

## **LEGAL DOCUMENTS: AN OVERVIEW FOR MOBILE HOME PARK COOPERATIVES**

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### **The Vermont Cooperative Housing Ownership Act**

Passed in 1988, the Vermont cooperative law was designed to help enable "individuals to form cooperative housing corporations, including limited equity cooperatives, for the purpose of developing, acquiring, owning, and operating housing on a cooperative basis." The law also enables lending institutions to make loans to an individual wishing to purchase a membership share in a cooperative. Finally, the law makes a series of requirements on the cooperative as it develops its legal documents. The major legal documents for a cooperative include:

- Articles of Incorporation** A legal document filed with the State which establishes the existence of a cooperative corporation. The Articles states the corporation type, purpose, the share structure and transfer value as well as what constitutes a membership interest.
- Bylaws** A description of the rules the cooperative corporation uses in business.
- Subscription Agreement** Through this agreement, the cooperative grants membership to eligible individuals. It is similar to a Purchase & Sale Agreement for a home.
- Share Certificate** The stock, or share, that each park resident home owner purchases to become a cooperative member. The share certificate also outlines the limited equity formula. The transfer value of a share is typically equal to the original price paid by the member.
- Proprietary Lease** The lot lease between the cooperative corporation and the cooperative member includes the rights and duties of both parties. In addition to occupancy terms, (like the lot rental lease, below) the Proprietary Lease establishes important procedures, such as the process to sell a share, and the legal connection between the proprietary lease and the share.
- Park Rules** A part of the Proprietary Lease and Lot Rental Lease (see below) which the cooperative adopts and changes from time to time. Park Rules address such day-to-day occupancy items like parking, quiet hours, pets, clothes lines.
- Lot Rental Lease** For residents of the park that are not cooperative members, the co-op will provide a traditional lot rental lease which establishes the rights and duties of both the tenant and the cooperative corporation as the landlord.
- Subsidy Covenant** Sometimes cooperatives also are asked to sign a subsidy covenant which restricts the use of the land or their building to uses related to affordable housing. If the Vermont Housing and Conservation Board provides funds for acquisition a subsidy covenant is required.
- Management Agreement** If the cooperative hires a management agent, the management agreement would outline the services that would be provided. Examples of property management services include rent collection, maintenance, bill paying, and emergency call services.