



Senior Cooperative Housing:

Terry W. McKinley

In their quest for affordable housing alternatives, many active seniors in the upper Midwest are making a choice the rest of the country has yet to discover. For them, that choice might be senior cooperative housing.

Since 1978, more than 60 senior cooperatives, totaling approximately 4,150 units and ranging in size from 10 to 334 units, have been constructed in both rural and urban communities in Minnesota, Iowa, Nebraska, Wisconsin, and Michigan. In all, 27 communities (2,980 units) have been built in Minneapolis-St. Paul—15 since 1996—and another 15 (1,000 units) are on the drawing boards there.

In a cooperative, residents own their units by purchasing stock in the corporation formed to own the project. A board, elected by the owners, governs the cooperative corporation and usually hires professional management to handle day-to-day operations.

Typical co-op prices range from \$50,000 to \$180,000, with monthly charges from \$300 to more than \$2,000, depending on the age of the building, unit size, and type of financing. Most senior cooperatives use a master permanent mortgage insured by the U.S. Department of Housing and Urban Development (HUD) to provide the stability of long-term, fixed-rate financing and to reduce down payments to 30 to 35 percent of unit value.

Some new cooperatives now eliminate master mortgages altogether and permit full cash purchases or individual share financing.

Ages of new co-op owners range from 55 to 95, with a median of 73. Nearly all sold single-family homes to purchase their co-op shares. Many owners have indicated they would not have moved from their homes had the co-ops not been available, as they were not prepared to rent or pay the often high costs of assisted living.

Unlike the townhouse cooperatives built by Rossmoor Leisure World in the 1970s for older adults, these newer co-ops include apartment-style living, with interior corridors and circulation, clustered around expansive community facilities and indoor parking.

At first blush, a senior cooperative looks much like any independent living facility, but that's where the similarities stop. Cooperatives are organized around the concepts of resident control, preservation of members' assets, and sustaining independence with minimal services. Buildings are designed to enhance aging in place, operating policies are controlled by members, and the operating budget—also controlled by the owners—is designed to include only those services needed by all members. If additional support is required, residents individually will seek meal service or housekeeping through outside providers. Many senior co-op residents describe cooperative living as the best of renting and the best of owning.

A Choice For Active Adults



What Is The Appeal?

What makes the cooperative concept so appealing, and why are some of the largest Midwest developers getting into the act? The answer could be as simple as knowing that 78 percent of our nation's seniors currently are homeowners. During the 1990s, the number of senior (65+) households that rented homes actually declined by roughly 110,000 households (minus-2 percent). Meanwhile, the number of seniors who owned their own homes increased by nearly 2.3 million—a 15 percent jump. This occurred despite the fact that nearly 85 percent of seniors housing units, or roughly 450,000, were located in rental projects.

Rick Fenske, a senior market analyst at Minneapolis-based Maxfield Research, said the seniors' market has been looking for a long time for ownership alternatives.

"The combination of shared ownership, control, and affordability—all important to active seniors' homeowners—are provided by the cooperative and are almost impossible to duplicate in a rental setting," said Fenske, who has done considerable research on seniors' housing options. "Even condominiums, with their distinctly individualized ownership structures, don't foster the kind of enlivened, interdependent, and supportive environment that we have seen develop in cooperatives, and aging seniors seem to instinctively sense the importance of living with others who share that kind of commitment to community."

Fenske also is quick to point out the majority of growth of the cooperative concept in the Midwest has occurred during a period of modest growth in seniors' demographics, especially compared to what is expected to happen over the next 30 years.

"It is most important to understand that the cooperative concept has allowed the industry to tap into segments of the older adult market—especially couples—that would not normally consider 'seniors' housing and typically would remain in their single-family homes," Fenske added. "As researchers, when we combine this acceptance and attitude shift with near-term skyrocketing growth in 'young-old,' we see no end in sight for this concept's demand."

Who Are The Developers?

Early senior co-ops, built in the late 1970s, were started by long-term care providers, like the Lutheran-sponsored Ebenezer Society and Episcopal Church Home of Minnesota. They were looking for a housing option that would serve seniors moving out of single-family homes and not ready for the service-intensive or subsidized options on their campuses.

In recent years, private developers almost have taken over the market. Developers such as Realife, Gramercy, and Cardinal Pointe were organized to develop senior housing cooperatives.

"It's unusual that we have the opportunity to do something where we do well and do good both at the same time," explained Paul Sentman, of Cardinal Pointe. "While co-ops don't provide the kind of operating cash flows available in independent and assisted-living facilities, they do provide an extraordinary housing option for active seniors, not to mention an excellent development profit. As far as I can tell, there are more seniors interested in ownership and minimizing monthly costs."

Most recently, United Properties, one of the Twin Cities' largest commercial developers, joined the area's small developers by announcing its intention to enter the senior cooperative business with a series of projects called Applewood.

"United Properties was introduced to the co-op concept while we were seeking multifamily apartment development opportunities," said Brian Carey, United's vice president for development. "As we learned more about the benefits to seniors, co-ops became more appealing. As developers, we always seek to identify unmet needs in the marketplace that are supported by long-term trends.

"We see the development of coops as a long-term opportunity to generate development revenue while also making a positive contribution to many people's lives," Carey added. "There are few development opportunities that provide us the ability to make a living while really helping others."

The cooperative concept is spreading as developers learn more about them. Projects have been completed in places as diverse as Anchorage, Seattle, and Canyon, Texas. Others are planned in Arkansas, California, and Maryland. Cooperative housing is a concept the rest of the country is finally embracing.



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