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Housing Initiative Clinic Briefs

Limited Equity Housing Cooperatives

By Vicky Ortuondo, '13, July 2011

This Housing Initiative Clinic Brief describes the basic legal structure of a limited-equity housing cooperative.

What is a housing cooperative?

A housing cooperative is formed when people join to own or control the housing and/or related community facilities in which they live. They usually do this by forming a nonprofit cooperative corporation.

- Cooperative members own a share or membership interest in a corporation that owns or controls the building in which they live. Each member is entitled to occupy a specific unit and has a vote in the corporation. The cooperative has a board of directors elected by the members. In some small co-ops, every member will also serve on the board.
- Every month, co-op members pay an amount that covers their share of the operating expenses of the cooperative corporation. These expenses usually include mortgage payments, property taxes, management, maintenance, insurance, utilities, and reserve fund contributions.

- Housing cooperatives can include almost any kind of housing -- townhomes, apartment buildings, single-family homes, student housing, senior housing, and mobile home parks, among others.
- Co-ops usually hire a manager or management company to perform management functions; smaller co-ops may have no paid staff but will have members that handle management responsibilities.
- The most important characteristic of cooperatives is democratic control by the members in order to achieve an agreed-upon common objective. This is usually accomplished through governance by volunteer boards of directors elected from among the members.

What is a limited-equity housing cooperative?

In limited equity cooperatives, the resale value of the shares which the residents own is intentionally restricted to maintain affordability of the housing over time. The maximum resale value is predetermined by a formula established in the cooperative's bylaws. For more information on resale formulas, see [Housing Initiative Clinic Briefs -- Resale Formulas for Limited Equity Housing Cooperatives](#)

- The limited equity cooperative is targeted at low- to moderate- income people, and its purpose is to prevent speculation, encourage long-term residency, and preserve the affordability of the co-op for future residents.
- Many limited equity cooperatives were developed by non-profit organizations with government assistance.

- The low share price and low monthly charges in a limited equity cooperative are usually made possible by a subsidy package which may include housing tax credits, below market land acquisition, mortgage subsidy by state or local authorities, and below-market financing by non-profits or government sources.

The Housing Initiative Clinic at the Mandel Legal Aid Clinic has provided pro bono transactional legal services to many housing cooperatives. This has included helping with co-op formation and bylaws, advising on ongoing governance issues, acquiring buildings, financing renovations, and assisting with contracts and leasing. For more information on how we can help, please contact us.