COOPERATIVE HOUSING FOR RURAL COMMUNITIES:
OPTIONS AND OPPORTUNITIES FOR BURKE COUNTY, NC

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I. INTRODUCTION

Cooperatives have a long and storied history of helping people to help themselves. “Owned and controlled by the people who benefit from it” is what makes a cooperative different from other models of enterprise ownership, both for-profit and nonprofit. Cooperative ownership of housing stock is one of the most popular applications of the cooperative model around the world, particularly for delivering housing stability, control, and affordable home ownership options for people of limited means. Housing cooperatives have been used extensively and successfully in several large U.S. Cities, most notably New York City. However, for various reasons, the application has had limited use to date in rural areas.

The purpose of this paper is to outline the various options for affordable cooperative housing, and then examine their application in a particular context, that of Burke County, North Carolina. Burke County is home to the Industrial Commons (TIC), a nonprofit community development organization and rural cooperative development center. TIC has in hand a parcel of land that is under consideration for affordable housing development, and have already conducted several information and input sessions with their stakeholders and the broader community. This paper is intended to support these efforts, and also provide a concise summary of affordable cooperative housing options for other rural communities considering implementation of this flexible, yet underused model.

II. WHAT IS A HOUSING COOPERATIVE?

A cooperative is any enterprise that is democratically owned and controlled by a group of like-minded people for their own benefit, according to the international cooperative principles and values\(^1\). These principles and values include a commitment to democracy, equality, equity and

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\(^1\) See International Cooperative Alliance statement of Cooperative Identity: https://www.ica.coop/en/cooperatives/cooperative-identity
In a housing cooperative, the cooperative corporation owns or leases the land, buildings and common areas. Cooperatives are most commonly found in multi-family buildings, but co-ops can also support single family home ownership through “scattered site” housing co-ops or manufactured housing communities. Membership in a housing co-op is typically limited to residents of the housing, who each own a share in the cooperative. Members are assessed a monthly amount often called a “carrying charge” to cover taxes, maintenance and payments on any underlying debt. In return, they sign a perpetual lease, called a proprietary lease or occupancy agreement, giving that individual member-owned the legal and exclusive right to occupy a particular unit, as long they continue to meet their obligations to the cooperative.

Like any other cooperative, members elect a board of directors to oversee the organization’s affairs. As the legal owner of the property, the cooperative corporation is responsible for meeting any financial obligations. Cooperatives differ from condominiums in that members do not hold real estate title to their individual units, but rather own a share in the corporation that does. While unusual in much of the U.S. housing market, this arrangement makes cooperative housing particularly adaptable to affordable housing because the cooperative corporation can borrow money on behalf of all of its resident-members, typically at rates and terms that are much more advantageous than some members might get on their own. The cooperative housing model is infinitely flexible, and can combine many different combinations of individual mortgage debt and collective debt to adapt to different situations (see section III below).

III. OPTIONS FOR AFFORDABLE COOPERATIVE HOUSING

Types of Cooperative Housing
Cooperative law and practice are very flexible and adaptable to the needs of different groups of residents. There are three major types of housing cooperatives, generally categorized by the degree to which members accumulate equity:

In Market Rate Housing Cooperatives, co-op members are free to buy and sell their units on the open market, just as they would be as owners of a multi-family condominium unit or a single-family dwelling. Prices may go up or down, and sellers financially benefit (or not) depending on these market conditions. These kinds of cooperatives are not common in most markets, but represent a significant portion of the cooperative housing in some areas, such as New York City.

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2 See Appendix A for more information about the differences between cooperatives, condominiums, rental units and single-family ownership.
At the other end of the spectrum are **Leasehold Cooperatives**. In a leasehold cooperative, residents join together to rent or lease a property from another entity, typically a nonprofit organization. In these kinds of cooperatives, residents do not have actual ownership of the building (and thus do not build any home equity) but they do have the ability to control key aspects of operation, depending on the will of the owner nonprofit. This model has been used with mixed results in an attempt to combine resident control with the use of the Low-Income Housing Tax Credit (LIHTC) program, which is only available to rental properties. Probably the most successful use of the leasehold cooperative model is the student housing cooperative movement. In these cases, the buildings are owned by a student-controlled special purpose nonprofit organization, and are used to provide affordable student housing. Because students are typically young and transitory, they are not concerned with building home equity, but greatly appreciate the ability the cooperative model delivers to make decisions about their housing and control expenses.

In the middle are **Limited Equity Housing Cooperatives**. This is the most common form of housing cooperative around the world, and is one that makes use of the special flexibility of the cooperative structure to limit the maximum resale price of units, thus controlling the ultimate purchase price for new residents. This strategy is used to maintain long term affordability and retain the value of any public or private subsidy that has been used to develop the housing. Residents are able to build some home equity in this model, but the cooperative holds the remaining market value of the property in perpetuity, for the good of current and future residents.

This model limits the speculative nature of housing, and is a particularly adept strategy for cases of pending gentrification, or when a group wants to provide ownership options to a group of people who simply do not have sufficient resources to be able to afford a home in their particular community. Some limited equity housing co-ops have even been able to achieve charitable nonprofit 501(c)(3) status for their cooperatives, an option that is typically only available to rental housing.³

### Affordable Housing Options

When a member-owner decides to sell their share in a limited equity housing cooperative, the price is based on a pre-determined formula which is documented in the cooperative’s bylaws. There are many options for how this formula might work. In each case, the cooperative (and its development partners) must wrestle with the competing demands of wanting to provide an affordable entry level home ownership option to current and future residents, while also delivering some of the economic benefits of home ownership. Some common formulas include:

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³ See West Foster and David Sparer, “501(c)(3) Status for Housing Cooperatives”, University of Wisconsin Center for Cooperatives, February 2022.
- **No Equity Gain**: Departing members receive their initial share investment back (minus any money owed to the co-op), but the share does not appreciate in value.

- **Constant Dollar**: Similar to the option above, except that a members’ initial share increases by a standard inflation index.

- **Limited Percentage**: In this case, the maximum resale price is allowed to increase by a certain percentage per year to capture some amount of market appreciation, but that percentage is limited by the bylaws.

- **Limited Resale**: In this case, the maximum resale price is increased by a set amount per year rather than a percentage, an amount which is sometimes tied to that unit’s pro rata share of the repayment of an underlying mortgage or sometimes just set at a certain amount per year.

- **Shared Equity**: In this type of formula, the resident may sell the unit at a market rate price, but any market gain is shared at a pre-determined rate, between the selling member and the cooperative. This type of formula is also often used with Community Land Trusts.

- **Credit for Amortization**: If the co-op holds an underlying blanket mortgage, members are sometimes credited with a proportionate share of the debt paid off by their unit’s payments.

- **Hybrid**: A variety of other models exist, some rewarding long-term members with a higher allowable percentage of equity accumulation for example.

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**Financing Cooperative Housing**

One of the tremendous advantages of cooperative housing as an affordable housing tool is the variations that are possible in combining individual debt, collective debt, and charitable subsidy. For example, a market rate housing cooperatives can be financed by a combination of individual loans⁴ and down payments, much like a condominium building (Option one).

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⁴ Loans that are made to finance housing cooperative units are typically called “share loans” because what is really being financed is the purchase of a share in a housing cooperative corporation, not the unit itself.
A housing cooperative can also opt to borrow substantially all of the money needed in the form of an underlying blanket mortgage, leaving only a nominal amount of the development cost to be financed by individual residents (Option two).

A third option is to combine an underlying mortgage with differing individual debt and equity, and a fourth might be to seek permanent subsidy of some kind to help limit the overall cost of the entire development, and then apply one of the first three options to finance the remaining cost. Any and all of these models can be used, depending on the situation.
IV. COOPERATIVES SERVING PARTICULAR POPULATIONS

Some of the most successful housing cooperatives are those that serve groups of people with a pre-existing affinity of some sort. Some of the most popular models include:

❖ **Senior Housing:**
Limited equity housing cooperatives have become an increasingly popular model for senior housing in some markets. Seniors enjoy the control they can have over property management decisions in a housing cooperative as compared with a senior rental and the limited equity formula means that the selling price is known amount for financial planning purposes and members will be able to quickly and easily sell their units if they should have to move for health reasons.

❖ **Student Housing:**
As noted above, probably the most successful application of the leasehold cooperative model is for student populations. Like seniors, students greatly appreciate the control over decision-making they can exert in a housing cooperative relative to a rental which would be their other likely alternative, and also want to be able to move on easily when their time at university is over.

❖ **Artist Housing:**
Cooperatives have been a popular way of structuring live-work spaces for working artists who may require special physical amenities in the property (kilns, extra-large spaces, special ventilation etc.) and frequently have difficulty qualifying for conventional home mortgages because of their status as independent contractors rather than employees. Artists are also commonly pretty handy at physical space renovation and are frequently used to collaborating, making them great cooperators.

❖ **Workforce Housing:**
The history of “company towns”, the typical form of workforce housing developed by corporations in the 19th and early 20th century is not a particularly empowering story, but there are some very powerful stories of workforce housing in the cooperative world. Two of the largest and longstanding affordable housing cooperatives in New York City (Penn South in Manhattan and Amalgamated Housing Cooperative in the Bronx) were both developed by unions in order to provide a perpetual source of stable and affordable housing for their members working in the garment trades.
Other employers such as Universities, have sometimes used a land trust-like structure (see below) in order to provide an extra benefit and guarantee that single family homes would be available for purchase near campus by young faculty members.

V. LAND TRUSTS AND COOPERATIVES

Community Land Trusts (CLTs) are another common strategy for combatting gentrification and providing for perpetually affordable home ownership. There is some variation in CLT models as well, but in general a community land trust is a nonprofit that owns the land underlying a home or housing development. Residents have a long-term (typically 99 year) ground lease on the land under their homes. Because the cost of the land is taken out of the price equation, the homes can be purchased by residents for a lower-than-market price in terms that are laid out in the ground lease. CLTs have different formulas for sharing equity and limiting resale, and typically provide some other support services for residents, such as home ownership counseling and help with maintenance issues.

Unlike in a housing cooperative, the board members of the CLT are not the residents themselves (although some CLTs do have resident board members) but rather community members or various professionals interested and committed to affordable housing. The model has some benefits in that CLTs represent a more familiar benevolent nonprofit model to funder partners who may be leery of resident-controlled boards, and also potentially provide residents with access to the additional skills and experience of more sophisticated outside board members. On the downside, they do not provide the kind of opportunity for resident engagement and control that are built into the cooperative model. Cooperatives are also typically also able to serve much lower income households because of their financing advantages as well as those that are not conventionally “bankable.”

A pivotal 2014 working paper from the Lincoln Institute of Land Policy looked at five examples (two of which were small city or rural in nature) of situations where communities had attempted to take the best of both models by linking a community land trust with a limited equity housing cooperative (LEC)\(^5\). While the sample size was necessarily limited, the experience of the five land trusts was generally positive. CLT staff interviewed appreciated\(^6\) the cooperative’s ability to reach home owners at income levels much lower than traditional CLTs can, but also noted the extra layer of complexity involved in having to organize and support

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6 The study was limited to discussions with staff of the CLTs and did not interview residents or cooperative board members.
residents in a cooperative, rather than make all decisions themselves the way a traditional nonprofit affordable housing organization would. “In most of the LECs (cooperatives) the residents’ ability to organize and collectively petition the CLT for assistance was critical to the project’s success” noted paper author Megan Ehlenz. “While the strength (or weakness) of the initial tenant organizing was not indicative of long-term capacity, CLTs believed the ability of residents to speak in a unified voice for was important and facilitated the transition to collective ownership” Some CLTs found this organizing task challenging and had a difficult time engaging residents, particularly in situations where the CLT was taking over an existing rental building with an resident base in place and converting it to a CLT-LEC.

The Industrial Commons is strongly considering this model of a CLT-LEC and described it in a presentation to stakeholders in the following graphical way:

TIC would seek loans and grants to subsidize the purchase of the property and develop the housing stock. Homes would then be transferred into ownership by a cooperative made up of residents:

Cooperative members would then seek individual share loan financing on their own to purchase their share in the housing cooperative (with assistance from TIC and its community development lending partners) and the co-op would make a land lease payment to the CLT.

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7 P. 10
VI. THE RURAL EXPERIENCE

An important consideration for this paper is the market factors intrinsic to rural areas. While there have been many successful examples of housing cooperatives in the U.S., the phenomenon has largely been an urban one. This is not to say that housing cooperatives cannot work in smaller communities, only that the experience is scant.

Beginning in 1991, an initiative called Homestead Housing built 358 units in 17 senior housing cooperatives in small (sometimes very small) rural communities in Minnesota, Wisconsin and Iowa. The organization was forced to cease operations in 1998 in order to deal with a backlog of unsold units. While subsequent resident surveys revealed an overwhelmingly positive response to cooperative living, the experience of Homestead Housing provides a cautionary tale regarding the lengthy time that is often required to move real estate in rural markets, and the subsequent increase in holding costs.

Probably the most successful recent example of cooperative housing in rural markets is the experience of manufactured home communities (often called Resident-Owned Communities or ROCS). Manufactured home parks are a common form of "naturally occurring" affordable housing in rural communities, and sometimes one of the only forms. Cooperative ownership provides significant advantages to park residents in terms of stability, security and affordability.

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and the number of resident-owned cooperative communities has grown exponentially in the past 30 years.  

In addition to these efforts, there have been periodic one-off experiments in cooperative housing in several rural communities. The small towns of Adams and Friendship, Wisconsin developed a local housing cooperative made up of small, single-family units on a cooperatively-owned parcel in order to fit more ownership housing units in a small space. Two of the CLT-LEC examples cited early were in rural areas, one in Burlington, VT (population 44,781) which is significantly larger than Morganton, NC (population 17,518) in Burke County but also Lopez Island, WA which is decidedly smaller.

In summary, there is not an abundance of experience to look to in terms of developing cooperative housing for rural markets. Advocates need to seriously consider issues of market, and adapt any project very closely to the needs of prospective residents — ideally acting in direct concert with them—in order to minimize the effect of long wait times between development and occupancy.

VII. OPTIONS AND OPPORTUNITIES FOR BURKE COUNTY, NC

A recent comprehensive housing needs assessment for Western North Carolina underscored the pressing need for more affordable home ownership opportunities for residents of this largely rural area. The study found Burke County (home to the town of Morganton and the Industrial Commons) had experienced a modest growth in population over the past decade, and expected that trend to continue. A large percentage of the housing units (38.7% of rental and 31.8% of ownership) had been built before 1970, indicating an aging housing stock. Close to

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9 Chart at right from Grassroots Economic Organizing https://geo.coop/articles/resident-owned-resilience; see also https://rocusa.org/
8% of rental units experienced situations of overcrowding. Vacancy rates of multi-family rental housing in the county were virtually zero\textsuperscript{11} with large waiting lists for subsidized private housing units (Burke County does not offer any public housing). The report found that over a third (36.8\%) of renters in the county paid over 30\% of their income for housing, a standard indication of a cost-burdened household. Almost a quarter pay over 50\% of their income for housing.

In addition, the study found that Burke County along with its neighboring counties had an extremely low supply of available for-sale housing. As the study notes\textsuperscript{12}, in healthy and well-balanced housing markets, the availability rates are typically between 2.0\% and 3.0\%. In Burke County, this figure was 0.3\%, the lowest of the 18 counties and one reservation tracked in the study and significantly below what would be considered “healthy”. The study estimated a gap of between 946 and 1,285 (depending on the methodology used) of units of family housing in Burke County, again some of the highest figures in the region. The gap in for-sale housing units was as high as 924 units.

Clearly the Morganton area is one with a high need for more affordable housing units. Families are stuck in overly expensive rental housing with low vacancy rates and a lack of alternatives, in either the rental or the home ownership market. Population is expected to grow, only exacerbating the situation.

The Industrial Commons has recognized this need for more affordable housing alternatives, particularly for those workers employed in their partner textile enterprises. A new housing enterprise is taking shape as part of TIC’s overall development of an Innovation Campus to support their enterprise development work. A community engagement design effort attracted

\textsuperscript{11} P. 13
\textsuperscript{12} P. 18
input from 75 local stakeholders who vision together about what a new community-designed housing resource might look like. Natural surroundings, access to child care and flexible space were among the priorities identified by residents. Also desired were the single-family type units of housing that are more familiar to rural, small town and suburban residents, rather than multi-family dwellings.

Site design and fundraising is currently ongoing, but initial estimates are that the new development would cost around $7-11 million for 35-55 units of housing, an average cost of $200,000 each, much higher than the Burke County median home value of $120,700. Thus, some subsidy will be needed to deliver the resulting homes at a price that is affordable to the TIC target market of the textile industry work force.

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13 It is not unusual, in fact it is relatively common, for the development cost of new housing units in rural areas to exceed the median home price for the area. This is one reason that the housing stock in rural areas tends to be old, because market mechanisms alone simply does not support the development of affordably-priced home ownership, with the possible exception of manufactured home park communities, which come with their own difficulties in terms of financing, zoning and other factors.
VIII. CONSIDERATIONS AND NEXT STEPS

The Industrial Commons leadership articulated the following goals for their housing work:

❖ Create affordable workforce housing
❖ Prepare for growth in our community
❖ Build equity for the homeowners
❖ Create long term community wealth
❖ Ensure long term stewardship, minimize risk for speculation

The limited equity housing cooperative model is an excellent proposal to meet all of these requirements. In addition, the idea of combining a community land trust with a limited equity housing cooperative does appear to make sense in this situation. While CLTs are not the best for reaching the lowest of low-income residents, the group that TIC is targeting are not those. By focusing on work force housing, TIC is instead serving a group that likely has the necessary core stability in their lives (a job) to allow for spending the necessary time and energy to be productive housing cooperative members. They also have the reliability of income to make them “bankable” on some level, a requirement of most CLT projects. The issue for the TIC target work force is simply that their incomes are generally too low to afford most area homes, and there are insufficient homes for sale in any case. While in no way an easy problem to solve, this situation is a relatively straightforward one, and appears to be a good use of the CLT-LEC model.

While some sceptics may question the ability of either CLTs or LECs to meet the goal of family wealth-building, the Ehlenz paper cites two fairly comprehensive studies including one by the Urban Institute that found that a homeowners rate of return on their down payment in a CLT housing situation exceeded what they would have earned in an S&P Index fund or 10-year Treasury Bond\(^{14}\). And of course, nothing prevents a housing cooperative resident from moving to market-rate housing at a later date if and when their personal financial situation allows; in many countries, LECs are explicitly envisioned as a vehicle for young and lower income households to amass enough equity for a down payment on a house in the conventional housing market.

A caveat for many CLTs thinking of working in the housing cooperative market is the need to understand and support authentic and effective resident decision-making. Cooperative

\(^{14}\) Ehlenz, p. 6.
governance is not a skill set that most nonprofit housing developers have. Yet as the Ehlenz study illustrated, supporting resident democracy is critical to the success of these projects. Fortunately, in this case, cooperative organizing is something that the underlying nonprofit partner, the Industrial Commons, is skilled at.

Other concerns about the project include the fact that scattered site co-operatives made up of individual homes are inherently more complicated to manage than single building multi-family projects because of the differences in the size, siting, upkeep, and maintenance of the different homes. In addition, fewer common areas can lead to less feeling of alignment and collaboration amongst co-op members living in separate single-family homes. This problem is not insurmountable, but it is worth keeping in mind as the project moves forward. Planning for significant shared outdoor space, for example, might provide a fertile ground (literally and figuratively) for community building. It is interesting that the Lopez Island, WA example in the Ehlenz study is a cooperative of smaller, single-family homes. It might be worth following up on that example, to see how it has weathered over the past eight years.

Finally, any cooperative housing project with an objective of building personal equity will need to development a financing mechanism to make it easy for individual members to buy and sell co-op housing units. Cooperative housing share loans are not widely understood in the banking world, and very few financial institutions outside of New York City offer them. They are, however, relatively easy to set up and manage, and so are a good product to work on with a Community Development Financial Institution (CDFI) partner.

In summary, it appears that a CLT-LEC combination project is a sensible model in this case, where there is a strong local nonprofit partner committed to supporting resident governance and a core group of potential residents with the characteristics to be successful project participants. Affordable housing development in general is an expensive, complex and challenging task, and rural markets add more uncertainty to the situation. However, it appears the elements of success are in place in Burke County, NC and this may well be a model for other rural communities to look to in a few years.
APPENDIX A

DIFFERENCES BETWEEN CO-OP, CONDO, RENTAL AND SINGLE-FAMILY HOME OWNERSHIP OPTIONS

Adapted from “the Cooperative Housing Development Toolbox”, Northcountry Cooperative Development Foundation.
## Differences Among Co-op, Condo, Rental and Single Family

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Limited Equity Co-op</th>
<th>Condo</th>
<th>Rental</th>
<th>Single Family</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Member/residents are the sole owners through a corporation which in turn owns the land and buildings. Each member has the exclusive right to occupy a particular dwelling unit in perpetuity.</strong></td>
<td><strong>Member/residents are the sole owners through a corporation which in turn owns the land and buildings. Each member has the exclusive right to occupy a particular dwelling unit in perpetuity.</strong></td>
<td><strong>Unit owners take title to the air space to the back of the paint on the walls of a particular dwelling unit plus an undivided interest in the common elements (the land and buildings).</strong></td>
<td><strong>The landlord owns the land and buildings. Each tenant has the exclusive right to occupy a particular dwelling unit during the term of the lease.</strong></td>
<td><strong>Owners take title to the land and buildings directly.</strong></td>
</tr>
</tbody>
</table>

**Monthly Costs**

**Members pay monthly carrying charges to the cooperative—a pro-rata share of actual operating costs, blanket debt principal and interest, property taxes, insurance and reserves. Members with share loans make individual principal and interest payments directly to the share lender.**

**Members pay monthly carrying charges to the cooperative—a pro-rata share of actual operating costs, blanket debt principal and interest, property taxes, insurance and reserves. Share loans, if any, are small and may be serviced by the cooperative. Members with share loans make individual principal and interest payments.**

**Unit owners pay monthly fees to the condo association—a pro-rata share of actual operating costs, reserves and insurance.**

**Tenants pay the rent specified in the lease, which includes the landlord’s profit margin.**

**Owners with mortgages make principal and interest payments directly to the lender. Owners make their own property tax and insurance payments through monthly mortgage escrow payments or directly to the insurance company and local government.**

**Maintenance/Repairs**

**Cooperatives can choose how they allocate responsibility for dwelling unit maintenance and repair between individual member and cooperative as a whole.**

**Cooperatives are responsible for exterior maintenance. Cooperatives can choose how they allocate responsibility for dwelling unit maintenance and repair between individual member and cooperative as a whole. Many limited equity cooperatives assume most or all responsibility for unit maintenance and repair, in order to balance and reduce costs to members.**

**Condominium association is responsible for exterior maintenance. Individual unit owner is responsible for all dwelling unit maintenance and repair.**

**Landlord is responsible for all maintenance and repair.**

**Owner is responsible for all maintenance and repair.**

**Purchase Price**

**Purchaser pays market price for shares or membership. Pro-rata share of cooperative’s blanket loan remains in place. Purchaser assumes seller’s obligations under occupancy agreement. Few closing costs.**

**Purchaser pays low price for shares or membership. Pro-rata share of cooperative’s blanket loan remains in place. Purchaser assumes seller’s obligations under occupancy agreement. Few or no closing costs.**

**Purchaser pays market price for condominium unit. Purchaser becomes obligated to pay monthly condo fees. Closing costs include title insurance, tax pro-ration, etc.**

**Tenant typically pays first and last month’s rent plus security deposit.**

**Purchaser pays market price. Closing costs include title insurance, tax pro-ration, etc.**

**Financial Liability**

**Members have no personal liability on cooperative’s blanket loan. Members are obligated under occupancy agreement to make monthly carrying charge payments to the cooperative. Members with share loans (if any) are personally liable to their share lenders for the amount of the loan.**

**Members have no personal liability on cooperative’s blanket loan. Members are obligated under occupancy agreements to make monthly carrying charge payments to the cooperative. Members with share loans (if any) are personally liable to their share lenders for the amount of the loan.**

**Unit owners are obligated to pay monthly condo fees to the condominium association. Unit owners with mortgages are personally liable to their lenders for the amount of the loan.**

**Tenants are obligated under their leases to pay monthly rent to the end of the lease term.**

**Owners with mortgages are personally liable to their lenders for the amount of the loan.**
<table>
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<th>Market Rate Co-op</th>
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<td><strong>COMMUNITY CONTROL</strong>&lt;br&gt;Cooperative has right to approve all potential members and can terminate membership and evict residents who violate occupancy agreement. Members democratically govern the cooperative and elect board of directors to oversee operations.</td>
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<td>Condominium association has little or no control over sale of units or behavior of unit owners. Unit owners democratically govern the condominium association and elect board of directors to oversee operations.</td>
<td>Tenants have no voice in who moves in and no control over behavior of other residents.</td>
<td>Owners have no control over who moves into neighborhood and no control over behavior of neighbors.</td>
</tr>
<tr>
<td><strong>FACILITY REHABILITATION</strong>&lt;br&gt;Three methods available to finance cooperative improvements:&lt;br&gt;1. Assessment of individual members for pro-rata share of the total cost.&lt;br&gt;2. Establishment and funding of replacement reserves.&lt;br&gt;3. New long-term blanket financing.</td>
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<td>Two methods are available to finance improvements of the common elements:&lt;br&gt;1. Assessment of individual unit owners for their pro-rata share of the total cost.&lt;br&gt;2. Establishment and funding of replacement reserves.</td>
<td>The landlord decides when and if rehab, replacements, or improvements are to be done.</td>
<td>Owner is individually responsible for all rehab, replacements, and improvements.</td>
</tr>
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<td><strong>PROPERTY MANAGEMENT</strong>&lt;br&gt;Cooperative members democratically elect board of directors, which hires and oversees property management firm and/or employees.</td>
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<td>The landlord hires and oversees property management firm and/or employees.</td>
<td>Owner is individually responsible for all aspects of property.</td>
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<td><strong>TAX BENEFITS</strong>&lt;br&gt;Cooperative members enjoy all of the income tax benefits of homeownership. In most states, cooperatives and their members receive whatever property tax benefits are available to other homeowners.</td>
<td>Unless the cooperative has given them up in exchange for tax-exempt financing, cooperative members enjoy all of the income tax benefits of homeownership. In most states, cooperatives and their members receive whatever property tax benefits are available to other homeowners. In some states, there are additional property tax benefits or savings due to the limitation of resale prices.</td>
<td>Condominium unit owners enjoy all of the income tax benefits of homeownership. In most states, condominium unit owners receive whatever property tax benefits are available to other homeowners.</td>
<td>Tenants receive no income tax benefits associated with homeownership. In most states, rental properties incur higher property taxes than owner-occupied housing. The higher taxes are passed through to tenants as part of their rent</td>
<td>Owners receive all of the income tax benefits associated with homeownership. In many states, homeowners receive some property tax benefits in the form of lower assessments or lower tax rates.</td>
</tr>
<tr>
<td><strong>HOME EQUITY</strong>&lt;br&gt;Cooperative members build equity as the value of their cooperative interest increases and as their share loan is paid down.</td>
<td>Growth in equity is limited through a limitation of resale prices. Generally, a formula is used to determine the portion the selling member will receive of the increase in value of the cooperative interest and the pay-down of the cooperative mortgage.</td>
<td>Unit owners build equity as the value of their unit increases and as the mortgage is paid down.</td>
<td>Any increase in value belongs to the landlord and reflects itself in increased rents.</td>
<td>Owners build equity as the value of the home increases and as the mortgage is paid down.</td>
</tr>
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</table>