

Limited Equity Housing Co-ops – What Are They?

Limited Equity Housing Cooperatives, or LEHC's, are affordable housing owned jointly by the residents. Each individual or family purchases a share in the nonprofit corporation that owns the property, and has the right to occupy an individual unit. Each household builds a small amount of equity on their share, usually tied to inflation, but by law, no more than 10% per year. Because the increase in equity is limited, the buy-in cost and monthly payments remain well below market rates. This makes home ownership available for lower-income individuals and families who otherwise could never afford to buy homes.

Cooperative Ownership: Residents are owners; each member has the exclusive right to occupy a particular unit

Democratic Governance: Members are democratically responsible for the affairs of the co-op, electing a board of directors that oversees property management, hires employees, etc. Offers maximum autonomy in a context of mutual support

Below-market Purchase Price: Member pays established low price for share; new member buys share, assumes seller's obligations; few or no closing costs

Below-market Monthly Costs: Members pay monthly carrying charges to co-op – a share of actual operating costs, mortgage principal and interest, property taxes, insurance and reserves

Collective responsibility for Repairs/maintenance for shared areas; some LEHC's assume responsibility for individual dwelling unit maintenance and repair.

Individual security and Community control: Co-op has right to approve all potential members, and to terminate membership and evict residents who violate occupancy agreement; members have the right to remain in their homes as long as they meet monthly obligations and follow co-op rules and bylaws

Limited equity: co-op creates a formula to set the amount a selling member will receive; makes memberships affordable to future generations of purchasers

Seniors/disabled: alternative to institutions; provides economic structure and social framework, fosters self-reliance, interdependence and cooperation; least restrictive setting to furnish cost-effective customized care

Recycling social investment by providing permanent low-income housing stock and extending opportunities for affordable home ownership to future generations

Neighborhood stabilization and enhancement, including lower crime rates: Co-op members live in homes longer, have a homeowner's stake in upkeep and improvement, and have a stake in neighborhood improvements and quality of life

This fact sheet about Limited Equity Housing Co-ops brought to you by:
Bay Area Community Land Trust, P.O. Box 1004, Berkeley, CA 94701,
bayareact@yahoo.com