



California Center for Cooperative Development

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Housing Cooperatives

Housing cooperatives are democratically controlled corporations established to provide housing for members. Each household owns a share in the corporation, which entitles the member to occupy a unit of housing. Typically, the cooperative is financed through a blanket mortgage that covers the entire property and members pay monthly *carrying charges* to cover mortgage payments and operating expenses. Democratic governance is based on the household not the individual occupants. Most housing cooperatives have restrictions on renting and prohibit investment shares so members cannot own more than one household/share in the cooperative.

Cooperative refers to the organizational structure of the enterprise, not the unit type. The cooperative model can be used for single family homes, townhomes, apartments, mobile home parks—virtually any type of housing construction. Housing cooperatives are established to address the identified needs of members. In this respect, housing cooperatives can include upscale developments for the housing needs of the relatively wealthy and developments established to offer home ownership for those who cannot afford to purchase a home at market price.

Limited Equity Housing Cooperatives are developed to offer permanently affordable home ownership opportunities for low and moderate income households. The development of this type of cooperative is often funded with a combination of private and public funds. Share prices are usually low. To further preserve affordability and prevent speculative resale, price restrictions are put on the sale of shares.

California legislation recognizes and regulates *limited-equity housing* cooperatives. This legislation assures the long-term affordability of shares by limiting share price increases to no more than 10% per year and mandates that any profits from a sale of the entire cooperative be dedicated to public or charitable entities.

Market Rate Housing Cooperatives operate in the private market. In this type of cooperative, sometimes referred to as a stock cooperative, individual household members of the cooperative arrange private financing for share purchases. Cooperative members establish Bylaws that typically restrict occupancy to homeowners and put restrictions on the rental of units. When a member moves out, the share is sold at its full market value.

Manufactured Home Cooperatives are established to provide members with price control, and a voice in the operation, policies, and maintenance of the park. Manufactured homes are owned privately while the land underneath the home and all other facilities are owned by the cooperative. Members co-own the park and the right to occupy a space for their home. Manufactured home cooperatives can be either market rate or they may establish limited equity limits to maintain affordability.

Senior Housing Cooperatives are designed to meet the needs of members who meet established age restrictions. Units are designed to accommodate potential life changes that can accompany age. Communities may incorporate community rooms, fitness centers, swimming pools, gardens and open spaces – the gambit of options offered at any housing development. Units are often 2 bedroom so that short term in-home care is possible. They may also include various degrees of graduated care. The advantage of the cooperative model is that it allows members to own their unit, and it incorporates democratic decision making which ensures that seniors have a voice in all aspects of community living.



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What is a Cooperative?

A cooperative is an organization that is owned and controlled by the people who use its products, supplies and/or services. Cooperatives can vary in their particular purpose but share in common the fact that they are formed to meet the specific objectives of members, and structured to adapt to member's changing needs. Self reliance and self-help are the hallmark of cooperatives.

While cooperation, that is, people working together for their mutual benefit, has been practiced throughout human history, the cooperative as a form of business organization began during the Industrial Revolution. Cooperatives were useful for promoting the interests of the less powerful members of society. Workers, consumers, farmers, artisans and others found that they could accomplish more collectively than they could individually.

Cooperatives can be used to address a multitude of shared needs: Producers like farmers, artisans or industrialists utilize the cooperative to market or process their goods jointly. Workers in areas as diverse as bicycle sales, baked goods production and catalog sales use cooperatives to create employment that offers many of the benefits of ownership — wages or income that directly corresponds to the economic results of the business and more control over their work. Consumers use cooperatives to gain better prices, acquire unique goods and services, or to meet social or cultural desires. Private business or public entities can use the cooperative to gain purchasing power through bulk buying, obtain products or services that are difficult to obtain individually, or share administration of certain projects to reduce overhead costs.

The International Cooperative Alliance (ICA), composed of cooperative leaders from around the world, has established seven fundamental principles that guide cooperatives:

- 1. Voluntary and open membership.** Cooperatives are voluntary organizations and membership is non-discriminatory by gender, social, racial, political or religious beliefs.
- 2. Democratic member control.** Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and decision making.
- 3. Member economic participation.** Members contribute equitably to, and democratically control, the capital of their cooperative.
- 4. Autonomy and independence.** Cooperatives are autonomous, self-help organizations controlled by their members.
- 5. Education, training and information.** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives.
- 6. Cooperation among cooperatives.** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together.
- 7. Concern for community.** While focusing on members needs, cooperatives work for the sustainable development of their communities through policies accepted by their members