

Mutual Housing Associations Promote Pride, Stability

By Ross J. Radcliffe

One method to develop individual responsibility and community pride in a multifamily project is through the use of a non-profit corporation – such as a mutual housing association (MHA) – to take ownership of such properties.

In addition, an MHA offers residents the opportunity to govern and manage their own housing community. The residents' right to live a lifetime in the affordable housing project encourages community stability. In addition, resident participation typically results in safer communities.

The MHA board of directors is a mix of residents and community leaders. In fact, membership in the resident councils and other committees gives residents a significant voice in management of the property where they live.

An MHA combines the privileges of residence in an affordable housing community with the responsibility for control of such housing. Therefore, an MHA is an excellent transition from public housing or other multifamily rental housing to home ownership.

Residents of an MHA project do not obtain fee simple ownership in their units but have ownership through their membership in the MHA, which has title to the property. To rent a unit in an MHA project, applicants are screened to determine their interest in the mutual-housing concept.

Applicants are told that their choice to not become a member will result in annual leases with current market rents – as opposed to below market rates, a right to lifetime occupancy, and other rights enjoyed by resident members.

Typically, prior to purchasing a membership, residents are provided training about the organizational structure of the MHA, including various committee structures, property maintenance requirements, policies, and the costs associated with the ownership of the property.

The membership fee is refundable with interest and can be paid in installments. This membership fee, if it is not prohibitive in amount and is payable in installments, does not violate the fair housing laws as stated by the Fair Housing Division of the U.S. Department of Housing and Urban Development (HUD).

Unlike a cooperative-type housing project, membership in an MHA does not entitle the resident to the use of a particular unit. Memberships cannot be transferred, but both residents and nonresidents can hold memberships. Typically, an MHA seeks the involvement of representatives from business, affordable-housing advocates, and representatives from state and local governments as members and directors.

Overall, the MHA structure is a viable alternative to home ownership for providing long-term, affordable housing.

Since and MHA is an exempt organization under Internal Revenue Code §501 (c)(3), tax-exempt financing through the issuance of bonds by a housing finance corporation is available in addition to conventional financing. With HUD's determination that the MHA structure qualifies as home ownership under various HUD programs, the MHA structure may become a preferred method of revitalizing many more multi-family projects.