

An Introduction

Cooperatives are a long standing and successful type of home ownership. In the Washington area some of the most luxurious and foremost addresses are cooperatives: The Watergate, 3900 Watson Place, The Westchester, Shoreham West, The Cathedral and Vaness North.

What Is a Cooperative?

A Cooperative is a stock corporation. Under the terms of a proprietary lease, each shareholder has the right to occupy a specific apartment home in the building in which they own shares.

What is a Proprietary Lease?

A proprietary lease is an agreement between the shareholder and the Housing Corporation giving the shareholder the exclusive right to occupy a specific apartment home. The lease, the Bylaws and the House Rules also define the shareholder's obligations in regards to the apartment home, the common areas and facilities.

What does the Cooperative Apartment Home Include?

The cooperative home consists of the space bounded by the walls, floor and ceiling of the home and it's balcony, patio or terrace, if any. You as the shareholder, have the exclusive use and responsibility for the maintenance of your apartment including floor coverings, interior walls, doors, windows and any portion of the electrical , plumbing and mechanical systems which serve only your individual home.

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River Place Cooperative

An Explanation of Cooperative Ownership

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Who is Responsible for the Maintenance of Common Areas?

The Housing Corporation is responsible for the maintenance of common areas. Damage done to the common areas by the negligent or intentional act of a shareholder is the responsibility of the shareholder. The Board of Directors, elected by you, usually hires a professional management agent to handle day to day property maintenance. The Board of Directors approves the annual budget, as well as the level of service and major policies to which management must adhere.

What is the Financial Responsibility of the Cooperative Owner?

You as the shareholder/owner are responsible for payment of a monthly cooperative fee, which represents a percentage of the cost to maintain and operate the cooperative, such as:

- A) Management and administrative costs
- B) Operating Expenses
- C) Insurance Coverage
- D) Repair and replacement costs
- E) Utilities cost
- F) Ground Rent

Unlike a typical cooperative, there is no underlying mortgage at River Place. Each shareholder may have an individual loan against the shares allocated and will be responsible for the principal interest, taxes and insurance payments attached to it. Each shareholder also has the option of payment in full with cash.

Insurance

The Cooperative Housing Corporation is responsible for obtaining fire, casualty and liability insurance for the individual units and common areas. Premium for such insurance is a common expense and part of the monthly cooperative fee. In addition, each cooperative shareholder should provide their own insurance covering furnishings, personal belongings and personal liability as you would in any other home.

Financial Benefits of Cooperative Ownership

Cooperative ownership provides the financial benefits available with other types of ownership. However, cooperative ownership combines the features of property ownership with the aspects of owning corporate stock. You can finance the purchase of your cooperative shares with a long term loan very similar to to a homeowners mortgage. Like all homeowners, you can claim your interest payments and your real estate taxes as deductible items when you file your individual tax returns. Today, more and more people are seeking the tax relief that cooperative, condominium and other forms of home ownership provide. Your actual dollar savings from real estate tax and financing interest payments will depend on your individual income tax bracket.

May an Individual Shareholder Sell His Cooperative?

You may sell your stock in the Housing Corporation in accordance with the provisions of the Housing Corporation's charter, Bylaws and the occupancy agreement at any time.

Cooperative Ownership Benefits and Advantages

1. Potential tax savings
2. Potential equity build-up
3. Possible appreciation and profit potential
4. Financing available for qualified purchasers
5. Common area maintenance
6. Property Management
7. A voice in the management and maintenance of the property

River Place Lenders

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