MEGA-BUCKS MONEY PRESSURES IN COMMUNITY?

BY ROB SANDELIN

A young red-haired mother leads a toddler along a winding cement path to a large house, joining a community of neighbors for spaghetti dinner. Sitting between a guitar-maker and a retired librarian, she helps herself to a freshly picked salad. She and the guitar maker discuss an upcoming neighborhood concert; her toddler giggles and tells the librarian a joke. The young mother appreciates that the lively community members around her have organized, designed, built, and now co-manage their own small neighborhood. And while it would be a dream come true for her and her son, there is no way they can ever afford to live there.

IN THE PAST FIVE YEARS, 38 COHOUSING COMMUNIties have sprung up around North America. These new intentional communities are typically planned residential developments of 20 to 36 homes. They are designed and managed by the future residents, and are usually built all at once as large, multi-million-dollar development projects. Cohousing communities demonstrate how communitarian values can blend with mainstream economics to form a new entity—one that bridges the communities movement and the larger society.

"But can I afford it?"

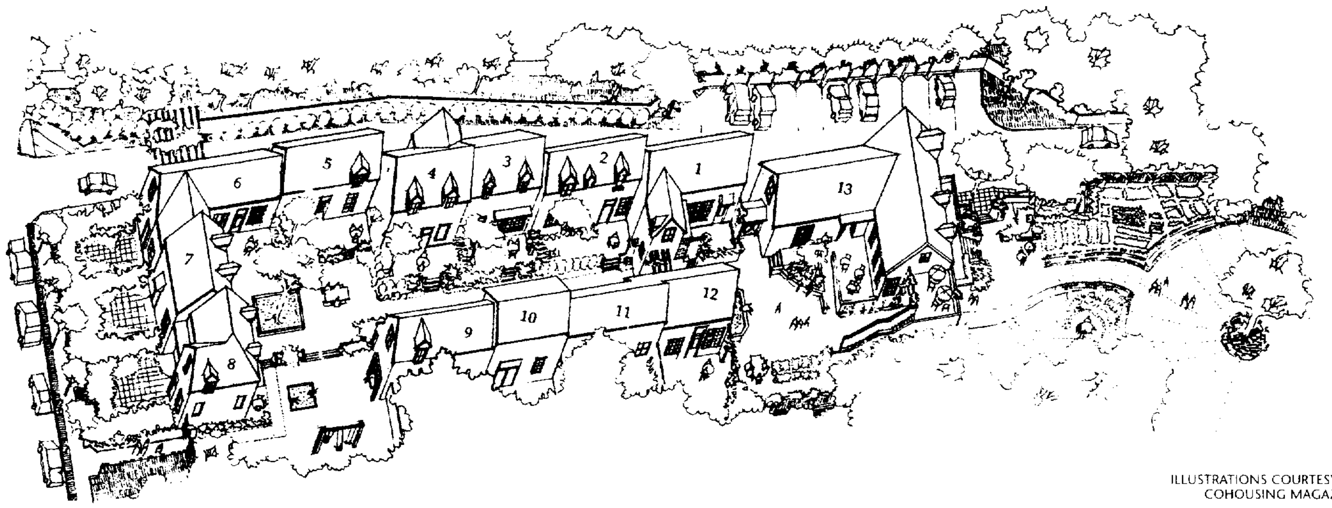
Cohousers combine private home ownership with community-owned shared land and a Common House. However, private home ownership requires at least middle-class economic credentials. Most cohousing homes are sold at market rates, and the financial requirements rule out potential members who don't meet requirements for a mortgage. Many people in the helping professions such as daycare workers, teachers, and entry-level health providers are economically barred from joining, given the average price tag of a cohousing home, which currently averages about $150,000. Often people are so attracted to the cohousing lifestyle that they significantly overextend their finances just to be a part of it.

"Are we keeping good people out because of income?"

The economic deterrent of cohousing generates considerable debate among cohousing activists, who want to make cohousing more affordable but continue to find resistance to the notion of "low-income housing" whenever they broach it. Cohousing as a large capital development project leaves the citizen-developers vulnerable to the biases and fears of building and planning departments, zoning boards, banks, and other land development entities. Many cohousing developments require a sometimes arduous public hearing processes where suspicious future neighbors try to stop the project, often hostile to the idea of "community" in general and affordable housing in particular. Throughout the development process cohousers must constantly defend themselves ("This ain't no '60s commune") and assuage the concerns of neighbors and zoning boards by defining cohousing as managerial and professional people seeking home ownership in a slightly different way than in traditional subdivisions. Unfortunately, this "we're the monied classes" definition, used to promote and market the cohousing concept (and get it past conservative banks and zoning boards), ultimately defines who lives there. In some cases, trying to promote affordability along with an alternative, cooperative lifestyle is simply too much for forming cohousing groups to handle, so they shy away from affordability altogether.

"Will the low-income people fit in?"

However, some cohousing groups have successfully acquired subsidies for affordable housing; for example, securing special financing and even outright grants to fund members with lower incomes than would normally qualify for home ownership. The Vashon cohousing group, on Vashon Island, Washington, successfully negotiated a partnership with a local affordable housing nonprofit, which had the expertise to handle the funding



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paperwork. Vashon cohousing got the benefit of several hundred thousand dollars worth of grants—funding five of their 18 homes. Initially some members worried how lower-income members would fit in with the group's goals for community. However, it worked out fine, as the members from the affordable housing program who ended up living at Vashon cohousing essentially selected themselves by getting involved with the ongoing work of the group while waiting for the paperwork to clear. Those who discovered community inadvertently while looking for affordable housing became enthusiastic members, clearly seeing the benefits of neighborly cooperation and shared resources.

"Let's gets grants and subsidies."

Common Ground Cohousing, in Aspen, Colorado, was actually supported by the local government, which had been searching for ways to build affordable housing. The city of Aspen donated the land to Common Ground Cohousing and set up a special review process to ease the process of securing development and building permits. Other projects, such as SouthSide park in Sacramento, California, have obtained special second mortgage programs with low or no downpayments to finance units at lower start-up costs. Even the US government (through the Department of Housing and Urban Development) is looking into cohousing as a model for affordable community living.

The downside to many affordable funding sources is that they often come with strings attached and considerable paperwork, and take several months, if not years, before the money is actually committed. Recipients of grants and affordability loans have to demonstrate that their income is low enough to qualify for the program, but high enough to make mortgage payments—often a narrow window. Finding people who are interested in community *and* who meet the income requirements can be tough.

None of these programs offer help for the most chronic financial problems with cohousing, however: the required up-front cash payments for startup.

"We need members with money to even get started."

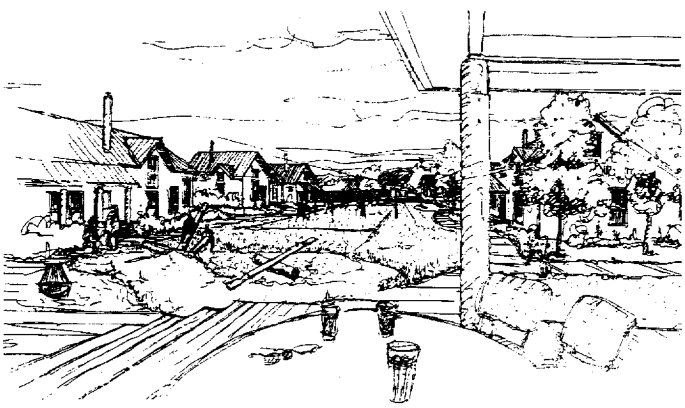
Cohousing developments, like all multi-family real estate projects, require considerable cash outlays months or years before the actual home-building process, for the land purchase contract, planning and design professionals, and legal fees. Although a few projects have received early financial support from a land development firm (such as Wonderland Hill Development in Boulder, which has helped several cohousing projects in Colorado), many cohousing groups have had to raise this initial capital from their own pockets. These development costs can run as much as $10,000–15,000 per household, which basically serves as down payment on a home, years before the mortgage is signed.

"I could lose my investment!"

These cash outlays are essentially unsecured loans. As such, they represent a considerable financial risk by the participants, demonstrating not only the financial condition of the founding members, but also their faith in the project and in their fellow members. Although only a few cohousing projects have failed with a loss of this early capital, it is always a distinct possibility that investors in any cohousing group will lose their money if the project folds. (And, as you would expect, many forming cohousing communities have disbanded because they couldn't raise the money to buy their land.)

"I have* way *too much money at stake to let this fail!"

Paradoxically, the initial investment risk of cohousing seems to result in successful projects. The greater the pool of unsecured capital that members invest, the less they are able to bail out of the project. As one stressed



cohousing participant said, "I have way too much money at stake to let this fail!" The unsecured investments of the participants create a very real commitment in seeing through whatever it takes to get the community built. This often means hundreds of volunteer hours in meetings and tasks over the three-to-five-year period of land acquisition, design, and development.

Not every cohousing participant has enough capital to invest and this requires some flexible financing. Some groups require a cash payment and a monthly assessment to cover costs. In some cohousing groups, some people can buy into the project with significantly more capital than others and then negotiate interest or other returns on their initial investments in proportion to the risk. In some cases, members with equity from home sales have carried the group's initial start-up costs. Some groups have set up legal forms to allow for silent partners, so that in-laws, friends, and relatives could loan money to the projects.

"I want interest on any money I loan."

As you can imagine, discussions about money can be difficult. People are sometimes quite reluctant to reveal the extent of their assets, and this makes it difficult to make decisions about when and how the group should spend money. Strong disagreements can arise about whether to pay members interest on their loans to the group. More than one cohousing dream has ended because people with the most money left the group, unwilling to make a loan without any sort of return.

"That's too expensive; we (I) can't afford it."

Most cohousing communities are set up as a condominium form of ownership, in which members pay a monthly assessment for common costs such as insurance, maintenance, and capital improvements. This monthly assessment typically exceeds $100 a month, and cohousers often have their sharpest disagreements around setting up these fees and the annual budget. Typically the financial information about individual members is not available to the whole group. Budget discussions can often become tense as members with less money try to reduce the cost of housing items, such as expensive front doors, or all-wood cabinets, that other, wealthier members want and can easily afford. Who has more money, and who has less, soon becomes apparent in these sessions.

Some cohousing groups arrange purchases so that those who can afford and want extra amenities are encouraged to contribute to the group, and those who are financially less able, are spared the extra costs. For instance, the playground at Sharingwood was partly funded by an equal assessment but mostly funded by voluntary individual contributions.

ONCE A COHOUSING GROUP MOVES IN, THE CO-operative lifestyle and shared amenities can save members thousands of dollars annually, in terms of food costs (often ingredients for shared dinners are bought in bulk), transportation (members often carpool), childcare (which is often traded), and sometimes utilities. Nyland Cohousing in Colorado got a special grant for energy conservation improvements; now each homeowner saves over 50 percent on utility bills, compared to a typical development.

Unfortunately none of these potential monthly savings are recognized by lenders who provide mortgages. Clearly one of the future tasks of the cohousing movement is to work with lenders to create funding and lending sources that allow for "the cooperative discount," so the savings of living cooperatively can be added to the balance sheet.

Another common method of easing the monthly mortgage bite is for cohousers to rent out rooms. Both renters and landlords can enjoy the economic and social benefits of shared housing within the greater context of the community. However, banks typically will not allow rental income to be factored in to the mortgage qualification process, and even in homes designed with mother-in-law apartments, mortgage holders must still qualify by their employment income alone. Cohousing rentals can also generate sharp disagreements among members, polarizing members who want and need the extra income and those who see additional people as a burden on the facilities.

This model of cohousing, where the whole project is designed and built at once, requires a core group of people with significant capital who are willing to invest in a risky venture. Fortunately, as the many successful cohousing communities demonstrate, the appeal of community living can overcome significant obstacles, including financial ones. Ω

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