular have to struggle in every legislative session to make sure they aren't excluded from state programs. These programs can and should be broadened without reducing needed help for renters.

### California should increase support for MHO.

- Imagine walking into a storefront housing office where you can receive services like help buying a single-family home with your cousin and her family, and adding an ADU for you. You'd get help to finance this purchase and the expansion, help finding a contractor to build it, and help with the legal paperwork to give you and your cousin your respective shares of the property through a specific legal structure (condo, TIC, etc.) that you decide upon in consultation with experts. You could get guidance in accessing some downpayment assistance or other forms of housing assistance available through local, state or federal programs. No such office exists now, but we could create it. Similarly, realtors, homebuilders, mortgage lenders, homeownership counselors, legal advocates, property management companies, and affordable MHO organizations need to work together with state officials to design a stronger statewide support system for existing HOAs and co-op associations, which are now left on their own to navigate multiple complex issues.





**Introduction**



**8 Reasons Why MHO  
Needs More Attention**



**What is MHO &  
How Does it Work?**



**Affordability,  
Communities of Color &  
the Racial Wealth Gap**



**Issues &  
Challenges**



**Recommendations**



**Glossary &  
Appendices**



**Methodology &  
Acknowledgements**



# INTRODUCTION

## Introduction

Look at these two sets of homes and ask yourself these questions: Are any of these buildings multi-family housing? Do the people who live here own their home?

The answer to both questions is, “We don’t know.”

The four-story building could contain rental apartments, condominiums (of which California has over 1.15 million) or have a different ownership structure altogether. And what looks like a single-family house could well contain multiple families – extended families, friend groups, roommates, etc. And it might be rented like 1.77 million single-family houses were in California in 2019.<sup>iv</sup>

We point this out because Americans often view housing in simple, black-and-white terms, while the reality of housing is far more complex. This report focuses on multifamily homeownership because we believe it represents part of the solution to the ongoing California housing crisis – but only if it gets more attention in both research and policy than it has had in the past.



## What This Report Doesn't Do

This is a high-level report that gets into some detail but does not get fully into the weeds on any of the myriad issues we raise. Many of the issues we touch upon for just a few pages could themselves be the subject of an entire report, and, as noted elsewhere, we lack substantial amounts of data that could further inform all of these discussions. We view this report as the starting point for the much more extensive discussion and research that is urgently needed.



## California's Homeownership Crisis

California's housing crisis has made rents unaffordable for many while locking millions out of any opportunity for homeownership. According to the real estate tracking firm Zillow, the average home price in California in 2022 topped three quarters of a million dollars.

Because homeownership represents the primary way Americans build wealth, this represents an urgent problem – and, due to the ongoing racial wealth and income gaps, this crisis falls particularly heavily on families of color.



63.1%

**In California, the white homeownership rate of 63.1%, exceeds that of all people of color.<sup>v</sup>**

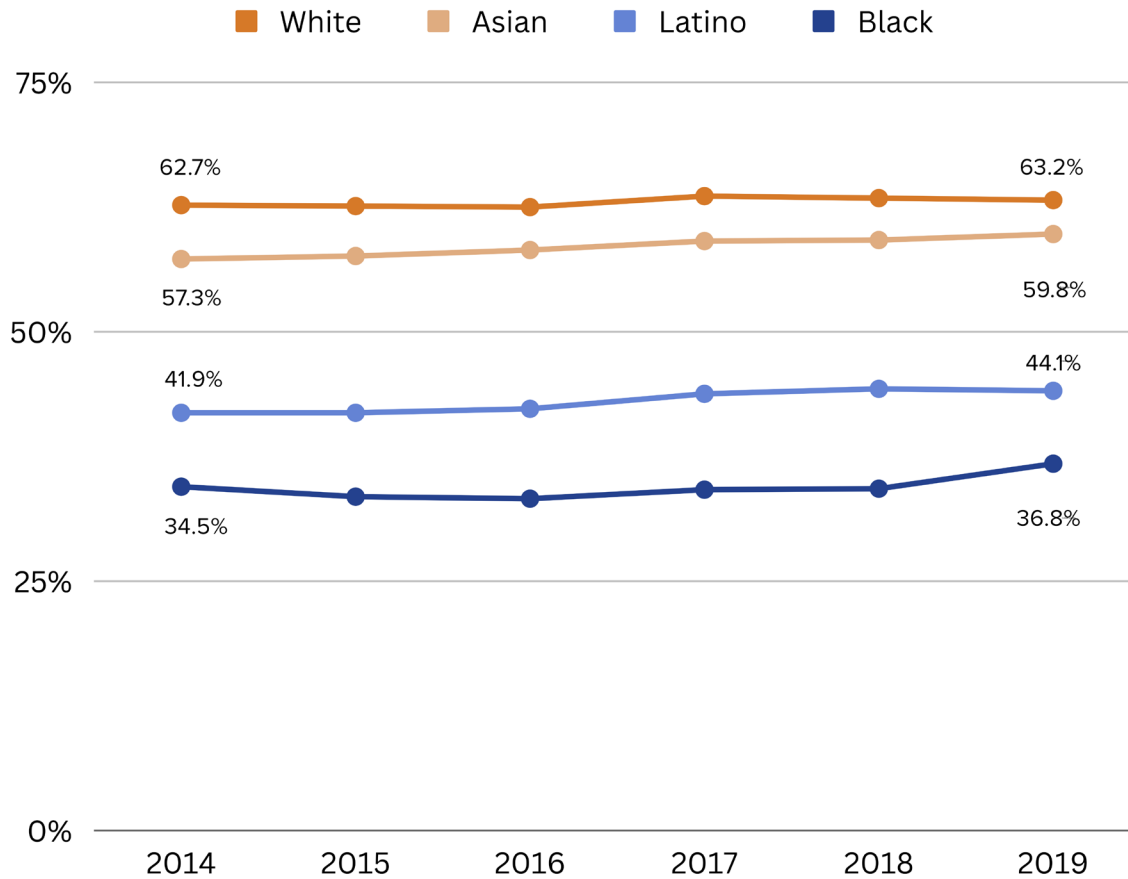


35.6%

**The Black homeownership rate, for example, is just 35.6%.**

Multifamily homeownership can offer a more affordable path to homeownership, creating a viable route to financial stability and wealth-building for the many millions of Californians who now have no prospect of ever owning their own home.

# Despite Rising Homeownership Rates, African-Americans and Latinos are Still Less Likely to Own a Home in California



**SOURCE:**

Public Policy Institute of California

**PUBLISHED:**

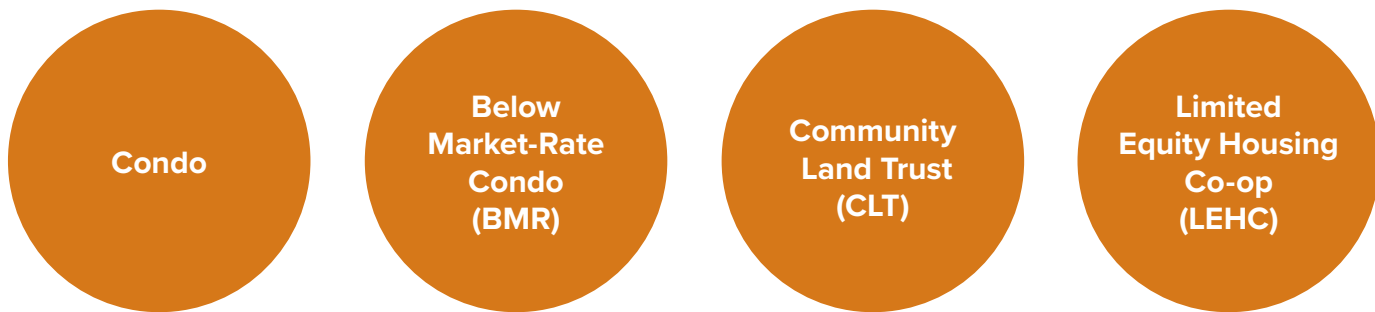
May 2022

**NOTES:**

CCB does not believe the 60% homeownership rate for the Asian, Native Hawaiian & Pacific Islander racial group accurately portrays the reality that many Asian American communities face. In California, some Asian American and Pacific Islander ethnic groups have far lower homeownership rates than what the Census data suggests, including the Korean (46 percent), Pacific Islander (41 percent) and Cambodian (39 percent) communities. This shows the importance of disaggregated data when analyzing racial equity indicators. Data broken down by ethnicity, micro-geography, and many other factors gives us information that a broad category like “Asian” tends to obscure.

## Many Ways to Own a Home

To get there, we must start by fully understanding the picture of multifamily homeownership – MHO for short – with both its possibilities and pitfalls. There are many different ways to own a home, including myriad versions of homeownership that involve formally or informally sharing that ownership with someone else. Below are some common examples. Note: These examples aren't mutually exclusive. For instance, a Community Land Trust can include co-ops and condominiums.



In addition to the above, we also need to consider the informal forms of MHO that exist in every neighborhood in America. This might be two friends who own a duplex together or a single-family home chopped in two, with or without permits. It could be an extended family — siblings or cousins and their spouses and children living in a house they bought together or that they inherited from a family member. Multigenerational families also own homes together: parents living with adult children and grandchildren in a home in which all the adults have invested. Sometimes this involves transforming a single-family house into a two- or three-unit structure.

>>> [CLICK HERE FOR A DETAILED LIST OF TERMS AND ACRONYMS.](#)

## Multifamily Homeownership is Too Often Overlooked

Multifamily homeownership is often overlooked in housing circles and thus gets less support from policymakers, advocates and industry than single-family homeownership or multifamily rentals. It's less visible, less understood, less debated, less discussed.

This lack of attention means we don't always understand or appreciate either the opportunities or challenges that this sector faces. We have very poor data regarding all the types of multifamily housing, and policymakers and researchers alike often struggle to see what they can't measure. Governments have no "Offices of Multifamily Homeownership" and little policy focused on this sector. We have very few dedicated studies of multifamily homeownership, few organizations dedicated to supporting it, and an industry that struggles to build it. The sector is often neglected in the history books and in the media.





## Multifamily Homeownership is Too Often Overlooked, Cont'd.

**Even though millions of Americans live in multifamily homeownership situations, when we tell stories about the history of American housing and homeownership, this form of living often gets left out.**

Part of the reason for this neglect is the heavy shadow of the postwar U.S. housing system, a system which imagined only two categories – single-family homeownership and multifamily rentals. Not only was this system built into our imaginations, it became a pillar of our housing policy organizations. In fact, ‘single-family’ is used by some state and federal agencies as shorthand for all forms of ownership, and ‘multifamily’ for all rentals. For instance, you will find most of [Fannie Mae’s work on condos](#) in the agency’s single-family portfolio.

This bipolar system leaves multifamily homeownership less supported and less understood. It also creates a divided industry, so that practitioners on the for-profit, nonprofit and public sector sides rarely work across different forms of ownership with any regularity. Many practitioners we spoke to for this report discussed these ‘silos,’ which must be broken down in order to effectively support a housing system as diverse as ours.

# A Brief Timeline of Americans Owning Homes Together<sup>vi</sup>

## Mid-19th Century to Early 20th Century

The earliest co-ops were formed, mostly serving wealthy families in Manhattan. This experimental phase includes some intentional communities as well.

## Between the Wars (1919-1945)

First significant expansion of cooperative ownership begins. New forms like 'own-your-owns' develop as part of the adoption by the emerging speculative real estate industry. Co-ops are still predominantly located in bigger industrial cities in the East and Midwest, although now expanding to key inner-ring suburbs. This form of housing starts becoming more important for middle income homeowners. Limited-equity coops grow as an early form of affordable housing, often connected to labor unions or benevolent societies. Advocates push for this model to be central to emerging federal housing policy.

## After World War II (1945 On)

Market-rate co-ops and a new form of housing brought from Europe via Puerto Rico emerge: condominiums. America experiences its first condo boom, peaking in the 1970s. Condos see major growth in sunny areas — Southern California and Florida in particular — and adopt diverse forms, from tall condo towers to townhouse subdivisions. Programs like New York's Mitchell-Lama create tens of thousands of new affordable condo units using state financing and land use regulations.

## A Brief Timeline of Americans Owning Homes Together, Cont'd.

### 1970s On

Different challenges emerge with condos, from rampant speculation to structural issues, causing government to increase regulation. Condo development slows in some places like California due to liability and other housing production issues, including NIMBYism. Community Land Trusts, co-housing and other alternative, affordable and/or intentional models see a rebirth, often in response to growing housing affordability problems across the nation. The [collapse of a Surfside, Florida condo tower](#) brings national attention to Homeowners Associations (HOAs) and the struggle to maintain an aging housing stock.



## Opportunities & Risks

This report does not seek to promote MHO uncritically. No single panacea can solve California's housing crisis. Rather, we seek to identify both risks and opportunities in this sector.

Multifamily homeownership can be more affordable, more secure, more accessible to BIPOC communities, and more climate-friendly than either owning a single-family house or renting a home from someone else. It can be a way to build wealth and reduce the racial wealth gap, and provide quality housing which brings joy, security and happiness.

But it can also be riskier, have higher mortgage rates or be difficult to finance altogether, or be more exclusionary. MHO is not and never will be to everyone's liking or benefit. An expansion of MHO also runs many of the same risks that plague so much of our housing industry: new scams and shady actors trying to exploit vulnerable people and take advantage of people's housing needs and housing dreams.



## Opportunities & Risks, Cont'd.

To maximize the benefits of MHO in California's challenging and dysfunctional housing landscape, we must first understand it. We must recognize its potential role and figure out the necessary steps to maximize its benefits and minimize its pitfalls as we work to build a California where every resident has a comfortable, secure and affordable home and homeownership is within reach of all who want it. This report represents our attempt to begin that journey.

### **Is America Culturally Ready for MHO?**

Americans love single-family homes. That's the American dream – or is it? One question that comes up in discussions of MHO is whether Americans are interested.

We believe they are, or at least can be, for a few reasons: One, millions of Americans live this way already, and not only because they can't afford a detached, single-family home. Many extended families and friend groups have chosen to live together, or would if they could share ownership of separate units on the same property. Two, what we want is often determined by what we think is possible. Small-scale MHO, affordable opportunities like Community Land Trusts, or even family-sized condos that are affordable, have been in such short supply that we don't always know what people want.

And then there is the American Dream. If the American Dream is having control of your property and being able to live your life and raise your family, and MHO can help you do that, perhaps it too is part of the American Dream? Isn't the American Dream meant to be flexible and adaptable, fitting for a hyper-diverse country?



# 8 REASONS WHY MULTIFAMILY HOMEOWNERSHIP NEEDS MORE ATTENTION

## Reason 1

# MHO is how millions of Americans *actually live.*

By itself, this makes it important. Too often in housing we debate about how we imagine people should live, or what is ideal or best, as opposed to asking how we can help people build security and happiness in the housing they already have.

**The United States has more than 7.7 million condominiums. California has 1.15 million by itself.**<sup>vii</sup>

SOURCE: 2021 AMERICAN HOUSING SURVEY

>>> SEE P. 37-38 FOR MORE STATISTICS ON MHO IN CALIFORNIA AND THE U.S.

## Reason 2

# MHO is more prevalent in BIPOC communities, both in California and nationally.

Nationally, as of 2021, a higher percentage of Black, Asian and Latino homeowners owned a condominium instead of a single-family home, in comparison with white homeowners. MHO is an important racial justice issue in part because many communities of color have already built their housing lives in this way, and the support for this sector needs to catch up.<sup>viii</sup>

>>> SEE AFFORDABILITY, COMMUNITIES OF COLOR & THE RACIAL WEALTH GAP, P. 49



## Reason 3

# MHO is understudied and underappreciated.

Although MHO can present both opportunities and risks that differ from either renting or single-family homeownership, astonishingly little dedicated research in this field has been done. Because of MHO's greater prevalence in communities of color, this lack of data could perpetuate patterns of inequity. Throughout this report we have tried to highlight key gaps in the available data.

>>> SEE P. 70-74 FOR RECOMMENDATIONS ON URGENTLY NEEDED RESEARCH.

## Reason 4

# If we properly support MHO, it can help diverse families impacted by California's housing crisis.

MHO can provide homeownership and wealth-building opportunities for different sizes and types of households for whom single-family homeownership doesn't make sense. MHO is often "["missing middle" housing](#)" in both senses — middle income and middle density. It can support intergenerational living and wealth building, as well as forms of intentional living in a hyper-diverse state, supporting a variety of extended and complex households. MHO can be a critical part of low-income homeownership, either through existing affordable forms or new programs California could develop.

>>> SEE TYPES OF MULTIFAMILY HOMEOWNERSHIP, P. 36

## Reason 5

# MHO represents a key piece now missing from California land use reform efforts.

Every single single-family home is a potential MHO opportunity, especially with new state and local zoning and land use laws, such as SB9, and accessory dwelling unit (ADU) laws. These laws now make it easier to create duplexes and triplexes that could be rentals but also could easily become shared homeownership opportunities for all shapes and sizes of families, friends and communities. Making it easier to form and build these small-scale multifamily homes can not only promote affordable homeownership, but because they can be built much more densely and efficiently than single-family houses, they can help advance key climate goals and smart land use planning. MHO can also be a pathway to making higher-density buildings more feasible politically and financially as they become more popular, more accessible and ultimately more buildable.

>>> CURIOUS ABOUT SB9 OR OTHER TECHNICAL TERMS? CHECK OUT THE GLOSSARY P. 84

## Reason 6

# MHO is a key pathway for the growing movement toward tenant and community ownership of housing.

MHO can both help build new homes and change the ones we have in order to make them more accessible and welcoming. Different families and communities will want different types of MHO to fit their specific needs, and the more we learn about it and understand it the easier it will be to support these transformations. Approaches such as community land trusts, which now exist on a relatively small scale, could grow with increased understanding and support. Tenant ownership, community ownership and homeownership are all part of the same spectrum of possibilities.

## Reason 7

**MHO can be a unifier in California's notoriously divisive housing politics, bringing together those who care about racial equity, housing, and the environment into one coalition.**

MHO can be fully compatible with most forms of affordable and deed-restricted housing, helping California to move past the unproductive political competition between affordable housing and homeownership. If done correctly, MHO's opportunities for much greater density and efficiency than single-family homeownership can help to eliminate the tradeoffs between climate, housing production, affordability and equity/wealth-building goals.

## Reason 8

# MHO units are cheaper than single-family houses, but not as affordable as they could be.

MHO units can be a more affordable and more flexible form of homeownership that can be tailored to meet different budgets. The average condo unit is cheaper than the average single-family house, potentially opening up ownership to many people — including younger buyers, older buyers, and people living alone or in smaller households. But right now, there are too many tradeoffs and not enough choices. Standard condo-type MHO units are often more expensive per square foot than single-family homes. Larger units are relatively rare, a major problem for families needing space.

>>> SEE "AFFORDABILITY IS NOT SIMPLE," P. 55-56 FOR MORE ON THIS TOPIC.

## 2023 Bills & MHO

The 2023-24 California legislative has a number of bills which could make a difference for MHO:

### **SB 684** **(Caballero)**

A bill to streamline small lot subdivisions.

### **AB 1508** **(Ramos)**

A bill to include homeownership in the Statewide Housing Plan.

### **AB 1033** **(Ting)**

A bill to allow separate ownership of Accessory Dwelling Units (ADUs).

### **AB 312** **(Reyes & Ward)**

A bill to create a statewide housing information portal that could be used to help people buy and sell affordable MHO units.



## **WHAT IS MULTIFAMILY HOMEOWNERSHIP AND HOW DOES IT WORK?**



## A Basic Definition

There is no single, universally agreed definition of multifamily homeownership. For this report, we have chosen a broad approach, defining MHO as any structure or land in which two or more unmarried/ununioned adults share ownership, either formally or informally. This very broad view combines important categories of collective ownership that are often treated separately.

## **Multifamily homeownership is defined by who owns the property, not by the property itself.**

What's commonly called a "single-family home" does not equal single-family homeownership. Such a house can be rented, shared by multiple families, and can be — and often is — MHO, either formally or informally.

### **Homeowners Association (HOA)**

Homeowners Associations are often mistaken as being synonymous with MHO, but they are not. While many MHO buildings — such as condos — are governed by HOAs, other buildings have co-op boards or more informal arrangements.

Additionally, HOAs exist in many places we don't consider MHO, like gated communities surrounding golf courses. Controversy around HOAs often involve these types of HOAs, which can be exclusionary and restrictive. See [Evan McKenzie's \*Privatopia\*](#) for a better understanding of this issue.

## What Is or Isn't MHO?

### We consider a property MHO if:

Two or more unmarried, unpartnered adults individually own a portion of the property they actually live on, and:

- at least two owners reside on the property, and
- maintenance of the lived-on property is shared in some way.

### We don't consider the following to be MHO:

- Single-family homes involving membership in a Homeowners Association (HOA) where the HOA has no role in maintaining the lived-on property, but only deals with shared amenities that have no structural connection to the individual home (e.g., most gated communities)
- Purely investment properties where no owner lives on the premises, regardless of how many owners.

These broad parameters cover a wide variety of legal and contractual arrangements, which may be treated quite differently under law. Many types of what California law calls '[common-interest developments \(CIDs\)](#)' would qualify as MHO, like condominiums and stock cooperatives, but CIDs and MHO are not synonymous. For example, one common form of CID is a planned unit development (PUD) — generally a large suburban subdivision with single-family homes and some common facilities like a pool or a golf course maintained by an HOA. We don't consider them MHO because the homes are owned and maintained separately.

We do include most types of what Grounded Solutions Network calls '[shared-equity homeownership](#),' including limited-equity housing co-ops, community land trusts, and resident-owned communities (mobile home parks where people own their units and share ownership or control of the land). See below for a detailed discussion of these various arrangements. We do not include programs in which a single family owns a single-family home. Even with the shared-equity component, we don't consider it multifamily because the entity people are sharing with is an organization, investor or a corporation — not someone who lives on the property.

Historian Matthew Lasner uses the terms [multifamily homeownership](#), [collective homeownership](#), and [co-ownership](#) in his book on the history of condominiums. We stick with multifamily homeownership, using it to mean all the ways in which people own homes together.

## A Note About Data: What We Don't Know Does Hurt Us

Finding and analyzing data on multifamily homeownership remains a serious challenge. In this report we have chosen to use a broad and inclusive definition of MHO in order to capture the full range of potential benefits and challenges, but **at present the various government agencies and private companies that gather and organize housing data do not have a standard, generally accepted definition**, making comparisons complicated. In addition, much data that could be useful is simply unavailable. The field needs to address several specific challenges:

- **Data on different forms of housing ownership is generally not as robust or granular as we would need to generate estimates for many of the categories we describe.** In general, it is extremely difficult to create an accurate picture of the wide variety of housing arrangements in the United States.
- **Federal data-gathering agencies like the U.S. Census Bureau ask only minimal questions about housing**, generally looking only at owning versus renting and not many of the spaces in between.
- **Surveys like the American Housing Survey have sample size issues.** Even when there is a question asked about cooperatives, for instance, the survey sample is small enough that typically the only useable data is at the national level — better than nothing, but of no guidance regarding the specific circumstances of California or other states or communities.
- **A large amount of housing data remains proprietary.** Information that is theoretically public may be buried deep in the records of public agencies or only accessible by purchasing data from third-party providers. This makes it hard to access and to analyze together.

We are committed to addressing the data challenge: As the saying goes, “What gets measured gets done,” and right now a lot of MHO can't be ‘seen’ or analyzed in the available data. We discuss possible interventions and research recommendations in [P. 70-74](#).

## Types of Multifamily Homeownership

Multifamily homeownership can take an almost endless variety of physical forms, from single-family houses to 50-story condo complexes. Regardless of the type of building, these can take a wide variety of legal or informal forms. These varied forms can be roughly, if imperfectly, divided into three broad categories that can be useful for analysis:



### Market-Rate

This includes most condominiums, co-ops and tenancies-in-common. With some exceptions, these generally do not have to comply with affordability rules or resale restrictions.

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### Affordable or Alternative

This includes arrangements like Community Land Trusts or Limited Equity Housing Cooperatives governed by rules designed to make and keep them affordable. It also includes intentional communities created by and for people with similar interests or beliefs.

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### Informal

Unlike the above, which are governed by relatively standardized legal rules, this could be considered a do-it-yourself category. Examples include an extended family living in a house that they own or two friends who buy a duplex or a single-family home together, with or without formal legal agreements that explain their ownership.

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## Types of Multifamily Homeownership, Cont'd.

These broad categories don't have rigid dividing lines and hybrids are common. For example, a market-rate condo complex may have some units designated as affordable or below-market-rate, sometimes as required by local ordinances or planning codes.

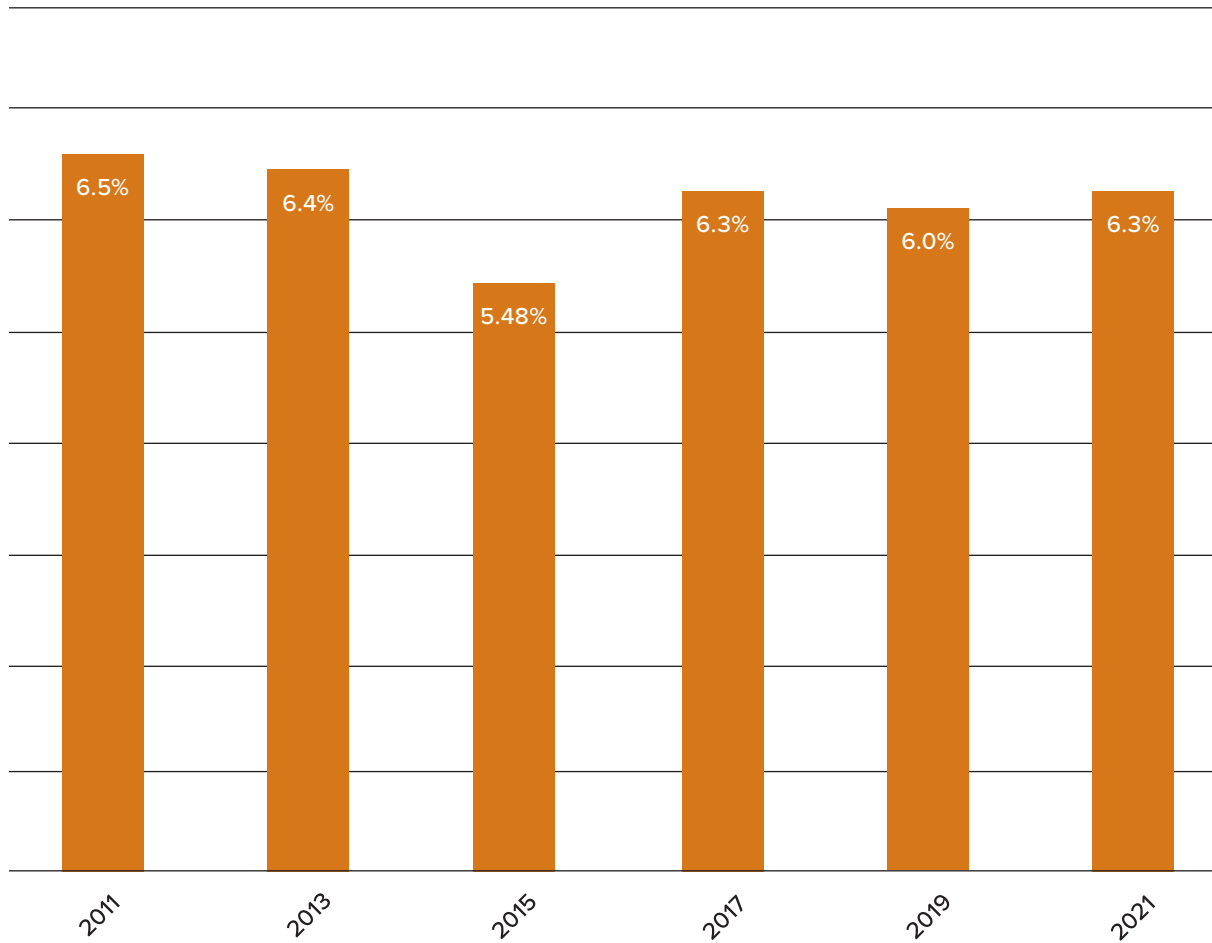
## However you classify them, these MHO units house a lot of Californians.

In 2021, the state had 1.15 million condo units and 102,700 co-op units.<sup>ix</sup> As of 2022, California had 29 [Community Land Trusts](#) with more than 1,600 housing units and 3,500 residents.<sup>x</sup> Nevertheless, MHO units represent a small portion of overall residential construction.

A 2022 Urban Institute article looked at the most common form of MHO — condos — reporting that they consistently make up less than one third of all multifamily housing, and often less than 10% of all for-sale housing. The one exception to this occurred during the lead-up to the 2008 foreclosure crisis, when the market was flooded with for-sale units often sold on shaky terms with loans that turned out to be highly problematic.

Similarly, the American Housing Survey reported that in 2021, owned condominiums and cooperatives constituted 6.3% of U.S. owned housing, a figure that has varied only slightly over the past decade.<sup>xi</sup>

## Co-ops & Condos as Percentage of Total Homes Owned



**SOURCE:**

American Housing Survey

**PUBLISHED:**

2021

## Market-Rate

Condominiums are far and away the most common MHO. With this comes more data, better understanding and also a wider range of challenges. As noted in Issues and Challenges, [P. 60-63](#), they can be harder to finance, harder to buy, and harder to build than single-family units — but easier than the other forms of MHO.

All forms of MHO come with some risk stemming from having to rely on your neighbors to pay what they owe for maintenance, etc. In a condominium, the HOA can put a lien on a unit and ultimately foreclose on it, but this isn't an ideal situation, especially if multiple owners are struggling financially. Tenancies-in-Common (TIC) are exposed by having to take fellow 'tenants' to court for unpaid dues — they can't just put a lien on the property or foreclose. Maintaining and governing buildings with a group of people who may have little in common besides owning a unit within the same complex can also be a challenge.



## Market-Rate, Cont'd.

Accessing expertise can be a challenge across the sector.




**Government tends to take a relatively hands-off approach to these developments after they are set up, with limited support for HOAs, co-op boards, or individual owners who have a challenge and need help.**

On the positive side, most state-funded down payment and production programs support condo purchase and production.





## Basic Differences in the Most Common Market-Rate Ownership Structures

Home Type	How do you own and what do you own?	What happens if a co-owner doesn't pay? Do I have non-legal recourse or must I take them to court?	Is this type of ownership common?
 <p><b>Condo</b></p>	<p>You own the actual unit you live in. The condo is legally 'mapped' as part of the subdivision laws of your state. You pay dues to a Homeowners Association for maintenance of common areas. The HOA has by-laws and elections, giving each owner an opportunity to participate. The HOA has very limited ability to reject a prospective buyer.</p>	<p>If someone doesn't pay their dues, the HOA can put a lien on their property and even foreclose.</p>	<p>This is the most common and the easiest to finance. Banks like that you own the unit.</p>
 <p><b>Co-op</b></p>	<p>You own stock shares in a company that owns the building. These shares come with the right to occupy a specific unit in the building. You pay dues which are managed by a co-op board. The board has more leeway to reject a buyer than a condo HOA has.</p>	<p>If someone doesn't pay their dues, the co-op board can put a lien on their property and even foreclose.</p>	<p>Common on the East Coast, less so in California.</p>
 <p><b>TIC</b></p>	<p>You share ownership of the building with the other 'tenants' (owners), which gives you the right to live in a specific unit. In some cases where buildings are converted from rentals, certain tenants will opt out of ownership. They will then rent from the owners who will own the rental units collectively.</p>	<p>You have to go to court.</p>	<p>Very common in San Francisco, where they were often used to circumvent laws requiring rent control and limiting conversion of rental apartments to condos. Spreading to other parts of the state.</p>

## Affordable or Alternative

For as long as MHO has existed, people have created affordable, intentional or alternative MHO structures.

Limited-equity housing cooperatives (LEHCs) were essential to modern multifamily homeownership, especially in places like New York City, where they were often sponsored by labor unions and benevolent societies. Pioneering mid-century programs like the Mitchell-Lama program made stable, affordable, high-density homeownership a reality for hundreds of thousands of homeowners.

**There has recently been a rebirth in this space, led in part by Community Land Trusts (CLTs), a form of MHO in which a community organization owns the land and homeowners generally own the buildings.**

California has seen rapid growth in both actual CLTs and in interest in the concept by policymakers and housing advocates. New forms of affordable MHO are emerging in this environment, including Permanent Real Estate Collectives (PRECs).

The line between 'standard' and affordable MHO isn't always clear. Affordable MHO developments often use standard MHO legal structures like condos or co-ops, or they can be a hybrid of existing structures.<sup>xii</sup>

## Vouchers & Homeownership in California

Did you know that Housing Choice Vouchers (HCV), aka Section 8, can be used to pay a mortgage?

According to the [latest data from HUD](#), California has 353,421 housing vouchers, but because some go unused, only roughly 300,000 actually have leases.

According to the latest data available [on HCV and homeownership \(2020\)](#), all California housing authorities combined had 399 participants. That's a little more than 0.1% of all vouchers being used to build wealth.

42 of the [95 PHAs in California](#) participate. The San Bernardino and Oakland Housing Authorities are the most active, with 80 and 79 participants respectively. But they are the only two public housing authorities with more than 50 participants. Of the 42 PHAs participating, the average number of households was 9.5 and the median 3.5. San Francisco had 4 households.



## How is it Kept Affordable? Basic Differences in Types of Affordable MHO<sup>xiii</sup>

### Community Land Trust (CLT)

A nonprofit owns the land. Homeowners own the homes (“the improvements”), although rentals are often permitted (with either the homeowners or the CLT itself acting as landlord). CLTs vary in the degree to which they restrict occupants to certain income levels.

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### Limited-Equity Housing Cooperative (LEHC)

Each individual or family owns a small share in the corporation that owns the building. Limited-equity co-op owners in California are collectively restricted to 10% of the total equity in a building.

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### Permanent Real Estate Collectives (PRECs)

For resident owners, these operate similar to a community land trust or other situations with a supportive ownership platform. Unlike CLTs, though, outside investors can also buy in — sometimes with [a Securities and Exchange Commission stamp of approval](#). Oakland’s East Bay PREC has ownership roles for residents, workers, community members and investors.

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### Below Market Rate (BMR) Condo

Generally these are units in otherwise market-rate condominiums which are sold and owned at BMR prices, often through deed restrictions with resale price caps administered by the local jurisdiction or a nonprofit. They can also be entire condo buildings. BMR condos vary by jurisdiction and by funding source and may be created by inclusionary zoning laws.

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## Legal Structures & Affordability

The line between ‘standard’ and affordable MHO isn’t always clear. Affordable MHO developments often use standard MHO legal structures like condos or co-ops, or they can be a hybrid of existing structures.

For instance, Community Land Trusts are increasingly their own legal structure, but they will use both LEHCs and condos on their properties. LEHCs are stock cooperatives at their base, but have special rules under state law. Permanent Real Estate Collectives are more like Real Estate Investment Trusts (which are primarily commercial or rental properties), as they are designed both as an investment vehicle and a place to live (and as a workers co-op and community resource).

There is also variation in whether and how affordability is maintained. Co-housing tends to be intentional communities that generally do not have deed restrictions or affordability limits. Most CLTs and all LEHCs have some sort of restrictions. Restrictions can vary in how long they remain in place and the amount of household income that is allowed – generally as a percentage of Area Median Income. A common practice to maintain affordability in MHO is to cap the resale price – enabling the owner to build some wealth, but keeping the house affordable to the next buyer regardless of what happens in the real estate market.

## Informal

As the name suggests, this type of MHO has the least legal structure and support.<sup>xiv</sup> Examples might include buying a home with your sibling and their family or a best friend and theirs, with a handshake deal regarding financial and maintenance arrangements. It could involve converting a family home that one of you already owns, this change making it affordable to both families in the long term. It might be an existing duplex or triplex, or converting a single-family home to a duplex. A multigenerational household living under one roof might all chip in on the mortgage, but with only Grandma on the deed. Perhaps Grandma has passed on, and now one sibling is building an accessory dwelling unit to live in while another lives in the main house with their spouse and kids.



## Informal, Cont'd.

MHOs like this are generally small-scale and do-it-yourself.

**Since this form of multifamily homeownership is the least well studied and documented, we don't know much about people's actual experiences or how common it might be. This area urgently needs more research.**

What we do know from talking to people who have built homeownership opportunities for themselves this way, or converted single family structures into multifamily structures is that it is difficult, confusing, and highly variable. While these mostly informal conversations have some sample bias, the one common thread we heard from folks who have done it is that someone in the ownership group, if not multiple people, had experience in real estate, planning, construction or finance. This kind of homeownership favors insiders.

The other thing that we heard from realtors and advocates is that more people talk about doing this sort of informal arrangement than actually do it because it is so hard and so unsupported.

The prior two other categories of MHO generally have clear, written rules for everything — what you own, how you make decisions, how you sell and buy — laid out in the building documentation and often governed by different layers of regulation.

But what happens when it is just a few friends or family members owning a house? Is everyone on the deed and the mortgage? Do you have legal agreements? Has it been converted to a duplex or triplex? For families owning homes this way in California, the answer depends on the specific circumstances. There are lots of permutations in how we can own smaller properties together.

## Issues & Challenges with Formal & Informal Living

<p><b>MAINTENANCE RESPONSIBILITIES</b></p> <p>↓</p> <p>Is there a legal agreement laying out responsibilities for doing or paying for maintenance?</p>	<p><b>DEED</b></p> <p>↓</p> <p>Are all the owners recorded on the deed?</p>	<p><b>SELLING OUT</b></p> <p>↓</p> <p>Can one person sell their unit or share? Or do all parties need to sell the entire property for one person to get out?</p>
<p><b>GOVERNANCE</b></p> <p>↓</p> <p>Is there a written plan for how owners will make decisions? What happens in cases of disagreement or conflict?</p>	<p><b>SUBLETTING &amp; TENANTS</b></p> <p>↓</p> <p>Can one person decide to leave and rent their part of the structure or their unit?</p>	<p><b>MORTGAGE</b></p> <p>↓</p> <p>Are all the owners on the mortgage? Is there a single mortgage for the property, or multiple mortgages?</p>





# **AFFORDABILITY, COMMUNITIES OF COLOR, AND THE RACIAL WEALTH GAP**

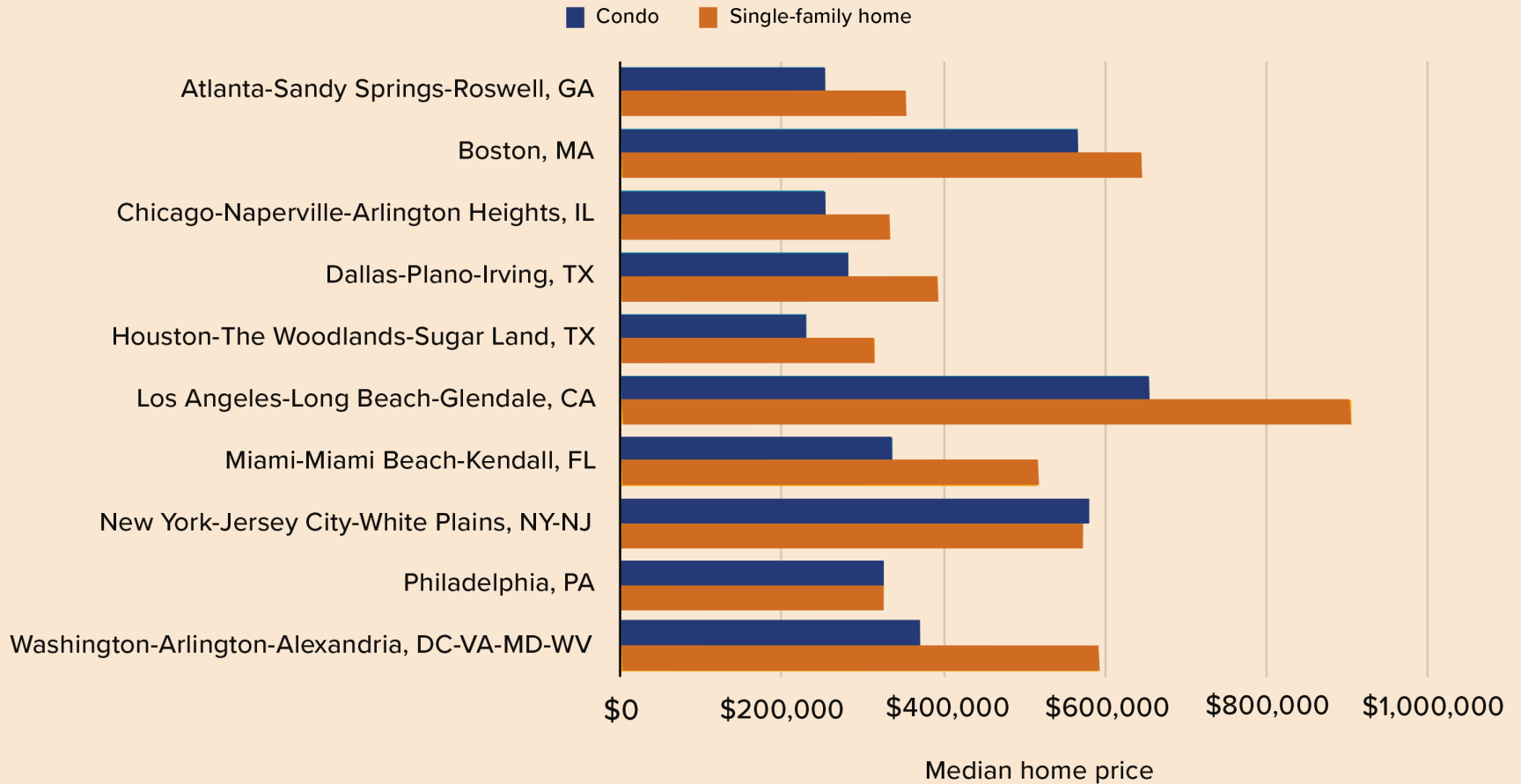
## Affordability, Communities of Color, and the Racial Wealth Gap

In most of California and many other parts of the U.S., the price of purchasing a home has locked many families out of any opportunity for homeownership. This, combined with the U.S.'s ongoing racial wealth gap, has created a vicious cycle for communities of color. The lower wealth and incomes in Black, Latino, Indigenous and certain Asian and Pacific Islander communities limits their ability to own a home, and, because homeownership remains this nation's major wealth building avenue, lack of access to homeownership then perpetuates the racial wealth gap.

**One way to alleviate this vicious cycle is to increase the supply of affordable homes for purchase. MHO has the potential to play an important part in this effort.**

The 2022 Urban Institute analysis found that across the country, condos are generally more affordable than single-family homes, sometimes by a wide margin. As you can see from the chart on the following page, in Los Angeles, the gap is approximately \$250,000.

## Condos are More Affordable than SFH in Most Major Cities



Source: Black Knight HPI.

URBAN INSTITUTE

## Condos are More Affordable

Recent data from the [California Association of Realtors](#) Housing Affordability Index tells a similar story. As of the third quarter of 2022, purchase price, monthly payments, and qualifying income — all the key measures of affordability — were roughly 25% lower for California condos than for single-family homes.

### CALIFORNIA ASSOCIATION OF REALTORS HOUSING AFFORDABILITY INDEX (HAI) DATA / Q3: 2022

#### Single-Family Home



Median  
Home Price

**\$705,300**

Minimum  
Qualifying Income

**\$121,500**

#### Condo/Townhouse



Median  
Home Price

**\$535,500**

Minimum  
Qualifying Income

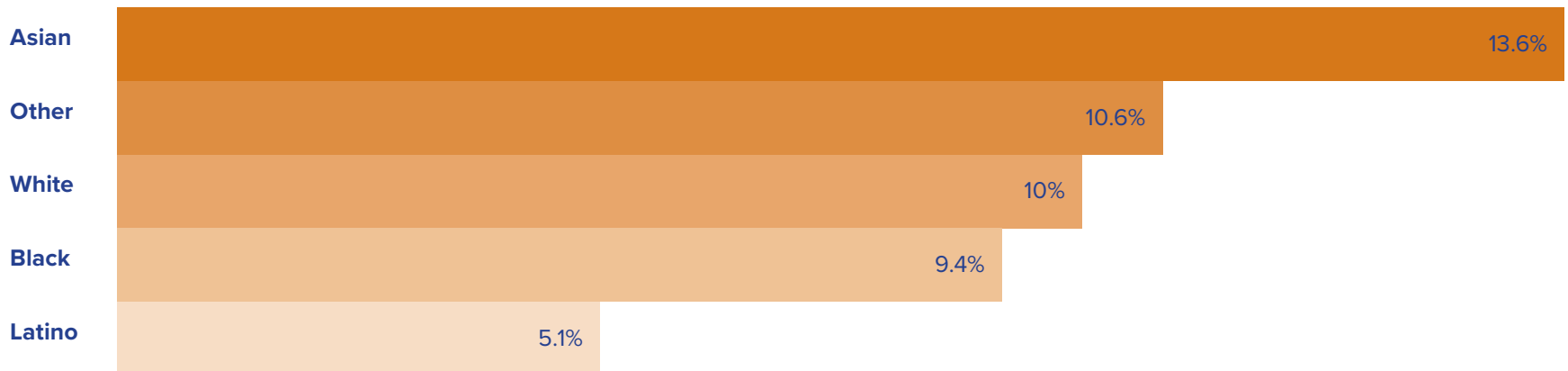
**\$92,100**

## Condos, Race, and Income

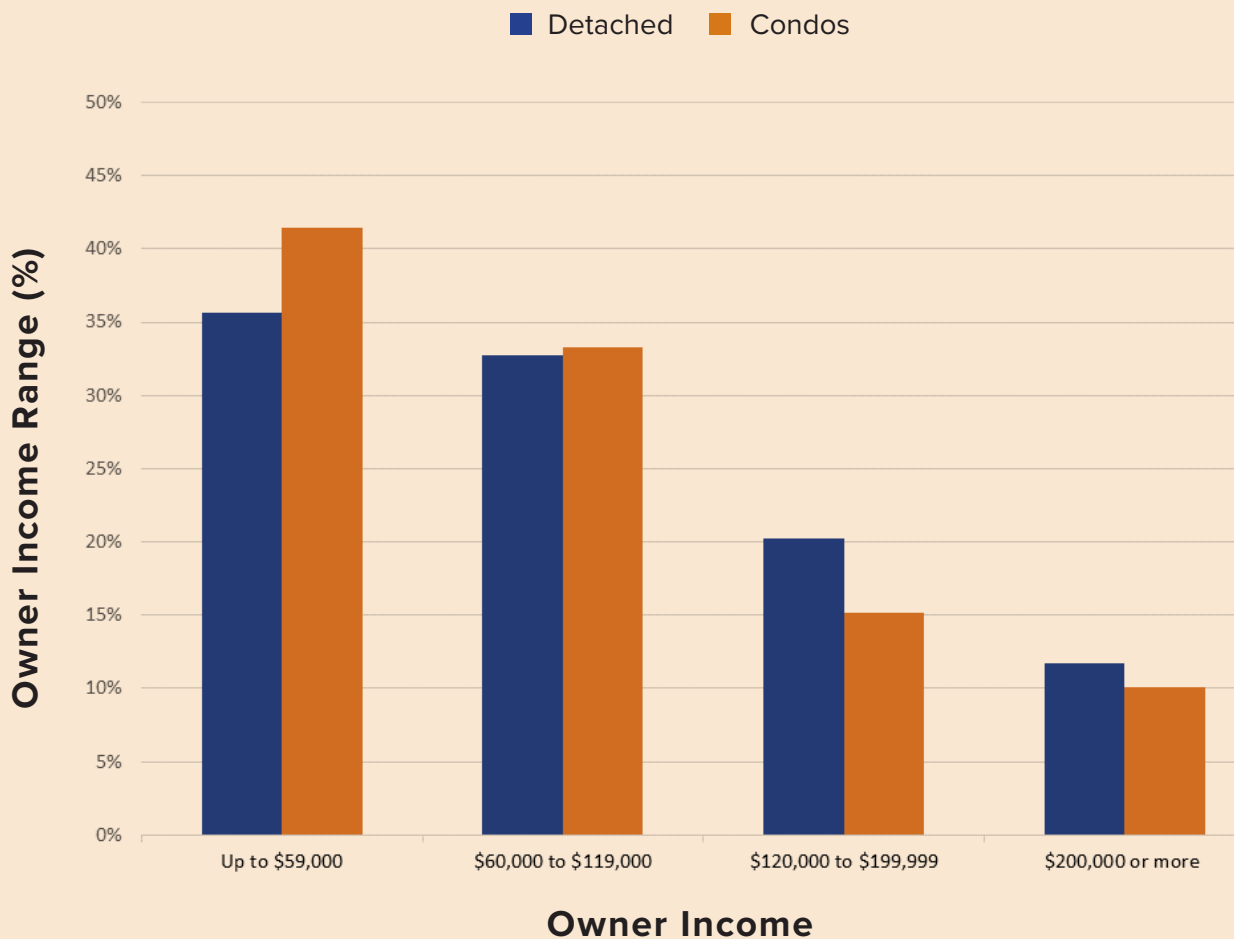
The American Housing Survey found in 2021 that a lower percentage of condo owners have annual incomes over \$100,000 compared to single-family homeowners. Condo owners seem to be stretching farther financially to cover their housing costs, with 36.7% spending over 30% of their monthly income on housing costs, compared to just 25.4% of owners of detached homes.

Available statistics on homeownership by race do show some differences, if relatively subtle ones. A higher percentage of white homeowners own detached homes compared to Black, Asian or Latino homeowners. From 2011-2021, ownership of condos rose faster than ownership of single-family homes in BIPOC communities: Black, Asian and multiracial households jumped from being 14.4% to 19.1% of condo owners between 2011 and 2021.

In California, racial and ethnic differences in ownership rates are somewhat more pronounced. As with the national figures, California Asian-American homeowners have the highest rate of condo ownership: 13.6% of Asian homeowners own condos, followed by “Other” at 10.6%, whites at 10%, Blacks at 9.4% and Latinos at 5.1%.<sup>xv</sup>



## Condo vs. Single Family (Detached) Homeowner Annual Income



**SOURCE:**

American Housing Survey

**PUBLISHED:**

2021

## Affordability is Not Simple

Since condos are generally more affordable than single-family houses, we might expect to see higher rates of condo ownership in communities with lower average incomes and wealth, but this does not seem to be the case at present. We don't fully understand this phenomenon, and research aimed at explaining it would be extremely helpful.

Two facts we do know may be relevant here: First, condo construction is near an all-time low and has been for a decade. In the early 1980s, condos briefly reached 30% of U.S. housing starts, before slipping to a range from 5-10%. In the run-up to the 2008 foreclosure crisis, there was an upward blip (some of it propelled by dubious practices), but since 2015, condos have made up just 5% or less of housing starts.

And while condos are more affordable overall, they are not more affordable per square foot. This seems counterintuitive, since less land is generally required for multifamily construction, and again the reasons are not fully understood. Nevertheless, the price advantage for condos often stems from their smaller size, while larger, family-size units tend to be both uncommon and pricey. Clearly, this is an area that needs more attention.



## Affordability is Not Simple, Cont'd.

**There appears to be considerable potential for making condos more affordable, and recent efforts to upzone communities to allow for denser construction can play a role.**

A recent [California Community Builders study authored by HR&A](#) looked at *projected costs* associated with new buildings in San Francisco Bay Area communities that would be upzoned.

**For new homes built today, single family homes would be on average 2.7 times more expensive than the projected condos that would be built as a result of such upzoning.**

The projected price difference is an order of magnitude in the wealthy parts of the region like Silicon Valley. But it is also substantial in a place like Antioch, where so many communities of color have moved over the past two decades. An Antioch with more condos would likely open up homeownership to an entire group of lower- and moderate-income residents for whom it is not now feasible.



## What About Informal Multifamily Homes?

Data on informal forms of multifamily homeownership remains sketchy and incomplete, but available evidence suggests that such arrangements play a significant role in BIPOC communities.

MHO can be particularly well-designed for multigenerational families. Data from the National Association of Realtors shows that BIPOC communities are almost twice as likely as white families to have purchased a home for multigenerational living. The reasons are as diverse as the communities themselves, including cost, the need for close proximity to facilitate family care, and children coming “back to the nest” — or never leaving it.

For some families, maintaining ownership in the name of one person makes sense, as does keeping the house as one unit. But for some, it may be beneficial to change ownership structures or add units. In a system that supported MHO, these families would have access to affordable, reputable professional services that allow them to make the right choices for their families.



## So How Do We Estimate Informal MHO?

Researcher Alex Ramiller developed a methodology that looks at non-married adults living together in an owner-occupied structure, totaling over 2.1 million in California. The racial and ethnic differences are substantial: While just over 20% of white, owner-occupied households involve nonmarried adults, the figures for nonwhite households are consistently higher, ranging from 36.5% for Asian Americans to 47.5% for Latinos.

We can't know for certain that these households meet our precise definition of MHO. But what we do see is how diverse they are in terms of household relationships. Some are living with non-relatives, some with siblings, some with parents or adult children.

**We need to understand these households better in order to develop policies that assist them and understand how they fit into the larger picture of California's housing crisis.**

Two things are clear from the existing data: First, there is a great deal we do not know about MHO, communities of color, and affordability. Second, formal, legally defined forms of MHO do not seem to be living up to their potential role in enabling BIPOC communities to achieve homeownership.

Affordable paths to homeownership could help to both alleviate the harm caused by the racial wealth gap and, by allowing communities of color to build wealth, ultimately help to reduce it. We clearly have a long way to go.



## ISSUES & CHALLENGES

## Issues & Challenges

In this section, we attempt to lay out the challenges that policymakers must address in order for MHO to play an optimal role in alleviating California's housing crisis, enabling wealth building for communities of color, and promoting climate-friendly development patterns. Throughout this report we have noted gaps in research and data, so this section covers known practical issues with specific types of MHO. The following section, Recommendations, will suggest possible solutions to these, as well as needed research priorities. Because the areas of market-rate, affordable/alternative and informal MHO each have unique issues, we look at each category separately.

**Multifamily Homeownership:**  
Pathways to Addressing the California Housing Crisis



## Market-Rate: Supply & Production Challenges

### Construction defect laws hinder condo construction.

- California law makes builders liable for construction defects for up to 10 years following completion. This is a long time, and a real risk — builders are often targeted for lawsuits in the 9th year. The risks to condo buyers are real, too: Residents of San Francisco's Millennium Tower found out about their building sinking and tilting seven years after it opened.

***Condo owners shouldn't be left holding the bag if the builder was negligent, but there is growing consensus that we need a new system for managing risk.***

Builders can get insurance for this risk, but it is seriously expensive, driving up housing costs. This is a problem others share with California: A study by the Oakland-based planning firm EPS estimated that construction defect insurance in metro Denver added \$15K to the costs of each condo.

The silver lining here is that builders still build condo-able buildings. In fact, most will 'map' the building for condos, even if they always intended to rent the units. This means that if a better way is found to deal with these risks, the buildings themselves don't have to change much to become condos.

### In the U.S., we have only a limited system of presales.

- In many countries, it is common for developers to presell most of the units, often before construction even begins. This pre-sale system, which is backed by policy and capital, helps reduce risk for developers and lenders and encourage development, helping to maintain the supply of MHO units. Under the current U.S. system, developers often hold off on deciding whether to rent or sell, depending on the market. A system of presale produces a fixed pipeline of for-sale units. This could also have major benefits for affordable MHO, as a system in which presales play a larger role could make it much easier for affordable housing organizations to acquire units for clients. France has a system in which presales of MHO units benefit middle income investors and help produce affordable rental housing.<sup>xvi</sup>

## Market-Rate: Purchasing & Demand Challenges

**Financing a condo purchase is both more difficult and more expensive than financing a single-family home.**

- Condos are generally seen by lenders as riskier than single-family homes. Condo markets have been notoriously fickle and prone to bubbles. Condo buildings can be mismanaged or have business models based on tourism and time-shares which are considered risky. Having too many renters is also seen as a risk — Fannie and Freddie will not securitize a loan to buy in a condo complex with more than 50% renters, one of their many rules on eligible condos. Many condos don't conform to [strict Fannie Mae rules](#), and this creates a second, more expensive debt market for 'non-warranted' loans.

In bad times these speed bumps can be bigger. Since condos are the most common MHO, and MHO is more common in BIPOC communities, even a small added cost or hurdle makes a difference.

***If we want an equitable homeownership system that encourages more climate- friendly forms, borrowing costs to buy MHO need to at least be on par with single-family homes.***

**Financing a co-op or TIC purchase is even harder and more expensive than financing a condo, even though the purchase price may be lower.**

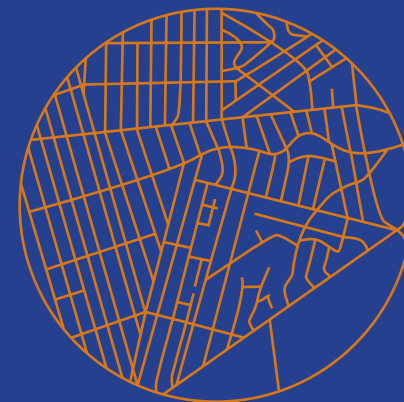
- In general, capital prefers condos to other forms of MHO — lenders like having a separate, mapped asset, rather than a share in a corporation that owns the building. As condos are also the dominant form, the market and the rules are clearer and better defined. Condos also have what's called non-legal recourse if someone doesn't pay their HOA fees — i.e. the association can put a lien on the property rather than having to hire a lawyer and sue. TIC owners can't generally do this, making it riskier for the owner and thus for the borrower.

## Market-Rate: Purchasing & Demand Challenges, Cont'd.

Larger units are in generally short supply; those that are available tend to be expensive.

- MHO are generally cheaper, but not always cheaper per square foot. Mostly, they are cheaper because they are smaller. Family-sized units can be particularly expensive and are mostly aimed at the luxury market.<sup>xvii</sup>

This creates a dilemma for many families, especially with children, and particularly with the steady rise of work from home. If you need a 3- or 4-bedroom home for your family, most current MHO options will be unaffordable or simply don't exist. Finding something affordable and with enough space often involves moving far away from job centers and driving long distances — “drive till you qualify.” This tradeoff has fueled California sprawl for generations.



## Market-Rate: Maintenance Challenges

### Owning homes with other people carries certain risks.

- Owning a home always has risks, and owning with other people brings both more opportunity for mutual support and more sharing of risks. For example, if a handful of other owners stop paying their HOA dues or co-op fees, it can endanger everyone. (During the 2008 foreclosure crisis, for instance, many people stopped paying HOA fees, causing serious issues for condos across the country).

### Managing HOAs and co-op boards is hard.

- Many people end up in MHO because they like the unit, can afford it, and more, but aren't prepared for governance with a group of other owners. This is understandable; ***we can't expect everyone to have the time, energy, knowhow and desire to govern a housing complex.*** And, frankly, people can be difficult, especially when the subject is their home and their largest investment.

### A lot of mid-20th century condos are getting old and need significant repairs or maintenance.

- The collapse of a large condo tower in [Surfside, Florida](#) woke a lot of people up. This was a relatively well-off community, but nevertheless structural problems identified years before the disaster were not addressed. The local government had eyes on the situation but didn't prevent the collapse.

### State regulation mostly focuses on new buildings, not older ones. Oversight of existing buildings is left to local governments, who often don't have capacity to intervene.

- The California Department of Real Estate and other state regulators play a strong role when it comes to new MHO complexes, regulating them like a consumer good. But once the structure is built, occupied, and has a full set of documentation, state involvement drops off sharply. Legislative attempts to add regulations have been abandoned because of high costs and concerns about balancing regulation without technical assistance.



## Affordable & Alternative: Supply & Production Challenges

### Major State-funded housing production programs don't universally support affordable MHO.

- **Building public support for affordable homeownership has been a struggle.** Public affordable housing programs are generally designed (and imagined) with rentals in mind. Community land trusts, Habitat for Humanity and other affordable homeownership advocates have had to fight to get their efforts recognized and supported under the Welfare Tax exemption and other programs.<sup>xviii</sup> CLTs in particular have to struggle in every legislative session to make sure they aren't excluded from state programs, sometimes by virtue of small drafting mistakes or changes in highly technical corners of the law.

### The Low Income Housing Tax Credit (LIHTC) can support MHO, but isn't being used in this way.

- LIHTC is the primary national source of affordable housing finance.<sup>xix</sup> It can be used for homeownership opportunities, as some enterprising folks at [Cleveland Housing Partners have discovered](#).<sup>xx</sup> But the Cleveland program remains a rare example, and research into LIHTC for homeownership remains thin.<sup>xxi</sup>

### Small organizations can be great at maintaining housing — but what about building it?

- Building housing is complicated and expensive, no matter how you do it. Efficiencies come from scale and experience, both of which are hard to achieve for smaller nonprofits. Many of the forms of affordable MHO work well when run as smaller organizations — it creates more intimate and culturally appropriate ways of engaging and managing housing together. But small size makes building harder and more expensive.

## Affordable & Alternative: Maintenance Challenges

**Maintaining buildings costs money. Asking your neighbors to pay up is hard — especially if they are low-income.**

- Affordable MHO buildings can struggle to keep up with maintenance because it's expensive. Keeping HOA fees down is a top priority for many people, but what happens if that comes into conflict with the need for a new roof, or the sort of structural repairs that might have prevented the Surfside, Florida disaster? What happens if someone doesn't pay their dues? Do you kick them out, even if it means they may end up on the street?



## Informal: Supply & Production Challenges

**There is a very limited supply of existing duplexes or triplexes potentially available for sale without displacing tenants.**

- Duplexes and triplexes were common in the 19th and early 20th centuries, but land use law, suburbanization and changing norms shifted production away from these types of units. Most two-to-fourplexes in cities are now either rentals or TICs.

**SB9 and the ADU laws have made small scale MHO theoretically legal. Getting it actually done is another story.**

- As in many fields, in housing legality and reality don't always match. Just because you can turn your home into a duplex doesn't mean it's easy. Very little technical assistance is available from reputable nonprofits, and homeowners are generally approached to build only rental ADUs. By themselves, these laws won't produce much housing available for purchase.

Oakland's Keys to Equity is an example of one program working to enable homeowners who'd otherwise likely be shut out of ADU development to start building safely. Programs like this could be scaled and expanded to include a wider arrange of transformations on single-family properties.

**ADUs aren't generally sellable as separate units.**

- ***Land use changes have made it easier to build more units, but have not necessarily created MHO opportunities.*** You can build an ADU, but generally can't sell it as a separate unit. Recent law has made Habitat for Humanity and certain other nonprofits eligible to sell ADUs separately, so precedents exist. Research should examine whether and how Habitat and others are using this option, and what lessons can be learned for applying this beyond nonprofit ownership.

## Informal: Maintenance Challenges

### How do you decide what to formalize, and what to leave unspoken or informal?

- Informal MHO have been getting by without a ton of support. Heavy-handed support that insists on formalizing everything can be worse than the alternative, especially for folks who are getting by just fine. ***Well-meaning reforms can make a property or a household a greater target for exploitation and displacement if they attract unscrupulous buyers and builders without proper support.*** Attempts to give people legally recognized ownership shares can destabilize the fragile arrangements which allowed the household to work in the first place.

Attempts to establish a clear understanding about costs and responsibilities can improve building upkeep and collective happiness, or it can destabilize the fragile peace between neighbors and the workable but informal systems folks have in place.

Individuals and organizations determined to help informal MHO homeowners should take careful lessons from informal settlement upgrading in the Global South. We have much to learn from attempts to regularize informality — both what can work and the damage that can be done if approaches do not practice very careful engagement.<sup>xxii</sup>

### There aren't enough support structures in the nonprofit, public or private sectors for these sorts of housing arrangements.

- As with the other two sets of MHOs, there just isn't the support network needed to maintain homes. Informal MHO homeownership is arguably the most challenging because of how variable it can be, and because it involves lots of small sites and homes scattered around the region, rather than the larger housing developments that much of the affordable housing industry has experience managing. The rise in single family rentals has shown that 'scattered-site' maintenance is possible, (if still challenging and very uneven), suggesting we can build a larger housing maintenance network that can serve all forms of MHO, regardless of size or formality.

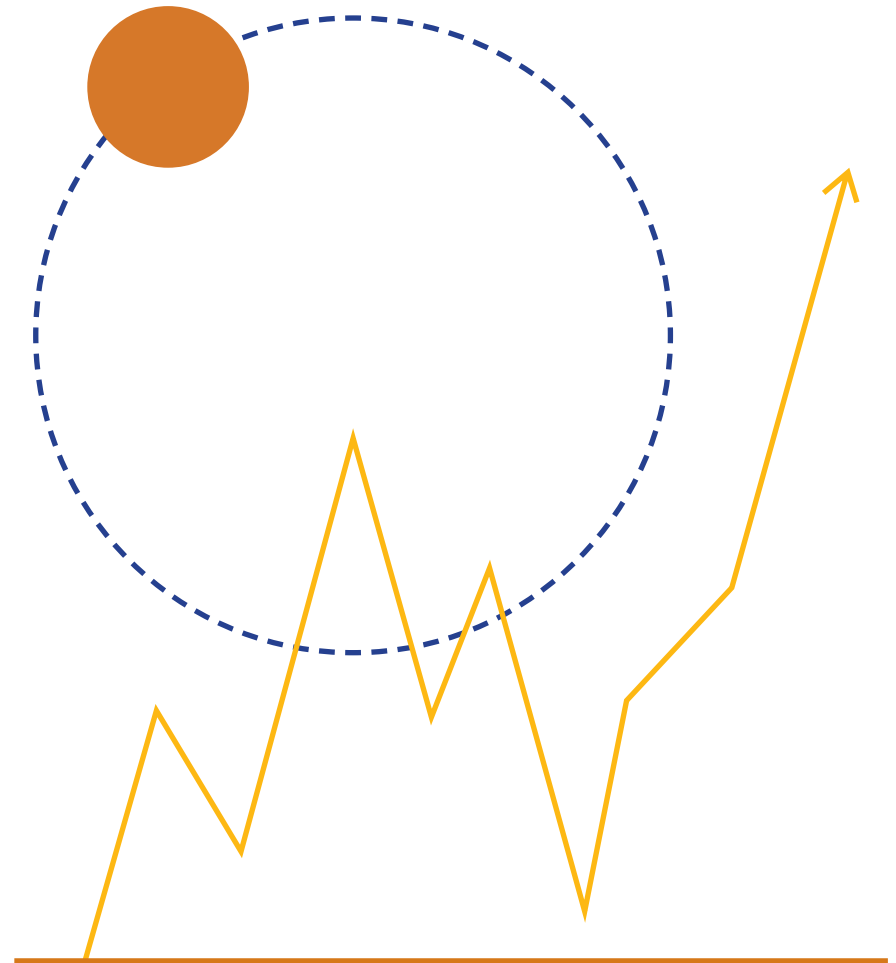


# RECOMMENDATIONS

## Research

While some issues and challenges inherent in MHO will always be there, much can be done to reduce them and make them more manageable, thus increasing supply and making the experience better and easier for homeowners. Below is an initial agenda for both research and policy in this field. We welcome additional suggestions and encourage readers to contact us with ideas.

MHO remains seriously understudied, and improving our knowledge of the current landscape, and particularly of issues and challenges, must be a top priority if MHO is to reach its full potential as a solution to the housing and homeownership crisis in California and other locations where affordability has become a major problem. The following pages show some key areas where more data is urgently needed.



## Research, Cont'd.

### Housing Choice Vouchers (HCV) and Low Income Housing Tax Credits (LIHTC) for Homeownership

- Two of the most important affordable housing programs in the U.S., HCV and LIHTC, can support homeownership, but rarely do. We need a dedicated cross-sector research dive into why this is the case, what has happened in the cases where HCV and LIHTC are being used, and the possible pathways for using these programs in new ways.

### Living in Informal MHO

- Most of what we know about informal MHO is anecdotal. A research partnership that combines advocates from across the MHO spectrum with sensitive research practices can shed more light into the who, what, where, how, why and how long of these arrangements. At present we don't even have basic numbers on how many Americans and how many Californians live in informal MHOs. Research can tell us more about diversity, multigenerational households, and the challenges that can come with shared ownership lacking the formal legal structures of condos or co-ops. Research should help us understand when it is better to make something formal, when it should stay informal, and what sort of assistance could help people navigate these questions. This is a research project that can learn a lot from cities in the Global South where both informality and multigenerational living have been more visible than in the U.S., and for longer.

### Condos v. Co-ops

- The most foundational difference in MHO is whether you own the actual unit, or a share of the building or a corporation. Finance has long preferred the former, while the alternative/affordable world has preferred the latter (Large investors also use corporate structures to own buildings together). Research that helps federal regulators, lenders, builders and advocates find a path forward on this basic MHO question can be helpful to many different parts of the MHO world.

## Research, Cont'd.

### Bigger Units

- A detailed data dive into the cost and availability of larger, family-sized MHO units in condos and co-ops would help understand whether this form of housing can be better built at scale for space-hungry families. What is driving the high cost per square foot of condo and other MHO projects? Can we reduce the space incentives of SFH and provide more affordable 3- and 4- bedroom units with private outdoor space, especially in more economically efficient locations? How has the industry approached this issue over time? How do builders and buyers outside of the U.S. — where family MHO living is more common — deal with unit sizes and the need for space? What specific barriers are now getting in the way of producing affordable, larger units?

### Presale Systems

- We need research that examines possibilities for growing equity-centered presale systems in California, systems which could replace waiting lists and enable both market and affordable units to be built with less risk for communities and developers and more certainty for buyers — especially first-time buyers or older buyers selling out of larger SFHs. Existing systems in France and Washington state deserve close examination as possible models.

### Effective MHO Regulation & Support

- California is not the only jurisdiction facing challenges in MHO regulation. What does an effective system look like that supports MHO properties? What is the correct mix of rules and regulations, technical assistance and funding programs to help HOAs and other forms of MHO keep their buildings maintained, their residents housed and their finances in order? How do we build a cost-effective system that doesn't overly burden either government or the HOAs and residents themselves? What can we learn from other states and nations to help advance this in California?



## Research, Cont'd.

### Making Temporary & Permanent Housing Work Together in MHO

- One challenge for MHO units is the tendency for units to become short-term rentals. This is both a challenge and an opportunity. If units are scarce, or in the hands of aggressive owners, short-term rentals can cause displacement or serious nuisance for owners and permanent residents. On the other hand, temporary housing is a critical resource, and having a small number of well-managed temporary units could help bolster the finances of MHO buildings. Research is needed to understand the specific impacts of short-term rentals on MHO, and ways that market-rate, affordable and informal MHO owners can and are using short-term and temporary housing to bolster their finances and benefit long-term and short-term residents alike.



## Research: Next Steps

None of the research outlined above will happen by itself. Relevant agencies need to make it a priority, and must provide adequate funding. Both the federal government and the state of California need to play a role:

### Federal

Data-gathering agencies such as the Census Bureau can incorporate more detailed questions about MHO into existing surveys such as the U.S. Census and the American Community Survey. The ACS already asks whether respondents own or rent but could dig much deeper.

Federal agencies, working with the Government-Sponsored Enterprises (GSEs), could analyze MHO lending rules such as renter limits, commercial square footage, etc., for possible changes that could benefit MHO by expanding the availability of both mortgage and development finance without increasing risk to homeowners or exposing them to predatory finance. They could lead research on the use of HCVs and LIHTC to support homeownership generally and MHO specifically, encouraging and incentivizing local housing authorities to participate in this HCV research.

### California

State agencies can advance MHO research in two ways. By bringing together relevant state agencies like the California Housing Finance Agency, the Department of Housing and Community Development and the Department of Real Estate, California can do an internal assessment of existing funding and data sources as applied to MHO. This internal audit can become part of MHO support efforts at the policy level, some of which are discussed below. State agencies can also collaborate with housing research organizations and institutes to design collaborative research projects based on the above recommendations. State-funded collaborations which have easy access to state data can help both improve our MHO knowledge and provide clearer pathways to support policy and institutional reforms such as those discussed below. Similarly, a state Office of Multifamily Homeownership – discussed below – should have a clear research coordination and support role as part of its mandate.

## Policy

For simplicity's sake, we have grouped these recommendations according to the problem area they most directly address – Supply and Production, Purchasing and Demand, and Maintenance, as well as a category for General recommendations that cover broad MHO issues. Because these areas of concern often overlap and intersect, recommendations listed in one area may well impact others.

Within each section we have grouped recommendations by which level of government should address them, as well as sections for homeownership organizations and companies. These government-level groupings are by scale, not by responsible party. Thus, when we talk about “Federal,” we recognize that policy reform at that level represents a collaboration between public agencies, think tanks, nonprofit organizations, and advocates. A similar pattern occurs at other levels. The recommendations below thus apply to all advocates for MHO reform, regardless of sector.

The federal government, the state of California, housing advocates and the housing industry should make leadership on MHO issues a priority, and a key part of forthcoming housing plans.

**Multifamily Homeownership:**  
Pathways to Addressing the California Housing Crisis



## General Policy

### Federal

Agencies like HUD, Fannie Mae, etc., can elevate multifamily homeownership by changing the practice of calling all homeownership work 'single-family.'

### California

- Create an Office of Multifamily Homeownership or an MHO coordinating body within the state to bring together relevant state agencies to strengthen support for MHO and examine any internal challenges with existing regulations, laws or funding programs. This body should explicitly work to bring together the different parts of the housing community that advocate for different forms of MHO.
- Develop a long-term budget plan to support new collaborations between organizations and companies in the MHO space (see the sections below on Homeownership Organizations and Companies).
- Support research into key areas of MHO where we lack good information, data or understanding as laid out under Research above.
- Encourage new regional agencies to support MHO. Regulate Joint Powers Authorities working in housing to support MHO, especially those using bond funds.

## General Policy, Cont'd.

### Does California Support MHO?

The short answer is: somewhat. The good news is that an analysis of existing state funding programs like CalHome shows that some MHO tenures are generally eligible for support. This includes supply-side programs to spur development or conversion, and demand-side programs like first-time homebuyers. There is also regulatory support from agencies like the California Department of Real Estate for new condominiums, and the state recently launched a foreclosure intervention program that supports community land trusts. There is still a long way to go to make California a leader in MHO support and development, but we have some great pieces to start with. This is one of the reasons why a core recommendation of this report is to create an Office of Multifamily Homeownership to help coordinate, strengthen and streamline this support, and build more cross-sector collaborations.

### Regional

New regional housing finance agencies being built or considered across California should embrace the possibilities of MHO for achieving their mission.<sup>xxiii</sup>

- As MHO can be complex, they have the ability to provide critical public funding and support to MHO efforts in small jurisdictions who don't have the staff capacity or expertise but may have the political will and even some subsidies via in-lieu fees and other sources.
- They can also be effective intermediaries to help channel philanthropic monies and funding from state and federal sources into quality MHO projects.
- Regional housing finance agencies can help local actors put together effective and equitable buyout packages for MHO conversions, particularly in older buildings with vulnerable tenants. They can play a critical role in helping local jurisdictions revisit their condo conversion rules to encourage equity-centered conversions.

## General Policy, Cont'd.

### Homeownership Organizations & Companies

Build local support organizations for people who want to buy or build small scale MHO.

Imagine walking into a storefront housing office. It looks a bit like a realtor, with pictures of nice houses and apartments you can buy. Among the services you can receive is help buying a single-family home with your cousin and her family and adding an ADU for you. You could get help to finance this purchase and the expansion, help finding a contractor to build it, and help with the legal paperwork to give you and your cousin your respective shares of the property through a specific legal structure (condo, TIC, etc.) that you decide upon in consultation with experts you could trust. You could get guidance in accessing some downpayment assistance or other forms of housing assistance available through local, state or federal programs. You and your cousin could even get training on how to maintain the house and work things out between you.

This office combines the services of a series of highly trained professionals — realtors, lawyers, mortgage brokers, homeownership counselors, social workers, builders, property managers and more — in a supportive and trusted setting in your community.

Right now, we have these professionals, but generally they work in separate places for very different types of organizations. Homeowners or prospective homeowners each have to build their own teams, and many people find it impossible to know where to start. The trustworthy and well-trained professionals in these fields are also interspersed with people looking to exploit, no matter the cost, and the inexperienced may have trouble telling them apart.

What would it look like to bring together the best professionals across these sectors to create a supportive housing system that enables the best that MHO can offer — while helping everyone avoid pitfalls and predators? How do we weave together the trusted small businesses and nonprofits who make up these sectors so that we provide these services at scale to those who want them — while enabling everyone doing this work for an honest living to thrive and grow as a professional?

## Supply & Production

### California

- Commit to reforming the construction defect system, making it easier to build for-sale multifamily units in California while protecting condo buyers from builder negligence. One possibility is to build a state-sponsored warranty system, similar to what New Jersey has done, with a state backstop as an insurer of last resort.
- Pass legislation enabling and encouraging *small-scale (<10 unit) for-sale subdivisions* that are perfect for many different types of MHO – and that are ideal for new, BIPOC developers working to build housing that builds wealth in their communities.

### Local

Local actors can support MHO in a number of ways, especially for <5 unit properties, which are not covered by the California Department of Real Estate.

- Local jurisdictions can work with housing organizations, nonprofit developers, and housing finance specialists to reexamine existing condo conversion laws and other rules regarding TICs, CLTs, etc. Rather than a general prohibition on conversions, jurisdictions and advocates should work together to encourage supported and equity-centered conversions where appropriate— including conversions into mixed and non-MHO tenures which preserve affordable rental housing via conversion to community or nonprofit ownership.

### Homeownership Organizations & Companies

- Provide small business support for BIPOC developers: It is important that MHO gets built in general, but we must also ensure that diverse developers have an opportunity to play a meaningful role in creating this needed housing type. Diverse, formerly redlined neighborhoods have been responsible for most of the new development activity over the past two decades, and communities of color need to play a lead role in the growth and evolution of their own neighborhoods.

## Purchasing & Demand

### Federal

Fannie Mae, HUD and other federal agencies who touch on the mortgage lending industry should work with advocates and industry representatives to make MHO lending as affordable and secure as SFH lending. This work includes:

- Where appropriate, creating dedicated offices of MHO that can advocate for all the various types of MHO and the specific supports they need.
- Examine ways in which equity and racial justice work can better incorporate MHO. For instance, Fannie Mae's equitable housing plan does not currently discuss MHO, and could be even stronger with an added emphasis on these diverse types of housing ownership.
- Work with the lending industry to develop and promote the specific lending products needed by the diverse forms of MHO, both on the supply and demand side. The present difficulty in financing co-op or TIC purchases needs attention.
- Analyze MHO lending rules such as renter limits, commercial square footage, etc., for possible changes that could benefit MHO without increasing risk. Some forms of perceived risk may not be actually risky, and these could be downgraded in securitization and borrowing algorithms. We also need to identify ways coordinated action could mitigate legitimate risks which have beneficial components. For instance, while having >50% renters does pose certain risks, condos are an important source of rental housing and being able to rent your unit is a key part of homeownership. Federal policy needs to recognize this value and find a way to support such mixed uses.
- Encourage the federal government and California housing authorities to examine possibilities for increasing the use of HCVs for homeownership.
- Aggressively work with data-gathering agencies and others to advance the research items listed above.



## Purchasing & Demand, Cont'd.

### California

- Push forward with a public-private partnership to expand San Francisco's DAHLIA system statewide, in collaboration with realtors and housing counselors, in order to build a robust market and a trusted information system for supported and secure MHO opportunities. Only a statewide system will both create real access and be efficient.
- Encourage the federal government and California housing authorities to examine possibilities for increasing the use of HCVs for homeownership.

### Local

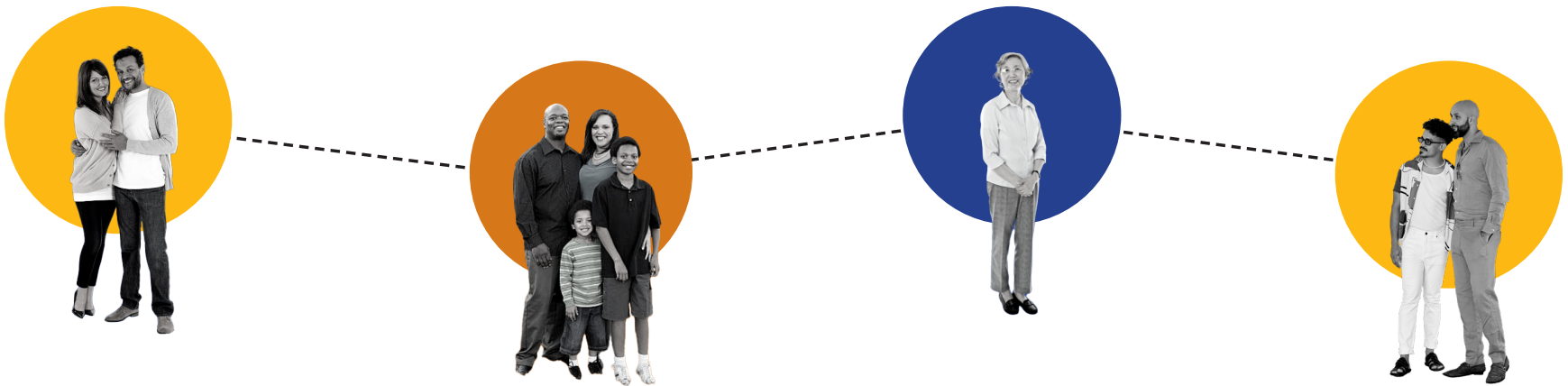
- Local organizations should lead the change in collaborating with supportive local governments on services to informal MHO. Caution should be used in working with informal MHO tenures, especially in low-income communities.

## Governance Support

Realtors, homebuilders, mortgage lenders, homeownership counselors, legal advocates, property management companies, and affordable MHO organizations need to work together with state officials to design a stronger statewide support system for existing HOAs and co-op associations. This work can support both standard and affordable homeownership, and can provide support and advice on everything from building maintenance to finance to governance challenges and conflicts.

As it stands right now, HOAs are only examined by DRE when the buildings are initially set up. Additional regulation has been considered, and may be part of the solution, but regulation without a support structure to get the work done will not help. We need to both ask and answer this question: What does a property management system look like that provides ongoing maintenance and service to HOAs in a way that reduces risk and displacement?

Housing advocates also need to examine the current advocacy structure around HOAs. The loudest HOA voices are often PUDs and gated communities focused on protecting their rights to regulate, rather than MHO HOAs who need support to fix the roof or deal with other of the myriad challenges.





# GLOSSARY & APPENDICES

# MHO Glossary & Usage Guide

## **ADU: Accessory dwelling unit**

A housing unit added to an existing single-family home. It can be new construction, a conversion of an existing garage or other building, or the creation of a 2nd (or 3rd) unit inside the existing house.

## **Affordable Housing**

Often spoken as ‘Capital A Affordable,’ this generally means there is some sort of deed restriction or subsidy (or both) that formally makes the home affordable to certain people. This is distinguished from ‘lower case a’ affordable, which refers to housing that just happens to be affordable. The latter is sometimes referred to as ‘naturally occurring’ affordable housing, even if there is nothing ‘natural’ about the U.S. housing market.

## **BMR: Below Market Rate**

A term generally used in affordable homeownership for homes that have some sort of subsidy or deed restriction which requires it to be sold for less than what it could be sold for on the open market.

## **CID: Common Interest Development**

A [term used in California state law](#) and elsewhere to describe many – but not all – MHO tenures. Condominiums and stock cooperatives are two types of CID, while TICs are not considered CIDs. Planned Use Developments (PUD) are a form of CID which we do not consider MHO. PUDs are generally single-family homes on separate parcels, with the ‘common’ areas limited to shared facilities like golf courses or roads.

## **CLT: Community Land Trust**

A form of MHO where a community-based nonprofit owns the land, and residents generally own the houses. (There are CLTs with rental units as well). Resident-owners participate in the governance of the land-owning nonprofit.

## **Co-op**

Co-op is a word that can have many different meanings. For MHO, Co-op is an abbreviation of “stock cooperative,” which, alongside condominiums, are one of the most common type of both common-interest developments and MHO. In these instances, residents own a share of the corporation which owns the building and have the right to occupy a particular unit. They are more common in New York and in older cities than in California. These are not to be confused with other forms of co-op – worker-owned co-ops or housing co-ops, which may be rental units with tenants having a voice in management. Co-ops near college campuses are often this form of co-op.

## **Deed-restricted Housing**

One common way to ensure that homes stay affordable is to attach a restriction to the deed. These will generally limit occupancy to people earning a certain percentage of the Area Median Income (AMI) and are common in the affordable housing industry. Deed restrictions can apply to rental housing, [homeownership](#) or all manner of hybrids.

## MHO Glossary & Usage Guide, Cont'd.

### Fannie Mae

Originally the [Federal National Mortgage Association](#), now simply known as Fannie Mae, is a government-sponsored enterprise (GSE), i.e. a company set up and originally owned by the federal government. Its primary purpose is to buy mortgages from lenders as part of the secondary mortgage market, where mortgages are pooled into mortgage-backed securities (MBS). They are one of three related companies, alongside [Freddie Mac](#) (formerly the Federal Home Loan Mortgage Corporation) and [Ginnie Mae](#) (Government National Mortgage Association). Fannie and Freddie are now publicly-traded companies, while Ginnie Mae is owned by the U.S. Government.

### HCV: Housing Choice Voucher

Commonly known as Section 8, HCVs are the primary Federal housing subsidy programs helping individual households directly. HCV recipients can use their vouchers to live in both 'market-rate' and 'affordable units,' generally paying 30% of their income in rent with the remainder paid by the [Department of Housing and Urban Development](#). Vouchers can also be attached to buildings rather than people, known as 'project-based' vouchers.

### HOA: Homeowners Association

All condominium buildings have a HOA made up of owners, and the HOA is the governing body for the building. The HOA maintains common areas and infrastructure, and sets policies for residents. HOAs can also be found in many single-family home developments, often known as Planned Unit Developments (PUDs). These are developments where people own and maintain their own detached dwellings on private land, but contribute to an HOA for maintenance of common facilities like swimming pools or golf courses, or in some cases roads, gates and security forces for gated communities.

### Housing Tenure

Housing tenure is a wonky word for a very important concept: The combination of legal and financial arrangements that allow someone to occupy a home, including rules for how they may lose that right. Tenure includes both the arrangements made by private parties and all the laws and rules governing different tenures. While renting and owning are two categories of housing tenure, the United States has [dozens of different tenure structures](#). Multifamily homeownership is not a single tenure, but rather a series of different tenures.

### LEHC: Limited-equity Housing Co-op

A form of stock co-operative where resident-owners are limited in either the amount of equity in the building they can own, or the amount they can sell their share for, in order to keep the price of buying a unit affordable to low- and/or moderate-income buyers.

### LIHTC: Low-Income Housing Tax Credit

A federally-run program which uses tax credits to fund affordable housing. It is currently the largest source of public-sector financing for affordable housing in the United States.

### Market-rate Housing

Generally refers to housing without a deed restriction or other affordability restriction. Homes can be rented or sold for the 'market-rate,' i.e. whatever anyone will pay.

### MHO: Multifamily Homeownership

This is not (yet) a common abbreviation in housing, but one we use throughout this report.

## MHO Glossary & Usage Guide, Cont'd.

### Middle Density/Missing Middle

Housing developments that are neither high-rise (high density) or single-family detached homes (low-density). Covers anything from duplexes through mid-sized multi-unit buildings.

### Senate Bill (SB) 9

A [2021 law in California](#) designed to make it easier to add units to single family lots, including ways of splitting lots in two. Part of a wave of legislation aimed at increasing the production of ADUs, duplexes and other 'missing middle' density.

### SFH: Single-family Home

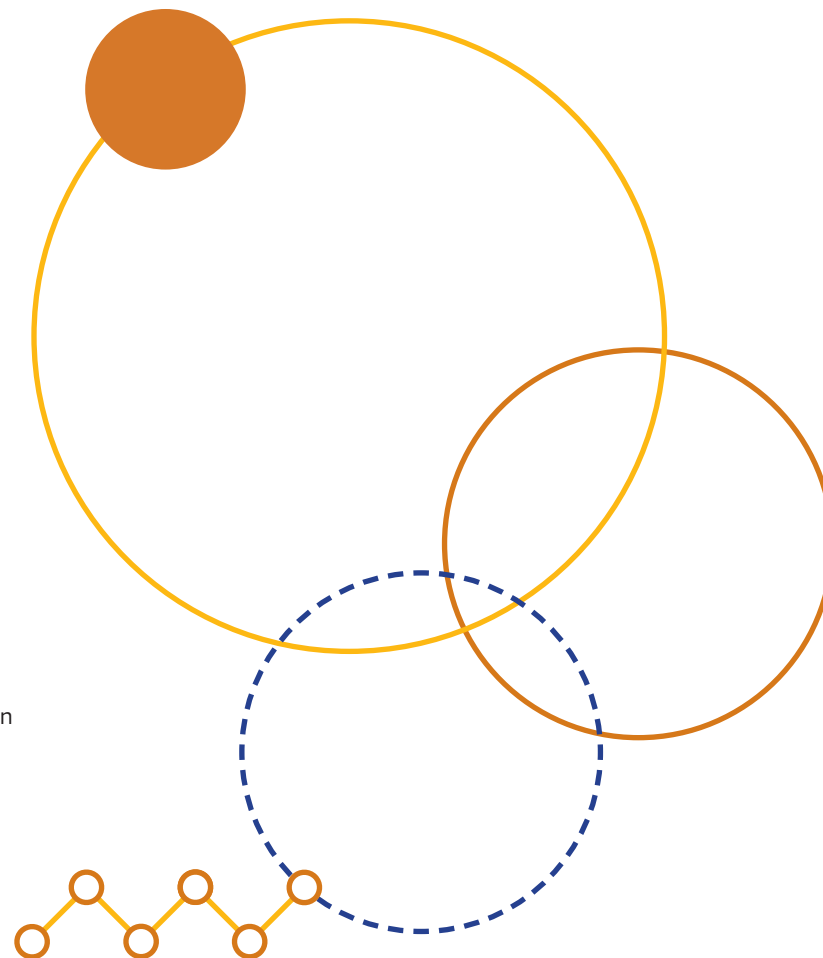
A single attached or detached home on a single lot, often built in areas where the zoning code only allows this type of development. Subject of a lot of myths, including the fact that multiple families often live in and own single-family homes.

### TIC: Tenancies-in-common

A form of multifamily homeownership where owners own fractions of a building together, and can will these ownership shares to others. Common in San Francisco. [Click here](#) for a deeper dive into TICs. See the table on [P. 41](#) for a comparison between TICs, Condos and Co-ops.

### Welfare Tax exemption

A status given to certain properties which exempts them from property taxes. Nonprofit-owned housing [which serves people below certain income levels](#) often qualifies. This exemption is a key part of California's affordable housing funding system.



## Endnotes

- i** — Marriage/civil unions confer certain legal and financial advantages under our current system when it comes to borrowing money or owning property as a single unit. This is why our definition of multifamily includes a reference to marriage or civil unions. It is not meant as an endorsement of any particular family or household structure or legal relationship.
- ii** — Source: 2021 American Housing Survey.
- iii** — In the Bay Area, a collaboration between the Bay Area Housing Finance Agency (BAHFA), Exygy and Google.org is developing a regional version of this portal. This tool could potentially be expanded statewide. [AB 312](#) (Reyes and Ward) in the 2023 legislative session attempts to create a statewide portal.
- iv** — Source: 2019 American Housing Survey. Single-family rental housing is one of the fastest growing tenures in the United States. In 2016, more than 15 million single-family homes were rented. See [Pfeiffer, Schafran & Wegmann](#) (2021) for more details on the rise of single family rentals and what it could mean for American housing.
- v** — Source: Homeownership rate is the share of housing units that are owner-occupied for a given race/ethnicity calculated using 2021 1-year ACS estimates. For a deeper dive into declining homeownership rates (based on 2019 numbers), see PPIC's [California Housing Divide report](#).
- vi** — Adapted from [High Life: Condo Living in the Suburban Century](#) (2012) by Matthew Lasner. See also Lasner, Matthew Gordon. "Own-your-owns, co-ops, town houses: Hybrid housing types and the new urban form in postwar southern California." *Journal of the Society of Architectural Historians* 68.3 (2009): 378-403, and Lasner, Matthew (2021), [Why Condos Caught on in America](#), *The Conversation*, August 6, 2021
- vii** — Source: 2019 1-year American Community Survey IPUMS microdata. These numbers are for total condominiums. Not all condos are owner-occupied. Out of the 7.7 million condos in the US, 4.6 are owned occupied. Similarly in California, 626,500 of the 1.15 million condos are owner-occupied.
- viii** — These estimates were produced using 2019 1-year American Community Survey IPUMS microdata (IPUMS USA, University of Minnesota, [www.ipums.org](http://www.ipums.org)). Condo residents are identified as any respondents that reported paying a condominium fee. See references for full citation.
- ix** — Source: 2021 American Housing Survey

## Endnotes, Cont'd.

**x** — Source: California Community Land Trust Network (2022), [Key Findings from the California Community Land Trust Network Survey](#)

**xi** — Source: American Housing Survey. Owned Co-ops & Condos as Percentage of Total Owner Tenure is the share of housing units that are owner-occupied co-ops and condos compared to total owner tenure.

**xii** — For instance, Community Land Trusts are increasingly their own legal structure, but they will use both LEHCs and condos on their properties. LEHCs are stock cooperatives at their base, but have special rules under state law. Permanent Real Estate Collectives are more like Real Estate Investment Trusts (which are primarily commercial or rental properties), as they are designed both as an investment vehicle and a place to live (and a workers co-op and community resource!)

**xiii** — Mutual Housing Associations (MHAs) are not included in this list because technically they are rental tenures. In an MHA, the building is owned by a non-profit, and tenants control the board of the nonprofit, much like an HOA. But as they have no equity, they are not technically legal owners. There is an argument for including rental tenures where tenants have full control and no equity in MHO, and we welcome this as an avenue of discussion and research.

**xiv** — Some may find it strange to hear a reference to 'informal' housing in the United States. Informality is not exclusively something that happens in the Global South. See [Noah Durst and Jake Wegmann's](#) excellent 2017 article on Informality in the United States to better understand how informality has long existed in the US — and will continue to do so.

**xv** — These estimates were produced using 2019 1-year American Community Survey IPUMS microdata (IPUMS USA, University of Minnesota, [www.ipums.org](http://www.ipums.org)). Condo residents are identified as any respondents that reported paying a condominium fee. See references for full citation.

**xvi** — There is unfortunately very little information in English on this French program known as Loi Pinel. [This link](#) gives a small but dated overview, but further research is needed into these programs, and to translate learnings from France and other foreign examples. See our research recommendations section for ways in which we need to learn more about MHO opportunities and challenges. French readers should visit the [current government site](#), which includes details on Pinel +, the 2023 revision of the program.

**xvii** — The reasons for this are complex. Smaller units still need infrastructure, so generally smaller units will cost more per square foot than larger units. Larger units can be in short supply, be aimed at luxury units, or at times aren't seen by buyers as good options, all of which can affect market prices.



## Endnotes, Cont'd.

**xviii** — The '[Welfare Tax Exemption](#)' is a key piece of California housing finance. Eligible properties can be exempt from property tax, creating a major financial incentive. Traditionally, these properties have been limited to 80% of Area median income and below in nonprofit ownership. But both income level eligibility and who is an eligible owner have been subjects of debate and discussion in affordable housing and legislative circles. Community land trusts were only recently added as an eligible owner, with additional flexibility for resident-owners who see their income rise over time.

**xix** — LIHTC is a Federal program that runs through state and other LIHTC allocating agencies. [See this HUD Primer](#) for an introduction.

**xx** — The Cleveland program is a lease-purchase model rooted in equity and creativity: It uses the fact that LIHTC tax credits expire after 15 years as an opportunity to shift renters into a homeownership position, turning what is a problem for most affordable housing owners into an opportunity for MHO across the racial wealth gap. The [2017 Turner Center report](#) has a good analysis of the program.

**xxi** — There are on the other hand plenty of researchers who have been calling for a deeper examination of the possibility of LIHTC + Homeownership. See for instance [Salsich \(1999\)](#) and [Turner \(2008\)](#)

**xxii** — One comparative challenge is that 'informality' in the Global South often refers to [large settlements and encampments](#), or entire neighborhoods that have been semi-formalized over time. U.S. examples will be parcel by parcel, with certain communities having larger numbers of these kinds of settlements. This is another area where research can help. What can be done to support informal MHO in scattered site situations? People interested in the Global South more directly should examine work by UN Habitat as a starting point.

**xxiii** — In the Bay Area, the [Bay Area Housing Finance Agency \(BAHFA\)](#) has been established. The Los Angeles County [Affordable Housing Solutions Agency \(LACAUSA\)](#) has been enabled and is being built. Further enabling legislation is under consideration for other jurisdictions, and California is on a path towards regional housing finance as a key pillar in its larger system. These regional agencies should be constructed with MHO as a key pillar and priority.

## References & Resources: Data Sources

The below resources include all sources cited or linked to in the body of the report, and additional resources that may be of use to readers.

[American Housing Survey](#) (US Census)

[California Association of Realtors, California Housing Affordability Index](#)

[IPUMS](#): Steven Ruggles, Sarah Flood, Matthew Sobek, Danika Brockman, Grace Cooper, Stephanie Richards, and Megan Schouweiler. *IPUMS USA: Version 13.0* [dataset]. Minneapolis, MN: IPUMS, 2023. <https://doi.org/10.18128/D010.V13.0>

[Redfin, US Housing Market and US Data Center](#)

[Zillow, California Home Values Data](#)

## References & Resources: MHO Organizations, Agencies & Guides

[California Community Land Trust Network](#)

[California Center for Cooperative Development](#)

[CHN Housing Partners: Lease Purchase Flagship Program](#)

[Local Housing Solutions: Deed-restricted Homeownership](#)

[East Bay Permanent Real Estate Cooperative](#)

[Grounded Solutions Network](#)

[Fannie Mae](#)

[Freddie Mac](#)

[Ginnie Mae](#)

[New York City Housing Preservation and Development Department: Mitchel Lama Program](#)

Sirkin Law: [Tenancy In Common \(TIC\) — An Introduction](#)

[State of New Jersey Department of Community Affairs: Consumer Information for New Home Buyers](#)

[United States Department of Housing and Urban Development \(HUD\), Office of Policy Development and Research: Low-Income Housing Tax Credit](#)

## References & Resources, Cont'd.

California Community Builders and HR&A Associates. (2022). [‘The Effects of Upzoning Single Family Neighborhoods on Supply and Affordability’](#)

California Community Land Trust Network (2022). [Key Findings from the California Community Land Trust Network Survey](#)

California Housing Finance Agency (nd). [‘Undeserved Communities’](#)

Cueller Mejia, M., H. Johnson and J. Lafortune. (2022). [California’s Housing Divide](#), Public Policy Institute of California, May 13, 2022

Economic & Planning Systems, Inc. (2013). [‘Denver Metro Area Housing Diversity Study,’](#) 29 Oct, 2013.

Esquivel, A. & Alvayaym, J. (2014). [‘A Guide to Understanding Residential Subdivisions in California,’](#) California Department of Real Estate.

Fannie Mae. (2022). [‘Equitable Housing Finance Plan’](#)

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# METHODOLOGY & ACKNOWLEDGEMENTS

## About This Report

This report is a collaboration between California Community Builders (CCB) and Alex Schafran of [Schafran Strategies](#), building on work that both parties have done on these issues for years. Formal research for this project was conducted by both Schafran Strategies and CCB, including two dozen interviews with realtors, for-profit and nonprofit developers, housing advocates, policy analysts, researchers, social and legal service providers, and people who have built their own small scale formal or informal multifamily homeownership stories. Some of these key informants also reviewed a draft and gave helpful comments. We thank all of our informants and reviewers for their time and cooperation. All errors are our own.

This report is the first step in a longer-term project for CCB, one we hope to conduct with partners across sectors. A first part of that collaboration is engagement with an ongoing research project by the San Francisco Federal Reserve Bank into the trends and demographics of multifamily homeownership, a project in which Schafran Strategies is also a formal participant. We thank Elizabeth Mattiuzzi, Alex Ramiller, Elizabeth Kneebone, Sarah Simms, and Tracy Choi for their work as thought partners and friends. We're honored to be part of a growing community of housers who recognize the importance of MHO, and who see that the first step in making it more secure for everyone involved is to better see and understand how it is currently experienced and regulated.

No housing organization works across the full multifamily housing spectrum; thus, we relied on the work of more specialized advocates throughout this project. The [California Community Land Trust Network](#) and the [Grounded Solutions Network](#) are the go-to voices for Community Land Trusts and other forms of affordable and intentional multifamily homeownership, and their resources were invaluable. The [California Association of Realtors](#) provides very useful data on townhouses and condos, offering one of the best places to actually see multifamily homeownership in data. The [Urban Institute](#) recently brought attention to the challenges of condo development, and their data and analysis was invaluable.

We owe a particular note of thanks to two scholars working directly on this subject: [Prof. Matthew Lasner](#) from the Department of Urban & Regional Planning, Hunter College, City University of New York and [Prof. Evan Mackenzie](#) from the Department of Political Science at the University of Illinois at Chicago. Prof Lasner's book [High Life: Condo Living in the Suburban Century](#) is an invaluable resource for understanding the subject of this report. Prof. McKenzie's book [Privatopia](#) was foundational in helping Americans see the challenges of private governance. Most critically, both scholars have made recent public interventions about the importance of MHO as a subject and the [challenges facing HOAs](#) and condominiums across the country.

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