

Condominium or Cooperative

Which is right for you?

Most of the Growth in Common ownership has been in Condominiums

Common Ownership means Condominium or Cooperative ownership. Common ownership development has grown tremendously in Greenwich as well as in the United States. Just about 80% of all new housing is now common ownership. Cooperatives were the first form of common ownership in the US. They date from about the middle of the 19th century. Condominium ownership did not take off in the US until the passage of mortgage enabling acts in 1961. According to the American Housing survey, the number of condos and coops has increased nationally 227 percent over the last 25 years. In Greenwich as well as most of the country almost all of this increased development has been in condominiums. Only in New York City and Washington, D.C., have cooperatives continued to be the dominant form of common ownership housing.

Pros and Cons of Common Ownership Living

Common Ownership provides a very desirable lifestyle for many individuals. This type of ownership often especially appeals to young professionals with small families as well as older residents scaling down from single family dwellings. There are several types of structures, each with their own set of benefits. The most prevalent in Greenwich are apartments in a multi-story building and semi-detached or detached townhouses.

If you want to live closer to downtown, Common Ownership may be your best choice. Having neighbors close by may also make it easier to leave for a vacation or an extended period of time. Although, of course, shared walls and common areas may also mean you are more likely to hear or run into neighbors. It also means more coordination with neighbors and more restrictions on noise levels, pets, barbecues, etc.

Although there are monthly fees that go toward maintenance and repair and assessments for larger repair jobs, the common charges are often less than the constant maintenance a home requires. In addition, someone else is worrying about snow removal or roof leaks. Of course, this someone else, may take longer to fix things than you would. Requests often have to go to committee, be inspected, and voted on before the repair is done.

Legal Form of Ownership Can Matter

Despite their physical resemblance, condominiums and cooperatives have very different legal structures. The legal structures result in a very different relationships between the owners and a very different legal interest.

The owner of the condominium unit owns their unit in "Fee Simple". That is they own the space between the walls of their unit. They share an undivided interest in the common elements such as sidewalks, pools and hallways as "tenants-in-Common" with the other condominium owners. The owner of the cooperative unit is the cooperative corporation itself. Each owner of a unit is actually a shareholder of the cooperative corporation and a tenant entitled to a lease granting them the right to occupy a particular unit.

Typically, a cooperative unit owner makes a monthly payment to the Coop Corporation for their share of the underlying building mortgage payment, real property taxes and the costs of operating the building. The condominium owner, pays a monthly carrying charge which usually covers the operating costs of the complex and common elements. Property tax bills are sent directly to each owner.

Condominiums Are Often less Restrictive

Unlike cooperatives, condominium owners do not share liability of mortgage debt. Although the underlying mortgage of a cooperative may create slightly greater risks, it does have a tax advantage. Cooperative owners can use tax deductible debt to finance building-wide improvements, where as condo owners would have to each borrow individually to pay for an improvement assessment. For cooperatives, who have little or no mortgage debt, these considerations may not be relevant.

Both condominium associations and cooperative corporations enact rules that govern the behavior of residents. Typically, condominiums owners are free to transfer their space to whomever they choose (although the condo association may have a right of first refusal) and are subject to fewer rules. Cooperatives, for instance, usually require a prospective owner to apply to the Board of Directors before completing the sale. The Cooperative Board often requires detailed financial statements, letters of recommendation and an interview and they frequently limit the amount of debt an owner can secure. Rules that restrict subletting are also more prevalent in cooperatives. Because the occupant of a cooperative is a tenant, the corporation can more easily evict a rule-breaking unit owner than a condominium can. Some owners may prefer the benefits of restriction and

exclusivity that the cooperative offers. Control over admission often enables the cooperative to maintain a more cohesive community and gives the owner some control over who their neighbor will be.



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