



## 9th annual conference guides co-ops on familiar issues, economic challenges

The struggling economy was a focal point of the 9th annual Senior Cooperative Housing Conference, which drew more than 260 participants to the Ramada Mall of America in Bloomington, Minn. in May.

A panel of attorneys fielded questions from the audience and offered information about a variety of concerns, including:

- Foreclosure on membership certificates could involve a 90-day notice of cancellation followed by forfeiture and eviction. More often such matters would be

resolved by private sale of units with monthly fees in arrears. In a case where multiple units are in default, the first recourse would be using the general operating reserve to make up for missing monthly fees, with assessment of members as an alternative. Once the board's 60-day option expires, the transfer value of a unit is determined by the market.

- Board retreats or planning sessions are illegal unless they meet exceptions spelled out in Minnesota law. If the

board uses such sessions for discussion and not action, it could be argued they would not violate state law, but in any event the law contains no penalty for violation.

In view of the challenging economic times, Dennis Johnson of the Senior Cooperative Foundation suggested an independent group be organized to promote senior cooperative living.

Various marketing strategies were discussed.

Maureen Maher, director of sales and marketing for Ebenezer Management Services, suggested marketing committees set goals and create a detailed database to track all calls, tours, website hits and sales and marketing campaign information. She offered the idea of photographing tour participants visiting a building and sending them a copy in an inexpensive frame with a note saying, "We can just picture you in our community."

Howard DeMotts of Realife in Burnsville suggested the simple device of calling cards picturing a co-op's building, its logo, address and phone number, to be made available to all members for distribution to their contacts.

Pat Cummings of Becketwood discussed how to get prospects in the door and building a relationship with those on waiting lists. She suggested hosting U of M classes for seniors, driving classes and taking part in National Night Out observances with members visiting neighboring gatherings. She displayed an open house invitation with a picture of a pile of snow and a shovel with the legend, "Tired of doing snow, at Becketwood someone else shovels." She advised building relationships with those on waiting lists by entertaining them at the co-op or holding a series of events for them.

A quarterly newsletter and invitations to monthly pancake breakfasts or ham-

### Sales tax exemption affects senior co-ops



**Kleven**

Cooperative Network and senior housing co-ops pondered strategies this summer, as the availability of Minnesota sales tax exemption certificates for new senior cooperative housing remained

clouded by legislative action and pending litigation.

Future strategies could include a move in the next legislative session to undo a policy change in the session recently concluded, eliminating the sales tax exemption for senior cooperative housing.

Cooperative Network Government Affairs Director Bruce Kleven this summer obtained a commitment from Minnesota Commissioner of Revenue Ward Einess to honor existing sales tax exemption certificates held by senior housing co-ops. The Department of Revenue will not undertake audits of co-ops holding those exemptions, under the agreement with Einess.

However, new exemption certificates are not being issued for senior cooperative housing, as a result of the law

change.

The denial of exemption certificates for senior cooperative housing was achieved when the Department of Revenue (DOR) included a one-sentence policy provision into what appeared to be a multi-page technical corrections bill. Such bills are customarily used only to accomplish non-controversial, agreed-upon technical revisions. Cooperative Network has maintained the denial amounts to a major policy change that would ordinarily be accomplished through a stand-alone policy bill.

Introducing a stand-alone bill with full public notice of a hearing and vetting by legislative committees could be the route chosen next year in a drive to undo the change, depending on the outcome of litigation now pending before the Minnesota Tax Court. Attorney Joe Nemo is pursuing the matter there on behalf of new senior housing co-ops that have been unable to obtain tax-exempt certificates from the DOR.

Cooperative Network staff indicated a resolution on the issue would likely be brought before the Senior Cooperative Housing Council at the September meeting.

Questions should be directed to Vicky Chaput at 651-228-0213.

## Conference focuses on challenging economic times

—continued from page 1—

burger cookouts for those on waiting lists were suggested by Dick Bennett of Realife in Coon Rapids. Bennett also suggested quarterly phone calls to determine continuing interest.

Barb Murphy of 7500 York and Diane Bjorkman of Gentle Transitions noted that one of the biggest hurdles for prospects can be overcome by providing assistance with moving. Gentle Transitions offers assistance from planning through packing and unpacking.

Rosemary Hildebrand of Re/Max pointed out that more than eight in ten real estate buyers begin their search on the Internet. While listings are down, sales are up 23 percent over last year and sale prices are coming closer to listing prices, she said.

With reference to co-op governance, Jasmine Martirosian of Northeast University said governance isn't managing, it's setting priorities—managers manage. Four words are important in conflict resolution, she said, "contract (oral contracts are valid), communication (make a phone call before sending a warning letter), cooperation and conciliation.

Jeanne McGill of Midwest Funeral Planning Consultants conducted a detailed explanation of the Five Wishes living will. She offered to present a one-hour discussion of the living will to senior co-ops at no charge. McGill can be reached at 612-978-4948.

Theresa Kowalski of Maser and Amundson Attorneys suggested five important things for co-op members to do:

1. Make sure your emergency contact information with the co-op is up to date.
2. List emergency contact information on your cell phone under ICE (in case of emergency) as this is the first place first responders will look in case of an accident.
3. Bring your health record up to date, listing all medications.
4. Write and post a note listing where important items can be found.
5. Write a letter explaining where all your documents are and who to contact.

Tom Johnson, Maureen McDonald, and John Sweeney have been named to the interim board of the SCH Purchasing Co-op organized at the end of last year.

The initial board will be made up of

five housing co-op members, a representative from a developer or management company and a representative of the Senior Cooperative Foundation.

Members of SCH Purchasing Cooperative will work directly with vendors and the foundation will provide office space and staff support under a management contract. A committee of members will be formed to review purchasing programs.

The cost of joining will be a one-time stock purchase of \$10 per unit in a housing co-op plus an annual membership fee. Developers and management companies would need to meet a higher stock purchase requirement. Next steps, according to Dennis Johnson, are finalizing vendor arrangements and financial projections with a goal of distributing information to co-ops and conducting informational meetings in the near future.

There are 94 senior housing cooperatives in the U.S., with 74 in Minnesota comprising 5,600 units, 9 in Iowa and 3

in Wisconsin. In addition, 16 prospective cooperatives are being planned, Johnson said.

### Senior Cooperative Housing Golf Tournament

Monday August 31, 2009  
Greenhaven Golf Course  
Anoka, Minn.

Hosted by Senior Cooperative Foundation, RJF Agencies and Restoration Professionals.

Tournament will be a shotgun start at 8:00 am and will conclude with a "grill out" lunch and awards program. Non-golfers are welcome at the lunch and awards ceremony.

Registration deadline is August 21.

Questions? Contact Dennis Johnson at 651-310-0235.

## Black and Buending recognized by co-op community



**L to R: Neal Black and Bill Buending received the Senior Cooperative Housing Leadership Award presented by the Senior Cooperative Foundation.**

Neal Black of Gramercy Park Cooperative of Eagan and Bill Buending of Gramercy Park Cooperative Northwest of Plymouth received the Senior Cooperative Housing Leadership Award presented by the Senior Cooperative Foundation.

"It is truly amazing how 120 or so mostly strangers, spread among 77 families, can be suddenly brought together over a month's time, and over the next two or three months just as suddenly become a real community," said Buending in his acceptance speech. "Gramercy Park Northwest is an important place to me, as it is to all of our families. It is not a county home, a place where we'll be taken care of for the rest of our days, and we certainly can't live there as if it is. Rather, it is a lively vibrant working community, one that provides each of us a home among many friends."

"But, it is also a multi-million dollar business that we own, that we are responsible for, and that we control. We can't ever forget that. The things we do there to better our community are, and must be, as much for our future replacements as they are for us today," said Buending.

## 2008 actual co-op operating expenses compared

Thirty-nine senior housing cooperatives representing almost 2,600 living units participated in the 2008 Operating Expense Analysis conducted by the Senior Cooperative Foundation. In its fifth year, the number of participating cooperatives has almost doubled and the consistency in information reporting has improved each year.

The analysis results were compared in three different exhibits.

Exhibit I presented the data submitted from the expense worksheet of each cooperative. The analysis identifies the size range and whether it is a metro or non-metro Cooperative.

Exhibit II presented the data in an overall average per unit format and identifies the average expenses per unit per size range.

Exhibit III presented three charts: (A) is a summary of the average expense data for each of the broad categories each year. (B) is a summary of the average expense data for each of the size ranges. It also identifies the averages per units for all units participating in the given year. The third chart presented the number of

cooperatives and living units participating each year.

The chart below shows the average costs per unit per year over the past five years. The 2004 total is slightly lower due to the fact that fewer cooperatives participated and the majority were smaller cooperatives.

Cooperatives classify some expenses differently so there may be some inconsistency in individual category totals. The expense worksheet used to provide the data to SCF is useful for collecting comparative data and improving the usefulness and consistency of the results.

Names of participating cooperatives were not disclosed in the analysis results. Results were mailed to those cooperatives that participated in the analysis and are available to new housing cooperatives to compare their expenses and budgets to those of existing cooperatives.

SCF wishes to thank all the cooperatives that participated. SCF will be conducting the analysis again in 2009. More information on this study is available by contacting Dennis Johnson at 651-310-0235.

	2004	2005	2006	2007	2008
Administrative	\$950	\$956	\$1,029	\$1,075	\$1,056
Utilities	\$931	\$1,070	\$1,163	\$1,101	\$1,172
Maintenance	\$1,109	\$1,370	\$1,189	\$1,341	\$1,365
Taxes & Ins.	\$1,337	\$1,467	\$1,576	\$1,428	\$1,479
Reserves		\$696	\$786	\$1,072	\$989
<b>Total</b>	<b>\$4,326</b>	<b>\$5,560</b>	<b>\$5,744</b>	<b>\$6,017</b>	<b>\$6,061</b>

## 7500 York to add assisted living facility

The co-op that started all this is at it again. The senior co-op known as 7500 York in Edina, the forerunner of this housing idea, is involved in another first: the addition of an assisted living facility. After a vote of the members, the co-op will lease a portion of its campus for the construction by Ebenezer of a 4 story building with approximately 75 units of assisted living, memory care and care suites.

The new building will be connected to 7500 York by a walkway. Ebenezer will lease the land and manage the new facility, just as it manages 22 senior co-ops and condominiums around the state.

“Assisted living is the wave of the future. We’ve been a leader before. Now we must continue to lead,” said Russ Helgesen, a former president of the co-op who chaired the cooperative’s ad hoc committee that worked on the proposal.

The vote of members of the co-op to lease the land and approve the building of the new facility carried 254 to 62.

## *Important Notice:* Senior Cooperative Housing Network changes name

The Senior Cooperative Housing Network voted at the quarterly meeting in June to change its name to Senior Cooperative Housing Council. This change will help prevent confusion with the statewide organization’s name change to Cooperative Network.

The group’s next meeting is scheduled for Wednesday Sept. 9, 2009 at the Cardinal Pointe Cooperative in Faribault. There will be a training session coordinated by the Senior Cooperative Foundation, but there is not a set topic at this time. For more information, contact Vicky at 651-228-0213.

## Cooperative Network to hold annual meeting Nov. 16-18

The Cooperative Network annual meeting will be held in Bloomington, Minn. on November 16-18.

Along with educational programs focusing on how cooperatives have been able to weather the current economic storm, resolutions that govern the organization will also be set. These legislative directives formed by members dictate the legislative positions of the organization for the next year. Senior housing cooperative members reviewed resolutions pertaining to them at their June 3 SCH Council meeting. All current resolutions were approved to remain as-is and text for one additional resolution addressing Tax Exempt status for Senior Housing Cooperatives (see page 1) was added.

If you have any additions or concerns, please contact Jill Weber at 612-746-8133 or Vicky Chaput at 651-228-0213. A copy of the resolutions is available at [www.cooperative-network.coop](http://www.cooperative-network.coop).

## Calendar of events

**Aug. 31**—Golf Tournament, Anoka

**Sept. 9**—SCH Council Meeting, Faribault

**Nov. 16-18**—Cooperative Network Annual Meeting, Bloomington

# Annuities: Are They for You?

Readers often ask me about annuities: What are they, how are they structured, and what are the potential costs and pitfalls?

An annuity is a written contract between the consumer and a life insurance company where the insurance company commits to paying the consumer a series of regularly spaced payments in return for a premium paid by the consumer. An annuity is not life insurance, a savings account, or saving certificate and should not be purchased for short-term purposes. Rather, it is used for income payments to most often fund a consumer's retirement.

"Single premium contracts" are annuities where the consumer fully funds the annuity contract in one single premium payment. "Multiple premium contracts" allow the consumer to fund the annuity by premium payments over a period of time. Some contracts allow



flexible payments where the consumer may pay how much and when he or she wants, and others schedule payments out over a specific period of time.

A consumer may also choose a fixed or variable annuity. A fixed annuity generally provides a fixed income payment over the annuity period. The annuity contract will include a current interest rate and a minimum guaranteed interest rate, and the insurance company will normally guarantee that it will pay no less than the minimum rate of interest. If the current rate exceeds the guaranteed rate, the consumer will receive the added benefit. Once payments begin, the amount of each payment will normally be fixed and will not change.

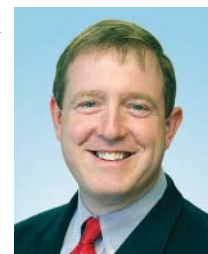
There are also equity-indexed annuities where the insurance company will tie payments to an index such as the Standard & Poor's 500 Composite Stock Price Index or the Dow Jones Industrial Average.

A variable annuity offers a range of investment or funding options and the consumer is given the opportunity to decide how to invest the premiums. However, here the consumer bears much more of the investment risk.

There are many types and amounts of charges for annuities such as a load

fee based on a percentage of premiums paid, a contract fee that is usually a flat dollar amount charged once or each year, a transaction fee, and a surrender charge if the consumer terminates the contract early.

Consumer advocates are identifying some recent concerns with annuities. For example, the Wall Street Journal in early June published an article, "When an Annuity's Guarantee Isn't Always Guaranteed." Given the recent stock market performance, some retirees are finding they need to rely on their annuity's guaranteed interest rate to generate a needed amount of funds. The problem occurs when an insurance company contractually cancels the guarantee if the consumer takes an excess withdrawal to make up for a financial shortfall. This can happen if the insurer finds the annuity—due to investment losses—doesn't contain enough funds to pay yearly fees. If a consumer takes withdrawals before annuity payments begin, it may also create a shortfall of funds needed to make the yearly payments and could result in a guarantee cancellation. If you have an annuity, check with your insurance company to see if this is a risk for you.



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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