Cohousing and Limited Equity Cooperatives: What's the Connection?

People often ask us, ***"What is the difference between Cohousing and a Co-op?*** " Actually the question is misleading, because Co-ops and Cohousing are not mutually exclusive. A Co-op is the form of ownership of the housing, while Cohousing is a lifestyle which describes how you live in the housing. Most Cohousing communities are structured as condominiums, but some Cohousing communities may decide to buy their property as a Co-op rather than condominiums, for a number of reasons. Co-op ownership and cohousing can go together well. Since people who are interested in cohousing are generally oriented to cooperative living, cooperative ownership can be a logical extension of cohousing concepts and values.

A ***Cohousing Community*** is a type of intentional community composed of private homes supplemented by shared facilities. The community is planned, owned and managed by the residents – who also share activities which may include cooking, dining, child care, gardening, and governance of the community. Common facilities may include a kitchen, dining room, laundry, child care facilities, offices, internet access, guest rooms, and recreational features.

The term "Co-op" is sometimes used loosely to describe any type of cooperative living situation. However, the stricter legal definition usually refers to a ***Limited Equity Housing Cooperatives***, or **LEHC.** An LEHC is a building or buildings owned jointly by all the residents, with a single "blanket" mortgage. Each individual or family does not have to qualify for a loan, but rather purchases a share in the nonprofit corporation that owns the property, and has the right to occupy an individual unit.

Each household builds a small amount of equity on their share, usually tied to inflation, but by law, no more than 10% per year. Because the increase in equity is limited, the buy-in cost and monthly payments remain well below market rates. This makes home ownership available for lower-income individuals and families who otherwise could never afford to buy homes. If you move out of the co-op, you receive your original share value (down payment) back as well as the small increase in equity.

This is very different than a condominium, where you must get your own mortgage to purchase a unit, and pay a substantial down payment. When you move, you can sell your unit for whatever the market will bear. Sometimes, that can mean a profit, but in the current market, you could suffer a loss if you have to move and sell your unit. If you see your home as an investment which you hope will increase in value and make a significant profit when you eventually sell it, then your cohousing community might be better served by a condominium structure. If, however, creating permanently-affordable housing is your goal, then your cohousing community may choose a Limited Equity Housing Co-op ownership structure. Because everyone agrees to limit their equity to less than 10% per year, the price of buying into the co-op will remain affordable for generations to come.

This fact sheet about Co-ops and Cohousing brought to you by:

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