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Gerald Sazama
University of Connecticut

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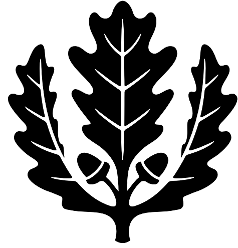

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A Brief History of Affordable Housing Cooperatives in the United States

Gerald Sazama
University of Connecticut

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341 Mansfield Road, Unit 1063
Storrs, CT 06269–1063
Phone: (860) 486–3022
Fax: (860) 486–4463
http://www.econ.uconn.edu/

Abstract

For over 75 years housing cooperatives have been a source of affordable housing. Currently, the 376,000 dwelling units of affordable cooperatives is equivalent to seventeen percent of the rent reduction units owned by publichousing authorities. Understanding that affordable cooperatives have been developed under varying historical circumstances provides insights on how they could play a role in the future supply of affordable housing. The history of affordable co-ops starts during the 1920s and after World War II with the ethnic, union, and New York government financed co-ops. Through the 1960s and the early 1970s cooperatives were financed by various federal direct assistance programs. Since the late 1970s co-ops have been sponsored by nonprofit organizations and by federal and municipal government privatization programs. A workable institutional structure for affordable cooperatives has developed as a result of this historical evolution.

Housing cooperatives currently provide moderate to low-income families with about 376,000 of units of affordable housing.[1] This is equal to seventeen percent of the total number of rent reduction housing units owned by the nation's public housing authorities (HUD and Bureau of the Census, 1995; and Table 1).

Cooperatives have long been recognized as a means of providing affordable housing (Willcox, 1953; Zimmer, 1977; and Davis, 1993). Since they are owned by their residents, cooperatives offer continuing economic incentives and social opportunities for residents who are interested in controlling their social environment and improving the quality of their lives (Miceli, et al.,1994; and Sazama and Willcox, 1995).

Understanding the history of affordable housing cooperatives in the United States should help us to learn more about the role that cooperatives could play in our nation's future supply of affordable housing. While federal government programs for affordable housing cooperatives have been important, non-profit organizations and state and local governments are responsible for just under one-half of the affordable housing cooperatives. More important, much of the initiative and creativity in the provision of affordable housing cooperatives has come from nonprofit organizations and state and local governments. With the federal government currently withdrawing from supplying affordable housing, this examination of the history of affordable cooperatives should provide valuable insight on how housing cooperatives could contribute to the supply of affordable housing in the future.

Generally, these programs will be discussed chronologically in order to see how sets of programs influence succeeding sets of programs and to understand how the institutional structure of affordable housing cooperatives evolved. For each program the following policy concerns are addressed: a) the stimulus for the formation of the program, b) the sources and extent of funding of the program, c) the extent of subsidization, and d) the restrictions on residents to assure sustainability of the co-op as affordable housing.

In this paper, "affordable" is defined as being available to households with moderate income or lower. More precisely, moderate income is from 100 to 80 percent of area median income, low income is from 80 to 50 percent, and very low income is below 50 percent of area median. Also, for this paper, the term limited equity cooperative (LEC) is applied to those housing cooperatives that are both affordable (see above definition) and sustainable. "Sustainable" means that there is a regulatory agreement between the financing agency and the cooperative which places some affordability restrictions on the resale of initial membership shares. These restrictions take the form of constraining the resale of shares to households with income below specified income limits, and/or constraining the extent of the increase in the resale value of the initial membership shares.

1. Early Affordable Housing Cooperatives

The first formal housing cooperative on record was organized in the mid nineteenth century in Germany. By the early twentieth century, housing cooperatives were found throughout Europe, but predominantly in Germany and the Scandinavian countries (International Labor Office, 1964). Though the first housing cooperative in the United States, called a "home club", was established in New York City in 1876, cooperatives did not become well established in the United States until after World War I. Housing cooperatives then took two forms: the first, exclusive apartment dwellings for high-income families to assure them of "appropriate" neighbors; the second, cooperatives organized by ethnic-immigrant groups, and/or unions to provide affordable housing for their members during the post-World War I housing crunch.

The first housing cooperative in the United States organized under the Rochdale Cooperative Principles[2] was developed in Brooklyn, New York in 1918 by a group of Finnish artisans - the Finnish Home Building Association. By 1926, twenty-five such Finnish cooperatives were in operation within a seven block radius of Sunset Park. All survived the depression, because most had no mortgages. These cooperatives provided affordable housing for low and moderate income families, but they are not limited equity cooperatives (LECs) in the technical sense of having financial limits on the resale of membership shares. Most continue as cooperative housing today (Siegler and Levy, 1986; and Dolkart, 1993).

By 1925, housing cooperatives had been constructed in sixteen cites in the United States. Most of these cooperatives were high-income cooperatives. About half of the cooperatives in the United States were found in New York City, but they also were important in such cities as Chicago, Detroit, Buffalo, San Francisco, and Philadelphia (Siegler and Levy, 1986).

The first relatively large scale affordable housing cooperatives were made possible by the New York State Limited Dividend Housing Companies Act of 1927. This act provided to corporations significant property tax exemption for

50 years, and authorized use of the right of eminent domain to make possible the acquisition of suitable sites for investors building apartments for middle-income families.

Thirteen cooperatives were built under this Act in New York City. One of the first was the housing cooperative developed by Abraham Kazan with sponsorship by the Amalgamated Clothing Workers Union. It was financed by a combination of capital from the Union pension fund and conventional loans. Originally this co-op started with 300 units, and it eventually expanded to 1,400 units. This and a second co-op developed by Kazan in 1930 were primarily for union members, but they were also open to the general public (Siegler and Levy, 1986). While these co-ops had restrictions on the income of initial occupants, there were no formal restrictions to sustain affordability. However, because of their neighborhood location, unit sizes, and the effects of a union sponsored history, these co-ops remain as moderate income co-ops.

During the Great Depression of the 1930s, most of the high-income housing cooperatives failed. This was partly due to excessive mortgaging and promoter profits, but also it was due to high vacancy rates in these high cost apartments. By 1934, over 75 percent of the real estate promoted co-ops in New York and Chicago had gone bankrupt. It appears that only two of New York's higher-income co-ops survived the depression. Both of these were "membership sponsored" co-ops developed by a consumer advocate, Mary Fox Hurling.

However, the more affordable lower income cooperatives generally survived the Depression, including all thirteen of the co-ops created under the previously discussed 1927 New York State Act. This was due to their wider market appeal which made practical temporary rental of vacant units when necessary and their more conservative fiscal practices, including provisions for accumulation of substantial reserves (International Labor Office, 1964, p. 116; and Siegler and Levy, 1986, p. 15; and an interview of Roger Willcox (1995i) whose parents helped create one of the Mary Fox Hurling Cooperatives in 1928).

2. A Summary of the Post World War II Experience

The availability of financing for affordable housing cooperatives during the post-World War II period has been crucial for the timing of their construction, and for their geographic distribution. Table 1 contains a list of the four principal groups of programs available for the financing affordable cooperatives, as well as the number and percentage of housing units financed under these programs.

, (Place Table 1 near here)

(1) As indicated in Table 1, about one-fourth of the nation's affordable housing cooperatives were built in New York City from 1945 through the 1960s, under various financing arrangements available only in New York, and with sponsorship by trade unions and the State.

(2) Just over one-half of the affordable housing cooperatives have been financed by the federal government programs. About a third of these units are conversions of federally owned housing into co-ops. These privatizations occurred mostly in the 1950s and early 1960s, but such activities were renewed in the 1980s and 1990s. About two-thirds of the units of federally financed co-ops are co-ops that received financial assistance through various HUD insurance programs. These latter programs were most active in the 1960s and 1970s, and they led to the construction of low and moderate income housing cooperatives throughout the country.

(3) Successes with direct federally assisted housing cooperatives, and the experiences in New York State then led to a number of state and municipal financing programs, which usually worked in collaboration with local nonprofit organizations, to produce still more affordable cooperatives. These activities occur primarily in the 1980s and 1990s. Table 1 indicates that about one-tenth of the total production of affordable co-ops was developed and financed from these sources.

(4) Washington DC and New York City have municipal programs that sponsor the conversion of low-income rental housing, primarily troubled and even abandoned, to cooperative ownership by the existing residents. These programs were strongest in the 1980s, but they continue into the 1990s. Table 1 indicates that they have resulted in about six percent of nation's affordable co-op units.

3. The Early Post World War II New York Housing Cooperative Tradition

Rent controls combined with tax law changes, which allowed for the deduction of both co-op mortgage interest and property tax payments by individual co-op members, induced a resurgence of upper-middle-income co-ops in New York City during World War II. But, the first major inducement for the development of new co-ops for moderate and low-

income families in New York came with the leadership of the union movement after the war. Sponsorship of affordable cooperatives was difficult after the war because there was neither a readily available source of financing, nor federal mortgage insurance to attract private capital into the cooperative housing field (Siegler and Levy, 1986). However, built on the roots of the Amalgamated Clothing Workers projects during the inter-war years, discussed in Section 1 above, the trade union sponsored cooperatives made important progress between 1945 and 1950. Then in 1951, under the leadership of Abraham Kazan, these groups united to form the United Housing Foundation (UHF). This spurred significant activity so that by 1965 the UHF and its predecessors had created 23 cooperative housing projects in New York City which ranged in size from 124 to 5,860 units. In 1965, with the support of the mayor of New York City, and the Governor, UHF started construction of Co-op City which eventually contained 15,382 units(UHF, 1970)[3]. A total of approximately 40,000 units were built in New York by the UHF and similar programs (Table 1).

The second major inducement for the development of low and moderate income housing cooperatives in New York was the passage of the 1955 New York State Limited Profit Corporations Laws, popularly known as the "Mitchell-Lama Act." As shown in Table 1, about 60,000 units of cooperative housing were organized under this statute, mostly in the 1950s and 1960s. UHF sponsored co-ops were an important part of the pressure for the passage of this act. Furthermore, this act has been as a model for the federal housing programs that finance cooperatives, as well as for statutes for financing affordable housing by many other states. As we shall see in Section 6, none of these states' programs approach the scale of development of affordable co-ops as is found in New York.

The Mitchell-Lama Act was to encourage the development of moderate-income housing by means of property tax exemptions and low-interest loans (financed by state revenue bonds) to developers who agreed to restrict their dividends (Sullivan, 1971). Housing cooperatives financed under the Mitchell-Lama law are formally sustained as affordable housing for 20 years (40 years in urban renewal areas) because the statute limited the value of a membership share to its initial purchase value plus the unit's proportion of the pay down of the co-op's mortgage. There are income limits for joining the co-op, but if a household becomes "over income" after it joins a co-op, it does not have to leave the co-op.

Residents pay monthly carrying charges to the cooperative to cover the costs of the mortgage, and the operation and maintenance of the building. If a household's income exceeds the income limit, which is set at eight times the monthly carrying charge for households of four or more, that household pays a premium over the base monthly carrying charge, but this premium can not exceed 50 percent of the base charges (Garst, 1996).

There has been strong pressure for deregulation of some these Mitchell-Lama cooperatives, that is for the members to convert them to market-rate cooperatives or condominiums after the 20 or 40 year time limit on restrictions as affordable housing expires. A "case study" of a specific Mitchell-Lama co-p illustrates some of the problems of sustaining the affordability of these co-ops. When this specific co-op was built in the early 1960s, a membership share cost $2,300. By the early 1990s, as a limited equity share, it was worth about $10,000, and the base monthly carrying charges for a living unit in the co-op were $325. Therefore, this co-op would still qualify as affordable housing in the 1990s. (Twenty percent of the income of this cooperative comes from renting out street-level store fronts.)

Because of the shifts in the national real estate market since the 1960s, and because of gentrification in the neighborhood around this cooperative, in the early 1990s, these units were appraised as having a market value of over $200,000 each. As a result, many members of this cooperative wanted to convert the co-op into a market-rate co-op. On the other hand, some of the members argued for permanent preservation of the co-op as affordable housing. During the debate over the issue among co-op members, it was discovered that this cooperative is in an urban renewal area, and consequently it will remain as an affordable co-op for 40 years (Garst, 1994).[4]

4. Federal Funding

The availability of federal government financing for affordable housing cooperatives has been related historically to general federal housing policy.[5]

4.1 1930s-1960s: Public Housing, Early Conversions to Co-ops, and Guarantees of Market Rate Mortgages

The federal government's provision of affordable housing essentially began during the Great Depression with its construction of rental public housing for moderate income families, and during World War II with the public housing provided for workers in the war industries. Cooperatives were not included as parallels to these rental housing construction programs.

In the 1950s the core of the federal housing policy was to strengthen private home ownership through the Federal Housing Administration's guarantee of market interest rate loans, and the privatization of significant portions of the stock of public housing built during the Depression and World War II.

Federal housing was privatized into cooperatives under the Lanham Act and the Colonial Westbrook program. Many of these co-ops are found in the Pittsburgh area. These co-ops were occupied by low-income families, and the legislation placed restrictions on the resale of membership shares. As seen in Table 1, these programs resulted in approximately 35,000 dwelling units of affordable co-ops.

The National Housing Act of 1949 expanded the availability of Federal Housing Administration (FHA) guarantees on market rate mortgages to help finance the early post World War II housing boom. In 1950 Section 213 was added to this act. This allowed loan guarantees for new construction of housing cooperatives. Then in 1959 Section 213(i) was added, which permitted financing the conversion of housing projects constructed prior to 1959 to cooperatives. The passage of these provisions was helped by an active general cooperative movement and by the positive experiences with the New York UHF and Mitchell-Lama housing cooperatives.

Even though Section 213 guarantees were on market rate mortgages, they were available for up to forty years, with level payments, typically at 4.5 percent interest per annum, and for up to 98 percent of the costs. Therefore, Section 213 did provide a source of financing for moderate income cooperatives nationwide (Willcox, 1995i). Cooperatives financed by Section 213 funds were not required to have any long term affordability provisions as a condition of obtaining financing. However, those projects developed by groups closely allied to the general cooperative movement in this country did voluntarily include such provisions in their corporate by-laws.

Most of the activities under Section 213 financing occurred in the late 1950s and in the 1960s, but this Section still remains in the statute even though currently it is rarely used. While, no statistics on the general use of Section 213 were found, the Foundation for Cooperative Housing Services Incorporated (FCHS), a nonprofit developer of housing cooperatives, used Section 213 financing between 1960 and 1969 for 23 cooperative conversion projects which resulted in a total of 4897 dwelling units. In addition, FCHS used financing from local public housing authorities, the United States Department of Housing and Urban Development (HUD), and private sources to convert another 5,509 units of housing to affordable co-ops (Willcox, 1995).

The successes of this program led to even more favorable financing arrangements for cooperatives in subsequent years, and making co-ops available to very-low income families.

4.2 1960s -1970s: HUD Below Market Interest Rate (BMIR) Loan Programs[6]

Starting with the Housing Acts of 1954 and 1959, the federal government began to shift from direct construction of public housing to publicly assisted housing. Publicly assisted housing is housing financed by federal loan guarantees of private sector loans and with below market interest rates (BMIR) subsidized by various means. This approach became the mechanism of choice for the explosion of housing programs in the 1960s (Listokin, 1991; Angora Group, 1992). The influence of David Krooth was important to the inclusion of cooperatives in these BMIR loan programs. Krooth was an attorney active in the New Deal housing program, and a consultant on much of the early post-World War II housing legislation. Also, he was the attorney for the closings of all of the co-ops sponsored by FCHS, and consequently he was interested in extending the availability of federal funds for the financing of affordable co-ops (Willcox, 1995i).

The first Section 221(d)(3) BMIR loan was approved in 1958 (Calhoun and Walker, 1994). These loans were restricted to housing for moderate and then low-income families. They were available at a three percent rate of interest to nonprofit groups (frequently created by local public housing authorities), to private developers (willing to limit the income they earned on their investments) and to cooperatives. These mortgages were able to cover up to 100 percent of costs. For cooperatives, loans are for forty years with level payments. The combined effect of these provisions is equivalent to subsidy of approximately 30 percent of project cost (author's estimate). Private lending institutions initiate these Section 221(d)(3) loans, after pre-approval by HUD, or its predecessor. Then the private financiers sold these loans on the secondary market at full market value to a federal enterprise, the Federal National Mortgage Association (Fannie Mae), (Angora Group, 1992).

In the 1968 Housing Act these Section 221(d)(3) BMIR loans were phased out, and replaced by the Section 236 guaranteed loan program. The interest rate under this 236 program was subsidized down to one percent. In spite of Section 236 loans having a lower interest rate then loans under the Section 221(d)(3) program, they were more popular with many politicians than the 221(d)(3) program, because as a loan guarantee program most of the initial cost of Section 236 loans appeared off-budget and subsidy cost were spread out over the life of the loan.

During the life of these BMIR loan programs, 5,804 low- income housing projects were funded, 642 of which were co-ops. The existence of regional groups willing to sponsor these co-ops were important to the geographic distribution of the co-ops. Of the 680 co-ops financed under these BMIR programs and related HUD market interest rate programs, 78 percent were built in 9 states (32 percent in Michigan, 16 percent in Indiana, and between 6 and 3 percent each in Georgia, Missouri, Kansas, Ohio, Connecticut, Virginia, and California). No co-ops at all were built under these programs in 21 states (Calhoun and Walker, 1994).

The following long term affordability provisions were required for co-ops financed under the 221(d)(3) BMIR loan program:

1) Income limits are effective for members only when they first join the co-op. When the legislation was past, the income limit for new members was 95 percent of HUD defined area median income. This limit was soon reduced to 80 percent of area median. Co-op members do not have to leave the co-op if they become "over income." However, if a member's income is over 110 percent of the HUD area median income, the member has to pay a ten percent surcharge on the base monthly carrying charges.

2) Resale of membership shares is restricted in two ways: a) The share value is limited to the initial price, plus the member's proportionate share of the pay down of the mortgage, plus the value of co-op approved improvements to their unit, and minus cost for repairing and redecorating judged to be the responsibility of the owner; b) Shares can be sold only to households: (i) approved by the co-op's board of directors, (ii) whose income is within the HUD limit, and (iii)who have the financial resources to purchase the share.

3) In the case of co-ops, there are substantial restrictions on prepayment of the forty year mortgage.

The affordability provisions for Section 236 cooperatives are similar to those for Section 221(d)(3) cooperatives except that mortgages had an interest rate of one percent, and monthly carrying charges were restricted to 25 percent (30 percent since the mid 1980s) of household income. Rent supplement programs are available to members of Section 236 co-ops because of this limit on monthly carrying charges.

These federally assisted co-ops have two important differences from federally assisted rental housing. First, members own and control their co-op. This is institutionalized in the original mortgage agreement as well as in the co-op's articles of incorporation and bylaws. Members elect a resident board which sets co-op rules and which contracts with a property manager selected from a list of HUD approved managers. In contrast residents of federally assisted rental properties by definition do not own their properties, and only rarely do they have direct control over their properties. When they do have control, it ordinarily is under some form of renewable contract with a public housing authority.

Second, co-op members do not pay rent, since they are legally the property owners. Instead, they pay monthly carrying charges to cover the amortization of the mortgage, as well as the co-op's operating and maintenance costs. The base monthly carrying charges are flat fees that are not dependent on a resident's income, but rather they are partially dependent on resident behavior.[7] In contrast, in federally subsidized rental housing projects, as well as under the Section 8 rent certificate program, monthly rent is a percentage of household income regardless of resident behavior toward their housing.

As a result of these two key differences between co-ops and federally assisted rental housing, co-ops can be economically more efficient and better places to live. Crucial to the efficient functioning of affordable cooperatives is that co-op members are able to directly experience and control the economic consequences of their individual and joint activities.[8]

Development of the 212(d)(3) BMIR financed cooperatives was fostered nationwide by the Foundation for Cooperative Housing Services (FCHS), with Roger Willcox as its president. FCHS was a non-profit organization which provided a full spectrum of technical assistance to local groups who wanted to develop co-op housing. This assistance included financial packaging, efficient and attractive architectural design models, organizational structures, marketing strategies, and assistance to those co-ops that were experiencing difficulties in the early years after their organization. FCHS funded itself from the developers fees allowable under the various financing programs. Between 1952 and 1971 FCHS sponsored co-ops financed by several different sources of financing. These FCHS efforts resulted in over 50,000 dwelling units in 30 states and U. S. territories (Willcox, 1992i).

It is interesting to note that Section 221(d)(3) co-ops have a lower default rate than all other types of projects built under the Section 221(d)(3) and the Section 236 programs (Calhoun and Walker, 1994). Part of this may be attributed to the fact that many of the Section 221(d)(3) co-ops were sponsored by FCHS. On the other hand, FCHS, in its original organizational form, played little or no role in the development of co-ops financed under Section 236 (Willcox, 1995i).

As the federally assisted co-ops become more mature there are two contrasting sets of concerns, deregulation of some of the stronger ones, and the financial weakness of those in distressed areas. The debate on deregulation of the strong federally assisted co-ops is similar to that discussed for the Mitchell-Lama co-ops in section 3 above. In contrast, some of these federally assisted co-ops have become financially distressed because they are in distressed neighborhoods, and they have a higher proportion of residents who have their monthly fee paid by Section 8 rent supplements. Thus these residents are effectively paying "rent" which is a percent of monthly income thereby reducing the sense of ownership among residents.

Section 236 BMIR loans were approved until 1973 when the Nixon administration placed a moratorium on new approvals for the construction of all federally subsidized housing (Listokin, 1991). As shown in Table 1, a total of 59,000 dwelling units of affordable co-ops have been built under the Sections 221(d)(3), and 236 HUD mortgage insurance programs.

Two other federal below market interest rate mortgage insurance programs available to affordable cooperatives are the Section 202 program for residents over 62 or disabled, and several Farmers Home Administration programs. When the Section 202 program was passed in 1959, it was a BMIR direct-loan program. In 1991, it was changed into a direct grant program. About 10,000 dwelling units of affordable co-ops have been built under the Section 202 programs, many of these in the 1990s. There are several Farmers Home Administration programs for affordable rural housing cooperatives. They have financed about 5,000 dwelling units (Angora Group, 1992; Battelle Group, 1981a and b; and Table1).

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4.3 1970s-1980s: HUD Section 8 Rent Supplements

The National Housing Act of 1974 introduced sweeping changes in federal affordable housing policy. First, there a strong swing away form the BMIR programs, and to the provision of Section 8 rent supplements. Also, operating subsidies to existing public housing were increased as part of extending the policy of converting this housing into housing for the very poor. Finally, urban renewal efforts were shifted to state and local governments via block grant programs (Listokin, 1991). The demise of the BMIR loan guarantee programs was a major blow to the development of new affordable cooperatives. Never the less, affordable co-ops were built with project-based Section 8 funds during the late 1970s and the 1980s. Section 8 rent supplements make up the difference between revenues from rent payments by a family, at first equal to 25 percent of their income but later increased to 30 percent, and the market rent on the unit. Project-based Section 8 rent supplements are committed to the project rather than being portable with an individual, as is the case with the now more common Section 8 rent certificates. These project based Section 8 rent supplements were combined with HUD insured market-rate mortgages to finance about 25,000 dwelling units in affordable co-ops (Table 1).

The relative importance of both kinds of Section 8 rent supplements for cooperatives is indicated by the data in Table 2. This table shows the principal source of funding for all LECs in California as of 1991.[9] Project based Section 8 funds (new construction and moderate rehabilitation) were part of the financial package for about one-fourth of the LECs in California. In these co-ops, about three-fourths of residents received Section 8 project-based financing.

California LECs financed under the Sections 221(d)(3) and 236 programs were built from 1963 to 1980. As co-op membership shifted in these co-ops, and as portable Section 8 certificates became more widely available, more residents of these co-ops began using the Section 8 rent certificates. According to the data in Table 2, in 1991, about one fifth of the residents in the earlier Section 221(d)(3) BMIR co-ops had Section 8 rent supplements, and about one-third of the residents in the later Section 236 co-ops had rent supplements. On the other hand, three-fourths of the residents in the Section 221(d)(3) market-rate co-ops in California were receiving Section 8 subsidies.

(Insert Table 2 near here)

4.4 ~~*Conversions to Affordable Cooperatives in the*~~ 1980s and 1990s

Under the Reagan administration, budget authority for HUD assisted housing was cut form $26.7 billion in 1980 to $8.3 billion in 1988 (Rasey, 1993). However, during the 1980s and 1990s, federal community block grants to state and local governments became an important indirect source of financing for affordable cooperatives. State and local governments used part of their block grants, in combination with their own funds, to collaborate with local non-profit organizations in the supply affordable housing. These decentralized efforts will be discussed in Section 5 below.

The second form of federal funding for affordable cooperatives in the 1980s and 1990s is the resurgence of privatization of federally owned and assisted housing.[10] As shown in Table 1, 18,000 dwelling units of public housing were converted to affordable cooperatives. While 7,000 of these units were converted to co-ops as part of the Racine Court project in 1970, 5 of the 17 privatization demonstration projects, that were the basis for the HOPE program, were

conversions to co-ops in the 1980s (Rhoe and Stegman, 1992), and there have been 60 HOPE privatization projects in the 1990s (Levy, 1996). In addition, there has been the conversion of 5,000 dwelling units of publicly assisted housing to affordable co-ops with financing from the Low-Income Housing Preservation Act (LIHPRA), and 6,000units with HUD Section 220(3)(f) financing (Table 1).

Residents of multi-family properties owned by the federal government's Resolution Trust Corporation (RTC) as a result of the 1980s savings and loan crisis and banking crisis had priority to purchase the properties in which they lived (Levy, 1991). But, current federal administrative procedures for co-op conversions are so cumbersome (Rhoe, 1995) that this has limited the extent of conversions to co-ops. For example, with the RTC program private investors usually are able to move quicker and therefore to buy the better properties. Current procedures for conversion to co-ops requires that existing residents form a tenant sponsored cooperative to purchase the housing. This is time consuming, and usually the government provides little assistance to this complex process (Stewart interview, 1993).

On the other hand, the 1960s experience of the FCHS discussed in part 4.2 above demonstrates that nonprofit consumer sponsored cooperatives are an efficient means for converting projects to co-ops. Consumer based cooperatives are developed by an outside non-profit organization and then memberships are sold to residents. This provides both the technical skills, and the organizational base needed to expeditiously convert the project to cooperative ownership, while it still provides the residents with the first right to obtain a unit in the converted co-op (Willcox, 1995). Unfortunately, these consumer based cooperatives are not feasible under existing federal administrative procedures .

5. Third Sector Sponsorship of Limited Equity Cooperatives (LECs)

The sharp cut back of direct federal funds for the supply of low-income housing, coupled with the increased shortage of affordable housing due to the real estate boom of the 1980s, stimulated coalitions of various local organizations to become involved in the supply of affordable housing. Ad-hoc packages of funding were put together from: a) Monies from federal community block grants to state and local governments; b) State and local governments using their tax dollars and revenue bonds; c) Loans from few far sighted private financial institutions, as well as some which were pushed by community groups working with the federal legislation that encouraged financial institutions to invest back into their communities; d) Private funds invested to obtain tax savings via the Low-Income Housing Tax Credit; and e) A more active policy by the federal agencies responsible for developing secondary markets for mortgages on properties that were available to low income families (Fannie Mae and Freddie Mac).[11] This movement has been labeled "Third Sector Housing" (Davis, 1993).[12]

Because many of these local housing organizations were originally based in the housing advocacy movement, resident control is an important concern for them. Also, because local politicians put their political capital on the line in support of these housing projects, they too were concerned about maintaining the long-term affordability of these properties. Since limited equity cooperatives (LECs) are controlled by their residents, and these LECs restrict the future sale of equity shares to low income families, they became an attractive ownership form to these local groups.[13]

Some of these groups worked in conjunction with their state departments of housing to develop state government limited equity cooperative programs. In 1979, California was the first state to pass a statute for the formal chartering of a limited equity cooperative (LEC). This statute limits the appreciation in value of a membership share of a LEC to a maximum of 10 percent per year with the balance of appreciation to be devoted to general co-op objectives (Angora Group, 1992). The District of Columbia and approximately 10 other states, mostly in the Northeast and the Midwest, have passed similar legislation (Willcox, 1994).

Even though, these statutes provide the means to legally incorporate LECs, virtually all the affordable cooperatives discussed in this paper are de facto LECs, since they have some form of institutionalized restrictions on share values and income limits for new members. These restrictions usually are introduced through: a) the mortgage agreement resulting from the financing legislation (such as the New York State Mitchell Lama law or the federal subsidized loan programs), b) land trusts which used land covenants to restrict land use to buildings owned by permanently affordable LECs, or c) the cooperative's articles of incorporation or bylaws.

Nine state departments of housing have been especially active in funding LECs. They are: Massachusetts, Vermont, Connecticut, New Jersey, Ohio, Michigan, Illinois, South Dakota, and California (NAHC, 1991, and author's contacts with various state departments of housing). The creativity and innovation of the affordable housing program in the Burlington, Vermont metropolitan area has made it a model program for the development of LECs (Davis, Chapter 6, 1993).

The Congressionally chartered but now private National Cooperative Bank (NCB), which was founded in 1978, has also provided some supplemental funds are to local organizations sponsoring cooperative housing. Loans to a housing cooperative from this bank ordinarily serve as only a portion of that co-op's total financial requirements. Recently, the NCB has been making special efforts to move beyond its traditional type loans for market rate co-ops, by offering loans especially tailored for low and moderate-income cooperatives. The NCB also, provides credit for individuals to purchase co-op membership shares. By 1994, the NCB lent 1.3 billion dollars for low and moderate-income housing cooperatives which contained 21,000 dwelling units (NCB, 1995).

The low-income housing tax credit, enacted in the 1986 tax code, has been an important source of funding for the development of low-income rental property.[14] However, because co-ops are resident owned, they are not rental properties. Therefore, co-ops do not directly qualify for these funds. In order to get around this limit, in the late 1980s leasing cooperatives were developed in the Minneapolis and St. Paul areas . With a leasing co-op, the co-op leases the property from another corporation which owns it, and which receives the benefits of the tax credits. These lease-hold cooperatives also have a base in California and Massachusetts, and they are gradually being introduced elsewhere. While several hundred units of such co-ops have now been developed (Willcox, 1994), the leasing arrangement introduces another barrier between full ownership and the co-op resident. Consequently, some co-op advocates are working to have affordable co-ops become eligible for direct funding under the tax-credit program.[15]

A major advantage of the Third Sector housing movement is the spontaneous involvement of many organizations and many people in developing affordable housing. Thus the poor who want to do something about their housing, idealistic community organizers, and middle-class people who want "to make a difference" are joined. As a result affordable housing is getting done. Another advantage of this movement is that considerable knowledge is generated, and many people gain practical experience, because of the extensiveness and wide variety of projects that are involved.

There are, however, many disadvantages as well. Because of the diversity of projects, each project has to "reinvent the wheel". Also, many of the people involved are either volunteers or under paid, as a result many of them are inexperienced and staff turnover is high. Furthermore, as state and city bureaucracies venture into new territory, they frequently impose overly strict regulations to prevent political embarrassment for their agencies.

While affordable co-ops funded under the federal direct programs generally range from 50 to 300 units, with an average of about 100 units (for example see Table 2), the Third Sector sponsored co-ops range in size from 3 or 4 to 150 units, and ordinarily are in the 5 to 40 unit range. Thus, there are significant diseconomies of scale in the development and management of these Third Sector projects. There are also problems with follow up after the LECs are occupied. At one extreme, some LECs are left on their own to sink or swim. At the other extreme some LECs are managed by sponsoring organizations as if they were organization-owned-rental properties.

All in all, the combination of efforts by local non-profits, and state and local departments of housing outside of New York has resulted in roughly 300,000 units of affordable housing since 1980.[16] About 40,000 of these units are in affordable cooperatives.

Parallel to the development of LEC ownership of multi-family buildings is the formation of cooperative trailer parks and mutual housing associations as additional sources of resident managed housing (Willcox, 1994). In cooperative mobile home parks, individual families own their mobile homes, but the land is owned cooperatively, and the park is managed cooperatively. Cooperative mobile home parks prevent the land from being sold out from under the residents by land owners who wish to sell the land for shopping centers or lots for higher income housing. In recent years there has been substantial development of the co-op trailer parks. Currently, there are about 140 such parks, of which 60 are in Florida, 40 in California, 20 in the Southwest, and the balance in the Northeast, (Levy, 1996).

Mutual housing associations (MHAs) have been encouraged by a federally chartered public enterprise called the Neighborhood Reinvestment Corporation (NRC). While there are no equity shares in these MHAs, like co-ops they have strong resident rights and tenant security. Between 1980 and 1991, 1,400 units of these MHAs have been constructed in a total of 9 municipalities distributed throughout the country (NRC, 1991). Since 1991, the Neighborhood Reinvestment Corporation has extended its activities to providing general assistance to local nonprofits. As a result as of November 22, 1995 it has done some form of assistance for 133,000 dwelling units in 330 municipalities (NRC, interview, 1996).

Finally, under the HOME program of the 1990 National Affordable Housing Act, state and local governments were to be given federal funds to help them expand their efforts to increase the supply of affordable housing (Levy, 1991). Co-ops are eligible for these funds with loans at zero percent interest for 30 years. But, as of the spring of 1993 only 4 percent of the of the 2.5 billion dollars of allocated HOME funds had been spent, because of the complexity of the

administrative regulations, and because recipient local jurisdictions must match the federal government's funds with 25 to 30 percent of their own (Katz, 1993). Also, with the shift in political climate after the 1994 Congressional elections, funding levels for this HOME program have not met initial expectations.

Now in the mid 1990s, when that the federal government is further reducing its efforts to supply affordable housing, most state government departments of housing also are reducing their support of affordable housing, especially for low-income families. As a consequence, local nonprofits have found the availability of funds for affordable housing, both rental and co-ops, substantially reduced.

6. Conversion of Properties to Co-ops in New York City and Washington DC

While different in form, both New York City and Washington DC have extensive programs that support the conversion of existing multi-family properties to affordable co-ops.

New York City became the owner of thousands of occupied buildings taken from private landlords who failed to pay their real estate taxes, mainly during the city's fiscal crisis in the 1970s. These buildings contain about 69,000 dwelling units (Task Force, 1993). Finding themselves with an undesired inventory of housing, City officials wanted to sell as many as possible of these properties to private owners. To do this the City's Department of Housing Preservation and Development invests some funds in repairing these buildings, and then it offers them for sale at essentially the cost of the repairs.

Many of the buildings have strong tenant organizations which pre-dated the City's foreclosure. These tenant groups, working with community organizers, proposed that they be eligible to buy the buildings themselves as limited equity cooperatives. Thus far, approximately 20,000 of these units have been converted to LECs (Reicher, interviews, 1994 and 1996). In 1993 the City still owned and managed 32,000 units (Task Force, 1993), and residents in some of these buildings are interested in converting their buildings to co-ops.

The Urban Homestead Assistance Board (UHAB), a community non-profit organized in 1973s, became an important source of technical assistance to tenant groups in New York City who wished to convert their buildings to LECs. A grass roots organization, UHAB has contributed to the development of a very creative set of institutional rules for the economic functioning of LECs. Special features of these rules include: 1) monthly carrying charges are fixed by project costs, rather than as a percentage of resident income; 2) residents neither have to leave the building, nor are otherwise penalized, if they become "over-income";
3) there are low rates of increase in share values; 4) there are few restrictions on the board of directors, which is composed of resident-LEC members; and 6) there are long-term restrictions on property resale.

In 1996, about 20 percent of the approximately 1,000 former New York City owned properties that had been converted to LECs are experiencing some financial difficulties. Forty four of these co-ops are in severe financial crisis, that is, the co-op is close to bankruptcy. Problems for these co-ops include: 1) Inadequate structural repairs in some of the buildings before they were turned over to the co-ops; 2) Other City agencies treat these LECs as if they were for-profit privately owned rental properties. As a result, these LECs experienced large increases in property taxes and in water and sewer charges; 3) The failure of the sponsoring City agency to adequately oversee these projects; 4) UHAB's lack of formal power and funding needed for it to give technical assistance and to oversee these co-ops once they gained independence from the City; 5) Efforts to create a secondary co-op of the LECs has been hindered by the City.

However, a voluntary association of the LECs has begun to get itself organized, and many of the cooperative resident leaders are gaining the "on the job" experience needed to resolve the above problems. As a result, while the number of financially distressed co-ops is about the same as 3 years ago, most of the financial distressed co-ops that are not severely distressed are doing better than 3 years ago (Task Force, 1993, pp. 65-73; and Reicher, interviews, 1994 and 1996).

In Washington DC, the crucial factor in the conversion of about 4,000 dwelling units in multi-family buildings to affordable co-ops is a District law that specifies that residents have the first right of refusal if an owner wishes to convert his or her property to an alternative use. This law came as a response to the substantial displacement of moderate and low-income families that started in the 1970s as a result of gentrification and conversion of buildings into condominiums. A strong tenants movement and the District's pride in "home rule" helped pass the law. Similar laws exist in Tacoma Park, Maryland and Berkeley, California, but these cities have experienced much fewer co-op conversions then found in Washington DC.

A group of nonprofit organizations in Washington DC help tenants of moderate and low-income rental units exercise their first right of refusal. Residents buy their building and convert it into a c-op. The Washington DC city government finances these conversions with loans generated mostly from its federal Community Development Block Grant assistance. The city requires affordability and sustainability conditions for loans to these LECs (interviews of Eden, 1994; Waxman, 1996; and Levy, 1996).

7. Associations of Housing Cooperatives and Secondary Cooperatives

Housing cooperatives have formed national, regional, and local associations which serve as mutual self help organizations and lobby for legislation favorable to housing cooperatives. For the purposes of this paper, an association of co-ops is defined a voluntary membership organization of co-ops, whose staff and conferences are supported by co-op membership fees and other charges. A secondary co-op is a co-op of co-ops, that is, member co-ops own and control a secondary co-op. A secondary co-op has some regulatory authority over its member co-ops.

The most important national organization of housing cooperatives is the National Association of Housing Cooperatives (NAHC). It was formed in 1950 under the leadership of people from FCHS, UHF, the Cooperative League of the USA, and others . In the 1960s, NAHC and FCH also helped form regional associations of housing co-ops in various parts of the country, the largest of which is the Midwest Association of Housing Cooperatives. Also in the 1960s, the Council of New York Cooperatives (market-rate co-ops), the Federation of New York Cooperatives (Section 213), and the Mitchell-Lama Council joined the NAHC.

On the one hand, the NAHC is a progressive organization. Its annual conference is attended by over 600 people, most of whom had low incomes when their co-ops were organized, They share experiences on running their co-ops, and attend technical assistance workshops. Also, the NAHC provides some assistance in the formation of new LECS.

On the other hand, the NAHC is a conservative organization. As is logical for a voluntary association of this type, much of its efforts are devoted to protecting the interests of its member co-ops, most of which are quite mature, since they were formed between the late 1950s and the early 1970s. Also, votes in the NAHC are apportioned in proportion to the number of co-op households in the various sub-organizations. Eighteen percent of the vote is the largest percent of the vote allowed per regional association. Nevertheless, in reality three regional organizations of mature co-ops, two of which are from New York City, vote each of their respective 18 percent shares as a block vote.

As of the 1990s more Third Sector co-ops have attended the NAHC annual conference. If even more of these co-ops choose to join the NAHC, this will encourage it to pay more attention to the new and less financially secure LECs, and thereby strengthen the presence of the cooperative movement within the Third Sector low-income housing movement.

The Institute for Community Economics (ICE), based in Springfield, Massachusetts is a nationwide network of local groups interested in alternative community economics. A major part of their focus is to remove land from the effect of increasing market value by placing the land into a land trust. Such a trust imposes a 99 year covenant on the land which restricts the use of the land to specific purposes. For urban land in low-income neighborhoods the ICE advocates using land trusts to create affordable housing, many of which are LECs. ICE provides technical assistance to grass-roots groups forming LECs in various parts of the country (ICE, 1995).

Finally, several independent state-wide LEC associations are quite active. Some examples are: the Association of Resident Controlled Housing (ARCH) for Massachusetts (especially the Boston area), the California Association of Housing Cooperatives, and the Connecticut Cooperative Council. The extension work coming form the Center for Cooperatives at the University of California at Davis also has been helpful to co-ops.

In contrast to the above discussed voluntary associations of co-ops is the Vermont Cooperative Housing Federation, a secondary co-operative of Vermont LECs, mainly from the Burlington area. The pragmatic experience of the Vermont LEC movement was the concrete basis for the formation of this secondary co-op. The Vermont LEC legislation passed in 1988, so members of these LECs are inexperienced both as co-op members and as property owners. Also, many of these LECs are very small (some have as few as three units). Consequently, city financed community organizers found that many of these co-ops needed frequent technical assistance after they were organized and construction was completed (Colburn, interview, 1992). In addition, private financial institutions were more willing to participate in financing LECs, if they were assured that some formal oversight of the individual LECs existed.

Given this experience, and dialogue with people in the Toronto, Canada co-op movement, a secondary co-op was formed. Member co-ops pay a fee which supports this organization. The Federation has the right to intervene in the

internal affairs of a member LEC, if that LEC is in financial crisis. The Federation also has a right to inspect individual LEC's financial records, and its physical plant to assure that adequate maintenance is being carried out. A strength of the federation is the stipulation that the majority of its board members must be resident-members of member co-ops. This requirement helps to avoid the rigidities and lack of information found with some of the state and local government bureaucracies that regulate LECs. In addition, the federation has been active in developing new co-ops.

8. Some Lessons for Future Policy

The history of affordable housing cooperatives in the United States points to at least two lessons for future policy.[17] First, a workable institutional structure for affordable cooperatives has resulted from the historical evolution of co-ops. Second, adequate sources of funding are necessary for a viable affordable cooperative movement.

8.1 Institutional Structures

The evolution of the institutional structure of affordable cooperatives have resulted in the following characteristics for the structure of an effective affordable co-op:

a) Housing charges that depend on annual housing costs so that residents can benefit from their individual and collective efforts to keep costs low. If too many residents are paying their co-op monthly housing charges as a percent of their household income, the co-op can become a de facto rental project.

b) Initial residency restrictions to those whose household income falls below some appropriate limit.

c) Ability for a member to remain as a resident even if household income increases over the initial limits so that residents' long-term commitment to their co-op is increased.

d) Membership by all residents so that they feel committed to the co-op's success.

e) Long-term availability of the building as affordable housing. This requires:
(i) Appropriate restrictions on the rate of increase in the value of membership shares so that the availability of these shares to low-income households joining the co-op after its early years is balanced with the economic incentives appropriate for existing co-op members;
(ii) Funds be available to finance the purchase of equity shares; (iii) Adequate financial reserves exist to assure the co-ops ability to absorb economic shocks; (iv) Not tying together too many buildings into the same legal co-op structure, so that one problem building threatens the financial viability of the whole co-op; and (v) Long term restrictions on use of the building as a LEC. Given the recent experience with deregulation of some federally assisted co-ops after 20 years, long term affordability is now being discussed in terms of 99 years.

f) The availability of outside long-term technical assistance and supervision to assure the viability of the co-op.

Besides the above list of recommended institutional characteristics for a specific co-op, the history of affordable co-ops shows that active regional and national organizations have been important to strong development of the housing cooperative movement. At the very least such organizations can provide technical assistance and training to local groups so that they do not have to keep on "reinventing the wheel." But, better yet, such organizations should have the staff that can actively promote and develop the co-ops themselves. The experience of the FCHS on a national level during the 1960s, and the current activities of the Vermont Housing Cooperative Federation on a regional level are excellent examples of such organizations.[18] Unfortunately, currently we do not have a national organization active in creating and supervising affordable housing cooperatives.

8.2 Availability of Funds and the Supply of Affordable Cooperatives

The availability of funds for affordable cooperatives has effected the rates of growth of co-ops. The pooling of funds by ethnic groups and the availability of financing from union pension funds were important elements in the growth of cooperatives in New York City in the 1920s and the 1950s. Unfortunately, in contemporary society, such socioeconomic institutions rarely exist, either because of the increased individualization of American society, or because today's unions are rarely involved in the direct sponsorship of social programs. As a result, as we have seen from the above history of co-ops, since the 1950s, affordable cooperative programs have had to rely on public subsidy programs as the major source of their funds. Each of the programs listed in Table 1 has had its own unique way of subsidizing affordable cooperatives. Subsidies been given as: (1) payment of development, organizing and planning costs; (2) capital grants; (3) below-market interest rates; and (4) direct and indirect contributions toward operating costs.

For the co-op movement to remain growing and viable source of affordable housing, funding is necessary both to support the organizational, developmental, and educational costs of starting up new co-ops, as well as to provide technical assistance and appropriate outside supervision to co-ops once they are developed. Some of these funds will be able to be

obtained by sponsoring organizations charging fees for their services. However, additional funds from outside sources also will be necessary.

While these costs for developing and staining affordable co-ops may appear as extra costs for co-ops as compared to the costs of supplying low-income rental units, these special investment costs for co-ops are consistent with the current discussion of providing an integrated network of social services to residents of affordable housing. This integrated service perspective goes beyond the traditional view that the provision of physical affordable housing units can be isolated from the total set of socio-economic problems confronting moderate and low-income families (HUD, 1995). Indeed, because cooperatives emphasize the self empowerment of the residents, co-ops should be a cost-effective way both to provide a portion of the integrated social services, and to reduce the operating cost of the physical units themselves (Sazama and Willcox, 1995)

As the United States Department of Housing and Urban Development experiences continuing threats not only to its size, but also to its very existence, a "Third Sector Housing" policy becomes even more important than it has been previously. Even though this sector has already been a contemporary stimulus to the development of LECs, some of the changes that would help it to finance LECs more easily are: a) adding the direct funding of LECs to the low-income housing tax credit provisions of the 1986 tax code; b) encouraging the National Cooperative Bank, and the National Association of Housing Cooperatives to continue working for a more active policy by Fannie Mae and Freddie Mac in purchasing in the secondary mortgage market private financial institutions' mortgages of affordable cooperatives; c) removing the contemporary cumbersome restrictions on the privatization of public and publicly assisted housing to cooperative ownership by allowing consumer sponsorship by a nonprofit co-op developer in addition to the present tenant sponsorship, as well as by providing funds for the conversion process and for resident education; d) continuing to use the Community Reinvestment Act to secure mortgage funds for LECs; and e) encouraging state and local governments to use tax and bond financing of cooperatives.

Housing cooperatives have more than demonstrated their social and economic viability. Since they are resident owned, they are consistent with the emphasis on private home ownership so strong in American society. Because of the federal publicly assisted cooperatives in the 1960s, and the Third Sector housing movement in the 1980s, affordable housing cooperatives exist throughout the country. As a result, the experience base necessary for an expansion of the affordable housing cooperative movement is in place. Adequate funding coupled with strong regional and national organizations are the crucial remaining elements for the future expansion of the lower- income housing cooperative movement.

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Table 1

Estimated Number of Affordable Housing Cooperative Dwelling Units in the United States, by Principal Type of Financing, 1995

		Number	Percent
(1) New York State and United Housing Foundation			
United Housing Foundation and NY Labor Unions	40,000		
NY State Mitchell-Lama Law,	60,000		
subtotal		**100,000**	**27**
(2) Federal Government Sponsored:			
Conversions			
World War II housing	35,000		
FHA Section 213, by FCHS [a]	5,000		
Conversions of Public Housing	18,000		
LIPRHA [b]	5,000		
Section 220(3)(f)	6,000		
subtotal		(69,000)	(18)
Other HUD Insured Programs			
FHA BMIR, Section 221 d(3)	36,000		
FHA Section 236	23,000		
Section 202 (Senior Citizen)	10,000		
Section 8 with market rate Sections	25,000		
Other	43,000		
subtotal		(137,000)	(36)
Other Federal			
Farmer's Home Administration	5,000		
With Community Development Block Grants	1,000		
subtotal		(6,000)	(2)
subtotal (All Federal)		**212,000**	**56**
(3) Nonprofit Sponsorship and States' Programs, Outside of New York: [c]		**40,000**	**11**
(4) City Building Conversion Programs:			
New York City	20,000		
Washington D.C.	4,000		
subtotal		**24,000**	**6**
Total [d]		**376,000**	**100**

Notes and Sources for Table 1

a. FCHS, the Foundation for Housing Cooperative Services

b. LIHPRA, the federal Low-Income Housing Preservation Act

c Many of these non profit and other state projects are assisted by FHA and HUD rent supplement programs, and via federal Community Development Block Grants.

d Several thousand of the total units, especially those financed by direct federal programs, have had an expiration of the restrictions on the sale of membership shares, and they have been converted to market rate co-ops or to private ownership.

Sources of Data: National Association of Housing Cooperatives (1991 and 1995) and Willcox (1995); and interviews with: Reicher (1996), and Levy (1996).

Table 2

Limited Equity Housing Cooperatives in California, 1991

Program Section	Years Constructed	Number of Co-ops	Units Number	Units % of Total	% of Program Units with Section 8
HUD Assisted					
221(d)(3) BMIR	1963-1971	9	930	19.5%	19.5%
221(d)(3) Market Rate	1971-1980	5	598	12.6	75.9
236	1969-1976	12	1,148	24.1	36.4
Section 8 New Construction	1978-1984	9	1,106	21.1	81.7
Section 8 Moderate Rehab	1981-1986	7	320	6.7	71.3
Total HUD Assisted		42	4,038	84.0	52.4%
Not-HUD Assisted					
Farmers HA	1979-1980	3	179	3.8	
CA State Loan Program	1980-1991	6	294	6.2	
National Co-op Bank	1981-1986	3	112	2.3	
Tax Credits	1991	2	138	2.9	
Private Financed	1982-1984	2	38	0.8	
Total Not HUD Assisted		16	737	16.0	n. a.
Total		59	4,879	100%	

n. a.: not available

Source of Data: The Agora Group (1992), appendices A and B.

Table 1 (Version #1)

The Number of Limited Equity Cooperative Units in the United States, by Type of Financing, 1994

(1) New York State and United Housing Foundation Programs		
United Housing Foundation and NY Labor Unions	35,000	
NY State Mitchell-Lama Law,	49,000	
subtotal		**84,000**
(2) Federal Government Sponsored:		
Direct		
FHA Section 213, sponsored by FCHS [a]	5,000	
FHA BMIR, Section 221 d(3)	36,000	
FHA Section 236	23,000	
Section 8 (Project Based)	?	
Section 202 (Senior Citizen)	1,000	
Farmer's Home Administration (Rural Self Help)	3,000	
Indirect		
Conversion of Public Housing (include the 213s?)	12,000	
Via Community Block Grants	7,000	
subtotal		**87,000**
(3) Nonprofit Sponsorship and States' Programs, Outside of New York[b] :		**40,000**
(4) Abandoned Building Conversion Programs:		
New York City	20,000	
Washington D.C.	7,000	
subtotal		**26,000**
Total[c]		**238,000**

a.FCHS, the Foundation for Housing Cooperative Services

b. Many of these non profit and other state projects are assisted by FHA and HUD rent supplement programs, and via federal community block grants.

c. Several thousand of the total units, especially those financed by direct federal programs, have had an expiration of their limits as an LEC and have been converted to market rate co-ops or private ownership.

Source of Data: National Association of Housing Cooperatives (1991) and Willcox (1995); and interviews with: Reicher (1996), and Levy (1996).

End Notes:

In addition to the 376,000 dwelling units in affordable housing cooperatives, there are roximately 625,000 dwelling units in market-rate cooperatives (NAHC, 1995). With a market- rate op the value of membership shares is proportionate to the market value of the co-op's property. ket-rate co-ops are primarily occupied by middle and upper-income families.

The Rochdale Principles are the principles of the first modern cooperative, which was founded in hdale England in 1844. The principles are: democratic control and shared profits, open membership, ding done on a cash basis, regular audits, and continuing education.

To this author a co-op with 15,000 units such a Co-op City no longer seems to be the product of ple centered development, but rather it is the product of a hierarchy out of contact with its ts. Furthermore, field practitioners believe that when a co-op exceeds 300 units it usually stops ctioning effectively as a co-op. This is because residents loose a sense of neighborhood and a se of responsibility for the functioning of the co-op (Sazama and Willcox, 1995).

Those opposed to deregulation argue that residents should not receive capital gains on government sidized projects. They also claim that after deregulation the buildings are no longer available as ordable housing. Those favoring deregulation argue that many of the residents of these co-ops have n residents for many years, and they have taken good care of their buildings. Therefore, they are tified in receiving economic benefits of their efforts. For further discussion of some of the ues involved around sustaining the long term affordability of a co-op see work by Sazama and lcox (1995) section 4.3.

For general histories of federal low income housing policies see work by Meehan (1979) and tokin (1991).

Much of the material in this section relies on information from Roger Willcox contained in a memo me on August 11, 1993, and from The Agora Group (1992).

Because of the initial project subsidies, inflation and the growth in market rents, co-op monthly rying charges are far lower than market rents for equivalent units.

For evaluations of the economic consequences of cooperative housing see articles by Miceli, et. (1994) and Sazama and Willcox (1995).

The proportion of Section 8 project based co-ops in California is higher than in the nation as a le.

Privatization of federal housing in the 1950s and the 1960s has already been discussed in section above.

For discussion of the sources of funding available to local nonprofits, the scope of and an luation of their activities see research by the Angora Group (1992), Rasey (1993), Walker, (1993), HUD (1995).

Recently, there has been an initiative to rename such housing as PARCC housing, that is privately ed housing that is "permanently affordable, resident or community controlled" (Institute for munity Economics, 1995).

For a discussion of the various institutional forms available to local groups for their provision affordable housing see chapter 3 of the Davis book (1994) and an article by Willcox (1994).

For a summary and critical evaluation of Low-Income Housing Tax Credits see an article by Michael
gman (1992).

For a further description of leasing co-ops see work by the Angora Group (1992), and Willcox
94).

The rough estimate of 300,000 units of affordable housing produced by local nonprofit
anizations is by the author on the basis of some annual data presented in Rasey (1993).

Canada has a very successful affordable housing cooperative movement which could provide valuable
ights for policy toward co-ops in the United States. Before the mid 1970s, the history of co-ops
Canada was fairly similar to that in the United States, However, starting in 1973 the Canadian
eral government supported a series loan programs for affordable co-ops. These programs resulted in
ut 57,000 units of co-op housing. These Canadian co-ops are mixed-income housing, and there are no
reases in the value of membership shares. For more information on Canadian co-ops see work by
per and Rodman (1992), and the Canadian Mortgage and Housing Corporation (1992).

For a discussion of the history of the Federation for Cooperative Housing and its relevance for
ay's cooperative movement see a report by Roger Willcox with Gerald Sazama (1995). For a
cussion of the Vermont housing cooperative movement see work by Davis (1993).