



## New Cooperative Board Members

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## Overview of New Board Members

- History of Housing Cooperatives
- Organizational Structure of Co-ops
- Financial, Legal and Ethical Responsibilities
- Member Participation in Co-ops

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## What is a Co-op

- Non profit business owned by the members
- No landlord taking the profit.
- Residents control living environment.
- Carrying charges based on actual cost.
- Co-op's have better services at a lower cost.
- Remain in home for as long as you wish.
- Better maintained

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## History of US Housing Co-ops

- Late 1800's
  - New York
- 1926 –
  - 1<sup>st</sup> large new construction
- 1950
  - FHA Section 202 & BMIR
- 1961
  - FHA Section 221(d)(3)
- 1968
  - FHA Section 236
- 1974
  - FHA Section 8
- 1990
  - Hope / Home

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## Principles of Co-ops

- Purposes
  - Group to pool their resources to provide themselves with good housing through non-profit co-ops at a cost they could afford.
- Values
  - Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, and solidarity.
  - Cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.
- Principles
  - Open Membership, Democratic Control, Members contribute equitably, Cooperation, Concern for the Community.

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## Types of Housing Cooperative

- Market Rate
- Limited Equity
- Leasing
- Senior Housing
- Manufactured Housing
- Special Needs
- Student Housing
- Artist
- Mutual Housing Association

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• *Running A Housing Cooperative Is A Serious Business. It Is Not An Opportunity To Play Games, To Reward Friends To Punish Enemies, To Push Petty Personal Projects, Or To Accumulate Power. It Is A Serious Business -- Like Any Other Business Its Size And The Board Of Directors Is Morally And Legally Responsible For Running It As, A Serious Business, To The Best Of Its Abilities*

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**Characteristics of Housing Co-ops**

- Corporate Ownership
- Non-Profit Operations
- Combined Social and Business Purposes
- Formal Community Structure
- Democratic Participation
- Voluntary Membership

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**An Overview of Cooperative Documents**

| DOCUMENT                  | PURPOSE  | EFFECTS  |
|---------------------------|--|--|
| Articles of Incorporation | Establish the existence of the cooperative.  | 1. Makes the organization (as opposed to the individual members) the operative entity.<br>2. Limits the purposes for which the organization can act.<br>3. Defines the basic structure of the cooperative.   |
| Bylaws                    | Regulate the internal workings of the cooperative.   | 1. Defines membership eligibility and rights.<br>2. Delineates powers, operations, and officers of the Board of Directors.<br>3. Provides for Annual Meeting of Members and elections of directors.<br>4. Establishes maximum transfer value.<br>5. Subordinates all of the above to the Regulatory Agreement.   |
| Subscription Agreement    | Create a conditional agreement to purchase and sell a membership.  | 1. Gives prospective members a limited right to buy a membership from the cooperative in exchange for a small payment, which secures the cooperative against default.  |
| Occupancy Agreement       | Define the rights and duties of the member as tenant and the cooperative as landlord.  | 1. Same as any residential lease, except that the term is, essentially, perpetual.   |
| Regulatory Agreement      | Control the operations of the cooperative so that they meet the purposes of the (federal) government program under which the cooperative was financially subsidized. | 1. Restricts the (initial) membership of the cooperative to members of the target population.<br>2. Regulates the resale of memberships as to both price and membership in the target population.<br>3. Regulates the financial operations of the cooperative (occupancy charges, reserves, contracts, borrowing, investments).<br>4. Regulates the maintenance and repair of the structures and grounds.<br>5. Provides means for enforcement.  |
| Recognition Agreement     | Mutually enforce agreement, which sets forth obligations of share lender and cooperative.  | 1. Cooperative guarantees the truth of certain statements regarding the status of the cooperative as owner of the real estate and the borrower as a member of the cooperative.<br>2. Cooperative consents to member's pledge of cooperative interest, membership certificate plus occupancy agreement as security for loan.<br>3. Cooperative agrees to notify lender of any threat to the borrower's status as a member in good standing of the cooperative or of any equipment in the cooperative's financial status.<br>4. Gives lender rights to cure certain defaults by member or by cooperative.<br>5. Requires cooperative to terminate membership if borrower defaults on share loan obligations.<br>6. Sets out priorities between cooperative, lender, and borrower upon foreclosure and resale of borrower's cooperative interest. |

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## Many Partners Make up a Co-op

- Members
- Future Members
- The Management CO.
- The Regulatory Agency
- Office Staff
- Maintenance Staff
- Co-op Associations
- Committees
- Local community
- The Mortgagee
- Co-op Attorney

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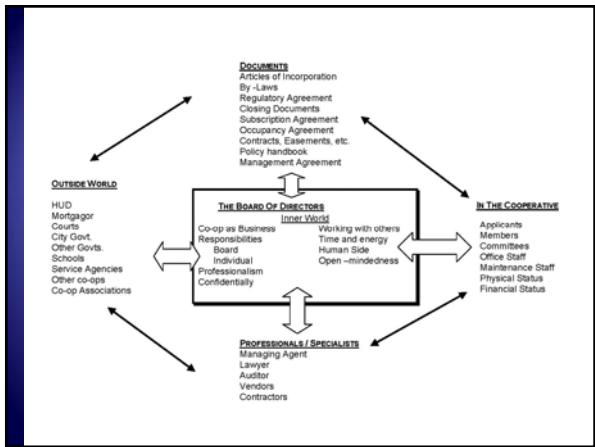
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## Cooperative Players

|   |   |
|---|---|
| Members -                                       | Elect Board, Amend bylaws                               |
| Board of Directors                              | Sets Policy, Inform members, Oversees operations        |
| Management Agent, Consultant                    | Implements policies, Advises Board, Gathers information |
| Professional Services (Attorneys/Auditors/etc.) | Advises Board   |
| Employees                                       | Carry out activities                                    |
| Outside contractors                             | Provide contracted services                             |
| Regulatory Agency                               | Regulates, oversees, where applicable                   |

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## The Board And The Membership

- Members expected to share in making the co-op a success.
  - ✓ Serve on committees
  - ✓ Advise the board
  - ✓ Elect board members
- Board need to have good communication to the membership.

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## Board and Management

- Reports to the Board
- Works with Regulatory Agency
- Responsible for the day to day operation.
  - ✓ Collecting housing charges
  - ✓ Respond to members requests
  - ✓ Supervise co-op employees
  - ✓ Enforce policies and rules

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### The Regulatory Agency

- Mortgages insured by the federal government or by state or local regulatory agencies.
- Bound to comply with HUD requirements
  - ✓ Funding various reserves
  - ✓ Limiting family size and income
  - ✓ Approves budget
  - ✓ Approves management company
  - ✓ Approves management plan.

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### Written Records

- Co-op is a business.
- Good written records of board actions and decisions are required.
- Financial records.
- Reports to the membership and the board.

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### Co-op Finances

- Annual Budget
- Reserves
- HUD reports
- Monthly Financial Statements
- Long-Range Capital Expenditure Planning
- Audit
- Overall Corporation Finances

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- The first, and primary, concern of the director must always be for the survival and well-being of the cooperative as a whole. This well-being takes precedence over the interests or needs of any member or group of members

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### Legal Responsibility

- Duty Of Obedience
  - Laws
  - Regulations
- Duty of Care
  - Honestly
  - Responsible
  - Loyalty

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- *THE INDIVIDUAL DIRECTOR HAS NO AUTHORITY OUTSIDE OF THE BOARD MEETING, EXCEPT THAT WHICH IS GRANTED IN THE BY-LAWS OR IS DELEGATED BY THE BOARD AS A WHOLE. ATTEMPTS TO PUSH INDIVIDUAL AUTHORITY BEYOND THESE BOUNDS ARE BOTH ILLEGAL AND A VIOLATION OF THE ETHICS OF THE COOPERATIVE MOVEMENT*

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## Ethical Responsibilities

- ◆ Be Positive
- ◆ Stress Co-op Vision
- ◆ Realistic Overview
- ◆ Answer Members Questions

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## Rap-Up!!

- Take active and constructive part in the board meetings
- Attend and be active in board meetings
- Get the facts and require good reporting
- Leave politics out of the decision making
- Know your authority
- Your duty is to the current membership

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