

# Executive Summary

## What is a housing cooperative?

A housing cooperative (or co-op) is a community of unrelated people who share a dwelling and operate as a single housekeeping unit. Co-op members usually pool resources to purchase food together and jointly pay for other household expenses. Frequent shared group meals and an explicit system facilitating the division of household responsibilities are also common. Co-ops usually hold regularly scheduled house meetings where decisions affecting the entire household are made, and members are held accountable for their responsibilities to the community. Co-ops frequently use consensus or other egalitarian decision making processes. It has been our experience that in order for these types of household systems to function and not create excessive overhead, cooperative households need to have 10 or more members.

## Why enable cooperative housing in Boulder?

**Affordability:** Cooperative living is intrinsically affordable because it allows residents efficiently share and more fully utilize fixed cost household resources, including the dwelling itself. Co-ops also take advantage of economies of scale by buying food and other consumables in bulk. Sharing child care duties and other frequently outsourced labor requirements like minor maintenance also enhances affordability.

**Sustainability:** For many of the same reasons co-ops are affordable, they are also sustainable -- residents share the relatively fixed energy consumption of their dwelling across more people, so per-person energy usage is much lower. Shared durable goods reduce per-person embodied energy, and limited space discourages the accumulation of material possessions.

**Community:** The experience of sharing responsibilities, projects, making decisions together, resolving conflicts and just generally sharing life builds strong social bonds within cooperative communities. This is good for resident health and happiness, and also encourages civic engagement outside the household.

**Skills Building:** Co-ops give members many opportunities to acquire useful life skills, including cooking, minor household maintenance, budgeting and accounting, meeting facilitation, and conflict mediation. Many members go on to use these skills in their work and other organizations outside of the co-op context.

## Barriers to cooperative housing in Boulder

Currently, there are three major barriers that prevent the creation of more housing cooperatives in Boulder: the **occupancy limits** for unrelated persons, **off-street parking requirements**, and the **difficulty of altering buildings with non-conforming uses**. While BRC section 9-6-3(b) creates a conditional land use for Cooperative Housing Units, it has proven too onerous for anybody to use. The overly restrictive requirements include: a minimum of 300 square feet of habitable space per resident, every co-op member must have an EcoPass, a maximum of 6 residents, excessive off-street parking, the need to renew the permit every 5 years, and potential revocation of the permit for a single noise or weed violation. None of Boulder's existing legal co-ops could meet even a few of these conditions. Instead, they all take advantage of properties with non-conforming uses that are entitled to unusually high occupancy.

## Three models of cooperative housing

There are three models of cooperative housing that we would like to enable in Boulder. **Private equity cooperatives** are owned by their residents; this is the model required by BRC 9-6-3(b). **Group equity cooperatives** are owned by an outside organization and managed by the residents, who lease the property; this is the model used by the Boulder Housing Coalition (BHC). **Rental cooperatives** could be owned by anybody, but would be overseen by a sponsoring organization like the BHC.

## Why enable cooperative living?

There are many benefits to enabling more cooperative living arrangements in Boulder. Because it is far less resource intensive than most living arrangements, cooperative housing is intrinsically affordable and more environmentally sustainable. Co-ops also create tight-knit communities which improve resident health, social cohesion, and civic engagement. Cooperative living provides much more autonomy than is found in typical rental arrangements, and provides residents the opportunity to acquire many useful skills.

### 1. Affordability

Cooperative living is intrinsically affordable because it allows community members to more efficiently share resources and take advantage of economies of scale. We also like to think of cooperative living as being systemically affordable -- rather than simply subsidizing housing, cooperatives reduce almost all living expenses with mutually reinforcing systems.

Cooperatives generally have less square footage per person than other living arrangements, making more cost effective use of the same habitable space. Bulk purchasing of food reduces its cost, and regular preparation of home-cooked meals reduces the frequency with which people eat out. Household goods, tools, and appliances are also shared across more people than in a typical household, reducing per person costs. Many co-op residents also share cars for occasional use, reducing fixed per-person transportation costs.

It's common for families in cooperative households to share some childcare responsibilities rather than outsourcing it. Cooperative households also usually take care of their own minor maintenance, saving money that might otherwise be spent on outside labor. Similarly, older adults can benefit from community support and meet many of their daily needs without having to pay for an in-home caregiver. A group of older adults living under the same roof can share the costs of house calls from healthcare providers, or share the expense of in-home care when it becomes necessary.

### 2. Sustainability

Many people in affluent communities like Boulder see sustainability as a luxury good -- something that you need to pay extra for. In contrast, our experience is that many of the same things that make cooperative living affordable also dramatically reduce per-capita resource use. Less square footage per person means less energy used heating, cooling, and lighting the living space. The Boulder Housing Coalition's first two co-ops use only about 1/3 as much energy (electricity and natural gas) per person as the regional average.

The embodied energy of the buildings and their durable contents are also shared by more people, reducing per-person impacts. It is easier to pay the larger up-front costs of high efficiency appliances, hot water heaters, LED lighting, and other energy consuming items in the household when those costs are shared over more people and the items are more fully utilized than in a typical single family residence. Additionally, equity cooperatives do not suffer

from the split incentives that often discourage landlords from investing in building energy efficiency improvements.

Household sharing of motor vehicles not only reduces the number of cars per person, but also often results in more efficient vehicle usage, similar to that seen by users of traditional car-sharing services. The intrinsic affordability of cooperatives allows residents to be centrally located in areas that might otherwise be prohibitively expensive, giving them easy access to transit in relatively walkable, bikeable neighborhoods. Historically the majority of the Boulder Housing Coalition's residents have chosen to live comfortably and conveniently without their own vehicles.

Finally, and maybe most importantly, cooperative living teaches people how to lead high quality lives while treading lightly on the Earth. The cultural skills required for living in close quarters and effectively sharing resources exist, but have become rare in North American society.

### **3. Community**

Cooperative living provides many opportunities for residents to develop deep relationships with each other. We collaborate on household maintenance, routine chores, home improvement projects, and occasional work days. Many communities prepare shared meals and eat together most days, creating a family like atmosphere. Cooperatives are egalitarian micro-governments in which regular house meetings are used to make decisions and air issues that impact the entire household, including budgeting, the selection of new residents, event planning, and individual accountability to the community.

In addition to being cheaper and more convenient than individually purchasing and preparing food, co-op food culture encourages cooking from scratch using basic ingredients, which is generally healthier than a typical American diet including a lot of processed foods. A growing body of research indicates that people with strong and broad social relationships are happier, healthier and live longer. This is especially true in our older population. Elders who continue to maintain close friendships and find other ways to interact socially on a daily live longer than those who become isolated.

Interpersonal conflict is also a part of living in any close-knit community. Rather than avoiding or ignoring it, we give our members the tools to deal with conflict constructively. This includes training in non-violent communication, conflict mediation, and meeting facilitation. Living in community is not always easy, but it is a rich and varied shared experience that creates strong bonds between community members, and encourages broader civic engagement and social cohesion throughout the community. It is common for individuals living in community to be active in local government and non-profit groups where they contribute their skills in collaborative decision making and meeting facilitation to help other organizations meet their goals.

#### **4. Skills Building/Autonomy**

The autonomous nature of cooperative living provides residents with many opportunities to acquire skills. Younger community members often learn how to cook from scratch for the first time. Setting and following a household budget teaches basic finance, bookkeeping, and accounting skills useful in many walks of life. Running house meetings teaches members how to facilitate orderly group discussions and decision making. Living with many people of differing opinions and backgrounds teaches tolerance.

Especially in cooperative households that hold equity in their property (either directly or through a group equity organization) residents are also responsible for their own minor maintenance and landscaping, and are often empowered to make significant alterations and improvements to the property as they see fit. This allows community members to learn basic carpentry, plumbing, gardening and other skills. Members of group equity cooperatives have the opportunity to participate in non-profit management and organizational governance. These opportunities prepare community members to start their own businesses and impact oriented organizations, or to someday take care of their own home.

The autonomy that is offered in cooperative living situations empowers community members and gives them much more of a stake in the management of their living situation than typical rental housing arrangements, which helps to ensure co-ops are good neighbors.

#### **A Different Kind of Development and Developer**

For all the reasons above, we feel that enabling more cooperative housing in Boulder will provide overall benefits to the greater community. The Boulder Housing Coalition has repeatedly competed successfully for funding to create affordable cooperative housing. These grants have come both from the city's Division of Housing and from Boulder County. This would seem to suggest that at some level local government agrees this type of housing development provides community benefits. We hope that the relationship between the city and a developer with a mission to create affordable, sustainable, community oriented housing can be less adversarial than when the developer is purely motivated by profit.

With some forethought we can mitigate the modest neighborhood impacts associated with the creation of additional housing cooperatives. We must be careful that the fear of those impacts is not be used as an excuse to keep cooperative housing functionally illegal, as happened when the Cooperative Housing Unit conditional land use was defined in BRC section 9-6-3(b) nearly 15 years ago. Similarly, while it may be desirable to include safeguards in the code to prevent abuse by those who are simply seeking to maximize rental income without providing the community benefits listed above, we should work to ensure that those safeguards do not prevent cooperatives from thriving.

## Barriers to Cooperative Housing in Boulder

There are many details of the existing land use code that make it exceedingly difficult to create cooperative households in Boulder. The three main barriers are:

- occupancy limits for unrelated persons,
- the difficulty of modifying a non-conforming property, and
- off-street parking requirements.

### Occupancy Limits

As is hopefully clear from the discussion above, being able to house a large number of people in a small amount of property is fundamental to both the affordability and sustainability offered by the cooperative housing model. We have also found that the systems and processes required to operate a cooperative household successfully require at least eight, and preferably ten or more residents. Thus the occupancy limits codified in BRC section 9-8-5(a) are fundamentally at odds with the creation of cooperative housing.

In order to create more cooperative housing, we need to be able to assemble households of 10+ people. This can be done in large single family homes or in multi-family dwellings (duplexes, triplexes, small apartment complexes). Multi-family dwellings will usually need to be modified in order to consolidate common facilities like kitchens and create additional bedrooms.

### Modifying Non-conforming Properties

Boulder's current zoning regime discourages the creation of a large amount of housing per unit of land. This means that a large proportion of the properties that are attractive as potentially affordable co-ops are non-conforming. If a land use change is involved in creating the co-op then by default the property reverts to its underlying zoning, often losing the entitlements that made it attractive as a potential co-op in the first place. Significant modifications are often required to turn a building designed for several small households into one that can comfortably and affordably accommodate a single large household. When the property is non-conforming, this can trigger costly requirements that erode the affordability of the project, or make it impossible altogether. The most common such requirement we have encountered is additional off-street parking.

### Off-Street Parking Requirements

Many existing properties that are attractive for housing cooperatives do not have as much off-street parking as would be required by current zoning. Changing the use to accommodate the housing co-op, or performing significant alterations to the building to turn it into a co-op physically requires that it be brought into compliance. Sometimes it is physically impossible to provide the required amount of parking due to the size of the lot. Other times, providing the parking would mean paving over an enormous proportion of the open space on the property, dramatically reducing its livability and attractiveness -- both to potential residents, and to the neighborhood.

## The existing Cooperative Housing Unit conditional land use

We agree wholeheartedly with the stated intention of the Cooperative Housing Unit conditional land use codified in BRC section 9-6-3(b):

*Cooperative housing units are intended to further the goals of increased use of alternative modes of transportation; conservation and efficient use of public and private resources; and to provide for creation of a diverse housing mix and affordable housing to help meet the needs of those that work in the city.*

Unfortunately, the restrictions within the code have made it too onerous for anybody to use, and none of the BHC's co-ops could be legal under its provisions. Among the problematic details:

- **subsection (b)(2)(C):** requiring the conditional land use to be renewed every 5 years. No other conditional land use that we are aware of has a similar requirement.
- **subsection (b)(4)(D):** limiting occupancy to a maximum of 6 people, or 8 people on a double size lot in most zoning districts. Six people is not enough to make a co-op. Eight is close, but requiring a double sized lot dramatically erodes affordability. This subsection also requires a minimum of 300 square feet of habitable space per occupant, which is more space than any of the existing legal co-ops has, and limits both the affordability and sustainability benefits a co-op is able to provide.
- **subsections (b)(4)(F-G):** which require 75% of residents to have at least a 5% ownership stake in the property, and prohibit a 501(c)3 non-profit from owning more than a 49% share. This excludes the possibility of group equity and rental co-ops.
- **subsection (b)(4)(I):** requiring 1 off-street parking space for every 2 residents, or 1 per 4 residents with approval of a parking reduction, and in any case, a minimum of 2 off-street parking spaces. On many properties, with households of the size we need to assemble, providing this much parking is physically impossible, prohibitively expensive, or would require paving over a huge portion of the lot.
- **subsection (b)(4)(J):** requiring all residents over the age of 16 to maintain a local bus pass. Unless the property happens to be within a NECO district, this is prohibitively expensive.
- **subsections (b)(7)(A-C):** which provide for the revocation of the conditional use approval after a single violation of the listed Noise, Weed Control, Trash Accumulation ordinances, or for being over occupied. This creates an unacceptable level of risk for individuals or organizations who have invested significant equity in the property. The nuisance standard laid out in BRC section 10-2.5-6 (2 convictions in 12 months, or 3 in 24 months) seems more appropriate.

Furthermore, it is frequently impossible to use this conditional land use on a non-conforming property, since changing the use causes the property to revert to the underlying zoning. This often eliminates grandfathered entitlements that are more useful than anything provided by the conditional land use approval.

Because of the barriers listed above and the restrictions associated with the existing Cooperative Housing Unit conditional land use, two of the three legal co-ops under the Boulder Housing Coalition's umbrella take advantage of buildings with grandfathered non-conforming uses, that did not require extensive modification to accommodate large households. In the case of the Masala Co-op (at 744 Marine St.) and the Chrysalis Co-op (at 2127 16th St.), the properties are large old houses that were subdivided into four dwelling units at some point in the past, giving them each occupancy for 16 people. The co-ops have functionally re-combined those dwelling units, re-creating the original large houses. In the case of the North Haven Co-op (at 2550 9th St.) six of eight units in a non-conforming apartment complex with legal occupancy for a total of 32 people, were converted into a "rooming house" with 18 rooming units, alongside two, two bedroom apartments, for a total legal occupancy of 26 people. Because the land use was being changed, this ended up requiring an administrative use review, which resulted in \$74,000 in additional construction costs, a significant sum for a very small non-profit on a project with a budget of less than \$500,000.

## Three Models of Cooperative Housing

Having outlined why we believe the city should enable more cooperative housing in Boulder, and what barriers exist to it today, we will propose some solutions.

There are three development models for cooperative housing that we would like to enable in Boulder: **private equity co-ops** in which the residents share ownership of their dwelling and accumulate equity over time, **group equity co-ops** in which residents lease their dwelling from a non-profit organization which holds the equity, and **rental co-ops**, which can be owned by anybody (including one of the residents) and are overseen by a sponsoring non-profit organization. Facilitating all three of these models of co-op development simultaneously will reinforce and broaden the local cooperative culture, and provide diverse community living opportunities for people of all ages and stages of life, across a wide range of incomes.

Private equity co-ops require the highest level of individual financial commitment and organization, and are likely to have members with longer tenure. Rental co-ops tend to be more ephemeral because they lack site-control, but they can be very easy to get started because they require minimal financial commitment. Group equity co-ops lie somewhere in between, with individual residents remaining in the communities for a few years on average, but a long term institutional commitment from the co-op development organization that owns the property. Group equity co-op development organizations can also facilitate transitions within the co-op community. They can buy shares of private equity co-ops, making it easier for equity co-op members to leave the co-op if need be. Group equity co-op development organizations can also purchase the buildings inhabited by rental co-ops, preserving the co-op even when a landlord decides they want to sell, as happened in 2004 when the Boulder Housing Coalition purchased the Chrysalis Cooperative's building at 2127 16th Street.

### **Private Equity Cooperatives:**

Private equity cooperatives are differentiated from the other models presented here by the fact that they are primarily made up of families and/or individuals who have an ownership stake in the property they inhabit. Private equity co-ops substantially reduce the financial barrier to home ownership, by allowing members to buy just a small portion of a home. Private equity co-ops tend to provide a more stable community environment than group equity and rental cooperatives, because individual members with significant ownership stakes in the property are likely to persist longer than co-op members who are simply re-signing a lease every year. This stability may be preferable to some potential community members, especially older adults and families.

Private equity co-op members are often committing to live together for a while, and are choosing to intertwine their finances through joint ownership of a home. This requires a high level of mutual trust and organization. Most people are unlikely to enter into such an agreement without having already lived together for some time in a similar setting. Rental co-ops and group equity co-ops can provide that opportunity. Because private equity co-op members will have a large personal stake in their property, and because the financial and organizational barriers to creating this type of co-op are already high, we believe it should be the most lightly regulated of the proposed development models.

### **Permitting/Application:**

- We envision permitting private equity co-ops as a conditional land use, requiring submission of an application to and approval by the City Manager/Staff.

### **Occupancy:**

- We suggest that the resident owners of private equity cooperatives be treated like related individuals for the purposes of occupancy, so long as they maintain a valid conditional use approval. Occupancy limits would then be set by the International Property Maintenance Code, which is incorporated into the BRC by reference.
- Another alternative would be to allow a maximum of between 1.5 and 2 residents per bedroom. This would place a firm cap on the number of potential occupants, while allowing high enough occupancy that some rooms can be shared by couples or children.

### **Additional Details:**

- Private equity co-ops should require a modest minimum ownership stake for each resident-owner (e.g. 5% per person or family), reducing the barrier to entering the real-estate market, while ensuring that resident-owners are invested in the community.
- We support allowing 501(c)3 non-profits to own an unlimited portion of the equity in the property, creating a continuum between the private equity and group equity development models.



- We should allow some proportion of the residents to not hold ownership stakes in the property, giving the community the ability to remain financially stable in the event that a resident-owner needs to leave, but cannot sell their equity immediately. This would also give resident-owners the flexibility to travel occasionally and rent out their room while they are gone.
- As part of the application process, a Transportation Demand Management (TDM) plan could be submitted to help mitigate neighborhood traffic and parking impacts. The TDM plan might include participation in a Neighborhood EcoPass program if it is available, the construction of covered bike parking, or other measures to be agreed upon by the private equity cooperative and city transportation staff.
- As part of the application process, the potential owner-residents would submit their private equity contract agreement, demonstrating compliance with the terms of the conditional use and defining the processes for buying and selling of their equity shares in the co-op. They would also need to submit proof that the property is owned by the equity co-op group.
- We believe this conditional use should be treated the same as other administrative review approvals, which do not require renewal, but which can be revoked for violations of the terms of the permit.
- Approval for the conditional use could be revoked under circumstances similar to those outlined in BRC 10-2.5-6, which define a public nuisance: two convictions in 12 months, or 3 within 24 months for Weed Control, Noise, Trash Accumulation, or being over occupied.
- It should be possible to transfer ownership of the equity cooperative to new owners who agree in writing to all of the existing conditions of use. In practice, ownership of the property is often likely to proceed one share at a time, rather than all at once.
- Additional off-street parking beyond that already present should not be required, as it would preclude a large proportion of properties from being usable.

### **Group Equity Cooperatives:**

In a group equity cooperative a persistent legal entity holds the equity in the property, and the co-op household enters into a management agreement with that entity. The household pays dues each month, which covers the mortgage on the property, as well as providing reserves that are set aside for major capital projects (e.g. replacing the roof). The co-op household is empowered to manage most of the day to day operations and maintenance of the dwelling. This is the model used today by the Boulder Housing Coalition.

Individual community members may come and go every few years, but group equity co-ops have a long term institutional stake in their neighborhood relations, and in staying on the city's good side. They are somewhat challenging to start because a large initial equity stake is required to purchase the building.

### **Permitting/Application:**

- We envision permitting group equity co-ops as a conditional land use, requiring submission of an application to and approval by the City Manager/Staff.

**Occupancy:**

- As with private equity co-ops above, we suggest that the residents of group equity cooperatives be treated like related individuals for the purposes of occupancy, so long as they maintain a valid conditional use approval. Occupancy limits would then be set by the International Property Maintenance Code, which is incorporated into the BRC by reference.
- Another alternative would be to allow a maximum of between 1.5 and 2 residents per bedroom. This would place a firm cap on the number of potential occupants, while allowing high enough occupancy that some rooms can be shared by couples or children.

**Additional Details:**

- We envision group equity cooperatives being owned either by 501(c)3 non-profit organizations or by the city's Housing Authority (Boulder Housing Partners). Allowing BHP to own a group equity co-op creates a potential buyer of last resort in the event that a non-profit owner were to go bankrupt.
- The city might also consider requiring the equity holding organization to also be a federally designated Community Housing Development Organization (CHDO) to ensure that its mission is focused on providing housing, and to give the city some control over which organizations are empowered to own this type of housing (CHDOs require city sponsorship to acquire the federal designation).
- We believe it would be beneficial to allow a continuum to exist between private equity and group equity cooperatives, by permitting a group equity holding organization to hold an unlimited portion of the equity in a property which is also partly owned by resident-owners participating in a private equity cooperative.
- As part of the application process, a Transportation Demand Management (TDM) plan could be submitted to help mitigate neighborhood traffic and parking impacts. The TDM plan might include participation in a Neighborhood EcoPass program if it is available, the construction of covered bike parking, or other measures to be agreed upon by the group equity co-op developer and city transportation staff.
- We believe this conditional use should be treated the same as other administrative review approvals, which do not require renewal, but which can be revoked for violations of the terms of the permit.
- Approval for the conditional use could be revoked under circumstances similar to those outlined in BRC 10-2.5-6, which define a public nuisance: two convictions in 12 months, or 3 within 24 months for Weed Control, Noise, Trash Accumulation, or being over occupied.
- It should be possible to transfer ownership of the equity cooperative to another organization that satisfies all of the requirements for being a group equity co-op developer, and that agrees in writing to all of the existing conditions of use.

- Additional off-street parking beyond that already present should not be required, as it would preclude a large proportion of properties from being usable.

### **Rental Cooperatives:**

Compared to the private equity and group equity development models, rental cooperatives have a very low barrier to entry, requiring good household organization, but no more capital up front than would normally be required to lease a rental property. The property could be owned by anybody -- a remote landlord who is interested in supporting cooperative housing, a property management company, a company with an interest in providing affordable housing for elders, or simply a single resident owner who wishes to share their home with a community of like-minded individuals.

Because the intrinsic barriers to creating this kind of cooperative are low, because the property could be owned by anybody, and because rental cooperatives tend to be relatively ephemeral compared to the equity co-op models described above, we suspect that this model will create the most concern about potential unintended consequences. To address those concerns we propose a relatively structured definition of what a rental cooperative household would look like, and suggest that applications for this type of rental arrangement would be sponsored by a non-profit organization with an interest in the creation of cooperative housing. This sponsoring organization could serve as a point of contact for neighborhood concerns, and work with the cooperative household to ensure that they were in compliance with the terms of the rental license.

### **Permitting/Application:**

- We envision permitting a rental cooperative with a special Cooperative Rental License, which allows higher occupancy and also requires organizational oversight.

### **Occupancy:**

- We propose a maximum occupancy based on the number of bedrooms in the property, with a maximum of between 1.5 and 2.0 occupants per bedroom.

### **Additional Details:**

- Oversight by a sponsoring organization would be required as outlined below.
- The cooperative household would need to meet the requirements outlined below.
- A Transportation Demand Management plan might be required for the co-op.
- A cap on the number active Cooperative Rental Licenses citywide at any given time might be considered.
- Revocation of a Cooperative Rental License would take place under circumstances similar to those outlined in BRC 10-2.5-6, which define a public nuisance: two convictions in 12 months, or 3 within 24 months for Weed Control, Noise, Trash Accumulation, or being over occupied.

- As with any rental license, the Cooperative Rental License would need to be renewed on a regular basis. We imagine that this would take place every 4 years, as with normal rental licenses.

**Property Owner:**

- No specific requirements.

**Sponsoring Organization:**

- Must be a 501(c)3 non-profit or city housing authority.
- Might also be required to be a Community Housing Development Organization (CHDO)?

**Rental Cooperative Household:**

- A cooperative household (Co-op) is group of people who have agreed to act as a single housekeeping unit, and seek a suitable property to rent from a property owner who is amenable to the arrangement.
- A persistent legal entity (e.g. LLC, Colorado state non-profit, or cooperative corporation) is required, so that the cooperative household can enter into legal agreements with other entities (e.g. the property owner and the Sponsoring Organization). This entity would be structured such that each resident has an equal say in the governance of the organization.
- The Co-op is governed by bylaws and house rules, which define the house labor system and other details of household operations and social norms. Residents have the both the power to modify and the responsibility to enforce these rules and bylaws.
- The Co-op will have regularly scheduled household meetings and household decision making processes *in which participation is mandatory*. Decision making will often be by consensus, but other processes are potentially acceptable.
- Pooling of financial resources for household food, consumables, and utility payments is required, and will be collected and managed via one or more organizational bank accounts.
- An annual household budget describing the expected household revenues and expenditures shall be prepared and approved by the Co-op, and submitted to the Sponsoring Organization.
- The governing bylaws, house rules, labor system, proposed household fees, and annual household budget must be approved by the Co-op and presented to the Sponsoring Organization before the Sponsoring Organization will enter into a Management Agreement.

**Relationship between the Property Owner and the Co-op:**

- The Co-op would enter into a master leasing agreement with the Property Owner, as well as individual room-by-room leasing agreements with residents.
- Leases would be contingent on a valid Cooperative Rental License from the City, and voided if that permit were revoked.

- The Co-op would be responsible for finding community members and paying the master lease. This is a potential benefit to the landlords, since it means a lot less overhead in filling the building year to year, and less paperwork between the individuals and the landlord.

**Relationship between Co-op and Sponsoring Organization:**

- The Co-op and the Sponsoring Organization would enter into a Management Agreement laying out the responsibilities of the Sponsoring Organization and the Co-op.
- The Sponsoring Organization would facilitate good neighbor behaviors and act as the point of contact for complaints, as a property management company would. (yard, noise, parking, etc.)
- The Sponsoring Organization would need to have the power to cure in the event of failure to find household members, lease violations, bad-neighbor behaviors, etc. This means “dual powers” as in the existing management agreements maintained between the BHC and its member co-ops -- both the household and the BHC are empowered to fulfil the lease requirements.
- The Sponsoring Organization would ensure that the Co-op maintains a bank account, rental deposits, vacancy reserves, files its taxes and remains legally compliant as a corporate entity.
- The Co-op would need to pay a management fee to the Sponsoring Organization (a percentage of overall rents, or a flat fee?)
- A board member or staff person from the Sponsoring Organization might be required to live in the co-op. This person could serve as the rental Co-op’s local agent, and interface with the city, the Sponsoring Organization, and the neighborhood. They would also serve to represent the co-ops interests on the board of the sponsoring organization.