

# Tips on Buying a Live/Work Coop or Condo Space

## *Understanding the Difference*

From a 4/24/23 presentation by the  
Sales/Marketing Committee Chair,  
The Artist Building at 300 Summer Coop  
Seaport/Fort Point District

[300summer.org](https://300summer.org)



## **Two common questions**

1. Why are condo prices so much higher than coop prices?
2. Why are coop fees so much higher than condo (HOA) fees?

# Some Definitions

## COOP

- You buy a **share** in a corporation. The **Transfer Value** or, for a limited equity, the **Maximum Transfer Value** (MTV) is the maximum amount you can “Offer” for the stock price. The “Offer” or “Purchase Price” may be the MTV or lower.
- You own **stock** and a **proprietary lease** for the space
- The **Coop** is **Landlord/Owner**
- You are a **Member** (or Tenant, Stockholder, Shareholder). Members jointly own the entire property as Shareholders of the Corporation.

## CONDO OR HOUSE

- You buy **real property**
- You are **Owner** of your condo unit or house; you own the deed and title, and with condos, hold an interest in the common areas.

# What is a Housing Cooperative?

**Housing cooperatives are a unique hybrid between a condominium-type association and rental property.**

If agents are representing buyers or sellers, they need a basic understanding of coop structure.

## **LIVING IN A COOP:**

- Coop selects Members/buyers
- Members live in a community
- All abide by community rules or guidelines
- Coop may borrow money for underlying mortgage or repair loans if needed.
- Usually primary residences. Strict subletting rules often apply.

# Cost Differences: House, Condo, Coop

Based on similar size, location, amenities.

## HOUSE

- **Price:** Higher
- **Fees:** Owner pays all expenses

## CONDO

- **Price:** Higher
- **Fees:** HOA\*, lower than Coop MAF\*, does not include prop. taxes

## COOP

- **Stock Price:** Lower
- **Fees:**
  - MAF\* includes prop. taxes
  - Debt Fee for Coop underlying mortgage (both fees together higher than HOA)

\***HOA** = Homeowners Association fee; **MAF** = Members Assessment Fee equals a condo HOA but MAF includes property taxes.

# Cost Differences: Condo

- Price is usually much higher than a Coop Stock Transfer Value
- Owner makes monthly payments for first mortgage if not paid with cash (like house owner)
- ONE monthly fee: Homeowners Association Fee (HOA)
- Owner pays property taxes
- May be assessed for large repairs (Capital Needs)

# Cost Differences: Coop

- Transfer Value (the price) is usually much lower than a condo
- Monthly share-loan payments (2nd mortgage) for Transfer Value (if not paid in cash)
- Coop monthly fee is typically much higher than condo HOA fee because it includes TWO fees:
  - **Debt Fee:** Coop's underlying blanket loan (1st mortgage)
  - **Member Assessment Fee (MAF, like condo HOA)**
    - Unlike HOA, MAF includes property taxes

# Recap: Monthly Fees

## COOP

- Share-loan (2nd mortgage) payments for Transfer Value (if not paid with cash)
- Debt Fee for Coop's underlying blanket loan (1st mortgage)
- MAF (same as HOA fee but MAF includes property taxes). *The Artist Building Coop MAF additionally includes Heat/AC*

## CONDO

- First mortgage payments (if not paid with cash)
- HOA fee
- Property taxes

Mortgage interest on all loans and property taxes are tax- deductible, just like a condo or house.



# The Artist Building: CRF

- The Artist Building Coop also added a **Capital Reserve Fund (CRF)** fee to create a sustainable fund for capital needs and avoid repair loans or assessments
- Member recoups this fee when selling

Pamela McKinney, President and a Principal of Byrne McKinney & Associates, Inc., was the consultant who provided this capital reserve funding plan in 2021.

# Capital Needs

Major repairs such as window or roof replacement,  
heating/cooling system, etc.

## COOP BOARDS

- may borrow money for capital needs with payments shared by Members **OR**
- may assess Members

## CONDO ASSOCIATIONS

- assess unit owners for capital needs

# Income Restrictions?

- Income restrictions apply when buying an **affordable housing condo or house** in Boston, established by the [BPDA \(Boston Planning and Development Agency\)](#). AMI = Area Median Income
- Artist-owned coops **do not have income limits or require BRA Certification.**

# 2023 Example: \$618,642 Coop vs Condo Sale

## COOP SPACE (Artist Building)

- **Size:** 1354 sq ft
  - **Price:**
    - \$400,960 MTV (cash or share loan)
    - + \$218,682 Balance on Coop Blanket Loan
    - paid by Member's \$1193
    - Monthly Debt fee
- = \$618,642

## CONDO UNIT (hypothetical)

- **Size:** 450-650 sq ft in Boston area
- **Price:** ~\$618,642, paid by cash or first mortgage

(A 1354 sq ft condo in Seaport/Fort Point District is \$1-2 million)

# 2023 Coop Fees for 1354 sq ft space (Artist Building)

**Three monthly coop fees** (most coops have only first two):

1. **\$1193 Debt Fee\*** (coop's underlying blanket mortgage, each member pays their portion based on space's sq ft)
2. **\$918 Member Assessment Fee** (MAF includes all that a Condo HOA includes plus property taxes and in this coop, heat/AC)
3. **Capital Reserve Fund (CRF) Fee\*** (goal is to avoid assessments or additional bank loans for large repairs)

**TOTAL: \$2447**

\*Debt Fee (minus interest) and CRF fees are recouped when a Member sells along with most of Transfer Value paid.

# More About Coops

- **SUBLETTING:**

- Most coops restrict subletting to keep community character.
- Coop bank and insurance company do not want absentee owners.

- **LIMITED EQUITY:**

- Some coops (including the Artist Building) have a formula to keep prices lower than market rate. Sellers receive most of their equity back.  
Non-limited equity is market rate. If renting, no equity is recouped.

- **PROPERTY TAX REFUND:**

- Members receive a property tax refund.

## More About Coops (*cont'd*)

- **BUYING/SELLING:**

- The coop corporation owns the land and building, selects the buyer
- Improvements may be included in the MTV.
- Most coops do not permit members to hold interest in more than one share certificate. One vote per share (per space).
- Coops usually not good option for investors since may have restrictions on sale price (i.e., limited-equity coops). Best for buyers who wish to occupy the property as their primary residence.

# Coop vs Condo Association Government

## COOPERATIVES (CORPORATIONS):

- Have a governing board of elected residents, even if a management company is hired.
- Member owns a share (stock) in the coop corporation and a Proprietary Lease, setting forth terms and rules of residency.
- Member adheres to Coop Bylaws, Proprietary Lease, Rules and Regulations.

## CONDO ASSOCIATIONS:

- Have a governing board of elected residents, even if a management company is hired.
- Owner owns deed and title to space.
- Owner adheres to Condo Association Bylaws, Rules and Regulations.



# The Artist Building

## MEMBERS

- Visual artist building—looks for visual artist members as stockholders
- One Artist-Member and one Non-Artist Member may have names on stock and Proprietary Lease.
- Non-Artist Member has right of survivorship. Name must be on stock. Name does not have to be on the stock to live with Artist-Member, but no rights of survivorship. Designated heirs may inherit from the sale.

# The Artist Building *(cont'd)*

## BUYING/SELLING

- Interested buyers submit an application with references.
- Artist Membership Committee (AMC) reviews applications, holds interviews, recommends buyer to board. BRA certification not required.
- The Artist Building assists with sales in first 30 days, more if agreed.
- The AMC maintains an Applicant Pool of approved visual artists.
- Seller may engage an agent anytime, 5% realtor's fee on Transfer Value.
- Coop has right of first refusal to purchase. Board may waive.

# Comparison of two Coops in Fort Point

based on similar size spaces

## 249 A Street Coop

- Maximum Transfer Value price is higher than the Artist Building
- Fees are lower than Artist Building (2 coop fees: MAF + Debt Fee).

## The Artist Building Coop

- MTV is lower than 249 A Street
- Added a 3rd monthly fee besides Debt Fee and MAF: Capital Reserve Fund fee, to avoid assessments or more repair loans (3 coop fees: MAF +Debt Fee + CRF).

# The Pros and Cons of Coops

## COOP PROS:

- Community
- Mostly owner-occupied
- Member Stockholders can borrow money together
- Members recoup most of equity when selling
- Coop board selects membership
- Coop may assist to find buyer

## COOP CONS:

- Seller does not choose buyer
- Restrictions on subletting/rentals
- Not investment property
- Coop mortgage or loans depend on all members paying their monthly portion

# The Pros and Cons of Condos

## CONDO PROS:

- can be investment
- seller can choose own buyer with no restrictions
- can own as rental property

## CONDO CONS:

- no restrictions on who may buy
- rentals can be problematic as neighbors
- up to seller to find a buyer without association help
- special assessments common

# Engage a real estate attorney before signing a P&S for any property

You, your attorney or agent, if applicable, should ask for the following:

- Last Annual Meeting Minutes and Budget
- Capital Needs Report
- Amount in Capital Needs Reserves
- Access to by-laws and other governing docs
- The option to have a professional (contractor, etc.) inspect the space.

# Typical requirements for Coop or Condo loans

- Minimum down payment is 10%
- Minimum credit score is 680
- 15-year and 30-year fixed mortgages
- 30-year mortgage is about 6.7% April 2023 (always check)
- Maximum debt to income ratio is 43%
- The Artist Building is offered Transfer Value share-loans by National Cooperative Bank (NCB).
- Email [sales@300summer.org](mailto:sales@300summer.org) for contact info of NCB share-loan officer if you wish to ask what amount you might qualify for.



# QUESTIONS?

[300summer.org](http://300summer.org)

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