

1 December 2015

TO: Linette Rhodes, City of Madison

FROM: Susan Thering, Executive Director, Design Coalition Institute

RE: Cohousing at Union Corners Feasibility Narrative #3 April–Nov 2015 & Final Summary

Activities Accomplished and Results

A. Union Corners Cohousing (Unico)

In August of 2015 the two cohousing groups known as Madison East Side Cohousing and Sister East Cohousing (MESCoH and SECoH) formed a joint organization as Union Corners Cohousing (Unico). Both MESCoH and SECoH are incorporated as State of Wisconsin Non-profit corporations. Unico is in the process of incorporating as an LLC.

As was reported in previous narrative, Design Coalition Institute conducted the outreach, education, technical assistance, and organizational capacity building activities from Summer 2013 to April 2015 that led to the formation of both MESCoH and SECoH. From April 2015 to July 2015 (this reporting period), Design Coalition Institute conducted additional activities that led to the formation of Unico (for example, in July of 2015 we proposed a collaborative process for the two groups. A modified version of that process is underway. See Item #1 “Diagram and Step by Step of Proposed Development Structure” in supplemental materials).

The preliminary site plans for Cohousing at Union Corners includes one relatively large three storey building for MESCoH and a combination of townhouses and smaller three storey buildings for SECoH. Both will include owner-occupied units and a variety of collectively owned common areas. Members and potential members participate in meetings with either or both groups, and with the newly formed joint group, Unico. Some members are waiting for more detailed decisions about site plans, building design, bylaws, common areas, etc. before they decide which community to join.

The Board of Directors of Unico consists of three members of MESCoH and three members of SECoH. The Board of Directors of Unico meets twice monthly for discussion and decision-making about common issues. Both MESCoH and SECoH meet regularly for discussion and decision-making about issues relevant to their respective groups. Unico now holds joint membership recruitment, information, and social events for members and potential members.

The proposed site for Cohousing at Union Corners is currently owned by the City of Madison. Gorman Development Company (Gorman) won the rights to develop the property in an RFP competition in 2013. Between the Summer of 2013 and Summer 2015 Design Coalition Institute and our partners at Design Coalition Architects, Cohousing Partners, and MovinOut periodically meet with and communicated with Gorman representatives to inform them about cohousing in general, convince them that Cohousing was a good choice for Union Corners, and secure an Option to Purchase the proposed site.

In the Summer of 2015 Design Coalition Institute worked with Alder Marsha Rummel to secure an informal agreement from Gorman to assign an Option to Purchase that property for Cohousing at Union Corners. Alder Marsha Rummel then met with city staff on behalf of Cohousing at Union Corners to ascertain the city's conditions for approval of such an agreement (see Item #2 "Email from Alder Rummel RE: Option to Purchase" in supplemental materials).

Gorman subsequently submitted a draft Option to Purchase agreement to Design Coalition Institute, with copies to Natalie Erdman, City of Madison, and Alder Rummel (see Item #3: "Draft Option to Purchase from Gorman" in supplemental materials). Unico recently hired attorneys (Juscha E. M. Robinson and David R. Sparer from Herrick & Kasdorf, LLP) to assist them with the paperwork required for incorporation and with negotiations for the Option to Purchase. They are in the process of interviewing consultants who will help prepare the materials required by the city.

B. Potential Member/Owners

Both MESCoH and SECoH have a "core group" of members who do most of the committee work. Between the two groups there are 23 "official" members, which means they paid membership dues. Considering that the Option to Purchase the proposed site for Cohousing at Union Corners has yet to be finalized, we consider 23 official members a good indication that the goal of two cohousing communities with a total of 70 to 80 units is realistic.

The current list of "interested" households includes 240 names and emails, which have been collected during various workshops and public events, and in response to articles in local media and postings on social media. The current number of people "following" the Cohousing at Union Corners Facebook page is 491, of whom 330 live in Madison. We also consider these numbers good indicators that the goal of 70 to 80 units is realistic.

C. Demographic Goals and Current Demographic Information:

Our goal for this initiative is household demographics of 30%-40% low-income (80% of county mean or less), and 30-40% minority and/or vulnerable individuals (LGBT, disabled, and/or racial/ethnic minorities; see original proposal).

The most concrete demographic information from potential member/owners we have to date is from an online survey Design Coalition Institute composed and distributed in cooperation with Unico in October 2015. The survey results are included in the "Supplemental Materials" attached. That survey is still active (Link: [Cohousing Survey](#)).

Summary of Member Demographics from the Nov 2105 Cohousing Survey:

Number of households completing the survey: 32

Number of households potentially qualified for homebuyer assistance programs: 13

Number of household members from racial/ethnic minorities: 8

Number of household members from the LGBT community: 14

Number of household members with disabilities that limit mobility: 11

Number of household members 55 years or over: 38

C. Meetings

Below is a list of meetings Design Coalition Institute coordinated, facilitated, promoted, and/or participated in in an advisory capacity from 1 April 2015 to 31 October 2015.

- 7 April: Conference call with Ted Matkom (Gorman Rep), Lou Host-Jablonski, and Katie McCamant: RE: Introduction to the Cohousing development process.
- 15 May: Meeting with Dave Porterfield and Lou Host-Jablonski RE: Collaboration as a Consultant team for Cohousing at Union Corners, and possible partnership with MovinOut.
- 18 May: Meeting with the Cohousing “Membership Diversity Circle” RE: Strategy
- 20 May: Meeting with SECoH RE: Organizational Development
- 22 June: Meeting with SECoH RE: Organizational Development
- 24 June: Joint meeting of MESCoH and SECoH RE: Collaboration
- 30 June: Meeting with the Cohousing “Membership Diversity Circle” RE: Strategy
- 2 July: Meeting with Caroline Werner, Senior Advocate from OutReach Community Center RE: Presentation about Cohousing at Union Corners at the National Women’s Music Festival.
- 6 July: Meeting with SECoH RE: Organizational Development
- 27 July: Meeting with Dave Porterfield and Lou Host-Jablonski RE: Collaboration as a Consultant team for Cohousing at Union Corners, and possible partnership with MovinOut.
- 3 August: Meeting with SECoH RE: Organizational Development
- 5 August: Meeting with the Cohousing “Membership Diversity Circle” RE: Strategy
- 12 August: Meeting with the Cohousing “Membership Diversity Circle” RE: Strategy
- 17 August: Meeting with SECoH RE: Organizational Development
- 20 August: Meeting with MESCoH RE: Collaboration with SECoH
- 31 August: Meeting with SECoH RE: Organizational Development
- 2 Sept: Meeting with the Cohousing “Membership Diversity Circle” RE: Strategy
- 21 Sept: Meeting with SECoH RE: Organizational Development
- 6 Oct: Meeting with Unico RE: Organizational Development

NOTE: The “Membership Diversity Circle” is an ongoing joint effort of MESCoH and SECoH. We collaborated on “tabling” events during festivals and farmers markets this summer and continue to collaborate on strategy for recruiting a diverse membership. Design Coalition Institute helped found this committee in Summer 2015. The mission: “Increase the proportion of participation by and membership of people of color at Cohousing at Union Corners, to match or exceed the proportion in Madison” (from email of meeting minutes 6 August 2015).

D. Workshops and Events

Below is a list of workshops, recruitment, and technical assistance events Design Coalition Institute coordinated, facilitated, promoted, and/or participated in in an advisory capacity from 1 April 2015 to 31 October 2015 (“Supplemental Materials” includes copies of program materials).

- 11 April: Community event “2nd Saturday Social” RE: Information and member recruitment.
- 9 May: Community event “2nd Saturday Social” RE: Information and member recruitment.
- 13 June: Community event “2nd Saturday Social” RE: Information and member recruitment.
- 30 June: Workshop “Financial Assistance for Cohousing Ownership” with Linette Rhodes from City of Madison, Sara Whitley from Anchor Bank, and Ellen Bernards of Ellen Bernards LLC.
- 3 July: National Women’s Music Festival, Madison Marriott Hotel: Presentation and discussion about Cohousing at Union Corners.
- 11 July: Community event “2nd Saturday Social” RE: Information and member recruitment.
- 20 July: SECoH Meeting/Workshop: Group Decision Making and Introduction to Sociocracy
- 22 July: Workshop “Financial Assistance for Cohousing Ownership #2” Linette Rhodes from City of Madison, Sara Whitley from Anchor Bank, and Ellen Bernards of Ellen Bernards LLC.
- 10 Sept: Workshop: “Real Estate Development for Cohousing” (see Item #4 “Real Estate Development for Cohousing” document in supplemental materials).

E. Communications

Design Coalition Institute set up and managed an email list, Facebook page, and website for Cohousing at Union Corners from Summer 2013 through Nov 2015. During that time we produced all the graphics and promotional materials for social media and public events listed above. All these resources were handed over to Unico in November 2015 (samples attached).

F. Summary of Finances

The table below details all the funds secured for Cohousing at Union Corners to date and the line item categories for each source. Design Coalition Institute’s original budget estimated total costs of \$41,280 with an estimation of \$10,702.50 in pro-bono time and donations.

All Grants & Donations to Cohousing	Totals	Line Item in Grants for Payroll	Line Item in Grants for Books	Line Item in Grants for Supplies	Line Item in Grants for Consultants	Non Line (discretionary) Funds	TOTALS
New Harvest Foundation	\$8,077.50	\$5,250.00	\$577.50	\$2,250.00		NA	
City of Madison	\$20,000.00	\$5,000.00	NA	NA	\$15,000.00	NA	
Evjue Foundation	\$2,500.00	NA	NA	NA	NA	\$2,500.00	
GoFundMe	\$366.90	NA	NA	NA	NA	\$366.90	
TOTALS	\$30,944.40	\$10,250.00	\$577.50	\$2,250.00	\$15,000.00	\$2,866.90	\$30,944.40
Actual Expense Comparison		\$9,809.57	\$1,055.83	\$1,018.84	\$17,375.00	\$1,685.16	\$30,944.40
Pro-bono & In-kind consulting*	\$10,336						

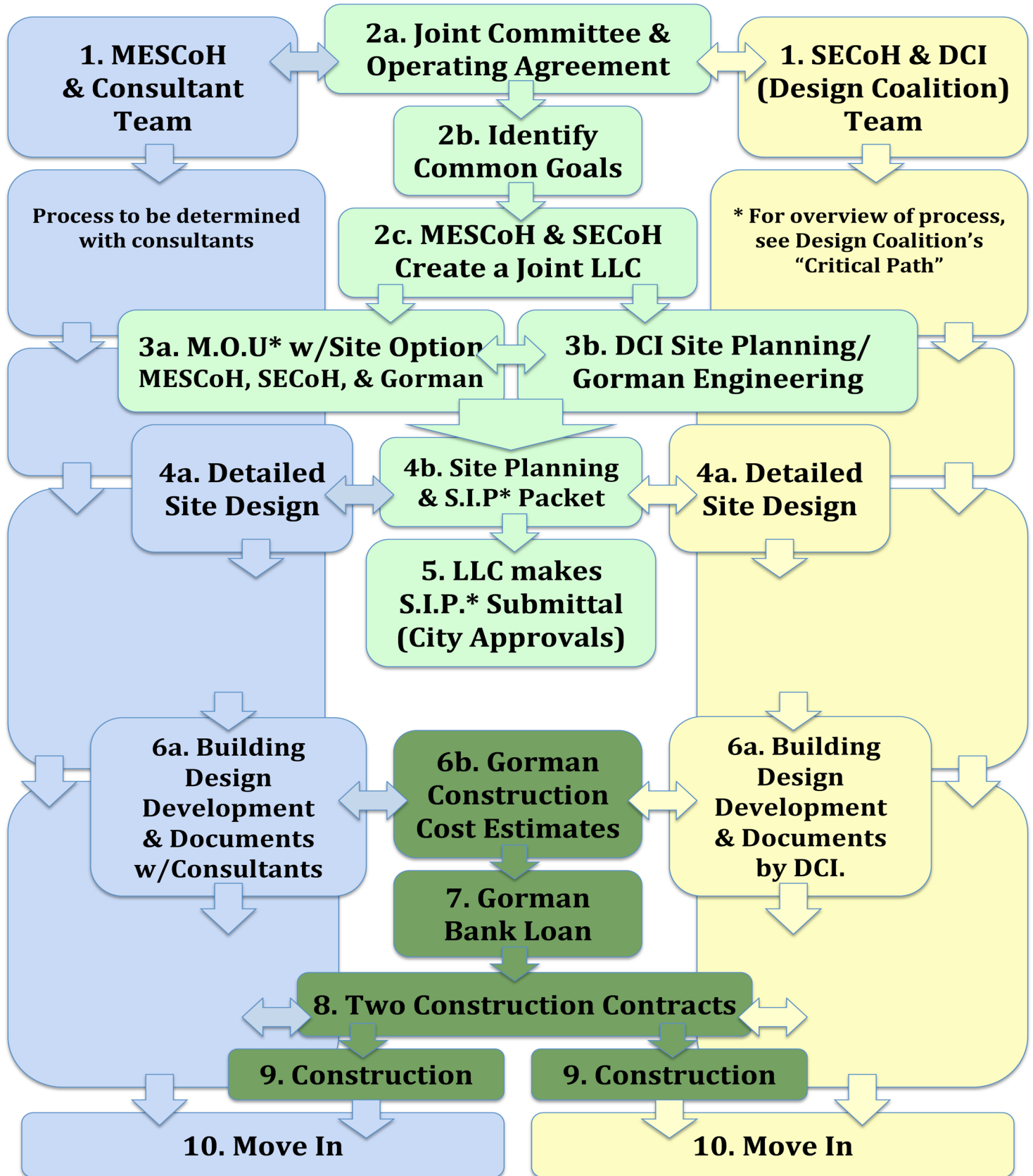
* Design Coalition Institute, Design Coalition Architects, and David Porterfied from MovinOut.

As the table shows, we secured \$30,944 in funding. The amount listed as “Pro-bono & In-Kind Consulting” reflects the estimates in the original proposal. However, the actual value of pro-bono time, specifically pro-bono time contributed by Design Coalition Institute and Design Coalition Architects, was considerably more, as one might surmise by reviewing the details in the narrative above (Design Coalition Architects were listed as a line item on the original proposal).

G. Supplementary materials attached:

1. Proposal for Joint Organization Structure Diagram & Step by Step explanation
2. Email from Alder Rummel RE: City Conditions for Approving Option to Purchase
3. Draft Option to Purchase from Gorman Development Co.
4. Handout for Workshop “Real Estate Development for Cohousing”
5. Summary of online Cohousing Members Demographic Survey (Link to [Cohousing Survey](#))
6. Samples of promotional graphics and fliers
7. Link to Facebook page (promotional materials): [Cohousing at Union Corners Madison WI](#)
8. Website (preliminary site plans, sketch-up, models and current information):
<http://www.unioncornerscohousing.org/>

Simplified Diagram of Proposed Development Structure for Cohousing at Union Corners, Update 17 July 2015



*M.O.U. = Memorandum of Understanding (a formal written agreement between two or more parties).
 *S.I.P. = Specific Implementation Plan (a project approval/permit process through the City of Madison).
 * <http://designcoalition.org/community/CohsgWkshops/cohsgtools/criticalpath.pdf>

Step-by-Step Explanation of the Simplified Diagram of a Proposed Development Structure for Cohousing at Union Corners (see Diagram updated 17 July 2015)

Step 1. Both MESCoH and SECoH contract with consultants, individually or jointly.

Design Coalition, Design Coalition Institute, and Dave Porterfield have agreed to work as a team to provide required professional services and help identify other consultants as needed (legal, accounting, etc.).

Step 2 (a, b, and c). MESCoH and SECoH form a joint committee, identify common goals, and create a joint LLC with equal representation (MESCoH/SECoH LLC).

Step 3 (a and b): The newly formed MESCoH/SECoH LLC submits a draft Memorandum of Understanding (MOU) to Gorman outlining a proposal to secure site control and outlining the relationship between Gorman and MESCoH/SECoH LLC going forward. (see Steps 4 – 9 below).

Step 4 (a and b): A participatory and collaborative process between MESCoH/SECoH LLC, consulting architects, and Gorman's engineering staff to prepare site design, preliminary building design, and all technical materials required for the Specific Implementation Plan (S.I.P.) submittal to the city.

Step 5. MESCoH/SECoH LLC Submits S.I.P. Materials to City: Consultants help MESCoH/SECoH LLC through a series of formal presentations and reviews of the S.I.P. materials by several city committees (Zoning, Plan Commission, Streets, Parks, Engineering, Urban Design, and more).

Step 6 (a and b). MESCoH and SECoH work individually with consultants to refine & finalize building design, building performance goals (common areas, amenities, finishes, HVAC, etc.). Both groups will have some back-and-forth with Gorman's estimating team to secure cost estimates and make adjustments as needed. Consultants prepare final construction documents and submit them to Gorman.

Step 7: Gorman Co will secure a loan to cover the cost of construction.

Step 8. Gorman will negotiate separate construction documents with MESCoH and SECoH.

Step 9. Construction commences (order of construction to be determined).

Step 10. Individual members purchase units and move in.

SUPPLEMENTAL MATERIALS #2

Design Coalition Institute Cohousing Feasibility Study Final Report Nov 2015

Begin forwarded message:

From: "Rummel, Marsha" <district6@cityofmadison.com>

Subject: Cohousing report from my meeting with staff

Date: October 31, 2015 at 8:31:13 PM CDT

To: Sue Thering <susan@designcoalition.org>, "Host-Jablonski, Lou" <lou@designcoalition.org>

If the co-housing group can come up with a pro forma and business plan that provides basic info about cost and design of the building, the sources of your money and potential for affordable housing the city would consider approving Gorman's assigning the option to purchase to the cohousing group. This agreement with Gorman would need to be negotiated by the city and Gorman and approved by the Common Council. I know Ted and maybe Sue talked about a 2 year option. Gorman will have to ask city to negotiate this option. It sounds like they are willing.

I know you and others have talked about working with a developer whether it is Dave Porterfield or Steve Silverberg. The city would encourage you to find a developer to work with. The goal is to work toward creating a specific implementation plan level of design. Not immediately but that is your goal.

If there is no gap shown, the cost of the land would be fair market value. To get the deal that Gorman had with land for \$1, affordable units must be part of the mix. I'm guessing that some of the units must be available at ratios less than 80% area median income. Otherwise the staff opinion is that owner occupied housing doesn't need TIF assistance. The city will ask for a land use restriction that would guarantee affordable units for income qualified people.

Once you have some preliminary ideas and numbers, city staff would be willing to meet with either a developer you choose or a representative of the group who could answer more detailed questions.

PARTIAL ASSIGNMENT AND ASSUMPTION OF OPTION TO PURCHASE PHASE 5

THIS PARTIAL ASSIGNMENT AND ASSUMPTION OF OPTION TO PURCHASE PHASE 5 ("**Assignment**") is made and entered into effective as of the ___ day of _____, 2015 ("**Effective Date**") by and between Gorman & Company, Inc. (the "**Assignor**"), and _____ ("**Assignee**").

RECITALS:

A. The City of Madison (the "**City**") owns the real property known as Phase 5 ("**Phase 5**") and Phase 6 ("**Phase 6**") of the Union Corners Development located in the City of Madison, Dane County, Wisconsin. Phase 5 is described on **Exhibit A** attached hereto.

B. The City has agreed to grant Assignor an option to purchase Phase 5 (the "**Phase 5 Option**") and/or Phase 6 (the "**Phase 6 Option**") pursuant to the terms and conditions described in that certain Option to Purchase dated August 14, 2015 (the "**Option Agreement**"), a copy of which is attached hereto as **Schedule I**.

C. The terms of the Option Agreement require City's written consent to any assignment of the Assignor's rights under the Option Agreement, and the City has agreed to consent to the assignment set forth herein and to execute the Consent to Assignment attached hereto.

D. This Assignment is limited to the assignment of the Phase 5 Option for a period of one year, and Assignor desires to assign, and Assignee desires to accept an assignment of Assignor's right, title and interest in the Option Agreement related to the Phase 5 Option for such one year period.

E. Assignor will retain the Phase 6 Option.

F. The Assignee's exercise of the Phase 5 Option pursuant to this Assignment and its development of a new project on Phase 5 will enhance the entire Union Corners Development and will provide substantial benefit to the Assignor, which will retain a significant direct or indirect ownership interest in the Union Corners Development.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the consideration described in Recital F above, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Assignor and Assignee do hereby agree as set forth below.

1. **Assignment.** Assignor hereby grants, sells, transfers, conveys, sets over and assigns to Assignee, Assignor's right, title and interest in, to and under the Phase 5 Option commencing on January 1, 2016 and continuing through December 31, 2016 (the "**Assigned Option Period**").

2. Acceptance and Assumption. Assignee hereby accepts the assignment of the Assignor's right, title and interest in, to and under the Phase 5 Option for the Assigned Option Period pursuant to the terms and conditions set forth in this Assignment.

3. Failure to Exercise the Option by the Assignee. If the Assignee has failed to satisfy all of requirements set forth in Section 2 of the Option Agreement which must be satisfied in order to exercise the Phase 5 Option, or even if such requirements have been satisfied by the Assignee, but the Assignee fails to exercise the Phase 5 Option by December 31, 2016 pursuant to Section 3 of the Option Agreement, then this Assignment shall become null and void, the Assignee shall have no further right to exercise the Phase 5 Option, and all of the right title and interest with regard to the Phase 5 option shall automatically revert back to the Assignor.

4. Phase 5 Development Proposal. Assignor reserves the right to review and consent to any design, density, and site plan proposal for the development of Phase 5 which the Assignee proposes to submit to the City for review and approval, which consent by Assignor shall not be unreasonably withheld or delayed.

5. Indemnification. Assignee shall indemnify and hold harmless Assignor from all claims, costs, liabilities, damages or expenses (including, but not limited to, reasonable attorneys' fees and litigation expenses) arising out of, or relating to, any default or obligation on the part of Assignee under the Option Agreement or this Assignment, arising during or after the Assigned Option Period.

6. Successors and Assigns. This Assignment shall be binding upon and shall inure to the benefit of Assignor and Assignee and their respective permitted successors and assigns; however, this Assignment may not be further assigned by the Assignee without the prior written consent of both the Assignor and the City.

7. Counterparts. This Assignment may be executed in counterparts and/or facsimile counterparts with all counterparts taken together forming one Assignment.

8. Interpretation. The laws of the State of Wisconsin shall govern the validity, performance and enforcement of this Assignment without application of choice of law or conflicts of law principles.

IN WITNESS WHEREOF, the undersigned have executed this Assignment as of the Effective Date set forth above.

[Signature Page Follows]

ASSIGNOR

GORMAN & COMPANY, INC.

By: Gary J. Gorman
Its: President

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

Personally came before me this ____ day of _____, 2015, the above named Gary J. Gorman, as the President of Gorman & Company, Inc., and to me known to be the person named herein and who executed the foregoing instrument and acknowledged the same.

Notary Public, _____ County, _____
Print Name: _____
My Commission: _____

ASSIGNEE

By:
Its:

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

Personally came before me this _____ day of _____, 2015, the above named _____, as the _____ of _____, and to me known to be the person named herein and who executed the foregoing instrument and acknowledged the same.

Notary Public, _____ County, _____
Print Name: _____
My Commission: _____

EXHIBIT A

PHASE 5

Lot 1, Certified Survey Map 11774, recorded in Vol. 72 of Certified Survey Maps, page 134, as #4196068, in the City of Madison, Dane County, Wisconsin.

Parcel Number: 251-0710-061-3428-4

CONSENT TO ASSIGNMENT

The undersigned City of Madison, Wisconsin hereby consents to the foregoing Assignment by Gorman & Company, Inc. to _____ of the right, title and interest of Gorman & Company, Inc., in and to the above described Phase 5 Option for the Assigned Option Period. The undersigned represents to _____ that the Option Agreement has not previously been amended, supplemented, modified, assigned, encumbered, terminated or cancelled. Furthermore, the undersigned acknowledges and agrees that as a result of the foregoing Assignment that the Option Agreement shall not terminate and shall continue in full force and effect, subject to the Assignment set forth above.

Dated this ____ day of _____, 2015.

[Signature Page Follows]

CITY OF MADISON

By: Paul R. Soglin
Its: Mayor

By: Maribeth Witzel-Behl
Its: City Clerk

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

Personally came before me this ____ day of _____, 2015, the above named Paul R. Soglin, as the Mayor of the City of Madison, and to me known to be the person named herein and who executed the foregoing instrument and acknowledged the same.

Notary Public, _____ County, _____
Print Name: _____
My Commission: _____

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

Personally came before me this ____ day of _____, 2015, the above named Maribeth Witzel-Behl, as the Clerk of the City of Madison, and to me known to be the person named herein and who executed the foregoing instrument and acknowledged the same.

Notary Public, _____ County, _____
Print Name: _____
My Commission: _____

SCHEDULE I

OPTION TO PURCHASE

2015 Beneficiary Report

Exhibit 3(a)

Agency Design Coalition Institute, Inc

Project DCI Union Corners Co-Housing

This report is to be completed on quarterly basis and submitted with Exhibits 2 and 3.

Characteristics	Jan - Mar 2015	Apr - June 2015	July - Sept 2015	Aug - Dec 2015	2015 Total YTD
Income Level (Households)					
Greater than 80% Median			20		
51% - 80% Median			12		
30% - 50% Median					
Less than 30% Median					
Total # Households (Income)			32		

Special Characteristics	Jan - Mar 2015	Apr - June 2015	July - Sept 2015	Aug - Dec 2015	2015 Total YTD
Female Headed Households			8		
Individuals with Disabilities			11		

Race & Ethnicity (Individuals)											
		Hispanic/Latino	Non Hispanic/Latino	Hispanic/Latino	Non Hispanic/Latino	Hispanic/Latino	Non Hispanic/Latino	Hispanic/Latino	Non Hispanic/Latino	Hispanic/Latino	Non Hispanic/Latino
		<i>**Note regarding ethnicity:</i> Individuals may also self-identify as being of Hispanic/Latino origin, <i>regardless</i> of racial category selected below.									
White/Caucasian						0	56				
Black/African American							3				
Asian							1				
American Indian/Alaskan Native							2				
Native Hawaiian/Pacific Islander							0				
Multi-race categories	Am. Indian/Alaskan Native & White/Caucasian					?					
	Asian & White/Caucasian					?					
	Black/African American & White/Caucasian					?					
	Am. Indian/Alaskan Native & Black/African American					?					
Balance/Other Multi Racial							2				
Total # Individuals Served (Race)							61				

Beneficiary Race/Ethnicity definitions: Hispanic or Latino is defined as being Cuban, Mexican, Puerto Rican, South or Central American or other Spanish culture. White is defined as having origins in Europe, North Africa or the Middle East. Black/African American is defined as having origins in Africa. Asian is defined as having origins in the Far East, Southeast Asia or Indian subcontinent. American Indian is defined as having origins in any of the original people of North and South America. Native Hawaiian/Other Pacific Islander is defined as having origins in Hawaii, Guam, Samoa, or other Pacific Island. Other multi-racial is to be used for reporting individuals that are not included in any of the other categories listed above.

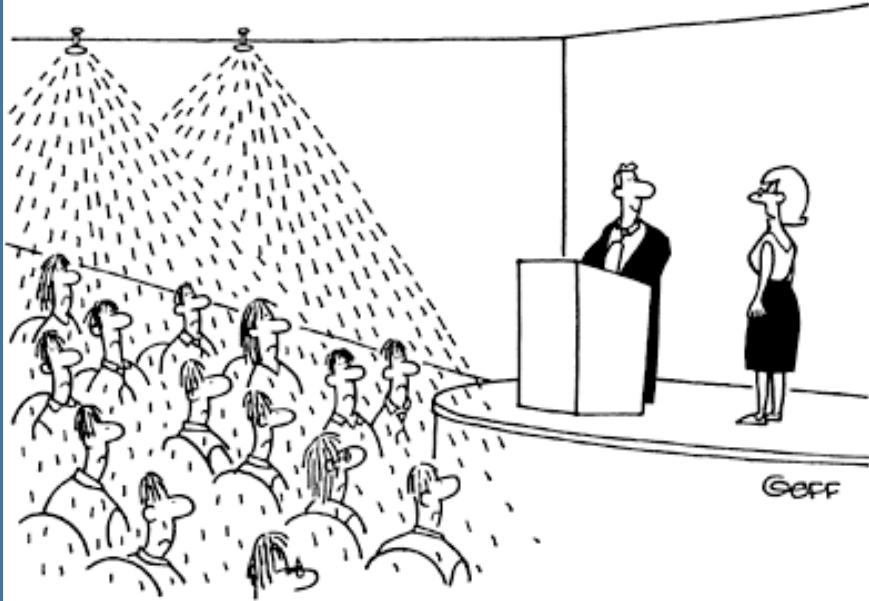
Cohousing Development Finance: Basic Concepts

**Prepared for Members & Friends
of Cohousing at Union Corners**

9 September 2015

Susan Thering, Ph.D. Executive Director
Design Coalition Institute
Susan@DesignCoalition.org
www.DesignCoalitionInstitute.org

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"You're not allowed to use the sprinkler system to keep your audience awake."

A.

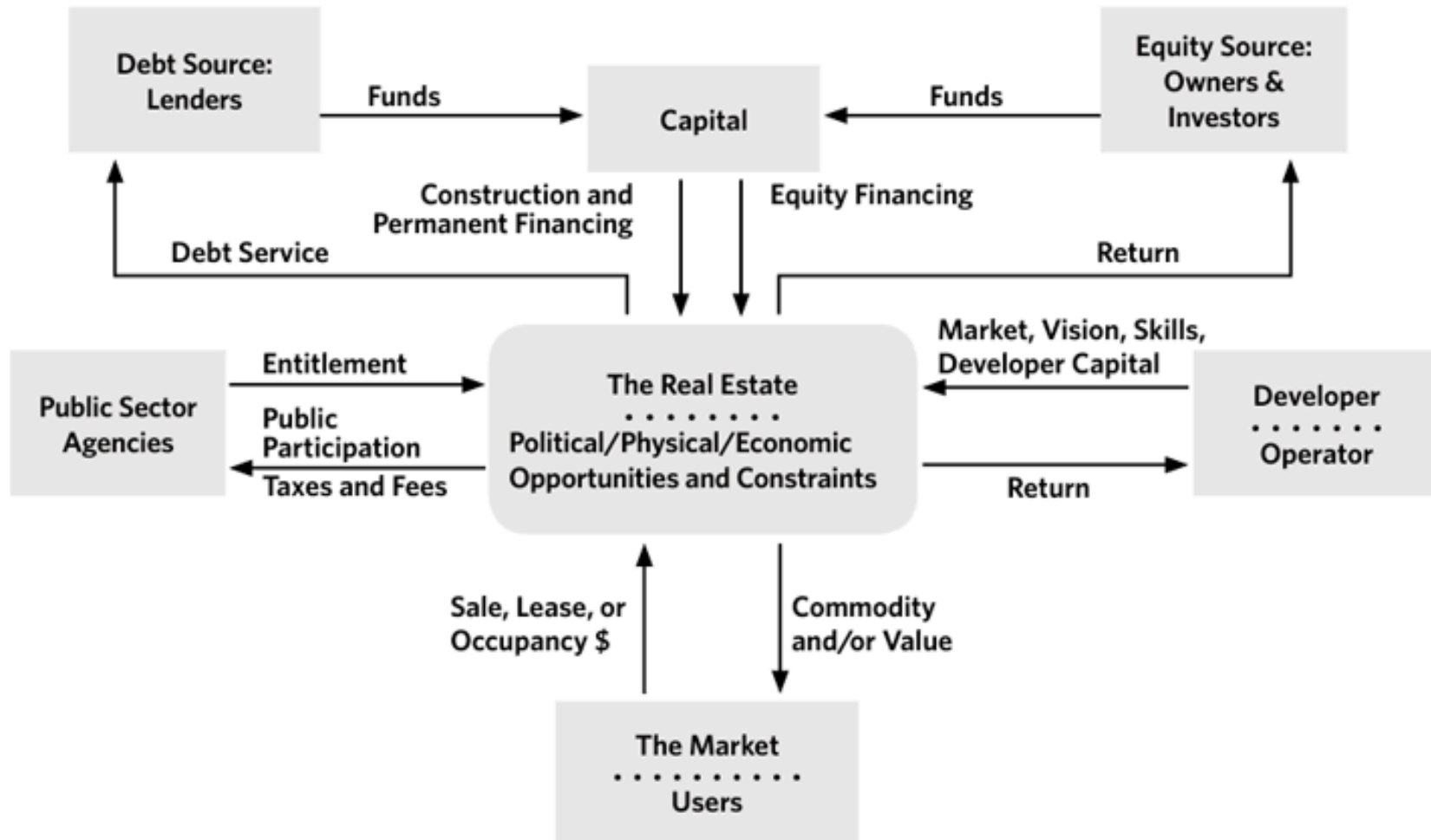


B.

Cohousing Development Finance: Basic Concepts

PART 1: Comparing Finance Models: Conventional vs. Cohousing

Conventional Real Estate Development Finance Model



From: Long, C. 2011. *Finance for Real Estate Development*. Urban Land Institute. Washington DC.

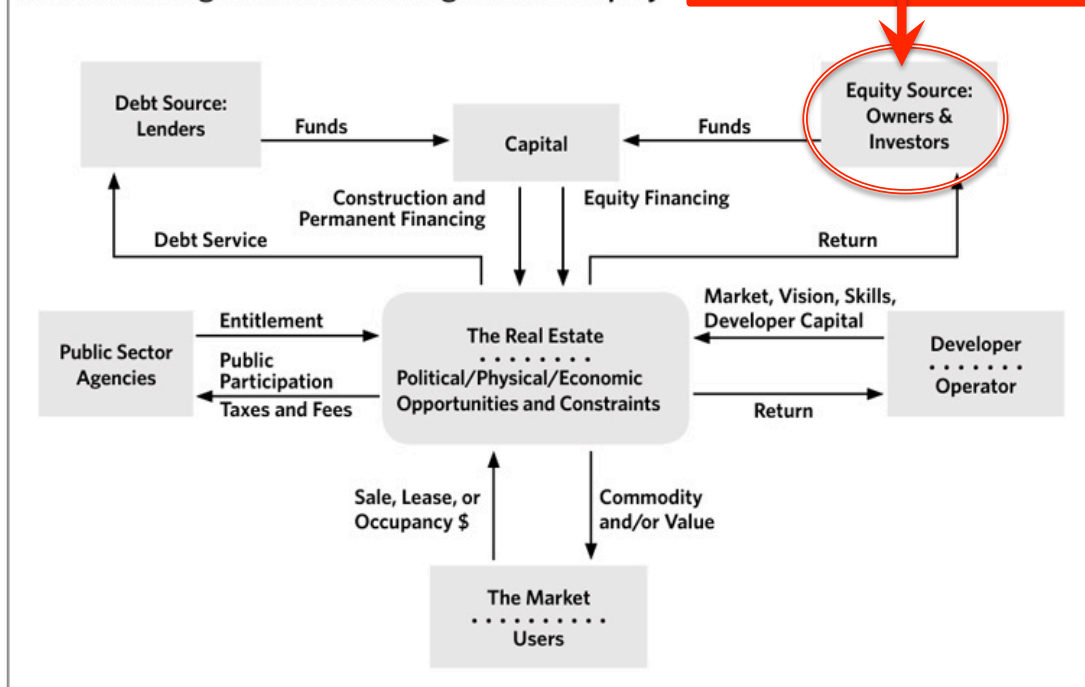
Conventional Real Estate Development Finance Model

Modification #1 for Cohousing: Equity Sources

Cohousing Members are the Primary “Equity Source”:

- Cohousing members’ pre-construction financial investments/down payments.
- Value of donated time pre-construction (members, nonprofit, consultants).
- Loans and grants secured by members and partner organizations.

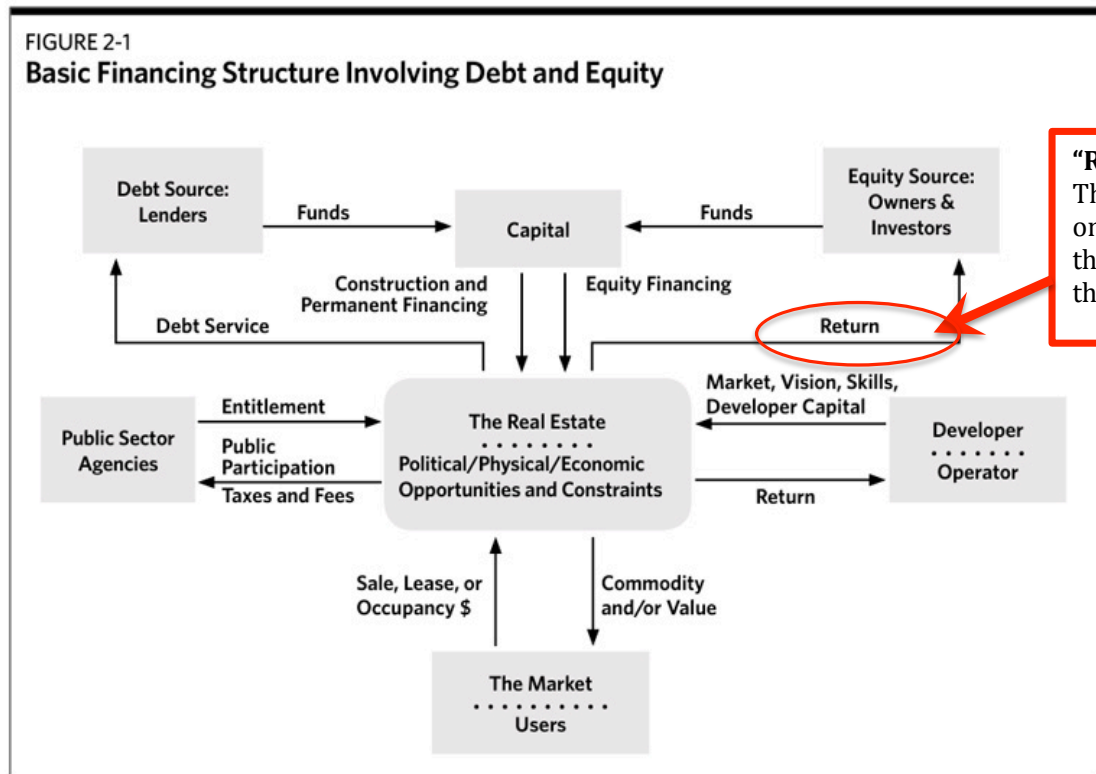
FIGURE 2-1
Basic Financing Structure Involving Debt and Equity



From: Long, C. 2011. *Finance for Real Estate Development*. Urban Land Institute. Washington DC. pp 31

Conventional Real Estate Development Finance Model

Modification #2 for Cohousing: Return for Members

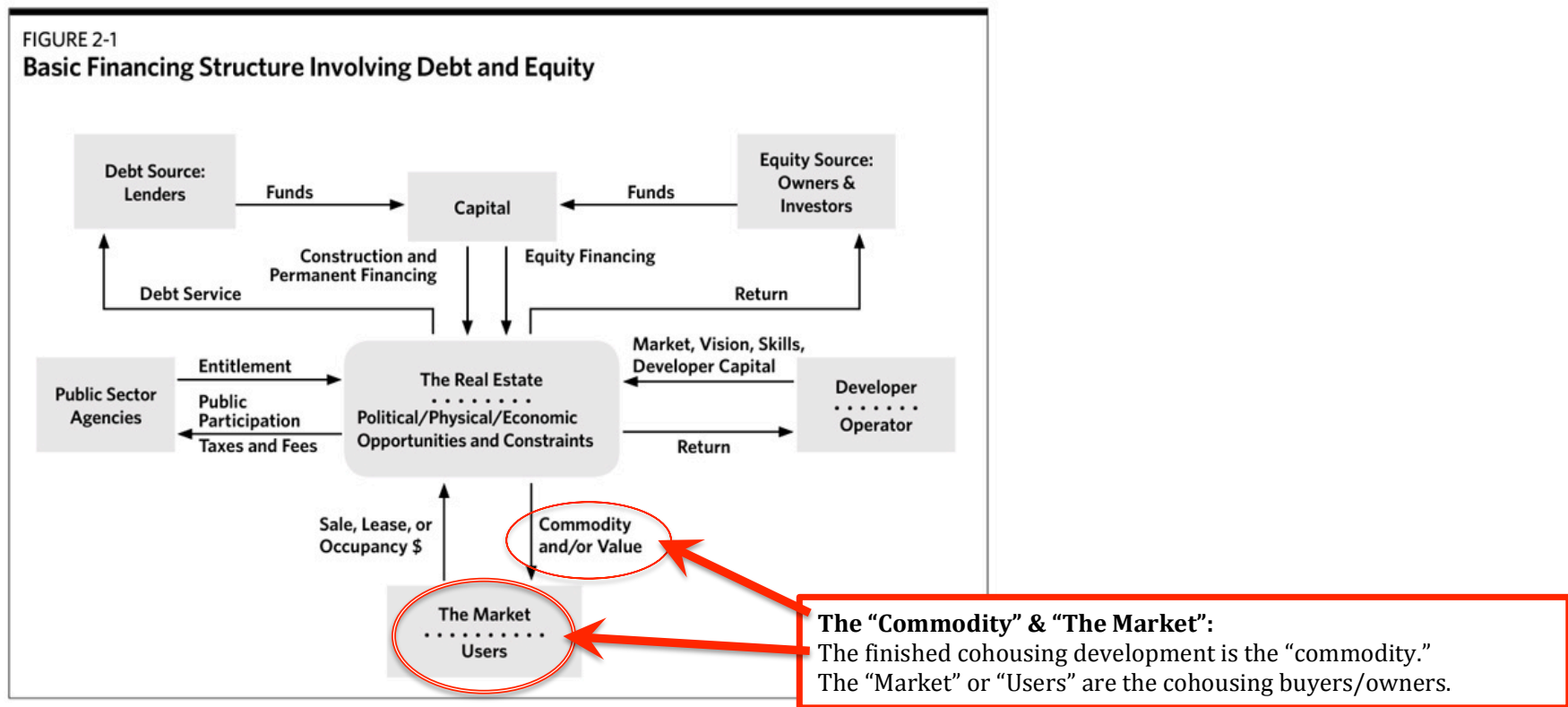


“Return” for Members:
The early cohousing members/investors earn a return on their investments, the same as the developer and the developer’s investors earn a return by risking their time and money.

From: Long, C. 2011. *Finance for Real Estate Development*. Urban Land Institute. Washington DC. pp 31

Conventional Real Estate Development Finance Model

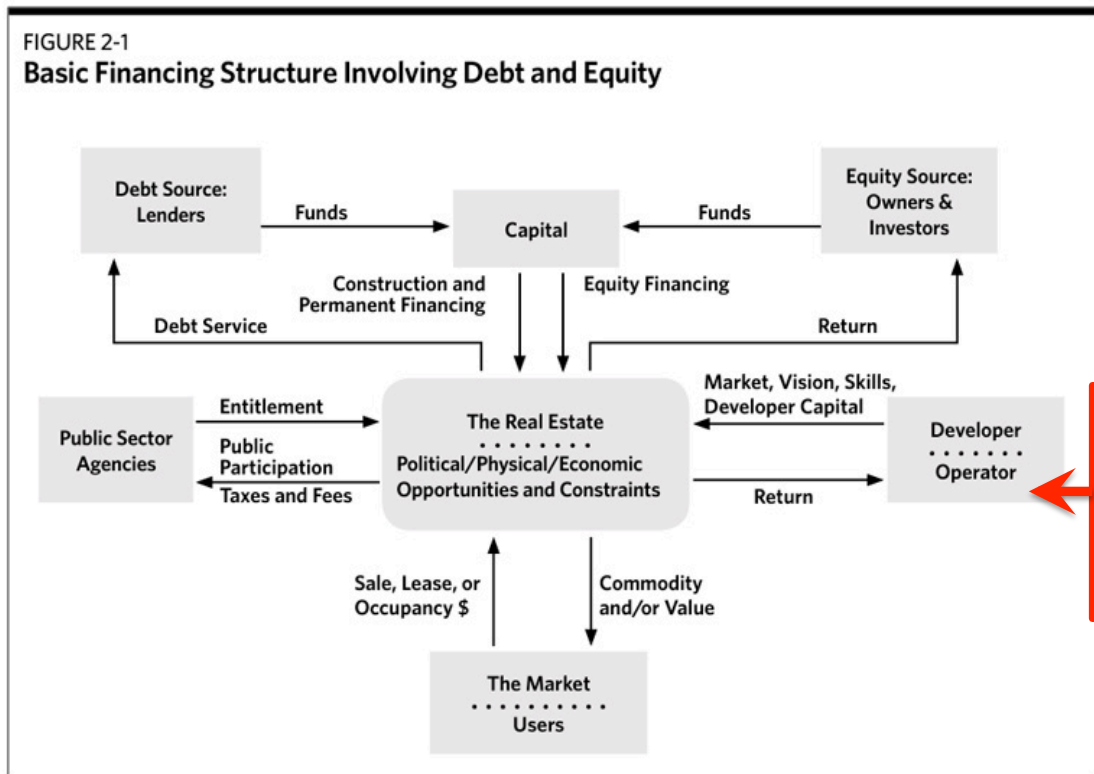
Modification #3 for Cohousing: Commodity & The Market



From: Long, C. 2011. *Finance for Real Estate Development*. Urban Land Institute. Washington DC. pp 31

Conventional Real Estate Development Finance Model

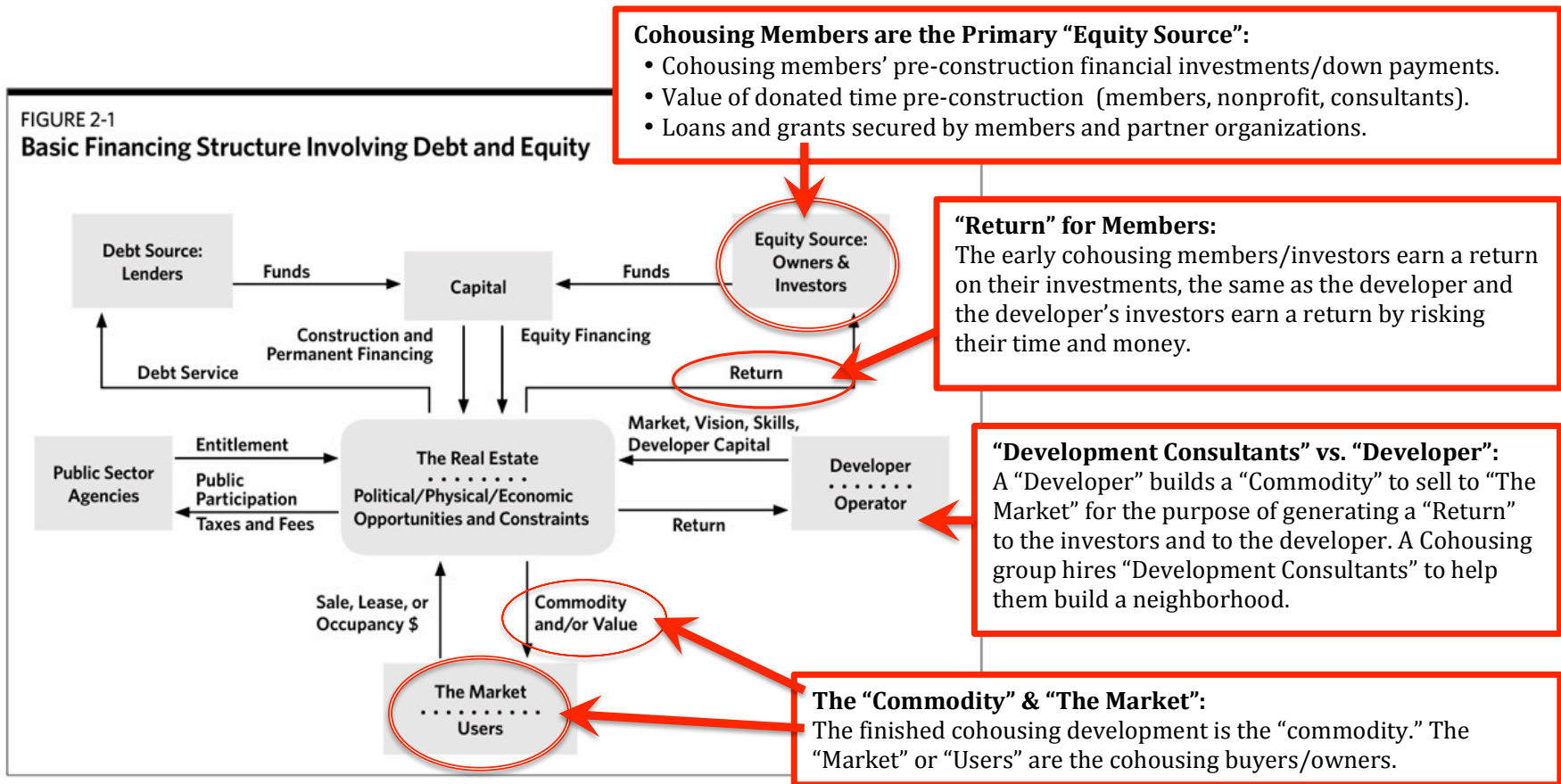
Modification #4 for Cohousing: Development Consultants



“Development Consultants” vs. “Developer”:
A “Developer” builds a “Commodity” to sell to “The Market” for the purpose of generating a “Return” to the investors and to the developer. A Cohousing group hires “Development Consultants” to help them build a neighborhood.

From: Long, C. 2011. *Finance for Real Estate Development*. Urban Land Institute. Washington DC. pp 31

Conventional Real Estate Development Finance Model Modified for Cohousing: 4 Key Differences



From: Long, C. 2011. *Finance for Real Estate Development*. Urban Land Institute. Washington DC. pp 31

Breakout: Clarify Concepts

**Please work in small groups to answer these questions.
Please make a list of points that need clarification
and questions that arise during your discussion.**

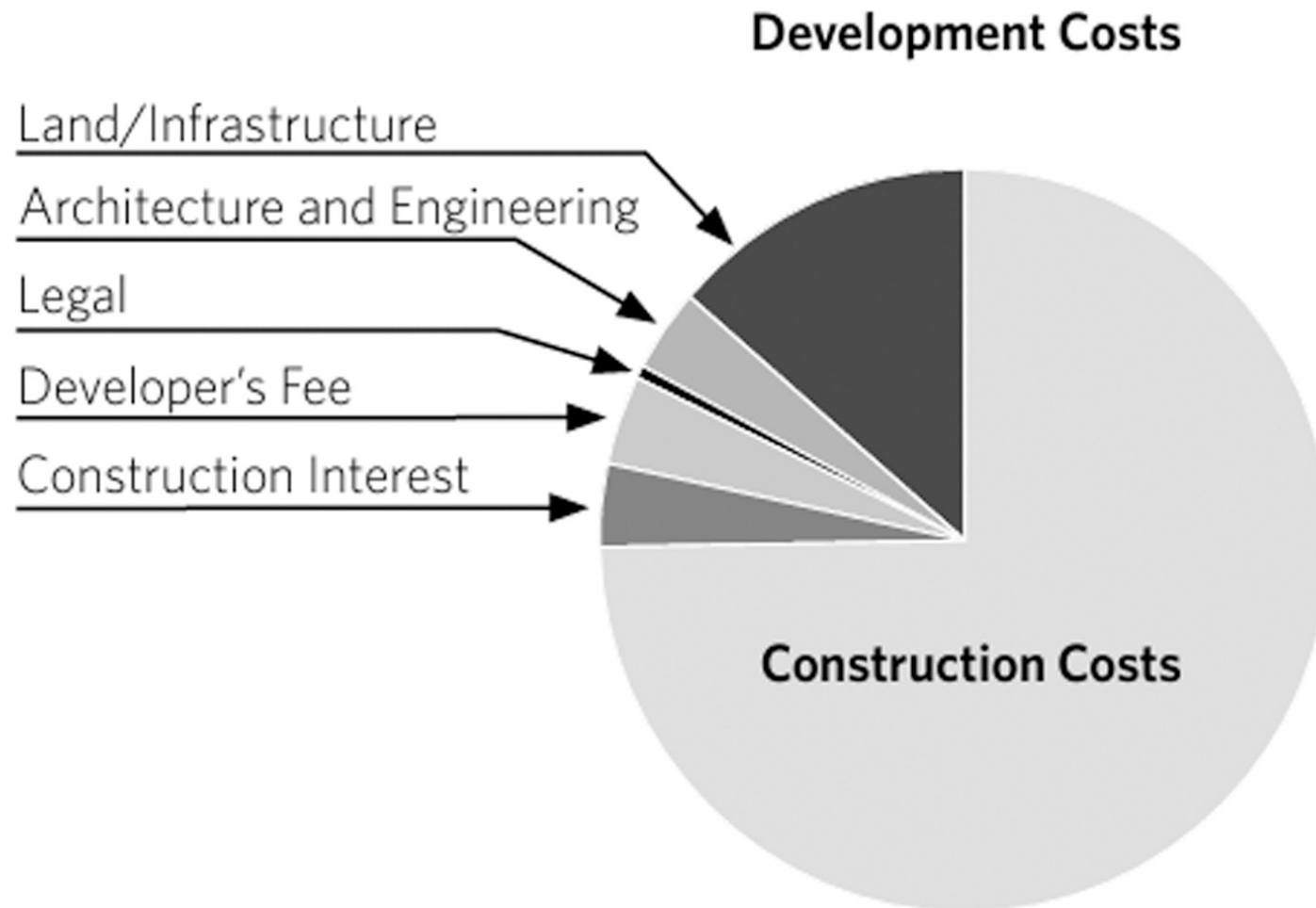
- 1. What does the “Public Sector” contribute to the project?**
- 2. What does the “Public Sector” benefit from the project?**
- 3. What do “Developers” and “Development Consultants” contribute to the project?**
- 4. What do “Developers” and “Development Consultants” benefit from the project?**
- 5. What is the difference between “Debt” and “Equity”?**
- 6. What is the difference between “Debt Service” and “Return”?**
- 7. What is the difference between “Equity Sources” in Conventional vs Cohousing?**

15 Minutes --- GO!

Cohousing Development Finance: Basic Concepts

PART 2: Development Costs

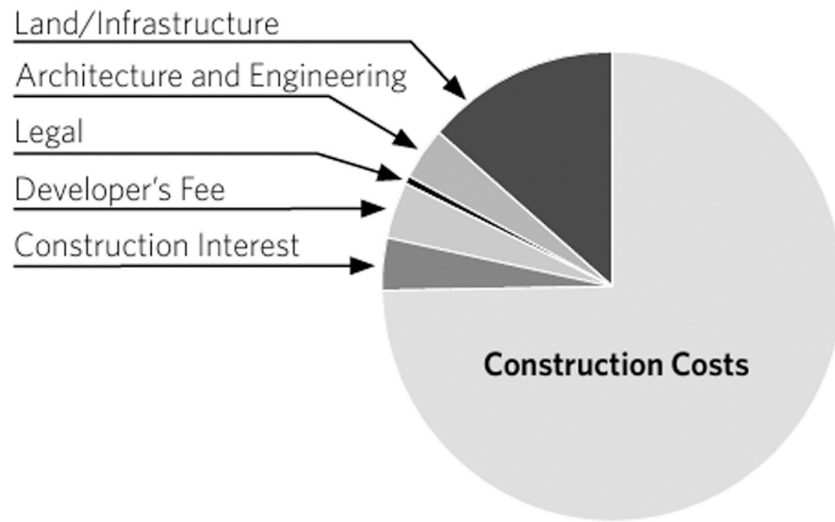
Typical Real Estate Development Cost Breakdown



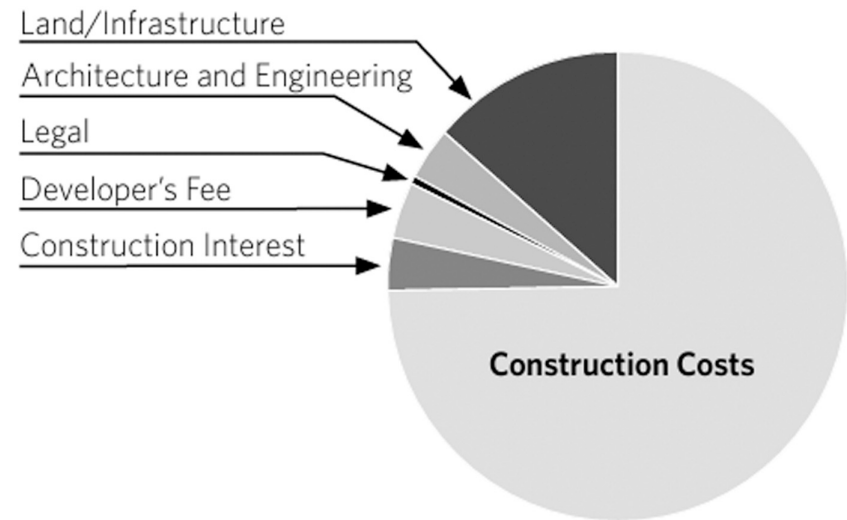
From: Long, C. 2011. *Finance for Real Estate Development*. Urban Land Institute. Washington DC.

Comparing Real Estate Development Costs

Conventional vs. Cohousing



Conventional Development Cost Breakdown



Cohousing Development Cost Breakdown

Cohousing Development Costs: Opportunities for Cost Savings

From “Roll Up Your Sleeves”:

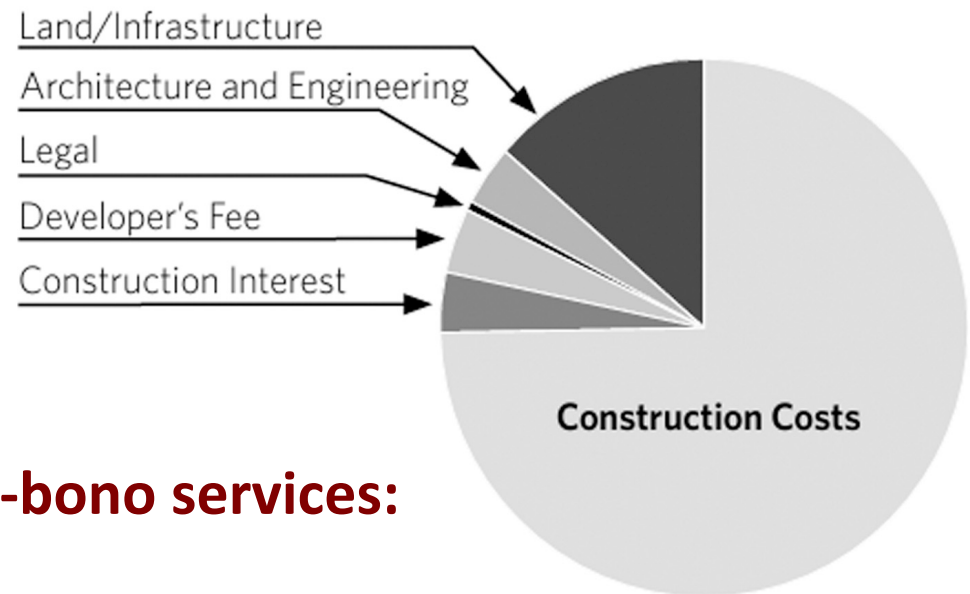
- Marketing
- Real Estate Sales Commissions
- Members’ Relevant Expertise

From Member’s Equity:

- Interest on pre-construction loans

From Grants, Nonprofits, & Pro-bono services:

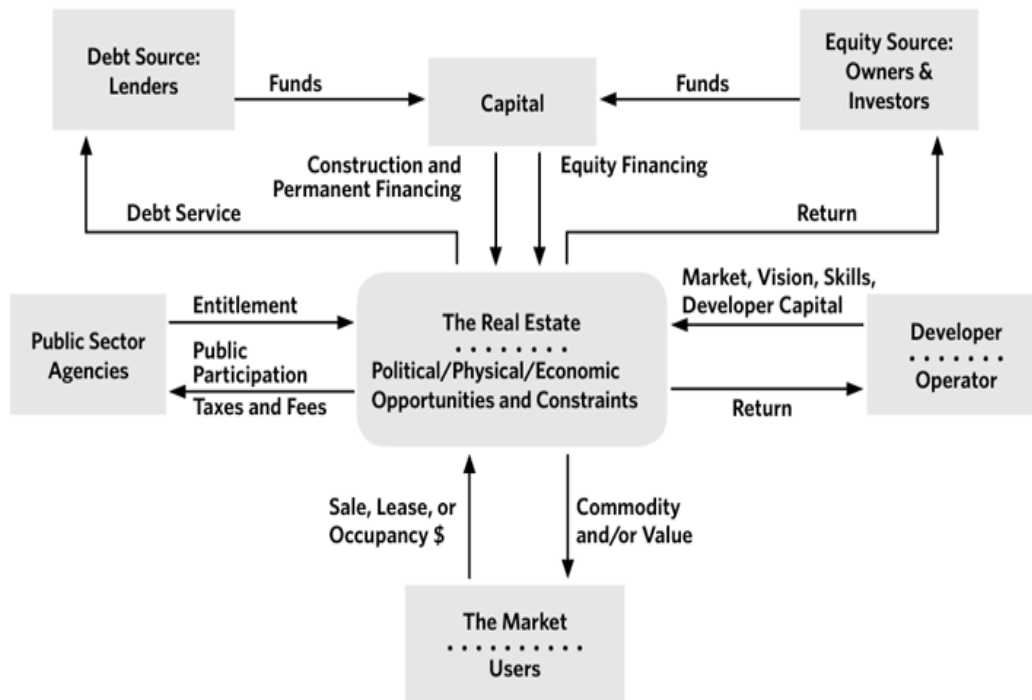
- Marketing
- Real Estate Commissions
- State & Fed affordable housing programs
- Technical assistance



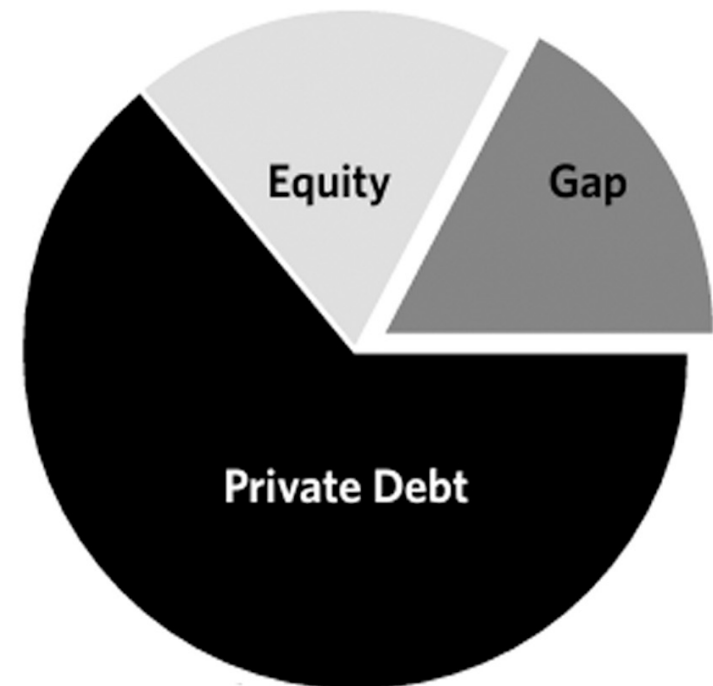
Cohousing Development Finance: Basic Concepts

PART 3: Finance

Conventional Development Finance Structure:



Conventional Development Typical Capital Breakdown:





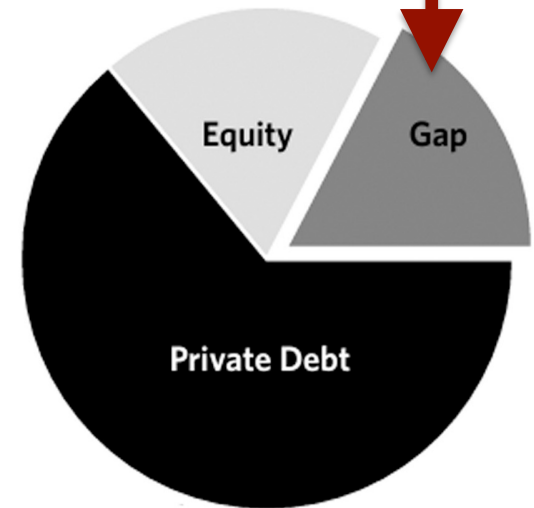
“Capital Stack”

20% to 60% of project costs. Pays return based on performance.

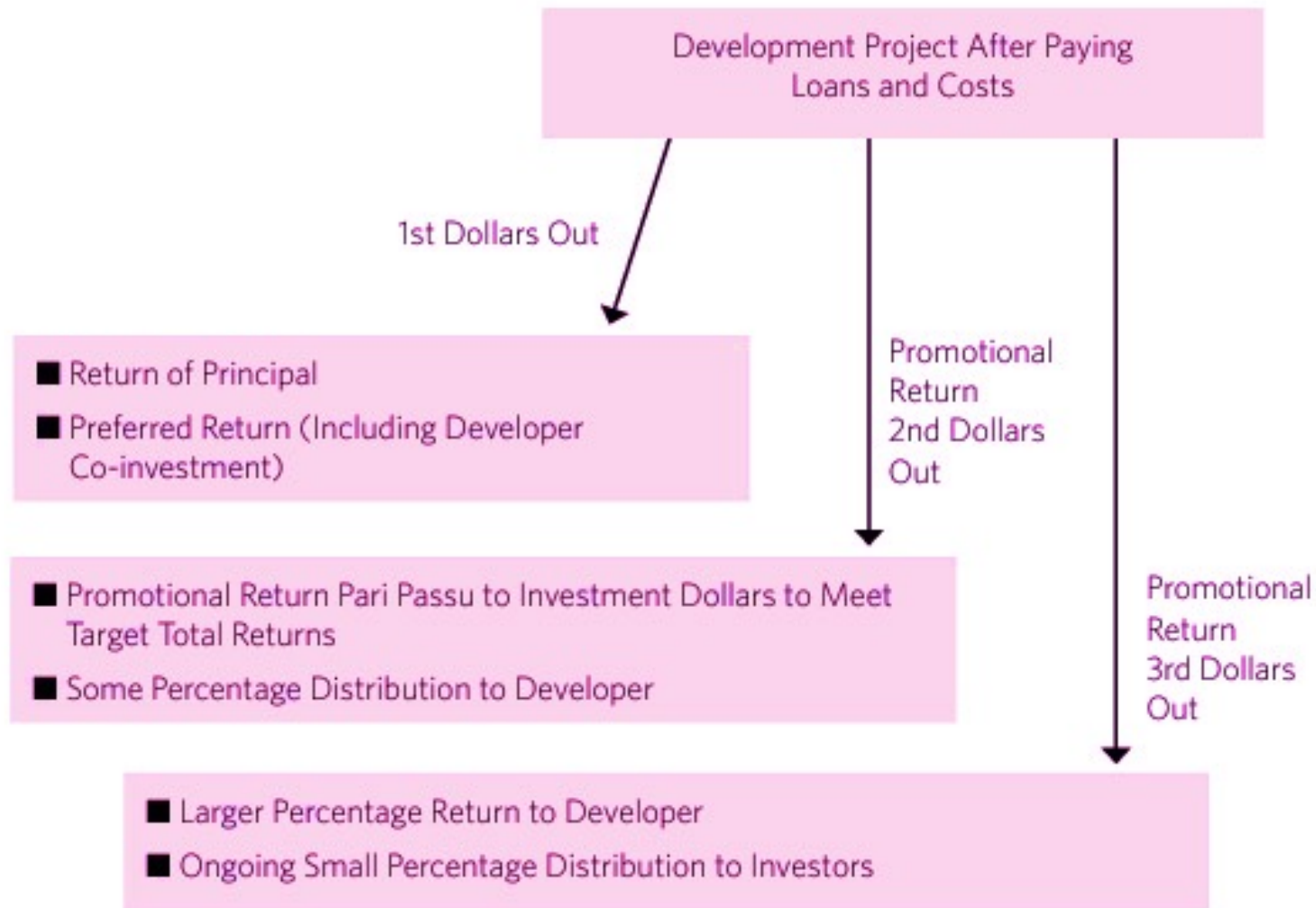
Gap financing to cover costs not supported by debt or equity. Usually paid through performance.

40% to 80% of project costs. Pays interest, secured by lien.

Capital “Gap” is filled with “Mezzanine” or “Performing” Debt



Typical “Waterfall” Distribution of Profits



From: Long, C. 2011. *Finance for Real Estate Development*. Urban Land Institute. Washington DC.

TYPICAL COHOUSING DEVELOPMENT BUDGET DEVELOPMENT PROFORMA



This Budget is to show how CoHousing Solutions sets up a cohousing development budget. It is not based on any specific project, but rather shows a typical % of costs.

Actual costs can vary greatly between jurisdictions, and with the size of a project.

Allocation of fees and distributable cash may also vary depending on how investment and risks are allocated

	NOTES	BUDGET	% OF SALES VALUE
REVENUE:			
RESIDENTIAL SALES		\$ 9,840,000	98.4%
LOT PREMIUMS		20,000	0.2%
OPTIONS & UPGRADES		140,000	1.4%
TOTAL SALES REVENUE		10,000,000	100.0%
COSTS:			
01 ADMIN., LEGAL, & MISC.		250,000	2.5%
02 PERMITS & FEES		450,000	4.5%
03 DESIGN & ENGINEERING		500,000	5.0%
04 COMMON FURNISHINGS Community Allowance	<u>1</u>	20,000	0.2%
05 LAND ACQUISITION		655,000	6.6%
06 MARKETING EXPENSES Community Allowance	<u>2</u>	500,000	5.0%
07 PROJECT MANAGEMENT FEES	<u>3</u>	500,000	5.0%
09 FINANCING COSTS		500,000	5.0%
11 COSTS INCURRED AT CLOSING	<u>4</u>	-	0.0%
12 CONSTRUCTION COSTS		5,500,000	55.0%
13 CONTINGENCY		100,000	1.0%
15 DEVELOPERS WARRANTY	<u>5</u>	25,000	0.3%
TOTAL COSTS		9,000,000	90.0%
PROJECTED DISTRIBUTABLE CASH		\$ 1,000,000	10.0%

DISTRIBUTABLE CASH TO BE ALLOCATED AS FOLLOWS:

DEVELOPER FEE	50.0%	\$	500,000
COMMUNITY & COMMUNITY INVESTORS	25.0%	\$	250,000
INVESTORS & PARTICIPATING NOTEHOLDERS	25.0%	\$	250,000

NOTES:

- 1 Common Furnishings is to assist the community in beginning to furnish their common facilities at move-in.
- 2 Marketing Expenses are set as 5% of sales with approx. half of the budget going to discounts for early commitment
As an incentive for the cohousing group to get the project sold out, any marketing budget remaining after all homes are sold is given to the HOA.
- 3 Project Management Fees are figured as 5% of Sales. CoHousing Solutions fees are typically paid out of this portion of the budget.
- 4 All costs of closing are borne by the Buyers so as to minimize costs, and the need to finance these.
- 5 Warranty is to cover the things that fall thru the cracks between the contractor, group, and developer.
- 6 Distributable Cash (or the Profit Margin between sales and actual development costs) are proposed to be split between the developer (whoever is securing and guaranteeing the financing), any larger investors (beyond the normal contributions of cohousing group members, and the cohousing group, or its eventual HOA.

Breakout: Some Decisions Ahead

**Please work in small groups to answer these questions.
Please make a list of points that need clarification
and questions that arise during your discussion.**

- 1. What is the “Return” to early Cohousing members?**
- 2. Is there a “Return” for time invested and for money invested?**
- 3. How will you answer these questions?**

15 Minutes --- GO!

Summary Q&A

Cohousing Development Finance: Basic Concepts

Susan Thering, Ph.D. Executive Director
Design Coalition Institute

Susan@DesignCoalition.org

www.DesignCoalitionInstitute.org

Households	1. How many people in your household are adults?	2. a. How many people in your household are under the age of 5?	b. How many people in your household are children over 5 and under 13 years old?	c. How many people in your household are children 13 to 18 years old?	d. How many adults in your household are 55 years and older?	8. Depending on income diversity, there may be subsidies for constructing cohousing. Please choose the option that corresponds with your household income:	9. Please indicate the number of people in your household self identify as a member of any of the following groups:									Preliminary analysis of household qualification for home buyer programs:		
							9. a. Asian Heritage	9. b. African Heritage	9. c. American Indian Heritage	9. d. Hispanic or Latino Heritage	9. e. White	9. f. Mixed race/ethnicity	9. g. Member of the LGBT community	9. h. Has health or mobility challenges that limit activities.	9. i. English is not their first language.	Number of people in household	Annual household income	Potentially qualified
TOTALS	49	4	3	4	38		1	3	2	0	56	2	14	11	2			13
1	2	0	0	0	1	Over 150,000 per year	0	0	0	0	2	0	0	2				
2	2	0	0	0	2	50,000 to 60,000 per year					2			2		2	> \$60,000	
3	2	0	2	2	0	70,000 to 80,000 per year	0	0	0	0	6	0	1	0	0	6	> \$80,000	
4	1	0	0	0	1	20,000 to 30,000 per year					1					1	> \$30,000	1
5	2	0	0	0	2	20,000 to 30,000 per year					2		2	1		2	> \$30,000	1
6	2	0	0	0	2	30,000 to 40,000 per year					2					2	> \$40,000	1
7	2	0	0	0	2	Over 150,000 per year	0	0	0	0	2	0	0	1	0	2	< \$150,000	
8	1	0	0	0	1	60,000 to 70,000 per year					1			1		1	> \$70,000	
9	1	0	0	0	1	50,000 to 60,000 per year	0	0	0	0	1	0	0	0	0	1	> \$60,000	
10	2	0	0	0	2	100,000 to 125,000 per year					2					2	> \$125,000	
11	1	0	0	0	1	30,000 to 40,000 per year					1		1	1		1	> \$40,000	1
12	1	0	1	1	0	30,000 to 40,000 per year	0	1	0	0	2	0	1	0	0	3	> \$40,000	1
13	2	0	0	1	2	50,000 to 60,000 per year					3					3	> \$60,000	
14	2	0	0	0	2	90,000 to 100,000 per year					2					2	> \$100,000	
15	1	0	0	0	1	50,000 to 60,000 per year	0	0	0	0	1	0	0	0	0	1	> \$60,000	
16	1	1	0	0	1	30,000 to 40,000 per year		2	2			2				2	> \$40,000	1
17	1	0	0	0	1	20,000 to 30,000 per year	0	0	0	0	1	0	1	1	0	1	> \$30,000	1
18	1	0	0	0	0	30,000 to 40,000 per year	0	0	0	0	1	0	1	0	0	1	> \$40,000	1
19	3	0	0	0	1	90,000 to 100,000 per year					3		1			3	> \$100,000	
20	1	0	0	0	1	20,000 to 30,000 per year					1					1	> \$30,000	1
21	1	0	0	0	1	20,000 to 30,000 per year	0	0	0	0	1	0	1	0	0	1	> \$30,000	1
22	1	0	0	0	1	Under 20,000 per year	0			0	1		1	1		1	> \$20,000	1
23	2	0	0	0	2	90,000 to 100,000 per year	0	0	0	0	2	0	0	0	0	2	> \$100,000	
24	1	0	0	0	1	30,000 to 40,000 per year					1		1			1	> \$40,000	1
25	1	0	0	0	1	80,000 to 90,000 per year					1					1	> \$90,000	
26	1	0	0	0	1	40,000 to 50,000 per year	0	0	0	0	1	0	0	0	0	1	> \$50,000	
27	2	0	0	0	2	90,000 to 100,000 per year					2		2		2	2	> \$100,000	
28	2	0	0	0	0	20,000 to 30,000 per year	1				1		1	1		2	> \$30,000	1
29	2	0	0	0	2	50,000 to 60,000 per year	0	0	0	0	2	0	0	0	0	2	> \$60,000	
30	2	0	0	0	2	90,000 to 100,000 per year	0	0	0	0	2	0	0	0	0	2	> \$100,000	
31	1	0	0	0	1	40,000 to 50,000 per year					1					1	> \$50,000	
32	2	3	0	0	0	60,000 to 70,000 per year					5					5	> \$70,000	

SUPPLEMENTAL MATERIALS: GRAPHICS

Designs by S. Thering, Design Coalition Institute 2015

- A. Window Decal
- B. Button
- C. T-Shirt



Join Us! CoHousing at Union Corners

What is Cohousing?

Cohousing is a type of community/neighborhood that is cooperatively planned, funded, and built under the supervision of the people who are going to live there. Cohousing is characterized by relatively small owner-occupied units and relatively extensive common areas. Most cohousing communities have a common kitchen and a dining room big enough to seat everyone who lives there. Members may agree to share meals, childcare, rides, and other resources. After making so many decisions together, working together, and relaxing together, cohousers build trust in each other. For some, Cohousing becomes "the village it takes to raise a child." For others it is a way to actively age in a supportive community.

Cohousing at Union Corners

Union Corners is currently a large vacant site on the corner of East Washington and Milwaukee St. It will soon feature a grocery store, a UW-Health Clinic, several small commercial and office spaces, and up to 200 units of housing, including two cohousing communities. Cohousing planning meetings are open to anyone interested in living in a diverse, mixed-income, "Intentionally Welcoming" community.

