

Resident Ownership of Harmony

Here's how it might work for a family at Harmony.

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Rev. 2

MHC Residents Buy Their Parks.

Around the United States, residents of manufactured home communities are joining together to purchase the land on which their homes are located.

Why?

- 1. Security:** When we own it, we make the rules.
We control the costs.
We decide who lives here (fair housing law applies of course.)



- 2. Build Equity:** Appreciation in the value of the park accrues to us! Our homes' values have the opportunity to go UP just like site built homes do.

- 3. Tax Benefits:** We receive tax benefits that now go to the landlord.

A national movement. According the *2000 Cooperative Housing Journal* published by the National Association of Housing Cooperatives, California has 100 cooperatively owned manufactured housing parks, Florida has 55. Manufactured home cooperatives are also in Rhode Island, New York, Oregon, and Washington. In addition, there are 47 cooperatively owned manufactured home communities in New

Special points of interest:

- *Benefits of a resident ownership*
- *Costs*
- *How a coop works*
- *How you gain equity*
- *Payments*
- *Financing*

A Cooperative Is How It's Done.

What is a manufactured housing cooperative?

A housing cooperative is formed when people join together on a democratic basis to own and control the manufactured home community in which they live. They form a corporation and pay a monthly amount (called carrying charges) that covers operating expenses. Monthly carrying charges are INSTEAD of lot rent, not in addition to it.

Who owns the cooperative?

Residents buy shares (sometimes called a membership) in the coop. The members own 100% of the cooperative. The cooperative owns 100% of the land and common buildings. Residents individually own their homes, and have a proprietary lease to allow them to place the home on a specific site.

What do you own as a member of a manufactured housing coop?

You own a cooperative interest. Each cooperative interest consists of two things:

1. The member's ownership interest in the cooperative corporation (evidenced by a certificate of membership or corporate shares), plus
2. An exclusive right to occupy a particular home site that is owned by the cooperative corporation (evidenced by a proprietary lease.)

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How do I build equity?

As a cooperative member pays down his or her share loan, and as the market value of her cooperative interest increases, the member builds equity. As the market value of the cooperative property increases, so does the value of each member's cooperative interest. (Please see the example on the last page.)

That's a \$10 way of saying as the value of the real estate goes up, so does your wealth.



It's easier to retire when there's equity in your home.

What about payments?

What monthly payments does a cooperative member make?

1. Payments on their home, including taxes and insurance.
2. His/her share of the budgeted costs of the cooperative (carrying charges.) There are no profits to an absentee landlord. The cooperative's board of directors prepares an annual operating budget to cover the cost of operations, reserves, principle and interest on the cooperative's mortgage, and property taxes and insurance.
3. Payments on a loan used to purchase a membership in the cooperative.
4. Utility costs.

So how much is that?

You already know what your home payments and utilities are (Nos. 1 & 4 above.) The question is really what will number 2 and 3 come to. The truth is we cannot say for sure yet. We don't know how much we will have to pay the landlord for the park, for example. In addition, your tax bracket will play an important role in determining the end cost to you, and that's different for everyone. **What we are shooting for is that, in the beginning, the costs of ownership will be no greater than the costs of renting.** Over time coop members are largely insulated from rent increases plus they enjoy the opportunity for appreciation of their property. Please see the example on the last page.

Opt outs and Cops.

Can I just **continue to rent** if I want to?

Yes. Instead of paying rent to the current owner, you will pay it to the coop. The coop will determine the terms and conditions of your site rent.

Can I be **evicted** for organizing a coop?

You have a right to free assembly, and Colorado law (38-12-206, C.R.S.) specifically provides for the right of manufactured home community residents to meet in community facilities on matters "relating to mobile home living and affairs."

Also, please consider that the relationship between the cooperative and the landlord is not necessarily negative. The goal of the two parties is to reach an agreement that is affordable to the residents and gives the landlord a fair return. Basically, all we're trying to do is talk business.



The law permits you to organize; it's your right!

Additional Benefits of Ownership.

What **tax benefits** are available to cooperative members?

Members can deduct on their personal federal income tax returns:

1. Their share of the cooperative's mortgage interest and real estate taxes,
2. The interest on their share loans,
3. The interest on the loans taken to buy their homes, and
4. Property taxes on their homes.

All this adds up to the same treatment that is commonly received by site built homeowners. (Currently, the landlord receives the tax benefits of mortgage interest and real estate taxes on the park itself. When you become owners, these benefits accrue to you.)



Are **other benefits** available?

Tax benefits and financing can lighten your load!

Who Governs Our Cooperative?

Who governs our cooperative?

The members, as a group, are democratically responsible for governing the cooperative. Members elect a board of directors, establish and amend bylaws, and make decisions about the sale of the cooperative's property or dissolving the cooperative corporation. The board of directors is responsible for the day-to-day operation of the cooperative. The board hires and oversees management, sets community policies, approves operating budgets, and approves candidates for membership.

“The members, as a group, are democratically responsible for governing the cooperative.”

Coop Financing.

How do we get the money to buy the park?

One of the major advantages of housing cooperatives is the flexibility of cooperative financing. Since the cooperative corporation owns the land on which its members live, it can borrow money secured by the property as a whole. This is known as a “blanket mortgage”. Individual members own cooperative interests and they can, in turn, borrow money secured by their cooperative interests. This is called “share debt” or a “share loan”. **New cooperatives can be financed using only blanket debt, only share debt, or any combination of the two. Only**

the cooperative corporation is responsible for blanket debt. No cooperative member is individually liable, nor do any cooperative members need to individually qualify for a blanket loan.



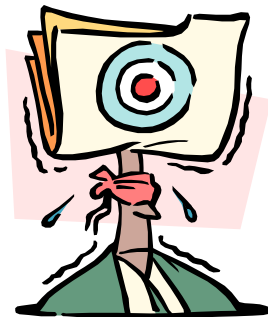
Here's how it might work for a family at Harmony.

		Advantages of Home Ownership Under Coop and Enhanced Coop Circumstances			
Owner	ARC	Harmony Park Homeowners' Association	Harmony Park Homeowners' Assoc. Enhanced		Description
Payments	Month to Month Rental	Resident Owned Coop	Resident Owned Coop + Home on Permanent Foundation		
Manufactured Home (MH) unit purchase price	\$56,938	\$56,938	\$57,870		New 1640 sq.ft. double wide
Cash outlay at purchase	\$6,739	\$7,439	\$9,017		10% down + closing costs
Loan rate on MH	11.00%	11.00%	7.00%		
Monthly payment on MH	\$488	\$488	\$347		30 year loan
Monthly Land Rent	\$380	NA	NA		
Monthly Coop Carrying Charges	NA	\$388	\$388		Portions of this payment related to mortgage interest, and real estate taxes are tax deductible. This payment assumes that a blanket loan to purchase the park is obtained at 7% interest.
Annual Housing Tax Deductions					
Deductible interest paid on mortgage	\$5,856	\$5,856	\$4,158		
Deductible mobile home taxes	\$430	\$430	\$430		
Deductible interest on coop payment	NA	\$3,081	\$3,081		
Deductible property tax	NA	\$108	\$108		
Annual tax relief at 28%	\$6,286	\$9,475	\$7,777		
Monthly tax relief at 28%	(\$1,760)	(\$2,653)	(\$2,178)		
MH + Rent/Coop payment	\$868	\$876	\$735		
MH + Rent/Coop payment after tax	\$721	\$655	\$553		
Equity					Equity is amount of appreciation or depreciation less the value of the loan. The home in the ARC column is depreciated over 30 years using the straight line method. In the Coop column the resident's investment is appreciated at 6%/yr. In the Coop Enhanced column the resident's investment is appreciated at 8%/yr.
After 1 year	\$4,501	\$12,103	\$14,533		
After 7 years	(\$1,974)	\$59,936	\$83,656		
After 15 years	(\$7,350)	\$158,448	\$241,975		
<p>This example is created to illustrate the advantages of resident ownership of a manufactured home community. This calculation requires many assumptions regarding residents' personal circumstances, rates of interest, rates of appreciation, rates of depreciation, among other things. These assumptions may be incorrect. If so the actual outcome will be different. The difference may be large. It is possible to lose money investing in real estate.</p>					



Sounds good, but there's still much to know.

That's right, but we'll be making decisions one step at a time, together. The only thing to remember right now is that this is **your** coop. And **you** will make the decisions. It will take work and there will be costs. You're invited to join in the with research and decision making every step of the way.



We'll figure it out!

The material in this flyer was created by borrowing from several different sources including:

- The Manufactured Housing Project, University of Michigan, College of Architecture and Urban Planning, Ann Arbor, Michigan 48109-2069
- The New Hampshire Community Loan Fund, Manufactured Housing Program, 7 Wall Street, Concord, New Hampshire 03301 (603)-224-6669
- The National Association of Housing Cooperatives, 1401 NY Ave. NW #1100, Washington, D.C. (202) 737-0979

I put in my 2¢ as well. Any goofs are my fault, I'm sure. SO CHECK IT OUT BEFORE YOU ACT!!!!!!

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