

## Starting A New Co-op

Cooperative housing is a proven form of multifamily homeownership. It has many [benefits](#) and has been used to meet a variety of needs for all sorts of people. Cooperative housing has a number of similarities and differences to other forms of housing, which you can find listed in the chart "[A Comparison of Cooperative Housing and Other Forms of Housing](#)." The Cooperative Housing Coalition also offers a [Development Guide](#) to help you with the process.

One of the most common methods of developing new cooperatives today is converting an existing rental building or buildings into cooperative housing owned by the tenants. If you are thinking of converting an existing property to a cooperative, be realistic about the feasibility of the project and be sure to research the costs thoroughly. Often existing buildings will require major repairs, rehab, and/or replacement of appliances, especially if the landlord hasn't taken good care of the property. A detailed physical inspection and consultation with contractors will be needed to determine the condition of the existing property and the rehab costs. In addition, you will need to examine the demographics of the current residents. Will most residents have the financial means to qualify for membership in the co-op? How will costs compare to other housing in the area? Also, it is important to investigate what level of interest potential residents have in cooperative ownership. These are important considerations for the success of the cooperative.

Cooperatives can also be built from the ground up as brand new housing. A great deal of affordable cooperative housing was developed this way during the 1960s and 70s using federal government subsidy programs. However, most of these programs are no longer available, and new construction co-ops are less common today, though there are some. Cooperatives for low and moderate income families today are being financed by local government or using a federal property disposition program. A number of senior housing cooperatives have been built in the last decade and a few new cohousing communities have been developed using cooperative ownership. As with any new construction, it is important to determine the financial feasibility of the project and what residents in the area will be able to afford.

One issue that will need to be determined is what type of equity model you plan to use for the cooperative. As in other forms of homeownership, equity accrual is generally an important concern for homeowners. In [market-rate cooperatives](#), cooperative shares can be bought and sold at whatever the market will bear and members can build equity on their investment. However, if there is a desire to keep the housing permanently affordable, the [limited-equity or zero-equity models](#) might be good options to consider.

Typically, you'll need professional help from a number of sources ([the "development team"](#)) in order to plan and implement a new housing cooperative. You'll also need to research various financing options (see the article on [50+ ways to finance cooperative housing](#)).

Also, keep in mind that cooperative housing does not always have to mean ownership of the housing. In a leasing co-op, the cooperative does not own the housing, but rather leases it from a landlord. Though obviously this model lacks the benefits of full

ownership, it does have some advantages over rental housing. The cooperative may be able to secure a long-term lease at more affordable rates than if each tenant was renting separately, giving cooperative members more security and control over their living environment.

Cooperatives are a flexible tool that can be applied in many different ways to meet a variety of special needs. [Seniors](#), [artists](#), [college students](#), [manufactured housing park residents](#), and [people with disabilities](#) are all groups that have used the cooperative model to their mutual benefit.

-Regardless of the type of cooperative that you are interested in starting there are a number of questions that are critical to address:

- Is cooperative ownership the most appropriate option available?
- What will the mission of the cooperative be and what type of cooperative structure will best suit that mission?
- Is the project financially feasible and where can financing be obtained?
- What types of legal documents will need to be drawn up?
- What types of technical assistance and support will be needed (and what will the costs be) to make the cooperative a success?

Forming a cooperative is not an easy task and can often be a long process, though generally a rewarding one. Below are some additional sources of information.

### Resources for Starting a New Co-op

The [National Cooperative Business Association](#) and the [National Cooperative Bank](#) have information about starting a cooperative. Their information is not specific to housing cooperatives, but it is good, general information.

There are a number of publications available for sale on developing housing cooperatives. Visit [NAHC's publications list](#) and the [Cooperative Catalog's housing section](#).

The USDA has a free publication titled "[Cooperative Housing for Rural America](#)," available as a PDF file.

In addition, there are a number of [nonprofit organizations](#) that can be a resource for developing a new cooperative.

[http://www.coophousing.org/starting\\_new.shtml](http://www.coophousing.org/starting_new.shtml)