

Intro to Limited-Equity Housing Cooperatives

The Bay Area People's Land & Housing Convening
Oakland, California / November 28-29, 2018

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uhab

URBAN HOMESTEADING ASSISTANCE BOARD



UHAB | URBAN HOMESTEADING ASSISTANCE BOARD

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

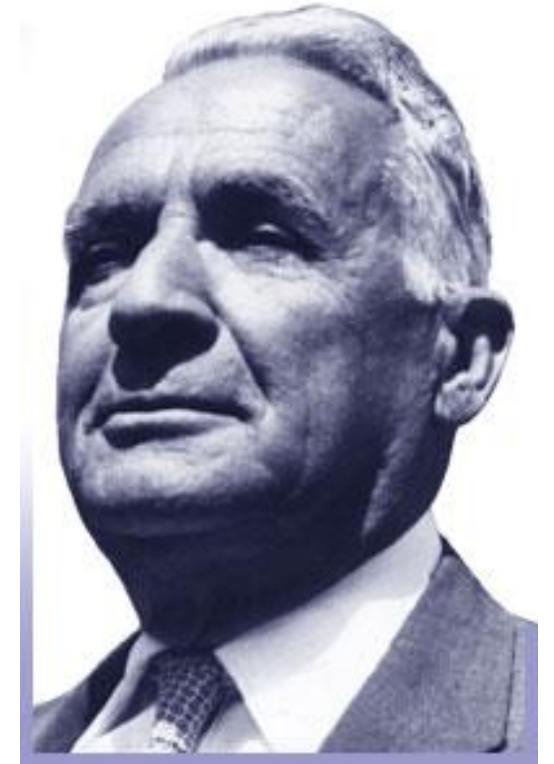
1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Cooperation among cooperatives
7. Concern for community



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.



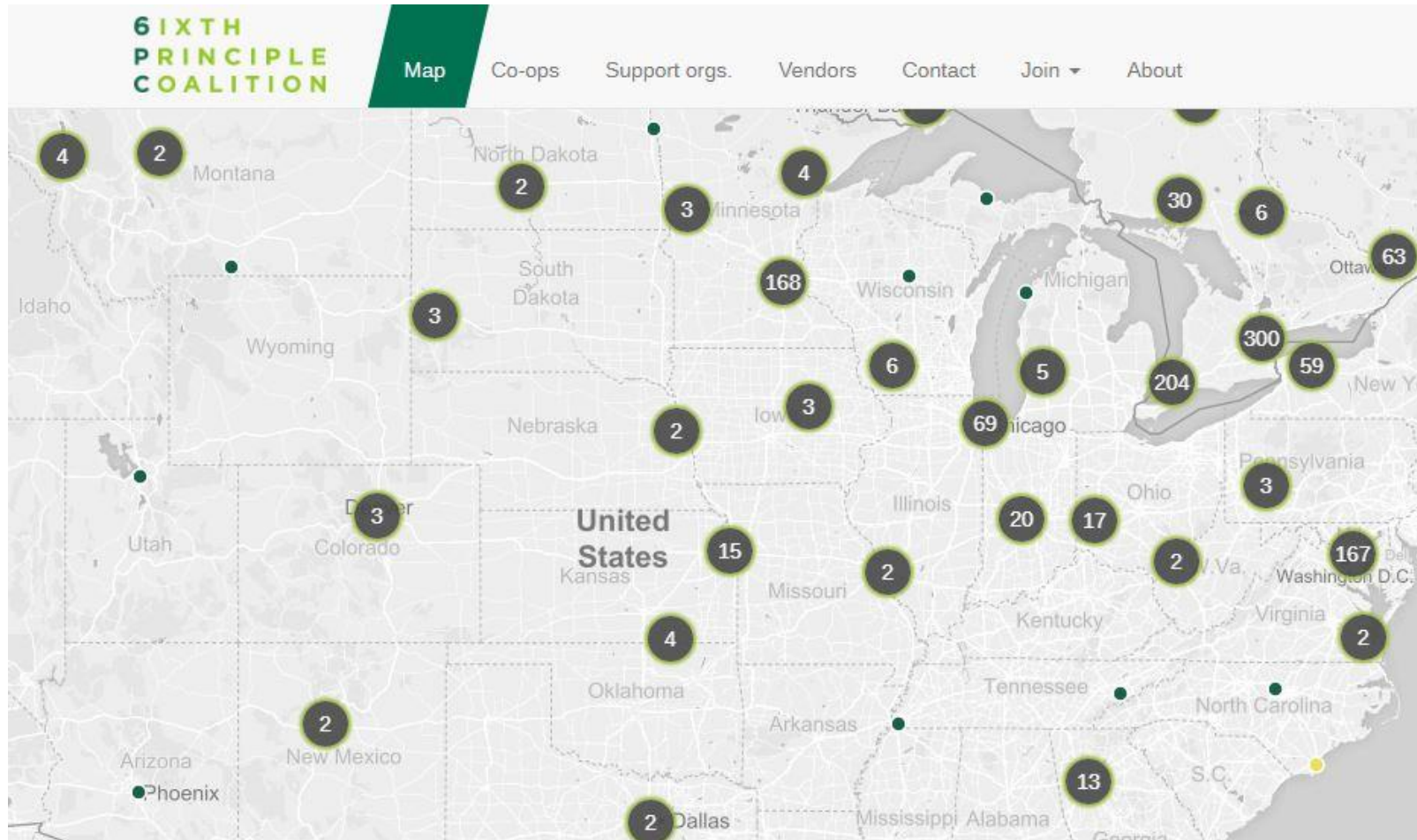
What is a **limited-equity** housing co-op?

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



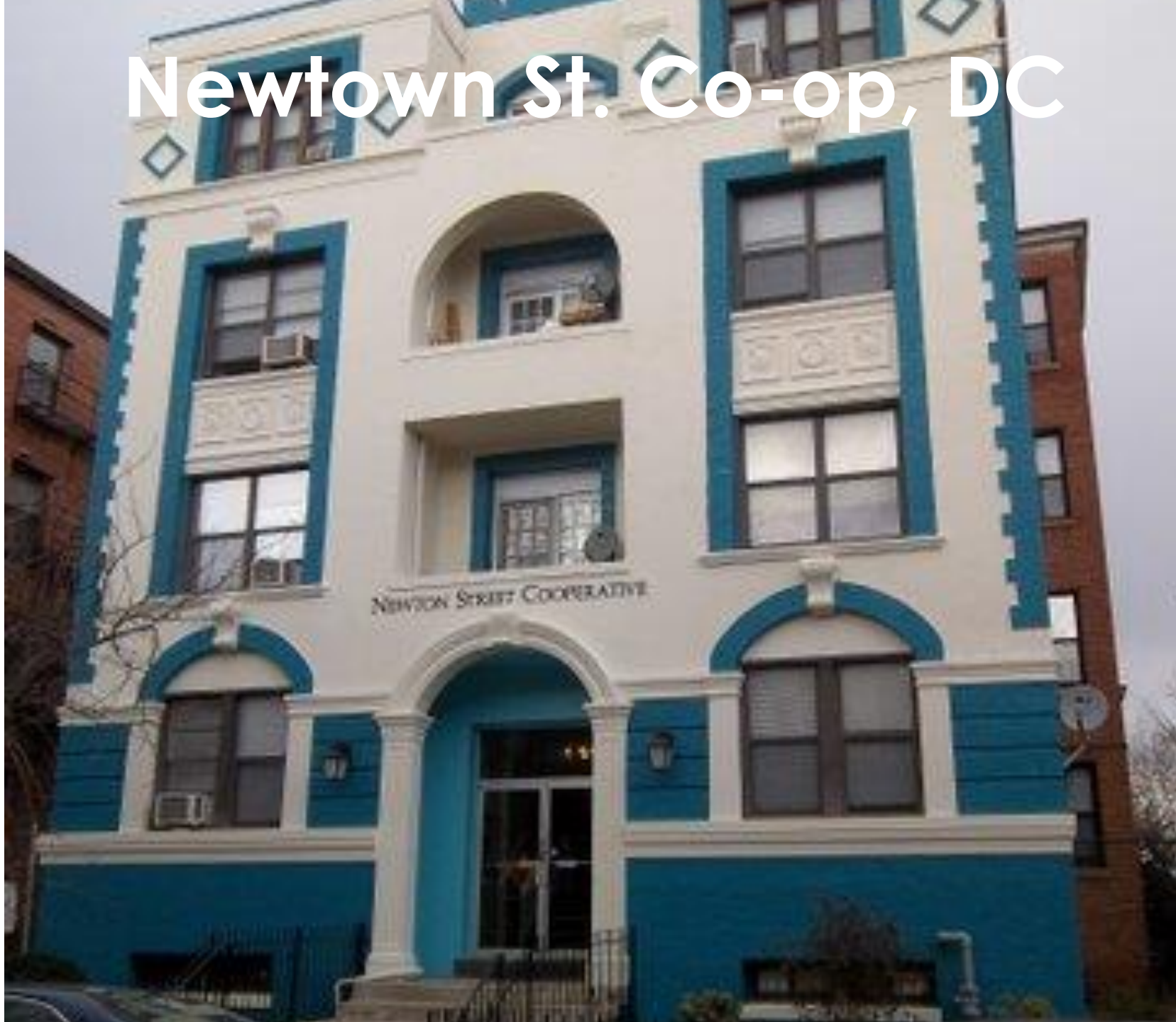
Co-op City, The Bronx, NY



Cooperative Village, Lower East Side, NY



Newtown St. Co-op, DC



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

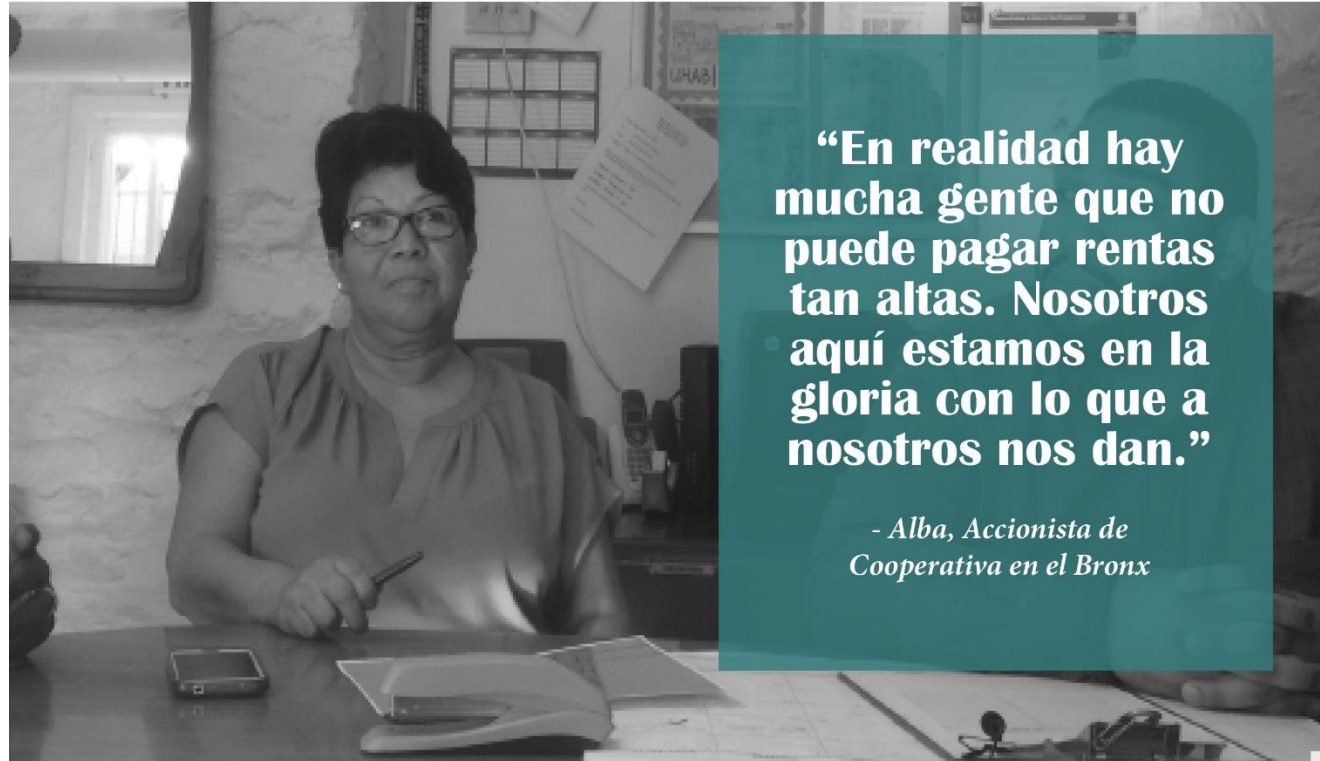
1. Personal
2. Building
3. Neighborhood



Personal Benefits



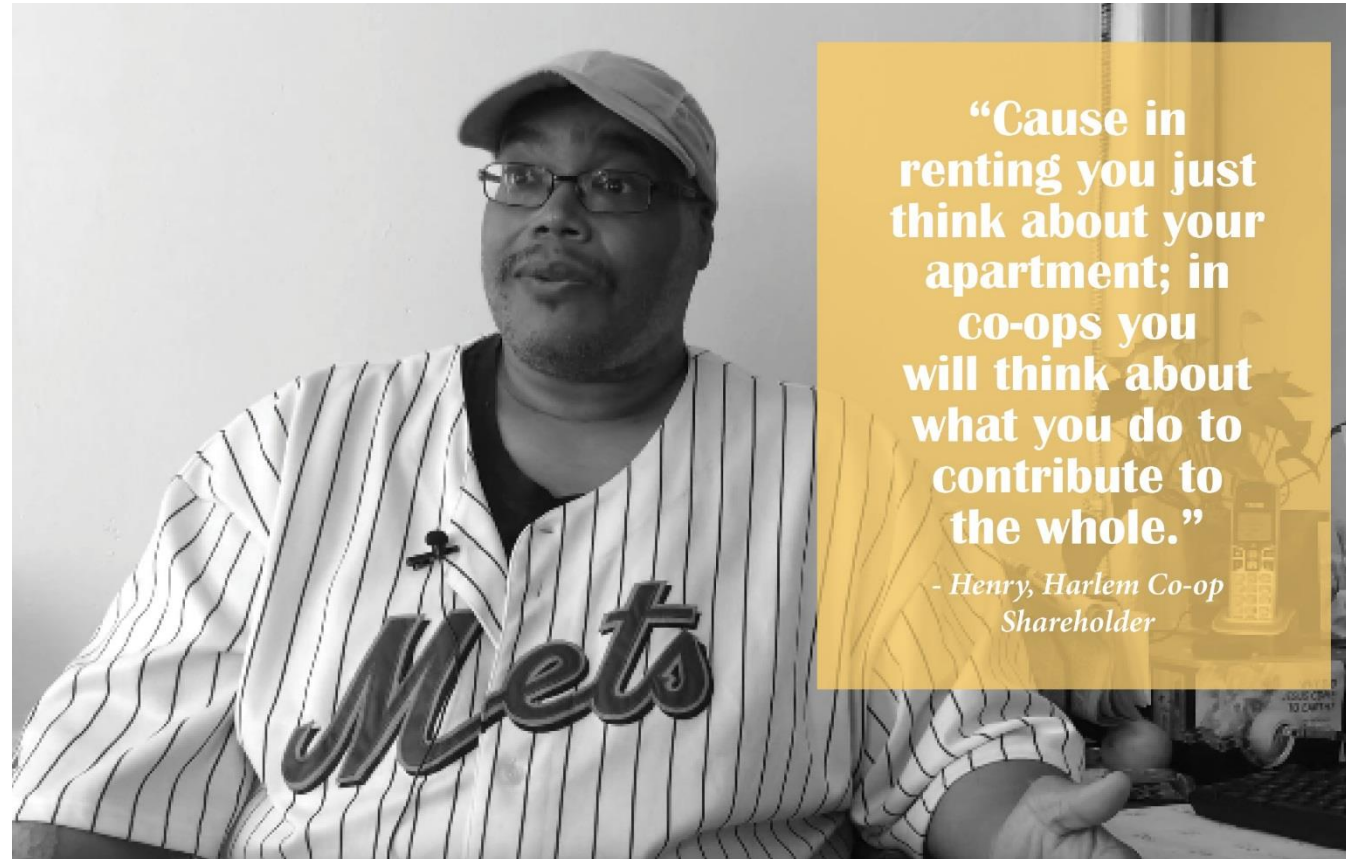
Personal Benefits



“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


Neighborhood Benefits



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!



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 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

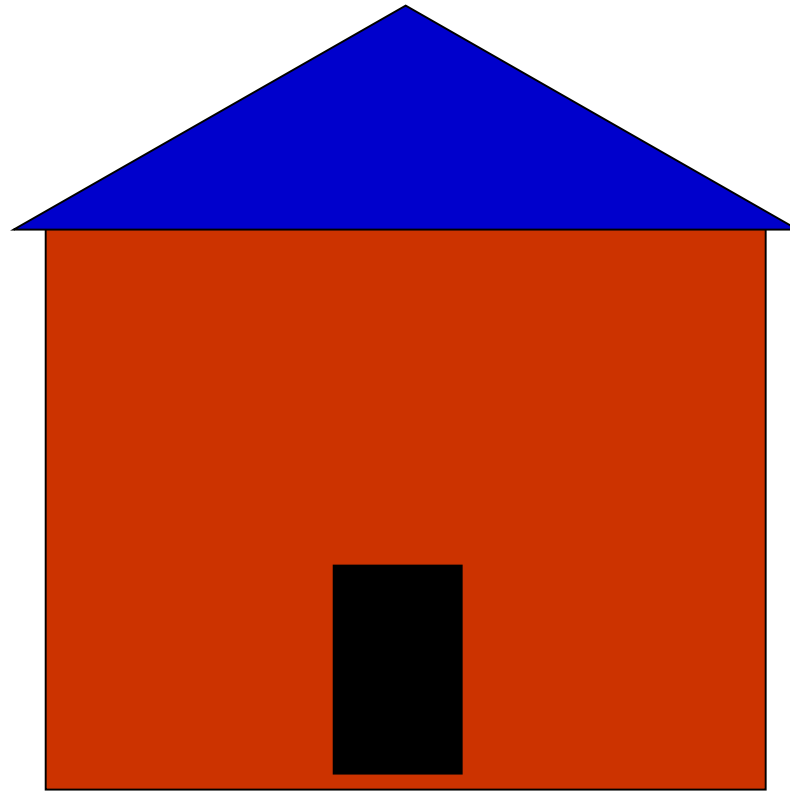
- Resale Limitations
- Other Regulations



Price charts set expectations and guarantee a modest return

Sales Price Chart		Annual Increase			
		3%			
	Studio	One BR	Two BR	Three BR	
	2.5 Rooms	3.5 Rooms	4.5 Rooms	6 Rooms	
2016	\$87,500	\$92,500	\$97,500	\$105,000	
2017	90,125	95,275	100,425	108,150	
2018	92,829	98,133	103,438	111,395	
2019	95,614	101,077	106,541	114,736	
2020	98,482	104,110	109,737	118,178	
2021	101,436	107,233	113,029	121,724	
2022	104,480	110,450	116,420	125,375	
2023	107,614	113,763	119,913	129,137	

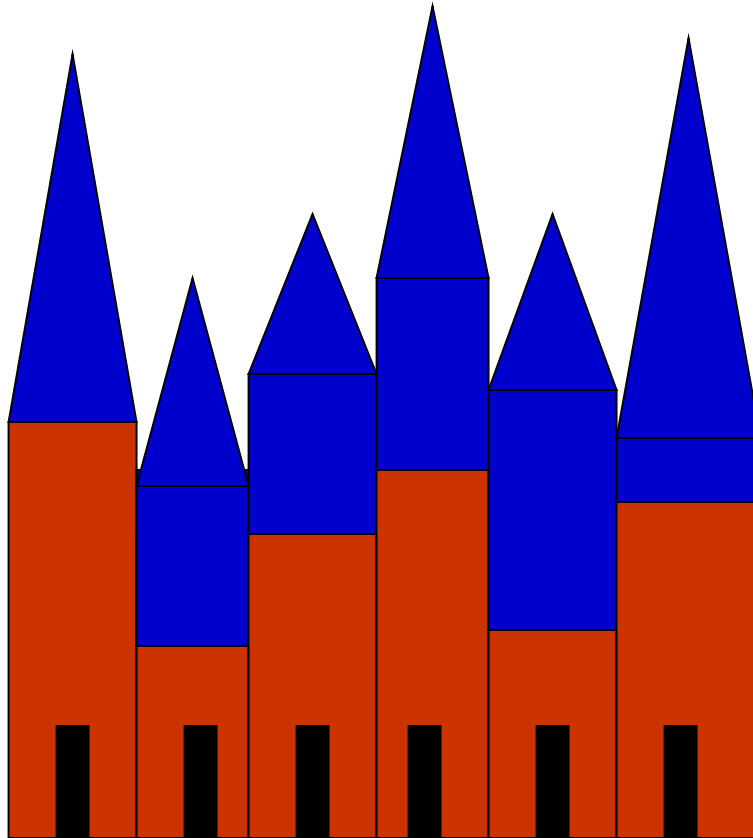
Financial Structure: Single Family Home



Equity: 20%

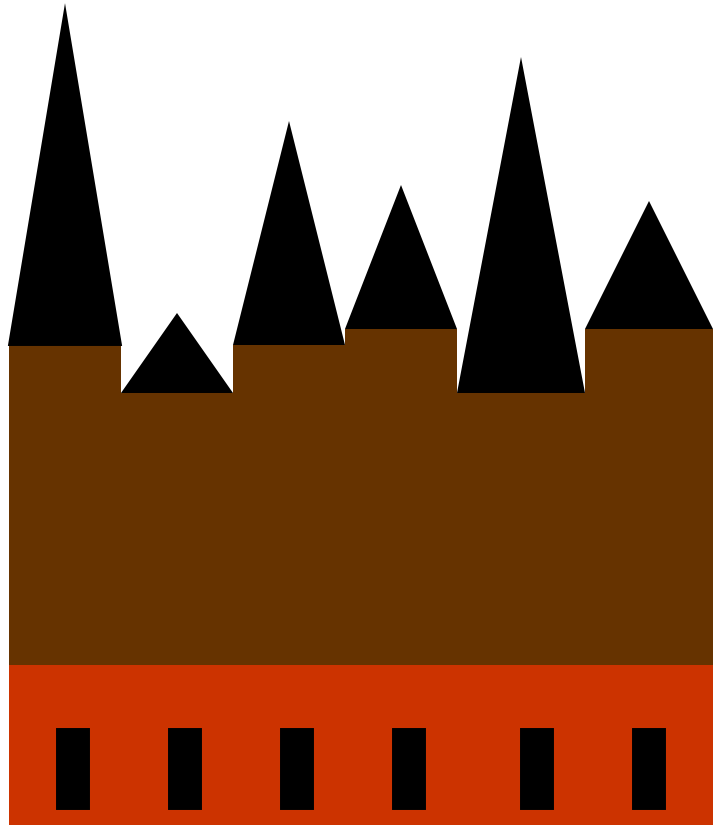
Debt: 80%

Financial Structure: Condominium



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

Financial Structure: Limited-Equity Co-op



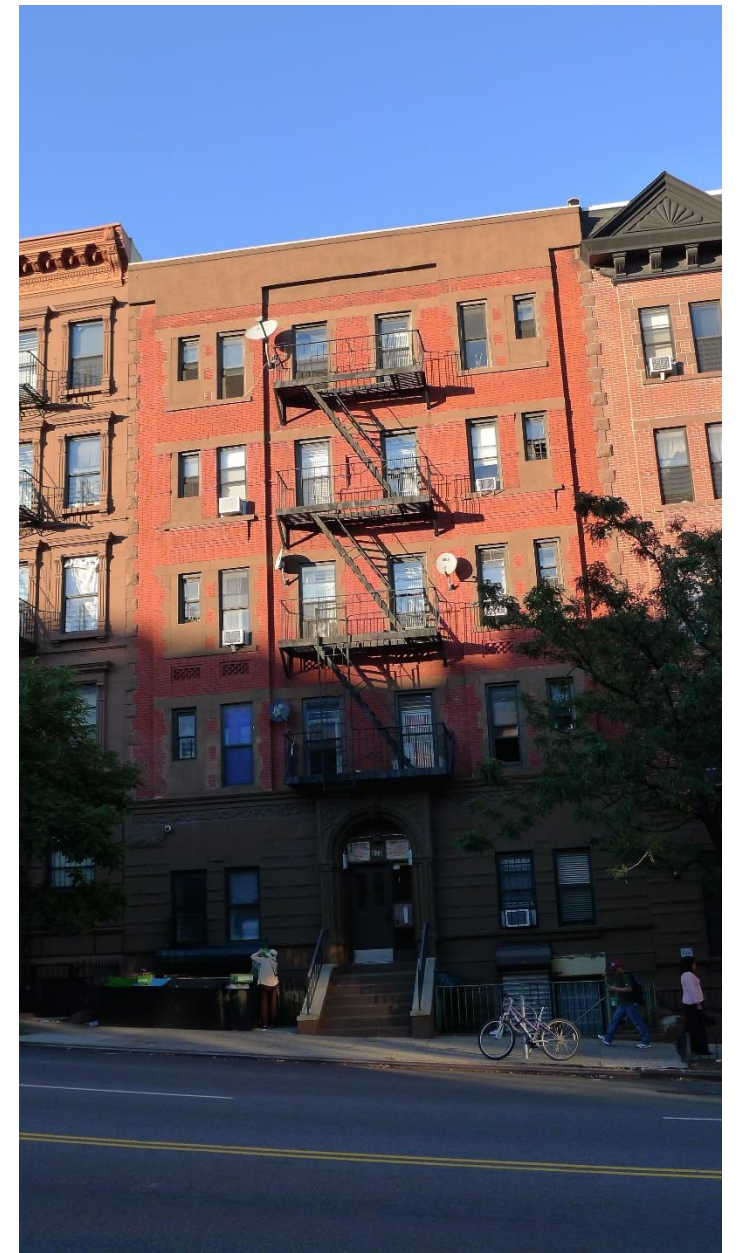
Limited Equity

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

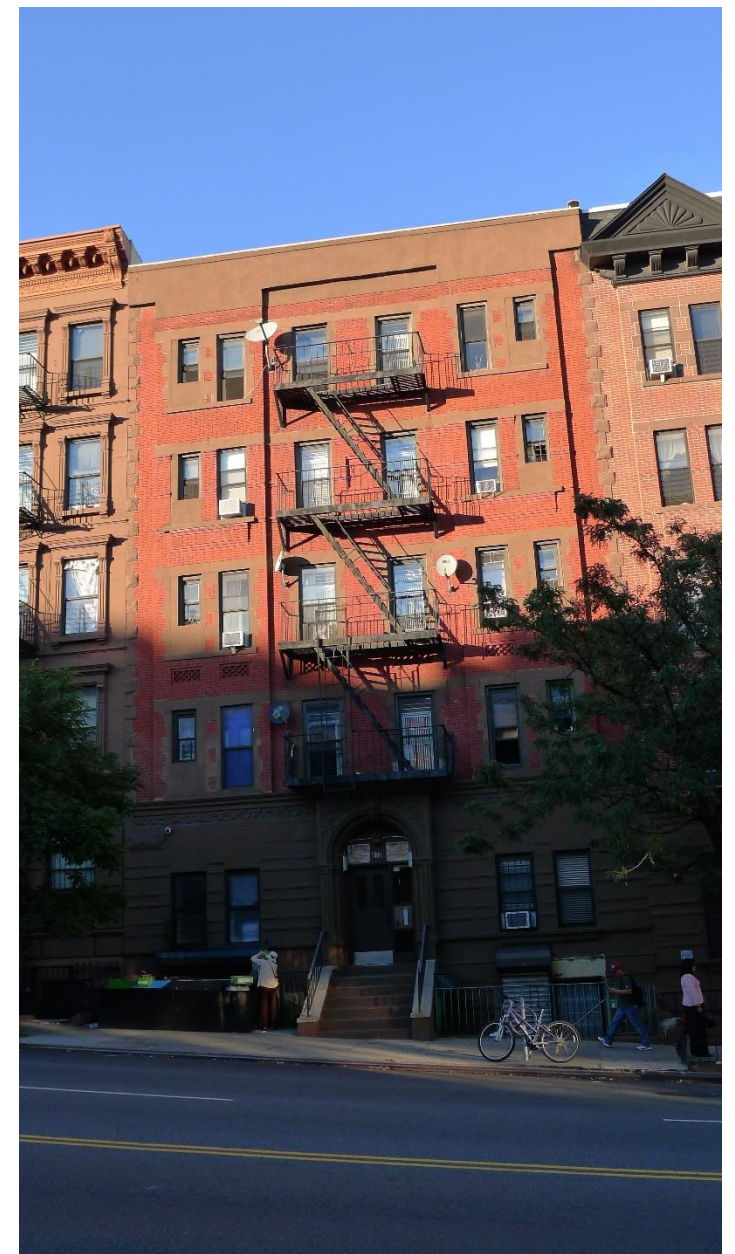


*Subsidy

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

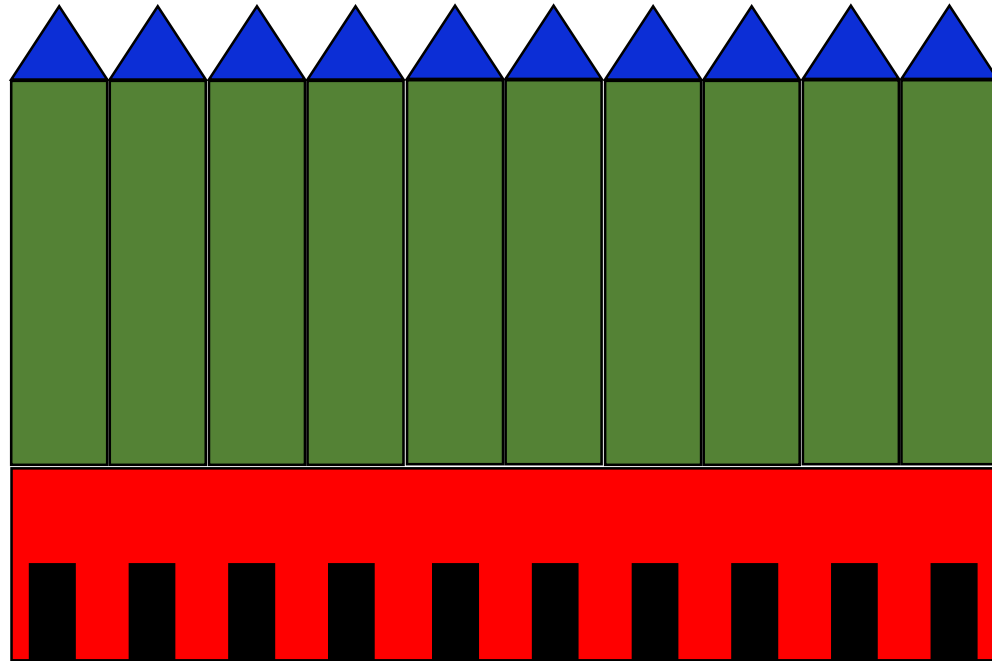


10th and 13th St. Homesteading Off-Site Inclusionary Preservation

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



Typical UHAB Limited Equity Cooperative Model

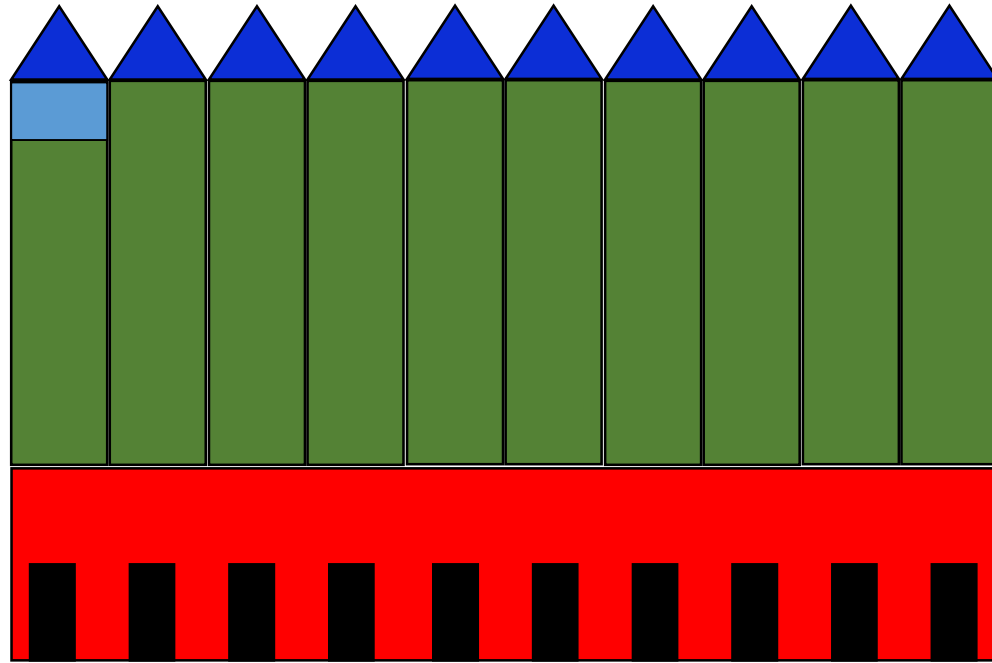


2.5K Individual Equity
Market Price vs.
Shared Equity Gap
(varies with the
location and state of
the market)

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

Co-op Stewardship

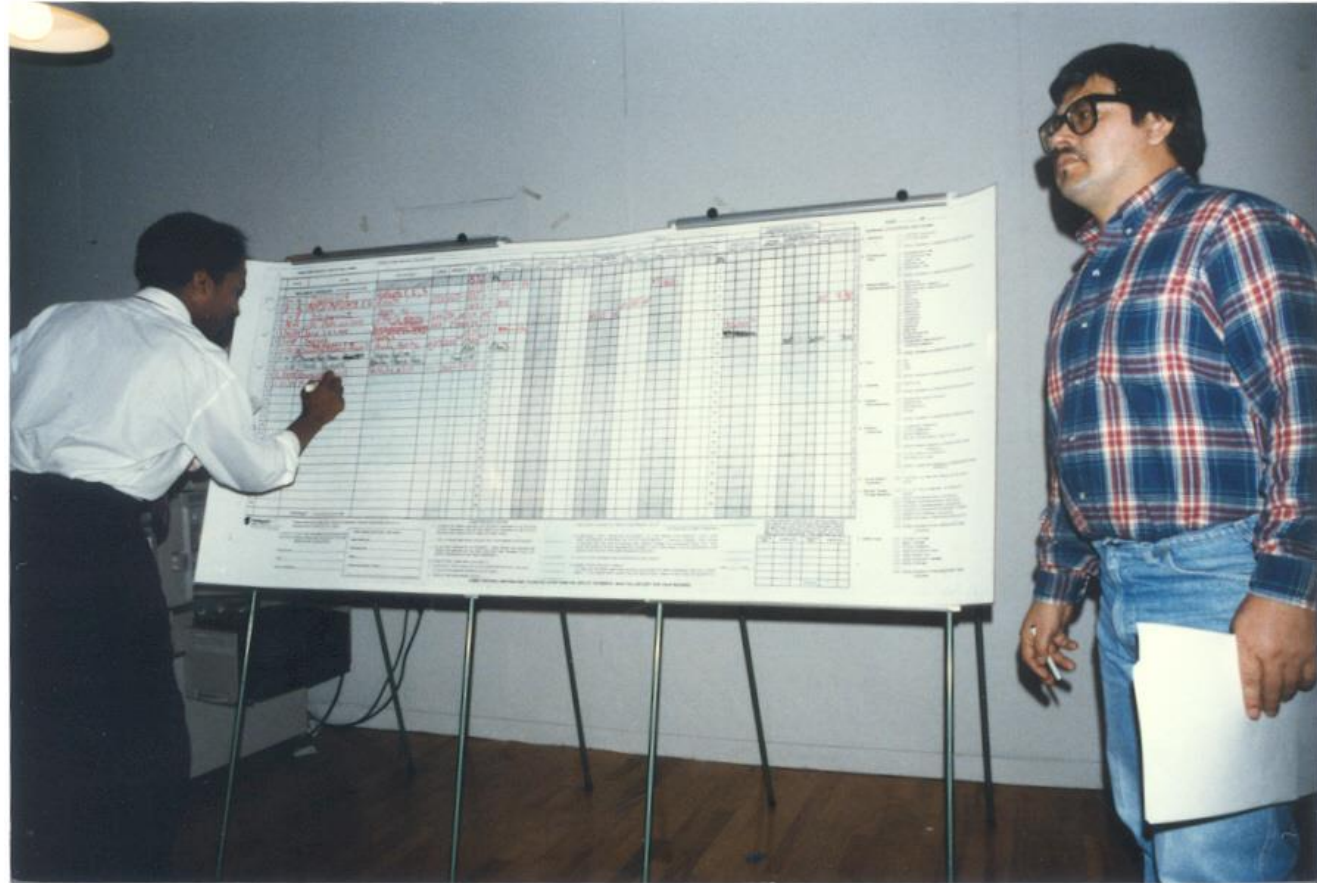
What is needed to sustain co-ops?

- 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

Homeownership Lending





Homeownership Lending

investing in affordability, believing in you!



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.

SIXTH PRINCIPLE COALITION


EXPLORE

Address or place name

State or province

Filter

DISPLAYING 3984 PLACES:



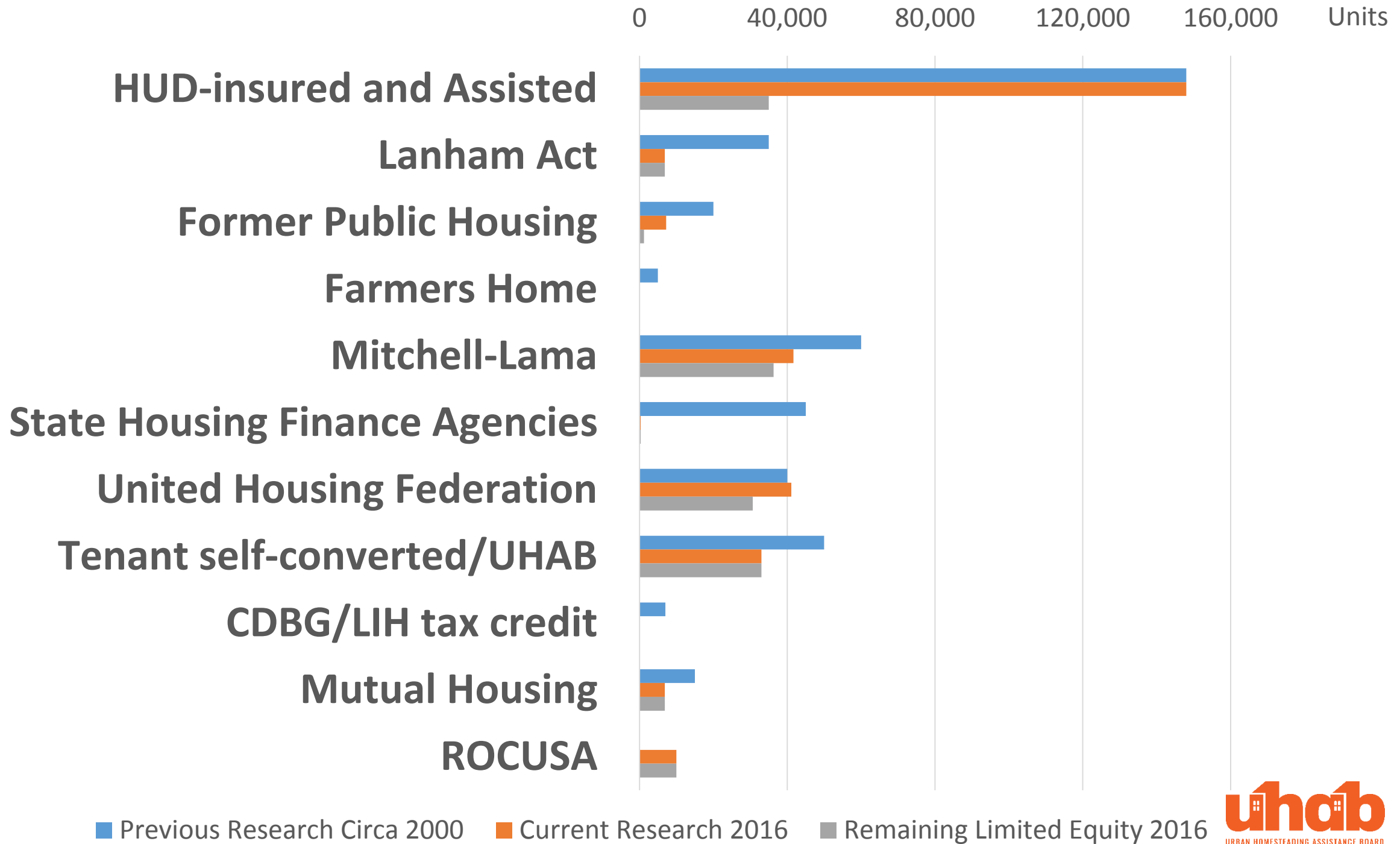
A map of North America with circular callouts indicating the number of mapped locations in different regions. The callouts are: 3 (Southwest US), 5 (Canada), 556 (West US), 631 (Midwest US), 2759 (East US), 20 (Northeast US), and 7 (Mexico).

WE HAVE CURRENTLY MAPPED



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?



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	67,433	61,432
State housing finance agencies	45,000	334	334
United Housing Foundation (NY)	40,000	25,746	15,279
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	305,828	166,608
			*NOAH (Naturally Occurring Affordable Housing)

Activity 3: Implementation in your town.

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

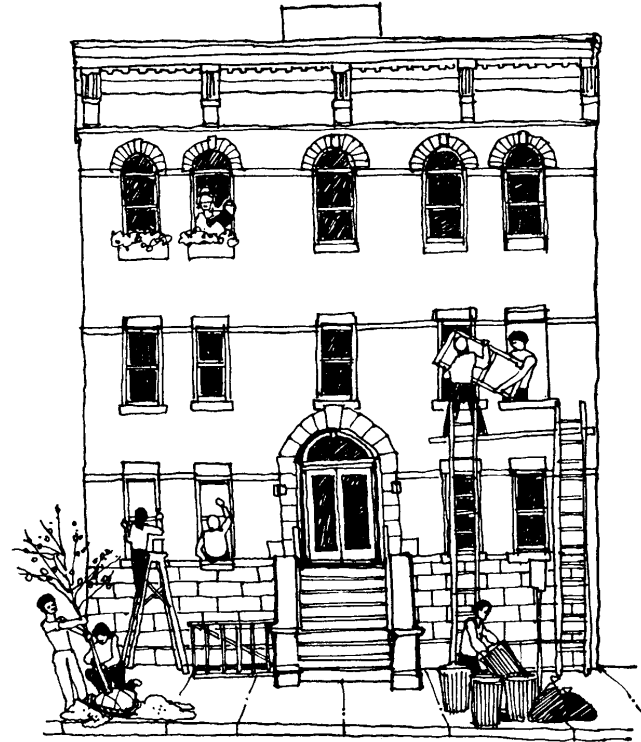
Task: Discuss the questions below and report back

- 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

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www.uhab.coop