

*The Pilsen Housing Cooperative presents this “plain-English” version of our bylaws in an effort to make them more accessible to all. This version summarizes and highlights the key provisions found in every article of our bylaws.*

## **Article I— Name and Location**

The Pilsen Housing Cooperative (PIHCO) is located in Chicago.

## **Article II - Purpose of PIHCO**

PIHCO’s purpose is to—

- acquire, own, and operate real estate in the Pilsen neighborhood in order to provide its Members with affordable, stable housing on a cooperative basis;
- expand opportunities for home ownership in the Pilsen community, especially for low- and moderate-income families and artists, and to prevent displacement due to gentrification.
- develop as much limited-equity, cooperatively owned housing as possible;
- recognize Pilsen’s unique history as the cultural heart of Mexican Chicago and work to keep that history alive;
- create an intentionally supportive community of people who will work together with community institutions to benefit working-class families and Latino arts and culture; promote the seven cooperative principles: voluntary and open Membership, democratic Member control, Member economic participation, autonomy and independence, community education, cooperation among cooperatives, and concern for the community.

## **Article III- Definitions**

This section defines terms used in the bylaws. Some terms are unique to co-ops. For instance:

**“Purchase Fee”** is akin to a down payment in traditional homeownership. Once you pay your Purchase Fee you are a full member of the Co-op.

**Membership** is a share in the Co-op. A Membership gives the right to occupy one unit in the Co-op.

An “**Occupancy Agreement**” is like a lease (it’s also known as a “proprietary lease,” which is kind of like a lease for owners).

“**Transfer Value**” means the amount you can sell your share for when you want to leave the Co-op. The amount you can sell your share for is equal to:

the money you paid when you joined the Co-op (the “Purchase Fee”)  
+  
the total principal you paid toward the Co-op’s mortgage(s) during the time you lived in the Co-op, as calculated by the Co-op’s treasurer\*\*  
+  
any improvements you made to your unit that were approved by the Co-op.

\*\*The principal is just one part of the total monthly housing charges paid by Members. Monthly charges include Principal, Interest, Taxes, Insurance, Utilities, Co-op Reserves, etc.

#### **Article IV — Members of PIHCO**

**Eligibility.** Anyone approved by the Co-op’s Board of Directors can become a Member. PIHCO’s board is allowed to set limitations or priorities on Membership--for instance, requiring that family income fall within a certain range).

**Applying for Membership.** PIHCO’s board will develop an application procedure. People must apply to be members of PIHCO in person, presenting a specified form.

**Purchase Agreement/Membership Certificates.** Once you’re approved as a Member, you need to sign a Purchase Agreement and pay your Purchase Fee. You’ll be issued a Membership Certificate.

**Members.** Members in PIHCO are all equal. A Membership entitles you to occupy one unit in the Co-op, and it gives you one vote. Two or more adults can be co-owners of a single Membership (they still would get only a single vote total).

Individuals are permitted to own multiple Memberships in the Co-op (ie. multiple units). Owning multiple units does not necessarily translate into a bigger say in Co-op affairs.

**Lien.** If you owe money to the Co-op, the Co-op has the right to put a lien on your share. That could prevent you from selling the share if payments owed to the Co-op haven’t been made.

**Transferring a Membership.** This is a long, detailed part of the bylaws that spells out what happens if a Member wants to leave the Co-op or dies. It lays out specific timelines by which everything must take place.

If a Member of the Co-op dies, the Member's share passes to his or her heir. If the heir is already living in the unit, that person becomes the new Member just by signing an Occupancy Agreement. If the heir isn't living in the unit, they can apply to become a Member of the Co-op. If they're accepted, they become a Member by signing an Occupancy Agreement. If they're not accepted as a Co-op Member, the heir must sell the share, following the rules below.

If a Member wants to sell their share, they must give notice in writing at least three months before they want to leave. The Co-op always has the first option to purchase the share from the Member.

If the Co-op does not wish to purchase the share, the owner may find a buyer. The buyer has to be accepted by the Co-op as a Member. The new Member will pay the agreed-upon Purchase Fee to the Co-op; the Co-op will then pay the departing Member the amount owed to him or her (the Transfer Value, minus any amount owed to the Co-op by the departing member).

**Termination of Membership for Cause.** If a Member's rights are ended (because the Member violated the terms of their Occupancy Agreement), the Member must vacate his or her unit. The Co-op will then choose whether to purchase the unit or find a new Member to purchase it. The terminated member will receive his/her Transfer Value when the purchase is made.

Anytime a share is transferred, the Co-op has the right to subtract any amounts due to the Co-op by the departing Member.

## **Article V — Meetings of Members**

**Annual Member Meetings.** The Co-op will hold an annual meeting of all Members every year. At this meeting, Members will elect directors to the PIHCO board, and may conduct other business as well. There must be a 75% quorum at this meeting.

**Special Meetings.** A special meeting of all Members can be called if 30 percent of Members petition for one, or if the board President calls one.

**Voting.** At every meeting of the Members, each Member has the right to cast one and only one vote on each question. If a Membership has Co-Owners, those co-owners must name just one of them to vote on their behalf. If Co-Owners disagree, they can cast partial votes (for instance, in the case of a couple, each person could cast half a vote). Each unit gets only one whole vote.

**Proxy Voting.** Proxy voting is allowed. It has to be set up beforehand.

**Decision Making.** All decisions in PIHCO should be made through a deliberative process, ideally leading to consensus. However, if consensus proves to be impossible, a vote of two-thirds is required to pass any question brought up at a meeting of the Members (unless a different vote is required by these bylaws or by law).

## **Article VI — Directors and the Board of Directors**

The affairs of the Co-op will be governed by a Board of Directors. This section of the bylaws details how the Board of Directors is formed and what its duties are. It also details the way the composition of the Board will shift as the Co-op grows from an idea to a reality with multiple properties.

**Steering Committee.** Until the Co-op acquires its first property, the Board consists of the Steering Committee. The Steering Committee's main function is to organize the start of the Co-op. It may be composed of both people who plan to become Members and others who might not become Members, but who contribute significantly to the goal of the Co-op's formation. The Steering Committee can elect new members to its ranks, and should always consist of 5-7 people.

**Transition from Steering Committee to Board of Directors.** When the Co-op acquires its first property, the Steering Committee will change its name to the Board of Directors, and members of the Steering Committee will continue on as Directors. The Members of the first property will also automatically be integrated onto the Board of Directors.

**Shift to an Elected Board of Directors.** As the Co-op acquires more properties and adds Members, those Members will automatically become part of the Board of Directors, until it becomes clear that the number of Directors will reach 12. At that point, an election is triggered, and the Members will hold their first annual meeting to elect representatives to an **elected Board of Directors**. The governing body of the Co-op going forward will be the elected Board of Directors. Only residents (Members) may vote in the election. The First Elected Board of Directors will consist of exactly 7 people. They should be Members (PIHCO residents) and Non-Members who have served before on the Steering Committee or Board of Directors. Member-Directors must be a majority on the First Elected Board of Directors. Three people on the First Elected Board of Directors will serve two-year terms. Four people will serve three-year terms (in order to stagger terms). The next election will be held two years after the first election. After that, elections will be held every year.

**Board of Directors.** (beyond the first elected board). Shall be between 7-11 members (Members stipulate ahead of an election). For a measure to pass the Board, it will require two-thirds vote of those directors present. A quorum of 75% of directors is required to conduct business.

**Advisors.** The Board may invite Advisors to participate in its meetings, either for particular occasions or on a continuing basis. Advisors may not vote.

**Powers and Duties of the Board.** The Board of Directors shall have all the powers and duties necessary for the administration of the Co-op. Among other things, the Board is empowered to:

- accept/reject applications for Membership in PIHCO;
- set Purchase Fees for Memberships;
- set the monthly housing charges based on an operating budget formally adopted by the Board;
- hire an agent or company to manage PIHCO properties;
- determine rules/regulations pertaining to PIHCO properties;
- terminate Memberships for cause

**Vacancies.** Vacancies on the Board can be filled by a 2/3 vote of the remaining Directors (except if the vacancy was caused by the removal of a director).

**Removal of Directors.** This provision is a check on the Board's power. Any director may be removed (with or without cause) by an affirmative vote of 2/3 of the entire regular Membership of record. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. A successor may be elected then and there to fill the vacancy created.

**Compensation.** A director cannot be an employee of the Co-op. Hiring a Director for any Co-op work will require Board approval (2/3 vote).

## **Article VII - Officers**

**Officers.** The Board of Directors shall name a President of the Co-op, a Vice-President, a Secretary, and a Treasurer. (The Bylaws further outline the duties of each officer.) All officers are elected by and from the Board of Directors. The officers serve a one-year term.

**Removal of Officers.** Upon an affirmative vote of two-thirds of the Board of Directors, any officer may be immediately removed, either with or without cause, and his or her elected successor will replace them for the remaining term.

## **Article VIII - Amendments**

**Changes to the Bylaws.** PIHCO's bylaws can only be changed by a vote of 75 % of the entire regular Membership of record. Changes can be proposed by the Board of Directors, or by a petition of at least thirty percent (30%) of the Members.

**Changes to the Transfer Value (ie. the Re-Sale Price of a Share).** There is one part of the Bylaws that is much harder to change-- and that is the Transfer Value. Transfer Value (the re-sale value of a share) cannot be amended without the consensus-minus-one approval of the entire Membership of record. If there are 100 members of PIHCO, 99 would have to vote to change the Transfer Value. If there are 8 Members, 7 would have to vote to change the Transfer Value.

### **Article IX - Fiscal Management**

**Books and Accounts.** Books and accounts of PIHCO are kept by the Treasurer. The Treasurer will report monthly on the status of expenditures of the Co-op.

**Auditing.** At the end of each year, the books and records of PIHCO will be audited by a Certified Public Accountant. Based on such reports, the Co-op will provide its Members with an annual financial statement, including the income and payments of the Co-op. The Co-op will also supply the Members with a statement showing each Member's proportional share of the real estate taxes and mortgage interest paid by the Co-op during the preceding calendar year (important for tax purposes), and the cumulative amount of principal on the Co-op's mortgage(s) retired as a result of the Member's payment of monthly housing charges (important for determining the current value of a Member's share).

**Inspection of Books.** Financial reports and Membership records shall be available for any Member to inspect.

**Insurance.** The Co-op will maintain liability insurance, directors' & officers' liability insurance, and crime insurance/fidelity bonds to cover staff who handle money for the Co-op. Coverage amounts will be determined by the Board.

### **Article X - Sale and Dissolution of Co-op Property**

**Sale of Co-op Property.** The only justifiable reason for selling Co-op property is if dwelling units become uninhabitable due to fire or other severe damage. Only in this case would property be sold at the real estate market rate, and the decision would require a 2/3 vote by Members. The Co-op is then allowed to terminate Memberships there, paying their Transfer Value and moving them to the top of the waiting list for a new unit.

**Dissolution of the Co-op.** Dissolution and disbanding of the Co-op requires a consensus-minus-one vote of the entire Membership of record at a meeting called for that

purpose.

**Distribution of Assets Upon Dissolution.** If the Co-op is dissolved, the proceeds are distributed in the following order:

1. To pay any outstanding debt.
2. To pay each Member their Transfer Value. If there aren't sufficient funds to achieve this, each member will be paid a share based on the ratio of the Member's Transfer Value divided by the sum of all Transfer Values in the Co-op.
3. If there is money left over after providing for 1) and 2) above, the funds are donated to affordable housing efforts in Pilsen.

### **Article XI - Affiliation with Other Co-ops, Organizations, Coalitions**

PIHCO can join or affiliate with any other co-ops or organizations for purposes of mutual aid, advancing the co-op movement as a means of providing affordable housing, or improving the quality and affordability of housing.