



Co-Op versus Condo

Cooperative Ownership

Early Days of Co-ops

When shared residences first came into vogue in Chicago, the method of joint ownership was Co-Operative. That is, a not-for-profit corporation owned the building and land and operated it for the benefit of the residents. Each resident owned shares of stock in the corporation, so it was completely owned by the residents. In return each resident-shareholder received a Proprietary Lease covering his/her apartment and any garage stall(s). Cost of upkeep, insurance and real estate taxes were paid by the corporation out of the monthly assessments.

This proved to be a very secure and satisfactory means of joint ownership and, in fact, the early high rise apartment buildings along Chicago's Gold Coast followed this plan.

CONDOMINIUM OWNERSHIP:

After WWII a novel ownership plan was developed. It started in resort areas where "Time Share" apartments were sold, later it spread into the mainstream. In this plan, when authorized by State Law, apartments were described as real estate in three dimensions. That is, the developer sold a three dimension cube of space plus access to the supporting elements (called common areas) needed to suspend the cube. Real estate taxes were paid directly by the unit owner; other common building expenses were covered from the monthly assessment.

LOCALLY:

Here in Wilmette along the Lake we have seven high rises, two are Co-op and five are Condo.

ADVANTAGES OF 1630 SHERIDAN:

1. A stable resident population, with all of us invested in maintaining a topnotch and well-functioning building. We are proud of our community spirit and our dedication to the building.
2. Our management company supplies an onsite Building Administrator who has been here for over 2 years and knows all about the structure, systems, and functioning of the building; most of our maintenance staff has been here for over 10 years.
3. We have a 7 person board of directors (elected to two year terms, with a maximum of two consecutive terms). We have a number of committees that provide guidance to the board and/or facilitate social activity. One of these committees keeps a close eye on any maintenance issues, assisting in the development of plans and budgets for building improvement and modernization.

Cooperative Ownership

- 4. The 1630 Sheridan Corporation budgets have kept the building in excellent repair, with minimum need for special assessments. Due to the Co-Op structure, the building has excellent collateral should a loan ever be required in the future.
- 5. Since we pay real estate tax as a building, we can contest tax rates as a whole when indicated, and residents do not need to handle tax matters individually. The tax benefit for income tax deduction passes through to resident shareholders at year end.
- 6. Our monthly assessments include real estate tax, all building operational costs and staff wages, maintenance, repair and improvement, repayment for building mortgage and other loans, and various services and amenities. The services include water and sewer, basic internet and satellite TV (upgrades to high-definition TV and various internet connectivity options are available). Residents are responsible for their own monthly costs for electricity and telephone. The building has a 24 hour doorman and daily maintenance staff, and provides 24 hour monitored and recorded video security and fire alarm systems.

Comparison in Table Format

	Cooperative	Condominium
Ownership	Residents are shareholders in 1630 Sheridan Corporation that owns the property. Owning shares allows you to occupy a unit. The building maintains a list of the number of shares for each particular apartment or parking space.	Apartment “airspace” owned by individual, plus a share of common areas.
Monthly Cost	Shareholders pay a monthly assessment that includes: <ol style="list-style-type: none"> 1. Operating Costs 2. Real Estate Taxes 3. Maintenance and Repairs 4. Mortgage on Building 	Same as cooperative, except that mortgage payments are paid directly to the lender, and taxes are paid directly to taxing authority or lender, as appropriate.
Governance	The resident shareholders elect a board of directors that decides all policy matters. The board from time to time establishes committees to help run the community. The board has hired a Building Administrator to manage the building on its behalf.	Condo owners, like cooperatives, elect a board of directors.
Tax Implications	Mortgage interest and real estate taxes flow through to shareholders for purposes of deducting on personal income tax returns.	Mortgage interest and real estate taxes are deductible on personal income tax returns.
Stability	To ensure prospective buyers are able to afford apartments, the board of directors has established guidelines that must be met. The result has been many years without buyer default. Limits are in place to restrict rentals and purchase of apartments for income-producing purposes.	