Organizational Options for the Stewardship of Resale-restricted, Owner-occupied Housing

A. Stewardship is "built into" the structure of ownership

ADVANTAGES

- The sponsor has "skin in the game." CLTs and LECs are "stuck" with stewardship.
- If I own it – and if I'm going to get it back – I will have an incentive to build the housing more durably.
- Homeowner engagement cultivates a close relationship with the owner-occupants of CLT and LEC housing. This relationship makes: "compliance routine and enforcement rare."
- There is an internally generated stream of revenue to pay for stewardship.

DISADVANTAGES

- The sponsor is also "stuck" with the liabilities and obligations that come with ownership.
- Smaller projects – or a smaller portfolio – may not be able to cover the costs of stewardship.
- CLTs can take a long time to develop the staff capacity to be good developers and stewards of resale-restricted, owner-occupied housing.

B. Stewardship "grafted" onto an existing nonprofit developer

ADVANTAGES

- Less liability and obligation than an owner would have. A nonprofit that has no ownership stake in the housing is not exposed to the same risks as a steward that is also an owner.
- An experienced, well-established nonprofit may already have a staff, systems, and credibility with outside funders.
- There is an incentive to build it right if you are going to be the long-term steward of it.
- The developer who sells affordably priced homes to income-eligible families builds a relationship with these homebuyers that may stand the nonprofit in good stead when later acting as the steward for these homes.

DISADVANTAGES

- Since the steward is not "stuck" with ownership, a nonprofit developer may be more inclined to let stewardship lapse.
- If stewardship is not part of a housing developer's core mission, it may perform the duties of stewardship only so long as it gets paid by a municipality (or some other funder) to do so.
- Development and stewardship are two different skill sets. A nonprofit developer with years of experience building new housing may not have the staff or systems in place to do a good job of stewardship.

C. New nonprofit created expressly and exclusively for stewardship

ADVANTAGES

- Stewardship is a specialty, requiring a different set of systems and skills than development. A nonprofit that specializes in stewardship – and a staff that is recruited and trained explicitly for that purpose – may be expected to do that ***one thing*** very well.
- May allow greater division of labor among a host of nonprofits across a large region, where the nonprofit steward oversees the resale-restricted housing developed by many different nonprofit (or for-profit) developers.

DISADVANTAGES

- It may be difficult to find operational funding for a stewardship organization. (Nobody wants to pay for stewardship.)
- Other nonprofits which are developing affordable housing may not build their homes as durably or may not market them as carefully if they know they will be turning over stewardship responsibility to another organization, after the homes are sold.
- A stewardship entity that "inherits" the homes after they are sold has not had the benefit of having developed a trusting relationship with homebuyers during the process of getting them ready to buy their homes. The steward may have a harder time creating a relationship built on gratitude and trust.

D. Stewardship by an agency of local government

ADVANTAGES

- Unlike nonprofit organizations that can ebb and flow – or disappear altogether – local government will go not away.
- It has been more difficult to convince municipalities to fund *stewardship* than to fund *development* – unless the municipality itself is responsible for stewardship. Having local government act as the steward for the housing it has helped to create may be the ONLY way to get local government to cover part of the costs of stewardship.
- A municipality that knows in advance it will have long-term responsibility for monitoring and managing resale-restricted, owner-occupied housing may pay closer attention in its permitting and inspection of new construction to seeing that the housing is well-designed and well-built.
- Municipal staff in various departments – public works, planning, city assessor, city clerk, etc. – can be enlisted in helping to monitor compliance with restrictions on occupancy, subletting, maintenance, and improvement.

DISADVANTAGES

- Even though a municipality will not go away, political administrations come and go. The commitment to funding resale-restricted, owner-occupied housing may wane – and the commitment to stewardship may vanish – with shifts in the political wind and changes in mayor, city council, or key city staff.
- The relationship between steward and homeowner is more likely to be one of watchdog and enforcer, not one of engagement and support. Compliance may be less prevalent on the part of homeowners who do not see themselves in a partnership with their steward.