



Bay Area Community Land Trust

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Converting to a Co-op

- Why should your group become a BACLT member Co-op?
- What are the benefits for cooperative or communal Houses?

If you are a communal or cooperative house, joining the BACLT as a member co-op may benefit you and your members by providing a stable long-term ownership structure and permanent affordability.

If you own your communal home, you have more stability than in rental houses owned by an off-site landlord. However, unless you formed a non-profit in order to buy the house, one or more individual names are on the deed as owners. This can create problems in the long run, such as:

- Many collective houses were bought many years ago. The people who technically own the house, whose names are on the deed, may no longer live in the house. In this situation, there is no guarantee of long-term affordability or even of your right to continue living in the house. The original owners may decide at any time to sell the house, or to rent it over to a relative or friend. If one of the owners dies, their heirs will inherit the house and may move in or sell the house.
- If only one original owner still lives in the house, your living situation is precarious. If that owner should move out they may sell the house. If the owner dies, no one who lives in the house would have any legal title to it. The entire living group could be forced to move out, or the group might have to buy the house from the heirs at a much higher price dictated by the current appraised value.
- Even where the current residents are the legal owners of the house, the whole group must go through the costly and difficult process of refinancing the house each time someone moves out and sells their share.

If your group decides to become a BACLT member co-op, your right to remain in the house would be protected. And the property would be permanently affordable because affordability is a core component of our non-profit structure.

- No one can legally make a profit on a community land trust property, as the BACLT would own the land permanently.
- Each resident would own a share of the co-op. When someone moves out, they sell their share back to the co-op. The residents then choose a new person to move in, and they sell the share to the new resident.
- If a resident dies, their heirs inherit only the monetary value of the share, but they are required to sell the resident's share back to the co-op. The share is then sold to a new owner chosen by the residents.
- There would be no need to refinance the property when someone moves out or dies, as is the case now whenever owners change.
- There would be no increase in the property taxes when residents change, because the property would not need to be re-assessed.

In addition to these advantages, your residents can benefit from the training and technical assistance which BACLT can offer. For example, many living groups could benefit from training in bookkeeping to better manage their finances, or in property management to maintain the property in good condition and improve the resident selection process. Some co-ops need training in meeting facilitation and conflict resolution. Your co-op may need project management for remodeling, capital improvements, or negotiating a loan or refinancing from a bank. BACLT has the expertise and resources to provide this technical assistance.

1. HOW WOULD THIS WORK?

If you are a communal or group house, and your property is still owned privately by one or more individuals, BACLT would assist with the transfer of the property from the current owners to a non-profit co-op. If the current owner(s) could benefit from a tax credit for donation, the property could be sold to BACLT for the amount of the outstanding mortgage, and then transferred back the co-op. The residents would own the house or buildings while BACLT would retain title to the land.

BACLT would provide a 99-year ground lease on the land. The ground lease is a simple contract between the co-op as owners of the home and the land trust as owner of the land, clearly defining the rights and responsibility of each entity. The residents would own, manage, and have control of the houses, any other buildings and "improvements" (the open space, lawn, etc). The residents could become either a Limited Equity Housing Cooperative, where each resident owns

a share in the property or a Resident Owned Nonprofit, where there are not individual shares, but still the residents have all the same rights.

The co-op would pay a small monthly or annual ground lease fee to BACLT in exchange for its services (technical assistance, etc). BACLT would play strictly an advisory role in the affairs of the co-op. It would have the right to intervene only in extreme circumstances if the viability of the co-op was at risk. All residents would automatically be BACLT members and could vote in BACLT annual elections and run for BACLT Board of Directors.

Another related benefit for all BACLT member co-ops would be the strength and cross-fertilization of being part of the network of co-operatively owned housing in the Bay Area. Having access to the knowledge and experience of other co-ops could be very helpful for all of the small co-ops and houses that are now operating in isolation. Most people living in co-operative housing face similar problems and challenges. We can help each other and foster cooperation between many different groups. Are you tired of “re-inventing the wheel?” You can be sure that other co-ops and houses have already struggled with the problems your living group is facing now. Why not tap into that wealth of experience and get the benefit of other co-operative living groups?

We hope your living group will be interested in learning more about how BACLT could benefit you. We believe that being part of a Community Land Trust could provide long-term security in owning your home and insure permanent affordability of your home.

Please contact us by email at info@bayareactl.org, through our website at BayAreaCLT.org or by phone at (510)-545-3258.