



Housing Cooperative Membership GUIDE



THE
RESURRECTION
PROJECT
CO-OP HOUSING

WHAT IS HOUSING COOPERATIVE MEMBERSHIP?

Housing cooperative membership means being part of a group that collectively owns and manages a property. Members own shares in the co-op, which grants them the right to live in a unit and participate in decisions. They are responsible for contributing to the co-op's costs, following its rules, and assisting with its management. Members also have voting rights on important matters and are expected to work together to maintain the success and unity of the community.

WHAT ARE THE RESPONSIBILITIES OF A MEMBER?

Consider a co-op in Chicago and enjoy the advantage of stability, no landlord, and collective control over your housing with your fellow neighbors.

This resource book provides valuable information, resources, and tools to help you effectively structure and support your housing cooperative. It serves as a comprehensive reference guide for organizing and sustaining your cooperative.



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Defining Membership

A co-op housing member is an individual who belongs to a housing cooperative, where they own shares in the cooperative rather than owning a specific unit. These shares give members the right to live in a unit, participate in decision-making, and contribute to the management of the property. Co-op members are responsible for paying fees, following community rules, and helping maintain the property. They have a stake in the overall success of the cooperative and share in both the responsibilities and benefits of collective homeownership.

Membership process

The housing cooperative membership process typically involves the following steps:

- 1. **Application**:** Prospective members apply, providing personal, financial, and background information to express interest in joining the cooperative.
- 2. **Evaluation**:** The cooperative reviews the application to ensure the applicant meets the criteria, such as financial stability, compatibility with the community, and understanding of co-op responsibilities.
- 3. **Interview**:** Some co-ops may conduct an interview to assess the applicant's suitability for the community and explain the duties and expectations of membership.
- 4. **Approval**:** If the application is accepted, the applicant is granted membership, which usually involves purchasing a share in the cooperative.
- 5. **Orientation**:** New members receive an orientation to familiarize them with the cooperative's rules, operations, and the responsibilities that come with membership.
- 6. **Move-in**:** Once approved and oriented, the new member can move into their unit and begin participating in the co-op's governance and activities.

Throughout the process, applicants must demonstrate a willingness to contribute to and follow the cooperative's community and guidelines.

Member Rights

- **Participate** in important co-op decisions, including changes to the articles of incorporation and bylaws.
- **Elect** and, when necessary, remove board members.
- **Review** annual reports to stay informed.
- **Access** services and common areas without discrimination.
- **Contribute** a fair share towards the co-op's expenses.
- Receive timely notifications about changes in board policies, house rules, and other key matters.
- Be **informed** about upcoming annual or special meetings.
- **Initiate** actions such as dissolving, merging, or forming partnerships with the co-op.

Member Powers

- **Hold directors accountable** and ensure the co-op follows its governing documents.
- **Contribute** the necessary capital, sharing in the financial responsibilities as co-op owners.
- **Stay informed** about co-op issues and decisions.
- **Pay dues** and fees promptly.
- **Adhere** to co-op rules and board policies.
- **Attend meetings** and cast votes on important decisions.
- **Respect and maintain** common areas as shared spaces.
- **Interact** with fellow members as equals and owners, not as tenants.
- **Actively** engage in co-op committees and activities.

Democratic Governance

Housing cooperative democracy is a system in which residents collectively manage and make decisions about their housing, based on democratic principles. Key features of this system include:

1.Resident Ownership and Control: In a housing cooperative, residents typically own shares or have a stake in the property, granting them control over how the cooperative is run. This differs from traditional rental housing, where residents have no influence over property management.

2.Equal Voting Rights: Each member has one vote in the cooperative's decision-making process, ensuring that all members have an equal say in key issues, such as rent, maintenance, and rule changes.

3.Collective Decision-Making: Cooperatives prioritize group discussions and decision-making, where members can propose and deliberate on issues. While consensus is often sought, decisions can also be made through majority voting when needed.

4.Board Oversight: A board of directors, elected by the members, handles the daily operations and management of the cooperative. While the board takes care of tasks like budgeting and maintenance, it remains accountable to the membership.

5.Encouraging Participation and Building Community: Residents are encouraged to actively engage in the cooperative's activities and decision-making, fostering a sense of shared responsibility and strengthening community ties.

6.Focus on Long-Term Stability: The democratic structure of a housing cooperative helps ensure long-term stability and sustainability, as members are invested in maintaining and improving the property over time.

In essence, housing cooperative democracy gives residents a direct role in managing their living space, with decisions made collectively to promote fairness, responsibility, and long-term well-being.

COMMUNITY EMPOWERMENT

Self-Management

Co-op members oversee legal documents, policies, new member approvals, management selection, budget decisions, and maintenance priorities.

Community Control

Members prioritize both community and individual needs, with the ability to approve new buyers and enforce rules more effectively than in condos or townhomes.

Leadership Development

Board membership offers members the chance to develop valuable leadership skills.

Civic and Democratic Engagement

Co-op living empowers members, enhancing life skills and increasing participation in civic activities, with studies showing higher community involvement and voting rates.

Flexibility to Move

Members can move to different units within the co-op by following internal procedures and board approval, avoiding real estate transactions.

Multigenerational Living

Co-ops support families as they grow or change, with members moving to larger or smaller units within the same community.

Enhanced Security

Members often feel safer due to strong neighbor relationships, with studies showing lower crime rates in co-ops, especially in low-income areas.

Stronger Community Connections

Co-ops provide opportunities for members to build friendships and strengthen the social fabric of the community.

Lower Delinquency and Foreclosure Rates

Co-ops experience fewer delinquencies and foreclosures than rental properties, even with similar housing assistance programs.

Board of Directors

A housing cooperative board of directors is a group of elected members responsible for overseeing the operations and decision-making of the co-op. The board serves as the representative of the members, ensuring the cooperative runs smoothly, follows its governing rules, and addresses the needs of the community.

Duties and Responsibilities

- Establishing policies and making key decisions for the co-op.
- Managing the co-op's financial health, including budgeting and handling expenses.
- Hiring and overseeing management or staff (if applicable).
- Ensuring compliance with legal requirements and regulations.
- Organizing meetings and keeping members informed with regular updates.
- Representing the interests of members in significant co-op matters.

Board members are elected by the cooperative's members, with their roles defined in the co-op's bylaws. They are accountable to the members and are expected to act in the best interests of the entire co-op community.

Subcommittees

A housing cooperative subcommittee is a smaller group within the cooperative, created to focus on specific tasks or issues that need attention. These subcommittees help improve efficiency by dividing responsibilities and allowing for more detailed work.

The role of a housing cooperative subcommittee typically includes:

- ****Addressing Specific Issues****: Subcommittee concentrate on particular areas, such as maintenance, finances, community activities, or member services.
- ****Supporting the Board****: Subcommittee assist the board of directors by conducting research, offering recommendations, or executing projects on their behalf.
- ****Solving Problems****: They help address specific challenges within the co-op, like handling disputes, overseeing repairs, or improving services.
- ****Providing Specialized Knowledge****: Members with expertise in particular fields contribute their skills to enhance decision-making in the subcommittee.
- ****Encouraging Member Participation****: Subcommittee allow more members to take an active role in the cooperative's operations, promoting broader involvement.

In summary, subcommittees distribute the workload, provide focused attention to key issues, and encourage greater participation in the cooperative's activities and decision-making.

Subcommittees Responsibilities

The responsibilities of a housing cooperative subcommittee typically includes:

Maintenance and Repairs: Overseeing the upkeep of the property, identifying maintenance needs, and coordinating repairs or improvements to common areas and individual units.

Finance and Budgeting: Monitoring the co-op's financial health, helping prepare budgets, tracking expenses, and ensuring that financial resources are used effectively.

Community Engagement: Organizing social events, activities, and programs to build a strong sense of community among members.

Membership and Relations: Handling member inquiries, addressing concerns, reviewing membership applications, and fostering good communication among members.

Governance and Policies: Reviewing and proposing changes to co-op policies, bylaws, and house rules to ensure they align with the needs and values of the community.

Conflict Resolution: Mediating disputes between members and helping to resolve conflicts to maintain a positive and cooperative environment.

Sustainability and Environmental Initiatives: Promoting green practices, energy efficiency, and environmental sustainability within the co-op, such as organizing recycling programs or energy-saving projects.

Each subcommittee is responsible for focusing on its assigned area, reporting progress to the board, and contributing to the overall success and well-being of the cooperative.

Membership Documents

Co-op membership documents are formal records that outline the rights, responsibilities, and conditions associated with being a member of a housing cooperative. These documents serve to guide both the cooperative and its members in their interactions and responsibilities. Common co-op membership documents include:

1. **Articles of Incorporation**: The legal document that establishes the co-op as a corporation. It defines the co-op's purpose, structure, and governing principles.
2. **Bylaws**: A set of rules that govern the operations and management of the co-op. Bylaws typically cover issues like membership requirements, the election of board members, voting rights, and meeting procedures.
3. **Membership Agreement**: A contract between the cooperative and its members that outlines the terms of membership, including rights, duties, and financial obligations such as dues or share payments.
4. **Shareholder Agreement**: This document details the rights and responsibilities of a co-op member who owns shares in the cooperative, such as the ability to vote, sell shares, and transfer membership.
5. **House Rules**: A set of guidelines that regulate the use of common areas, conduct within the community, and other day-to-day operations to ensure a peaceful and harmonious living environment.
6. **Financial Statements and Reports**: These documents, such as annual reports or budgets, provide transparency regarding the co-op's financial health and how funds are managed.
7. **Member Handbook or Orientation Manual**: A guide provided to new members that outlines the co-op's policies, procedures, and expectations, helping them understand their role within the community.
8. **Meeting Minutes and Agendas**: Records of the decisions made at co-op meetings and notices of upcoming meetings that provide members with important updates on co-op matters.

These documents help to ensure that all members understand the cooperative's rules and their role in its governance and daily operations.

Articles of Incorporation

The articles of incorporation legally establish the co-op as a business, defining its name, purpose (usually to provide housing), and structure. They allow the co-op to operate at cost and offer patronage rebates.

When written correctly, the articles enable tax benefits under subchapter T of the Internal Revenue Code, allowing members to deduct mortgage interest and real estate taxes. The articles should also outline the co-op's purpose, any restrictions (like government programs), and include provisions for amendments and board governance.

Articles of Incorporation

Article I	Name
Article II	Address of housing co-op
Article III	Location of registered office (if any)
Article IV	Name and address of resident agent
Article V	Purpose of the cooperative
Article VI	Number of Directors
Article VII	Capital Stack
Article VIII	Distribution of Dividends
Article IX	Names of incorporators and directors
Article X	Membership Termination
Article XI	Duration

Bylaws

The bylaws of the corporation state how the corporation will operate, how meetings will be held, how many directors will serve on the board, the structure of membership meetings and other rules of the corporation. The bylaws generally can be amended by a majority vote of the membership.

Amendment procedures are outlined in the bylaws. Board members, in particular, should be familiar with the bylaws, which should be reviewed on an annual basis.

Bylaws

Article I	Name and location of housing co-op
Article II	Purpose and Powers
Article II	Membership
Article III	Membership Meetings
Article IV	Member Meetings
Article V	Directors
Article VI	Officers
Article VII	Committees
Article VIII	Financial Regulations
Article IX	Seal
Article X	Waiver of Notice
Article XI	Repeal or Amendment of Bylaws
Article XII	Dissolution and Property Interests of Members

Legal Agreements

Occupancy Agreement (Proprietary Lease):

This agreement gives members the right to live in a unit, provided they follow co-op rules, pay their share of housing costs, and adhere to the agreement's terms. It outlines the co-op's expectations and possible consequences for non-compliance.

Subscription Agreement:

For new co-ops, this agreement commits prospective members to purchase shares and follow co-op rules. It also outlines approval, cancellation, and withdrawal procedures, as well as restrictions on occupancy, subleasing, and resale.

Regulatory Agreements:

Co-ops financed by federal, state, or local agencies must comply with regulatory agreements (e.g., with HUD), which set rules on reserves, borrowing, inspections, and member income limits.

Other Documents:

Co-ops also have House Rules covering daily operations (e.g., pet policies, noise limits) and enforcement measures such as fines or occupancy termination.

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Alteration/Improvement Agreement

The alteration agreement describes the terms under which the cooperative gives permission to a shareholder before making any changes or improvements to the unit the member occupies.

Annual Membership Meetings

The annual membership meeting is a yearly meeting to which all the members of the co-op are invited. At the annual meeting, members elect the co-op's board of directors, bylaw revisions can be voted on, and other important matters can be brought before the entire membership. The financial status and overall health of the cooperative is usually reported on. Most cooperatives, as corporations, are legally required through their bylaws to hold an annual member/shareholder meeting. The bylaws state when, where, and the agenda.

Articles of Incorporation

The articles of incorporation are the legal document that establishes the existence and purpose of the cooperative corporation. The articles of incorporation must be filed with the appropriate state government agency, usually the Secretary of State, under applicable provisions of state law. Some states have specific laws that pertain to cooperatives and/or cooperative housing corporations.

Board of Directors

A co-op's board of directors is elected by the members/shareholders to govern the cooperative including setting policy, making rules and regulations and other decisions which govern the operations and the welfare of its members/shareholders.

Bylaws

The bylaws are a written set of provisions and directions that the cooperative corporation follows in governing operations. Usually, any changes to the bylaws require a vote by the entire membership at a duly called meeting upon proper notice. Bylaws typically cover topics such as how the board of directors is elected, when membership meetings shall be held, and other issues related to the governance of the cooperative.

Cooperative

A cooperative is any type of organization that is owned and controlled by its member-users for a common purpose and that follows the cooperative principles. A cooperative operates for the benefit of its members on a not-for-profit basis in order to provide the goods and services members need at the lowest practical cost. Members/shareholders own the cooperative and participate equally in the governance of the cooperative.

Cooperative Interest

The cooperative interest is the combination of the cooperative ownership (share or membership) and occupancy rights (occupancy agreement or proprietary lease). The two interests cannot be divided.

Glossary

Cooperative Principles

The cooperative principles are a set of seven principles that cooperatives worldwide follow. They are based upon principles developed by the Rochdale Pioneers in England during the 1800s, generally considered to be the founders of the modern cooperative movement. The International Cooperative Alliance revised the principles in 1995.

Documents

A number of documents set down the parameters under which a housing cooperative operates. Certain documents such as the bylaws and the articles of incorporation relate to the cooperative corporation itself. Other documents such as the occupancy agreement/proprietary lease, subscription agreement, and house rules spell out the relationship between the cooperative and each member-shareholder. Yet other documents, such as recognition agreements and regulatory agreements describe the relationship between the cooperative and other entities, such as government agencies or financial institutions.

Equity

The difference between the value of the cooperative property and the total amount of all debt against the property. It reflects the book value of the member/shareholder interest in the co-op.

Excess Income

An FHA/HUD term that refers to income paid by residents who, at certification or recertification, have income over the prescribed limits, thus requiring the payment of a monthly charge above the basic rate. This term is most commonly used in relation to a Section 236 development.

Fannie Mae

See Federal National Mortgage Association

Federal Housing Administration (FHA)

The sub-governmental unit within HUD that insures mortgages and provides subsidies. The FHA insures many housing loans, including cooperative loans.

Federal National Mortgage Association (Fannie Mae or FNMA)

Fannie Mae is a private corporation, created by the National Housing Act to establish a secondary market facility for home mortgages by buying and selling such mortgages and returning cash to lenders so that they can lend again.

Glossary

House Rules

House rules are rules of conduct developed by a co-op to ensure harmonious cooperative living. House rules typically cover issues such as noise levels, parking, pets and garbage disposal.

Housing Cooperative

Housing cooperatives are a form of homeownership where individuals own shares or memberships in a corporation that owns or controls the land and buildings that provide housing. The ownership of a share entitles one to occupy a unit within the cooperative.

Housing Finance Agency (HFA)

Housing finance agencies are public agencies established by statute in certain states. They are empowered to raise money and make direct loans to sponsors of low- and moderate-income housing under conditions more favorable than those available in the open market.

HUD (U.S. Department of Housing and Urban Development)

HUD is an agency within the U.S. government with chief administrative responsibility for providing a wide range of assistance for public and private housing and development of the nation's cities.

Income Limits

Income limits are found in many types of affordable housing. The co-op or sponsor sets certain eligibility requirements for admission or continued occupancy in housing developments designed for low-income people. Certain housing cooperatives, primarily those that have been developed through government subsidy programs for the purpose of providing affordable housing, have income limits on incoming members. However, unlike most rental or public housing with income limits, in a cooperative, if an individual or family's income goes over the limit once they have moved in, they do not have to move out.

Management Agreement

The management agreement is a contractual arrangement between the cooperative corporation and the firm hired to manage the cooperative's property. These contracts outline the firm's responsibilities and compensation. While there are standard forms of such contracts, they are usually adapted to the specific needs of the particular cooperative.

Management Plan

A specific plan of operations provided by a management agent to the cooperative, in substantially greater detail than that provided in the management agreement. The plan may be attached to the management agreement as a rider.

An individual who owns a share or membership in a cooperative. Depending on the type of cooperative, members are also referred to as shareholders.

Member Equity

(see "Equity")

Membership

Membership can either refer to all the members of a cooperative, or an individual share in a cooperative.

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Membership Committee

Many cooperatives have a membership committee that reviews incoming members and approves or rejects their application based upon specific criteria set forth by the Board of Directors. (See “Right of Approval”.) Often incoming members will need to have an interview with the membership committee before they will be approved for membership. In some co-ops, the board of directors will screen incoming members. In other cooperatives, management performs this function.

Membership Meeting

See Annual Membership Meeting.

Regulatory Agreement

Co-ops that have mortgage insurance through HUD or the FHA have certain obligations that are outlined in a document called a regulatory agreement. Co-ops financed by state and local housing authorities often have similar contracts, which are often modeled on the standard HUD agreement. Basically, the regulatory agreement requires the co-op to abide by the regulations of HUD (or FHA), which insured the mortgage in order to induce a lender to finance the development. This document binds the mortgagor (the cooperative) and mortgagee (the financial institution that holds the mortgage until the amount borrowed, plus interest, is paid) with the Secretary of HUD.

Replacement Reserve

A replacement reserve is a reserve fund to provide savings for the timely replacement of major appliances, building components, and structures.

Most co-ops have a process to review and approve new members/shareholders. Your purchase of a membership/share is conditioned on the co-ops review and approval of your application and abilities to meet your obligations under the occupancy agreement. Co-ops may not discriminate against any protected class under local, state, and federal law.

Right of First Refusal

A right of first refusal is often stipulated in a co-op’s bylaws. If a co-op’s bylaws contain a right of first refusal clause, the co-op has the first option to purchase or refuse to purchase the outgoing member’s share at an agreed upon price.

Share

A share is the proportion of the cooperative that each member owns, and it represents the proportionate amount that each member invested in the co-op when the co-op was started. A certificate, often called a stock or membership certificate, documents the purchase price and membership in the cooperative.

Shareholder

A shareholder, also called a member, is the owner of a share in a housing cooperative.

Share Loan

A share loan is a loan obtained to purchase a share in a housing co-op secured by the shares and occupancy rights (cooperative interest). A member can get an individual loan for that amount from a bank or other lending institution (just as when an individual is buying a house).

Site Manager

A site manager is the individual who is employed by the cooperative or the cooperative's management agent to perform the necessary on-site management functions. The site manager may or may not reside on-site, and may or may not be employed full time.

Subscription Agreement/Purchase Agreement

A subscription agreement documents the purchase of shares in the housing cooperative



For more information, visit us at
Resurrectionproject.org/cooperatives
or call 312-666-1323.



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