NAHC National Association of Housing Cooperatives

What is a Housing Cooperative?

A housing cooperative is formed when people join on a democratic basis to own or control the housing and/or related community facilities in which they live. Usually they do this by forming a "not-for-profit" cooperative corporation. Each month they pay a fee to cover their share of the operating expenses of the corporation. Operating expenses may include: underlying mortgage payments, property taxes, management, maintenance, insurance, utilities, and contributions to reserve funds. Cooperative home ownership offers many benefits which may include: personal income tax deductions*, lower turnover rates, lower real estate tax assessments (in most areas), controlled maintenance costs, and resident participation and control. In the United States, more than 1.2 million families, of all income levels, live in homes owned and operated through cooperative associations.

Cooperative housing is not a new concept. The first housing cooperative in the nation was organized in New York City in the late 1800s. Today, large numbers of housing cooperatives are located in major urban areas such as Atlanta, Chicago, Detroit, Miami, Minneapolis, New York City, San Francisco and Washington, D.C.

Housing cooperatives come in many shapes and sizes: cooperatives include townhouses, garden apartments, mid- and high-rise apartments, single-family homes, student housing, senior housing, and mobile home parks. The purchase price of cooperative membership can be left to the market or the price can be maintained at below market to preserve affordability. All cooperatives share a common set of principles adopted by the International Cooperative Alliance.

The key aspect in any cooperative is democratic control by the members to achieve an agreed upon common objective. Democratic control is typically accomplished through governance by volunteer boards of directors elected from the entire membership. In addition to the board, cooperatives often have many committees, to cover a variety of areas such as: membership, maintenance, activities and communications. Most cooperatives hire a manager or management company to perform management functions; smaller cooperatives will often have no paid staff or management but will have members manage all maintenance and operations responsibilities.

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	Cooperative Housing	Rental Apartment	Single Family Home	Condominium
Ownership	The residents are shareholders in a corporation that owns the property. Owning a share entitles you to occupy a unit.	Tenants own nothing. On expiration of lease, tenants may be forced to vacate.	Owners acquire individual title to their dwellings and yard.	Unit "airspace" owned by individual, plus an undivided share of common elements.
Monthly Cost	Members pay the Co-op for their share of the actual operating cost, building mortgage, and real estate taxes, based on the non-profit operation of entire community.	Tenants pay rent specified in lease.	Owner must make his or her purchases of whatever is needed, often at higher retail costs. Owner makes mortgage and tax payments to lender.	Same as cooperative, except mortgage payments and taxes are paid directly to the lender.
Move-in Cost	New members buy their share in the cooperative and also pay the first monthly charge in advance.	Usually one month's rent is paid as a security deposit, plus the first month's rent.	Purchaser must buy the property, usually with a mortgage with a down payment of at least 5% and closing costs of 3% or more.	Same as single family, plus first month's condo fee and often a "contribution to capital" of 1-2 months' fee.
Community Control	Co-op resident members elect their board of directors, which decides all policy matters. The Board usually sets up several committees to help run the community.	Renters usually have no voice at all in establishing and maintaining community standards.	Individual owners have no jurisdiction over their neighbors.	Condo owners, like cooperatives, elect a board of directors.
Community Service	Co-ops provide a natural base for service and activity desired by its members.	Provided at discretion of landlords.	On your own.	Condos similar to co-ops, unless limited by state law.
Federal Tax Benefits to Individuals	Your share of mortgage interest and real estate taxes may be deductible on personal income tax return.*	No benefit.	Mortgage interest and real estate taxes are deductible on personal income tax return.	Mortgage interest and real estate taxes are deductible on personal income tax return.