



MAKING COHOUSING AFFORDABLE: STRATEGIES AND SUCCESSES

By Betsy Morris

(Note: This article is part of a series of articles on building cohousing which originally appeared in 2007 on The Cohousing Association of the United States web page (<http://www.cohousing.org>). It is reprinted with permission from the author and the original publisher.)

A glance at a detailed map of U.S. cohousing communities would show that most of us are living in areas of relatively high property values: on the coasts, in college towns or on the outskirts of high-tech growth centers. That's one reason why making cohousing affordable to the widest possible number of people has been of intense interest to prospective community members throughout the history of the cohousing movement.

Over the past year, I have identified strategies used by more than 30 communities to include households at lower-income levels. The number of communities and strategies continues to grow. We'll delve into these strategies in a moment.

What is affordable housing?

The term affordable housing has a regulatory meaning beyond the notion of "what I can afford to pay." The US Census and other federal agencies define housing as affordable if the costs (rent and utilities or mortgage, taxes, insurance, and HOA dues) are no more than 35 percent of a household's gross income. That cap has risen from 25 percent over the past couple of decades.

There are a lot of reasons why housing has become more expensive and a bigger part of the typically [sic] household budget. Suffice it to say that the market is not building housing based on actual incomes, but tends to produce a glut for upper income households, particularly in the form of second homes and investment properties. Relatively little housing is built for those of us on the downside of the national median, a troublesome trend.

In response, a growing number of cities and regions in higher income/high growth/expensive market areas now have "inclusionary zoning" policies to ensure more housing for greater income diversity. In parts of California, the District of Columbia, Massachusetts and New Mexico, new housing built with more than four units (the numbers vary) must have at least 10, 20 up to as high as 30 percent (Santa Fe) of its units selling or renting for below-market rates. Affordable in this sense means housing that has been subsidized in some way. More specifically, the rents and sales prices must again cost no more than a third of the household's monthly budget but here the households targeted range from those living at poverty level up to those at 120 percent of the city or county's median household income. Most inclusionary zoning requires that a fifth of new units be affordable to families making 80 to 120 percent of median income for homeowners. In the case of rental projects, prospective renters earn 30 to 80 percent of the median income.

So that brings us to the essential question: How do cohousing units or communities become more affordable? There are two ways, [by] controlling costs and by bringing in subsidies usually in the form of low-cost loans or shared equity investments.

Controlling costs

In real estate development, time is money. Developers save money by making costs predictable, not simply by cutting costs. Controlling costs means keeping close tabs of all three phases of development:

- "soft" or variable costs associated with pre-development such as permit fees, architecture and planning

- “hard” costs of land, labor and materials
- Operating and reserve costs required to maintain the buildings, and other community and household expenses after move-in.

All three phases are affected by the cost of money, i.e. interest on loans used to cover each phase.

Making housing affordable to a range of households requires thoughtful planning well before anything is built or people move into a new community. The development costs and long-term operating costs will be spelled out before construction starts in a new project because of bank and other legal requirements. Retrofit communities should also be mindful of the long-term impacts of choices made early on that will affect household expenses 10, 20 and 30 years out.

Internal strategies for lowering housing costs include methods used by architects and builders, and other methods specific to cohousing. Widely used examples include choosing smaller unit sizes, building “at scale,” (building the number of units sufficient to get better prices on labor and materials); designing for energy efficiency in materials, siting homes for passive solar gain, and clustering homes to use less land. Bathrooms and kitchens are the “high ticket” rooms, so having only one bathroom per unit and standard kitchen appliances is another way to lower per unit costs. Other less common methods include:

Affordability strategy	Community examples
Space for future in-law studios/rental units in private homes	Commons on the Alameda (Santa Fe, NM) Nyland (Lafayette, CO) Jackson Place (Seattle, WA)
Controlling construction costs rigorously; profit sharing	Jamaica Plain (Boston, MA) WHDC/Cohousing Partners projects
Cooperative ownership of a single unit	Sunward (Ann Arbor, MI)
Equity sharing with non-resident partners	Bellingham Coho (Bellingham, WA)
Leaving some spaces unfinished (rooms over a garage, basement or common spaces) so homeowners can improve as their incomes rise (as allowed by building code).	Two Echo Cohousing (Brunswick, ME)
Shared utilities or other facilities among households, one laundry rather than 30 hookups, one water or gas main versus 30.	Cobb Hill Farm (Hartland, VT) Takoma Village (Washington, DC) Eastern Village (Silver Spring, MD) Westwood (Asheville, NC)
Community system of loans or gifts among members of the cohousing community before construction, to either lower housing prices or help families to be able to afford the sales prices needed to cover costs.	Jamaica Plain (Boston, MA) Island Cohousing, (West Tisbury, MA)
Community as a whole (or part of membership) purchases units or raises their own unit costs to lower price of another unit to make it affordable to another family.	Bartimaeus Cohousing, (Bremerton, WA) Cobb Hill Farm (Hartland, VT) Coho Ecovillage (Corvallis, OR)

These kinds of strategies can take tens of thousands off the purchase price, or thousands of dollars off operating costs or interest payments a year. Let’s take a closer look at a couple of those internal strategies.

Sharing utilities is a cost-saving method specific to cohousing because of the cooperation necessary among homeowners to negotiate these systems and convince bankers and local planners. In areas with extreme seasons, utilities for the typical home can often go over \$200 a month. In addition to passive solar and other design elements, communities such as Westwood in Asheville, NC, Cobb Hill in Hartland, VT, and Swan’s Market Cohousing in Oakland, CA, use highly efficient centralized boilers for heating and hot water for two dozen and more households. Nyland, Wild Sage and other Wonderland Hill projects were all

early adopters of green technologies for documented lower utility costs. Takoma Village in Washington, DC, and nearby Eastern Village in Silver Spring, MD, have geothermal systems that tap the relatively constant temperature of the underlying rock to help heat and cool the homes and common house to a comfortable temperature year-round. I have heard of costs as low as \$9/month for heating and cooling in the most extreme months.

An internal loan fund was another affordability approach taken by Boston’s Jamaica Plain Cohousing. Ten percent of the 30-unit community was required by the City of Boston to be affordable to buyers earning 80 percent of area median income or less. In fact, half the community households qualified. To make more units affordable, the community funded a \$100,000 loan fund so buyers who needed more than the bank would lend could apply for a loan from the fund. Half the loan funds came from a voluntary assessment from all members, raising their home prices slightly; the other half came from individuals in the community. The fund is managed by an independent third party.

External strategies to lower housing costs – Subsidies and partnerships

External affordability strategies involve partnerships or relationships with other public or nonprofit entities. Groups need to bring these partners in very early, often before land has been found. In more recent cases, nonprofit developers are deciding to build cohousing and recruit a group after they have gotten a site and an approved design.

External strategies/partnerships	Community examples
Limited equity / appreciation recapture	Berkeley Cohousing (Berkeley, CA) Elderspirit (Abingdon, VA) Wild Sage (Boulder, CO) Nomad (Boulder, CO) Island Cohousing (West Tisbury, MA)
Land trust	Mariposa Grove (Oakland, CA) Troy Gardens (Madison, WI) Ithaca Ecovillage (Ithaca, NY)
Nonprofit community housing development organization	Elderspirit (Abingdon, VA) Eldergrace (Santa Fe, NM) Sequoia Village (Sebastopol, CA) Coho Ecovillage (Corvallis, OR) Swan's Market (Oakland, CA)
Habitat for Humanity – “sweat equity”	Wild Sage (Boulder, CO) Arboretum (Madison, WI)
First time homebuyer assistance	Swan's Market, (Oakland, CA) Doyle Street (Emeryville, CA)
Low/moderate income homebuyer Assistance	Sequoia Village (Sebastopol, CA) Wasatch Commons (Salt Lake City, UT) Village Cohousing (Madison, WI)
Density bonuses	Pacifica Cohousing (Carrboro, NC)
Nonprofit or public housing agency owns unit; uses federal or private funds to subsidize rent for very low-income	Quayside Village (Vancouver, BC) Jackson Place (Seattle, WA) Cambridge Cohousing

households including disabled persons.	(Cambridge, MA) Coho Ecovillage (Corvallis, OR)
Low-income homeowner lottery	Island Cohousing (West Tisbury, MA) Jamaica Plain (Boston, MA)
Mix of affordable rentals (owned by nonprofit) and homeowner units	ElderSpirit (Abingdon, VA)



The Central Green at Berkeley Cohousing—shared open space. Photo courtesy of Nana Kirk.

Let's explore a few of these external strategies in more depth.

Limited equity: Limited equity arrangements allow eligible buyers to purchase homes at very favorable prices with low down payments. Limited equity means when the property is resold, all or some of the equity returns to the fund that subsidized its purchase, sometimes revolving to subsidize the next eligible buyer of the same home. Berkeley Cohousing's 14 units were renovated at market rate with costs kept as low as possible. Half the residents were first-time homebuyers. To avoid a condo-conversion fee required by the city, members agreed to cap future appreciation for 30 years to remain affordable to people with similar incomes. Five homes have sold over the last 12 years, for roughly 33% to almost 50% percent below market rate for units of a similar size.

Land trust: Mariposa Grove is another retrofit community a few miles from Berkeley Cohousing. The original buyer brought in people to share and renovate three existing buildings into seven units, create common space and make decisions cooperatively. Last year the land was sold to the nonprofit Northern California Land Trust. The units are being purchased as condominiums affordable to households making 60 to 80 percent of area median income. Banks will supply a mortgage in the normal manner.

Partnering with a nonprofit housing developer: Elderspirit, in Abingdon, VA, pioneered a mixed-rental/homeowner cohousing model to provide more affordability. Burning soul/founder Dene Peterson, an experienced nonprofit manager, created a nonprofit community housing development organization (CHDO), a special entity that is eligible for special federal, state and private lending grants and low-interest loans. (Creating a CHDO is not for amateurs – partner with an experienced one in your area if you can.) Elderspirit has 16 subsidized rental apartments and 13 homeowner units.

Santa Fe Housing Trust (another CHDO) is building Eldergrace, 28 units of senior cohousing at the behest of a small group of future residents committed to conscious aging. The city requires that thirty percent be affordable to low-income seniors; the community hopes that 50% of the units can be subsidized to sell at below-market rates. The community is expected to break ground this fall; all but 12 units are pre-sold.

Sequoia Village in Sebastopol, CA, is the first 100 percent below-market-rate cohousing community to use what developer Burbank Housing Development Corporation (another CHDO), calls "sweat equity light." Prospective community members didn't help design the community, but they will be putting in 500 hours of labor per household to build, landscape and participate in policy setting and other group development workshops. The city of Sebastopol and various other public funding sources combined to provide almost \$190,000 in subsidies per unit. The subsidies include a "100-year" roof (to reduce monthly replacement-reserve contributions that are a substantial component of HOA dues), active and passive solar features, and significant reductions in down payments. A portion of the subsidy will be only paid back on resale, but members will get most of the additional appreciation in value once the first and second mortgages are paid off. The pay back will go back into a fund managed by Burbank to help subsequent homeowners purchase the unit.

Resources

- [Design Advisor](#)
- [Institute for Community Economics](#)
- [Cohousing Handbook by Chris and Kelly ScottHansen](#)

- National Low-income Housing Coalition, Washington
- National Coop Bank
- Neighborworks Institute
- Habitat for Humanity
- *The Equity Sharing Book* by Dianna Bull and Elaine St.-James, Penguin Books, 1990
- Enterprise Foundation
- Fannie Mae Foundation
- Community Next Door
- Your local city or state trust or housing department
- <http://wiki.cohousing.org>

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