Agenda first half:

GROUP ACTIVITY #1 (20 min)
Co-op Basics + Slideshow (10 min)
Co-op Benefits (10 min)
Creating Co-ops: UHAB History (10 min)
Q & A (20 min)
Agenda second half:

Break (10 min)
GROUP ACTIVITY #2 (20 min)
Co-op structure (10 min)
Co-op stewardship (10 min)
Q & A (30 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 compliment/relate to community land trusts?
- What is the number one benefit of co-op membership? (tweet old format 140 characters or less!)
Co-op Basics
Cooperatives: What are they?

A co-operative is an *autonomous association* of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and *democratically-controlled* enterprise.
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
What is a housing cooperative?
What is a housing cooperative?

Legal entity that owns the real estate, in this case ‘165-167-169 Avenue C Housing Development Fund Corporation’
Who owns this legal entity?
The resident shareholders!
AKA members or cooperators
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 – shareholders regularly elect a board, each shareholder gets one vote.
What is a limited-equity housing co-op?

The resale price of shares is limited, keeping the housing affordable for the current and future generations.

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.
Housing co-ops across the country
Amalgamated Co-op, The Bronx, NY
Co-op City, The Bronx, NY
Rexmill Square, Jonesboro, GA
Hanover Grove Co-op, Fraser, MI
Echo Ridge Homes Co-op, Albuquerque, NM
Apex Belltown Co-op, Seattle, WA
South Bend Mutual, South Bend, IN
Sheraden Park Co-op, Pittsburgh, PA
Dos Pinos Co-op, Davis, CA
Columbus United, San Francisco, CA
Co-op Benefits
Co-op Benefits

1. Personal
2. Building
3. Neighborhood
Personal Benefits

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

- Barbara, Brooklyn Co-op Shareholder
“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
Building Benefits

“Cause in renting you just think about your apartment; in co-ops you will think about what you do to contribute to the whole.”

- Henry, Harlem Co-op Shareholder
“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
Creating Co-ops: UHAB History
Mission:

UHAB **empowers** low- to moderate-income residents to take control of their housing and **enhance communities** by creating strong tenant associations and lasting **affordable co-ops**.
UHAB was created in 1973 when arson, abandonment, and disinvestment were rampant in New York City.
UHAB coined the term “sweat equity” and designed the City’s homesteading program.

Thousands of tenants became homeowners as a result.
Training and technical assistance for buildings in the Tenant Interim Lease (TIL) program assisted hundreds of co-op conversions.
1,800 units of housing through the Third Party Transfer Program (TPT)
56 co-op units from inclusionary zoning (IZ) in 4 different projects

IZ bonus has been used for on-site, off-site and rehab units
New York City Housing Authority (NYCHA) Multifamily Home Ownership Program (MHOP)

350 units in the Bronx and Manhattan
UHAB continues to **support** co-ops through its member services, preservation, training and lending programs, including **green and energy efficient** upgrades.
Through organizing, policy, and research, UHAB works to protect tenants’ rights and to fight displacement of long-term residents.
Co-op development is people development!
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 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?
- What scale? Type of building – multifamily – scattered site single family?
- How would life be different living in this co-op opposed to other forms of housing?
- Name? Tagline and artist’s depiction?
Co-op Structure
Governance Structure

• Articles of incorporation (may be special purpose incorp)
• Offering plan
• Proprietary lease
• By-laws with resale policy and price charts!
• Regulatory agreement – monitoring contract – ground lease

Financial Structure

• Government grants and financing for construction
• Government subsidies over long term (section 8)
• Developer bonuses
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
**Price charts** set expectations and guarantee a modest return

<table>
<thead>
<tr>
<th>Sales Price Chart</th>
<th>Annual Increase</th>
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<tbody>
<tr>
<td></td>
<td>3%</td>
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<tr>
<td>Studio</td>
<td></td>
</tr>
<tr>
<td>2.5 Rooms</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$87,500</td>
</tr>
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<td>2017</td>
<td>90,125</td>
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<td>2018</td>
<td>92,829</td>
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<tr>
<td>2019</td>
<td>95,614</td>
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<tr>
<td>2020</td>
<td>98,482</td>
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<td>2021</td>
<td>101,436</td>
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<tr>
<td>2022</td>
<td>104,480</td>
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<tr>
<td>2023</td>
<td>107,614</td>
</tr>
<tr>
<td>One BR</td>
<td></td>
</tr>
<tr>
<td>3.5 Rooms</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$92,500</td>
</tr>
<tr>
<td>2017</td>
<td>95,275</td>
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<tr>
<td>2018</td>
<td>98,133</td>
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<td>2019</td>
<td>101,077</td>
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<td>2016</td>
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<td>109,737</td>
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<td>116,420</td>
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<td>2023</td>
<td>119,913</td>
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<td>Three BR</td>
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<td>6 Rooms</td>
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<td>2016</td>
<td>$105,000</td>
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<tr>
<td>2017</td>
<td>108,150</td>
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<td>2018</td>
<td>111,395</td>
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<td>2019</td>
<td>114,736</td>
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<tr>
<td>2020</td>
<td>118,178</td>
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<td>2021</td>
<td>121,724</td>
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<td>125,375</td>
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<td>2023</td>
<td>129,137</td>
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Financial Structure: Single Family Home

Debt: 80%

Equity: 20%
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
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<tr>
<td>PER UNIT</td>
<td>$132,687</td>
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<td>20 UNIT TOTAL</td>
<td>$2,653,741</td>
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## PERMANENT SOURCES OF FINANCING

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<th>Description</th>
<th>Amount</th>
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<tr>
<td>CONVENTIONAL BANK LOAN</td>
<td>$528,583</td>
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<tr>
<td>HPD CITY FINANCING*</td>
<td>$1,682,658</td>
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<tr>
<td>AHC GRANT*</td>
<td>$400,000</td>
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<td>APT. SALES EQUITY</td>
<td>$42,500</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$2,653,741</strong></td>
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*Subsidy
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.

### OPERATING BUDGET

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<th>Description</th>
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<tr>
<td>RENTAL INCOME</td>
<td>182,354</td>
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<tr>
<td>TOTAL OPERATING COSTS*</td>
<td>119,313</td>
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<tr>
<td>NET OPERATING INCOME</td>
<td>63,041.14</td>
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<td>TOTAL DEBT SERVICE</td>
<td>54,357.59</td>
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<tr>
<td>NET CASH FLOW</td>
<td>8,683.54</td>
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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

<table>
<thead>
<tr>
<th>Uses</th>
<th>Amount</th>
<th>Per Unit</th>
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<tr>
<td>Land</td>
<td>$7,300,000</td>
<td>$405,556</td>
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<td>Hard Costs</td>
<td>$7,704,423</td>
<td>$428,024</td>
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<td>Soft Costs</td>
<td>$3,102,454</td>
<td>$172,359</td>
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<td>Reserves</td>
<td>$153,312</td>
<td>$8,517</td>
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<td>Developer Fee</td>
<td>$1,592,090</td>
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<tr>
<td>Deferred Dev. Fee</td>
<td>$500,000</td>
<td>$27,778</td>
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<td><strong>Total</strong></td>
<td><strong>$20,352,279</strong></td>
<td><strong>$1,130,682</strong></td>
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</table>
## 110 Madison Ave. – Off-Site Inclusionary

<table>
<thead>
<tr>
<th>PERMANENT SOURCES</th>
<th>AMOUNT</th>
<th>PER UNIT</th>
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</thead>
<tbody>
<tr>
<td>SALES PROCEEDS OF AFFORDABLE HOUSING FLOOR AREA*</td>
<td>$16,490,000</td>
<td>$916,111</td>
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<tr>
<td>SALES PROCEEDS FROM CO-OP SHARES</td>
<td>$3,001,261</td>
<td>$116,737</td>
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<tr>
<td>SALES PROCEEDS OF RETAIL SPACE</td>
<td>$861,018</td>
<td>$47,834</td>
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<td><strong>TOTAL</strong></td>
<td><strong>$20,352,279</strong></td>
<td><strong>$1,130,682</strong></td>
</tr>
</tbody>
</table>

*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
Co-op Stewardship
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
• 6th Principle Coalition – sharing best practices
Member Services
Economies of Scale

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

Book keeping training.
Co-op Preservation

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

Roof inspection
Homeownership Training – Ongoing Seminars - UHAB University

UHAB University Graduation Day
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
The **LENDING YOU HOME PROGRAM** has a mission to transform renters into homeowners. Homeownership Lending is a New York 501(c)(3) not-for-profit corporation. We offer loans to purchasers of income restricted cooperatives and co-ops that are subsidized by state and local agencies.

Unlike most lenders, Homeownership Lending is familiar with the unique nature of these co-ops and, therefore, knows how to structure your loans to meet both your and the co-op’s needs. Our loans are created with the individual in mind, and designed to be as affordable as possible to the demographic we serve.
WE HAVE CURRENTLY MAPPED

<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
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<tbody>
<tr>
<td>Housing Co-ops</td>
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<tr>
<td>Support Organizations</td>
<td>55</td>
</tr>
<tr>
<td>Vendors and Professionals</td>
<td>329</td>
</tr>
</tbody>
</table>
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?
• How do we grow the community of affordable co-ops?
HUD-insured and Assisted
Lanham Act
Former Public Housing
Farmers Home
Mitchell-Lama
State Housing Finance Agencies
United Housing Federation
Tenant self-converted/UHAB
CDBG/LIH tax credit
Mutual Housing
ROCUSA

Previous Research Circa 2000
Current Research 2016
Remaining Limited Equity 2016
<table>
<thead>
<tr>
<th>Limited Equity Housing Co-op Program</th>
<th>Previous Research</th>
<th>Current Research</th>
<th>Limited Equity Co-op Units Remaining Year 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD-Insured and assisted</td>
<td>148,000</td>
<td>148,000</td>
<td>35,000 (35,000 additional remain as NOAH*)</td>
</tr>
<tr>
<td>Lanham Act</td>
<td>35,000</td>
<td>7,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Former public housing</td>
<td>20,000</td>
<td>7,200</td>
<td>1,200</td>
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<tr>
<td>Farmers home</td>
<td>5,000</td>
<td>75</td>
<td>75</td>
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<tr>
<td>Mitchell-Lama (NY)</td>
<td>60,000</td>
<td>67,433</td>
<td>61,432</td>
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<td>State housing finance agencies</td>
<td>45,000</td>
<td>334</td>
<td>334</td>
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<tr>
<td>United Housing Foundation (NY)</td>
<td>40,000</td>
<td>25,746</td>
<td>15,279</td>
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<tr>
<td>Tenant self-converted/UHAB</td>
<td>50,000</td>
<td>33,000</td>
<td>33,000</td>
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<tr>
<td>CDBG/LIH tax-credit</td>
<td>7,000</td>
<td>40</td>
<td>40</td>
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<td>Mutual Housing</td>
<td>15,000</td>
<td>7,000</td>
<td>7,000</td>
</tr>
<tr>
<td>ROCUSA</td>
<td>Did not exist</td>
<td>10,000</td>
<td>10,000</td>
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<td><strong>TOTAL</strong></td>
<td><strong>425,000</strong></td>
<td><strong>305,828</strong></td>
<td><strong>166,608</strong></td>
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*NOAH (Naturally Occurring Affordable Housing)
Activity 3: Implementation in your town.

**Aim:** Identify opportunities for co-op development where you’re from.

**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, what do you say?
Q & A

Andy Reicher
reicher@uhab.org
Alex Roesch
roesch@uhab.org

www.uhab.coop