

Housing is a Human Right: Building
Affordability through Community Ownership

Limited-Equity Housing Cooperatives

December 8th, 2016

Andy Reicher and Alex Roesch

Questions for the day first half:

GROUP DISCUSSION/ACTIVITY #1 (20 min)

1. What is a limited-equity housing co-op? (10 min)
2. Why limited-equity housing co-ops? (10 min)
3. What does it take to create a co-op? (10 min)

Q & A (20 min)

Break (10 min)

Questions for the day second half:

GROUP DISCUSSION/ACTIVITY #2 (20 min)

4. How do you structure it? (10 min)

5. What is needed to sustain it? (10 min)

6. What are the opportunities in Washington? (10)

GROUP DISCUSSION/ACTIVITY #3 (20 min)

Q & A (20 min)

Activity 1: Discussing Cooperatives

Aim: Identify some of the defining characteristics of cooperatives (housing, worker, other types) and some of the associated benefits for co-op members.

Task: Introduce yourself to your neighbors and have a discussion about these questions:

- Are you a member of any cooperatives? What types?
- What are the defining characteristics of all cooperatives?
- How do cooperatives fit into the concept of community ownership?
- What is the number one benefit of co-op membership? (tweet format 140 characters or less!)

The 7 Principles of Cooperation

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Cooperation among cooperatives
7. Concern for community



As adopted by the ICA 1997

Abraham Kazan's Vision

“...through cooperative efforts
we can better the lot of our
co-workers....where all personal
gain and benefit is eliminated,
greater good can be
accomplished for the benefit
of all.”



“The father of U.S.
cooperative housing.”
Photo: coopheros.org

1. What is a housing cooperative?



165-167-169 Ave. C HDFC | Photo (c) UHAB

1. What is a housing cooperative?



Legal entity
that owns the
real estate, in
this case '165-
167-169
Avenue C
Housing
Development
Fund
Corporation'

165-167-169 Ave. C HDFC | Photo (c) UHAB

Who owns this legal entity!?

The residents! AKA shareholders, AKA cooperators!



UHAB University Graduation Day | Photo (c) UHAB

What is a housing cooperative?

Cooperative corporation owns the real estate as opposed to individuals or a landlord.

Residents own shares in the corporation. These **shareholders** hold proprietary leases with the co-op that enables them to occupy their specific unit.

Democratic control - members regularly elect a board, each shareholder gets to vote.



Photo (c) UHAB

What is a **limited-equity** housing co-op?

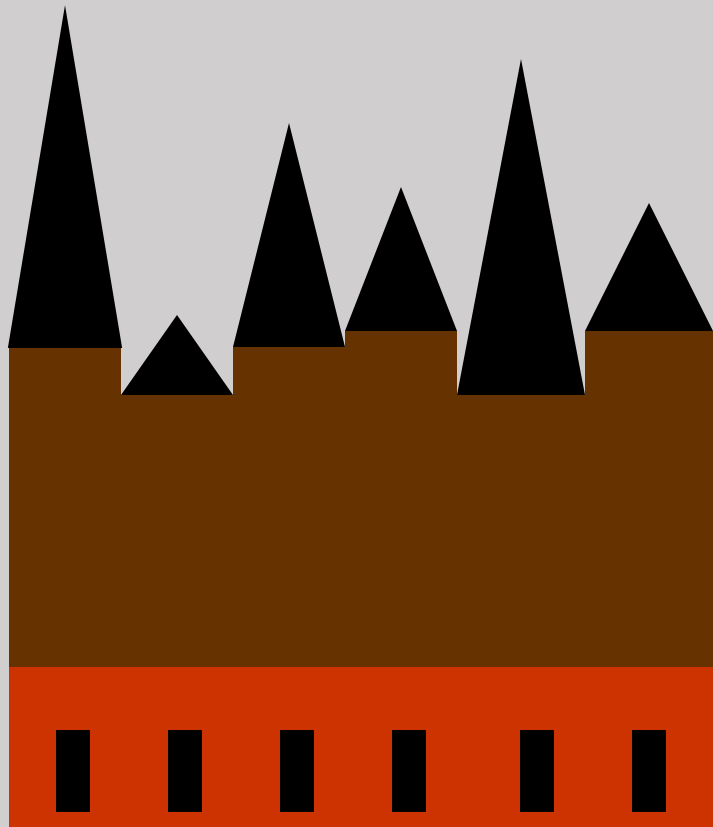
The resale price of shares is **limited**, keeping the housing affordable for the next generation.

In addition to keeping the purchase price lower than market, limited-equity housing co-ops typically have income guidelines to ensure the co-op is serving its intended population.



Photo (c) UHAB

What is a limited-equity housing cooperative?



Limited Equity

Shared Equity

Blanket Debt

Housing co-ops across the country

- In a variety of locations across the country mostly due to production at federal level in 60s and 70s
- Co-op model has been used with high rise, mid rise, and even single family homes – variety of typologies



Amalgamated Co-op – The Bronx, NY



Co-op City – The Bronx, NY



Cooperative Village – Lower East Side, NY



Newtown St. Co-op – Washington, DC



Hanover Grove Co-op – Fraser, MI



Echo Ridge Homes Co-op – Albuquerque, NM



Dos Pinos Co-op – Davis, CA



Sherwood Co-op – Seattle, WA



Apex Belltown Co-op – Seattle, WA



2. Why limited-equity housing cooperatives?

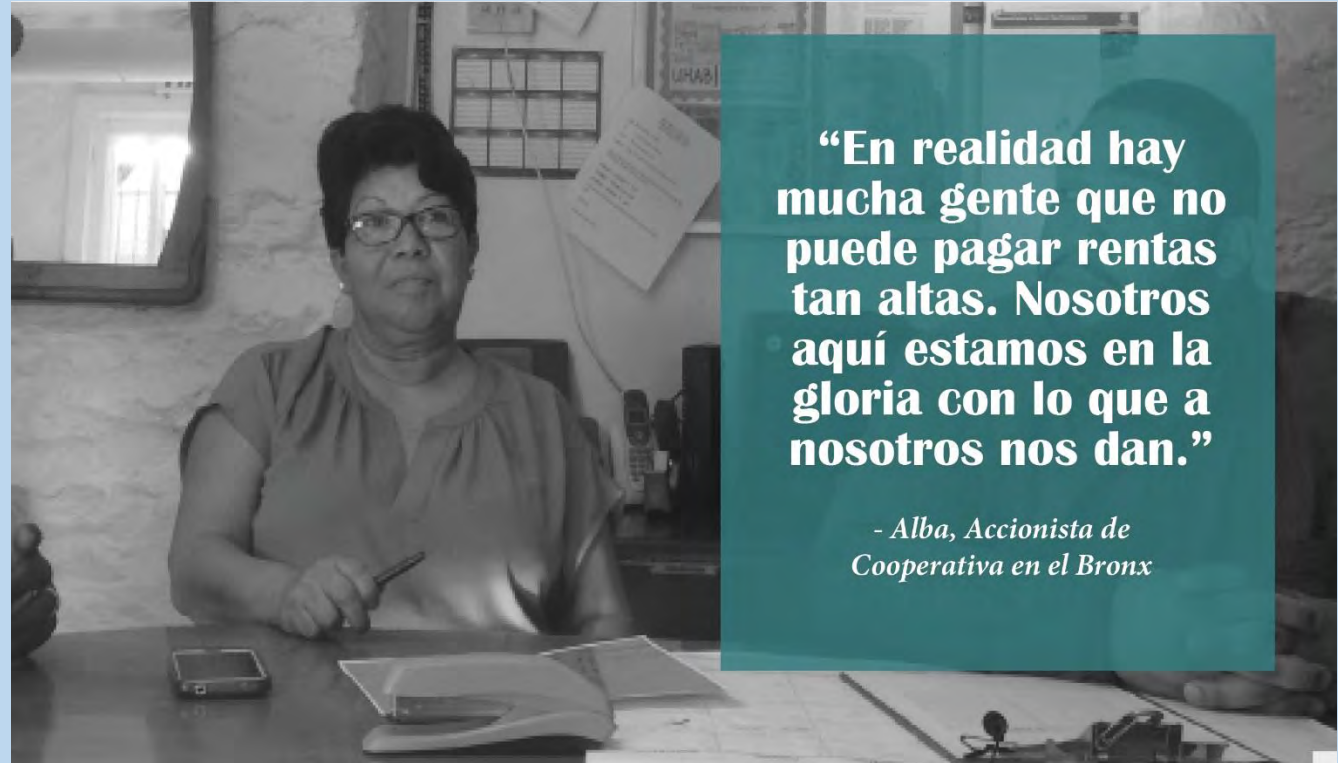
We know co-ops
benefit their residents:

- Economic
- Social
- Personal
- Community benefits



Economic Benefits

- Co-ops are affordable to households who might otherwise be priced out of the market.
- Re-sale restrictions preserve affordability for future generations.
- Lower monthly costs (than comparative rentals).
- Higher quality (than comparative rentals).



“En realidad hay mucha gente que no puede pagar rentas tan altas. Nosotros aquí estamos en la gloria con lo que a nosotros nos dan.”

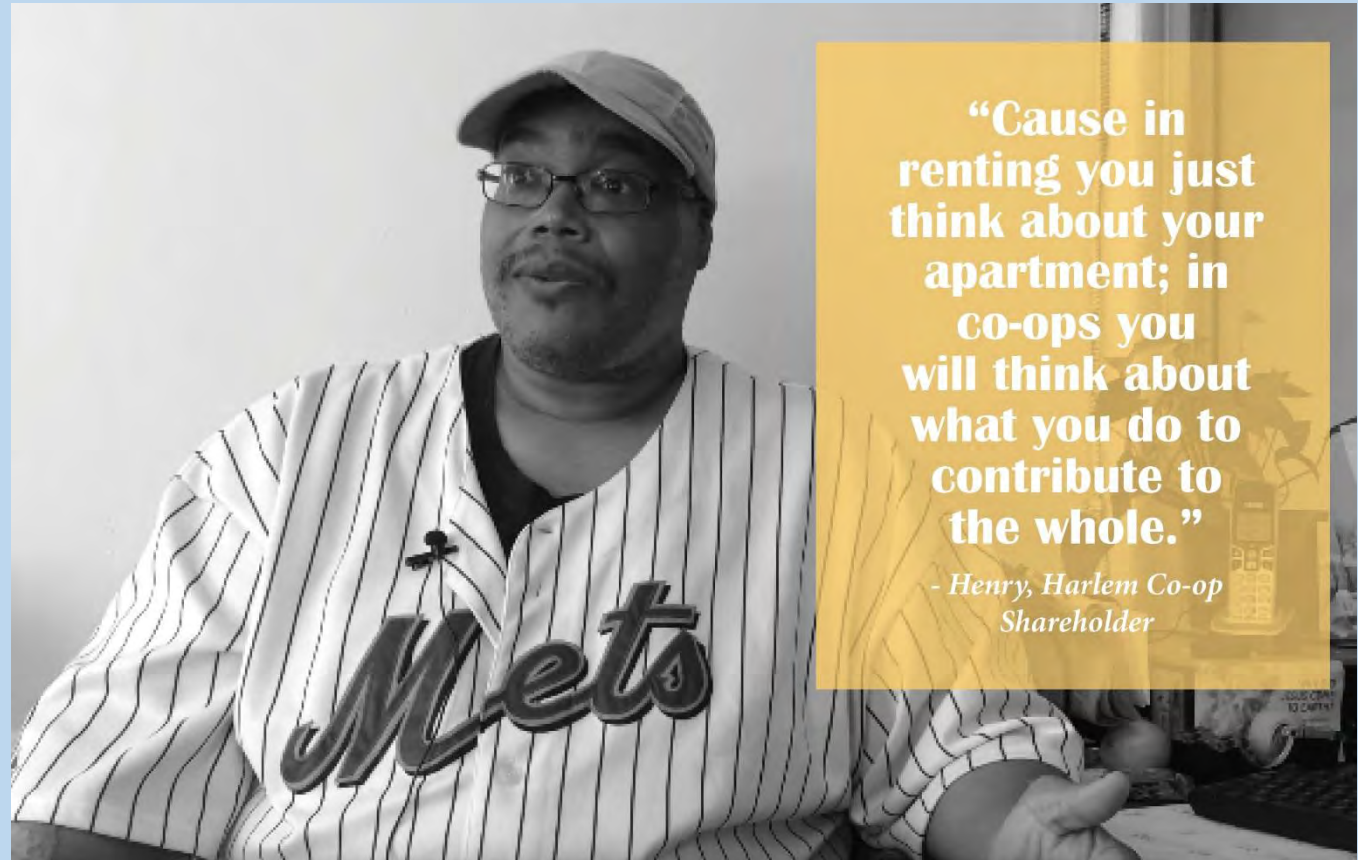
- Alba, Accionista de Cooperativa en el Bronx

Economic Benefits

- Enhanced “bankability,” collectively and individually.
- Shareholders may qualify for tax deductions for mortgage interest and property taxes.
- Equity can be inherited.
- Foreclosure rates are much lower than for single-family homeowners in comparable income groups.

Social Benefits

- Social
 - Participation in civic and community affairs
 - Pride in, and sense of belonging to, a community
 - Lower rates of vandalism and reported crime
 - More likely to vote



Personal Benefits

- Personal
 - High levels of satisfaction with housing
 - Sense of achievement and competence
 - Increased income, and disposable income
 - Increased net worth
 - Increase sense of independence
 - Opportunities for participation and leadership
 - Gain skills that lead to jobs, job improvement, or education



“I see this as a total blessing, being able to come back to where I was raised.”

- Barbara, Brooklyn Co-op Shareholder

Community Benefits

- Community benefits
 - Co-ops are bulwark against gentrification
 - Co-ops promote longer tenure in multi-family buildings
 - Co-ops are an incubator of neighborhood leaders
 - Co-op residents tend to be more active in community affairs



**“Living in a co-op,
everyone has an interest in
the building working...what
we’ve been able to do is to
define ‘working’ as not just
accelerating in value, but
actually working as
a community”**

- David, Harlem Co-op Shareholder

3. What does it take to create a co-op?

We will explain this through the history of UHAB

- UHAB-led resident organizing, training and technical assistance
- UHAB as a developer in TPT
- UHAB as sponsor with inclusionary zoning projects



Arson on Beck St. in the Bronx, 1970s | Photo (c) UHAB



Clinton Street and Grand Street, 1980 | Photo (c) Harvey Wang



172nd St. in the Bronx, 1970s

Homesteading / Sweat Equity



105th St. Homesteaders | Photo (c) UHAB

"All the News
That's Fit to Print"

The New York Times

LATE CITY EDITION

Weather: Partly sunny, cool today;
colder tonight. Chilly tomorrow.
Temperature range: today 58-69;
yesterday 53-68. Details, page D15.

VOL. CXXVII....No. 43,720

© 1977 The New York Times Company

NEW YORK, THURSDAY, OCTOBER 6, 1977

25 miles beyond delivery zone from New York City.
Higher in air delivery cities.

20 CENTS

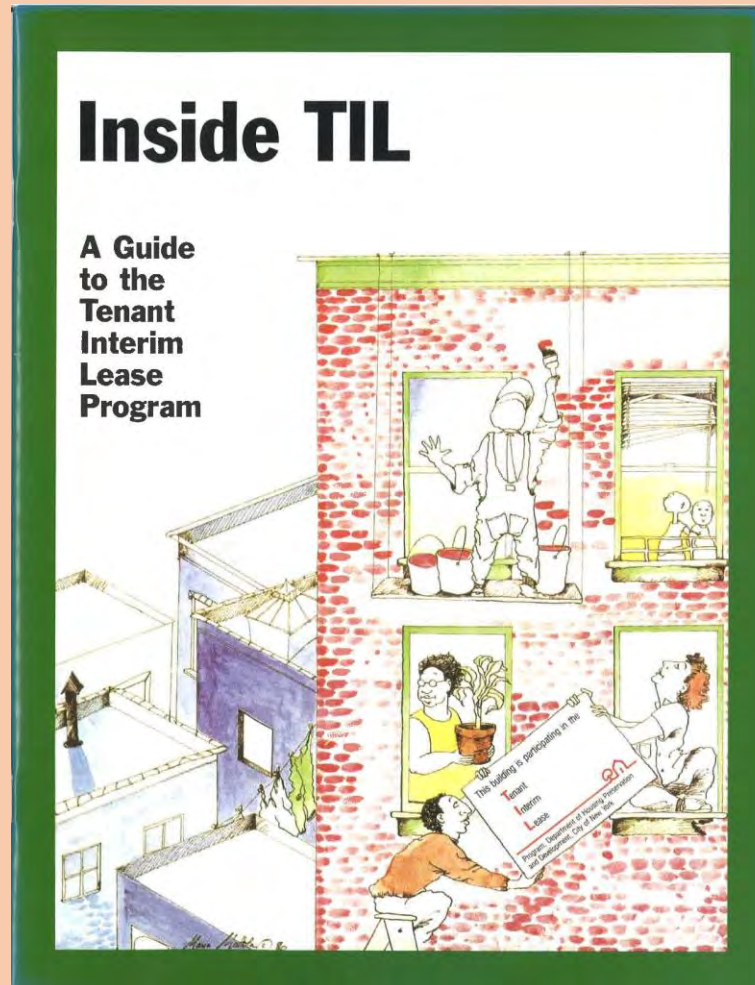
PRESIDENT CARTER SUPPORTS SWEAT EQUITY !



President Carter during his surprise trip to the South Bronx yesterday. "It was a very sobering trip for me to see the devastation that has taken place in the South Bronx in the last five years. But I'm encouraged in some ways by the strong effort of tenant groups to rebuild," Mr. Carter said.

Training/Technical Assistance

The Tenant Interim Lease Program (TIL)



Training/Technical Assistance The Tenant Interim Lease Program (TIL)



Co-op Conversion Class | Photo (c) UHAB

Sample of UHAB's Training Courses

- 14 steps to co-op conversion + legal co-op structure
- Building Finance
- Co-op structure - Rights and responsibilities of shareholders
- Distressed co-ops
- Elections
- Intensive contracting
- Healthier, safer co-ops
- Selling shares
- Violations
- What are your co-op founding documents?
- Who fixes what? When is the co-op vs. the shareholder responsible?

UHAB as Developer

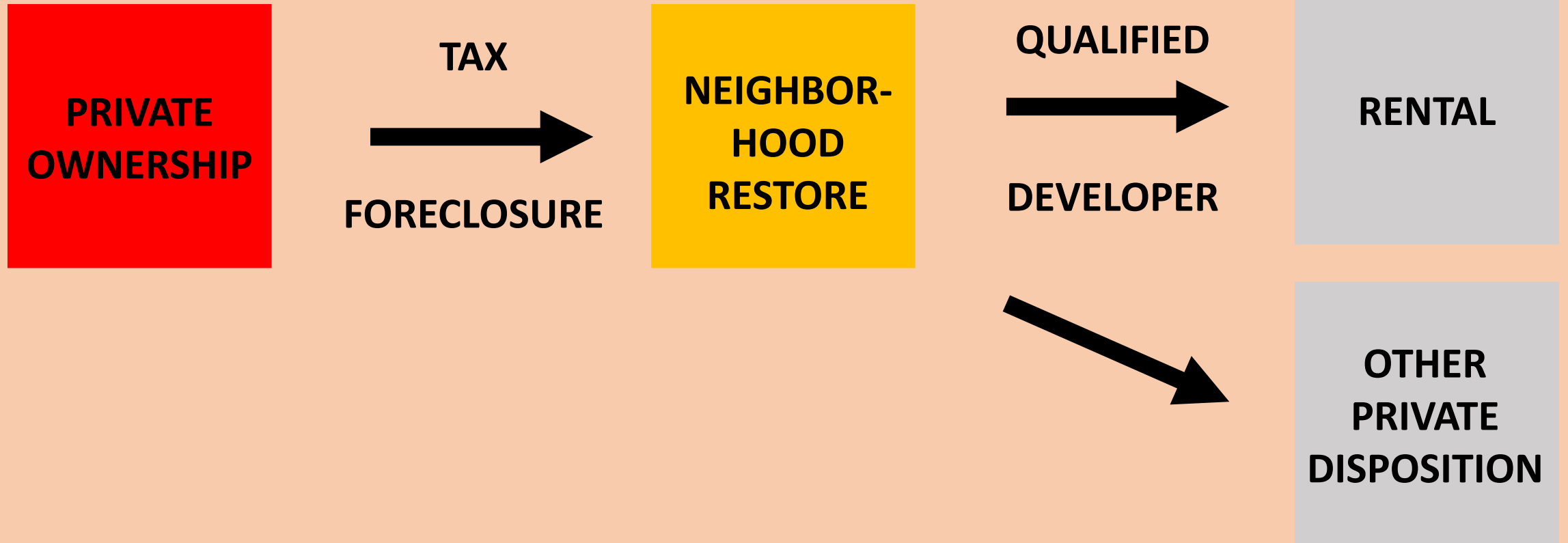


Before and After | Photo (c) UHAB

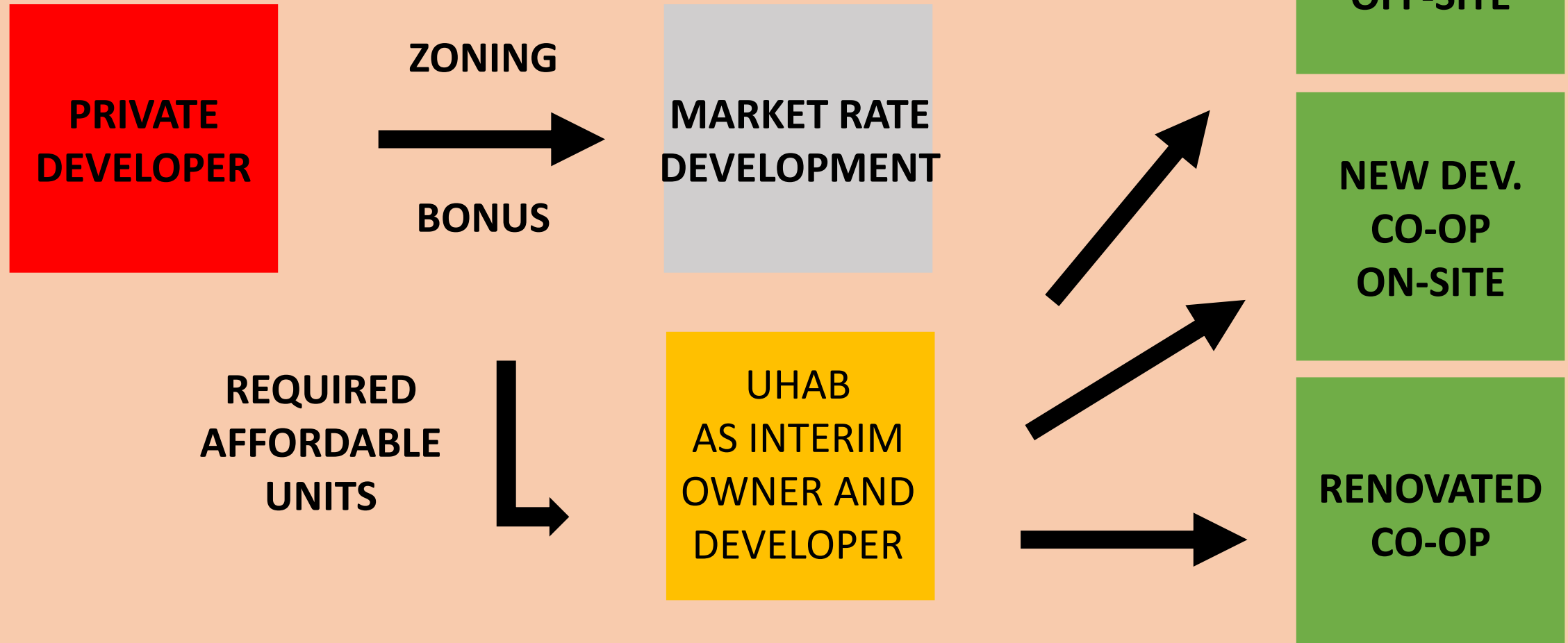
Tenant Interim Lease Program (TIL)



THIRD PARTY TRANSFER (TPT)



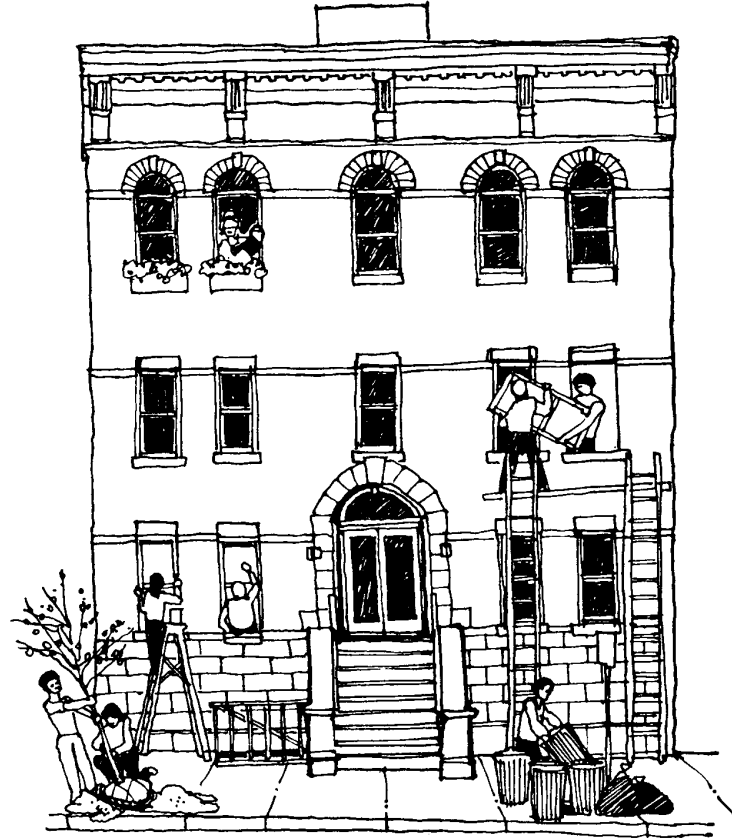
INCLUSIONARY ZONING CO-OPS(IZ)



UHAB

URBAN HOMESTEADING ASSISTANCE BOARD

Q & A



Activity 2: Visioning a housing cooperative

Aim: Outline your ideal housing co-op!

Task: You are the board of a community group having a strategic visioning session for your limited equity housing co-op

- Where would it be?
- Who would it serve?
- What scale? Type of building – multifamily – scattered site single family?
- What would the community in the co-op be like?
- How would it serve people's needs?
- Why would people want to join this co-op?
- How would life be different living in this co-op opposed to other forms of housing?
- Name? Tagline and artist's depiction?

4. How do you structure a co-op?

Co-op Governance

- Articles of incorporation
- By-laws
- Proprietary lease
- Regulatory agreement – monitoring contract – ground lease
- Offering plan

Finance

- Financial structure
- Government grants and financing for construction
- Government subsidies over long term (section 8)
- Developer bonuses

Co-op Governance

Articles of incorporation – outline corporate purpose to provide affordable housing

By-laws – outline how the cooperative should be run by the shareholders and the board

Proprietary lease – allows shareholders to occupy their unit, usually for a 99 year term

Regulatory agreement and monitoring contract – to ensure the affordability and governance rules and regulations are followed, and co-op is run smoothly and efficiently

Offering plan – full disclosure to co-op buyers

Co-op Governance

Democratic Control

- Election of Directors
- Cost-Based Budgets

Cooperative Approval

- Ownership Transfers
- Individual Financing
- Subleasing
- Policies

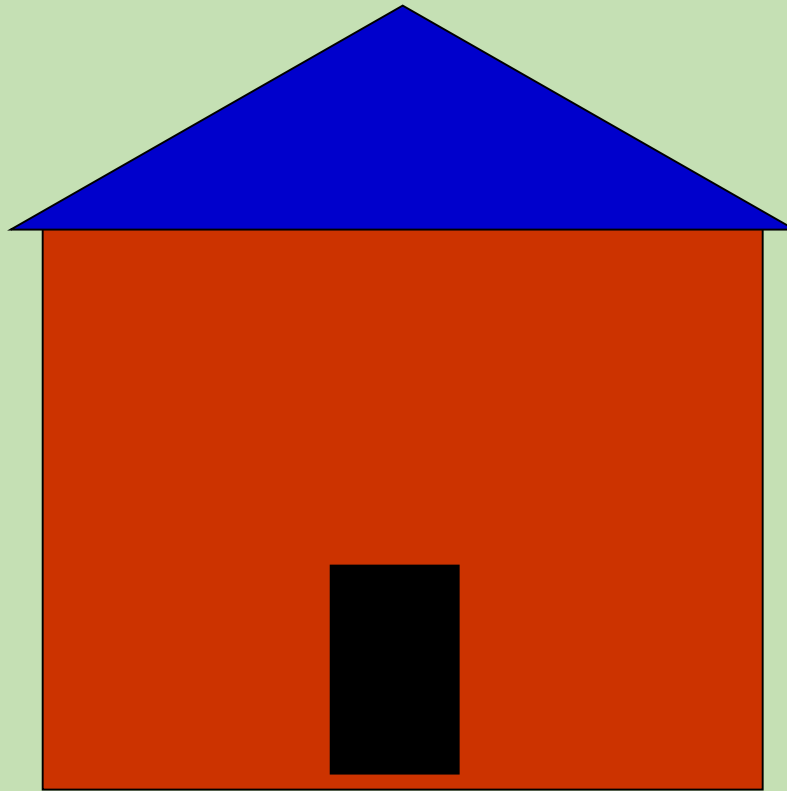
Cooperative Enforcement

- Resale Limitations
- Other Regulations



513-517 W 135 St | Photo (c) UHAB

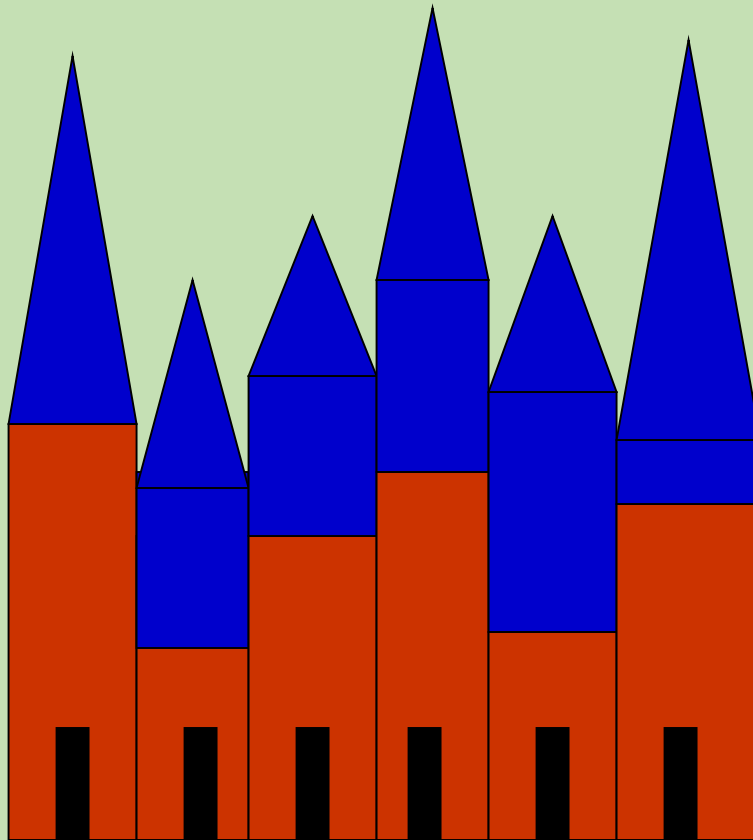
Financial Structure: Single Family Home



Equity: 20%

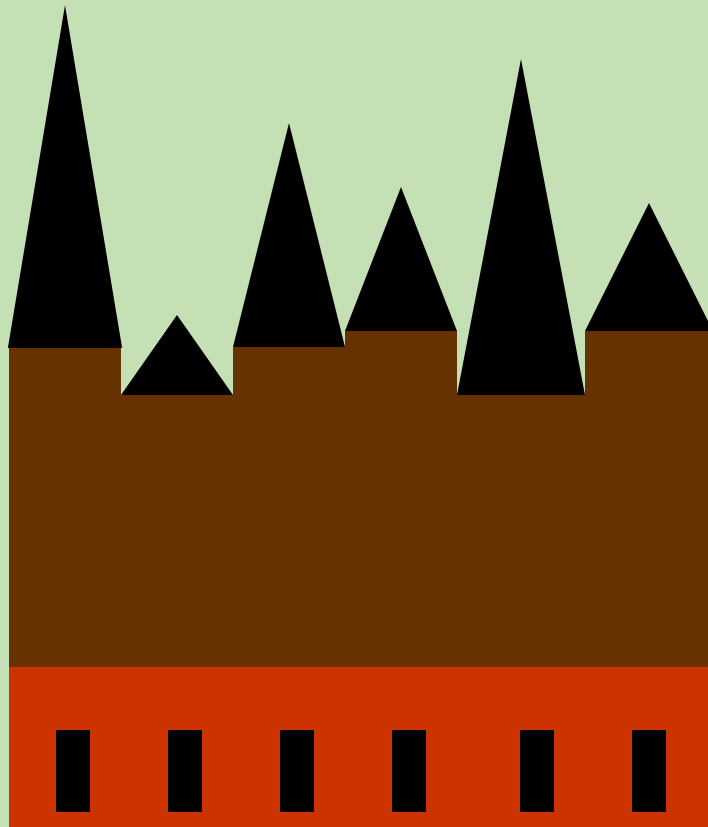
Debt: 80%

Financial Structure: Condominium



Different levels
of **debt** and
equity for each
individual unit
and unit-owner

Financial Structure: Limited-Equity Co-op



Limited Equity

Shared Equity

Blanket Debt

Third Party Transfer (TPT) Example

473 United HDFC

- Tax foreclosed 20 unit building
- Transferred to UHAB through Neighborhood Restore
- UHAB contracts renovation and relocates residents during construction
- UHAB trains residents and qualifies outside buyers
- 16 units initially occupied



473 United HDFC – TPT Project

DEVELOPMENT COST

PER UNIT

\$132,687

20 UNIT TOTAL

\$2,653,741

PERMANENT SOURCES OF FINANCING

CONVENTIONAL BANK LOAN

\$528,583

HPD CITY FINANCING*

\$1,682,658

AHC GRANT*

\$400,000

APT. SALES EQUITY

\$42,500

TOTAL

\$2,653,741



*Subsidy

473 United HDFC – TPT Project

OPERATING BUDGET	
RENTAL INCOME	182,354
TOTAL OPERATING COSTS*	119,313
NET OPERATING INCOME	63,041.14
TOTAL DEBT SERVICE	54,357.59
NET CASH FLOW	8,683.54

*Property tax abatement is a primary operating subsidy, sometimes able to get reduced rates for water + sewer. Individual Section 8 rental vouchers are made available to families that can't afford the maintenance.



110 Madison Ave. Off-Site Inclusionary Zoning

- 18 units of new construction by SRH Development
- \$20,352,279 total development cost - \$1,130,682 per unit
- UHAB nominal owner during development and executed marketing process
- Inclusionary Housing Program – inclusionary zoning bonus sold to third party development company



110 Madison Ave. – Off-Site Inclusionary

USES	AMOUNT	PER UNIT
LAND	\$7,300,000	\$405,556
HARD COSTS	\$7,704,423	\$428,024
SOFT COSTS	\$3,102,454	\$172,359
RESERVES	\$153,312	\$8,517
DEVELOPER FEE	\$1,592,090	\$88,449
DEFERRED DEV. FEE	\$500,000	\$27,778
TOTAL	\$20,352,279	\$1,130,682

110 Madison Ave. – Off-Site Inclusionary

PERMANENT SOURCES	AMOUNT	PER UNIT
SALES PROCEEDS OF AFFORDABLE HOUSING FLOOR AREA*	\$16,490,000	\$916,111
SALES PROCEEDS FROM CO-OP SHARES	\$3,001,261	\$116,737
SALES PROCEEDS OF RETAIL SPACE	\$861,018	\$47,834
TOTAL	\$20,352,279	\$1,130,682

*Subsidy (Inclusionary bonus)

Jupiter 21 On-Site Inclusionary

- 65 units
- 13 co-op units
- \$435/month for studio
- \$610/month for 1BR
- \$3,600/month for market rental studio

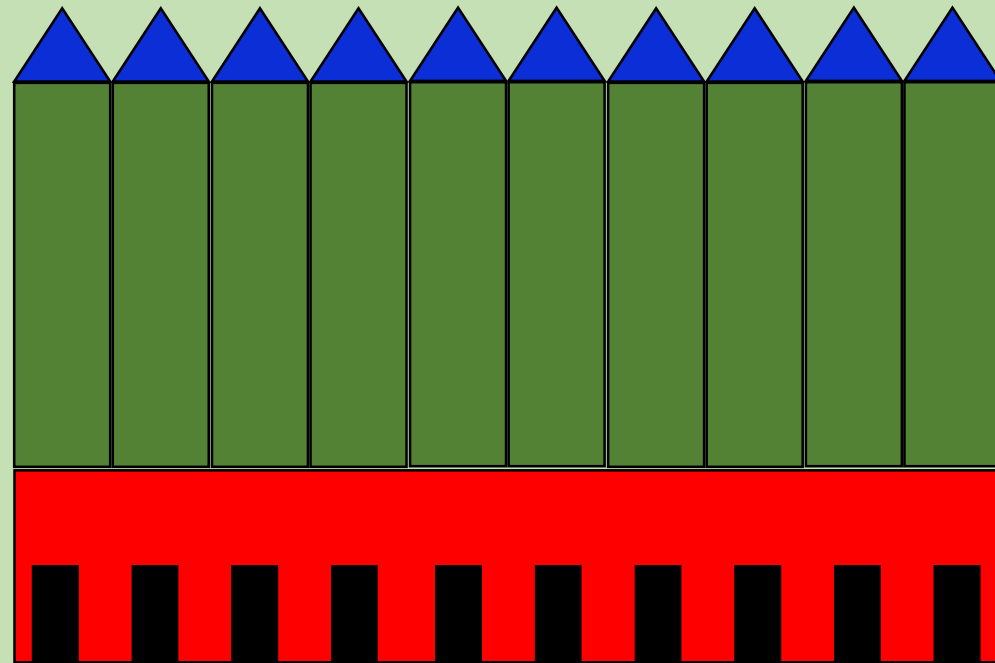


10th and 13th St. Homesteading Off-Site Inclusionary Preservation

- One 13 unit building
- One 12 unit building
- Preservation projects



Typical UHAB Limited Equity Cooperative Model

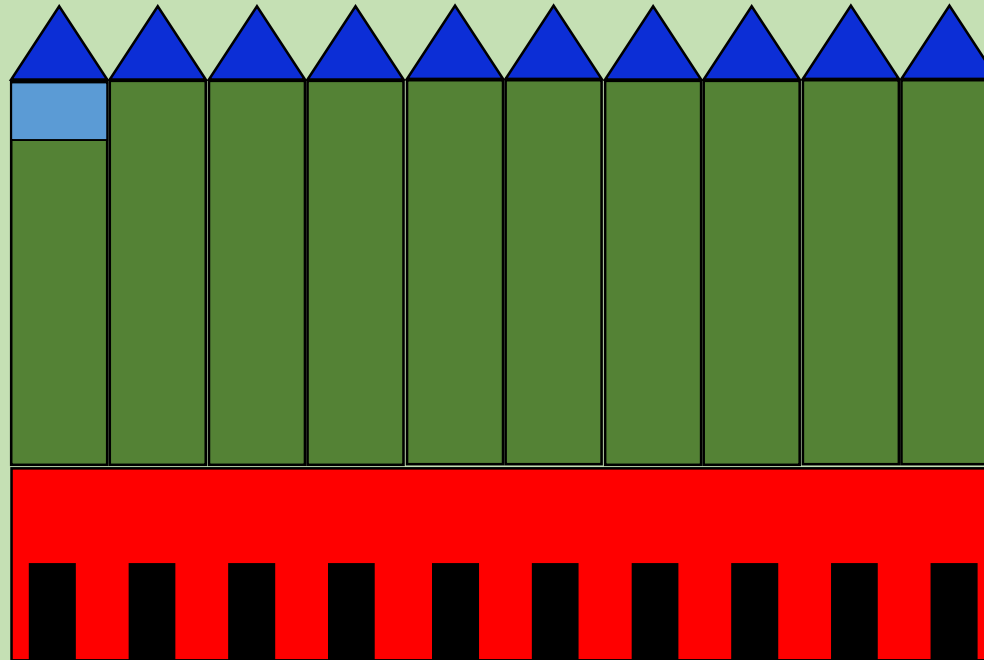


2.5K Individual Equity
Market Price vs. Shared
Equity Gap (varies with
the location and state of
the market)

247.5K Shared Debt / Unit

Typical UHAB Limited Equity Cooperative Model With \$45K Resale

42.5k
Individual Debt



2.5K Individual Equity
Market Price vs. Shared
Equity Gap (varies with
the location and state of
the market)

247.5K Shared Debt / Unit

5. What is needed to sustain co-ops?

- Member services
- Co-op preservation - Monitoring / stewardship
- Homeownership Training – ongoing seminars - UHAB U.
- Share loan Lending – HOL
- Pitfalls, Challenges, learning from mistakes
- Talk about the 6th Principle - T4T – best practices

Member Services

Economies of Scale

- Insurance
- Bookkeeping
- Fuel and electricity
- Market and Match
- Training/seminars



Book keeping training. | Photo (c) UHAB

Co-op Preservation

- Budget preparation and analysis
- Election monitoring
- Annual monitoring report
- Repair and debt consolidation loans
- Ongoing TA



Roof inspection | Photo (c) UHAB

Homeownership Training – Ongoing Seminars - UHAB University



UHAB University Graduation Day | Photo (c) UHAB

Share Loan Lending

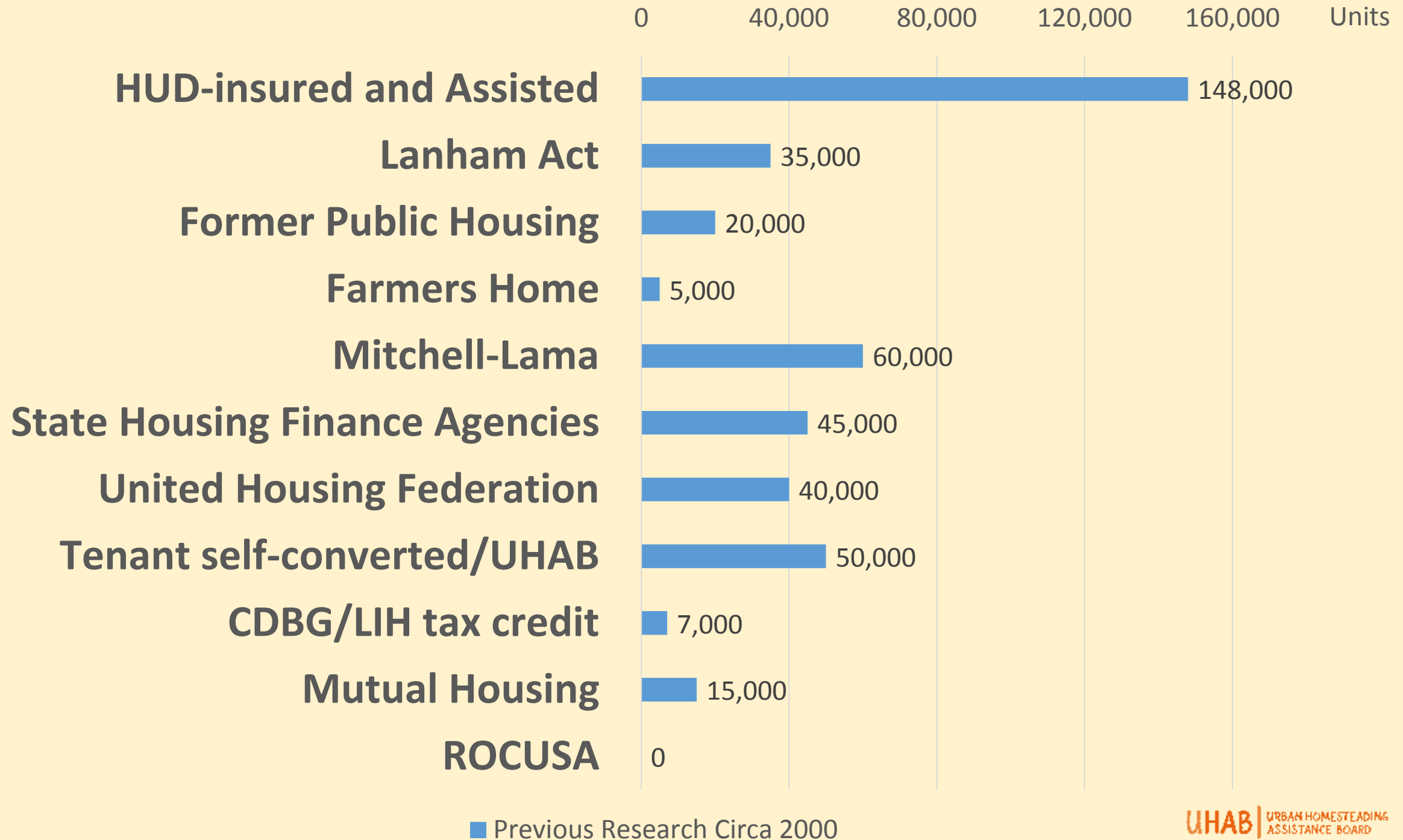
- Share loans are individual mortgages for people buying into co-ops
- Banks not familiar with regulations surrounding limited-equity co-ops and often reluctant to lend to incoming shareholders
- We know from experience as well as from our national survey that there is an unmet demand for these loans
- In 2013 UHAB started its Homeownership Lending program

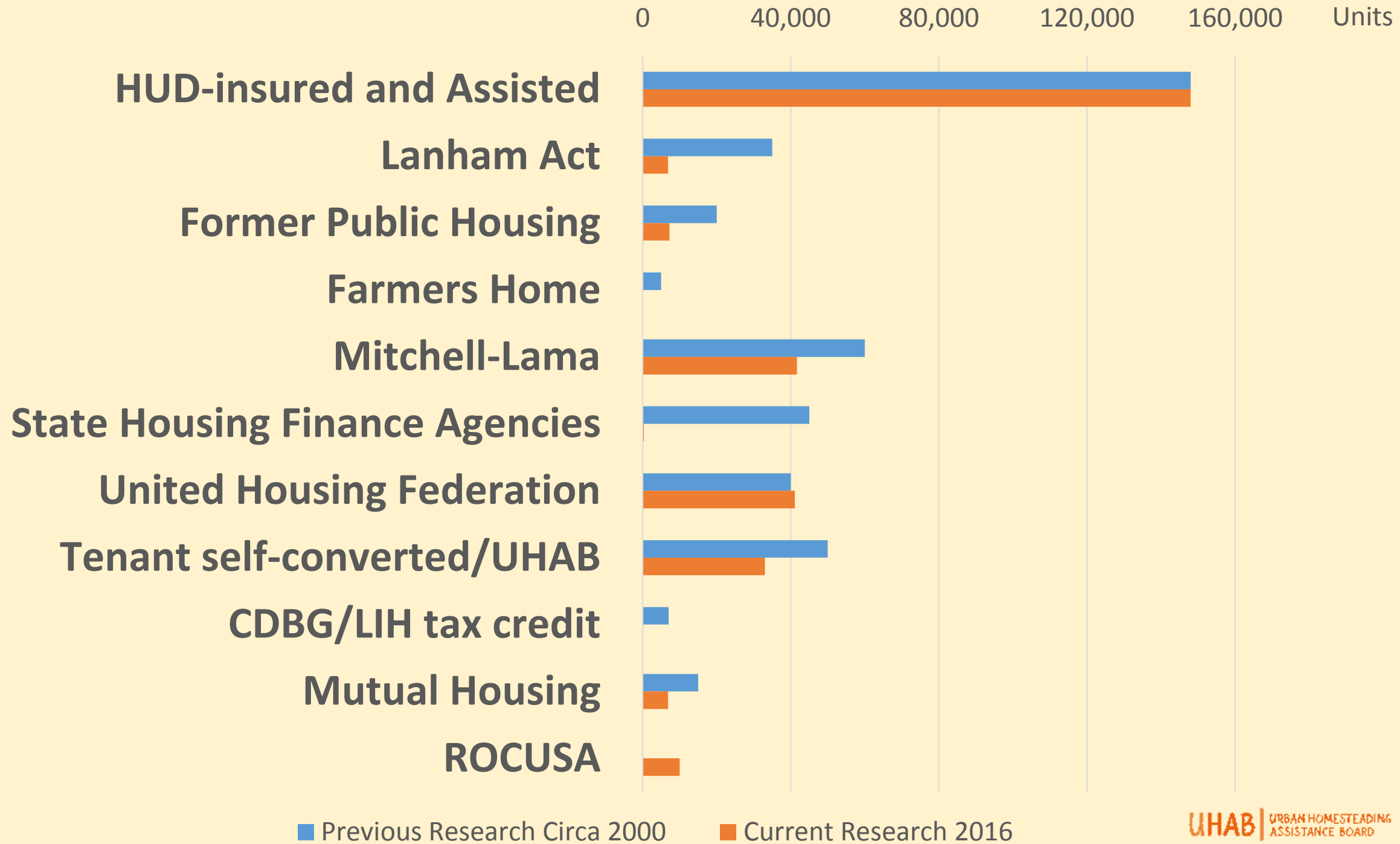
Challenges and Learning from Mistakes

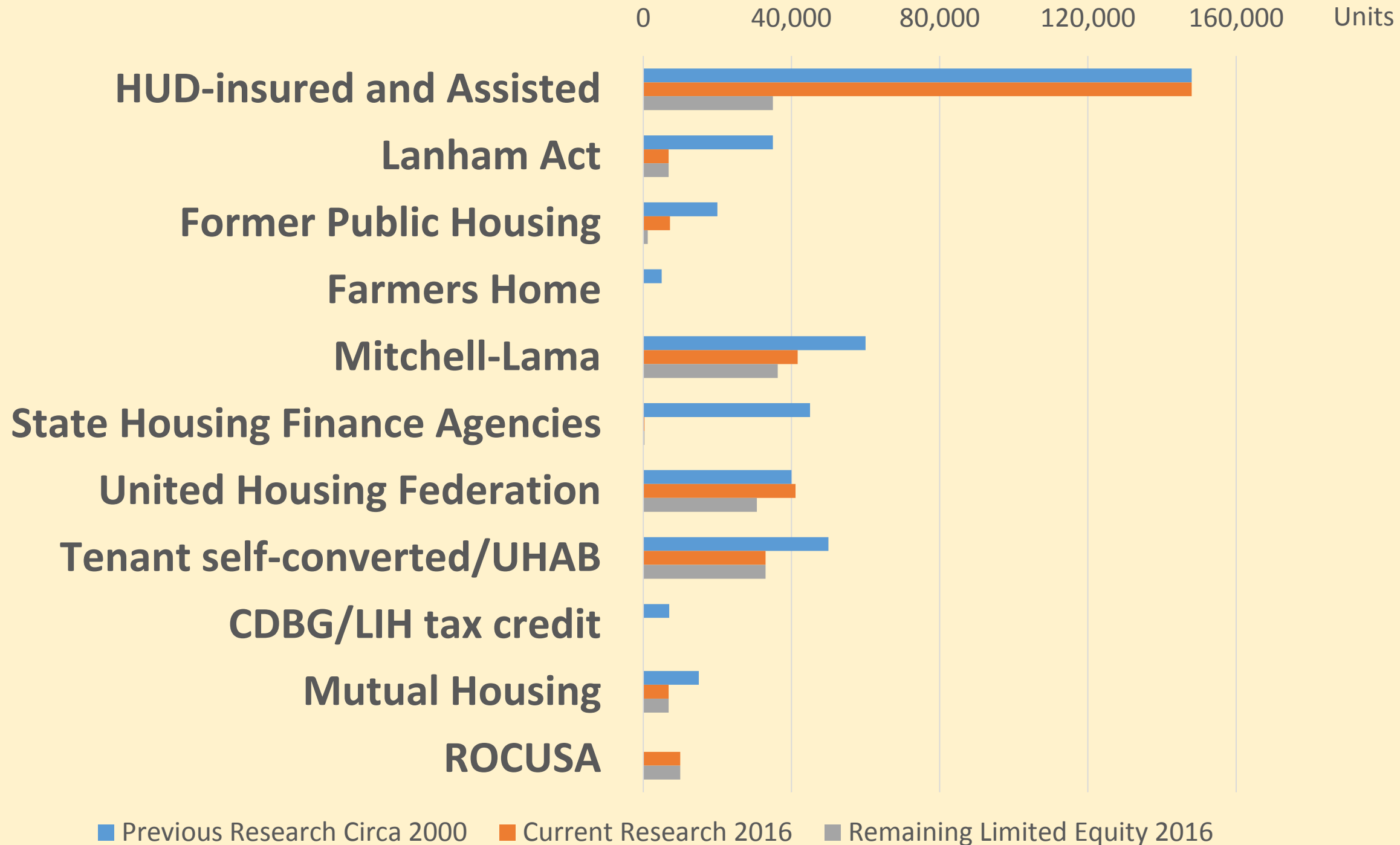
- The creation of a housing co-op is just the beginning! Co-ops are a process!
- The people development is just as important as the real estate development!
- Having residents involved as their own developer is the best way to build a strong group of shareholders.
- Simultaneous role of developer and co-op organizer is a conflict.
- Creating a co-op that is truly independent yet accountable to the value of shared-equity is a challenges. Co-ops need the freedom to learn from their mistakes!

The 6th Principle Coalition – Sharing best practices

- UHAB has 40+ years of intellectual capital to share
- Over the years many co-op support and development organizations have come and gone
- The demand for support remain among the 155,000 units of limited-equity co-ops nationwide
- The 6th Principle Coalition answers the question, how do we ensure that the co-ops get the support they need from the community of practitioners that exists?

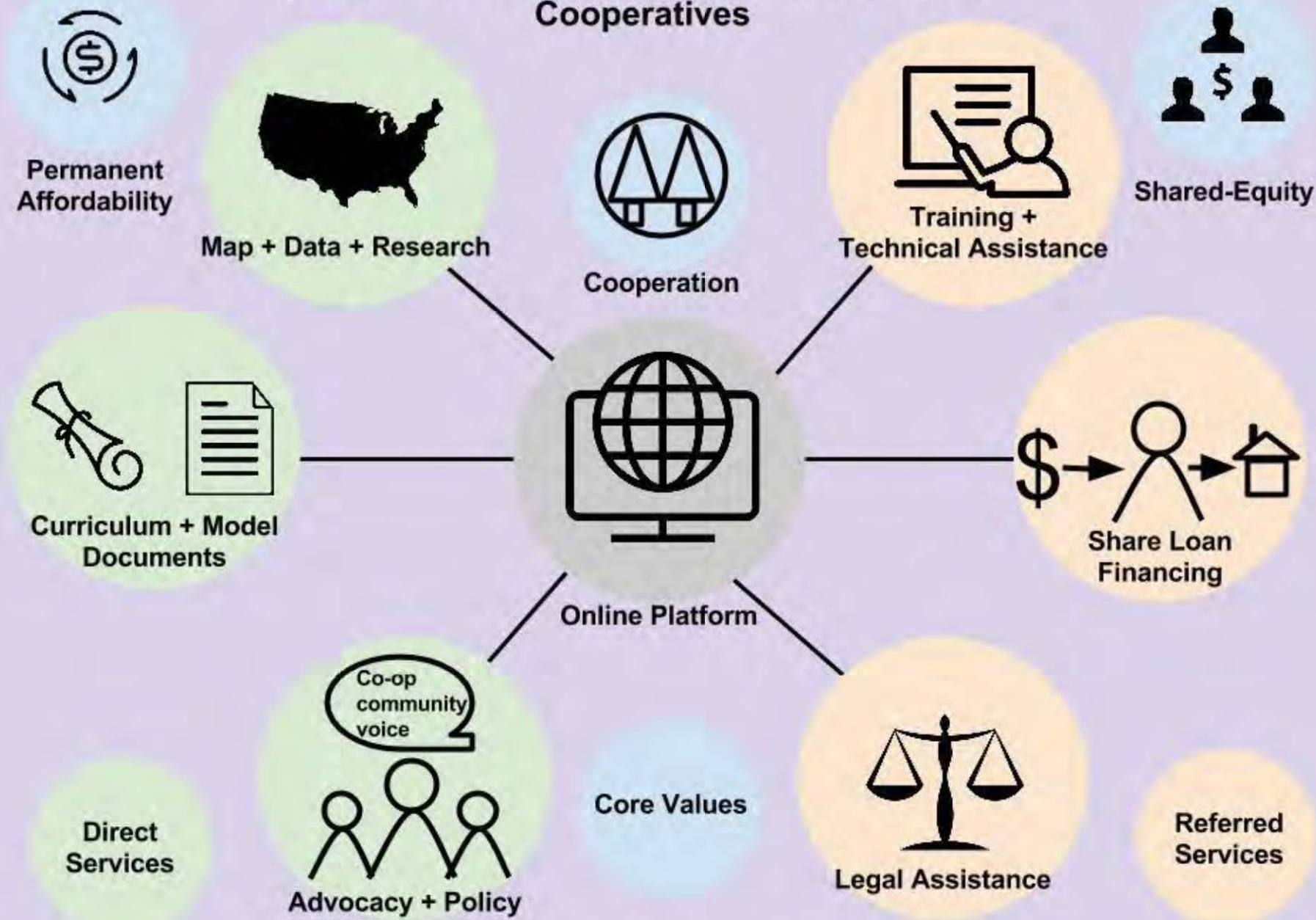






Limited Equity Housing Co-op Program	Previous Research	Current Research	Limited Equity Co-op Units Remaining Year 2016
HUD-Insured and assisted	148,000	148,000	35,000 (35,000 additional remain as NOAH*)
Lanham Act	35,000	7,000	7,000
Former public housing	20,000	7,200	1,200
Farmers home	5,000	75	75
Mitchell-Lama (NY)	60,000	41,699*	36,295
State housing finance agencies	45,000	334	334
United Housing Foundation (NY)	40,000	41,118*	30,651
Tenant self-converted/UHAB	50,000	33,000	33,000
CDBG/LIH tax-credit	7,000	40	40
Mutual Housing	15,000	7,000	7,000
ROCUSA	Did not exist	10,000	10,000
TOTAL	425,000	295,182	155,071
		*Co-op city counted for UHF, not Mitchell Lama	*NOAH (Naturally Occurring Affordable Housing)

The 6th Principle Coalition for Shared-Equity Cooperatives



“Cooperation Among Cooperatives”

6. Where are the opportunities in Washington?

- Mandatory Housing Affordability
- Seattle Housing Levy
- Conversion of multifamily rental housing
- Other opportunities



Wikimedia Commons

Activity 3: Implementation in Washington

Aim: Identify opportunities for co-op development in Washington

Task: Discuss the questions below and report back

- What role do you see yourself or your org. taking in this work?
- What are the resources? Are there missing capacities?
- You run into your City Council Member and you have 30 seconds to give them your elevator pitch for expanding limited-equity housing co-ops in Washington, what do you say?

U HAB

URBAN HOMESTEADING ASSISTANCE BOARD

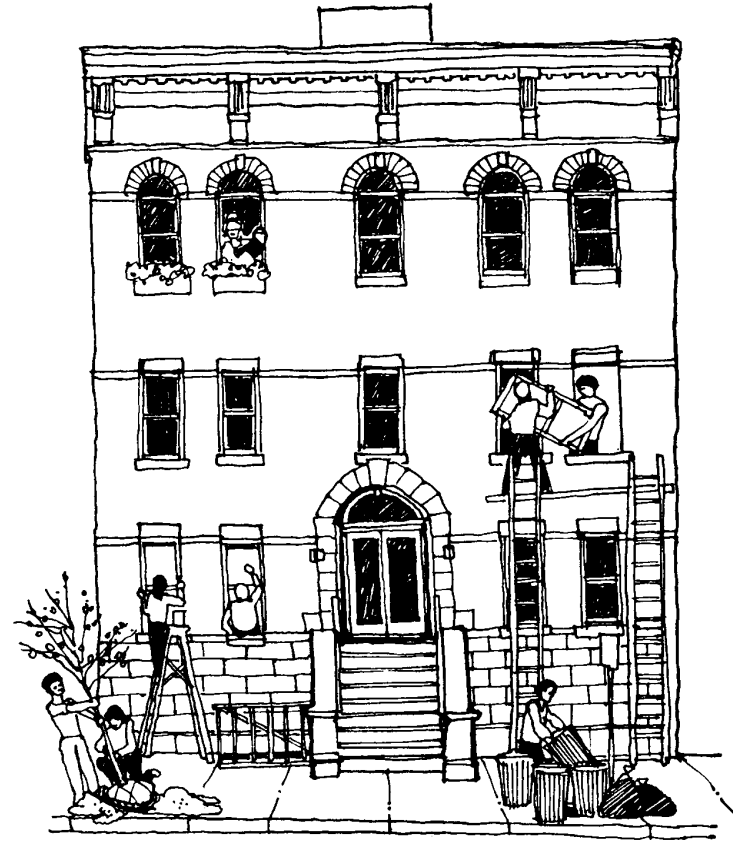
Q & A

Andy Reicher

reicher@uhab.org

Alex Roesch

roesch@uhab.org



www.uhab.coop