

# Housing Cooperatives

*The development of workforce and senior housing using the cooperative model may be one option to address the lack of affordable housing in both rural and urban communities, and offer the stability and control of home ownership.*

## A COOPERATIVE APPROACH

A housing cooperative can take many forms, from a single building to a collection of duplex houses with a shared common space. The cooperative entity owns the actual property, but members own and democratically control the cooperative. They elect a board of directors, which oversees the budget and operations and determines its priorities. Members join the cooperative through the one-time purchase of an equity share, which gives them the exclusive right to occupy a particular dwelling unit. Members also pay monthly occupancy charges to cover their proportional share of the co-op's blanket mortgage fees, insurance, taxes, and operating and maintenance costs for the property.

Depending on the type of housing that the cooperative is structured to provide, the amount of the equity share and the monthly fees can vary significantly. If members need to finance a portion of their individual equity share purchase they may apply for share loans, which are similar to mortgages, from lenders familiar with cooperative housing. Members make their own individual monthly loan payments directly to their lender.

## TYPES OF HOUSING COOPERATIVES

### *Limited Equity Cooperatives*

Limited equity cooperatives use larger blanket loans with favorable term and interest rates to reduce the amount of member equity required to finance the cooperative, which also reduces member monthly fees. This type of financing may be available through federal and state government programs and other community financial institutions to support development of more affordable housing options. To preserve the affordability the favorable financing provides, the cooperative limits the increase in the resale price of the member share when it is sold.

### *Spaulding Place Cooperative Black River Falls, WI*

This senior cooperative community of 27 units opened in 2015 and is designed to meet the needs of its senior members aged 62 and older. Using the limited equity model, it provides a more affordable home ownership opportunity that is financially predictable with some secured equity growth. The cooperative is responsible for home maintenance and other services, and provides opportunity for social activities. The elected board oversees and directs the policies, expenditures, and operations of the cooperative.



### *Pammel Creek Estates La Crosse, WI*

Pammel Creek Estates became a resident owned community (ROC) of 56 manufactured home owners in December 2016. Through technical assistance provided by Northcountry Cooperative Foundation through the ROC USA program, the manufactured home owners formed a limited equity cooperative that owns their park's land and infrastructure. Members can now set their own priorities for upgrading the manufactured home park infrastructure, addressing maintenance issues, and building community.



## Zero or Group Equity Cooperatives

Zero or group equity cooperatives are a tool to provide more affordable housing. Member equity shares are similar to security deposits, and don't accumulate equity appreciation. Monthly occupancy costs are comparable to more affordable rents.

### *Ridge Side Cooperative Madison, WI*

Ridge Side Cooperative was developed using the zero equity model to provide stable, affordable housing along a gentrifying corridor. Member share prices are equivalent to a security deposit. When a member leaves, shares are returned at face value minus any charges for damages to the unit. A community development organization provides money to the co-op for share loans to qualifying new members. Members pay monthly carrying costs that include their proportional share of taxes, insurance, and reserve fund contributions. Members are also expected to meet minimal monthly labor requirements to help offset maintenance costs.



### *Market Rate*

Market rate cooperatives typically require larger member equity share payments. Members purchase or sell their share at full market price. Similar to conventional real estate, members can build (or lose) equity as the value of their unit changes.

### *Seward Park Cooperative New York, NY*

Seward Park Cooperative apartments are comprised of four 20-story building on the Lower East side on Manhattan. Originally developed as a limited equity model, the co-op converted to a market rate cooperative in 1995. Over a five year period price ceilings were gradually lifted until they met market rates.

## HOW TO START

Like any multi-unit real estate development, a new cooperative housing project requires knowledgeable partners who understand and can secure financing from a variety of sources and programs, and have the expertise to take the project from predevelopment stages to occupancy. It also requires development of cooperative membership and the culture of self-governance that will sustain it into the future. Cooperatives that are developed to provide more affordable housing may qualify for master mortgage (blanket loan) programs that offer favorable terms. A larger portion of the building purchase or construction can be financed through this loan, lowering both the member monthly fees and the size of the initial member equity payment.

## COOPERATIVE DEVELOPMENT RESOURCES

UW Center for Cooperatives offers many resources about cooperatives, including housing cooperatives:

- [How to Start a Co-op](#)
- [Housing Cooperatives](#)

Regional organizations that specialize in cooperative housing development:

- [Northcountry Cooperative Foundation](#)
- [North American Students of Cooperation](#)
- [Madison Area Housing Cooperative Alliance](#)

Other cooperative housing resources:

- [Senior Cooperative Foundation](#)
- [ROC USA Resident Owned Communities](#)
- [Midwest Association of Housing Cooperatives](#)

## OTHER RESOURCES

*Local economic and community development organizations* may be able to provide information about housing programs, and current or past development efforts. They might also know of specific opportunities, such as buildings suitable for conversion, available properties, or local grant programs that could be leveraged for cooperative development. Other housing cooperatives can be another useful resource.

- [Wisconsin Rural Development - U.S. Department of Agriculture](#)
- [Wisconsin Housing and Economic Development Authority](#)

### *Local UW Extension Educators*

Extension educators can link groups to appropriate programs offered by community organizations and businesses, and local, state, federal, and tribal government offices. Educators can often also “connect the dots” between related but separate programs within different organizations, bringing together people and resources to facilitate community and group-based problem solving.