







History of US Housing Co-ops

- Late 1800's
 - New York
- 1926 –
 - 1st 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 there 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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Characteristics of Cooperative

- Open Membership
- One Member One Vote
- Membership Education
- Limitation On The Number of Stocks
- Limited Interest On Stock

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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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Cooperative Business

- Control
 - Management is controlled by a board of directors
 - one vote in selecting directors
- Capital
 - Equity comes from the members
 - ✓ membership fees
 - ✓ monthly caring charges
- Life
 - perpetual existence

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What is a Housing Cooperative?

- 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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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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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

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. 2. Limits the purposes for which the organization can act. 3. Defines the basic structure of the cooperative.
Bylaws	Regulate the internal workings of the cooperative.	1. Defines membership eligibility and rights. 2. Defines powers, operations, and officers of the Board of Directors. 3. Provides for Annual Meeting of Members and elections of directors. 4. Establishes maximum transfer value. 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 financed/subsidized.	1. Knows the initial membership of the cooperative to members of the target population. 2. Regulates the resale of memberships as to both price and membership in the target population. 3. Regulates the financial operations of the cooperative (occupancy charges, reserves, contracts, borrowing, investments). 4. Regulates the maintenance and repair of the structures and grounds. 5. Provides means for enforcement.
Recognition Agreement	Mutually exclusive agreement, which sets both obligations of share lender and cooperative.	1. Cooperative guarantees the truth of certain statements regarding the status of the cooperative as owners of the real estate and the borrower as a member of the cooperative. 2. Cooperative consents to member's pledge of cooperative interest (membership certificate plus occupancy agreement) as security for loan. 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 impairment in the cooperative's financial status. 4. Gives lender rights to cure certain defaults by member or by cooperative. 5. Requires cooperative to terminate membership if borrower defaults on share loan obligations. 6. Sets out priorities between cooperative, lender, and borrower upon foreclosure and resale of borrower's cooperative interest.

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Corporate Charter/Articles of Incorporation

- Purpose —
 - Establishes the existence of the cooperative.
 - Establishes the Corporation.
- Effects —
 - Makes the cooperative (as opposed to individual members)
 - Limits the purposes for which the cooperative can act
 - Defines the basic structure of the cooperative.
- Elements
 - Official name of corporation
 - Laws under which incorporated
 - Authorized duration (usually perpetual)
 - Business purpose (authorized activities)
 - Name and address of incorporator(s)
 - Names and addresses of original Board members at time of filing.

Bylaws (how cooperative will be run)

- Purpose —
 - Details how the co-op will be governed
 - Spells out the rights of members.
- Effects —
 - Defines membership (eligibility and rights)
 - Delineates powers, operations, and officers of the Board of Directors
 - Defines the annual meeting of members and elections of Directors
 - May establish maximum transfer value
 - Subordinates all of the above to the Regulatory Agreement

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Bylaws (how cooperative will be run)

- Elements —
 - Number of Directors, their terms of office, and how they are elected
 - Powers, privileges, and any restrictions upon the Board of Directors
 - Resignation and removal of current Board members
 - Appointment of replacement Board members
 - Selection of corporate officers
 - Meeting requirements
 - Voting procedures
 - Restrictions on membership or stock sales and transfers.

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Regulatory Agreement

➤ **Purpose** —

- Controls the operations of the cooperative
- Meet the purposes of the federal government program.

➤ **Effects** —

- Restricts the membership of the cooperative.
- Regulates the resale of memberships
- Regulates the financial operations of the cooperative
- Regulates the maintenance and repair of the structures and grounds!
- Provides means for enforcement.

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Regulatory Agreement

➤ **Elements** —

- Describes reserve requirements.
- Require mortgagee (regulatory agency's) consent of budget changes.
- Prohibits additional encumbrances on the property without mortgagee (regulatory agency's) consent.
- Prohibits commingling of funds with another cooperative or entity.
- Prohibits payment of compensation to Directors and officers.
- Require annual financial statements prepared by an independent certified public accountant.
- Require periodic certification of member household and income for subsidized households.
- Require the cooperative to comply with published HUD policies and regulations, if HUD insured.

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Mortgage Agreement

➤ **Purpose** —

- Makes purchase of the building possible
- Pledging the land and buildings to the lender as security.
- Pledges the physical assets of the

➤ **Effects** —

- Creates a large debt for the co-op
- Will carry with it a regulatory agreement giving the lender certain rights in co-op affairs.
- Makes it difficult to borrow more until the debt is paid.
- Puts all members' equity at risk if the co-op fails to make timely payments.

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Mortgage Agreement

➤ **Elements —**

- Co-op promises to pay
- Co-op is restricted in certain activities without the lender's approval (bylaw amendments, major capital expenditures, changing management)
- Creates an obligation for the co-op to furnish periodic timely financial reports
- Gives the lender the right to take the property if the co-op falls behind in payments, or fails to have insurance, or fails to pay property taxes.

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Cooperative Agreement/Membership Agreement/ Subscription Agreement

➤ **Purpose —**

- To communicate the rules and regulations
- The rules and regulations were established at time of the incorporation
- The rules and regulations can be reviewed and can be amended by the current acting Board.
- It is a sales contract that also discloses important information.
- The membership agreement also states the specific requirements of the member.
- In the case of newly formed cooperatives, a subscription agreement will be available to state the requirements of the future member as they have put a deposit down on a membership share and are in the process of purchasing that share. The subscription agreement will state the rights of the future member and the rights of the cooperative.

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Cooperative Agreement/Membership Agreement/ Subscription Agreement

➤ **Effects —**

- Identifies the specific rules that must be followed by all members that have executed an occupancy agreement.
- The rules and regulations will allow for all members to live in peace and be able to be involved in the quiet enjoyment of their home
- Identifies the roles of responsibilities of the new members once they have purchased a membership share as their rights and responsibilities.
- Provides means for enforcement.

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Cooperative Agreement/Membership Agreement/ Subscription Agreement

➤ Elements —

- Describes specific rules and responsibilities of the member as a shareholder
- Describes specific rules in regards to the quiet enjoyment of the home
- Describes specific rules in regards to the maintenance of the home
- Describes specific rules in regards to the people, pet and parking issues associated with living in cooperative
- Describes other rules and regulations that protect the member and his/her investment

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Occupancy Agreement

➤ Purpose —

- Defines the rights and duties of the member as occupant.
- Grants the member permission to live in a specific unit

➤ Effects —

- The occupancy agreement is usually presented in a similar manner as a residential lease, except that the term is, essentially, perpetual.

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Occupancy Agreement

• Elements —

- Describes the home (unit) to be occupied
- Describes who the approved occupants of the unit will be
- Discloses limitations on the use of the home (unit)
- Describes how monthly fees will be calculated
- Discloses any restrictions on the occupancy of the unit
- Discloses restrictions on the transferability of the agreement
- Describes broadly the maintenance responsibilities of the parties
- Describes how alterations and additions may be made
- Describes the conditions of default and remedies thereof
- Describes the cooperative's right to impose house rules and policies
- Discloses a lender's rights to foreclose upon the property
- Describes acceptance of late payments and results thereof.

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Management Plan

Some items that may be included in a Management Plan are:

- Relationship and delegations of authority to the Management Agent.
- Personnel policy and staffing arrangements
- Plans and procedures for marketing units,
- Procedures for determining tenant eligibility.
- Tenant leasing policies
- Rent collection policies and procedures
- Procedures for requesting and implementing a rent increase
- Plans for carrying out an effective maintenance and repair program
- Supplemental services
- Plans for accounting and bookkeeping
- Energy conservation measures and practices
- Plans for member participation in cooperative operations.
- Management and training programs

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Cooperative Players

Members -	Elect Board, Amend bylaws
Board of Directors	Sets Policy, informs 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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Responsibilities of the Members

- To adopt and amend the articles of incorporation and bylaws.
- To make sure officers, directors and other agents comply with laws applicable to the cooperative.
- Be informed about the cooperative.
- Be conscientious when selecting and evaluating directors
- Provide necessary capital.
- Serve on committees
- Follow the rules and regulations.

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Directors Responsibility

Acting as a group, directors set the objectives for the cooperative and make decisions that set the course the cooperative will follow in achieving those objectives.

These broad managerial decisions include:

- Hire a competent manager
- Adopt broad, general policies to guide the manager.
- Develop and adopt long-range business strategies.
- Require written monthly financial reports and operating statements

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Directors Responsibility

These broad managerial decisions include:

- Direct the manager to prepare, before the close of each year, an operating budget
- Employ a qualified auditor to make an independent audit
- Plan and conduct the annual meeting to keep the membership informed
- Assure competent legal counsel is available
- Keep a complete record of the board's actions.
- A cooperative director should not expect to receive special favors

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Committees

➤ Dealing with a phase of the association's operations.

- Finance
- House and grounds
- Pet, Parking and People
- Member Selection

➤ Committee studies the problems in its particular field

- Makes recommendations to the board
- Get member input.

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Management Responsibility

- Supervise and coordinate business activities of the co-op
- Hire, train, supervise employees.
- Maintain an adequate bookkeeping and accounting system.
- Furnish information needed for long-range planning.
- Represent the cooperative and portray a positive image to members and others in the community.
- Encourage membership and active patronage.
- Keep current on local, State, and Federal legislative and regulatory developments affecting cooperatives

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Employees Responsibility

- Understand the purpose and objectives of the cooperative
- Fully perform duties.
- Understand the relationship to member-owners
- Favorably represent the cooperative.

Their efforts can positively affect the cooperative image held by members, the general public and other businesses.

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OFFICERS OF THE CO-OP

The board usually elects the cooperative's officers shortly after the annual membership meeting. Each officer has specific duties as detailed in the cooperative's bylaws.

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Board President

- Chair the board meetings and membership
- The president will execute contracts
- Assumes general charge of the day-to-day administration
- The president serves as spokesman for the board of directors
- The president serves at the will of the board of directors
- The president must know the co-op's bylaws
- Sets the agenda for the board meetings.

An effective board president will be fair, courteous and friendly, and will call for members to aspire to the highest purposes for which the co-op stands

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Vice President

- Board of Directors will mostly define the duties of the Vice President
- The main job of the Vice President is to fill in for the Board President when the Board President is absent.

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Board Secretary

- To take minutes of all board and membership meetings.
- Keeps the official records for the Coop

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Board Treasurer

- to make sure that proper check and balances are implemented.
- Should be asking for every month, including copies of the paid bills, bank reconciliations and bank statements.

The treasurer should have an independent professional accountant to help with books and have an annual report given by the professional accountant to the Board of Directors and Membership each year.

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Board Responsibilities

- Think about the Big Picture:
- Fiduciary" responsibilities
- Run organization democratically.
- Operate your development
- Supervise your Contractors and Staff
- Keep records.
- Build the Organization
- Education

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Financial Responsibilities of the Board

The board members of the cooperative corporation should understand the importance of their position on the board in relation to the financial future. As a Board Member, you should look at the following materials:

- Determine the potential gross income for the cooperative
- Understand all of the corporation's documents
- Always consider the affordability levels of our membership
- Consider the levels of all reserves and compensate for additional funding on an as needed basis
- Work towards understanding the audited financial statements
- Understand all regulatory and or mortgage requirements

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Financial Responsibilities

- Monthly Financial Statements
 - Accounts Payable
 - Accounts Receivable
 - Check Register
 - Monthly Cash Flow
 - Budget Report
- Long-Range Capital Expenditure Plan
 - that you do a ten year reserve forecast

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Financial Responsibilities

- Audits
 - Audited financial statements are completed by your Certified Public Accountant
 - certify the monthly financial reports of the co-op
 - the audited financial statements will detail a balance sheet, income and expense statement, profit and loss statement, member's equity, and specific information regarding the financial position of your corporation

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Financial Responsibilities

- Budget Information
 - This should include, but not be limited to;
 - Planned major improvements, with bids increases
 - Mortgage interest and principal
 - Tax and insurance information for escrow
 - Proposed utility increases.
 - GOR and Replacement Reserve funding
 - Payroll costs plus anticipated
 - Subsidy analysis
 - PBE data, if applicable funding
 - Current contract prices and estimates
 - Utility increase, if available
 - Special projects or a "Wish List" needs

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Financial Responsibilities

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.

Legal Responsibilities

- Duty Of Obedience**
 - Laws
 - Regulations
- Duty of Care**
 - Honestly
 - Responsible
- Duty of Loyalty**
 - Co-op interest
 - Your interest

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Ethical Responsibilities

- Be Positive
- Stress Co-op Vision
- Realistic Overview
- Answer Members Questions
- Sign a Code of Ethics and then follow it

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Board Recruitment

What are the Qualities of an Effective Board?

- First figure out what qualities and skills you want this group to have.
- look at what qualities and skills are lacking overall in the group.
- Target your recruitment based on filling these gaps

Who is a good candidate for the Board?

- People who have participated actively at co-op (or other group) meetings or events.
- People who have shown initiative, diplomacy, knowledge, and judgment in addressing issues facing your co-op or another group.
- People who are demanding change, and will take on responsibility to effect change
- People who help a meeting simply by being there—through their people skills, organizational skills, sense of humor, or positive spirit.
- People who inspire trust or are seen as Team Builders

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Board Recruitment

How Will We Recruit Members for the Board?

- Stress vision, achievements, momentum, development. (Not tasks, problems, recurring crises.) Be enthusiastic. Stress the positive.
- Give the Member a realistic overview of the expectations in terms of time required, responsibilities, etc.
- Let the Member know what strengths you think they would bring to the group, and why you're enthusiastic about having her/him on the board specifically.
- Offer to answer any questions they have. Ask them how you can help.

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CONDUCTING EFFECTIVE MEETINGS

- Board conducts its business in meetings
- Once a decision has been reached by the board, all the directors are obliged to support it.
- Board meetings are generally open to the co-op members
- Scheduling time for members to voice their concerns at board meetings is a good idea
- Two hours should allow enough time for the board to get its business done

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CONDUCTING EFFECTIVE MEETINGS

Agenda

- lists the things that must be done and the order in which they will be worked on
- useful tool for giving order and purpose to a meeting
- whether it is presented for information only, or for some decision
- Normally, the most important items should come first
- This helps people keep their objectives in mind and avoid spending time and energy on less important matters
- Should be circulated to directors two or three days before the meeting

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Members Not Board Members

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.

Confidentiality Of The Board

- Let It Stay At The Board Table
- Don't hide behind closed meetings
- it is only necessary to conduct three types of business behind closed doors:
 - Matters dealing with individuals (applicants, members, staff);
 - Legal matters that are pending;
 - Some business dealings that may be pending.

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Working with Committees

- All committees report to the Board of Directors and should work strictly within the charges given them by the Board of Directors.
- Committee members play a supportive role to the board by doing research, gathering information, tabulating data, making comparisons, determining cost options, and presenting recommendations to the Board.
- committees relieve the board of hours of fact-finding and deliberation
- Recruiting committee members gives the board the chance to make sure all segments of the membership are represented

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A Director's Code of Ethics

- A Director has a duty of good faith and loyalty to the cooperative.
- A Director has a duty to use care, skill, and diligence when carrying out official acts.
- A Director has a duty to act within the boundaries of his or her authority.
- A Director has a duty to disclose every personal conflict of interest to the cooperative.
- A Director may not divulge or profit from the confidential information learned while performing official duties.
- A Director has a duty to participate in the operations of the cooperative only as authorized by the full Board of Directors.

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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


