

Resident Ownership Discovery Committee

Community Workshop

February 21, 2–5 pm

Clubhouse

AGENDA

WELCOME!

- **Who are Resident Owned Community (ROC USA) and California Center for Cooperative Development (CCCD), and how can they help?**
 - Introductions: Jodi Baiyat, Kim Coontz, Randy Keller
- **Limited Equity Housing Cooperative (LEHC): What is it and how does it work?**
 - Permanent affordable home ownership for low-to moderate income households
 - Membership structure
 - Governance structure
- **Resident rights and responsibilities under an LEHC**
 - Decision making, voting rights, expense approvals, facilities use, rules
- **Financial implications of self-ownership**
- **From here to resident ownership as an LEHC: Process Overview**
- **Community Workshop: February 28, 2024: Membership, Enrollment, Fees**
- **PAC Board Meeting, March 6, 2024**
 - First community vote toward becoming a LEHC



WHAT IS A COOP?

A cooperative is an organization that is owned and controlled by the people who use its products, supplies and/or services. Cooperatives can vary in their particular purpose but share in common the fact that they are formed to meet the specific objectives of members and adapt to member's changing needs. Self-reliance and self-help are the hallmark of cooperatives.

The cooperative as a form of business organization began during the Industrial Revolution. Cooperatives promoted the interests of the less powerful members of society. Workers, consumers, farmers, artisans and others found that they could accomplish more by combining their resources and working together.

The International Cooperative Alliance (ICA), composed of cooperative leaders from around the world, have established seven fundamental principles that guide cooperatives:

1. Voluntary and open membership. Cooperatives are voluntary organizations and membership is non-discriminatory by gender, social, racial, political, or religious beliefs.
2. Democratic member control. Cooperatives are controlled by members who actively participate in setting policies and making decisions.
3. Economic participation. Members contribute equitably to the capital of their cooperative.
4. Autonomy and independence. Cooperatives are autonomous, self-help organizations controlled by their members.
5. Education, training and information. To foster the development of a cooperative, education and training for members, elected representatives, managers, and employees is provided.
6. Cooperation among cooperatives. To serve their members most effectively and strengthen the cooperative movement, cooperatives work together.
7. Concern for community. While focusing on members' needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.
8. Housing cooperatives are democratically controlled corporations established to provide housing for members. Each household owns a share in the corporation, which entitles the member to occupy a unit of housing. Typically, the cooperative is financed through a blanket mortgage that covers the entire property and members pay monthly carrying charges to cover mortgage payments and operating expenses.
9. Cooperative refers to the organizational structure of the enterprise, not the unit type. The cooperative model can be used for single family homes, townhomes, apartments, mobile home parks—virtually any type of housing construction. Housing cooperatives are established to address the identified needs of members. In this respect, housing cooperatives can include upscale developments for the housing needs of the relatively wealthy and developments established to offer home ownership for those who cannot afford to purchase a home at market price.

HOUSING CO-OPS

Limited Equity Housing Cooperatives are developed to offer permanently affordable homeownership opportunities for low- and moderate-income households. The development of these types of cooperatives is often funded with a combination of private and public funds. Share prices in these cooperatives are usually low, and member households may not own more than one share. To further preserve affordability and prevent speculative resale, price restrictions are put on the sale of shares.

California legislation recognizes and regulates limited-equity housing cooperatives. This legislation assures the long-term affordability of shares by limiting share price increases to no more than 10% per year and mandates that any profits from a sale of the entire cooperative be dedicated to public or charitable entities.

Market Rate Housing Cooperatives operate in the private market. In these cooperatives, sometimes referred to as stock cooperatives, individual members of the cooperatives arrange private financing of share purchases. Cooperative members establish Bylaws that may restrict occupancy to homeowners or put restrictions on the rental of units. When a member moves out, the share is sold at its full market value.

Senior Housing Cooperatives are designed to meet the needs of members who meet established age restrictions. Units are designed to accommodate potential life changes that can accompany age. Communities may incorporate community rooms, fitness centers, swimming pools, parks – the gambit of options offered at any age-restricted development. They may also include various degrees of graduated care. The advantage of the cooperative model is that it allows members to own their unit, and it incorporates democratic decision making which ensures that seniors have a voice in all aspects of community living.

Manufactured Home Park Cooperatives (*Resident Owned Community, "ROC"*) are established to provide members with price control, and a voice in the operation, policies, and maintenance of the park. Manufactured homes are owned privately while the land underneath the home and all other facilities are owned by the cooperative. Members co-own the park and the right to occupy a space for their home.

CaliROC is a program of the California Center for Cooperative Development (CCCD), who is a Certified Technical Assistance Provider (CTAP) affiliate with a national non-profit: ROC USA®. CCCD and ROC USA assist in the transition of privately owned Manufactured Housing Parks to Resident Owned Communities or ROCs from the initial sale agreement to close of escrow, as well as post-purchase assistance for residents. For detailed information about CaliROC, see: www.caliroc.org or call 1-800-413-7301.

MEMBER RIGHTS AND RESPONSIBILITIES

Pages 11–12 of [CCCD>Cooperative Housing Toolbox](#)

Member Rights

- To be involved in critical co-op decisions, such as amending the articles of incorporation and bylaws.
- To elect and, if necessary, remove directors.
- To examine annual reports.
- To receive services and use of all common facilities in a non-discriminatory manner.
- To be charged a proportionate share of all co-op expenses.
- To receive timely notices of all changes in board policies, house rules and other matters affecting the co-op.
- To receive advance notification of annual meetings or other special meetings.
- To dissolve, merge or consolidate the cooperative, or form a joint venture with others.

Member Responsibilities

- To hold directors accountable and to require elected directors to operate the cooperative according to the articles of incorporation and bylaws.
- To provide necessary capital. Members are the owners of the cooperative; each member should provide his or her proportionate share of “risk” capital.
- To stay informed on issues affecting the co-op.
- To pay financial charges in a timely manner.
- To comply with co-op rules and board policies.
- To attend membership meetings.
- To vote on issues that come before the membership for a decision.
- To treat all common areas with respect.
- To treat fellow residents as equal owners.
- To behave as an owner, not a tenant.
- To become actively involved in the cooperative’s committees and activities.

Aside from amending the articles and bylaws, and voting to dissolve, merge or consolidate the cooperative, most decisions regarding the operations of the cooperative are delegated to the board of directors. For this reason, selection of directors is critical, and every member has the responsibility to stay informed on important issues. A conscientious board will inform and consult the membership in a variety of ways on important issues, but the legal authority to make decisions on behalf of the corporation rests with the board of directors.



Bylaw Highlights for Members

Editor's Note: This piece is provided as a handout to ROC Members who are trying to gain a basic understanding of the provisions of the Bylaws. It is not intended as a substitute for reading and understanding the Bylaws of the ROC!

Sections are provided for general guidance and specific locations may vary.

Section 3: Membership

- Open to homeowners
- Homes must be owner-occupied
- In good standing (pay your rent/follow the Community Rules/participate in ROC activities)
- One Membership per household

Requirements of moving into the community

- They must apply / be approved / sign an Occupancy Agreement
- States the amount of the Membership Fee
- A Certificate of Membership will be issued to Members of the ROC when the Membership Fee is paid in full.

Expulsion from Membership

- For endangering the effective operation of the ROC or whose activity is contrary to basic cooperation principles
- There will be a hearing – 15 days' advance notice
- An appeal process may be available

Use of Homes

- If you need to move out and want to rent your home, it must be approved by the Board
- It must be a "hardship" and the request must be in writing

You have to notify the Board if you want to move your home out of the Community

- 30 days in advance
- If you are selling your home, you must let your buyer know they have to become a Member of the ROC and they will be screened before admission
- Also let the ROC know if you execute a Purchase and Sales Agreement
- Check with your Technical Assistance for the specific procedures in your state if you should owe money to the ROC (usually unpaid rent).

Priority given to lower-income families

- This wording is needed in the Bylaws for grants and low-interest loans for the ROC
- For 30 days after notice of intent to sell, owner must give priority to lower-income individuals and families
- You will get your Membership Fee back within 90 days / as long as it does not jeopardize the ROC, less any debts you owe the ROC when you sell or move the home
- Included will be any required language for the community Members to access Fannie Mae or USDA-RD home loans

How the Membership can legally act

- Establishes a percentage of the Membership that must be present for a quorum at meetings
- The ROC cannot conduct business (vote) without it
- No voting by proxy
- The Bylaws and Community Rules of the ROC can only be changed by the Members

Annual Meetings

- Notice and an agenda must be given to all Members no less than 10-25 days nor more than 45-60 days in advance, or in accordance with state law. Check with your Technical Assistance Provider for requirements in your state.
- Reports and the proposed budget must also be given to all Members in advance, in accordance with state law.

Rent is set by the Board of Directors or the Membership

- The Membership will vote on the ROC's budget and rent, although the Board may adjust the rent, as needed.

Special Meetings of the Membership

- A Board approved motion or a petition by a segment of the Membership is needed to call a special meeting of the Membership, in accordance with state law.
- Must be held within 30 days (or in accordance with state law) of receiving a valid petition
- Special meetings require advance notice to the Members, in accordance with state law.

Details about the Board of Directors

- Establishes the number of Directors and length of terms
- Directors must be homeowners and in good standing with the ROC.

Election of Directors

- Voting for the election of the Board of Directors will be done by ballot
- You may get an absentee ballot for certain reasons
- Must request absentee ballot ____ days in advance of the meeting
- Optional -Two people from the same household cannot sit on the Board of Directors.

Powers of the Board

- Responsible for the day-to-day management and control of the ROC
- No Director may act on behalf of the ROC unless authorized
- Board may set up committees who act in accordance with powers defined in policies and procedures.

Removal of Officers

- Board Members may be removed by a majority vote of Members present at a Member meeting with advance notice, in accordance with state law
- Meeting is called by petition of the Members or at the call of the Board.

Compensation

- Board Members do not get paid for serving
- Board Members are entitled to receive reimbursement for out-of-pocket expenses, as long as they are approved by the Board
- Directors may not simultaneously serve on the Board and receive compensation for services, products, or contracts, and may not be employed by the Corporation.

Section 7: Roster of Officers

- States the title and job description for each of the Directors
- Two signatures are required on checks and legal documents
- Board Members can be removed for cause by the Membership.

Section 8: Board Meetings

- Regular Board meetings are held monthly
- Advance notice must be provided to Members, in accordance with state law.
- Board sets the agenda
- Special Board meetings may be held at the call of the President or two Board Members
- All Board meetings are open to Members, except when the Board is in executive session, where no votes are taken.
- A simple majority of Board Members in office establishes a quorum
- The Board may take action outside of a meeting, with specific rules on how to do so.
- No proxy voting is allowed.

Section 9: Indemnification

- No personal liability for the debt, liabilities, or obligations of the ROC, except in the cases of gross negligence
- Directors and employees may have their attorney fees and expenses reimbursed
- Board Members who handle money over a specific amount must be bonded as determined by state law.

Section 10: Signing of Documents

- All legal documents are executed in accordance with Section 7 above.
- No more than one individual from a household may have signing authority

The Board has “spending limits” for items not in an approved budget and Capital Improvement Plan.

The Membership must adopt a Board of Directors Code of Ethics¹, Procurement Policy² and Conflict of Interest Policy.³

Record-keeping/ Inspection of records

- Records must be transferred to newly elected Directors
- Members may inspect records that are not restricted for individual privacy
- Financial records of the ROC may be inspected
- The Treasurer must make available Annual Financial Statements

Fiscal Year

- The fiscal year is stated
- The ROC must have the books examined at the end of the fiscal year

¹ A sample Board of Directors Code of Ethics can be found on page ___ of the Corporate Chapter of the Management Guide.

² A sample Procurement Policy can be found on page ___ of the Corporate Chapter of the Management Guide.

³ A sample Conflict of Interest Policy can be on page ___ of the Corporate Chapter of the Management Guide.

ARTICLES OF INCORPORATION - Key Sections

II. PURPOSE. This Corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public or charitable purposes as a limited-equity housing cooperative pursuant to California Civil Code 817. The general purpose of this Corporation is to have and exercise all rights and powers conferred on a nonprofit corporation under the laws of California, provided that this Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of this Corporation.

The specific charitable and public purposes for which the Corporation is organized are to i) maintain the affordability of the manufactured housing park for low and moderate income households; ii) maintain the community's supply of spaces for manufactured housing for low and moderate income households; iii) acquire, produce, build, operate, furnish, exchange, or distribute manufactured housing in a manufactured housing park; iv) acquire and convert a rental manufactured housing park to a resident-owned manufactured housing park or limited equity housing cooperative; v) combat blight and deterioration in the community; vi) promote social welfare and lessen the burdens of government by assisting local government, their authorities, boards or commissions through the undertaking of housing activities targeted to low and moderate income households, including management activities; and vii) do any and all lawful activities which may be necessary, useful or desirable for the furtherance, accomplishment, fostering, or attainment of the foregoing, either directly or indirectly, and either alone or in conjunction or cooperation with others, whether such others be persons or organizations of any kind or nature, such as corporations, firms, associations, trusts, institutions, foundations, or governmental bureaus, departments or agencies.

III. DAVIS STIRLING ACT: The Corporation is an association formed to manage a common interest development under the Davis-Stirling Common Interest Development Act, California Civil Code Sections 4000 et seq.

IV. TERM: The term of existence of the Corporation shall be perpetual.

VIII. DISTRIBUTION UPON DISSOLUTION: Upon dissolution of the association, the corporate assets remaining after payment or provision of payment of all debts and liabilities of this Corporation shall be distributed to another cooperative or non-profit corporation, the contribution to which are tax deductible under the current Internal Revenue Service Regulations.

IX. LIMITATION OF CORPORATION ACTIVITY: This Corporation is organized and operated exclusively for charitable and public purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. Notwithstanding any other provision of these Articles, the Corporation shall not carry on any activities prohibited to be carried on by: (i) a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code or the

corresponding provision of any future United States Internal Revenue Law; or (ii) a corporation, contributions to which are deductible under Section 170 of the Internal Revenue Code or the corresponding provisions of any other United States Internal Revenue Law.

No substantial part of the activities of this Corporation shall consist of lobbying or propaganda, or otherwise attempting to influence legislation, except as provided in Section 501(h) of the Internal Revenue Code, and this Corporation shall not participate in or interfere in (including publishing or distributing statements) any political campaign on behalf of any candidate for public office.

X. DIRECTORS: The number of directors and the manner in which directors shall be chosen and removed from office, their qualifications, powers, duties, term of office, the manner of filling vacancies on the board of directors and the manner of calling and holding meetings of directors shall be as stated in the bylaws.

XI. INITIAL BOARD OF DIRECTORS: The names and addresses of the directors who shall manage the affairs of the Corporation for the first year, unless sooner changed by the members, are as follows:

XII. MEMBERSHIP: The number of the memberships issued shall not exceed the total number of manufactured housing lots in the manufactured housing community owned by the Corporation. Each member must be a resident of the Corporation and each resident household is limited to one membership interest.

XIII. PROPERTY RIGHTS: The transfer value of a membership interest shall be equal to the membership fee paid; all other property interests will be determined by occupancy or leasehold agreements.

XIV. MAXIMUM MEMBER CAPITAL: The maximum percentage of capital which may be owned or controlled by any member, shall be the percentage of the membership fees owned by them in relation to the total of membership fees in the cooperative; each member shall be limited to a single membership interest.

XV. NON-DISCRIMINATION: Membership in the cooperative shall be limited to households, which are residents of the manufactured housing park owned by the cooperative. Membership shall be available without discrimination because of that person's sexual orientation, age, sex, race, creed, color, marital status, familial status, physical or mental disability or national origin.