

State of Cooperative Housing, Needs and Opportunities

by
Joan Stockinger
Kevin Edberg

Cooperative Development Services
145 University Avenue West, Suite 450
St. Paul, MN 55103

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CDS Service Area (MN, WI & IA)
Report Completed September 2013**

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1. Executive Summary

This report summarizes research conducted by Cooperative Development Services (CDS) in the summer of 2013 and completed in September 2013 with funding support from the National Cooperative Bank (NCB). In doing this research, CDS seeks to better understand the current state of the cooperative housing sector in the CDS service area of Minnesota, Iowa and Wisconsin. CDS will be the primary user of this research to determine if there are technical assistance needs and/or development opportunities in cooperative housing that CDS can effectively and appropriately address.

CDS' experience with cooperative housing has been in the senior co-op housing sector. For more than a decade, CDS has provided leadership to this sector including co-founding the annual Senior Cooperative Housing Conference (now in 13th year). CDS also supported development of the Senior Cooperative Housing Education Program (SCHEP) and prepared the business feasibility analysis resulting in the creation of the SCH Purchasing Cooperative. Under contract to Cooperative Network, Vicky Chaput continues to be the primary contact point for all manner of incoming requests for assistance and referrals related to senior housing.

CDS receives inquiries from time to time for technical assistance for other types of housing cooperatives in our service area. In addition, Northcountry Cooperative Development Fund, a cooperative finance partner, has encouraged CDS to review opportunities to either provide development services or to provide technical assistance to housing co-ops in the region. In order to understand the size and scope of need and opportunity CDS proposed this research survey/project to address key questions:

- Where are the housing cooperatives in our service area? How are they performing?
- What are their technical service needs? Who is meeting these? Are there unmet needs?
- Where is new development taking place? Who is doing it? Are there unmet needs or opportunities?
- Is there a role for CDS in this?

These seemed like reasonable questions for a limited scope project. However, it became clear fairly early in our work that the co-op housing sector is more complex and more nuanced than anticipated. An additional challenge is that there is no central coordinating organization for cooperative housing. There is a rich history of cooperative housing development and a diversity of co-op housing sectors or clusters that operate largely in isolation from each other. Each sector has unique features, equity arrangements, management arrangements, history of success/failures, target memberships and national or local affiliations.

In addition we found no comprehensive, current listing of housing cooperatives. Therefore a first and not insignificant task has been to piece together such a list, broken out by sector. Compiling this list has become one task of this project. This list was further updated by a CDS intern in Summer 2014.

A summary of key findings includes the following (a more complete list can be found in Section 5):

General findings:

- There are over 165 identified housing cooperatives, with an estimated 9,500 units and an estimated 15,000 residents/members, in the CDS service area of MN, WI, IA.
- Cooperative housing is concentrated in Minnesota with 87% of the units; Wisconsin has 8% and Iowa about 4% of units.
- Housing co-ops are found in diverse sectors each with different history, approaches to equity arrangements, membership targets, service/support organizations, history of success/failure.
- Major sectors are: senior; student; manufactured home parks; leasehold equity (affordable housing projects); limited equity and market equity cooperatives.
- The senior sector represents about 60% of the co-ops and 65% of the units.
- The sectors operate largely in isolation from each other.
- There is no central body coordinating or working across all the sectors.
- Three sectors have central support organizations: senior co-ops have a regional support structure; manufactured home parks have a national support organization with a regional affiliate; student housing cooperatives have a national support organization.
- There is limited new development of co-op housing taking place in the region. Most active is the senior sector where 14 projects are in some stage of development and it is projected that 2-3 projects will be completed per year. The manufactured home park sector has an active regional developer projecting 1-2 projects completed per year. Riverton Student Housing is looking for a property to develop.

Benefits of housing coops identified across all sectors:

- The right equity model provides ownership and/or economic benefit for target group.
- There can be a greater control of tenure and stability (vs rental).
- Can be a place to develop new skills (e.g. students, seniors).
- The cooperative can provide a meaningful sense of community/belonging
"It's the ethos!"

Challenges/downsides of cooperative housing across all sectors:

- Effective governance is critical and a challenge across all sectors. Maintaining member engagement and board function takes ongoing, real effort and failure to do this leads to crises.
- Member residents must have time and energy available for a housing co-op to succeed.
- There must be a pool of qualified and interested member leaders/board candidates.
- There is a temptation found in all sectors, for the co-op to choose lower current costs and to defer maintenance costs (reserve for maintenance); this leads to financial crises when maintenance needs become acute.
- Conflicts can become very intense and personal in housing cooperatives.

Success factors across all sectors:

- Professional property management. Engagement of a professional property management company that understands the cooperative model is highly correlated with success. Managing a multi-unit property is a complex task and in most cases requires special experience and professional assistance.
- Cooperative governance support. The existence of an independent, outside governance support system for the sector (a not-for-profit developer; a membership association; training programs; or an active network) is a success factor.
- Top down development models. We found new development coming from the senior and manufactured home park sectors. Each has identified a top down, “developer led” approach to new cooperative formation.
- A developer that “gets” the co-op difference. Successful development requires a developer/builder that “gets” the cooperative approach.
- Minimum size. Three sectors (senior, student and manufactured home park) have development models with minimum size guidelines to increase likelihood of successful projects.
- Sources of financing that also “get it”. The senior sector has the HUD Section 213 Mortgage Guarantee program and two HUD approved lenders that work with this sector. The manufactured home park sector has financing through ROC USA (with funding from NCB and others coming through this channel). In the student sector, NASCO Properties supports new development with financing for acquisition of group houses. NCDF is funding the smaller cooperative projects.

Role for CDS

CDS staff has discussed this research and identified limited roles we might play in the housing sector. These are summarized in Section 6.

2. Methodology

Following are the key research activities for this project:

1. Identified known housing cooperatives, cooperative housing organizations, experts and service providers in our area.
2. Conducted widening circle of in depth, qualitative interviews with these experts. Information was gathered on the number and location of cooperatives in that sector, the range of services offered, segments served, unmet need. We sought to gain understanding of successes, challenges and failures in cooperative housing.
3. Upon finding that there is no comprehensive inventory or listing of housing cooperatives in our region, took on the task of creating such a list, identifying as many housing cooperatives as possible and categorizing by housing sector (senior, student, leasehold, market, manufactured home park). We included addresses and where available, number of units. Creating this list has been a more significant task than anticipated and we continue to expand and refine it. The most current list can be found in Appendix A. There are some incomplete sectors.
4. Analyzed findings from the interviews and other research. We have identified common themes, challenges and possible opportunities.
5. Met as a team to discuss findings, opportunities and role for CDS in housing.
6. Prepared this report summarizing findings.
7. Yet to be completed: A conference call with NCB following submission of the final draft to discuss project findings and appropriate next steps.

We initially intended to meet with a cross section of co-op housing members to survey them regarding their needs. Given the limited resources of the project and the unexpected complexity of profiling the variety of sectors, we have relied primarily on information from housing service providers and support organizations; we believe this is sufficient for our purposes.

The following questions were used to guide the qualitative interviews:

- Where are the existing housing cooperatives? Who/where are current lists of housing co-ops?
- How are these co-ops performing?
- What are their technical assistance needs? How are they currently being met? What individuals/organizations are working with these cooperatives?
- What are the unmet needs and/or opportunities?
- Where are new housing cooperatives being formed?

- What resources (people, organizations, tools, money) are available to those interested in starting new housing cooperatives?
- What opportunities exist for CDS to develop these capacities? What resources would it take? How will CDS best work with other people providing these services to build synergies and avoid duplication of efforts?

3. Findings: Cooperative Housing Inventory in CDS Service Area

The table below summarizes the data from “the list” and shows the number of housing cooperatives and estimated units by major sectors for the three states in the CDS service area Minnesota, Wisconsin and Iowa. The quality of this data varies from very good (Senior, Manufactured Home Park and Student) to estimated and incomplete. We have indicated this “data accuracy” in the far right column.

- We find there are at least 165 housing cooperatives with a total of 9,500 units.
- The Senior Sector is the largest with 59% of co-ops and 63% of total units.
- Cooperative housing is highly concentrated in Minnesota with 78% of the co-ops and 87% of the units.
- A rough estimate of total market value for this cooperative housing sector is in the range of \$570MM to \$1.1B. (assuming an average unit fair market value of \$60,000 - \$120,000). Unit fair market values vary greatly and this is likely an understatement of total value for the sector.

Cooperative Housing Inventory Overview											
<i>(updated July 2014)</i>											
	MN		WI		IA		Totals				
Housing Sector	# Co-ops	# Units	# Co-ops	# Units	# Co-ops	# Units	# Co-ops	% tot	# Units	% tot	Quality of estimate
Senior	79	5,463	5	204	13	352	97	59%	6,019	65%	vg
Student											
Group Housing / Student and Mixed Age	2	75	9	350	1	37	12	7%	462	5%	vg
Apartment / Townhse	7	1,221	0	0	0	0	7	4%	1,221	13%	vg
Manuf Home Parks (NCF)	6	537	2	70	0	0	8	5%	607	7%	vg
Co-Housing	1	15	2	75	0	0	3	2%	90	1%	vg
Co-op Apartments - by Equity Type											
Leasehold/Zero Equity	6	205	0	0	0	0	6	4%	205	2%	incomplete
Limited Equity	11	73	1	9	0	0	12	7%	82	1%	incomplete
Market Equity	17	492	3	101	0	0	20	12%	593	6%	incomplete
Total:	129	8,081	22	809	14	389	165	100%	9,279	100%	
<i>% total by state</i>	<i>78%</i>	<i>87%</i>	<i>13%</i>	<i>9%</i>	<i>8%</i>	<i>4%</i>					

4. Findings and Analysis by Sector

4.1 Senior Cooperative Housing

The senior cooperative housing sector has the largest concentration of co-op housing and members in our service area. The sector also has the best developed support network for both technical assistance and new development. There are new projects in development. Senior cooperative housing is distinct to our region with just a few senior co-ops outside Minnesota, Iowa and Wisconsin.

Senior housing cooperatives are a proven and popular housing option for active adults 55 and older. These co-ops are collectively owned and governed by the members themselves. They are not-for-profit organizations most formed to qualify for HUD's Section 213 Master Mortgage Program. Senior cooperatives are uniquely intentional about creating well-designed, socially supportive communities. Cooperatives preserve members' financial resources and enhance their lives.

This is the only cooperative housing sector in which CDS has significant ongoing engagement. CDS' work includes the following:

- Co-founder of the annual Senior Cooperative Housing Conference. Now in its 13th year, this conference annually attracts almost 300 senior housing co-op board members, managers and developers and other professionals from 6-8 states. The primary conference planner is Vicky Chaput.
- Supported development and implementation of quarterly education series for managers and board members of senior housing co-ops.
- Supported development of the Senior Cooperative Housing Education Program (SCHep), which to date has been delivered to over 3900 member-owners.
- Conducted business feasibility analysis resulting in the creation of the SCH Purchasing Cooperative, which currently provides a group purchasing vehicle for a half dozen co-ops.
- Under contract to Cooperative Network, Vicky Chaput currently serves as the primary contact point for all manner of incoming requests for assistance and referrals related to senior housing.
- In no small measure due to the above efforts, Cooperative Network has been able to grow its membership base of senior housing co-ops from 0 in 2001 to 40 in 2013.

Interviews for this sector were conducted with:

- Vicky Chaput, Coordinator for Senior Co-op Housing members at Cooperative Network and the Project Coordinator for annual Senior Cooperative Housing Conference (SCH Conference). On an ongoing basis, Vicky fields incoming calls for assistance and information for all senior housing questions.
- Dennis Johnson, President of Cooperative Housing Resources, LLC (CHR) a HUD qualified housing financier, and also Board Chair of the Senior Cooperative Foundation (SCF); acting

staff for SCF and first contact/coordinator for Senior Cooperative Housing Education Program (SCHEP). Dennis has also developed and manages the SCH Purchasing Cooperative (SCHPC), a cooperative that aggregates the purchasing power of a half dozen senior co-ops.

- Follow up conversations with Dave Holm, Iowa Center for Cooperatives and Anne Reynolds, Wisconsin Center for Cooperatives. Although the senior cooperative housing clusters in Minnesota, projects exist in both these states and several new projects are in development in Iowa.

Where are the senior co-ops?

Senior housing co-ops are a regional development radiating from Minnesota. There are 100 Senior Housing Co-ops nationally with 79 in Minnesota, 3 in Wisconsin and 13 in Iowa with just a few outside these states. Nationally Dennis Johnson estimates a total of 6,300 units with about 10,000 residents.

Senior housing co-ops are a niche product within the larger senior housing market. To give scope to the market share or potential market, Dennis described a total population of seniors over 65 in MN and IA of 1.3 million. The overall senior housing market is growing, driven by the growth of this demographic group.

The first senior housing cooperative opened in 1976 in the Twin Cities at 7500 York, Edina. The concept was developed by a visionary leader, Lute Moberg, of the Ebenezer Society, a service organization for seniors in the Twin Cities. Lute saw an aging blue collar and working middle class that was not ready for a nursing home, but needed housing. "Keep it affordable" was the goal of the unique approach to equity (see below). Co-ops were sited away from the nursing home facilities of Ebenezer to emphasize the vibrancy and self-sufficiency of the members. Today some of the new senior co-ops are being developed as part of "Continuous Care Communities" (CCC), opening up a new market.

What are the characteristics of the sector?

Senior housing co-ops are independently owned and controlled by the residents with an elected board of directors that govern as in any other co-op. These are multi-million dollar businesses with assets typically of \$7-16 million and annual operating budgets ranging from \$500,000 to upwards of \$2-3 million. The senior co-op model works best in communities with 50-70 units or more, but there are examples of various sizes that have proven to be successful. A larger membership provides for a range of professional and organizational skills for boards, committees and other volunteer services.

Key responsibilities of the board include hiring of a professional property management company/manager, generally on a 3 year contract. A larger property can better afford professional management. Other key board responsibilities are long and short term financial planning, development of reserve policy for future repairs, marketing of units, approving memberships, establishing rules and policies for members, assuring that occupancy

agreements are in compliance and up-to-date, development of social and community life (“ethos”) by creating and overseeing various committees of members that help the board with their responsibilities. The number of committees ranges from 5-30 depending on size/need of the cooperative.

Senior co-ops have the advantage of a large resident membership with a wide range of professional skills and life experiences and with time and interest in managing a complex property and social community. This richness of human talent and time is likely a key success factor in the ongoing stability and vibrancy of this sector.

“It is impressive to see ninety year olds in charge.” - Dennis Johnson

Effective Limited Equity Model

The Senior Sector is a limited equity sector with 96 of the existing 100 properties nationally having some form of limited equity and only 4 at market equity. There are several variations. The most successful limited equity model (the one that is consistently fully sold or subscribed at opening and that persists over time) prices shares in a new building at about 40% of the development cost. The remaining 60% of cost is financed by the cooperative with a master mortgage using HUD’s Section 213 Master Mortgage Program. This program provides stable long term financing - 40 years/4% fixed. Thus a new member can purchase a share at about 40% of its value, making the initial purchase affordable to more people. The master mortgage payments are then incorporated into the monthly service/occupancy fee. This results in a higher monthly fee but a lower cost to buy in.

In this limited equity model, there is a cap on the appreciation of the share value, generally at 1% and sometimes 1% plus the portion of the mortgage amortization for that unit. The long term goal of the cooperative is to keep the share value affordable so that when the share is sold, the new purchaser also can buy in at a limited equity value.

Thus this is not low income or subsidized housing. Buyers/members must have funds for the equity share payment and demonstrate they can pay the monthly service fee to be eligible for membership. The master mortgage makes the monthly charge higher but keeps the buy-in share price lower.

How are these co-ops performing?

Overall it is reported that these co-ops are doing well and there has been steady growth in new co-ops. The original big six co-ops were developed in the late 1970’s and these continue to thrive more than three decades later. One measure of health is the ability of the co-op to market shares and maintains full occupancy. Many senior housing co-ops have waiting lists. Another measure of health is the ability to work through board and/or management changes successfully. Many senior co-ops have demonstrated this over time. Others that have stumbled with marketing and transitions have found assistance available in the sector and have rebounded. In particular, one early group of senior co-ops, the Homestead co-ops, has

struggled at times. Lessons were learned from this and incorporated into the current model which has demonstrated long term viability.

Dennis Johnson considers the use of the HUD Master Mortgage Guarantee Program to be a key predictor of success for a senior cooperative. This program imposes discipline and good practices on the new cooperative. Key provisions are:

- Supports sales of units at a reduced initial share cost of about 40%;
- Provides stable, low cost, long-term master mortgage financing for the balance (4% / 40 years);
- Requires the co-op to budget and set aside reserves for replacement (fiscal discipline);
- Requires owner occupancy which strengthens the sense of community.

The ability to “sell out” a project at development is critical to the developers. Projects using the HUD program and equity model have all successfully sold out units and appear to be doing well over time. Not all developers chose to use this structure and some of these have struggled. For example, offering different levels of initial equity investment has been used to provide more flexibility, but it also has resulted in tensions between members with different levels of financial commitment and resale of units can sometimes be more difficult.

Other critical success factors identified:

- A developer that “gets” the co-op model, and is willing to work with this. *“These developers have made it work.”*
- A management company and/or onsite property manager that “gets” the co-op model.
- A network of support for both the boards and managers.

Problems occur where:

- Rental units are allowed within a co-op property; these undermine ethos/community.
- A property manager doesn’t understand/value co-op concept; this leads to conflict.
- Turnover in a board can be a vulnerable time (SCHEP is designed to address this issue).
- Co-ops with equity models that allow for different levels of financial commitment have found that this can result in internal tensions around control and sense of fairness.

What are the technical assistance needs? How are they currently being met? What individuals/organizations are working with these cooperatives?

The senior cooperative housing sector has a relatively rich group of support organizations for both technical assistance and development, and there is a central not for profit association (foundation) for education and networking. These organizations work together formally and informally to address a range of technical assistance and development challenges.

Following are brief descriptions of key support organizations:

Senior Cooperative Foundation (SCF) www.seniorcoops.org

This not-for-profit was created in 2002 by Terry McKinley, Ann Reynolds, Dennis Johnson and a Pastor at Central Methodist. Their goal was to promote the successful growth and development of senior housing. As stated on the web site, the foundation was “*created by leaders from the cooperative community, finance, and educational institutions to encourage expanded development and to support members in every way possible in enhancing their understanding and participation in cooperative affairs.*”

SCF’s key activities include:

- Co-sponsorship of the annual Senior Cooperative Housing Conference
- Maintenance of the sector web site www.seniorcoops.org
- Development of a comparative expense analysis tool for fiscal management
- Development of a replacement reserve analysis program
- Development of the Leadership and Spirit Awards for the sector
- Sponsorship and management of SCHEP training modules
- Promotion of the sector: SCF formed the Senior Cooperative Living Committee, secured funding for promotion and developed a website, brochure and video specifically to promote the senior cooperative housing model and lifestyle with the key mission to educate potential members on “what is a senior housing co-op”, why it is different than other housing options, and the value of being a member. Brochures and videos are available at cost to cooperatives. The website is www.seniorcoopliving.org.

Current key staff includes Dennis Johnson, chair and Travis Johnson. Terry McKinley is no longer active with the organization, but is still involved at some levels with the Foundation and will always be a valuable source of knowledge and experience with this model/sector.

Cooperative Network (CN) www.cooperativenetwork.coop

CN is a multi-sector membership organization for cooperatives in Minnesota and Wisconsin. CN currently has about forty members from the senior housing sector. CN provides the following services to senior housing:

- CN along with CDS and the SCF secured funding and developed the Senior Cooperative Housing Conference and is responsible for this key activity.
- CN along with SCF and CDS secured funding and developed the SCHEP training program.
- On an ongoing basis, CN contracts with CDS for part time staffing resources (Vicky Chaput) to plan the annual conference, education workshops, monitor legislative issues that affect the senior housing sector (and other housing sectors) and respond to incoming requests for information, referrals and networking for this sector.
- CN with SCF’s support coordinates the Senior Cooperative Housing Council, a committee of CN which is made up of SCH members, board members, managers and professionals of CN’s member organizations which meet three times a year to help direct on-going SCH needs/efforts including committees for workshops and the annual SCH Conference planning group.

Senior Cooperative Housing Conference

The two day annual senior conference is a project of CN, SCF and CDS. The conference started in 2001 and is a key activity in the ongoing support of the sector, attracting almost 300 attendees from 4-6 states annually. Participants include co-op members, board members, property managers, management companies, developers and other professionals that work with senior housing cooperatives including representatives from HUD. About 20 organizations sponsor the conference on an ongoing basis. The conference provides value in three areas:

- Workshop sessions address a wide range of practical issues (marketing the coop; building involvement; committee structure/responsibilities, financing/refinancing information; technology; fair housing; aging in place; best practices, refurbishing, identity theft/senior scams, consumer protection, security updates, legal advice just to name a few)
- The conference is designed to provide formal and informal networking opportunities for boards, managers, developers and professionals working with the senior housing cooperatives; networking is always encouraged and highly valued.
- The conference also provides an environment for *potential* developers/professionals interested in the senior cooperative model to network and also get a first-hand perspective of this unique model in action.

Senior Cooperative Housing Education Program (SCHEP)

SCHEP is a comprehensive education program for senior cooperative housing members, staff and developers. It includes specific education modules for member owners, board directors, managers and developers of senior housing cooperatives.

The training program has eight modules: Legal; Financial; Community; Governance; Transfer of Responsibility; Working with a Management Company; Aging in Place and Fair Housing. Most commonly requested modules are Governance, Community and Finance. The program is strictly for Senior Housing Cooperatives but could be adapted for other housing cooperatives. SCF is the lead organization in delivering this program today.

Ethos Principles of Senior Cooperative Housing

These are guiding principles for the sector and were developed over thirty years. The principles can be found on the web site of SCF and are included in this report as Attachment B. The Ethos Principles keep in the forefront the importance of creation of a vibrant community and the value to the members. The founders and ongoing leaders of the senior cooperative housing model captured these values in the Ethos Principles.

Financing Organizations

Two financing organization work with this sector: Cooperative Housing Resources LLC and Doherty Capital. Both are HUD approved lenders and are qualified for both initial and refinancing using HUD programs.

Cooperative Housing Resources, LLC (CHR)

CHR provides mortgage banking services and organizational and development consulting for senior housing cooperatives. CHR is a partnership of Terry McKinley, Dennis Johnson and Travis Johnson and was developed specifically to support financial needs of this sector. CHR has arranged 35 initial financings and currently has four in process. CHR has also completed another 35 refinancings. CHR earns fee revenue from its financial work which enables the partners to continue to provide a range of other services to the sector free of charge.

CHR works with housing developers new to the cooperative model, and provides critical insight and advice both about working with seniors and the cooperative model. In addition CHR provides support/staffing to both the Senior Cooperative Foundation and the SCH Purchasing Cooperative.

Doherty Capital

Doherty is a second HUD-approved lender also providing financing services to senior cooperative housing. Doherty works primarily with three of the developers: United Properties (Applewood Pointe), Real Estate Equities and Realife Inc.

It appears that CHR continues to be more proactive in identifying and working with developers new to senior cooperatives. The Doherty Capital developers all got their start with CHR. Nevertheless it is a strength of the sector that there is more than one financing entity.

HUD Section 213 Master Mortgage Financing/Mortgage Guarantee Program

This special section of HUD financing is available to this sector for both new projects and refinancing properties and it a critical success factor in the growth of senior cooperative housing. Section 213 is reserved for “non-profit cooperatives” and requires the following practices:

- 70% shares pre-sold prior to development
- owner occupied units
- reserve fund requirement
- supports a limited equity cost basis for initial pricing
- provides long term, fixed rate mortgage guarantees for the co-op master mortgage (will finance 60% of the cost of the development, 40 years/4%)

Developers of Senior Cooperative Housing

There are a number of developers of senior housing that have gained experience in this sector. Key developers include the following:

- Ewing Land Development/Josh Cowman. This is a new IA developer of Continuous Care Residences (CCR) which includes a co-op component. They are working with Dennis Johnson at CHR and have 4 properties in stages of development in IA.
- United Properties/Applewood Pointe/Brian Carey. This developer has 4 new properties in various stages of development in the Twin Cities Metro area.

- Realife Inc. / Dave Hanson. This developer has 1 property in development in MN. (Dick and Marion Hanson started this work with senior cooperatives and have since passed.)
- Bradford Developers/WillowBrook /Brad Bass. This developer has 1 property in development in Wisconsin.
- Real Estate Equities/Village Co-ops /Keith Jans. This developer has 7 properties in development in IA.
- Gramercy /Mike Conlin is now inactive but was a key developer in the senior sector (see the many Gramercy properties in the list).

The role of the property/real estate developer is key. The developer must set up conditions for a successful hand off of the property to a board of the new co-op. The developer has to pre-sell the shares and to do that must present the concept and value of a cooperative. Upon completion, the developer will transfer the responsibility of the co-op to the members and the willingness to work with a board of directors is important in this transition. In many cases, the sale will stipulate that the developer continue as property manager for two years of transition so the relationship will be ongoing in this critical period. But the co-op, unlike other senior properties, becomes independently owned by its resident members.

On-site Property Managers/Management Companies for Senior Cooperative Housing

Capable and positive property management is a critical success factor. A property manager must “get” the cooperative model and be good at working with cooperatives or there will be conflict and ongoing problems. Both Dennis Johnson and Vicky Chaput have examples of where this has worked and where it has not worked. The senior cooperatives are independently owned and managed and some of the senior property management organizations are challenged by this independence.

Ebenezer Management Services is the largest provider for this in the sector and currently manages over 30 of the senior co-ops and continues to expand. There are three key staff members of Ebenezer who oversee the cooperative contracts and two have direct experience as on site managers at a senior housing cooperative. All three are very supportive of the senior cooperative housing model and Ebenezer has their own manager/board member/board committee training to continue to educate co-op members. Other management companies who also support these practices include Applewood Pointe Co-op Communities and Realife Management Services. Paramark manages several cooperatives in Rochester and Real Estate Equities (a developer) also has a management company arm. Applewood Pointe, Realife and Real Estate Equities start out managing their developed properties but at any time after two years a board can decide to make a change. Most developers would like to continue to manage/support those co-ops they have developed.

What are the unmet needs or opportunities?

Both Vicky Chaput and Dennis Johnson state that the technical assistance needs of this sector are being met. However, the support for the Foundation and the training programs is lean and these appear to be critical factors in success. As the sector grows, one can project a need for a

larger and more reliable revenue stream to support the expansion and long term institutionalization of this support.

Where are new housing cooperatives being formed? What resources (people, organizations, tools, money) are available to those interested in starting new housing cooperatives?

Dennis Johnson knows of 13-14 new senior co-ops in development in the region. These are multi-year projects, and on average perhaps 2-3 new senior co-ops open each year. Currently there are five developers active with new senior housing (see listing above with projects in development).

What is the senior cooperative development process?

This process is led by a property developer who understands and wants to work in this sector. The support organizations (CHR, the SCH Foundation) play a key role in educating these property developers on co-ops and how to work well in this sector. This can be described as a “top down” approach. In the past, in particular with the Homestead senior co-ops, a community-led approach was tried and it did not work as well. (See the Homestead Story.)

A recent development is the inclusion of the senior cooperative as the “independent living” component of a continuous care residential community. Initial projects have been completed by Ewing Development in Indianola and Ankeny Iowa. Dennis Johnson supported this new development approach. With the HUD limited equity model, there was no trouble marketing/selling out all the units. This approach has opened up a new market. Membership in these projects is somewhat older than in the past - in mid-80’s. Independent senior members are pleased to be able to access the other facilities in the continuous care community.

Some obstacles for developers in the sector which limit expansion

- Developers have to “get” senior sector and how to work with them as independent participants.
- The lead time to sell units is longer in a cooperative as it is an unknown concept.
- There is no guarantee the developer will get management contract (members own building...) and developers make money on long term management contracts.

Strengths that support expansion and further development

- There are many examples of success.
- This is a growing market for senior housing.
- The target market has equity to invest.
- HUD financing/limited equity structure supports successful sell-out of project.
- HUD financing forces discipline of good ongoing management practices.
- This is a satisfying group to work with (meaningful).

Challenges to senior sector

- HUD commitment to Section 213 for senior cooperative housing is at risk. A proposed reorganization of HUD could result in the closing of the Minnesota office. The Minnesota

office has been a consistent supporter of this program and other offices have not been strong. Cooperative Network and the Senior Cooperative Foundation are working together with Minnesota legislators to communicate the value of this program to HUD officials in Washington. Cooperative Network has been told that it is most likely that the Minnesota HUD office will now remain open.

- Much of the expertise and knowledge of the sector is with just a few key individuals.
- There is limited capacity to support expansion of SCF and other education programs. The work does not have a dedicated revenue stream and has been underwritten by other activities. The lack of a dedicated revenue stream for the support organizations is a vulnerability and finding a longer term, reliable source of financing for the sector support is important.
 - Much of this work is done pro bono by Dennis Johnson using the fee income from Cooperative Housing Resources (CHR) LLC.
 - Vicky Chaput's work has been supported by CN, who recovers only part from the sector membership dues. CN has donated many hours of Vicky's time to build this sector within CN. It now functions through dues revenue and revenue from conference/education fees and some RCDG funding. But CN believes that there is a value in supporting and growing the sector overall.

4.2 Student Housing Cooperatives

Interviews for this sector were held with:

- Tom Pierson, Former Executive Director of National Association of Students of Cooperation (NASCO); NCDF Board; CW Member
- Corrigan Nadon-Nichols, Director of Development Services at NASCO
- LoAnne Crepeau, Director of Housing and Member Services, Riverton Community Housing
- Follow up conversations with Dave Holm, Iowa Institute for Cooperatives and Anne Reynolds, University of Wisconsin Center for Cooperatives to identify student cooperatives in their state.

Where are the existing student housing cooperatives?

Student cooperatives can be found across the US and Canada. Tom Pierson estimates there are about 80-100 such co-ops with a total member population ("beds") of about 10,000. The size varies greatly from a group house with 8 residents to large multi-building cooperatives with 1,300 residents. Tom estimates that about half the cooperatives are members of the National Association of Students of Cooperation (NASCO) at any time. Of the 10,000 members of housing cooperatives, about 8,000 are in the US and 2,000 in Canada.

Student housing is found in regional clusters in the US as follows:

- West coast cluster: 4,000 members
- East coast cluster from DC north to Boston: 200 members
- Midwest cluster: 2,400
(Twin Cities 2,000; Madison 250-300 plus 100 more independents; Iowa 40)
- Austin, Texas cluster: 2,000 members.

There is no comprehensive list of student housing cooperatives; less than half of student co-ops are members of NASCO. However using the NASCO list and our experts from interview, we have a reasonably complete picture. As in the senior sector, Minnesota has the largest sector, with 80% of total student housing units.

There are three types of student housing cooperative found in the CDS service region.

- Group living houses which are either leasehold or independently owned by the co-op with a common equity structure
- University owned properties that provide a master lease to a student cooperative (a form of leasehold cooperative)
- Not-for-profit owned properties that provide a master lease to a student cooperative (similar to university ownership and also a form of leasehold)

The student housing co-ops are “zero equity”. In the case of the co-op owned group living houses, equity is held in common and members pay a nominal membership share but do not purchase individual equity shares. In the case of leasehold cooperatives where the properties are owned by Universities or by community groups, the cooperative has a master lease from the group, and student members again purchase a nominal value membership share but do not make an equity investment. Student housing is transitional. The “zero equity” requirement fits the needs of students who do not have equity to invest and will be members for a short and known time (2-3 years).

Minnesota:

The total number of student cooperatives in the Twin Cities is estimated at 9 with a total of 1,300 units and an estimated 2,000 members/residents.

Riverton Community Housing is a not-for-profit (501c3) with a mission to promote student cooperatives. They have 6 properties of which 5 are leasehold cooperatives, with a total of 433 units and about 700 members. The original Riverton co-op is The Chateau in Dinky Town area of University of Minnesota which opened in 1973. Other properties are located near the UMN Minneapolis campus in the Seward and Dinky Town areas.

Riverton retains title ownership of the properties. Riverton itself is governed by a not for profit, self-perpetuating board not elected by student members. Each student cooperative is a separate entity with a member board that then manages under a master lease with Riverton. Riverton provides property management, maintenance, accounting and a range of community support services. LoAnn Crepeau, Operations Manager, describes this as “a highly viable model.”

Like many student cooperatives, Riverton started as a dining club which then expanded to housing. All the Riverton properties are apartment style living and there is no longer a congregate dining. LoAnn indicated that living in a Riverton cooperative can be a great

opportunity for student participation, but because of the short tenure, maintaining an understanding of membership and cooperation and engaging students is an ongoing task.

University of Minnesota Owned Cooperatives

The UMN Twin Cities owns two student housing communities that are leased to cooperatives. Commonwealth Terrace Cooperative (CTC) was converted to cooperative structure in 1970. CTC claims to be the oldest and largest family housing student cooperative in North America. The co-op manages a property leased from the University of Minnesota. There are 58 buildings including 464 apartments and a community center situated on 22 acres of park-like grounds.

Como Student Community Cooperative is the second UMN owned property leased to a cooperative. Como was formed by the University in 1975 and has 360 units of graduate student and family housing.

Both operate under a master lease with the University of Minnesota. Both are governed by an elected board of directors and do much of their own property management, with the University providing major maintenance.

Group living houses include the Students Co-op a single group living house also at the UMN Twin Cities East campus. This co-op is student owned and run, with a common equity structure and about 30 residents. Students Co-op is an active member of NASCO. It has remained a single property although there have been some discussions about expanding to a second house.

Minnesota Student Co-op is made up of five group living houses near the St. Paul campus of the University of Minnesota. Members include current students, foreign students and non-students, some with very long tenure in the houses (15 years). Minnesota Student Co-op is now being managed by the Common Properties Management Co-op, a property management firm created to support cooperative housing and other shared properties.

Wisconsin:

It is estimated there are about 200-250 members of student housing cooperatives in Wisconsin, all located in Madison and all group living houses.

Madison Cooperative Housing is the largest student cooperative in Wisconsin, consisting of 11 group living houses with approximately 212 members/residents. The original houses were established in the 1970's. Membership is not restricted to current students and some members have lived in this cooperative for many years. Each house has its own character and at least one includes families with children. Madison Cooperative Housing is an active member of NASCO and both contribute expertise and benefits from that association.

We have identified another seven group living houses with perhaps another 70 members in Madison. The UW Madison has a women's residence hall cooperative on campus. Additional group living houses can be found in Eau Claire (1 house) and at Lawrence University (2 houses).

Iowa (37 beds ; 3 co-op houses at University of Iowa)

River City Housing Collective in Iowa City has three group houses with about 37 student beds.

How are the student co-ops performing?

In the student housing setting, the leasehold model appears to work. This is likely because the transitional nature of student housing. Students are looking for reasonable cost, stability and often community experience. Students generally do not have equity to invest and they are not looking for long term appreciation.

Riverton reports that their coops are doing well and that “this is a highly viable model”. The University of Minnesota co-ops have persisted for decades and continue to provide family housing to students in a community setting. The level of student engagement might be less than desired by some, but the ownership structure appears to work in this setting.

The group living houses both in the Twin Cities and Madison also appear to be doing well. In particular, the Madison Community Coop (11 houses) and the Students Coop (single house) are active participants in NASCO and have engaged student members. These coops have survived for decades. Tom Pierson said that a key to success for the group houses, is that the property is owned and NOT leased. These cooperatives are “zero equity” in that students do not invest in shares – the equity remains “whole” at the cooperative level.

What are their technical assistance needs for this sector?

Because of the transitional nature of student housing, there is an ongoing need for member engagement and for governance support. Student turnover results in loss of co-op identity and this is an ongoing challenge.

What individuals/organizations are working with these cooperatives? What do they see as unmet needs or opportunities?

Technical assistance and support services are somewhat different for the student-owned group living houses and the larger leasehold cooperatives. For the group living houses, the National Association of Students of Cooperative (NASCO), a membership organization, provides important but limited range of services to its members. In the Twin Cities, professional property management is also available through Common Property Management Co-op. Madison Community Co-ops (11 houses) has its own staff of three.

The larger leasehold cooperatives have dedicated professional staff that provides a range of services. Riverton Community Housing provides marketing, accounting/financial management, financing, property management, member training, community development and governance support. In the case of University owned properties, the long term financial and facilities planning and maintenance are performed by the University. We have not interviewed these cooperatives for additional needs.

NASCO

The National Association of Student of Cooperation (NASCO), formed in 1968, is a national membership organization that provides a range of networking, training and limited support services to the student housing sector. NASCO revenue source is primarily income from dues charged to new members of co-ops. Seven large co-ops continue to financially sustain NASCO and pay 80% of all NASCO dues (2- Berkley CA; 2- Ann Arbor; Madison; Austin; East Lansing). The most active members of NASCO are the small, student owned group living cooperatives.

The Riverton cooperatives, the Students Cooperative and Madison Community Co-ops are NASCO members. University owned properties have their own resources and generally do not participate in the NASCO programs.

NASCO primary focus is on education. There is a national staff of 4-5 (full time and part time) to serve their members across the country. NASCO services are thus limited but important. A key NASCO activity is the organization of the annual Managers Institute (conference) in Ann Arbor, along with other regional educational events.

NASCO membership provides:

- Annual visit from NASCO staff (“at most one”)
- Workshops for members during that visit
- Attendance at the Managers Institute
- NASCO staff is available to answer “random questions” that come in by daily email or phone (for example about eviction, or a referral to lawyer). NASCO will often refer one cooperative to another in the network. Members find it very useful to meet others at the Institute/conference.

NASCO subsidiary/affiliated organizations have been created to meet specific needs.

NASCO Properties (NP)

NP is a 501C2 land trust that holds title to small student co-ops. NP is the owner of these properties and leases them to the student co-op on a master lease. NP currently has \$6M in assets in 14 buildings belonging to 8 co-ops. There are 250 “beds” or members in these properties. Each NP co-op is a separate entity, has separate master lease and board of directors.

To support these co-ops, NP incorporates some fees for technical assistance into master lease; this pays for perhaps three support visits per year from NASCO staff. Corrigan described NASCO Properties as “a back-up” when needed by the co-op. It has been NASCO experience that about every 4 years or so there is a governance/cooperative melt-down in the group housing and where NP holds title, they can go out to assist “pick up the pieces.” NASCO encounters resistance in the student cooperative community to NP becoming the owner. This seems less democratic and independent to the students – “but it works and you’ve just got to do it”.

There are no NP properties in our service area (MN, IA, WI) at this time.

NASCO Development Services (NDS)

NDS is a separately funded and governed not-for-profit that shares staffing with NASCO. The mission of NDS is new development. Their long term goal is to achieve sustainable income from development success fees. The current development capacity is about one new student co-op development per year and this is not yet a self-sustaining activity. Staffing is shared with NASCO.

NASCO also has two loan funds:

- Kagawa Fund (\$300k held at CDF)
- KSCR Fund (\$300k held at NCDF)

These are intended to provide small gap financing for new developments. Funds can be leveraged 8:1 in a housing market. CDF is interested in doing “pre-development” loans; NCDF prefers to use funds for financing.

Fellowship for Intentional Communities is another international member organization of intentional communities including student co-ops, co-housing, rural land trust communities, communes, etc. Some student cooperatives participate in this.

Other TA providers include

Holly Jo Sparks and Jim Jones, NASCO founders, now part of the Seeds Collective, a private educational and consulting business for student cooperatives.

Are there unmet technical assistance needs in the student sector?

Both the University owned cooperatives and the Riverton Housing Cooperatives appear to have internal capacity for technical service. NASCO provides a varying degree of support for the group living houses that are members.

Common Properties Management Co-op provides services in the Twin Cities. Madison Community Co-ops are successfully self-managed (11 group houses).

Where are new student housing cooperatives being formed? What resources (people, organizations, tools, money) are available to those interested in starting new housing cooperatives?

Currently there is almost no new development occurring in student cooperative housing in our region (or nationally that we know of). NASCO estimates they have the capacity to support just one new student co-op per year. Creating a new student cooperative and purchasing a property is a multi-year process. Student turnover works against the success of this. NASCO has found that student co-ops that form as leaseholds generally last a few years and disband unless they manage to purchase the property. Riverton is looking for the right opportunity to add a property.

All involved agree there are many benefits to students living in cooperatives and this is a powerful way to introduce students to cooperation and it can be a fine learning experience.

4.3 Resident Owned Manufactured Home Parks (MHP)

Interview for this sector was conducted with:

- Warren Kraemer, Executive Director, Northcountry Cooperative Foundation, a ROC Certified Technical Assistance Provider

Resident ownership of manufactured home parks is a relatively new and innovative use of the cooperative approach to affordable housing in our region. The model originated in New England as a way to stabilize low income housing in manufactured home parks that were being closed and sold for higher value development. After a decade or more of experimentation, the ROC USA model formalized the best practices to spread this work. ROC USA now has eight “Certified Technical Assistance Providers (CTAPs)” around the country working under their programs. Northcountry Cooperative Foundation is the ROC CTAP in our region.

Warren estimates that there are 50,000 manufactured home parks in the US. Of these about 1,000 are resident-owned. Of the resident owned, 800 are retirement community parks split between California and Florida.

ROC USA and its affiliates have converted 100 parks to resident ownership to date. Another 100 resident owned parks are scattered, many likely with ROC roots but not formally connected.

Where are the existing Resident Owned Manufactured Home Parks in our service area?

In the CDS service area there are approximately 3,300 parks. Minnesota has about 1,000; Wisconsin 1,400; and Iowa 900. These represent about 165,000 units/households.

Northcountry Cooperative Foundation began working on conversion of parks to resident ownership in 2003. To date they have completed seven such conversions; six in Minnesota and most recently one in Wisconsin. These seven parks have 547 units/households. Total financing has been \$19 million.

NCF supported projects are as follows:

- Sunrise Villa Cooperative; Cannon Falls MN; completed 2005; 125 units
- Paul Revere, Lexington MN; completed in 2006; 151 units;
- Bennet Park, MN 60 units
- Madelia, MN 61 units
- Fridley, MN 90 units
- Lindstrom, MN 50 units
- Kenosha, WI 70 units

Warren described another cluster of 6-10 “resort-ominium” lakeside recreational mobile home parks in Minnesota. These vacation co-ops were organized by Charlie Bassford, a preeminent co-op housing lawyer several decades in the past. There might be several across the border in Wisconsin also. (This is one of the intriguing clusters of cooperative housing that we have not tracked down.)

How are the MHP co-ops doing?

Warren Kramer reports that the first three park conversions were done prior to NCF becoming a ROC CTAP. Two of these have struggled; co-op lenders incurred losses; many lessons were learned.

The Paul Revere project was troubled from the start. There were “reputational and physical challenges” going in. The financial projections were for increased occupancy and this didn’t happen. In addition, Paul Revere was purchased at height of housing bubble. The conduit lender put up \$4M for a first position mortgage which was then sold to private equity group. NCDF/ICE took second position for \$1.1 M. When the property went into default, NCF helped the co-op refinance with ROC, but the lenders “took a bath.” The Bennet Park in Moorhead, MN was similar to Paul Revere with a poor reputation, outstanding law suits and vacancies. NCF continues to work to stabilize these troubled parks.

Since adopting the ROC program, NCF has converted four more parks. The ROC development approach is to focus on stronger parks and to pass on those which have high vacancy, law suits/legal trouble, bad infrastructure and/or poor reputations. The ROC model is to build the CTAP organization capacity by working on stronger parks more likely to succeed and also generate fee revenues so that the development organization becomes financially self-sustaining through earned revenue.

The ROC approach appears to be working - NCF has gone from 9% earned income to 50% earned income with a goal of reaching 90%. The four projects done under the ROC model are performing. But this is hard work - “heavy lifting” Warren said.

Where are new resident owned manufactured home park being formed?

No new manufactured home parks have been created for decades. Parks come up for sale only “once in a lifetime” and they are often sold privately between existing park owners. There are special brokers that work in this sector. Warren named Joanne M Stevens in Iowa for one. And at any time, perhaps 4-5 parks in MN on market, often those are “dogs”. MHPs provide excellent cash flow to owners so they buy up good ones that might be for sale and hold onto them. Warren described park owners as a “unique group”. *“You would be surprised who owns MHP’s. Movie stars, politicians. This is a lower risk/high return investment. People want to keep it private.” -Warren Kramer*

Thus resident owned cooperatives are formed by the conversion of existing park properties. The long term goal is to stabilize this affordable housing and improve the quality of life for the residents using the cooperation approach.

Parks can be segmented by location, size, infrastructure and general quality.

- Biggest and Best Owned by REITs
- Next tier Owned by Investors; Individuals; local investor groups
- Smallest/least “mom and pops”

The infrastructure (roads, sewers, water, electricity) in many parks is aging and because it is private property, upgrades must be paid for by the park owner. Some park investors/owners “have gotten used to cash cow/high returns and are reluctant to make investments”.

To create opportunity for resident purchase of stronger parks, ROC uses a “market penetration strategy” in which the affiliate CTAP takes a lead in identifying and networking with existing park owners and educating them of the benefits of selling to residents. Parks must be in good shape and have 75 or more units to be considered. The ROC developer must be “ready, professional and have access to capital”. Warren estimates it takes about \$50k to transition each park in staff time and other consultants.

When a park is on the market, the CTAP will work with the seller to reach a purchase agreement. Generally, the ROC affiliate will begin meeting with residents only after an initial agreement is likely or in hand. A meeting is held with residents and the opportunity to purchase the park and form a cooperative is presented. Warren said that 90% of the residents will be positive when presented with the opportunity. At this point, a cooperative is incorporated and a board formed. ROC provides a best practices for board formation, training, committee development which helps to provide synergies and the ability to do it right the first time.

Three barriers to growth in ROC development are

- Access to capital (ROC is working on this, and has benefited from NCB investment)
- Access to opportunity (parks being sold)
- Access to expertise

What are the technical assistance needs? What individuals/organizations are working with these cooperatives? What do they see as unmet needs or opportunities?

ROC USA (started in 2008) is national organization for the support and development of resident owned home parks across the USA. ROC supports the work of NCF through best practices, training, access to financing, and member leadership development opportunities. ROC took best practices from New Hampshire experience, and created processes and tools to support the development approach. ROC also has a financing arm which enables the affiliates to move quickly as needed. Investments from NCB and other social investors flow to this sector

through ROC. ROC and its affiliates have completed 50 parks since 2008 with about \$100M financing.

ROC also is actively developing training and networking opportunities for members and boards of its affiliated parks. These include:

- Annual Resident Leadership Summit for BOD members and various committees.
- Partnership with Neighborworks.org to offer training through their Community Leadership Institute Leaders from ROC cooperatives can go to Orlando and participate in Neighborworks training. For some members, this is their first time on an airplane.
- ROC hosts online networking where member leaders can offer peer support and exchange information.

ROC USA identifies these things needed for ongoing support and success of a project:

- Not for profit developer with a best practices model (CTAP).
- Lender(s) who work with affordable housing.
- Property Manager that can work in this environment (ROC prefers cafeteria style, where residents can do some of the property services, save money and build community).
- Independent governance support – ongoing (Provided by the CTAP).

Given the intensive role of the CTAP, ROC recommends that the projects be within 2.5 hours driving time from the CTAP office. This work requires working evenings and weekends, as this is when residents/members are available for meetings and training.

Northcountry Cooperative Foundation (NCF) is the full service technical service provider to this sector from pre-development through conversion and in ongoing operations. The NCF service area is MN, WI, IA, ND, SD, although they can only reach part of this region within the 250 mile radius of the Twin Cities.

NCF also runs the Traveling Co-op Institute for the region and there is a housing component.

Common Properties Management Cooperative (CPMC) is a Twin Cities based full service property management firm created to provide services to this sector and other housing cooperatives and common interest properties. CPMC currently manages three of the NCF properties (Sunrise/Cannon Falls, Paul Revere and Madelia).

Manufactured Home Owners Association (MHOA) is a national association; a small percent of these members are Resident Owned. This group works on behalf of the sector.

NCB provides support to this sector through ROC USA and financing capital through ROC Capital.

Capital Impact Partners also provides support in this sector: Terry Simonette has been on the board of ROC Capital.

North Country Development Fund is a cooperatively owned finance organization that has financed several of the deals created by Northcountry Cooperative Foundation.

Challenges

Warren Kramer describes this work as “fascinating and satisfying” but also “not easy; a big lift.” ROC conversion projects are staff intensive; meetings are generally in evenings and on the weekend. For a small organization with limited staff, NCF projects they will complete 1-3 new projects per year (average 2) and be self-sustaining financially in a couple years.

Opportunities

There are many manufactured home parks providing affordable housing to low income people. The ROC model has a proven track record. The development of a largely self-financing development approach is promising for this work to continue and expand. Warren estimates it costs about \$50,000 per park for technical assistance to get to closing. Some of this is recovered as a closing fee of 2-4%. To pay for ongoing governance and training support, ROC mortgages have a 1/2% annual fee (about \$20,000). With this revenue source, Warren estimates that NCF can hire a new staff person to support existing parks for every 3-4 new ones. In the current NCF business plan, they expect to achieve the 90% self-funding level in 3-4 years.

4.4 Leasehold Co-ops

Interviews for this sector were held with:

- Catherine Brier, Owner Property Solutions & Services (property management firm with experience managing cooperatives)
- Pierce Stepp, Property Manager, Common Property Management Co-op (CPMC)
- Barb McQuillan, Twin Cities Housing Development Corporation (TCHD); a developer of affordable housing with extensive experience in leasehold co-ops
- Chip Halbach Executive Director Minnesota Housing Partnership (MHP); long term leader in affordable housing using limited equity, leasehold and land trust approaches
- David Hoffman-Dachelet, Asset Manager, West Bank CDC (WBCDC)

Minnesota has a history of experimentation with the use of cooperative models to achieve affordable housing in particular in the Twin Cities metropolitan areas. Several not-for-profit community organizations developed clusters of housing starting in the 1970's and through the mid 1990's, using leasehold, community equity and limited equity models. The leasehold sector has faltered and all but disappeared. In this research we uncovered several such clusters of housing from various development activities in the past. There are likely more such clusters. In this section we have summarized the experience and lessons learned from those interviewed.

The leasehold co-op model was developed in the 1980's by community development organizations using HUD Low Income Housing Tax Credits (LIHTC) to build affordable housing units. There were two goals for using the cooperative model:

- Non-profit community developers believed they could empower low income residents in rental housing by making them participants/owners in their housing community.
- Developers of affordable housing were able to qualify their properties for homestead rather than commercial property tax treatment, generating significant cash flow.

In order to qualify their property as “residential” developers had to meet several standards. Residents/members had to be granted “material participation” as owners of the cooperative. Material participation included budget approval; right of first refusal on sale; policy approval; power to hire/fire property management; and tenant selection. A typical project was a 40-50 unit new construction apartment building. There were likely dozens of these properties developed as cooperatives. Several can be found on Selby Avenue within blocks of the CDS office. In some cases, projects were renovations of existing buildings.

As of this writing, it appears that these leasehold cooperatives have almost all reverted to rental property owned by a not-for-profit community housing organization.

These cooperatives were developed using the Low Income Housing Tax Credit program (HUD Section 42). This is an annual allocation of tax credits issued on a state by state competitive process. There is consensus that the LIHTC (HUD Section 42) is an “insanely” complex funding program, however it is the only source of federal funding for affordable housing.

The leasehold cooperative property itself was financed, developed and then owned by a Limited Liability Partnership of which the community development entity was the general partner and investors were limited partners. Ten year tax credits (separate from the homestead tax treatment) were provided for projects that qualified for this treatment. The tax credits create a cash flow for the investors over a ten year period, as long as the property and residents meet low income qualifications. To keep the tax credits, this property had to remain qualified for 15 year horizon.

The leasehold co-op was formed from low income residents, to hold a master lease on the property from that limited partnership. There was no equity investment by co-op members, and no financial stake in the property (in most cases).

A number of community and housing development groups used this model, including the Powderhorn Residents Group, Westminster/Common Bond (Catholic Charities), Twin Cities Housing Development Corporation (TCHDC), the West Bank CDC and others.

Twin Cities Housing Development Corporation (TCHDC) experience. TCHDC is a long standing regional developer of affordable housing with extensive experience with the leasehold co-op model. TCHDC often steps in when an affordable co-op housing property has completed the 15 year requirement, is in poor condition, is in default or has high occupancy and poor reputation. As of 2013, TCHDC is completing the conversion of a number of leasehold cooperatives into rental property which they then refinance (using the Section 42 program again), renovate and

own and manage as rental. In most cases, the board of the leasehold co-op has not been active, or the board was meeting but was not managing the property well. TCHDC takes pride in doing an excellent job of managing affordable housing properties. In cases where a co-op board has been engaged, they offer to continue to work and fund a Residents' Association. Generally the residents do not take them up on this. The conversion to rental appears to be going on across the board with Common Bond, AEON and other community development housing groups.

West Bank CDC (WBCDC) experience. West Bank CDC developed about ten leasehold cooperatives made up of scattered site housing in their community in the 1980's. Their experience with the challenges of leasehold cooperatives is not dissimilar to that of TCHDC or described by Chip Halback of the Minnesota Housing Partnership. Of the original WBCDC co-ops, two have elected to become rental property with a Resident Council. In 1999, five of the scattered site co-ops were incorporated into a single entity, Riverside Homes, for efficient refinancing and property management. Riverside Homes has 191 units in 74 buildings. The five leasehold cooperatives have not been dissolved but WBCDC indicates that they function more like rental property. Only one cooperative is actively functioning as a cooperative, this is the Blue Goose, with 30 units in two adjacent buildings.

We found a consensus among those interviewed in this region that the leasehold cooperative model did not prove to be a good way to achieve stable, safe, well-managed and well maintained affordable housing for low income people.

Following is a summary of reasons given for the failure of these cooperatives:

- Residents had no financial stake in the cooperative and no opportunity to build wealth.
- Most residents continued to see themselves as renters and did not have a long term commitment.
- Low income housing is often transitional and turnover is high (TCHDC 33%; WBCDC 25-30%) requiring constant retraining and education.
- Where a board was functioning, there was always pressure to *not* raise rents and this resulted in deferred maintenance and deterioration of the property.
- Tension would arise in cooperatives where some members/board members had Section 8 vouchers (fixed rent) and others were paying full rent. A vote to raise the monthly rent had no impact on the Section 8 units, but did on others – creating conflict.
- Low income residents often have many challenges in their lives and participation in a cooperative housing board does not necessarily reflect their priorities. An example given was of a working parent with limited time might choose to attend evening events at their children's school, rather than co-op meetings.
- Dysfunctional dynamics emerge on many boards, for example domination by strong individuals or family groups. "The co-op board gave people the opportunity to be a big fish in a small pond."
- From the standpoint of the developer and property manager, leasehold co-ops are "a lot of work" and more risk. From the point of view of property managers, co-ops are harder to manage. "I have had property managers quit because the co-op board was so vicious."

- Attempts were made to do board training in budgeting, finance and governance; consultants were brought in. However there was no ongoing revenue stream to support this at the level needed, the level of turnover was high, and short term concerns continued preeminent for many members.

“There were dozens of such co-ops – now few if any are left.”

Where are leasehold coops being developed? What resources (people, organizations, tools, money) are available to those interested in starting new housing cooperatives?

The Low Income Housing Tax Credit program continues and there is an annual allocation of tax credits in every state for affordable housing. There are developers competing for these tax credits annually, including some that formerly developed leasehold cooperatives, but none use the cooperative model today.

4.5 Limited Equity and Market Equity Co-ops

Interviews for these sectors were held with:

- Christina Jennings Executive Director NCDF
- Jim Shadko Loan Officer NCDF
- Brenda Pfahnl Loan Officer NCDF
- Matt Ludt Co-op Attorney and Co-Opportunity Organizer
- Catherine Brier Owner Property Solutions & Services (property management firm with experience managing cooperatives)
- Pierce Stepp, Property Manager, Common Property Management Co-op
- Chip Halbach Executive Director Minnesota Housing Partnership; long term leader in affordable housing using limited equity, leasehold and land trust approaches

These are the housing cooperatives that are not designated as student or age restricted senior co-ops. Most are apartment buildings which were rentals and were converted to cooperative ownership. In market equity coops, shares are sold at a market value and will vary from unit to unit based on the condition and improvements made by the previous member in that unit. In limited equity coops, the share price is set by the cooperative and appreciation is limited by the share agreement. Limited equity co-ops are generally intended to provide stable moderate income housing and do not serve the needs of the very poor.

Where are the limited and market equity housing coops?

We found no comprehensive listing of either limited or market equity co-ops and there appears to be no central body that knows how big this sector is. This is the most incomplete portion of our list and where further work could be done. Based on what we have found so far we estimate perhaps 10-20 such limited equity co-ops and perhaps an equal number of market equity co-ops continue to operate in the Twin Cities area. There are likely several in Madison. We don't know of any in Iowa or in outstate Minnesota.

The limited equity co-ops were developed by not-for-profit housing development organizations seeking to stabilize moderate priced housing. Most of the limited equity properties in our region in this sector have been conversions of existing rentals. The original purchase/conversion often was subsidized in some form and the initial equity shares price was below cost. The not-for-profit developer helped establish the cooperative and often provided some initial training. Once completed, these cooperatives generally are independently owned and self-managing and as with the leasehold cooperatives, this has been a challenge for some.

There are several clusters of limited equity coops that were developed. Variations on limited equity were used by Common Space Community Housing, Stephens Square and Whittier CDC and others in the 1970's to the late 1980's. Again, we have likely not identified the full inventory.

We know the least about the market rate cooperatives. The cooperative model has not been used extensively in our region for new developments or market conversions of rentals. The condo model is much more common here.

There appears to be a cluster of market rate cooperatives developed in south Minneapolis more than fifty years ago. These are 2-4 story brick walk up apartment building (10-15 units) incorporated as cooperatives in the 1940's or 50's by Doc Zeddies, a legendary co-op attorney.

How are they doing?

As in other sectors, common challenges come from board turnover and loss of co-op identity; from conflicts that arise in part likely from poor governance practices; and from financial crises that arise from failure to adequately plan for reserves and replacements. There can be tension in the limited equity model over time, where long term residents see significant market appreciation for their unit but do not participate in that gain due to the limited equity appreciation clause.

Common Space was a very early developer (mid 1970's – 1980's) of converted limited equity housing with perhaps as many as ten properties in the Twin Cities. We have been told that most of these have been converted to market condos or reverted to rental. An exception is Park Cooperative Apartments, the first Common Space conversion, and it continues to this day. The founding director of Common Space, Charlie Warner, has continued to live in the cooperative since its conversion in the 1970's. When asked why this one has succeeded where others have failed we heard the response "Every co-op needs a Charlie Warner..."

What are the technical assistance needs of limited equity and small market co-ops?

Existing housing co-ops have needs for:

- Member education and training to keep the cooperative principles alive.
- Governance support to the board.

- Budgeting, financial management and accounting.
- Planning and managing reserves for replacements.
- Property management.
- Marketing of shares/vacancies.

What individuals/organizations are working with these cooperatives? What do they see as unmet needs or opportunities?

There is no longer a central support organization working to strengthen this sector, for either limited or market rate co-ops that are not student or senior. They appear to operate largely in isolation from each other.

Limited services are provided by these groups:

- Northcountry Cooperative Development Fund provides loans to cooperatives for property improvements and general operations. As part of the borrowing process NCDF provides some basic and limited financial and service advice, if a co-op is a borrower and especially if there are problems.
- South Metro Credit Union acquired the share loan portfolio from Northcountry Federal Credit Union (2012) and has expressed commitment to continue to provide share loans to housing cooperatives.
- Common Properties Management Co-op (CPMC) is a property management company owned by its members and with a special focus on cooperatives and common interest property. CPMC was created specifically for this purpose. Pierce Stepp is currently the manager of property services and is working with a few of these coops.
- Other property management companies provide a range of services and some have experience with the cooperative model.
- Common Interest Communities Midwest (CIC Midwest) is a nonprofit advocacy organization for condos, homeowner association, etc. CIC holds training meetings called “lunch and learns” for boards and member of properties. Traditionally this organization has not done well reaching co-ops according to Pierce Stepp. However many of the board issues for condo associations and co-ops are similar. CIC has recently formed a co-op committee (Pierce involved). *“Lots of good things can be learned at lunch and learn for example about collections, safety, fair housing.” “Governance issues are similar in some ways to condo associations, but each group uses different vocabulary that can be obstacle.”*
- MN Chapter, Community Associations Institute (Common Interest Property Association) <http://www.cai-mn.com/index.cfm>
 - has annual meeting/training
 - Catherine/Pierce have board members, committee chairs attend this training

Of these, Northcountry Cooperative Development Fund (NCDF) appears to have the broadest engagement with this sector and continues to be a lender to these small and mid-sized coops. The NCDF Loan Portfolio has 24 properties (not all in the CDS service area). Of these 10 are

market or limited equity housing co-ops in our region. NCDF borrowers need help from time to time, and NCDF is challenged to find cooperative service provider(s) to assist in working these out. Generally the small cooperatives have few funds for such services, and are reluctant to pay for assistance. The Chris Olson Training Institute created by NCDF and now a program of NCF, has continued to sponsor at least one training session each year for housing cooperatives and brings representatives from these cooperatives together.

There is the National Association of Co-op Housing but it does not appear to be active in our region, although it is possible some of the market rate cooperatives are members.

David Sparer, an attorney in Madison Area, has been cited as being excellent for legal advice for housing cooperatives.

Where are limited equity or market coops being developed? What resources (people, organizations, tools, money) are available to those interested in starting new housing cooperatives?

As best we know, there are no new limited equity housing co-ops being developed in our region. There are no support groups that we have identified developing limited equity or market cooperatives, (outside the senior, student and manufactured home park sectors).

Jim Shadko of NCDF said he has seen “only one group looking to do development since 2007” and this is the Nakoma Cooperative, a limited equity, top down development by Plymouth Congregational Church in Minneapolis.

What are the unmet needs in this sector?

Governance failures are cited by everyone as occurring from time to time as a result of board turnover, failure to plan and budget, failure to set aside reserves for repairs, and loss of the co-op identity. These failures tend to surface as financial crises and personalized conflicts both of which lead to vacancies and deterioration in the property. Jim, Brenda and Christina of NCDF all identified governance as a key challenge: *“Governance is where they get into trouble”*.

1. It appears there is a need for ongoing support for housing cooperatives that are not senior, student or manufactured home parks. Is the sector large enough to support or warrant such an organization?
2. Pierce Stepp of CPMC identified a need for more places to get share loans. Currently there is just one place for this - the South Metro Credit Union. There is a need for share loans for limited equity coops from \$1,500 to as much as \$80,000. Market rate coops might need financing well into the six figures.

CPMC provides some board support and governance training for properties it manages. Pierce suggested that there is a need for an entity other than the property manager to support intensive governance training/support and community building.

4.6 Other Related Housing Forms

Co-Housing Communities

We have identified one co-housing community in our service area: Monterey Co-Housing Community in St. Louis Park, MN. Monterey Co-Housing was established more than twenty years ago and has 7 townhomes and 8 apartments in a large mansion. Seven of the founding families continue to live there. Monterey has been a stable, long term member and borrower from NCDF.

There was a wave of interest in the 1990's in establishing more co-housing communities. We have not identified others in the area.

Cooperative housing for special needs groups.

We did not find any examples of housing for special needs groups in our research. Chip Halbach from the Minnesota Housing Partnership has extensive experience with cooperative housing and various approaches. We asked him if he knew of any such cooperatives. Here is his response:

"I don't know of any special needs housing co-ops. Several years ago a disability advocate (and parent of a disabled adult) approached us about co-ops for this population. Didn't go anywhere, and I agree with your comment about the challenge of housing co-ops for the fully functioning low income population so it's hard to envision it working for those with mental disabilities. Though I wouldn't be surprised if one does exist somewhere (this group like others benefits from the community a co-op provides), just don't think it's in MN."

5. Summary Findings; Common Benefits, Challenges, Success Factors

General findings:

- There are over 150 identified housing cooperatives, with estimated 9,200 units and estimated 15,000 residents/members, in the CDS service area of MN, WI, IA.
- Cooperative housing is concentrated in Minnesota with 87% of the units; Wisconsin has 8% and Iowa about 4% of units.
- Housing co-ops are found in diverse sectors each with different history, approaches to equity arrangements, membership targets, service/support organizations, history of success/failure.
- Major sectors are: senior; student; manufactured home parks; leasehold equity (affordable housing projects); limited equity and market equity cooperatives.
- The senior sector represents about 60% of the co-ops and 65% of the units.
- The sectors operate largely in isolation from each other.
- There is no central body coordinating or working across all the sectors.
- Three sectors have central support organizations: senior co-ops have a regional support structure; manufactured home parks have both a national support organization with a regional affiliate; student housing cooperatives have a national support organization. The depth of service varies but all provide some form of development support, financing support, governance support and ongoing training and networking opportunities. Details of this support can be found in Section 4: Sector Findings.
- There is limited new development of co-op housing taking place in the region. Most active is the senior sector where 14 projects are in some stage of development and it is projected that 2-3 projects will be completed per year. The manufactured home park sector has an active regional developer projecting 1-2 projects completed per year. Riverton Student Housing is looking for a property to develop.

Benefits of housing coops identified across all sectors:

- The right equity model provides ownership and/or economic benefit for target group.
- There can be a greater control of tenure and stability (vs rental).
- Can be a place to develop new skills (e.g. students, seniors).
- The cooperative can provide a meaningful sense of community/belonging
"It's the ethos!"

Challenges/downsides of cooperative housing across all sectors:

- Effective governance is critical and a challenge across all sectors. Maintaining member engagement and board function takes ongoing, real effort and failure leads to crises.
- Member residents must have time and energy available for a housing coop to succeed.
- There must be a pool of qualified and interested member leaders/board candidates.
- There is a temptation found in all sectors, for the co-op to choose lower current costs and to defer maintenance costs (reserve for maintenance); this leads to financial crises when maintenance needs become acute.
- Conflicts can become very intense and personal in housing cooperatives.

Success factors across all sectors:

- Professional property management. Engagement of a professional property management company that understands the cooperative model is highly correlated with success. Managing a multi-unit property is a complex task and in most cases requires special experience and professional assistance. It will be more work for the property manager to work with a co-op, so a professional property management firm that also “gets” cooperatives is important. The professional property manager is an outsider to the co-op and can be a neutral party to help depersonalize conflicts within the membership.
- Cooperative governance support. The existence of an independent, outside governance support system for the sector (a not-for-profit developer; a membership association; training programs; or an active network) is a success factor. The three sectors with support structure (senior, student and mhp) each report that governance training, board mentoring and crisis interventions have been critical to stability of their members.
- Top down development models. We found new development coming from the senior and manufactured home park sectors. Each has identified a top down, “developer led” approach to new cooperative formation. This is described in the report. Both of these sectors have found tried the “community led” approach for development and found it did not work well. In the student sector, (NASCO) service organization has very limited capacity for new development and uses a “grass roots” led development process. They see perhaps one new co-op per year across the country.
- A developer that “gets” the coop difference. Successful development requires a developer/builder that “gets” the cooperative approach. In the senior sector, the senior housing foundation (Dennis Johnson) works with the property developers to gain the necessary insights. In the manufactured home parks, ROC USA trains and certifies not for profit developers in its proven method.
- Minimum size. Three sectors (senior, student and manufactured home park) have development models with minimum size guidelines to increase likelihood of successful projects. In the senior sector there is a preference for projects of 80 units in the urban area and 25 or more in rural areas. The ROC USA manufactured home park model recommends a minimum of 75 units. NASCO says the absolute minimum size for a successful group living house is 8. There are efficiencies in transaction costs in financing, in property management, and in purchasing. There is a larger pool of talent and energy for board engagement. It is easier to keep conflicts from becoming personal.
- Sources of financing that also “get it”. The senior sector has the HUD Section 213 Mortgage Guarantee program and a HUD approved lender that works with this sector. The manufactured home park sector has financing through ROC USA (with funding from NCB and others coming through this channel). Financing in both these sectors puts specific conditions in place to support long term success. These are described in more depth the report, but have proved critical to long term success. In the senior sector, Section 213 requires a minimum 40% equity investment; requires reserve plan and

demonstrated funding; requires owner occupancy. The ROC USA mortgage builds in an annual fee to fund ongoing support from the certified developer, along with other stipulations. In the student sector, NASCO Properties supports new development with financing for acquisition of group houses. NCDF is funding the smaller cooperative projects.

6. Needs and Opportunities/Role for CDS.

CDS staff met to discuss the finding of this report and discuss needs and potential roles for CDS in the sector; this summarizes that discussion. This section is organized by sector and summarizes needs/opportunities in the sector, and potential roles for CDS participation.

Senior Cooperative Housing Sector

Needs and opportunities. The senior cooperative housing sector is thriving and growing. This sector has an array of technical service providers that understand seniors and housing cooperatives. These include property management firms, HUD approved financiers, a foundation (not for profit) that provides training, governance support and networking opportunities. There is a proven model for new co-op development and partnerships of HUD approved financiers and real estate developers actively growing new projects. The needs of this sector are largely met through existing organizations.

However, we believe there is risk in this sector in that the both the technical assistance and the new development expertise are centered in a very small number of individuals. Some of these individuals are seniors themselves. In addition, the funding for this work is currently being supported (partially or fully) by other organizations.

Dennis Johnson, along with Terry McKinley, has been the catalyst for new development and consolidation of best practices into a proven model. Dennis works with new real estate development partners to ensure they are successful in entering the senior co-op sector. He provides a range of services to new and existing co-ops. Dennis underwrites all manner of technical assistance, training, and ongoing support with closing fee income (or with pro bono time). Terry is no longer playing an active role for health reasons.

Vicky Chaput is the first contact and central clearing house for all manner of senior sector inquiries, information, referrals and needs. Vicky has been working with this sector for over ten years. Vicky does this work as part of her half time position as project coordinator for the Senior Cooperative Housing Sector with Cooperative Network.

There is no clear succession path for the broad range of services provided by either Dennis Johnson or Vicky Chaput.

Another risk area for this sector is dependence on the HUD Section 213 Mortgage Guarantee program. This program is critical to both new projects and refinancing of old projects. There is inconsistency from HUD office to office in the availability of this program for senior housing cooperatives. HUD is in the process of consolidating offices and services and this has created concern as the Minnesota office has been most supportive and is scheduled to be closed. The current strategy is to encourage HUD to have a central office for this program. Cooperative Network has been told that it is most likely that the Minnesota HUD office will now remain open.

Role for CDS. CDS is playing a role in this sector by making our employee, Vicky Chaput, available to support this sector on an “at-cost” basis. We do not see a role for CDS in becoming either a direct technical assistance provider or in leading development in this sector at this time.

However, given the vitality and ongoing growth of this sector, CDS sees a role in monitoring the risks to the support organizations, and engaging other willing stakeholders in a conversation about how best to address these.

CDS also sees an opportunity for spreading the senior co-op housing experience to other regions of the country. Senior cooperative housing is a vital and growing cooperative sector. How this would be done and/or funded is to be determined. Launching such an activity would be a relatively significant project and likely require a commitment of several years to achieve a viable development program in another region.

Student Cooperative Housing Sector

Needs and opportunities. There are several diverse clusters of student cooperative housing in our region – primarily in the Twin Cities and in Madison, WI. The larger student cooperatives (Riverton; University of Minnesota leaseholds; Madison Community Cooperative) are established and have been stable over decades. These cooperatives have some level of paid staff.

There are also stable, long standing group living house cooperatives, in Madison, in St. Paul, in Minneapolis. NASCO membership provides some training and support for several of these. Common Property Management Coop manages one. And the larger of these have professional property management – either on staff or on contract.

1. Member education. A key ongoing challenge identified for student housing comes from its transitional nature and the need to re-engage and re-educate constantly about the cooperative model. This is found across the student sector.
2. New development. There is no active development of new student housing in our region, although we are one of the national centers of student housing. Riverton has some interest in expanding their housing co-ops. NASCO believes that there is opportunity for the established Students Co-op (UMN Twin Cities) group living house to expand into a second house, but the co-op itself has not taken this on.

We have found anecdotal evidence that co-op living is often a significant social and skill building experience for students. Development of new cooperative housing is generally a multi-year process and the transitional nature of student co-ops makes it almost impossible to do this with a grass-roots approach. In addition, students do not have resources for equity contributions.

NASCO has capacity to work with just one, grass roots, student led development per year - nationally. Given that a more “top down” approach has been adopted in the senior and the manufactured home park sectors, CDS believes that perhaps such an approach by NASCO (should they chose to do this) might lead to growth and success in this sector. NASCO has the

structure of NASCO Properties as the financing and ownership entity. NCDF has financed a few of these student led cooperatives. Financing might be easier to secure with a portfolio of properties rather than on a house by house basis. We see potential for growth in this sector, but this will require the development of an appropriate model that takes into account the special needs of student housing.

Should NASCO take a more active role in development, the CDS/NCDS home region might be a good place to pilot expansion of student cooperative using the NP as the ownership entity.

Role for CDS. We see no role for CDS in either direct technical assistance or new development in student housing.

CDS does see a potential, limited role to engage with students in cooperative housing. As a development organization CDS could develop a more active affiliation with student cooperatives as a means to deepen the engagement of young people with the values and benefits of cooperatives. The specifics of this are to be determined as are the resources to support such an activity. LoAnne Crepeau, Operations Director at Riverton, is seeking ways to do this with their members.

Resident Owned Manufactured Home Parks (MPH)

Needs and opportunities. Both ongoing technical assistance and new park conversions are being led in our region by the ROC USA certified affiliate Northcountry Cooperative Foundation (NCF). NCF has a territory of development largely congruent with that of CDS. NCF has completed seven park conversions, four with the ROC USA model and plans to convert 1-2 new parks per year going forward.

Role for CDS. We see no direct role for CDS in either in providing technical assistance or new development of resident owned manufactured home parks. CDS will continue to stay in contact with NCF staff and collaborate as is appropriate on the broader cooperative development in the region.

Leasehold /Affordable Cooperative Housing Sector

Needs and opportunities. The leasehold cooperative model for affordable housing/economic development has largely been abandoned in the CDS region. Existing leasehold cooperatives developed in the 1980's-1990's to empower low income residents have almost all been converted to affordable rental units. Reasons for this are identified in part 4.4 of this report. It is worth noting that the affordable housing organizations continue to do excellent work in our area; they are managing many of these former cooperatives now as rental properties and finding other ways (resident councils; education and training programs; partnerships with other support organizations) to engage and empower residents.

Should a community or co-op development organization seek to work with the co-op model to create affordable housing, we recommend that research be done to identify successful examples of such housing in other regions. It is important to look for long term viability (ten to

twenty years) in assessing housing models. Many of the challenges identified for this sector intensified as the project aged. And the experience of the Minnesota leasehold cooperatives should be thoroughly understood before embarking on new projects.

Role for CDS. We do not see technical assistance or development opportunities for CDS in this sector.

Limited and Market Equity Coops

Needs and opportunities. We estimate there are 20-40 viable limited equity and market equity co-ops in the CDS region. There is no central organization working with these co-ops so it is particularly difficult to take the pulse and identify needs. In addition, we do not have a good list of these cooperatives.

We see a need and potential value in an additional project to track down and profile these limited equity and market equity housing co-ops and ask them about their needs. Some of these are current and/or past borrowers of NCDF and other are clients of Common Properties Management Co-op (CPMC). Two needs were identified in our research:

- NCDF identified a need for governance support for borrowers in this sector. From time to time one of these co-ops will experience a “melt down” or crisis, often precipitated by either a non-functioning board and/or crises of maintenance and failure to have reserved funds for this. Needs are to re-new the board including training on the basics of cooperation, board roles and responsibilities, member engagement, and long term financial and reserve planning. These needs arise from time to time and come to the attention of NCDF as a lender, when there is a crisis. The frequency appears to be perhaps once or less per year. The goal would be to provide ongoing education and networking to prevent crises.
- CPMC identified a need for a second source for share loans. Currently there is one source for share loans and this is a risk.

Role for CDS. At this time, we see no role for CDS in either in direct technical assistance or new development in this sector. However this is somewhat an open question as we know the least about this sector.

Further research could be done and would be useful, to inventory these co-ops and ask them about their needs for technical assistance. We have more than a page of “unknowns” in our co-op list which could be tracked down and profiled and asked about their needs. This will require some detective work and would appear to be a good summer intern project.

Other opportunities in support of cooperative housing in the CDS service region:

We found a wealth and diversity of cooperative housing in our region and we have a range of stable and long standing housing models working for different populations. At this time, there is no central organization, meeting, conference, communication or web site or even complete listing for housing cooperatives. The different sectors operate largely in isolation from each other. Yet there are many commonalities in values, goals, challenges and benefits.

Is there a need and would there be value to bring these folks all together from time to time? The overarching goal of such an activity would be to support success and also to celebrate accomplishments. We have seen the benefits of networking and training in the key areas of governance and finances in the senior, manufactured home park and student sectors. We know from the senior sector that the support organizations such as property managers are also enthusiastic about meeting others working with cooperative housing. We try to imagine seniors, students, mhp residents and various other members of housing cooperatives meeting each other and sharing expertise in training sessions.

Such a broader cooperative housing gathering could in the form of an annual or bi-annual regional housing conference; periodic training sessions; a series of roundtable events; luncheon speakers or a web presence. These could be conducted independently of existing sector events, or piggy back on some existing event.

Of course resources, vision and leadership will be needed for this activity.