

§1754. Limited equity cooperatives

A cooperative affordable housing corporation may organize as a limited equity cooperative in order to fulfill the public purpose of providing and preserving housing for persons and households of low income and moderate income at the time that they purchase their memberships. In addition to safeguarding the public purpose, a limited equity cooperative must meet the following requirements. [PL 1993, c. 300, §1 (NEW).]

1. Sale of interest based on limited equity formula. The articles of incorporation must require that cooperative interests be sold at no more than a transfer value determined by a limited equity formula contained in the articles. That value must be consistent with the object of maintaining long-term affordability of cooperative interests for persons or households of low income and moderate income. [PL 1993, c. 300, §1 (NEW).]

2. Maintenance of affordability. A limited equity formula, once established by a cooperative affordable housing corporation in its articles of incorporation, may be amended only if that amendment does not make the cooperative membership unaffordable for classes of low-income or moderate-income households for which the cooperative affordable housing corporation was originally incorporated. A cooperative affordable housing corporation once organized under this section may not reorganize as other than a limited equity cooperative without first dissolving. [PL 1993, c. 300, §1 (NEW).]

3. Uphold public purpose. A limited equity cooperative may not sell all or substantially all of its assets if such sale is intended to circumvent the public purpose of this section. [PL 1993, c. 300, §1 (NEW).]

4. Right to repurchase. The articles of incorporation must require that the cooperative affordable housing corporation has the first right to repurchase a member's cooperative interest. [PL 1993, c. 300, §1 (NEW).]

5. Limit on capital distribution. The articles of incorporation must require that the total distribution of capital to a member not exceed the transfer value. [PL 1993, c. 300, §1 (NEW).]

6. Distribution upon dissolution. The articles of incorporation must require that upon dissolution of the cooperative affordable housing corporation any assets remaining after retirement of corporate debts and distribution to members must be distributed to a charitable organization described in the Internal Revenue Code of 1986, Section 501(c)(3), as amended, a public agency or another limited equity cooperative whose formula for determining transfer value is no less restrictive than that of the cooperative affordable housing corporation being dissolved. [PL 1993, c. 300, §1 (NEW).]

7. Sublease limitations. The articles of incorporation must require that a sublease of a unit may not require monthly payments by the sublessee in excess of 100% of the monthly payments for the unit required in the proprietary lease. [PL 1993, c. 300, §1 (NEW).]

8. Minimum occupancy requirement. At least 80% of a limited equity cooperative's occupied units must be occupied by members. [PL 1993, c. 300, §1 (NEW).]

9. Residents only. Voting authority may not be assigned to nonresidents, except for any assignment as security for a share loan or as security for a loan for construction, acquisition or permanent financing of cooperative property. [PL 1993, c. 300, §1 (NEW).]

SECTION HISTORY

PL 1993, c. 300, §1 (NEW).

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