Cooperative Development Foundation

The National Cooperative Business Association CLUSA International

ADVANCING HOUSING AFFORDABILITY THROUGH SHARED OWNERSHIP

A catalog of cooperative housing and community land trust models

FEBRUARY 2026

Acknowledgements

The **Cooperative Development Foundation (CDF)** (cdf.coop), founded in 1944, builds the capacity of the cooperative business community to solve societal challenges, reinforce democratic decision-making, and improve economic opportunities for all. CDF is the 501 (c)(3) non-profit affiliate of the **National Cooperative Business Association (NCBA)**, the trade association for cooperatives in the U.S. NCBA works to develop, advance and protect cooperative enterprise to create an inclusive economy that empowers people to build shared prosperity and well-being.

As part of its **Affordable Housing Initiative (AHI) (2022–2025)**, CDF created this Catalog to provide communities with accessible information about permanently affordable housing options. Some of the content was written by practitioners/experts specifically for this Catalog while other content is drawn from presentations delivered during AHI convenings and outreach activities.

Primary support for the Affordable Housing Initiative was provided by the **Robert Wood Johnson Foundation**. The views expressed in this Catalog do not necessarily reflect those of the Foundation. Additional funds were contributed by the **Cooperative Development Fund** and the **Do Well to Do Good** funds, honoring cooperative hero Chuck Snyder.

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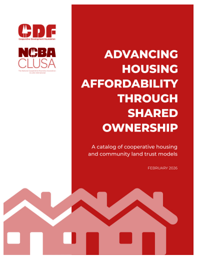

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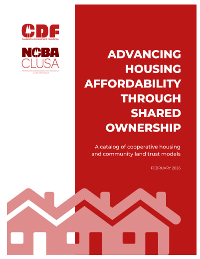

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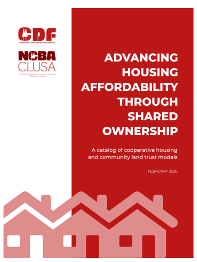

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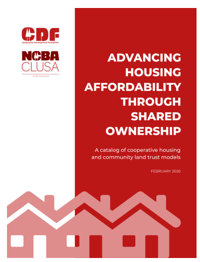

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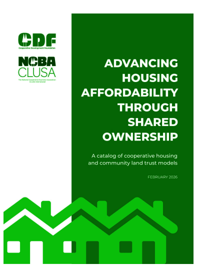

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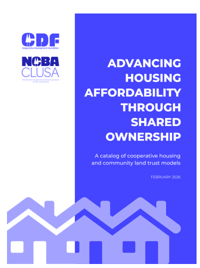


[Other Trust Models]

Comparison Chart of Shared Equity Models

Model	Equity + Equity available for redevelopment	Legal Structure	Governance	Funding	Permanent Affordability	Asset Types
Limited Equity Cooperative	Individual owns shares in cooperative; formula limits amount at resale; coop has access only to shared equity, may make special assessments	Cooperative, nonprofit (depends on whether state statute for housing cooperatives)	Member / resident owned and controlled, one member (unit)-one vote	Shares or share loans from members, other debt (blanket mortgage), public (e.g., HUD Section, 213, Section 8 (for carry charges/rent), subsidies from private or other public	Perpetuity, or land leasehold or funding timeframe	Housing
LEC leasing	Coops lease from owner; no individual equity	Cooperative, Leasing from owner/developer (various ownership structures)		Public, private developer, shares	Leasehold period	Housing
LEC on CLT	Individual owns shares; coop does not own land	Cooperative leasing from 501c3	LEC – member owned and controlled; CLT / community controls ground lease	Public and private subsidies, debt,	Perpetuity for lease and coop	Housing
NY HDFC	Individual owns shares; debt and subsidies	Cooperative (defined by statute)	Member owned and controlled, subject to regulatory compliance	Public subsidy, shares, carrying charges	Perpetuity (subject to regulatory compliance)	Housing
ROC	Homeowners own the land through the cooperative; limited to no equity	Cooperative	Member owned and controlled; the manufactured homeowner members	Member shares, public and private financing (e.g., ROC Capital), lot rents	Perpetuity	Land for housing
Frolic Community	Coop owners have equity, limited by structure	Cooperative	Member / homeowner govern	Member shares, owner capital, investors	Perpetuity, subject to any lease	Housing
Renting Partnership	No “equity” as Nonprofit owns property but residents	501c3 or other nonprofit owner	Renters govern, determine policies, vote as one member, one vote	Public and private to develop, rents, donations and other subsidies	Perpetuity (for as long as nonprofit owns it), or subject to lease period	Housing

Model	Equity + Equity available for redevelopment	Legal Structure	Governance	Funding	Permanent Affordability	Asset Types
Group Equity Cooperative	All equity held by co-op	Cooperative, nonprofit	Entities that are members of the group co-op vote for the coop board, and the board of their own building	Shares, rents from lessees, public and private capital, developer fees		Housing
Permanent Real Estate Cooperative	Community, through PREC, owns equity but determines levels and resale; can have various classes and types of members	Cooperative, nonprofit	PREC Board, which includes various classes of members	Member shares and fees, debt capital raised, rents, develop fees, public and private subsidies	Perpetuity	All types
Community Land Trust	CLT owns land; lessees agree to resale formula	501c3	CLT determines policies, ground rents; CLT typically 1/3 community, 1/3 residents, 1/3 public members	Ground lease rents, developer fees (if CLT develops), donations	Perpetuity (unless limited by law or agreement)	All types
Perpetual Purpose Trust	Collective ownership of assets; held in trust; PPT determines level for resale	Perpetual Purpose Trust, hybrid with nonprofit or other entity	Community / neighborhood controlled governance	Community member and entity investment, property owners	Perpetuity	All types
Neighborhood Trust	Collective ownership of assets; equity returns split between investors and community; market rate subsidizes affordable units	Trust, LLC	Community controlled, ownership of MINT, stewardship committee	PRIs, grants donations, traditional debt	Perpetuity	All types, focus on rental housing and retail

Introduction to the Catalog

What is permanently affordable housing?

As housing costs have surged over the past decade, preserving and developing affordable housing has become a pressing challenge across the country. Homeownership, long considered a cornerstone of wealth-building, is now out of reach for a significant portion of the population. Black, Latino, and Native households, which already trail white households in net worth, face even greater barriers as the national average home price climbs to $400,000. More than half of renters are “cost-burdened”, meaning they spend more than 30% of their income on rent, leaving little room to save for a future home.

In response, policymakers and communities are exploring models that aim to create and sustain permanently affordable housing. These approaches seek to remove housing from speculative markets, promote long-term stability, and offer pathways to ownership, community or resident control, and wealth-building. The goal is to extend affordability for as long as possible—protecting residents from displacement and instability.

Models may include:

- Resident-owned affordable cooperatives
- Community land trusts managed by nonprofit organizations
- Social housing initiatives developed and financed by municipalities or states

Why this catalog?

As communities race to address urgent housing needs, many are turning to innovative, locally driven solutions to help residents remain in place. These efforts are often “hyper-local,” relying on collaboration among community groups, local officials, and housing advocates to share knowledge and strategize in concert.

Despite growing networks of public officials, tenant coalitions, and grassroots organizations, there remains a gap in accessible information about the models being used today. This catalog aims to fill that gap—offering clear descriptions and real-world examples to help communities make informed decisions about their housing futures.

Scope of this Catalog

This catalog introduces several models of permanently affordable housing, with plans to expand as new examples emerge. The emphasis is on community and resident control and lasting affordability. Control may take the form of:

- Resident ownership and governance
- Community-led governance
- Governance without equity ownership

The catalog is designed as a starting point, providing foundational knowledge and resources for those interested in pursuing these models in their own communities.

Featured Models:

- Cooperatives
  - Affordable housing cooperatives – limited equity, group equity and resident-owned manufactured housing limited equity cooperatives (land-owning cooperatives)
  - Real estate development cooperatives
- Community land trusts
- Perpetual trusts

Navigating the Catalog

The Catalog is available in its entirety or can be downloaded by sections.

Structure of Sections

- Each model—or variation of a model—is presented as its own section.
- A chart at the beginning highlights the key elements of the model.
- This is followed by a case story or example that illustrates how the model works in practice.
- Formats may vary depending on the level of detail and background provided.

Examples and Case Studies

- In some cases, the name of the housing project is included.
- In other cases, project names are withheld when contributors did not have explicit permission to share details, particularly regarding financial or legal decision-making.

Purpose and Resources

- This catalog is designed to support you and your community in making informed decisions about permanently affordable housing.
- To further assist, we've included links to several organizations (not an exhaustive list) that provide valuable information and expertise.
- These resources can help guide your efforts to preserve and develop housing that reflects and meets the needs of your community.

A number of experts and practitioners contributed to this Catalog, which is meant to be an evolving and dynamic publication. It does not include all models available to communities but is a starting point. We hope that communities and contributors will share and add to the Catalog as they find more ways to preserve and develop permanently affordable housing.

If you have a model you would like to suggest for the Catalog, please submit to [https://form.jotform.com/ncbamembership/model-submission.](https://form.jotform.com/ncbamembership/model-submission)

We hope that the Catalog will also help connect the organizations engaged in developing permanently affordable housing to help advance a useful and easily accessible network throughout the country.

The Models

1 Cooperatives

1.1 What is a Cooperative?

A cooperative is a business model where ownership and control are shared among its members, rather than being held by outside stockholders. Members benefit from the cooperative's operations, and profits are reinvested in the enterprise or distributed among members based on their percentage of the use of the cooperative's goods or services. Cooperatives are controlled democratically, meaning that each member has one vote, regardless of how much the member uses or invests in the cooperative. The members elect their board of directors and vote on major business decisions.

Cooperatives are characterized by three main features:

1. **Member Ownership** The dual nature of members as both active users and joint owners of the enterprise
2. **Member Control** Democratic control of the enterprise by the membership
3. **Member Benefit** Operation at-cost with surplus reinvested in the enterprise or distributed among members in proportion to their use

Cooperatives operate in every sector of the economy and take various forms, such as worker cooperatives, consumer cooperatives, and producer cooperatives, each operating on principles of democracy and mutual benefit. An estimated 1 in 3 Americans are members of cooperatives. For more information, visit www.ncba.coop.

1.2 Introduction to Housing Cooperatives

Housing cooperatives have been providing homeownership for nearly 100 years in the United States. Housing cooperatives are a form of shared homeownership where residents collectively own and manage the housing in which they live. Instead of owning individual units, members own shares in the cooperative, which allows them to occupy specific units while sharing responsibilities concerning the building. Like other cooperatives, housing co-ops are democratically operated, with resident owners responsible for electing a Board, and with each unit, represented by a share in the coop, entitled to a vote.

There are different types of housing cooperatives that generally can be categorized as follows:

- **Market Rate Cooperatives** – Co-op member-owners buy and sell their shares at whatever rate the market will bear. If the co-op and its land are sold, the member-owners split the proceeds, and non-members receive nothing. Co-op members typically provide 25% of the financing and finance the rest with mortgage loans.
- **Limited Equity Cooperatives** – Limited equity cooperatives strive to achieve 100% participation and set the sale price low enough to enable lower income purchasers to purchase. Much of the public development financing sources these co-ops rely on set restrictions on the price at which you are allowed to purchase and sell shares and may have initial income restrictions. This structure helps provide long-term affordability.
- **Group equity cooperatives** – These are owned by a cooperative corporation that leases units to members who benefit from affordable, flexible housing. Residents can be engaged in varying levels of governance and management.

While there are traditional types of housing cooperatives as discussed above, various other types of cooperatives can be used to support affordable housing, including real estate development cooperatives and purchasing, management or worker cooperatives that may engage in the development or management of affordable housing.

1.3 Limited Equity Cooperatives

Name of Model	Limited Equity Cooperative – LEC	Of interest
Description	• Residents in multi-unit buildings or multiple residences own shares in a cooperative that owns the property, with individual occupancy of their homes through a proprietary lease agreement	• Limits the ability of co-op members to accumulate wealth through their ownership of shares
Number of units/sites	• Between 160,000 and 190,000	
Legal form	• Cooperative owns the building(s) • Residents own shares in the cooperative • Governed by Board elected by member/owners • One member, one vote, regardless of cost or size of unit	• Structure of cooperative corporation could also be a business corporation, not-for-profit corp, and in some cases, a 501c3 or an LLC. Check state law.
Resident relationship to entity	• Resident members are owners of entity through shares in cooperative, and permanent transferable leasehold on unit	• Treated as homeownership for federal income tax purposes
Financing – Public and Private	• Predevelopment • Construction/rehab • HUD Section 213 • Blanket mortgage for the building – limited and specialized lenders, NCB • Share loans for the individual units – specialized lenders, credit unions	• Needs public subsidy • Can use Section 8 to support lease/carrying charges
Governance	• Residents govern their building by actively exercising voting rights to elect the board and make major decisions	
Level of permanent affordability	• Income restrictions upon entry • High degree of long-term affordability as owners and built into model • For co-ops on leased land, may support longer term affordability depending on terms of lease • Depends on governance • Risk of transitioning to market rate	• Some co-ops charge surcharges or assessments if income growth exceeds limits, e.g., % AMI target)
Equity	• Residents have equity through ownership in shares • Formula for level of equity appreciation upon resale	• Usually 3% annually and memorialized in a

		40 year chart showing resale values
Optimal use case	• TOPA rules in place • Surplus land available • Tax abatement	• Property can also be acquired through a donation to a tax-exempt organization in partnership with a cooperative
Considerations	• Difficult to do with LIHTC as typically no outside investors in a co-op • Risk of poor governance • Risk of poor property management – operations • Failure to keep up costs via increases in carrying charges • Lack of reserves to maintain building • Structure not eligible (or easily eligible) for conventional affordable financing	• Could transition a LIHTC property – see Lease to ownership model in catalog
Tips and Opportunities	• Early and strong community organizing essential • Cite part of a community land trust for permanent affordability and support • Have strong steward organizations/nonprofits to assist monitoring, stewardship, training and technical assistance • Include compliance monitoring in loan and grant documents • Align with social housing efforts • Local or state funds for community owned/controlled housing • Interest in or presence of community wealth building organizations • Strong cooperative presence and history, e.g. housing NYC, Chicago, DC or broader co-op support, e.g., WI and MN	• Expiring LIHTC buildings with group of tenants interested in permanent ownership
Get help	• UHAB National, www.uhab.org/national • National Association of Housing Cooperatives, www.coophousing.org • National Cooperative Bank, www.ncb.coop	• Check local support

1.3.1 Introduction to the Model

In a period when affordable housing is in extremely short supply and when housing prices are skyrocketing, preservation of the existing stock of affordable units and creating more opportunities for permanent or long-term affordable homeownership has become a priority. A limited equity cooperative *conversion* is an established method to help preserve and make permanently affordable housing. Such conversions preserve existing units as affordable, limit the opportunities of developers to acquire the converted properties, and create community organizations and institutions that provide impetus and support in other areas of community organizing and development.

While there has been a classic model of each type of cooperative, the particular requirements of specific low or moderate income groups, financing options, and local laws, have resulted in a set of innovative alterations to the classic model to fit local conditions. Similarly, because of the need for subsidy and the lowest cost financing available, many low-income cooperatives need to layer multiple sources of financing, each with its own rules, regulations, and funding preferences. Again, flexibility and innovation in structuring the co-op became a necessary pre-requisite for success. And again, lawyers, developers, and tenant groups collaborated to modify the classic form to meet funding and governance needs.

The information below about the different formulations of limited equity cooperatives (LECs) is intended to highlight for tenants, community groups, local governments, developers, lawyers, and lenders some of the ways to structure LECs, finance them, and operate them so as to achieve long-term affordability and other goals identified by communities.

Want to learn more about tenant and community opportunity to purchase (TOPA and COPA) policies? Policylink.org is tracking TOPA and COPA policies across the country and provides background and tools for communities interested in pursuing these policies. See Tenant / Community Opportunity to Purchase | PolicyLink. For information on COPA and manufactured housing communities, see National Consumer Law Center's 202312_Model Law_Manufactured Home Community Stability and Preservation Act.docx

1.3.2 Building Supply

One of the first obstacles to the development of an affordable limited equity housing cooperative (LEC) is the acquisition of real estate. Other than through fortuitous circumstances, a tenant or community group or a nonprofit (or mission driven for profit) developer needs access to land. There are several processes to provide such access. These fall into three main categories: a Tenant Opportunity to Purchase Act (TOPA) or facsimile; a real estate tax foreclosure and transfer system; and a surplus land disposition system.

Tenant Opportunity to Purchase Act (TOPA)

The District of Columbia was the first major jurisdiction to enact a TOPA, with a few other cities enacting TOPAs in the past few years. The Act provides that whenever a landlord of residential rental property puts the property up for sale, the landlord must offer the tenants a *bona fide* opportunity to purchase it. This applies, with some exceptions based on age of building, to transfer of residential buildings. The tenants' right to purchase takes legal precedence over any other buyer's rights, even a buyer who has a contract to purchase the particular property. TOPA also has a number of built-in tenant protections, including a provision that applies when there is a pre-existing third party purchase contract when the landlord gives the mandatory notice of sale to the tenants. In such cases, any tenant association contract to purchase must have terms no less favorable than those offered to the third party. Also, the landlord may not refuse to deal with the tenants despite their lack of funding or a credit history.

A tenant's association may also transfer its right to purchase to a third party. The right to transfer has several interesting aspects to it. From the most positive perspective, a tenant association (TA) can transfer its right to a friendly developer in exchange for contractual protections concerning the ongoing affordability of the property and its upkeep. This has resulted in several Low-Income Housing Tax Credit (LIHTC) deals being developed as well as more conventional developments where tenants have input into decision making and protections concerning building operations and affordability. A second option is for tenants to sell their rights for a cash payment. While this may mean the residents benefit financially, the downside is the likely loss of these units from the affordable housing stock though this would have happened as a result of the sale without TOPA.

Real Estate Tax Foreclosure

Many local jurisdictions have in place a real estate tax system and a provision that allows those jurisdictions to enforce their tax ordinance by foreclosing on properties with a certain level or duration of tax arrears. In some jurisdictions, that enforcement provision offers a steady stream of properties that may be taken by the local government. Assuming a flexible statute or ordinance concerning the disposition of tax delinquent properties and assuming a local government that is receptive, a negotiated system of transferring foreclosed properties or, in some cases, the tax lien itself, to a community group would provide a pipeline of properties for development.

Such a system could provide a discounted or, potentially free asset, one that otherwise would constitute a significant portion of the total development costs for a project. In jurisdictions where such properties would otherwise go unclaimed, it is a means of restoring property to the tax base of the jurisdiction.

Various jurisdictions have attempted such a conduit system. For example, Genesee County, Michigan transfers some of its tax foreclosed properties to the Genesee County Land Bank to be used for a variety of public benefits. Multnomah County, Oregon, puts the proceeds of tax sales into an affordable housing fund. In more informal situations, a local government might be amenable to a negotiated disposition of foreclosed properties to be used as affordable housing. New York City created over 1,000 affordable co-ops (30,000 homes) using this method in addition to thousands of affordable rentals.

Surplus Municipal Land Disposition

Many local jurisdictions own and continue to acquire land. There is growing interest in using that land for affordable housing or to meet other needs of the community. Much of this land may be suitable for affordable housing. These parcels may be an economic asset, or they may be a municipal burden. As in the case of tax foreclosures, creating a conduit for property that might be used for affordable housing offers a parallel opportunity to acquire surplus municipal land. Assuming local law allows for the below market disposition of surplus land, and assuming a sympathetic local government, the transfer of available land at a highly subsidized price, offers a major offset to the total development costs of housing.

Nonprofit Partners – Donated Real Estate

A little used device for the cost-effective acquisition of land is for a developer to partner with a local nonprofit (501c3) organization where the organization can be the recipient of charitable donations of real property and offer the donor a tax deduction of the fair market value of the property. The nonprofit, in furtherance of its tax-exempt purposes, would then transfer the property to a developer for the purpose of developing housing to be used as an LEC or equivalent. The transfer documents from the nonprofit to the developer could include a variety of use and income requirements as an element of the transaction. This device is effective when a property owner is either civic minded and is willing to take a smaller return for the property or when the owner has neither a productive use for the property nor a potential buyer for it.

The magnitude of the pipeline here is much smaller than those created by tax foreclosures or surplus property dispositions, but it also involves much less bureaucracy and often much less political opposition. Also, the partnership need not be limited to one nonprofit. A developer could partner with several nonprofits, as each nonprofit could partner with several developers and transfer any property it acquires to the developer best able to undertake the project based on size, experience, financial resources, etc.

1.3.3 Structuring a Cooperative Corporation

A cooperative is a corporation that is set up to include tenant democratic control and other co-op principles. The particular form varies from state to state and may be set up as a co-operative under a cooperative enabling statute, if available; a non-profit corporation, or even a for-profit corporation depending on the laws in the state. Most, but not all, states have a statute specifically permitting the creation of cooperative corporations. However, many co-ops are not formed under state co-op laws because they may be designed for specific cooperative sectors (e.g., producer, consumer, worker) that may differ significantly from affordable housing co-ops.

Legal Structure

In all states, the legal structure of a corporation is established pursuant to statute. These statutes require the preparation and the filing of various documents to establish and maintain a corporation, including a cooperative corporation. Other documents are not required by law but are extremely important for the smooth functioning of an affordable housing cooperative.

- *Charter* - A co-op is created and governed by a series of legal documents. The most basic is the Articles of Incorporation. This document must be prepared and filed with the government for the co-op to come into existence.
- *Bylaws* - The second document is known as the bylaws. This is an internal document and is not filed with the state but is required by state law. The bylaws give more detailed information about how the corporation is to be run, e.g., elections, meetings, and membership.
- *House Rules* - The third document is called "house rules" and is also an internal document but it is one not required by state law. Nevertheless, it is important to create. While the bylaws deal with the running of the corporation, the house rules address issues concerning the interactions of the residents.
- *Occupancy Agreement or Perpetual Lease* - The above documents are generally applicable to all members. The occupancy agreement/perpetual lease is, by contrast, an individual contract between the co-op and, separately, each of its members. It sets out the relationship between the member and the co-op concerning the member's use of the unit and their financial responsibilities to the co-op. It does not have to be filed with the state but as with the other documents, it creates legal rights and obligations and should be carefully drafted.

The Board of Directors

In the case of cooperatives, the Board of Directors must also be resident members. It has an obligation to manage, or to oversee the management of, corporate activities. It also must monitor the activities of people to whom it delegates various tasks. The officers are usually elected by the board and are authorized to carry out its policies and rules. Officers typically are chosen from among the board members and are subject to its control.

The membership

A cooperative corporation is made up of "members." The cooperative philosophy requires that members be connected to each other by some "common bond" between them. Being tenants in a building would qualify as that common bond. Once one becomes a member of a cooperative, he or she is issued one or more shares of stock. Sometimes, a state statute or other legal barrier may preclude the issuing shares of stock in co-ops or, in rare instances, a co-op chooses not to issue stock. In those situations, the incoming member is given a membership certificate. The shares or certificates are the documents indicating that someone has joined and is a member of the co-op which entitles them to the occupancy of a specific unit in the building. Being a member involves obtaining several rights (and assuming several responsibilities). Among them is the right to vote on various co-op issues. The most common is electing a board of directors.

1.3.4 Limited Equity Model – Traditional and Leasing Variations

Traditional Limited Equity Housing Cooperative

Introduction

The traditional cooperative (co-op) model is the standard form for many tenant-owned affordable housing developments. The co-op form may have advantages for low and moderate residents over other forms of homeownership in that the cooperative form does not require each member to qualify for a separate mortgage for their unit, something that is required in a condominium or in a single-family home. It also may have advantages concerning the preservation of affordable units because a co-op's board normally must approve any proposed new member of the co-op and thus may assure only low- and moderate-income households may move into the property.

LECs have provisions built into the official co-op documents (and often in loan documents and covenants) that limit the profit any member may take from the sale of their membership. This is done to keep the co-op affordable to subsequent buyers and retain the affordability into the future, including over generations.

Case Story

Background

An example of an affordable housing co-op is a 100-unit building in a highly gentrifying neighborhood in Washington, DC. The building was about two-thirds occupied when the residents received a notice under TOPA that the building was for sale. The residents, primarily composed of low income African American and Latino households, obtained a lawyer who explained the options available to them and they decided to pursue ownership as a limited equity cooperative. The residents established the Cooperative, Co-op A, elected a board of directors and officers and adopted a set of bylaws limiting membership to those who were "income-qualified," which meant the applicant had to meet the income standards set out in any corporate, regulatory, subsidy, or financing agreement entered by Co-op A.

Co-op A then began to interview prospective developers and chose one who agreed to involve the residents in the day-to-day aspects of the development process. Between involvement with the lawyer and the developer, the residents learned about the legal, structural, financial, and operational aspects of creating and running an affordable housing cooperative. This education was critical for the residents to participate in a meaningful way in the development process and to oversee the operations of the property once they acquired it. Ongoing education and technical assistance are often overlooked aspects of tenant ownership and should be budgeted for and provided to maximize the chances for a successful outcome.

Finance

Limited-equity co-ops are financed very similarly to non-profit rentals. (An exception to this is the use of the Low-Income Housing Tax Credit (LIHTC), which, if used for a cooperative, involves different processes than a rental.) There are several levels of interim financing needed in most developments as well as a layered package of financing at the permanent stage.

Pre-Development

Typically, the first element of financing is known as a pre-development loan. This is used to pay for preliminary tests and evaluations to determine the feasibility of the project. It covers such things as an environmental study, a physical needs assessment, an appraisal, and certain professional and/or lender fees. This loan will not be secured by a mortgage on the property because the tenants will not own the property at the time the loan is needed. Therefore, the best places to secure such a loan are through State or Local governmental housing agencies, community groups in your local community, or a national or regional mission-driven financial intermediary such as Local Initiative Support Corporation (LISC) or Enterprise Community Partners.

Co-op A obtained several pre-development loans. One came from the developer who advanced $20,000, interest free to bridge the time needed for Co-op A to obtain a much larger amount, which it did from DC's Department of Housing and Community Development (DHCD) and from LISC. Part of the latter's proceeds were used to repay the developer's loan.

When Co-op A signed a contract to purchase the property, it needed to put down a deposit to be held in escrow pending the closing. TOPA both limits the amount of a deposit a seller can demand of a tenants group and provides that even if the contract never closes, the deposit must be returned by the seller to the tenant group unless the closing failed to occur due to the tenants' bad faith. With these protections supporting it, Co-op A obtained a $100,000 loan for the deposit from a faith-based community lender.

Acquisition

Co-op A still needed to obtain acquisition financing of $3.4 million dollars plus enough financing to pay off the pre-development loans, the loan for the deposit, and the closing costs. This total was more than $4 million. It was able to accomplish this by obtaining mortgage loans of $2.5 million from the National Cooperative Bank (NCB) and a $1.5 million, 40-year mortgage from the Department of Housing and Community Development (DHCD). DHCD's loan included covenants assuring the continued affordability to low-income buyers into Co-op A. The covenants were for forty years and ran with the land so that a refinance of the DHCD mortgage would not eliminate them.

While the NCB loan carried just below market rate interest, the DHCD loan carried no interest and repayment of principal was deferred for 7 years, significantly reducing the monthly expense for financing. DHCD agreed to subordinate its loan to NCB's to facilitate the process. At the closing, LISC and the faith-based lender were repaid and only the first lien NCB loan and the second lien DHCD loan encumbered the property.

Construction/Permanent

During the pre-development stage, Co-op A determined the physical needs of the building together with the amenities it wished to include during the construction phase. These items had been determined by a needs assessment that was informally conducted (for free) early on by a contractor that had worked with the development team in the past. A more formal and independent assessment was conducted once the pre-development financing was in place. The building was structurally sound but in need of repair and upgrading at an estimated hard cost of construction (labor and materials) of approximately $5 million with soft costs of approximately $1.5

million. This was funded by going back to NCB and DHCD who added $6 million and $500,000 respectively. The terms of the modified loans remained the same.

Residents chose a construction process that was carried out by consolidating, to the extent possible, the residents into units on one side of the building while construction continued on the other, which cut the costs of relocating residents off the site. Once construction was completed and residents were back in their own units (or in a formerly vacant one, if they chose) the next phase of the process began. This included hiring a management company to run the day-to-day operations of the co-op and filling the vacant units with income-qualified, board approved, new members.

The co-op previously had negotiated with both NCB and DHCD to keep their loans in place after construction was completed. The loans were merely converted from interest only construction loans into amortizing permanent financing. Again, the DHCD loan carried no interest, and the principal payments were deferred for 7 years.

There were also some additional financial benefits that assisted the cooperative's operating budget. **Many jurisdictions offer real estate tax abatements for limited equity cooperatives and some offer local Section 8-like subsidies to tenant owned buildings.** It is important to investigate what kinds of assistance your local government may offer. These may be financial, technical, or other benefits that will lower costs or improve capacity to operate well and efficiently.

Issues

Education and ongoing assistance for co-op boards and members are critical. There also are conflicting interests that might complicate a successful project. Residents, particularly lower-income residents, have a strong interest in keeping housing costs low. However, the actual costs of labor, materials, taxes, insurance, etc. go up and the income from the building must stay ahead of those costs. Similarly, there is the possibility that the initial leadership gets entrenched and begins to act in its own interests rather than the co-op's. To encourage membership participation, Co-op A included a resident service component, requiring either serving on a committee, providing occasional labor (such as mowing the lawn, shoveling snow, etc.) that was written into co-op documents, including each occupancy agreement.

Preservation of the limited equity nature of the co-op is an ongoing issue. As the neighborhood continued to gentrify, it became appealing to income-qualified young professionals who would soon grow beyond the co-op's income limitation. Both these members and older members who might seek to gain through market rate transfers of their interests, might push to eliminate the equity limitations. If preservation is the goal, it is important to monitor the income of prospective new members, to be sure they understand the covenants concerning resale limitations, and remain in contact with the lender who placed the covenants to be sure they are enforced.

Cooperatives in Leasing Situations

Introduction

This section presents the basic structure of a leasehold cooperative, with a particular focus on a Low-Income Housing Tax Credit (LIHTC) co-op (with or without the co-op serving as a co-general partner or co-managing member of the ownership vehicle). In the LIHTC situation, the co-op owns neither the land nor the buildings on the land. Those are owned by the Limited Liability Company (LLC) or the Limited Partnership (LP) that develops the property.

The second model, which has many benefits, is a cooperative on a Community Land Trust (CLT). With a co-op on a CLT, the co-op owns the building, but a land trust owns the land and grants the co-op what is known as a "ground lease." There has been a growing interest and increase in the number of community land trusts around the country. **Developing and preserving cooperatives within the land trust model is viewed as an efficient and community-based model to help maintain permanently affordable housing and preserve the community for the long term.**

Another example that affords residents more control over their housing is the Management Model. In a Management situation, often found in public housing but may also exist in private rental housing, the landlord, by contract, gives certain management or participatory rights to a tenant association that may be organized as a cooperative. Though it may not give residents equity ownership interest in their housing, using a cooperative model in the management of the property gives residents more say in the governance and operations of their housing.

Leasehold Model 1 - LIHTC Leasehold

The Low-Income Housing Tax Credit (LIHTC) is the federal government's largest program supporting the development of affordable housing. It encourages private investment by offering federal income tax credits, which are allocated to states. **While designed to construct or rehabilitate rental housing for low-income households, LIHTC was initially seen as a pathway to homeownership.** Though LIHTC typically does not finance owner-occupied housing, there are ways to leverage LIHTC to support cooperatives and other forms of resident ownership.

For cooperatives, one option is the leasehold model, where ownership is transferred to residents after a set period. **Another pathway emerges at the end of the tax credit compliance period, when tenants or nonprofit organizations may exercise their Right of First Refusal (ROFR) to purchase the property and form a cooperative.** Each state outlines its own rules and incentives in its Qualified Allocation Plan (QAP). Developers interested in affordable cooperatives should review their state's QAP to identify opportunities for cooperative financing and understand how to access them.

The leasehold cooperative using LIHTC uses the legal form of the ownership organization, which is always an LLC or an LP that has a developer and one or more investors. In the typical situation, the LLC/LP owns and manages the property as an ordinary rental subject to certain regulatory standards (compliance requirements) for the investors to get and keep tax breaks. The tenants are treated as they would be in any landlord-tenant situation. The variation arises when the tenants become part of the ownership organization. This can be done through the owners leasing the building to the cooperative, which then manages and governs the entity.

Case Story

Background

This example involves a 40-unit building in a low-income neighborhood, the conditions of which were very poor. The residents organized to pressure the owner to make repairs and improvements. When those efforts failed, the tenants sued the landlord and recovered a $1 million judgment. The owner, who had all but abandoned the building, agreed to give the tenants association the deed in satisfaction of the judgement obtained by the tenants. The tenants formed a cooperative to take title to the property and began addressing its myriad problems: the physical condition of the building;

tax and utility liens; and the need to organize the residents into an effective membership organization.

The co-op hired an attorney and began negotiations with the lienholders to eliminate, reduce, or to create a realistic re-payment schedule for the liens. An experienced regional affordable housing developer (which the residents identified to take on the project) recommended a LIHTC funded project. Aside from the financial benefits that would accrue from this structure, the developer also believed that a stewardship model, with the developer mentoring the residents, offered the strongest opportunity for success. The residents were receptive to this and sought a format that would give the cooperative significant power within the ownership structure of the development.

The lawyers for the co-op and for the developer negotiated a structure that made the co-op a co-managing partner of the LLC that would own the building. The structure was incorporated in a Master Lease by which the ownership LLC of which the co-op was a part, leased the entire building to the co-op to operate. Because the developer had to attract investors and because it had to give those investors a financial guarantee of LIHTC compliance, the Master Lease included provisions giving the developer ultimate control of all compliance related issues.

Finance

While the Master Lease gave the developer control over compliance related issues, the developer also agreed to share certain compliance-related decision-making responsibilities with the cooperative. One key example was the selection of a property management company—a critical component of compliance. The developer provided the co-op with a vetted list of acceptable management firms and asked the residents to choose from among them. The co-op conducted interviews, performed due diligence on each firm's background and experience, and ultimately made a selection.

As an additional complication of development, the building was relatively small for a LIHTC financed development. Because the fixed costs of LIHTC development tend to be high, the greater the number of units in a property, the smaller the cost impact is on a per unit basis. Thus, given the very low incomes of the residents, these issues presented a significant affordability problem.

The LLC addressed the affordability problem by incorporating a wide variety of financing types and sources. LIHTC 4% credits provided about $3.5 million between the Private Activity Bonds and investor equity. The building was in an historic district, so the LLC hired a consultant to shepherd an application for Historic Tax Credits (HTC), which were awarded and led to $750,000 of additional investor equity. The LLC also obtained a $300,000 grant from the Affordable Housing Program (AHP) of the Federal Home Loan Bank and a $400,000 loan from the local government. Finally, the Developer agreed to defer approximately $200,000 of its fee.

Perhaps the most critical component of the project's financial structure was not a traditional financing element at all. The LLC secured a 100% Section 8 contract for the building. Although Section 8 does not contribute directly to development costs, it provides lenders with confidence in a reliable income stream and ensures that residents pay no more than 30% of their income toward rent. This subsidy also enables the level of renovation and operational amenities needed without compromising affordability for tenants.

Financing for LIHTC Leasehold Case		
Source	Amount	Notes
LIHTC 4% Credits	$3,500,000	Includes Private Activity Bonds and investor equity
Historic Tax Credit	$750,000	Enabled by historic district designation
Affordable Housing Program (AHP)	$300,000	Grant from Federal Home Loan Bank Board
Local Government Loan	$400,000	Public sector support
Deferred Developer Fee	$200,000	Developer agreed to defer part of their fee
Total	$5,150,000	

As a result of the equity generated through tax credits, a grant from the Affordable Housing Fund Program (AHFP), and the favorable terms of a government loan, the only substantial financing cost borne by the LLC was the carrying cost of the Private Activity Bonds.

Construction

The renovation was extensive due to the severely deteriorated condition of the building. Many residents had already moved out, though most remained actively involved in the cooperative. The poor conditions also required the temporary relocation of the remaining residents. To support this, the development budget included funding to cover relocation expenses beyond what residents would have paid had they stayed in place.

Construction proceeded as a substantial rehabilitation, preserving only the building's structural frame while rebuilding nearly everything else. Notable improvements included a new community room, which now serves as a gathering space for meetings, social events, and an after-school center for students.

Because the financing included HTCs, the construction had to conform to the historic standards of the district and resulted in somewhat higher construction costs. This was due to several items (e.g. windows, moldings, etc.)

requiring custom construction. Nevertheless, the HTC equity resulted in a net reduction of debt of approximately $500,000.

Issues

In addition to the complexities of collaborating with a nonprofit developer on governance, the mentorship proved to be both a strength and a challenge for the co-op. On one hand, it was immensely valuable for the inexperienced co-op members, who were actively engaged in all aspects of the development and operation of the project. On the other hand, it occasionally led to tensions over authority and specific decision-making.

Establishing a strong working relationship between the developer and the co-op was essential for navigating the inevitable conflicts that arise in such a complex, long-term undertaking.

One of the most significant issues was determining the future of the building after the 15-year LIHTC compliance period. This was addressed early in the partnership through a negotiated agreement that allowed the co-op to acquire the building at the end of the compliance period. In doing so, the co-op would assume the underlying mortgages, cover any applicable taxes (typically capital gains) owed by the existing investors, and pay the transaction costs associated with dissolving the LLC and transferring ownership to the cooperative.

Leasehold Model 2 - Cooperative on a Community Land Trust

A Community Land Trust (CLT) is a nonprofit organization established to acquire and hold land for long-term community benefit. Most CLTs are 501c3 entities governed by tripartite boards composed of roughly one-third residents of CLT-owned buildings, one-third other neighborhood residents, and one-third professionals with relevant expertise, who may or may not live in the area.

CLTs are typically funded through grants and government contracts, which they use to acquire properties within a defined geographic area. When land is already occupied, the CLT may sell the building—but not the land beneath it—to the residents. Alternatively, if a tenant group has the opportunity to purchase a building, they may invite the CLT to acquire the land while the tenants purchase the structure.

In this model, the CLT retains ownership of the land, while the cooperative owns the building. The CLT grants the co-op a long-term ground lease—often

99 years—which provides the right to use the land. The ground lease includes provisions that restrict how the co-op may use or transfer the property. Additionally, the CLT often plays a stewardship role, mentoring the co-op throughout the development and ongoing operation of the building.

Case Story

Background

This example involves an 80-unit building located on a major thoroughfare that cuts across both high- and low-income neighborhoods. Situated in a transitional area trending toward higher-income occupancy, the residents received a Notice of Opportunity to Purchase under the Tenant Opportunity to Purchase Act (TOPA) and moved to acquire the property. After the tenant association determined that the full purchase price was beyond their reach, they approached an existing Community Land Trust (CLT) and negotiated a partnership in which, at closing, the property would be divided—separating ownership of the land from the building. Under this arrangement, the cooperative would purchase the building, while the CLT would acquire the underlying land. This division significantly reduced the co-op's financial burden, making the acquisition feasible.

The relationship between the CLT and the co-op was structured in two key ways. First, a contract formalized the CLT's participation and allocated the total purchase price between the land (covered by the CLT) and the building (covered by the co-op). Second, a 99-year ground lease was established, granting the co-op possession of the land while providing the CLT with an annual ground rent and the authority to enforce property use and income restrictions for co-op members. The ground rent was substantially lower than the cost of financing the full acquisition, helping to preserve affordability for low-income residents.

Finance

The property was financed through a combination of loans. The CLT advanced a loan amount to be used for pre-development expenses. The acquisition financing came from the CLT's payment for the land and from the local government providing a long-term, low cost mortgage. There was also a short-term bridge loan from a national intermediary in order to meet the TOPA time frames while the government loan was being processed.

The construction/permanent financing came from the local government on a 40 year, partially deferred principal, no-interest loan and from a commercial bank with the local government agreeing to subordinate its loan to that of the commercial lender.

Renovation needs were modest, focusing on upgrades rather than structural work, allowing construction to proceed with residents in place. Though inconvenient and time-consuming, this approach avoided relocation costs and ultimately saved money. The construction was done in tiers of units (because that is how plumbing lines and electrical conduits are built). A community room was created in the basement of the building to provide convenient daytime space for the residents. The space was retained after construction for use as a meeting room and event venue.

Issues

As with the LIHTC model, there is a sharing of governance with a CLT ground lease but the formal restrictions in the lease are more limited and defined than in the LIHTC model. Similarly, the CLT can serve an important role as steward or mentor for the co-op in its governance. The lease continues for a much longer period than either the LIHTC compliance period or the typical covenants that run with the land in a government loan or guarantee situation. This preserves affordability for 99 years rather than the 30 required by LIHTC or the term of affordability imposed by most local governments as conditions for their loans.

Leasehold Model 3 - Management Model

The Management model can provide some of the benefits of the previously discussed models. In this model, which need not (and typically does not) involve a co-op, a tenant group, usually a nonprofit tenant association (TA), contracts with a public (typically a Public Housing Authority) or private landlord to take on some of the management functions of an owner. These may include selecting a management company, tenant selection, determinations on priority for repairs or improvements, and creating house rules. Since the TA is not the owner, the agreement usually includes a veto right or oversight by the landlord. The TA often receives a fee or rent concessions from the landlord. There is no financing required because the TA is not buying or renovating anything. On the other hand, the TA builds no equity in the property.

The TA model allows tenants to help make key property decisions, but only as contractors. Few landlords adopt it, and contracts that do exist are often short-term, narrow in scope, and landlord-controlled. Still, it boosts tenant involvement and can prepare residents for future ownership roles.

1.3.5 New York – Housing Development Finance Corporation (HDFC) Cooperatives

Introduction and Background

New York's Private Housing Finance Law, enacted in 1955, provides unique and helpful ways in which to develop or support permanently affordable housing. For example, the law created corporations for special purposes that enhanced the ability of cities and the state to develop affordable housing cooperatives. These include:

- Article II, Mitchell Lama affordable rental and housing cooperatives, which created approximately 65,000 units of affordable housing. These co-ops received several long-term benefits that helped maintain affordability, including various tax abatements such as real estate taxes far below the standard, and the ability to surcharge residents' carrying charges (rents) when their income exceeds limits as defined by law (become over-income).
- Article V, Redevelopment Companies that enable municipalities to convert older pre-Mitchell-Lama co-ops into co-ops that are similar to the Article II Co-ops.
- Article XI, Housing Development Finance Corporation (HDFC) cooperatives, which include approximately 30,000 units of affordable cooperative housing.

In addition, the ability to enter into Tenant Interim Leases (TIL), and Ground Floor Commercial leases gives projects more flexibility in organizing and financing the cooperative. The regulatory oversight and private monitoring/stewarding support of the HDFCs provide an example of how states and municipalities can support permanently affordable housing for very low-income residents while giving them an ownership stake. **Through control over governance, stability in tenure, and a return (though limited) on their home purchase, HDFCs can help residents achieve economic well-being goals.**

According to *Limited Equity Cooperatives: A Legal Handbook*, most limited equity cooperatives in New York are formed under the combined provisions of the Business Corporation Law and Article XI of the Private Housing Finance Law. Almost all limited-equity co-ops developed in New York since 1967 have been HDFCs.

Benefits of HDFCs

Established in the 1970s and 1980s, **HDFCs were developed to help renovate and purchase abandoned buildings to provide affordable housing.** HDFCs are owned and operated by their residents, who are cooperative shareholders, and typically offer below-market pricing to ensure affordability.

Key features of the HDFC scheme include:

- **Direct Sales.** An HDFC can purchase municipal property through direct negotiations with ·local government agencies without public bidding or auction.
- **Taxes.** An HDFC is exempt from mortgage recording taxes, New York State corporate franchise taxes, and New York City Corporation Tax. In New York City, an HDFC receives preferential treatment under the City's real estate tax exemption and abatement program (J-51) available for the rehabilitation of buildings. Under this program, HDFCs receive benefits for 32 years (instead of the usual 20) and can be exempted from paying real estate taxes during the construction period. As noted below, this is often superseded by even lower taxes that the law allows.
    - In New York City, if an HDFC purchases a privately-owned building that is encumbered with real estate tax arrears, the HDFC may enter into a longer term (12 year instead of 8 year) installment agreement with the city to pay the tax arrearage.
    - The law allows the local legislative body of any municipality in which a project of an HDFC is located the discretion to exempt the project's real property from local taxes, including school taxes.
- **Affordability.** Various income, household size, and affordability guidelines help ensure the ongoing affordability of the units.
- **Loans to HDFCs.** Many New York City and NY state government loan programs look favorably on HDFCs. For example, the New York State Housing Trust Fund and Housing Development Fund and the New York City Article 8-A loan program provide below market financing and interest-free grants to HDFCs.

Through the program, more than 1,300 HDFC cooperatives in over 1,500 buildings have provided about 30,000 families affordable homeownership opportunities. In terms of size, the smallest co-op has 3 units, the largest has over 200 units with an average of 20 units. Almost all were created from rental properties that were abandoned by their private landlord owners and taken in an *in rem* foreclosure by the city for failure to pay real estate taxes and other municipal charges.

Most of these cooperatives were resident-initiated projects, first as urban homesteading efforts in city-owned vacant properties. As the city continued to speed up the foreclosure schedule to discourage landlord abandonment, occupied buildings were converted to HDFC co-ops through tenant-initiated efforts of tenants in the buildings where they lived. (See the Tenant Interim Lease (TIL) Program below). Others were sponsored by local Community Development Corporations (CDCs), city-wide non-profit developers (including the Urban Homesteading Assistance Board (UHAB)) and some by for-profit developers.

Legal structure

In addition to being incorporated under both NYS Business Corporation and Article XI Private Housing Finance laws - with a focus on low-income and not-for-profit operations - HDFC co-ops are organized similarly to most other housing co-ops. A Board of Directors, elected by the co-op tenant-shareholders, is responsible for setting policy, approving budgets, and overseeing the governance of day-to-day operations of the co-op. The Board appoints officers to implement its policies and may either engage a third-party management company or support self-management by the members. **Approximately 75% of HDFC co-ops are self-managed with outcomes comparable to those of professionally managed properties.**

The governing documents of HDFC co-ops typically include standard Articles of Incorporation filed under both the NYS Business Corporation Law and the Private Housing Finance Law reflecting their low-income and not-for-profit mission. The By-Laws guide corporate governance, outlining procedures for annual elections, budget approvals, carrying charge adjustments, officers' responsibilities, meetings, and the adoption of House Rules.

Each member holds a Proprietary Lease—usually with a renewable 99-year term—that defines their rights and obligations, including restrictions on resale and subletting (which may alternatively appear in the by-laws, especially in older co-ops). Ownership is formalized through Stock Certificates issued to each shareholder.

Regulatory Agreements often accompany loans, tax abatements, and other subsidies, imposing affordability requirements to ensure long-term accessibility. In cases where the co-op is situated on a Community Land Trust, a Ground Lease further reinforces permanent affordability and other restrictions

Support for tenant purchase

In NYS a co-op is created in response to an offering to residents and potential purchasers made by the developer/sponsor that details the information the share purchaser should know in order to make an informed decision to buy. Only when, usually, 80% of the potential members subscribe to purchase, does the building become a co-op and transfer to tenant ownership.

In New York City, the Urban Homesteading Assistance Board (UHAB) was established in 1973 to support tenants. It has played a major role in advancing cooperative purchases for tenants in the city by providing extensive services to aid in the development and stewardship of those co-ops.

When building residents select UHAB as their developer/sponsor, both parties enter into a Memorandum of Understanding (MOU) that outlines their respective responsibilities. UHAB commits to presenting a co-op offer through an Offering Plan at the conclusion of the process. To make the plan effective and officially form a co-op, at least 80% of the residents must accept the Offering Plan.

The requirements for the Offering Plan are significantly streamlined compared to those for market-rate co-ops and other corporations. This is due to several factors: the purchase price may be nominal, the project is often tenant-sponsored, residents are actively involved in the development process, and government agencies frequently participate in the co-op's creation.

Tenant Interim Lease Program

Most HDFC co-ops were created through the New York City Tenant Interim Lease (TIL) program. **TIL provides organized tenant groups in city-owned multi-family dwellings the opportunity to lease, manage and then purchase their buildings as low-income cooperatives.** Under the TIL program, the tenants self-manage the building under a renewable 11-month lease from the city's Department of Housing Preservation and Development (HPD). Following an often multi-year period of hands-on experience and training provided by UHAB and renovations originally carried out by the city and more recently by an interim developer-sponsor, the tenants are presented with an expedited cooperative Offering Plan.

Eligibility

The cooperative must be organized and operated as an HDFC. The Offering Plan generally requires that at least 80 percent of the tenants sign purchase agreements before the building can be sold to the corporation.

Initial Equity

Under the HPD plans, the price was initially set at $250 per unit for existing residents, but more recently the city raised the price to $2,500 per unit. For those tenants on public assistance, lump-sum recoverable grants are available from the Department of Social Services for the purchase of the units. New residents joining and moving into the co-op at the time of conversion pay much higher initial equity despite also being low-income households. This is possible because New York offers generous first-time homebuyer grants that pay to the increased equity, in most cases.

Re-Sale Provisions

Originally the HPD plan contained no formula or cap on the re-sale price of the units. The only restriction relating to affordability was that units must be sold to low-income persons as defined by Section 576 of the state's Private Housing Finance Law. Under the law, the income of persons or families seeking to purchase units in the building may not exceed 6 times the annual maintenance, plus utilities, for the apartment. The ratio is 7 times the annual maintenance plus utilities for families with 3 or more dependents. In more recent years, the HDFC co-ops have been subject to Regulatory Agreements that set both income limits and sale price and equity appreciation restrictions.

Ground Floor Commercial

In neighborhoods where there is a market for commercial space, including ground floor commercial in a development can be an important source of additional income that can help keep the monthly charges for the co-op units affordable. For example, UHAB's review found that 24% of the buildings in New York City contained in its database have commercial units, almost always on the ground floor.

Under the rules that govern the deductibility of a co-op's interest payments and real estate taxes as a "homeowner deduction", the non-residential income cannot exceed 20% of the co-op's income. Since most taxpayers with low incomes do not itemize, this is not necessarily typically an important consideration for a co-op serving low-income residents as they would have to itemize their deductions to take advantage of the homeowner deduction.

However, there are a number of other considerations as regards commercial spaces.

- **The costs associated with having commercial tenants.** Commercial tenants should be required to have insurance including coverage for the co-op, but depending upon the use of the space the co-op could experience an increase in their own insurance cost. For example, the real estate tax abatement that co-ops benefit from in New York City does not apply to commercial space if it is rented. Commercial spaces are required to have a separate water meter, but it is the responsibility of the co-op if it is not paid by the commercial tenant. These additional costs can diminish the benefit of renting the commercial space.
- **Other uses for the commercial space.** Especially in areas with low demand for commercial space, co-ops sometimes choose to use the space for other co-op purposes, avoiding insurance, tax, and utility meter issues. Meeting rooms, community rooms, a co-op office, resident storage, bike storage, co-op community workshop, and other mutually beneficial uses.
- **The cost of operating, renovating and improving the commercial space.** Heating and maintaining the commercial space can be a burden on the co-op. If the co-op is undergoing a renovation as part of the conversion, the renovation may not be included in the grants and loans and programs for the co-op. The funding for the commercial space will need another source and there may not be subsidies available for that work. One option is for the co-op to secure a tenant that takes on the responsibility for the renovation and improvements.

1.4 Group Equity Cooperative - Model A - NASCO

Name of Model	NASCO Properties Group Equity	Of interest
Description	NASCO Properties (NP) was created in 1988 as a property holding and management corporation to assist new student housing cooperatives with financing and management. NP is a 501c2, a corporation organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under 501c. NP uses equity from buildings it owns to provide collateral and equity for these new groups. NP also operates as a support network for its member co-ops, offering training and asset management assistance. In turn, these member co-ops form the governance structure for NASCO Properties.	Model is relevant for organizations desiring to provide affordable housing with a parent development and management corporation, offering residents low entry fee but high level of governance and control over their housing.
Number of units/sites	As of November 2025, there are 17 properties owned by NP and used by seven leasing cooperatives in Austin, TX; Chicago, IL; Buffalo, NY; Urbana, IL; Lawrence, KS; and Athens, OH with a total capacity of 249 members.	
Legal form	NASCO Properties owns the properties. Eligible for significant tax advantages, including 501c3 status (typically when they seek low-income housing exemption under IRS Revenue Procedure 1996-32 or as student housing under IRS Revenue Ruling 76-336).	
Resident relationship to entity	Residents/Members do not own shares in the co-op; a member's legal relationship to the co-op owner is a landlord/tenant relationship.	Each resident signs a lease with the building owner.
Financing – Public and Private	NP serves as a nonprofit housing co-op developer that offers services below-market rate for members. Each cooperative leases from NP the property and is a member of NP.	
Governance	Each co-op seats one representative to the NASCO Properties board of directors. Residents govern their building by voting to elect their co-op board,	

	volunteering on co-op committees, and voting on decisions made in the co-op.	
Level of permanent affordability	Little risk of transitioning to market rate, due to NASCO holding title to all buildings and residents being enjoined from holding equity.	
Equity	Equity in all co-ops stays with NASCO Properties, the parent organization	NASCO uses equity to develop new co-ops, provide resident services, and reinvest into its existing co-ops.
Optimal use case	● Co-op maintains project based rental subsidy ● Favorable financing terms are available in the market ● Ample federal or state financing is available to maintain affordability ● There is property management experienced with highly regulated federal affordable housing finance and subsidies ● There are ample residents volunteering in their co-op ● Co-op volunteers are well supported with education and staff support	
Considerations	501c2 structure for fee ownership of properties will likely cause issues with property tax relief and grant eligibility. If replicating this model, where possible, seek 501c3 status. The NASCO model is predicated upon members having excess time and energy and expending that upon the co-op. Member carrying charges must be set sufficiently below market to account for this extra labor. Setting carrying charges too far below market, however, even if they pencil out, can place the co-op in a position of “housing of last resort” where residents will do whatever they can to remain in the co-op, even to the detriment of the co-op or themselves. The bottom of carrying charges must be high enough that there is some tangible alternative to the co-op at that price point.	NASCO is exploring converting NASCO Properties to a 501c3 as all of its group-equity co-op properties and operations would qualify individually as a low-income housing provider. The 501c2 designation is most useful for property fee ownership where the business model of a property would not be purely exempt by itself, but serves to fund an exempt organization (e.g., ownership of a ball park or a bookstore that helps fund a housing nonprofit).
Tips and Opportunities	● Early co-op education and community organizing is important ● Have a strong organization assist with governance ● Create ongoing resident education and provide continual volunteer support	Could use LIHTC or other federal/state sources to build new or renovate existing buildings and could convert any building to co-op management with the

	• Partner with affordable housing developer and/or property manager • NASCO is expanding towards providing more affordable housing for residents of communities, not solely focused on students	proper educational and operational support Where churches, universities, municipalities, or other nonprofit entities own property that is unsuitable for its current use, Group-equity co-ops are attractive sub-market transaction recipients of that property, as there is no private inurement
Benefits to residents and community	Residents of a multi-site group-equity co-op like NASCO Properties are able to cross-collateralize their properties, while retaining control thereof through their board of directors. This cross-collateralization makes each property responsible for and to each other, which decreases the likelihood of a single property "eating its reserves" through vacancy or too-low carrying charges. This leads to stable, sub-market rents, and opportunities for residents to gain management experience through board service. Group equity co-ops, by virtue of their deep affordability, provide competitive downward pressure on the leasing market, effectively lowering rents for all. Because of the lack of share purchases and loans or unit recording costs, group-equity co-ops offer an accessible stepping-stone into cooperative ownership for those coming from renting, or who are location-unstable.	Group-equity co-ops have higher turnover than limited-equity or market-rate co-ops. This has in recent years been seen as a feature rather than a bug, in that Group-equity co-ops are typically able to build systems for cohabitation, record-keeping, training, and conflict resolution that do not depend on long tenure or a specific applicant type. Turnover also means a large number of people in the community have benefited from residence in the co-op, providing potential for a large base of organizing support.
Get help	NASCO PO Box 166146 Chicago, IL 60616 NASCO.coop	info@nasco.coop

1.4.1 Introduction to the Model

Group-Equity co-ops are shared housing entities where residents collectively control the entity as Members. Members lease a dwelling unit, and as part of that lease, sign and establish membership in the entity for the duration of that lease which has a definite, not perpetual, term. Re-signing at expiry is typical. The Lease and Membership Agreement are a unified document (or linked pair of documents).

Residents do not establish any individual equity in the corporation and thus do not have to purchase or record a share. Residents typically pay security deposits and periodic lease charges. Units are kept affordable by virtue of operating on a non-profit basis and having the residents in charge of budgeting and assessments. The incentive balance structure is thus always one where residents seek to minimize lease charges balanced against maintaining the physical structures. Such entities are often eligible for significant tax advantages, including 501c3 status (typically when they seek low-income housing exemption under IRS Revenue Procedure 1996-32 or as student housing under IRS Revenue Ruling 76-336).

1.4.2 Case Story

Legal Structure – Entities

NASCO Properties

Community Housing Expansion of Austin (CHEA) holds a master lease to La Reunion and Sasona, 2 co-op properties in Austin, but does not hold title to these. NASCO Properties (NP) holds title to the La Reunion and Sasona properties and issues a master lease for these 2 properties to CHEA, which allows CHEA to lease rooms or units to individual members. Additionally, NASCO Properties contracts with CHEA to provide management services for the properties CHEA leases. CHEA as a master-leasing cooperative in turn is able to appoint a director to the NASCO Properties board.

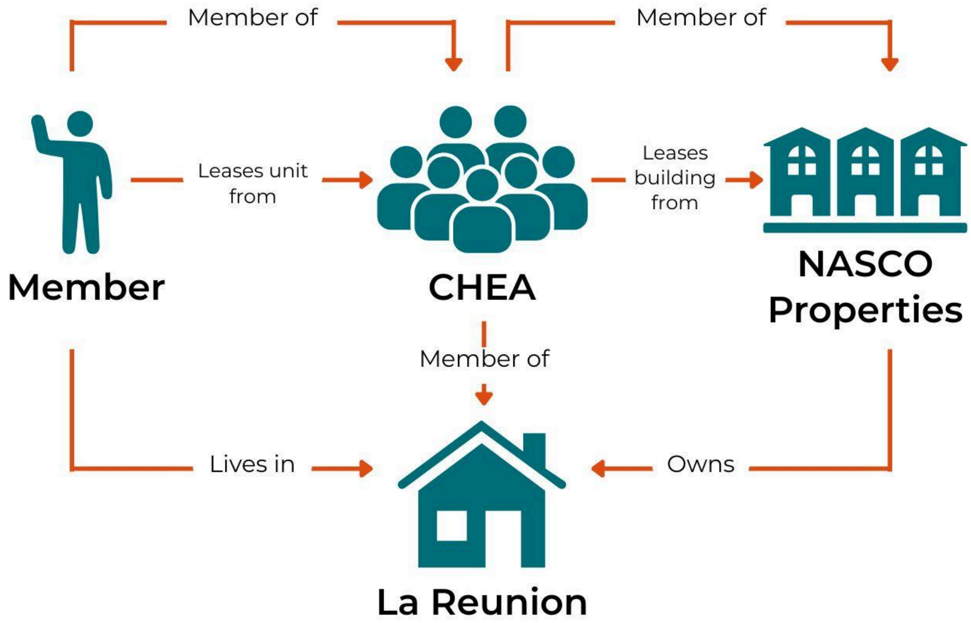
NASCO Properties is a 501c2 property-holding subsidiary of NASCO, a 501c3. NP is governed by a board made up of one appointee from each of its 7 leasing cooperatives across the US, and an appointee from NASCO. This structure has 3 core benefits. The first is that it ensures that ultimate control of the properties remains in the hands of residents. Second, the structure distributes the financial and operating risk of running a small independent co-op in a single market across multiple cooperatives in multiple markets, so that if one co-op falls on hard times, the other co-ops can sustain it . The third major structural benefit to the model is that it allows for economies of scale in pooled access to capital, staffing, and best practices. Where one unique small cooperative attempting to get a loan may struggle to validate its financial fitness, NASCO Properties is better qualified to apply for financing given its ability to collateralize multiple properties across the country, and its ability to demonstrate reasonable and replicable property management practices.

La Reunion

La Reunion is a cooperative community that inhabits a 20-unit apartment complex in Austin, TX and has operated since 2013. Residents lease 2-bedroom apartments either on a whole-unit, or half-unit basis (where two residents each lease one bedroom and share the rest of the unit). When the building was converted to cooperative use, one of the units was converted into a common kitchen and meeting room, for a total of 19 leased units. Residents share responsibility for minor maintenance, for operating member services such as a stocked communal kitchen and shared meals, and for approving new applicants to the community. Decisions are made on a one-Member, one-vote basis, where Members are defined as adults who have signed a membership agreement and lease with CHEA, the master leasing co-op, to live in La Reunion.

CHEA entity

La Reunion is not individually incorporated. The residents of La Reunion cooperative community together with Sasona cooperative community comprise the membership of the incorporated entity Community Housing Expansion of Austin (CHEA), a 501c3 Texas nonprofit membership corporation. CHEA provides property management and cooperative education services to members. Members lease their apartment units from and are pre-qualified for residency by the CHEA Board, and final approval for residency is provided by the residents of the individual Community house (Sasona or La Reunion). Upon approval by La Reunion, a Resident is issued a combined lease and membership contract, and upon initiation of that contract, is considered a Member of CHEA, and a member of the unincorporated La Reunion residents group.



Financing

Development Financing

La Reunion was purchased for $925,000, had $23,750 in closing costs, and $16,000 in initial repairs for a total project cost of $964,750.

NASCO Properties brought $121,000 cash to the deal, did a cash-out refinance of other properties of $150,000, and secured a $693,750 commercial loan to cover the $964,750.

The use of NP's capital for this financing stack meant that no resident members were required to bring their own capital to the table, critical in a member self-directed, low-income housing project. The timing of this acquisition did not allow for any application for grant support.

No state subsidies were used in the creation of this project, significantly decreasing the project complexity and associated overhead costs. While subsidies can improve the affordability of projects like this, it is often difficult for small scale, cooperative projects to compete with typical developments for grant dollars when a well-established model is not broadly represented in the community.

As all the equity for this project came from NASCO Properties itself, this project represents a powerful example of responsibly mobilizing the capital provided by the largely low-income members of NASCO properties on a nonprofit basis to secure more permanently affordable housing for others.

Operational Budgeting

Member charges for each of the 2-bedroom units were set at $800/month, which covered the mortgage, property taxes, vacancy reserve, insurance, management costs, utilities, and other typical property-related expenses. Member lease charges were paid to CHEA, who paid a local staff person to handle leasing, accounting, and maintenance, covered minor maintenance, and utility costs, and any additional initiatives the co-op collectively desired. CHEA in turn paid a master lease payment to NASCO Properties, who paid mortgage, insurance, and property tax payments for the CHEA-managed properties, and who maintains a small nationwide staff team to provide Member education and backup property management support.

How the development was organized

Pre-Development

In 2012, a group of people seeking to establish a cooperative residence project and who were loosely connected to CHEA, (which had been operating the Sasona Property since 2003) started a working group to explore establishing a new cooperative community in Austin. Over the course of that year, the working group established a move-in ready *cadre* of members and reached out to NASCO properties to see if it would be possible for NP to purchase a property on their behalf.

NASCO Properties at the time was in a good financial position to consider a new acquisition. The NP board and staff determined that working with an existing leasing cooperative, CHEA, as a local management partner would improve the development's viability over establishing a wholly new leasing entity.

NP came across the property that would eventually become La Reunion Co-op during site selection. With the approval of the Austin working group, NP reached out to the owner.

Acquisition and Opening

While the owner was open to a sale, it had a significant contingency: that no one notify the existing tenants that a sale of the property was about to take place. Typically, as part of NP's commitment to development without displacement, resident education and consent is a significant part of the development model, as is ensuring that all residents have an opportunity to control their housing. Not being able to contact the residents meant that NP would be unable to determine whether any of the existing tenants would be interested in joining a cooperative until after the purchase was completed.

The decision was made to implement a phased membership plan to address the contingency. Upon sale, the vacant 5 of the 20 units were filled with members from the working group. All current residents were then notified of the change in ownership of the building and given an introduction to the cooperative and the option to join as members with control of the organization (at a ~7% higher lease rate) or continue their existing leases as tenants without controlling votes.

To minimize housing security anxiety about the ownership change, as part of the notice to members of the change, residents were assured that their leases could continue along with a commitment to address any outstanding repairs or improvements. Some chose to join the cooperative, others chose to stay on as tenants. Whenever a tenant-resident household moved out, however, any future resident taking their place was required to join as a member.

La Reunion, now with 100% resident-members, is a thriving 12 year cooperative community, and has helped CHEA to develop into a stable and supportive organization in the Austin cooperative community.

Considerations for Replication

While La Reunion is an apartment style cooperative, a significant majority of group equity housing cooperatives in the United States are set up as Single Room Occupancy (SRO). La Reunion was chosen as an example to demonstrate that the model has flexibility to function in multiple architectural styles, and to encourage other developers to consider non-SRO or mixed unit type group-equity developments.

La Reunion is compliant with Section 8 standards and accepts Section 8 vouchers.

La Reunion community benefits greatly from having the external property management perspective of CHEA and NASCO Properties. CHEA and NP are explicitly tasked with ensuring that the property remains safe and code-compliant. Because of the incentive structure inherent in the model, members may choose to prioritize immediate affordability over code compliance and safety. Explicitly including unit code compliance and safety as a core responsibility in the organizing documents of the co-op can prevent this from being a problem in replicated developments.

La Reunion, like many other housing cooperatives, has experienced the need to meet an additional level of responsibility to meet resident accessibility standards. While typical rental apartments do not require ongoing resident input in business administration, cooperatives do. Therefore, it is critical for the cooperative to consider accessibility across not just its physical assets, but its corporate ones as well. La Reunion has experienced difficulty retaining Spanish-speaking members, members with low literacy levels, or members with disabilities that interfere with accessing typical meeting materials. **Given the need for resident member oversight, investment in ensuring accessibility in operations, not just the units, needs to be explicitly included in replicated projects.**

The educational and individual financial risk burden associated with change in a prospective resident's relationship to housing from simply "lessee" to "lessee managing the property" in this model for low-income rental property conversions is less of a lift than the "lessee" to "unit-owner" education lift required for limited-equity or market-rate conversions. **This fills a niche in the housing spectrum for those who are seeking more control and stability in their housing but may not be prepared to buy into an equity cooperative.**

A challenge group equity housing cooperative developments experience is that the members of the organizing group who do so much of the initial project design and visioning are not typically compensated for that labor as part of the project. This is usually acceptable in equity-style cooperatives, because the organizers stand to reap some significant benefit from their initial investment in their unit. If a group-equity project is seriously seeking significant input and leadership from that initial team, it is a good idea to include some reasonable compensation for the typical 1 to 3 years of work that the organizing team does in the project budget.

The member-residents that control group equity housing cooperatives, (particularly those set up as 501c3s) have no individual incentive to demutualize or drop their affordability. This means that any subsidy provided to them will effectively be permanently captured as equity providing affordable housing. The local control also ensures that cash flow from the low-income community is reinvested in that community and that the programs and amenities of the housing reflect the needs of the residents. Such nonprofit resident control of low-income housing developments is not typically a scoring consideration on Low Income Housing Tax Credit (LIHTC) or Community Development Block Grant (CDBG) applications, but promotes more sustainable use of that capital, and is wholly compatible with these programs.

1.5 Group Equity Cooperative - Model B - CSI Support and Development Services

Name of Model	CSI Support and Development Services Affordable Senior Housing – Consumer Cooperative Property Management	Of Interest
Description	CSI Support and Development Services is a parent cooperative development and management corporation. Lower income seniors, aged 62+, rent their units through a traditional lease. Each “co-op” uses federal and/or state financing to maintain affordability. Many CSI co-ops maintain a Section 8 contract that provides further rent affordability for very low-income seniors. Each CSI Co-op is cooperatively managed by Residents/Members in conjunction with professional property management by CSI Support and Development Services. Each member has one vote for every decision made in their co-op.	Model is relevant for organizations desiring to provide affordable housing with cooperative management
Number of units/sites	65 properties located in Maryland, Massachusetts, Michigan, and Southern California; over 7,000 units	
Legal form	A single-asset entity owns the real estate and building. Most CSI co-ops are owned by non-profit, 501c3, entities. Some are owned by for-profit limited partnerships that use the LIHTC program. The parent, CSI, controls each single asset entity by appointing the board of directors to each. CSI’s Board is elected from and by its co-op membership. Each CSI board member must reside in a CSI co-op. One member, one vote in every case.	
Resident relationship to entity	Residents/Members do not own shares in the co-op; a member’s legal relationship to the co-op owner is a landlord/tenant relationship.	Each resident signs a lease with the building owner
Financing – Public and Private	Predevelopment of new co-ops is borne by CSI, the parent.	Needs public subsidy to maintain affordability for lower income residents

	Financing for renovations of existing CSI co-ops: ● LIHTC and investor equity ● Blanket Mortgages for the building - HUD insured mortgages – Section 223f or 221d4 or other commercial lenders ● Private Lenders ● CSI equity in the co-op	Many CSI co-ops have a Section 8 contract to support rental charges
Governance	Residents govern their building by voting to elect their co-op council, volunteering on co-op committees, and voting on decisions made in the co-op	CSI, the parent, has a 13-member board of directors who are elected by all CSI members (housing and non-housing members) To qualify to be on the CSI board, a member must be a housing member, meaning they live in a CSI co-op
Level of permanent affordability	Age and income restrictions upon entry, due to state and federal financing Long-term affordability as federal sources required long term use agreements Little risk of transitioning to market rate, due to CSI controlling all co-ops	Due to long-term Section 8 contracts, rents at most CSI co-ops are based on a tenant's income. CSI's LIHTC properties maintain low rents but may not be subsidized by Section 8.
Equity	Equity in all co-ops stay with CSI, the parent organization	CSI uses equity to develop new co-ops, provide resident services, and reinvest into its existing co-ops
Optimal use case	● Co-op maintains project based rental subsidy ● Favorable financing terms are available in the market ● Ample federal or state financing is available to maintain affordability ● There is property management experienced with highly regulated federal affordable housing finance and subsidies ● There are ample residents volunteering in their co-op ● Co-op volunteers are well supported with education and staff support	
Considerations	● Elected leaders are not supported in their role ● Lack of structured governance documents ● Substandard property management ● Failure to control property expenses ● Failure to maintain adequate operating income levels ● Lack of adequate reserves to maintain building	

	• Complicated federal financing and regulatory burdens	
Tips and Opportunities	• Early co-op education and community organizing is important • Have a strong organization assist with governance • Create ongoing resident education and provide continual volunteer support • Partner with affordable housing developer and/or property manager if creating new federally restricted housing • Align with social housing efforts • Research state, local, and federal funding available for affordable housing development/conversion • Strong cooperative presence and history, e.g. housing NYC, Chicago, DC or broader co-op support, e.g., WI and MN	Could use LIHTC or other federal/state sources to build new or renovate existing buildings and could convert any building to cooperative management with the proper educational and operational support
Benefits to residents and community	• Housing stability and affordability • Supportive services • Control over governance, decisionmaking • Stable community environment • Support as residents age in place	
Get help	CSI Support and Development Services 8425 E. Twelve Mile Road, Warren, MI 48093 586-753-9002	www.csi.coop

1.5.1 Introduction to the Model

CSI Support and Development Services (SDS) is a resident/member-controlled organization that utilizes a cooperative management system and engages its resident membership in decision-making at every level of its operations. Since 1965, it has operated as a mission-driven non-profit and served thousands of low-income seniors. The parent cooperative (SDS) helps develop 65 individual affordable housing building/entities across 4 states, and revenues from the individual projects are retained and reinvested back into the housing. The residents are tenants but they elect the board of the parent cooperative and their individual buildings. Each building/entity is managed by the resident-members, who receive ongoing training and education.

1.5.2 Case Story

Description

Clawson Manor, in Clawson, Michigan, is a 251-unit affordable senior building originally built in 1972 using HUD's SH-202 program. CSI acquired the building in 2022 just prior to the expiration of its original HUD Use Agreement and when the building was at risk of converting to market rate. Most of the building's systems were original and in need of replacement and given its excellent location, the building could charge twice the rent affordable to the existing residents. Financing a necessary rehab—the first in its history—by increasing rents to market levels would have displaced 251 vulnerable senior households.

Financing Clawson Manor's Renovation

CSI worked with HUD's Office of Recapitalization to secure a new 251-unit project-based voucher contract to preserve this building as affordable to very low-income seniors (50% of HUD area median income), aged 62 and over, for the next 50 years. This rental subsidy allowed Clawson Manor's rents to increase to market, while residents paid 30% of their income toward rent and the voucher contract subsidized the balance. This increase in building operating income enabled CSI to complete a large-scale renovation of the entire property.

In 2023, CSI completed the project and renovations of Clawson Manor using various sources of state and federal financing:

Clawson Manor Financing	
Source	Amount
LIHTC (Enterprise Housing Credit Investments)	$17,461,402
State of Michigan First Mortgage	$19,616,006
National Housing Trust Funds	$6,128022
Seller Note	$8,560,428
Deferred Developer Fee	$2,703,490
Total	$54,469,348

Legal Structure

Clawson Manor Co-op is owned by a for-profit limited partnership and is controlled by a non-profit Managing General Partner, Clawson Non-Profit Housing Corporation, whose parent organization is CSI Support and Development Services. The project owner's organizational chart is below.

Governance - CSI's Cooperative Management System at Work

Shortly after CSI acquired Clawson Manor in 2022, residents were introduced to CSI's Cooperative Management System. The foundation was created for a strong cooperative community and just 3 years after Clawson Manor became a part of the CSI family, the co-op has elected a nearly full co-op council.

CSI's co-ops provide opportunities for members to utilize their skills and learn new ones. Once a resident moves into a CSI co-op, they become a member allowing them to:

- Attend and participate in all building, council, or general meetings
- Participate in standing co-op committees
- Attend and participate in all local and regional educational opportunities
- Cast a vote for all the decisions made in their building, including changes to house rules and by-laws
- Run for a leadership position in their building
- Run for Congress Delegate to CSI
- Cast a vote and/or run for CSI's national Board of Directors
- Vote for changes to CSI's by-laws

Ultimately the co-op council elected at each building governs the co-op. Each year, the members of each building elect representatives, the co-op's officers (president, vice president, secretary, and treasurer), and a congress coordinator. These elected positions make up the co-op council. Any member of the co-op is eligible to run for and vote for the officers and/or representatives of their cooperative. Additionally, members can choose to participate in committees that are formed in the co-op, such as leasing, finance, house rules and bylaws, etc.

Resident-members are invited to attend and encouraged to participate in a variety of regularly scheduled building, council, general, or committee meetings. At the council meetings, representatives are asked to report on their monthly meeting where resident-members they represent were invited to raise any concerns or ask any questions about the day-to-day business of the co-op. The council will then discuss and vote on any pertinent business of that month – for example, voting on a particular scope of work for an upcoming landscaping project.

At the general meeting, all resident-members are invited to attend and are encouraged to discuss and vote on the business at hand. Additionally, there are a variety of committees within the co-op that are open to anyone who would like to volunteer.

Guided by the CSI staff liaison, many cooperatives will establish committees to oversee the cooperative's grounds, leasing, house rules and bylaws, finance and budgeting, maintenance, and décor. Other cooperatives have created committees to oversee security, the community kitchen, entertainment, and more. These committees offer a great opportunity for members to get involved with and participate in the operation of their home.

CSI's Support and Guidance of the Cooperative

Each co-op falls under the larger umbrella of CSI Support and Development. This is a parent relationship, whereby CSI provides educational, technical, and financial support to each cooperative. Each cooperative is assigned a liaison, a staff member of CSI, who is responsible for promoting the cooperative principles, assisting members in creating a strong community, and enforcing house rules or fair housing regulations. The liaison works closely with members to train them in their volunteer roles and provide support and assistance every step of the way. The liaison attends every council and general meeting held at the co-op and they are the direct link between the co-op and CSI.

CSI's unique education department works directly with both the CSI liaisons and the members in providing ongoing training and educational opportunities for co-op officers, council members, committee members, and board members. CSI also provides technical support to each co-op in the form of professional facilities and certification staff. CSI's facilities staff, with input from the members, prepare and oversee 20-year replacement plans for each co-op to ensure reserve accounts are adequate to properly maintain each cooperative. Additionally, CSI certification staff perform all annual resident income certifications required by any federal, state, or city funding source.

CSI, as the parent and sponsor of its family of cooperatives, closely monitors the financial and physical health of each co-op and provides financial support to the co-ops by performing all accounting functions, such as collecting rent, paying all operating expenses, and preparing annual audits for each co-op. Each co-op is a stand-alone entity with CSI as the parent/sponsor and they are managed to be financially self-sufficient.

Resident Services and Supports at Clawson Manor

Clawson Manor's renovation project enhanced CSI's ability to provide supportive services to its members, allowing them to access the amenities of the community and safely and gracefully age in place. Not only did the redevelopment project provide sustainable funding for the service coordinator via the operating budget, but new spaces were created for service delivery including a service coordinator office, business center, library, a community kitchen, and a wellness room. The wellness room is frequently used for physical therapy appointments and the kitchen hosts nutrition classes and group meals. In addition to enabling the cooperative management system to thrive, these modifications provide valuable opportunities to improve the health and wellness outcomes of co-op members by bringing residents out of their units, reducing isolation/loneliness, forging a community in which residents check in on each other and work together for the benefit of their living environment.

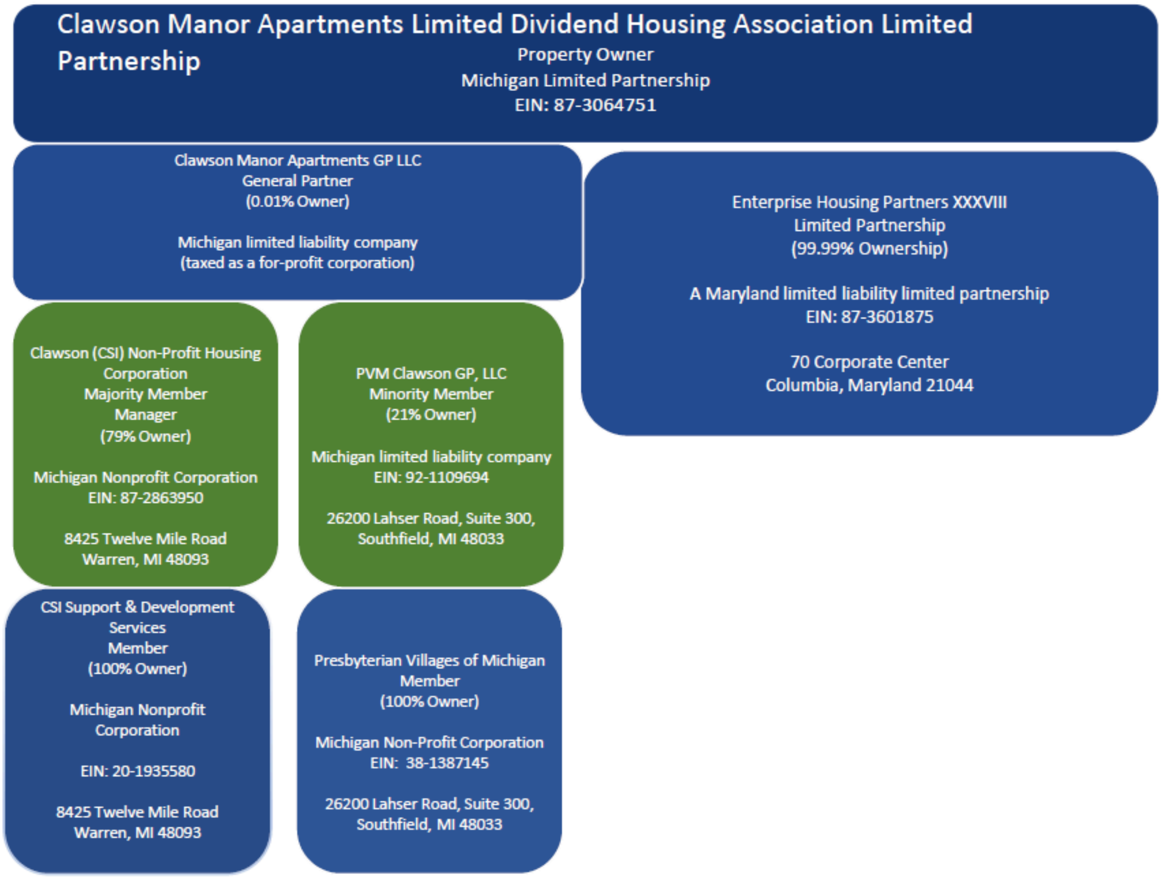
The co-op's on-site service coordinator works closely with members to provide a wealth of services, such as transportation and health, wellness, and educational programming. They also connect with regional providers to ensure that members can complete their activities of daily living and have the tools they need to lead healthy lives. These partners provide in-home care, chore assistance, and other essential services needed to age in place. A neighboring pharmacy also provides on-site individual consultations on interactions of medications.

To access all the community's opportunities, Clawson Manor operates a van that can be used for shopping trips, social activities, and participating in CSI's management conferences. Additionally, a bus stop is near the front entrance, and curb-to-curb trips can be reserved through local providers.

The service coordinator collaborates with co-op volunteers to organize activities for education and wellbeing. Monthly programming addresses nutrition, senior safety, and how to avoid scams. Social activities, which improve outcomes in this often-isolated population, include weekly popcorn socials and coffee clubs.

Clawson Manor Apartments (Clawson, MI)

Ownership Structure



1.6 Resident Owned (Manufactured Housing) Community (ROC) Cooperative

Name of Model	Resident Owned Community (ROC)	Of interest
Description	Homeowners form a limited-equity cooperative corporation to purchase the manufactured home community (still sometimes outdatedly called "mobile home park") where their homes are located. Each Homeowner/Member household has one share of the co-op, which owns all the land, roads, infrastructure, and any community property. Members own/insure/maintain their homes and continue to rent their site from the Co-op. But as a ROC, they have a proprietary/perpetual lease, their rent covers expenses and improvements only (no profit), and they control budget, Community Rules, and capital improvements. Member shares do not appreciate but rent stabilization and lease-hold interest in the land may enable homes to appreciate and build wealth.	The ROC limited-equity cooperative model is designed to balance and maximize: • Preservation of existence and affordability of the manufactured home community long-term • Asset-building for the homeowners individually; and, • Strong and mutually supportive leaders and communities
Number of units/sites	24,362 homes	Those sit in ~356 ROCs in 22 states
Legal form	ROCs are incorporated according to each state's non-profit or not-for-profit corporate statute. Statute must accommodate membership made up of homeowners of the subject community and must include statutory dissolution constraints which remove any incentive to sell the assets and recognize the profit individually by making distribution of net proceeds to a 501c3 affordable housing organization enforceable by the secretary of state. The goal is open, affordable membership and zero displacement of lower-income homeowners. To accomplish these goals, the membership share price or membership "fee" shall not exceed $1,000 to assure current and future affordability. Further, the membership price for homeowners in place prior to the resident corporation's purchase need to have an opportunity for payment over at least 1 year to support the goal of open and affordable membership for all resident homeowners at that time of formation.	ROCs must operate on a "cooperative basis" meeting the following criteria: • Be established with a purpose to provide benefits to the owners of manufactured homes within the community • Ownership must be open and accessible to all residents • Ownership and voting must be structured equitably among all homeowners; governance by homeowners must be democratic and perpetuating by design and practice • Surplus produced by the enterprise must

		benefit all member homeowners equitably by application to retained earnings (for capital improvements or reserves) or distribution by patronage ● Be committed to operating in a manner that is consistent with the spirit of International Cooperative Principles
Resident relationship to entity	Resident-Homeowners are both owners of and tenants of the entity: ● Residents own the ROC corporation through ownership of a single Member share ● Residents own and occupy their own home which is located on the land owned by the corporation ● Resident-Homeowners are also tenants of the ROC corporation via a proprietary and perpetual lease for the site which their home occupies	"Mobile home" is a misnomer. The overwhelming majority of homes are sold in place, like any other type of home Member-Homeowners sell their own home when moving out and sell their Membership share back to the Co-op
Financing – Public and Private	Predevelopment, acquisition, construction and refinance loans available through ROC USA Capital, the CDFI lending subsidiary of ROC USA. ROC USA Capital partners with national and regional banks, insurance companies and other CDFIs in addition to state and local governments and the U.S. Treasury Department's CDFI Fund. Financing includes paid technical assistance through a Certified Technical Assistance Provider (CTAP) for the life of the loan. ROC USA Capital is not the mandatory lender. About half of ROCs created since ROC USA's 2008 launch have used other lenders.	Homes in manufactured home communities are typically titled as personal property and homeowners must pursue home financing through those channels. The exception is in New Hampshire, where homes can be titled as real property.
Governance	Members elect a 5–7-person Board of Directors who is responsible for day-to-day oversight of the corporation and operation of the ROC. Directors serve for no more than 3, two-year terms. Several key powers are retained by the Members: - Election and Removal of Directors - Approval of an annual Operating Budget and Capital Improvement expenditure - Adoption of Conflict of Interest, Code of Ethics, and Procurement Policies	Membership votes require simple 51% of quorum. Quorum cannot be less than 30 – 50% of Members depending on the size of the ROC.

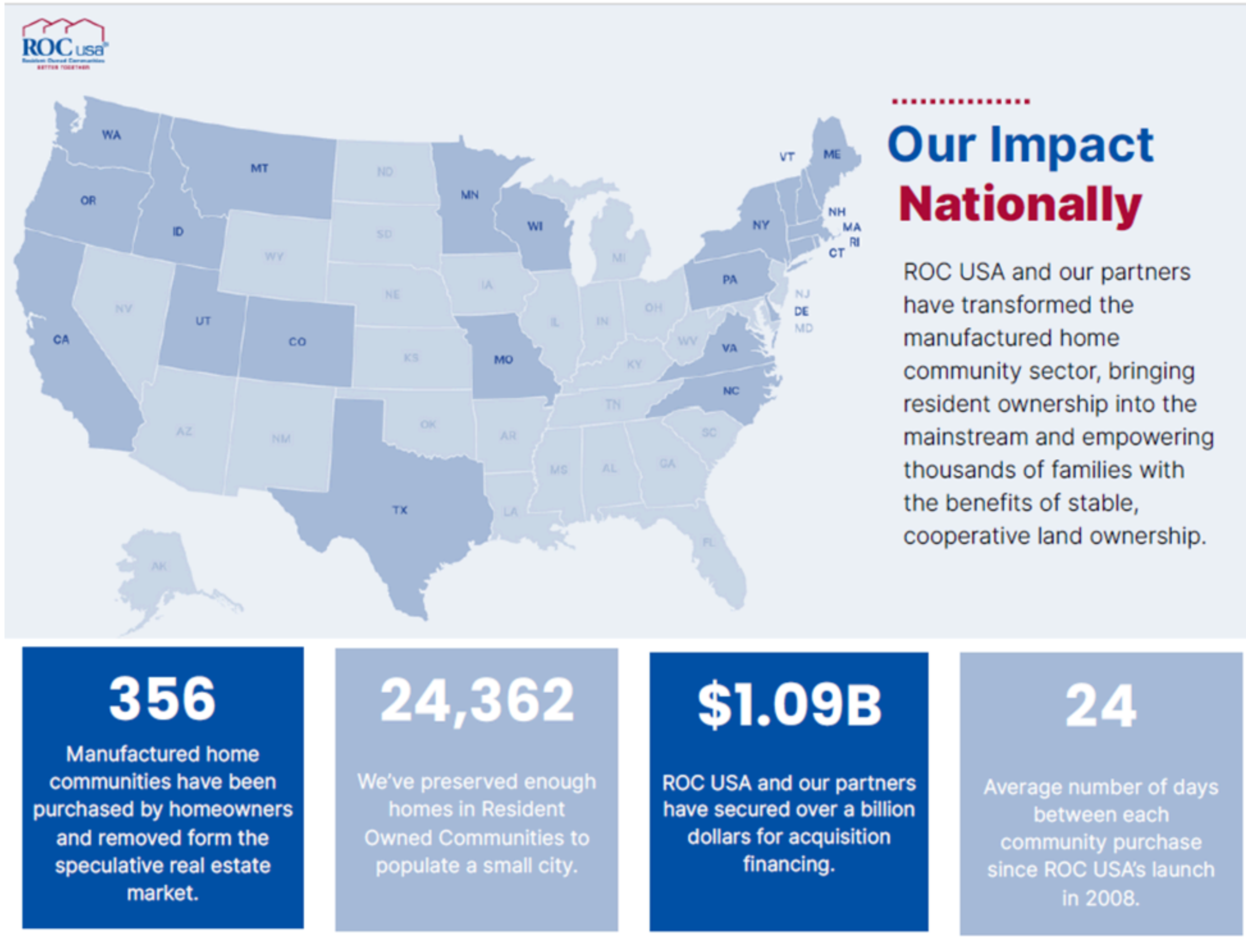
	- Sale of assets or dissolution of the corporation	
Level of permanent affordability	Permanent affordability is secured in 3 ways: 1. State statutes and model bylaws bind the corporation to a non-profit or not-for-profit purpose. Dissolution requirements remove any incentive to sell the land or dissolve the corporation 2. Homeowners' monthly site rents stabilize at the level of expenses and capital improvements. They increase at a fraction of the rate in comparison to investor-owned manufactured home communities 3. Membership shares do not appreciate and must remain below $1,000 and equal for current and future Members	There are no restrictions on home prices. (ROC USA Capital does not presently finance individual homes.) Homes in ROCs may serve as a wealth-building asset for homeowners like site-built homes but will naturally remain considerably more affordable in any housing market.
Equity	The Member equity in the corporation's assets (land, infrastructure, common buildings, and the operating cashflow) is minimal. The co-op buys back a Member's share when they move out for the same price that the Member paid. The buyer of the Member's home must become a Member and buy a share for the same price.	The Member builds equity in their home via maintenance and, over time, site rents that are below market.
Optimal use case	States have "Opportunity to Purchase" legislation that notifies homeowners that the community is going to be sold and gives the homeowners the right to match a legitimate buyers' offer. ROC USA Capital offers 110% LTV financing in a timely manner enabling homeowners to purchase on a typical commercial transaction timeframe and cover attorney, due diligence, and other closing costs. There is pro-active technical assistance and training available to assist homeowners in the formation of a cooperative corporation, manage the purchase transaction, and learn how to govern a corporation, operate a manufactured home community (MHC) business, and build community.	State, local, and federal policies include MH and MHCs in all housing and cooperative resources and do not intentionally or unintentionally exclude HUD-code housing.
Considerations	Manufactured housing and manufactured home communities have historically faced significant stigma, prejudice, and public policy neglect. Some in the real estate investment industry continue to exploit this prejudice and neglect for their own profit. MH can be built well or can be built poorly, just like stick-built homes. Durability is dependent on quality at production, quality at installation, and maintenance over time. Not all manufactured housing communities are good candidates to become resident owned. Residents are not well-suited to take on difficult turnaround projects such as communities with significant vacancies or	A perfect example of something to beware of is the fact that MH is almost always titled like a car or a boat, not as real estate. Therefore, homeowners only have access to expensive, less favorable home financing than any other homebuyer or homeowner.

	infrastructure needs. Small communities may have issues sustaining sufficient resident engagement for effective governance.	
Tips and Opportunities	MH homeowners are their own best advocates. The lack of housing supply is putting a spotlight on manufactured housing affordability (generally less than ½ the cost of a site-built home), quick production, national building code, and energy-efficiency. MHCs are extremely prevalent in many housing markets, comprising more units than all the other subsidized units in the area, so resident ownership can yield big results for preserving affordable housing	
Benefits to residents and community	Stable monthly site fees Security of lend tenure Confidence to reinvest in home, yard, community Peer networking, ongoing training and education, technical assistance, extensive best practices and templates The city/town gets a densely populated neighborhood that will remain naturally affordable amid a national affordable housing crisis.	Members consistently say they knew only a few neighbors before becoming a ROC, but after purchasing know most everyone and enjoy one another's company at community events, meetings and gatherings.
Get help	ROC USA	www.ROCUSA.org

1.6.1 Introduction to the Model

ROC USA is a national non-profit launched in 2008 to make quality resident ownership viable nationwide and to expand economic opportunities for homeowners in manufactured home communities. Manufactured housing is the country's most affordable homeownership option, serving a population with median incomes of around $35,000. But unlike owners of most stick-built homes, residents of manufactured home communities rent the land on which their homes sit, making them vulnerable to unpredictable and steep rent increases and giving them no say in their community's future. ROC USA empowers manufactured home communities nationwide through cooperative resident ownership, providing integrated financing and technical assistance to ensure homeowners and their communities thrive under resident ownership and control.

Unlike traditional manufactured housing communities, ROCs are not subject to market-based rent increases, and there is no profit margin in monthly site fees. This cooperative ownership gives homeowners the ability to control costs, improve infrastructure, and make their own rules while providing peace of mind of financial security and stability. The ROC USA integrated technical assistance and financing model is supported by a network of nine state-based nonprofits and a financing subsidiary, ROC USA Capital. To date, ROC USA and its partners have preserved 356 manufactured home communities, representing 24,362 homes and over $1 billion in financing.



1.6.2 Converting the Manufactured Home Community

Steps

There are two primary ways that manufactured housing communities become resident owned. First, owners of communities – especially local or mom and pop landlords, who may have lived on site, and may be looking to leave the business – may be willing to sell their community to the residents who live there. With their permission, ROC USA will speak to residents about their opportunity to form a cooperative and purchase the community, and the corresponding responsibilities that this entails.

Second, a growing number of states have passed resident Opportunity to Purchase laws that give community residents the right to make an offer to purchase their community. These laws are typically triggered when a community's owner accepts an offer to sell the community to a third-party buyer. The strongest Opportunity to Purchase laws give the residents a Right of First Refusal to purchase the community if they match the sales price agreed to by the owner and prospective third-party purchaser. Other laws instead prescribe that the community owner must negotiate a purchase opportunity in good faith with the residents. Finally, some states have passed laws that give residents a notice when their communities come up for sale. While these laws do not create specific legal frameworks for the residents to negotiate a community purchase, the act of receiving sale notices may help identify sellers who are willing to sell to the residents.

Identifying the opportunity

The first step to promoting long term affordability and stability for owners of manufactured homes is to identify an appropriate community to convert to resident ownership. As discussed in the previous section, states with robust Opportunity to Purchase laws and notification requirements have a leg up, as in these cases the opportunities present themselves. Absent such legislation, identifying opportunities requires a more proactive and intentional effort that involves market research into ownership patterns, infrastructure needs, and more. Additionally, engaging with MHC owners is critical to understand motivations and timelines for a potential sale. Converting to resident ownership, after all, is only possible when there is a willing seller.

Regardless of opportunity to purchase legislation, not all manufactured housing communities are good candidates for resident ownership. ROC USA considers the following factors when identifying opportunities:

- On the broader *community level*, good candidates for resident ownership are those with:
    - ***Minimum number of filled lots***: resident ownership relies on residents of manufactured home communities self-governing as a cooperative. This governance model falls apart without enough homeowners. To ensure participation, it is key that homeowners live in the community full-time and are not seasonal residents or snowbirds.

- *Stable macro-economic environment and regulatory field*: though not strictly required, positive economic indicators like stable employment opportunities, population and income growth, and stable and consistent local governance indicate healthy environments in which a ROC can thrive.

- Certain *property-specific financials* are key to a transaction making economic sense for residents:
  - ***Home site rents that are appropriate for the market***: Once converted to a ROC, homeowners will still be paying rent – but instead of paying a landlord, they will be paying the cooperative of which they are a member. If previous owners have kept rents far below market, the sticker shock of bringing rents up to market to appropriately cover deferred maintenance and proper property management and operations can be an impediment to resident ownership.
  - ***Reasonable existing costs, ability to cancel or renegotiate existing service contracts, and minimal existing collection/delinquency issues***: unreasonable operating costs may indicate extreme mismanagement and larger structural problems within a community. Moreover, ongoing financial obligations from existing contracts or underlying financial problems can make resident ownership unfeasible.
- The specific *location* of a community and its associated *hazards* may make the long-term preservation of certain MHCs more challenging:
  - ***Flood zone***: it can be extremely costly in terms of both finances and time if any existing homes are within a flood zone. Cooperation from a local government is critical to mitigating these risks.
  - ***Environmental risks***: home improvements and other strategies to mitigate against emerging weather patterns can be costly and time consuming. Additionally, older homes built before modern HUD standards can have trouble being insured or being properly maintained in certain areas.
  - ***Infrastructure***: public water and sewer is preferable when converting a community to resident ownership, and other arrangements, such as private access agreements, can lead to convoluted and expensive arrangements for residents. In the case of older communities, these arrangements are sometimes neither legal nor up to current code.

Organizing the homeowners

Once an appropriate community has been identified and the seller has expressed a willingness to sell to residents[1], the next step is engaging and organizing homeowners living in the community. Over what is typically a 120 day period, ROC USA works alongside residents to educate them on the opportunity to ensure they make an informed decision about resident ownership and equip them with the tools and skills they need to succeed as a cooperatively owned community. ROC USA pre-purchase engagement includes:

- ***Residents' meeting*** to inform homeowners about the opportunity to purchase their community. It is during this meeting that the residents vote on whether or not to engage further in the process.
- ***Membership meetings****,* where homeowners choose to become members of the newly formed cooperative, elect a Board of Directors, apply for financing, and make an offer on the community.
- ***Due diligence period***, during which the newly elected Board collaborates with ROC USA's subject matter experts to order bids for contracted work, research expenses, hire experts for appraisals and assessments, and develop a long-term community management plan.
- ***Final decision***, where members review the results of due diligence, adopt bylaws and community rules, approve a budget and capital improvement plan, and vote on site fees. Finally, Members vote whether to purchase the community.

At the end of the 120-day period, the cooperative closes on a loan to purchase the community and the sale is complete. Residents now own their community, ensuring stability, affordability and a brighter future for their neighborhood.

Core Financials and Capital Stack

Like any land transaction, acquiring a manufactured home community (MHC) can be expensive. Moreover, as investor demand for MHCs has grown nationwide, land prices have increased dramatically, making the feasibility of residents being able to afford to purchase the land increasingly difficult. ROC USA Capital, a certified community development financial institution (CDFI)

[1]*In cases outside of Opportunity to Purchase legislation, ROC USA does not typically engage with residents until after the seller has accepted an offer for the community to be sold to residents and it is under contract.

and lending subsidiary of ROC USA, exists solely to address this growing challenge and provides affordable capital to residents for the purchase of their community.

To date, ROC USA Capital has delivered more than $450 million to acquire and improve MHCs through resident ownership, resulting in the preservation of more than 10,000 homes. ROC USA Capital does this by providing low-cost loans to cooperatives purchasing their manufactured home community. In the summer of 2025, the ROC USA Capital closed on a $47 million national acquisition pool to catalyze the expansion of resident ownership across the country by offering low-cost, fixed-rate, long-term mortgage financing.

The loans made by ROC USA Capital finance more than the acquisition of a manufactured home community - they also include resources to finance the needs identified in the capital improvement plan and 10 years of technical assistance to the resident Board. More and more, resources from ROC USA Capital are accompanied by resources from other funders offering low-cost capital to further drive down the cost of the ownership for residents. Those resources often come from Housing Finance Agencies (HFAs) who share in ROC USA's mission to create stable and affordable homeownership options. In partnership with HFAs in CO, MN, NY, PA, UT, VA, VT, WA, and WI, more than $100 million in financing has preserved nearly 3,000 affordable homes through resident ownership.

Legal Structure

ROCs are incorporated according to each state's non-profit or not-for-profit corporate statute, although exceptions exist because of the difficulty of achieving this status in some states. Because few states have cooperative statutes that accommodate manufactured housing communities, most ROCs are incorporated as non-profit public benefit, mutual benefit, member benefit corporations, or associations.

1.6.3 Case Story

In September 2025, homeowners in Buena Vista, VA became the Commonwealth's first resident owned community with the $3.95 million acquisition of Crestview Cooperative. The 71-lot community, nestled near the Blue Ridge Mountains in the heart of Rockbridge County, was acquired through a combination of funding sources, including an unprecedented $2 million in low-cost financing from Virginia Housing (Virginia's housing finance agency). Additional financing was provided by ROC USA Capital and includes not just resources to purchase the land, but also to make necessary infrastructure repairs and upgrades, such as fire hydrants, roads, and tree removal.

Crestview's Board Secretary Betsy Steger has lived in the community for 18 years. "I am deeply grateful for the opportunity to work through the process of becoming a Resident Owned Community." Steger says. "The experience was both educational and empowering, and I especially appreciate the support from Virginia Housing, whose grant assistance made this milestone achievable and affordable for our community. Knowing that our housing costs will stabilize provides a tremendous sense of security and peace of mind for everyone who lives at Crestview."

Photo: Crestview Cooperative Board of Directors (left to right): John Mark Benning, Sam Fox, Ashley Jennings, Cameron Camden, Betsey Steger

1.7 The “Frolic” Cooperative Model

Name of Model	**Frolic Shared Equity Model**	**Of interest**
Description	Balances the long-term affordability of a typical Limited Equity Housing Cooperative (LEHC or LEC) with the potential individual wealth-generation upside of a market rate co-op. Flexible financial structure that can incorporate public subsidies for income-restricted units allows for mixed-income communities. Residents in multi-unit buildings own shares in a cooperative that owns the property, with individual occupancy of their homes through a proprietary lease agreement. Projects typically feature a unique co-development model, in which Frolic partners with an original landowner who contributes their equity to the development process. These homeowners effectively become investors in the project and as well as resident owners in the resulting multifamily development.	
Number of units/sites	5-20 units/development (1 development completed, 4 in progress)	
Legal form	• Cooperative owns the building(s) (and site) • Residents own shares in the cooperative • Governed by a Board elected by member/owners • One unit, one vote, regardless of cost or size of unit • *Pro Rata* share of common ownership based on unit share of cooperative operating costs • Homeowners can deduct shared blanket mortgage interest (Revenue Code 216 compliant)	Frolic uses a conventional co-op structure but layers in financing in new ways to take advantage of legacy products while allowing new construction co-ops to be accessible to low-wealth purchasers
Resident relationship to entity	Each household owns a stock certificate (resident share) in the co-op, giving them partial ownership of the land and building. Each also holds an occupancy agreement (proprietary lease) with the co-op granting them sole access to their unit. Shared equity holder in the co-op entity, original landowner is a co-member in the development entity with Frolic until the project is completed, after which the development entity is dissolved and Frolic serves as the project steward	The original home/landowner has the option to convert into a unit owner, or to take their return and divest from the property completely
Financing – Public and Private	Financing for projects involves blanket debt (making roughly 50% of cap stack) and individual mortgages with share lenders (making up roughly the other 50%). Blanket debt consists of a 30-year fixed rate mortgage and a sub-debt product designed by Frolic Community called the CIP. The CIP generally has a 10-15 year term and is designed to provide gap financing for the initial establishment of the co-op, allow for monthly expenses	

	in projects affordable to low- and middle-income residents, while ensuring a risk-adjusted return over its term length. The model is generally used with land-owner partners, in which land owners contribute their equity into a development entity, which, when combined with a small amount of equity from outside investors, allows projects to secure a construction loan to build the co-op. ● Blanket Mortgage for the building – Limited and specialized lenders, NCB ● Share loans for the individual units – Specialized lenders, credit unions, NCB ● Public subsidy for some income-restricted units (for select projects)	
Governance	Residents govern their building by actively exercising voting rights to elect the board and make major decisions. Frolic Community acts as a steward, assisting with onboarding of the initial board and community systems, ongoing asset management support, and as an advisor to the board in making decisions regarding the financial health of the co-op.	
Level of permanent affordability	This model attempts to balance equity growth with long term affordability. Income restrictions upon entry for subsidized units Typical resale appreciation cap: 3% of the purchase price per year (non compounded), or fair market value at time of resale, whichever is lower	
Equity	Residents have equity through ownership in shares. Capped at 3% appreciation of original purchase price or market rate, whatever is lower	
Optimal use case	● In areas with upzoned land that has appreciated ● Homeowner codevelopers with significant existing equity ● Early core group of community-focused potential residents	
Considerations	● Public subsidies can help but are not necessarily enough to reach permanent affordability, which is why the model layers in other forms of capital. Subsidy is not always a guarantee, so they work to find ways to finance projects without it, achieving a base level of affordability which can be deepened with subsidy as available. ● Ongoing stewardship/support is required to ensure the community does not fall into poor governance practices	

	• The model can be hard to explain to first-time homebuyers; training should be factored into costs and developed well in advance	
Tips and Opportunities	• Early and strong community organizing is essential • Find vision-aligned homeowners who will be the champions of the project • Source preferred funding partners well in advance and use them to help close the remainder of funding	
Benefits to residents and community	• Predictable costs • Price over time is flatter than renting, with equity growth for residents • Purchasers are often already members of the community • Creates homeownership without the full pressure of maintenance/upkeep • Supports a sense of community through increase in shared spaces while still allowing for stand-alone units	
Get help	• www.frolic.community • National Cooperative Bank, NCB.coop • Cohousing.org • UHAB National, uhab.org/national • National Association of Housing Cooperatives, coophousing.org	

1.7.1 Introduction and Background

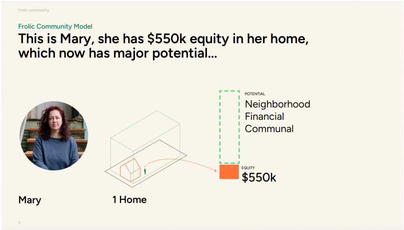
The Frolic Model (a variation on the co-op shared equity model) was designed to expand homeownership to low-wealth, generational renters while helping prevent displacement of communities experiencing gentrification by allowing them to leverage the development potential of their land. The model balances the long-term affordability benefits of a typical limited equity housing cooperative (LEHC or LEC) with the individual wealth-generation upside of a market-rate co-op. Their financial structure organically hits Area Median Incomes (AMIs) of 80 - 120% in high-cost markets and also allows for weaving in other sources of capital, including city subsidy, to hit lower AMIs.

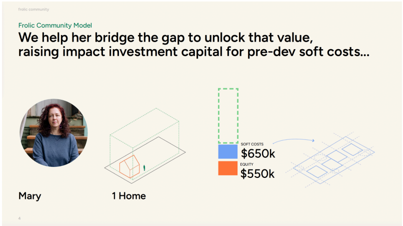
The model emerged in Seattle, where upzoning has created both opportunity and displacement. Long-term residents of areas such as the Central District have seen their property values skyrocket, just as their friends and neighbors are being priced out of the area by rising rents and property taxes, which in Seattle are calculated based on highest and best use. Despite the increase in land values, selling their property is often an unattractive option due to the loss of community and the lack of alternative housing options within the area and given price point.

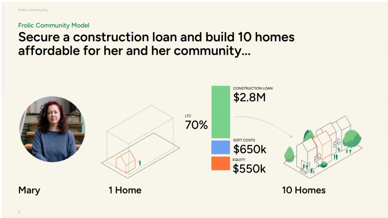
1.7.2 Case Story

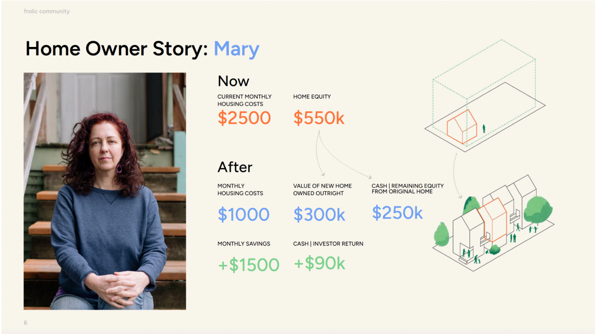
Legal Structure

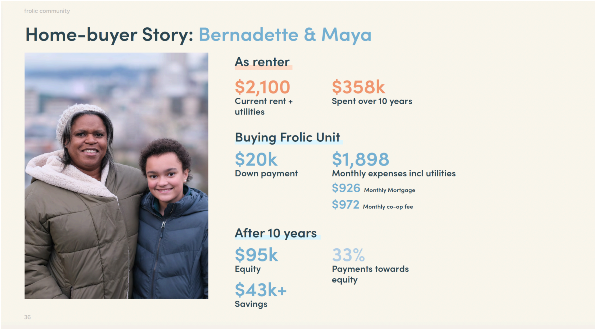
The Frolic Model was designed in part to allow existing landowners in a rezoned neighborhood to unlock the new value of their land to create more housing in their community. On a typical low-density urban single-family site, this looks like transforming a single-family home into a multifamily community with 6-10 units. After determining project feasibility, the homeowner and Frolic create a co-development LLC, and the homeowner contributes the equity in their home to the entity. Frolic Community matches their equity with other capital from their pool of impact investors, which covers all soft costs needed to get the project to construction loan closing (typically around $550,000 (or $55k/home).











After project completion, the construction debt and co-development LLC equity is taken out with the co-op capital stack, made up of blanket debt (roughly 50%) and resident share mortgages (roughly another 50%). The original homeowner recovers their initial equity contribution plus investment returns. They have multiple options for these proceeds: take the full amount in cash, use a portion to purchase a unit in the new cooperative, or convert some of their returns into long-term financing for the property. The financing option improves affordability for buyers while providing the original homeowner with ongoing monthly income from the cooperative. When residents buy a home in the community, they purchase shares in the cooperative and sign an occupancy agreement giving them the sole right to live in their unit. Shares can appreciate in value and owners can make improvements in their homes.

The cooperative is managed by a board of directors made up of elected residents, and Frolic Community provides training, stewardship, and ongoing technical assistance to the board. Several projects use an equity growth cap of 3% per year, but this depends on the specific objectives of the project and the capital sources.

Financing

The Frolic model layers several forms of capital to make the co-operatives more affordable to create.

Home equity

Homeowners in recently-upzoned neighborhoods face a unique set of challenges and opportunities. While upzoning for higher density can significantly increase land value, most homeowners do not have the upfront capital required to develop their land and unlock that value. Moreover, they often see a marked increase in property taxes, which can pose a financial burden. If rising costs force them to sell, they typically only recoup a portion of the financial value since their home becomes a tear down and developers are only purchasing their land for $700k-$800k per lot. What conventional developers build on these lots are typically luxury townhomes selling for over $1M or more. Homeowners either have to leave their neighborhood or face increasingly unwieldy monthly costs. For homeowners with significant equity, the Frolic model enables them to leverage that equity to build new homes on their land and capture the increased potential value of their rezone.

Frolic partners with these homeowners as co-developers, working with the homeowners and necessary consultants to design and permit a multi-family project on their land. This eliminates the need for Frolic to buy land, reducing the amount of upfront capital needed and overall project risk relative to conventional development. If additional capital is required for pre-construction financing, Frolic's network of impact investors can often help bridge the gap. Frolic has also obtained several private foundation grants to help subsidize the pre-development process for eligible projects.

Construction Financing

Construction of the development is financed with conventional debt, with similar products and rates to a conventional speculative development project. Construction lenders generally view Frolic projects as an apartment or condo from an appraisal standpoint, as the co-op is first established after construction completion.

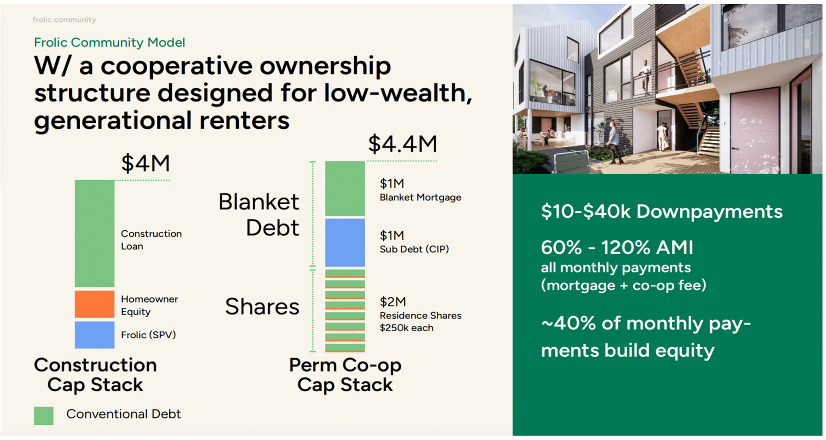
Permanent Financing

Once the project is built, it converts to a mutual benefit non-profit corporation (the co-op), which owns and operates the building. To buy a residence, residents purchase a resident share in the co-op, either outright or with a share loan through Frolic's network of lenders. Permanent financing is made up of resident share purchases, debt from the community investors, a blanket mortgage, and sometimes a layer of public subsidy.

Value Growth

Frolic projects are located near public transit in desirable neighborhoods where they expect to see growing real estate values. As the value of the project grows, the cooperative has a better financial position and can refinance at lower Loan-to-Value (LTVs) ratios. Resident shares benefit from increasing value but are limited in their annual share price growth, generally by a resale cap of 3% annual growth.

The ownership and financing of the projects balances long term affordability with wealth generation through small down-payments, low monthly expenses, and capped but still significant equity growth - driven by both a larger resale cap than typical CLT caps, and by a larger starting share size than a typical LEHC. An important feature of the Frolic Shared Equity model is the relative balance between individual and shared debt in the permanent capital stack.



For comparison, a typical LEHC takeout would include mostly shared debt with a limited amount of individual debt, which also has the effect of limiting the potential for wealth-building. On the other hand, a typical market-rate co-op takeout includes a very limited amount of shared debt and a much larger share of individual debt, which has the effect of excluding all but wealthier homebuyers.

Issues

One of the greatest challenges for co-op formation historically has been securing financing. Co-op appraisals are systemically undervalued due to the limited experience appraising co-ops and the lack of comparable sales. After several years of making headway, Frolic now has established relationships with key lenders who are interested in lending to these types of projects. **Through building trust with lenders and developing financial products tailored to shared equity housing development, Frolic Community develops their own projects, and is in the process of creating a system for other community based organizations, CLTs, and small-scale developers to use their legal and financial structures to reduce the barrier of entry for others to build new construction co-ops.** They are also working on a toolkit for multi-family rentals to convert to co-ops, using the same legal and financial structure (and sub-debt products) to make these conversions more attainable in high cost markets.

1.8 The Renting Partnership “Cooperative”

Name of Model	Renting Partnership	Of interest
Description	A nonprofit organization purchases or develops housing - taking it out of the real estate market - and leases to residents who earn financial credit by fulfilling a Rental Equity Agreement to attend monthly meetings of the Resident Association, pay rent on time and take part in upkeep of common areas.	Collective ownership and a cooperative management system allow renters to build wealth while keeping the housing affordable for future residents.
Number of units/sites	16 units, 3 duplexes, and a 10 unit multifamily building	The management and financial system was proven in 47 units of affordable housing over 10 years prior to creating the model for collective ownership.
Legal form	Inspired by community land trusts and cooperative management principles A nonprofit organization owns the housing to keep it affordable and provides stewardship. Legal agreements convey rights and responsibilities to residents for participation in management and earning financial equity. These agreements (a Rental Equity Agreement and Resident Association Membership Agreement) are part of the lease.	This is a third choice that has elements of both owning and renting. The Rental Equity Agreement eliminates a need for share loans in cooperatives and complicated formulas for sharing appreciation of a home in a land trust.
Resident relationship to entity	Every household is a member of the Resident Association and votes on the budget and the policies for operating where they live. They also vote to elect directors of the nonprofit organization that provides property management services and oversees commitments to lenders, government agencies, grantors, and others involved in development.	Residents control operating policies for their building, elect directors of a nonprofit organization that owns the housing. Managers can enforce rules and agreements by not renewing leases or eviction. The Rental Equity Agreement requires meeting attendance.
Financing – Public and Private	CDFI, Seed Commons, City of Cincinnati, loans from individuals, Foundation Grants	Affordable housing requires subsidy for development. Grassroots groups need resources to help them meet housing agency’s requirements for funding. LIHTC is costly and small projects cannot absorb the added expense.
Governance	Tripartite Board (Residents, Advocates for households that need affordable housing, Professional Advisors) responsible for ownership commitments	A dual level of governance allows residents to make decisions specific to their property and be part of a collective that owns multiple properties and provides

	Resident Association policies govern day to day operation	professional management services
Level of permanent affordability	Housing remains permanently affordable because the nonprofit holds the property in trust for both current and future residents. Residents can stay for a lifetime and earn financial equity. They do not buy and sell, so the property stays affordable.	Residents do not need loans or a downpayment. Funders may place income restrictions on occupants.
Equity	The Rental Equity Agreement allows residents to build up to $1,000 in financial credits a year. Credits vest after 5 years and residents can use credits to pay rent or request payments. This stabilizes low-income residents and allows them to meet emergency needs and invest in opportunities for growth.	Residents invest in managing their housing efficiently and build emergency savings with access to other economic opportunities.
Optimal use case	In existing urban neighborhoods with small rental buildings Residents are organized and choose to participate before applying for a specific unit Managers are good communicators and organizers who provide information for decision making and opportunities for community building	Organizing through community orientations creates a committed community and a waiting list.
Consideration s	A concern is the potential for losing control of expenses and management decisions. For example, management agencies often assign maintenance personnel expenses across their portfolio rather than charging costs to specific locations. Housing should not be targeted to groups other than people seeking affordability and community. Look out for development proposals that understate operating, repair and replacement expenses to qualify for funding.	Residents have to see how the rent is being spent to feel their involvement is meaningful. Section 8 is accepted but the primary target is households who are paying out of pocket.
Tips and Opportunities	Awareness of this model generates hope in low-income households that stability and savings are possible within housing they can rent. To make this possible, the budget projects vacancy and turnover expenses that are average in rental housing and the manager reserves funds to pay them. The Rental Equity Agreement to stay at least 5 years lowers turnover which also allows the reserved funds to be used to make payments to residents according to the agreement.	20+ years experience shows that reserves for vacancy and turnover maintenance more than funds the rental equity commitment
Benefits to residents and community	Provides a pathway for low- income households to contribute to the community and become more financially secure	Narrows the divide between owners and renters
Get help	Renting Partnerships openly shares its lease and agreements	www.rentingpartnerships.org or rentingpartnerships@gmail.com

1.8.1 Introduction to the Model

The Renting Cooperative™ model creates a path to financial independence and long-term housing security for households historically excluded from traditional housing ownership. The Renting Cooperative™ reimagines affordable housing as a community asset rather than a commodity. **A nonprofit organization provides the structure and services that allow residents to manage housing collectively and earn financial credits without buying and selling property.** Residents have a clearly defined role in management that sustains their housing and generates savings in the operating budget. These savings are used to fund financial credits, or Rental Equity, that low-income households need to weather emergencies and pursue long-term goals.

In these renting co-ops, each household earns financial credits every month as they fulfill commitments to pay rent on time, attend the monthly resident association meeting and complete a responsibility for upkeep of common areas. These credits can build to $10,000 in 10 years but residents must stay at least 5 years to receive payment. They can use their credits like a savings account while they continue earning credits for as long as they live in the cooperative.

Background

The Renting Cooperative™ concept began in 2000 during a Franciscan Friars-led housing rehabilitation effort in Cincinnati, Ohio. The original project was structured as a limited partnership between a nonprofit owner and investors in Low-Income Housing Tax Credits (LIHTC).

The Friars envisioned a model that offered the stability and financial benefits of ownership to residents of a very low-income neighborhood. Margery Spinney developed a set of policies and procedures for resident participation in management that were accepted by the nonprofit owner. These practices lower vacancies and turnover maintenance costs in the developer's projected operating budget. The savings are sufficient to allow payments to resident households who fulfill an agreement for earning financial credits. The property manager and the residents played key roles in defining and refining these policies.

Over time, the program expanded from 24 to 59 units in 3 separate projects. A Community Loan Fund originally provided an operating reserve to fund the equity credits but that proved unnecessary. An evaluation of financial statements by the Corporation for Enterprise Development (CFED) in 2012 confirmed that residents accrued significant equity while operating costs were no higher than comparable housing that did not make rental equity payments.

In 2014, Renting Partnerships was formed to protect resident power after a management change threatened the cooperative approach. Structured similarly to a Community Land Trust, the organization ensures long-term affordability and demonstrates that residents can build financial savings without relying on property sales or speculation.

Today, Renting Partnerships manages multiple fully occupied properties, and continues to prove the long-term viability of rental equity credits, the strength of Cooperative Principles, and the importance of governance that centers resident voice and empowerment.

Community Driven Management

Central to the Renting Cooperative™ is a management system that replaces the conventional tenant-landlord dynamic with a collaborative approach. Three legal agreements are unique to this model.[2]

1. **Rental Equity Agreement**
    - A renewable ten-year agreement allows residents to earn financial credits as they fulfill their lease agreements and participate in management and upkeep.
    - Credits accumulate up to $10,000 over 10 years, following a financial schedule that mirrors the equity earned by repaying a $10,000 loan at 7% interest over the same period. Credits vest after 5 years, after which residents can request payments.
    - People can request financial payments once they stay for 5 years for any purpose. The most common use is to pay rent when income is lost due to illness or a change in job. Paying rent with credits also frees up other income for emergency expenses.
    - Residents do not have to take out all of their credits until they stay for 10 years. A new agreement is signed for the next 10 years.
    - Residents do not have to move out to use their credits and money keeps accumulating in the fund as long as they stay.

[2] Models of these 3 legal agreements are available from Renting Partnerships.

2. **Membership Agreement**
   - Each household is a member of the resident association and has a vote on operational policies, including the annual budget, house rules, and maintenance priorities.
   - The resident association is also responsible for upkeep of common areas and community activities.
3. **Perpetual Lease**
   - Leases automatically renew every year for residents who fulfill these agreements. The owners' commitment not to sell assures stability.
   - Rents will not increase except to cover operating expenses.

Legal Structure

At the heart of the Renting Cooperative™ is a nonprofit entity that holds property in trust for the benefit of both current and future residents. Modeled after a community land trust, the nonprofit Board of Directors is composed of one-third residents, one-third advocates for low-income groups, and one-third management professionals, balancing resident empowerment with stewardship. The nonprofit can develop new projects and take on debt, responsibilities that resident associations cannot assume.

The nonprofit employs a community manager that handles administration, policy enforcement, and maintenance contracts. The operating budget of each project includes a fee for these services.

1.8.2 Case Story

Development of 740 Chalfonte Place: The Renting Cooperative™ looks like a rental project to funding agencies and lenders underwriting housing development. This makes it easier to finance than other types of cooperatives and opens the door to apply for affordable housing subsidies because the nonprofit entity handles legal and financial agreements.

The project, 740 Chalfonte Place, is in the Avondale neighborhood of Cincinnati and is a "gut" rehabilitation to restore a 100-year-old vacant building to create a 10 unit Renting Cooperative™. The financing is structured to make units as affordable as possible. The City of Cincinnati, using federal funds through the American Rescue Plan Act, is funding part of the cost of rehabilitation. Seed Commons, a cooperatively governed national CDFI and nonprofit lender, is making a low-interest mortgage loan.

Financing

The sources and uses of financing for the Chalfonte community:

Source of Project Funding	Amount	% of Total	Type (Loan, grant, equity)	Terms (rate, amort, terms)
City of Cincinnati (ARPA)	$440,000	26%	0% loan	Forgivable after 15 years
Seed Commons Loan (Private lender)	$1,205,000	71%	Loan	3%, amortized 30 years
Renting Partnerships (Owner)	$50,000	3%	Equity	
Total	$1,695,000	100%		

Chalfonte - Use of Project Funding	Amount	% of Total
Acquisition	$813,212	48%
Construction	$811,788	48%
Soft Costs (Arch/Eng, Financing Fees, Insurance, Prop Tax, Mktg)	$77,129	4%
Developer Fee	$0	$0
Total	**$1,695,000**	**100%**

The proposed rents are affordable to households at 50% and 60% of Area Median Income.

Unit Type	No. BR	No. Baths	Ave. Sq. Ft.	No. Units	Rent	Utilities Incl. in Rent
One Bedroom	1	1	700	4	$857	water/sewer/trash/
One Plus (family room and deck)	1	1	900	4	$1,007	water/sewer/trash
Three Bedroom	3	2	1400	2	$1,475	water/sewer/trash

Funding Financial Credits

The operating *pro forma* for the project assumes vacancy losses and maintenance expenses totaling at least $1,000 per unit each year (this is average for rental housing). A line item in the operating expense budget is created to set 1/12th of this amount aside each month in a financial account where it can be drawn on if needed for turnover and vacancy. However, experience over the past 24 years has proven that the funds accumulate and can be used for rental equity payments as well.

The budget for Chalfonte and source of the funding for credits:

10 Units	Rental
Gross Income (2%/yr escalation)	114,000
Vacancy Allowance = 7% (OHFA)	7,300
Total Income	106,700
Expenses (3%/yr escalation)	
Personnel, Marketing & Administration	15,000
Utilities (Water Sewer/trash)	1,000
Insurance	4,750
Maintenance	5,400
Property Taxes	5,500
Contract Services	1,300
Total Expenses	32,950
Net Operating Income	**73,750**
Annual Mortgage Payment $1,205,000 @3% 30 yrs.	60,960
DCR	1.21
Reserve for Repair & Replacement	12,790

$7,300 Set aside

$2,700 Set aside

Funding for Credits

Orientation Requirement

During the development of 740 Chalfonte, the community manager promoted information sessions about the new Renting Cooperative in the community. Postcards and flyers were distributed to churches and libraries and articles were included in the neighborhood newsletter and city-wide media.

To apply for an apartment, prospective residents must complete 3 different sessions, one is a general introduction, another on financial assets vs. income, and a third on the lease and legal agreements. This ensures that residents make an informed decision when choosing this unique housing model. In addition, residents had opportunities to tour the building under construction and review plans. The more sessions that someone attends, the higher their priority is on the waiting list. The project will be completed in 2026, and all 10 units are already reserved. Unfortunately, demand exceeded supply, and not everyone who applied will receive a unit.

Issues

Design Considerations

The ideal size for renting cooperatives ranges from 4 to 24 households. This size fosters a sense of belonging to a community while ensuring that every resident feels they have a voice. Larger developments may achieve this by careful planning to incorporate "defensible space," a design concept that promotes a sense of community, ownership, and safety.

Impact

Renting Cooperatives benefit the public by taking housing out of the market to keep it affordable, stimulating economic growth in disadvantaged neighborhoods, strengthening financial resiliency, and reducing the need for single purpose social programs. Governments and public agencies can stimulate the development of Renting Cooperatives by making it easier for community-based groups to obtain development subsidies and by reducing property taxes. Reduced taxes can make more projects feasible without the cost and complexity of Low-Income Housing Tax Credits (LIHTC). The CAUV (Current Agricultural Use Value) program in Ohio provides a model for how this can be done.

Photo of 740 Chalfonte

1.9 Permanent Real Estate Cooperative

Name of Model	**Real Estate Cooperative (Community-Owned/Permanent)**	**Of interest**
Description	Multi-stakeholder real estate cooperative that owns a mixed-use, mixed-income building co-locating affordable housing with commercial space that incubates and houses nonprofits and small businesses meeting community needs. Two classes of ownership: community (including residents) and commercial tenants (who own shares in a cooperative that owns the property, with individual occupancy of their commercial units through a proprietary lease agreement). Equity raised through community investment crowdfunding from community owners.	Real estate development truly co-created and co-owned with the community to meet its needs
Number of units/sites	1 site: 24 housing units and 7 commercial units	Sister 501c3 started to incubate additional projects
Legal form	Multi-stakeholder nonprofit consumer cooperative ● Two classes of ownership: (1) community (includes residents) (2) commercial tenants ● Cooperative owns the building ● Commercial tenants own share tied to 99-year proprietary lease for unit ● Governed by board elected by owners (more below) ● One member, one vote, regardless of investment or cost or size of unit ● Community owners (including residents) purchase one-time $50 share with optional pay what you may annual dues; also had option to purchase non-voting investment certificates with a preferred return of 3-6% and 5-10 year investment ● Bylaws allow for creation of separate residential membership class but does not require it; so far board has not created and there is no identified need for it	Different methods of residential equity and ownership could easily be incorporated (including limited or group equity for residents), either with another partner to be the master tenant or through another class in the cooperative
Resident relationship to entity	● Owner of entity through community shares in cooperative; elect 3 board representatives as part of community ownership and one board representative specific to residents; hold 1-year renewable, income-based lease (serving 60% AMI-120% AMI) ● Preferred access to housing for people working in/retired from working in building ● Community owners, including residents, must approve certain high level decisions such as sale of property or conversion of below market housing to market rate	Resident voice in governance can be easily expanded or reduced through RASIC role and responsibilities approach policies (so far, residents have shown minimal interest in participating in governance)

Financing – Public and Private	Predevelopment ● Community investment crowdfunding and share purchase ● In-kind donations Construction and Occupancy ● More community investment crowdfunding and commercial tenant down payments ● Grants: Community Revitalization Program grant, Brownfields grant ● Blanket permanent mortgages for building (including construction): Primary loan with USDA Business and Industry Loan Guarantee, Secondary loan from CDFI ● PACE (Property Assessed Clean Energy) special assessment for green infrastructure ● Commercial tenants responsible for costs of their buildout; some pursued shared loans financed by lenders, credit union, or coop	Community Investment Crowdfunding for community owners was a key part of the strategy: align the mission/interests of your investors with your mission/interests If in a rural area, the USDA loan guarantee program is very helpful
Governance	● Governed by Board, with majority elected by commercial tenants, 3 representatives elected by community owners, 1 representative elected by residents, 1 representative for Boardman River/Environment ● Bylaws and policies include detailed RASIC assigning roles (i.e., approve or consult) in specific big decisions to stakeholder groups. ● Board hires Executive Director who supervises other staff and volunteers. Commercial tenants are very involved in operations and approve certain high level policies/budgets to manage common areas and co-op objectives	Careful RASICs that define roles for everyone (with more options than "approve" or "no role") are essential - consider where it is important to give members a "C"onsult role to get feedback even if they don't need to "A"pprove the decision
Level of permanent affordability	● Current policy is ¼ each at 60%, 80%, 100%, 120%/market AMI; after conversion to 501c3 as master leaseholder, will be ¾ at 80% or lower ● Requires approval of community owners to convert from long-term housing and approval of board to change affordability levels ● Goal of housing stability; caps on how much rent can increase each year in policy and leases ● Risk of transitioning to market rate if building is going under	Protection could be built more deeply into bylaws to be "permanent"
Equity	Residents have same $50 share of equity as other community owners in overall building; no equity specific to units	Could easily add a limited equity component to residents if financial model supported it
Optimal use case	● Community has growth pressure/high land costs/shortage of affordable rental housing ● Desire for project to be deeply accountable to community in its promised impact and design ● Rural areas/towns with placemaking needs	

	• Desire to co-locate housing with opportunities to improve quality of life (child care, employment, healthy food, wellness, art, connection, etc)	
Consideratio ns	• Difficult to do with LIHTC but subsidy is needed for housing • Set community expectations clearly for role in governance • Poor management – governance • Poor property management – operations • Lack of reserves to maintain building	
Tips and Opportuniti es	• Listen closely to community needs and use "design thinking" to develop and test real estate development that meaningfully addresses community needs; use community ownership and investment as test to see if you listened well enough • Include focus groups of target audience of future residents in design • Recognize that you might need to intentionally incubate partnerships / businesses/ nonprofits to operate spaces meeting community needs • Early and strong community organizing and communication is essential; be very clear up front on governance model and community ownership role to manage expectations • Find lenders, architect, construction management teams etc that "get" what you are doing and support your mission • If charitable community impact is a big part of your model, find a role for philanthropy in your capital stack	Expiring small LIHTC buildings with group of tenants interested in permanent ownership
Benefits to residents and community	• Below market, income-based rental housing • Housing is co-located with potential employers, child care, and other food, family, arts, and wellness amenities to improve quality of life • Housing is located in area of "high opportunity", which increases social and economic mobility for residents • Provides community with voice and governance in real estate development to ensure development meets community needs • Protects nonprofit/small businesses located in building with fixed cost/ownership in real estate	
Get help	Commongrounds Cooperative Model adopted from Permanent Real Estate Cooperative developed by Sustainable Economies Law Center, www.selc.org	www.commongrounds .coop

1.9.1 Introduction to the Model

A Permanent Real Estate Cooperative (PREC) is a cooperative corporation, with a governing body chosen and major decisions made on a one-member one-vote basis, where land, housing acquisition and development is controlled by the community. Members who live on the cooperative's properties pay a "purchase" price for a long-term "diminishing rent lease." Monthly payments are designed to be reduced over time as residents pay off the purchase price. When a member "sells" their lease, they will receive a pre-determined price that will give them a modest return (e.g., tied to the Consumer Price Index or a similar index) on their purchase price, as well as compensation for improvements. **The cooperative holds title to the land, housing, and businesses.** To keep it off the speculative market in the long-term, the cooperative preferably gives multiple land trusts and other PRECs rights (through deed restrictions, easements, co-ownership, and purchase options) to enforce affordability restrictions and to take ownership of projects that are abandoned by the PREC.

The Sustainable Economies Law Center (SELC) developed the term Permanent Real Estate Cooperative (PREC) and helped write and pass a law that increased California cooperative corporations' securities exemption, allowing them to raise capital by selling membership shares for up to $1,000 each. The first PREC, East Bay Permanent Real Estate Cooperative (EB PREC) in Oakland, CA, now has several multifamily, single family, and commercial properties that are community controlled. Visit www.ebprec.org.

1.9.2 Case Story

Commongrounds Cooperative is an innovative approach to community-owned real estate development that addresses the intersection of housing affordability, local economic development, and community empowerment. Located in Traverse City, Michigan, this $17.7 million mixed-use development demonstrates how communities can take control of their own development to meet local needs while building wealth and social infrastructure.

Background and History

Traverse City, Michigan, exemplifies the challenges facing many small American cities caught between seasonal tourism economies and growing affordability crises. With a population of nearly 16,000, this Lake Michigan community has grown from a seasonal beachfront outpost into a busy, increasingly expensive, year-round, micro-urban center. The affordability crisis has several notable impacts:

- The workforce cannot afford to live in the community: median home prices more than doubled between 2010 and 2024. One-bedroom apartments typically rent for over $1,900 monthly, while median individual incomes hover just above $31,000 annually.
- Residents often feel like new real estate development is happening to them rather than for them, as spaces are designed for higher income seasonal visitors.
- Placemaking small businesses and nonprofits are pushed out as renters in prime locations, making it difficult to build or retain community spaces and third places.

The Innovation

Several local nonprofit and small business leaders partnered to develop Commongrounds Cooperative—a community-owned solution to community problems. The building was planned in a corridor targeted for redevelopment by the city, and the nonprofit and small business participants held many listening sessions and one-on-one meetings to try to understand community needs, such as workforce housing, child care, social infrastructure/connection, culture of health, and supporting a creative and year-round economy. Ultimately they added more commercial partners, and together they co-designed the building and its vision to address those needs: a building with a mission to connect people to each other and food, family, arts, and wellness.

The commercial partners shared an initial building concept with the community and opened ownership to a positive community response (375 owners in the initial "early bird" campaign). The following year they also opened the first investment crowdfunding campaign to pay for the predevelopment costs and detailed design and engineering for the building. This investment was used to leverage the rest of the financing. The project broke ground in 2021 and opened in 2023, representing one of the largest examples of "community-owned cooperative real estate" in the US.

The final building is a 47,000 square-foot building with 19 workforce housing rental units serving 60%-120% Area Median Income (AMI), and 5 short-term guest stay units that help subsidize long-term housing. Residents have access to community rooms and the benefit of being co-located with the services offered by the commercial tenants: early childhood education, entrepreneur coworking/nonprofit shared office space and meeting rooms, performing arts space and visual art gallery, teaching kitchen, wellness programming/spaces, and a restaurant/cafe featuring local food. The building is designed with robust social infrastructure or spaces where the community can gather.

Legal Structure and Governance

Multi-Stakeholder Cooperative Model

Commongrounds operates as a multi-stakeholder nonprofit consumer cooperative with 2 classes:

1. **Community Owners** (1,200+ members): Purchase a one-time $50 share with optional "pay what you may" annual dues that support cooperative operations and common areas. Community Owners had the opportunity to purchase non-voting investment certificates yielding 3-6% annual returns over 5-10 years. All residents are required to become community owners.

2. **Commercial Tenants**: Own shares tied to 99-year proprietary leases for their commercial units, participating directly in building ownership and management while maintaining operational independence. Commercial tenants pay a share of common area and cooperative management.

Governance and Operational Structure - Inclusive Stakeholding

The cooperative is governed by a board elected by its stakeholders, which was designed to consider the importance of stakeholders having a voice in decisions that affect them.

- **Commercial tenants**: Elect the majority of board members
- **Community owners**: Elect 3 representatives
- **Resident representation**: Vote in community owner election and elect 1 residential representative
- **Environmental stewardship**: 1 representative for environmental interests

The organization utilizes detailed RASIC (Responsible, Accountable, Support, Informed, Consulted) matrices in bylaws and policies that clearly define stakeholder roles in different types of decisions. It is an ever-evolving journey, not a destination, but the cooperative continues to strive for collaborative problem solving and improvement. To manage operations, the board hires an Executive Director who manages daily operations with additional staff and volunteers. Commercial tenants remain actively involved in operations and must approve certain high-level policies and budgets.

Financing Mechanisms

Commongrounds is best known for using community investment crowdfunding as a cornerstone of its financing strategy, with the goal of aligning the interests of investors with its mission.

1. **Community Investment ($1.89M)**
   - 1200+ members w/$50 membership shares. 500 invested $1.3 million through investment certificates (median investment of ~$2000), and $550k additional community investment in land
   - Demonstrated community commitment and provided crucial predevelopment funding
2. **Permanent Mortgage Debt ($12.85M)**
   - Primary loan with USDA Business and Industry Loan Guarantee through Coastal States Bank ($8m)
   - Secondary mortgage from a community development financial institution (IFF) ($3m)
   - PACE green assessment financing ($1.85M)
3. **Grants and Public Support ($1.71M)**
   - Michigan Economic Development Corporation Community Revitalization Program grant ($1.5M)
   - Grand Traverse Brownfield grant ($210K)
4. **Tenant and Other Equity ($1.21M)**
   - Commercial tenant down payments and buildout investments
   - In-kind donations and volunteer labor

Model Adaptability, Lessons Learned, and Challenges

Successes

Community Ownership and Investment as Engagement Tool: The community ownership and investment process served as both fundraising mechanism and community organizing strategy, building trust and ensuring alignment between investor and community interests.

Role Definition Critical: Clear role definition is critical for collaborative projects with many stakeholders because it sets clear expectations about each person's role, reducing confusion and conflict. “We do not become satisfied by leading a peaceful and prosperous existence. Rather, we become satisfied when reality matches our expectations” - Yuval Noah Harari. Commongrounds had found the RASIC model especially valuable because it offers a broader range of role involvement - so that everyone knows how and when they can contribute.

Early Stakeholder Engagement and Investment: The project was led and developed by the people who were ultimately going to own and use the building - the commercial tenants and the community/potential residents. Each space was designed by its future users, and then partners were asked to share the risks as well as the benefits by investing resources - whether time, connections, or financial - to make the project possible. Everyone does not need to contribute something of equal economic value, but there is value in asking people to share the risk as well as the benefit in order to develop a deeper sense of ownership.

Areas for Improvement

Financial Model Refinement: Commongrounds is still ensuring the project is financially sustainable. It ended up with too much debt relative to the income the project can comfortably maintain (COVID-era construction/inflation, overoptimistic financial projections, etc). In retrospect, it should have pursued philanthropy as part of the initial capital stack. In order to ensure sustainability, the organization is evolving toward a sister 501c3 to serve as housing master tenant, enabling more affordable financing, and annual philanthropic support for community programming and spaces.

Business Incubation Planning: Community needs exist for a reason—each of the original planned project partners ended up needing significant incubation or support for it to be possible for them to open their space in the building. In the future, the project would plan more systematically for incubation and ongoing support for businesses meeting community needs, rather than assuming suitable operators would emerge organically.

Investment vs. Impact Clarity: The organization continues refining its approach to balancing community impact goals with investor return expectations. Initially a core goal was to create a way for the community to increase its wealth by paying 6-7% APR returns; however, because the project is so heavily focused on a community impact mission, it would have benefitted from a more financially sustainable “social impact” return (2-3% APR). Commongrounds recommends thinking through whether the primary goal of real estate cooperatives seeking community investment is impact or wealth building. If it is the latter, the project might place greater emphasis on industries that generate reliable profits (and not on initiatives like child care and performing arts that famously cannot afford high costs).

Model Adaptability

Commongrounds is part of a broader movement for community-controlled development, and adopted its model from the permanent real estate cooperative model developed by the Sustainable Economies Law Center. The model's emphasis on permanent affordability, democratic governance, and integration of housing with community services offers a compelling alternative to conventional development approaches. As housing costs continue rising in communities across America, Commongrounds provides a replicable framework for community empowerment through cooperative ownership.

While challenges remain, the Commongrounds experience offers valuable lessons for communities seeking to shape their own development futures. The project stands as proof that when communities organize, invest, and govern collectively, they can create development that truly serves their needs while building lasting community wealth and social infrastructure.

2 Community Land Trusts

Name of Model	Community Land Trust – CLT	Of interest
Description	A nonprofit (or subsidiary of another nonprofit or government entity) owns land and directs development on that land, which often means affordable housing but could be anything from green space to commercial space.	
Number of Units/Sites	16,000 owner-occupied units and ~20,000 rental units in CLTs	
Legal form	Incorporated nonprofit with strong community governance owns land and directs the development on that land	Significant variety in how CLTs are structured
Resident relationship to entity	Homebuyers sign a ground lease or deed restriction that limits the amount of value appreciation they can realize at resale. CLTs often provide supportive services to residents.	
Financing – Public and Private	Acquisition, development, and/or rehab funding Mortgage lenders for homebuyers (familiar with and supportive of CLTs)	Needs subsidy initially but recycles it on resale
Governance	Governance varies between CLTs, but the classic model uses a tripartite board comprising residents, community members, and the general public	Again, there is a lot of variety in CLTs
Level of permanent affordability	Typically there is a 99-year lease	
Equity	Homeowners retain any equity they have paid into their homes along with a percentage of the appreciation upon resale, according to terms in the ground lease or deed restriction	The overwhelming majority of CLT homeowners transition into traditional ownership
Optimal use case	In a heating market with risk of displacement, the CLT can provide meaningful stewardship (skilled staff, ongoing funding)	
Considerations	Beware of poorly designed legal documents and mortgage lenders who do not understand the implications of CLT ownership	Model documents and a list of CLT-friendly lenders are available from Grounded Solutions

Tips and Opportunities	Finding mortgage lenders that understand the CLT model is extremely important and will help you avoid problems down the road	
Get help	Grounded Solutions Network www.groundedsolutions.org International Center for Community Land Trusts www.cltweb.org	Grounded Solutions maintains a map of CLTs throughout the country

2.1 Introduction to the Model

Community land trusts (CLTs) are nonprofit organizations governed by a board of CLT residents, community residents, and public representatives that provide lasting community assets and shared equity homeownership opportunities for families and communities. Traditionally, the CLT board is tripartite, equally comprising 3 groups of stakeholders: residents on CLT land, members of the community the CLT serves, and members at large. In practice, however, this is not always the case, and a wide range of programs that identify as CLTs have emerged since the model's creation.

The structure of the CLT is not the only dimension in which there is variation. CLTs can undertake a wide range of activities. They may develop rural and urban agriculture projects, commercial spaces to serve local communities, affordable rental and cooperative housing projects, or conserve land or urban green spaces. However, the heart of their work is the creation of homes that remain permanently affordable, providing successful homeownership opportunities for generations of lower income families.

The very first community land trust, New Communities, Inc., was established during the 1960s as part of the Civil Rights Movement in Albany, Georgia, to support Black tenant farmers facing discrimination and economic retaliation for organizing to vote. As of 2025, there are around 300 CLTs in the United States that collectively steward an estimated 14,000 affordable owner-occupied units.

In the CLT model, a homebuyer purchases a home that sits on land owned by the nonprofit and signs a ground lease that includes restrictions on how much of the home's increase in market value can be realized when they sell (in addition to any equity they have accrued and the value of any capital improvements)**.** This is determined through the use of a resale formula included in the ground lease. The formulas vary according to each program's needs, but they mostly fall into three buckets: a fixed-rate method, an index-based method (using an index like the Consumer Price Index), or an appraisal-based formula.

As with many other forms of affordable housing, CLTs frequently depend on public subsidy, which can be slow or inconsistent. As a result, they often walk a tightrope between expanding internal staff capacity or trying to expand their housing portfolios. However, their use of resale restrictions means these subsidies are retained in the homes and will be recycled at each sale from one homeowner to the next. Like other shared equity homeownership models, this makes them a particularly effective method of creating and preserving affordable housing.

2.2 Stewardship and Lasting Affordability

Shared equity housing models help preserve and create affordable housing but ongoing stewardship is critical to help ensure lasting affordability and community control. As discussed in Community Land Trusts: A Guide for Local Communities, CLTs must provide 4 kinds of stewardship at once:

Stewardship of Structures or Homes. If a home is to remain a community asset for the long term, it needs to be maintained in good condition. So, CLTs do things like require that the home be adequately insured and approve all substantial renovations and additions. Some CLTs also educate homeowners about preventative maintenance, encourage certain capital improvements, and help homeowners through renovations to prevent contractor fraud.

Stewardship of Homeowners. CLTs support homeowners in several ways, not least of which is to design resale formulas that fairly balance ongoing affordability with the opportunity for wealth creation. CLTs recognize that it is not enough that buyers attain homeownership; they also need to retain it over time. To that end, CLTs do things like require homebuyer counseling before purchase, review all mortgage and refinance documents to prevent predatory lending, and offer post-purchase counseling and foreclosure prevention counseling to help bolster homeowners who need it.

Stewardship of Public Funds. CLTs are stewards of the public funds used to make their homes affordable in the first place. Every CLT makes a promise that those funds will serve generation after generation of homeowners. Accordingly, they oversee every element of the resale of CLT homes, including calculating the formula price and income-certifying the next homebuyer to ensure that the buyer meets the income target specified in the ground lease.

Stewardship of the Organization. In addition to stewarding homes, homeowners, and public funds, CLTs are also stewards of themselves as an organization. Each CLT has a perpetual responsibility for the property it holds, and with that comes a duty to focus on the sustainability of its own operations. CLTs support themselves by seeking donations and operating grants. If developing their own homes, they may be able to collect developer fees to fund ongoing operations. In addition, most will collect modest monthly lease fees from homeowners, and they may collect fees at resale of a CLT unit. Many CLTs also own apartment buildings that they rent at affordable rates to income-qualified tenants. Such rental holdings both advance the CLT's mission and provide regular cash flows that help sustain the organization.

2.3 Case Story

2.3.1 Background

The Houston CLT (HCLT) was founded in 2018 and has since grown to 200 units, with plans to develop a commercial space for their own staff and office space for other organizations. Like many CLTs, the HCLT board has a tripartite structure that includes homeowners and community members.

The story of the HCLT is rooted in collaboration between community members and local government. Residents of Houston's Third Ward and City staff both recognized a need for better housing options in the community. Since the folks in the City's Housing and Community Development Department were familiar with the CLT model, HCLT began its life with some momentum. Houston also provided a significant amount of funding with nearly $1 million in grant funding from the city of Houston over two years. In 2023, several years after their founding, HCLT became one of several CLTs across the country to receive funding from MacKenzie Scott, who provided $5 million in unrestricted funds to HCLT.

Program Success By The Numbers

Homeowners	**197**
First HCLT Home Sold	**June 2019**
NHDP Homeowners	**30**
HCP Homeowners	**167**
Average HCLT Homeowner AMI	**61%**
NHDP Average HCLT Housing Payment	**$649**
NHDP Average HCLT Purchase Price	**$75,134**
NHDP Average Market Rate Listing Price	**$180,000**
HCP Average Housing HCLT Purchase Price	**$105,353**
HCP Average HCLT Housing Payment	**$1,029**
HCP Average Market Rate Listing Price	**$245,174**

(12/2023)

Early in their development, the CLT was fortunate to find a lender that took time to learn about the CLT model and became a strong partner for both the organization and the CLT homebuyers. One of the more essential elements for a CLT's success is the active engagement of a lender who understands the CLT model and is willing to train loan officers on their unique characteristics.

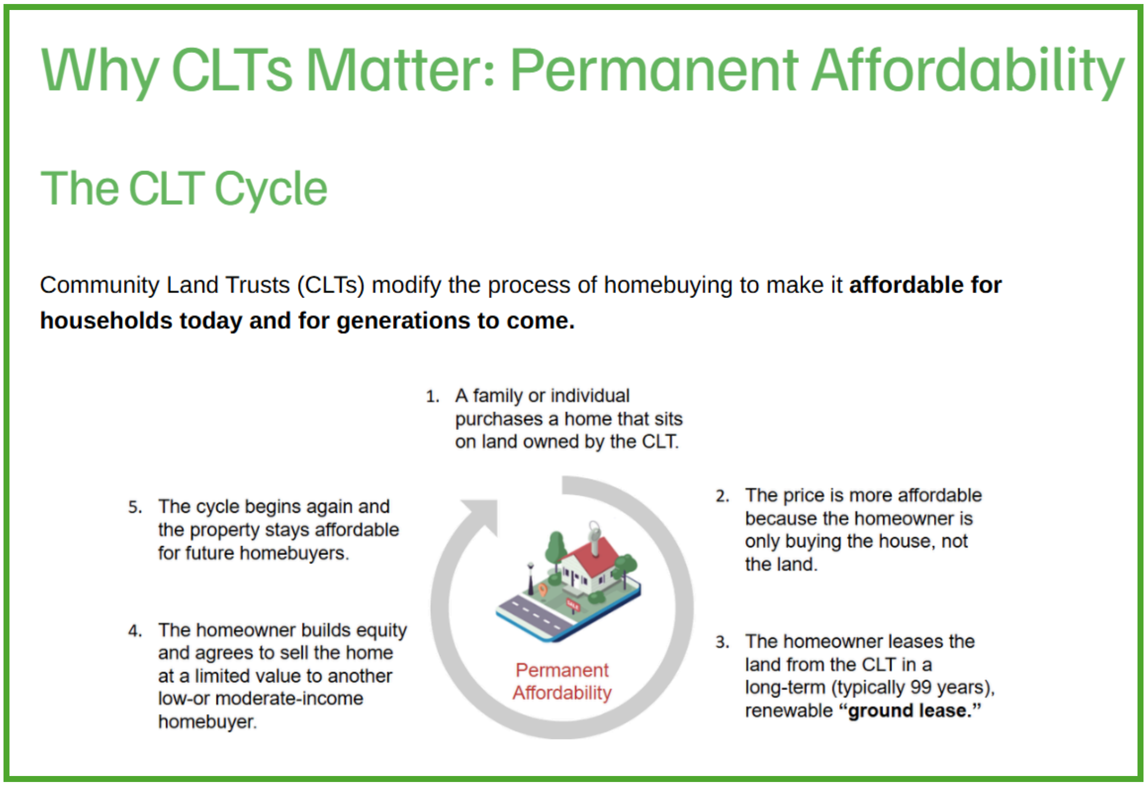
The Houston CLT's trajectory is fairly typical for more successful CLTs in the field, although not all are fortunate enough to receive millions in unrestricted funds. While its story cannot be easily replicated in every locality and neighborhood, it does emphasize the importance of having certain elements in place: an engaged community, supportive institutions, and a friendly policy environment. Where one of these is missing, others may work to bring them about. Residents may advocate for better policies, or a supportive institution (which may be a local or state foundation) could use its resources to spark community interest or policy change.

One detail specific to the Houston context is important to note: under Texas law, CLTs (as defined in the Texas statute) are exempt from taxation by the state or local governments. It requires the locality to enact this, but having the state-level exemption makes it possible. This simplifies one of the common difficulties with resale-restricted models like CLTs: real property in these models is often taxed at the market value rather than the actual restricted value.

HCP Success Stories

2.4 Model Variations - Statewide and Regional CLTs

While CLTs are often within localities, they can exist in many geographic locations. There are pros and cons to larger versus smaller geographic CLTs, including representing the specific needs of a more local population and the participants being more closely associated with and participating in decision-making at the local level. However, regional or statewide CLTs can help achieve economies of scale, reduce startup costs and time, enhance the sharing and transfer of knowledge, and have access to more diverse funding sources.



2.4.1 Model - Statewide CLT

Virginia Statewide Community Land Trust (VSCLT) is a 501c3 nonprofit organization that seeks to develop and maintain permanently affordable homeownership opportunities for low and moderate-income households. Created in 2020, VSCLT is the first CLT in Virginia designed to operate statewide. It currently operates in many jurisdictions including Fairfax County, Fauquier County, Loudoun County, and others.

VSCLT partners with the following organizations to help create more permanently affordable homeownership opportunities using the CLT model:

- Local Habitat for Humanity Affiliates, currently in Fauquier, Loudoun, DC-NOVA
- Habitat for Humanity Virginia
- Virginia Housing, lenders
- Community foundations
- Counties, cities, and towns
- Private developers: non- and for-profit

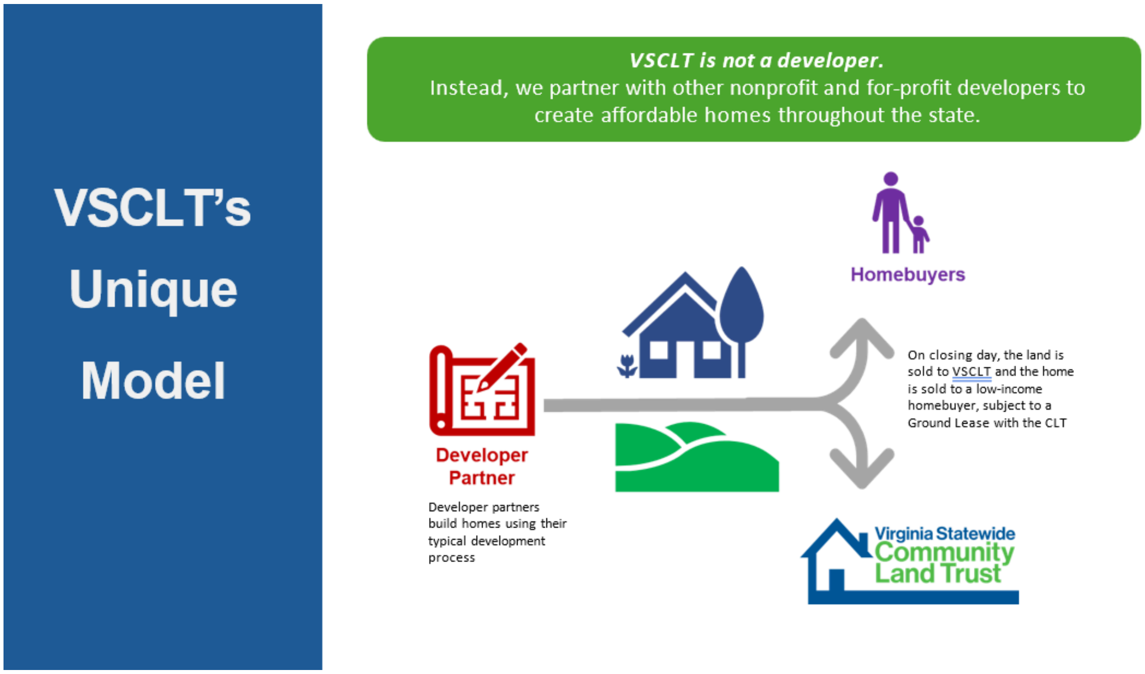
VSCLT's Approach

Partnership Model: While some CLTs do develop affordable housing to be put in trust with the CLT, VSCLT is not a developer. It works with local partners that build/rehab homes and set program parameters.

Resale Formula Menu: VSCLT offers local partners various options for ensuring long-term affordability to ensure their program works with local markets and partner missions:

- Fixed-rate (e.g. 2% annual appreciation)
- Appreciation tied to growth in Area Median Income (AMI)
- 25% Appraisal-based
- 35% Appraisal-based

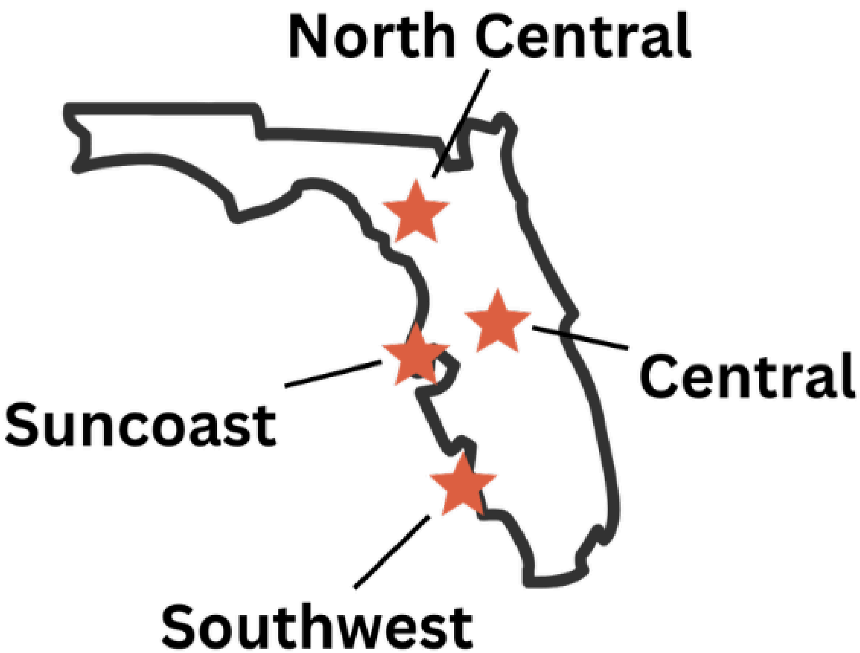
Stewardship Focus: CLTs function as stewards over the property. The long-term oversight of the property helps ensure homeowner success and permanent affordability.



For more information, visit www.VSCLT.org.

2.4.2Model - Regional CLT

Bright Community Trust, a regional land trust in Florida, serves as a developer as well as a steward and partner with other entities.



Background

Bright Community Trust (formerly Pinellas Community Housing Foundation) was formed in May 2008 as a 501c3 non-profit entity for providing long-term affordable housing. The organization was initially created as a subsidiary of the Housing Finance Authority of Pinellas County (HFA). It resulted from the Board of County Commissioner's (BCC) forward-thinking regarding new ways to address the affordable housing shortage.

The BCC authorized the creation of the Community Housing Program and the CLT as a vehicle to facilitate and preserve affordable housing in Pinellas County. The primary role of the Trust is to preserve subsidies of its federal, state, and local funds that either created or preserved the housing as perpetually affordable by utilizing a 99-year ground lease.

While continuing multifamily rental projects, in 2012, it began to develop single-family homes for sale to income-restricted homebuyers, still using the land trust model to ensure perpetual affordability and steward the public investment. In October 2013, the organization moved successfully to independence and changed its name to Bright Community Trust, expanding to serve communities around Tampa Bay.

Bright's Approach

Bright serves many functions to address Florida's affordable housing needs. It develops and stewards affordably priced homes for sale and for rent; convenes partners from business, nonprofit, government, academic, faith, and community sectors to address complex housing challenges like increasing homeownership and preventing evictions; connects with other leading organizations to address broader community needs that intersect with housing challenges (e.g., jobs, education, transportation, food, childcare); listens to data and community voices; and creates and advocates for policy solutions.

Bright stewards over 500 affordable rental units, has developed over 100 single-family homes for first-time income-qualified homebuyers, and has become a resource for local governments and other for-profit and non-profit developers.

Since 2017, Bright has expanded its regional housing work to Central Florida, Southwest Florida, and North Central Florida. It has presented for the Florida Housing Coalition, the Federal Reserve Bank of Atlanta, Code for America, Heart of Florida United Way, and numerous other conferences and media events locally and nationally.

3 Other Trust Models

Various trust models have been evolving to provide communities with control over property values and decision making. Trusts rely on a steward organization for holding properties and decision-making over generations based on the needs and desires of the community as established by the trust.

One model, **Perpetual Purpose Trusts (PPTs) emerged as legal structures designed to help businesses anchor their operations in long-term, mission-driven goals rather than shareholder profit**. Unlike traditional charitable trusts, PPTs are created to serve a defined purpose instead of a specific beneficiary, and unlike most trusts, they can operate indefinitely. Each PPT is guided by a Trust Agreement that outlines its purpose, governance framework, and the fiduciary duties of its trustees, reframing stewardship around mission rather than maximization of returns. Decision-making authority rests with the trustees, who act collectively through a trust stewardship committee.

Perpetual purpose trusts can own either land and/or businesses. There is a great deal of flexibility in how Trust Agreements are structured, how the purpose of the trust is defined, and how steward committee members are appointed. As a result, the PPT allows for various aspects of an entity's mission to be protected in the long term - such as profit sharing programs, recurring donations, supply chain practices, stakeholder inclusion in governance, and more.

For example, a Neighborhood Trust model maintains community control of property use and values in perpetuity while reinvesting income into the community and its programs. This framework protects the property from significant price escalation while allowing income from the property to be reinvested into community programming and improvement initiatives.

3.1 The Vesi Model

Name of Model	Vesi Neighborhood Development Trust	Of interest
Description	Vesi is a neighborhood development model designed to preserve long-term affordability and promote equitable community ownership. It uses a hybrid real estate approach, acquiring residential and commercial properties through philanthropic and impact investment sources, stabilizing them, and transferring them into a Perpetual Purpose Trust (PPT) managed by the mission-aligned entity Block x Block. Properties are activated through shared equity, fractional ownership, and cooperative models, providing sustainable wealth-building opportunities for residents across diverse income brackets.	
Number of units/sites	Vesi's Phase 1 portfolio will begin with 50-80 properties, expanding incrementally through ongoing acquisitions, transfers, and reinvestments over multiple phases. Properties include single-family homes, multi-family homes, multi-unit buildings, commercial and cultural assets.	
Legal form	Vesi operates as a nonprofit 501c3 entity, facilitating philanthropic and mission-aligned investments. Stabilized properties are transferred into a Perpetual Purpose Trust (PPT), governed by Block x Block, which is composed of a board of trustees and a trust enforcer to ensure mission and purpose are being practiced. BxB incorporates a social impact Real Estate and Mortgage Investment Trust (REIT/mREIT). This dual structure safeguards assets from speculative markets, secures permanent affordability, while holding the necessary financial instruments that democratizes access to the necessary financing to advance shared equity models.	
Resident relationship to entity	Occupants—including both residential residents and commercial tenants—actively engage in various pathways that include: fractional ownership, limited shared ownership/cooperative structures, and market rate sales and rentals. The Vesi model intentionally cultivates a broad-based, conscious consumer class, empowering diverse stakeholders to invest in their own communities and benefit directly from asset appreciation. This structure aims to foster economic participation and accountability among occupants, positioning them not just as tenants, but as integral co-investors and decision-makers committed to sustaining neighborhood affordability, stability, and vitality. Vesi creates local representation that invites occupants into a larger forum to provide input and feedback on the purpose and mission of Vesi.	

Financing – Public and Private	Vesi leverages a combination of private philanthropic funding, program-related investments (PRIs), mission-aligned impact investment, and strategically limited market-rate sales. Public funding is minimal or strategically leveraged; however, the model emphasizes self-sufficiency through private impact capital, ensuring reduced reliance on fluctuating public subsidies. Public: ● Predevelopment ● Construction/Rehab ○ HUD Section 213 ● Blanket Mortgage for the building – Limited and specialized lenders, NCB ● Share loans for the individual units – Specialized lenders, credit unions	Needs public subsidy Can use Section 8 to support lease/carrying charges
Governance	Governance is conducted through a structured, participatory process involving trustees of the PPT, nonprofit board oversight, resident input, and community stakeholders. The governance model ensures long-term alignment with affordability and community benefit goals, preventing drift from mission objectives.	
Level of permanent affordability	Affordability is permanently maintained through legal covenants embedded within the PPT. This structure ensures affordability protections extend indefinitely across multiple occupant cycles, with occupant costs decoupled from market-driven appreciation.	Some co-ops charge surcharges or assessments if income growth exceeds limits, e.g., % AMI target)
Equity	Occupants build equity through structured pathways. This includes both the reduced occupancy costs (allowing them to save what would otherwise be exorbitant housing costs) and receiving controlled returns. Equity accumulation is designed to be modest but meaningful, typically capped or structured to preserve long-term affordability while allowing for sustainable wealth generation. Residents have equity through ownership in shares formula for level of equity (gain) upon resale.	
Optimal use case	Surplus and affordable land is available Mission-aligned impact investors and philanthropic partners support patient, flexible capital Market-rate components are strategically balanced to provide ongoing liquidity without compromising affordability goals Legal structures (trusts, REITs, cooperatives) are proactively designed to handle complexity	
Considerations	Structure not eligible (or easily eligible) for conventional affordable financing Traditional lenders and conventional financial institutions often misunderstand or hesitate to finance	

	shared equity structures, leading to challenges in securing suitable mortgage products Legal complexity associated with trust and cooperative structures can increase upfront transaction costs and timelines, requiring expert navigation	
Tips and Opportunities	Engage specialized legal counsel and financial advisors early to efficiently structure perpetual purpose trusts and cooperative models. Educate investors and lending institutions continuously about the benefits and risk profiles of shared equity and cooperative financing models. Advocate for policy and lending practices to better support shared equity mortgage products and community-based trust models.	Expiring small LIHTC buildings with group of tenants interested in permanent ownership
Benefits to residents and community	Occupants benefit from stable housing costs, structured wealth accumulation, and long-term security against market displacement. Communities retain cultural and economic vibrancy, gain enhanced local governance, and realize sustained reinvestment and resilience against speculative pressures.	
Get help	Seek expertise from experienced attorneys, real estate finance advisors, CDFIs, nonprofit intermediaries, and peer organizations already implementing shared equity and PPT structures. Engage with Kensington Corridor Trust, Common Trust, and Purpose Foundation to access best practices and specialized support.	

3.1.1 Background

Vesi advances an innovative model for neighborhood revitalization by transforming how local residential and commercial assets are financed, owned, and sustained. Instead of responding to speculative market trends, Vesi strategically acquires, restores, and stewards undervalued or disinvested properties to secure long-term affordability and community well-being. Through collective ownership, shared-equity mechanisms, and multi-sector partnerships, Vesi builds local stability while redistributing the benefits of development back into people and place. Each initiative integrates financial, spatial, and social systems, creating a replicable framework for inclusive growth, generational wealth-building, and equitable neighborhood transformation.

3.1.2 Financing Structure

Vesi's purpose-finance system blends grants, public resources, philanthropy, program-related investments (PRIs), mission-related investments (MRIs), and impact capital into an integrated cycle of acquisition, development, and reinvestment. Early philanthropic and mission-driven dollars catalyze property acquisition, rehabilitation, and organizational infrastructure, while patient impact investments supply flexible capital to scale shared-ownership mortgages and neighborhood development.

The public benefit corporation component of the Vesi model functions as the platform for strategic market-rate transactions, capped at a minority share of total portfolio activity, ensuring liquidity and sustainability while maintaining alignment with social and spatial outcomes. Together, these capital streams create a self-reinforcing ecosystem where impact and return circulate to build stability rather than extract value.

3.1.3 Legal Structure

Vesi's legal ecosystem is designed to embed permanence, accountability, and mission alignment into every layer of ownership and investment.

- The Vesi 501c3 serves as the charitable backbone, advancing education, research, and design for equitable development while attracting philanthropic and grant-based capital.
- The Perpetual Purpose Trust (PPT) functions as the long-term steward, holding equity and oversight authority through a golden share, ensuring that assets remain permanently rooted in public and community benefit.
- The Public Benefit Corporation operates as the investment and operational engine, executing acquisitions, underwriting shared-ownership mortgages, and managing mixed-use and commercial developments.

As the portfolio matures, the C-Corporation will transition into a Social Purpose Real Estate Investment Trust (SPREIT), a scalable structure that institutionalizes purpose-driven finance while maintaining perpetual governance by the nonprofit and trust entities. This layered framework ensures that every transaction reinforces shared prosperity, perpetual affordability, and stewardship across generations.

3.1.4 Issues and Learnings

Building a purpose-finance ecosystem that bridges philanthropy, policy, and market practice has required sustained education, advocacy, and innovation. Traditional financial institutions often view shared-ownership models and perpetual trusts as unconventional, requiring extensive legal structuring, custom underwriting, and demonstration of risk-mitigated performance. Establishing governance mechanisms that balance flexibility with accountability has also demanded deliberate design and cross-sector expertise.

Despite these challenges, **Vesi's pilot initiatives have revealed the transformative potential of purpose-aligned finance to redefine value away from speculation and toward stewardship**. The process underscores the importance of catalytic funding, early demonstration projects, and investor education in shifting both perception and practice. The model continues to evolve as a blueprint for how financial systems can reinforce social equity and spatial justice, proving that long-term affordability, cultural resilience, and economic strength are not opposing forces but deeply interconnected outcomes of thoughtful design and governance.

3.2 Kensington Corridor Trust*

The Kensington Corridor Trust (KCT) in Philadelphia presents an approach to address a community's needs through asset control, collective ownership and built environment. KCT is both a 501c3 and a PPT. The PPT is owned by residents and small business owners in a zip code area. The nonprofit does not have an owner.

As described on the KCT website, Philadelphia's Kensington neighborhood was once known as the Workshop of the World. Represented by booming manufacturing, lauded commercial success, and a well-employed neighborhood. During that time, Kensington Avenue was a bustling local business corridor and the heart of the neighborhood. As manufacturing slowed and markets relocated, a once-thriving commercial corridor was impacted by a lack of economic investment, an increase in predatory businesses and services, and the rise of illicit economic activity related to the drug trade. These changes deeply impacted area residents, 58% of whom live below the federal poverty line.

For the past six years, KCT has worked through its “unwavering commitment to reclaim control of the business corridor” and stewards a number of properties in the corridor.

Source: Next City, Photo by: Melissa Simpson

Source: Kensington Voice, Photo by: Solmaira Valerio

The KCT has leveraged a neighborhood trust model to maintain local control of property use and values in perpetuity while using profit to reinvest for the existing community. It embraces values-aligned development that preserves and protects the communities that make up the neighborhood today.

The KCT fosters the equitable economic revitalization of a commercial corridor and its surrounding neighborhood through local partnerships, strategic programming, and an innovative approach to moving real estate assets out of the speculative private market. **Leveraging patient, flexible capital and a long-term trust vehicle, the KCT de-commodifies real estate assets and transitions them to neighborhood control.** This pioneering model of neighborhood ownership, governance and local economic development has the potential to keep control within the neighborhood and ensure long-term affordability. The KCT introduces neighborhood-based property control for long-term, equitable revitalization of a key commercial corridor.

The KCT has criteria for its Board of Directors and Trust Stewardship Committee, which is composed of community residents, leaders, youth and businesses, that help ensure its purpose and values are represented and decisions are based on the community's priorities.

*All information taken from materials on the KCT website. For more information, visit www.kctphilly.org

Important Terms
+ Definitions

Asset	An asset is something valuable or useful. In business and accounting, the value of an asset is expressed as certain amount of money.In KCT, when we say "assets" we mean land and buildings.
Equity	The fair treatment, access, opportunity, and advancement for all people, while at the same time striving to identify and eliminate barriers that have prevented the full participation of some groups. Improving equity involves increasing justice and fairness.
Governance	Governance is defined as the decisions and actions of the people who run a school, nation, city or business, or in this case a neighborhood trust that holds community assets.
Privilege	Access to power enjoyed by a dominant group, giving them economic, political, social and cultural advantages at the expense of members of a marginalized group. It reduces the likelihood and/or provides more tools for someone from said dominant group from facing or to better cope with various forms of exclusion, marginalization, and violence that would otherwise be guaranteed.
Purpose Trust	A trust holds assets. A purpose trust is a type of trust which has no beneficiaries, but instead exists for advancing some charitable purpose of some kind.
Trust Enforcer	One person selected by the community who does not have any direct financial ties to the Neighborhood Trust. They enforce the purpose of the Trust. Anyone from the community can come to them if they believe the Trust Stewardship Committee isn't doing what it is supposed to be doing.
Trust Stewardship Committee	A group of people who control the trust and can make decisions about and on behalf of the trust. Like a guardian, they focus on the big picture to make sure the decisions follow the community's priorities. They also look at the finances and are legally responsible for following the purpose.

3.3 Mixed Income Neighborhood Trusts (MINTs)*

In gentrifying neighborhoods, many of the existing residents may not see the economic benefits and instead face a higher risk of displacement as affordability is eroded. To help residents of communities at risk of displacement from quickly rising property values, the Mixed-Income Neighborhood Trust (MINT) model was developed as a new tool for housing and community development in 2020 by Trust Neighborhoods. The model is a way for neighborhood organizations to develop and operate mixed-income rental properties with community governance.

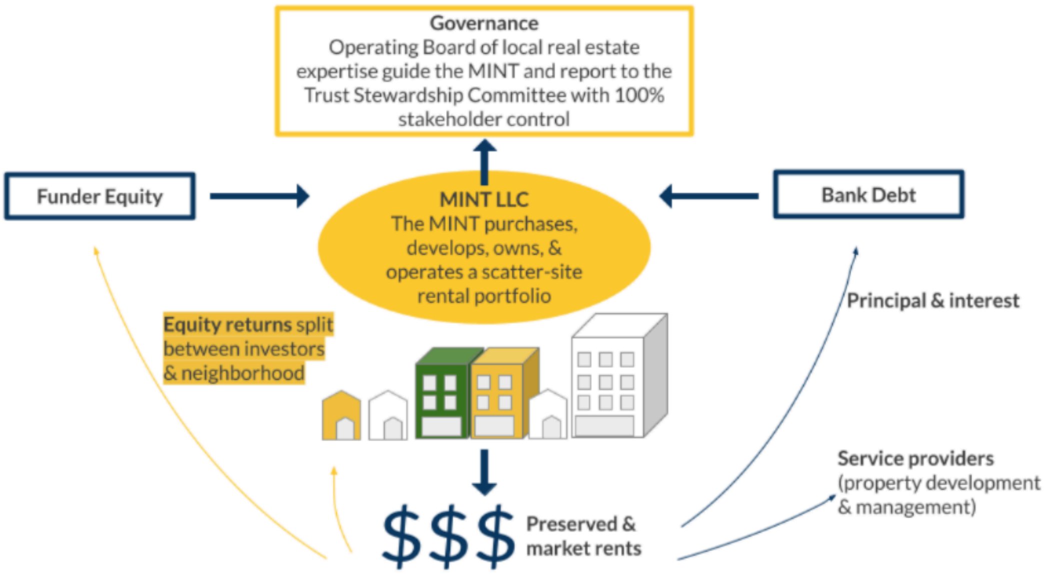
Unlike most affordable housing programs that focus only on income-restricted units, MINTs deliberately balance market-rate and affordable units in the same portfolio. Each neighborhood sets its own affordability criteria rather than being locked into rigid Area Median Income (AMI) thresholds. This flexibility allows them to respond to local needs more effectively. By filling the gap between strictly income-qualified housing and rising market rents, MINTs create a buffer that prevents displacement across a wider range of income levels.

The model promotes financial sustainability and long-term stability as its cross-subsidization - market-rate rents help subsidize affordable units - helps ensure affordability is preserved in perpetuity without relying solely on external subsidies. Because rents from higher-income tenants support affordability, MINTs can withstand market fluctuations better than traditional affordable housing models.

According to Trust Neighborhoods, the following features are needed to make MINTs meaningful:

- **Existing neighborhood organization** - An existing neighborhood-based organization has capacity, legitimacy within the community, and real estate fluency
- **High renter population** - There are enough renter residents to make affordable and high-quality rental housing a priority, and the neighborhood based partner cares about its renting residents at risk of displacement.

- **Path of growth** - Rents are likely to rise in coming years in a way that risks pricing out current residents. This path of growth might be driven by a revitalized downtown, education or medical centers, new employers, demand for walkable urban neighborhoods, or investments in nearby parks and transit.
- **Acquisition potential** - A neighborhood can feasibly acquire enough properties at non-speculative prices and sufficient scale.



Source: Trust Neighborhoods

*The information was taken from the website. For more information, visit www.trustneighborhoods.com