

Housing Co-ops – What Are They?

The term Housing Co-op can be used to describe many types of living situations. We use it primarily to describe two types: Limited Equity Housing Cooperatives (LEHC) and non-equity co-ops or Resident Operated Nonprofits (RON). Both are resident controlled and resident managed. In an LEHC, each individual or family purchases a share in the nonprofit corporation that owns the property, and has the right to occupy an individual unit. They get a small dividend on their share each year. In a RON, there is no share purchase, and the resident pays last month rent and security deposit when they move in. They receive interest on their deposit each year. Beyond these differences, both models operate very similarly, and have the following characteristics.

Democratic Governance: Members are democratically responsible for the affairs of the co-op, electing a board of directors that oversees property management, hires employees, etc. Co-ops offer the maximum autonomy in a context of mutual support.

Below-market Monthly Costs: Members pay monthly carrying charges to the co-op – a share of actual operating costs, mortgage principal and interest, property taxes, insurance reserves and other expenses. There is no landlord profit.

Collective Responsibility for Repairs and Maintenance for shared areas. Most Co-ops also assume responsibility for individual dwelling unit maintenance and repair.

Individual Security and Community Control: The Co-op has the right to approve all potential members, and to terminate membership and evict residents who do not pay monthly fees or violate the occupancy agreement. Members have the right to remain in their homes as long as they meet monthly obligations and follow co-op rules and bylaws.

Cooperative Ownership: Residents are owners; each member has the exclusive right to occupy a particular unit. Even with the RON model, the residents have all the rights of owners, except they do not receive a dividend from the housing.

Limited equity: The LEHC model sets a formula for the amount a member who moves out will receive. Limiting the equity keeps housing affordable to future generations.

Benefits of Housing Cooperatives to the Larger Community

Neighborhood stabilization and enhancement: Co-op members live in homes longer, have a homeowner's stake in upkeep and improvement and work for neighborhood improvements and quality of life

Recycles social investment by providing permanently affordable housing stock and extending opportunities for affordable home ownership to future generations

Seniors/disabled: Provides an alternative to institutions; provides economic structure and social framework, fosters self-reliance, interdependence and cooperation; least restrictive setting to furnish cost-effective customized care