

# THE COOPERATOR

*News and updates for leaders of resident-owned communities*

## NCF Rolls Out Guidelines On Annual Expectations

Managing all the important dates and deadlines associated with running a resident-owned community can be a challenge. In an effort to help Boards and onsite staff more effectively navigate and anticipate annual tasks and goals, the NCF Technical Assistance team has developed a set of core expectations to guide Boards through each fiscal year.

Some of the expectations outlined in the following paragraphs may already be familiar and some will be new to everyone across the network of NCF-supported communities.

The goal of the new annual expectations, and the tools developed alongside them, is to make community management easier.

As the network of resident-owned communities continues to grow, these annual expectations will also be important to the NCF Technical Assistance team's ability to provide consistent and efficient service.

The new expectations include:

1. Preparation of an annual Property Condition Report to help inform the annual budget and Capital Improvement Plan
2. Annual reviews of both the Board and Technical Assistance Provider to help set strategic goals
3. Development of an annual Work Plan and Calendar to help ensure transparency and accountability



*Without a Work Plan, two Board members engage in a familiar exchange of confusion over the expectations they had originally set out for the year.*

### CONTENTS

**Understanding Your Community's Insurance Coverage, 3-5**

**New Single Family Finance Resources, 2**

**MN Legislative Session Update, 6**

**News & Reminders, 6**

### Property Condition Reports

As a way to help keep track of the upcoming maintenance and repair needs throughout each community, TA Providers will ask each Board to complete an internal Property Condition Report (PCR). The report will include a brief assessment of all the key infrastructure systems: water and sewer, electrical, roads, and common buildings.

NCF is developing a PCR template for each community, which will be designed in a fill-in-the-blank and checklist format to provide easy use.

These internally developed reports will help each Board create a more accurate annual budget and

*Continued on page 2*

### *Annual Expectations continued from page 1*

may also help identify longer-range capital improvement projects.

### **Board and Technical Assistance Provider Reviews**

Many Boards already conduct annual reviews of vendors and staff. Annual reviews of staff and other work partners is important because it provides an opportunity to review expectations between everyone involved, assess the effectiveness of the working relationships, and set goals for the future. Going forward, Boards will be asked to complete re-

views of their own performance and the performance of their Technical Assistance Provider. The reviews will be conducted sometime after each community's Annual Meeting.

These additional reviews will help the Board and TA Provider set better goals and priorities for the year ahead.

### **Annual Work Plans**

After all reviews are completed, TA Providers will assist each Board in developing an Annual Work Plan. The Work Plan will combine items identified during the budgeting and Capital Improvement planning process and any data gathered during

the completion of other assessments and Board, staff, and TA Provider reviews.

### **Annual Calendar**

At the same time as Boards craft their Work Plans, they will develop the community's Annual Calendar. The Work Plan will inform the creation of the calendar and help Boards set benchmarks to ensure goals are met throughout the year. The Annual Calendar will also help TA Providers plan for upcoming projects amongst the many communities they assist.

## **Got Vacant Lots? New Home Financing Programs Are Geared to Help Infill**

The top two challenges for homeowners living in manufactured housing communities who wish to see their homes build in value is: 1) a lack of control over the land and infrastructure beneath their homes, and; 2) a lack of affordable home financing.

Resident-ownership solves the first problem. The second problem can be tougher to solve, as it involves educating lenders both about the homes and the difference between resident and investor ownership.

ROC USA and its partners have worked around the country to educate lenders, and these efforts are paying off. The U.S. Department of Agriculture, through its Section 502 program, offers long-term, low-interest, low down payment financing for purchase of manufactured, mod-

ular, or site-built homes on owned lots. Starting this last year, several states — [most recently Minnesota](#) — have offered a pilot version of this program for Energy Star™ new manufactured homes in nonprofit or resident-owned communities (ROCs).

NCF has begun discussions with a manufactured home builder and applied for gap funding to be used for placement of up to 40 new homes in Minnesota. NCF will be communicating soon with eligible rural communities.

NCF is also working on financing for new home placement in urban ROCs like Bennett Park and Park Plaza Co-ops.

Stay tuned for developments in the weeks ahead.

## **Cooperative Principle #5**

Cooperatives around the world operate according to the same set of principles, which were formally adopted by the International Co-operative Alliance in 1937. Principle Number Five is the highlight for this edition of *The Cooperator*.

Principle Five, called "Education, Training, and Information," states: "Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation."

# Understanding Insurance Policies

Some of the most frequently asked questions Technical Assistance Providers receive from Board members relate to the insurance risk posed by employees, residents, and contractors. Boards who take time to understand their community's insurance coverage are better able to anticipate and manage liability and have greater peace of mind.

The first thing to understand about your community's insurance coverage is that most policies are required either by your community's lender or by state law. Other policies are considered best practices and, although not required, are strongly recommended.

## Required Policies

As a condition of the community's mortgage, lenders require the following policies: General Liability, Property, Crime, Directors & Officers Liability, and Volunteer coverage. Lenders require these policies as a safeguard against a community defaulting on their loan as a result of a major lawsuit or instance of fraud.

State law requires coverage of automobiles and employees. Under state law, all community-owned trucks and autos must be covered by an auto insurance policy. State law also requires a Workers Compensation policy if your community has one or more paid employees.

Coverage that is recommended, but not required, includes: proof of coverage from contractors (like carpenters, plumbers, and bookkeepers), and umbrella policies.

## Recommended Policies

NCF recommends that all communities require that contractors provide a certificate of insurance naming the co-op or corporation as a certificate holder before any work begins. As a certificate holder and additional insured, your community will be notified of any changes or cancellations in the contractor's coverage and will be protected if the contractor is sued for injuring a person or damaging someone's property while working for your community.

Umbrella policies are also recommended. Umbrella policies provide coverage over other, existing policies and increase overall coverage. For example, if your com-

## General Liability

General Liability insurance protects against accidents and injuries on the community premises. Coverage includes: bodily injury or damage to a third party, medical expenses, lawsuits, investigations, etc. All resident-owned communities are required to have minimum coverage of \$1 million.



**Example:** A pothole in the street fills with water, a child who doesn't live in the community falls in and is severely injured.

## Umbrella

An umbrella policy provides coverage over another existing policy and increases the overall coverage amount. Umbrella policies are typically inexpensive to add if you're concerned your community is insufficiently covered.



## Property

Property coverage includes all community buildings, sheds, and garages based on their replacement cost. All of your community buildings should be listed on your property coverage as well as their replacement value. Any equipment that your community owns such as tools, lawnmowers, snow plows, etc. should be listed on your policy along with their replacement values.



**Example:** A tornado blows through your community and rips the roof off the community building.

## Directors & Officers

Directors & Officers (D&O) protects against lawsuits brought against the Board of Directors. The policy protects the community against the Board's failure to act.



**Example:** An applicant isn't screened properly and ends up stealing money from the community office, or the Board does not act on a community danger that has been identified.

*Insurance Policies continued from page 2*

community has General Liability of \$1 million and the community purchases an additional umbrella policy of \$1 million, the total coverage for General Liability would be \$2 million. Umbrella policies are typically inexpensive to add to existing coverage.

**How Insurance Gets Paid**

Another important thing to understand about your community's insurance is how all the various policies are paid. Your lender and the type of policy will determine the payment process.

Most of the communities NCF supports have a mortgage with ROC USA Capital. If that is the case for your community, part of the community's monthly mortgage payment is escrowed (put into a kind of savings account) to pay for General Liability, property coverage, and D&O insurance. If a policy is paid out of escrow, it means your community does not pay for these policies out of Operating expenses. If your community receives an invoice for any of these policies (which often happens), make a copy of the invoice and send it to ROC Capital who will pay it.

If you accidentally pay for any of these policies, ROC Capital will reimburse you. Send a copy of the invoice and proof that the invoice was paid (a cancelled check or bank statement) to Robin Wilcox at ROC Capital to process the reimbursement.

All other insurance policies are paid out of the community's Operating expenses or by third-party contractors. If the community receives an invoice for Workers Compensation, automobile, or a volunteer policy, it should be paid out of the Operating account.

*Continued on page 5*

**A note about Property Taxes**

In addition to many of insurance policies, your community's property taxes are paid by the lender out of an escrow account. If your community receives an invoice for property taxes, do not pay it. Make a copy of the invoice and send it to the community's lender who will pay it.

**Workers Compensation**

Workers Compensation is required by State law if the business or organization has one or more employees and covers job-related injuries.



**Example:** *The office manager falls and injures herself while shoveling snow in front of the office.*

**Crime/Fidelity**

Also known as employee dishonesty or fidelity coverage, crime coverage protects the community from crime and other employee dishonesty losses. Directors are not covered under this policy. Communities typically have \$100,000 minimum coverage for employees handling \$1,000 or more. Types of crimes include forgery, theft, computer fraud, and funds transfer fraud.



**Example:** *The Onsite Manager steals money from the community by depositing rent checks into their own personal account instead of the community's account.*

**Volunteers**

Volunteer insurance covers any person who is injured while performing volunteer work for the community. In addition to buying volunteer coverage, Boards should ask volunteers to sign a Volunteer Waiver form.



**Example:** *A resident of the community volunteers to trim the trees in front of the community building and falls off the ladder and is severely injured.*

**Automobile**

Auto insurance is required by the State for all automotive vehicles and should include collision, liability, personal injury, uninsured and underinsured motorists coverage. Be sure that anyone who regularly drives the vehicle has a valid drivers license.



**Example:** *A resident volunteer is using the community-owned truck to plow snow throughout the community and backs into another resident's vehicle.*

Insurance Policies continued from page 4

# Additional Insurance Best Practices

## 1) Know Your Insurance Agent(s)

As much as your Board knows about insurance coverage, things will change in your community and additional questions will come up. You can remain watchful of your community's coverage by staying familiar with the people who manage the community's insurance policies. Insurance account managers and agents are the best resource when it comes to managing exposure to liabilities and answering questions about coverage. However, sometimes knowing who to reach out to with questions can be tricky, due to how your community purchases its coverage.

Unlike the typical individual homeowner, who bundles multiple insurance policies (like home, auto, and life) under a single insurance agency like State Farm or Farmers, most of the communities NCF supports purchase their insurance through a larger "insurance broker" like Corporate Four or Haylor, Fryer, Coon. These larger, independent agencies coordinate with a larger pool of insurance companies to help the community obtain the best coverage for each policy needed.

While working through a larger agency like Corporate Four or Haylor, Fryer, Coon is good for the community's bottom line, it can be confusing when it comes time to file a claim because different policies may come with a different agent. For example, the community may carry General Liability, property, and D&O policies through The Hanover Insurance Group, but the Workers Compensation policy is through SFM Mutual Insurance. Boards should stay familiar with the community's account managers and agents in order to be prepared for when a claim needs to be processed.

## 2) Educate Your Residents

Whenever possible, educate residents about the community's insurance coverage and strongly encourage residents to maintain their own homeowners insurance policies. In the case of accessory equipment like pools and trampolines, make sure that residents sign liability

waivers and provide proof of adequate insurance coverage for use of the accessory equipment.

## 3) Educate Your Employees & Volunteers

Before any new staff begin work, make sure they are aware of the process for filing a workers compensation claim. All volunteers should understand they are not covered by the community's workers compensation policy and sign liability waivers before performing any work in the community. The community's policies do not cover residents' homes and other property, accidents, or injuries caused by residents.

## 4) Review Your Policies

On an annual basis, Boards should review insurance policies and make sure all the community's property and vehicles are listed on the property and auto insurance policies. Some policies, like workers compensation, may require annual reviews (often called "audits") that help the insurance agency more accurately determine premium payments. If required, all reviews and audits must be completed before policies are renewed. Check with the community's insurance agent to make sure all reviews are completed in time for policy renewal.

### Contractors & Bookkeepers

All contractors should be required to provide a certificate of insurance naming your community as an additional insured holder before any work begins. As a certificate holder, the community will be notified of any changes or cancellations in their coverage and will be protected if the contractor is sued for injuring a person or damaging someone's property.

Just like any other employee who handles money, the community's bookkeeper is required to have \$100,000 of their own employee dishonesty coverage.

**Example:** An employee of a contractor you hired to patch the street in your community is injured on the job.



# Updates from the Minnesota State Capitol

*Voices of cooperative boards and residents yield strengthened support from legislators*

NCF staff and Cooperative Board Members pounded a lot of pavement across the Capitol campus over the last two months, meeting with legislators and testifying at bill hearings.

Pat Streeter, vice president of the Board at Park Plaza Cooperative, testified on the renter's credit bill in the middle of March. Chellie Alden, board member at-large at Stonegate Cooperative, testified on the infrastructure funding bill in late February.

Board Members from across the state also made several calls, sent dozens of letters, and took part in a postcard campaign aimed at flooding legislators mailboxes with en-

couragement and support for the bills.

All this work has resulted in an impressive number of legislators signing on as authors of the bills. The long list of authors should be an encouraging sign to everyone who has helped with the policy work this year because it shows the growth of strong, bipartisan support for the kinds of issues facing manufactured housing communities. Visit [northcountryfoundation.org/policy](http://northcountryfoundation.org/policy) for a full list of bill authors.

There are about eight weeks left in the legislative session and the fate of the bills lies in the hands of the committees who craft the larger tax and appropriations bills (referred to

as "omnibus bills") that the smaller, NCF-backed bills will hopefully be rolled into.

Whether or not the smaller bills are rolled into the larger omnibus bills depends largely upon the strength of our legislative advocates and how the two political parties decide to spend the state surplus.

Remember, if your Board is hanging onto any remaining postcards, make sure they are sent to your legislators as soon as possible.

Thanks to everyone who has contributed over the last few weeks. Board and resident involvement makes all the difference in accomplishing policy change.

## News & Reminders

### Tax Filing Deadlines

In a normal year, the tax filing deadline for all communities with a December 31 fiscal year-end is March 15. For 2016 tax filing only, the IRS moved the filing deadline to April 18, 2017.

In the case of a non-December fiscal year-end, the return is due on the 15<sup>th</sup> day of the fourth month following the fiscal year end.

An automatic extension can be filed by the original tax filing deadline, and an automatic six-month

extension is allowed. In a normal year, that extended deadline is September 15. The 2016 extended tax filing deadline is October 15, 2017. State tax filing deadlines correspond to the Federal deadlines.

Please remember that all tax returns must be signed by an officer of the co-op/corporation, usually the Board President, and then mailed *by the co-op/corporation* to the IRS.

### City Pages covers Lowry Grove Mobile Home Park closure, NCF responds

In a recent feature, City Pages highlighted the almost year-long fight of residents from Lowry Grove MHP to save their community after news of the park's closure in summer 2016. [Read the article online at citypages.com](http://citypages.com). NCF wrote a response to the story calling for increased funding for infrastructure in order to prevent closures like Lowry Grove in the future. [Read the NCF response at northcountryfoundation.org/news](http://northcountryfoundation.org/news).

Did you miss the last issue of *The Cooperator*? Check out the archive on the NCF website for all past issues. Visit [northcountryfoundation.org/the-cooperator](http://northcountryfoundation.org/the-cooperator).