



EAST BAY PERMANENT REAL ESTATE COOPERATIVE

... PEOPLE POWERED DEVELOPMENT

## Permanent Real Estate Cooperatives: The Basics and FAQ

By the East Bay Permanent Real Estate Cooperative, Sustainable Economies Law Center and People of Color Sustainable Housing Network

A Permanent Real Estate Cooperative (PREC) is a vehicle that puts everyday people in the driver's seat in:

- Preserving and developing affordable housing that is protected from the speculative market in the long term,
- Building a movement to combat displacement and create equitable land access,
- Channeling money out of Wall Street and into our local communities, and
- Envisioning and self-determining our own housing futures.

### The Basics

**Entity structure:** A PREC is a **cooperative corporation**, which has at least three built-in perks:

- A cooperative's primary governing body is chosen and major decisions are made on a one-member one-vote basis; **democracy** is embedded in the legal structure.
- Cooperative corporations are limited in their ability to pay high returns on capital, meaning they **cannot be vehicles for making the wealthy wealthier**.
- The Sustainable Economies Law Center recently helped write and pass a law that gives California cooperative corporations a securities exemption, **allowing them to raise capital by selling membership shares** for up to \$1,000 each.

**Decentralized organizing and governance structure:** The vision for PRECs is that they are decentralized organizations where land and housing acquisition and development is driven from the grassroots, rather than by individuals at the top of governance hierarchies. Groups of members can take initiative, self-organize, search for properties, raise capital, and shepherd housing into the cooperative, with the board and staff serving in a supportive role.

**Homebuying:** Members who live on the PREC's properties will have long-term renewable "diminishing rent lease." The experience will simulate direct homeownership in many ways: tenants build equity and payments lessen over time as the building is paid off.

**Resident control:** The cooperative will set minimum standards of maintenance, but the residents will control most decisions related to the property.

**Price stabilization:** When a member moves out and "sells" their lease, they will receive a pre-determined price based on their equity contributions to date, that will give them a modest return (tied to the Consumer Price Index or a similar index), as well as compensation for improvements. This ensures that housing will be affordable for the next buyer, and it means that a bidding process (which always privileges the wealthy) will no longer be the method by which communities allocate housing and land resources.

**Title and long-term protection:** The cooperative holds title to the land and housing and adopts multiple restraints on its own ability to sell properties. To keep it off the speculative market in the long-term, the cooperative preferably gives multiple land trusts and other PRECs rights (through

partnerships, deed restrictions, easements, co-ownership, and first right of refusal) to enforce affordability restrictions and to take ownership of projects that are abandoned by the PREC.

## FAQ

### How are PRECs different from Community Land Trusts (CLTs)?

CLTs and PRECs have many similarities and emerge from the same movement toward equitable and democratic control of land. Both engage community members in governance and permanently remove real estate from the speculative market. A primary difference is that most CLTs are 501(c)(3) nonprofits.

The cooperative structure of PRECs create promising opportunities:

- Cooperative corporations have the flexibility to take capital in multiple forms, meaning that financing options are greatly expanded.
- Unlike 501(c)(3)s, cooperatives are not constrained to providing housing to low- and moderate-income people. PRECs can spread the expectation that everyone – high- and low-income – should stop profiting from property and live in price-stabilized housing.
- Cooperatives are platforms for mutual aid and self-help, not charitable assistance. Charities can sometimes create a disempowering divide between the helpers and the helped. The cooperative structure transforms the relationship to create empowered groups of people working together to provide for their own long-term housing needs.

### Where did PRECs come from?

“Permanent Real Estate Cooperative” is a phrase that the Sustainable Economies Law Center uses to describe a new land ownership model that began to strike a chord with many of our partner organizations and clients. The model combines features of CLTs, limited equity housing cooperatives, real estate investment cooperatives, and self-organizing social movements from around the world. This hybrid needed a name to set it apart from other models.

### PREC? Couldn't you find something with a better-sounding acronym?

Trust us. We tried and gave up. Embrace it! PREC the city! PREC the planet!

### Can a PREC change the world?

Not quite, but a **widespread PREC movement** can change the world. As people begin to reject the inequitable and exploitative nature of conventional land ownership and financing structures, people everywhere will be looking to be part of the solution. The PREC itself is designed to foster movement-building. Anyone can join and support a PREC (whether or not they intend to live in PREC housing), and the decentralized organizing structure can spur rapid scaling and leadership growth from the grassroots. The vision is for every community to be filled with PRECs, each PREC will steward many properties, and every person may join multiple PRECs.

### How can I learn more and join conversations about it?

For more information, talk to organizations that are passionate about building the PREC movement, including the **East Bay Permanent Real Estate Cooperative** ([www.ebprec.org](http://www.ebprec.org)), which is launched its membership drive in December 2018, the **Sustainable Economies Law Center** ([www.theselc.org](http://www.theselc.org)), and the **People of Color Sustainable Housing Network** ([www.pochousingnetwork.com](http://www.pochousingnetwork.com)).