

COOPERATIVE HOUSING BULLETIN

A member service of the National Association of Housing Cooperatives

Spring 2015

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Protecting Your Cooperative's Website

By Lloyd Chrein

WITH STORIES LIKE the recent Sony infiltration becoming more commonplace, even local, niche websites have to be prepared to deal with threats and technology-related issues. There are forces to contend with from across the globe and down the hallway. Web crawlers (also called robots or spiders) sent out by nefarious folks constantly scour websites, looking for a way in. Disgruntled shareholders have more online resources and outlets at their disposal. The scene has dramatically changed since the 1990s when sites had a few pages with pictures, a little history, links to cooperative and neighborhood resources, and a contact form. A "visit counter" ticked up every now and then, and no one ever tried to hack the site.

The good news is that with regular vigilance, cooperatives can enjoy online security—without having to give up the communication and publicity benefits of a good website.

Reacting to a Hack

Not all hackers are looking for financial information or dirty secrets. Most are actually just looking to get a little search engine "juice." Hackers want to use your website to place code that will steer search engines to another website (quite often one that is selling medication for erectile dysfunction or the like). You may never notice anything has happened until someone Googles your cooperative, and in place of your name or address, they see something about Viagra or Cialis.

What should you do? First, search for your website regularly, so you don't first learn about this situation from a prospective purchaser or bewildered shareholder. And visit your website regularly to make sure it is working properly, and nothing seems out of the ordinary.

Next, if you have a basic HTML website that is not running a database (the page names end in ".html"), check your hosting account. The

bad guys most likely breached the login to your hosting control panel, or your FTP (file transfer protocol) login. Go into your hosting account, or if you're not sure how, call the hosting provider, and change the password.

Hackers want to use your website to place code that will steer search engines to another website.

If you have a database-driven website, such as a Wordpress website, you should follow the steps above and then also login to your Admin panel and change the password. Once you do that, install one of the many security plug-ins available, like Wordfence (wordfence.com). The

professional version costs \$39/year.). This will help you clean out the files left by the hacker and protect your site going forward.

Since cooperative boards change members and leadership positions regularly, managing login information can be an ongoing challenge. One solution is to use a "password vault" program, which will store all passwords securely and allow you to share and edit user access. A few of the more popular programs are LastPass (lastpass.com), Dashlane (dashlane.com), and OnePassword (agilebits.com/onepassword). These programs also generate unique, tough-to-guess passwords

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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 cooperatives in Washington, DC, and by providing education, service, and information to cooperatives.

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.

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CAHC	California Association of Housing Cooperatives
CHANE	Cooperative Housing Association of New England
CNYC	Council of New York Cooperatives & Condominiums
CSI	CSI Support & Development Services
FNYHC	Federation of New York Housing Cooperatives & Condominiums
MAHC	Midwest Association of Housing Cooperatives
NJFHC	New Jersey Federation of Housing Cooperatives
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For addresses of all associations and committees, please email info@nahc.coop.

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NAHC Joins Partner Organizations in Celebrating Co-op Week

THE NATIONAL ASSOCIATION OF HOUSING COOPERATIVES (NAHC) is proud to be a part of co-op week by holding its board meeting in the Washington, D.C. area, May 1-3, 2015. The board has extended an invitation to U.S. Housing and Urban Development (HUD) representatives, who will discuss a number of HUD issues involving the membership.

On May 4-6, NAHC's cooperative partner, NCBA CLUSA (the National Cooperative Business Association), will host its 2015 annual conference. On May 6, the Cooperative Development Foundation will convene the Cooperative Issues Forum and the Cooperative Hall of Fame. The week winds up with the National Cooperative Bank (NCB) holding its 2015 annual meeting and reception on May 7. It will be a great week of interfacing with other cooperative leaders who have a board perspective.

As NAHC continues to communicate with its cooperative partners, it is having conversations with NAHC member, ROC USA, on mutual interests. NAHC was also in discussions with NCB to start a share loan initiative. However, NCB decided to work with the Urban Homestead Assistance Board (UHAB) because it already has the infrastructure in place to process such loans. However, NAHC and UHAB have agreed to work together. Such partnerships have produced positive results. The NAHC Board President Gregory Carlson was appointed to the Board of the Consumer Federation of America (CFA) on March 13 at the CFA's annual meeting.

In addition to building coalitions with partner organizations, NAHC is progressing on several projects. This year, NAHC formed a singular committee, the Communications Committee, which encompasses the Cooperative Housing Bulletin (CHB) and other publications, the web site, and public relations. The committee created a CHB Editorial Board and has reached out to other committees and to Registered Cooperative Managers (RCMs) to write articles for publication in the CHB. The committee also will be reviewing an integrated marketing plan prepared by Bostrom. Other committee work includes the NAHC Bylaw Committee that has begun the process of reworking and updating the bylaws.

To aid in delivering products and information important to members, NAHC has also invested in an updated data base system that allows each cooperative to complete a profile. If a profile has not been filled out, please do so today. Assistance is available at info@nahc.coop.

Because NAHC values educating its members, the RCM program is putting the finishing touches on the new online RCM Ethics Course for the RCM recertification requirement. The next RCM training takes place on May 7-8 in Washington, D.C.

One of NAHC's new educational initiatives is energy. As more of the public conservation has been centered on energy efficiency, greenhouse gas effects, and global warming, more state and local governments have been mandating energy efficiencies. To emphasize the importance of this topic, President Barack Obama also spoke about energy efficiencies during his 2015 State of the Union address. Depending on where a cooperative is located, expert data finds that multifamily buildings emit more carbon emissions than cars and trucks combined. The experts agree that this is the largest segment of carbon emissions. NAHC needs to educate members on how to achieve these efficiencies. The first step is for NAHC to become a partner with the U.S. Environmental Protection Agency's Energy Star Program. With this partnership, NAHC could share the wealth of information and knowledge with the membership that the program has garnered for many years.

NAHC also is exploring various other methods to expand existing educational programs by presenting webinars and podcasts and maintaining existing educational opportunities. Thus, planning and preparation has already begun for NAHC's 55th Annual Conference in Hilton Head Island, South Carolina, which will convene October 14-17, 2015. The RCM Course, as well as the RCM certification course, will be held preceding the conference October 12-13. The officers of NAHC look forward to seeing you there. [CHB](#)

—Greg Carlson, Ralph J. Marcus, Fred Gibbs, Anne Hill, and Linda Brockway



Greg Carlson



Ralph J. Marcus



Fred Gibbs



Anne Hill



Linda Brockway

Government Relations Committee Pursues Legislation for FEMA, Veterans, Seniors

FEMA: Representative Steve Israel continues to pursue legislation to require that the Federal Emergency Management Administration (FEMA) provide disaster recovery funds to cooperatives and condominiums to restore building-wide or complex-wide damage caused by hurricanes, floods, tornadoes, and other disasters. Recently, his staff agreed to add the term ‘homeowner associations’ to this eligibility list. Use of this term should also be helpful in securing nationwide sponsors for this legislation and thus promoting its passage.

VETERANS: Representative Carolyn Maloney continues to contend that ‘a home is a home is a home’ and that veterans should be able to use their low-interest loan benefits to buy whatever home they wish. She will reintroduce her legislation to make it permanently possible to use VA loans to buy shares into cooperatives, including homes in limited equity cooperatives.

Representative Maloney has asked NAHC’s help in three areas:

- 1] Seeking additional co-sponsors for her legislation;
- 2] Enlisting cooperative organizations and veterans’ organizations to endorse the legislation; and
- 3] Document any known incidents of veterans being unable to use benefits afforded in the Home Mortgage Loan Guaranty program to help in the purchase of shares or membership in a cooperative.

Please notify the Government Relations Committee for member input.

SENIORS: In 2000, Congress passed legislation authorizing reverse mortgages on units in housing cooperatives. Reverse mortgages, when prudently arranged and carefully reviewed (as done by cooperatives), are wonderful ways of enabling elderly members of a cooperative to live on in their homes rather than having to sell and spend their final years in a different environment. HUD is required to provide guidelines for these loans but has not done so in the last 15 years. Without these guidelines, the investors in the secondary market will not purchase reverse “mortgages” secured by cooperative units. Thus, only lenders willing to hold these loans in portfolio have ever offered reverse mortgages in cooperatives. At present there are not any lenders making reverse mortgage loans on cooperatives. However, NAHC continues to pressure HUD to produce the needed guidelines. Please note

that NAHC is not seeking HUD funding. Once clear guidelines exist, it is very likely that more lenders will begin making reverse mortgage loans.

The Government Relations Committee is collecting stories of individuals in housing cooperatives in need of reverse mortgages. Please notify the Committee to submit such a story.

TAX FAIRNESS FOR LAND ONLY COOPERATIVES:

There are many manufactured home cooperatives where the land is owned cooperatively, but each home is owned separately. At present these cooperatives are not eligible for tax deductions on property taxes and mortgages paid by the cooperative. NAHC President Gregory Carlson has had discussions with the leadership of ROC USA which creates and works with these cooperatives. NAHC proposes to work together to seek manufactured home cooperatives’ inclusion in the provisions of IRC Section 216 that allows for pass-through of these tax deductions.

COOPERATIVE TAX COALITION: There is concern that Congress will soon be examining the tax code and particularly the many tax advantages that different entities enjoy. To be prepared to defend cooperatives against possible attack, a coalition has been formed, bringing together all cooperative sectors, including, of course, cooperative housing. Each organization has been asked to report on the economic and social impact of their form of cooperative, the tax benefits they have, and why their tax status should be protected. The Government Relations Committee is working on this report.

HUD: The Government Relations Committee also follows issues relating to HUD supervision of members. NAHC’s Policy Consultant Judy Sullivan participates in the “Donut Group,” so called because its members meet over coffee and donuts, which enables NAHC to comment on many affordable housing issues. Most of the organizations in the group deal with affordable (rental) housing, and NAHC is happy to support them on issues of common interest. Thanks to this membership, NAHC has been able to benefit from their support on important issues.

The Governance and Strategic Planning Committee Provides Important Oversight to NAHC

THE GOVERNANCE AND STRATEGIC PLANNING COMMITTEE (GSPC) serves several important functions. Its primary function is to provide oversight of all of the governing and planning ac-

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‘a home is a home is a home’ and that veterans should be able to use their low-interest loan benefits to buy whatever home they wish.

tivities of NAHC, such as the review of committee charters, requested changes to, or the creation of, NAHC policies and procedures, and compliance with NAHC's Bylaws.

Most recently, each NAHC Committee was asked to review its charter for the purpose of proposing changes in scope or responsibility, where appropriate, to fulfill their function. GSPC reviewed the proposed charter amendments by corresponding with the various committees. All agreed upon modified charters were then brought to the board for consideration and adoption. While most charter modifications were approved, several went back to their respective committee for additional fine tuning. Most recently, the modified charters for the Audit Committee and the Communications Committee were adopted. At this time, the co-chairs, Mark Shernicoff and Ralph Marcus, believe that NAHC's committee charters have been

strengthened and are in the process of being fully implemented.

With committee charters in hand, the committee's next task will be a full review of NAHC's bylaws.

With committee charters in hand, the committee's next task will be a full review of NAHC's bylaws. In order to do this, an Ad Hoc Bylaw Revisions

Committee has been formed. This committee is chaired by the GSPC co-chairs and includes a representative of each association member and a non-board member volunteer. It is the expectation of the GSPC that this broad representation will allow the committee to have wide-ranging input and participation in the bylaw revision process, a process that is expected to span a couple of years as it is generally agreed that the bylaws should be re-written this time and not just tweaked in various parts. Please provide member input either to association representatives or directly to the prospective committee and stay tuned.

On behalf of the GSPC, the co-chairs thank those committed to the betterment of NAHC. The co-chairs also look forward to enhancing the association's governing documents to allow for the success of NAHC and the betterment of housing cooperatives across the country.

Communications Committee Plans to Resume Publication of the Cooperative Journal

THE COMMUNICATIONS COMMITTEE is planning to re-launch the *Cooperative Housing Journal* and is in the progress of forming its editorial board. [CHB](#)



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Getting Ready for Financing: Putting Your House in Order

By Hugh Jeffers

Securing financing for your cooperative is a significant undertaking. You will be exposed to terms and processes that may be unfamiliar. Refinancing can be very beneficial; however, it will take time, cost money, and take you outside of your “comfort zone.” Proper planning will insure you achieve your goals at the lowest cost and the shortest time period. This process involves multiple steps:

You want to present the best “picture” of your property to the lender. Make sure your books are in order.

- Assessing your current position;
- Determining what the financing will accomplish;
- Preparing an information package for lenders;
- Selecting lenders to interview;
- Evaluating lender proposals; and
- Selecting a lender.

Assessing your current position

This is a critical step. You want to present the best “picture” of your property to the lender. Make sure your books are in order. To the extent possible, address any delinquent bills, delinquent carrying charges, and vacancy issues prior to contacting a lender. Have your corporate documents and meeting minutes up to date. Lenders will want to view meeting minutes to insure that the board is proactive in identifying issues and developing a plan to deal with them. Make sure that current carrying charges reflect reality at the property. The board needs to be progressive in addressing carrying charge increases when necessary.

Review your current financing and understand the financial ramifications of paying off that mortgage. Identify what the prepayment penalty is, if any. Frequently, it can make sense to refinance even if there is a prepayment penalty. You should understand what it is when evaluating refinancing.

Determining What the Financing Will Accomplish

There are numerous reasons to secure financing for your property. You may want a better interest rate to improve your property cash flow. You may want to complete some major repairs to your property. Or, you may need to do a significant project, such as replace roofs, windows, HVAC, complete “green repairs,” upgrade unit fixtures and appliances, etc. There are different financing programs and requirements for simple refinancing as opposed

to financing major construction needs. A major construction loan program will take more time and have significantly more requirements and costs. You need to understand what you are trying to accomplish and what that might mean from a financing perspective.

The level of repairs that are needed or desired will determine what type of financing you will need. Refinance loans allow for a certain level of repairs to be made. As a general rule if you are completing more than \$15,000 a unit or are replacing more than one major building system, you may need a construction loan. Up to that amount, you can probably accomplish what you want through a refinancing loan.

Why the difference? Construction loans are a greater risk for you and the lender. Anytime significant repairs are undertaken, there is greater opportunity for cost overruns, timing issues, architectural issues as well as other problems that may arise during the rehabilitation process. Once you cross that threshold, lenders require a more significant review and oversight process. You may need to engage an architect, and the underwriting of your loan will include a significant engineering review of planned repairs. This increases the cost of your loan from an underwriting perspective. Since significant rehabilitation/new construction loans are more risky, loan fees and interest rates will be higher than a typical refinance loan.

Preparing an Information Package for the Lender

All lenders require the same information to evaluate your loan request. While some lenders may require something outside the norm, the basic information will be the same. Lenders prefer to work with customers who are prepared and present their

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Hugh Jeffers is a NAHC board member and senior director of Love Funding in Oakmont, Pennsylvania.

**Make sure that
current carrying
charges reflect
reality at the
property**

request in a professional manner. This package should include the following:

- Narrative description of property, history, amenities, current financing, and objectives for the financing;
- Audited financial statements (for the previous three years and the year-to-date operating statement);
- Unit matrix (include number of each unit by number of bedrooms and baths, square feet and average carrying charge per unit);
- Current Rent Roll;
- Occupancy history for the last 36 months;
- Major repairs completed in the last five years;
- List of competitors in the market;
- Management information;

- Standard lease agreement;
- Corporate documents including bylaws;
- Pictures; and
- Location map.

By following the steps outlined above before contacting lenders to interview, you will demonstrate that you have a strong grasp of your position and that you are presenting your cooperative in the best possible way. Doing your homework will pay off for your cooperative with a smooth, cost effective loan application process. **CHB**

Note: In the summer issue, the author will focus on selecting lenders to interview, evaluating lender proposals, and selecting a lender.

► **Protecting Website** [continued from page 1]

for you—and then save them. They store them in a secure way on your computer, and they have apps so you can access passwords on the road. This takes a lot of the work out of managing login information.

For your new password(s), don't use real words, especially ones related to your cooperative; use a random combination of letters (upper- and lower-case), numbers, and symbols. Use one of the above programs to create and store your passwords. However, don't send it to them by email because email is the most insecure way to send information. You can then ask your hosting provider or web developer to clean out the files placed by the hacker.

Once you have cleaned up the website and changed your logins, the next step is to alert the search engines so that they rescan your website. For Google, go to www.google.com/webmasters. For Bing, go to www.bing.com/webmaster. Follow the steps to register your site, and this will help it to be re-indexed more quickly.

Countering Bad Reviews

With widespread access to social media and “review” sites, unhappy shareholders now have a broad selection of ways to say

bad things about your cooperative online. Negative comments posted on Facebook, Twitter, and even Yelp can move up in the search results quickly.

What should you do? As with your website, you should regularly search for your cooperative name, address, and board member names. It's better if you see the negative content first, before shareholders or prospective purchasers get wind of it.

Next, while you may not be able to physically remove someone else's posts from a social media site (you should consult your attorney on matters of possible libel/slander posted on the web), you can counter these attacks with your own positive posts. First, create a blog—you can use your own Wordpress site or create a free blog at any number of free or inexpensive blogging providers: Wordpress.com, Squarespace, Blogger, TypePad, Weebly, Tumblr and Quora, to name a few. Then set up a Facebook company page (facebook.com/pages/create.php) and a Twitter account for your cooperative. You can also set up a LinkedIn company page (business.linkedin.com/marketing-solutions/company-pages/get-started).

Then use all of these outlets to

start posting good things about your cooperative: news about improvements, great amenities, places to visit in the area. Do it daily if you can. In each blog and social media post, include a link to your website—so you have the added benefit of search-engine optimization (SEO) to help improve your website's search presence. All of this fresh content, posted on a steady basis, will make its way into the search results when people search for your cooperative. It also will help to push the negative content down off the first page of search results.

Having a website in 2015 is certainly not a simple, set-it-and-forget-it endeavor. At the same time, it's very difficult (perhaps impossible) to run a business of any kind—including a housing cooperative—without having a web presence. But as long as you stay informed and vigilant, you can enjoy the good and stand prepared for the bad. **CHB**



Lloyd Chrein is the president of Chrein.com, which has been creating and maintaining websites for cooperatives, condominiums, and many other types of businesses since 1995.



When it Rains, It Pours—Understanding Surface Water and Flood Exclusions in Commercial and Homeowner Property Damage Policies

By Michael G. Wales

Virtually all property insurance policies contain exclusions for loss caused by floods and surface water runoff. A typical flood or water damage exclusion found in homeowners' and commercial property policies using standard Insurance Services Office, Inc. (ISO) policy form language generally provides as follows:

We will not pay for loss or damage caused directly or indirectly by any of the following.

Water

- 1] Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- 2] Water which backs up through sewers or drains or which overflows from a sump; or
- 3] Water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.

The term "surface water" is rarely, if ever, defined.

As described above, water damage generally includes flood, sewer backup and seepage from water below ground. Despite these seemingly self-explanatory categories, disputes often arise regarding whether damages caused by water are covered.

Courts in several jurisdictions have carved out scenarios where property damage claims may not be excluded by the surface water exclusion, such as where the origin of the water was not natural or the flow of the water was channeled by a structure on the ground.

The Colorado Supreme Court held in *Heller v. Fire Ins. Exch.*, 800 P.2d 1006 (Colo. 1990), that spring runoff of melting snow diverted from its regular path onto the Hellers' property by three parallel trenches constructed behind property was not "surface water" because trenches were "defined channels." The court held that surface water follows no defined course or channel.

In *Cochran v. Travelers Ins. Co.*, 606 So. 2d 22 (La. App. 1992), the Louisiana appellate court held that rainwater that overflowed and seeped from the roof into the interior of the building was not "surface water" because it was not water that collected and lay on the ground.

In *Ebbing v. State Farm Fire & Cas. Co.*, 1 S.W.3d 459 (Ark. App. 1999), the Arkansas appellate court held that water from a burst water main was not "surface water" because it did not accumulate from natural causes.

In *Aetna Fire Underwriters Ins. Co. v. Crawley*, 207 S.E.2d 666, 668 (Ga. App. 1974), the Georgia appellate court interpreted "surface water" to strictly apply to water on the surface of ground and not to rainwater falling on and flowing from the roof of an insured dwelling.

The majority of courts, however, interpret the surface water exclusion broadly to apply to any damages that are caused by water that ran onto, over, or from some man-made object. For example, in *Crocker v. American Nat'l Gen. Ins. Co.*, 211 S.W.3d 928 (Tex. App. 2007) the Texas court of appeal held that the surface water exclusion applies to damages caused by water that runs over various items even if the flow is altered by items built on top of the ground. The court noted that the term "surface water" was not defined by the policy and referred to other Texas cases that have defined "surface water" in the insurance context as follows:

Surface water is defined as water or natural precipitation diffused over surface of the ground until it evaporates, is absorbed by the land, or reaches channels where water naturally flows. "Flood water" and "surface water," therefore, have a terranean nature, i.e., water overflowing its natural banks or which does not form a well-defined body of water—as opposed to water below the surface, whether from a nature or unnatural source. [Citations omitted.]

In the *Crocker* case, the water entered the house from a raised patio. The parties agreed the resurfacing of the patio caused rainwater to drain

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It is important that any housing cooperative use its best efforts to obtain and maintain adequate insurance to protect the corporation.



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Negligent failure to obtain flood insurance is typically not covered under a Directors and Officers Insurance Policy.

into the house instead of into the flower beds as planned. The Crockers argued that because the rain hit the patio instead of the dirt, and the top of the patio was 8 to 10 inches above the soil, the damage was not caused by water on the surface of the ground. The insurance company argued that it would be a strained interpretation of “surface water” to hold that it does not include rainwater that falls upon concrete and asphalt structures such as patios, roads, driveways, playground blacktops, and parking lots—structures which are by their nature placed upon the surface of the ground. The court agreed and held that the ordinary meaning of the words “surface water” reasonably can include rainwater that has collected on the surface of their patio.

The Illinois court in *Smith v. Union Auto. Indem. Co.*, 752 N.E.2d 1261, 1266 (Ill. App. 2001), *appeal denied*, 763 N.E.2d 778 (Ill. 2001), also discussed whether water could be “surface water” when its flow had been altered by man-made structures. In *Smith*, during a torrential rainstorm, the window wells in the basement of the Smiths’ home filled with water, causing the windows to break and the basement to fill with 5 feet of water. Water also came into the basement through the sewer drain. The court held that the average reasonable person would not limit surface water to water whose flow has not been altered in any way by paved surfaces, buildings, or other structures. Therefore, the court held the water entering the Smiths’ home as a result of a torrential rainstorm was surface water excluded by their homeowner’s insurance policy.

Generally, courts have held that a flood means a large-scale inundation or deluge from a natural body of water. However, in *Wallis v. Country Mut. Ins. Co.*, 723 N.E.2d 376 (Ill. App. 2000), the court found that a man-made watercourse was a body of water, and the water exclusion precluded coverage for damage caused when it flooded. Larry and Mae Wallis owned a home with the Rob Roy irrigation canal flowing about 150 feet away. The canal was not natural but was a man-made irrigation channel used by nearby farms.

The insureds argued that the damage did not result from a flood because the water overflowed from a man-made source, which, they claimed, was not how the term “flood” had been interpreted in the past. In contrast, the court said, “The common meaning of a flood is ‘a rising and overflowing of a body of water that covers land not usu[ally] under water.’ The creek was a body of water. The insureds’ home was not usually under water—ergo, a flood occurred. The court found no credence

in the argument that a man-made body of water cannot cause a flood.

Flood insurance is, of course, available for both residential and commercial risks through the National Flood Insurance Program. In the flood insurance policy, “flood” means either the overflow of inland or tidal waters or the unusual and rapid accumulation or runoff of surface waters from any source. A flood occurs when these waters invade land areas that are normally dry and inflict a condition—that is both general and temporary—of partial or complete inundation. Also included as flood are mud slides caused by flooding. Thus, flood insurance aims to cover the traditionally uninsurable natural forces (whether or not set in motion by man) that result in widespread damage verging on or equaling the catastrophic.

It is important that any housing cooperative use its best efforts to obtain and maintain adequate insurance to protect the corporation. This includes the obligation to obtain flood insurance for buildings in a flood zone or an area potentially prone to flooding. While flood insurance is a common coverage type that is foregone by many boards, negligent failure to obtain flood insurance is typically not covered under a Directors and Officers Insurance Policy. This means that if there is a flood that causes damage to the property, the board cannot simply cite “board member oversight” as a reason for not purchasing the coverage. If your community is going to forego signing up for flood insurance, be sure the board has an ample supply of reserve funds.

In conclusion, recent extreme weather activity throughout the US has made it clear that any cooperative near a canal, lake, drainage basin, river, or even a normally dry stream bed, whether man-made or natural, should be aware of the risk of potential for damage from a flood or from surface water and obtain proper flood insurance. [CHB](#)

Ethical Conduct Makes for Good Governance: A Guide for New Cooperative Directors

By Douglas M. Kleine, CAE

Come into the
board room with
an open mind.

Lying, cheating, and stealing make good headlines, whether on the front page, the sports page, or the business page. General counsel has already made directors aware of illegal activity to avoid, but ethical conduct and relationships are topics that go beyond cut and dried legal advice, so it is appropriate and important to broach these topics on three levels:

- Conduct and relationships in the board room and with the executive team;
- Conduct and relationships with membership and the community; and
- Personal conduct and relationship to self.

In the Board Room

The board's primary role is to plan, decide, and evaluate. The rules are pretty simple to carry out that role. Be informed. Being informed means more than reading the materials; it also means ascertaining whether the materials you have been furnished are sufficient in scope to enable a decision to be made. It means asking clarifying questions, and when faced by technical matters and "experts," not being intimidated and making sure the expert is a good resource.

Keep an Open Mind

Another rule is to come into the board room with an open mind. When power blocs are already lined up, dialog has no chance. New solutions and win-win solutions can come from the understanding created by intelligent discussion and careful understanding of the pros and the cons.

Practice deciding by the three R's. Reasons—why are we doing this, what is the need, and who has asked for it? Risks—what are our chances of success, what is the price of failure, what is the price of inaction? Rewards—what will the benefit be to the cooperative and the members?

Respect boundaries

Foster the board's relationship with the manager. The board is only in session for a few hours each month. The manager has to interpret new directions and deadlines and keep routine work running, so be clear in those few hours together about priorities, goals, and expectations. Be sure there is a meaningful evaluation process for the manager's performance.

Recognize that the leadership team is more than directors. Staff and the manager are part of the leadership relationship. Respect boundaries between staff and board functions and realize that for every decision, there is an implementation responsibility that falls to staff.

Do your homework

Understand the finances of the cooperative and provide adequate resources to get the job done. Too many cooperatives adopt budgets with arbitrary expense cuts and unrealistic revenue targets. Too many are far behind in technology, and the technology lag affects so many factors—staff productivity, customer service, and data collection needed for evaluation and decision-making.

Disclose conflicts

Disclose conflicts of interest. Having conflicts of interest is not the issue. Everyone has them. The issue is that you and the board recognize and deal appropriately with them when they arise. Adopt a gift policy, and ask your management company to do the same, so there is clear guidance when to accept gifts and donated services from vendors and others, and when the correct response is "no, thank you."

Govern all, not just one part

You represent the whole, not the part. If you were elected by one membership sector or interest or building, you can still represent them by bringing their concerns to the board, but having done that, you must then act on behalf of and in the best interest of all the membership.

When You are Among Members in the Community

Some of the most unethical conduct can occur outside of the boardroom. Again, the rules are not that hard to grasp, just difficult to put into practice sometimes.

Resist the temptation to intervene or carry a cause

One rule is not to speak or act on behalf of the board unless authorized. You are not a 24-hour ombudsman, and you have no authority to intervene in operations, customer transactions, and staff intrigue. Learn to ask deflecting

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Douglas M. Kleine is former NAHC executive director, presently the manager of the editorial board of the Cooperative Housing Bulletin. He is president of Professional Association Services in Alexandria, Va., dougk@verizon.net.

**Foster the board's
relationship with
the manager.**

questions when members seek your intervention (“Have you asked the manager about this?”) and to be sympathetic without promising something beyond your ability to make happen. Refer inquiries to staff, when appropriate, and carry a “Resident Comment or Complaint” form with you to hand to the complaining cooperator so the comment goes through the right channel.

Respect the Board's Decision

Occasionally, the board may take an action about which you disagree. The correct public conduct is to support the board's decision. The damaging conduct is to undermine the board's decision by citing to the members all the reasons why you think the decision was wrong.

Relationship with Self

From time to time, not often, fortunately, a board member's personal life comes into the forefront

in a way that could bring embarrassment to the cooperative or make it harder for the board to get a quorum because you cannot get to the meeting. Promise yourself to avoid those situations, and if unavoidable, be quick to step down if an end is not in sight.

Serving on a board is a commitment—a commitment to make the time, but even more, a commitment to be engaged with your fellow board members, cooperators, and current and long-term issues. During your service, make room for others by inviting their input, sharing what you know with them, and reaching out to under-served or under-represented members. As your service winds down, don't linger. Let others follow in your footsteps and be comfortable in their making some of their own footprints. [CHB](#)

Managers: Do Your Homework to Stay Safe

By Gregory Carlson



NAHC President Gregory Carlson is the chair of the RCM Board of Governors and president of Carlson Realty.

Managers, including RCMs, working onsite and in management companies have the potential for encountering violence. How protected are you? Recently, a disgruntled employee burst into the property manager's office in Palm Beach, Fla., and shot and killed the manager. Protection does not have to mean pack a gun, have metal detectors, or wear a bulletproof vest. A small and conscious effort can do a lot of good. Look at procedures in your office, look for safety.

One important procedure is to do background checks on potential employees. Experts suggest the overarching legal principle to keep in mind when screening applicants is that everyone must be treated equally. This is why outsourcing background checks are a good idea. You may want to get the applicant's consent in writing

before moving forward and review local, state, and federal laws. If you do credit reports on potential employees under federal and some state regulations, the cooperative must show the information is a business necessity and relevant to the job. You should have written policies and procedures that are followed with all potential employees. If there are discrepancies between the interview, application, and background checks, discuss these with the applicant. If you do find a mark in the background check, look at the relevancy. Was it a recent blemish or did it happen when they were a teenager? What does this blemish have to do in connection with the job? Will the applicant be driving a cooperative vehicle? Have access to keys? Handle funds? Be smart and remember to revisit your safety procedures from time to time. [CHB](#)

And the Oscar Goes to Harry Belafonte: Cooperative Housing Organizer, Lifetime Cooperative Activist

By David J. Thompson

This February with over 40 million people watching, Harry Belafonte was awarded an honorary Oscar at the Academy Awards in Hollywood. The world saw the 87-year-old singer, actor and civil rights activist honored for his lifetime contribution to humanitarian causes and social change. Some of us will also know him for being a cooperative organizer and lifetime cooperative supporter.

Harry Belafonte's
first home
ownership was a
cooperative.

By 1958, Harry Belafonte had become a famous name all over the world. In 1953 he recorded “Matilda” his life-long signature song and best selling single. He also had eight albums to his name, and his 1956 Calypso Album featuring “Jamaica Farewell” and the “Banana Boat Song (Day O)” topped the charts for 31 weeks. Calypso was the first album to sell over one million copies. Belafonte had also become a screen symbol in the 1954 movie “Carmen Jones” followed by his impactful inter-racial 1957 movie “Island in the Sun” with Joan Fontaine.

Belafonte was at the height of his popularity and could pack concert halls all around the world. However, for all of his fame and fortune, the one thing he could not do was to rent or own an apartment in midtown Manhattan.

Belafonte writes in his book, “My Song,” “Yet by now, I was having almost daily talks with Martin (Martin Luther King Jr.). The more he and I spoke, the more I realized that the movement was more important than anything else. I was feeling my way with all this, in the fall of 1958, when I ran into a color barrier so blatant and infuriating – in Manhattan, of all places--that I put my existential balancing act aside.”

Belafonte and his wife had started searching for a larger apartment. “Our first thought was to rent on the Upper East Side, but every broker we contacted seemed to blanch when we walked in. The message conveyed, either implicitly or overtly, was that we’d be happier in some other neighborhood. I heard the message loud and clear, and I sent back one of my own, by calling a press conference to announce I’d filed a formal complaint with the city. One of those who read the news was Eleanor Roosevelt.”



Harry Belafonte (left) speaks at the Alabama center of the Federation of Southern Cooperatives. He is flanked by its Executive Director Ralph Paige.

In her nationally syndicated column, My Day, published on October 20 of that year, former First Lady Eleanor Roosevelt wrote, “I am sure that every New Yorker was shocked the other day to read that Harry Belafonte and his charming wife and baby were finding it practically impossible to get an apartment in New York City except in what might be considered segregated areas or in a hotel.”

In that same column, Eleanor Roosevelt highlighted housing cooperatives as one of the solutions for de-segregation, “There are beginnings to encourage us. The Committee on Civil Rights in Manhattan, for example, has issued a pamphlet on housing cooperatives which may be the answer for a number of people. Some private builders who are planning and constructing cooperative apartments are particularly interested in seeing that there is no discrimination in any project where they have invested their money.”

However, a few months later, Belafonte and his wife did find a four-bedroom apartment they really liked at 300 West End Avenue. They loved the place,

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David Thompson is president of the Twin Pines Cooperative Foundation and a 2010 inductee into the Cooperative Hall of Fame. Thompson is writing the book entitled “The Role of Cooperatives in the Civil Rights Movement.”

Eleanor Roosevelt highlighted housing cooperatives as one of the solutions for de-segregation.

but when they tried to rent it the apartment was “suddenly unavailable.”

Belafonte recounts, “Furious, I sent a white friend – Mike Merrick, my publicist- in as my stalking horse. Now the lease was readily conferred. Mike passed it on to me, I signed it with my own name, and the one year lease was countersigned. Apparently, the building manager did not know who I was. Julie and I moved our furniture in first, then showed up to take occupancy. Within hours, the building manager became aware that he had a Negro as a tenant.” The building owner responded by telling Belafonte to pack up and leave, but Belafonte refused.

As Belafonte tells it in his book, the apartment building was owned by Ramfis Trujillo, the illegitimate son of the dictator of the Dominican Republic. Belafonte and others set up anonymous companies that sent in separate bids to buy the building.

Belafonte recounts, “The whole concept of cooperatives was just beginning to take hold. What we were proposing would soon become a trend. We would buy the building outright from its owner, then try to sell as many of the apartments as possible to the tenants who lived in them. Any tenant who preferred to keep renting could do that.”

“It all worked like a charm. Just as my one year lease was about to lapse, our absentee billionaire owner accepted the highest bid.”

The building was bought by Belafonte and his partners. Belafonte put up most of the funds. The other tenants purchased shares, and the housing cooperative was created. As the remaining rental units turned over, Belafonte encouraged his friends to join the cooperative. Lena Horne (Belafonte’s singing partner on the album *Porgy and Bess*) was one of the first to join the cooperative. “We didn’t just invite black friends though, our goal was integration not “reverse segregation” But I was glad to have a home that was mine.” Belafonte’s first home ownership was a cooperative.

In March of 1959, that cooperative apartment, Belafonte’s first home would welcome as one of its earliest guests, Martin and Coretta King. “Martin would come to think of it as his home away from home, staying with us on many of his New York trips, he brought with him two or three of his closest advisors, and by the mid sixties, the apartment was one of the movement’s New York headquarters.”

For the next almost 50 years that cooperative was Belafonte’s home. Numerous civil rights leaders, celebrities and public figures would come there for meetings or for fundraising receptions. Among those who came were Eleanor Roosevelt and later Senator John Kennedy to seek Belafonte’s support

for his 1960 presidential candidacy. He sold his cooperative apartment in 2006.

Belafonte played an important role during the key years of the Civil Rights Movement. During that time he became a confidante of Martin Luther King and his family. At a fundraiser in his cooperative apartment in March of 1963, he raised \$50,000 which was sent to bail out as many people as possible from the Birmingham jail. That was at the time that Martin Luther King was writing his now famous, “Letter from Birmingham Jail.”

One cooperative that Belafonte cared a great deal for was the Freedom Farm Cooperative started in Ruleville, Sunflower County, Miss. led by the civil rights leader Fannie Lou Hamer. Hamer knew there would be no safety unless the land was owned by the cooperative and not leased from a landlord. Only 71 blacks owned land in Sunflower County which had a black population of 31,000.

In 1969, Belafonte wrote a fundraising letter urging people to donate toward the purchase of land for the Freedom Farm Cooperative. In his letter Belafonte wrote that Freedom Farm was an, “example of initiative, racial cooperation, and political militancy worthy of the support of all decent Americans.” Enough money was raised to eventually buy over 700 acres.

During this time Belafonte also became a fervent supporter of the Federation of Southern Cooperatives and its many programs throughout the South. In 2003, the Federation marked Belafonte’s contributions by awarding him its highest honor, the Estelle Witherspoon Award at its annual awards banquet in Birmingham.

Ralph Paige, executive director of the Federation of Southern Cooperatives, has known Belafonte since the Civil Rights era of the 1960s. Paige recently recounted; “We could not buy the support that Harry has given the Federation over the years. Without his (Belafonte’s) backing there are so many things that the Federation could not have achieved. I still call him a lot, and in all those years he has never turned us down. Belafonte has stuck with the Federation through thick and thin.”

Belafonte’s award was pre-filmed on November 9, 2014. At that ceremony, Belafonte spoke eloquently about his desire for social change. Belafonte also was honored at the 2015 Oscars’ Ceremony. We are to be grateful to him that for his life of social activism he has continuously supported cooperatives as a solution. [CHB](#)

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UHAB Has Successful Year

The Urban Homesteading Assistance Board (UHAB) in New York reports that it converted 36 buildings in 2014 to cooperatives for low- and -moderate income families. In the past 41 years UHAB has converted 1,600 buildings to cooperatives with a total of over 30,000 units. Demand continues as UHAB's Introduction to Limited Equity Co-ops course drew 540 people last year.

San Francisco CLT Buys Victorian Home, Turns It Cooperative

By Dana Hawkins-Simons

THE SAN FRANCISCO COMMUNITY LAND TRUST (SFCLT) purchased a 14-bedroom Victorian home last year to prevent the displacement of its low-income residents. Originally built as two duplexes, over the last century the Mission District building has served as a single home, a group home, and even an international traveler's hostel.

The residents of 2976 23rd Street, many of whom are artists and musicians, approached the SFCLT about purchasing the property when the owners listed the home for sale at \$1,780,000. The sellers were sympathetic and agreed to work with the SFCLT to preserve the units as affordable housing. The owners provided a \$400,000 short-term loan to the SFCLT. The land trust plans to repay the loan when funding from the city is expected to become available through its new

Small Site Acquisition Program, which is designed to help nonprofits buy real estate.

Many of the displaced residents are low-income and would have difficulty finding alternative affordable housing in the city where rents for a one-bedroom apartment start at \$1,800 a month. That figure is double what tenants pay, averaging \$800-900 month.

The residents signed a 99-year lease with SFCLT and promised to pay it \$4,000 a year in stewardship fees. In exchange, the land trust is rehabilitating the property, paying the insurance bills and mortgage, and making sure all new households are low- or moderate-income.

New members do not have to put money down to move in because the building is zero-equity. This form of cooperative is easy to create in California and benefits from 100% property tax welfare exemption. However, new residents must earn less than 80% adjusted modified income (AMI) in order for the property to continue to qualify for property tax exemption. Thus, the cooperative will target all vacant units at 50% AMI (\$34,000 for 1 person; \$38,000 for 2 people).

Chicago Cooperative Searches for an Additional Home

A COOPERATIVE OF THE NORTH AMERICAN STUDENTS OF COOPERATION (NASCO), Qumbya is seeking a fourth property. Currently, it operates three houses with about 50 members in Chicago's Hyde Park neighborhood.

Qumbya met last month to identify people who might be interested in living in the new cooperative and help guide the process. The cooperative is searching for property from 35th Street to 63rd Street and between Dan Ryan and the Lake with a shared kitchen, 10-20 bedrooms, and a \$300K-\$600K purchase price with minimal initial rehab. Qumbya is targeting August or Sept 2015 for its new cooperators to move in. [CHB](#)



Dana Hawkins-Simons is the director of the Opportunity Housing Initiative at the National Housing Institute.



The residents of 2976 23rd Street are now cooperative members.

California Association of Housing Cooperatives

THE CALIFORNIA ASSOCIATION OF HOUSING COOPERATIVES

is planning its spring training session in collaboration with the Mayor's Office of Housing and the San Francisco Land Trust. Training and/or refresher reviews are being considered for new and existing board members on conflict of interest, fiduciary responsibilities, confidentiality, and reviewing financial statements. Other possible training subjects include fair housing laws, maintenance responsibility, and emergency disaster planning encompassing central gathering place and buddy systems.

Cooperative Housing Association of New England

THE COOPERATIVE HOUSING ASSOCIATION OF NEW ENGLAND

(CHANE) continues helping troubled housing cooperatives in its area. CHANE officers, President Kimalee Williams, Vice President James N. Dancy, and Secretary Roger Willcox, who possess many years of cooperatively oriented management and development experience, provide this service without charge.

Since its members also belong to NAHC and are eligible to receive its notices and bulletins, CHANE alerts its members of NAHC services including its website and the RCM program.

CHANE plans to hold its first annual conference some time before the end of the year where training will be provided.

The Council of New York Cooperatives & Condominiums (CNYC)

CNYC is active in helping its members become more energy efficient and comply with strict city laws regarding the phasing out of "dirty" fuels, the benchmarking of energy use, and the fine tuning of building systems to maximize their efficiency.

CNYC has taken a great interest in the growing phenomenon of 'short-term rentals' that are particularly popular in cities throughout the world where hotels get top dollar. Airbnb and similar web-based organizations arrange for paying "guests" to be housed in homes or apartments. The organization and the resident whose home receives the "guest" get a fee. Consequently, the municipality is deprived of hotel taxes and other revenue. The "guests" and hosts are not reviewed or vetted for criminal history, and there are no provisions made for the safety of "guests" unfamiliar with the building or the neighborhood, such as fire safety notification, required emergency exits or plans as is required in hotel settings. And, unfortunately, large blocks exist of otherwise vacant units where these "guests" arrive with a key, stay a few nights, and behave objectionably, often to the dismay of their neighbors.

There is an important distinction to be made between conscientious hosts who are actually present to welcome and

supervise these "guests," and the flagrant abuse of vacant apartments that are supposed to be used as homes, not as accommodations for transients.

In any event, where a cooperative or condominium is concerned, the board of that cooperative or condominium has every right to set its own detailed policies on this issue, ranging from absolutely prohibiting such "guests" to a detailed registration process designed to protect the safety of others, the security of the building, and the privacy of neighbors. CNYC is following every aspect of this issue with great interest.

CSI Support & Development Services

CSI MANAGEMENT staff went to the nation's capital on March 10, to attend several scheduled meetings on Capitol Hill. The focus of CSI's lobbying efforts centered on the need to fully fund and to continue to support project-based rental assistance contracts and the ongoing support of low-income housing tax credits. Prior to going to Washington D.C., CSI asked its resident/members to write letters telling their elected officials what affordable housing means to them and how it has personally impacted their lives. CSI received over a thousand letters from resident/members that were taken along to D.C. and shared with the offices visited. The common theme that resonated within those letters was the fact that affordable senior housing is absolutely necessary. Without it, many CSI members would be living on the streets or in situations that were unfavorable. In many cases, the alternatives were unthinkable. The list of visits to the Hill included: Representative Michael Capuano (D-7th-MA); Senator Elizabeth Warren (D-MA); Senator Debbie Stabenow (D-MI); Representative Sander Levin (D-9th-MI); Senator Barbara Mikulski (D-MD); Senator Barbara Boxer (D-CA); and Senator Dianne Feinstein (D-CA).

CSI Support & Development is a mission driven non-profit that will continue to support affordable housing in every way it can and encourages everyone to take part in advocating for affordable housing by visiting the nation's capital.



Cheryl Ross



Brandon Moss

CSI has also experienced staff changes. Cheryl Ross, CSI's regional manager in Baltimore has retired after a career of 26 years with CSI. Cheryl worked in three of the four regions and said, "Being able to help grow the organization brought much joy to me... putting the sticks and bricks together was one thing, but watching a building turn into a home for our members was certainly one of the highlights." Her position has been filled by Brandon Moss, who has nine years of experience at CSI. Brandon has worked in both the education and operations departments and has always been a spirited cooperative advocate.

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APRIL

11–16 MAHC Annual Conference; Royal Caribbean International Cruise to Mexico and Belize

23–25 PAHC 39th Annual Conference; Clarion Resort Fontainebleau Hotel, Ocean City, Maryland

MAY

1–3 NAHC Board of Directors Meeting; Washington, D.C.

4–6 NCBA CLUSA International Annual Cooperatives Conference; Washington, D.C.

6 Cooperative Development Foundation Cooperative Hall of Fame and Issues Forum; National Press Club, Washington, D.C.

7 NCB Annual Meeting; Carnegie Library, Washington, D.C.

7–8 RCM Training; NAHC, Washington, D.C.

AUGUST

4–6 CSI Massachusetts Management Conference; Doubletree Hilton, Leominster, Massachusetts

11–13 CSI Maryland Management Conference; Loews, Annapolis, Maryland

18–20 CSI California Management Conference; Pacific Palms Resort, City of Industry, California

26–28 CSI Michigan Management Conference; The Henry, Dearborn, Michigan

SEPTEMBER

24 CSI Annual Meeting; Location to be determined

OCTOBER is Co-op Month

12 RCM Training; Westin Hotel, Hilton Head Island, South Carolina

13 RCM Ethical Practices Recertification; Westin Hotel, Hilton Head Island, South Carolina

14–17 NAHC 55th Annual Conference; Westin Hotel, Hilton Head Island, South Carolina

NOVEMBER

7 PAHC Fall Training; Pickwick Square Mutual Homes, District Heights, Maryland

15 CNYC's 34th Annual Housing Conference; Baruch College's Newman Vertical Campus, Manhattan, New York

The Federation of New York Housing Cooperatives and Condominiums**THE FEDERATION OF NEW YORK HOUSING COOPERATIVES**

AND CONDOMINIUMS (FNYHC) has been active on the city level with numerous legislative and regulatory initiatives.

Mayor Bill de Blasio, in his State of the City address, spoke favorably about affordable housing. However, since the beginning of the year, the City Council has discussed introducing legislation that would be detrimental to cooperative housing.

The CNYC and the Federation also held a joint issues breakfast on March 18 for professional members where a discussion of energy issues, resiliency requirements, affordable housing, and corruption ensued.

The Federation is exploring ways to expand its website viewership. The Federation's website has been routinely updated with topical information for the membership.

Midwest Association of Housing Cooperatives

WHILE TRAVELLING from Fort Lauderdale to Mexico and Belize, more than 300 members of the Midwest Association of Housing Cooperatives (MAHC) will float through four tracks of training encompassing 32 classes from April 11-16 during MAHC's annual conference. Members will choose from courses to include governance, construction contract administration, marketing, ethics, fair housing, and grant writing.

On land, MAHC has changed the recertification process for members who have completed designation courses so that they may take them online in a self-paced course. MAHC is also offering a new service to assist members in developing their websites.

New Jersey Federation of Housing Cooperatives**BROOKS AND SLOATES COOPERATIVE AND HIGH PARK GARDENS**

COOPERATIVE, members of the New Jersey Federation of Cooperative, learned about strategic planning during a workshop led by Financial Advisor Charon Motayne, CPA, of High Park Garden Cooperative. The workshop was held at the Federation's year-end meeting on December 6, 2014.

Potomac Association of Housing Cooperatives

THE BOARD OF DIRECTORS AND COMMITTEES of the Potomac Association of Housing Cooperatives (PAHC) are making plans for the 2015 annual conference in Ocean City, Md. at the Clarion Resort Fontainebleau Hotel, April 23-25, 2015. Conference topics are: Is It the Driver or Pedestrian Error? (Diversity: Board vs. Member's Rights); Hammer vs. Axe (Maintenance Overhaul); Run-Away Train (Disruptive Board/Members & Conflict Resolution); Show Room or Junk Yard (Property/Capital Improvements); and Before & After (Mortgage Pay-off and Refinancing. NAHC President Gregory Carlson will be the luncheon keynote speaker on Friday. In the fall, PAHC's training will be held in November at Pickwick Square Mutual Homes in District Heights, Md.

The board also has appointed three new committees and is working with affiliates in the area to assist the board in its effort to reach more housing cooperatives in the region. PAHC has begun its annual membership drive to recruit 100 potential new members and is sending them marketing packages. [CHB](#)

South Korea Welcomes its First Public Housing Cooperatives

By Lee Ji-eun



The Ieumchae building, a public housing cooperative. (Newsis)

SOUTH KOREA welcomed its first in a series of public housing cooperatives at an event in Seoul on November 23, 2014. The public cooperatives are part of Seoul Mayor Park Won-soon's plan to provide 80,000 units of housing, a pledge he made in his campaign for reelection. Instead of the typical approach of building the apartment first and then finding occupants, the new approach has like-minded prospective tenants coming together to form a cooperative that directs the entire process from planning to construction, naming, and even design.

Ieumchae, the first cooperative, is located in the Gayang neighborhood of Seoul's Gangseo district. It was specifically developed as a "childcare model" of cooperative, with 24 non-home owning families with children three and under selected as tenants. Built on a city parking lot as a six-story urban housing complex with a basement level and 49 square meters (527 square feet) of dedicated floor space, it includes joint childcare facilities, a community room, and a shared rooftop garden in addition to its housing units. Rental periods extend up to 20 years, with a deposit of 150 million won (US\$135,000) and monthly rent of 30,000 won (US\$27).

Lee Ji-eun is staff writing at *The Hankyoreh*, an independent newspaper in South Korea. Reprinted with permission.

Cooperatives and Land Trusts Make Good Bed Fellows

THE LINCOLN INSTITUTE OF LAND POLICY recently released the working paper, *The Community Land Trusts And Limited Equity Cooperatives A Marriage Of Affordable Homeownership Models?*, authored by Meagan M. Ehlenz. The paper explores an innovation in shared equity—the merger of community land trusts (CLT) and limited equity cooperatives (LEC) to address challenges and maximize collective strengths. Set within the context of the benefits and limits of CLTs and LECs as independent organizations, the paper examines five CLTs with LEC projects. It considers the CLTs' motivations for pursuing LECs and appraises the characteristics of hybrid projects.

While CLT-LEC projects are small in number, they illustrate an emergent practice in the field and speak to the organizational adaptability of the broader shared equity model.

Section 8 Residents Do Not Increase Neighborhood Crime

CONTROLLING DATA AS TO OTHER FACTORS, researchers at New York University's Furman Center, found no correlation between a rise in Section 8 housing voucher holders in a neighborhood and a subsequent increase in the crime rate. Conversely, the study also showed that when crime goes up in a neighborhood, more voucher holders move in. Voucher holders often experience difficulty in finding landlords willing to accept vouchers. However, if crime drives down rent and the market-rate renters out, then it is probable that more voucher holders move in. Researchers stated the process for the market forces to play out takes about a year. The findings by Ingrid Gould et al were published in NYU Wagner Research Paper no. 2012-02 and summarized in *Shelterforce*, published by the National Housing Institute.

Pope Francis Exhorts Cooperative Movements to Advance "Economy of Honesty"

IN AN AUDIENCE WITH MEMBERS OF THE CONFEDERAZIONE COOPERATIVE ITALIANE (Confederation of Italian Co-operatives) earlier this year, Pope Francis gave several practical suggestions for their mission.

The Pope said cooperatives must establish new ones, while developing existing cooperatives to create new employment opportunities, particularly for the youth. He said cooperatives should invent new forms of cooperatives and collaborate more especially among credit unions and cooperative businesses.

He urged the cooperative movement to join the global economy to advance "an economy of honesty" and "a healing economy." He exhorted them to exercise "the courage and the imagination to build a just path, so as to integrate development, justice, and peace in the world."

Nova Scotia Helps Cooperatives Repair their Aging Homes

NOVA SCOTIANS, residing in the province's 4,300 households represented by 69 housing cooperatives, will benefit from home repairs. The province's Social Housing Assistance Repair Program will fund the project, and the province will invest \$8 million over the next three years. The funding will help preserve affordable housing. Housing cooperatives can apply for up to \$24,000 per unit for repairs. Such repairs include structural, electrical, plumbing, heating, and modifications for accessibility. Program funds are forgiven over a maximum 10-year period. The province's partner is the Co-operative Housing Federation of Canada (CHF Canada), which will assist with applications. **CHF**

Logan Square Celebrates Open House

SPECTACULAR WEATHER, enviable back porches, beautiful side yard, sumptuous food, and drink were the perfect backdrop for Logan Square Cooperative’s Annual Open House last fall, according to Terry Edlin of New Communities Vision. Although openings do not exist and none foreseen, Logan Square holds an open house every year to celebrate the joy of living amicably and affordably in a Chicago neighborhood that



was moderate income but risks becoming far too “hot.”

Formed in 2001, Logan Square Cooperative is an eight-unit limited equity cooperative. Its Facebook page

Although no vacancies exist at Logan Square Cooperative, members still enjoyed their annual open house.

declares, “We care deeply about exemplifying affordable housing, engaging in social justice work and practicing environmental responsibility.”



Juliana Eades

NH Community Loan Fund President Named a MONEY Hero

MONEY MAGAZINE honored New Hampshire Community Loan Fund President Juliana Eades of Canterbury as a MONEY Hero in the magazine’s July issue and on its web site.

The magazine chose from each state one person who is “making extraordinary efforts to improve the personal finances of others.” Eades, the first employee of the community loan fund when it was founded in 1983, was honored for working to provide stable and affordable homeownership for low- and moderate-income people and families.

Under her leadership, the community loan fund provides financing and education that helps residents of manufactured home parks convert their communities to resident-owned cooperatives. [CHB](#)

CSI SUPPORT & DEVELOPMENT
Affordable Rental Communities for Seniors
www.csi.coop (800) 593-3052
TDD (800) 348-7011

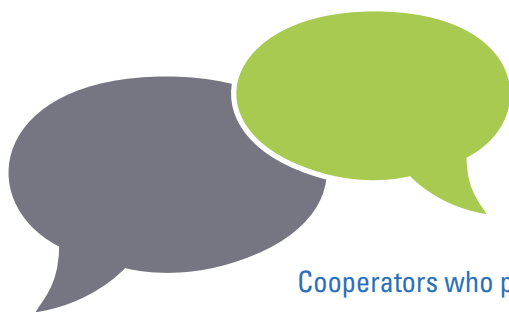
Senior Living at its Best

CSI Support & Development is a resident/member controlled organization that utilizes a cooperative management system and engages its resident membership in decision-making at every level of its operations.

MICHIGAN		MASSACHUSETTS	
Belleville	Plymouth	Charlestown	Gardena
Carleton	Riverview	Chelsea	Irvine
Dearborn Heights	Romulus	Everett	Lawndale
Detroit	Royal Oak	Jamaica Plain	Maywood
Ecorse	Southgate	Revere	Moreno Valley
Flat Rock	Trenton	Roslindale	North Hollywood
Hazel Park	Warren	South Boston	Ontario
Highland Park	Wyandotte		Palm Springs
Kalamazoo			
Madison Heights	MARYLAND	CALIFORNIA	
Pontiac (Coming Soon)	Baltimore	Beaumont	
	Essex	Berkeley	
	Randallstown	Cathedral City	

Our resident members benefit from:

- Democratic Control
- Continuing Education
- Senior Empowerment
- Diversity & Open Membership
- Social Interaction
- Not-For-Profit Operation



Excuses, Excuses

Cooperators who pay their monthly carrying charges late or not at all come up with some very interesting excuses. Here's five of the most common, and why it's smart not to use them.

EXCUSE #1: "I didn't get what I paid for."

"My building hasn't been painted in five years! I'm not paying another cent until some basic maintenance gets done."

"The cable was out for three days during the storm. I'm withholding a pro-rated amount from my check."

If you have a legitimate reason for falling behind and you need to work out a payment plan, please call the manager.

You have a right to require the cooperative to perform its duties, and various legal channels exist to accomplish this purpose. Your obligation to pay monthly charges has little to do with the cooperative's obligations to provide maintenance and service. If you withhold your check or pay a reduced amount, you'll become delinquent, and that leads to late fees and actually makes your situation worse.

EXCUSE #2: "You didn't bill me."

"I didn't get an invoice."

"You didn't tell me I was behind in my payments."

Many cooperative governing documents do not require the cooperative to send invoices nor require advance notice of payments due or past due. However, we do send an approved budget each year to our members; it contains notice of the amount you must pay. If you're ever unsure about the amount or the due dates, just call the management office.

EXCUSE #3: "You can't do that!"

"These people have no right to make me pay for neighborhood upkeep."

"If they think I'm paying those outrageous late fees and interest, they're crazy."

Actually, the cooperative not only has the authority, it has a duty to all owners to collect monthly charges. This authority is established in the

governing documents and occupancy agreement. When you moved into the cooperative, you agreed to abide by those documents—and that includes paying monthly charges.

EXCUSE #4: "I paid in full."

Sometimes the cooperative receives a check that says "paid in full" in the memo section—but it isn't. Or the check will arrive with a letter or note, stating the check is "payment in full," or it covers all charges through a certain date. Nice try. If you still have an outstanding balance, we're not going to cash your check. We're going to return it to you. This action will put you further behind in your payments and just cause more late fees.

EXCUSE #5: "The fees are too high."

Carrying charges reflect the actual cost of maintaining the community. If you owned your home outside the cooperative, you would have to pay individually for all the same expenses your carrying charges cover—trash removal, water, exterior maintenance, and so on. In fact, you're actually spending less on carrying charges because the cooperative has bulk buying power, and you're getting more because the size of the cooperative makes amenities more affordable than if you were to get them on your own.

Legitimate Reasons, not Excuses

When cooperative members lose their jobs or become injured or ill, the cooperative board understands that arrangements need to be worked out for paying monthly charges. If you have a legitimate reason for falling behind and you need to work out a payment plan, please call the manager. The board considers each situation individually and will try to accommodate your special circumstances. [CHB](#)

Editor's Note: Cooperatives have permission to reprint this article in their member newsletters.

HUD Charges New York Cooperative with Fair Housing Act Violation

THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(HUD) has charged Trump Village IV and the president of its board of directors, Igor Oberman, with housing discrimination. The charge states the 1,144-unit Coney Island cooperative refused to allow a veteran who has a psychiatric disability to keep an emotional support animal, thus wrongfully denying his request for a reasonable accommodation and attempting to evict him and his wife in retaliation for filing a fair housing complaint.

The Fair Housing Act makes it unlawful to refuse to make reasonable accommodations in policies or practices when a person with a disability requires such an accommodation. Accommodations include refusing to grant waivers to “no-pet” policies for persons who use assistance or support animals.

The United States Administrative Law Judge will hear HUD’s charge unless any party to the charge elects to have the case heard in federal district court.

Guide Renders Policy and Practice for Establishing Housing for Veterans

NATIONAL HOUSING CONFERENCE (NHC) and the Center for Housing Policy, the research affiliate of NHC, have published *Veterans Permanent Supportive Housing: Policy and Practice*, written by Ethan Handelman, Sarah Jawaid, and Maya Brennan.



In November 2010, 39 previously homeless veterans moved into the Gordon Mansfield Veterans Community in Pittsfield, Mass., the first ever cooperative for homeless veterans in the U.S.

This guide includes case studies that demonstrate how the supportive housing approach to serving homeless and at-risk veterans is developed. The use of existing affordable housing finance programs, such as the Low Income Housing Tax Credit and the HOME Investment Partnerships Program, and veteran-specific programs, such as Enhanced Use Leases of VA property, reduce development costs. Property-based rental assistance, including the ability to base HUD-VASH vouchers at the site, permits the developments to have rents that are affordable for extremely low-income veterans. Funding for supportive services and case management from McKinney-Vento, Emergency Solutions Grants, VA’s Grant and Per-Diem program, and VA’s Supportive Services for Veteran Families helps serve the residents’ ongoing needs.

To read about a cooperative designated for veterans, see “First Ever Co-op Opens for Homeless Veterans” by Douglas M. Kleine in the spring 2011 CHB.



Rep. Carolyn Maloney

Rep. Maloney Requests HUD Secretary to Permit Reverse Mortgages for Cooperatives

CONGRESSWOMAN CAROLYN B. MALONEY

(D-NY) asked Secretary Julián

Castro to consider allowing cooperative owners to obtain reverse mortgages through

the Home Equity Conversion Mortgage (HECM) program at a House Financial Services Committee hearing earlier this year. Maloney said private lenders are not issuing reverse mortgages to cooperative owners. Because much of the housing market in New York City is made of cooperatives, many New Yorkers are excluded from the reverse mortgage market.

The right for housing cooperatives to use reverse mortgages was enacted into law in the American Homeownership and Economic Opportunity Act of 2000, Public Law 106-569, but HUD has not issued the guidelines needed to implement the law. In 2008, a provision in the Housing and Economic Recovery Act of 2008 asked HUD to issue regulations so reverse mortgages could be used for cooperatives. At the hearing, Secretary Castro committed to work with Rep. Maloney on the issue, providing a source of hope for those who once thought cooperatives would never be eligible for reverse mortgages. [CHB](#)



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