



SquareOne Villages

EMERALD VILLAGE EUGENE | Ownership Structure

OVERVIEW:

Unlike most affordable housing projects today, residents of Emerald Village Eugene (EVE) will not simply be renters. Instead, they will be members of a housing cooperative with a share in the ownership of the village, allowing them to acquire a modest asset that can be cashed out if and when they choose to leave. One of the ways EVE provides for permanent affordability is through the village's unique ownership structure, a modified hybrid of two models of shared equity housing that serve as more sustainable and equitable alternatives to conventional homeownership: community land trusts (CLTs) and limited equity cooperatives (LECs).

CLTs realize affordability by dividing ownership of the land and ownership of buildings and improvements, thereby mitigating speculative market and financial forces. Typically, a household owns its dwelling unit while the CLT retains title to the underlying land. A long-term ground lease connects the household to the CLT and is used to enforce affordability controls. This division of land and building rights simultaneously enables access to affordable homeownership while allowing the broader community—through a non-profit steward—to retain a stake in the land. However, because households generally must rely on conventional bank financing to purchase their home, they can be inaccessible to lower-income households.

LECs realize affordability through pooled resources, self-management, and operating at-cost (because there is no third-party profit). In an LEC, multiple households join together to collectively own multiple dwelling units via a cooperative corporation. Each household purchases a share in the cooperative, granting them a right to a dwelling unit and a vote in the co-op's governance, and pays a monthly carrying charge to cover maintenance costs, reserve funds, and debt service (if applicable). Affordability is also preserved by the terms of the share, which generally limits its appreciation in value with a simple formula (i.e. limited equity). However, LECs can be difficult to sustain over the long-term due to their reliance on member engagement in consensus-based governance and the knowledge, skills, and planning needed for successful property management. Additionally, in "hot" housing markets, members may be enticed to convert to a market-rate co-op and cash out their shares at whatever prices the market will bear.

EVE offers one of many possible forms a CLT-LEC hybrid may take. In this example, residents form a limited-equity cooperative corporation, and the co-op enters into a ground lease

agreement with SquareOne Villages (SOV), a non-profit organization which owns the village's physical assets and retains title to the underlying land, with the intent of retaining these assets as affordable housing in perpetuity. The ground lease outlines the organizational and property management obligations of the co-op, SOV's rights concerning the operation of the village, and requires the co-op to maintain monthly carrying charges at rates affordable to people earning under 50% area-median income.

This arrangement combines elements of these shared equity models in complementary ways. As a limited equity cooperative, EVE residents are able to acquire a modest asset (a share of the co-op) without having to seek conventional bank financing as individual households. And like other LECs, EVE residents benefit from shared resources, self-management, and operating at-cost. As the landowner, SOV is able to ensure the village remains affordable over the long-term through its ground lease with the cooperative. At the same time, this partnership helps ensure the longer-term viability of the co-op. SOV is able to serve in an advisory role for the co-op, providing support in the form of technical assistance, training, and leadership development. And due to its sustained involvement in the project, SOV can serve as a "mission steward" for the LEC during periods of leadership change and member turnover.

EVE OPERATING DOCUMENTS:

• SOV-EVE Commercial Lease (Ground Lease)

- legal document that leases land and physical assets to EVE co-op
- establishes a lease fee for the co-op to cover operating costs
- requires tenant to maintain rents at rates affordable to people earning under 50% area median income
- establishes co-op's obligations & SOV's rights regarding operation of the co-op:
 1. Alterations or improvements to the residential units and surrounding property require prior written consent from SOV.
 2. Amendments to EVE's Articles of Incorporation, Bylaws, Proprietary Lease and other documents require prior written consent from SOV.
 3. SOV reserves the right to enforce EVE's Articles of Incorporation, Bylaws, Proprietary Lease, this Membership Agreement, and any other Policies and Procedures formally adopted by the Cooperative
 4. EVE must maintain property in good repair

- **EVE Membership Agreement**

- an outline of the primary agreements one makes in becoming a member of the co-op, to be signed by new members

- **EVE Articles & Bylaws**

- Rules and regulations for how residents operate and manage the co-op
- Establishes membership fee and outlines transfer of membership
- Requires rent to remain affordable to someone on a very low-income (50% area median income)
- Establishes A co-op Board of Directors composed of all EVE residents
 - An interim Board will be put in place through September 2019 to provide stability, oversight, and support to EVE as we gradually fill it with residents over the next several months, and then transition more responsibility to the residents as things stabilize.
- Annual membership meetings to occur in September of each year
 - Officers elected annually by Board (facilitator, vice-facilitator, treasurer, secretary, committee co-coordinators)

- **EVE Proprietary Lease (Occupancy Agreement)**

- grants a co-op member the exclusive right to occupy a specific dwelling
- requires resident to pay rent
- requires resident to maintain interiors of dwellings in good repair
- co-op is responsible for maintaining exteriors of dwellings and common spaces
- requires co-op approval for alterations or improvements to physical assets (which then requires SOV approval under the Commercial Lease)
- establishes grounds for termination of membership

Emerald Village Eugene

