3 P’s In A Pod: Policies, Procedures, and Practices

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Class Agenda

- Board Responsibilities
- Governing Documents
- Reasons for Policies
- Policy Development
- Specific Policies
- Policy Enforcement
Governance

Volunteer
As volunteer leaders responsible for governing a corporation, the board MUST:

Enforce
Enforce the Cooperative’s governing documents

Adopt and enforce
Adopt and enforce rules

Decide
Decide issue of policy for members of the cooperative
Board Meeting = Policy Decisions = Policy Governance

• One of the most important areas of board decision-making during a meeting involves governance.

• In order to do this you’ll need Board commitment, dedication, and cooperation.

• Once you have that - gather the following:
  ✓ Current Legal Documents
  ✓ Current Handbook
  ✓ List of Current Practices
Governing Documents

Articles of Incorporation

The undersigned, in accordance with the laws of the State of Ohio, for the purpose of forming a corporation, do hereby present this instrument to the proper authority to be filed for the purposes set forth in Section 1702 of the Revised Code of Ohio, as amended, and to be known as:

[Company Name]

The undersigned, or any of them, shall have the power to execute and deliver the Articles of Incorporation.

The Articles of Incorporation shall be published in a newspaper of general circulation, at the expense of the incorporators.

By-laws

The Articles of Incorporation provide the foundation for the governance of the corporation. They outline the purpose, powers, and procedures for the organization's operation.

Occupancy Agreement

1. Purpose and Scope of Agreement

This Agreement shall govern the relationship between [Owner Name] and [Tenant Name] with respect to the occupancy of the Premises described herein.

2. Premises

The Premises shall consist of the building located at [Address] and any common areas, such as parking lots and walking paths.

3. Tenancy Agreement

[Owner Name] and [Tenant Name] agree to the terms and conditions set forth in this Agreement.

4. Occupation Date

Occupancy shall begin on [Date].

5. Term

The term of this Agreement shall be [Term Duration].

6. Renewal

At the end of the term, the Agreement may be renewed for additional periods as mutually agreed upon.

7. Termination

Either party may terminate the Agreement upon written notice to the other party.

8. Liability

Both parties shall indemnify and hold harmless the other party from any claims or damages arising from the occupancy of the Premises.

9. Governing Law

This Agreement shall be governed by the laws of [State].

10. Entire Agreement

This Agreement constitutes the entire agreement between the parties and supersedes all prior negotiations, discussions, and agreements.

11. Amendments

Any amendments to this Agreement must be in writing and signed by both parties.

12. Notice

All notices shall be in writing and delivered by certified mail, return receipt requested, or in person.

13. Governing Documents

The Articles of Incorporation, By-laws, and Occupancy Agreement shall be the Governing Documents of the corporation.

Define

Define the rights and obligations of both the cooperative and its members

Create

Create a binding relationship between each member and the cooperative

Establish

Establish a mechanism for the governing and funding the cooperative’s operations

Set forth

Set forth the rules and restrictions for both cooperative and its members
Formally adopted regulations for the administration & management of the Cooperative.

• Requirements for membership in Cooperative
• Requirements for membership meetings
• Voting rights of members owners
• Procedures for electing the Board of Directors; qualification of Directors
• Procedures for Board of Directors to elect officers or remove them
• General duties & powers of the Board
The By-Laws

Throughout the entire document

All references to HUD/FHA/The Administration & Regulatory Agreement
All references to the Subscription Agreement, Subscription Price & Subscription Funds
All references to the original actions of the Corporations establishment
Optional: Surcharge Requirement Language
Article III Membership

Section 1 – Eligibility: Definition of Person (legal language)

Section 4 – Members: Who is a “Member”?

Section 8 (a – d) Transfer of Membership: Allowances for proper Estate Planning

Section 8 (d) – Transfer Value: What happens to the transfer value at the time of mortgage maturity or at the expiration of the 40th mortgage year?
The By-Laws

Article III Membership – Estate Planning
What options can be made available to the Member for their future planning and protection?

1. Equity assigned to named family member(s), who will apply for Membership.
2. Equity assigned to a named family member(s), who will not apply for Membership.
3. Equity assigned to a Revocable Trust
The By-Laws

Article III Membership ~ New Sections

Non-Speculation on sales of Memberships Charging Closing costs likable to that of those associated when buying a home.
The By-Laws

Article IV – Meeting of the Members

Section 8 – Proxies: Only appoint Member of immediate family
New Section – Allow Absentee ballots?

Article V - Directors

Section 8 & 9 – Remove old method of telegraph communication and add new electronic e-mail method
The By-Laws

New Article

Cooperative Conversion

Remain a Cooperative

2/3 Membership must vote in the affirmative to change to any other housing type
Articles of Incorporation

Essential for Cooperatives because the corporation owns all the property.

• Brings the Corporation into existence
• Define its basic purposes and powers
• Indicate whether stock will be issued
• Indicate the number of board members and identify the initial board
Articles of Incorporation

Article III – Verify the values of the Cooperative and Property needed to operate it.

Article IX – Board Member actions & when liability is not on the Cooperative but on the individual Member

Article IX – Non-Director Volunteers; when the Cooperative accepts liability for their actions

Article X – Indemnification – when it is evoked and how it is determined
Step 1: Board adopts resolution for continuation of Cooperative status

Step 2: Membership vote to adopt the resolution for continuation of Cooperative status

Step 3: Execute the Resolution & Deed Restriction
   - 15 year term
   - 60-day renewal language
   - Stated purpose of the Corporation – Remain a Cooperative

Deed Restriction

Restrictions on the Deed that place limitations on the use of the property.

What could this be used for?
Occupancy Agreement

Defines the Member’s rights and obligations in relation to the living unit.

- Identifies the premises that the member/stockholder is permitted to occupy
- Defines the term of membership and amount of carrying charges payable by member
- Establishes the power and obligations of the Cooperative’s Board of Directors, including enforcement
- Defines the events that would result in termination of membership/agreement
• Remove all references to HUD/FHA
• Consistent Terms
• Sub-Lease Language
• Move-Out / Equity Refund language
• Cooperative Insurance Requirements

OCCUPANCY AGREEMENT

STRATFORD TOWNHOUSES CONSUMER HOUSING COOPERATIVE

NOTICE

Signing this Occupancy Agreement entitles you to all the benefits and privileges of cooperative home ownership. However, this Agreement also stipulates certain responsibilities and obligations on your part. It is very important that you read and understand each and every part of it, and you will be asked to initial each article as evidence of your understanding. Your signature on the last page attests to your agreement to all the terms contained in this document.

Only by full understanding and complete cooperation of all of the members will the Cooperative Corporation be able to continually provide quality housing at the best possible monthly rates.
Why do we need policies?

- Policies address ambiguous & omissions in the Occupancy Agreement
- Policies deal with a recognized need
- Policies can be broad and general or detailed and specific
- Policies address reoccurring situations
Policy Goals......

• Protect the Coop and Members

• Enhancement of property values

• Promotion of harmonious living
Criteria for adopting policies

1. Must not violate constitutional rights
2. Must be consistent with laws, statutes, and governing documents
3. Must reasonably relate to purpose of community/coop
4. Must be reasonable & fair
5. Must be capable of uniform enforcement
6. Must be necessary
Board Resolutions

Resolution: A motion following a set format and formally adopted by the Board

How Policies & Procedures are adopted
Guidelines for Writing, implementing, & Evaluating policies

1. Identify & formulate ideas (brainstorm)
2. Adopt (written form)
3. Attorney review (Co-Op Attorney)
4. Obtain Feedback (Membership)
5. Implement (notify Members)
6. Review & Evaluate (update)
7. Monitor compliance (Management/Board)
1. Agenda Setting
Public attention focuses on a public problem or issue. Officials’ words and actions help focus attention.

2. Policy Formulation
Policy makers in the legislature and the bureaucracy take up the issue. They create legislative, regulatory, or programmatic strategies to address the problem.

3. Policy Adoption
Policy makers formally adopt a policy solution, usually in the form of legislation or rules.

4. Policy Implementation
Government agencies begin the job of making the policy work by establishing procedures, writing guidance documents, or issuing grants-in-aid to other governments.

5. Policy Evaluation
Policy analysts inside and outside government determine whether the policy is addressing the problem and whether implementation is proceeding well. They may recommend REVISIONS in the agenda, in the formulation of policy, or in its implementation.
Collection Policy

Why?: Maintains necessary cash flows

Reduces financial loss from member defaulting on payments

Consequences of delinquent payments:
- Increased carrying charges to cover deficit
- Deferred maintenance
- Shortfalls in operating budget
- Inability to cover accounts payable
- Cooperative curb appeal
Collection Policy-Benefits

EDUCATES OWNERS ABOUT THEIR OBLIGATIONS TO THE COOPERATIVE AND THE CONSEQUENCES OF NOT MEETING THEM ON TIME.

AVOIDS CHARGES THAT THE COOPERATIVE IS PROCEEDING IN A SELECTIVE OR DISCRIMINATING WAY.
Financial Considerations

• Online payments
• Allowing credit card payments
• Automatic withdrawals
• 24 hour access
Pet Policy

- Members to register pets
- Weight/breed restrictions
- License & shot records
- Members to restrain pets
- Members to clean up after pets
- Check city/municipal codes
Pet Policy Considerations

- Service animal
- Companion animal policy
- Pet services

*Note: Even if you don’t allow pets you should have a service animal and companion animal policy.
Board Meetings

- Do you have a policy on when and where your Board meetings will take place?
- Do you open your meetings to the membership?
- Do you provide information/minutes of each meeting to the membership?
- Are you actively recruiting members to join the Board or Committees?
Board Meeting Considerations

• Stream your meetings online using video (open portion)
• Allow Board members to attend meeting via Skype
• Use conference calling
• Meet via Go To Meeting
• Be flexible with meeting times/dates

*Note: please check state statutes and check with your attorney before implementing
Unit Improvement/Alteration Policy

Use a specific form

Who is doing the alteration? What happens if Member doesn’t ask permission?

*Your Turn: Any Other Considerations?
Call the member or send a courtesy letter to resolve the violation.

Issue a formal “cease and desist” letter.

Issue a hearing notice if the alleged violation does not end within required time.

Hold the scheduled hearing or default hearing if the alleged violation doesn’t end within stated time.

Issue a decision after the hearing.

Allow for an appeal of the decision.
How will your Cooperative tackle its policies & procedures?
Thank you for attending!

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