

COOPERATIVE HOUSING BULLETIN

A member service of the National Association of Housing Cooperatives

April/June 2008

NCB Refinances Affordable Housing Co-Ops

By Mary Alex Dundics, Vice President, NCB

For the past 30 years, NCB has had a mission to finance housing cooperatives nationwide. While most of the cooperative housing market is in New York, NCB has been fortunate to work with a large number of cooperatives, both market rate and limited equity located in Washington, D.C., the Midwest, the Southeast and on the West Coast to help preserve the cooperative building with mortgage financing.

Recently, NCB has worked with several cooperatives to refinance HUD loans for the HUD 236 program. NCB's loan structures are customized to meet the cooperatives' needs. Loan terms can range from fixed terms from 10-20 years, with amortizations for a 10- or 15- year fixed rate loan up to 30 years. A 20- year fixed-rate loan is self-amortizing and must be paid off in 20 years. In addition, the first mortgage can be coupled with a second mortgage or a line of credit to assist for

any future repairs. Below are two recent examples of how NCB helped two HUD 236 Cooperatives refinance existing debt and have money for necessary repairs on the property.

Bywater Mutual Homes Annapolis, Md.

In December 2006, Bywater Mutual Homes, Inc., a 302-unit limited equity cooperative for

low- and moderate-income families celebrated an important milestone when

it paid off of its 40-year mortgage, a loan underwritten by Section 236 of the U.S. Department of Housing and Urban Development (HUD).

As one of a handful of government-subsidized housing entities for low- and moderate-income families in increasingly upscale Annapolis, Maryland, Bywater comprises 43 two-story brick townhouses. It's residents had reason to celebrate this accomplishment with even greater fervor. Not too long before, Bywater had faced the unhappy possibility of foreclosure [page 16 >](#)



Why Houston?

Join Us for NAHC's 48th Annual Conference in Houston, Texas!

Houston is a vibrant international city that heartily enjoys its tradition of being a place of firsts. General Sam Houston, the city's heroic namesake, was the first president of the Republic of Texas. Houston, the city, was the first word Astronaut Neil Armstrong spoke when he landed on the moon. And, Houston was the first to build an air-conditioned sports stadium – the Astrodome!

Houston is the fourth largest city in America with a population approaching three million. It's the home to the Houston Astros, the Houston Rockets and the Houston Texans!

Houston has a diverse population – 37.4 percent Hispanic, 49.3 percent Caucasian, 29.3 percent African-American and 5.3 percent Asian. And, 90 languages are spoken throughout the area.

Houston has the largest theatre district outside New York City and it's one of only five cities in the U.S. with resident companies in the four disciplines of the performing arts: Alley Theatre, Houston Ballet, Houston Symphony and Houston Grand Opera.

Houston is home to the Museum of Fine Arts, the sixth largest museum in the country, and Houston Museum of Natural Science. Space Center Houston is the Official Visitors Center for NASA's [page 19 >](#)

Join Us for
NAHC's Annual
Conference >
Houston, TX
Sept. 17-20, 2008

inside

80/20 Legislation

3

Rosie the Riveter
Lived Here

4

Business Judgment
Rule

8

Spotlight: Yapo
Computer Center

12

Member News

14

Call for Conference
Suggestions

20

NAHC

PUBLISHER Dee Ann Walker, CAE
EDITOR Roger Willcox
ASSISTANT EDITOR Terry Edlin

Letters to the Editor are welcome!
Send to Willcoxr@juno.com.

Please note our new address:
1444 Eye Street, NW, Suite 700
Washington, DC 20005-6542

The Cooperative Housing Bulletin (ISSN 0097-9759) is published four times a year by the National Association of Housing Cooperatives.

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

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

Address inquiries, manuscripts, news items, reprint permission, and responses to: Editor, NAHC, 1444 I Street, NW, Suite 700, Washington, DC 20005-6542, phone 202/737-0797, fax 202/216-9646, website: www.coophousing.org, email: info@coophousing.org.

© 2008 by the National Association of Housing Cooperatives



THE NATIONAL ASSOCIATION OF HOUSING COOPERATIVES

About NAHC

The National Association of Housing Cooperatives is a nonprofit national federation of housing co-ops, other resident-owned or -controlled housing, professionals, organizations, and individuals interested in promoting cooperative housing communities. Incorporated in 1960, NAHC supports the nation's more than a million families living in cooperative housing by representing co-ops in Washington, DC, and providing education and information to co-ops.

Mission Statement

To represent, inform, perpetuate, serve, and inspire the nation's housing co-ops.

NAHC Board of Directors 2007-2008

Chairman	Albert Pennisi, NY*	Appointed by FNYHC
President	Mark Shernicoff, NY*	Elected 2006
Executive VP	Vernon Oakes, DC*	Elected 2007
Secretary	Jackie Brown, MD*	Elected 2005
Treasurer	Linda Brockway, MI*	Elected 2006
	Pamela Bradley, PA	Elected 2005
	Gregory Carlson, NY	Appointed by FNYHC
	Edward Collazo, IL	Appointed by HACHA
	Marlene Dau, MI	Appointed by MAHC
	William Eaton	Appointed by NJFHC
	Herbert Fisher, IL	Elected 2007
	Christine Gross	Appointed by CSI
	Charline Harrison-Rainey, MO	Elected 2006
	Warren Jones	Appointed by CSI
	James Knight, IN	Appointed by MAHC
	Barbara Loatman, MA	Elected 2005
	Bill Magee, IL	Elected 2005
	Ralph Marcus, MI	Elected 2007
	William McKoy, MD	Appointed by PAHC
	Barbara Meskunas, CA*	Elected 2007
	Randall Pentiuk, MI	Appointed by MAHC
	Alfred Reynolds, CA	Elected 2005
	Norma Robinson, CA	Appointed by CAHC
	Mary Ann. Rothman, NY	Appointed by CNYC
	Paul Solomon, GA*	Elected 2007
	Hope Turner, MI	Elected 2007
	Ruthie Wilder, MD*	Appointed by PAHC
	Roger Willcox, CT	Elected 2006
	Kimalee Williams, CT	Appointed by CVCHA

All elected board directors serve three-year terms.

* Members of the Executive Committee

Member Association Abbreviations:

CAHC	California Association of Housing Cooperatives
CNYC	Council of New York Cooperatives & Condominiums
CSI	CSI Support & Development Services
CVCHA	Connecticut Valley Cooperative Housing Association, Inc.
FNYHC	Federation of New York Housing Cooperatives & Condominiums
HACHA	Heart of America Cooperative Housing Association
MAHC	Midwest Association of Housing Cooperatives
NJFHC	New Jersey Federation of Housing Cooperatives
PAHC	Potomac Association of Housing Cooperatives

A representative of the Southeast Association of Housing Cooperatives will be announced at a later date.

A directory of NAHC board members may be accessed at www.coophousing.org/nahc_board.shtml.

Long Sought '80/20' Legislation Now Is Law

On December 20, 2007, President Bush signed into law H.R. 3648, which is legislation primarily targeting debt forgiveness for victims of subprime lending. Included in that legislation are changes to the 80/20 requirement of Section 216 of the Internal Revenue Code, which governs the homeowner income tax privileges of tenant stockholders in housing cooperatives.

Changes in Section 216 of the Internal Revenue Code solve problems for many housing cooperatives and open the door to new opportunities.

What the new legislation provides: Section 216 requires, among other things, that to qualify for homeowner income tax deduction status, a housing cooperative must derive at least 80% of its revenue from its tenant stockholders in the given year. H.R. 3648 adds two options (the cooperative must meet only one of them in order to qualify): a square footage test or an expenditure test.

A cooperative can qualify its members for homeowner status (1) if 80% of the square footage of floors in the cooperative's building(s) is available for use by tenant stockholders for residential purposes, or (2) if 90% of the annual expenditures of the cooperative are for acquisition, construction, management, maintenance, and care of the property.

These additional alternatives will shelter virtually all cooperative members who have been denied homeowner income tax deductions because of the 80/20 rule in the original Section 216 formula. The modifications in the Section 216 homeowner income tax deduction rule apply to the tax year 2007 and thereafter.

The impact of this new legislation: In the metropolitan New York area where half of the housing cooperatives in our country are located, a significant percentage of all co-op owned buildings are in areas that permit nonresidential uses on their first floors — for stores, offices and professional purposes including doctors and dentists. The original 80/20 rule affected hundreds of conversion co-ops and this change in IRS Section 216 has a potential national impact on both co-op conversions and new construction.

Congressman Charlie Rangel, who chairs the important House Ways and Means Committee, where all revenue bills must originate, has been working with the National Association of Housing Cooperatives for many years to modify the 80/20 provisions of Section 216. He introduced the legislation that was finally adopted by the House.



Congressman
Charlie Rangel
(D-N.Y.)



Senator Chuck Schumer, who also supported this proposed legislation for years, introduced the same provisions in Senate legislation, and he ensured their inclusion in the Senate version of H.R. 3648.

Our sincere thanks go out to Rangel and Schumer for the hard work that they and their staff members have done over years to ensure passage of this important legislation. It confirms and supports the concepts of cooperative home ownership and thus benefits housing cooperatives all over our country. **CHB**



Photos
www.rosietheriveter.org/parkav.htm

Rosie the Riveter Lived Here

“Rosie the Riveter” along with 100,000 men and women hammered out hundreds of Liberty ships at the Kaiser Shipyards in Richmond, California, in the 1940s. Women comprised 27% of the workforce. Rosie, wearing her polka dot bandana, rolled up sleeves and the slogan “You Can Do It!” symbolized women’s contribution that helped to win World War II. Even today, she inspires millions. Although Rosie was a mythical figure, she stood for real women who flooded into traditional male-dominated jobs and built Liberty Ships as well as other vitally needed supplies for the war. Everyone in America knew where Rosie worked, but only a few knew where she lived, which was Atchison Village in Richmond, California. It is included in the Rosie the Riveter National Historical Park in Richmond.

To house Kaiser Shipyards workers, the U.S. government built thousands of homes in Richmond. The British “Garden City” principles of low density, open space, neighborhood facilities and sense of community influenced Atchison Village’s design. Although it was built quickly, the environment is a lively, affordable and secure community. Its 30 acres of curved streets, open space, grassy areas and courtyard living, plus

another 4.5 acres of a city park, baseball ground and soccer field, provide a quiet haven within the dense East Bay city of Richmond. *A Guide to Architecture in San Francisco and Northern California* (Gebhard, 1973) describes Atchison Village: “This World War II housing project offers an object lesson in the meaning of housing quality. It demonstrates that environmental concern and tender, loving care can make the difference between decent housing and a slum.”

After the war, the U.S. government either demolished or turned wartime housing properties over to the private sector. Two were sold to their residents “lock, stock and barrel” and both continue to operate as cooperative housing today. Residents formed Woodstock Homes Corporation to buy their 200-unit development as a co-op in 1946 (see sidebar). In 1956, Atchison Village residents had the chance to buy their entire community consisting of 450 homes, streets, open space and community buildings: more than 8,000 sq. ft. of offices, meeting hall and a credit union.

They were ordinary working people, none were rich and few had savings. Yet, the opportunity to own rather than rent compelled them to stick together as the clock ticked. The asking price was \$1.5 million, or \$3,333 per unit.

Howard Palmer, who was 20 years old when he was elected to the original board, recalls that residents had to come up with at least \$3,000 to finance a unit share. Ninety-nine of the 450 households couldn’t do it but many others could. Plenty of people wanted to buy into Atchison Village.

Atchison Village Today

The purchase of a single membership share conveys ownership of 1/450th of all of Atchison Village. A share can be sold at a market value but the transfer must be approved by the AV board. At AV, the share value equals the value of the unit. In 2007, share values ranged from \$60,000 for a one-bedroom unit to \$130,000 for a three-bedroom unit. Five different types of buildings make up the complex, which has 97 one-story buildings and 65 two-story buildings. There are 68 one-bedroom units, 272 two-bedroom units and 110 three-bedroom units.

Once a member has arranged the financing and obtained board approval, they get their membership certificate and permission to move in. The member’s only remaining housing costs are for individually billed utilities, maintenance of the member’s unit and a modest monthly charge for the cooperative’s expenses.

A staff of six maintains the buildings and grounds and two more keep the administrative tasks in order. Wayne Ashcraft is now general

Atchison Village is unique

Looking at Atchison Village online using Google's Earth View, the area is roughly bounded by MacDonald Ave., W. Ohio St., First St., and Richmond Parkway in Richmond, California. Tom Butt, a local architect, Richmond City Council member and trustee of the Rosie the Riveter Trust has written excellent accounts of the origins of Atchison Village. His in-depth history can be found at www.rosietheriveter.org/parkav.htm.

Atchison Village is in the Rosie the Riveter WW II/Home Front National Historical Park, established by Congress and signed into law by President Clinton in October 2000.

Atchison Village is the only co-op housing within any of the 43 National Historical Parks and was entered onto the National Register of Historic Places on May 30, 2003.

Thanks to Wayne Ashcraft, general manager of Atchison Village, for the background and statistics on current operations. Thanks also to current and former AV board members for the historical background.

David J. Thompson of Neighborhood Partners, LLC is actively involved in developing cooperative and nonprofit housing. He is author of more than 250 articles and a number of books about cooperatives. He was born near Rochdale, England, and has been developing cooperatives in California since 1968. He is president of the Twin Pines Cooperative Foundation.

manager and Rosie Martinez is assistant manager. Both speak Spanish and have reached out to the growing number of Hispanic residents. Many AV documents are now bilingual.

With no cooperative mortgage payments or individual unit maintenance costs, the current co-op monthly charges are only \$244 for a one-bedroom unit, \$254 for a two-bedroom unit and \$264 for a three-bedroom unit. There are slight variations according to unit type. These Co-op monthly charges cover property taxes, property insurance, water, sewer, garbage pickup, landscaping, external repairs and replacements, and administration. They also include \$32 per unit per month for replacement reserves. AV pays for nearly all of its long-term renovations out of those reserves.

Atchison Village Credit Union

The resident ownership of Atchison Village is not readily understood by first-time buyers and financial institutions, so conventional financing is not readily available. Atchison Village formed its own credit union in 1959 specifically to assist residents by providing signature loans to buy their shares. The credit union's offices in the main community building are staffed by three full-time people and one half-time person. Nancy Blackstock, its manager, reports that its 975 members have current assets of \$5 million. Village members use AVCU loans to finance their shares, home improvements, cars and other consumer loans. AVCU loans significant sums toward share purchases, but only if the member-buyer has a co-signer with other real property in California. This unusual form of financing has worked for decades with very few problems, undoubtedly because a family member, employer or good friend is putting their own home on the line.

The cost of homes at Atchison Village is low compared with others in Contra Costa County. At the height of the recent real estate scramble, the *West Country Times* described Atchison Homes as "an unbelievably inexpensive island in a sea of soaring East Bay home prices. The average 3-bedroom unit in AV goes for about \$130,000. A similar type and age home in the Richmond area is almost three times higher.

Until recently, turnover averaged about 20-30 a year. No matter the size

or type of unit, turnover has been relatively fast, usually within a 30 to 90 days. Members can specify their line of succession in the event of their death, although a successor must be approved by the board and must move into the unit rather than renting it out. Not surprisingly, transfers often occur between family members. A number of units have now been occupied by three generations of the same family.

The Atchison Village Co-op operates on a one-member one-unit vote system and elects the 11 member board of directors for one-year terms. Its board oversees management of the corporation and its \$1.2 million annual operating budget. At present there appears to be strong membership support for a change to having two- or three-year staggered board terms, providing better member continuity to deal with management, the budget and long-term planning issues.

Nicholas Jones, the current AV president, and Gretchen Blais, the former president and now AV's vice president, both say people are attracted to AV because "it is the lowest cost ownership housing in the Bay Area" and "because of its sense of



Atchison Village today.

AdCar Associates, Inc.

17-47 215 Street
Bayside, NY 11360

REAC inspection issues and MIO Plans...
"Troubled" projects and Enforcement...
Rent increases - budget, OCAF and AAF...
Occupancy issues and management reviews...
Section 8 renewals... and all the rest

HUD keeps getting more complicated.
An independent third party who can supplement your staff – or work with HUD on your behalf – can be just what you need.

(718) 631-5654
fax (718) 631-5914
on the web: www.adcar.com
affiliated, of course, with NAHC

> Rosie the Riveter

Woodstock Homes Corporation, a similar 200-unit cooperative corporation in Alameda, California, was built for the U.S. Navy's then new Alameda Naval Station in 1940. As at Atchison Village and other wartime housing developments, effort went into site planning for life quality. The entire Woodstock site was sold to the residents as a cooperative in 1946. The Housing Authority of Alameda built 4,800 units during the wartime years and Woodstock Homes is the only housing of that era remaining.

Woodstock Homes Corporation owns everything as one piece of property, and purchasing a share conveys the right to occupy a specific unit. Woodstock share prices now average about \$300,000, half the cost of similar homes in Alameda, which average \$600,000. Woodstock Homes offers the least costly home ownership opportunity on Alameda Island.

**Only \$1500
for up to 10
participants!**

Your
Housing Cooperative
deserves the
best governance!

**NAHC provides custom designed training
courses presented at *your* cooperative
using *your* governing documents.**

NAHC

THE NATIONAL ASSOCIATION OF HOUSING COOPERATIVES

Book your specialized training course today. Contact NAHC at 202-712-9029 or jwilliams@coophousing.org.

community." Gretchen intends to stay when she retires. She sees the top three management issues as developing a budget and reserves in line with their expenses, acting faster to re-fill the units left empty by former seniors living at AV, and tightening the procedures on phantom owners who rent their units under the table. AV is an anomaly under California law and there is limited existing law to guide AV's policies, rights and responsibilities. If the board had a better handle on these issues, it could substantially cut expenses.

In October 2007, Atchison Village celebrated its half century of cooperation. Residents gathered in the community hall for a pot luck dinner and dance. Many former members returned and shared stories. That night, in the glowing faces of the lively female seniors the spirit of "Rosie the Riveter" was still very much alive. Rosie would be grateful that the energy of the war-time effort has evolved into a successful and stable cooperative community today serving about 750 people. Fifty years later, they are still a cooperative community caring for each other. Rosie would be proud to edit her slogan to say "We Can Do It." **CHB**

IF YOUR HOUSING DEVELOPMENT NEEDS FUNDS FOR IMPROVEMENTS ...TALK TO US!

If you're a government-assisted development, we offer:

- Low interest loans, mortgage loans and lines of credit of \$250,000 to \$20 million
- Flexible terms
- No application fees
- No points
- No pre-payment penalties

We also offer attractive terms to traditional co-ops and rental buildings.

To find out more, contact: Leonard Maisel,
Executive VP, 212-895-4414.

Email: lenmaisel@amalgamatedbank.com



Amalgamated is a participating bank in the **New York Energy Smartsm** Program. If all or part of your multi-family loan is being used for an energy-saving project, you may be eligible for an interest rate reduction. Con Edison customers are eligible for a 6.5% rate reduction for up to 10 years with a maximum of \$2.5 million for NYSERDA-approved projects. For a certain number of qualified energy improvements, the maximum can be increased to \$5 million. Customers of other participating New York State utilities are eligible for a 4% interest rate reduction.



Please visit one of our locations in
Manhattan, Bronx, Queens

Lyndhurst, NJ, Washington, DC and Pasadena, CA

Main Office: 275 Seventh Avenue, New York, NY 10001

www.amalgamatedbank.com



The Business Judgment Rule

CHB has published previous articles on the Business Judgment Rule since it was brought to prominence by a decision of the New York's highest court. CHB queried Herbert H. Fisher, a nationally recognized housing cooperative expert who maintains a law office in Chicago, Illinois.

It is an easier process for the court to conclude that the board's decision was not reasonable than to determine that it breached its fiduciary duty, which requires more of a specific factual foundation.

What is the Business Judgment Rule?

In New York and in Illinois, and many of the other states as well, a business law concept developed to immunize corporations from being second-guessed by the courts in making business decisions affecting the good and welfare of the corporation. As long as it could not be shown that the board acted without authority or not in good faith, the courts would not go behind the decision-making of the corporate board. This is commonly referred to as the Business Judgment Rule, referred to here for brevity as BJR.

Is there precedence for cooperatives using it?

The decision in the Levandusky case in New York applied the BJR to a decision regarding a housing cooperative's enforcement of its rules and regulations.

How was it used in Levandusky?

In Levandusky, a decision made by a New York

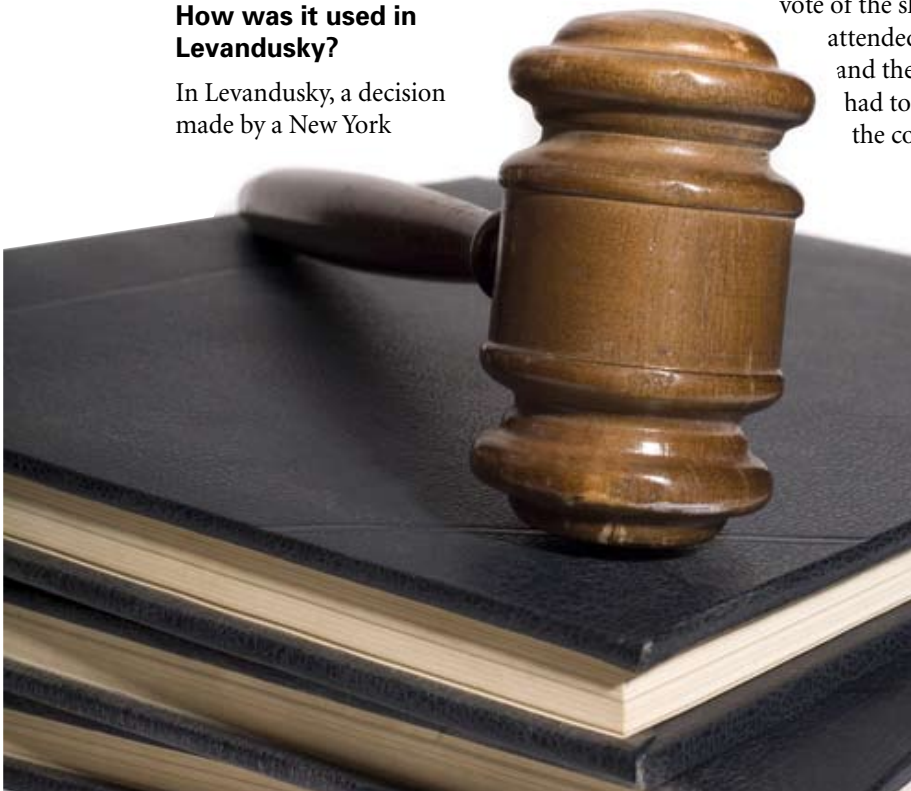
cooperative board was challenged by a unit owner who resisted the house rules imposed on his having done unit improvements. The highest court of New York found that the trial court was in error when it made its judgment on the facts of the case since the BJR was applicable.

Has the BJR been used in a way other than to protect a board's decision to control use of the property?

Relying on the Levandusky case, a New York Appellate Division court held, in the *40 West 67th Street v. Pulliam* case, the BJR applied to a proceeding in which the cooperative sought to dispossess the member/shareholder. The case involved a dispute between neighbors in which Pulliam had repeatedly distributed flyers about and commenced four lawsuits against the neighbor. In this cooperative, termination rights were given to vote of the shareholders, who held a hearing, not attended by Pulliam, and voted to terminate, and the appellate division held that the court had to defer to the decision reached within the cooperative.

Have there been any appellate court decisions that did not apply the BJR?

The New York Appellate Division, in the Braun case, introduced another ingredient. The court acknowledged it could not look behind the board's decision to terminate the member/shareholder for the violation of the rule. It did conclude that, *because the cooperative's by laws required that its rules be reasonable*, the court had the authority to examine the rule itself to determine whether it was a reasonable rule. In doing so, the court held the rule was not reasonably designed to accomplish



its end and, therefore, was unenforceable. In this way, the court avoided the BJR.

A recent CHB publication carried an article on a Washington D.C., court decision that held the BJR could not be used. That decision was based on the fact that District of Columbia courts have not recognized the business judgment rule. So it is necessary to determine whether the state in which your cooperative operates does.

Have there been any court decisions outside of New York applying the BJR to cooperative summary dispossess?

This author is aware of two trial court-level cases brought by Hanover Grove Consumer Housing Cooperative in Michigan in which the rule was successfully used. One was against former member Withun in 1991 and the other against former member Jedrzejek in 1996, both in the 39th Judicial District of Michigan.

Are there different tests to be used when the BJR can be used?

In different states, the courts have used one of two approaches to determine whether the court is precluded from second-guessing the corporate board. In either situation, the burden is on the member/shareholder contesting the board action to prove their objection is valid. One is the determination that the board's decision was not reasonable. The other, and one apparently followed in New York and Illinois, is whether the board breached its fiduciary duty in reaching its decision by acting without authority, outside the scope of the cooperative rules and procedures, failure to act fairly and/or provide due process. It is an easier process for the court to conclude that the board's decision was not reasonable than to determine that it breached its fiduciary duty, which requires more of a specific factual foundation.

How should clients approach the use of the BJR?

The cooperative must be sure it has a clear set of rules and that any particular violation is in fact a violation of the language of the rule. The violator must have knowledge that the rule exists. A hearing should be held. Due notice of the

hearing should be given to the violator. The violator should be able to have an attorney present if desired. The ability to have the complainers at the hearing to be questioned by the accuser improves the showing of fairness and, according to some cases, due process. The cooperative must conform to all of the procedural rules established by the cooperative.

The Braun case warns us that if the cooperative's bylaws or its own regulations request the rules and regulations be reasonable, this requirement may open the door for the court's review of the rule's reasonableness; whereas, without that requirement the court's review may be limited to whether the rule was adopted in good faith within the authority of the board to do so with the intent that it benefit the cooperative's purpose.

What considerations should lawyers give to using BJR in summary dispossess cases?

A very practical consideration for lawyers handling these cases to consider is that trial court judges are hostile to this rule. In all of the Illinois cases I have studied, the trial court judges were reversed by the appellate courts. This author's experience in having started to use the business rule in Chicago forcible entry and detainer cases about 10 years ago has been a resistance by trial court judges to even consider the concept. As one judge recently stated "This rule would emasculate the trial court's fact-finding responsibility." And in fact it does and this does need to be recognized in confronting trial court resistance to its use. This fact needs to be called to the attention of trial court judges with an understanding that it is a totally different experience than the trial court judges are accustomed and trained to handle. Instead of judging the credibility of witnesses, the trial court judge is required only to determine whether the other party has raised and shown that the board acted without authority, contrary to its own documents or rules or not for

the corporation's good and welfare; and, in the case of summary dispossess cases, which also involve the termination of memberships, the loss of property rights, that due process was provided.

Due process does not always require the due process associated with criminal cases but is usually associated with the concept of a fair hearing.

It is also important that the judges understand that there is no forfeiture of the value of the cooperative interest but that the dispossession proceeding is only one of two steps involved; and the other is governed by the state's version of the Uniform Commercial Code (unless the state has adopted a law that defines the cooperative interest as real estate, which opens an entirely new and different discussion).

As one judge recently stated "This rule would emasculate the trial court's fact-finding responsibility." And in fact it does and this does need to be recognized in confronting trial court resistance to its use.

Why do you believe cooperatives can use BJR in member behavior situations?

Historically, courts have refrained from interfering with hospital privilege decisions affecting medical practices and in the hiring and firing of pastors by their congregations. In Illinois, attention was brought to the possible use of the business judgment rule in context of summary dispossess cases by two cases handed down by the appellate court at about the same time. One case, *Butler v. USA Volleyball Association*, involved a coach whose privileges were revoked based upon an internal committee's decision resulting from charges of his having had sexual relations with members of the volleyball team he coached. The revocation of privileges was done in accordance with the rules of the association. The courts did not interfere with the association's depriving him of his means of livelihood. The other, *Blackshire v. NAACP*, involved an NAACP chapter's decision to take votes away from a specified age group. The courts did not interfere in this voting rights issue. Previously the court had refrained from interfering a union member's expulsion. In one case, with

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 Jason Cropper at 1-800-782-8031 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 Joyce Williams at NAHC at 202/737-0797 or email to jwilliams@coophousing.org. You will also need to fill out a credit application form. Forms are available from Joyce or Jason.

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 202/712-9056.

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.



a divided court rendering opinions, the court did void the expulsion of a grocery store from a distributorship cooperative only when the court found that the motive for the expulsion was to silence the expelled member's political criticism of the cooperative's leadership. Even there, a respected jurist dissented pointing out that the expelled member's recourse was through the cooperative's governance process, not the courts.

These are strong precedents for its use in behavior situations.

It has been said that the BJR is only a shield to protect decisions made by directors from being voided by the courts. Is this true?

Until the New York decisions, there was serious question whether the BJR was only a shield and not a sword, whether it would protect the corporation when taken to court only or whether it could be employed by the corporation when it filed suit to enforce a decision it has made. The Pulliam case involves a cooperative taking action.

Have specific problems arisen in taking such cases to court?

Recently, a Chicago trial judge concluded, erroneously in this author's opinion, that the BJR probably applies to cooperative summary dispossession cases but in the particular case, which involved a section 8 subsidized member, the court held that the federal regulations requirement that a lease cannot waive a jury demand gave the member a right to a jury trial and, therefore, precluded the use of the BJR which would have permitted the court, not a jury, to decide the cooperative's entitlement to possession.

What do you see as the future of the BJR used by cooperatives?

The future of the BJR will rest on its creative use by housing cooperatives and their legal representatives. It will take perseverance on the part of counsel to convince the trial judges that the business judgment rule exists in their state by virtue of appellate court decisions and that the judges have no choice but to apply it in the proper factual circumstances.

What must be done to set up the proper facts to use the BJR?

The cooperative board and management must carefully structure the pre-suit activity.

Avoid The Waiver Argument

It is suggested that if acceptance of rent or monthly charges constitute a waiver of the default in your courts, then there should be a policy that no charges are accepted once the cooperative becomes aware of a possible default.

An alternative, depending on a state's case law, may be to issue a notice to the member that their monthly charges will be accepted but in doing so the cooperative expressly intends NOT to waive the breach upon which legal action might be taken.

Provide Due Process

The cooperative should hold a hearing either before an appointed hearing body with authority to effectively recommend termination by the board of directors or before the board itself. The hearing should be held upon at minimum of one week's notice with the member being notified specifically what the charges are, that they have a right to be represented by an attorney and present whatever witnesses and information they wish to show the hearing body why their membership should not be terminated. The notice should specify the conduct complained of and the occupancy agreement/lease provision and/or rule and regulation violated.

No Prejudgments/Ulterior Purposes/Fair Hearing

The members of the hearing body should be admonished that if they have an interest in the outcome of the hearing or are witnesses themselves they should disqualify themselves from being "judges" in the particular hearing. There should be no facts in the picture that would make it appear that the hearing is being conducted for any purpose other than to terminate the membership/share ownership for the reasons stated. There should be no ulterior motives in the picture.

Be Sure Board Has Authority To Terminate/Follow Policies

It is necessary to be sure that the decision-making body has

If cross-examination is not a right in administrative proceedings, such as employment termination matters, then that procedure does not have to be provided, although it is always preferable to do so.

the authority to terminate the membership/share ownership and that the procedures required to be followed by the by laws, occupancy agreement/ lease and rules and regulations are followed. If the cooperative does not have such rules and regulations, then be sure they are adopted to govern future violations.

In providing due process, is witness cross-examination required?

Whether or not the accused member is given the opportunity to confront and examine witnesses depends on state law. If cross-examination is not a right in administrative proceedings, such as employment termination matters, then that procedure does not have to be provided, although it is always preferable to do so.

How do you raise the BJR in a summary dispossession case?

Complaint

The complaint can be drafted as a single claim resting only on the business judgment rule or a two claim complaint alleging the business judgment rule in one count and the breach of lease facts in the other so that in the event a judgment cannot be secured by summary judgment proceedings or otherwise based on the rule, it will be possible to proceed to trial also on the facts of the violation itself.

Motion for Summary Judgment

This issue lends itself to being framed in a motion for summary judgment, in which fact affidavits can be presented to the judge setting out the cooperative's bylaws, the member's lease, the giving of required notices and the holding of the hearing and the board's decision with all of the required notices attached as exhibits, and asking the judge to find that there is no disputed issue of material fact. It will then be necessary for the defendant to present facts to create a dispute of fact concerning the board's authority, following its own policies or to show the lack of fair hearing, ulterior motive or other facts to show bad faith on the part of the board.

What conclusion do you draw about the BJR?

If cooperatives in the states that recognize the BJR would set themselves up to follow these procedures and appellate courts elsewhere start emulating the New York appellate courts in this regard, the oft heard complaint that it's impossible to get a bad member out will begin to be minimized. **CHB**

Get Mortgage Payoff Resources and Enjoy Benefits of Continuing as a Co-op

Price: \$35; Member Price: \$25

Financing and Refinancing

- Refinancing-To Do or Not to Do: That Is the Question Facing Many Cooperatives Today
- Some Thoughts for a Cooperative Housing Corporation About to Modify Its Mortgage
- Share Lending: Its Effect on Affordable Housing Cooperatives

Planning for the Future

- Planning for the Future of Your Co-op
- Your Section 213 Mortgage Is Paid Up, Now What?
- The Feasibility of Co-op to Condo Conversion
- What Is Your Co-op Going To Do When Its Mortgage Is Paid Off?

Case Studies

- A Michigan Housing Co-op Discovers the Benefits of Refinancing a HUD Mortgage with National Cooperative Bank
- Blackstone Co-op Looks Back on Mortgage Payoff Lessons
- NCB Helps Michigan's Bretton Village Prepay Its HUD Mortgage
- Sold on NCB: River House Cooperative

Cost	Quantity	Subtotal	Tax*	Shipping	Total
\$_____	x _____	= _____	+ _____	+ \$4.50	= _____

Name _____

Organization _____

Address _____

City, State, Zip _____

Daytime Phone _____ Email _____

*6% Tax for D.C. Residents.

To order, please send a check or money order to NAHC, 1444 I St., NW, Suite 700, Washington, D.C. 20005-6542. All orders must be prepaid. Please allow 6 weeks for delivery.

Spotlight on Yapo Computer Learning Center: Plenty of Progress in Pontiac

Seven years ago, the Yapo Computer Learning Center began delivering technology access to members and the surrounding community from one of the ranch-style townhouses located on the property of the Walton Park Manor Cooperative in Pontiac, Michigan. The center was the realization of a dream held by 25-year board member Michael Yapo, whose hope was to create an onsite technology center that allowed members and the surrounding community to learn computer skills in

a safe and friendly environment. While Yapo's vision might have set the plans in motion, it was the support of the U.S. Department of Housing and Urban Development (HUD), the Walton Park Manor Cooperative board of directors, and Huntington Management that turned one man's dream into a valuable community asset.



A great deal has changed since the Yapo Computer Learning Center opened its doors. While the center that was named to honor the memory of Yapo still provides community members with a place to learn and improve their

computer skills, its program offerings have greatly expanded to meet the needs of users. As the number of programs and the level of participation have increased, so too has the need for more space.

Meeting the Demand to Expand

In August, the Yapo Computer Learning Center left its home of seven years and moved down the street into its new space in a brand-new community building that was funded by members of the Walton Park Manor Cooperative. Open Monday through Friday from 9 a.m. to 6 p.m., the new space houses the center's 15 computers and has plenty of room to conduct the various programs hosted at the center.

"There's usually always someone at the center," said Terri Sullivan, center director. "From 9 a.m. to 3 p.m., the computer lab is open for anyone to use. For our five- to 12-year-olds, we partnered with the Michigan State University Extension Program to start a 4-H program that meets every Tuesday.

We also have C.H.A.M.P.S. [Children Having and Maintaining Positive Self-Esteem], which is a program we host with the help of Oakland Family Services, that helps children in grades one to five cope with their different emotions and build positive self-esteem."

For the teenagers, the Yapo Computer Learning Center offers 4-H, as well as Engineers of Tomorrow, which exposes the students to the various engineering disciplines, such as electrical, industrial, mechanical, and manufacturing.

"For our adult users, we are launching a OneStop Career Center by the beginning of next year," said Sullivan. "Any community member who is 18 years or older can come to the center and participate in job-readiness classes, such as résumé writing, professional etiquette, and interviewing skills. We will also be offering basic computer skills training."

The center will also expand its existing partnership with The Michigan Works! JobLink Career Center to help community members obtain a job or get a better job. Currently, the center works with JobLink to help teenagers find summer and year-round jobs onsite at the Yapo Computer Learning Center.

Unveiling the New Space

On August 30, 2007, the new and improved Yapo Computer Learning Center once again welcomed the community to its grand opening. Approximately 100 people attended the event that included refreshments, facility tours, and

"The grand opening was a great opportunity for us to showcase the programs we offer at the center as well as show off our community garden. We took the opportunity to recognize the teenagers who completed our summer program. We also had presentations from our junior board of directors and Mark Alexander, the founder of Engineers of Tomorrow."

Terri Sullivan, Yapo Computer Learning Center



New Yapo Computer Learning Center

presentations by Pontiac Mayor Clarence Phillips, Multifamily Hub Director of HUD's Detroit Office Barbara Chiapella, members of the Pontiac Police Department and Fire Department, and Oakland County Commissioners. A representative from the office of Michigan House of Representatives, Tim Melton, also spoke and presented the center with

a special proclamation from Michigan Gov. Jennifer Granholm. During the ceremony, the center was also honored for achieving Certified (Level 2) status in the Neighborhood Networks Center Classification System.

"The grand opening was a great opportunity for us to showcase the programs we offer at the center," said Sullivan, "as well as show off our community garden. We took the opportunity to recognize the teenagers who completed our summer program. We also had presentations from our junior board of directors and Mark Alexander, the founder of Engineers of Tomorrow."

New on DVD

Even though Sullivan and the team at Yapo Computer Learning Center have been successful at forging beneficial partnerships, they are always searching for potential partners who can help them expand their programs. To support their partnership-building efforts, Laretta Christy, chief executive officer of the Yapo Computer Learning Center, proposed the idea of creating a DVD to showcase the center's resources.

The first version of the DVD began production in the fall of 2006. The concept was simple: develop a DVD that would be used to share news about center activities with current partners and to market the center to potential partners. The DVD would also be distributed at various conferences.

To create the DVD, staff enlisted the help of the

center's junior board of directors (ages 13 to 18) and members of the center's 4-H club. For almost three months, the youths sorted through photo archives to identify the best images to promote the center.

"Choosing the best images was a vital part of the process," said Sullivan. "It was important to select images that showcased the different programs and activities. We really wanted images that would show who we are and what we're about."

When all the images were selected, the staff turned to Nicholas Hunter, a resident who is a volunteer technology tutor at the center and operates his own company, Creative Movie Pics. Hunter reviewed the images, created a concept for the DVD, developed the script, and provided the narration, all free of charge.

Titled *The New Yapo Project*, the 10-minute DVD begins with a dedication to Yapo and an introduction to the center. Users can then select an area of interest, including:

Rogers City, which showcases the diversity of the center and how 4-H members traveled to this remote area as part of a mini-cultural exchange program.

Community Gardens, which highlights a program designed to feed the community with produce grown in the center's community gardens.

The Future, which features the tutoring programs and events for young center users.

Board of Directors and Junior Board of Directors, which includes photos of members and lists their names and positions.

Because the Yapo Computer Learning Center is always changing and growing, an updated version of the DVD was recently created. "The DVD needs to provide partners and potential partners with up-to-date information," said Sullivan. "I also

wanted to change the music to a song that truly captures the spirit of the center. I picked 'I Believe I Can Fly.'"

Reaction to the DVD has been very positive. "Mrs. Christy showed the first version at a conference and received a standing ovation," said Sullivan. "I presented the latest version, which is seven minutes long, at a meeting recently and received a lot of positive feedback. We had 50 copies of the latest version made, and we plan to be more aggressive in our distribution. We think the DVD is a great marketing tool, and it's much more powerful to show what we have to offer, rather than trying to express it in words." **CHB**



We think the DVD is a great marketing tool, and it's much more powerful to show what we have to offer, rather than trying to express it in words."



Scott Reithel Named New General Manager/CEO at CSI Support & Development Services

The Board of Directors of CSI Support & Development Services has selected Scott G. Reithel, CPM, NAHP-e, as General Manager/CEO at its Warren, Michigan headquarters. Reithel brings 19 years of senior executive experience in the management of 5,000 conventional and HUD-insured apartments at Metropolitan Associates in Milwaukee, Wisconsin, where he was Senior Vice President – Property Management. Reithel has been a presenter and speaker at professional multifamily housing trade associations and seminars. He is also the recipient of the Kenneth Prealskin Memorial Award and the Ely Lilly Company awards for his work with people experiencing mental illness, particularly in his role in the development of affordable housing for mentally ill members of the Grand Avenue Club and individuals of the Milwaukee community. In 1996, he was awarded by the Milwaukee Chapter of the Institute of Real Estate Management (IREM) as their Certified Property Manager Candidate of the Year. He currently serves as the Vice President of the Board of Directors of the National Affordable Management Association. Holding a bachelor's degree in sociology with an emphasis in gerontology, Reithel says he "is very excited to assist all current and future CSI- Co-op members with their housing needs."

Maryland Co-op Stamps Out Crime

More than 250 members of **Heritage Park Cooperative** in Rockville, Maryland, celebrated National Night Out for Crime this summer by having a party. The mayor of Rockville attended along with McGruff the Crime Dog, the county executive, and the police chief. National Night Out, sponsored by the National Association of Town Watch, is designed to heighten crime- and drug-prevention awareness, generate support for, and participation in, local anticrime programs, strengthen neighborhood spirit and police-community partnerships, and send a message to criminals letting them know that neighborhoods are organized and fighting back.

CNYC Property Tax Abatement Program

The Council of New York Cooperatives & Condominiums is concentrating its energies this spring on ensuring timely passage of legislation to continue a property tax abatement program for home owners in New York City cooperatives and condominiums. This program has been in effect since 1996, but is not a permanent program. In 2004, it was extended for four years to June 30, 2008. Now CNYC is working for another four-year extender, while continuing to press city government for a permanent tax reform plan that will treat all taxpayers fairly and equitably. The abatement program reduces property taxes by 17.5% for owner-occupied apartments in most cooperatives and condominiums and by 25% in those with the lowest tax assessments.

At CNYC's Annual Meeting on Thursday, March 20, participants will receive sample letters to send on behalf of their buildings to city and state legislators and to the mayor urging prompt passage of extender legislation. The Annual Meeting will include updates on many more issues important to CNYC and its members, including an explanation of the important changes in the 80/20 Requirements of Section 216 of the Internal Revenue Code and the many opportunities presented by these changes. At this meeting, six directors will be elected to the Executive Board that sets policy for CNYC. [CHB](#)



Starter Home

New Home

Dream Home

Your Home

 **ncb**
financial group™

NCB understands how cooperative housing delivers the benefits of homeownership with the support of a strong community.

www.ncb.coop



NCB means National Consumer Cooperative Bank, its wholly-owned subsidiary NCB, FSB, and its affiliated non-profit corporation NCB Capital Impact. Each may provide loans or technical assistance as a separate entity within the NCB Financial Group, all of which are Equal Housing Lenders. Deposit products and services are provided by NCB, FSB, which is a member of the FDIC.

on its outstanding HUD/FHA loans. In addition, the cooperative had an extensive list of long delayed physical problems and operational challenges. With mounting debt and the looming maturity of their loan, Bywater's shareholders were confronting the very real possibility of losing the roof over their heads.

To understand how Bywater's residents ended up in such a dire strait, it is helpful to look at the history of HUD's Mortgage Insurance for Cooperative Housing

financial requirements. While HUD's initiative to spur housing development was beneficial for the country, today it is clear the agency was unprepared for the long-term requirements and challenges of these properties.

Just such an unfortunate scenario was clouding the future of Bywater in 2006. With a mortgage maturity around the corner and the list of big ticket capital improvements lengthening, the board needed to find a way to protect the future

viability of the homes. Unable to tap into their reserve funds and lacking the autonomy to authorize specific long-overdue renovations, Bywater's board began to cast a wider net for a viable option to rescuing their vulnerable cooperative.

Now working with third-party consultant Recapitalization Advisors, Inc., the board began to explore the option of exiting the HUD program and

arranging necessary financing through a private lender, also an option available to properties before HUD mortgages reach term. Following completion of an engineering study and a demographic survey to identify the varied needs of the property and community, the board approached NCB, a private banking and financial services company, to create a loan package that would retire the HUD loan, while preserving Bywater's affordable housing structure.

NCB worked closely with Bywater's board, its consultants, and the community's management team to create a loan package that would enable the cooperative to borrow new funds and reassign the existing HUD interest rate subsidy from the maturing HUD loan to the NCB loan. By doing so, the cooperative could then increase available proceeds for its capital improvement program. Most important, this financing meant that the cooperative could remain an affordable housing community until at least 2017. Following pay off of the HUD loan, the \$9 million NCB loan yielded approximately \$21,000 per unit for renovations including replacement windows, heating and electrical system upgrades, and new

appliances in kitchens and fixtures in bathrooms.

For Bywater, the result was a win-win situation. Not only did it save its homes and improve the community's overall value, it also empowered shareholders by returning leadership and management decision-making to the residents.

Riverwood Townhouses Jonesboro, Ga.

The changes could not be more dramatic. In 2006, with the help of a \$7.4 million refinancing from NCB, the housing co-op, located in Jonesboro, Georgia, began to completely redo the exteriors and interiors of all its buildings. The result is an impressive leap forward that gives the 35-year old complex a fresh, up-to-date look.

The appealing visual transformation is the latest chapter in the co-op's step-by-step advancement toward achieving one overriding goal — to make Riverwood Townhouses an inviting community where people want to live, not where they have to live.

Riverwood was created to serve the needs of low- to moderate-income residents of this Georgia community outside Atlanta. Built in 1972, the 282-unit co-op was financed with a HUD-backed 236 mortgage. Approximately 95 percent of those apartments are subsidized by Federal Section 8 contracts designed to help households with low incomes rent affordable homes.

To help it remain such an affordable community, Riverwood also receives from HUD under the program approximately \$200,000 annually in interest reduction payments, which declines annually. The subsidy allows the co-op to defray a portion of its mortgage interest expense.

Bill Henley, the property manager for Riverwood, recalls that when his company, the Columbia Property Group, was brought in to provide management services in 1988, Riverwood was facing a whole host of problems — financial, physical and administrative — with \$100,000 in accounts payable pending, deferred maintenance and no reserve accounts. There were also drug and crime issues afflicting the community. "At that time," Henley says, "the co-op had no place

The 30- to 40-year regulatory contracts mandated that HUD hold the cooperative's reserve funds and oversee decisions affecting the property's renovations. The result: Cooperatives were required to accrue substantial reserve funds, but faced extensive red tape and other hurdles when attempting to access these funds for capital improvements or to meet other financial requirements.

programs. Launched in the 1960s, this initiative became a valuable tool for housing developers nationwide who could tap into this federal assistance when building multifamily subsidized housing. The increasingly popular program soon fueled an upsurge in moderate-income cooperative housing development. Key to lenders' willingness to finance this housing stock was that HUD insured against possible losses on mortgage defaults. Coupling this government guarantee with financing pegged at relatively low interest rates meant construction of new multifamily buildings, and conversion of rental housing to cooperatives, moved steadily ahead throughout the 1960s and 1970s.

However, all properties participating in HUD's programs were required to agree to an extensive list of the agency's rules throughout the term of loan. The 30- to 40-year regulatory contracts mandated that HUD hold the cooperative's reserve funds and oversee decisions affecting the property's renovations. The result: Cooperatives were required to accrue substantial reserve funds, but faced extensive red tape and other hurdles when attempting to access these funds for capital improvements or to meet other

to go but up. It was either give up and turn the keys in to HUD or get headed in the right direction.”

Working with the resident board of directors, Henley helped it agree on a vision for the future. It was the first step in guiding Riverwood to a change in course. The board members committed themselves to the goal of making the co-op a desirable destination rather than what it had become, a housing community of last resort.

Henley regards this as a turning point for the community. Everyone was now on the same page. They had a dream. They knew where they wanted to go. Yet, given the severity of their problems, no one had the illusion that getting there would be easy. “You don’t bring about big changes at a co-op like ours with the stroke of a pen. It takes a long time,” adds Henley.

But, little by little, in the years that followed, Riverwood did indeed begin to see progress in turning things around. Drug activities and drug-related crime were reduced with the help of grant monies from HUD. The funds were used to toughen security through the installation of a fence around the property coupled with a state-of-the-art video surveillance system.

Gradually, over the next 15 years, the co-op also put its management and financial houses in order. By 2003 the board and management felt in a secure position to take advantage of low interest rates and move the property closer to the dream it first had for its future in 1988. The strategy would be to refinance out of its HUD 236 mortgage to obtain funds for long-overdue renovations and property enhancements, while at the same time maintaining its interest reduction payments subsidy.

HUD calls this separation a “de-coupling,” because the subsidy payments would no longer be tied to a HUD 236 mortgage. However, to retain its subsidies, a co-op that refinances out of its HUD mortgage must sign Use Agreements whereby it commits to continue operating the property as a low- and moderate-income community.

Tackling the Approval Process

Henley, whose management company had worked with NCB in the past, knew NCB’s Larry Mathe and invited him to meet with the Riverwood board and management. The objective was to begin working on a plan to achieve the refinancing goal. It took awhile for all the details to be sorted out. Yet, even when everything was in place, the proposed refinancing was still contingent on HUD’s approval, since there remained \$2.4 million in debt on the existing mortgage, slated to expire in 2014.

Shepherding the paperwork through HUD took persistence, says Henley. “It was a real nightmare. Although the local Atlanta HUD office worked heroically on our behalf, the HUD central office has a screening process on the payoff of loans that is similar to having a baby. The gestation period was just unbelievable.”

Nevertheless, Riverwood eventually obtained HUD approval. And in January 2006, the co-op had what it wanted. A new 10-year mortgage from NCB with a lower interest rate than it had been paying gave Riverwood the necessary funds to cover the renovation work. And the co-op also arranged for a continuation of interest reduction payments through 2014. Those payments now go directly to NCB to offset the loan. “We were able to de-couple the subsidy payments from the original HUD 236 loan and carry them over and attach them to the new NCB loan,” says Henley.

Moving Ahead on Schedule

Riverwood repairs are complete and include new roofing, gutters, downspouts, siding, insulation, doors and windows. Electricity is being upgraded to all the units. And for air conditioning and heating upgrades, the co-op is taking care to incorporate the very latest in energy-efficient technology.

To landscape the property, Riverwood has made arrangements with the University of Georgia School of Landscape Design, which has graduate students looking for projects that give them hands-on experience. In return, the co-op pays their tuition. So far, the students have extensively inventoried the property, completed in-depth interviews to assess

the community’s requirements and drafted a comprehensive landscaping plan. Once the property’s drainage system has been upgraded, the planting will begin. The objective is to give the property’s grounds a lighter, brighter feel. In the near future, Henley would like to see the co-op add a new community building that could also be used as a day-care center. And the first place he will turn for financing is NCB. “Other lenders can’t spell co-op,” he says. “All they have is round holes, and co-ops are square pegs. Bankers do not want to deal with things they don’t understand. NCB is the best source for us.”

Henley gives much credit to NCB’s Mathe for making the refinancing happen: “He works stuff through and gets it done. He has been a very good person to work with because of his tenacity and flexibility.”

For other co-ops looking to refinance out of HUD 236 mortgages, Mathe says NCB has figured out a way to do it that minimizes the financial impact on the co-op while still allowing it to realize significant improvements.

“It all really goes back to what John F. Kennedy once said, ‘A rising tide floats all boats.’ If people are forced to live in poor conditions, everything else in their lives will reflect that. But once you start to change those conditions, everybody wants to do better. That’s what it’s all about.” **CHB**

Contact

For more information, contact NCB’s Larry Mathe at (703) 302-1909 or lmathe@ncb.coop or Karyn Mann at 703/302-1904 or kmann@ncb.coop.

For more information on cooperatives:
www.Go.Coop

NCB refers to National Consumer Cooperative Bank and its subsidiaries (primarily NCB Financial Corporation and its subsidiary, NCB, FSB), its affiliated nonprofit corporation, NCB Capital Impact, and also NCB Community Works. Each is a separate entity within the NCB Financial Group.

NCB Arranges More Than \$11 Million in Financing for New York Area Housing in January

New York, New York (February 14, 2008) — NCB, the leading provider of financing to New York housing cooperatives, originated more than \$11 million in financing in January for 12 New York area properties. The financings included \$8.3 million in mortgages and \$3.4 million in lines of credit. Edward Howe III, Managing Director of the NCB New York office, made the announcement.

“Although closing activity in January was lower than in previous months, properties are still borrowing to fund a wide range of capital improvement projects or refinance existing debt,” stated Howe. “We are pleased to be able to create tailored loan packages to meet the varying needs of cooperatives in the Tri-State area.”

NCB’s Senior Vice President Sheldon Gartenstein arranged a total of \$2.6 million in loans during January, including a \$930,000 first mortgage and a \$200,000 line of credit for a 20-unit co-op located at 408 East 73rd Street in Manhattan; an \$800,000 first mortgage and a \$300,000 line of credit for a 20-unit co-op located at 226 East 27th Street; and a \$400,000 third-term mortgage for a 53-unit co-op located at 157 East 75th Street in Manhattan.

Howe arranged a total of \$2.3 million in loans during January, including a \$1 million third-term mortgage for Park Court Owners, Inc., a 125-unit co-op located at 755 Bronx River Road in Yonkers, N.Y.; a \$900,000 first mortgage for Hadley Mews Owners Corp., a 12-unit co-op located at 10 Wooleys Lane in Great Neck, NY; and a \$350,000 second-term mortgage for North Broadway Estates, Ltd., a 54-unit co-op located at 309 North Broadway in Yonkers, N.Y.

NCB’s Senior Vice President Mindy Goldstein arranged a total of \$6.8 million in loans during January, including the largest deal of the month, a \$3.7 million first mortgage for a 40-unit co-op located at 150 West 87th Street in Manhattan. In addition, Goldstein originated a \$1 million line of credit for Wakefield Cooperative Corp., a 199-unit co-op located at 745-749 East 231st Street & 730-740 East 232nd Street in Bronx, N.Y.; a \$915,000 line of credit for Claremont Lasalle, Inc., a 24-unit co-op located at 170 Claremont Avenue in Manhattan; a \$500,000 line of credit for a 75-unit co-op located at 260 West End Avenue in Manhattan; a \$500,000 line of credit for an 89-unit co-op located at 2555 East 12th Street in Brooklyn, N.Y.; a \$175,000 first mortgage for a 5-unit co-op

located at 36 West 88th Street in Manhattan.

NCB means National Consumer Cooperative Bank, its subsidiaries and NCB Capital Impact, an affiliated nonprofit corporation. Loans and technical assistance may be provided by NCB, NCB Capital Impact or NCB, FSB, all of which are Equal Housing Lenders.

NCB is dedicated to strengthening communities nationwide through the delivery of banking and financial services, complemented by a special focus on cooperative expansion and economic development. Headquartered in Washington, D.C., NCB also has offices in Alaska, California, New York and Virginia. NCB has a growing community banking network in southwestern Ohio. Visit www.ncb.coop.

NCB Loans ARE Being Made Nationwide — Not Just in New York

We wanted to learn more about the kinds and costs of loans NCB is currently making.

Here’s the response we received from Mary Alex Dundics, Vice President NCB.

For housing cooperatives nationwide, NCB offers long-term fixed-rate mortgages for the refinance of an existing mortgage or to make a capital repair to the building. Typical terms are 10 years with an amortization up to 30 years. For the 10 year period, the interest rate will be fixed. At the end of the 10-year period, the outstanding balance can be paid off or refinanced into a new mortgages. The cooperative also has the option of having a 10-year loan that is paid off in 10 years (self-amortizing loan). The term loans require a monthly payment of interest and principal for the 10-year period.

A line of credit is a short-term facility that can bridge the collection of a special assessment or can be used to fund unexpected repairs. The line of credit term is up to 5 years in length. The interest is based on a Floating Rate such as PRIME or the 30 Day LIBOR (London Interbank Offering Rate). The interest rate is subject to change monthly. The cooperative is only required to pay interest on the money used and the entire amount is due after 5 years. The cooperative can also select to pay off the line of credit at anytime.

For many housing cooperative nationwide, obtaining a loan to make large capital repairs on the building has proven very successful. Cooperatives can get all the funds at once, lock the interest rates and make the needed repairs for the building while spreading the payments over a longer period of time to not financially burden the homeowners. **CHB**

Contact

Mary Alex Dundics
Vice President NCB
2011 Crystal Drive
Suite 800
Arlington, VA 22202
Tel (703) 302-8876
Fax (703) 647-3478
mdundics@ncb.coop

For more information
on cooperatives:
www.Go.Coop

NCB refers to National Consumer Cooperative Bank and its subsidiaries (primarily NCB Financial Corporation and its subsidiary, NCB, FSB) its affiliated non-profit corporation, NCB Capital Impact, and also NCB Community Works, which is jointly owned by NCB Capital Impact. Each is a separate entity within the NCB Financial Group.

Johnson Space Center. You can also visit SplashTown water park, Moody Gardens on Galveston Island, Kemah Boardwalk and Downtown Aquarium.



And, just in case you get tired of staying indoors, Houston is home to more than 165 public and private golf courses and is only 50 miles from the Gulf of Mexico.

If all this isn't enough to entice you to visit

Houston, how about the opportunity to network with fellow-cooperators, learn new skills, make new friends, and attend a rodeo? The NAHC 48th Annual Conference will have all this and much, much more!

Plan to join us in Houston September 17-20, 2008 at The Westin Galleria for one of the best Annual Conferences ever! Registration information and hotel accommodations are available on the NAHC website at www.coophousing.org. Or, just wait for your mail. All members of NAHC will be sent registration materials during the month of May. [CHB](#)

A Visit to Houston *By Dee Ann Walker, CAE*

My recent trip to Houston and East Texas was just incredible! Flying into Bush Intercontinental was easy and on my way out of the airport, I spotted a "building-sized" Texas flag waving in the breeze, welcoming me to Texas!

I admit to being a native Texan and that sight of the Texas flag probably moves me more than your average person, but it truly was a welcome sight.

As I drove out of the airport, the sky was big, blue, and filled with those fluffy clouds we don't see on the East Coast. The trees were already lush and green (in early April) and the Bluebonnets (the Texas state flower) were in full bloom amongst an assortment of other wildflowers. (Remember Lady Bird?) It was a stunningly beautiful day and so was Houston.

I met my colleague Phil Ridley at the **Westin Galleria Hotel** for a site visit and a tour around Houston, in preparation for NAHC's 48th Annual Conference. The Westin is a first-class hotel located smack dab in the middle of **The Galleria**. The Galleria, in Uptown Houston, is virtually a town of its own. With 375 fine stores and restaurants, an ice rink and two hotels, The Galleria is the fifth largest mall in the nation and one of the city's biggest tourist attractions! We're worried about how to keep our members in the meetings!

Following our visit to the hotel, we travel about 15 minutes to the **African American Cowboy Museum and Ranch**. This delightful place is the site of our Friday night event...complete with Texas barbeque, horses, roping, bull dogging, and bronco riding. Want to ride the mechanical bull?

We've got one! After rodeo demonstrations, we'll dance the night away, Texas-style (that means on the ground, under the stars, and in our boots!) And, the cowboys will stroll among our attendees and answer questions about rodeoing and the contributions made by so many Black Cowboys. Our host for the evening, Molly Stevenson, is a member of the Cowgirl Hall of Fame. This is an evening not to be missed!

And, if you're more of a city-slicker, I don't think you'll be disappointed in the visit to NASA Johnson Space Center! Designed by Disney, **Space Center Houston**, features interactive exhibits to educate and entertain visitors as well as showcase American's accomplishments in space. You may even see an astronaut! We have a special tour booked for Wednesday before the kick-off of the Conference.

We also booked a tour of the **Buffalo Soldiers National Museum** which educates the public about the contributions of African-American soldiers toward the development and protection of the U.S. The museum charts accomplishments from the Revolutionary War to modern times. A battle re-enactment has been arranged just for our attendees!

And if this isn't enough, Houston has a great music scene. Home to Clint Black, ZZ Top, Destiny's Child, Lyle Lovett, and Sam "Lightnin'" Hopkins, the city offers all sorts of live music in small clubs and large concert halls. Houston is home to jazz, blues, rock, country and Tejano music. In the 1930s and 40s, Milton Hopkins led a Houston-based black swing orchestra that produced some great jazz sax players! We'll have a list of **clubs and music venues** in every attendee's packet.

So, pack your boots, your hat, and your casual clothes and plan to meet me in Houston September 17-20. I think you'll be surprised and pleased with what all Houston has to offer—native Texan or not!



Loans Available: CFNE Has Money to Lend!

The Cooperative Fund of New England (CFNE) provides loans and technical assistance to cooperatives, worker-owned businesses, land trusts, nonprofit groups, low-income housing development organizations, health services, community-based organizations, etc., in the New England area. Thanks to the support of our generous investors, CFNE now has more funds available to finance expansions, renovations, and upgrades, as well as to meet general working capital needs. Nonprofits have used our funds for lines of credit to meet cash flow needs as they arise.

CFNE has been successfully providing loans and assistance to its targeted market for more than 30 years. Since 1975, CFNE has provided more than \$10.3 million to more than 316 borrowers. CFNE offers quick responsiveness, flexibility, and competitive rates.

- Loans and lines of credit ranging from \$5,000 to \$500,000
- A simple consensus loan review process
- Terms are generally 3 to 5 years and are renewable
- Rates are in the 7.5% – 8.5 % range
- Applications are reviewed within 2 to 3 weeks of receipt and the borrower participates in the loan review process



Keep CFNE in mind when you next need to borrow. For additional information or an application contact:

Rebecca Dunn, Executive Director
800/818-7833
rdunn@cooperativefund.org

Mary Hoyer, Outreach Coordinator
413/256-0726
mhoyer@cooperativefund.org



CALL FOR NAHC 2008 HOUSTON ANNUAL CONFERENCE SUGGESTIONS

NAHC members and others from the cooperative housing community are invited to submit ideas for training sessions at the 2008 NAHC annual conference in Houston, Texas. NAHC also would like to hear from those who did not attend the 2007 annual conference about what topics you would like to see added to the conference program next year. NAHC Interim Executive Dee Ann Walker said, "We are especially interested in hearing from cooperative professionals and experienced cooperative presidents about what they can contribute, what they and their board members want to learn, and what they want to discuss."

The format of the 2008 NAHC annual conference is already under development. If you have suggestions for this annual conference, would like to assist in training activities as a moderator or resource person, or would like to be involved in the program in another way, please send in the form below or contact Dee Ann Walker at dawalker@coophousing.org.

I have a suggestion for a topic(s). Please include a brief description about the topic, and why it is important to you).

Topic 1: _____

Topic 2: _____

I am interested in assisting in training activities as a moderator or resource person or being involved in the program in another way (Include a brief description about your particular interest, a topic you would like to present, and your training experience).

Please include any other ideas that you may have about the content of the program or any other aspects of the 2007 NAHC annual conference. Return this form with your comments by mail or fax at the NAHC office, 202/783-7869, or by e-mail, dawalker@coophousing.org.

Name _____

Co-op or Organization _____

Address _____

City/State/ZIP _____

Phone _____

Fax _____

Email _____

Housing Cooperatives in China

"Some homeowner associations get back the ownership of common spaces and have autonomy to choose property management firms and contract out some services."

Twenty years ago, three senior NAHC members were invited to an international workshop in China, cosponsored by the Institute of Public Administration. It was called to discuss Policy and Significance of Urban Housing Reform involving the thousands of multifamily housing buildings being built by local and state Chinese authorities. Two of those three, Alfred Reynolds and Roger Willcox, are still active NAHC board members.

We suggested that giving residents more control over their housing would be the best approach.

A recent study by members of the American Society for Public Administration has publicized the fact that today Chinese homeowner associations (HOAs), as citizen-initiated and self-governing neighborhood organizations, have become a major response to widespread infringement of resident property rights by local governments, developers and management companies. One result has been that "some homeowner associations get back the ownership of common spaces and have autonomy



to choose property management firms and contract out some services." That's getting close to what we in our country would consider to be housing cooperatives!

For more information on this see article in *Public Administration Times* for February 2008: "Chinese Homeowner Associations: A School of Democracy?" or contact the CHB editor. [CHB](#)

COOPERATIVE CALENDAR 2008
April 23-25

Neighborhood Networks Regional Technical Assistance Workshops (RTAWs); Nashville, Tenn. For more information or to register please visit www.NeighborhoodNetworks.org or call 888/312-2743.

April 30

Annual Hall of Fame Dinner and Induction Ceremony; National Press Club, Washington, D.C. For dinner attendance or sponsorship information, contact CDF at 202/638-6222 or equinn@cdf.coop.

April 30-May 1

National Cooperative Business Association Cooperative Conference, "Say 'Yes' To Success: Choose the Co-op Solution;" George Washington University, Washington, D.C. Please contact Pia Duryea at 202/383-5440 for more information.

May 2-3

NAHC Board Meeting; Washington, D.C.

June 15-19

2008 Annual Conference of the Midwest Association of Housing Cooperatives, "A Passion for Education;" Green Valley Ranch Resort, Las Vegas, Nevada. For more information, go to www.mahc.coop, call 734/955-9516, or e-mail CarolynMAHC@aol.com.

July 9-11

Neighborhood Networks Regional Technical Assistance Workshops (RTAWs); San Francisco, Calif. For more information or to register, please visit www.NeighborhoodNetworks.org or call 888/312-2743.

September 17-20

NAHC Annual Conference; Houston, TX. www.coophousing.org.