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Selling Common Space In a Co-op Building

Q & A

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Q. *If a co-op board agrees to sell co-op common space to a shareholder, what is the most effective way of structuring that transaction? Does the co-op have to amend the offering plan and assign shares?*

A. Adam Leitman Bailey, a Manhattan real estate lawyer, says the co-op should first hire an appraiser to determine the value of the additional space and shares. The co-op and the shareholder should also consider the allocation of taxes and fees when negotiating the purchase price. If such a sale is being made to a pre-existing shareholder, no notification or action by the attorney general is necessary.

“The co-op must make sure that it has enough authorized but unissued shares available for the transaction,” **Mr. Bailey** said. “If not, it will need to amend its certificate of incorporation to allow for the new shares.” A contract of sale must be entered into describing the space to be added, number of added shares, and price to be paid by the buyer.