



# COOPERATIVE HOUSING BULLETIN

A member service of the National Association of Housing Cooperatives

Fall 2011

## Homeless Families Find a Green Future in Mutual Housing

**SACRAMENTO** Yolo Mutual Housing Association's first green-certified multifamily development, Mutual Housing at the Highlands, has been completed after an eight year effort. Located on a 3.5 acre parcel in the McClellan Redevelopment Area in the north part of Sacramento, the Highlands has 90 units—62 efficiency units: 16 one-bedrooms and 12 three-bedrooms.

Of the 90 units, 66 are for the homeless, also a first for Mutual Housing. Onsite social services are being provided by the nonprofits Turning Point, Lutheran Social Services of Northern California and The Effort. Funding for Turning Point services comes from the Sacramento County Department of Health and Human Services. Though Mutual Housing's focus is on leadership, the nonprofit also provides training and mentoring, as well as educational programs, community-building activities and services for residents and neighbors.

Mutual Housing, which serves 2,600 residents, half of whom are children, has been known for its green focus since 2003 when the nonprofit became the first multifamily developer to install solar electricity in the Sacramento Municipal Utility District. "Mutual Housing has a long-standing commitment to sustainable development in all our affordable housing properties," said Holly Wunder-Stiles, Sacramento/Yolo Mutual Housing Association's Director of Housing Development. Starting with the solar orientation of the buildings to save energy, the housing includes ductless heating



in the smaller units and evaporative coolers in the larger ones as well as tankless water heaters in each. Higher-than-standard insulation and radiant barriers in the roof also add to energy-efficiency. Utility rebates allowed Mutual Housing to install solar panels for both electricity and hot-water.

Drought-resistant landscaping, smart irrigation, low-flow toilets, high-efficiency faucets and shower heads, and Energy Star appliances added to the water-saving aspects of the community. Cabinets, interior trim and flooring were made from durable, long-lasting materials, so they won't need to be replaced as often as conventional choices would have been. Low-mercury lighting was an important consideration for ease of disposal.

Because of health issues of homeless individuals, indoor air quality was a major consideration for the development. A two-week air flush-out of the housing units, between completion and occupancy, will give residents higher indoor air quality than usual. Low volatile

More on page 12 >

We're Here to Help!

3

Green efforts produce triple bottom line results

5

COOPERATIONS  
A cooperative credo

6

News from all over

7

Member  
Association News

10

NAHC's 2012 Annual  
Conference

12

Converting Public  
Housing to Cooperatives:  
New Perspective on an  
Older Idea

13

Developer's Corner

21

NAHC

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THE NATIONAL ASSOCIATION OF HOUSING COOPERATIVES

**About NAHC**

The National Association of Housing Cooperatives is a nonprofit national federation of housing cooperatives, other resident-owned or -controlled housing, professionals, organizations, and individuals interested in promoting cooperative housing communities. Incorporated in 1960, NAHC supports the nation's more than a million families living in cooperative housing by representing co-ops in Washington, DC, and providing education, service, and information to co-ops.

**Mission Statement**

To represent, inform, perpetuate, serve, and inspire the nation's housing co-ops.

**NAHC Board of Directors 2010-2011**

<b>Chairman</b>	Ralph Marcus	Elected 2013
<b>President</b>	Vernon Oakes	Elected 2013
<b>Vice President</b>	Gregory J. Carlson	Appointed by FNYHC 2011
<b>Treasurer</b>	Linda Brockway	Elected 2012
<b>Secretary</b>	Mark Shernicoff	Elected 2011
<b>NAHC President Emeritus</b>	Roger Willcox	Elected 2011

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Barbara Loatman	Elected 2012	Roger Willcox	Elected 2011
Bill Magee	Elected 2012	Kimalee Williams	Appointed by CHANE
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**Member Associations**

CAHC	California Association of Housing Cooperatives
CHANE	Cooperative Housing Association of New England
CNYC	Council of New York Cooperatives & Condominiums
CSI	CSI Support and Development Services
DVAHC	Delaware Valley Association of Housing Cooperatives
FNYHC	Federation of New York Housing Cooperatives
MAHC	Midwest Association of Housing Cooperatives
NJFHC	New Jersey Federation of Housing Cooperatives
PAHC	Potomac Association of Housing Cooperatives
SEAHC	Southeast Association of Housing Cooperatives

**NAHC Principal Committees and Chairs**

- Executive Committee – Ralph Marcus
- Development & Preservation Committee – Vernon Oakes
- Finance Committee – Linda Brockway
- Governance and Strategic Planning Committee – Ralph Marcus and Mark Shernicoff, Co-Chairs
- Government Relations Committee – Mary Ann Rothman
- Member Services Committee – Linda Brockway
- Mutual Marketing and Advocacy Committee – Paul Solomon
- Publications Committee – Roger Willcox
- Public Relations – Eugene Jones
- RCM Board of Governors – Gregory J. Carlson
- Website Committee – Gregory J. Carlson

See the NAHC website – [www.NAHC.coop](http://www.NAHC.coop) – for addresses of Associations and Committees.

**About Bostrom**

Bostrom Corp. is the professional services firm managing the National Association of Housing Cooperatives affairs. Mitch Dvorak serves as NAHC Executive Director.

# We're Here to Help!

By Ralph J. Marcus, Chairman

In our ongoing effort to provide the best housing resources to our constituent members and all cooperators across the nation, we proudly continue to raise the bar of excellence, not only for cooperators in need, but also at NAHC. The old adage "practice what you preach" is alive and well across our diverse and ever-expanding communities founded on the Rochdale principles.

**A**t NAHC, we've been busy retooling our organization to meet the needs of not only our current housing communities, but also the future needs of those whom are economically depressed and living on the brink of homelessness. How are we doing this? We've reviewed and strengthened the charters of each NAHC Committee to clearly establish the focal points of responsibilities. We're reviewing our internal policies and procedures in order to clarify and strengthen the authorities and best practices of our Board. We will soon be undertaking a complete review of our corporate bylaws, and we will seek approval for their revision to further strengthen our organizational structure and position ourselves to better serve our membership.

The NAHC Board also recently engaged in a strategic thinking and mission statement redevelopment process. With facilitators from Bostrom, we've redefined our strategic purpose and carved out the template of a plan to achieve our goals. We'll also be continuing our strategic thinking processes at each of our upcoming Board meetings.

Some of our recent highlighted accomplishments include participating in the 2012 International Year of the Cooperative Planning and Celebration Committee. Next year, cooperatives all over the world will join together and celebrate the conceptual successes of the cooperative model, including food, utility, hardware store, banking and housing cooperatives. NAHC has formed a special select committee to participate in this world-wide recognition, and we have been very well supported by our legislative advocate, Judy Sullivan.

Speaking of Judy Sullivan, she's been working diligently on our behalf, watching legislative initiatives and sending out e-blasts with informational substance, and sometimes with a Call to Action so that we stay abreast of what Washington is up to. Would you like to be included in these e-blasts? Call or email us (202.737.0797/info@nahc.coop) and find out how you can be included!

We are also working to establish a housing conversion template that provides the sorely lacking financial resources to convert underperforming multi-family housing units and converting them to cooperative model owner-occupied housing units. We're very excited about this initiative, because it can truly make a difference.

We are here to help! The number of inquiries and calls to our offices seeking advice and assistance with local housing challenges has increased dramatically. Our officers and Executive Director have been working diligently on a weekly basis recommending and steering hometown cooperative board members and managers towards success. We are also developing additional assistance resources for our web site, designed specifically to provide access to professional resources across the country.

Finally, we've recently created a Public Relations Committee, whose function it will be to initiate adventurous undertakings to increase the exposure and relevance of NAHC and the cooperative model to key audiences. Ultimately this exposure will pay off all the way down to the lives of individual cooperators.

The future vision of NAHC is specifically poised to become the focal point of organizational strength for housing cooperators, including a supportive resource center for those in need. Need some help? We're here to help! We hope that if you aren't a member of NAHC, you'll see the wisdom of how we're evolving and become a member. Also, we hope you'll spread the word of the great things coming to cooperatives and NAHC.

Together, we all can make a difference that can result in safe, decent, affordable, owner-occupied housing where a family rests its head at the end of a challenging day. It is the difference between just surviving and really thriving. This is what NAHC is all about. This is NAHC's vision for the future; making a difference by being here to help!

Working together to make a difference. **CHB**

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## NAHC President Participates in Co-op Year Kickoff in New York

NAHC President Vernon Oakes was invited to represent US housing co-ops at the opening ceremonies at the United Nations Headquarters in New York City. The October 31st program launches the 2012 International Year of the Cooperative. Far from just a ribbon cutting, the events include a high level policy roundtable discussion on the role of cooperatives in economic and social well-being, a media conference, and a report to the UN General Assembly. Oakes also received an invitation to represent the US housing co-op sector at a reception sponsored by the International Co-operative Alliance.



organic compound finishes and glues, low-formaldehyde insulation and cabinets, and high-efficiency kitchen and bathroom fans also will help keep the air quality high once residents move in.

Engineered and pre-cut lumber reduced construction waste, as did recycling during that phase. Installation of 40-year roof shingles and the use of fly ash in the concrete added to resource conservation. A community-wide trash masher also was put in.

Development costs were \$5 million, and construction costs were \$14 million. Wells Fargo Bank was the construction lender. The American Recovery and Reinvestment Act partially funded the development, so the project will carry no long-term debt. Operating support comes from the US Department of Housing and Urban Development, Sacramento Housing and Redevelopment Agency and the California Mental Health Services Act (Proposition 63) Housing Program. [CHB](#)

*Editor's note: Mutual housing at its best is based on cooperative principles. Some forms are similar to a co-op that leases its housing asset, and other forms are closer to resident management of rental housing. Here is how Sacramento/Yolo Mutual Housing Association describes resident relationships and roles in shaping community life.*

Our Mutual Housing Association has a multilingual team of community organizers whose job is to facilitate community building activities, to identify potential leaders and mentor those leaders. The organizers go door to door in new properties, and contact new residents as they move into our communities, holding one-on-one conversations to get to know the residents. The organizer in these conversations is seeking to understand the gifts and talents of each resident and how they might contribute back to their community, as well as each resident's goals, challenges and dreams for themselves and their families.

The organizer uses this information to create initial activities and programs where residents may use their gifts, as well as to bring residents who have a common goal or challenge together into small groups. Through working with residents on these issues and in activities, organizers identify potential leaders. These potential leaders are encouraged to take on more responsibilities, perhaps help the organizer with outreach, serve as an issue-specific committee chair, etc. Those residents who exhibit responsible leadership and transparency are encouraged to serve on property-specific resident councils. Some resident councils are created by residents who volunteer; others are democratically elected by residents at their properties. The process of forming the councils is considered less important than the actual functioning of the councils and how councils hold themselves accountable to the larger resident base.

The councils typically meet monthly to hear reports from issue-specific committees and oversee outreach activities, supported by the community organizer. Over the long term, it is the council, not the organizer, who identifies common needs and goals and evaluates potential site-based programs (e.g., after-school programs, art projects, educational classes, social activities, involvement in neighborhood or city-level actions and programs).

The resident councils also participate in evaluations of site-based programs, assist in identifying other potential resident leaders, and work closely with property management staff to help ensure the smooth functioning of the property.

We also finance a resident fund through rental revenue. It is a modest amount depending on the size and performance of the property, usually no more than a couple of thousand dollars a year. The resident councils determine the use of the money, which is to benefit residents. Some of the uses in the past include field trips for youth and seniors, amenities for the on-site community centers, equipment for after-school programs, matching funds for parents to send their children to summer camp, and holiday parties.

Resident participation extends beyond the single project. The governance structure of Sacramento/Yolo Mutual Housing Association specifies that a majority of seats on the Association Board of Directors is reserved for residents and program participants.

*By Rachel Iskow, CEO, Sacramento/Yolo Mutual Housing Association*



## Green Efforts Produce Triple Bottom Line Results

By Anne Sackrison

Co-ops that incorporate environmentally-friendly concepts benefit from lower energy bills and their products are more durable and require less maintenance; overall, green buildings are just considered healthier. They also tend to have fewer vacancies.



**Stormwater retention tank saves roof water for use later in watering lawns and flower beds or hosing down sidewalks.**

This year, three CSI Support & Development Cooperatives in the Detroit area (Carleton Co-op, Ecorse Manor Co-op and Meyers Plaza Co-op) completed nearly \$2.5 million in green construction through HUD's Green Retrofit Program. Some of the rehab work included additional insulation, new siding, windows, boilers and mechanical equipment modifications, such as variable speed motors on pumps that do not need to run 24 hours a day. Other green efforts included installing storm water harvesting tanks and using paint and carpeting that is low



Anne Sackrison is National Operations Manager for CSI Support & Development (a resident/member controlled organization which utilizes a cooperative management system and engages its resident membership in decision-making at every level of its operations). Anne has been with CSI for 14 years and is responsible for the oversight of building and corporate operations (cooperative management, mechanical and financial). Anne will be co-presenting a workshop on fair housing with Nancy Evans, CSI's General Manager, at the November NAHC conference in Puerto Rico.

in volatile organic compounds. The work has reduced utility costs by as much as 50% already, improved efforts to reduce waste and improved indoor air quality for the members. Since green retrofitted buildings do not stay green on their own, CSI Support & Development wrote green operations and maintenance manuals with a 20-year plan to stay green.

CSI Support & Development has applied for over 30 Weatherization Assistance Program (WAP) grants, which are available through the U.S. Department of Energy. Many of the co-ops have been approved for this program and are currently receiving new boilers, refrigerators, light fixtures, water aerators and other items. Energy audits are continuing and there is talk that at least one co-op may receive solar panels. Each state has delegated the oversight of the WAP grants to different agencies. CSI Support recommends that other co-ops contact their local HUD office to find out how the program in their state is being administered. Unused funds for this program will not be available after March 31, 2012. Another source of information on state-administered grants is [www.dsire.org](http://www.dsire.org).

CSI Support has taken advantage of Energy Star's *Portfolio Manager*, a free online service that tracks utility usage and takes factors, such as vacancy numbers, into account. CSI Support has also been pursuing local utility company grants to save energy costs.

Critical to going green is the education of co-op members. This year, CSI Support & Development used its regional annual co-op management conferences to promote a green theme. Staff and members shared ideas and inspired each other on efforts to be earth-friendly. [CHB](#)

# COOPSERVATIONS

## A Cooperative Credo

By Herbert H. Fisher

### What are we?

We are known as housing cooperators.

We are housing cooperators amongst millions of other cooperators in all forms of economic enterprise, all sharing common principles, whether in agriculture, credit, retailing, marketing, distributing, manufacturing, fisheries, medical, electrical, telephone or housing.

We own a walk up with 6 apartments worth half a million dollars total. We own high rises worth more than \$30 million in Chicago and \$100 million in New York. We own town house developments worth more \$30 million in Indianapolis and in San Francisco worth more than \$60 million. We own single family homes and vacation homes. Co-housing and student housing. We own whatever can be built in whatever format that is needed.

### Who are we?

We are multi-millionaires seeking exclusivity. We are low income parents seeking survival. We are hard working people seeking a good living environment. We are all people seeking empowerment.

### Why are we?

We are because we recognized cooperative housing as being better housing. We then understood that by working together, not competitively, we can achieve more for ourselves. We are because we believe by banding together and sticking together we can achieve more for ourselves than we can singly and alone, isolated from each other or competing with each other.

By ourselves we are defenseless in this competitive world; we are alone in an alienated world, but together we are strong; we can and do accomplish. We can own our 6 flat or our high rise or our 800 townhouses.

We are, because it is all based on the six Rochdalean principles, with their over 160 year proven history of people providing for themselves

the goods and services they need through their own, privately owned business.

We are because we are competitive in a free enterprise society in a nation which does not dictate that investment capital has to own all economic enterprises. We are because we can compete with investment capital-owned housing.

We are because we have proven we can survive monopolistic control of capital which sets governmental policies and influences what the media publicizes.

We are because we can survive the ups and downs created by the predominating investment capital economic system.

We are because we are cooperators—proud of what we have accomplished.

**We are because we own the asset that produces the housing we need and use at the lowest possible cost.** CHB



Herbert H. Fisher is an attorney in Chicago, IL. He is a former NAHC President and Chairman of the Board. He is the convener of the Attorneys Roundtable at the NAHC Conference and coordinator of the Attorneys Exchange. Attorneys and other members are encouraged to contact him with topics for discussion at the Roundtable at [hfisher1@aol.com](mailto:hfisher1@aol.com).

Compiled by Guest Editor Doug Kleine

### Letter to HUD urges action on reverse share loans for seniors in co-ops

Eight members of Congress wrote to HUD Secretary Shaun Donovan to implement five year old legislation giving HUD the authority to extend its Home Equity Conversion Mortgage program, commonly known as reverse mortgages, to residents of housing co-ops. The letter states, “With over one million housing cooperative units in the United States today, thousands of these homeowners are impacted by not being able to access HECMs.” Rep. Carolyn Maloney (D-NY), one of the letter signers, explained, “Often seniors’ co-op homes are their largest asset. By freeing up the equity in those homes, seniors can remain in their homes and live comfortably.” “In today’s housing market, your assistance in removing HECMs from the ‘back burner’ would be invaluable to the economic and physical health of older Americans struggling to stay afloat in this economy,” the letter states. “We urge you to issue home equity conversion guidelines, giving our seniors who own shares in housing cooperatives the same opportunity to access HECMs as all other home owners.” HUD has not responded.

NAHC thanks its members who urged their representatives to sign onto the letter in August. NAHC has long had HUD-insured reverse share loans as part of its regulatory agenda, because more than 60% of co-op families live in market rate co-ops and may at some time in their lives benefit from access to their equity without having to sell or pay higher costs than necessary.

### Neighbor to neighbor cooperation brings lower unemployment, says study

A report recently released by the nonpartisan National Conference on Citizenship (NCoC) finds that states with higher levels of civic engagement are more resilient in an economic downturn. The report identifies five measures of civic engagement—attending meetings, helping neighbors, registering to vote, volunteering and voting—which appear to protect against unemployment and contribute to overall economic resilience.

Of particular interest to cooperatives is that of these five civic health indicators, “working with neighbors” was the most important factor in predicting economic resilience, as an increase of one point

in neighbors working together to solve community problems was associated with a decrease of a quarter of a point in the unemployment rate. Public meeting attendance was the second most important factor, followed by volunteering and registering to vote as top important predictors of unemployment rate change.

“Our analysis should serve as a call to action for every community in America,” said Michael Weiser, NCoC Chairman, “There is growing evidence of a connection between social capital and economic resilience, and we believe our analysis presents strong correlations for how the civic health of a community can help a community weather tough economic times.”

The NCoC report, “Civic Health and Unemployment: Can Engagement Strengthen the Economy?” was produced in partnership with Civic Enterprises, the Center for Information and Research on Civic Learning and Engagement (CIRCLE) at Tufts University, Saguaro Seminar, and the National Constitution Center. It examines the five civic indicators listed above in comparison with eight economic indicators and finds strong positive correlations between civic engagement and a state’s economic resilience.

The NCoC report found that of the states with the highest rates of volunteering and working with neighbors, Alaska, Iowa, Kansas, Minnesota and South Dakota had the smallest increase in unemployment rates between 2006 and 2010. Of the states with

The report discusses several observations about how civic health can promote economic resiliency including:

- **Participation in civil society can develop skills, confidence, and habits that make individuals employable and strengthen the networks that help them find jobs.** For example, 59% of volunteers in national service programs believe their volunteer service will improve their chance of finding jobs, perhaps because it helps them learn marketable skills or because it broadens their professional contact networks, or both.

- **Participation in civil society spreads information.** Volunteering, attending meetings, and working together with neighbors on community problems are valuable ways of learning about local issues, which can help citizens hold their government accountable—not to mention lead to new employment opportunities and business relationships.

- **Communities with stronger civil societies are more likely to have good government.** Active, organized citizens can demand and promote good governance, and serve as partners in addressing public problems. For example, states with more civic engagement have much higher performing public schools, regardless of demographics, spending and other factors.

the lowest rates of volunteering and working with neighbors, Alabama, California, Florida, Nevada and Rhode Island had the highest increase in unemployment rates.

The report findings are based on an analysis of data from the annual Civic Life in America survey released by NCoC, and data from the Corporation for National and Community Service, U.S. Census Bureau and the U.S. Bureau of Labor Statistics.

“Civic engagement is more than a feel-good exercise or simply raking a neighbor’s yard, it is about human connection and building trust. These are the same traits that have made America a nation of innovators, driving the expansion of both economic and social capital,” said NCoC Executive Director David B. Smith.

“As the national debate turns to jobs and restoring civility, our leaders need to understand that one answer for our political and economic woes begins with restoring America’s tradition of service and civic engagement,” said John Bridgeland, Former Director of the White House Domestic Policy Council and Current National Advisory Chair, NCoC. “It not only gives communities a boost, it may also lessen the effects of the economic downturn.”

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### **Global organization recognizes ROC-USA founder Paul Bradley**

**Paul Bradley**, president and founder of **ROC-USA**, LLC and the architect of a nationally acclaimed affordable housing strategy, has been named an Ashoka Fellow, a juried Fellowship of leading social entrepreneurs from more than 60 countries.

Bradley was recently elected to an Ashoka Fellowship for his innovative approach to creating financial security, engaging citizens and improving home values for families living in manufactured-home communities. Selection of Fellows is an international process based on five criteria: A new solution or approach to a social problem, creativity, entrepreneurial quality, the idea’s social impact, and the nominee’s ethical fiber. Ashoka: Innovators for the Public is a global association of the world’s leading social entrepreneurs—individuals with innovative, large scale ideas for addressing social problems. They address every area of human need. Working in partnership with Ashoka Fellows, Ashoka builds communities of innovators who work collectively to transform society and design new ways for citizen-led solutions to become more productive, entrepreneurial and globally integrated.

Bradley started working in the field in 1988 when he joined the nonprofit New Hampshire Community Loan Fund (NHCLF). The NHCLF was helping homeowners purchase their mobile home parks as cooperatives, an alternative to renting the land from a third-party landlord. In New Hampshire, Bradley helped 60 co-ops buy their communities and pioneered conventional mortgage loans in resident-owned communities, creating a program which earned the NHCLF the Wachovia NEXT Award, the highest honor in the field of community development lending, in 2009. Bradley’s work has led directly to higher home-sales prices, faster home sales, and lower monthly site fees in New Hampshire’s resident-owned communities, as compared with investor-owned communities.

The strength of these results and Bradley’s passionate national leadership led to the opportunity to found ROC USA, LLC in 2008, to take this market transformation strategy nationwide. ROC USA is affiliated with nine nonprofits in the US, which provide training and technical assistance to both established and aspiring resident-owned communities, and provides acquisition financing for co-ops through its subsidiary, ROC USA Capital. “Paul’s signature is on each of the market innovations in this industry and his vision, paired with his incomparable capacity to execute, has literally reshaped the field of manufactured housing into a nationally recognized strategy,” remarked Andrea Levere, president of the Corporation for Economic Development and ROC-USA’s board chair.

## Foundation funds cooperative senior “Villages”

The Archstone Foundation announced grants to NCB Capital Impact and 10 others totaling \$1.3 million under their initiative to expand and strengthen “Villages” throughout California so that older adults may age in place with maximum independence and dignity.

Villages are self-governing, membership driven, non-profit organizations run by small staffs and volunteers working together to build welcoming communities, provide social support, and coordinate affordable services, with the sole purpose of enabling people to remain living in their own homes and communities as they age. Built upon cooperative principles, Villages facilitate the opportunity for members to develop, own and operate an organization that facilitates independence and choice. Villages facilitate access to community support services and connection to long time civic engagement. Most Village organizations leverage the purchasing power of their membership to create a pool of discounted, vetted local providers to address daily needs (e.g., home repairs, home care, transportation, gym memberships, restaurants, etc).

In 2010, NCB Capital Impact and Beacon Hill Village launched the Village to Village Network to provide a national peer to peer network to help communities establish and sustain their own Villages. NCB Capital Impact’s two year grant is for technical support to existing Villages and to convene four meetings of California Villages. “Capital Impact’s technical assistance through the Archstone grant includes individual work with grantees, group convenings, regular conference calls, and peer to peer learning that will advance the “state of the art” in the Village movement to grow and sustain Villages throughout California, and sharing best practices nationwide,” said Susan Poor, Senior Policy Advisor, NCB Capital Impact and Village to Village Network. Villages supported by these grants will receive training in business planning, marketing, sustaining growth and viability, creating and managing strategic partnerships, and designing member programs, services, and benefits.

The Village model is rapidly expanding. Nationally, there are 55 operating Villages with an additional 120 in various stages of development. With 29, California has the largest concentration of Villages.

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## Co-op refinancing saves money and severs HUD regulation

The 204 unit **Nassau Gardens Cooperative** (Norwood, MA) closed a new mortgage with Arbor Commercial Mortgage for \$2,300,000. The new loan at 4.13% paid off the balance of an FHA Section 213 mortgage with a 7.2% interest rate and 0.5% mortgage insurance premium. The savings in interest and mortgage insurance will reduce or remove the need to increase carrying charges to meet future capital replacements and repairs. Removal of HUD regulation will save in several other ways, such as in audit fees and not having to fund an overfunded operating reserve. The new loan also provided cash to cover closing costs and accelerate a boiler replacement schedule. Another selling point for the new loan was keeping the same mortgage payoff date of 2019, rather than extending the date. [CHB](#)

## Delaware Valley Association of Housing Cooperatives

The Delaware Valley Association of Housing Cooperatives (DVAHC) is the newest regional association to join the National Association of Housing Cooperatives. DVAHC covers the Philadelphia area, southern New Jersey and the Wilmington, Delaware, area. This area has been home to cooperative dwellings for over half a century, but there has never been an attempt to interact with one another.

DVAHC was created just two years ago to provide a forum for cooperative activities in the immediate area. DVAHC has provided cooperatives in the greater Philadelphia and immediate surrounding area an opportunity to interact for the first time in a “cooperative” venture. The association shares information and best practices, and members work with each other to overcome any outstanding issues. DVAHC currently has four co-ops and 202 units in their membership. While a DVAHC representative will be attending the next NAHC Board meeting, appointment of a voting representative must wait until DVAHC grows to include 600 units.

## CSI Support & Development

CSI Support & Development Services has submitted applications in three states for construction funding of new co-ops under the HUD 202 program. To help preserve the stock of existing affordable senior housing, our development department has established a plan to identify and purchase appropriate properties. Our goal is sustainable growth with affordable senior apartments where we can create cooperative communities. CSI Support & Development Services is currently negotiating for the purchase of an 80-unit subsidized apartment building in Michigan and are using what we learn to create a model for future acquisitions.

We also need to preserve our own portfolio of co-ops so we have been working on greening them. This year, three of our co-ops in the Detroit area completed nearly \$2.5 million in green construction through HUD’s Green Retrofit Program (GRP). CSI Support & Development Services has applied for over 30 Weatherization Assistance Program (WAP) grants, which are available through the U.S. Department of Energy. Critical to going green is the education of co-op members. This year, we used our annual management conferences to promote a green theme.

One of our long-term goals is branding CSI Support & Development Services so that we are publicly recognized. To achieve this goal we identified our branding objectives and are now completing our new logo, website and printed documents for marketing and development. Our new website should be easier to navigate and will contain a special section for members with lots of great information.

Based on the results of a member survey, we identified the need and established a goal to facilitate aging in place. We identified groups that offer supportive services and are now pursuing partnerships to bring our members more options for services that can help them remain in their homes as they age. We also identified the benefits of resident service coordinators who can work with our Family Community Resource Committee (FCRC) to connect our members with needed services. We applied for 16 resident service coordinator grants offered on a competitive basis by HUD and were awarded 12 grants valued at \$3.5 million.

Key to the success of CSI Support & Development Services is the involvement of our members as we move forward with our strategic action plan. We will be looking to them for input on surveys that will help us to determine how to increase participation and how to better meet members’ needs. Member involvement in the maintenance of their co-op is critical to successfully passing external reviews and physical inspections as well as keeping our buildings in top condition.

## Council of New York Cooperatives & Condominiums

The Council of New York Cooperatives & Condominiums (CNYC) held its 31st annual conference November 13 at Baruch College in New York City.

In view of the city’s decision not to renew permits for #6 heating oil after 2012 for air quality reasons, CNYC continues to help its members convert those systems to natural gas if available, or to #4 or #2 oil, which are cleaner burning fuels than #6.

## NAHC Board members reach out to regional meetings

By Linda Brockway

At the NAHC Board of Directors meeting in January 2011, it was agreed that Board members would try to visit regional association conference meetings outside of their immediate areas. I had the privilege of visiting four regional conferences since January.

The first conference was the Potomac Association of Housing Cooperatives held April 29-30 in Alexandria, Virginia. Ms. Suzanne Egan and I worked the NAHC booth and were able to attend some of the workshops. Suzanne and I also heard speakers such as Douglas Kleine, former Executive Director of NAHC and Micki Williams, past Chairperson of NAHC.

The second conference was the Midwest Association of Housing Cooperatives held in Jacksonville, Florida, May 15-18. Several other NAHC Board members also attended, and many presented classes.

The third conference was the California Association of Housing Cooperatives (CAHC) held on July 9, 2011. I presented a class regarding leadership and governance for board members. CAHC is in the middle of a membership drive and is working toward increasing their membership.

The fourth conference was the CSI Regional Management Conference in Massachusetts, September 13-15. CSI holds three regional conferences and one national conference. At this conference I was able to attend a class and participate in their annual dinner and entertainment.

NAHC Board members are interested in participating in as many member association meetings and conferences as possible. Please forward information regarding your upcoming regional conferences and meetings, so that one of the NAHC officers can attend the conference or meeting. Let your program planning committee know that Board members are available to contribute to the educational offerings at future meetings.

*Linda Brockway is chair of the NAHC Member Services Committee whose areas of responsibility include educational offerings.* CHB

## Cooperative Housing Association of New England

The Cooperative Housing Association of New England (CHANE) continues to closely monitor proposed legislation in Massachusetts that would restrict new member screening processes and criteria for co-ops. The Sunday October 14 Boston Globe contained an editorial against the proposed legislation. CHANE members in Massachusetts are speaking to their state legislators about the harm that the proposal would cause. CHB



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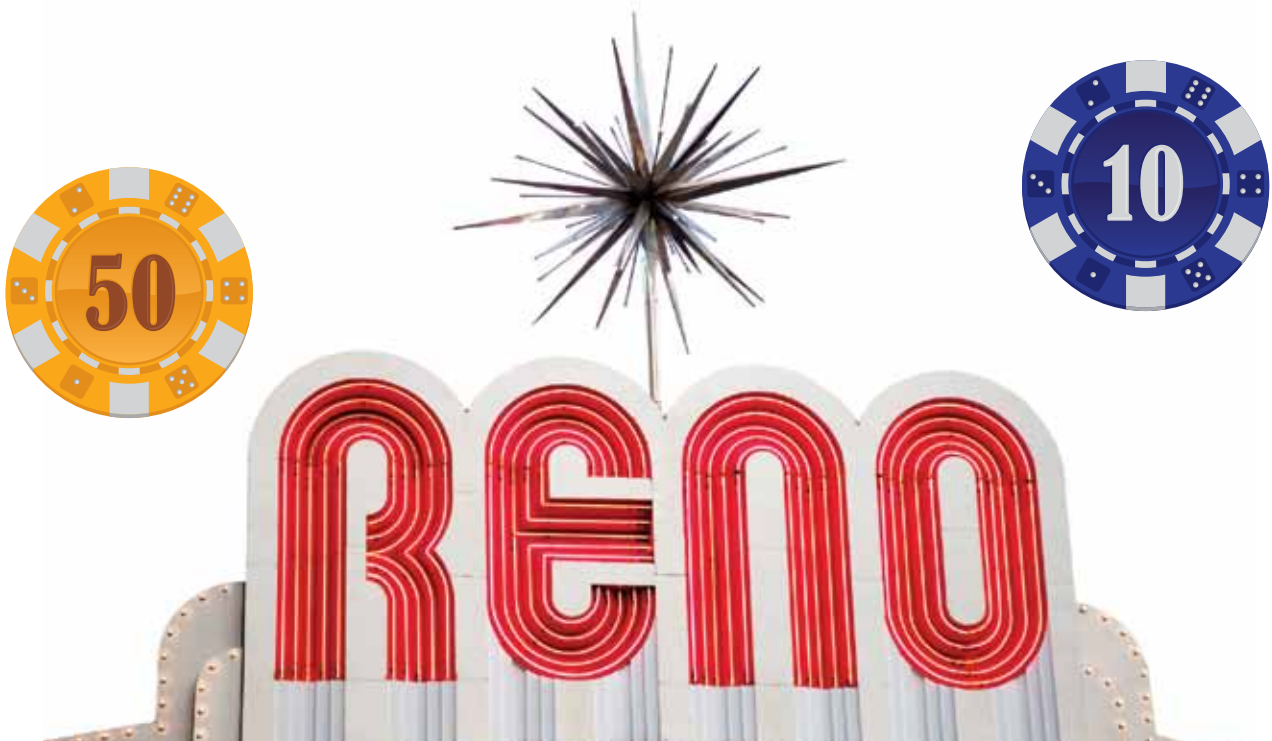
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# Converting Public Housing to Cooperatives: New Perspective on an Older Idea

By Charles Daas

Since the Reagan Administration's move to transition HUD into a role as housing asset manager rather than builder, the formation of federally-funded housing cooperatives has been at a virtual standstill. Moreover, the lack of explicit cooperative policies and enabling legislation has left for-profit and nonprofit housing builders without a roadmap for their formation. Further, the void in solutions for expiring use housing (e.g. properties initially financed with FHA loans, low-income housing tax credit properties at the end of their 15 year term, and buildings where the owners are opting out of rental subsidy contracts) often leaves tenants displaced as building owners pursue market-rate rental or condominium conversions.

...affordable housing advocates are asking for a re-examination of the feasibility of converting public housing to shared equity cooperatives.

For investors and affordable housing developers working with public housing authorities (PHAs) across the US, the focus is on the physical asset and its long-term viability. If the unit is affordable and the family is stable, little attention is given to human development, other than crisis management or addressing substance abuse. Job readiness and placement occurs but is more often a veneer to overcome a chronic skills gap, functional illiteracy and a history of structural unemployment that impacts the vast majority of public housing residents. Case in point is the Chicago Housing Authority's (CHA) service connector program, part of the CHA's Plan for Transformation of public housing. As the CHA demolishes 25,000 units of primarily high-rise public housing, service connector program centers on case management of CHA residents seeking stability and employment. Author Joseph Mark writes "demolition of the buildings was a higher priority than providing support for residents, and the process was more disruptive than necessary." ("Creating Mixed-Income Developments in Chicago: Developer and Service Provider Perspectives," *Housing Policy Debate*, January 2010) Cards are stacked against CHA residents since "those who were able to find employment were placed in low-wage, secondary sector jobs." (Source: "Opportunity Chicago," The Partnership for New Communities and the University of Illinois-Chicago Center for Urban Economic Development (2008)

Rarest of all is the public housing authority that recognizes the need for low-income households to build assets and to take control of the management of their own housing.

Indeed, tenant ownership is the most glaring omission in the Chicago Housing Authority's Plan for Transformation, which began in 1999 and is due to

conclude in 2015. As the CHA levels its troubled housing, 14,000 public housing residents have been displaced from their long-term dwellings. The Plan for Transformation has already altered Chicago's urban landscape permanently, leaving those not able to return to the mixed-income developments (nearly three out of four residents) racially and economically re-segregated throughout metropolitan Chicago. Reasons vary, but often equate to insufficient income, a lack of work history and the probability of a history of rent or utility payments in arrears. "Over 80 percent of tenants have moved to areas with at least a 30 percent minority population and greater than 24 percent poverty. This is a violation of the CHA's own relocation objective of preventing further segregation and poverty concentration." (Source: Sudhir Venkatesh, "Tearing Down the Community," *Shelterforce Magazine* (2004) A 2010 study by the Urban Institute of the former Madden Wells development (now known as Oakwood Shores) found "displaced families back in other CHA developments, facing chronic unemployment in moderately poor (poverty > 25%), moderately high crime neighborhoods which offer few opportunities for the residents or their children. (Source: Urban Institute: *The CHA's Plan for Transformation—How Have Residents Fared?*, Susan J. Popkin, Diane K. Levy, Larry Buron, Megan Gallagher and David Price (August 2010)

## The Proposition

As an alternative to the widespread displacement, misery and declining housing options faced by low-income public housing residents in Chicago and throughout the United States, some affordable housing advocates are asking for a re-examination of the feasibility of converting public housing to shared equity cooperatives. This is not a new idea, as some of



Charles Daas is the Principal of the Chicago-based consulting practice City Solutions and serves as adjunct faculty to the University of Illinois-Chicago School of Urban Planning and Public Policy. Daas also served as the former Director of the Chicago Mutual Housing Network (1999-2004) where he was the co-developer of the \$4.3 million, 31-unit Nuestro Hogar (Our Home) Cooperative.

**Shared equity housing cooperatives *must* be part of a renewed push for housing low-income populations.**

the developments discussed below date to the late 1960's (Chicago's Racine Courts), while some were completed as recently as 2009 (Mott Haven Victory Cooperative in Bronx, NY.) The following research includes cautionary tales (such as the ill-fated Kenilworth-Parkside development in Washington, DC), and ample evidence that professional resident training, when coupled with affordable financing mechanisms (e.g. FHA-insured loans, loan forgiveness) can lead to long-term stability for the shared-equity housing cooperative. Challenges occur when residents or PHAs pursue half-measures (e.g. public housing residents continuing their role as tenants as opposed to the more seamless option of transfer to another PHA facility), when the PHA management continues a role in the development (following the conversion to a housing cooperative) and when the financing mechanisms (private bank financing as opposed to federal and state subsidies) leave the newly empowered low-income cooperators vulnerable.

For virtually every income level, the push for more traditional homeownership has been legion since the dawn of the Federal Housing Administration in 1934, momentarily interrupted by our current era of foreclosures, declining real estate values and the denouement of the housing industry. Shared equity housing cooperatives *must* be part of a renewed push for housing low-income populations. Admittedly the concept of shared equity, (restricting the home value appreciation that flows to the homeowner on resale) can be controversial. Author John Emmeus Davis notes that "some economic fundamentalists object to any limitation on appreciation as an infringement of private property rights, while others see it as hindering the ability of lower-income households to build wealth, a goal that is certainly a legitimate one." However, these homeownership opportunities were created as a result of public subsidy or other public intervention. "Sharing the equity is a reasonable quid pro quo, in light of the considerable value that the homebuyer has gained as a result of the public subsidy or intervention, and the public policy value of preserving affordable housing for future generations." (Source: John Emmeus Davis, *Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing*, National Housing Institute (2006))

Indeed, converting public housing to shared-equity cooperatives is far more than mere asset building. For low-moderate income families, facing declining real income, high unemployment, and rising housing costs, cooperative housing offers distinct advantages—a 40% savings over comparable rental properties. Re-

search shows that co-op owners still experience self-esteem and satisfaction traditionally associated with homeownership, and will involve themselves in community organizations and better educational and occupational outcomes. Cooperative conversions also prevent the displacement of lower-income households in neighborhoods experiencing speculative reinvestment and gentrification. Subsequently, co-op members may pursue investment in their communities to increase their property values as well as their quality of life. They participate in more neighborhood organizations and have a greater desire to stay in the neighborhood, averaging a tenancy of 15.6 years in the co-op unit. These characteristics promote collective organization, leading to lower crime rates and residential neighborhood improvement.

### **A Short History of Public Housing and Cooperative Conversions**

The transfer of government owned public and war housing was first authorized by an amendment to the 1940 Lanham Act shortly after World War II, which was designed to convert war time housing into affordable housing. This act led to the successful sale of dozens of housing developments to their tenants in the late 1940s and 1950s, including the sale by local housing authorities of Armistead Gardens, a 1,609-unit project in Baltimore, and the 924-unit Success Village in Bridgeport, CT, both of which are still functioning successfully as cooperatives. One key to the success of the Lanham Act cooperatives was their sales price formula -- the properties were sold "as is" based on the capitalized value of net income available to support a mortgage assuming monthly cooperative charges no higher than rents then being charged to tenants.

The policies governing the transfer of federally assisted public housing units were further amended by the 1974 Housing and Community Development Act. The act granted authority to public housing authorities to sell to the tenants at prices set by the PHAs while the federal government continued to pay on the outstanding debt on the units. Among the 540 PHA units sold between 1974 and 1984, all were "scattered site" units. While cooperatives were viewed as a form of ownership allowing the tenants to take control over their housing, few PHA controlled units were subsequently formed into tenant-owned cooperatives. Congress passed the Public Housing Homeownership Demonstration (PHHD) in 1984 as a means of expanding the sale of public housing to tenants. PHHD amended the 1974 National Housing Act to approve sales of public housing units to residents at below market prices. The new law also encouraged the fed-

eral government to continue to pay any outstanding debt and/or the original construction or rehabilitation loans on the project.

In 1987, Section 21 of the US Housing Act authorized HUD to transfer entire developments to qualified resident management corporations (RMCs). The first sale under Section 21 to occur was 132 units of the 464-unit Kenilworth-Parkside housing development, which was sold to its RMC for one dollar. (See sidebar on page x for more on the tragic story of Kenilworth Parkside) Replaced by the Home Ownership and Opportunity for People Everywhere (HOPE) program, HOPE offers grants in counseling and training, relocation, economic development and property rehabilitation to increase the incomes of tenant purchasers. HOPE VI, which began in 1992, is likely the last iteration of the program as public funds for the significant rehabilitation of existing public housing has all but been expended.

### **Advantages and Challenges with Cooperative Conversions**

Cooperative ownership represents an expansion of homeownership choice for public housing residents who often cite poor credit or insufficient financial means to access traditional home mortgages. Shared

equity cooperatives, due to their shared ownership and shared responsibility structure, offer a viable alternative that will not present the cost-burdens of traditional homeownership for low-income households. “Shared equity homeownership ensures that the homes remain affordable to lower income households on a long-term basis by restricting the appreciation that the owner can retain, preserving affordable housing in areas where rising prices are forcing lower income households out of the market. At the same time, by placing the owner within a community-based support system, such as a community land trust or limited equity cooperative, shared equity homeownership can enhance the benefits of homeownership both for the owner and the neighborhood in which s/he lives.” (Source: John Emmeus Davis, *Shared Equity Homeownership: The Changing Landscape of Resale-Restricted, Owner-Occupied Housing*, National Housing Institute (2006)

Cooperative living has an impact on social and family life of low-income households, as well. “Residents of limited-equity cooperatives are more likely to participate in neighborhood organizations, live in their neighborhoods longer and experienced feelings of belonging to a larger community.” (Source: Susan Saegert and Lymari Benitez. *Shared-Equity*

## **Kenilworth-Parkside**

### **The Cooperative That Wasn't To Be**

Kenilworth gained national attention in 1988 when its government-built housing development, Kenilworth Parkside became the first public housing project to be sold to its residents in an initiative championed by then Mayor Marion Berry (now a DC city council member), Former President George H.W. Bush, and HUD Secretary Jack Kemp. Located in northeastern Washington, near the intersection of I-295 and the Anacostia River, Kenilworth Parkside's 464 units “was to be the centerpiece of GOP plans to save public housing through entrepreneurship.” (Source: Linda Kulman, “*Last Year's Model: Republicans Promised That Kenilworth Parkside Would Revolutionize Public Housing. They Were Wrong.*” Washington, DC Citypaper, September 22, 1995).

In Washington, D.C., this effort was directed by Kenilworth Courts resident Kimi Gray, who formed the Kenilworth-Parkside Resident Management Corporation (KPRMC). Kimi Gray lobbied then Mayor Marion Berry to turn over the development to Resident Management in 1982. KPRMC developed a mentoring program, cleared out the development's drug dealers, and helped

move residents moved off welfare to work in the management office, child care center and building maintenance. By 1984, KPRMC managed to increase rent collection by 77%. By 1988, KPRMC had unveiled its plan for resident ownership. Each resident would purchase their home for \$10,000 through a shared-equity cooperative model. HUD would spend \$23 million to renovate the apartments, which would be sold to KPRMC for \$1. HUD Secretary Kemp declared: “Tenants would own homes. The government would leave the landlord business. A troubled community would be healed.”

Subsequent renovations of the complex did not go as planned, and buildings remain empty and boarded up. Actual rehab costs topped \$60 million, more than \$70,000 per unit. Even after the renovations, the units are falling apart. HUD renovated 341 apartments, 132 were sold to the KPRMC, which it leases to tenants. In early 2000 the DC Housing Authority (DCHA) scuttled plans for tenant ownership and took back control of much of the neighborhood, operating 200 units as public housing. KPRMC still controls about a third of Kenilworth Courts' 400-plus units, but a plan for residents to actually own their own homes never came through. **CHB**

*Housing Cooperatives: An Attractive Alternative to Rental Housing in the United States.* City University of New York Graduate Center - 2002.) Cooperative ownership can expand PHA residents' sense of well being, where residents provide encouragement and practical assistance to one another out of an interest in 'mutual self-help.' This latter factor is particularly important for public housing residents who typically suffer from racial and economic isolation.

Such was the case of Kenilworth-Parkside, led by the renowned public housing reformer Kimi Gray and the members of the Kenilworth-Parkside Resident Management Corporation in Washington, D.C. According to Gray, "it was a crisis that had brought the tenants together" to manage their own housing and hatch their plan to form the housing cooperative. After 12 years and \$60 million, not a single apartment was sold to a tenant.

In *Converting Public Housing to Cooperatives: The Experience of Three Developments*, William Rohe argues that obstacles to public housing conversions consist of the extensive renovations needed prior to transfer, difficulties in relocating tenants, financing and helping tenants understand the concept of cooperative ownership. Factors inhibiting the success of the cooperatives include inadequate board training, poor communication and lack of cooperation among the cooperators.

Perhaps the greatest challenges of public housing to cooperative conversions are longstanding problems associated with public housing. Constructed with the purposes of being temporary housing for the "working poor" (typically as they made the transition to private housing), many residents have remained long term, fostering dependency and preventing movement to more stable housing choices. For those public housing residents first introduced to the cooperative concept, "many seemed to feel that cooperative ownership is not 'real' ownership. They wanted to be able to hold title to the property and sell it for whatever it was worth." (Source: William Rohe, "Converting Public Housing to Cooperatives: The Experience of Three Developments," Housing Policy Debate (1995))

An inability to develop and maintain interest in the cooperative model can cripple a planned cooperative conversion. Delays stemming from non-participating tenants, inadequate transition plans for relocating residents and the failure to use housing choice vouchers to meet the needs of non-participants could derail a public housing conversion. Low-income households are often less interested in empowerment than in obtaining adequate shelter and therefore

frequently showed little enthusiasm for the extra work and the risks associated with being a co-op member.

### **The Experience of Brooks-Sloate Cooperative in New Jersey**

In 1992, the Paterson Housing Authority transferred 242 units of public housing to the Brooks-Sloate Cooperative in Paterson, NJ. Consisting of 42 buildings (primarily 6-8 townhouse units) on a 23-acre site, Brooks-Sloate was chosen for the cooperative conversion based on three criteria: 1) there was a long-standing tenant interest in purchasing the units; 2) the development was made up of low-rise, low-density townhouse units with individual front and rear entrances and 3) it was also located in a neighborhood with appreciating home values.

Prior to the tenant transfer, Brooks-Sloate completed a \$6.8 million makeover (\$28,000 per unit), including the replacement of windows and doors, new siding, modernization of kitchens and bathrooms and major improvements to the heating system. Paterson Housing Authority officials agreed to sell the development for 50% of the costs per unit of the equity (share) payments by the cooperative residents - \$3,500 for a two-bedroom unit, \$4,500 for a three-bedroom unit and \$5,000 for a four-bedroom unit. Thus, there was no blanket mortgage to arrange—leaving the cooperative at a distinct advantage without any debt.

"It has been an extremely long haul," said Felix F. Raymond, executive director of the Paterson Housing Authority. "The really remarkable thing is that so many people for such a length of time remained interested in the idea of self-governance." Residents established an interim Board and received formal training by the National Association of Housing Cooperatives on share purchases, cooperative documents, household repairs, budgeting and holding effective meetings. Cooperative members developed their own bylaws, which stated that the share payments would appreciate based on cost-of-living increases on an annual basis plus reimbursement for any resident-installed improvements.

Brooks-Sloate has a lot going for it. For one, it is a low-rise complex of two-story buildings, an old-fashioned, modestly scaled garden apartment project that was never allowed to deteriorate the way some public housing was let go. It sits in the far northwestern corner of Paterson, back where the city nudges the suburban towns of Totowa and North Haledon. Many of the residents, like Rose Happel, have lived there 25 years or more. "I know most of my neighbors; it's a nice place." "Since we went co-op,

**Low-income households are often less interested in empowerment than in obtaining adequate shelter and therefore frequently showed little enthusiasm for the extra work and the risks associated with being a co-op member.**

we're hoping we'll feel more like we belong to the city of Paterson," she said. (Source: Anthony DePalma, "About New Jersey," August 23, 1992 *New York Times*)

Some ten years after the original conversion, the cooperative remains in good financial health. While some residents were in arrears, the cooperative was current on all of its bills, and the reserves continued to grow as former tenants joined as cooperative members. Since the cooperative conversion, residents cite the greater sense of security and control over their living environment. With the board's consent, management has moved aggressively to evict tenants with substantial amounts of rent in arrears. Still,

to access HOPE (Housing and Opportunity for People Everywhere) funds, NYCHA identified a total of 18 smaller scattered site developments throughout the five boroughs for a direct sale to the tenants. With little progress to show HUD, NYCHA ramped up its efforts in 2005 following a threat from the government to rescind the funds. New York-based Urban Homesteading Assistance Board (UHAB), which has developed 30,000 affordable units in over 1,700 buildings, responded to the plea by NYCHA, only to find many of the buildings abandoned or only partly occupied.

Thus, UHAB was left with the unenviable task of re-introducing the cooperative concept to the residents, offering formal training on structuring the cooperative and working with NYCHA to find additional qualified tenants. Maria Metalios, project manager for UHAB, recalls, "We had to do some serious arm twisting and really fertilize and water the idea among the tenants. They were skeptical that NYCHA was going to commit." As an interim strategy, UHAB developed resident councils as prototype boards of the new cooperatives and began selling co-op shares to the tenants. Building sizes ranged from clusters of 40 to 85 units, with many of the properties multi-story walk-ups.

Residents expressed concerns over rising costs, as the newly formed cooperatives would not benefit from shared managers, group insurance purchasing and property tax exemption as they had under NYCHA management. Some questions remained if the former NYCHA tenants could be successful homeowners. In order to continue to reach populations earning between 50-80% of Area Median Income, NYCHA offered income subsidies to cover the increased costs and to continue to reach a lower income strata. Fully funded operating and replacement reserves were also instituted with each cooperative conversion. Metalios suggests "NYCHA felt obligated to people, especially after the long lag time in converting the properties to shared equity cooperatives. In the end, their process was visionary."

With NYCHA stepping away from day to day management, UHAB was appointed as the external monitor of the properties for a period of twenty years. NYCHA also structured "evaporating mortgages" (a forgivable loan) to ensure that the increased costs of a share loan would not thwart the opportunity for full tenant access to the cooperative purchase. A typical two bedroom unit share loan cost \$25,000, but a mere \$500 out of pocket from the individual NYCHA household. In an unprecedented financial arrangement, NYCHA would amortize the share loan (interest-free, non-recourse) over 20 years,



**Youth celebrate the opening of Mott Haven Victory Co-op in the Bronx.**

board members maintained a desire to be flexible with those having difficulty paying the rent and the need to pay bills. Other problems continue to occur with residents who view themselves as public housing residents and not cooperative owners. The experience in Paterson also suggests that the motivation for a cooperative conversion does not necessarily need to come from the residents themselves. Housing authorities can serve as the sponsor of the limited equity cooperative, as illustrated by the Mott Haven Victory Cooperative in New York.

### **NYCHA and the formation of the Mott Haven Victory Cooperative – Bronx, New York**

Responding to President George H.W. Bush's call to "privatize" public housing, New York City Housing Authority (NYCHA) was caught between a rock and a hard place. While desiring to meet the government mandate, NYCHA's waiting list for affordable apartments and rent vouchers was too long. In order

with a portion forgiven for each year that the co-op member remained in the development. Annual share loan value would be pegged to the Consumer Price Index with subsequent owners responsible for the increased value plus the residual value of the evaporating mortgage.

Among the first of the developments to complete the conversion with UHAB and the New York City Housing Authority was Mott Haven Victory, where 114 income eligible residents took ownership from the housing authority through a federal Multi-Family Home Ownership Program (MHOP), primarily with HOME funds. Bronx, the new cooperative houses a day care center, laundry, office and commercial space and a meeting room. UHAB's Metalios notes that "the Bronx has been particularly hard-hit by foreclosures during the recession among rent-regulated multi-

year CHA purchase money mortgage at 3% annual interest made it affordable for low and moderate-income households.

Racine Courts was one of a half-dozen CHA properties financed by low interest CHA bond issues without federal assistance. The cooperative plan provided for continuing technical but no financial support by the CHA. The CHA retained the right to appoint two members to the co-op's board of directors and the right to appoint additional members should the cooperative ever be threatened by default. Further, the Chicago Housing Authority's mortgage financing of Racine Courts also gave them veto power over the cooperative's board.

All details of the Racine Courts conversion plan and all sales documents were agreed upon before the plan was presented to the Racine Courts tenants. An information bulletin outlining the co-op plan was distributed to all tenants and presented in open meetings. According to research by the Chicago Housing Authority, an estimated 90% of the Racine Courts residents eventually bought into the cooperative. Those who chose not to participate were relocated to other public housing developments. Then the closing and transfer of title was scheduled and the first membership meeting of the cooperative was held at which time the residents elected their own board of directors.

With continuing FCH staff guidance, resident participation was quickly established on the John Dewey 'learning by doing' approach. According to one FCH trainer, "we sought to improve the residents' knowledge, and develop the necessary leaders, community building and personal skills, then make certain that those skills were applied over and over again until they became habit." The cooperative also provided residents with several job opportunities. Camilla McCloskey, president of the cooperative, has lived in Racine Courts for 32 years. "I've seen ups and downs, good and bad changes. Three decades after its founding, the cooperative began showing the signs of 50 years of use. Constructed in 1950 by the renowned Chicago architectural firm Perkins+Will, the townhouses that dot the development (designed in clusters of four or six) had deteriorated. Windows required replacement, and there were problems with management and finances. Internal squabbles over the leadership of the cooperative had also taken its toll.

Fortunately, the cooperative's leadership turned to the Chicago Community Loan Fund, who referred the cooperative's leadership to a consultant who came up with a plan for new management and a loan to begin its rehabilitation. Chicago's Mandel Legal Aid Clinic also stepped in to assist with financial review and an



**Racine Courts, built in 1950 and converted to co-op in 1968, has stood the test of time.**

family buildings. Some call it the greatest threat to the neighborhood since the "Bronx is Burning" landlord abandonment era of the 1970's. The fact that Mott Haven has become permanently affordable homeownership is a laudable victory."

### **The Experience of Chicago's Racine Courts**

Converted in 1968, Racine Courts Cooperative is a 121 unit townhouse cooperative established through a direct sale of \$1,715,000 to the tenants from the Chicago Housing Authority. This resident-controlled property, established by CHA and FCH Services, consists of three and four bedroom townhouse units located at 10659 South Racine Avenue. A forty-

audit of the property. Roof repairs ensued, along with participation in a state program with the Center for Neighborhood Technology that would replace the HVAC systems in each unit at no cost to the residents. Once the cooperative was stabilized, CCLF provided a \$625,000 loan to assist with pre-development costs and to pay off the remaining balance of the CHA loan. Retiring the small mortgage with the Chicago Housing Authority gave co-op president McCloskey “peace of mind.”

The cooperative continues to serve low and moderate-income, and is well suited to first-time homebuyers. McCloskey described the cooperative as “extremely affordable,” with monthly occupancy charges averaging \$550 for a three-bedroom unit and \$570 for a four-bedroom unit. “Right now, we are trying to keep the co-op up, both inside and out. We are in the midst of replacing windows, and planning for landscape improvements, lighting and fencing to beautify the cooperative.”

Today, the Racine Courts Cooperative remains a stable affordable housing resource over 40 years after its conversion to a shared equity cooperative. McCloskey, who raised two children in the cooperative, described it as quiet, private and with many of the cooperative’s members meeting over local church services. When asked what had prompted her long tenure at Racine Courts, McCloskey was matter of fact: “I grew up in Morgan Park as a child and never had any problems here. I went to Morgan Park High School and I’ve always been satisfied with the neighborhood. I’m here to stay.”

### **Lessons Learned from Public Housing to Cooperative Conversions**

While cooperative conversions of public housing are clearly feasible, the needs of the future resident-owners must be kept at the forefront of any successful redevelopment. Mitigating factors include deferred maintenance, resident turnover, resident participation, the role of the public housing authority, available subsidies, grants and loans for the redevelopment, and a committed group of residents willing to see the project through to the end. The experience of the Brooks-Sloate Cooperative, where the public housing authority was willing to sell the development to the tenants at a fraction of its true value, left the households without the financial burden of a monthly mortgage payment. As public housing residents make the transition to operators, sponsoring organizations and/or public housing authorities (like the PHA in Paterson, New Jersey) must also be willing to make a long-term commitment to resident control.

In the “Hidden History of Housing Cooperatives—Converting Public Housing to Cooperatives,” author William Rohe details the conversion of an 85 unit scattered site public housing development in Nashville, Tennessee, which was completed in 1992. A key element in the successful Nashville conversion was the flexibility and stability of the public housing development’s population. Those residents who favored the cooperative conversion cited “the autonomy to make unit improvements” and “the opportunity to gain an asset, a legacy to pass on to their children.” Member participation was high, with 72% of all of the members participating in the annual meeting and the election of their Board of Directors. Moreover, the units were attractive and located in a stable community. This contributed to resident interest in owning the units. Years after the conversion, 77% of those residents interviewed expressed satisfaction. Another 74% were satisfied with the cooperative board.

An increase in costs is among the main objections to tenant ownership in public housing. In order to allay these fears, share prices to purchase into a shared equity cooperative are typically very low (\$750 - \$2,000) so that the member-owners are not burdened with the necessity of identifying a personal loan or small share loan. Among the most innovative solutions from the research on public housing to cooperative conversions on share prices was the evaporating mortgage the New York City Housing Authority assigned to the members of the Mott Haven Victory Cooperative. Inevitably, some public housing tenants chose not to participate in the cooperative conversion (mitigating factors are usually financial, but more frequently trust), and rather than a minority of dissenting tenants derailing the entire cooperative development, tenants were relocated to nearby public housing units.

The experience of Mott Haven Victory Cooperative in the Bronx reveals not only the nation’s largest public housing authority (New York City) preserving scarce public resources for housing, but assuring affordability in perpetuity among public housing residents. This stands in marked contrast to the CHA’s Plan for Transformation, where private developers have tapped the federal HOPE VI program, in tandem with low-income housing tax credits, to finance mixed-income developments. Not only are public funds used to bolster middle income housing development, but the CHA’s Plan falls short of the 1:1 replacement necessary to maintain the stock of affordable housing units needed by the area’s low-income households. Author Susan Popkin notes: “Hundreds of these households are still living in the CHA’s remaining “traditional” public housing, many having

**When asked what had prompted her long tenure at Racine Courts, McCloskey was matter of fact: “I grew up in Morgan Park as a child and never had any problems here. I went to Morgan Park High School and I’ve always been satisfied with the neighborhood. I’m here to stay.”**

**Among the most successful conversions, the PHA's traditional management was willing to step aside, recognizing the new dynamic with the tenant ownership structure.**

failed the screening criteria for mixed-income housing or vouchers. Without innovative, intensive approaches many of these vulnerable families may end up no better off—or perhaps even worse—than they were when the transformation process began. (Source: “No Simple Solutions: Housing CHA’s Most Vulnerable Families” (2005), Northwestern University)

University of Illinois-Chicago’s Janet Smith offers a compelling solution for Public Housing Authorities seeking more tenant autonomy or extending the impact of public funds to renew the housing: maintaining the impact of the initial public investment through a land trust or housing cooperative. “Many different strategies could be used to keep public investment accessible and affordable to low-income families: land trusts, which keeps the land in the public domain; reciprocal agreements, a method already used in public housing, which requires developers to keep housing affordable for a long period of time; and shared equity cooperatives like the ones being pursued by tenants in Cabrini, which help very low-income tenants become owners and keep property off the speculative market.” (Source: Janet Smith, *HOPE VI and the New Urbanism: Eliminating Low-Income Housing to Make Mixed-Income Communities* (2002))

Another key element in successful conversions of public housing is the level of trust assigned to the tenants themselves. Among the most successful conversions (Brooks-Sloate, Mott Haven, Racine Courts), the PHA’s traditional management was willing to step aside, recognizing the new dynamic with the tenant ownership structure. In jettisoning the typically paternalistic PHA environment, co-op residents had the freedom to learn how to negotiate with property management, how to select members, how to conduct effective meetings, how to develop an operating budget and other aspects of managing a cooperative. Noted one cooperative board member: “Now we are running a business. I never thought that I would be running a business.”

Among some of the other issues leading to the success and failure of cooperative conversions is the necessity for continuous education. When coupled with the general lack of experience by public housing residents in formal organizations, board member training programs are essential for their ongoing success. Yet among the public housing conversions examined, training was found to be inadequate and often fell short of what was needed to create confident and ef-

fective boards. This failure to grasp board roles and responsibilities likely led to the problems (now rectified) with the Racine Courts Cooperative in Chicago.

While becoming cooperative members does offer low-income persons more control over their living environment, expensive repairs, poorly trained residents, lack of communication and non-participation can lead to failure. Public housing residents may feel seduced by the promises of lower rent but, “to be successful, a shared-equity housing cooperative must attract residents who are willing to participate and assume responsibility for their own housing.” (Source: Miceli and Sazama. *The Role of Shared-Equity Cooperatives in Providing Affordable Housing*, 1994.) A cautionary tale occurs when cooperatives are sold to the member owners in poor condition, with burdensome financial agreements, or without regulatory oversight, where foreclosures are most likely to occur. (Source: Saegert and Benitez, *Shared-Equity Housing Cooperatives: An Attractive Alternative to Rental Housing in the United States*. City University of New York (2002).)

The costs associated with public housing to cooperative conversions can be daunting. Rehabilitating the units, securing outside technical assistance, training the cooperative boards and making use of Housing Choice vouchers may add substantially to the costs when the conversion was first envisioned. Yet shared equity cooperatives are an efficient way to invest public funds to ensure access to housing for low-income households. Moreover, the cooperative structure prevents the property’s abandonment after the tax benefits are exhausted in an affordable housing development. Ultimately, shared equity cooperatives provide stable housing, offer lower purchase costs and preserve affordability in comparison to the prospects for future generations under current affordable rental and home ownership programs.

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Compiled by Guest Editor Doug Kleine

### Three new senior co-ops planned for Iowa

Iowa, which saw development of more than a dozen housing co-ops for seniors in rural areas in the 1980s and 90s, is now gearing up for three new senior co-ops in the Des Moines metro area. The first, 37 units in the southern suburb of Indianola, represents phase 2 of a senior living multiplex called Vintage Hills. Phase 1 of Vintage Hills consisted of an assisted living wing and a memory care wing. Phase 2 adds the senior co-op and a town center of commercial and recreation services. The developer, Ewing Land Development of nearby Pella, IA, is ready to begin construction with 89% of the units already spoken for.

The one and two bedroom units are 1100-1400 square feet, with in-unit washer/dryers and a heated underground garage. Other amenities include a guest suite, garden plots and a workshop. The town center will have a computer center, and residents can order home delivery of meals from the central kitchen in Phase 1. The co-op will also offer optional "vacation watch" service to care for plants and pets.

Members will pay \$50,000 to \$75,000 for shares, and the developer has a commitment for an FHA section 213 mortgage to cover the remaining 60% of value. Monthly carrying charges will start at \$700 per month.

The developer plans two more complexes with senior co-ops—one in the northern suburbs that has just opened for presale, and one in the affluent western suburbs of Des Moines. Population analysts predict that Iowa's senior population will increase by 49% over the next 20 years.

### Mitchell-Lama rental converts to co-op with internal subsidy

Residents of Rivercross, a 365 unit high rise on Roosevelt Island in New York City, are trying a new approach of putting a limit on share sales prices for their apartments as the building plans to leave the state's Mitchell-Lama affordable-housing program in coming months.

The Mitchell-Lama program controls the rents that landlords can charge on units in return for real estate tax breaks and other benefits. Buildings can leave the program after 20 years, normally resulting in a huge jump in taxes and rents. Residents and building leaders struggle with balancing the windfall in home (share price) equity versus the higher monthly payments for taxes and share loans that would drive out middle class tenants. And if they choose to remain affordable, there is little room in the budget for the major repairs and updates that older buildings need.

In the case of the 38 year old Rivercross, the co-op board has created a plan that will initially cap the sale price of 80% of the units at \$500 per square foot.

Of that \$500, the building will take a "transfer fee" of \$150 per square foot, which will be used to subsidize the remaining 20% of units in the building, keeping prices and monthly carrying charges near previous Mitchell-Lama levels. This may be the first building that would be able to find a middle ground between staying in Mitchell-Lama versus converting to private ownership with unrestricted prices.

National Cooperative Bank provided an interest-only \$50 million mortgage for 10 years, which will be used in part to make \$15 million of repairs. The money will be used to replace the windows in the building and to start replacing the electrical heating. Annual energy costs for the building have grown to over \$5,000 per unit. The loan is projected to be repaid from the transfer fees collected by the co-op.

Another building, Island House, is looking at the idea of exiting the Mitchell-Lama program by converting the rental to co-ops that will be sold with income restrictions, as a way to preserve affordability. But some fear that the income restrictions may make it difficult for buyers to get share loans. [CHB](#)



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