

# **Boston Community Cooperatives**

## ***Millstone Cooperative: Business Prospectus***

### **Overview**

The Boston Community Cooperatives (BCC) seek to acquire and manage real estate in the Greater Boston area which will be leased to groups of people living together cooperatively. By removing these properties from market speculation and basing the monthly rent on a fixed mortgage payment, BCC will keep housing costs low for its members. BCC will create communal living space and encourage neighborhood stabilization.

The first project of BCC is to acquire a house for the Millstone Cooperative, a community of eleven people currently renting space together in Somerville. Core values of the Millstone Cooperative include environmental sustainability, social justice, open communication, creativity, and common ownership of property. Millstone members prepare communal meals five nights a week and hold weekly house meetings based on a consensus process. More details about the Millstone community can be found in our member prospectus and on our website at <http://www.bostoncoop.net/millstone>.

### **Property Profile**

We are primarily considering properties in Somerville that conform to the following criteria:

- 4,000 – 6,000 square feet of living space
- 20-30 total rooms (14 – 20 bedrooms)
- \$500,000 – \$800,000 asking price

Most of the potential properties we have found are located in Union Square, Winter Hill, and East Somerville. We have also identified Cambridgeport and the area north of Central Square (“Area 4”) as feasible.

### **Feasibility**

There is a strong response from potential co-op members that has been overwhelming. With relatively little outreach, we have accumulated a list of nearly 300 people interested in living in a co-op house. Many of these folks come to our monthly informational potluck dinners and are at various stages of exploring our membership process. Given the local housing crisis, the recent resurgence of the communities movement, and the lack of vacancies in other Boston area co-operatives, we expect no difficulty in filling all available room in the house.

A brief survey of apartment rentals in Somerville indicates that four or five bedroom apartment typically cost between \$500 (Union Square) and \$700 (Davis Square) per bedroom per month without utilities. Our calculations show that matching or undercutting market rent with a cooperatively owned house should be straightforward. Monthly member charges for properties we have identified would be at or below typical rent for this area. Given the trend in the rental market, we can increase the debt service ratio steadily over the next few years while still keeping rent below market rates.

The Millstone Cooperative has a financial history dating back to June 1, 1999. Since then, the co-op's revenue has exceeded \$150,000. The co-op has never been late on any of its payments, nor have any of the

members been substantially late on member charges. Aggregate annual income for current co-op members is approximately \$380,000.

## Corporate Structure

We have incorporated as a Chapter 180 non-profit organization, and have finalized articles of incorporation and by-laws under the advice of four pro bono counsel, Testa, Hurwitz, and Thibault. We are willing to work with our lenders to amend our by-laws to best meet our mutual needs for security and stability.

## History

The roots of Millstone go back five years to 1996 when seven founding members of Millstone lived together in a student cooperative as undergraduates at Princeton University. After a year of discussion over e-mail, we came together from all over the world to make Millstone a reality. The group has been living together in an eight-bedroom Davis Square apartment since the summer of 1999. During the summer of 2000, a second apartment was rented to accommodate additional interested individuals. At this point, there are eleven active participants in the Millstone Project.

Since arriving here, we have reached out to other groups living cooperatively in the Boston Area and played a key role in forming the Boston Co-op Network. Several local communities are seeking to own property cooperatively, and an economy of scale and stability could be achieved by forming an umbrella organization that would centralize many of the administrative and financial tasks of property acquisition and management while freeing the groups to live together in community. We have been working closely with Teal House, a co-op house in Teale Square whose owners (former residents) intend to sell the house to BCC at below market price, allowing the group of eight currently living there to continue to live cooperatively and have democratic control over their house.

## Similar Projects

In the Greater Boston area, there are several dozen groups that self-identify as 'coophouses'. Many of these are privately owned by one or several of the members, including the Big Top in Dorchester and Teal House in Somerville. Others are incorporated and owned communally, including the Spirit of '76 House in Medford, the Wendell Street House, and the Old Joe Clark House in Cambridge. Several of these cooperatives as well as their members have been supportive of our efforts to create more cooperative housing and have expressed interest in participating in the financing of the house.

There are hundreds of co-op houses around the country structured similarly to Millstone. Many of these are affiliated with the North American Students of Cooperation (NASCO), based out of Ann Arbor, Michigan. NASCO member co-ops include:

- USCA of Berkeley, California, which has grown to 17 houses and 3 apartment complexes, housing over 1,200 people.
- ICC in Ann Arbor, Michigan, which owns 18 houses and 1 apartment building
- MCC in Madison, Wisconsin; 10 houses, nearly 200 members

Millstone is essentially following the "NASCO Model" for incorporation and financing, whereby the members' shares do not appreciate and the cooperative itself accumulates equity that can then be used to acquire and manage more houses. This model has proven enormously successful elsewhere, and we believe should be easily reproducible in the Greater Boston Area.