

How Four Intentional Communities Combine Multiple Legal Entities

Definitions:

- ✦ **Legal Entities:** Homeowners' Association, Condominium Association, Housing Co-op, Limited Liability Company (LLC), 501©3 nonprofit
- ✦ **Legal Documents:** Leases, Deeds, Easement-Deeds, Contracts
- ✦ **Internal Community Agreements** (not legal documents): Agreements, policies, covenants, decisions; i.e. pet policy, membership policy, WEXer policy, gun policy, etc.

1. Sowing Circle Community/ Occidental Arts & Ecology Center (OAEC),

Sonoma County, California, Rural independent-income community, 80 acres, 18 members (12 property owners and several tenants as shorter-term residents), founded 1994. Mission & Purpose: to learn and teach social, economic, and ecological sustainability to others. (Just like an Ecovillage, in fact.)

Two legal entities:

- (1) Sowing Circle LLC*, which owns their 80 acres and is the legal entity for the intentional community itself.
- (2) Occidental Arts & Ecology Center (OAEC), a 501©3 nonprofit, which owns nothing, conducts environmental research, creates environmental education projects, and hosts classes, workshops, Chataqua evening entertainments, community tours, and plant sales onsite.

* They may be seeking a different legal entity to replace their LLC.

All 12 Sowing Circle Full Members are on the board of OAEC. Sowing Circle members created OAEC in order to carry out their educational mission.

Two legal documents:

- (1) Lease between Sowing Circle LLC (lessor) and OAEC (lessee).
- (2) Promissory Note (contract) between Sowing Circle LLC and a private lender who lent them \$1,000,000 to pay off the three previous loans and mortgages and for infrastructure development.

Description: OAEC 501©3 nonprofit leases all of Sowing Circle LLC's 80 acres except the area around people's cabins. OAEC pays an annual commercial lease fee that is \$10,000 lower than market rate, to make it clear to the IRS that Sowing Circle is not benefiting unduly from having a 501©3 (which would be illegal and is called "self-dealing"). OAEC also provides all repair and maintenance of their Sowing Circle rented property, which is a clause in their lease with Sowing Circle and is legal. OAEC also employs 5 Sowing Circle members and 1 neighbor.

OAEC gets income from class and workshop fees, grants, and donations. OAEC expenses are the annual lease fee, staff salaries, and the costs of hosting educational events. They get value from having a beautiful rural setting with already-existing classrooms and office space, and from all six of their employees living within walking distance.

Sowing Circle gets income from members' dues and fees and OAEC's annual lease fee.

In any years when OAEC can't pay the lease fee, or can't pay all of it, Sowing Circle deducts that loss in their LLC income tax. Sowing Circle gets value from WEXers' labor, OAEC staff providing maintenance and repair (materials and labor). Sowing Circle's expenses are loan repayments to their lender, property taxes, liability insurance, utilities, maintenance of their cabins, and food (other than that they grow themselves), for three meals a day for all members, WEXers, and class and workshop participants.

2. Los Angeles Eco-Village, Los Angeles, California.

Urban independent-income community, three adjacent and across-the-street apartment buildings (52 apartments total) in a two-block neighborhood. About 40 Eco villagers, called "intentional neighbors (some owners, some renters).

Other renters in the buildings are simply neighbors, not Eco villagers: people who lived in the buildings originally and still do.

Founded 1996. Mission & Purpose: *"To demonstrate a high quality of life with a lower environmental impact."* Also to host classes, workshops, and tours; and serve as an incubator for beneficial local nonprofits and local environmentally sound cottage industries.

Two legal entities:

- (1) Urban Soil/Terra Urbana, a Limited Equity Housing Co-operative created by about half the LAEV intentional neighbors, which owns all three apartment buildings (but not the ground beneath).
- (2) Beverly-Vermont Community Land Trust, a 501©3 nonprofit created by several LAEV and other local affordable eco-housing activists, which owns the three city lots on which the apartment buildings sit. The land trust also owns other parcels in the Beverly-Vermont area. About half the members of the intentional community founded Urban Soil/Tierra Urbana.

Legal documents:

- (1) The shares of each owner of the three Urban Soil/Terra Urbana buildings, and
- (2) their leases to the apartments each owner lives in.
- (3) The rental agreements or leases of renters (both LAEV members and non-members).
- (4) The charter of the organic food-buying co-op managed by LAEV members for the wider neighborhood.

Description: The founders and owners of Urban Soil/Terra Urbana bought the three buildings and their lots from a nonprofit that was holding the ownership until the housing co-op could be created (which took 20 years).

They bought these three buildings partly with their own funds and partly with grants for creating urban limited-equity housing. Then they donated the three city lots into the Beverly-Vermont Community Land Trust.

Thus UrbanSoil/Terra Urbana is a limited equity co-op because their apartments are much more affordable to purchase than other, similar apartments in the area because the owners don't own the ground underneath their building and the purchase price is not based on the exorbitantly expensive land values in the Los Angeles area.

Some LAEV members couldn't afford to become owners, however, so they remained renters. All of them are members of LAEV, though, and have full decision-making rights.

3. Mariposa Grove, Oakland, California.

Urban independent-income community. Six apartments and "common house" space (kitchen, dining room, living room, bathroom, laundry guest room, covered outdoor deck) in three former single-family houses on two adjacent city lots. Plus Willow House, a large house with two small apartments and seven bedrooms directly behind one lot.

The four buildings share one big yard with all fences removed. Residents of all buildings share the "common house" amenities. Founded 1999.

Mission & Purpose: An urban permanently affordable community supporting *"sustainability, social justice activism, creativity, and the arts."*

Two legal entities:

- (1) Mariposa Grove Condominium Association, which owns the two buildings on the two adjacent lots, including the walls, floors, and ceilings of the "common house" space and of each the six apartments (but not the ground underneath).
- (2) Although not a legal entity that Mariposa Grove itself created, the land of the two adjacent lots is owned by Northern California Community Land Trust (NCLT), a 501©3 nonprofit devoted to limited equity housing in the northern California region. Hank, the community founder and original buyer of the two adjacent lots, also owns Willow House, the large house with renters.

Six kinds of Legal documents:

- (1) Each of the six homeowner households (including Hank) has a deed to their condominium unit,
- (2) Each of the six homeowner households (including Hank) also has a Ground Lease with the Northern California Community Land Trust (NCLT) for having their condominium unit on the land,
- (3) The Homeowner's (Condo) Association's "Codes, Covenants and Restrictions" (CC&R's),
- (4) The Homeowner's (Condo) Association's Bylaws;
- (5) The deed Hank has for his ownership of Willow House, and
- (6) The rental agreements or leases that renters in Willow House have with Hank.

Description: Hank originally bought the three houses on two adjacent lots, and used his funds to renovate them into six apartments and the common house space. Hank was reimbursed for his costs to purchase and develop the property and his legal fees by selling the property to the NCLT for his costs, which were less than market value for the property at the time. NCLT provided the legal fees so that both properties could legally become a condominium association, and six different new owners (including Hank) purchased their individual condominium apartments from NCLT. Thus, as at LA Eco-Village, Mariposa Grove community offers its residents limited equity housing with condo apartments that will eventually be much more affordable to purchase than other, similar apartments in the area because the owners don't own the ground underneath their building and the purchase price will not increase based on the increasingly high land values in the San Francisco Bay area.

Later Hank bought Willow House and renovated it too, — He is the owner and the renters are his tenants; all use Mariposa Grove's common house facilities.

4. EcoVillage at Ithaca (EVI), upstate New York.

A semi-rural/suburban independent-income ecovillage comprised of three two-story townhouse-style cohousing communities called FROG (30 units), SONG (30 units), and TREE (40 units) clustered near each other on 175 acres.

Mission & Purpose: *"To develop an alternative model for suburban living which provides a satisfying, healthy, socially rich lifestyle, while minimizing ecological impacts."* Founded 1992.

Six Legal Entities: Three housing co-ops, two 501©3 nonprofits, and one non-exempt nonprofit (all described below). Plus 100 documents conveying shares in the housing co-ops and 100 leases for specific townhouse units, one 99-year ground lease for the SONG neighborhood, two agricultural leases, and one conservation easement.

- (1) **Eco Village at Ithaca, Inc. a 501(c)3 nonprofit** — Owns all the land not owned by the community's other legal entities.
- (2) **FROG Housing Co-op** — First cohousing neighborhood, with 30 townhouse units. The building and the land directly under each unit is owned outright by the FROG Housing Co-op, which purchased the land from the EcoVillage of Ithaca 501©3 nonprofit.

30 different individuals or households own shares in the FROG Housing Co-op and each has a lease for their individual townhouse unit.

- (3) **SONG Housing Co-op** — The second cohousing neighborhood, with 30 townhouse units. Unlike the FROG neighborhood, only the buildings are owned by SONG. The land underneath is leased with a 99-year lease with the EcoVillage at Ithaca, Inc. 501©3 nonprofit. They did this in order to follow the community land trust model.

This was required by the lending institution, Equity Trust, an organization that creates community land trusts.

30 different individuals or households own shares in the SONG Housing Co-op and each has a lease for their individual townhouse unit. (SONG also created two temporary legal entities — joint venture partnerships of 21 future members and 14 future residents respectively — to raise money, file documents with the NY State Attorney General's office, and to construct SONG'S 30 townhouse units and its community building. When construction of this neighborhood was finished the joint venture partnerships were dissolved.)

- (4) **TREE Housing Co-op** — The third cohousing neighborhood (40 units) under construction now. 40 different individuals or households will own shares in the TREE Housing Co-op. and each will have a lease for their individual townhouse unit. Like FROG and unlike SONG, TREE residents will own the land in their cohousing neighborhood.

- (5) **Eco Village at Ithaca Village Association (EVIVA) non-exempt nonprofit** — This nonprofit (not a 501©3 nonprofit) operates as a member-owned co-op for cohousing residents (that is, community members) to co-own the two roads into the property, the water and sewer lines, the three neighborhood parking lots, the swimming pond, and the land around each housing co-op. All community members are members of the EVI Village Association co-op. (It's not a legal "housing co-op" like the three cohousing neighborhoods described above; it's a nonprofit that functions like a member co-op.)

- (6) **The Center for Transformative Consciousness 501©3 nonprofit** — Liz Walker, director of this nonprofit gets grants & donations for her salary and other expenses for her job as director, so she can promote and continue to develop EVI and each subsequent neighborhood, and run onsite educational programs about sustainability. This nonprofit does not own any land; it doesn't own anything (except maybe office equipment and supplies).

Legal Documents: Ecovillage at Ithaca community has 100 deeds (30, 30, & 40) to housing co-op shares for its three housing co-ops, and 100 leases to its 100 townhouse units. It also has four Ground Leases:

- (1) SONG Neighborhood Ground Lease. As noted above, the land beneath the 30 housing units in the SONG neighborhood is leased for 99 years from the Ecovillage at Ithaca, Inc. 501©3 nonprofit. This required by Equity Trust, the land-trust organization that gave them a construction loan.
- (2) West Haven Farm Lease. Ecovillage at Ithaca, Inc.(501©3 nonprofit leases 10 acres to West Haven CSA Farm, owned by two community members.
- (3) Kestrel Perch Berry Farm Lease. It also leases 5 acres to Kestrel Perch Berry Farm, owned by one community members.
- (4) Conservation Easement Document. The community also created a Conservation Easement of 35 acres to remain wetlands and woodlands in perpetuity, and this is on the EVI deed. If the community ever sold its property, the new owner would have to honor this Conservation Easement.

"One of the reasons for creating so many different entities," writes Bill Goodman, an EVI resident and lawyer who worked closely with their law firm, "is our need to satisfy the requirements of other parties, including the Town of Ithaca, the NY Attorney General's Office, banks, and insurance companies."

"Because this project is so unusual, we have had to create a complex framework to fit both our needs and the expectations of the legal and financial worlds. As one SONG member said, 'The road to Voluntary Simplicity leads through Involuntary Complexity'."