

COOPERATIVE HOUSING QUARTERLY

A member service of the National Association of Housing Cooperatives

Summer 2020

President's Column

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the Good News of Housing
Cooperatives

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Market Your Cooperative's Advantage

By Cynthia Mitchell

If there was ever a time to be bolder in promoting cooperative housing, this is it. We are in the midst of an affordable housing crisis worldwide. Millions of people are struggling to afford the skyrocketing cost of housing and are being pushed from their communities as a result, as seen in the 2019 documentary, *"Push."* The need for affordable housing has never been greater, and housing cooperatives have an important role to play in providing a solution to the affordable housing crisis. But cooperative housing remains the "best kept secret" of the affordable housing world, and there's still public confusion about what housing cooperatives are.

This confusion also extends to cooperatives more generally, not just housing cooperatives. According to a recent study mentioned in a 2019 episode of the *"Everything Co-op"* podcast, 74 percent of people would rather buy from a cooperatively owned business, but only 10 percent of people really understand what they mean. The good news? Once people understand cooperatives, they generally like them and think they're better for people, the planet and communities. But we've got some work to do getting cooperatives on the map.

So, where to start? Here are seven ways you can help to spread the word about cooperatives:

1] Be Visible – Does your cooperative have a sign?

There are 6,400 housing cooperatives across the United States – let's use the physical presence of cooperatives in cities all over the country to promote who we are.

Windmill Line Co-op in Toronto, ON uses their cooperative to promote Housing For All.



...housing cooperatives have an important role to play in providing a solution to the affordable housing crisis.

2] Website, Social Media – Is your cooperative online?

Promote your cooperative, post vacancies and connect with the global #coop movement online.

3] Share Good News Stories about Your Cooperatives – You just never know where it could lead

(see *The Women's Circle Share the Good News of Housing Cooperatives*).

4] Host Events – Invite the community and local politicians.

Having a clean-up day? Hosting a BBQ? Consider inviting local politicians and neighbors so they can see first-hand what cooperative living is about. Be sure to post the event on social media - politicians love publicity and will likely share it with their thousands of followers.

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PUBLISHER: National Association of Housing Cooperatives
EDITOR: Altoria Bell Ross Altoriaross@gmail.com

EDITORIAL BOARD

Manager: Douglas M. Kleine dougk@verizon.net
Herbert H. Fisher HHFisher1@aol.com
Randall Pentiuk rpentiuk@pck-law.com
Mark Shernicoff Mark@Shernicoff.com
Holly Jo Sparks hojosparks@gmail.com
David J. Thompson dthompcoop@aol.com

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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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CSI	CSI Support & Development Services
FNHYC	Federation of New York Housing Cooperatives & Condominiums
MAHC	Midwest Association of Housing Cooperatives
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Cooperative Strength Testing is an Example of Community Cohesiveness

By Fred Gibbs

“THIS IS A TEST. This is only a test. This is a test of the emergency broadcast...” These words are familiar to most American households and have been a part of our awareness for many years. Much to the disappointment of the listener, this announcement would invariably interrupt a favorite program or song and would last until the song had nearly ended. An annoying interruption, but one that our government felt was necessary to ensure our safety.

Systems testing is a key part of any program's maintenance. The same is true of the housing cooperative's operations. The cooperative must employ a variety of testing functions to ensure its viability and longevity.

Never before has this been more apparent than in the wake of the recent global pandemic. Many for-profit housing corporations were caught completely off guard and left wondering how to move forward. Landlords immediately felt the brunt of the economic impact of COVID-19. With cascading layoffs and the immediate decline of family household incomes, coupled with an eviction moratorium in many jurisdictions, landlords have little light at the end of their tunnel. In contrast, housing cooperative boards that have routinely reviewed their financial position and their emergency preparedness plans, though also affected by the crisis, have an advantage. Cooperators can agree to make the necessary sacrifices to ride out the rough times while protecting their homes. The crisis has been a test to see if the cooperative economy is what it claimed to be and if our claims of stability and democracy are in fact true. The vigilance of the cooperative community will pay huge social dividends as we emerge from the current economic downturn.

I believe time will testify to the strength of the cooperative way of life. As of this writing, we are

The vigilance of the cooperative community will pay huge social dividends as we emerge from the current economic downturn.

still grappling with the growing negative impact of the pandemic. Governments have yet to predict the total effect on the economy. Only intelligent-sounding guesses are being offered against an endless variety of possible scenarios. Few have had the courage to say, “We simply don't know.” What we do know is our economic and social systems are being tested in a way no one anticipated. Fortunately, much of the housing cooperative community has exercised practices that help to lessen the blow of these unexpected circumstances. Cooperative

homeownership organizations are usually more conservative in their approach to financial decisions and as a result usually keep debt to a minimum and expenses

low, thereby passing the benefit of affordability on to their members. Many cooperatives enjoy healthy reserves due to good financial planning that will help them remain solvent as the economy ebbs and flows.

By their sheer nature, housing cooperatives, being more than simply a place to live, have created pockets of community and safe havens for their members. “We are all in this together,” a familiar mantra during these times, is no more real, than when spoken by a housing cooperative community. This sense of community didn't just start when a crisis was realized. It began when someone had the idea of cooperating to create a housing solution that would be insulated from most issues faced in the rental world. That oneness of community will enable housing cooperatives to shoulder the burden of its members with the goal of maintaining their most valuable commodity and investment – their home. Integrity is, after the crisis is passed, being found to be what you've always said you were - cooperative strong. This is a test; it is only a test. [CHQ](#)



Fred Gibbs
President

► Market Your Cooperative's Advantage

[continued from page 1]

5] Connect to Broader Networks – Put principle 6 into action.

Stay active in broader communities like NAHC and your local regional association. Cooperatives have more of an impact working together.

6] Literally Put Your Cooperative on the Map.

If you live in a limited-equity or affordable housing cooperative, be sure your cooperative is On the Map. An effort by the Sixth Principle Coalition, the map aims to help serve and grow the cooperative community.

7] Word of Mouth Marketing – Talk about your cooperative with family and friends.

The more we share our cooperative stories, the more we can make cooperatives well-known and no longer a “best kept secret.”

Making housing cooperatives understood, and eventually the preferred housing option isn't going to be a walk in the park. But it's up to us as a sector to be bolder with promotion, to clear up the myths that exist about cooperatives and to think about new and creative ways to make cooperatives a no-brainer. [CHQ](#)

The Women's Circle Shares the Good News of Housing Cooperatives

The Women's Circle at Sarcee Meadows Housing Co-op in Calgary, AB, is

a powerful example of what can happen when cooperators share good news stories. In 2014, six women in the cooperative sat down with their community's social worker to learn about each other's cultures. In the years since, the group has worked to bridge divides in its community, organize cultural events, volunteer with local organizations, build community and support each other through difficult times. The group shared its story in 2017 and garnered a national Canadian cooperative award for its work. Since then, the group has received international media coverage from the United Kingdom, the United States, Europe and India and have gone on to inspire countless others with its story.



Members of the Sarcee Meadows Women's Circle prepare perogies for a potluck.



The Women's Circle at Sarcee Meadows Housing Co-op in Calgary, AB, hosted a cultural event and invited Calgary Mayor Naheed Nenshi. He was having such a good time he stayed for over an hour.

CHF Canada's #IncludeCoop campaign positioned cooperatives as a key part of a modern housing mix during the 2019 federal election. The campaign saw over 2,000 uses of the #IncludeCoop on social media and over 3,000 visits to the campaign website.



Cynthia Mitchell works for the Co-operative Housing Federation of Canada as its program manager, membership and events. She happily lives in a housing cooperative in Ottawa, ON.

The NAHC Cooperative Membership Sales Program



The NAHC Cooperative Membership Sales Program is your ticket to reaching potential members for your housing cooperative with the help of the

National Association of Housing Cooperatives (NAHC).

Whether a potential member is moving to another part of the country or looking into cooperative housing for the first time, they can filter their search results. That's where NAHC comes in.

Your available housing cooperative unit(s) will appear in the property search of NAHC's online directory on the website with up to seven photos and a 150-word description.

NAHC will also promote your listing in upcoming newsletters, social posts and promotional emails to NAHC's contact database at no additional cost.

Getting started is simple. Check NAHC out and complete your listing. If you have any questions, feel free to contact [Karen Harvey](#) or the NAHC office. NAHC is here to help!

After All These Years – Is Your Cooperative Handling Sales Correctly?

By Herbert H. Fisher



“Hey, what kind of question is that?” a cooperative board member may ask.
“Why would you think the board is not properly handling a member’s sale or correctly selling a cooperative owned membership (treasury share)?”

To answer these questions, I have written this article because of the number of times I have received calls reflecting that cooperatives:

1] Are not properly handling the price at which their members are or the cooperative is selling as prescribed in their governing documents;

2] Ignoring that the members have a right to a direct sale if the cooperative does not exercise its first option to repurchase or, as the case may be, its right to match any other purchasers’ offer (If a cooperative does not have such provisions in its governing documents, then this case does not apply); or

3] Overlooking that the cooperative’s right to reclaim or foreclose on the membership comes through lien rights created by those governing documents and state law.

Here are the factors to consider:

PRICE The governing documents do not prescribe any amount at which the original shares issued by the cooperative should be sold. This decision is given to the initial board of directors. The amounts are set at the time the costs of acquiring the property and its rehab or construction costs have been established. Then the excess of the costs over the loans and grants, if any, can be determined. This cost excess determines the amount needed to be raised by the initial sale of the memberships/shares. This cost usually is then allocated proportionately to each dwelling unit based upon its prices or sizes. In the case of Federal Housing Administration-insured loans or loans and grants equaling 100 percent of costs, the cash requirement will be the amount required to fund the initially required replacement reserve. Shouldn’t the offering price for a new issue provide for working capital so payroll and other expenses can be paid from day one?

Price upon resale of the memberships/shares is controlled by a transfer value formula usually found in the bylaws. Normally, formulas have been based on the amount of the mortgage amortiza-

tion prorated to each dwelling unit or some variation of it, a percentage increase or cost of living index increase or all or some of the above.

Experience has shown that the increases each year with the transfer value based on amortization soon exceeded the market value of the memberships/shares, i.e., the ability of qualified buyers to purchase.

If the transfer value was based on an amortization schedule, as the U.S. Department of Housing and Urban Development-insured mortgaged cooperatives were, there was not an increase after the 40th year. The transfer value would be frozen at that point unless the cooperative obtained a new mortgage loan to make improvements or major repairs and or amended its bylaws to provide for a different formula with a fixed amount as a starting point.

MEMBERS RIGHT TO A DIRECT SALE When transfer values exceeded what the market could pay, some cooperative boards solved the problem by just “freezing the equity,” the price, at a level boards thought would be readily saleable. This freeze ignored the member’s right to a direct sale at no more than the transfer value if the cooperative did not exercise its option and pay the transfer value.

Some cooperatives more properly just adopted a policy of not exercising the option and letting the members find their own buyers. Others that exercised this strategy also opened their waiting lists to members to negotiate their own prices.

Many cooperatives adopted a policy of not exercising the option, not opening their waiting lists but agreeing that if the members waived their right to a direct sale, the cooperative would find a buyer for them at a price the cooperative set.

LIEN RIGHTS The governing documents create an agreement that the cooperative has a lien on the member/shares. Many cooperatives merely file a forcible or eviction action, take



Herbert H. Fisher is a retired attorney no longer practicing law and is willing to respond to any questions at hfhfisher1@aol.com. Under state laws, this article and his response are not legal advice and should not be relied upon as legal advice.

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Benchmarking Your Cooperative

By David Wilkins

As the saying goes, you can't manage what you don't measure.

Not many people in their professional careers are tasked with the administration and management of hundreds of thousands of dollars, let alone millions. Yet, the cooperative requires board members to step up, often without adequate training or experience.

Of course, members can acquire training through participation in cooperative educational events. Experience, however, is on the job and unfortunately played out in real time. In other words, board members are quite often learning about budgeting for the cooperative while preparing the actual budget.

Budgets are often crafted by reviewing historical operating results. If the budget number "is in line" with prior years, then it is often considered a good number. This is one form of benchmarking, the benchmark being the historical financial operating results of the property.

Benchmarking to historical performance is certainly worthy and creates value for those planning a budget. Yet, benchmarking solely to the cooperative itself can lead to erroneous conclusions.

Say a cooperative has experienced a water bill as follows:

	Actual 2017	Actual 2018	Actual 2019	2020 Budget
Water Bill	\$100,000	\$105,000	\$110,000	\$116,000
% increase		5%	5%	5%

Here the board saw clear evidence of the water bill increasing roughly 5 percent each year, and it followed this trend for the new budget.

But What If....

Twenty years ago, when builders were constructing the cooperative, a small hole developed in the water line. The leak occurred after the cooperative installed the meter. The excess water dissipated into the ground, and no one ever knew. Essentially, the utilities company overcharged the cooperative for water it was not actually using.

Benchmarking to the historical use of water at the property would not alert the board members of a leak. However, benchmarking to other similar properties might have led to further discovery of

the water leak since benchmarking's purpose is to calculate per unit per year expenses.

Measuring the cooperative against its historical self is certainly of value. But when questions arise from new board members like, "What is the proper cost for payroll?" or "How much should our utility bills be?" benchmarking to the cooperative's history only provides a part of an answer.

Lenders benchmark cooperatives to apartment communities because they are found to be relatively homogenous. Cooperative revenue does not benchmark well because unit carrying charges and unit rent may not be correlated. This fact is especially true if the property is affordable in nature.

When comparing expenses, apartment properties align well with cooperative properties provided you match the building design. Therefore, garden-style cooperatives should be benchmarked to garden apartments, midrise to midrise.

People think their homes are unique, and they are. Yet realtors, insurance agents and lenders look at homes in a spectrum of similar homes in the market because they know what the properties are valued. Yes, your house is unique but not so unique that it can't be compared to others.

By comparing the cooperative to other similar properties, board members can learn to benchmark the cooperative against other properties. For instance, a mid-rise cooperative should be benchmarked to other midrise apartment communities and a garden style building to a similar design. Although it may be difficult to find an exact property in age and style, other buildings offer similar characteristics.

Board members should seek out as many properties as possible to create a pool of data to benchmark. By having a pool of similar properties, board members will find a blending of results that will render more accurate results than a single property.

Of course, similar architecture does not account for similar size. It would be very difficult to find good data if limited to only properties that have the same number of units. To blend through the variances of property sizes, operating data is reduced to using per unit per year (PUPY). Let's use an example to highlight how this might work.



David Wilkins is the managing director of the Walker and Dunlop Detroit offices and has over 30 years in commercial finance and education. Wilkins can be reached at dwilkins@walkerdunlop.com

Where to Find Data on Comparable Properties

Cultivate a relationship with a local commercial appraiser. Appraisers can be an excellent source for this data as they do evaluate operating expenses in determining values and have access to a large inventory of properties operating history as part of their work. Ask for per unit per year basis to provide some degree of privacy. Otherwise, it is unlikely they will share. Of course, you may decide to pay for the data from an appraiser. For \$3,000 to \$5,000, an accomplished appraiser can provide a good data set. Also, many cooperatives have loans on the entire community. These loans required appraisals. The lender will, if requested, share its appraisal with the board post-closing.

Ask your management company to provide financial information on other clients. Property management companies would be a logical choice to provide this information if they work with multiple properties. They have access to many different properties' operating information and could compile that into per unit per year information to share with their customers. But again, it would take some work to do that and would come at a cost.

Enlist in a pay for database service. Companies like CoStart through a costar subscriber and IREM collect and compile this information on a nationwide basis. These services are useful for the most part although they do not cover every market equally well. Plus, they can be expensive.

You may also approach multifamily investment sales professionals and multifamily debt professionals.

In this example board members benchmark a 75-unit cooperative. Similar properties are a 55-unit and a 120-unit one. How does the data compare data?

	2018 Water Bill	Per unit Per Year
Co-op A, 75 units	\$24,375	\$325
Property B, 55 units	\$18,425	\$335
Property C, 120 units	\$38,400	\$320

The cooperative's water bill at \$325 per unit per year is well within the ranges of the benchmark. Knowing this information provides comfort that the water expense is in line with the competitors.

Measuring the cooperative's budget against historical operating cost provides one method for benchmarking. Measuring it on a per unit per year basis to other similar properties will provide additional benchmarking information.

The process of benchmarking your cooperative will provide information to allow you to operate and manage it with confidence. [CHQ](#)

► After All These Years [continued from page 5]

possession of the dwelling unit and conclude that is all that is needed for the cooperative to resell the membership/shares. Most states have determined that the membership/shares are personal property. Most states have adopted, in substance, the Uniform Commercial Code, which means that there has to be a public auction of the membership/share or a private sale at a reasonable commercial value. Of course, either a public or private sale is subject to the approval of the buyer by the cooperative, if the cooperative, as most do, has such authority to approve.

In order to handle this aspect, a cooperative needs to take an average of what its memberships/shares have been selling for over a reasonable period of time and set a "reasonably commercial price" the cooperative will sell the cooperative once it obtains possession of the specific dwelling unit involved in the forcible entry and detainer proceeding. At that point, the cooperative can conclude such a sale, applying first the sales proceeds to the debt owed the cooperative, including court costs and attorney's fees and refunding the surplus from the sale, if any. A notice of this procedure needs to be given to the affected member per statutory requirements. It is preferable to render this notice at the same time as serving the notice of default required under state forcible entry and detainer/summary dispossession proceedings.

If the cooperative cannot establish a "reasonably commercial price," then it would be better to hold a public auction. State statutes specify the notice required usually involves publication in a newspaper of general circulation as well as to the affected now former occupant and to any share lender lien holder. The cooperative has a right to bid its debt to ensure that any third-party bid be enough to cover the debt. The notice of sale should state that the cooperative will have to approve any purchaser before acquiring the right to occupy the dwelling unit. Note that without that right, the membership is valueless in the market place.

Board members should review present procedures with their cooperative's attorney and determine how they comply with the cooperative's documents and applicable laws, if any. [CHQ](#)

Board members should review present procedures with their cooperative's attorney and determine how they comply with the cooperative's documents and applicable laws, if any."



Finance Your Cooperative for the Future

By Hugh Jeffers

Often cooperative boards and members have a negative view of mortgages and debt in general. In addition, the process of getting a loan and evaluating options can be confusing and taxing. However, mortgage financing is a unique and effective tool to help the board reposition the property and set up the cooperative for future success. It can help the board effectively address physical, management and marketing issues with the cooperative. And, despite the current crisis, debt financing is inexpensive right now, and mortgage lenders are working to process applications and close loans during this period.

...despite the current crisis, debt financing is inexpensive right now, and mortgage lenders are working to process applications and close loans...

Cooperative boards should be continually assessing the property's performance and physical plant. Remember that is important to treat the cooperative's operations as a business and create a plan that helps that business provide a home for its members. Financing should be considered as part of this plan. There are several reasons a cooperative may want to access financing. These include the following:

1 | REDUCE COSTS. The board should examine the cooperative's current financing on an existing loan and assess whether or not it makes sense to refinance based on present interest rates. Today's interest rates are near historic lows, and the cooperative may be able to save significant money simply by lowering the interest rate. This is true even if the cooperative has to pay a prepayment penalty on its current loan in many instances. It is important to analyze this issue on a regular basis.

2 | ENHANCE THE CURB APPEAL AND REHAB THE PROPERTY. Assessing the physical plant and accurately understanding the property's needs is a critical function to maintaining the appeal and desirability of the cooperative. Often, as properties age, they may fall into disrepair or become antiquated and less desirable in the market place. Maintaining the property, replacing worn out systems and updating the building helps maintain marketability and sets the cooperative up for future success. Most of the time, it is impossible to complete the necessary work and less cost effective trying to pay for it out of the property's cash flow or reserves. Repairs made over time are more costly due to economies of scale. For instance, if the cooperative needs to replace unit kitchens, the unit price will be lower if a contractor can ramp up and do them all at once because he is buying materials and appliances in bulk rather

than one at a time. The workmanship can also be consistent. Financing provides the cooperative with the money to do this work all at once and at a relatively low cost and almost always at a lower cost than financing it from cash flow.

3 | GREEN RETROFIT/EFFICIENCY

ENHANCEMENTS. As part of the regular assessment of the cooperative, the board should examine the cooperative's operations and determine if green retrofit and/or energy enhancements may save operating dollars. For example, is light-emitting diode (LED) lighting installed in common areas? This installation will save on electricity costs as well as reducing the frequency of replacing bulbs. Other elements to consider include installing solar panels, window replacement, insulation, replacing older toilets with low flush toilets, replacing faucets with low flow models and replacing old heating, ventilation and air conditioning systems (HVAC) with new high efficiency models. There are literally hundreds of ways the cooperative can increase efficiency and lower the costs of operations. Cooperatives can use financing to help pay for these enhancements and improve operations.

4 | REPLENISH RESERVES. The cooperative can use financing to bolster both operating and replacement reserves and ensure it has the money in the future when needed. Operating reserves should be maintained to help the cooperative in an emergency, increased vacancies during downturns and other interruptions in normal operations. Replacement reserves help ensure money is available to help keep the property properly repaired and updated in the future. Financing can help get those reserves to the proper levels.

To recap, financing allows the cooperative to access the funds needed to make repairs and improvements at the lowest possible cost.



Hugh Jeffers is vice president of origination at Centennial Mortgage in South Bend, Ind.

Financing typically results in lower carrying cost increases than trying to fund these improvements from the cash flow. The “band-aid” approach to repairs and enhancements is always more costly. Financing can help set the cooperative’s financial house in order as well and help it remain competitive and attract new members.

Several sources of financing are available for cooperatives. The primary sources include the Federal Housing Authority (FHA) and Fannie Mae through approved lenders. National Cooperative Bank (NCB) also offers loans to housing cooperatives. These sources can provide an excellent choice for the cooperative, but they do have some differences and may not work for every cooperative. It is important to evaluate each program to see how it might work for the cooperative’s specific situation.

To access FHA-insured loan programs, the cooperative needs to use an approved FHA lender for the application process and funding of the loan. FHA generally provides the lengthiest terms at the lowest rates, but the processing times are longer than other sources, and up-front costs may be higher. The terms for FHA mortgages can be up to 35 or 40 years depending on the program. It is important to evaluate those up-front costs considering the long-term loans, though, because when amortized for the life of the loan, the costs can be cheaper on an annual basis. Another thing to consider with FHA is that the loans are self-amortizing, meaning there are no balloon payments, requiring another refinancing to pay it off.

Fannie Mae can provide long-term loans up to 30 years, but the rates are higher than FHA. In addition, Fannie Mae provides shorter-term loans, typically 10-year or 15-year that have balloon payments that will need to be refinanced at maturity. Fannie Mae loans can be processed faster than FHA loans and at a lower cost.

NCB also offers loans that are similar to Fannie Mae loans and can be processed in a similar time frame. There is the added

benefit of working with a bank that has a strong understanding of cooperatives. In addition to FHA, Fannie Mae and NCB and other sources for financing may include Freddie Mac (dependent on location), local banks and some community development financial institutions.

In order to properly assess the loan offers the cooperative may receive, the

Cooperative boards should be continually assessing the property’s performance and physical plant.

board should understand fully what the objectives of the financing are and how each program helps the cooperative achieve its specific objective. In addition, the board should understand, as a cooperative, the important factors for the cooperative in a loan including low rates, loan costs, prepayment penalties and whether a balloon payment will be involved among other things. Evaluating offers can be confusing and difficult. The board can make sure the cooperative has help in making those evaluations. Both the regional (member) associations and NAHC can provide assistance during this process.

Additionally, it is important for the cooperative to have its house in order when asking for a loan proposal. The more prepared it is, the easier the process will be with the lender. I recommend that the cooperative put together an initial package of information to help the lender understand both the objectives of the financing and the financial operations of the cooperative. This package should include the following:

- A written description of the property including date built, rehabilitation if any, problem areas, the work the cooperative would like executed, share prices and a list of board members and officers;
- A unit mix of the property by bedroom count;
- Three years of operating statements and/or annual audits;

- The year-to-date operating statement;
- The line item cost for repairs completed in the last 5 years;
- The current rent roll;
- The occupancy history for the last 3 years;
- A list of anticipated/needed/desired repairs and enhancement along with a line item cost estimate;
- The Section 8 contract, if applicable;
- The Use Agreement, if applicable; and
- A copy of the bylaws, house rules and other cooperative legal documents.

Lenders will evaluate several factors when looking at providing financing to the cooperative. It is important to examine the occupancy and operating history over several years to ensure income and expenses are accurate. One year is not sufficient evidence to predict future operations. Reviewing occupancy over time will also give the lender a sense of the market and the management of the cooperative.

A lender will also conduct a thorough evaluation of the property’s condition to ensure the cooperative is addressing major and critical repairs. Lenders will want to ensure the property is safe and in good physical condition.

In addition, the lender will evaluate the board and cooperative management for a period of time. It is important to demonstrate that the board is pro-active in dealing with issues that affect the operations of the cooperative. It is also important to see that the cooperative provides regular training for its board members and officers.

Lenders will need this information to properly evaluate the cooperative’s operating history and property’s physical condition. Having this information in a package for the lender will demonstrate the cooperative’s seriousness and preparedness for the process and will produce quicker turn-around times on proposals as well. Again, this process can be confusing and overwhelming at times, so contact regional (member) associations or NAHC for guidance, if necessary. [CHQ](#)



Minimize Claims on Your Directors and Officers Liability Insurance

By Daniel Costello

It takes more than just a board member behaving ethically to avoid certain pitfalls or to prevent claims against the cooperative's directors and officers liability insurance. While ethical behavior is the cornerstone to defending against such claims, there are certain practical steps that can be implemented on every board to help to reduce the likelihood that a claim is ever made.

Being on a board of directors comes with great responsibility, authority and power.

1] Each board member should be familiar with the laws and documents that govern the cooperative.

For most cooperatives, these laws and documents include:

- The Federal Fair Housing Act;
- The Federal Telecommunications Act (relevant to satellite dishes);
- The Americans with Disabilities Act (only for cooperatives with space open to the general public, such as a swimming pool);
- State and local common ownership community laws;
- The Articles of Incorporation;
- Bylaws;
- Subscription Agreement;
- Occupancy Agreement; and
- Resolutions of the board and rules and regulations.

At a minimum, board members should be able to identify these laws and documents and understand how they relate to the cooperative. Board members should also possess copies of these documents and be familiar with their content. While board members are not expected to have a lawyer's understanding of these documents, they should be comfortable with referring to and discussing them with each other and the cooperative's legal counsel.



Daniel Costello practices real estate law at Costello, P.C. in Washington, D.C., working with condominiums, cooperatives and homeowner associations in Virginia, Maryland and the District of Columbia.

2] Boards should hire professionals to assist in areas that require special expertise.

Board members are volunteers who need the assistance of professionals to help the cooperative run properly. Each board should typically have:

- Legal counsel who practices in community association law;
- Management company/site manager;

- Accountant; and
- Maintenance professionals.

Even with these professionals, board members need to oversee and understand the nature of the work being performed by the professionals. For example, board members should know how to read a financial statement, understand the procedures to evict a delinquent member, know how to run meetings in accordance with the governing documents and know how to pass rules and regulations. If a board member does not know or is unsure how to perform these tasks, he or she should ask the appropriate professional to explain and/or provide an overview of the subject.

3] Boards should know their general powers and duties.

Being on a board of directors comes with great responsibility, authority and power. Boards shall only act in accordance with state law and the corporation's documents. Typically, these powers and duties include:

- Setting goals;
- Creating standards and procedures for the cooperative;
- Enforcing the governing documents;
- Maintaining the property;
- Maintaining the financial stability of the cooperative;
- Purchasing adequate insurance; and
- Entering into contracts.

Typically, the board president will set the tone and pace to accomplish these duties, but the board as a whole must act together, and in cohesion, to achieve its goals.

4] Boards should run efficient and professional meetings.

Running efficient and professional meetings keeps the board on task and demonstrates that the board is both competent and in control of the affairs of the cooperative. Effective board meetings need to be well planned, and board members need to be prepared before the meeting begins. The following steps should be performed in advance to ensure an efficient and professional board meeting:

- Prepare agenda;
- Review previous meeting minutes;
- Review financial reports;
- Review committee reports;
- Review management reports; and
- Review special reports, memorandums and correspondence from professionals hired by the cooperative.

After taking these steps to prepare, each meeting should:

- Start on time;
- Follow the agenda;
- Follow a form of parliamentary procedure;
- Include the keeping of minutes;
- Have an open forum for comments from those members in attendance; and
- End on time.

Your fellow members will appreciate keeping on schedule, and the meetings will be efficient and effective.

5] Each board member must disclose potential conflicts of interest.

A conflict of interest is in essence anytime a board member may be in the position to place one person's needs or preferences (including his own) above the cooperative's. Examples of a conflict of interest include:

- When a board member votes on an issue that directly affects the interest of that board member's family or business interest; and,
- When a resident, who is a friend or family member of a board member, requests special treatment.

In addition, some actions taken by a board member could have implications beyond a

Typically, the board president will set the tone and pace to accomplish these duties, but the board as a whole must act together, and in cohesion, to achieve its goals.

conflict of interest and in some jurisdictions be criminal, such as taking bribes. Such criminal conduct could result in a loss of D&O insurance coverage. Examples of such actions include:

- A contractor who offers to do special work for a board member if he receives a contract; and,
- A contractor who provides gifts to a board member in exchange for favorable votes.

Should any of these scenarios arise, the board member approached or involved should immediately disclose the offer and/or the potential conflict to the entire board. Also, if a conflict exists, the board member should not vote on any issue involving a possible conflict of interest. Best practices include:

- Full disclosure of possible conflicts of interest. Anytime a contractor or situation involves a family member or friend or the offer of special treatment, a board member or manager should immediately report this to the full board.

- A board member should recuse himself from any vote that may involve a possible conflict of interest.

Along with general ethical behavior, taking these steps will insulate the board from claims of wrongdoing and any claims against the cooperative's directors and officers liability insurance. Please consult with the cooperative's legal counsel regarding any questions about these recommendations or if you need a copy of the relevant federal or state laws that affect the cooperative. [CHQ](#)

Romancing the United States

By Herbert H. Fisher

Hey there, United States, don't you think I am cute?

Just look at my well-kept lawns, well-pointed buildings and newly replaced insulated windows.

If you are a high-spender or have little to pay, come spend a little time with me.

You won't regret it because I can give you more than just housing care,

I can give you all the community attention you need.

And it is not to be for just a day, but can be forever,

Because I am sustainable and have proven it over the years.

And I am not expensive, really, I just look that way.

I just cost enough to keep me alive.

My cooperative psyche does not permit me to do anything else.

Yes, USA, come spend a little time with me.

You will not regret it and will stay a long while,

Like most who come to visit me.

—The welcoming housing cooperative.



COVID-19 Update: Navigating the Challenge Together

In response to COVID-19 developments, NAHC is supporting its members and community in numerous ways in regards to the Registered Cooperative Manager (RCM) courses, the 60th NAHC Annual Conference and membership resources.

RCM Training Courses

NAHC continues to offer RCM renewal courses [online](#). RCMs can use their member discount when registering. Additionally, NAHC looks forward to the in-person RCM classes during the annual conference in Portland, Ore., November 4-7, 2020. NAHC will update the website with additional details as they become available.

NAHC Annual Conference

At this time, NAHC **does not have plans to cancel or postpone the annual conference** and will be keeping a close eye on the COVID-19 situation as it develops and notifying members with updates. For specific questions about the annual conference, contact [NAHC](#).

Education Endowment

The NAHC [Education Endowment](#) sponsors the travel, stay and registration for a cooperative member to experience the educational program at the NAHC Annual Conference and share valuable insights with their cooperative back at home. Apply today.

Membership Resources

NAHC reminds members about some important [membership benefits](#) that can be used right now.

Free Pharmacy discount cards and Co-operative Healthy Savings Program for families living in NAHC member cooperatives. The Cooperative Healthy Savings Program provides pharmacy discounts that make getting prescriptions simple and more affordable. This is a prescription discount plan, not insurance.

Technical Assistance NAHC offers technical assistance by telephone, email and other means to members on the development and operation of housing cooperatives. NAHC can render in-depth consulting services for a fee.

Access to Directory of Professional Members. Members can contact NAHC professional members to address legal needs, financial concerns, property management questions and start a dialogue to share ideas and grow together.

Cooperative Housing Blog. Go to the [online](#) resource where NAHC addresses timely topics for professionals in the housing cooperative industry. Legal issues, governance, development, tax tips and more are up for discussion. Stand with NAHC at the forefront of cooperative housing issues to keep the conversation going.

Members may renew their membership at any time. Contact Paul Doggett at pdoggett@nahc.coop for assistance.

More Resources

NAHC is pleased to share relevant resources to help members and their communities navigate these turbulent times. Check out [Latest News](#) and [Government Relations](#) webpages for recent news.

NAHC hopes to see members this fall to celebrate 60 years of empowering cooperative housing. In the meantime, wash or sanitize your hands frequently, don't touch your face, eat healthy, sleep well, breathe deeply and stay safe. [CHQ](#)

MEMBER ASSOCIATION NEWS

California Association Housing Cooperatives (CAHC)

CAHC suspended its May 9, 2020 Annual Conference Town Hall Meeting and collaboration with the San Francisco Land Trust until further notice.

On this note, it's outstanding how people come together during a crisis. Cooperative members at Loren Miller Homes and members of other cooperatives are delivering food bags to seniors who have problems getting out.

Grocers, such as Trader Joe, Good Earth and Whole Foods have graciously provided fresh fruits and vegetables, and local restaurants have prepared hot lunches for pick up.

What a wonderful world in which we live!

CSI Support & Development

CSI will celebrate its 75th anniversary on December 21, 2020. Planned commemorations throughout 2021 are 75th anniversary logo CSI stationary, a book focusing on CSI through the ages, banners, flags, tee shirts and hats. Events include a 75th anniversary cooperative calendar competition and a surprise for members turning 75 years old.

CSI forged a long history with cooperative milk dairies and optical and credit union services before moving on to affordable housing and the development of Wyandotte Cooperative in Wyandotte, Mich. in 1965. Today, CSI manages 60 cooperatives throughout four regions: California, Maryland, Massachusetts and Michigan.

Midwest Association of Housing Cooperatives (MAHC)

MAHC has rescheduled its 57th annual conference in Denver, Colo., from May 16–21 to August 2-5, 2020. In the interim, MAHC is offering free [online](#) educational offerings: New Board Training, Co-op Dictionary, Co-op Training Handouts and Know Your Legal Documents.

Potomac Association of Housing Cooperatives (PAHC)

PAHC cancelled its 2020 annual conference in Dover, Del. Registrants received a full refund. Future trainings are also canceled until further notice. Instead of meeting, PAHC is sharing information with its members of some of the various measures different cooperatives are taking in regards to closings and member and staff challenges during the COVID crisis.

In the meantime, information is forthcoming on an annual conference date for 2021. [CHQ](#)



The National Association
of Housing Cooperatives

BOARD TRAINING SEMINAR

ROLES, RISKS & REWARDS

The 3Rs for Cooperative Boards

Roles, Risks and Rewards—The 3Rs for Cooperative Boards is a six-hour, in-person, seminar that will build your cooperative knowledge and show you how to work together as a board. The 3Rs seminar assists board members in developing excellence in governance right at their own cooperative!

Who should participate?

Housing cooperative board members, management and anyone interested in cooperative governance.

Download the information sheet and complete the application available on the NAHC website. Contact the NAHC office with any questions via info@nahc.coop or phone at 202.727.0797.



National Cooperative Bank Promotes Casey Fannon to President

NCB has promoted Casey Fannon to president.

"As an employee of NCB for over 23 years, most recently serving as the chief lending officer, Fannon brings the in-depth knowledge of our customer segments and a strong capital markets expertise to grow NCB for the future," stated Charles E. Snyder, chief executive officer and chairman.



Casey Fannon

Since joining NCB in 1996, Fannon has worked in new product and market development, commercial real estate, capital markets and most recently managing NCB's loan and deposit production across all NCB's customer segments.

Fannon received a bachelor of science degree in finance from Bentley University and is a chartered financial analyst charter holder.

NCB Names Holdsclaw IV Board Chair of the Coalition of CDFIs



John Holdsclaw, IV

JOHN HOLDSCLAW IV, executive vice president, strategic initiatives, has been named chair of the board of directors of the Coalition of Community Development Financial Institutions (CDFI Coalition). Holdsclaw has served as vice chair

for the past two years and will serve a two-year term as chairman.

Holdsclaw received a bachelor of science degree in political science from North Carolina Agricultural and Technical State University and master of science degree in community economic development from Southern New Hampshire University.

As board chair, Holdsclaw will drive the policy agenda for CDFIs forward and help the CDFI Coalition coordinate industry-wide initiatives to increase the availability of capital, credit and financial services to low-income communities across the nation.

The CDFI Coalition Board is comprised of 18 organizations representing community development loan funds, community development banks, community development credit unions, microenterprise lenders, community development corporations, community development venture capital funds and intermediaries. [CHQ](#)



Your Cooperative Bank Expert

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

We offer:

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



Contact Us!



LOANS

Larry Mathe

TEL (703) 302-1909

TEL (800) 766-2622

EMAIL lmathe@ncb.coop

CASH MANAGEMENT

Jared Tunnell

TEL (703) 302-8176

TEL (800) 766-2622

EMAIL jtunnell@ncb.coop

Visit us online at www.ncbassociationbanking.coop

COOPERATIVE DEVELOPMENT

NCB Commits Millions to Low-to Moderate-Income Communities, New Development

NATIONAL COOPERATIVE BANK (NCB) committed \$352 million to initiatives serving low-to-moderate income communities and new cooperative development during 2019. NCB provided capital through direct lending and investments totaling \$181 million for housing cooperatives, unit loans and affordable housing initiatives nationwide.

Royal Oak Towers Becomes CSI's Newest Co-op

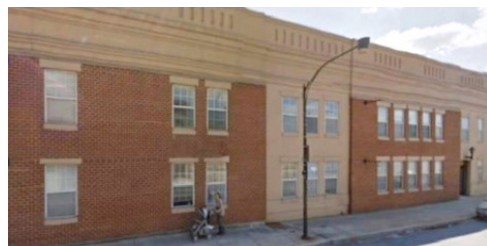
IN DECEMBER CSI closed on the purchase of Royal Oak Towers, a 10-story senior building in Ferndale, Mich. With this acquisition, CSI not only made a sound investment but also preserved 200 units of quality, affordable housing for seniors. Additionally, CSI was pleased to add the building's previous management staff to the CSI team.

In the coming months, CSI will be making small safety improvements to the property, including sidewalk repairs and electrical upgrades. Cash reserves that remained with the building from the previous owner will fund these improvements. A full-refinancing and renovation will follow in three to five years.

Highlandtown Plaza Co-op Awarded Section 202 Capital Advance

IN 1995 CSI converted an old dilapidated trolley car barn in the Highlandtown neighborhood of Baltimore, Md., to 74 units of

In 1995 CSI converted a trolley car barn into Highland Plaza Co-op. Highlandtown Plaza Co-op is located near the John Booth/Hooper Senior Center, Enoch Pratt Free Library and the Johns Hopkins Healthcare.



CSI welcomes Royal Oak Towers' residents and staff to its family.



affordable senior housing. Since that time, CSI has provided quality affordable housing to hundreds of seniors in this neighborhood. Now 25 years old, the cooperative is ready for a larger capital renovation.

Earlier this year, Highlandtown Plaza was one of 18 projects nationwide that was awarded a Section 202 Capital Advance grant and a Project Rental Assistance Contract on seven units. These recent awards were the first Section 202 awards since 2012. The Capital Advance will be used in conjunction with a number of other sources of financing, including a Weinberg Grant and the subordination of the existing HOME Investment Partnerships Program, Community Development Block Grant and state loans. This complex financing structure will allow CSI to fully renovate the existing units, create seven new units and add a full-time service coordinator while keeping carry charges affordable for the existing members. CSI plans to start construction late 2020. [CHQ](#)

THE RCM PROGRAM



The Registered Cooperative Managers (RCM) Program builds upon the work of cooperative housing management and helps the profession achieve ever-increasing higher professional standards, expectations, and rewards. The designation is awarded to managers who meet the RCM standards of excellence, understanding, and achievement in the area of cooperative housing management following participation in a series of courses, then pass certification exams. RCM course topics provide exciting insight into housing cooperatives and help develop skills necessary for a successful career in management. The courses refine the understanding of housing cooperatives, renewed dedication to the principles of cooperative housing, codify the ethics of cooperative housing management, and improve housing management practices.

The Registered Cooperative Manager Certification Program is the only nationally-recognized designation and certification specializing in Cooperative Management recognized by the Registered in Apartment Managers (RAM program). RCM is a sought-after professional designation for cooperative housing managers. You can find the application and more information on www.coophousing.org.



Ordering appliances at a discount through **NAHC's GE/Hotpoint** program is as easy as 1, 2, 3...

1. Establish an account.

If you don't already have a GE account number for the NAHC program, call Pam Sipes at 1-800-782-8031 Option 4 to establish one. If you have an account number but don't remember it, or if you're not sure whether you have one, call Pam Sipes. You will need to fill out a credit application form, available from Pam.

2. Select the products you wish to purchase.

Once your account number is established, GE will send discount price and availability material directly to the account number address. Note that volume discounts may be available. Even if you're not interested in ordering now, you can always request a catalog of GE products from NAHC at 202-737-0797.

3. Place your order.

Call the regular GE customer service number, 1-800-654-4988, to place an order.

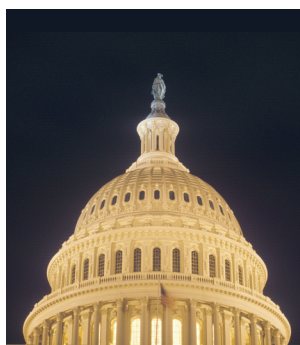
The GE/Hotpoint program is an NAHC member service.



REPORT FROM WASHINGTON

By Judy Sullivan

Prepare Your Cooperative for the November Elections



AFTER WATCHING the debacle that unfolded in Wisconsin this past April with most polling places closed and horrific unsafe distancing lines, it's not too early to start helping your cooperative plan ahead for November's election. Congressional offices are already considering options for enabling widespread mail-in voting. Groups are pleading with states to give voters more options before November to cast their ballots without physically visiting a polling place. If more states expand access to mail voting — or more voters, wary of leaving their homes,

choose to embrace existing absentee-ballot programs, it could also mean a protracted wait to learn the outcome of the November election. However, your vote is important and needs to be counted. You can help by educating members of your housing cooperative now on ways to ensure all votes are counted in upcoming primaries and the next election.

Here are some links to helpful voting information:

[Register to Vote](#)

[Early Voting](#)

Sometimes circumstances make it hard or impossible for you to vote on Election Day. But your state may let you vote during a designated early voting period. You don't need an excuse to vote early.

In some states, you may cast an [absentee ballot](#) in-person before Election Day. To do this, you must request an absentee ballot from your state. For this option, your state may require you to submit a valid excuse.

Time Frames for Early Voting

The rules vary from state to state. Make sure you know yours if you plan to vote early or in-person absentee. The best place to search is your state's election website. Check under "absentee voting" if you don't see information listed under "voting in person" or "early voting." This early [voting chart](#) lists time frames for states that offer early voting:

Absentee and Early Voting

An absentee ballot is a vote cast by someone who is unable or unwilling to attend the official polling station to which the voter is normally allocated. Numerous methods have been devised to facilitate this process. Increasing the ease of access to absentee ballots is seen by many as one way to improve voter turnout, though some counties require that a valid reason, such as infirmity or travel, be given before a voter can participate in an absentee ballot.



Judy Sullivan is NAHC's government relations representative. She is also the recipient of NAHC's Jerry Voorhis and the Roger J. Willcox President's awards.

Get Your Absentee Ballot – Vote.Org

[Vote.org](#) uses technology to simplify political engagement, increase voter turnout and strengthen American democracy. [CHQ](#)

2020 COOPERATIVE CALENDAR

JULY

10-11 NAHC Board of Directors Meeting; InterContinental Hotel, Chicago, Ill.

AUGUST

2-5 57th Annual Conference of the Midwest Association; Sheraton Denver, Denver, Colo.

OCTOBER IS CO-OP MONTH

7-9 NCBA Co-op Impact Festival, Alexandria, Va.

8 Cooperative Development Foundation's Cooperative Hall of Fame and Issues; Marriott Metro Center, Washington, D.C.

NOVEMBER

2-3 RCM Training; Hilton Portland Downtown, Portland, Ore.

4-7 NAHC's 60th Annual Conference; Hilton Portland Downtown, Portland, Ore.

6-8 North American Students of Cooperation Institute, Austin, Texas

7 NAHC Annual Meeting of Members; Hilton Portland Downtown, Portland, Ore.

NAHC Board of Directors Meeting; Hilton Portland Downtown, Portland, Ore.

22 40th Annual Housing Conference of the Council of New York Cooperatives and Condominiums; Local 32BJ SEIU, New York, N.Y.

Due to the uncertainty resulting from COVID-19, these events are subject to change.

Urgent Call for Action for All Housing Cooperatives: Write to Your Senators

The House passed the "Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act" by a vote of 208-199 on May 15. Included in the manager's amendment to the measure was a provision to include housing cooperatives in the Small Business Administration's (SBA) Paycheck Protection Program (PPP). Thanks to everyone who contacted their representatives regarding this issue. Your e-mails really made a difference.

Under this House passed [measure](#), all Internal Revenue Code Section 216(b) housing cooperatives would be eligible for the SBA's PPP.

We still need Senate passage for this to become law, so please continue to reach out to your senators to encourage them to support PPP for housing cooperatives. You can find their contact information at: <https://democracy.io/#/>

The "HEROES Act" is a \$3 trillion relief bill to help the nation respond to the ongoing coronavirus pandemic. The bill proposes almost \$200 billion in additional funding for housing and homelessness programs to help communities address the needs of low-income renters, homeowners, and people experiencing homelessness.

The bill includes \$1 billion for the first year of funding for 100,000 new emergency housing vouchers targeted to people experiencing or at-risk of homelessness and people attempting to flee domestic violence, dating violence, sexual assault, or stalking. In addition, the bill includes \$5 billion for Community Development Block Grants and provides additional funding for public housing and other HUD housing providers to help cover increased rental costs and expenses incurred in responding to coronavirus.



1120 20th Street, NW, Suite 750, Washington, DC 20036-3441 | 202/737.0797

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