

# Finding a Home

*Searching for property for your  
group equity housing cooperative*

A Golden Rule of house hunting:

*You can't afford to compete on an even playing field with private developers.*

*Why?*

# Buying property takes money...

- *A bank or loan fund will only loan a percentage of the value.*
- *Today, banks are conservative and may only loan 70-75% of value.*
- *The buyer (YOU!) needs the rest for a down payment.*

In other words, a private buyer usually has the money for a down payment...

*...And we usually don't.*

# How do co-ops make down payments?

- *In “limited equity” or “market equity” co-ops, shares can cost thousands of dollars*
- *This share money can be used for the down payment.*

A “group equity” co-op is different:

- *In a “group equity” co-op, the co-op holds the value, rather than dividing it among members.*
- *In “group equity” co-ops, the cost of a share is typically about the same as a security deposit.*

# Where can a group equity co-op find the money for a down payment?

- You can save it up.
- You can ask for donations.
- You can refinance another building, if you own one, “pulling out the equity.”
- You can find alternative lenders.

# How does this affect house hunting?

- *Since members aren't contributing large amounts of money through share purchases, you will need to find other ways to afford the property.*

# Alternative lenders include:

- Other co-ops
- Friends, family, or members
- Churches or community groups
- Community loan funds
- The Kagawa Reinvestment Fund

- Real estate prices are related to the cost of borrowing.
- Private developers plan to invest 20-25% of the cost.
- If you don't have that down payment, you will need to borrow more money.
- To borrow more money, you will need either lower costs or increase revenue

*(There are exceptions to this that we will talk about later...)*

# How can we increase revenue?

- We can use space more efficiently than private developers because we can increase density.
- We can do this because of the strong communities that we build.
- *But to increase density, we need the right kind of building.*

What is the right kind of building?

Option 1:

Look for a rooming house



Rooming houses are already approved and up to code.

They are often “grandfathered” as “pre-existing uses.”

- *Rooming houses are not popular with developers because they are harder to manage. They often cost less to buy.*
- *This is Brooks House in Urbana, Illinois*



Harvest House is another rooming house in Urbana.



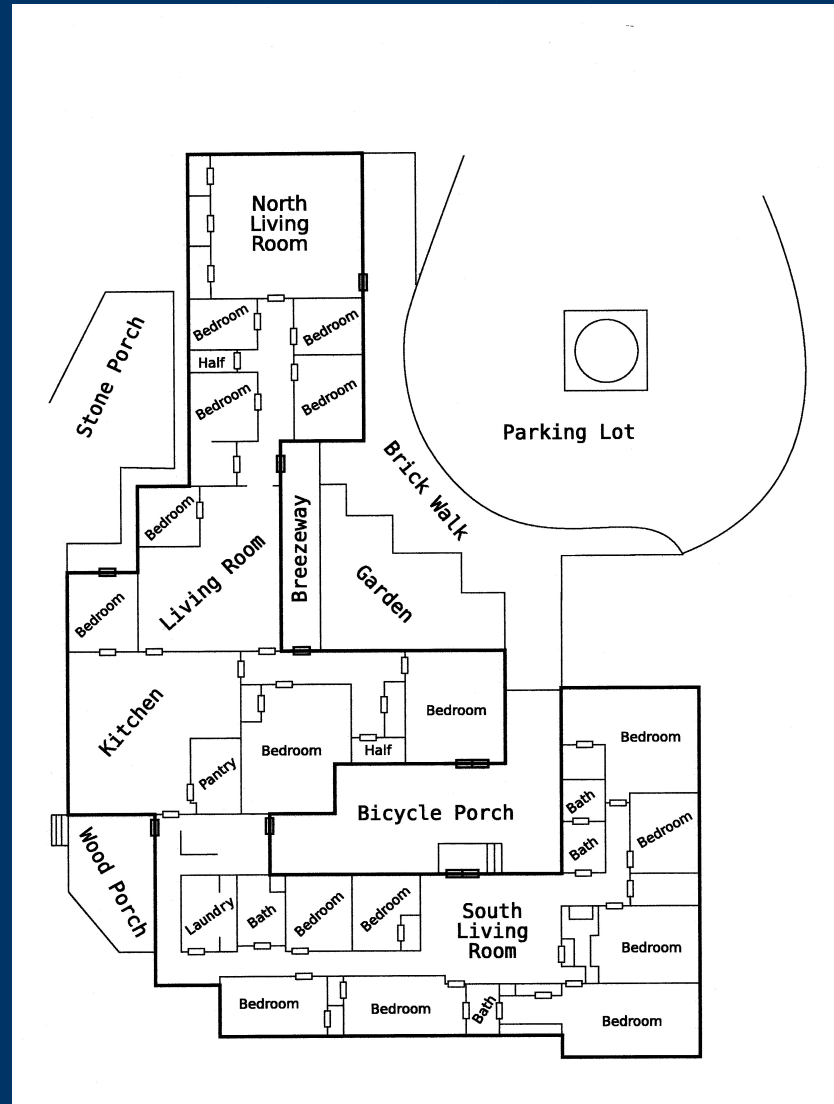
This co-op is in one of the few rooming houses remaining in State College, Pennsylvania

Option 2: Buy a building that we  
can use differently



Sasona Co-op in Austin is in an old  
group home with 17 bedrooms

It's a very strange building... but it works as a co-op and even has a commercial kitchen.



# The Austin Music Co-op is another example...



It was in a former nursing home (renting)



Ashland House  
in Chicago is in another  
example. It's in an  
old convent.



Option 3: Buy an apartment house or building that we can convert to group use.

The Jane Club,  
started in 1883 and  
named for Jane  
Addams, used this  
approach

*The common rooms in  
the upstairs apartments  
were converted to  
bedrooms*



Concord House, also in Chicago, is a three-flat building, with three kitchens. But as with the Jane Club 90 years earlier, the living rooms and dining rooms on the upper floors are now bedrooms.





- Seedpod in Boston is a similar three-unit building that has been converted to group use in the same way.



Sometimes larger buildings built as apartments can be converted to rooming houses.



- These two house in East Lansing, Michigan were built as apartment houses in the late 1940s.
- The individual kitchens were made into bedrooms and a new kitchen/dining room built in the basement.
- They are now officially rooming houses

In Grand Rapids, the apartments were re-named “suites” and were combined to create more bedrooms.

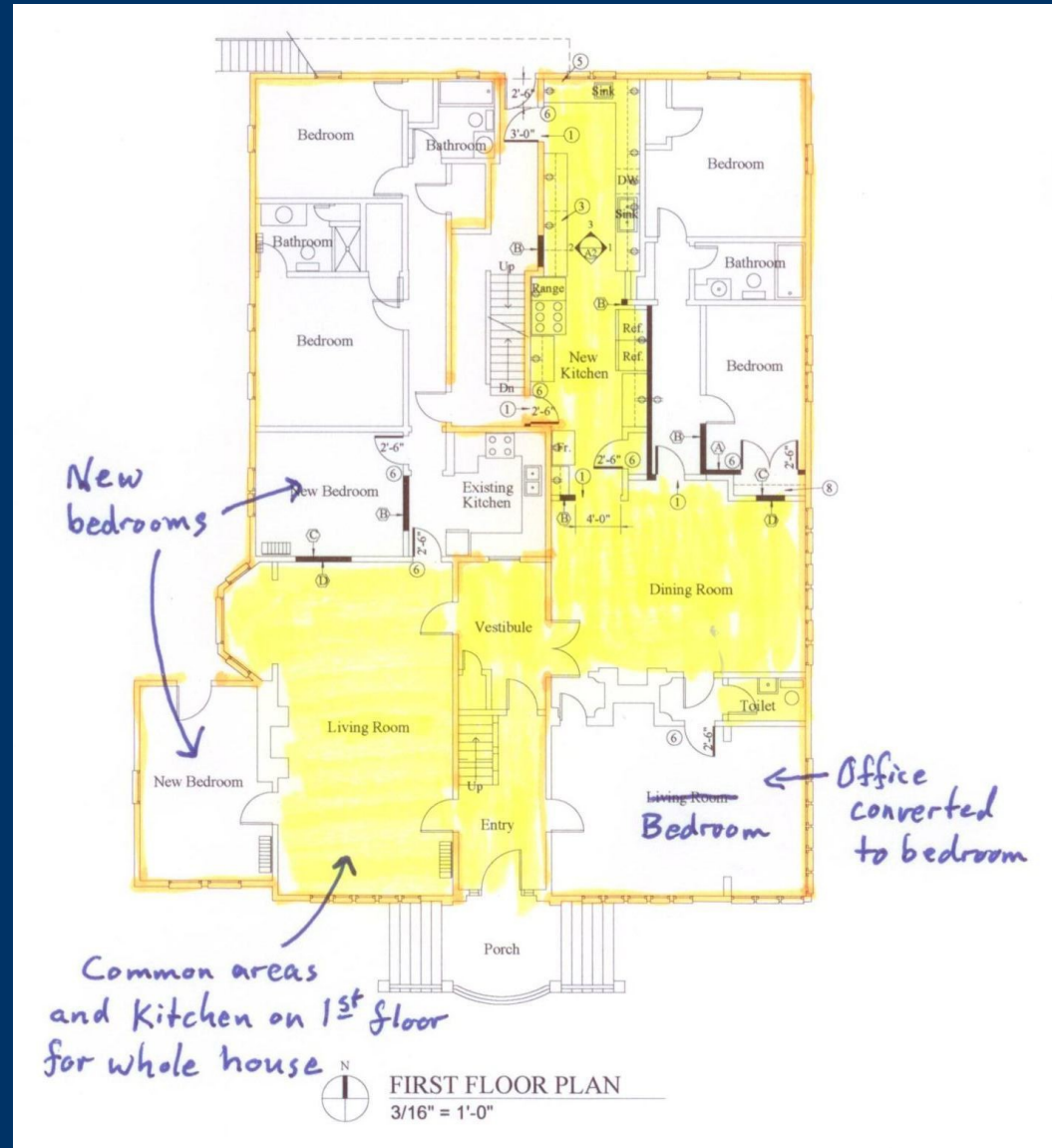


- Apartments decreased from 12 to 8
- Bedrooms increased from 18 to 24.

Average rent per bedroom decreased from \$438 to \$370.

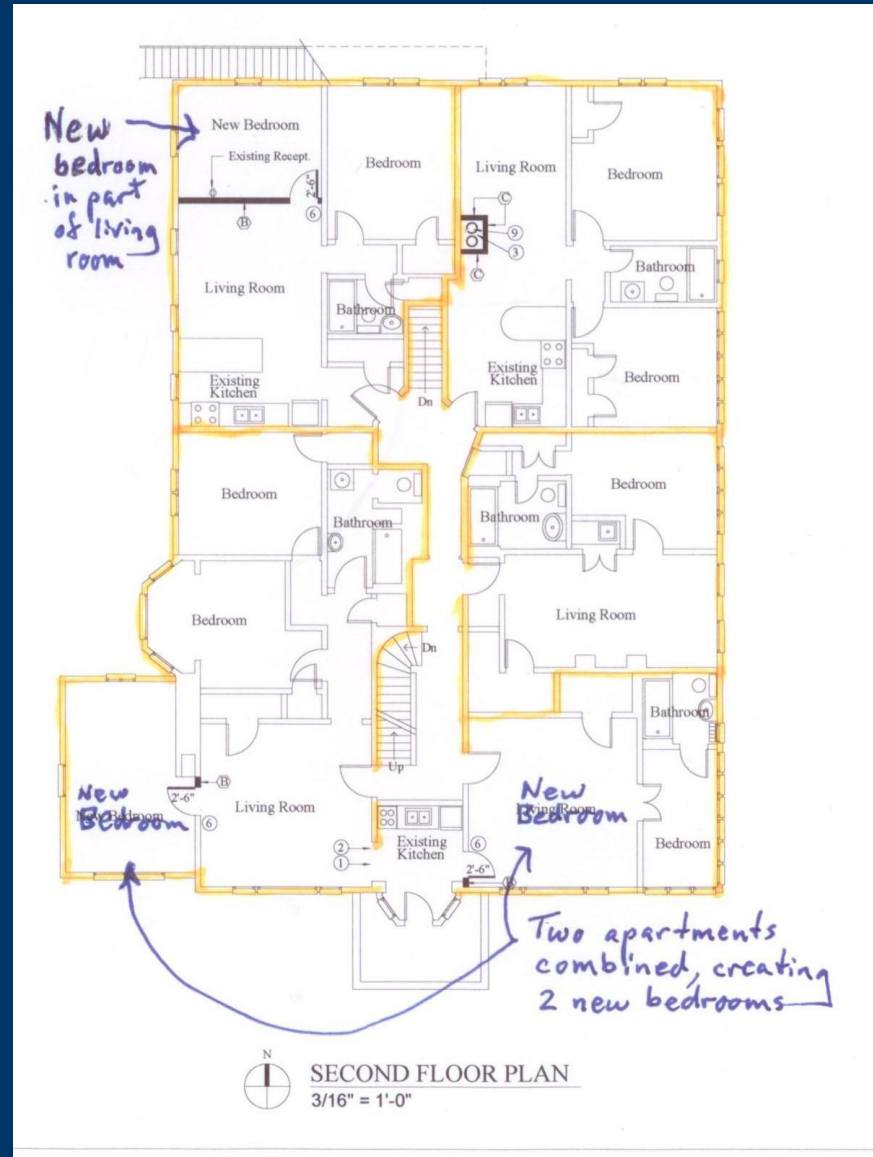
- Common areas are on the first floor

Three new bedrooms have also been created from former living space.



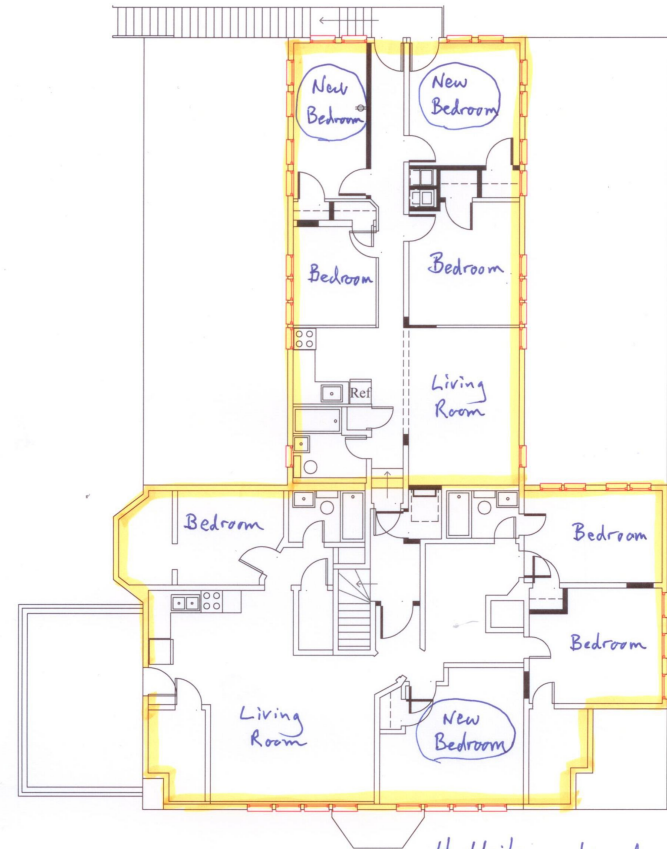
- Two apartments were combined on floor two

Three new bedrooms were created, one from part of a living room and two from former common areas.



- Four apartments were combined into two new units on floor three

Three new bedrooms were created from former common areas.



4 Units combined  
into 2 units -  
3 new bedrooms  
created

Third Floor Plan

3/32" = 1'-0"

1/1/13

# And there are other ideas...

- How about converting an old school building?
- What about an older office building?
- Remember, in most cases buildings from before air conditioning will have more and better windows!



# What about buying apartments or houses and keeping them as they are?

- A larger down payment is needed (20-25%). For rents below market, you will need more!
- *You may need to look for governmental assistance.*

# What kind of governmental assistance?

- Tax credit financing
- Community Development Block Grants
- Bond financing
- Local funding programs (e.g., funds received from profit developers in lieu of providing affordable units)

*(These are all competitive programs!)*



Two houses in Davis were donated by the City to Solar Cooperative Housing to be moved to a new location.

Artist rendering of the houses in their new location.





- Another option: King House in Ann Arbor was purchased with equity from other buildings.



*Yet another alternative: move somewhere that property is cheap!*

- *This house in Muskegon, Michigan cost \$7,500 (foreclosure sale).*



There are many things to look for when viewing a building...

- **Location**
- **Public transportation**
- **Convertibility of floor plan**
- **Common areas -- enough? Size?**
- **Maintenance problems?**
  - Bathrooms
  - Furnace or boiler -- especially age
  - Water heater
  - The roof!
  - Gutters
  - Termites
  - Electrical service, outlets, etc.
  - Water pressure
  - Kitchen size, layout and storage

...and that's just a start!

*Finding the right building is one  
of the most important steps in  
starting or expanding a co-op...*

**Good Luck!**