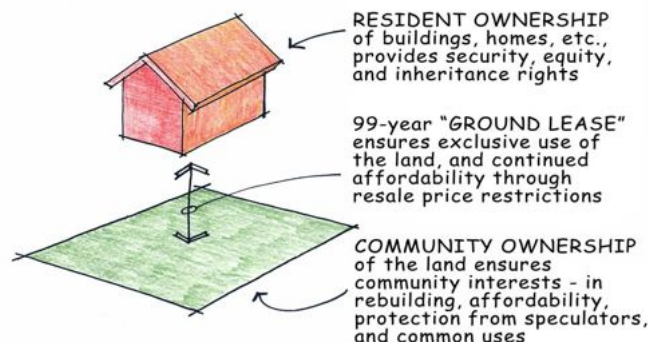


## Overview of Co-Ownership Legal Models & Structures

The main ways you can hold property together

### Community Land Trust

- Nonprofit corporation (501c3) org that develops and co-stewards land and housing.
- Permanent affordability: Sets resident income limits to center low/moderate income residents (80% or below to 120% of Area Median Income)
- Receives funding / access to public subsidies for affordable housing
- Has Board of Directors that represent community interests
- Various co-ownership structures are compatible with a CLT, esp. Limited-Equity Co-ops
- Has relationship with banks and can help with financing for new resident groups.
- CLT is typically the larger umbrella land-owning entity whereas a co-op, condo, tic etc is the way individuals are sharing ownership in the improvements (structures) on the land.



### Co-Housing

- Cohousing communities consist of private, fully-equipped dwellings
- Common amenities including recreation areas and often a common house—aka the "living room" of the community.
- Shared green space is also a key feature – whether for gardening, playing, or Socializing.
- Cohousing communities depend on cooperation and collaboration, from start to Finish.
- Legal ownership & property structures can vary from single family detached homes, to condos, co-ops, Tenants In Common, etc.

### Cooperative Corporations (Co-ops)

- A Housing Cooperative is a corporation with the purpose of providing affordable housing for its members.
- Residents are member-owners: ownership share gives members decision-making power and a right to occupy a particular unit.
- Together the residents own the coop and the cooperative can either own the property and land on its own or lease the property and land from another entity, like a land trust.
- Articles of incorporation and bylaws specify coop rules.
- Members work together to manage the land and buildings (i.e "improvements" on the land).

### Types of Cooperative Corporations

- **Market Rate Co-op**
  - Price of shares/memberships are set in the market.
  - No low-income qualifications, good credit is a must. No limit set on the resale value or the profit made when sold
- **Limited Equity Housing Cooperatives (LEHC)**
  - Limited equity cooperatives limit the return that share owners can receive on resale of their shares.

- Bylaws limit the maximum resale price of coop units and unit's equity appreciation to keep units affordable.
- The share owners of limited equity co-ops are usually low-income households.
- **Community (Zero) Equity Co-op**
  - A Community Equity Coop leases the building from a third party organization (like a CLT)
  - Residents do not buy a share, rather the model works more like a rental, where residents rent a unit in the cooperative - making it more accessible to folks who can't put down a large investment.
  - The coop manages the building and pays a monthly assessment to a CLT or other entity that owns the property (could be a nonprofit 501c3 that's not a CLT).

### **Condominiums (Homeowners Associations/HOA)**

- Legally subdivided so that portions of the property can be separately owned & mortgaged.
- Typically involves owning both an individual unit and a share of ownership in common areas, often called "common elements."
- Can be as small as a duplex or as large as a multi-story apartment building. With condominiums, each unit can be separately financed.
- Condominium ownership typically requires membership in a community association (or Homeowners Association aka HOA)

### **Limited Liability Company (LLC):**

- A limited liability company (LLC) offers limited liability just as a corporation does, and pass through tax benefits, just as a partnership does.
- The LLC itself is responsible for debts and legal claims, not its members (the owners are referred to as members). The liability of the individuals is limited to only what they invested.
- An LLC is considerably more flexible than other legal entities - For example, in an LLC the amount of ownership interest per member need not match the actual amounts of money contributed by each member, but can be apportioned any way the group decides.

### **Permanent Real Estate Cooperative (PREC)**

- New California-based Cooperative Corporation that combines features of CLTs, limited equity housing cooperatives, real estate investment cooperatives, and self-organizing social movements from around the world.
- Umbrella Cooperative that holds multiple properties
- Raises capital by selling memberships - gaining investments from broader community.
- Affordable perpetuity since that is written in bylaws and can be in partnership with CLT.
- \*POCSHN formed a PREC in partnership with Sustainable Economies Law Center called the East Bay PREC. We will look at PRECs in the financing workshop.

### **Tenancy in Common (TICs)**

- TIC owners own percentages in an undivided property (i.e. not subdivided) rather than particular units or apartments, and their deeds show only their ownership percentages. The right of a particular TIC owner to use a particular dwelling comes from a written contract signed by all co-owners
- Tenancy in Common or Joint Tenancy models can be a poor choice for communities because you could lose your property because of something one member does (i.e. any community member can force the sale of the property to get his or her money out.)