To: Honorable Mayor and Members of the City Council  
From: Councilmember Linda Maio  
Subject: Facilitating Cooperative Home Ownership Units

RECOMMENDATION
Refer the following proposal for facilitating limited equity cooperative home ownership units to the staff and the Housing Advisory Commission for their recommendation.

FINANCIAL IMPLICATIONS
None.

BACKGROUND
This is a proposal for creating Limited Equity Housing Cooperatives (LEHC's) as a priority form of low-cost affordable housing and ownership. The LEHC's that were established years ago now have monthly housing costs of under $500 per month per unit or less. They operate independently under their own established guidelines and have been quite successful.

The City of Berkeley has a long-standing commitment to creating permanently affordable housing for low-income households to maintain a diverse population. One means of creating new affordable units is our Inclusionary Housing Requirement, which applies to all new market rate developments in the city. This program has been effective in creating affordable rental units, but less successful in creating low-cost ownership units. The inclusionary units, once created, have virtually no oversight to ensure that they remain affordable. The following proposal would assist in creating more affordable ownership units by giving for-profit developers the option to meet their inclusionary requirement by helping to create limited equity housing cooperatives (LEHC) within the structure of a Community Land Trust.

Inclusionary Housing Requirement
The City of Berkeley passed an Inclusionary Housing Requirement in 1987 to mitigate the rapidly escalating housing costs that were driving lower-income people out of Berkeley. The Housing Element in Berkeley's General Plan included the goal of creating affordable housing for lower-income households, to emphasize the need. The requirement stipulates that 20% of the units be affordable to households who earn 80%
of the area median income and applies to all new construction of 5 or more units, either rental and condominium.

Condominium developers have the option to pay mitigation fees into the City's Housing Trust Fund, which the City will use to build affordable housing. **Since the requirement was passed, 152 affordable housing units have been created.** Of those affordable units created, **143 have been rental units, while 9 have been ownership units.** There have been few ownership units created because for a long time developers were only building rentals. Now that some developers are doing condominiums, some are taking the new option of paying in-lieu fees to the Housing Trust Fund.

**Limited Equity Co-ops**
The City of Berkeley has historically supported LEHCs, having assisted in the creation of nearly 200 units of co-op housing, including Savo Island, University Avenue Housing Cooperative and several smaller projects. LEHCs allow resident control over their housing, while maintaining long-term affordability. Co-op members purchase a share in the LEHC, which gives them a right to occupy a unit. The members elect a Board of Directors, who manage the operations of the property. There is no profit taken out of the operations. Upon sale to a new member, the increased value of the share is guided by the Co-op's by-laws and not by the market. Thus, the unit remains very affordable over time.

**Community Land Trust**
As LEHC's embody resident control, it is critical that a co-op be part of a support structure to assure long-term stability. The Community Land Trust (CLT) is the one model of this support structure that has emerged nation wide to provide assistance to co-ops and other forms of resident controlled housing. The CLT is a membership based, community controlled non-profit. Anyone from the community can become a member. Its Board of Directors is democratically elected by the members and one-third of the board are residents of the housing, one-third come from the community and one-third represent the public interest. The CLT provides training and technical assistance to the co-op to assure that it is well managed and the residents learn necessary skills, even as new residents move in. Permanent affordability is preserved by separating the housing from the land, through a 99-year ground lease.
The Community Land Trust model has four distinct advantages not generally shared by other affordable housing models.

1. The CLT/LEHC model offers permanently affordable ownership housing to low to moderate income people. This helps create stable communities and improves blighted areas by encouraging people to become active in, and invest in their communities. Other programs for affordable home ownership, such as silent seconds, require a large one-time subsidy to an individual homeowner for down payment assistance. There is virtually no oversight, which ensures that the unit remains affordable.

2. The CLT retains title to the land, and therefore continues to provide oversight and training, insuring a healthy, stable co-op and permanent affordability. People who have never been homeowners have access to the expertise and technical support they need to manage and maintain their own properties.

3. The CLT is a flexible model that can be used for different types of housing, and can include different ownership structures according to the needs of each project. The CLT, as the umbrella organization owns the land, with the buildings being a Limited Equity Housing Co-op, owned and managed by the residents.

4. The CLT is the type of affordable housing organization that is most accountable to local community and membership control because of its membership/Board structure.

CONTACT PERSON

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