NDaRECs
Your Touchstone Energy® Cooperative

CDF
Cooperative Development Foundation

Creating Cooperative Housing Options

for Rural Seniors

Creating Cooperative Housing Options for Rural Seniors

Acknowledgements
This initial paper took root as a result of five webinars on manufactured home cooperatives that the Cooperative Development Foundation, in partnership with the North Dakota Association of Rural Electric Cooperatives, brought to a diverse audience during the summer and fall of 2013. The free webinars, held at three-week intervals during July, August and September, 2013, brought together the country's best thinkers and practitioners on senior housing cooperatives.

Terry Lewis planted the first seeds during the first webinar, when she introduced the audience to what cooperatives are and how the member-owned model can allow rural seniors to build new roots in their communities. Lewis, through her company LIA Advisors LLC, provides advisory services in housing and community development.

Char Thompson then nurtured those seeds during the second webinar by sharing her successful case study, a small manufactured housing cooperative that sprouted and thrived in the Adams-Friendship area of Wisconsin. Thompson has been the executive director of the Wisconsin Foundation for Rural Housing since 1988.

The third, fourth and fifth webinars, which will be added to this paper for the final publication, delved into:

- Learning how ROC USA is transforming manufactured home parks into resident-owned communities, where former renters can build equity and make decisions for themselves as a democratic group.
- Finding out about how Next Step Network matches factory-built houses companies, Energy Star products and fair financing with nonprofit affordable housing providers.
- A Help My House Program that is saving low-income manufactured homeowners thousands of dollars a year by performing cost-effective upgrades such as weatherization and heat pump replacement.

Because of the vast amount of knowledge and lessons learned shared during the series of five webinars, this initial paper covers the first two webinars only. The remaining information will be added and a final comprehensive report will be published.

Webinar presenters and moderators

- Terry Lewis, owner, LIA Advisors LLC
- Char Thompson, executive director, Wisconsin Foundation for Rural Housing
- Paul Bradley, president, ROC USA LLC
- Diane Gasaway, executive director, Northwest Cooperative Development Center
- Noemi Gispencz, executive director, Cooperative Development Institute
- Dave Betler, marketing and operations specialist, Next Step Network
- Mike Couick, president and CEO, Electric Cooperatives of South Carolina Inc.
- Lori Capouch, rural development director, North Dakota Association of Rural Electric Cooperatives (NDAREC)
- Dennis Hill, executive vice president and general manager, NDAREC

Webinar organizers and documenters

- Judy Ziewacz, a consultant from Madison, Wis., who does work for the Cooperative Development Foundation
- Susan Davis, an independent business consultant from Mandan, N.D.
- John Kary, lead graphic designer, NDAREC

A little more about the webinars
A number of years ago, CDF was instrumental in some major work in senior cooperative housing in rural communities called "Homestead Housing" with an Upper Midwest area focus.

What CDF learned from that experience is that in some communities where there were a lot of economic activities a larger senior co-op housing development could work. And what they also learned was that size mattered.

"In some communities, there just wasn't enough going on to make that a good viable business alternative for seniors who wanted to stay in their communities but were really interested in having a different obligation and lifestyle," Bailey says. "So out of that came our interest in some of these innovative models. And among them is the smaller-scale rural housing cooperative initiative."

More than 50 people from across the country registered for and participated in at least one of the free 2013 webinars to learn more about these innovative rural cooperative housing models.

Participants included cooperative development specialists and developers from Arkansas, California, Illinois, Massachusetts, Minnesota, North Carolina, Oregon, Pennsylvania and Washington. Other participants included staff members from USDA Rural Development offices in North Dakota and Wisconsin and housing organization leaders and community developers from Minnesota, North Dakota, South Dakota and Minnesota. There were also participants from Kansas, New York, Tennessee, Puerto Rico and Washington, D.C.

A survey conducted immediately following the last webinar in the series showed participants were satisfied with the webinars, found the information useful and are likely to use the information they learned.

When asked how useful the webinar series was in addressing manufactured housing cooperatives as a possible solution to senior housing, 64 percent of those responding said "very useful," 29 percent said "somewhat useful" and 7 percent said "a little useful." These respondents also were pleased with the quality of the information presented. A total of 72 percent rated the information quality as "very high" and 14 percent rated it "somewhat high." The remaining 14 percent of respondents were "neutral" on this question.

Not only did participants find the webinar series useful, they also plan to use the information they learned in a variety of ways. A total of 79 percent plan to tell others about what they learned and 21 percent plan to organize a local group to discuss creating a manufactured housing co-op. Additional actions include contacting CDF or others to learn more about cooperative housing (22 percent) and other (43 percent).

Under other, one respondent wrote, "I want to follow up on the funding options to prepare a plan for board review. This is a big financial step; I wouldn't want to start unless I know that it is something that we can pull off financially." Another wrote, "I will use the information to inform the strategic direction of my organization and our potential role as a developer of cooperative housing."

Under the survey question on satisfaction with the overall webinar series, "very satisfied" drew the largest response with 72 percent. Other responses were 14 percent "somewhat satisfied" and 14 percent "neutral."

When sharing their comments about manufactured housing cooperatives or the overall CDF webinar series, one respondent wrote: "The information presented during this webinar series was very timely. We are attempting to help make a community more livable and the information presented will be useful as we approach the community to move forward with addressing their current housing issues."

Another said, "I believe manufactured housing cooperatives are a wonderful way for people to take control of their future housing needs. They accomplish exactly what co-ops are meant to do—share the risk and support community."

About the Cooperative Development Foundation

The Cooperative Development Foundation (CDF) is a 501(c)3 charitable organization located in Washington, D.C.

"CDF has been around for more than 60 years," says Liz Bailey, the executive director of CDF at the time of the webinar series. "We are the non-profit affiliate of the National Cooperative

Business Association."

According to Bailey, CDF's mission is supported by four major pillars:

1. Advancement of social and economic development through development of cooperative business enterprises.
2. Public education about the cooperative business model.
3. Fundraising for cooperative development initiatives.
4. Grant awards for a wide range of cooperative development initiatives.

"What this really tells you is we focus on trying to bring new audiences to the cooperative business model," Bailey says. "We who know the model know that it has great potential and we hope that our mission to try to bring new audiences to it is something that really works."

Bailey says CDF was delighted to be working with the North Dakota cooperative development community to bring this information into the webinar series.

"We have been working in this area of manufactured housing cooperatives for several years and we're delighted now to have it in a webinar format," she says.

CDF has a family of small funds—resources available for various kinds of cooperative development. One of its focuses is a number of scholarships:

- In the housing arena, CDF has a revolving loan fund dedicated to predevelopment funding for senior cooperative housing work.
- CDF's Mutual Service Cooperative (MSC) Fund awards grants to cooperative development initiatives that enhance the quality of life and offer cooperative solutions for seniors living in rural areas. The Fund gives grants that: 1) Contribute to the development of systemic approaches to replicate successful cooperative models that already service seniors in rural areas; 2) provide technical assistance to help develop cooperative ventures that serve seniors living in rural area; and 3) provide a better understanding of lessons learned from cooperatives that have served or are serving seniors living in rural areas.

"Education is really the focus of all we do," says Bailey. "I encourage you to take a look at www.cdf.coop and to look in the "Senior Resource Center" where you'll be able to see everything we've been doing over the last several years related to seniors in both housing and home care, including videos of several of the forums we've been doing at the National Press Club."

The webinar series is an outgrowth of CDF's focus on innovative applications, lessons learned from other development initiatives and best co-op practices.

"Our focus is to bring experts together wherever we can to bring their knowledge and understanding to the problems and to help us really provide more focus on the cooperative business enterprise. And that's what this webinar series really is about," Bailey says. She added that CDF has been able to do this work through its own modest resources and with three grants from USDA Rural Development for its work with seniors and rural America.

"We are delighted to have been able to get that support and we think that this webinar series is one good example about how we've been able to share information and get technical assistance going out there for additional types of initiatives," Bailey says.

North Dakota Association of Rural Electric Cooperatives

The North Dakota Association of Rural Electric Cooperatives (NDAREC) is the trade association for North Dakota's 16 electric distribution co-ops and five generation and transmission co-ops. Incorporated in 1958, it is located in Mandan.

Housed under the umbrella of NDAREC is the Rural Electric and Telecommunications Development Center, which has been providing federally-funded technical assistance to rural

North Dakota since 1994. The Center's mission is to "add new wealth to the economy by creating, retaining and expanding rural cooperatives and other primary sector business enterprises."

"The Center has come to be recognized as a major development player in North Dakota. We are networked with 16 electric cooperatives and 12 telecommunications co-ops in a statewide effort focusing on sustaining and growing rural areas," says Lori Capouch, the Center's director. "The local cooperatives assist the Center with rural development activities and community outreach."

The Center promotes and supports development of cooperatives and economic development through consultation, technical assistance, financing programs and education. Services available include:

- Organizational and business development guidance
- Business development analysis
- Cooperative development strategies
- Assistance in obtaining start-up funds for research and development activities
- Start-up administrative services
- Professional referrals
- Sponsorship of conferences and seminars for business cooperative directors and managers
- Coordination of local and state rural development efforts

"We were truly excited to be able to bring the webinars to people in North Dakota and other areas," Capouch says. The goal, she added, was to provide developers and others with information they need to understand housing cooperatives and basic information on how to develop them.

"More importantly, though, we hoped people would catch the enthusiasm for housing cooperatives," Capouch says. "A person can possess perfect instructions for building or developing anything but it will be harder to succeed without possessing a passion for what you are doing. We're hoping that through this series you will build a passion for housing cooperatives and the benefits it can bring to rural areas."

According to Capouch, she was excited when CDF reached out to partner with NDAREC to bring more cooperative housing information to North Dakota and the surrounding area.

"Our center has a focus on helping rural people build businesses together and we are keenly interested in the opportunity of developing housing cooperatives in the rural areas of our state," Capouch says. "The webinar series helped us learn that cooperatives can address the issues of aging in place and providing an attractive way for seniors to comfortably remain in their rural hometown."

WEBINAR 1

Maximizing Autonomy and Creating Affordability through Senior Cooperative Communities

***Terry Lewis**, a principal with LIA Advisors LLC, says "cooperatives can create wonderful communities of choice."*

About the presenter: Terry Lewis, a principal with LIA Advisors LLC, a private consulting firm that provides advisory services in housing and community economic development. She was formerly vice president for cooperative development with the National Consumers Cooperative Bank, where she advised internal teams and customers in multiple lines of business on the structure and development of cooperatives and other community ownership entities. Lewis's early career was spent as a private attorney, specializing in multi-family housing and structuring business entities. She is a well-recognized participant in the world of cooperative development being inducted into the Cooperative Hall of Fame in 2008 and having received several other awards for her dedication to cooperation and cooperative housing.

Her contact information: Phone 301-938-0923 or e-mail terry.lewis.lia@gmail.com.

Her overall lesson: "I've titled my presentation 'Maximizing Autonomy and Creating Affordability through Senior Cooperative Communities' because I think that is the element that co-ops—as opposed to any other form of ownership—bring to senior housing." A variety of co-op ownership types mixing affordability and wealth creation all maximize the ability of seniors to: 1) Build community; 2) retain autonomy; and 3) shape the framework within which mutual support and serves are provided.

What is a cooperative?

"In general, a cooperative is a form of ownership whereby people—including corporations and other entities—come together to own and control assets or processes that are critical to their economic well-being," says Lewis.

These assets or processes can be for about anything you can image, ranging from health care to banking. According to the National Cooperative Business Association, there are more than 29,000 cooperative businesses in the United States. These co-ops generate 2 million jobs and make a substantial contribution to the U.S. economy with annual sales of $652 billion. They have assets totaling about $3 trillion. Americans hold more than 350 million co-op memberships.

There are five main types of cooperatives. Some of them you likely are familiar with or may even belong to one or more without thinking about it. The five main co-op types are:

1. *Consumer-owned cooperatives:* These are the types of co-ops you may be most familiar with. These co-ops are owned by the people who buy the goods or use the services of the cooperative. This is where housing cooperatives fit in. They also include electric and telecommunications cooperatives, credit unions, food co-ops, childcare co-ops and health care co-ops.

2. *Producer-owned cooperatives:* These co-ops are mainly owned by those who produce farm commodities or crafts. They band together to process and/or market their products to reduce the workload and get a better price.

3. *Worker-owned cooperatives:* This type of co-op is just what it sounds like. They are owned and run by the employees.

4. *Purchasing/shared services cooperatives:* Small, independent businesses, municipalities or other organizations band together to own these cooperatives to

increase their purchasing power.

5. *Hybrid cooperatives:* Co-ops are most often made up of people with a common interest. Sometimes, however, two or three different groups may benefit from owning a co-op together. For example, some co-op food stores are owned both by those who shop there and those who work there. And in some cases, the producers of such items as the meat, dairy, fruits or vegetables may also be members of the co-op. This is a form of multi-stakeholder co-ops that are growing in popularity.

Cooperative vs. investor ownership

In a cooperative, there is a one-to-one relationship between the owners of the business and the users of its assets.

"Let's imagine that General Motors is a cooperative. Instead of outside shareholders like an investor- owned business, the way GM is now, there would be (if it was a consumer co-op) a group of members or shareholders who own General Motors automobiles," explains Lewis. "They would be the only owners of the business and they would be the only people entitled to use the assets (the automobiles) of the business."

In an investor-owned business, there is an entire separation between the use of the economic asset and how much money is made. It does not matter if you use the company's products or services. The users of the business assets are third parties, completely outside of ownership and governance. The return to investors is entirely financial.

Critical elements of cooperative ownership

According to Lewis, four critical ingredients must be present in any cooperative. They are: 1) Corporate structure; 2) democratic governance; 3) operation at cost; and 4) subordination of investment value to use value. A little more detail about each of these elements is as follows:

■ *Corporate structure:* The critical elements of cooperative ownership start with a corporate structure. And corporate structures are created on a state-by-state basis.

There is no federal corporate structure and every state has its own corporate laws, according to Lewis. Every corporate law (non-profit or for-profit), whether it includes the word "cooperative" anywhere or not, can be used to create a cooperative.

"In every state, whether it has a specific co-op corporate structure or not, you can create a co-op under both the non-profit and the for-profit corporation laws of your state," Lewis stresses. "But you start with a corporate structure because that is what's recognized by federal tax law and federal tax law is important."

■ *Democratic governance*: The users of the assets, the owners of the assets, govern the operations of the corporation. They govern the use of the assets—democratically.

"Generally, it's one shareholder one vote," Lewis explains. "But not always. Every once in a while you have different numbers of shareholders for each class of owner or each size of owner and they vote on the basis of them. But most usually, it's one shareholder, one vote."

■ *Operation at cost:* Critical, and this is important not just for the definition of a co-op but also for U.S. tax law, is operation at cost. While it is possible for cooperatives to create a net profit (as it is called in a corporation after the end of a year), in a co-op it's called net savings.

"And, one way or another, that savings if returned to the members on the basis of their participation in the co-op," Lewis says. "Either by what's called the patronage dividend or by budgeting off that or using it for authorized uses in the next fiscal year."

■ *Subordination of investment value to use value:* The owners are the users of the cooperative and it's their use (of whatever the corporation owns or provides) that's important.

How does this play out in a housing cooperative?

■ *Corporate structure:* There is a corporate ownership of real estate. All real estate that is part of the co-op is owned by the cooperative corporation. The individual members or shareholders in the corporation own a membership or share and they also own a leasehold right of occupancy.

"So what they as individuals own is different from what the corporation owns," Lewis explains. "The corporation owns the real estate. The individual members own a share in the corporation, an ownership interest in the corporation itself, plus a specific right to occupy specific property that's owned by the corporation."

■ *Democratic governance:* There is equality. All cooperatives have a single class of members and all members are represented. Generally, if it's large enough, members can vote in a board of directors to oversee operations of the property. If it's small, it may be operated by the group as a whole. If there are more than about 20 members, generally there's a board. But the members and the group retain the right to determine the big picture items like the bylaws and any articles of incorporation.

The members can also vote to terminate the corporation if they want the co-op to go out of existence.

"All the big things are left to the members as a whole," says Lewis.

■ *Operation at cost:* In a housing cooperative, this is really simple. The board prepares an annual budget, divided up among the members on a cost basis.

The budget includes cost of operations, debt service, property taxes and prudent reserves. Every member pays his or her proportionate share of the annual cost in the form of monthly carrying charges.

"If there is money left over it is either given back to the members as a patronage dividend or, because this is housing and it goes on year after year, what most co-ops do is they take that savings and apply it to next year's budget so there is no need to have an additional amount in the monthly carrying charges," Lewis says. "You can just reduce them."

■ *Subordination of investment value to use value:* This means that no profits are paid to third-party investor-owners and net savings are redistributed to the housing co-op members. This is done either through use in next year's housing co-op budget or through patronage dividends.

Cooperative ownership is flexible, creates benefits

Every type of housing can be cooperatively owned. This includes multi-family high-rise, multi-family garden style, townhouses, lofts, manufactured home parks and detached single-family homes.

There are also land-only cooperatives, where only the land is owned in common and the individuals own what is placed on the land. The same principle works with cooperatively-owned marinas.

In addition, there can by any variations in resident demographics. This includes age, income and needs. And cooperatives offer many ways to balance affordability and wealth creation within the structure. In fact, there are variations in the ownership form itself. Cooperatives create sustainable owner-occupancy that is largely economic and can create a fine-tunable balance between affordability and wealth-creation. And, it does all of this at the lowest possible cost.

Let's explore in a little more detail the flexibility of cooperative ownership and what housing cooperatives create:

■ *All the benefits of homeownership:* You have an ownership interest. It is not direct ownership interest in that you own as real estate the real estate that you occupy. You own a share in the corporation and you own an individual

right to occupy a specific part of the property that the corporation owns.

■ *Communities of choice:* "Cooperatives can create wonderful communities of choice," Lewis says. What's a community of choice? It's deliberately formed….by choice.

"The individuals who become part of this community do it deliberately. The group makes deliberate determination to create the community. And there's an affinity group based on shared values or share needs."

For seniors, it is senior status and all the things that go with it—in terms of need for supportive services, need for mutuality, need for sociability. All of these things create a sense of ownership and comfort, economies of scale (as opposed to single-family ownership) and reciprocity (giving and receiving).

There can by any variations in resident demographics. A housing co-op can be for seniors only, they can be for low-income folks only or they can be mixed age and income communities.

"There is a deaf co-op near Pittsburgh that has special services for the hearing-impaired and that creates an enormously viable and wonderful community," Lewis says. "There are lots of ways to look at membership and serve specific sets of needs."

There are two poles for a shared service model for a community of choice, with many cooperatives choosing something in between:

1. *Informal:* In this model, there is reciprocity among members and minimum support/coordination through cooperative management.
2. *Formal:* Formal shared service models have joint purchasing of multiple supportive services that are managed/coordinated largely by cooperative personnel.

■ *Sustainable owner-occupancy:* Co-ops create sustainable owner occupancy in a variety of ways that are largely economic but also bridge over into the community and cultural areas. One of the major ways cooperatives protect owner occupancy is by having the right to limit or prohibit subleasing to investor-owners.

"In a condo, once you buy it, the only thing that a condo can do to prevent my leasing out my individual unit is to prohibit the sale to me initially," Lewis says. Condos can create rules and try to enforce them but the enforcement mechanisms are burdensome, and they don't necessary work well.

The cooperative has the right to approve every single purchaser and to deny a transfer if for any reason or no reason (except for a prohibitive reason such as racial or religion). If it's a prohibitive reason it's prohibitive to a co-op.

"But if a co-op doesn't want left-handed people and it's not a screen for some prohibitive discrimination, it can do that," explains Lewis. "And one of the main things that co-ops tend to do is prohibit non-owner occupancy."

So that right to approve transfer also means you can screen potential buyers for their willingness to live within the community according to its rules. "This is important," Lewis adds.

■ *A fine-tunable balance between affordability and wealth creation:* You can structure your co-op so that it's somewhere on the continuum between maximizing wealth creation and maximizing affordability….not just of occupancy but of acquisition. "And it does all of that at the lowest possible cost," Lewis says.

■ *Many ways to balance affordability and wealth creation:* Lewis says there are "loads of ways to balance affordability and wealth creation within the cooperative structure."

A variety of cooperative models create that continuum between affordability and wealth creation. Affordability of occupancy is the same regardless if it is a market-rate cooperative or a limited-equity cooperative. "What's different

between the two is affordability of acquisition," Lewis says. Here is more about how these two models differ:

1. *Market-rate cooperatives:* Market rate cooperatives maximize wealth creation by allowing members to sell their share at market value. Market rate cooperatives maximize wealth creation. They maintain affordability of occupancy by operating at cost and they create economies of scale. On the other hand, they maximize wealth creation because the individual co-op member is able to sell his or her membership or shares at whatever price the marketplace will bear.

2. *Limited-equity cooperatives:* In a limited-equity cooperative, the home units are kept affordable by limiting the price that an outgoing member can charge for their shares. Affordability of occupancy is the same because they also operate at cost. Sometimes limited-equity cooperatives also have a little bit of subsidy from a government source or a third party. They can change the formula of the limits on the purchase price within a wide range to have a little, a lot, or a medium amount of wealth creation.

■ *Economies of scale:* Any time you have multiple units of housing that are aggregated you create economies of scale in terms of their development and in terms of their ongoing operation. But cooperatives also reduce subdivision costs.

In a single-family subdivision you have to divide the land and all of that is open for sale of individual lots. Every time there is a subdivision created or condominium created you have to parcel out the real estate. In a condominium or a single-family subdivision, everything is parceled out. There is nothing left over for the homeowners association or condominium association.
All the real estate is owned by the individual homeowners. So you have to go through a process that can be quite costly in development terms in creating that subdivision.

"With co-ops, they are owned by a single entity—the corporation—so they don't have to be subdivided," Lewis explains.

Cooperatives also lower the cost of entry due to reduced or absent costs or taxes. With housing co-ops you don't have:

- Title insurance costs
- Transfer taxes (in many places)
- Tax and insurance prorations

Tax and insurance prorations aren't necessary because all those costs are included in your monthly charges. You simply prorate the part of them that goes on with the sale.

Lewis notes that during the financial crisis, during the run-up of prices in homes, co-ops tended to not have a lot of foreclosures and a lot of failures. And one of the reasons is because share loans in most cooperatives (the loan that is secured by what the individual member owns, what the individual member pays) have to be approved by the co-op.

"And any wise co-op board will take a look at look at what is really a predatory loan and say, 'No. It's not going to go on here. We're not going to let you do that. Go out and get a prime loan. Those are available. We're not going to let you be taken advantage of and we're not going to let the co-op be taken advantage of by a predatory loan,'" says Lewis.

And the co-op ownership of the real estate and its operation at cost tempers the cost and the risk of repairs.

"Of the thing that drives seniors out of their homes most is the cost of repairs," Lewis says. "And in a co-op you can spread that cost of repairs over the whole cooperative. Individuals aren't displaced because of their roofing needs."

So, to summarize, cooperatives have lower monthly costs because the operation at cost leads to financial sustainability (no third party to take

a profit out) and "because blanket financing magically reduces both reserve and rehab/ improvement costs," according to Lewis.

"This is one of the major advantages co-ops have over condos. Is has to do with the possibility of financing," she says.

Cooperative financing: A source of great advantage

In a condo, all the real estate ownership is parceled out. The association owns nothing so has nothing to secure a loan against.

However, in a housing cooperative, the corporation likely owns both the land and the homes. Because of this, there are two forms of cooperative financing—blanket financing and share financing. Both involve "security loans," which in addition to promising to repay a loan you pledge specific assets in case you fail to pay. A little more about each is as follows:

1. *Blanket financing:* In blanket financing the cooperative borrows against the real estate that it owns. Only the cooperative is liable on the loan, not any of the individual members because the bank lends to the co-op and the co-op promises to repay. It pledges the security—the real estate that it owns—and only the co-op is liable. No individual has to qualify for that blanket loan and no individual member is liable to the lender for that blanket loan.

   "The individual members are liable to the cooperative for their monthly charges, which include a portion of payment on that blanket loan," Lewis says. "But they are not liable to the lender and the lender cannot come after them individually."

2. *Share financing:* In share financing it is exactly the reverse. Share financing is a loan taken out by the individual member. The individual member pledges what the individual owns, which is the share of the ownership interest in the corporation, plus his or her right of occupancy of the specific unit that is his or hers. So that is what is pledged. That is the security for the loan.

   "The individual member qualifies for that loan, the individual member is liable for that loan and the corporation is not," says Lewis, "The corporation has no obligation to pay that loan."

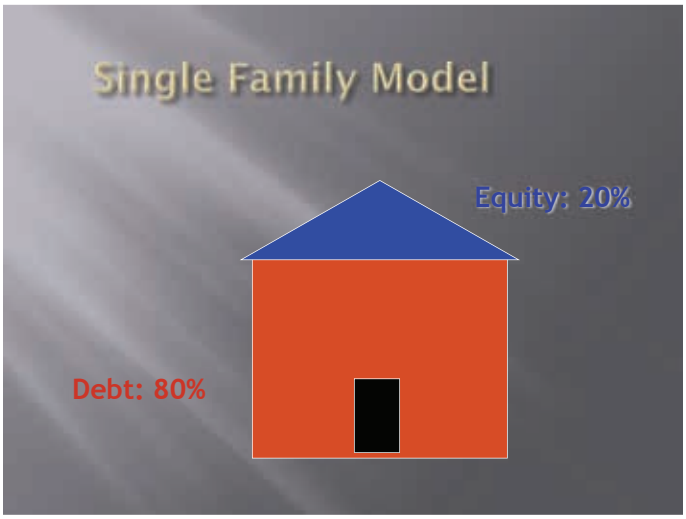
   What happens if the individual member fails to make payment is the bank takes the shares and the proprietary lease and is able to resell it to a new member. The corporation is unaffected.

How does financing work in different housing models?

Single-family model

In single-family models you have debt and equity. There is only one piece of real estate.

"Typically nowadays if you're going to buy a new home, you're going to pay 80 percent debt and 20 percent of equity. The loan is secured by the home," Lewis explains. "It's a model that most people understand."

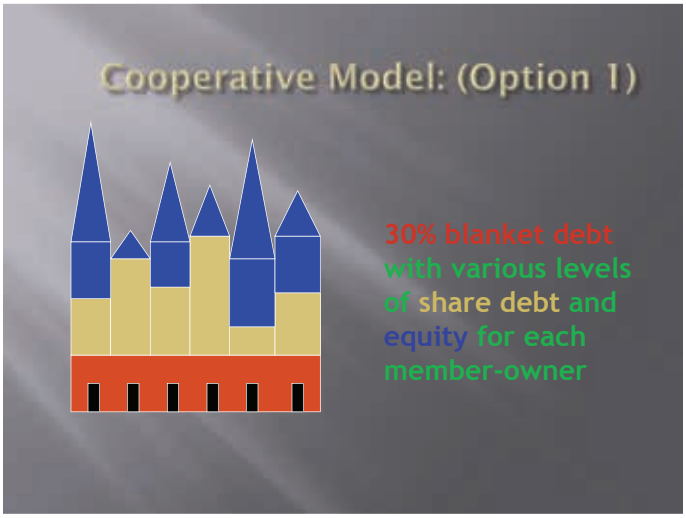


Condo model

In a condo, it's as if each unit, plus each undivided interest in the common elements, is a single-family home and each of them has an individual level of debt and equity. People pay down their mortgages, individual units are of different value

and cost different prices and the units increase in value over time. Equity increases….people have to pay more for them.

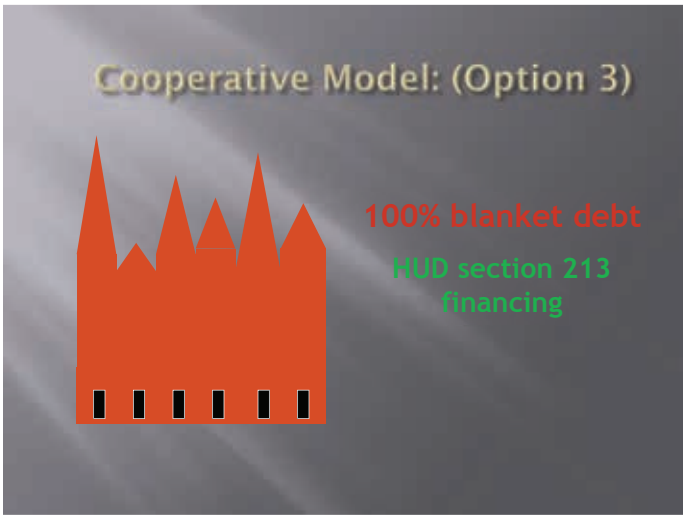
"Each individual unit is an element of real estate," Lewis explains. "Each individual has different debt and equity."



Cooperative model option 1
Cooperative models can vary. One model can have 30 percent blanket debt with different levels of share loans. And there are different rates of equity in a market-rate co-op. It is like a condo, except for the possibility of a blanket loan.

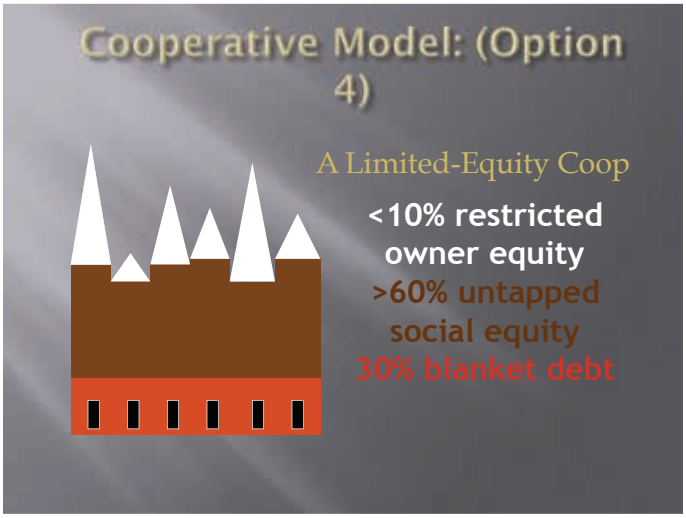
"Remember, the blanket loan is the co-op's loan, with no individual member liability for it," says Lewis. "And the share loans are individual loans and the co-op is not liable for them."

Cooperative model option 2
This is a co-op with no blanket debt that looks pretty much like a condo. There are various levels of share debt and equity for each member-owner.



Cooperative model option 3
This is a cooperative with *only* blanket debt. And there is a loan program in the federal government, called section 213 HUD, which allows for virtually 100 percent blanket loan financing for the creation of the co-op.

"Think about the advantage of this for financing to create multi-family housing," Lewis stresses. "Even if it's multi-family housing, individual lots and individual single-family structures there is 100 percent blanket financing. No individual has to qualify for that loan. No individual is liable on that loan….only the co-op corporation."



Cooperative model option 4)
This is a limited-equity co-op with a 30 percent blanket debt. The purchase price to succeeding members is limited over time so that while the value of the property as a whole and the value of the individual units may increase the amount an individual owner can realize on the sale is limited to 10 percent or less.

"This creates an untapped amount of social equity of 60 percent or higher between the purchase price allowed and what the market value would be. And the co-op can use that," Lewis says.

The magic of blanket financing

If you own a single-family home, you pay down your loan and there always comes a need for repairs. You have to pay for it. What else can you do? You may have money in the bank to pay for it or you can go out and refinance your mortgage. But what happens if your current circumstances don't allow that? What if you just lost your job? Suppose your wife left her job in order to become pregnant and is not going to return for a half a year, a year, or even five years? Are you going to be able to qualify to refinance your loan? Getting a refinance mortgage right now is not exactly easy.

This is where the magic of blanket financing comes in. "With a co-op, the corporation can refinance its blanket loan without any individual members' circumstances being taken into account," Lewis says.

A cooperative structure also has advantages when it comes to reserves.

Condos, which don't have the possibility of a blanket loan (condos have the real estate needed to secure a loan), need to reserve for 100 percent of the needs for rehab that the condo association is going to have. Every year the amount that is charged for unit charges has to include rehab costs....the reserve charges. And the reserves build up and when the condo needs to repair something, it can use those reserves and if there's not enough money, it can go to the individual members and access them. So the individuals have to come up with the money.

But in a co-op, the corporation can simply refinance its blanket loan and because it can do that it doesn't have to reserve 100 percent of its rehab needs.

"It can reserve a prudent 30, 40 or 60 percent and know that at the end of 10 or 15 years when its loan balance is paid down it can refinance," Lewis explains. "It can take out more money than the existing principle balance of the loan because it has paid it down without increasing the monthly loan payment unless interest rates have changed drastically."

This way, you can keep your carrying charges even. And, unlike a condo, you can reduce the need for any individual member to go out to finance repairs from their bank account or from refinancing their share loan.

"And that," Lewis adds, "is the magic of blanket financing and the major advantage that is provides to a co-op."

WEBINAR 2

Modular Homes for Aging in Place: A Case Study in Adams/ Friendship, Wis.

***Char Thompson**, executive director of Wisconsin Rural Housing Inc., says the key to a successful housing cooperative is to "develop it with the members, not for them."*

Presenter: Char Thompson, executive director of Wisconsin Rural Housing Inc. since 1988. She oversees a statewide nonprofit and its programs for very low-income persons. Some of her work involves ending homelessness, providing technical assistance for the development of senior housing cooperatives, and recycling and rehabilitation of mobile homes with inmate training and labor. Thompson received a bachelor of arts from St. Olaf College and a master's in architecture and a master's in urban planning from UCLA. She has held various appointments such as the Governor's Task Force on Housing and the Advisory Committee for the University of Wisconsin Center for Cooperatives.

Her contact information: Phone 608-238-3448 or e-mail ruralhousing@tds.net.

Her overall lesson: The biggest benefit is really empowering the residents. It's basic to being a cooperative. "They made the decisions and they continue to do so," Thompson says. "The sense of control and support is priceless."

When the state of Wisconsin's long-term care staff asked Wisconsin Rural Housing to see if there was an alternative low-cost housing option for rural areas, Thompson jumped at the challenge. She saw it as an opportunity to showcase how a small community of manufactured homes could provide the answer.

***Char Thompson**, center, participates in a steering committee meeting on the housing project. From left are **Chuck Spargo**, **Carol Johnson**, **Thompson**, **Elaine LaValley** and **Jill Helgeson**.*

The first thing they needed to do was determine where the cooperative should be located. They selected Adams County because it was one of the poorest in Wisconsin.

"I thought, 'If we can do it there, we can do it almost anywhere,'" Thompson says. Adams/ Friendship are actually two small communities right next to each. Technically, the Adams/ Friendship homes—of which there are five—are in Friendship.

"You can hardly tell where one starts and the other stops," Thompson explains. "The population is just slightly over 2,500, so I want you to understand that we're talking rural and small-scale here."

Why create rural cooperative housing?

According to Thompson, there are many reasons to create a rural housing cooperative. The main ones are as follows:

1. A demographics of increasing seniors
2. Not many alternatives in rural areas
3. A need for seniors living on Social Security (about $650 a month)
4. Many seniors have a home to sell but want to stay in a home (80 percent own single-family homes)
5. Seniors need a cost-effective way to stay at home vs. a nursing home (a nursing home averages $76,500+ per year)
6. Something not government-funding

dependent
7. Affordable for the future

"I think we have this 'why' in common," Thompson says. "The need is there in many areas."

And although this model was focused on low-income folks, she stresses that with some variations it could also work for middle-class or more affluent folks as well.

The process to create the small manufactured housing co-op

According to Thompson, the process involved with the creation of the rural manufactured housing co-op in Adams/Friendship had some clear steps that others could follow and duplicate. After selecting the geographic location, the following steps were taken:

■ *Listened to seniors:* What is probably unique in this process vs. any kind of developer process is it involves a series of meetings. And Thompson estimates at least 20 or more meetings were held.

"Most developers don't want to do this step," Thompson says. "But it's a given in developing cooperative housing. And if you want to listen you have to meet."

And so they listened to the seniors in the Wisconsin communities of Adams and Friendship. Therefore, the cooperative was developed *with* the seniors, not *for* them. Homes were chosen by the seniors with guidelines. And the seniors asked for something cost-effective.

"The cost-effective, I don't think we can really argue much even if we don't compare it to nursing home costs, assisted living costs. Housing costs about $4,000 a month," Thompson says. "It seems to be what the seniors told us they wanted and that is why we proceeded to develop *with* them. And it's definitely a *with*, not *for*, the folks in Adams/Friendship."

■ *Involved the community:* Early on, Thompson and others met with the local rural electric co-op (Adams-Columbia Electric Cooperative) for assistance and sponsorship for this manufactured housing cooperative project. The electric co-op participated by supplying a staff person to attend most of the meetings, which brought credibility to the project.

"He (Chuck Spargo) had the credibility and connections in the community that I as an outsider did not have," Thompson says. An outside person can do this, she adds, but it is really driven by local individuals.

"There was later an article in the REC News that brought in another senior to an additional home and it's largely because of the RECs that we got legal counsel pro bono," Thompson says.

Others in the community were also involved, including the local banker, two manufacturers and local contractors. And one of the key players was the director of the Adams County Aging Office.

"If you don't know who your Aging Office director is you better check it out," Thompson advises. "Carol (Johnson) was instrumental with that connection."

So while Thompson is convinced an outsider could facilitate the process, it is very much a local-driven process. "I know the number of seniors in the Census, but it is really the local folks who do the marketing, the connections and set up the meetings at a place that's familiar for the seniors to come."

If you had an outside developer come in and build the same houses, you wouldn't have the same sense of pride or involvement that was achieved by having the meetings from before anything got built, she says.

■ *Let seniors choose homes:* With a few guidelines, the seniors who were going to live in the community chose their new homes.

The Aging Office director offered the bus

Universal elements of design easy to incorporate

According to Char Thompson, executive director of Wisconsin Rural Housing and the lead technical assistance provider on the Adams/Friendship Housing Cooperative, universal elements of design are basically not a big deal to put into manufactured housing/modular housing.

"The only thing I would work on even more would be specific elements to make visually-impaired persons be able to get around easier by contrasting colors. I think that will actually affect more people than wheelchair accessibility," she says.

The other thing she suggests is either taking seniors to a manufactured/modular home factory or at least to another home in the area that has universal design for them to see it doesn't look that different.

"It might also be reassuring because some of them had some images of full handicap-accessibility that they didn't really want to look like in their homes," she says.

Universal design is not just for persons in wheelchairs—we all need ease and safety of movement. The goal, Thompson explains, is to make the home look as "normal" as possible. "Yet, obviously, as we 'age in place,' the ability to move around and catch ourselves on a grab bar would be available."

The Adams-Friendship Cooperative homes required 17 common-sense elements and the group went directly to manufacturers with that list. If universal design is incorporated from the start, Thompson explains, it helps avoid hassles and costs for future changes and is a minimal additional expense.

"The only complaint we had was one said he really wanted a bathtub instead of a shower and I think there are inexpensive ways to do that," she says. "But that was not part of this particular home."

The 17 mandatory elements of universal design are as follows:

Mandatory elements of universal design

1. Exterior doors have low-profile sill (less than one-half inch)
2. There should be two options for no-step access/exit
3. Exterior front door allows resident to see who is at the door
4. Lever-style door handles on interior and exterior doors
5. Interior doors are 3 feet wide
6. Windows are easily operable casement style (crank)
7. Rocker panel light switches at 48-inch high max that glow in the dark (36-inch best, 42-inch comfortable)
8. Wall-mounted return air and hot air registers above baseboards
9. Hallways are 42 inches wide
10. 5-foot turning radius or T-turns in all rooms
11. Flat tight-woven carpet (not shag or loose rugs)
12. Structural hardware (grab bars) in bathroom
13. Bathroom has taller water closets
14. Bathroom has roll-in shower or tub, with hand-held shower head
15. Kitchen and bath faucets have lever handles
16. Reachable tub/shower control at 5 feet, 9 inches
17. Anti-scald water controls

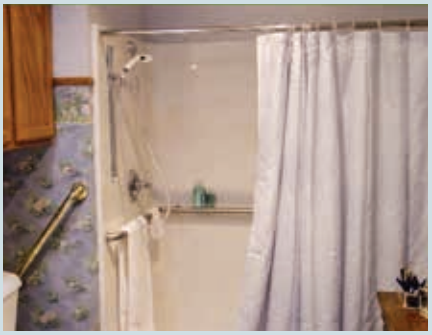
According to Thompson, the most critical universal elements of design were the doors and the bathroom, but the manufactures did not have difficulty including such things as lever handles for doors and faucets, rocker panel switches and flat tight-woven carpet.

And, she adds, the exterior was equally important in the site location of the homes. "The very gradual slope of the sidewalk allowed drainage away from the home but did not become a ramp."

Other elements of universal design are optional, but they did include some of these in the homes. They are as follows:

Optional elements of universal design

- Roll-in potential under sinks (may have temporary cupboard doors initially to cover pipes)
- Thermostats and humidistats at 54 inches to control
- Refrigerator over freezer
- Switches at front of appliances
- Pantry instead of high shelves and deep cabinets
- Bedroom has connection for emergency-call mechanism
- Glare prevention
- Contrasting colors used throughout for visual clues and orientation
- Electric service panel on first floor
- Electric outlets at 21 inches to bottom
- Access to furnace, hot water heater and water softener (not in basement or crawl space)



Grab bars in the bathroom and especially the shower are mandatory in universal design and allow homeowners to "age in place."

In the kitchen area, a pantry makes it easier to reach and store items and the fridge unit is above the freezer unit, allowing easier access.

they use for other activities to take a group of about 20 interested seniors to visit two of the manufacturers. One is about 10 miles away and one is about 50 miles away.

"And they loved it," Thompson says. "To see the quality of the work totally removed the stereotype images of the single-wide trailer. And please don't call them trailers because that is a truck. And don't even call them a mobile home, because they're not very mobile."

The seniors not only saw the construction so they understood how it came together, they worked directly with the manufacturer on the floor plans.

"The seniors pretty well knew what they wanted," Thompson says. "One co-op couple had never had a new home. They always lived in an existing one. And they were just giddy with their 'dream home' and they made the decisions on the colors, and the siding and everything. They were making the choices about the details of their homes."

The project did require some universal design elements, so they (the homes) would be accessible for the co-op residents for the rest of their lives.

Key goals of the project

Thompson explains she and others worked with seniors to determine the goals. It wasn't a strategic planning session. It was more like, "Where do you want to live when you grow up?"

According to AARP, nearly 95 of seniors want to stay in their own home as they age. This is often referred to as "aging in place." And for many of these seniors it will be repairs or modifications that prevent them from doing that.

The seniors didn't necessarily use the words "age in place" for this project, but the solution in the long run was "universal design," which allows the seniors to live there until they die. And, in fact, that has already happened. Three out of the five have died and new seniors have joined the cooperative so they, too, can live out the rest of their years in one place.

Modifications—or universal design—involves safety and physical issues such as non-slip floor surfaces, bathroom aides such as grab bars; wider doorways, lever-handed doorknobs; higher electric outlets; and lower electrical switches.

Because one of the seniors' initial major concerns was the ongoing or monthly costs, this brought in the Energy Star approach to everything. That way, their monthly costs—especially utility costs—could be kept low so they could afford them on Social Security.

The seniors Thompson worked with also wanted to own their homes, but didn't want to rent a lot in a home park. They also did not want to worry about moving and shoveling—the two biggest "pains" they listed. So, they wanted the best of both worlds.

Thompson says the seniors she worked with were very familiar with manufactured communities and she had no trouble at all in convincing them about cooperatives.

"In Wisconsin we have a fairly strong co-op tradition here. They were probably all members of the electric co-op and so that (co-op model) almost came as an 'automatic' that that was the obvious solution to the land."

Thompson says the last goal was a goal of Wisconsin Rural Housing, not of the seniors. This goal was that this model should be able to be available anywhere, or statewide.

"We in Wisconsin are fortunate to have six or more prefabrication factories….so the idea of using modular homes was pretty obvious," Thompson says. "In some rural areas it's easier to get a modular or manufactured home than a stick built."

Choosing the land site

According to Thompson, this is probably the most important part of the ownership process. That is because unless seniors know where they are moving to it all seems rather abstract.

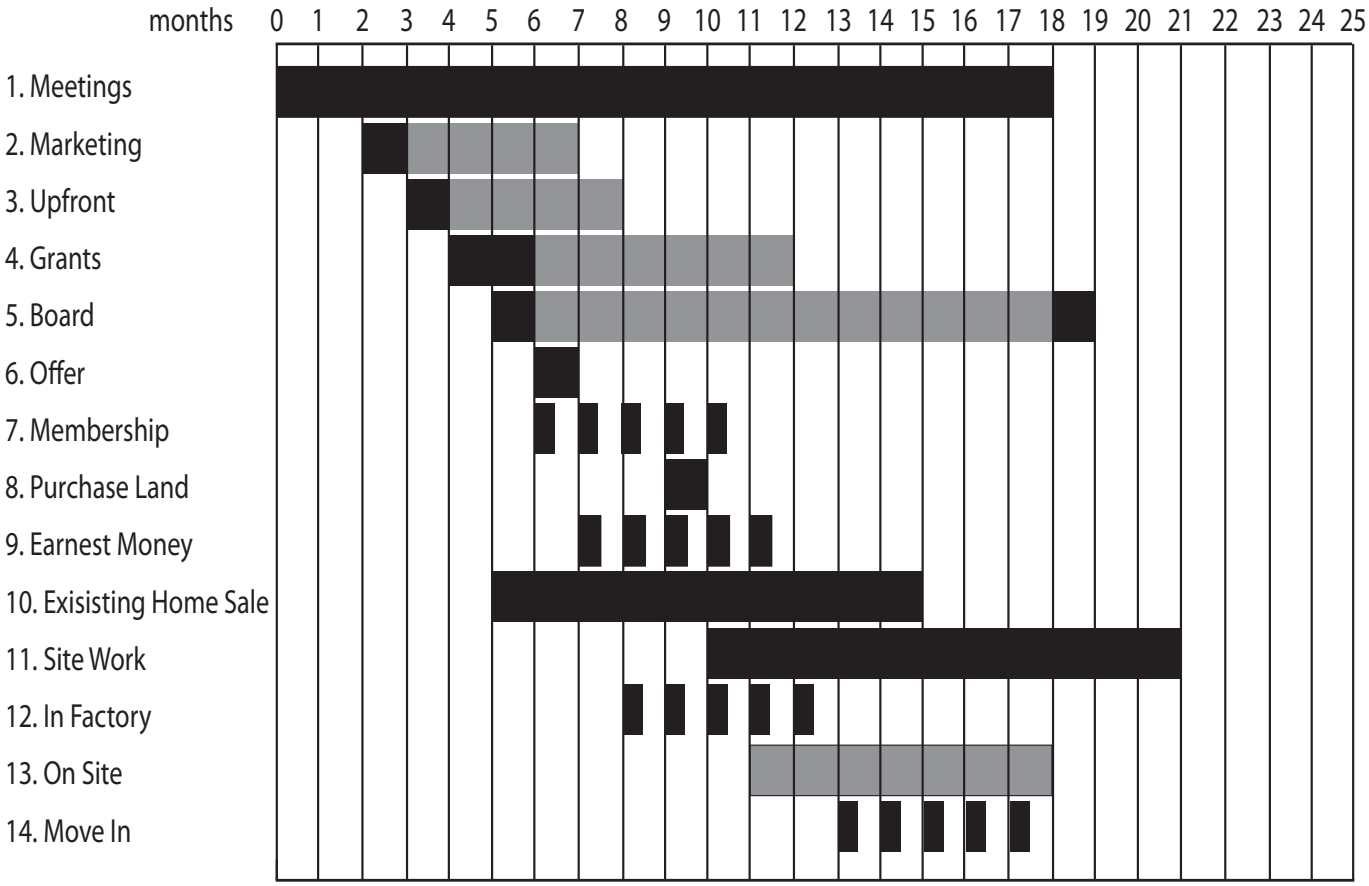
"This is a small community. The highway runs through the middle of town." I said to the seniors, "Well, where do you want to live?" And so they looked around and found three sites that they were potentially interested in. "And this is probably the most important part of the whole process…because until this is pretty well decided (and it doesn't have to be a firm ownership) the senior needs to think about: Do I want to live on the edge of town? Do I want to live in the middle of town? And while the town may not be very big, that's an important location for them to feel like it's a reality.

The site the seniors chose is is located two blocks from new community center, grocery store and hospital. We were very, very fortunate to find virtually the face front of a whole block, which is two blocks from the community center where the meals are served, the grocery store is right there and in the other direction is the hospital.

"So the land is probably the trickiest part of the financial planning because you do need some upfront money to offer to purchase that. I wish the local co-ops could just put up the money, but in this case the local banker offered to submit a grant (which I wrote) to the Federal Home Loan Bank in Chicago. But this could be to the National Co-op Bank or to other sources as well."

The site was not as flat as we had hoped. You do definitely need to consider that when you're looking at sites. So the seniors were only a little disappointed when they had to cut down some of the trees to put their houses up. But the location is perfect in this case. Pat (one of the co-op's owners) takes her scooter to the grocery store… but not in the winter.

Because of the great location I thought, "Why do they need their cars? But that was my presumption, not theirs." She says this was



Although choosing manufactured or modular homes helps speed up the process, it will still take about 18 months to create the co-op from start to finish.

More about each cooperative home and its costs

There were no mortgages involved in the Adams/Friendship Housing Cooperative, there is no government financing and there was a local builder who worked with the local manufacturer when the homes arrived, explains Char Thompson, executive director of Wisconsin Rural Housing.

The owner/members of this small manufactured home cooperative led the decision-making along each step of the project. The outside of the homes and the setup was no exception.

"There was an interesting discussion about basements because most of us have basements," Thompson says. "But they decided they just become full of stuff and they didn't want to do that." Therefore, they decided on a "crawl space" for each home's foundation. This, combined with a water table issue at the site, made a "crawl space" the perfect solution.

"When the first home arrived, the local newspaper was there to photograph and there was quite a crowd to watch," Thompson says. And it generated even more interest in the project.

You could see across the street, the other single-family homes and they were very similar to the new co-op homes so they blended in perfectly with the neighborhood, Thompson says.

Although each co-op member/owner's home were unique inside and out, each are 1,040 square feet (26 feet by 40 feet)—generous compared to typically senior apartments.

After each home arrived, 14-by-26-foot garages were site built before any grass or the driveway went in. The homes were kept low to the ground, with minor slope to the home, eliminating the need for large ramps. "The garages are rather large, but very convenient for any storage, which was an issue," Thompson says.

Example of one member's costs

Using "Pat," one of the first member/owners, as an example, Thompson offers some detail on what a typical member/owner paid for a home and the resulting monthly costs.

Pat's total home cost was $92,700 in 2004. Some members' homes were a little more, as they wanted fireplaces and a few other amenities. However, all the homes were less than $100,000.

Like other members' homes, Pat's home is 26 by 40 feet, or 1,040 square feet. It has an attached 14-by-26-foot garage.

"Keep in mind these were not the smallest or cheapest homes you can build," Thompson says. "They (the co-op owners) were building what they could afford and wanted."

According to Thompson, the monthly costs were what they were concerned about. The members' heat is averaging about $40 per month and their electric about $30.

"Property taxes still remained the largest expense for them but they are all eligible for homestead tax credit in Wisconsin, which helps for not quite half of their taxes," Thompson explains.

With these estimated costs, the co-op fee started at $100 a month because they weren't really sure what it was going to cost to cover the shoveling and mowing. However, costs were lower than expected and they built up quite a reserve so they have now lowered it to $50 a month.

Pat's average monthly costs, which also proved similar for other member/owners, are $365 a month, which makes it quite affordable on Social Security. Her monthly costs are as follows:

Monthly costs

Co-op fee	$50
	(covers shoveling, mowing +)
Heat	$40 average
Electric	$30 average
Property taxes	$175 in 2005
	(homestead tax credit applied)
Insurance	$25
Water and sewer	$45
Total	$365

Knowing neighbors are there and the added security a stability = Priceless

Rather than basements, which would accumulate "stuff," the seniors opted for a crawl space.

Half of Pat's dream home, where she expects to live the rest of her life, is moved onto her foundation.

Pat's home before the driveway was added and grass planted.

a good lesson for her not to make any more presumptions.

How the project proceeded

Two main things to remember, says Thompson, are: 1) A co-op housing project is not going to happen overnight; and 2) there are some real advantages of using manufactured housing for the speed of the construction. "It is not a six-month project. I'd say it's an 18-month project."

▪ *Gathered support:* Up to this point, according to Thompson, they had held about half a dozen meetings to talk about what they wanted after looking at the possible sites. She says it wasn't necessarily the same people who came to every meeting.

"We were very fortunate to have great support from the newspaper," she says. "And that is really how the word got out to the seniors. When a senior sees it in the local newspaper then it's believable."

Different seniors would come to the meetings and some would like what they were hearing about and some would not. At the same time, decisions were being made at every meeting that needed to be recorded. So one of the ways they kept control of the process was to write everything down that was decided and date it.

"That's an important element to keep to avoid any confusion as to what's firm and what's not firm because seniors wanted to know about costs—what the homes were going to cost, what the common costs were going to be, what the living costs were going to be. And those obviously weren't all known up front. So it took a while to pin down some of those items so they could really feel comfortable with what they were getting into."

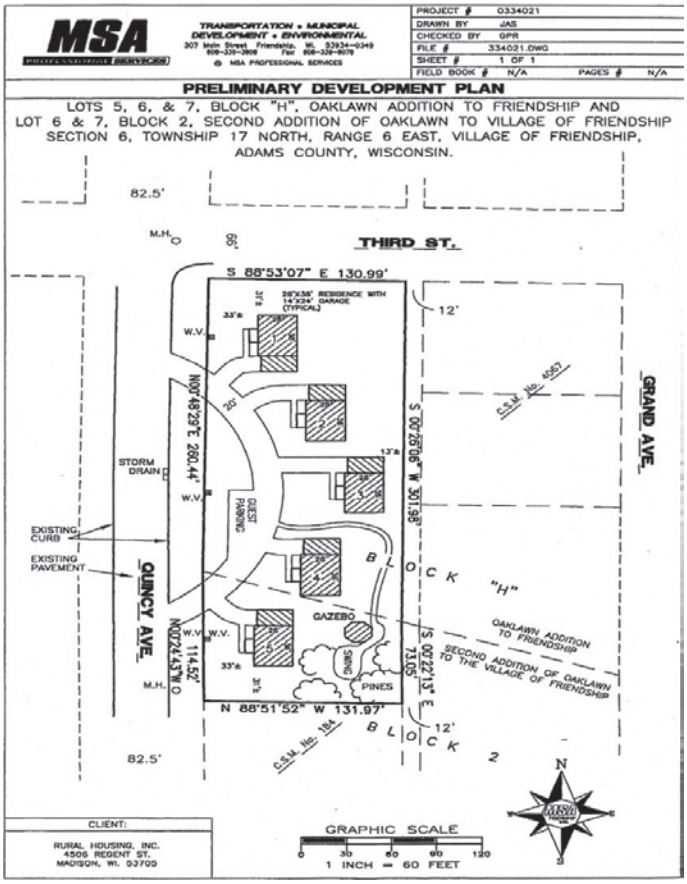
Also, to sell your house to buy a house, which was the case here, you don't want to put your house up for sale if you don't know where you're going.

"We had many, many interesting conversations during this process of doing it this way," Thompson says.

▪ *Determined number of homes and layout:* Once you identify the site, you can determine the number of homes that will work on the site. Or, flip this and determine the number of homes you want and then look for a site that will accommodate that number. A surveyor was involved in this project's site planning.

Site layout will depend on the land acquired. If it's a long narrow piece of land or a square piece of land it could be a cul-de-sac.

For more information on site layout, see "Development Manual for Small Rural Home Cooperatives" at www.wisconsinruralhousing.org/docs/development-manual-for-small-rural-home-cooperatives.pdf. This manual includes some diagrams for site configurations—ways to lay out a series of single-family homes like this.



The goal was to make the small co-op housing development look similar to that of the neighboring homes, but yet have some sense of internal community. The curved driveway made that possible.

"Some element of the site design to make it unified is desirable but not absolutely essential," Thompson says.

This project used a curved driveway for that unifying piece. "The curved driveway was the element that pulled them (the homes) all together as something special they had in common," Thompson says. Plus, they wanted them to look at much like any other home in the area, which this also accomplished.

Another thing that was kept in mind when laying out the site design was that many of the seniors were moving from homesteads that included several acres or more.

"It's rather shocking at first to be only 15 feet from your next-door neighbor," she cautioned. Therefore, they deliberately staggered the homes around the curved driveway and the garages are all on one side so there is never any question of looking into someone else's window.

■ *Agreed on cooperative model:* During the planning meetings, seniors said they wanted to own their own homes, but didn't want to mow or shovel snow.

According to Thompson, there was some talk about land trusts and about being a full cooperative.

"But the seniors didn't want to be a 'pure' cooperative (and just own shares) and that's why we came up with this 'hybrid' cooperative notion," Thompson explains. In this model, the seniors own their own homes and three feet of the land around their homes and the cooperative owns the land.

"We talked to attorneys about this and they thought it was unusual but we were able to draw up the documents with their help," Thompson says. "It's a few more pieces of paper than a typical cooperative would have been, but it works."

The city's zoning personnel also found it unusual and were unsure whether to classify the housing co-op as single family or multi-family. "It ended up as multi-family because the land is owned in common."

Members also chose a limited-equity model of 1 percent per year because they wanted to contribute to property taxes at an even pace. If they chose to leave or when they die, they are not selling the land, only their home.

"The two biggest co-op decisions were this hybrid co-op and the limited-equity co-op decision," Thompson says. "The limited equity co-op (1 percent per year) was chosen not so much for the affordability of the future occupants and not so much because they wanted a full co-op so their inheritance would be greater but because they wanted to contribute their property taxes to their community but didn't want them to go up faster than their Social Security was going up. So this was a good way to keep pace and be able to pay their property taxes."

■ *Made many other co-op decisions:* Thompson recommends hiring a local attorney to make sure everything is in accord with state requirements.

Basic cooperative documents, such as the articles of incorporation, need to be written and filed, which an attorney can assist with.

However, many of the decisions can and should be made by the co-op members themselves. Once members make these decisions they can be fed into the legal documents. These include:

- The cooperative name: "We had great discussion about the name, Thompson says. "Do we just call it the Friendship Co-op or do we call it the Friendship Senior Co-op?"
- Voting powers: In this project, although the seniors knew their homes wouldn't be of the same dollar value, they knew they wanted one vote per home.
- Minimum age for co-op members
- If pets will be allowed
- Rules (such as guest stays, fences and

noise)
- Share amount

"These are group decisions that get made and that really create the character of the co-op," Thompson says.

For more detail and information on legal issues, see "Legal Manual for Small Rural Home Cooperatives" at www.wisconsinruralhousing.org/docs/legal-manual.pdf.

▪ *Prepared cooperative land:* Once all the decisions are made, you can move on to the exciting process of actually getting the homes on the site, says Thompson. "Clearing, fill, water, sewer, electric, gas and driveway had to be done before their homes came," she said.

Because of the knowledge of the seniors and the local resources, this was a very simple, straight-forward process.

"We sometimes see development as a very complicated process with complex financing, but there are knowledgeable people who do this," she said. And the seniors know these knowledgeable and experienced service providers.

"I think it's important to remember the locals actually knew who to call for the clearing of the land," Thompson says. "And we needed some fill because it wasn't perfectly flat and wanted to make sure the grade was adequate for drainage. And they knew the people to call for the water, the sewer and the electric connections."

Other services seniors helped secure included installing cable TV and mailboxes, doing the landscaping, building a gazebo and finding people to mow the lawn and shovel snow.

Why use modular or manufactured homes?

In this case, says Thompson, modular homes were used because they took less time to get and cost less than homes built on site.

"Prefabricated homes come in several variations and in many rural areas including Wisconsin, stick-built folks are focused on the luxury vacation homes not the more modest homes for seniors," she says.

The construction costs were also about 20 to 30 percent less than on-site and using the same materials as on-site homes. The reason for this is that modular homes are able to limit labor and material cost. Material waste is reduced through uniform building methods and large material purchases. Building indoors also protects materials.

"Construction time was an important factor for the seniors. I think only one out of five of them did spend a month at the local motel because their home wasn't quite ready. It had arrived on site but there was some site work to be done."

Besides reduced construction time, other benefits of choosing modular or manufactured homes include involve quality control, stability and financing. Overall benefits include:

- More real savings in interest on a construction loan
- Cost of alternatives include large subsidies – either initial and/or ongoing
- Professional builders can reduce reliance on subs and trades to complete job
- Fewer delays and significant reductions in overhead and time
- Skilled employees
- Records of quality and consistency
- Independent third-party compliance inspections
- Material selection and inventory control
- Design flexibility equals original, custom and energy-efficient home designs
- Energy Star construction in the factory
- Same financing instruments as site-built with strong appraisal to investment values
- Sense of control and support

"The advantage from our point of view was the affordability of not only the construction (we weren't paying a developer a large profit), they would afford it on Social Security and it wasn't a complicated subsidized process," Thompson says.

The five homes are carefully staggered to offer privacy to each homeowner, yet the curved driveway ties the cooperative community together.

Empowering residents

"The biggest benefit is really empowering the residents. It's basic to being a cooperative. They made the decisions and they continue to do so," Thompson says. "The sense of control and support is priceless."

When Thompson attended one of their annual meetings, she says she sat back and just watched them function as a co-op.

"Even the three new people are understanding what their roles are. They were appointed treasurer, vice president and secretary so they all have a role, including the fifth person, who is the maintenance person," she explains. "And the vice president is also in charge of social activities so they all have a role. They *are* the board of directors and they approved a person adding a deck beyond the three feet. So those kinds of decisions were made as a cooperative in their meetings."

Thompson is pleased with the results.

"Just the ease and the non-governmental aspect of this made it fairly easy for the seniors to participate and I give full credit to the seniors for doing this together and continuing it," she says. "The members made the original decisions, they are part of a larger community and cooperatives, they are proud of their homes, they are proud of their independence and they have a feeling of pride and dignity."

NOTES

NOTES

NDARECs
Your Touchstone Energy® Cooperative

CDF
Cooperative Development Foundation