

## Shareholders

Today's co-ops anchor a values-based lifestyle that treasures community, preserves affordable housing.

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BY BONNIE MCGRATH

Ted Ernst lived in a condo in a small building for seven years, but grew tired of not knowing his neighbors. "We never shared tea, we never even bumped into each other coming in and out," said Ernst, 35, who works for the Illinois Department of Children and Family Services. Four years ago, he decided that he'd had enough anonymity on the home front, and started to think about what he really wanted from a neighborhood.

Some friends of his, a group of bicyclists, were living in Logan Square and renting apartments in the same building. The building was going condo, and they would all be moving soon. That group, along with many of their friends, including Ernst, began having potluck dinners to discuss ways to buy property together. They were looking to create a meaningful community at reasonable prices. Those who were serious chipped in a little money to demonstrate their commitment.

That's how the Hub was formed.

### **In the Hub**

The Hub is an L-shaped building in Little Village on the Southwest Side that Ernst and seven others have turned into a five-unit co-op. But more important to Ernst and his co-op partners, the Hub is a community that they call home.

"I wanted to live in a community with like-minded 'utility' [as opposed to recreational] bicyclists," Ernst said.

A co-op might be right for you if you're looking for the feeling of belonging to a community, want to commit to a lifestyle or political principles, or would like to put your money where your mouth is related to maintaining affordable housing. It also might be right for you if you're not comfortable with taking on the kind of sizable mortgage that market prices require these days.

The number of co-ops in the Chicago area is not known, but it is generally believed to be small. It's a number that's difficult to quantify because there are many different models of co-op.

So, who lives in a co-op? Everybody -- physicians, teachers, mechanics, nurses, actors, sales people, software experts and volunteers -- in every conceivable situation, single, married, with children, without, seniors and twentysomethings just out of college.

### **Co-ops with a snobby past**

In the past, co-ops were known for catering to the rich and snobby. That could be because co-op buyers bought their market-rate shares with cash versus the way buyers of traditional homes buy with a mortgage. That also might be because of the voting structure of co-ops: Rumors circulated that people were being rejected because of financial background or pedigree.

Lately, though, more people from the middle are buying into co-ops.

Buildings that house co-ops come in every shape and size and dot the Chicago landscape from Rogers Park to Lake View to the Far South Side. Often units are small, and low- and moderate-income singles gravitate to them. But co-ops also come in large-apartment sizes and in town houses.

Additionally, many public housing high-rises and town-house developments have been converted to co-ops by HUD through the years. In these cases, buying a share is like putting down a security deposit. To people who are accepted as share owners, the monthly fee might feel just like rent. Often, management companies take care of the facility and appliance upgrades for the residents. "Sometimes people who are part of a co-op may not even realize it," Ernst said.

### **Dreams turned into action**

While old-fashioned snobbiness might not be driving life at Chicago's "modern" co-ops these days, cultural drivers are still at play. The new co-ops are following their feelings and dreams about a better world, and putting into practice their social and political commitments. Increasingly the new co-ops follow a philosophy of limited -- and even zero -- equity principles, versus the market-rate philosophy of co-ops of the past. When they move, shareholders in zero- and limited-equity co-ops are willing to take exactly what they paid for their shares -- or just a little more, respectively -- so that others of similar income can take their place. That's because shareholders in today's co-ops are committed to keeping their neighborhoods from becoming too gentrified and to preserving affordable housing. "I realized that speculation is really bad for a neighborhood," said Ernst, whose limited-equity co-op bylaws require 100 percent consensus in making decisions. Ernst hopes some day any equity accrued by the Hub will be used by other people who want to start co-ops in his neighborhood.

### **Preserving affordable housing**

Deborah McCoy, 56, a legal secretary with Baker & McKenzie, was aware of how much affordable housing was disappearing in Logan Square, so she helped form an eight-unit limited-equity co-op there in 2001. However, she ended up leaving last year to move in with a roommate, who ironically owned a market-rate co-op, also in Logan Square.

McCoy didn't like living alone in her 1-bedroom co-op so she sold her shares for what she had purchased them for, plus a "little extra." McCoy originally put in \$5,000, and paid \$720 monthly in fees.

Similarly, a few years ago, Mark Fick, 34, helped start a zero-equity co-op called Stone Soup, which owns a large Victorian house in Uptown, as well as two other buildings. Fick lives there, in an arrangement that includes a level of community living that is not the co-op norm.

"I wanted to see the effects of making certain choices in life," Fick said. "I saw how lives were affected in this neighborhood from the area gentrifying, and I didn't want to be a part of the problem. I wanted to be part of an effort to stabilize things, and preserve things for those living here."

The dozen residents in Stone Soup co-op, which includes one infant, each have one of 11 rooms. They share a living area, as well as meals. In addition to an initial \$1,000 membership fee, and the monthly fee for mortgage, taxes and maintenance, which ranges from \$400 to \$650 depending on the room, each co-op resident also pays \$100 monthly for food. Toiletries and cleaning products are purchased by the co-op, as well. Residents must give three months notice if they wish to leave -- and the co-op maintains a vacancy reserve in case a new resident can't be found within that time.

Although co-ops aren't currently within the norm, shareholders like McCoy believe co-op living will become more common.

"I feel that I have contributed to 'affordability' in Logan Square," McCoy said. "This should be the wave of the future. The city should get involved in starting co-ops. It is a very good model, when people get together, get along and commit to co-op living. It is a very positive thing to contribute to being a part of a group. The difference between co-op and condo living is the difference between a glass being half full and half empty."

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## Cold cash for co-ops

Making the Critical Difference

Community Loan Fund seeks energy and chemistry from startups  
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Stone Soup co-op founder Mark Fick works as a senior loan/program officer for Chicago Community Loan Fund (CCLF), a not-for-profit lender that loans money to people who want to start co-ops and other types of affordable housing.

Since 2000, the \$16 million CCLF has made roughly \$4 million in loans to more than a dozen co-ops containing 247 housing units. The loans are made at prime rate -- or near to it.

Initial funding for the CCLF was provided by individual and institutional investors. Fick said the loan fund provides "social dividends" from these investments. The community loan fund administration "lives" on the difference.

In his work, Fick must evaluate people who are interested in starting co-op projects.

So what does Fick look for?

He asks these questions about the co-op inquirers.

- Are they realistic about the commitment and the work involved in starting and maintaining a co-op?
- Have they educated themselves by visiting with others who have already done it?
- Do they have experience working together as a group, taken classes, learned about rules and budgets?

In addition, Fick likes to see "energy and chemistry" between people who want to start a co-op. He also does the standard things like looking into income history and credit checks. He said there are few, if any problems with the loans he has made for co-ops.

"I am helping to establish this kind of thing as a legitimate housing option," Fick said. "It is 'real' home ownership and it is building a community by establishing networks of support. Once co-ops are established as zero or limited-equity models, they have permanent affordability. It's an opportunity to be a homeowner and to also have control over who lives next door."

*Bonnie McGrath*