Washington State Department of Commerce

Resident Ownership Basics: How a Cooperative Works

Resident Owned Community (ROC) cooperatives are businesses like most manufactured home communities. The cooperative is responsible for collecting monthly fees from the residents, maintaining the condition of the community, and enforcing the community rules. The key difference between cooperatives and other businesses is the democratic role of the members.

In a cooperative, every household gets one vote. For ROCs, each owner occupied home has one membership and is entitled to one vote. Importantly, no person can ever have more than one vote, even if they somehow end up owning more than one home in a ROC. At least once a year, all the members of a ROC come together for a membership meeting. During this meeting, all the members vote on major decisions like a new annual budget, approving a major construction project, changing the community rules, or amending the cooperative's bylaws. During this annual meeting, the members vote to elect their board of directors.

The board of directors is empowered by the membership to oversee the day-to-day operations of the cooperative. Cooperatives can have as many directors as they want, but the most common boards have five directors including: secretary, treasurer, operations manager, vice president, and president. These five directors of the board usually meet monthly and review financials, hear committee reports, approve certain expenses, discuss rules violations, and address whatever issues pop up.

There are a few important rules built into the bylaws that are not commonly used but exist to ensure the cooperative continues democratically. For example, if enough cooperative members sign a petition, they can compel the board of directors to call a member-wide meeting of the community. At this meeting, the membership can even vote to remove a board member. Another protection is that the cooperative has to keep open books for the members. This means that members have a right to inspect records of the cooperative, except when they contain personal information. Also, board meetings are open to the members and minutes are required to be kept on file recording any decisions made at these meetings.

Just as the board is responsible to the members, each member has to be responsible to the cooperative. Actively undermining the operation of the cooperative or behaving in a way that violates the cooperative principles could result in a person being expelled from membership. Not paying monthly cooperative fees could result in members falling into bad standing and becoming unable to run for board director positions. Most importantly, members are expected to volunteer their time to participate in membership meetings, help around the community, and even serve on a committee.

Finally, even though members and the board get to make many decisions in a cooperative, they aren't the only decision makers. Most ROCs have a loan and their lenders may require the cooperative to maintain certain savings amounts, be properly insured, hire licensed property management, or even make certain repairs. Additionally, all ROCs are providing housing and have local, state, and federal regulations that govern how they enforce rules, collect fees, screen applicants, and more. When ROCs use public resources to purchase their communities, they may also have grant requirements like preserving certain lots for lower income households, conducting regular financial audits, and providing reporting to the State.

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Keep In Mind

All ROCs are cooperatives, and most of the Washington ROCs are incorporated under our State's Nonprofit Miscellaneous and Mutual Corporations Act. Even though the State statute says "Nonprofit" the federal nonprofit exemptions are completely separate. While some cooperatives enjoy certain federal nonprofit statuses from the IRS, it is not common for ROCs to get the special 501(c)3 designation that is most commonly associated with charitable nonprofits.

Seller Corner

The last thing any seller wants to do during a property transaction is negotiate with 5, 7, or 9 directors on a board. ROC Northwest communicates with the board of directors, the lender, and the engineer to make sure communication is clear and timely. Sellers can expect to communicate with one point person from ROC Northwest who will route information to the appropriate director. With help from ROC Northwest the cooperative board will convene to make decisions needed to fulfill the obligations of the purchase agreement.

ROC Northwest Support

ROC Northwest provides interim bylaws to new groups forming cooperatives and then assists the community in reviewing and ratifying articles of incorporation and bylaws that enshrine the cooperative principles and democratic processes into the organization. Once the cooperative has successfully purchased their community, ROC Northwest continues to coach the board around sound governance practices and assists in planning for membership meetings. Often, ROC Northwest staff are asked to count ballots in competitive elections.

Learn More

The Cooperative Principles mentioned above are seven principles established by the International Cooperative Alliance. Below are the seven principles which you can learn more about at NCBA.

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation Among Cooperatives
7. Concern for Community

ROC Northwest

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