BUILDING CAPACITY TO SERVE AND GROW THE COOPERATIVE HOUSING COMMUNITY

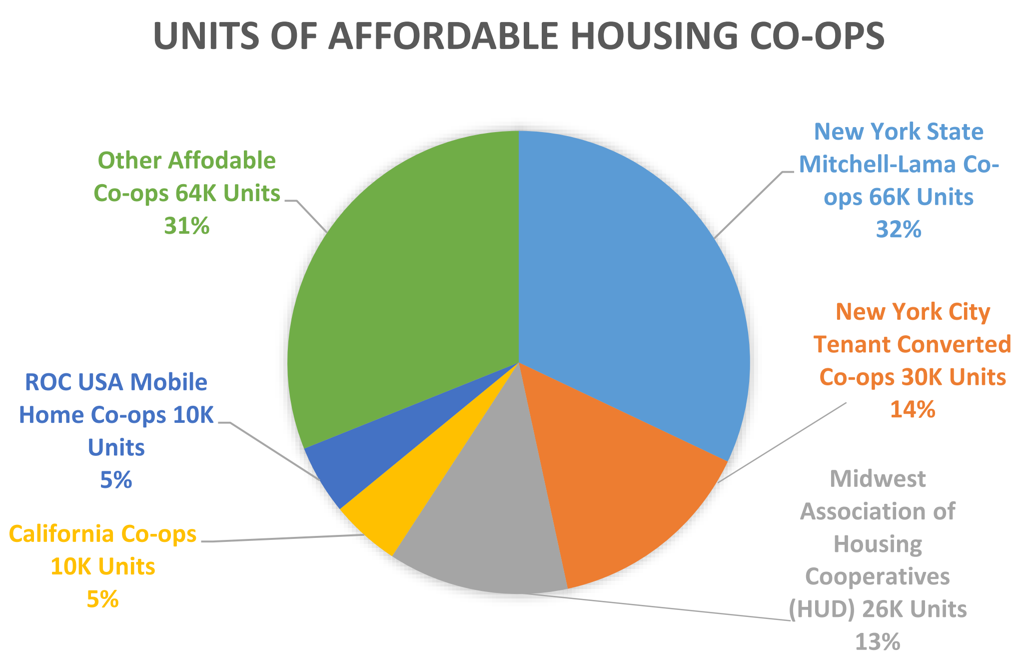
RESEARCH UPDATE - THE URBAN HOMESTEADING ASSISTANCE BOARD - DECEMBER 2015

The research has compiled an up-to-date census of shared-equity co-ops as well as a list of organizations that work with co-ops. Our census of co-ops tallies over 350,000 units of housing, 200,000 units of which we have verified as shared-equity and or affordable. In reference to a previous research effort that estimated there to be 425,000 units of limited-equity cooperative housing, we know that many of those co-ops have gone market rate, explaining our considerably lower figure of 200,000. Although many co-ops have privatized and now sell their shares at what the market bears, some of these co-ops remain relevant to the research as they often exist as Naturally Occurring Affordable Housing (NOAH) that could be preserved.

Our survey has been completed by 46 cooperatives, representing 13,798 units of housing, and has added valuable information to our greater understanding of the field. While we will continue to receive surveys and will work to perfect the census, the research has reached a point where we feel most of the major patterns have emerged. We can now draw definite conclusions about the variety of cooperative communities that exist and what needs and challenges there are to efforts that seek to grow and serve shared-equity co-ops across the United States. More on the findings of our research, as well as some strategy ideas in realizing our goals are further described in the update below.

Note: The term shared-equity cooperative is used to refer to all limited-equity co-ops, zero-equity co-ops and other variations of the co-op model that emphasize affordable housing in perpetuity. The term shared-equity also serves to connect this work surrounding housing cooperatives with that of the broader community of practitioners engaged in democratically controlled, shared-equity housing models such as: community land trusts, deed restricted homes, and mutual housing associations.

NATIONAL CENSUS OF HOUSING COOPERATIVES



NEW YORK STATE MITCHELL-LAMA CO-OPS AND NEW YORK CITY TENANT-CONVERTED CO-OPS

The largest community of co-ops that remain within our purview of shared-equity is that of the New York State Mitchell-Lama Program, mostly extant in New York City: 89 co-ops with 66,127 units. While information regarding these co-ops is readily available, and the co-ops are quite well organized, their ongoing affordability is threatened by the expiration dates for government oversight and equity restrictions. Intense market conditions tempt certain individuals and co-op boards, as well as outside speculators, to profit enormously from the privatization process. Hurt by Mitchell-Lama developments leaving the program are those shareholders who wish to stay and will face increased maintenance charges. 90% of Mitchell-Lama co-ops produced remain in the program despite these mounting challenges, and various resident groups exist that are actively fighting to remain affordable.

30,000 units of New York City tenant-converted cooperatives, locally known as Housing Development Fund Corporations (HDFC), are also threatened by booming real estate markets and those looking to sell apartments at market rates. Different from Mitchell-Lama, these co-ops exist under a complex web of city and third party monitoring, and a variety of affordability regulations. Additional challenges HDFCs face stem from their unique legacy of having been converted from distressed, city-owned property. Nevertheless, 80% of these co-ops are fiscally solvent, and the HDFC community exists as affordable housing for low and very low income people in some of the most expensive neighborhoods in the country.

CO-OP COMMUNITIES AROUND THE COUNTY

- Washington, DC. has 3,000 units, mostly tenant converted co-ops. Through DC's Tenant Opportunity to Purchase Act (TOPA), tenants of multifamily buildings are offered the right of first refusal when buildings go up for sale, presenting a critical opportunity for residents interested in taking collective ownership of their building. TOPA, together with a municipal loan fund, has facilitated the transfer of over 100 buildings into resident ownership as limited-equity cooperatives.
- 10,000 units exist in California, mostly a mix of tenant converted, HUD and senior co-ops.
- Significant additions to the census stem from the production of state housing finance authorities and other local efforts. In particular there are 6,000 units in Connecticut, and over 7,000 units in Massachusetts.
- Resident Owned Communities (ROC) USA mobile home, and manufactured housing cooperatives represents 10,000 units all converted from mobile home parks that were previously owned by outside third parties. ROC USA represents the fastest growing co-op community of recent decades.
- In addition to converted co-ops and conventional HUD co-ops, Minnesota has the largest concentration of senior co-ops. Practitioners in the state are some of the few in the country who continue to utilize HUD financing for new co-ops. Most employ minimum age restrictions and many are market rate but affordable to those in retirement.

HUD CO-OPS - NOAHS

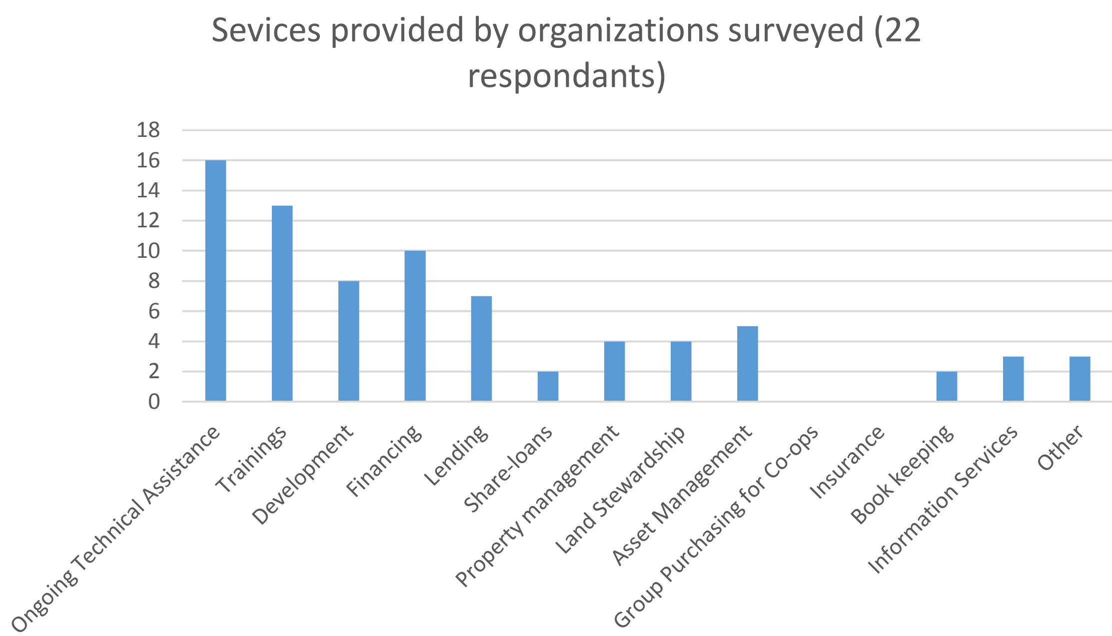
The largest community of shared-equity co-ops should be that of the federally subsidized co-ops produced with the support of the Department of Housing and Urban Development (HUD). Previous research estimated that HUD programs produced about 148,000 units of co-op housing across the United States, however we know that limited-equity provisions for many of these co-ops have since expired. Current data that is comprehensive on a national scale regarding HUD co-ops has been unattainable due to fragmented HUD record keeping and databases that do not distinguish HUD projects between rental and cooperative disposition.

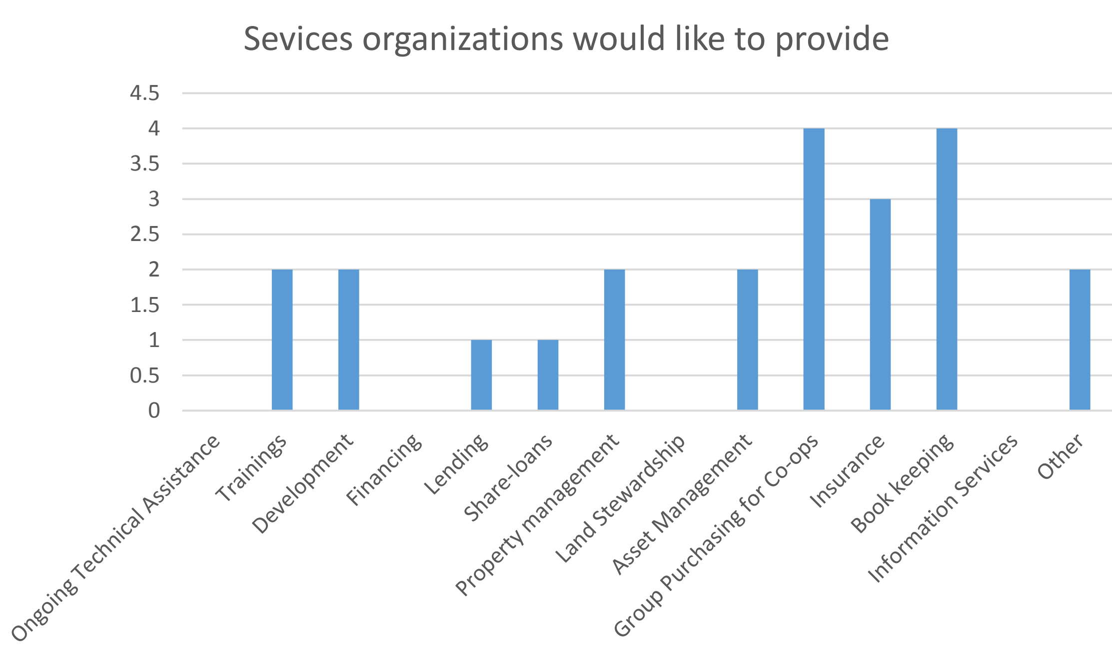
Although a comprehensive, national dataset of HUD sponsored co-ops may not exist, piecemeal datasets regarding co-ops that were mostly produced by HUD have been collected. In particular we know that the Midwest Association of Housing Cooperatives primarily represents the legacy of HUD co-ops for that region. Through surveying and conversation directly with the MAHC, we know that many of these co-ops are no longer limited-equity, however nearly all of them remain affordable due to local market conditions. We are calling these co-ops that no longer have equity restrictions but remain affordable to people of modest means Naturally Occurring Affordable Housing (NOAH).

A specific example of a NOAH from our survey would include that of a 1970s era HUD co-op in Michigan that we will not name for confidentiality purposes. Currently this co-op has no resale restrictions; the resale policy is the shareholder may sell on the open market, however maintenance fees range from $492/mo. for a 1 bedroom to $618/mo. for a 3 bedroom. Other examples of this NOAH arrangement are seen across the Midwest as well as other parts of the country discovered from our survey results. In many cases not only are the monthly charges remaining very low, so are share prices, with examples of units selling for as low as $3,000 without regulation.

NATIONAL CENSUS OF CO-OP ORGANIZATIONS

Outreach for the research contacted over 150 practitioners and a list of 50 active organizations that support and develop housing cooperatives has been created. As of December 8th, 2015, 22 organizations have completed the survey to uncover more information regarding the needs, challenges and capacities of co-op practitioners. Of particular note is the mismatch between services currently provided by organizations and services that organizations would like to provide.





WHAT CO-OPS NEED AND STRATEGIES TO SERVE THOSE NEEDS

While the research is ongoing and will continue as we refine our census of co-ops and continue to receive surveys, we have reached some definite conclusions about what is needed for affordable co-op communities and what can be done to serve their needs.

AFFORDABILITY IN PERPETUITY

HUD co-ops and New York State Mitchell-Lama co-ops have shown us that equity restrictions which are tied to loan documents do not succeed in securing the cooperatives as affordable in perpetuity. Strong limited-equity and other affordability provisions need to be built into the underlying documents of co-op corporations.

Throughout the 1950s-80s, the federal government succeeded in incentivizing the development of hundreds of thousands of units of affordable cooperative housing. State and local governments also contributed public money to develop and support affordable housing cooperatives in their areas. The permanent affordability of a large portion of those cooperatives is in jeopardy due to expiring equity restrictions on co-op shares. There is an urgent need to more permanently preserve all limited-equity housing cooperatives currently within government oversight.

Additionally, there is a massive opportunity to bring thousands of units of naturally occurring affordable housing (NOAH) back into the realm of permanent affordability. NOAH cooperatives have outlived their regulations but exist as market-rate housing that is very affordable to low and moderate income people. A policy strategy is needed that changes the corporate documents of cooperatives, that are both within and outside government purview, to include the provisions for limited-equity; thus securing affordability in perpetuity.

PROVISION OF SERVICES

Another serious need for the sustainability of co-ops is the ongoing provision of services. Secure financing that is affordable for the cooperative and its shareholders is a major issue that is subsequently related to a variety of long-term challenges i.e. renovation, rising operating costs, taxes increases, necessary capital improvements, etc. Cost-saving services to be more widely implemented include: bulk purchasing for energy, online book keeping, group insurance, affordable marketing and sales programs, and more efficient property management.

SHARE LOAN FINANCING

There is a serious need for the increased availability of financing for individual co-op shareholders, AKA share loans. 67% percent of co-op survey respondents are not able to get share loans for incoming members.

There are a limited number of organizations that offer share loan financing, and over two thirds of co-ops surveyed by the research reported that members are unable to receive share loans. There is a serious need for organizations to collaborate in becoming certified lenders and in securing funds for start-up share loan programs. National Cooperative Bank, Urban Homesteading Assistance Board and City First Homes, among others, are ready to expand share-loan financing across a wider base.

TRAINING – CO-OP EDUCATION

The perpetual development of human capital is equally important to a successful housing co-op as is the real estate development process. The cultivation of this critical human capital necessitates cooperative education that is passed down from generation to generation of co-op shareholders.

Dozens of organizations around the country have existing training and education curriculums to be shared and implemented on a broad scale. The diffusion of educational knowledge and tools is integral to those currently in the co-op development process, as well as to those in the process of continued co-op education for new shareholders and board members of existing co-ops.

DEVELOPMENT

The lack of political will to fund the development of housing cooperatives is widely acknowledged. From the research, lack of government support was cited by 68% of organizations surveyed as something that 'would be needed for the development of new co-ops' in their area. A broad strategy is needed to reignite the political conversation around affordable cooperatives on the local, state and federal levels. Additionally, there are dozens of practitioners around the country who are currently active in the development of shared-equity co-ops. These stakeholders could increase the impact and scale of their development programs via broader collaboration and organization.

POLITICAL POLICY ASKS

Both the preservation and development realms of this work involve campaigning around major policy initiatives to be realized on the local, state and federal levels. The creation of a successful campaign requires the collective voice of the entire industry of co-op housing practitioners to be represented by a broader coalition or group. Outreach needs to be done to engage interested organizations and partners, to better define what a collective asks would be and to target a campaign to appropriate policy makers.

NEXT STEP

A clear next step would be to convene the interested stakeholders identified by this research to discuss activities to further the goal of building capacity for the co-op housing community on a national level. Another logical next step would be that of a unified coalition of shared-equity co-op organizations and practitioners.