

How safe is the purchase of a housing cooperative?

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VIEW

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Guest Columnist



It is rare that we have the opportunity to have complete certainty in our investments and 2008 clearly provided proof. In this investment and real estate market, is now the right time to purchase a share in a senior housing cooperative and how safe is it? The cooperative structure has features that specifically address this question.

The purchase price for your share is normally 35-50 percent of the unit value and the remainder is covered by a master mortgage to the cooperative. Members pay monthly charges for their pro rata share of mortgage payments and operating expenses. The cooperative owns and maintains all floor coverings, window treatments and appliances. Units may be homesteaded for real estate tax purposes and mortgage interest and real estate taxes are deductible for personal income taxes.

Master mortgages are secured by the entire project with no personal liability to the individual cooperative members. Senior housing cooperative members take their membership seriously and rarely default on their monthly payments to the cooperative. If needed, the cooperative has the necessary powers and authority to enforce and collect payment if a member defaults.

The market for single-family homes has recently been characterized by declining market values. In contrast, the value of a membership share in a cooperative appreciates at a fixed amount of 1-2 percent per year. Co-ops have experienced none of the ups and downs that impact single-family home values. True, it does not appreciate similar to increasing market values of single-family homes, but it also does not experience the value declines. In the 30 years since the first senior housing cooperative was created, member shares have steadily — and reasonably — increased in value. Shares that are offered for sale normally sell quickly because cooperatives have waiting lists of potential buyers. Some members compare co-ops shares with certificates of deposit: modest return with little risk.

The number of older people is growing rapidly — a trend that will continue for the next 30 years. In the United States, over 85 percent of households over 55 own their own homes, and it is clear that many of them want to continue to be owners — not renters — in the future. That means we are at the beginning of a rapidly expanding growth in

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demand for homes designed for ownership by older adults.

Senior housing cooperatives have already proven themselves as the “option of choice” for Minnesota seniors.

By becoming a member in a senior housing cooperative, in addition to a place to live, you are buying into a lifestyle — an enlivened community for independent living. One of the most common responses I get from senior housing cooperative owners is, “I should have done this years ago.”

Now is the right time to purchase a share in a senior housing cooperative. Northfield has a senior housing cooperative, Kildahl Park Pointe.

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For more information about senior housing cooperatives, please check out www.seniorcoops.org

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