



Limited Equity Housing Co-ops: Frequently Asked Questions

How does ownership work in an LEHC?

Members co-own the community/development; each household has an equal interest expressed in a "Share." Each member/household has an occupancy right to a particular home/unit. Share price varies, but is linked to characteristics of the home (e.g. household size, improvements....).

Who governs the cooperative?

Members democratically govern the cooperative. Each household represents a membership, and each household has one vote. The members typically elect a board of directors, who monitors the co-op's financial status, sets policies, and hires and oversees management.

How is being a cooperative member different than renting?

1. **Ownership:** The members own the cooperative. A landlord owns rental housing.
2. **Control:** The residents govern the cooperative. A landlord governs rental housing.
3. **Operating at Cost:** In a cooperative, occupancy charges are equal to the actual cost of owning and operating the property. Renting proceeds to the landlord.

Do co-op members own their home?

Technically members own a share of the entire development and have an occupancy right to a particular home.

How do LEHCs decide who becomes a member?

LEHCs may have a membership committee or screening process for members to assure that they are a good fit for the community. This process must be careful to comply with fair housing laws and NOT discriminate on the basis of race, ethnicity, gender, sexual orientation, religion or any other protected class.

Does an occupancy right allow a co-op member to make any changes they want to their home?

To protect the value of the entire co-op, members usually need to follow procedures when they want to make structural changes to their dwelling.

Can LEHC members rent or lease their units?

Unlike condominiums, LEHCs are required by California law to be owner-occupied. Most co-ops have policies that allow members to rent their unit for a limited period of time. LEHC units cannot be used for AirBnB or other vacation rental services.

Can LEHC shares be inherited?

The share price and any equity can be passed to heirs. Each co-op establishes occupancy policies and any new occupants will need to be accepted according to the co-op's bylaws.

How does a member acquire equity in a Limited Equity Housing Co-op?

When a member sells their share and moves out, they can sell the share at a value up to a maximum determined by their cooperative's equity cap, which is specified in the cooperative's bylaws. California law restricts equity on share prices to a maximum of 10% per year, but many co-ops voluntarily have lower equity restrictions.

Why can't I sell my share for whatever I can get from a buyer?

LEHC's are set up to remain affordable over time. Members "pass on" the affordability to subsequent members.

Does an LEHC have income restrictions?

The co-op's legal documents may include income limits established by a regulatory agreement related to the co-op's financing or subsidies for low income members.

Does an LEHC have income and credit requirements?

Most co-ops will check on income and credit as part of the pre-approval process. The co-op needs to assure that prospective members are able to afford the home and have good credit.