

Chapter One: The Nature of Cooperative Housing The Michigan Cooperative Law Primer

Cooperative housing is a unique form of home ownership, distinct from that of traditional single-family ownership and renting. It is often aligned with condominium ownership, but there are vast legal differences between owning a condominium and living in a cooperative. The similarities and differences among these forms of housing will be described in detail below.

As the name implies, cooperative housing is an effort of all its tenants, bound together as members of a corporation. This corporation, in turn, owns the property and rents the units to its various members. Thus, the cooperative is really a small community. Its members share a common bond, and work together in order to conduct business. Like no other form of housing, the cooperative gives this sense of “community” to its members.

In order to understand the nature of the cooperative, it is vital to realize that each “owner” is actually a member - or shareholder - in the cooperative corporation. Each member, in turn, is also a “tenant”. There is no landlord in the usual sense - rather, the landlord is the cooperative, owned by all the members.

Knowing that the cooperative unit owner wears these two hats - member and tenant - is critical to appreciate the great value of being in the cooperative community. It is not an “us versus them” situation. Rather, it is simply “us.” We are the cooperative. No greedy landlord collects rent. There is no profit margin in the rent - which is actually called “carrying charges.” We decide what to charge ourselves, and that is based on the costs of operating and maintaining the property that we all own an interest in.

As noted above, the cooperative is a corporation. It is a nonprofit corporation since there are no investors that have a profit motive. It is, instead, owned by the members. The members, in turn, elect a board of directors. The board of directors is given authority to make decisions for the corporation. Thus, it should be evident why each member needs to understand that he or she is in a community which thrives best when the members realize that they are owners and participate in the democratic process of electing the board.

For this reason, new members should be required to attend an orientation program that explains the basic principles of cooperative housing. Too many members of cooperatives today view themselves as simply tenants. They complain about how the cooperative is operated without realizing that they hold the power to effectuate change by attending membership meetings and exercising their right to vote. This attitude, borne of ignorance, evidences itself by how these members treat their unit and their neighbors.

Disclaimer

This primer is intended to provide the reader with a starting point to understand the law of housing cooperatives in Michigan. It should not be used as a substitute for qualified legal advice from a competent, experienced attorney licensed to practice law in the state of Michigan.

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