

A Sample of Seattle and Washington State's Housing Co-ops

David J. Thompson

SEATTLE, WASHINGTON IS A CITY OF COOPERATIVES.

Cooperatives there can be traced to a strong Scandinavian immigrant population, a major union presence, numerous utopian communities, and the self-help movement from the Depression. Seattle is famous for being the home of large co-ops such as REI (Recreational Equipment, Inc.), Group Health Cooperative (of Puget Sound), People's Memorial Association and Darigold.

Since the early days of Seattle, cooperative housing has been a part of the city. It is a city where numerous utopias originated as its early citizens looked to build their new world in the west. Here's a sampling of co-op housing in Seattle and the region.

Apex Belltown

Apex is probably the first permanently limited equity housing cooperative in Washington State. In the early 1980's, a group of Seattle artists and their friends began to search for a shared community. Eventually, they purchased two floors of this former single room occupancy (SRO) hotel. It took a while for the organizers to revamp the derelict building. In 1984, they finally moved in. There are 21 units in the building. The residents on each of the two floors share one community lounge, two kitchens and four bathrooms. There is a roof deck with beautiful views of Puget Sound. The approximately 25 members all have required weekly work shifts and must serve one term on the board every three years. The share investment is about \$2,500 and the member's income must qualify. The monthly carrying charge



Lopez Community Land Trust (LCLT) was formed in 1989 to provide permanently affordable home ownership options for the island residents. LCLT owns the land and cooperatives own the home clusters. Pictures is the solar array at one of the co-ops, Common Ground (a net zero energy 11 home cooperative).

for a single room is \$276, a great deal for downtown Seattle. Apex Belltown was financed at the outset by the National Cooperative Bank and the city of Seattle. It was one of the first SRO's to be converted into a co-op.

Cooperative & Collective Living

In the Seattle area there are numerous cooperative living communities or group homes that are democratically governed. As this befits a college area, a number of them are near the University of Washington. Here's a sample of their names; Alder Street Co-op, Ballistic Chicken Co-op, Bob the House Co-op, Bright Morning Star, Emma Goldman Finishing School, Fire Breathing Kangaroo House, Meridian House, The Metaphorest, People's Revolutionary Action Group (Prag House), Ravenna Kibbutz, Sunset House, and the Sushi Tribe among others.

Continued on page 3 >

NAHC Adopts New Mission Statement Based upon Housing Cooperative's Proven Record

5

Recent NAHC Board and Executive Committee Meetings

6

Seattle Site of NAHC's 53rd Annual Conference

7

Amending Basic Documents

- To Amend or Not To Amend
- What is Out of Date in FHA Co-op Bylaws

8

Co-ops & Energy Efficiency

- Norwood Estates earns high rating for groundbreaking green rehab project
- NY UHAB Buildings Go Green
- California Co-op Saves with Solar Installation

12

Mass Cooperators React to Negative Legislation

14

COOPERATIVE HOUSING BULLETIN

PUBLISHER: National Association of Housing Cooperatives

PUBLICATIONS COMMITTEE

Chair: Roger Willcox willcoxr@juno.com

Guest Editor: Herbert H. Fisher HHFisher1@aol.com

Douglas M. Kleine dougk@verizon.net

Anne Sackrison Anne.Sackrison@csi.coop

Mark Shernicoff Mark@Shernicoff.com

HollyJo Sparks hojosparks@gmail.com

David J. Thompson dthompcoop@aol.com

Letters to the editor or the committee are welcome!
Please send them to willcoxr@juno.com.

The *Cooperative Housing Bulletin* is devoted to matters of interest to a housing cooperative's member/shareholders. All NAHC Associations and Members should advise their memberships on how to get and download CHBs when published.

The opinions expressed in this publication are those of the authors and not necessarily those of the Association. This publication is distributed with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

Acceptance of advertising by the *Cooperative Housing Bulletin* does not imply endorsement of the product or services advertised.

Address inquiries, manuscripts, news items and responses to the Editor at NAHC, 1 Park Street, Norwalk, CT 06851, phone 203-838-5706, email willcoxr@juno.com. For reprint permission, advertisements and other business matters contact NAHC, 1444 I Street NW, Suite 700, Washington, DC 20005-6542, www.NAHC.coop.

© 2013 by the National Association of Housing Cooperatives ISSN 0097-9759



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

NAHC's mission is to support and educate existing and new cooperative housing communities as the best and most economical form of homeownership.

NAHC Board of Directors 2012-2013

Chairman	Ralph Marcus
President	Vernon Oakes
Vice President	Gregory Carlson
Treasurer	Linda Brockway
Secretary	Mark Shernicoff

Directors

Anthony Beck	Barbara Loatman	Stephen Somuah
Richard Berendson	William Magee	Hope Turner
Jackie Brown	Randall Pentiuik	Billie J. Walker
Fred Gibbs	Lewis Powell	Ruthie Wilder
Wendy Harshaw	Alfred Reynolds	Roger Willcox, NAHC President Emeritus
Karen Harvey	Norma Robinson	Kimalee Williams
Anne Hill	Mary Ann Rothman	
Charlotte Lann	Stephen Sarine	

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
SAHC	Southeast Association of Housing Cooperatives

NAHC Principal Committees and Chairs

Audit Committee – Barbara Loatman
Executive Committee – Vernon Oakes
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 – Anne Hill
Publications Committee – Roger Willcox
Public Relations – Vernon Oakes
Website Committee – Gregory Carlson

RCM Board of Governors – Gregory Carlson

See the NAHC website – 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.

Former Co-ops

At least two co-ops financed through the HUD 221d3 program have converted to condos; May Valley in Renton and Empire House in Seattle.

Grand Old Co-ops

Like most major cities in the US, there are a number of cooperatives built in the early 1900's; L'Amorita (21 units), The Chesterfield (14 units), The Maryland (21 units), the Marquis (36 units), The Princeton (26 units), Union Terrace (31 units), the Wayfarer Co-op (28 units) and the Wilana Co-op (27 units). Most, but not all of these are market rate in prized locations.

Homewood Terrace Co-op

This 162 unit co-op was financed under the HUD 236 program and built in the early 1970's. About 40% of the units are Section 8. The shares are set by unit size, and the share for the 3 bedroom unit is just over \$9,000. The board of the Homewood Co-op has traditionally been conservative in its management. They have put away reserves to cover their major costs and have no other mortgage than their last 236 loan. Due to its staged development, the co-op will be paying off the last 236 loan in 2014 so there is ongoing discussion at the co-op about what next.

Continued on page 4 ►

Washington Mobile Home Park Residents Building the Cooperative-way

Over the past two decades the leading housing co-op activity in Washington State has been the conversion of the ownership of mobile home parks from rental to resident ownership. There are now at least twelve resident owned mobile home park co-ops in Washington State.

A key resource for the path to resident owned cooperatives has been the role of the Northwest Cooperative Development Center (NWCDC). NWCDC is presently assisting at least six other potential parks to go co-op. The Center is a Certified Technical Assistance Provider with the ROC USA Network. ROC is a national provider of technical assistance and financing.

Parks converted to co-ops are now protecting about 700 families: Candlewood Manor (103 units) and Hidden Village Co-op (20) in Olympia; Cedar Grove (105) and James Street Estates (95) in Bellingham; Clasen Cove (45+) in Sequim; Charlton Lake Estates (15) in Tacoma; Duvall Riverside Village (25) in Duvall; Sandy Acres (35) in Buckley; Thunderbird Villa (114) in Tumwater; and Twin Cedars (72) in Federal Way.



The 105 mobile home owners at Cedar Grove, Bellingham, Washington bought the park as a cooperative in 1993. The park has its own lake and community building.

How Cedar Grove became a Resident Owned Co-op

Around about 1992 the family owners of Cedar Grove Mobile Home Park in Bellingham, Washington decided to sell the park. Because the renters could not organize that quickly, on an interim basis, two of them actually stepped in to buy the park. In 1993, the co-op was formed, and with the help of a local credit union they bought the park from the two residents. The 105 homes sit in a beautiful wooded area surrounding a large lake.

There are three ways a mobile home owner can live in this park. 1) Pay the full \$17,500 for the member share, and then pay \$140 a month for co-op dues and space costs. 2) Put \$7,500 down and borrow the other \$10,000 from the co-op and make payments on the borrowed funds. If you do that you pay \$240 per month for co-op dues and space costs. Part of the

additional \$100 is used to pay the interest on your loan and part adds to the full share balance. When the share balance reaches \$17,500 your monthly costs drop to \$140 per month. 3) Rent. The option of non-membership was offered to existing residents who did not want to buy. Non-members pay \$340 per month in space rent.

The membership price is fixed and does not increase. No interest is ever paid on the membership capital. However, your membership capital is returned to when you leave. By 2010, the Co-op had paid off all the outstanding debt, and the residents now own the park outright.

Melrose Terrace formerly Rochdale House

Once again highlighting cooperation among Cooperatives, Group Health Cooperative of Puget Sound hosted a 1958 meeting of people interested in cooperative housing. The architect for Rochdale House was George Bolotin, who was one of the founders of Group Health Cooperative and then their in-house architect. Their organizing efforts succeeded and in 1961 Rochdale House opened the doors of 112 apartments. In 1967, the co-op changed its name to Melrose Terrace. Melrose Terrace provides many amenities; an indoor pool, large meeting room, workshop, library and great views of Seattle from the deck on its nine storey high Capitol Hill vantage point. The co-op is coming to the end of a major remodel. There are only 3-4 turnovers a year and the average share purchase at this time is about \$200,000. NCB is their preferred share lender.

Silver Glen

Located in Bellevue, Washington, Silver Glen is the only senior (55+) housing co-op in the Seattle region. Silver Glen got its start as the brainchild of the Senior Caucus at Group Health Cooperative. Over time the Group Health Co-op members developed Silver Glen into their own separate co-op. The organizing group learned a lot from the flurry of senior co-ops then emerging in the Twin Cities area. Silver Glen opened in 1994. Dinner is served five nights a week. The 123 unit co-op located in Bellevue is surrounded by 4 acres of woodland. There are many amenities including a social room for events, a dining room, an indoor swimming pool, a wellness center, exercise classes and a movie theater. The units are all market rate and at this time the average sale is about \$225,000.

Student Housing Cooperatives

The Students Cooperative Association (SCA) was started in the 1930's and grew to be one of the largest in the USA. However, by 1957 the SCA had sold off all of its properties. Thankfully, one group of SCA students chose to stay together. They created the Sherwood Co-op and are the last "organizational remnant" of the SCA. They named their home after Paul Sherwood, one of the founders of the SCA. In 2001, through the help of the North American Students of Cooperation (NASCO), Sherwood was able to buy its long leased home. To preserve the co-op forever, the land is owned by the Evergreen Land Trust.

Lopez Community Land Trust (LCLT)

Lopez Island, in the San Juan Straits is a 30 acre island. The Lonely Planet describes Lopez Island as one of the ten top US destinations in 2013. Regretfully, the attraction of the island has pushed housing prices far beyond the income of most of the local year round residents. LCLT was created in 1989 when property values rose 189% in that year alone. One of LCLT's primary purposes was find a way to provide permanently affordable housing for moderate and low income residents by owning the underlying land through the community land trust and having housing cooperatives own the improvements. LCLT has developed five limited equity housing co-ops that serve 37 families. By the co-op being the borrower (instead of an individual household), LCLT has been able to qualify many more island residents. All of the homes have been built with sweat equity and some with straw bale construction, rain water collection, active and passive solar and other alternative building methods. LCLT has acquired 7 acres within the Lopez Urban Growth Area and will continue to develop more coops.

Winslow Cohousing

This 30 unit market rate cooperative on Bainbridge Island was organized in 1989, built on 5.5 acres of land and first occupied in 1992. It is only 35 minutes by ferry from downtown Seattle. Winslow Cohousing was the first owner developed cohousing community in the US and one of the few cohousing communities in the US operated as a cooperative. The cooperative owns the land, buildings and a 5,000 sq. ft. common house. The members own coop shares in proportion to the size of a dwelling unit. There is one vote per each membership and the members have a proprietary lease for their specific unit. There is a work requirement of each member household. Winslow members provide five communal dinners a week in their common house. There is a community garden and orchard. When no financial institution would finance this strange Danish idea the Kitsap Credit Union, a local credit union stepped in to do the construction financing and the early permanent financing. Later the National Cooperative Bank became a key lender. Both cooperative institutions offer share loan financing. [CHB](#)

For more information on the NAHC Conference and Annual Meeting in Seattle on October 31-November 2, 2013, see page 7.



David Thompson is President of Twin Pines Cooperative Foundation.

NAHC Adopts New Mission Statement Based upon Housing Cooperative's Proven Record

The National Association of Housing Cooperatives held two strategic planning meetings in March and July, 2012. During the planning sessions, NAHC articulated several strategic priorities.

Along with developing these strategic priorities, NAHC adopted a new mission statement for the organization. The new mission statement is:

“NAHC’s mission is to support and educate existing and new cooperative housing communities as the best and most economical form of homeownership.”

This mission statement was adopted based on the NAHC report that was released in March, 2012 entitled “Housing Cooperatives in USA.” A copy of this report is available on the NAHC Website. We encourage our members to review this study.

The report stated several reasons as to why cooperative housing communities are the best and most economical forms of homeownership:

1. There are currently approximately 6,400 housing cooperatives with 1,200,000 dwellings divided into 425,400 limited or zero equity dwellings and 775,000 market rate dwellings. The study describes the composition of the 425,400 limited or zero equity dwellings as well as the 775,000 market rate dwellings. This split is shown on the second page of the report.
2. Housing Cooperatives account for about 6% of common interest ownership housing and about 1% of all housing.
3. The first housing cooperatives were organized in New York City in the late 1800’s.
4. Historically, the development of housing cooperatives in the US followed two paths: limited equity and market rate. Major cooperative housing development happened after World War I in New York, San Francisco, and Chicago, mainly involving people with higher incomes.
5. More than 10,000 dwelling units of limited equity cooperatives were sponsored by unions and built in New York City during the 1920’s. Affordable housing co-operative development grew a great deal during the 1950’s thanks to an unsubsidized federal government mortgage insurance program. Cooperative development continued into the 1960’s and 1970’s with

federal government subsidy programs. State agencies also spurred development of affordable housing. The most notable of these was the Mitchell-Lama Housing Program in New York. Mitchell-Lama provided both favorable financing and tax abatements. It was considered one of the most successful programs for developing affordable housing.

6. Most housing co-operatives share the following characteristics:
 - ▶ The housing cooperative owns (or sometimes leases) the property and the members, also called shareholders or cooperators own the corporation.
 - ▶ The cooperative corporation holds the mortgage (blanket mortgage).
 - ▶ The member buys stock, shares or membership certificates. Members may obtain a loan to purchase the shares (share loan). The shares and the proprietary lease or Occupancy Agreement guarantee the loan.
 - ▶ The member signs a self renewing lease, called a proprietary Lease or occupancy agreement. This gives him or her legal exclusive right to occupy a unit as long as the member fulfills its obligations to the cooperative.
 - ▶ The cooperative is responsible, as the owner of the property, for all legal and financial obligations. The member pays a monthly fee, also called a carrying charge to the cooperative for these costs.
 - ▶ Most cooperatives limit the rights of members to sell or lease their apartments, protecting the right of the cooperative to approve any new member.
 - ▶ Members are both tenants, as determined by the occupancy agreement, and owners because of the shares held in the cooperative.
 - ▶ The cooperative’s property taxes are assessed against the cooperative as a whole. There is no reassessment when the shares are sold.
7. The Housing Cooperatives in USA Report also provides specific information and

NAHC’s mission is to support and educate existing and new cooperative housing communities as the best and most economical form of homeownership.

benefits regarding market rate cooperatives, limited equity cooperatives, leasing housing cooperatives, mobile homes and manufactured housing cooperatives, Co-Housing, and special interest housing cooperatives including senior housing cooperatives. The report also provides information about various funding resources.

8. The cooperative housing movement must continue to publicize the benefits cooperatives have over condos and single family homes. The benefits include lower financing and property tax costs as well as lower transfer costs at the time of resale. Moreover, housing cooperatives have a greater ability to accept social investment and partial outside or internal subsidy. Because of these advantages, housing cooperatives have the potential to meet the increasing needs of low and moderate income people. The cooperative housing movement believes that it can meet the homeownership needs of people at 80-120% of median income without ongoing subsidy.

The National Association of Housing Cooperatives' Board of Directors has formed a public relations committee, which is working with the National Cooperative Bank to develop a social media system that will allow NAHC to communicate the benefits of Cooperatives. The goal of the National Association of Housing Cooperatives is to be able to actively and effectively support our mission statement of **"supporting and educating existing and new cooperative housing communities as the best and most economical form of homeownership."** CHB

(The above article was provided by the NAHC officers for publication.)

Recent NAHC Board and Executive Committee Meetings

NAHC Secretary Mark Shernicoff reports that the NAHC Board and Executive Committee, at their recent meetings, discussed planning for the 2013 Annual Conference and Membership Meeting in Seattle, WA. In addition to the attractive educational program and networking opportunities, there will be side trips to the "City of Gardens," Victoria, British Columbia and to visit the cooperatives on Bainbridge Island.

The Board was informed that NAHC had \$170,000 in the bank to carry on activities including the Annual Conference. In addition, the Board authorized depositing up to \$60,000 in Certificates of Deposit at NCB as both a good investment and a show of support for the bank.

HERBERT H. FISHER LAW OFFICES, P.C.

practicing good law since 1952 – experience matters – experience pays

**CONCENTRATING IN HOUSING COOPERATIVE LAW
IN ILLINOIS AND CONSULTING SERVICES AVAILABLE THROUGHOUT THE
UNITED STATES, UNITED STATES CARRIBEAN
ISLANDS AND MEXICO**

155 N. Michigan Avenue, Suite 622
Chicago, Illinois 60601

312.729.5083 voice
312.729.5084 fax

hhfisher1@aol.com
hfisher@hhfisherlaw.com

Leaders in Cooperative Housing Advocacy and for a Cooperative Economy

SEATTLE: Site of NAHC's 53rd Annual Conference Oct 30th

The National Association of Housing Cooperative's recently announced their 53rd Annual Conference will be held in Seattle, Washington at the Hyatt Regency October 30, 2013 through November 2, 2013. The hotel is located in the heart of Seattle's thriving retail and theater district steps from Pike's Place Market, Seattle Waterfront and the Space Needle. The Seattle metropolitan region is home to over thirty cooperative communities.

NAHC is preparing an excellent conference to provide cooperatives and their members an opportunity to participate in six concurrent tracks of educational programs over two full days. NAHC is also planning a few surprises:

Conference highlights include:

1. RCM CLASS

NAHC is planning its RCM Course for site managers and others who desire to acquire the Registered Cooperative Manager designation. The class will be held October 28 and 29, 2013 at the Hyatt Regency in Seattle, Washington. The course is offered in three segments: the history of cooperatives, the business of cooperatives, and the ethics of cooperative management. A test is administered after each section, and 70% is a passing score. Don't miss this opportunity to get your professional credentials as a cooperative manager.

The RCM ethics re-certification course will be held the afternoon of October 29, 2013.

2. VICTORIA ISLAND

A special adventure to Victoria Island, British Columbia, is planned for Tuesday, October 29, 2013. Participants will leave the hotel Tuesday morning as a group and take a ferry from the boat docks to Victoria Island. They will spend the day exploring the wonders of the Island, including the fabulous Gardens. Victoria Island is located in Canada, so passports are required.

3. FIRST TIME ORIENTATION SESSION

NAHC encourages all first time attendees to join us for the orientation on Wednesday, October 30th. This session will help attendees learn how to get the most out of the conference and network with other co-

operators from around the country.

4. TOURS

There are six premium tours being offered. Each requires a separate registration and is not included in the basic conference fee. The tours will include a local cooperative tour, a downtown Seattle tour (which includes a trip to the Space Needle), a winery tour, a shopping outlet and casino tour, a Seattle Falls tour and a boating tour. Sign up early for the tours, as these are the most popular Seattle tours!

Please check the registration booklet for further details.

5. WELCOME RECEPTION

The welcome reception this year will be a COSTUME EXTRAVANZA. Prizes will be given for costumes and there will be a great band to shake up our contest. This is a great opportunity to meet and mingle with other cooperative members from across the United States. AND – show them who can get dressed the best.

6. THURSDAY'S OPENING SESSION

The opening session will include a couple surprises. NAHC will be hosting an exciting key note speaker from the Seattle area and a special guest speaker from a local food cooperative will be "sharing" some secrets to running a "different kind of cooperative." Ideas for winning door prize contests throughout the conference will also be presented.

7. EDUCATION, EDUCATION, EDUCATION!

This year, there are six tracks for learning opportunities. The tracks will allow a choice of the best classes for you and your members.

Four sessions will be restricted to current Registered Cooperative Managers. A forum will be provided for managers to talk about topics ranging from trends to ticklish situations.

We have SIX BRAND NEW CLASSES including a revised class on using Facebook to REALLY get the word out about your cooperative and to communicate with your members. NCB will also be presenting three classes to provide you the most up to date thinking

about how to enhance your cooperative.

For other professionals, the conference will continue to feature a Developer's Forum and an Attorneys Roundtable. Non professionals are invited to attend these sessions.

8. TRADITIONS

Bring your co-op hats, shirts or jackets for the "Strut Your Stuff: Co-op Pride Luncheon" on Thursday, October 31. Attendees from each co-op will be invited on stage to dance away with the Chairman of the Board and to show off their co-op pride.

Graduates of the RCM Course will receive their pins and certificates at the Thursday luncheon.

At the Awards Luncheon on Friday, November 1st, the NAHC will recognize outstanding contributions to housing co-ops, including the presentation of the prestigious Voorhis Award.

Cooperators, management company executives, site managers, attorneys, insurance agents, auditors, trades people and others dealing with and interested in housing cooperatives always report a fulfilling experience at NAHC conferences. **CHB**



To Amend or Not To Amend

By Herbert H. Fisher, Esq.



NETWORKING ON AMENDING BYLAWS OR ARTICLES

There has been a flurry of bylaw and article of incorporation amendment activity over the past few years prompted by the pay off of FHA insured mortgages and being moved by the buzz words "modernize." A former NAHC executive director and president share their views on the subject matter for CHB readers.

This is an oft-asked question these days. The answer might be found in looking at the history of the US Constitution, a venerable document now just short of 250 years old, that has had relatively few amendments over those years. When amended to cope with basic governance issues, like the individual freedoms, the Bill of Rights, or the amendments dealing with slavery and equality of persons, we found the provisions as enduring as the original document itself. But when we view the efforts to embody temporal social issues into a constitution, we experience the problems presented in coping with errors resulting from social and political pressures of one period that end up changing when a new epoch arrives, requiring a repeal, such as occurred with the prohibition amendment and repeal.

Likewise, the cooperative's constitution, its articles of incorporation and bylaws should be viewed as enduring documents in need of change only when basic governance principles are not involved, and not just to implement what may appear at any given time to be a better policy than that in effect. With this in mind, a thought to make a specific amendment needs to be judged as to whether it cannot be handled as matter of policy, rather than through an amendment.

Consider a situation, for example, where a petition is circulated to hold a special meeting to adopt a bylaw amendment to fix a problem. The board of directors can adopt a rule or regulation, as it is authorized to do under most all bylaws. Is the better course of action and long term governance needs better served by campaigning to get persons elected to the board who would adopt such a rule versus campaigning to get enough votes to amend the bylaws?

In recent years, the question about amending the basic documents most frequently arises when a mortgage that was accompanied by extensive governing document restrictions, as in the case of the FHA-HUD mortgage, is paid off and the restrictions in the regulatory agreement are no longer in effect. But governing document provisions required by those restrictions are still in the documents. Some of the required provisions can remain and merely be unenforceable as historical notes in the documents, but some may be operational handicaps; e.g., actions that require the regulatory agencies approval before the actions can be done or be effective, requirements to fund reserves or giving the notices to the agency. These provisions interfere with the cooperative's options if not eliminated.

Having discussed the concepts which should be considered in discussions about amending, addressing specific documents, timings and examples might be instructive.

Articles of Incorporation:

The basic purpose of articles of incorporation (charter) is to describe the entity that is created by this document issued by the State. The State is authorized to do so under a statute to be the sole creator of various types of business enterprises under which individuals can band together for a purpose but limit the liabilities of the joint activities to the entity, a fictitious person, which the state gives specifically limited powers.

The purpose of the entity is therefore the most critical. If the existing document limits the authority to achieve desired goals, then amendment is necessary to either change or eliminate those goals. Most states require a super majority vote of the member/shareholders to do that.

Examples of this are: If the articles specify the purpose to be that of providing housing for families within a specific income group, and that limitation is no longer desired. The purpose is to provide housing on a cooperative basis, and it is desired to use cooperative funds to set up a day care center or provide services or products through other cooperative business activities. To lower a high number of directors, which number is no longer desirable or possibly even feasible. The number of member/shareholders is based on the number of dwelling units and additional units are to be acquired, requiring the issues of additional memberships or shares.

Continued on page 9 >



Herbert H. Fisher is an attorney in Chicago, Illinois, frequent contributor to the CHB, former NAHC President and Chairman of its Board of Directors.

What subjects may be addressed by the articles of Incorporation or by the bylaws may vary from state to state. Generally, it is matters of creation, purpose, and number of shares that are dealt with in the Articles, whereas matters of governance are covered in the bylaws.

Bylaws:

FHA/HUD Required provisions: Amendments can provide for deletions for all provisions that require approval such as for annual budgets, level of monthly charges, expenditures of funds, and notices to be given to FHA/HUD.

Amendments can provide for deletion or modification of transfer value definitions governing the amount for which memberships/shares can be sold or the amount which must be paid by the cooperative if it exercises an option to repurchase, but these amendments present a particularly knotty problem. It may be desired or necessary to change the definition and calculation formula because the definition now has become frozen at one level due to the passage of time or the definition was or has become unrealistic and there is a reason for the cooperative to exercise the option of repurchase.

Other oft suggested changes:

To limit the Board's bylaw authority: Such changes need to be judged not only against the question *will the change be good in all foreseeable circumstances for the efficient operation of the business to cure a real, and not, imagined problem?*, but also against the corporate legal concept that member/shareholder liability is limited because the member/shareholder is not making the business decisions. To the extent the board's authority to make business decisions is limited and thus requiring member/shareholder decision making, the greater the likelihood that the central decision making criteria for defining a corporation is lost. If the operations take on more the

characteristic of a partnership with decisions being made by the member/shareholders, then the member/shareholders may now be construed as partners with potential liabilities.

Size of the Board: If the cooperative has had problems filling board seats because of the large size of the required board (9 or more), or if members have criticized a small board (3) as having too few decision makers, this needs to be considered in light of the size of the cooperative bearing in mind the board is a business board and not a charitable group desiring a large board of donors or a community organization wanting extensive diversity representation. It is a board that needs to knuckle down to making timely decisions to meet the business needs of the cooperative.

Experience tends to indicate that this can best be accomplished with a five or seven person board. A larger board tends to be more of legislative body with a *you scratch my back and I will scratch yours* kind of legislative decision making instead of the reasoned give-and-take that can occur with a small board.

Restrictions for Board membership: The common, but not universal, requirement that members have to be current on charges to be elected or appointed to the Board should be expanded. For example, it could include being a cooperative member, being a cooperative member for a specified number of years, having served on committees for a required period of time, or being a college graduate. Recognition has to be given that the more qualifications there are to be on the board, the more limited the group of members who can serve becomes. Term limits: A history of a member being reelected for a long period of time brings about this thought. It should be borne in mind that democracy says leave the choice to the electorate, don't limit their choices.

To summarize, use common sense in approaching amendments. Look to what is a good change for the long term existence and operation of the cooperative. **CHB**



The most important piece of your cooperative's management is education.

NAHC knows that knowledge is the foundation of successful management, so in 1993 we created the only nationally-recognized designation and certification specializing in cooperative management. Graduates of the Registered Cooperative Manager (RCM) program walk away with expert knowledge in the overall structure, governance and business practices of cooperatives; ethical practices for cooperative management; and a thorough review of the history of cooperatives and the principles they were built upon.

RCM has two 2013 dates and locations:

- Summer Course, July 15-16 in Chicago, IL
- Fall Course, October 28-29 in Seattle, WA (in conjunction with the Annual Meeting)

Learn more at www.coophousing.org or call (202) 737-0797

RCM
REGISTERED COOPERATIVE MANAGER

What is out of date in FHA co-op bylaws?

By Douglas M. Kleine



NETWORKING ON
AMENDING BYLAWS
OR ARTICLES (2 of 2)

Co-ops that were formerly insured by FHA share common bylaws. The co-op attorney was required to use model forms from FHA that, over time, have been revealed to have many weaknesses. Those weaknesses should be corrected by bylaw amendment. This article enumerates several, but not all, bylaws that could or should be amended. Consult with your attorney as to what amendments will bring your bylaws up to date and to allow practices that would make your co-op more efficient.

Article II of the model FHA bylaws states a purpose of the co-op. It may say the purpose is to provide housing for low and moderate income families. If the co-op is considering changing from limited equity to market rate, that provision may need to be amended.

Article III of the typical FHA bylaws refers to membership as a natural person. Legislation passed in 1999 permits membership by a trust (whose beneficiary is the resident). This is an important change for market rate co-ops whose members may want to use a trust form of ownership for estate purposes. But to implement the legislation, Article III will need to be amended.

Article III also refers to initial subscriptions. Since “initial subscriptions” are no longer relevant to the co-op, this language is unnecessary and can be removed. There is no harm except confusion to leave it in.

Article III also covers transfer of memberships. If the co-op wants to impose a flip tax or fee for waiver of right of first refusal, this Article needs to be amended to permit those actions.

Another provision in Article III is the annual meeting date. If you have found problems in getting a quorum, changing the annual meeting date may be helpful. Also in some metro areas, all the co-ops seem to meet on the same date. That presents a problem for management companies and attorneys who have to be at several sites on the third Tuesday in April, for example.

The FHA model bylaws were written many years before the Internet even existed. So Article III would have to be amended if you want to deliver meeting notices by email instead of US Postal Service.

Voting has been a problem for many co-ops. Some have been creative by having all-day polling on a Saturday. The problem is that all-day voting is not an authorized procedure under Article IV of the FHA bylaws. It might be best to amend that

Article to allow that procedure. Article IV also restricts proxies in the case of a married couple. Married couples can only give a proxy to each other, whereas single members can give a proxy to anyone. A restriction based on marital status may not pass muster with civil rights laws. Regardless, if you want married members to have the same rights as unmarried members, this provision should be amended.

Article IV also has several references to FHA and the annual meeting. You might want to delete those FHA references. In fact spelling out the whole annual meeting agenda in the bylaws seems unnecessary.

Article V of the FHA bylaws requires a fidelity bond. That is a good thought, but a real fidelity bond requires a long application and divulging a lot of personal information. The fact is that most co-ops do not have fidelity bonds. Instead they have employee dishonesty insurance and commercial crime coverage. These insurance coverages accomplish the same thing as a bond, but technically the co-op is out of strict compliance with the bylaws. An amendment to this section will give the co-ops options to do what it is already doing, and bring the language into alignment with common insurance lingo and coverages of today.

Article VI of the FHA models refers to keeping funds in “depositories.” Depositories is a technical term referring to institutions that are members of the Federal Reserve system. Credit unions, community banks, state banks, mutual funds and other institutions are not depositories. If you want to put your funds in those institutions, amend Article VI to include other institutions that are insured or regulated by the US or state government.

Article X requires an annual audit. An audit can be an expensive service for a small co-op. In fact, current FHA regulation allows a small co-op

Continued on page 11 >



Doug Kleine, CAE is President of Professional Association Services providing governance training and consulting to co-ops and other nonprofits. He was Executive Director of NAHC from 1999-2007. Previously he served in the Condo and Co-op Branch of the US Department of Housing and Urban Development.

PAHC NEWS

PAHC CARRIED OUT ITS 2013 THEME “Moving Forward-Riding the Waves”, with its Annual Conference in Ocean City, MD, on April 25-27, 2013. The conference hosted eighty-five participants. Three board seats were up for election and were filled by Annie Hill, Maxine Lyons and Candice Serrette, who were elected by acclamation at the annual membership meeting, which was followed by PAHC Board of Directors meeting.

President, Anne Hill; Vice President, Myrine E. Buford; Secretary, Melinda Rickey; Treasurer, William Brawner; Assistant Secretary, Maxine Lyons; and Assistant Treasurer, Ruthie Wilder were re-elected as officers.

PAHC Fall training will be held in Fairfax, VA at Yorkville Cooperative on Saturday, November 9, 2013; and its 2014 Annual Conference will be held in Dover, DE, April 24-26, 2014, at the Sheraton Hotel.

Federation and Council of New York Cooperatives & Condominiums

THE FEDERATION SHARED A BOOTH WITH the Council of New York Cooperatives & Condominiums at the “Cooperator’s Trade Show” April 16 and the two day trade show at the Javits Convention Center “New York Builders Show.”

The Federation and Council did a “Professionals Meeting” in March in which professionals talked about different issues that affect cooperatives. As always the Federation and the Council jointly worked together on legislation and regulatory issues affecting cooperatives.

CSI Support & Development

CSI SUPPORT & DEVELOPMENT IS PLEASED TO ANNOUNCE the unveiling of a new dynamic website. Still located at www.csi.coop, the website has something for everyone. Applicants can learn a great deal about each co-op and print an application. They can see videos or read about CSI’s unique cooperative management approach. A section for existing members is still under construction, but is expected to be launched within a couple of weeks. It will feature existing volunteers and updated

news. The development area should be operational by the end of the year. The project was a huge undertaking and along with the new logo, is part of CSI’s strategic plan to better brand itself. They are also working on changing all monument signs in all four regions to be consistent.

For the past six months, CSI Support & Development has been giving training to members of its new acquisition, Tivoli Manor Co-op. They have written their own house rules and bylaws and gone through an intense schedule of cooperative training. At their May general meeting, they elected their first set of officers and are anxiously awaiting the fiscal year to begin so they can operate completely as a cooperative, instead of traditionally-managed, affordable senior housing. Tivoli Manor Co-op is located down the street from CSI’s corporate office in Warren, Michigan.

CSI will be breaking ground this summer for new developments in Baltimore, Maryland (Arlington II) and Pontiac, Michigan (Colony Lane).

The theme for this summer’s management conferences is *Volunteers are Superheroes!* CSI is focusing on best practices for working with volunteers. The dates for the conferences are July 16-18 in Leominster, MA; August 7-9 in Troy, MI; August 20-22 in the City of Industry, CA and August 27-29 in Annapolis, MD. Non-CSI co-op members who are interested in attending one of these should contact the national education manager at [Karen.braunscheidel@csi.coop](mailto:karen.braunscheidel@csi.coop) for more information.

MAHC Holds Two Significant Events

THIS PAST MAY THE MIDWEST ASSOCIATION OF HOUSING COOPERATIVES conducted a day and half training session in Taylor, Michigan for about twenty board members as part of its Certified Cooperative Directors program. Other CCD classes are planned in various parts of the Midwest region later this year as part of MAHC’s efforts to take training to its members.

The MAHC annual conference was held June 2-6 at the Planet Hollywood in Las Vegas. The conference marked MAHC’s 50th Anniversary. Special commemoration events, including a reception, were held. The training opportunities included a New Board Member Orientation, to provide a foundation for newly elected directors. **CHB**

► What is out of date [continued from page 10]

to provide a lesser service called a “review” also done by a CPA, but for about half the cost of an audit. This is a case where an allowable practice under lender regulation is not permitted by the bylaws, unless the particular bylaw is amended.

Article X also covers access to books and records. However it is written to cover only access to records submitted to FHA. If the mortgage is paid off, there are no reports issued to FHA and members have no rights under the bylaws to see other records.

The bylaws could be amended to allow member access to financial records membership rosters, and committee and board minutes, subject to protection of records that should be confidential, such as personnel records.

Bylaws are living documents with the principle purpose of setting out the relationship between the co-op and the members. They need to change from time to time as the world in which the co-op operates also changes. **CHB**

Norwood Estates earns high rating for groundbreaking green rehab project



COOPERATIVES AND MUTUAL HOUSING TAKE LEAD ON ENERGY EFFICIENCY

The following three articles demonstrate energy efficiency techniques that cooperatives and mutual housing used to take the lead in contributing to controlling carbon emissions and also effect long term savings for their members. Editor.

Mutual Housing of California earned a very special distinction from the rating agency Build It Green for its recent green rehab of Norwood Mutual Housing. “It is the first and only existing multifamily project to get rated in Sacramento County,” said Christopher Becker, Project Manager for Build It Green’s GreenPoint Rated program.

The Norwood Mutual Housing rehab received a score of 40 from the rating agency. The minimum score for certification is 25, and the maximum is 50.

New green features at Norwood Mutual Housing include upgrades to energy-efficient heating, air conditioning and lighting, faucet aerators and low-flow toilets. Also new is an array of water-saving landscape improvements, alongside a new smart irrigation system that includes sensors to measure soil moistness – thus eliminating system activation during rainy weather. Installation of no-mow turf further reduced landscape maintenance needs at the community.

Green rehab efforts at Norwood Mutual Housing were made possible with support from the Sacramento Housing and Redevelopment Agency, as well as NeighborWorks® America.



Norwood Mutual zero equity co-ops after rehab

“Our plan for any work we do from now on, whether rehab or new construction, is to get Build It Green or LEED certification with as high a score as possible,” Mutual Housing Project Manager and Certified Green Building Professional Vanessa Guerra said. [CHB](#)

NY UHAB BUILDINGS GO GREEN

1347 Bristow Street was an affordable rental that slipped into disrepair, plagued by rodents and roaches, crumbling walls and drug dealers in the lobby, when a strong tenants group took over in 1984. Working through the NY HDLC program and the Tenant Interim Lease program, they turned their building into an energy efficient affordable cooperative with LEED Silver certification from the U.S. Green Building Council by installing condensing boilers, bi-level lighting and a green roof.

The cooperative member/shareholders are self managed.

California Co-op Saves with Solar Installation



COOPERATIVES AND
MUTUAL HOUSING
TAKE LEAD ON
ENERGY EFFICIENCY

In the fall of 2012, NAHC member St. Francis Square Cooperative in San Francisco, CA, secured a \$1 million line of credit with National Cooperative Bank (NCB) as part of its plan to install a solar power electric system and handle roof repairs. The Board of Directors for the 299-unit cooperative located in the city's Western Addition/Japantown neighborhood opted to make this environmentally-friendly investment for two main reasons: the opportunity to reduce the property's carbon footprint and to save substantially on its steadily increasing utility bills.

St. Francis Square initially invested in solar technology in the early 1980's with a solar hot water system, and is now taking its commitment a step further by updating the gas and electric systems. The cooperative pays for all of its utilities through the monthly carrying charges. These shared charges—water, trash, gas and electricity—represent approximately 25 percent of the cooperatives yearly budget, and total \$700,000 annually. A further breakdown shows the property's electric bill at \$300,000 a year. The new solar energy system will reduce St. Francis Square's electric costs dramatically, saving the cooperative \$178,000 yearly, nearly a 60 percent reduction. Even with accounting for weather variations, the cooperative expects to recover the cost of the entire installation in just seven years.

The cooperative's healthy reserve funds were used to cover the cost of the solar installation and roof repairs. The Board opted to secure the line of credit with NCB to cover any unanticipated problems that may result from these capital improvement projects. The installation of the solar system is at the halfway mark and is anticipated to provide savings of \$120,000 this year.

"The addition of the solar electric system was a win-win for our community, allowing us to improve the energy efficiency of our property, while lowering our operating costs for years to come," said John Herbert, St. Francis Square Cooperative board member. "We were able to make this improvement without increasing our carrying charges to our residents, and in fact, it allowed us to avoid a 1.5 to 2 percent increase in 2013."

"As a mission focused financial institution, NCB understands the importance of renewable energy and we are committed to funding projects like St. Francis Square, that allow these organizations take advantage of the benefits of solar energy," said Chuck Snyder, President and CEO of NCB.

In 2012, NCB provided a record \$1.25 billion in housing financing with \$962 million for 511 buildings nationwide, and \$289 million for unit financing. Over 50% of the unit financing was on the West Coast. [CHB](#)



In spite of San Francisco fog, rooftop solar panels save co-op \$178,000 a year in electric bills.

Mass Cooperators React to Negative Legislation

Legislation Proposed to Curtail Cooperative Selection Criteria

By Kimalee Williams

Since 2009, the Massachusetts cooperative community has been fighting legislation that would completely change selection criteria for housing cooperatives. If passed, the legislation would prohibit cooperatives from denying occupancy to applicants for anything other than income qualification. Removal of certain restrictions would spell the end to artists' cooperatives and senior housing cooperatives as well as threaten the democratic and communal concept of cooperative housing. The Massachusetts Senate voted down the legislation at the end of May.

This amendment would fundamentally change the structure and operation of Massachusetts' housing cooperatives by forcing them to accept any applicant as long as they met financial criteria.

The first attempts began in 2009 and came in the form of House and Senate Bills in the Massachusetts Legislature. With the support of cooperative organizations throughout the State, as well as strong opposition from NAHC, all of these Bills died in committee. Just recently a Home Rule Petition was filed by the Boston City Council which would severely restrict the rights of cooperatives within the city of Boston. It is believed that these attempts are the work of the same person who filed the many Bills in the State Legislature; and having failed there is trying a new venue. Many cooperative organizations are taking steps to oppose this petition.

If passed, this amendment would have fundamentally changed the structure and operation of Massachusetts' housing cooperatives by forcing them to accept any applicant as long as they met financial criteria. Housing Cooperatives can establish selection criteria that prohibits shares to be sold or units to be occupied by sex offenders, felons, those with poor landlord history, or any other criteria that does not violate fair housing standards. Hence, housing cooperatives cannot deny membership on the basis of race, color, national origin, religion, sex,

familial status, handicap, or any other state or federal fair housing law.

The Senate vote saved cooperatives from being the ONLY form of housing in Massachusetts subject to different standards. A concern from cooperators outside of Massachusetts is that if passed, it could set a precedent that could influence legislation in other states all over the country.

Cooperators believe that the Petition, Bill and Budget Amendment attempts are the result of a long standing retaliatory effort on the part of a wealthy and influential individual who claimed to have been unfairly denied admission into a Massachusetts' housing cooperative.

Cooperative Housing Association of New England and the NAHC Government Relations Committee have been providing support and Nassau Gardens Cooperative has been a leader amongst the cooperatives in the effort.

The cooperative housing community and empathizers are asked to voice their opposition to Amendment #233 and be alert to similar negative legislation in each of their own states. [CHB](#)

NCB Board Elections

The National Cooperative Bank (NCB) announced at its annual meeting on May 9th that NAHC board member Mary Ann Rothman, who is also executive director of the Council of New York Cooperatives & Condominiums, was elected to the Board of Directors. Ms. Rothman replaces the former housing representative on the board, Stuart Saft, who was first elected to the NCB Board when he was a NAHC Board member.

Sandy's Devastating Impact Discloses Fema Deficiencies

The storm surge from Hurricane Sandy covered 16.6 percent of the land in New York City, and the 76,000 buildings it reached contained nearly nine percent of the total housing units in the city. Of the 302,000 housing units in the surge area, 70 percent are located in multi-family properties with more than four units.

In the wake of such statistics, it has been discovered that FEMA rules are inadequate to assist the repair and rehab of damaged housing cooperatives. FEMA policy considers housing cooperatives to be businesses and are therefore ineligible for grants for common areas. In addition, member/shareholders cannot seek money for damages to their homes, although assistance can be obtained for uninsured damaged furniture. FEMA responds that it is following the law and that the law would have to be changed.

However, FEMA interpretation has permitted multi-family condo owners to get assistance. US Senator Charles E. Schumer disagrees with FEMA's position, saying "There's nothing in the Act that prohibits condos and co-ops from applying for FEMA aid... To deny this is wrong." New York legislators are promising to introduce corrective legislation. FEMA is now part of the Homeland Security Department.

One co-op in the Howard Beach section of Queens reported spending \$300,000 from reserves and levying a \$50 a month assessment on shareholder-members. Mary Ann Rothman, NAHC Board member and Council of New York Cooperatives & Condominiums' Executive Director commented on assistance not available to the cooperative entity: "If the roof was damaged or the boiler doesn't work, it means no one can live in the building."

SMALL SCALE LIVING IS AN *Unencumbered Lifestyle*



Free yourself from your large mortgage!

How much of your paycheck goes toward your mortgage and home repairs? One Quarter? One Half? Purchase a share of stock and pay a low monthly association fee of \$215 for a 1 Bdrm, \$220 for a 2 Bdrm, Or \$225 for a 3 Bdrm. Association fees are pooled to cover plumbing, electrical, roof replacement and much more!

The Homes
INC.

PLEASE CONTACT US AT
(913) 321-2471

www.thehomesinc.com



The Homes, Inc. is an Equal Opportunity Housing Participant



Your Cooperative Bank Expert

For over 30 years, National Cooperative Bank has worked with housing cooperatives nationwide to provide competitive banking products and services.

We offer:

- ▶ Cooperative Underlying Mortgages
- ▶ Lockbox and Online Payment Services
- ▶ Reserve Programs
- ▶ Unit Loans



Contact Us!



LOANS

Larry Mathe
TEL (703) 302-1909
TEL (800) 766-2622
EMAIL lmathe@ncb.coop

CASH MANAGEMENT

Jared Tunnell
TEL (703) 302-8176
TEL (800) 766-2622
EMAIL jtunnell@ncb.coop

Visit us online at www.ncbassociationbanking.coop



Join your fellow housing cooperatives and industry professionals for the housing educational event of the year.

This years conference features:

- 6 concurrent educational tracks of educational programs over two full days
- Tour of Seattle Cooperatives
- Networking Reception
- Strut Your Stuff: Co-op Pride Luncheon
- Awards Luncheon


NAHC

NATIONAL ASSOCIATION OF HOUSING COOPERATIVES

**Registration will open in May. For more information
please visit www.nahc.coop or call (202) 737-0797**


NAHC

1444 I Street, N.W., Suite 700
Washington, D.C. 20005-6542
202.737.0797 | fax 202.216.9646
www.nahc.coop