

Vermont Housing and Conservation Board

**POLICY POSITION
FUNDING OF LIMITED EQUITY COOPERATIVES**

Whereas it is the goal of the Board to insure that low income Vermonters have the opportunity to choose affordable homeownership, the Board adopts this policy to foster the development of limited equity cooperatives (the "cooperatives") and specify the terms and conditions of VHCBC financing which will be available for such cooperatives:

1. The VHCBC Policy on Funding for Affordable Housing Projects and Interim Guidelines for Housing Development Fees and all practices and procedures used to implement said policies/guidelines to insure affordability shall apply to grantees seeking to develop cooperatives with VHCBC assistance;

Except for paragraph 2, below, provision of VHCBC funds to grantees for the acquisition of mobile home parks, transfer of those parks to cooperatives and assumption of VHCBC grant agreements, notes, mortgages and housing subsidy covenants by cooperatives will be governed by the Policy on Funding for Mobile Home Parks;

2. Prior to receiving funding, or assuming VHCBC notes and mortgages, the cooperative must demonstrate to VHCBC staff satisfaction that it is financially viable, that it has established adequate marketing, management, resident selection and financial monitoring systems, that it can maintain the affordability of units in perpetuity, and that it will address its future technical and management assistance needs by entering into a long-term contract with an organization with appropriate curative powers, approved by VHCBC staff. In its resident selection plan, each cooperative shall provide for an appeals process that includes members of a review committee who are members of said organization;
3. VHCBC awards will normally be in the form of grants.
4. Except in compelling circumstances, VHCBC funds shall be used for cooperatives where two-thirds of the units are occupied by households with incomes at or below 80% of median income, on the date of initial occupancy or the date of the VHCBC award, whichever is later. In awarding VHCBC funds for cooperatives, the Board shall give preference to those projects where (a) the investment of VHCBC funds will provide homeownership options to families with very limited access to other affordable homeownership programs and (b) the affordability of the cooperative units will improve over time. If a grantee proposes to use VHCBC funds to develop a cooperative in which units are occupied by households with incomes above median, VHCBC assistance shall not be available for those units.

5. VHCB looks to the initial subscribers to demonstrate a commitment to the cooperative in the form of equity contributions. Cooperatives will be presumed to have the ability to make an equity contribution based on the amount that is affordable to a majority of households without share financing. Share amounts will be evaluated on a project-by-project basis, based on the following factors: (i) income levels at the time of initial incorporation (ii) limited equity formula (iii) affordability over time (iv) availability of share financing and financing terms (v) number of units (vi) mortgage financing terms;
6. Every cooperative that receives VHCB assistance shall sign a Housing Subsidy Covenant of perpetual duration which shall set the income limits for members and the desired affordability of units in the cooperative; 7. VHCB staff shall work with grantees to develop limited equity formulas which address the needs of cooperative members and provide for perpetual affordability of the unit(s);
8. All cooperatives provided with VHCB funds shall comply with all applicable fair housing laws and regulations;
9. VHCB's Policy Position on Funding for Affordable Housing Projects places a priority on resident involvement in management and on governing boards of recipient organizations. VHCB acknowledges the achievement of this goal through housing cooperatives and looks to existing efforts to develop a comprehensive limited equity housing cooperative program throughout the state. This program must address the need for (a) long-term financing tools to develop cooperatives and provide loans to residents for equity contributions, (b) mechanisms by which governmental agencies, municipalities, non-profit corporations, private businesses, and cooperatives can assure the long-term viability of cooperative housing in the State of Vermont and (c) development of policy which supports cooperatives in a manner consistent with the Housing and Conservation Trust Fund Act and VHCB policies and procedures on displacement or relocation of lower income Vermonters.