



Mid America Cooperative Council

2003-2013

"A Decade of Cooperative Education"

MACC INDUSTRY SECTOR UPDATE

September, 2013

September Features the Housing Cooperative Sector of our Membership

A History of Housing Cooperatives

Cooperatives have long been recognized as a means of providing affordable housing. Since they are owned by their residents, cooperatives offer continuing economic incentives and social opportunities for residents who are interested in controlling their social environment and improving the quality of their lives.

While the history of housing cooperatives dates back to the beginning of time, the greatest legal and organizational progress has been made in the last two centuries. Records of shared-ownership housing have been recorded throughout history since the days of Babylon, where documents describe two owners sharing separate floors of a house; to ancient Rome where the Digest of Justinian refers to separate ownership of a house but shared ownership of a common roof. Compare that to today's high-end luxury cooperatives, and one can see how far the development of housing cooperatives has come.

Europe's Historical Role in Housing Cooperatives

The cooperative housing movement began in Europe in the 19th century, primarily in Great Britain and France, as a means to provide affordable housing for persons whose other choice might be rental of a tenement flat from a landlord that controlled the premises much like a king controls his kingdom. Cooperatives also provided a solution to housing shortages that arose when industrial development attracted people into the cities and targeted as working class families who could not afford to purchase a home. They offered sound shelter at affordable prices relying on self-help efforts of members to reduce costs. The first documented consumer cooperative was founded in 1769, in a barely furnished cottage in Fenwick, East Ayrshire. It was here where local weavers first brought a sack of oatmeal into John Walker's whitewashed front room and began selling the contents at a discount. Thus the first cooperative was formed; the Fenwick Weavers' Society.

The Cooperative Movement: Early Years

In 1909, the first known cooperative housing community was built outside New York City on East Cedar Street at Lake Shore Drive in Chicago. It took another fifteen years for cooperative housing to take hold in Chicago. The first true cooperative development was started in 1918 by a group of Finnish artisans – the Finnish Home Building Association in Brooklyn, New York. By 1925, housing cooperatives had been constructed in sixteen cities in the United States. Most of these cooperatives were high-income cooperatives. About half of the cooperatives in the United States were found in New York City, but they were also prevalent in such cities as Chicago, Detroit, Buffalo, San Francisco, and Philadelphia. (*excerpts from "A History of Housing Cooperatives" National Cooperative Law Center*).

Student Housing Co-ops Educate Future Leaders

Jill Bode, President - Twin Pines Co-op Association

At Purdue University, student housing cooperatives have been an important part of the landscape since the 1930s, with the most recent student co-op being established in 1997. The 12 co-ops are each single-sex housing units, with seven houses for women and five houses for men. Each facility is jointly owned by the co-op members and alumni with the exception of one house, which is rented. Nearly 500 Purdue students call these cooperatives home.

Most of the co-ops are run on a day-to-day basis by the students, without any paid help. The students plan budgets and meals, cook, clean, govern and maintain their homes. The majority of co-ops also have an alumni group that helps manage the insurance and legal issues related to a student housing unit.

With college housing costs skyrocketing over the past few years, student housing cooperatives have become a very attractive room and board option for many students. With campus residence halls costing \$7,500 per year, the co-op average of \$3,000-4,000 per year seems like a real bargain. But that's not the only reason to become a member.

An important aspect of the student cooperative housing system is the consistently high GPAs and graduation rates of our students and the excellent life skills our students acquire; while living, working in and managing their co-ops. Our alumni consistently tell us that learning to manage money, problem solve, work in teams and perform minor household repairs are some of the most valuable aspects of their Purdue education—all things that were an integral part of their cooperative living experience.

As with Purdue, the future of student housing co-ops nationally is bright. More and more students are demanding whole-life learning experiences and reasonable educational costs as they pursue their academic degrees. With student co-op housing, these expectations can be met and exceeded. In turn, this leads to more involved, better prepared individuals in our communities, a win-win for everyone.

Additional Resources:

Purdue Student Housing Cooperatives www.purduecooperatives.org

North American Students of Cooperation www.NASCO.coop

Dear World: College Housing Doesn't Have to Break the Bank <http://bit.ly/xdKHGS>

Don't Forget to Visit Us at:
<http://macc.coop/>

Cooperative Housing . . . Sharing a Way of Life



2013 MAC-ED PROGRAM CALENDAR

Co-ops 101

Nov. 8 Farm Credit Mid-America Louisville, KY

Co-op Credit Conference

Oct. 17-18 Holiday Inn North Indianapolis, IN

CFO Essentials Conference

Nov. 20-21 Embassy Suites North Indianapolis, IN

CFO/Controller Conference

Nov. 21-22 Embassy Suites North Indianapolis, IN

Co-op Board Chairmen's Roundtable

Dec. 12-13 AIEC Springfield, IL

MACC Membership Meeting

Dec. 16 Select Sires Plain City, OH

The Benefits of Cooperative Housing

Housing co-ops are a uniquely flexible housing tool, providing many opportunities and benefits to their members, both economic and social.

Economic Benefits

Low Entry Costs - When a person buys or sells a co-op unit, the person does not receive title to real estate, but instead buys a share of stock in the cooperative corporation that owns the real estate. As such, there is no need for a new title search or title insurance with each transaction. For this and other related reasons, the closing costs involved in purchasing a co-op unit are typically lower than that of single family home or condominium transactions.

Stable Payments - Housing cooperatives can secure long-term, fixed-rate mortgage financing through several different programs operated by the federal government. For a co-op with such a mortgage, the portion of members' monthly expense that pays principal and interest remains fixed over the term of the loan, no matter how often units change owners. Consequently, over time, monthly expenses remain stable, and generally lag behind prevailing rental rates.

Homeowner Tax Advantages - The interest and real estate tax portion of a housing cooperative's mortgage payment enjoys the same beneficial tax treatment as the interest expense on a conventional single family home or condo. The co-op passes these tax benefits on to its members.

Equity Accumulation - Depending on the bylaws of the cooperative, members can build equity in their cooperative homes (through ownership of their share) the same as they would in a single family home or condo.

Joint Financing - The cooperative business structure allows residents to borrow collectively under a single mortgage (often called a blanket loan), borrow separately under individual mortgage loans (often called "share loans"), or use some combination of the two financing methods. This range of options gives co-op members greater flexibility in financing. In addition, individual households do not have to deal with emergency repairs.

Limited Liability - Individual members of the co-op are not personally liable for loans taken out by the cooperative corporation on behalf of its members.

Joint Purchasing Opportunities - Cooperatives provide a ready vehicle for joint purchasing on behalf of their members. In addition to providing an economy of scale in operations, housing co-ops have jointly arranged everything from shared babysitting services to visiting nurses. Such joint purchasing often can deliver to members a wider variety of products and services at a better cost. **(excerpts from A Practical Guide for Cooperative Success - Northcountry Cooperative Foundation)**

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