



## CHR President Terry McKinley to retire

Last month, Cooperative Housing Resources President Terry McKinley announced his retirement effective December 31, 2011. Terry got his start working for senior cooperative housing in 1975 when Lute Moberg at Ebenezer was looking for a different way to house active seniors who didn't see themselves in the traditional assisted living options that were offered. Soon after, he recalls sitting in the office of Glenn Reinardy, a Norwest Bank employee, and Glenn saying "It sounds like you're describing a co-op."

A year later they broke ground on 7500 York, Minnesota's first senior housing cooperative. One of Terry's greatest accomplishments was getting 7500 York

financed. Without that, senior housing cooperatives may not have ever made it off the ground.

Terry said that he started to focus on co-ops because it was "the right thing to do." He worked on Wall Street as a mortgage banker and returned to Minnesota with the same company when he and Dick Hanson decided to start the first rural co-op in New Ulm. Terry really caught the co-op bug in 1990, when he put together a business plan for developing small senior housing co-ops in rural areas. Homestead Housing Center was organized and financed by Coopera-

tive Development Foundation and a number of large regional co-ops such as Land O' Lakes, Cenex, Mutual Service Insurance and St. Paul Bank for Cooperatives, where Dennis Johnson was CEO. Dennis later continued his work on senior housing cooperatives when he helped organize the first senior housing cooperative conference, and a few years later, joined Cooperative Housing Resources and helped found the Senior Cooperative Foundation.



Another key moment in Terry's life that encouraged him to  
*—continued on page 2—*

## Summerhill Co-op of Apple Valley celebrates Co-op Month



Summerhill Cooperative of Apple Valley kicked off National Co-op Month on October 1 with a fabulous waffle brunch. The event was well attended by Summerhill's residents.

President Dave Lilja addressed the audience by announcing that October 2011 is Co-op Month in the U.S. Senators Tim Johnson (D-SD), Thad Cochran (R-MS) and 29 other co-sponsors passed a bi-partisan Senate resolution recognizing the vital role cooperatives play in the economic and social well-being of the country. Lilja also explained how the Summerhill population plays an important part in the cooperative lifestyle.

Lloyd Rivers followed by sharing his experiences with cooperatives prior to moving to Summerhill. At their lake home in Iron River, Wis., Lloyd and his wife Billie were serviced by cooperatives providing electricity, telephone, and cable TV.

They also bought their groceries at the local co-op grocery store. Moving to Summerhill has made Lloyd realize that volunteerism is the true meaning of cooperative living. Several years ago, Lloyd learned that 84 residents volunteered on at least one Summerhill committee function, the vast majority participating in more.

Apple Valley Mayor Mary Hamann-Roland joined residents at the waffle brunch. She said she enjoys attending Summerhill functions and recognized how important the co-op is to the Apple Valley community. She compared her childhood to a cooperative by sharing how the members of her family needed to cooperate with each other to accomplish all the household functions.

Cooperative Network would like to thank Summerhill Cooperative for sharing its story. It is a wonderful example of how cooperatives can promote themselves during the month of October. Special thanks to Lloyd Rivers for sharing this information and pictures with us! Pictured top: Summerhill residents Dorothy Gustner, and Gladys and Terry McKnight prepare the waffle brunch. Above: Summerhill Co-op President Dave Lilja, Apple Valley Mayor Mary Hamann-Roland and Summerhill Treasurer Lloyd Rivers attended the brunch.

## Cooperative Network hires two new staff members



**Matt Hughes**

Cooperative Network recently hired two new staff members for its St. Paul office. Matt Hughes has accepted the position of Minnesota Managing Director, and Andrew Duerr has accepted the newly created Director of Member Services position. Both started on November 13, in conjunction with Cooperative Network's annual meeting in Rochester, Minn.



**Andrew Duerr**

Matt Hughes directs the business, legislative, and political affairs of the Minnesota office. He has served as staff in the Minnesota Legislature, the governor's office, both houses of Congress, and was a senior executive officer in state government and a deputy assistant secretary at HHS in Washington D.C. Hughes will be the lead lobbyist for senior housing issues at the Minnesota State Capitol.

A former legislative assistant at Messerli & Kramer and committee admin-

istrator in the Minnesota House of Representatives, Duerr works closely with Minnesota's lobbyists on agricultural issues. He is also responsible for directing youth education programs, as well as leading communication efforts in Minnesota. Duerr will be the primary contact for *Co-op Living*, Minnesota's senior housing co-op newsletter.

Hughes can be reached at matt.hughes@cooperativenetwork.coop or 651-228-0214. Duerr can be reached at andrew.duerr@cooperativenetwork.coop or 651-280-4901.

### Mark your calendar

**Feb. 2**—SCH Council Mtg, Valley View Cooperative, Eden Prairie

**March 8**—Co-op Day at the Capitol, Best Western Kelly Inn, St. Paul

**May 9-10**—SCH Conference, Ramada Mall of America, Bloomington

**Aug. 8**—SCH Council Mtg, Location TBD

**Aug. 27**—SCH Golf Tournament, Greenhaven Golf Course, Anoka

**Nov. 7**—SCH Council Mtg, Location TBD

**Nov. 12-14**—Cooperative Network Annual Mtg, La Crosse, Wis.

## Award nominations coming soon

Senior housing cooperatives have benefited from, and owe their success to, the vision and selfless leadership of individuals committed to the principles of cooperation and community participation. Since inauguration in 2002, 26 individuals have received the Senior Cooperative Housing Leadership Award presented by the Senior Cooperative Foundation (SCF). Award recipients have provided leadership in various capacities as cooperative members, project sponsors, developers and government officials.

Nomination forms will be mailed in early January, and will be due in mid-March. In addition to the nomination form, each nomination should include at least two letters of endorsement. These letters are critical to providing information to the selection committee in reviewing nominations. Up to three individuals will receive the award and be recognized at the annual Senior Cooperative Housing Conference on May 9-10 in Bloomington, Minn. If you do not receive nomination forms or if you have questions, contact the SCF at 651-310-0235 or dennisj@seniorcoops.com.

## McKinley —continued from page 1—

work with senior housing co-ops was when his parents moved to Friendship Haven, a traditional long-term care facility in Iowa. Terry's father had previously been the chaplain at Friendship Haven, but when he moved back, Terry noticed he wasn't nearly as involved as a resident as he had been as a staff person. It struck him what a stark difference there was between the way the staff and residents interacted at that facility than at a co-op.

Terry also played a key role in growing awareness and educational efforts for housing co-ops. This was instrumental in bringing skeptical for-profit developers to the cooperative movement. The annual conference was, and still is, a huge part of that education effort. Terry noted that every developer that has entered into this business has attended the conference.

Terry has dedicated his career to promoting the benefits of senior housing cooperatives and was instrumental in the development of the *Ethos Principles of Senior Housing Cooperatives* that have formed the foundation of the Midwest senior co-op housing sector. He has done this with a great passion and commitment, which shows the true difference between a senior housing cooperative and other communities.

When asked what he would like to communicate to those

that will continue his work, Terry said, "Keep carrying the message. This isn't a fluke; it's a paradigm shift in how seniors age in America."

Terry believes seniors need to start seeing co-ops as uniquely beneficial over other options and, as residents, remain in control. He added "Without that, it isn't a co-op."

As Terry starts this new chapter in his life, he plans to invest more time in riding and caring for his horses, being more active in his church and community, and enjoying his friends and relatives. He is also a talented musician, playing the piano and Native American flute, among other instruments. He has sold thousands of copies of his CD. Terry also plans to remain on the board of the Senior Cooperative Foundation.

Terry holds the cooperative style of housing near and dear to his heart. When asked what person he admires most in his career his answer was "the co-op member who selflessly works for their fellow members, without pay, and with a commitment to doing what is right rather than what will benefit themselves—and the developer and manager who selflessly respects the ability of seniors to govern."

Well wishes can be sent to: Terry McKinley, CHR, 909B Selby Avenue, St. Paul, MN 55104.

# SCH Purchasing Cooperative announces flooring program

The SCH Purchasing Cooperative (SCHPC) has developed a flooring program available exclusively to its members. The program was developed to:

- provide product selection to fit cooperative needs
- establish installation and manufacturing suppliers

- improve product quality for dollars spent
- remove confusion and uncertainty of the retail marketplace
- provide broad selection for resident choice
- simplify presentation of base and upgrade options

Arrangements have been made to purchase carpet and laminate flooring direct from manufacturers. Installation will be contracted with a quality installer able to provide installation services nationally. There is both a residential (living units) and commercial (common area) flooring component to the program. The difference is the type of product used in each of these areas. Installation is the same for both.

To participate in the flooring program, members will be charged a first-year set-up fee and annual flooring program fee thereafter (this is in addition to the annual membership fee). Members will receive sample books for selected available product to keep on-site.

Arrangements have been made

with an installation provider to be the primary order contact and installer. To participate in the program, members will agree to utilize this provider for installation for a minimum of one year.

Members will be billed directly from the carpet manufacturer for carpet and payment is required within 30 days. The installation provider will bill vinyl and installation charges.

A member cooperative wishing to participate in the program will receive a detailed program explanation and product display. Each cooperative will have the option to decide if they wish to offer upgrades and to select from the options available.

Members of SCHPC have been invited to a meeting on Jan. 5 to learn the details of the program and receive an update on other SCHPC programs. Non-members have been invited to a meeting on Feb. 6.

Cooperatives interested in participating in the meetings or learning more about SCHPC programs should contact SCHPC at 651-310-0235.

## 2011 Actual Operating Expense Request for Analysis

The Senior Cooperative Foundation (SCF) has gathered annual operating budgets or actual expenses from senior housing cooperatives each year for the past seven years. The data is shared with participating cooperatives.

Board members and finance committees have found this data helpful when preparing the cooperative's annual operating budget and also when comparing expenses of other cooperatives of similar size and location.

Again this year, the data will be compiled and reported in three different exhibits using the HUD chart of accounts. The first exhibit shows per line item expenses by cooperative size and metro vs. non-metro. The second exhibit shows average expenses by cooperative size and per unit. The third exhibit shows an average per category per unit over the past seven years.

The request for cooperatives to provide their 2011 actual operating expenses will be mailed in January. An operating expense worksheet will be included in the request and will also be available electronically. Names of participating cooperatives will not be disclosed in the results.

Direct questions to Dennis at [dennisj@seniorcoops.com](mailto:dennisj@seniorcoops.com) or 651-310-0235.

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## Cooperative Living Committee promotes co-ops

The Cooperative Living Committee was created several years ago to provide leadership, direction and materials to promote the education and understanding of senior housing cooperatives. The primary objective is to build public awareness of senior housing cooperatives to enhance and support marketing efforts for member share resales and marketing of new cooperatives. The committee has been actively working the past several months to create the deliverables identified for the project—primarily an educational brochure and video. Neuger Communication Group of Northfield, Minn. has been retained to assist and provide guidance to the committee. The committee has added the development of a website to the deliverables and deferred the media kit.

In the past several months, a significant amount of development work was completed. Insights, views, prejudices, and objectives to help create the right messages were obtained from discussions with members of senior housing cooperatives and focus groups with no knowledge of senior housing cooperatives. Several days were spent capturing photos and video of senior housing cooperatives and their members.

The group is now in the process of reviewing and synthesizing all this information to create the desired outputs. They are working on finalizing the brochure, video, and website. Each of these should be available in early 2012.

If anyone has any questions, comments or concerns, please contact the Senior Cooperative Foundation at 651-310-0235 or [dennisj@seniorcoops.com](mailto:dennisj@seniorcoops.com).

## Co-op Lender's Corner— MIP Refund

Many cooperatives are continuing to ask about the status of the 2010 Mortgage Insurance Premium (MIP) refund. HUD has recently informed us that there has still been no decision on a 2010 MIP refund. Apparently, they are still reviewing the adequacy of the insurance pool relative to contributions, investment returns and potential claim exposure.

Questions can be directed to Dennis Johnson at Cooperative Housing Resources, LLC at 651-310-0235.



## Save the Date

12th Annual

### Senior Cooperative Housing Conference

May 9-10, 2012

Ramada Mall of America

Bloomington, Minn.

If you have any ideas for meeting content, subject matter, or speakers, please email [vicky.chaput@cooperativenetwork.coop](mailto:vicky.chaput@cooperativenetwork.coop).

## U.S. Senator Raises Cell Phone Privacy Issue

U.S. Senator Al Franken (D-MN) is raising concerns over whether a software developer has placed difficult-to-find software in smart phones that logs many details about the user's activities, including location. Franken's concerns come as the result of a recent study by security researcher Trevor Eckhart that found software created by Carrier IQ is being installed in many smart phones; has the capability to record every text message, web search, and phone number; and this information is being reported to mobile phone carriers without the user's knowledge or consent.

Senator Franken chairs the Senate Judiciary Subcommittee on Privacy, Technology and the Law and said in early December, "The revelation that the locations and other sensitive data of millions of Americans are being secretly recorded and possibly transmitted is deeply troubling. Consumers need to know that their safety and privacy are being protected by the companies they trust with their sensitive information." No doubt his committee will be conducting an investigation into this potentially serious privacy issue.

The Huffington Post helpfully identifies which smart phones have Carrier IQ tracking capabilities and how the software can be disabled at <http://huff.to/vh84vw>.

**Have a safe  
and enjoyable New  
Year!**



Bill Oemichen is president & CEO of Cooperative Network. He previously served as Wisconsin's top consumer protection official from 1996–2001 and his work fighting consumer scams has been featured on the front pages of the *Wall Street Journal* and other newspapers, as well as on the *CBS Evening News*, *Dateline NBC*, and *ABC*.



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Members are welcome to reprint any of this newsletter in their own co-op newsletters (attribution to the Cooperative Network Senior Housing Council is encouraged and appreciated).

This newsletter is sponsored by Cooperative Network and the Senior Cooperative Foundation.

## Replacement Reserve Reporting Workshop

On October 19, the Cooperative Network Senior Cooperative Housing Council with the support of the Dennis Johnson and the Senior Cooperative Foundation held the Replacement Reserve Reporting Workshop at the Gramercy Park Co-op at Lake Shore Drive, Richfield, MN. Steve Bolz, CPA with Judd, Ostermann & Demro, Ltd and Mike Gramm, CPA with Westberg, Eischens, PLLP addressed the recent changes in MN law that require senior housing cooperatives to provide annual disclosure information to their members on replacement reserve analysis and adequacy of funding. Bill Buending was gracious enough to pull together a summary form this event which follows:

1. MN Statute 2008, section 515B.3-114 Replacement Reserves
  - a. 515B applies to common interest communities, primarily condominiums and townhouses but also to cooperatives.
  - b. Modified in 2010 and applies to common interest communities for their fiscal years beginning on or after January 1, 2012.
  - c. Requires that the cooperative have "adequate" reserves for replacements, although the term "adequate" is not defined.
    - 1) HUD Regulatory Agreement defines amount to be set aside with Mortgage Servicing Agent, based on .006% of the cost of the facility's replaceable components. See Appendix 16 of HUD Handbook 4566.2 Management, Servicing, and Disposition Requirements for Projects with Section 223(f) Coinsured Loans for a list of replaceable components.

HUD acknowledges in Chapter 5 of HUD Handbook 4566.2 that the amount of +today.

HUD's minimum balance in the reserve for replacements at the Mortgage Servicing Agent is 3 years of contributions.
    - 2) Board has a fiduciary responsibility to members under MN statute to adequately protect the assets of the cooperative. Board gets to define "adequate," but should err on the side of "no surprises and no assessments."
  - d. No one is quite sure what will appear in the cooperative's audit report nor what the cost of determining the adequacy of the reserves will be. It is estimated at the audit would incur an additional ½ day in costs.
  - e. Cooperatives who are doing a refinance will need to have a Project Capital Needs Assessment (PCNA) performed as part of the application and then every 10 years thereafter. This requirement became effective 9/1/10. The assessment's look at replacement reserves extends out 2 years past the term of the current or proposed mortgage – whichever is longer. Current cost of a PCNA is \$3,500 per report.
  - f. The cooperative needs to report to its members and prospects the adequacy or the cooperative's reserves for replacement and how the current requirement number was achieved. It is unclear if there is a particular reporting format required.
  - g. The applicability of 515B.3-114 extends to not only the dollars at the Mortgage Servicing Agent, but also to any supplemental replacement reserves account held locally by the cooperative and labeled as a replacement reserves account. This means that the dollars in the supplemental account can only be used for replacements. Boards are encouraged to refrain from changing the account's name to get at the dollars.