2018 Cooperative Housing Journal

Articles of Lasting Value for Leaders of Cooperative Housing

Published by

NAHC

National Association of Housing Cooperatives

Cooperative Housing Journal (ISSN 0589-6355) is published annually by the National Association of Housing Cooperatives, 1120 20th Street, NW, Suite 750, Washington, DC 20036; Tel 202/737-0797; E-mail: info@coophousing.org; www.NAHC.coop.

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, D.C. 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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ROC USA® Preserves Affordable Communities with the Cooperative Ownership Model

By Melissa Proulx

When ROC USA® launched in May 2008, members of the social venture non-profit organization had one mission: use cooperative ownership of manufactured (aka "mobile") home communities as a way of preserving affordable housing.

Homeowners would be able to buy one low-cost member interest in these democratic resident-owned communities or ROCs. An elected board of directors would act on day-to-day issues. Members would vote on larger matters, such as the annual budget, bylaws and community rules. After 10 years, there are now 221 cooperative communities in 15 states.

ROC USA® founding President Paul Bradley began working towards this mission while at the New Hampshire Community Loan Fund in the 1980s before starting ROC USA® to bring this model to national scale in 2008.

The social venture was set up to achieve its mission using two branches within the organization: technical assistance provided by the ROC USA® Network affiliates and financial assistance provided by ROC USA® Capital.

Three nonprofits—the New Hampshire Community Loan Fund, Prosperity Now and Capital Impact Partners—each made equity investments and became members of ROC USA®, LLC. The LLC structure is rare in the nonprofit structure. For ROC USA®, it has meant strong and continuous support for its mission which simply isn't always the case in less formal organizational structures. NeighborWorks® America also sponsored ROC USA® and continues to be represented on the board of directors.

The concept received generous start-up support from the Ford Foundation in 2007. The funding included equity for ROC USA® Capital, the community lending subsidiary that would close its first acquisition loan to Champion Park in New York within seven months of launch.

Oak Hill is located in Taunton, Mass.

Nine regional nonprofits represent the Certified Technical Assistance Providers (CTAPs) of ROC USA® Network. Along with the New Hampshire affiliate, the other eight are CASA of Oregon; Cooperative Development Institute in North Hampton, Mass., which works throughout New England and New York; NeighborWorks® Montana in Great Falls, Mont.; PathStone Corporation in Rochester, N.Y.; Northcountry Cooperative Foundation in Minneapolis, Minn.; ROC-NH, a program of the New Hampshire Community Loan Fund in Concord, N.H.; ROC Northwest in Olympia, Wash.; Thistle in Boulder, Colo.; and Utah Resident Owned Communities (UROC) in Salt Lake City, Utah.

Staff for the CTAPs help residents with cultivating new skills from in-person training to market development and partnership building. Once the park has been purchased, the CTAPs assist resident (ROC) leaders with understanding their bylaws and community rules. An important part of technical assistance is to coach the communities for the duration of their mortgage—at least 10 years. From the start, the role of CTAPs has been critical to the mission.

Along with this access to technical support, ROC USA® Capital serves as a financial resource for many of the communities. After the purchase, residents will often times make improvements to roads, water and sewer systems and community amenities.

The national Community Development Financial Institution Fund has provided nearly $200 million in funding for due diligence, acquisition and community improvement financing. Consequently, in 2016 and 2017 alone, ROC USA® Capital provided over $65 million in loans. To date, not one community has ever failed, reverted to private ownership or defaulted on a loan.

Michael Sloss, managing director of ROC USA® Capital, said this accomplishment is owed to competent professionals rendering due diligence to community leaders so they can fully analyze the purchase and plan, ensuring strong ROCs.

ROC USA® Capital's cooperative borrowers have an average annual increase of just over 1 percent while other manufactured home communities average around 3 percent. This difference means that rents in ROCs are $24.53 per month below market after five years of ownership.

Kathy Zorotheos, president of Oak Hill Manufactured Home Community in Taunton, Mass., and the rest of her community, were just one group that was able to use that financing when it purchased their park in 2016. Zorotheos moved into Oak Hill in 2012 and retired two years later.

"A month after that, they told us that the park was going to be sold and I said, "Really, no!" Zorotheos said. "So I went and Googled 'How do you buy a mobile home park?' and up comes ROC USA®. They helped us purchase the park. For 37 more dollars a month, we can actually vote and run our own park."

The financial and technical assistance are not the only resources that members are able to use to benefit their communities. ROC members can take advantage of significant discounts on a variety of resources housed on myROCUSA.org, including savings on waste and junk removal, flooring, banking, fuel, paint, office supplies, job postings and background and tenant screening. Comcast, which offers both low-cost computers and internet, also has free classes and online tutorials to help bolster technical skills.

Residents can also find state specific guides for home and community improvement resources, including tips on making a case for capital improvement projects, explanations of reservation reserves and different possible sources of funding. Along with these discounts, ROC residents can also discover online trainings on topics such as improving

Morning Star Community is situated in Kalispell, Mont.

energy efficiency in their home, building relationships with community members and communicating effectively.

Additionally, ROC leaders and members across the country can collaborate and share their experiences on discussion forums by chatting with others about topics like recruiting volunteers or celebrating neighborhood successes. However, the discussion forums are not the only place where residents are able to connect and learn from their peers.

To date, not one community has ever failed, reverted to private ownership or defaulted on a loan.

In June, ROC USA® held its inaugural leadership institute at Southern New Hampshire University, hosting nearly 100 ROC leaders from 42 communities from 11 states. The three-day event was filled with workshops and labs that covered topics such as effective communication, business basics, building your community brand, infill strategies, emotional intelligence and conflict resolution, visiting a local ROC and facilitating group decision making.

Many wrote in their final evaluations that the event was a huge success.

“This was my first event,” one woman wrote. “I enjoyed all the knowledge I gained and will bring it back to my ROC.”

Another participant agreed.

“The training and workshops were excellent and will be useful to facilitate the info to have our community run more smoothly. I was impressed with the enthusiasm of the trainers and other ROC members.”

The ROC Leadership Institute is modeled after NeighborWorks® America Community Leadership Institute (CLI). This national training event aims to strengthen the voices and skills of volunteer leaders from resident-owned communities. Participants attend with other members from their ROCs and other ROC leaders from across the country.

For years, ROC leaders who attended the CLI raved about the experience. They loved the connections made with technical assistance providers, ROC USA® staff and their peers. While they valued the sessions with non-ROC leaders, overwhelmingly their feedback requested far more time with their peers, thus the birth of the ROC Leadership Institute, geared exclusively for ROC leaders. While the leadership institute serves as a way to educate residents, the ROC Marketing Program helps them spread information about resident-owned communities to a wider audience.

Through the program, new ROCs are offered a custom-built website that can help with marketing the community. These sites are filled with photos and information about the ROC, the greater community, the meaning and benefits of resident ownership, community rules, automated home listings and application information. The sites serve as a one-stop shop to answer many of the questions and provide contact information for those who might be interested in buying a home in a ROC.

Ted Viramonte served as the project liaison when his community, Green Pastures Senior Cooperative in Redmond, Ore., set up their marketing website in April. He said the site is a great resource for residents to use in showing family members who live elsewhere what the community is like and promotes the sense of the community experience in resident-owned neighborhoods. To date, more than 50 ROCs have marketing websites.

The ROC Grants program is another financing source which residents can apply for to benefit their communities. The Better Together Grants provides up to $2,000 to a handful or so of ROCs each year to help make safety and health improvements. In October 2010, ROC leaders who attended the Community Leadership Institute in Louisville, Ky., developed a community grants program idea that would both help a fellow ROC as well as engage new leadership in the resident corporation.

The ROC USA® Board of Directors has included the grants in the budget since 2010. Projects funded by the grants program idea must be visible to the community, such as neighborhood mailboxes, community center rehabilitation and school bus stop shelters and spearheaded by a volunteer not already serving on the community’s board. This stipulation has served to draw in new volunteers to a limited commitment. Recently, ROC USA® has opened a direct donation portal on ROCUSA.org where 100 percent of donations go toward funding these types of projects in a ROC.

Today, ROC Association Directors manage the program and solicit grant requests and choose winners. The ROC Association itself is made up of resident-owned communities that are or once were under a CTAP contract.

These communities then elect directors to represent one of three regions—the Mountain West; East, Midwest and South; and New England—on the ROC USA®, LLC Board of Directors. This regionalization ensures customer involvement in the governance of ROC USA® as a non-profit social venture.

ROC USA® also has made strides in combating the stigma manufactured homeowners face—the outdated notion that these homes and communities are just "trailer parks." One of the main ways this goal is being fulfilled is by having residents share their stories and talk about what their home means to them and sharing stories about the successes and positive work of the communities on ROCUSA.org.

Laurie Westendorf, president of Morning Star Community in Kalispell, Mont., said she has experienced this stigma when planning a housewarming party. She said friends wanted to know why she was celebrating buying a trailer, but Westendorf said once they saw the community they were impressed.

With all these efforts, Bradley is optimistic about the future due to the scale of resident ownership.

Bradley credited everyone involved in resident ownership—the volunteer leaders in each ROC, ROC USA®'s LLC members and board of directors, the affiliated CTAPs, ROC USA® staff and key investors and supporter—for all they've done to help the social venture succeed.

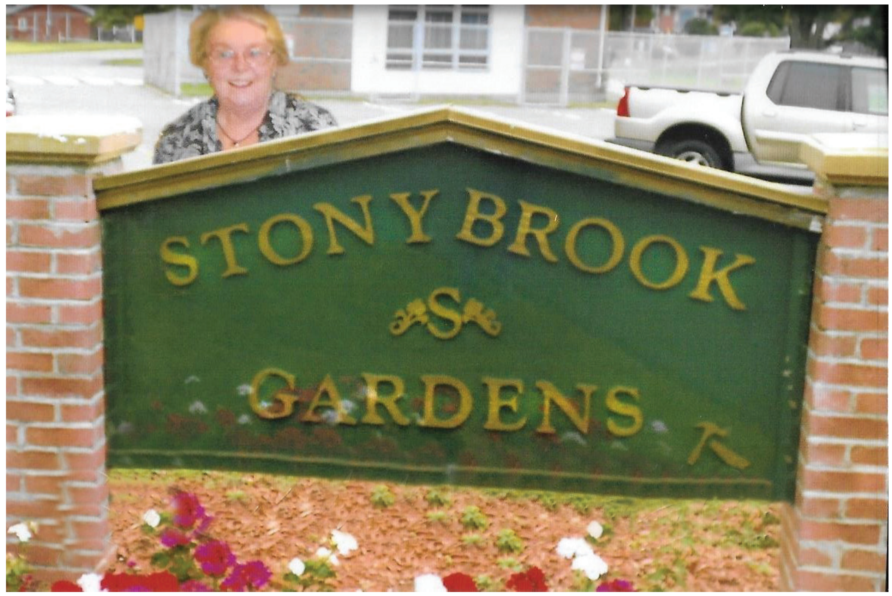
The hard work has not gone unnoticed. In May, the Cooperative Development Foundation inducted Bradley into the Cooperative Hall of Fame, the highest honor that the U.S. cooperative community bestows on the extraordinary men and women who have made genuinely heroic contributions in support of cooperative business models.

Melissa Proulx is the digital media manager at ROC USA®, LLC. based in Concord, N.H.

Using Oral History to Uncover Cooperative Housing's Unsung Heroines

By Kristin M. Szylvian

Cooperative housing has too many unrecognized heroes and even more unsung heroines. In a recently published book, "Sweat Equity: Cooperative House-Building in Newfoundland, 1920-1974," C.A., Sharpe and A.J. Shawyer, retired professors from Memorial University of Newfoundland, stressed the value of oral history in the documentation and analysis of the role of gender in the formation, administration and persistence of cooperative enterprise both today and in the past.



Joan Welch has been an influential shareholder and community leader at Stonybook Gardens Cooperative, Inc. in Stratford, Conn.

In the mid-1980s, the author began collecting oral history interviews with the men and women who established housing cooperatives—known in the United States in the 1940s and 1950s as mutual housing associations—the subject of the author's 2015 book, "The Mutual Housing Experiment: New Deal Communities for the Urban Middle Class." The author's most recent interview took place in April 2018 with Joan Welch, a shareholder and community leader at Stonybrook Gardens Cooperative, Inc., in Stratford, Conn..

Oral History, Gender and the Cooperative Building Societies of Newfoundland, Canada

The focus of the study by Professors Sharpe and Shawyer was the roughly one dozen cooperative building societies formed in the vicinity of St. John, Newfoundland, Canada, during the 1950s and 1960s. They supplemented years of fieldwork with their analysis, based on census data and statistical studies, government and legal documents and other archival records. The oral history interviews Sharpe and Shawyer conducted provide insight into the inner workings of national and provincial aid programs that made it possible for the members of cooperative building societies—married veterans and wage-earners with little cash savings—to obtain a lot and a small detached dwelling by trading their labor for "sweat equity."

Sharpe and Shawyer found that cooperative building society members qualified to borrow public funds by joining a "study group" and learning about the history of cooperatives and shareholders' rights and responsibilities. Husbands who could not demonstrate competency in house building skills were also required to enroll in training courses. During the construction phase, each male member fulfilled a work quota in order to retain the couple's eligibility and assisted in the construction of every house in the development. Public funds were advanced to qualified cooperative building societies on an incremental basis when certain benchmarks were reached and favorable inspection reports were filed by government inspectors. Government housing officials provided advice and encouragement to the building society members when they encountered problems.

The oral history interviews revealed the difficulties and rewards of the sweat equity housing program from the perspective of Newfoundland's wage-earners. Most of the men held full-time jobs, so in order, therefore, to contribute their share of labor, it was often necessary for them to spend holidays, weekends and nights working on the houses. Cold, snow, rain, insects and darkness impeded the construction work. Some women assisted their husbands during the construction phase, but their work did not earn "sweat equity" credit. They were more likely to be involved in the organization and administration of the cooperative building societies. Wives also cared for children and other family members, and when possible, took employment outside of the home for much needed wages while their husbands worked on the building site or attended meetings pertaining to the project.

Cooperative housing has too many unrecognized heroes and even more unsung heroines.

Sharpe and Shawyer show that the cooperative building societies of Newfoundland also owed their existence to a handful of previously unknown or unrecognized public employees, including housing administrators, experts and consultants who often traveled long distances in all sorts of weather to visit potential building sites, discuss plans, lobby law and policy makers, attend meetings and advise the home builders on the job site. Among the most memorable of these was consultant Mary Ellicott Arnold, who first came to Newfoundland in 1937 after assisting similar cooperatives in Nova Scotia.

When a cooperative building society officially completed the construction phase, each couple was assigned a lot and house and a conventional mortgage, requiring them to pay their share of the construction and interest costs not covered by their sweat equity. During the early 1970s, Newfoundland's cooperative building societies began to dissolve themselves as their members' mortgages were retired. The oral history interviews showed that many families saw the cooperative building program as the best possible way to realize their goal of home ownership. It allowed them to improve their living conditions while avoiding an expensive and potentially economically risky commercial market mortgage. The success of Newfoundland's cooperative housing societies rested on a unique combination of postwar conditions in the Canadian Maritimes including a tremendous need for affordable housing, a tradition of self-building, public financial incentives and the willingness of dozens of ordinary men and women to devote their time and hard-earned money to the effort. Looking back on his work a half century earlier, a Newfoundland homeowner told Sharpe and Shawyer his "chest was bursting"; he was "so proud" of his accomplishment.

Opportunity Lost: Cooperative Housing's Postwar Moment

The shortage of affordable housing that gave rise to Maritime Canada's post-World War II cooperative building societies also plagued most metropolitan areas in the United States. When mobilization for World War II began, the demand for housing reached crisis levels in many American cities. Congress and the administration of President Franklin D. Roosevelt took action once the shortage of housing in key shipbuilding, aviation, armament and other industrial production centers began to undermine defense preparedness. More than 700,000 units of low-cost housing were constructed for civilian defense workers by the close of 1945 with funding provided under the National Defense Housing Act (also known as the Lanham Act). Although roughly two-thirds of the Lanham-funded residential communities were of temporary construction, the first several hundred projects were regarded as the starting points for much-needed postwar urban revitalization and included elementary schools, childcare centers and other amenities to help the two-wage-earner family. Leading U.S. and European architects, including émigrés Walter Gropius and Marcel Breuer, formerly of Germany's Bauhaus School of Design, designed some of these construction projects, such as Pennsylvania's Aluminum City Terrace.

In 1946 at the request of President Harry S. Truman, Congress authorized an emergency housing program for returning veterans. Partisan politics quickly bogged down the Veterans' Emergency Program and offered little help to the needy veterans and their families who took shelter in attics, garages, basements, trailers and other make-shift dwellings. Not surprisingly, they, along with displaced defense workers, turned to cooperative housing as a possible solution. A handful of veterans' groups, labor unions and other non-profit organizations organized housing cooperatives with the goal of building or buying new housing for their members. As recorded in Richard O. Davies' book, "Housing Reform During the Truman Administration," they hoped to benefit from wartime advances in new or innovative building materials and techniques such as prefabrication.

The National Housing Agency (which became the Housing and Home Finance Agency in 1947) published booklets and pamphlets encouraging cooperative home ownership. About the same time, Representative Wright Patman, Senator John Sparkman, Democrats from Texas and Alabama, respectively, and about a dozen other members of Congress sponsored bills seeking to make long-term, low-interest loans available for the construction of cooperative housing communities. The 1949 publication of Elsie N. Danenberg's "Get Your Own Home the Cooperative Way" indicated a strong postwar interest in cooperatives as a means to housing security.

The postwar housing cooperatives and building societies created by veterans, labor unions and other groups faced many obstacles including the scarcity of building supplies and the rising cost of house construction and financing. They also encountered resistance from realtors and household finance providers. The cooperatives found it difficult to compete with commercial housing developers such William Levitt and Sons that were the beneficiaries of direct and indirect federal housing subsidies. Veterans were encouraged to use the benefits offered under the Servicemen's Readjustment Act of 1944—better known as the G.I. Bill of Rights—to buy detached houses in the developing suburbs and by doing so, unwittingly or not, contributed to sprawl and residential segregation by race and class.

Today, about 32 postwar mutual housing corporations still exist.

The most dynamic postwar cooperatives, known as mutual housing associations, were formed when disposition of the Lanham Act housing began in 1946. Between 1947 and 1958, the residents of roughly 45 residential communities ranging in size from 70 to 1,000 units, created non-profit mutual housing corporations according to the Mutual Home Ownership Plan introduced by the Federal Works Agency in 1940. Women were actively involved in organizing the "mutuals." They went door-to-door explaining the Mutual Home Ownership Plan to their neighbors and collecting the funds that would ultimately serve as a down payment. Those who supported the Mutual Home Ownership Plan were subjected to gender, racial, religious, ethnic and social class discrimination from outside and within their communities. Charges of Communist sympathies were also leveled against them. In his 1949 book, "In the City Was a Garden," labor activist Henry Kraus exposed the forces that derailed the effort to purchase under the Mutual Home Ownership Plan the racially desegregated Richard Neutra-designed Channel Heights in San Pedro, Calif. (Ironically, a gated community was built on the site). Oral history interviews conducted with the residents of nearly a dozen Pittsburgh area mutual housing associations confirmed Kraus' findings. Allegations of Communist influence were used to undermine the mutual housing movement in the industrial heartland, too.

Joan Welch: Five Decades of Stewardship at Stonybrook Gardens Cooperative, Inc.

Bridgeport, Conn., gained distinction for essential production of armaments, aircraft and machinery during two World Wars. During both national emergencies, public funds were used to construct residential communities for civilians employed in defense industries. Success Park, Canaan Village and Stonybrook Gardens Cooperative, Inc. were among the Lanham-funded developments constructed in the Bridgeport metropolitan area beginning in 1941. After years of delay resulting from the Korean War and other factors, Success Park and Canaan Village (with a combined total of 924 dwelling units) were sold to the Success Village Mutual Ownership Corporation under the Mutual Home Ownership Plan in 1955. Two years later, the Bridgeport Herald reported that the property had "tripled in value," silencing the critics that dismissed the ability of the residents to own and administer the community on a mutual basis. Board President William Hall admitted that he 'tried not to gloat' but sometimes he 'could not help it. Things have worked out so well.'

At roughly the same time as sale of Success Park and Canaan Village took place, the Public Housing Administration (PHA) offered to sell Stratford's 400-unit Stonybrook Gardens Cooperative, Inc. to the residents under the Mutual Home Ownership Plan. Seeking to remain as renters, the residents allowed the PHA offer to expire, and the property was listed for sale on the commercial market. Based on office files, Stonybrook Gardens Cooperative, Inc. was advertised as a "Profitable Investment Opportunity" and a "Choice Residential Development." Brothers Hyman Alpert and Joseph Alpert purchased Stonybrook Gardens Cooperative, Inc. for $1,327,789 on January 17, 1956, and operated it as rental housing. By 1964 Stonybrook Gardens Cooperative, Inc. renters had grown dismayed with the lack of maintenance, upkeep and managerial oversight the Alpert Brothers provided. A group of residents requested to meet with federal housing officials to discuss the possibility of the residents forming a non-profit corporation to purchase Stonybrook Gardens Cooperative, Inc. and run it on a cooperative basis, similar to the nearby Success Village according to the cooperative's office files and Welch's paper, "History of Stonybrook Gardens Cooperative, Inc."

The eventual outcome of the meeting with federal housing officials was the February 4, 1965, creation of the Stonybrook Gardens Cooperative, Inc. The cooperative acquired a federally-secured mortgage for $2,270,000 from the People's Savings Bank to buy out the Alperts and refurbish the dwelling units. When the cooperative's initial board of directors was named, one resident, Earl Gleason, was a member. The six housing officials, business leaders and government officials appointed to the first seven-member board of directors were later replaced with resident representatives with staggered three-year terms. The sale of the property was completed on October 26, 1965. Under the terms of an agreement with the Federal Housing Administration, the Foundation for Cooperatives (FCH) Services, Inc. of Stamford, Conn., provided financial oversight. Until the mortgage was retired in 1991, the U.S. Housing and Urban Development oversaw "every part of the operations" of the cooperative (Margaret C. Kelley served as the first comptroller until 1972).

The most dynamic postwar cooperatives, known as mutual housing associations, were formed when disposition of the Lanham Act housing began in 1946.

At the same time that the organizers of Stonybrook Gardens Cooperative, Inc. were negotiating the sale of the community from the Alpert brothers, Welch and her husband, William, were seeking to relocate to a neighborhood with good schools and amenities for their growing family—then consisting of three sons, she said in an interview. When the Welch family arrived in 1964, Stonybrook Gardens Cooperative, Inc. was still owned by the Alpert brothers, and they rented the only unit available to them—a two-bedroom unit. The Welch's supported the conversion of Stonybrook Gardens Cooperative, Inc. from a rental to a cooperative because as Welch explained, they regarded the community as an "excellent place to live," particularly for children. They also looked forward to the completion of the cooperative's plans to refurbish and modernize the electrical service, kitchen, bathroom and exterior of each dwelling unit. In 1965, just as the cooperative conversion was taking place, the family, which would eventually include two daughters, moved into the three-bedroom unit located in the same duplex dwelling as their original two-bedroom apartment.

The Welch family moved to Stonybrook Gardens Cooperative, Inc. with the intention of making it their permanent home; they "never had any intention of moving," Welch recalled. She thought that it was "really great" that the cooperative's rules allowed them to make certain changes to their unit "with the approval of the board." The couple enclosed their back porch and enlarged their kitchen/dining area for the "benefit of the family" and to suit "lifestyle," not with an eye to the eventual "resale" of the dwelling unit.

Looking back on the couple's decision to stay at Stonybrook Gardens Cooperative, Inc., Welch saw that in many respects, the quality of neighborhood life was more important to her than the dwelling itself. She valued having trusted neighbors nearby in part because her husband traveled regularly for his job. Welch "knew all the neighbors" and regarded them as "just the greatest people you ever wanted to meet." Regardless of whether neighbors became personal friends, most "looked after each other" and were good caretakers of their cooperatively owned property. Every youth who lived at the cooperative knew that if he or she misbehaved, the neighbors would "yell at you just like your mom" or report what they observed.

Welch attributed the strong sense of community identity at Stonybrook Gardens Cooperative, Inc. to two factors. First, the residents were economically and socially linked together through the cooperative. They got to know each other while serving in leadership positions, attending the annual membership meeting and participating in the dances, parties and other events held at Stonybrook Gardens Cooperative, Inc.'s community hall, erected in 1966. Three groups—one for youth, one for women and one for senior citizens—organized most of the social activities. Secondly, the members of Stonybrook Gardens Cooperative, Inc. were united in their support for the nearby public elementary school, the Stonybrook School, which Welch described a "great asset." Parents provided the school with volunteers, chaperones and other types of support. Welch, for example, was among the parents who assisted with the school's reading program.

As the children advanced in school, Welch expanded her work outside the home. For seven years, she worked in temporary employment in order to retain the flexibility to respond to family needs. Eventually, Welch worked on a full-time basis in the administration of State of Connecticut-sponsored educational programs. During the 1970s and

1980s, she became increasingly involved with Stonybrook Gardens Cooperative, Inc. Drawing upon her experiences as a wife, mother, household manager and administrator, she served on the board of directors (as secretary), the Finance Committee, the Buildings and Grounds Committee, the Handbook Committee and the Bylaws Committee.

Welch's involvement in the inner workings of Stonybrook Gardens Cooperative, Inc. as a board and committee member did not make her reluctant or unwilling to reveal and discuss its problems. She believed that the best way to protect the cooperative was to become thoroughly familiar with the bylaws governing the corporation and the rules and policies set forth in the Members' Handbook and keeping abreast with the minutes and reports available to all of the shareholders. When a perceived violation or problem emerged, Welch followed the established procedures for redress and wrote letters to the board of directors (or in certain cases all the members) and provided a copy to the cooperative's manager. She documented the 2002-03 controversy over debts stemming from a legally-mandated asbestos abatement project, a one-time sewer assessment and a property tax increase. She also kept track of allegations raised by members that they were denied access to the minutes and other records of board of directors and its committees, a violation of both state law and the bylaws of the Stonybrook Gardens Cooperative, Inc. In other instances, office files documented incomplete records were being maintained. In 2005, Welch wrote the paper, "The History of Stonybrook Gardens Cooperative, Inc." using deeds, the cooperative's incorporation records, mortgage agreements and other documents. The office staff still refers questions about Stonybrook Gardens Cooperative Inc.'s past to her as the unofficial community historian.

Looking back on the past half-century at Stonybrook Gardens Cooperative, Inc., Welch spoke of how the community remains a highly desirable place to live from both an economic and social perspective. Today, many of the residents still look after each other, just as they did when the cooperative first started. At the same time, however, Welch has observed how the level of shareholder involvement in the cooperative, including service on the board of directors and committees, has diminished over time. The lack of attendance at the annual membership meeting necessitated a bylaw change, reducing the number of members needed to constitute a quorum. Despite the existence of programs and literature designed to help potential and new shareholders understand cooperatives and how they differ from condominiums, some residents still do not understand the nature of cooperative home ownership. Welch identified two local factors that contributed to the decline in shareholder involvement, including the creation of the lunch program at Stonybrook School in the 1970s, (which made it possible for more mothers to work outside of the home) and the permanent closing of the school in 1981. She also saw the change from a limited-equity to market-rate cooperative (effective February 1, 1974) and the aging of the pioneer or founding generation as contributing factors.

Welch looked to the future of Stonybrook Gardens Cooperative, Inc. with optimism. She observed that as older residents die or move to retirement communities or nursing homes, young people, often with children, become shareholders. Her "wish" is that Stonybrook Gardens Cooperative, Inc. "will only improve." She realized that its fate "depended on people who live here" and their willingness to "do their part." The cooperative has to attract and retain members willing to serve in leadership roles such as the board of directors. New shareholders have to realize "if you do not help serve the co-op it is going to go by the way."

Gathering and analyzing oral history is neither easy nor inexpensive. Careful attention needs to be given to legal, ethical and technological issues. As a research tool and an approach to history, however, its potential is great. Anyone seeking insight into the creation and administration of cooperatives who relies exclusively on the written record runs the risk of overlooking the role of women such as Arnold and Welch, who have and continue to play a role in their operation and success.

The author wishes to acknowledge the kind assistance of Joan Welch, Winnie Welch Perley, Brian Crawford, manager of Stonybrook Gardens Cooperative, Inc., the Board of Directors of Stonybrook Gardens Cooperative, Inc., Katie McFadden of the Stratford Library and Elizabeth Van Tuyl of the Bridgeport History Center.

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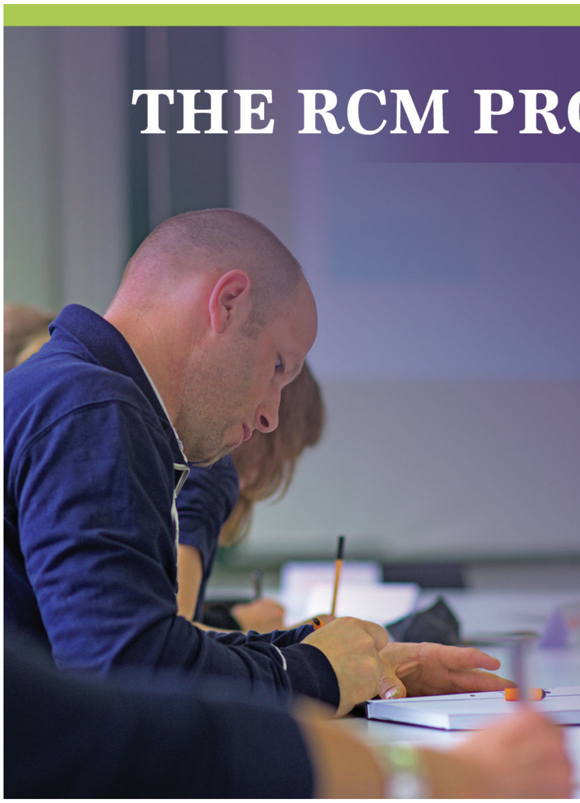
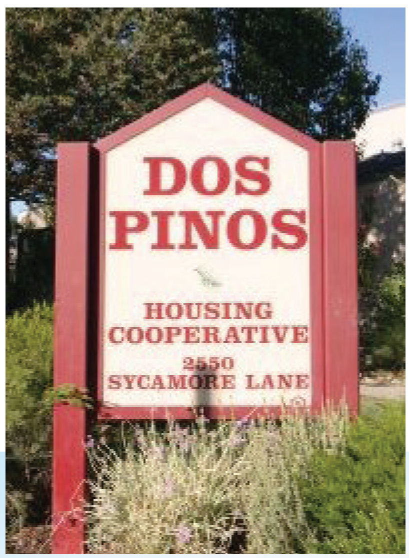


30-Year Study Shows Long-Term Affordability Power of a Limited-Equity Housing Cooperative

By David J. Thompson

When this limited-equity housing cooperative (LEHC) in California began more than 30 years ago, it wasn't the most affordable place to live in Davis. But now the cooperative's monthly costs are 50 percent lower than the average market-rate apartment.

Davis, California, a university town with more than 70,000 residents, had only 13 vacant market-rate apartments to rent as of December 2017. That's a vacancy rate of 0.2 percent, according to an annual University of California–Davis study of the housing market, which covered 83 percent of the city's market-rate apartments. When the figures in the study for three-bedroom units rented as a whole and those rented by room are combined, the average rent for a three-bedroom unit in 2017 is $2,388.



Davis is in Yolo County, which had a 2017 area median income of $76,900 for a four-person household. Using the 30-percent-of-income affordability standard, a median-income family of four living in an average market-rate apartment in Davis is paying $5,592 per year more than they can afford.

There is, however, one place in Davis where a median-income family of four is paying far less than not only the average market-rate rental but less than the U.S. Department of Housing and Urban Development (HUD) standard, which defines cost-burdened families as those who pay more than 30 percent of their income for housing. That community is the Dos Pinos Housing Cooperative (Dos Pinos), the only LEHC in Davis. A LEHC is a type of cooperative intended to preserve affordability for low- and moderate-income households. Members purchase shares in the cooperative that entitle them to live in one of the units and have a vote in the governance and management of the building. Units have restricted resale values, and many have income limits for potential members, who pay monthly fees, or carrying charges, to cover their share of the cooperative's expenses.

Pictured is a sign for the Dos Pinos Housing Cooperative in California. The Dos Pinos Housing Cooperative, the only limited-equity housing cooperative in Davis, Calif., does not impose income limits on who can live there. PHOTO COURTESY OF DAVID THOMPSON

The monthly carrying charges to live in one of the 26 three-bedroom apartments in Dos Pinos, as of December 2017, were $1,165. That's a savings of $14,676 per year over the average apartment market rent. A household in one of the 28 two-bedroom apartments had annual savings of $9,036 while a household in one of the six one-bedroom apartments had annual savings of $7,452.

Buying a cooperative is more affordable than buying any house in the city. The Davis Office and Commercial Real Estate Report 2017 Year in Review reports that the average asking price of a single-family home in Davis is $632,000. The median number of days a house is on the market in the city is just 12. The market is so hot that most sales are paid with cash, and if not, a down payment of at least 20 percent ($120,000 minimum) is required, making it hard for buyers who cannot pay cash to arrange financing and compete. A median-income family of four in Davis cannot purchase the average home on the market.

Getting More Affordable Over Time

The author helped create and finance Dos Pinos and has been studying the cost of living there since 1985. It wasn't always the most affordable place to live in town. In 1985, the cooperative started at a monthly cost above the area's average rent because it was newly built. However, the cost of buying shares in the cooperative for a three-bedroom unit at that time was $4,880, which was much less than buying a house in Davis, which at the time would have been about $150,000 with interest rates at 12 percent. Many members wanted to live in a cooperative community, as well.

Because no one has pocketed the increased value of the building and land (including individual cooperative members), 30 years later the cooperative's monthly costs are 50 percent lower than the average market rate apartment. The cooperative has not imposed income limits on who can live there, and it has a three-year closed wait list.

For the past two decades, Davis's hot housing market has had an extremely low rental vacancy rate. This lack of supply has pushed up apartment rental rates. The cooperative, on the other hand, has shown that it has substantially increased affordability. In 2017, a family of four needed to earn only 59 percent of the area median income to be able to live in a three-bedroom apartment at the cooperative. In 1985, when the cooperative came into existence, a family of four needed to earn 111 percent of the area median income to live in the same unit. Over time, families needed a lower percentage of the area median income to afford to live at Dos Pinos. The cooperative requires people moving in to have a monthly household gross income that is equal to or greater than 2.5 times the monthly assessment. By this standard, a very-low-income family of four in Yolo County is eligible to move into the cooperative. There is no other homeownership model in Yolo County affordable to that same family. Saving or borrowing the $33,000 for a share payment is still a challenge for many low-income households. Nonetheless, the cooperative finds that households moving in recently have been of mixed incomes: 12.5 percent very low income, 25 percent low income and 25 percent moderate income and the remainder above-moderate income.

The cooperative was one of the earliest limited-equity housing cooperatives to be approved under a California state law that had been enacted in 1979. The cooperative was completed in late 1985 and fully occupied by 1986. PHOTO COURTESY OF DAVID THOMPSON

The combined annual net savings for the 60 households living at the cooperative relative to the market cost of equivalent market-rate rental housing in Davis in 2016 was $679,296. This figure shows definitively that the limited-equity cooperative model can generate sizeable disposable household income and create measurable wealth-building opportunities.

The cooperative has not received a subsidy at any time in its history. It bought the land at market value and erected the buildings at market cost. Annually, the cooperative pays more than $30,000 in local property taxes, just like the market-rate apartment complex across the road.

No cooperative apartment at Dos Pinos has ever been foreclosed, and in 32 years, only one member has been evicted. The vacancy rate is always zero, and the vacancy reserve has never been used. Since 1986, there has always been a waiting list for apartments at the cooperative. For the past decade, the waiting list had stood between 60 and 100 families. However, the waiting list was closed as of December 2017 at 128 families. With an average turnover rate of five apartments per year, the average wait for a three-bedroom unit is about three years.

The cooperative has not received a subsidy at any time in its history.

Dos Pinos holds an additional appeal for families. Because state law requires owner occupancy in a LEHC, all households living at Dos Pinos must be permanent Davis residents. Therefore, there are no student households at Dos Pinos as the wait to get in is usually longer than the college stay. In contrast, most apartment complexes in Davis are 80 percent or more student-occupied, and even Davis condo associations are over 50 percent student rentals. Many families would prefer family-oriented complexes, but if someone is renting, that is not an option in Davis, outside of Dos Pinos.

Inclusionary Housing

The cooperative is, in a manner, the first inclusionary housing developed in Davis. In the 1980s, Davis capped how many subdivision units it would approve on an annual basis. Since there were more developers that wanted to build than permits being given, some developers found they might have a three- to five-year wait to get planning approval.

To encourage the construction of permanently affordable housing, the Davis City Council adopted a policy that would allow developers to build up to 120 units in LEHCs cooperatives outside of the housing unit rationing at any time. In 1983, one developer stepped forward to take up the challenge and proposed a 60-unit cooperative (which later would be called Dos Pinos). The cooperative was one of the earliest LEHCs to be approved under a California state law that had been enacted in 1979. The cooperative was completed in late 1985 and fully occupied by 1986.

After that, the city adopted requirements that each new Davis subdivision or housing development must include land set aside for permanently affordable housing. Almost all of that land has been developed by nonprofit housing organizations using tax credits to build over 1,000 rental units to reach mostly low- and very-low-income households.

In 2000, Davis residents approved a ballot measure whereby any annexation of land by the city requires citizen approval. Since then, all four efforts to annex land to the city have been defeated at the polls. In February 2018, the city substantially reduced its affordable housing requirements for multifamily developments and, given the present climate, it is likely that there will be few land set-asides in the near future.

California's LEHC law was first introduced by Assemblyman Tom Bates of Berkeley and adopted in 1979. In 2009, the California Legislature unanimously voted in favor of a bill—authored by Assemblyman Dave Jones of Sacramento—that extensively revised the law.

The key elements of the law are:

- There is one vote per member household;
- The cooperative unit must be owner occupied (no rentals);
- The individual member share cannot be more than 10 percent of the unit cost; and
- A member can receive no more than 10-percent return a year on his share.

Most cooperatives set the rate at less than 5 percent. That return is non-compoundable and not returned to the member until they leave the cooperative.

The value of the entire cooperative, if there is dissolution, shall be distributed in the following manner: If there are funds remaining after paying off of all obligations, each member household shall receive their full share investment plus the interest on that share, but no more than that; all remaining value must be contributed to a nonprofit tax-exempt entity.

Fewer than 50 apartment-type LEHCs have been developed in California under the LEHC laws. Almost all were developed from 1980 to 1990 when the National Cooperative Bank (NCB) was able to partner with NCB-driven programs of the state of California that also supported the development of LEHCs. After 1990, most jurisdictions and nonprofits in California moved to use their limited resources to develop affordable rental housing with tax credits as the key financing tool. The normal LEHC is not eligible to use tax credits so interest in those cooperatives petered out.

The Unique Nature of Cooperative Ownership

A unique aspect of a LEHC relative to all the other equity sharing models is that the appreciated value of the housing is all retained in the cooperative and in the community. When a member leaves a LEHC, the only economic transaction is what was initially paid for the unit plus interest earned. This means the balance sheet of the cooperative is unaffected economically by any change in membership. All the economic gain in value stays in the cooperative.

While this might seem like a limit on asset accumulation for cooperative members, remember that almost all of the 8,000-plus families living in a market-rental apartment in Davis are not building assets, in housing equity or outside of it.

Buying a cooperative is more affordable than buying any house in the city.

Meanwhile, for 2017 a cooperative member's annual return on share investment could be considered to be 52 percent; cost savings are included compared to other available housing options in Davis. A member joining the cooperative on Jan. 1, 2017, would have invested in a refundable share of $33,000. The savings in monthly costs compared to market rate would be $14,676, and the 3.25 percent interest earned on their share (for 2017) would come to $1,072 (The annual interest rate is set at the prime interest rate, up to a maximum of 10 percent). This figure amounts to $15,748 or 52 percent of their $33,000 investment. If market rental prices continue to rise faster than cooperative costs, this return could get even higher. In addition, a number of members take a tax deduction for their portion of the mortgage interest and property taxes (cooperatives are eligible for these deductions and members of housing cooperatives are treated as homeowners by the IRS), adding potentially a few more percentage points of return.

The cooperative as an ownership model also brings savings in transaction costs. As there is no change in the building mortgage, only a transfer of ownership shares, there are no real estate transaction costs for the member when joining or leaving the cooperative or for the transfer of the cooperative unit. Other states may vary. New Jersey now does have a tax on share transfers. Transaction costs for condo purchases in Davis are more than $10,000 and higher for single-family homes. Having no real estate costs at the cooperative is a major savings for both seller and buyer. Each year on average, members who move in and out save a combined $50,000 or more in real estate transaction costs.

Given the economic return over time, a LEHC could also be a good thing for employer sponsors to plan for such as universities, cities, large hospitals, tech companies or for groups such as teacher associations and unions to bargain for: A housing cooperative for teachers would give educators far more economic gain per year than could be gained from salary increases while demanding less ongoing input from the school district. A LEHC could even help recruit teachers and staff. A district could provide leased or low-cost land in return for school district employees being given first preference for the apartments. The school district could also lend funds to eligible employees to help them invest in their cooperative share.

Limited-equity cooperatives as a structure have a number of advantages when it comes to creating deep and lasting affordability. Some "shared-equity" models allow the seller to take a larger equity gain with them requiring the buyer to be from a higher-income category. Since all the gain in value is retained by a LEHC in California, increasing subsidies are not needed. In fact, as demonstrated, affordability can increase over time. This means that over time a LEHC can bring a form of homeownership to a lower-income group than almost any other "shared equity" model.

One affordable cooperative in one high-rent city in 30 years does not a movement make. However, of the homeownership options for the "missing middle," the LEHC has tremendous potential. A LEHC would work well for many types of organizations that might have land to set aside for a cooperative community and funds to help lower-income families purchase the cooperative share, such as local, state and other government agencies; unions; churches; veterans groups; and other affinity groups. Given the massive need, there ought to be many more limited-equity housing cooperatives like Dos Pinos creating "wealth generating" housing for the forgotten working American family.

This piece first appeared in the Spring 2018 edition of Shelterforce magazine.

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Housing Cooperatives are the Only Solution to the Nation's Affordable Housing Crisis

By Herbert H. Fisher

The United States is facing a critical shortage of affordable housing (for more details see "Facts and Figures of Affordable Housing in the United States"). The policy of favoring rentals to solve this shortage has been a failure because it relies upon the investment of capital principally for for-profit sources. This, of necessity, must produce a return on the investment and not concentrate on the longevity of building housing for low-, lower- and moderate-income families. Rentals are looked at as 15-20-year investments depending on the applicable depreciation (tax shelter) provisions of the federal tax law code. This scenario does not encourage investment in long-term repairs and replacements constantly needed by housing structures. This deficiency in this form of ownership has now also spread from high rises, apartment buildings and town houses to single family homes grabbed up as rentals by investors following the spate of foreclosures brought on by the Great Recession of 2008.

While today it is hard to find rentals created under the spurt of affordable housing built with Federal Housing Administration (FHA)-insured financing in the 1960s and early 1970s, housing cooperatives created during those times proliferated and survived unnoticed. Thousands of housing cooperative units created during the same time period had mostly positive experiences. These cooperatives include those created as conversions and new construction under Sections 213, 221(d)(3) and 236 of the National Housing Act, as well those conversions under the Low Income Housing Preservation Rehabilitation Act (LIPHRA). The LIPHRA created the program to salvage those earlier rentals whose owners were opting out of the affordable rental arena at the end of their required 20-year holding period, resulting in housing cooperative or tenant association ownership. It also included cooperatives created to preserve affordable housing out of defaulted rentals facing foreclosure from the U.S. Department of Housing and Urban Development (HUD). These cooperatives, with relatively few exceptions, have survived the early years of adversity, including outdated budgets in an inflationary period. These cooperatives proved their self-sustainability to this date with the payment in full, with interest, of their original HUD-insured mortgages.

Also, it should be noted that the FHA Section 213 market-rate cooperative mortgage insurance program returned unneeded and unused mortgage insurance premiums to its cooperative mortgagors every year when FHA began distributing rebates. Section 213 has had the lowest default rate of any FHA-multifamily or single-family program. In addition to the all of the foregoing, the National Cooperative Bank (NCB) as of June 30, 2011 reported that NCB cooperative loans had substantially lower default rates on blanket mortgages and share loans as compared to Fannie Mae or Freddie Mac multi-family rental and single-family mortgage experience.

NCB reported that Fannie Mae single-family 90-day delinquencies were at 4.08 percent and multifamily rental delinquencies were at 0.46 percent. Freddie Mac's were at 3.50 percent and 0.31 percent. NCB cooperative share loans were at 1.88 percent and blanket mortgages at 0.008 percent.

Empirical observations also show that only a few of the housing cooperatives have opted out of their affordable status or have remained affordable because of their locations according to the Urban Homesteading Assistance Board's 2016 publication, "Counting Limited Equity Co-ops Research Update." It should be noted in the instances when cooperatives have voted themselves out of the affordability limitations, it was by the vote of their resident member/shareholders and not by the decision of a profit seeking absentee landlord. Even with such action, most have remained in the affordable range.

While most all rentals are now owned by syndicated ownership and managed by national or multi-state management firms with the rental money being drained out of the communities in which they are located, housing cooperatives keep their money in their own communities. They are local businesses and continue to offer affordable housing on a not-for-profit basis at occupancy costs less than the rental market. This premise is true even when compared to community land trusts and programs using deed restrictions based on Vonnegut Parliament's article, "Keeping Housing Affordable: Cooperative vs. Absentee Ownership."

"What are housing cooperatives and what is needed to see them created?"

Low-income housing advocates are calling for rent controls. Rent controls may be necessary in an investor controlled rental market. Housing cooperatives, operating on a non-profit basis, provide their own rent control through balanced budgets adopted by a resident-operated housing community to both maintain the property and keep housing costs for its member/shareholder occupants at a minimum.

It is time for the nation's policy makers to recognize that the only self-sustainable affordable housing created with government assistance has been housing cooperatives and that cooperatives offer its residents more than just shelter.

Further studies have shown that housing cooperatives provide a significantly higher quality of life for their residents as compared to affordable rental housing according to Deborah Altus and Mark Mathews in "A Look at Satisfaction of Rural Seniors with Cooperative Housing" (see the reference for other sources). There is a higher level of resident participation and crime prevention in housing cooperatives than in comparable rentals based on Susan Saegert and Melissae Extein's "Limited Equity Cooperatives Reinforce Anti-gentrification Measures."

Additionally, by their very nature and governing documents, housing cooperatives offer their member/shareholder residents an opportunity to participate in self-determination and self-governed democratically operated communities. It provides a training ground for entry into local, state and federal government participation. The cooperatives' very nature instructs residents that his or her participation can be important to determining the most significant environment of their and their families' lives—the housing in which they live.

Housing production or rehabilitation requires a heavy upfront capital investment. Consequently, once that investment is made, it is a matter of great fiscal consequence whether decisions on maintenance and capital replacement are designed for the long-term benefit of the housing and its residents or whether decisions are made on a short-range basis of keeping the property in adequate shape so that it continues to provide income and profit or return to its investment owners. Not-for-profit rental owners seek to have funds taken out of the property for other permitted purposes of the not-for-profit owners. Housing cooperative resident boards, on the other hand, use 100 percent of the property's cash flow for maintenance and benefit of its member/shareholders, not for profit or return of investment or other organizational purposes.

What are housing cooperatives and what is needed to see them created? Based on historical cooperative writing by Jerry Voorhis in "Cooperative Enterprise: The Little People's Chance in a World of Bigness," a housing cooperative is "an entity whose assets are solely owned or controlled by the members and are devoted to providing housing and other related benefits for its members by the members, and all residual income inures for the benefit of the members-shareholders."

Creation of the new construction or rehabilitated housing cooperatives require a suitable site or building(s), a group of people subscribing to fund the new ownership entity or a development group that will create the cooperative ownership or ownership possibility and sell subscriptions for entity interests to the public. Most smaller housing cooperatives have followed the first described approach while development groups have completed most larger and government-assisted ones.

The resources needed besides specified land or building(s) is initial seed capital to get the project rolling, i.e., identify loan sources and the capital that the targeted income group has to produce as a collective down payment. The down payment funds may also have to include legal, architectural and development costs if the prospective loan will not cover all or part of them. If the intended population is to be high-income or upper-middle income, then the possibility of the targeted population providing the down payment plus soft costs is substantially greater through cash or share loans than if the targeted population is moderate-, low- or lower- income families.

The present available government loan insurance programs, which in the past provided 100 percent of hard and soft costs, are not up to meeting that goal for affordable housing, nor is private non-government insured lending, whether it be rental or cooperative. No housing meeting current safe, decent and sanitary requirements can be maintained for moderate-, low- or lower-income families without operating subsidies, whether it be rentals or cooperatives.

"Empirical observations also show that only a few of the housing cooperatives have opted out of their affordable status or have remained affordable because of their locations..."

Therefore, the question is what government policies and programs are needed to provide such affordable housing? It is obvious that such policies will need dedication of substantial budgetary resources, whether federal, state or local at a time when governments are crying about a short-fall in income. Most communities are suffering a shortage of affordable housing. Socially, warning signs of unrest begin when housing is in short supply or priced beyond the average person's ability to pay. The question is how should these scarce government dollars be parceled out?

The common-sense conclusion is that the government and other funders should give priority for housing cooperatives. FHA Section 213, 221(d)(3) Below Market Interest Rate (BMIR) and 236 Interest Reduction programs have produced housing cooperatives that have sustained themselves as affordable housing over the past 50 years whereas affordable rental programs created under FHA programs required substantial additional government funds to maintain the few that did survive. Many rentals have been converted to housing cooperatives or tenant association ownership in order to maintain buildings for affordable occupancy. The conversions were frequently completed with government grant monies that were partially repaid by the properties involved. Public officials must consider programs that give one-time expenditures to get housing cooperatives created on a sound financial basis and then do not have to be reinvented with new government investment every 15 or 20 years. Successful, democratically governed and responsibly operated cooperatives will have, as they have had, access to the private financial/refinance market at about the time substantial renovation becomes necessary to both maintenance of the property and its marketability.

A first goal would be the funding and modification of the BMIR program. The legislation is still on the books, but HUD has deactivated the program and has not sought funding for it. The major change that is needed is that FHA mortgage insurance be designed to cover not only the private acquisition and construction loan but also a private-end lender by eliminating the past practice of the Government National Mortgage Association (GNMA) being the end lender. Funding of a GNMA today is out of the political perspective. Government cash investment is more needed now for operating subsidies. It is the re-opening of FHA mortgage insurance on a 100 percent of hard and soft replacement costs over a 40-year term that is critical. Critics will say this goal is dreaming under current political circumstances; if the cooperative community does not dream and press for these dreams now, they can never become reality even if the cooperative community has to make compromises along the way.

The BMIR program offered various routes to get housing built or rehabbed. The cooperative group or developer could go the "pre-sold management" route, get a contract or option on the land and building, have architectural plans developed, locate an FHA-HUD approved lender and present a mortgage insurance application with construction prices based on bids to FHA-HUD. If approved, the group or developer would have to secure a specified percentage of subscribers, then the construction phase of the loan would be approved. Subscribers would have to pay their membership/share purchase prices, and the title would transfer to the cooperative entity. Construction would then commence while the group or developer provided education as to cooperative principles, organization and management to new member/shareholders who take occupancy upon completion of the construction and final endorsement of the loan insurance.

There is the investor sponsor route, whereby the group or developer gets an investment group to make the application to FHA-HUD, to front the money needed with the down payment amount. Then the title is transferred to the investment group on the condition that it will be transferred to the cooperative upon the cooperative securing a specified percentage of subscribers. Upon completion of construction or a specified period, the investment group conveys the title to the cooperative for a specified amount including its expense and a development fee. If the cooperative fails to get its percentage, the investment group retains ownership as an investment rental property.

Another legislation would be needed to amend the Low Income Housing Tax Credit statute, requiring the investment group to contract with the cooperative to be its operating partner or its contracted operator during the 15-year holding period. The contract would be subject to the investment group regulation with an option to buy the property at a set price if the cooperative maintains member occupancy at a specified level during that period, preferably with a budgeted project funded sinking fund to assist in the acquisition. In view of current tax laws discouraging investment in tax credit housing, guaranteeing investors of a buy out with some profit at the end of the holding period could make this program more attractive to investors. Minimally, a cooperative should have an exclusive option to buy at a fixed price at the end of the holding period.

It is time for the nation's policy makers to recognize that the only self-sustainable affordable housing created with government assistance has been housing cooperatives and that cooperatives offer its residents more than just shelter.

The very successful but limited land trust programs would be better served in leasing with options to buy or selling land to self-sustaining housing cooperatives under appropriate regulatory schemes that do not interfere any more with the cooperatives' decision making than are now imposed on lessors. Tax exempt state, local and private bond issuance funding should be expanded for the purpose of creating housing cooperatives.

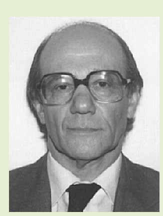
Finally, HUD regulations give a preference to negotiated dispositions from its inventory of properties acquired through abandonment or foreclosure. An examination of these properties will identify properties convertible to cooperatives. Housing cooperatives so created would be limited equity cooperatives.

The types of housing that can be cooperatively owned are unlimited. There are, and there can be more high rise, low rise, all sizes of apartment buildings (either single buildings or smaller ones on manageable scattered sites), town houses, row houses and duplexes, single family and manufactured homes on adjoining lots or on manageable scattered sites. There can also be land only owning cooperatives such as those with mobile or manufactured homes on the land or even with individually owned homes, but these are cooperatives of a limited nature when evaluated by the definition of a cooperative.

The reason for housing cooperative preference under government policies has been set out in this article along with a path for creation. It is now the responsibility of the cooperative movement to discuss, adopt or modify it and start presenting it to federal, state and local government officials and legislators, as well as foundations and other funders and lenders so that "cooperative preference" becomes a staccato that they hear and begin reacting to as the affordable housing crisis worsens under current policies as well as policies of the past administration. The campaign has to start on local and state levels where pressure will be building up to act. Local and state models of the above-described policies are also possible. In addition, it is likely that decisions on the specific expenditure of federal funds will be accomplished on the local and state level.

The concept is here. Who in the cooperative movement will pick it up? A lofty goal is presented in this article, but without lofty goals, steps along the way cannot be achieved.

The author wishes to thank Doug Kleine, former NAHC executive director and president of Professional Association Services and William Eaton, long-time housing cooperative attorney in New Jersey and former NAHC board member, for constructive comments on this article. Both Kleine and Eaton are NAHC members.



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The Facts and Figures of Affordable Housing in the United States

The Critical Shortage

The National Low Income Housing Coalition (NLIHC) and the Public and Affordable Housing Research Corporation (PAHRC) reported on September 22, 2017, that of 5 million federally assisted rental homes nationally, ¼ million rental homes will reach the end of their current subsidy contracts in the next 5 years. The Low Income Housing Tax Credit funds 25 percent and the U.S. Department of Housing and Urban (HUD) Project Based Rental Assistance, 3/5. Of the ½ million units, PAHRC estimates that almost 40,000 could be permanently lost from affordable housing stock; and "the cost to rebuild and maintain new rental units to replace the lost homes would be $6.4 billion over 50 years, compared to $4.8 billion to preserve and maintain existing homes already existing over that period."

The Survival of the Fittest

The conclusion that cooperatives created as conversions and new construction under Sections 213, 221(d)(3) and 236 of the National Housing Act, as well those conversions under the Low Income Housing Preservation Rehabilitation Act (LIPHRA) proved their self-sustainability with the payment in full, with interest, of their original HUD-insured mortgages is based on empirical evidence. The membership of the National Association of Housing Cooperatives provides this evidence since HUD records cut off its history at the time that HUD sold its HUD-held mortgages to private investors.

Many of these housing cooperatives defaulted on their mortgages because they were created with inadequate budgets in inflationary periods. HUD relied upon budgets submitted with applications for mortgage insurance while application approvals came 5 months to a year later with a construction or rehabilitation period of 1-2 years and sometimes with gross underestimation of future tax burdens once constructed or rehabbed. But despite these defaults, most mortgage housing cooperative defaults were worked out with modified mortgages that HUD held and then sold while the cooperative mortgagors were performing without default.

Most of these cooperatives paid their mortgages in full with all accrued interest together with any subsequent loans HUD may have made, many of them unsecured. The U.S. government would have been paid in full with interest on all loans if it had not sold the mortgages at discounted priced to investors, who obviously made out quite well. Also, see: Calhoun and Walker, *Performance of HUD Subsidized Loans: Does Cooperative Ownership Matter*, The Urban Institute, 1994.

What is a Cooperative?

According to Jerry Voorhis, "that characteristic (of a cooperative) is to be found in the purpose of the enterprise and the pattern of ownership which most necessarily goes along with that purpose. It is this different purpose and it is this different pattern of ownership that distinguish cooperatives from forms of economic organizations. First, a cooperative enterprise is one that's purpose is to provide its customers and users of its services with goods or services which they need at the lowest economically practicable net cost and in the form and quality those customers desire. The only way to be sure this is done is for the customers or users of the services to be also the owners, and the only owners, of the business."

He also said, "Cooperatives, then, are consumer-owned, customer-owned, patron-owned businesses that belong lock, stock and barrel to the same people who use their services."

Member vs. Shareholders

The main article uses the terms "member/shareholders" as the owners of cooperatives created under different state statutes. The cooperative organized under state not-for-profit corporation statutes will normally issue memberships, and its owners will be the member. If the cooperative is created under a state business corporation, such as most New York housing cooperatives, it will issue shares, and its owners will be shareholders.

Financing

It is the author's hope that others more knowledgeable in the various financing approaches outlined in the main article will come forward with detailed articles on each of the approaches, how they operate and can be achieved.

Limited Equity Cooperatives

Limited equity cooperatives are housing cooperatives whose documents limit the amount a member/shareholder can secure for the sale of their cooperative interest (membership/share and right of occupancy). The formulas to achieve this feat have been a relationship to the reduction of the mortgage balance (i.e., increase in estimated cooperative equity in the property), cost of living indexes or requiring that all sales be at the same amount as the purchase or possibly with some annual interest increment. Pegging the increase to the cost of living index is most likely the most accurate gauge from a consumer perspective to keeping the resale price affordable (even though recent history has not shown wages keeping pace with living expenses).

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