



# COOPERATIVE PRIMER

Senior Cooperative Living is a concept that provides many distinctive benefits in a unique, time- tested, successful structure. With the information below, we hope to begin to answer the questions you may have about a Senior Housing Cooperative.

## DEFINING ‘COOPERATIVE’

A cooperative can be defined as a non-profit corporation owned by the people who use it. People 62+ who together own and control the building they live in. Senior housing cooperative have proven themselves an option of choice since 1978.

## DEFINING ‘OWNERSHIP’

- As a cooperative member, you own a **SHARE** in the cooperative; the cost based on the size of the cooperative home you select. Together, members own the building, furnishings, and land on which the building sits.
- As a shareholder, you have the right to occupy the home you have purchased
- As a shareholder, you enjoy the same **TAX ADVANTAGES** as your single-family home. You can deduct:
  - your share of the cooperative’s master mortgage interest
  - real estate taxes
  - your share of the mortgage insurance
  - your cooperative home can be homesteaded as well.
- As a shareholder and member, your input will genuinely help to shape the community as together you are involved in the **DECISION-MAKING PROCESS** that will determine the success of the cooperative.
  - A Board of Directors is elected from the cooperative members, and as a shareholder/member, you are entitled to vote in the operation of the cooperative.
  - A professional management company is hired by the Board to handle the day to day operations of the cooperative.

## DEFINING ‘FINANCING’

- Financing for a cooperative is secured through a local bank, Cedar Rapids Bank & Trust, insured master mortgage which provides a fixed interest rate for 25 years.
- The mortgage is a non-recourse mortgage, secured by the entire project with no personal liability to the individual cooperative member.
- This mortgage provides for ease of resale with a larger buyers’ market offering affordable buy-in prices for future buyers.
- Oversight is provided by Cedar Rapids Bank & Trust ensuring that your cooperative home is built and operated in a manner allowing individual members to be proud of their cooperative home when it opens as well as in the future.

The goal of the master mortgage is not to be paid off, but to keep share prices affordable for new as well as future buyers.

## DEFINING ' MY COSTS'

The unique financial structure of a cooperative provides an affordable living option. Savings can be found through the purchasing of services and supplies in bulk contributing to affordable monthly fees.

- A **SHARE PAYMENT** is a one-time fee based on the size of the cooperative home selected.
- The **MONTHLY FEE** is predictable, based on the actual cost of the operation of the building, maintenance, utilities, insurance as well as including your share of the mortgage, property taxes and reserves for ongoing replacement and repairs.

## SELLING MY COOPERATIVE HOME

Historically, the affordability of the cooperative share and the ability for a buyer to participate in the master mortgage, provides for ease of resale.

- The management company handles the transaction and charges a nominal transfer fee.
- This stock transfer is not considered a real estate transaction, eliminating the need to pay a commission.
- Prairie Gardens Cooperative will use a fixed equity formula which is based on 2% of the value of the unit.
- The resale value is based on the individual share payments plus the 2% fixed equity.

## FINANCING MY SHARE PAYMENT

Buyers usually look to the equity of their home to make their share payment.

## MY MAINTENANCE FREE COOPERATIVE HOME

Cooperative's provide truly maintenance free living. Repairs and replacements necessary inside the four walls of the new cooperative home you select are the responsibility of the cooperative, covered in your monthly fees. The manager will arrange for repairs which are made at no additional cost to you.

- Going away for the winter, no worry about leaving your home
- On a fixed income, no hidden or additional surprise costs to worry about Prairie Garden's Cooperative is not just a place to live, but a lifestyle that allows for adults 62+ to be active, happy participants, enjoying peace of mind, enjoying an affordable retirement!  