Advancing Equitable Economic Development In Milwaukee: Policy and Practice

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HOUSING COOPERATIVES: A Housing Strategy to Stabilize Neighborhoods, Mitigate Displacement and Foster Resident Engagement

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CURRENT HOUSING MARKET CONDITIONS

THE MILWAUKEE AREA NOW LEADS THE NATION IN DECLINING AFFORDABILITY FOR HOMEOWNERSHIP

(The First American Price Index, June 2017).
What is a Housing Cooperative (Co-Op)

Housing cooperatives are a form of home-ownership where individuals own shares or memberships in a cooperative corporation.

Individuals pay a monthly amount (carrying charge) that covers operating expenses. It is the cooperative corporation that owns the land, buildings and common areas.

The ownership of a share entitles one to occupy a unit within the cooperative.
Approximately how many households in the U.S. live in housing co-Ops?

A. 500,000
B. 1.5 Million
C. 900,000
D. None of the Above
Housing Co-Ops

Characteristics:
» A not-for-profit corporation
» Equal Opportunity
» Owned and Controlled by Members
» Democratically Operated

How does it work?
» Decisions made by a volunteer board and committees
» Managed by a property management company
» Operated as a corporation with members owning shares
» Each month the members of the co-op pay their share of that month’s operating expenses
Types of Housing Co-Ops

Market Rate Co-Op – A co-op in which the members own equity shares that reflect the market value of the property.

Limited-Equity Co-Op – A co-op which the acquisition and sale price are restricted to allow for more affordability.
Types of Housing Co-Ops

HOUSING COOPERATIVES REPRESENT ALL TYPES OF HOUSING STRUCTURES:

- SCATTERED-SITE SINGLE FAMILY HOMES
- TOWNHOMES
- MULTI-FAMILY HIGH-RISE APARTMENT BUILDINGS
- MULTI-FAMILY LOW-RISE APARTMENT BUILDINGS
- MOBILE HOMES
Types of Housing Co-Ops
Sample List of Chicagoland Co-Ops

» Chatham Park Village Cooperative, 554 units
» Genesis Cooperative, 22 units
» Gill Park Cooperative, 260 units
» Harper Square Housing Co-op, about 600 units
» Logan Square Cooperative, 8 units
» London Towne Homes, about 800 units
» Noble Square Cooperative, about 400 units
» Racine Courts, 121 units
» Sol House, 6 units
Benefits of Co-Ops

As an equitable housing development strategy:

» Typically requires modest investment (less than $5000)

» Lower monthly costs (carrying charges typically 15-20% lower than rental)

» Potentially lower property taxes since the Co-op is not resold upon transfer, real estate transaction or not recorded which often raises property tax valuation

» Property tax assessment may be at lower rate than rentals (Chicago 16% versus 33%)

» Same tax benefits as home ownership – you don’t get when renting
Benefits of Co-Ops

As an equitable housing development strategy:

» Protection from non-paying/non-participating members
» Self-enforcement of rules, policies and decisions
» Unit flexibility/multigenerational living
» “Neighborhood watch” effect
» Strong inter-resident networks which can provide a social support for members
» Resident driven screening and selection process
Challenges of Co-Ops

» Lack of understanding the cooperative structure
» Poor property management
» Potential for preferential treatment or favoritism
» Dealing with “unfit” board members
» Free-loaders – people who aren’t participating or doing their share
» Handling conflict
Member Rights & Responsibilities

RIGHTS

» To be involved in critical co-op decisions, such as amending the articles of incorporation and bylaws.
» To elect and, if necessary, remove directors.
» To examine annual reports.
» To receive services and use of all common facilities in a non-discriminatory manner.
» To be charged a proportionate share of all co-op expenses.
» To receive timely notices of all changes in board policies, house rules and other matters affecting the co-op.
» To receive advance notification of annual meetings or other special meetings.
» To dissolve, merge or consolidate the cooperative, or form a joint venture with others.
Member Rights & Responsibilities

RESPONSIBILITES

» To behave as an owner, not a tenant.
» To hold directors accountable and to require elected directors to operate the cooperative according to the articles of incorporation and bylaws.
» To provide necessary capital. Members are the owners of the cooperative; each member should provide his or her proportionate share of “risk” capital.
» To stay informed on issues affecting the co-op and stay involved by participating in committees and activities
» To pay financial charges in a timely manner.
» To comply with co-op rules and board policies.
» To attend membership meetings and participate in votes
» To treat all common areas with respect.
» To treat fellow residents as equal owners.
Policy(ies) to Advance Housing Co-Ops

Federal Level:
- Continuation of Federal Low Income Housing Tax Credits and Historic Tax Credits
- Continuation of HUD Section 213

State and Local Level:
- First Right of Refusal – Legislation that gives the building residents the first right to buy when a sale or change of use of a building is proposed.
- Extension of homebuyer benefits to housing Co-Ops, ex. Down-payment assistance, interest rate buy downs, gap assistance, etc.
Policy(ies) to Advance Housing Co-Ops

State and Local Level:

- Extension of homebuyer benefits to housing Co-Ops, ex. Down-payment assistance, interest rate buy downs, gap assistance, etc.
- Promotion of cooperative homeownership initiatives
- Targeting LIHTC allocation to multifamily housing cooperatives.
Policy(ies) to Advance Housing Co-Ops

State and Local Level:

- Maintaining a directory of housing co-Ops
- Utilizing Housing Choice Vouchers for cooperative homeownership.
RESOURCES

University of Wisconsin Center for Cooperatives - http://www.uwcc.wisc.edu/default.aspx

National Cooperative Bank - https://ncb.coop/

National Association of Housing Cooperatives - https://coophousing.org/

Midwest Association of Housing Cooperatives - https://www.mahc.coop/

FINANCINGS

NATIONAL COOPERATIVE BANK
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS
CONVENTIONAL MULTI-FAMILY LOANS (ex. HUD 221 (d))
LOW INCOME HOUSING TAX CREDITS (LIHTC)
FEDERAL HOME LOAN BANK AHP FUNDS
MEMBER SHARE FINANCING

MEMBERS EQUITY (CASH)

BANKS

NATIONAL COOPERATIVE BANK

FEDERAL HOME LOAN BANK SF
Thank You!

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