WRIGLEYS

— SOLICITORS —

Financing Cohousing – Legal points to consider

There are a number of options for financing a cohousing development. Financing requirements will vary depending on the stage of development of the cohousing group.

This note will look at the various options and highlight some of the key factors which groups should be aware of. These options include:

- Commercial mortgage;
- Loans from members at start-up and subsequently;
- Equity from members;
- Public share issues and public debt issues (this will include a short discussion of the issues to be aware of in relation to the Financial Services and Market Act 2000, which govern these share and debt offers); and
- Deferred consideration – this effectively is akin to a loan from the vendor of the property.

We will also:

- discuss the issue of granting security for loans over cohousing properties, both in a commercial context, where banks have lent money, and in a private context, where members have loaned money;
- include a brief mention of the 'sweat equity' concept; and
- give an overview of the likely financing requirements at different stages of the cohousing project (although it is impractical to include any figures for this, as they will vary on a case by case basis).