MIDWEST ASSOCIATION OF HOUSING COOPERATIVES
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# MAHC MESSENGER

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It is the Mission of the Midwest Association of Housing Cooperatives to support and champion the cause of quality housing through education, legislative action, partnership and advocacy for housing cooperatives.

## Transferring Risk to Residents
### By Dirk Wakeham


Accidents happen; it's a fact of life. Every day, residents inadvertently expose property owners and other residents in the community to a variety of risks. Some are life threatening—such as kitchen fires—and others are simple mistakes, such as accidentally overflowing a bathtub.

Both types of situations are costly, affect the property's profitability, increase insurance premiums and can cause rifts between residents and owners. However, by transferring risk to the resident, owners can hold residents accountable for the damage residents cause and significantly improve owner's bottom lines.

"Apartment owners are susceptible to an enormous degree of risk from resident-caused damage," said Grant Berkey, Vice President, Capstone Real Estate Services Inc., an Austin, Texas-based fee management firm responsible for more than 50,000 units. "As property deductibles and premiums escalate, we are encouraging owners to protect themselves by transferring risk back to the resident. It can ultimately protect the property and its profitability when an accident occurs," he said.

### NAA Lease Adds Insurance Clause

In March 2006, the National Apartment Association (NAA) Board of Directors unanimously voted to revise language in the insurance clause within the NAA Lease. Previously, the lease language urged residents to have

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insurance, but didn't require it as a condition of residency. Even though the resident posed a risk to the owner, the decision to obtain insurance was at the resident's discretion.

Increased insurance premiums and a recent surge of costly natural disasters were two reasons owners elevated the need to reduce their exposure to risk. Recognizing the value of risk management, NAA also sought ways to better protect its members. As a result, the organization revised the NAA Lease and gave owners the option of requiring renter's liability insurance as a condition of residency.

Most updated leases now denote that the property owners do not maintain insurance to cover a resident's personal belongings, damage to the property or personal injury. Residents are still encouraged to retain insurance coverage to protect against liability claims and damages because of fire, smoke, rain, flood, water, and pipe leaks. The changes effectively dispelled the myth that "my landlord covers my belongings."

To further protect owners, the revision also provides owners with the opportunity to require insurance as a condition of residency. By doing so, residents agree that damage they cause will be covered by their own insurance policies. For those owners who do not require mandatory insurance, an addendum to the lease clearly states that by opting not to have insurance, the resident acknowledges that he or she "may be responsible to others for the full cost of any injury, loss or damage caused by your actions or the actions of your occupants or guests." Although it clearly states that residents are responsible, opting out of mandatory insurance provides little recourse for owners to collect on damages.

**Requiring renter's insurance as a condition of residency can reduce owners' out-of-pocket costs for resident-caused damages by nearly 80%**

## Damage Control

Full participation insurance at a community effectively transfers the risk from the property owner to the resident's renter's insurance provider and holds the resident accountable for any damage he or she causes to the unit or the property.

"Mandatory renter's insurance is the pinnacle in risk management strategies, and the industry is trending in that direction," Berkey said. "A resident at one of our properties recently started a grease fire in the kitchen, damaging the unit, as well as both adjacent units. The damage totaled more than $38,000 in repairs. Fortunately, the resident was insured and we were able to file our claim through their renter's insurance policy."

The claim was processed and the insurance provider paid the owner for the damages. In this scenario, neither the property's operating budget nor profitability were affected by the fire. If the resident weren't insured, the total value of the damages would have fallen to the property owner. Only after the deductible was met would the owner's insurance provider cover the remaining costs associated with the damage.

## Survey Says: 25 Percent Require It

New data support the fact

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that implementing a renter's insurance program greatly reduces expenses. LeasingDesk Insurance Services recently commissioned a survey of apartment owners, representing more than 800,000 units, to determine owner's use and perceptions of renter's insurance. The study, which was conducted by SatisFacts Research, determined that requiring renter's insurance as a condition of residency reduces the owner's out-of-pocket costs for resident-caused damages by nearly 80 percent. Ironically, the study found that more than 55 percent of owners acknowledged that they track expenditures related to resident-caused damages that fall below the property's insurance deductible; however, only 25 percent currently require mandatory insurance coverage. Even when owners acknowledged an increase in insurance premiums from 2004 to 2005, few had a proactive risk management solution in place to limit the property's liability.

## Implementing Full Participation

It is important to note that an owner cannot actually sell a renter's insurance policy to residents. An insurance license is required to "sell" an insurance policy, so owners typically work with reputable insurance providers that specialize in the apartment market. Often an owner will enter into an agreement with a renter's insurance provider and implement a policy for each resident who is signing a lease to move in. With a full participation program, residents simply elect to accept the policy and are instantly enrolled in accordance to the arrangement that has been established on behalf of the community.

The study participants also reported that implementing a risk management program was easy. A majority of owners from the survey (82 percent) who offered and required residents to have a renter's insurance policy—and then enforced it - said they would "absolutely" recommend this type of program.

Owners who don't protect their communities through renter's insurance solutions are leaving themselves and their assets exposed to a higher degree of risk. Recognizing the impact of risk exposure, NAA has created opportunities for owners to implement better risk management solutions, such as mandatory insurance, through its revised lease. Industry data underscore the fact that owners who require mandatory renter's insurance recognize enormous savings once risk is transferred back to residents.

"Accidents do happen - it's inevitable," Berkey said. "The good news is that risk transfer solutions have a positive impact for residents, owners and the properties when something does go wrong."

**Reprinted with permission from the October 2006 issue of *UNITS* magazine; published by the National Apartment Association (NAA). For more information about NAA, please visit www.naahq.org or call 703/518-6141.**

## Writing A Disaster Plan
### By Rich Berendson, MAHC Board Director

Every cooperative, regardless of its size, should have an emergency disaster plan which addresses that property's needs. It is the road map by which the membership responds to the crisis, both during and after the specific event. The Board of Directors responsibility is two-fold. First, to protect the lives of the occupants, and secondly, to protect the investment of the membership.

The time to plan for any type of disaster is not after it has occurred, but in anticipation of an occurrence at some future date. It is written with the intention that it will never be implemented. However, the planning will sensitize the participants to address the issues that can be anticipated when it is implemented.

Failure to plan for a disaster is a plan to fail when disaster strikes causing further anxiety and grief for those affected by the calamity.

As part of the emergency plan, a Cooperative Emergency Management Team should be created by the Board of Directors and meet on an ongoing basis, at least once each quarter, for the purpose of reviewing the Cooperative's Emergency Disaster Plan.

Successful emergency plans depend on maintaining extensive and accurate records about the property and its members. Blueprints and maps of the property should clearly show the locations of mechanical equipment, utility and water shut offs, power mains, stairwells, stand pipes, and that all members are accounted for during the crisis, as well as, records of vacant units. You will also need a list of members that have disabilities. Keeping in mind disabled members may need assistance to evacuate.

Just some of the things the plan should cover are:

- Responding to the Emergency
- Alerting the Members
- Alerting the Insurance Company
- Alerting any External Resources

### So where do you begin?

Attend the *Writing A Disaster Plan* class at our Annual Conference in Las Vegas. There we will go over and review a plan developed for Cumberland Green Cooperative. A sample of the plan will be handed out to members.

## Where is Your Photo?

Char Bridge Arbor Cooperative
Lapeer, MI

Independence Square Townhouses, Inc.
Independence, MO

Georgetown Cooperative
Hammond, IN

*Show off your cooperative!*

Submit your photos in digital format to MAHC. Contact Rich Berendson if you have any questions ?

## SECTION 504 AND PHYSICAL ACCESSIBILITY REQUIREMENTS[1]

**BY RANDALL A. PENTIUK, ESQ.**

Cooperative Housing Boards are often faced with difficult questions regarding compliance with Section 504 of the Rehabilitation Act of 1973. There appears to be confusion about the law's application to different types of Cooperatives depending on whether or not they accept Section 8 funds, are built prior to 1973 or have their mortgages insured by HUD. This Article helps Managers and Boards be better aware of the law and what it requires of them in terms of a Cooperative's duty to make *physical alterations* to their structures and units in order to comply with the law and accommodate members with disabilities. For specific legal advice, however, you should always consult your legal advisor.

Section 504 generally applies to recipients of federal financial assistance. For example, HUD funded Section 811 or Section 202 developments, developments which have project-based rental certificates or vouchers, or any properties insured by a HUD mortgage insurance programs that also receive federal subsidies along with the mortgage insurance, are recipients of federal financial assistance and are subject to the requirements of Section 504.

Section 504 defines a person with a disability to include individuals with a physical or mental impairment that substantially limits one or more major life activities. There are very specific criteria that further define a disability but the key criteria is that a disability includes a physical or mental impairment. Section 504 requires a Cooperative to provide different types of accessibility for its handicapped and disabled members.

For example, "Physical Accessibility" criteria require new construction to have a minimum of 5% of the total dwelling units accessible for persons with mobility impairments. A minimum of 2% of the total dwelling units must also be suitable for occupancy by people with hearing or vision impairments.

If alterations are undertaken to a previously built project either before or after 1973 then the same rules generally apply. If a project that has 15 or more units and the cost of the alterations is 75% or more of the replacement cost of the completed facility, then the provisions for new construction stated above apply. Otherwise, when any other alterations are undertaken, such alterations are required to be accessible, to the maximum extent feasible, up until a point where at least 5% of the units in a project are accessible.

HUD makes exceptions due to undue financial and administrative burden and alterations that require removing or altering load-bearing structural members. Such exceptions, however, do not excuse overall compliance. They are only unit or location specific.

Required accessible dwelling units must also be distributed throughout project and available in a sufficient range of sizes and amenities so that people with disabilities have choices of living arrangements.

Non-housing Facilities (24 CFR 8.21) are also affected. All of the requirements of Section 504 with respect to nondiscrimination apply equally to non-housing facilities and programs. For example, newly constructed non-housing facilities built by recipients must be designed to be readily accessible to and usable by people with disabilities. Alterations to existing facilities must also be accessible to the maximum extent feasible -- defined as not imposing an undue financial and administrative burden on the operations of the recipient's program or activity. Thus, ramps, hand-rails, door widening, common restroom access and modifications are usually the first items to be undertaken in common areas.

Other Section 504 requirements impose Program Accessibility and Admission/Occupancy Requirements, but these are too extensive to be covered in this Article. Stay tuned for these requirements and other developments addressing accommodation under the FHAA in the future.

[1] This is the first article in a series that covers Physical Accessibility, Program Accessibility, admission Occupancy Requirements and Fair Housing Act Amendments (FHAA) reasonable accommodation requirements.

## COOPERATIVES COME IN ALL SHAPES!

As we all know, Cooperatives are formed for many uses; agricultural, retail, grocery, and of course some of the most beautiful properties in the world. They come in all shapes and sizes; high rise buildings, senior communities, town home communities, and much more.

Tailor Made Property Services, Inc. AMO has the privilege of introducing another "if not the only, one of a few" cooperatives that operates in a variety of ways:

- Individual Chalet ownership
- Standard Cooperative with assessments for common areas

And Vacation Rental Property! The majority of these Chalets, located on beautiful Lake Michigan are rented as vacation rentals for supplemental income for the owners. We were truly blessed to have been chosen as the new managing agent of this property January 1st, 2008. But that's not the reason for this article.

### We think everyone should know about this wonderful property before you plan your next vacation or event!

Chalet on the Lake Cooperative in Stevensville, Michigan (exit 22 right off I-94, approximately two hours from Detroit and one and one half hours from Chicago) is a duplex a-frame cooperative development having 102 units within fifty one buildings. Have we mentioned yet that it sits along the shores of Lake Michigan? Oh yeah, and let's mention again that they are operating a rental program that is open year round for people to come and spend a weekend, a week, a month or more. Chalet sits along the shores of Lake Michigan and only minutes away from golf courses, winery's, a casino only 20 miles away that opened in May of 2007 and is getting rave reviews called Four Wind Casino, less than two miles from Downtown St. Joseph that offers quaint shopping and some great restaurants, and much, much more.

The property offers a private beach, two swimming pools, and a pond that you can fish from, volleyball and basketball and tennis courts, playground, bicycle rentals, horseshoes and shuffleboard. Each suite comes with a fully equipped kitchen, living room, dining area, two bedrooms with double beds and bunk beds in each room with all bed linen and kitchen items furnished.

We cannot think of a better way for "cooperative members", their families and friends to look at a new kind of vacation on 36 acres where you can tailor your time to suit your style. You can reach The Chalet on the Lake at 269-465-6365 or www.ChaletOnTheLake.com.

Isn't the Cooperative enterprise the must unique business in the world?

Did we mention it was on the shores of Lake Michigan?

Marlene Dau
Tailor Made Property Services, Inc. AMO
1165 North Milwaukee
Chicago, Ill. 60622
773-394-8273

## Fire Safety
**By: Blaine Honeycutt, MAHC Board Director**

The following list was generated by the National Fire Protection Association. It provides insight as to why, each year, hundreds of people die inside their homes trying to put out fires instead of getting out.

- They do not know how to properly use a fire extinguisher (Proper learning requires training from a professional.
- Not all fire extinguishers will work on all fires. (Use A-B-C Rated Extinguishers; A—Paper, B—Gas, oil, grease, C—Electrical)
- People try to fight fires for too long and are overcome by poisonous gasses produced by fire.
- The fire is always bigger than the fire extinguisher was originally designed for.

# ALWAYS CALL 911!

**If a fire does occur, the American Red Cross provides the following on how to make a safe escape:**

- Once you are out, stay out! Call the fire Department from a neighbor's home.
- If you see smoke or fire in the path of your escape route, use your second way out. If you must exit through smoke, crawl low under the smoke to your exit.
- If you are escaping through a closed door, feel the door before opening it. If it is warm use your second way out.
- If smoke, heat, or flames block your exit routes, stay in the room with the door closed. Signal for help using a bright-colored cloth at the window. If there is a telephone in the room, call the fire department and tell them where you are.

**In addition to the aforementioned safety measures, you should:**

- Regularly test smoke detectors and change the batteries, when needed.
- Test and recharge fire extinguishers (according to instructions).
- Keep all family members informed on escape procedures.

## Chaos or Community

### By: Thomas Hutch, MAHC Board Director

Where do we go from here? As a community, we must remember the guidelines of a "higher and better way—the way of shared prosperity" as we seek to improve the lives of all Americans. I believe that a combination of sound, political and business leadership is key to that achievement.

Fortunately, I think a new generation of business leaders is emerging around the world. Business leaders who are proponents of corporate social responsibility, of social investing, of transformative philanthropy. Such leaders are emerging in every country, and every sector. They understand how a little bit of investment in our civic life, and in our community go a long way, if implemented strategically.

In examining the topic "Economic prosperity versus Social Justice" — we might ask, are they compatible? While the discourse over the achievement of economic prosperity and social justice remains a debate, it should be about achieving both.

It is not either or, but both, and they are not necessary opposites of polarity, they are complementary. Two great camps have been engaged in a debate over the achievements of both for decades. The two main proponents are the economists and the moralists.

The economists say economic growth is a bit like sausage making. It may be a bit ugly in the process, but it produces satisfying results. The moralists suggest that perhaps it is the economists who are a bit naïve about human nature and human community. Because a society predicated on dramatic disparities between wealth and power is fundamentally unstable and unsustainable.

Why is this so, there are some pitfalls in the pursuit of economic growth, they include tensions such as conflict over land, labor and capital and the means of production, all factors which often result in asset inequality in our society.

Economists argue that these, however, are necessary to the engine of economic growth. On the other hand, moralists argue that achieving a just social order, while also like sausage making, is ultimately more profound and satisfying in its outcome.

Moralists often ask, What good is a society, however prosperous, that falters on its moral and social responsibility. In closing I charge political and business leaders to refer to Luke 12, verse 48, which reads, "Those to whom much is given, much will be expected." let us nurture the creative tensions in our various societies to lead to a breakthrough, which includes a democracy inclusive of all people.

One way that I am giving back is through education and empowerment.

### THE VALUE OF EDUCATION

*Education must enable one to sift and weigh evidence, to discern the true from the false, the real from the unreal, and the fact from the fiction.*

*The function of education, therefore, is to teach one to think intensively, and to think critically. But education, which stops with efficiency, may prove to be the greatest menace to society. The most dangerous criminal may be the man gifted with reason, but no morals.*

*We must remember that intelligence is not enough, intelligence plus character — that is the true goal of education. The complete education gives one not only the power of concentration, but worthy objectives upon which to concentrate.*

The Reverend Dr. Martin Luther King

## “Farewell To A Friend”
### By Hope L. Turner, MAHC Board Director


**Al Marcus** served as one of the first Board of Directors of London Townhouses Cooperative located in Westland, MI. right after its original construction in 1964. London Townhouses was one of the first Cooperative housing communities in Michigan.

Al was employed by the Foundation of Cooperative Housing (FHC) and soon after his hiring was elevated to Senior Property Manager, with the responsibilities to supervise all FHC Property Managers . In 1968, Al started his own property management Company and later incorporated Marcus Management Inc. (MMI) in 1971. He served on the Charter Board of Director's of the Midwest Association of Housing Cooperative (MAHC) and was very involved in the perpetuation and success of the Cooperative Housing Movement. In 1973, Al married Estelle, who also served as a member of Midwest Association of Housing Cooperatives.. Together they owned and operated MMI and furthered the successful existence of Cooperative housing until their joint retirement in late 1992. Their son, Ralph J. Marcus, serves as MMI's CEO and president and carries on the traditions of specialized property management services for MMI's Cooperative communities. Most of the Cooperative housing communities that Al began servicing back in the late 1960's and early 1970's are still clients of MMI some 40 years later.

Many who worked with or benefited by Al Marcus' determination to make Cooperative housing both successful and affordable recently paid tribute to his accomplishments, his friendship, his stewardship and deep devotion to serve the communities he was entrusted to represent. The housing Cooperative community owes a debt of gratitude to Al for his tireless service.

## 2008 MAHC Annual Conference in LAS VEGAS

**Green Valley Ranch Resort in Las Vegas**

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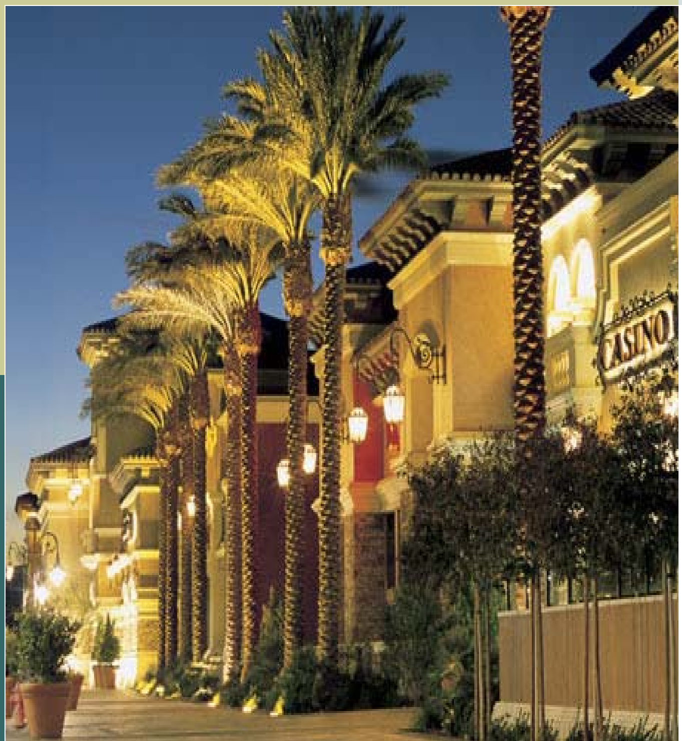
www.greenvalleyranchresort.com

June 15-19, 2008

**Workshops**

- After the Pay off
- Are the 4 P's vegetables?
- Boards DNA
- By-Law Amendments
- Care of the unit inside & out
- Co-op Law
- Co-op Security
- Doctor's In
- Effective Board Meeting
- Effective Newsletter
- Ethics and Policies
- Fair Housing– The right thing to do
- Guerilla Marketing
- How "green" is your co-op?
- How to write a Disaster Plan
- How to write Grants
- Insurance C.Y.A
- It's a jungle out there
- Neighborhood Networks
- On Cue
- President/ Vice President
- Refinance your co-op
- Secretary/ Asst. Secretary
- Troubled Co-ops
- Treasurer
- Total Insurance
- What do you want to be when you grow up?
- Who are you, and what do you bring to the table?
- Working effectively as a group

Classes subject to change




## A Passion For Education

MAHC will be hosting it's
Annual Conference
June 15-19, 2008 at the
Green Valley Ranch Resort in Las Vegas

$149.00 per night before May 6, 2008
For reservations call: 866-782-9487

www.greenvalleyresort.com

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