

# COOPERATIVES & COMMUNITY HOUSING NEEDS

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The 2018 webinar series **Cooperative Solutions  
for Community Needs** is brought to you by the  
University of Wisconsin Center for Cooperatives



**Center for Cooperatives**  
UNIVERSITY OF WISCONSIN-MADISON

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# What is a Co-op?

**A cooperative is an organization owned and democratically controlled by the people who use its services**

- *Member - owner*
- *Member - control*
- *Member – benefits*



# Various types of co-ops

Defined by who owns the organization



*Consumer Co-ops*



*Producer Co-ops*

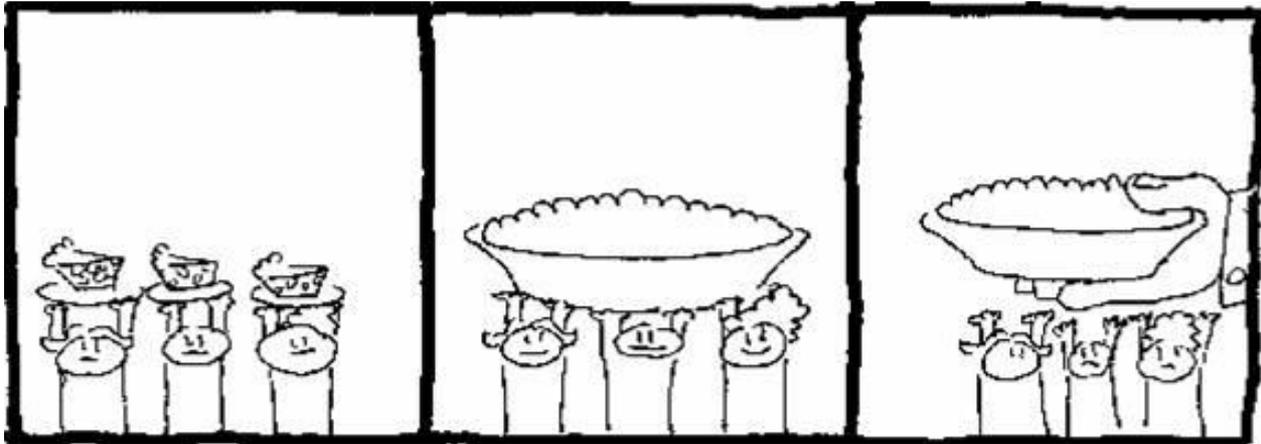


*Shared Services Co-ops*



*Worker Co-ops*

# Housing Co-ops



**Condo ownership –**  
Everyone owns a divided piece of a property. Each owns everything inside their own unit, to the “back of the paint.”

**Co-op ownership –**  
Everyone owns the property together. Members make decisions about the property based on what they feel is best for the whole community.

**Renting –**  
The landlord owns the entire pie and charges tenants to live there. Tenants own nothing.

*Cartoon courtesy of Northcountry Cooperative Development Fund*

# Housing Co-ops Are a Flexible Model

- **Cooperative owns land and dwellings**
  - **Apartment style**
    - Senior housing co-ops
  - **Separate homes**
- **Co-op owns land, individuals own homes**
  - **Resident Owned Communities**



*Village Cooperative of Wausau, WI*



*Greenwood Avenue Cottages  
pocket neighborhood  
Shoreline, WA*



*Adams-Friendship Cooperative Homes, WI*

# Types of Housing Co-ops

- **Market Rate**
  - Can sell share for any price
  - Home ownership as an investment
  - Real estate transaction
- **Limited Equity**
  - Often allow a 1%-2% annual appreciation
  - Controls resale values & keeps units affordable
  - Co-op has first option to purchase share
  - Home ownership for community



# We Own It!

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## The Promise, the Impact, and Lessons of Resident Ownership in Manufactured Home Communities

Warren Kramer,  
Executive Director  
Northcountry Cooperative Foundation

UW Center for Cooperatives - Cooperatives and Community Housing Needs

June 21, 2018

# Why Resident Ownership?

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- ❑ Vulnerable to displacement.
  - ❑ Minimal access to secondary mortgage market.
  - ❑ Not major target for public affordable housing programs.
  - ❑ Weakly documented.
  - ❑ Poorly regulated sector.
- 
- ❑ Deep social ties, robust community life.
  - ❑ Strong self-identification as a neighborhood or community.
  - ❑ Sense of shared pride borne out of common challenges.

# Background

## Terminology - manufactured homes

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- **Trailer.** Recreational vehicles not conforming to local building or HUD code standards
- **Mobile home.** Factory-built housing units built before 1976 HUD code
- **Manufactured home.** Factory-built housing unit built after 1976 HUD code. Has a chassis that supports structural integrity of unit and designed for transport to building site on wheels. HUD Code supersedes any local code and MH can be sited anywhere in the US\*
- **Modular home.** Factory-built housing units must meet state, local, or regional codes where it will be located. Modules are assembled in three dimensions in factory, transported to site by truck, assembled by crane

\* Local codes can discourage use of MH by requiring *all* homes to meet certain requirements that make MH placement inordinately expensive or impossible to meet, thereby effectively zoning them out

# Background

## Terminology – manufactured home community ownership

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- *Investor-owned community.* Manufactured housing communities bought, owned, and sold as real estate investment
  
- *Resident-owned community (ROC).* Manufactured housing communities owned by residents, typically through housing cooperative or nonprofit model
  
- *Non-profit/publicly owned community.* Communities owned by nonprofits, HRA' s, municipalities.

\*Most manufactured home parks were built in the 50s -70s and have privately owned infrastructure (water, sewer & roads) so that whoever does own the community, is responsible for the maintenance, repair/replacement of the infrastructure.

# Background

## History of industry

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- ❑ Travel trailers towed behind cars
- ❑ Trailers became larger
- ❑ “Parks” were developed as temporary and seasonal locations for trailers
- ❑ Many trailers stopped being moved and became permanent fixtures in the parks



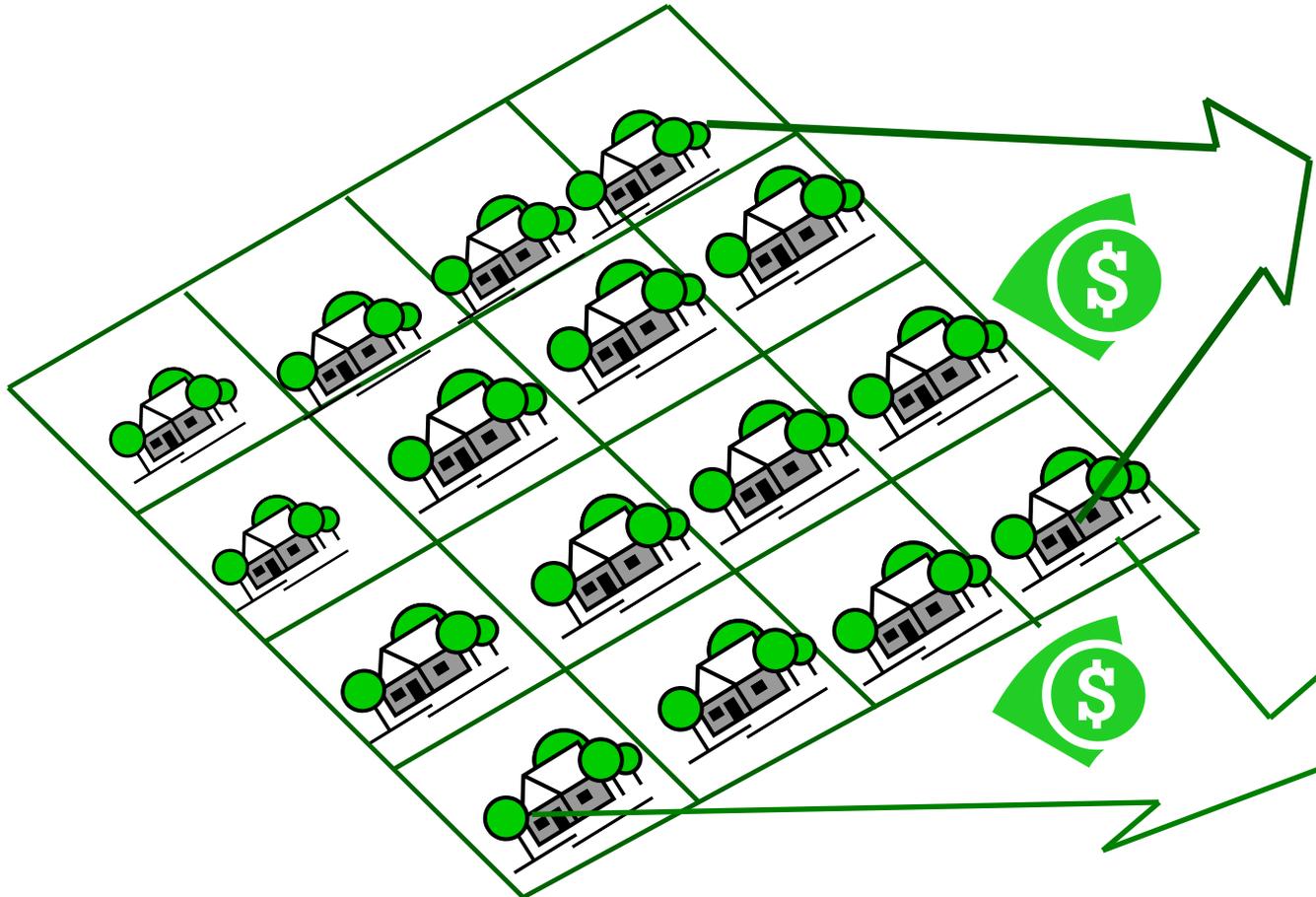
# Background

Current manufactured home

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# Structure of investor ownership



## Community owner

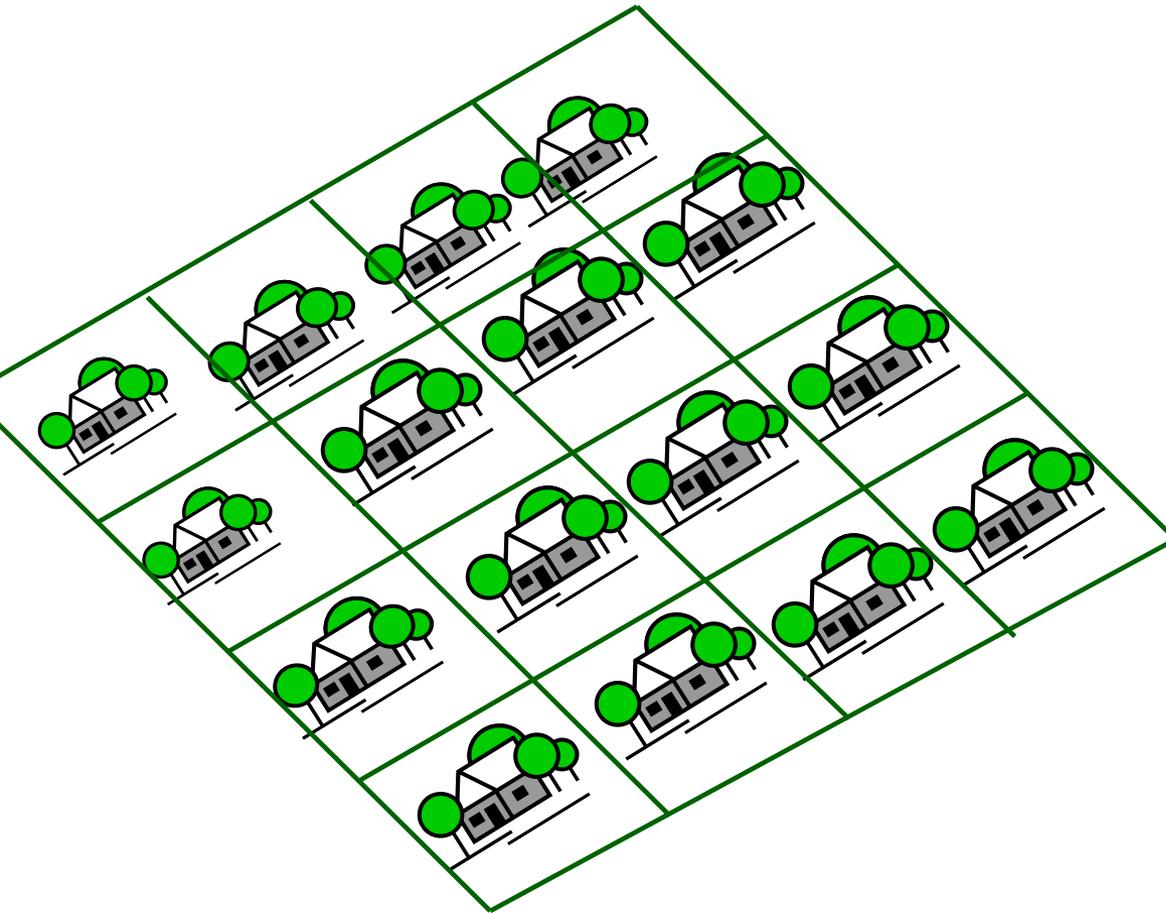
- Land owned by community owner
- Community comprised of individual lots
- Residents pay **lot rent** to community owner

## Home lender

- **Chattel home financing** at 9% to 14% interest

# Outcomes of investor ownership

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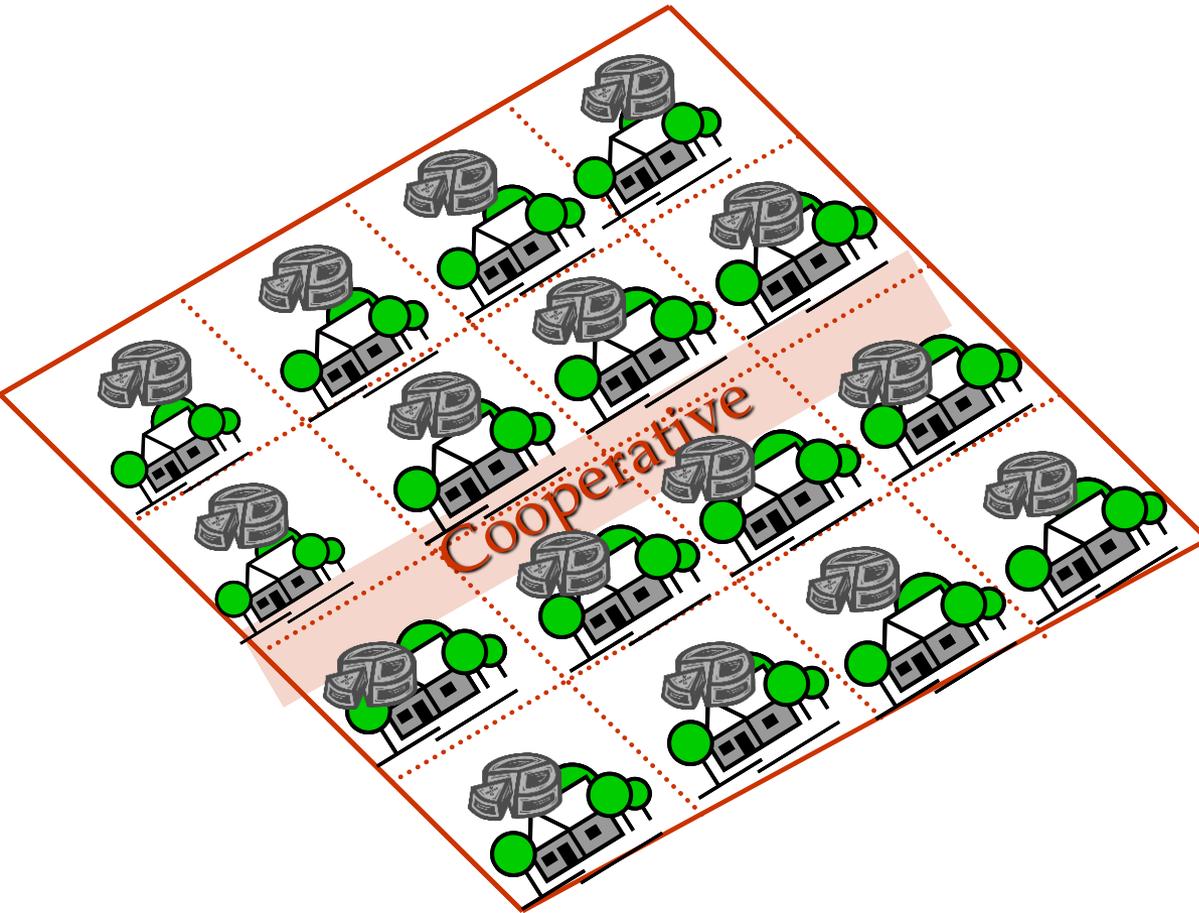
- Lack of security
- Regular lot rent increases
- No direct voice in park policies
- Reduced incentive for investor to invest in community
- Little incentive / capacity for homeowners to invest in homes
- Minimal access to home financing
- Home depreciation\*
- The investor owned industry is consolidating

\*NeighborWorks: [https://static1.squarespace.com/static/51149157e4b00dcd7b6e0e8a/t/57ab3631440243556f9524f2/1470838322571/Manufactured+Housing+as+a+Community+and+Asset-Building+Strategy\\_NeighborWorks\\_2002.pdf](https://static1.squarespace.com/static/51149157e4b00dcd7b6e0e8a/t/57ab3631440243556f9524f2/1470838322571/Manufactured+Housing+as+a+Community+and+Asset-Building+Strategy_NeighborWorks_2002.pdf)

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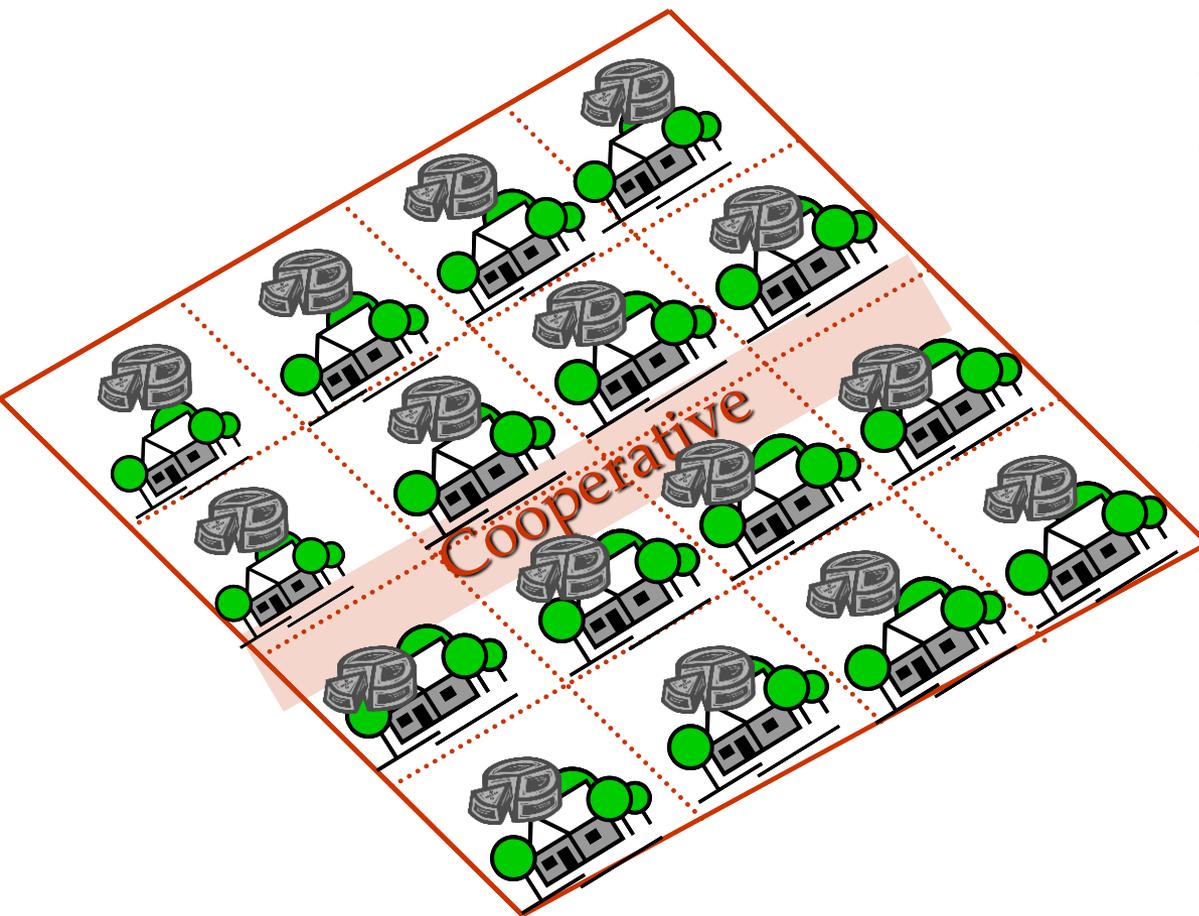
# Structure of manufactured housing cooperative

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- Cooperative purchases community
- Each household purchases a membership in the Cooperative
- Current residents choose between joining or renting from Cooperative
- Members pay monthly carrying charges and renters pay lot rent to Cooperative

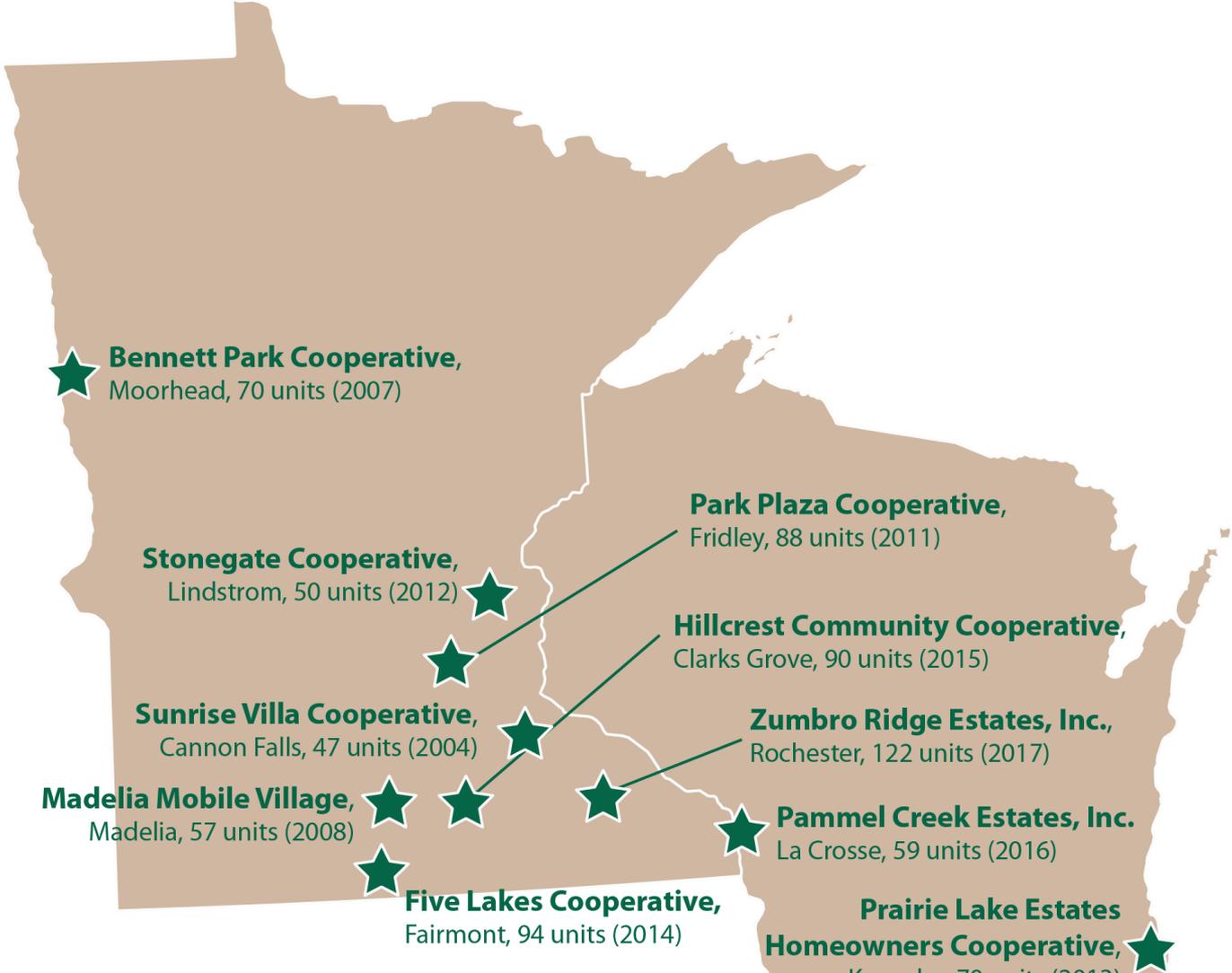
# Outcomes in manufactured housing cooperative



- Security of tenure
- Lot rents increase only with operating costs or for capital improvements
- Direct voice in community policies and operations
- Strong incentive to invest in community
- Land ownership for residents
  - Better access to competitive home financing
  - Potential for growth in home equity (asset building & wealth creation)

# NCF Track Record

## Resident-Ownership Conversions 2004 – 2018



# What it takes

## Key elements for success

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**PRE-PURCHASE**  
Real estate  
development and  
financing



**PRE/POST-PURCHASE**

**Governance and  
organizational  
support**



**POST-PURCHASE**

**Asset and property  
management**



What does it take for this to work?

- Willing Seller
- Willing Buyer
- Financially Feasible Deal

What are chief barriers to resident ownership of MHCs?

- Lack of access to opportunities
- Lack of access to technical expertise
- Lack of access to capital

# What it takes

## Two-track process

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### **REAL ESTATE TRANSACTION**

- Negotiate/obtain site control
- Carry out due diligence
  - Review operating history
  - Evaluate capital needs
  - Conduct sewer video
  - Environmental site assessment
  - Appraisal
- Apply for permanent financing
- Finalize loan documents
- Close on purchase of property

### **COOPERATIVE ORGANIZING**

- Orientation for residents
- Election of interim Board, appointment of committees
- Group incorporates as legal entity
- Interim Board develops development and operating budget
- Interim Board presents proposed monthly lot rent increase and membership fee for member approval
- Board reviews due diligence results
- Develop management plan
- Board applies for permanent financing
- Cooperative purchases property
- Cooperative holds first annual member meeting, elects permanent Board

# What it takes

## Post-purchase services

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### Organizational Development and Support

- ❑ Action planning and implementation.
- ❑ Member engagement, board and committee governance
- ❑ Procedure and policy development.
- ❑ Peer-to-peer training.
- ❑ Resource development.

### Asset and Property Management

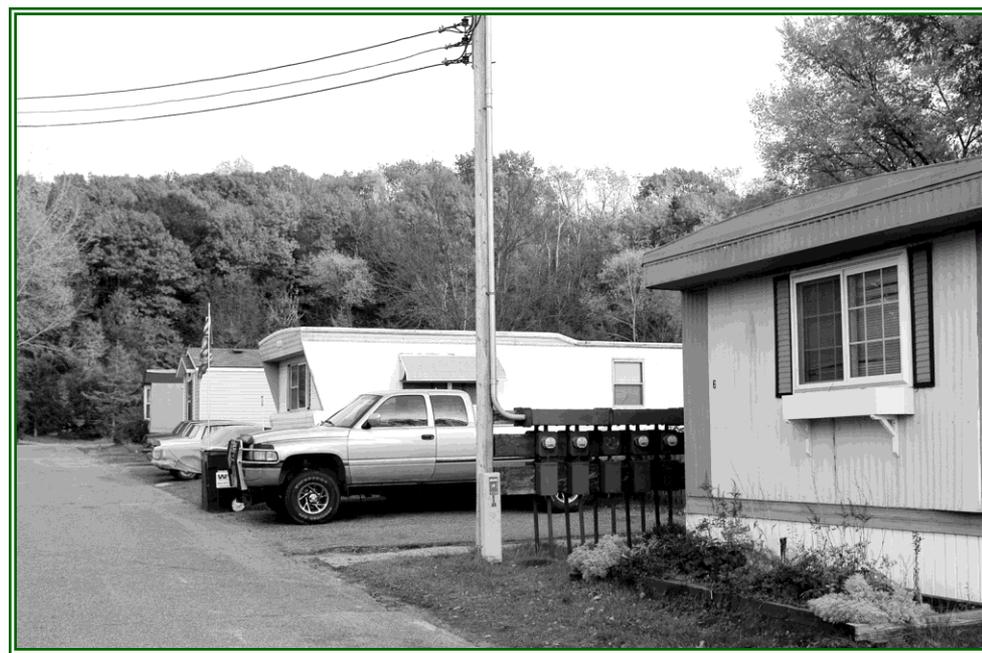
- ❑ Accounts payable/receivable.
- ❑ Manufactured home placement and sales.
- ❑ Financial reporting.
- ❑ Preventive maintenance and improvements.
- ❑ Collections.
- ❑ Policy and rule enforcement.



# Case Study: Sunrise Villa Cooperative Cannon Falls, Minnesota

47 units

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# Sunrise Villa Mobile Home Park

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- ❑ Local mom-and-pop owner
- ❑ Community facilities: storm shelter
- ❑ Purchase price: \$928,000 or \$19,745/unit
- ❑ Equity requirement (share price): \$500 per household
- ❑ Financing sources:
  - \$696,000: Community Development Bank, Ogema, MN
  - \$490,000: Northcountry Cooperative Development Fund
  - \$23,500: Resident Equity
- ❑ Monthly carrying charge: \$300 (up from \$245, a 23% increase)

# Sunrise Villa Cooperative - Process

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- Total development timeframe: 11 months
- Resident Process: One meeting about every six weeks
- Park Attendance of meetings: 33% to 51% of households
- Charter membership: 29 of 46 households (63% of park)
- Closed on purchase: September 28, 2004

# Sunrise Villa



Development budget (Uses), 47-unit project

<b>USES</b>	
Acquisition	\$928,000
Capital improvements	50,000
Replacement reserve	15,000
Operating reserve	15,000
First mortgage reserve	20,880
Working capital reserve	12,000
Legal	15,000
Pro-rated taxes/insurance	6,518
Title/Recording	7,000
Environmental, infrastructure assessment	2,000
Financing fees	11,280
Other soft costs	160,822
<b>TOTAL USES</b>	<b>\$1,243,500</b>

# Why Resident Ownership

## Experience of Sunrise Villa Cooperative (Cannon Falls)

- Capital improvements, equipment
  - Resurfaced streets and roads
  - Rebuilt playground
  - New bus stop
  - Safe, tamper-proof mailboxes
- Fully funded reserve accounts
- Only one lot rent increase since 2004
- Two lot rent holidays since purchase
- Extremely financially stable project
- Refinanced with 30-year, 6% first mortgage by Minnesota Housing Finance Agency in Fall 2008
- Strengthened cash flow and capacity for improvements



# Dedicated Acquisition Financing, Franchised Model for Service Delivery, Peer Network



## □ ROC USA, LLC®

An organization working to bring resident ownership to every manufactured home community in the U.S. Was created in 2008.

## □ ROC USA® Capital

- 110% LTV financing
- Competitive interest rates
- Uses big bank lines of credit to fund resident purchases
- Lead lender, structures participation lending for other investors

## □ ROC USA® Network

- Certified Technical Assistance Providers (CTAP)
- NCF is one of nine CTAPs across the U.S.A. (36 states)
- Peer-to-peer learning

# Empirical Findings

## Indications of Success

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1. Resident-owned communities are an improved community asset
  - ❑ Higher level of civic engagement in local politics, neighborhoods, schools
  - ❑ Lower crime than other parks
  - ❑ Better-maintained than prior to resident purchase
  
2. Resident-owned communities are preferred by homeowners
  - ❑ Homes in ROC's appraise for higher value and sell faster and for more
  - ❑ Lot rents stabilize and lag the market rents in peer investor owned communities
  - ❑ Residents control what goes on in their neighborhoods , decide community rules, capital improvements, etc.

# Key partners and supporters

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- Core governmental and philanthropic support
  - Prosperity Now!, Washington, DC
  - Family Housing Fund, Minneapolis
  - Greater Minnesota Housing Fund, Saint Paul
  - McKnight Foundation, Minneapolis
  - Minnesota Housing Finance Agency, Saint Paul
  - Wisconsin Housing and Economic Development Authority, Madison
  - Minneapolis Foundation, Minneapolis
  - Ford Foundation, New York
  - Lincoln Institute of Land Policy, Cambridge, Massachusetts
  - NCB Capital Impact, Washington, DC
  - Northwest Area Foundation, Saint Paul
  - Opportunity Finance Network, Philadelphia
  - USDA – Rural Cooperative Development Grant Program
  - United States Department of Housing and Urban Development

# Senior Housing Cooperatives

UWCC Webinar



7500 YORK

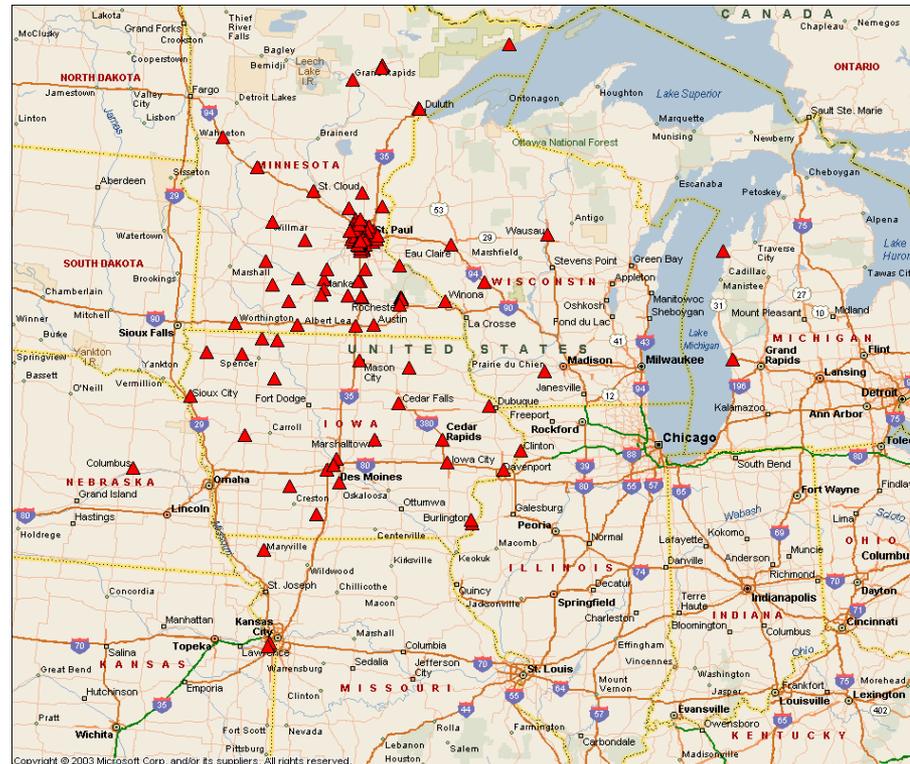
# What is a senior housing cooperative?

- Not for profit business entity owned and controlled by the people who use it
- Cooperative owns land, building, common areas; flooring, appliances, and window treatments in units
- Members buy a share and become an owner of the cooperative – entitles owner to live in a specific unit
- Members have governance rights – one vote per share – elect a board of directors
- Pay a monthly fee



# Senior Cooperative Foundation 109 Midwest Cooperatives

April 2018





# Senior Cooperative Foundation 24 Prospective Cooperatives

April 2018







REALIFE  
COOPERATIVE  
OF BLOOMINGTON



50 TETON LANE  
REALIFE  
COOPERATIVE  
OF MANKATO



29895

*Homestead*

COOPERATIVE OF

CHISAGO LAKES





  
**VILLAGE**  
COOPERATIVE  
OF WAUSAU  
1508 MERRILL AVENUE





  
**WILLOW BROOK**  
COOPERATIVE  
700 AGENCY TRAIL  
(507) 388-2886 

# Community Features

- Great room/community room
- Club room
- Guest suite for visiting family and friends
- Fitness center
- Workshop
- Library
- Heated underground parking with wash bay
- Garden plots

# Why Are Co-ops Popular

- Members remain in control at a time of life when most other alternatives require sacrificing control.
- They preserve their equity - no “spend-down” of assets.
- They preserve tax benefits of homeownership
- They save money through more efficient use of resources and no profit to outside owner.
- They do not pay for services they don't want or need (ala assisted living).
- They enjoy improved health through daily participation in a community energized by governance, social activities, and new friendships

"From a gerontological point of view, the essential benefit of the cooperative is that it provides an economic structure and social framework that fosters self-reliance, self-control and determination, interdependence, and cooperation among the resident members, even among those with severe chronic conditions. As gerontologists we know that these factors contribute directly to continued independent living, successful aging and the enhancement of longer life."

***Gerald Glaser, Gerontologist***  
*Ebenezer Center for Aging, testifying before the President's  
Housing Commission, 1981*

*“It is most important to understand that the cooperative concept appeals to older adults — especially couples--who would not normally consider ‘seniors’ housing and who typically would remain in their single-family homes.”*

Rick Fenske, Senior Market Researcher  
Maxfield Research, Minneapolis

# Community Benefits

- Seniors remain to anchor the community's economic, social and intergenerational foundations
- Seniors' financial resources and contributions are retained
- Resale of homes creates ripple effect - frees up affordable housing alternatives for younger families
- Cooperatives pay full real estate taxes and create employment opportunities

# SCF Cooperative Member Survey

	<u>2010</u>	<u>2015</u>
Like cooperative better than or same as previous home	92%	88%/94%
Recommended cooperative to others	92%	94%
Would move to cooperative again	90%	96%
Communities need cooperative living option	96%	99%

# SCF Cooperative Member Survey

Like most about your cooperative:

	<u>2010</u>	<u>2015</u>
People	357	511
No home maintenance	277	233
Security	230	191
Social involvement/Activities	206	245
Location	169	182
Underground/heated parking	100	103
Carefree living/easy living	39	103
Everything	11	85

# SCF Cooperative Member Survey

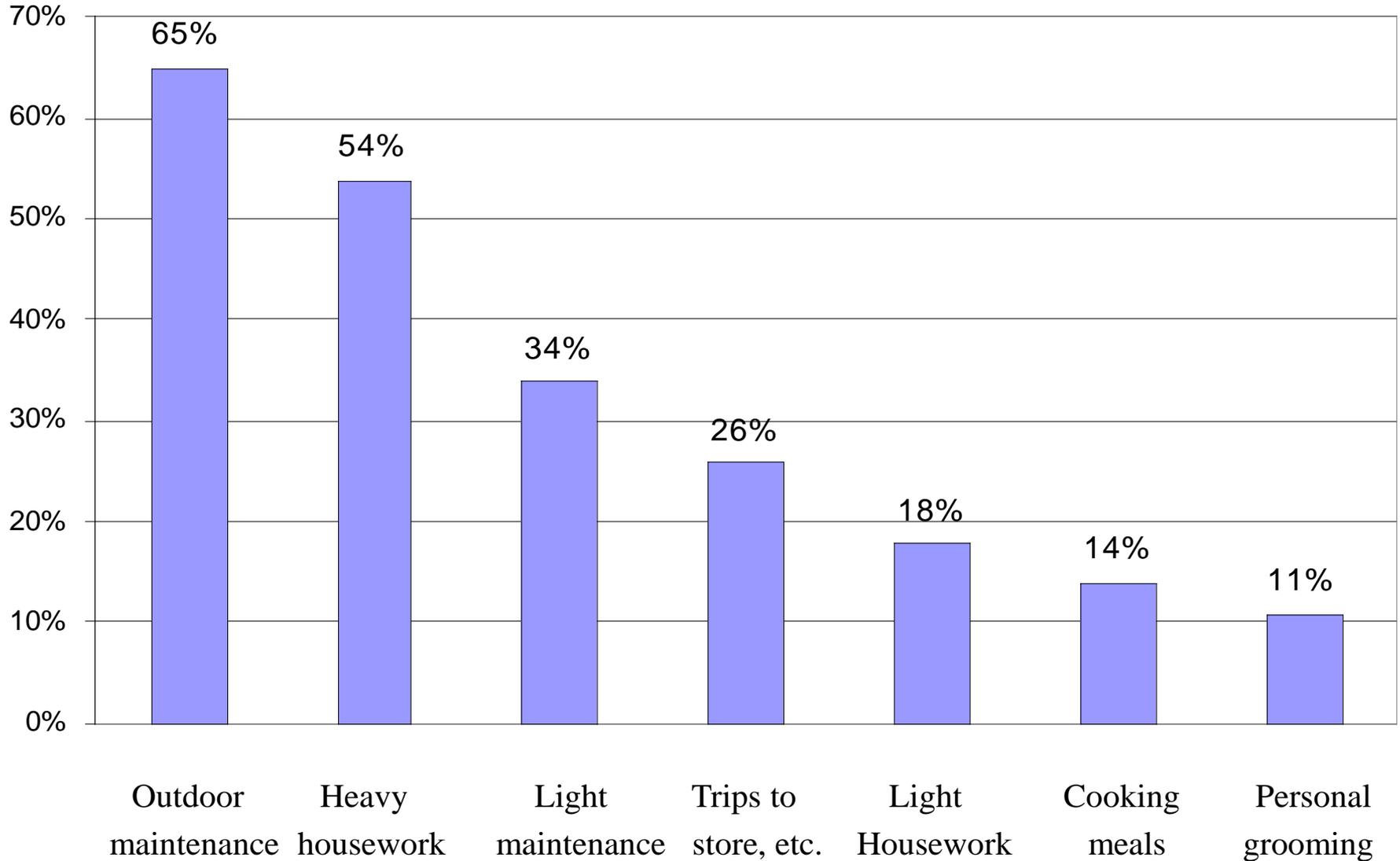
## Dislike most about your cooperative:

	<u>2010</u>	<u>2015</u>
Nothing	0	352
Issues with building	57	127
Too many or inappropriate rules	52	55
Complainers	29	41
Board decisions/lack of member input	29	33
Noise	21	32
Gossip/busy bodies/cliques	19	28
Yard access	15	24
Costs	14	9
Aging/need younger members	13	20
Selling units	13	2

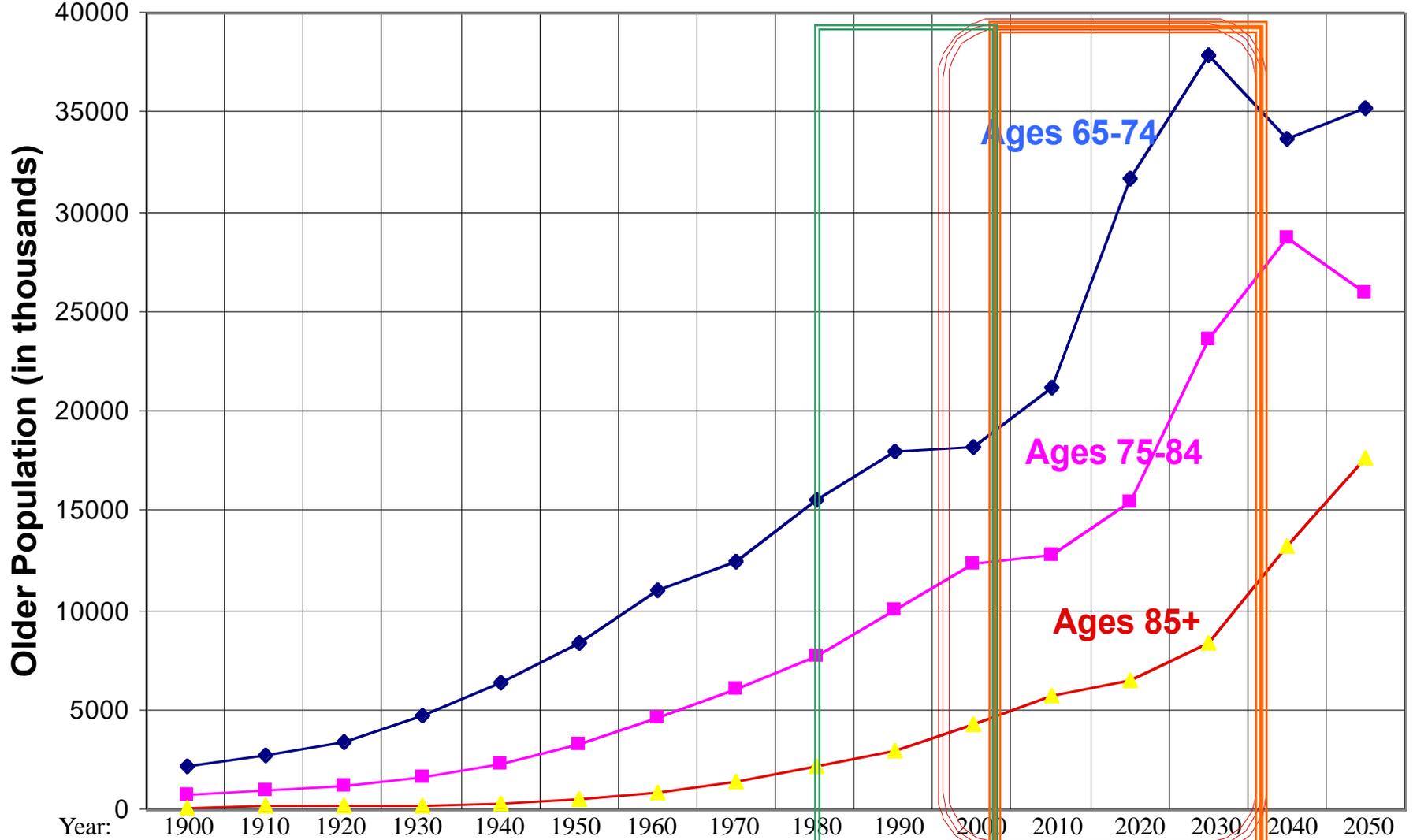
# SENIORS ANTICIPATING NEED FOR HELP

Source: AARP

Page 65+



# Growth of Older Population 1990-2050



# HUD-insured master mortgage

- Nonrecourse first mortgage, with principal and interest allocated based on unit size
- Fixed interest rate for 40 years
- Assures today's low interest rates for ALL buyers for years to come
- Assures disciplined, third-party oversight of operations and maintenance and reserves

# Limited Equity Growth

- 2% per year
- Assures affordable, predictable pricing for future buyers
- Assures there will be buyers for current members' homes
- Keeps the focus on community priorities, stability, and security

## What the Member Pays

- **Share Payment** -- repaid, with appreciation, on sale of unit
- **Monthly payment** -- including expenses, reserves, some utilities, taxes, and mortgage payment
- **Costs of any optional congregate services** -- Separately arranged with outside providers

# Development Process

- Stage I: Concept Evaluation and Development
- Stage II: Design, Pricing & Preliminary Marketing
- Stage III: Finalize Design, Marketing, Contracting, and Financing
- Stage IV: Construction, Marketing
- Stage V: Occupancy, Marketing

*Carefree Living  
in a Vibrant  
Community*

[seniorcoopliving.org](http://seniorcoopliving.org)

## Senior Cooperative Foundation

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