Co-op v. Condo

Co-op

A Co-op apartment is an interest in a corporation that holds title to the real estate on which the building is located (or in some instances the corporation holds a long term lease on the real estate). The unit owner is issued Shares of Stock in the corporation and a long term Proprietary Lease. The Lease entitles the unit owner to exclusive use of their unit and to services provided by the Co-op corporation. (A Cond-op is a situation where the building is owned by a condominium association and the residential portion is organized as a Co-op. Although people sometimes refer to a Co-op with Condo rules as a Cond-op.)

Condo

A Condominium apartment is a separate parcel of real property owned in fee by the unit owner who also owns a percentage undivided interest in the common elements.

Similarities

Charges:	Both pay monthly charges for the operating costs (fuel, employees, repairs, insurance, etc.) of the building (Co-op= maintenace /Condo=common charges). Both may also pay special assessments used to raise money for repairs to the building or to build up the reserve fund.
Management:	Both buildings are typically managed by a management company and are run by a Board of Directors elected each year.
Financing:	Both permit owners to finance their purchase (Co-op=security interest/Condo=mortgage). Both require Board packages for transfers.
Transfer Taxes:	Same (see discussion below of closing costs and fees)

Differences

Real Estate Taxes:	A Condo owner pays separate real estate taxes. In a Co-op, the building pays the real estate taxes.
Mortgage:	A Co-op building typically has an underlying mortgage. There is no mortgage underlying the Condo building.
Transfers:	More rentals and transients in Condo. In most Co-ops, the Board has the right to turn down a buyer for any reason or no reason, unless the building has Condo bylaws. In a Condo, the Board can only turn down a buyer by exercising its right of first refusal. Subleasing is typically restricted in a Co-op.

Closing Costs: Mortgage Tax and Title insurance is only applicable to a Condo (Note – in rare instances, a Co-op owner will get title insurance.)

MANAGEMENT OF BUILDINGS

Buildings are run by their Board of Directors, the members of which are elected each year. The Board meets as necessary throughout the year – some monthly, some less frequently. Most keep notes of their meetings (called “Minutes”).

In most instances, the day to day business of the Co-op/Condo Building is conducted by a real estate management firm (Insignia, Brown Harris, Maxwell Kates, etc.)

TRANSFER PROCEDURE

Whether Co-op or Condo, a Board package will be required on the sale of an apartment. Each building has their own documents and information that they require.

For Co-ops, each building has their own financing restrictions (i.e. only a specified percentage of the purchase price can be financed). Buildings may also have income and asset requirements of the purchaser.

Each building, whether Co-op or Condo, has their own procedure on handling apartment transfers. Some Board’s only vote at regularly scheduled meetings (in which case the package has to get in a specified number of days prior to the meeting); some have transfer committees; and others meet on a transfer request basis.

For Co-ops, for the most part, the Board can deny a transfer for any reason or no reason. (Some can not unreasonably withhold consent and others can only deny an applicant by exercising a right of first refusal.)

All buildings have costs associated with a transfer:

On the Buyer’s side: Application fee, credit check fee, move-in fee or deposit, financing fee. On the Seller’s side: Closing fee, move-out fee or deposit
On either side (for a Co-op): Possibly a flip tax