

From Tenant to Owner -

Frequently Asked Questions about forming a Resident-Owned Community (ROC)



*with help from the
Genesis Community
Loan Fund*

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What IS a Resident-Owned Community?

A Resident-Owned Community (or ROC for short) is established when owners of mobile homes join with neighbors to buy their mobile home park. To purchase the park, the tenants form a not-for-profit corporation called a cooperative. Each member is a part owner of the cooperative, and the cooperative owns the land the homes sit on while members continue to own their own homes individually.

Beginning in 2007, the Genesis Community Loan Fund, a Maine-wide nonprofit organization based in Damariscotta, will help residents of *some* of Maine's 552 mobile home parks to

- organize a cooperative
- find financing
- buy their park

Additionally, Genesis Fund staff members will share effective ways to manage the cooperative, including how to set up a financial record keeping system and how to use resources to improve roads, water, and septic systems. The Genesis Fund will offer support to the cooperative for as long as it needs it.

How does a ROC work?

Once the cooperative (or co-op for short) is formed and has bought the park, the residents elect a Board of Directors and form committees to manage the park. (Some committees other ROCs have established include Maintenance, Finance, Social, and Membership. The number of committees depends on the size of the park and the needs of its members.)

Each member owns one membership in the co-op. Co-ops are democratically managed: one home, one vote. The co-op holds the mortgage on the land, collects the lot rent, makes the mortgage payments, pays the property taxes on the land, pays the bills, does the bookkeeping, and maintains the property. The co-op is responsible for insurance, upkeep, and major repairs to the park such as replacement of worn out septic systems.

What are the benefits of living in a ROC?

Members of a ROC are the ones who make decisions about the park. For example, members:

- control monthly lot rents by membership vote
- have lifetime security from unfair eviction
- benefit from having repairs and improvements done promptly
- develop fair community rules
- remove the danger of the park being sold or closed
- experience a strong sense of community

An added bonus is that residents of many ROCs in New Hampshire, where 86 communities have been created since 1983, have seen their homes **increase in value** when a cooperative is formed. When members want to move from the park, their homes will be worth more on the open market.

Why not remain a park tenant?

Three compelling reasons to consider forming a co-op with your neighbors...

1. The theory is that if you don't like how the park is being managed you can move your home out. However, mobile homes these days are not very mobile. Many homes could not withstand the move, and affordable lots are hard to find. If the park owner wants to close the park - and you can't move your home - you will lose it.
2. Even though you own your home, the park owner controls your lot rent and the park rules. The owner also has control over the condition of the park—including roads, water, electric, septic systems, and landscaping. Each time your park is sold to a new owner, your rent is likely to increase.
3. A mobile home park is a business. Your monthly rent pays for more than just the park's operating costs. It also pays for the landlord's profit. When residents form a co-op, it is nonprofit. The main purpose of the co-op is to keep housing affordable for the residents, so 100% of your rent goes back into the park.



photo by Diane Phillips/Duval's Co-op MHP - Jeffrey, NH

The First Step

Making Contact and Getting Organized

When a mobile home park is for sale or threatened by closure, the Genesis Fund will make contact with residents to talk about the possibility of organizing a co-op and making a purchase offer.

It is not necessary to have every tenant interested and involved to investigate buying the park. Often a core group of residents starts organizing and interest grows with the other tenants along the way as they see the benefits of co-op ownership.

An initial informational meeting with the residents is held to describe the process of forming a co-op. If enough residents are interested in pursuing the formation of a co-op to purchase their park, Genesis Fund staff members assist with things such as helping the group to legally incorporate, assisting with negotiations with the seller/owner, preparing a management plan to take to the bank, developing a budget, and establishing a bookkeeping system. The co-op members do legwork and make the decisions.

Residents can organize a co-op to purchase their park whether or not the park is for sale. The park owner may be willing to sell the park if the sale will financially benefit him/her. The ideal approach is win/win, where purchaser and seller both benefit from the sale. Some sellers have needs besides cash. For example, in one case, the park owners were elderly and sold the park to the residents at a discount with the stipulation that the couple could remain in their home within the park with a free lifetime lease.

The Second Step

Financing the Purchase of Your Park

Once a co-op decides to purchase its park and an agreement with the seller/owner has been reached, it is time to raise the money. Banks typically lend 80-90% of the park's appraised value. For example, for a co-op that has to raise \$300,000 to buy its park; a bank might be willing to lend \$260,000 for a first mortgage. The Genesis Fund would then lend a below-market rate second mortgage for the remainder, so **there is no need for residents to cover any down payment.** Monthly lot rent then pays the mortgage and other operating expenses.

Just how long the purchasing process takes will vary according to each park's circumstances. Cooperatives have been formed and tenants have purchased parks in just 60 days, but most take considerably longer.

The Third Step

Managing Your New Park

Once residents own their park, the co-op may decide to manage the details with volunteers or hire a company to collect rents, write checks, and do bookkeeping. An accountant may also be hired by the co-op for auditing and tax services.

Prior to purchase, the Genesis Fund will help the co-op assess the condition of the park's roads, water and septic systems. The Genesis Fund may help the co-op apply for grants or Rural Development loans, when they are available, to upgrade these systems, and to develop a park improvement plan.

The Genesis Fund will also provide support for the co-op's organizational development. We can help clarify job responsibilities, train the Board of Directors, and develop effective committees, bylaws, rules and policies.

We will help develop an effective decision-making process within the park so that the members can make informed and responsible decisions as a group. The Genesis Fund's goal is to build a self-sufficient co-op that responds effectively to the needs of its members. As the capability of the co-op builds, the need for help from the Genesis Fund fades.

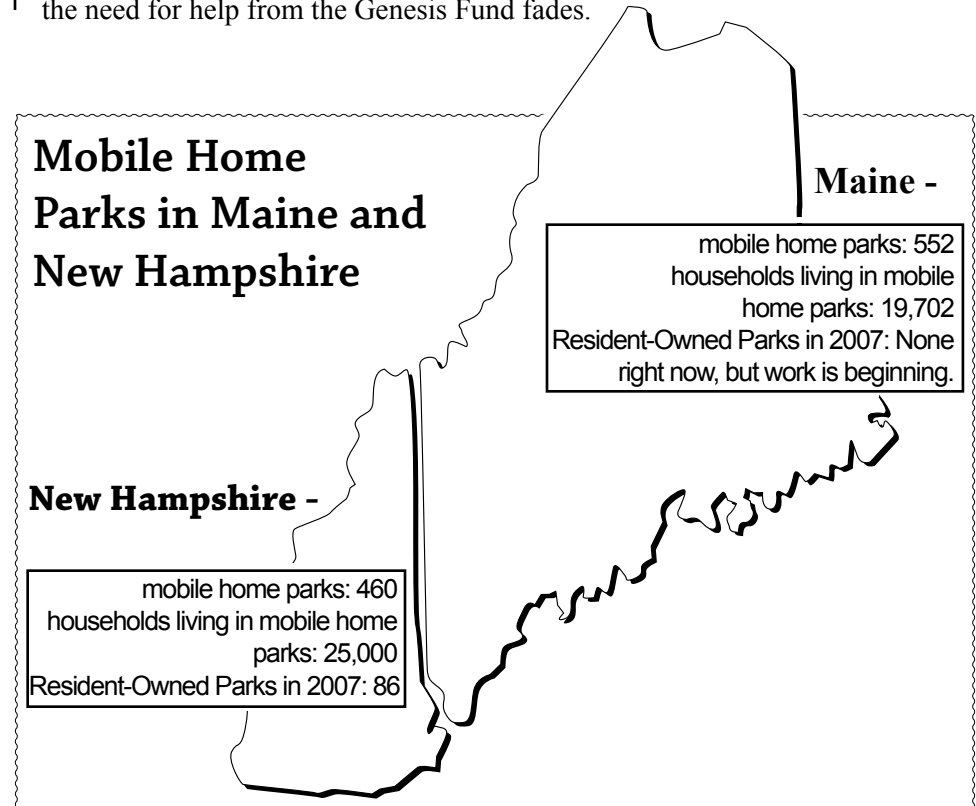
Mobile Home Parks in Maine and New Hampshire

New Hampshire -

mobile home parks: 460
households living in mobile home parks: 25,000
Resident-Owned Parks in 2007: 86

Maine -

mobile home parks: 552
households living in mobile home parks: 19,702
Resident-Owned Parks in 2007: None right now, but work is beginning.



What is the Genesis Fund? —————

Why is it helping to create ROCs? —

Since 1992, the Genesis Fund has made \$10.4 million in loans to 136 projects in Maine. These loans have created or improved more than 1000 units of affordable housing for Mainers including single mothers and their children, low-income working families, the elderly and disabled, the chronically mentally ill and the homeless. Genesis has also provided technical assistance to 73 community organizations across Maine, helping them to acquire or develop housing or community facilities and access state and federal funding.

Why help create Resident-Owned Communities? That's simple! Assisting and lending to groups that want to improve their neighborhoods is at the heart of our mission. With the experience and success of 86 co-ops right next door in New Hampshire, the Genesis Fund is ready to start this important work in Maine.

A New Hampshire neighbor says

"Bite the Bullet"

Sheila Dickerson is past president of the Soda Brook Cooperative in Northfield, NH, formed by residents in 2002.

"The owner decided to sell the park and had another buyer, but he wanted the tenants to make an offer. We were a little shaky about it.

"None of us had ever been involved in something like this, but we knew we had a choice, either go for it ourselves or let someone else take over knowing that our rents would just keep going up and up, making it unaffordable to a lot of people. We decided to bite the bullet and become a co-op, with some help from the [New Hampshire Community] Loan Fund...

"I feel very proud of what we've done. We can actually say we own it. Our money is going to something we own and something we are going to make better."

Read more ROC success stories by visiting the New Hampshire Community Loan Fund's website at www.theloanfund.org/programs/housing/mhpp/index.html

A Co-op Gives You Control —————

Your Security: With the rise in land values, many parks are being dismantled to make room for more profitable ventures. Under Maine law, when a park owner wants to close a park and change its use, tenants are given 12 months' notice to find another place for their home or lose the home. The high cost of land and restrictive zoning can make finding a place for a mobile home nearly impossible. In a co-op, once the residents own the land, no owner/investor can sell it from under them.

Your Rent: Soaring land prices have resulted in increase of rents. Each time a park is sold, the new landlord must pay off a larger mortgage, so it is no surprise that rents often go up after a sale. Unfortunately, there is no law in Maine that limits the size or frequency of rent increases. However, if a co-op buys the park, the land is taken off the real estate market and rents will only increase if the membership votes to increase them.

Maintenance and Improvements:

A quality park requires regular maintenance and improvements. When a landlord decides to spend money to improve the park,

the tenants are asked to pay the bill through rent increases. In a co-op, only the members decide what maintenance to do and when to make improvements. Also, through their Operations or Maintenance Committees, they can do some of the work themselves and keep costs down. The residents can decide on what improvements they want, like building a playground.

Park Rules: Park rules impact your day-to-day life. When a landlord makes the rules, there is nothing tenants can do to change them unless a rule violates the law. Even then, the tenants may have to hire an attorney to get a rule changed. A landlord's rules often do not reflect the desires of the residents, but in a co-op the residents develop and vote on their own rules.



Want to talk about the possibilities of forming a Resident-Owned Community?

Please contact

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“providing innovative financing and expert assistance to Maine nonprofits since 1992”



The Genesis Fund is a member of the I'M HOME (Innovations in Manufactured Homes) network. I'M HOME is a multi-year initiative that seeks to ensure that families who choose to purchase manufactured homes can reap benefits from homeownership comparable to owners of other homes.

Many thanks to the New Hampshire Community Loan Fund for its willingness to share the materials and information included in this brochure.