



NASCO
Development
Services



**Co-op
Development**

NASCO Cooperative Organizer's Handbook: Fourth Edition

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The Organizer's Handbook:

Bringing New Housing Cooperatives to Life

"It has been said that cooperativism is an economic movement that uses education; we can alter that definition, affirming that it is an educational movement that uses economic action."

— Jose Maria Arizmendiarieta, founder of the Mondragon Cooperative Corporation

Acknowledgments

First published by NASCO in 1991 in response to an overwhelming demand for information about creating new housing cooperatives, the Organizer's Handbook has been revised into a more accessible and comprehensive format. It is the product of years of work by many people. Writers for the First Edition include Renee Ordeneaux, Danny Krouk, and Mitch Hough; writers for the Second Edition include Brian Nagorsky, Eric Guetschoff, and Phil Ashton. Also, special thanks to James Canup and Ben Phillips for their editorial and advisory role; the writer for the third edition was Daniel Miller, with contributions from Jim Jones and Tom Pierson; and the writers for the Fourth edition were Brel Hutton-Okpalaeke and Hannah Tobin-Bloch.

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Introduction

If you've picked up this guide, you're probably interested in what steps you can take to make your housing co-op¹ dreams come true. If you're anything like those of us with NASCO, the idea of building a co-op from the ground up is as incredibly tantalizing as much as it is daunting. No worries! This guide was created with the intention of demystifying this process and answering as many of the questions you have as possible. The Organizer's Guide will walk you through a series of things to be thinking about, questions to ask yourself, resources to look through, and dos and don'ts to follow as you begin this process.

The Organizer's Handbook is designed to provide a comprehensive guide to creating housing cooperatives in local communities. It was created in response to the lack of accessible "how-to" information on housing development. By explaining the cooperative movement, campus organizing, non-profit incorporation, financing, and housing development, this resource demystifies a complex and challenging project. Edition Four is more comprehensive and up-to-date than ever, written with accessible language and an encouraging tone.

¹ Housing Cooperative: A corporation that, as a primary function, owns and manages real estate, where membership in the cooperative is granted by way of a housing share purchase in the cooperative. Each housing shareholder is granted the right to occupy one housing unit. Members, through their elected representatives, screen and select who may live in the co-op, and set the terms of membership.

Housing cooperatives are a means of providing affordable housing that incorporates participation into a non-profit structure. They are often used by student communities or activist communities attempting to fight rising housing costs or deteriorating neighborhoods. Co-ops have provided services on college campuses and in cities throughout North America since the 19th Century. Many cooperatives that were formed during the Great Depression still exist today. By lowering the cost of housing, and democratizing its ownership, cooperatives are an integral part of a grassroots strategy for making college more accessible, keeping central neighborhoods accessible to lower income community members, and providing experiential education on business or nonprofit management and community activism.

With this in mind, we want to first acknowledge that a few dozen pages is not nearly enough to be a comprehensive guide. While our goal is to make this handbook as accessible as possible, we recognize that getting a project off its feet, especially a co-op, can be an extremely messy process. This guide does not provide a foolproof method of organizing a co-op, since such a method realistically does not exist. We welcome any feedback you have on this handbook--whether or not you've used the Organizer's Handbook to successfully start your own co-op. On that note, we wish you well on your journey to build your own co-op and look forward to hearing all about it.

Much has changed since 2008 when this guide was last updated, and more still since its original edition in 1991. In this version, we've revised the Handbook's content to be more accessible to a broader range of people. We've

focused on using less jargon, being more upfront about what kind of time and energy commitment this process will take, and directing you to helpful resources along the way. Our hope is that you come away from this guide feeling more confident that you know how to bring a new co-op to life - or at least that you know where to look for those answers.

And lastly, we would love to lend our hand as you get started. NASCO Development Services and NASCO Properties are designed specifically to help projects such as yours get started and gain momentum. If you're confused about where to get started, need help brainstorming, or just need advice anywhere throughout this process, drop us a line!

Cooperative Ideology

A Collective Vision

The Rochdale Principles

A Collective Vision

Before diving into the details of how to organize a housing cooperative, we must discuss why we do it. We must understand the goals and values that define the housing cooperative movement. Why do we “seek to achieve a socially and financially responsible North American cooperative economic sector for all people and organizations interested in applying the principles and

practices of cooperation?"² As an organizer, you must have an answer to this. Your community members, other co-op organizers, and future supporters will thank you.

Many people today associate co-ops with the intentional communities³ and communes⁴ of the 60s and 70s. However, the origins of cooperatives lie much farther back than the 60s, and cooperatives today differ from those of the past. Communes seek to serve the needs and values of a specific community. Co-ops are formal legal organizations that adhere to specific principles of cooperation. They seek to apply to communities in general. Contemporary organizers of cooperative housing get their inspiration from a variety of concerns. They see cooperatives as a powerful way to address them.

Low-income people, young families, and students have little control over their lives as tenants in the housing market. Co-ops bring control and housing stability back. They return decision-making and ownership to the collective hands of the residents. This ensures that the co-op will continue to serve the needs of its members. It also ensures livable housing conditions and fair treatment as long as the co-op exists.

² The NASCO Family Vision statement: <https://www.nasco.coop/mvp>

³ Intentional Community: A residential community designed to foster social cohesion and teamwork.

⁴ Commune: A group of people living together and sharing possessions and responsibilities.

Coops make housing more affordable by taking the profit motive out of housing. This gives students easier access to higher education. Co-ops keep housing in gentrifying areas affordable. They stabilize low-income communities. They make life-skills, education and civic engagement available to those without access. Community cooperatives⁵ create strong ties to neighborhood associations and revitalization programs. They support an ever-widening range of demographics in their area. Student cooperatives⁶ offer a crucial bridge between higher education and “real world” experience. Co-op learning experiences often come through training, workshops, and conferences. They also come through the day-to-day management of the co-op. Bookkeeping, maintenance, and community outreach are all skills that co-op members can learn. Managing housing collectively builds communities that focus on the needs of members. Often, the cooperatives serve as community gathering spaces that enrich the community. Co-ops foster self-determination and offer most of the tools and support needed to improve communities. These are things that apartments could never do. They should be a part of every city’s affordable housing plan.

Social movements⁷ reach beyond the bounds of any one formal organization. Cooperatives are movement organizations seeking to democratize the economy. Members define cooperatives, so co-ops tend to address

⁵ Community Cooperative: A cooperative that is open to all community members, i.e. not limited to students

⁶ Student Cooperative: A cooperative that is designed for college students to live in.

⁷ Social Movement: a process of building collective strength to bring forth social change.

issues that are important to their membership. The housing co-op movement is in solidarity with many other movements. These include movements for racial justice, labor rights, environmental justice, indigenous rights, “rights to the city,” building a solidarity economy, queer liberation, and feminism, among others. Co-ops empower people to raise their voices and push society toward collective liberation from the bottom-up. This is a fundamental part of any healthy democracy. Co-ops create spaces for discussion about social identity, equity difference, and equality. Many new cooperatives advocate sustainable living by using alternative building methods. Others by being open to public viewing in a way that single-households rarely are. Many co-ops are started by people already involved in a movement. Others arise independently to further the interests of their members. Those usually realize that their mission can be better fulfilled by working with other cooperatives. In any case, the larger task of democratizing the economy is such a massive task that no one co-op can do it alone. It can only be achieved by working and growing as a movement until the task is done.

The main obstacle to using cooperatives as a tool for improving communities is education. Most lenders have little experience with cooperatives. Thus, Co-ops often get labeled “high risk” investments even when they can prove that they are financially solid. This bottleneck has limited the development of new cooperatives via conventional financing. Cooperatives respond to this by using the resources of the existing cooperative network.⁸ NASCO and

⁸ Cooperative Network: An association of co-ops, owners, universities, governments, credit unions, and other community-based lenders linked by a common interest in growing the co-op movement.

other housing co-op organizers work to educate lenders on the co-op model. We advocate for student and community group-equity housing cooperatives. There are many examples of successful projects and partnerships. Many of the lenders, officials, and community members in your area may be unaware of how cooperatives work. They may be unaware of how they can provide all that they do and still prove to be sound financial investments. Together, we seek to change that.

We at NASCO are aware that we cannot realize our vision alone. We alone cannot produce affordable co-op housing in every community on the continent. Now more than ever, we must be ready to reach out to other cooperative sectors. We must reach out to those seeking to revitalize community, democracy, and education. We must partner with universities, governments, and community organizations. These partnerships can provide the resources we need to construct new cooperative housing. Housing co-ops must be part of a strategy for educational access and community development. This is key to a brighter future.

The Rochdale Principles

Cooperation, economic and otherwise, is something that comes naturally to people. Human economic cooperation is perhaps older than that of competition. Cooperation is tied into our definition of what builds society. The modern co-op movement is generally attributed to a group of 28 textile workers in England. They organized the Rochdale Society of

Equitable Pioneers⁹ in 1844. During the previous year, they were fired and blacklisted after an unsuccessful weaver's strike. So, they pooled their resources and started a small dry goods store to escape poverty.

The Rochdale Pioneers weren't the first co-op. But, they codified their features and rules into the Rochdale Principles of 1844¹⁰. These principles strengthened the organization and formed the basis of a growth-oriented movement. The International Cooperative Alliance revised these principles in 1995. The new Statement on Cooperative Identity, is the basis of any cooperative.

These principles make several distinctions about cooperation:

First Principle: Voluntary & Open Membership

Cooperatives are voluntary organizations. They are open to anyone willing to take on the responsibilities of membership. A co-op should not bar any potential member from participating based on discriminatory grounds. These include physical ability, race, gender, sexual orientation, religious affiliation, etc.

⁹ Rochdale Society of Equitable Pioneers: The originators of the modern cooperative movement who banded together to create a small cooperative grocery.

¹⁰Rochdale Principles: A set of seven principles that collectively contribute to the ideology behind cooperatives

Second Principle: Democratic Member Control

Cooperatives are member-owned and controlled businesses where all members have an equal say. One member = one vote. Co-ops stand in contrast to proprietary ownership, where a single owner holds authority. They stand in contrast to "traditional" shareholder ownership too. In that model, corporate control comes from the size of one's investment. Instead, co-ops elect representatives who are accountable to their membership. When all members cannot be present, these representatives afford a voice to all.

Third Principle: Member Economic Participation

One of the most well-known components of cooperatives is that they are owned by their members. Cooperatives serve their members, and not the interests of those investing capital. Co-ops establish limits on the return of investment and on shareholdings. They allow profit-seeking investments, but not at the expense of the members. Co-ops encourage local control and investments by the people who use the business.

Fourth Principle: Autonomy & Independence

Any agreements that a cooperative enters into will serve the interests of the co-op. Any capital raised by the co-op should serve democratic control of the co-op and preserve its autonomy.

Fifth Principle: Education, Training & Information

Cooperatives help the members actively govern their organization through education. This gives members the tools to take meaningful control of the co-op. Simply giving someone a vote on paper is not the same as giving them the trust and control of the cooperative. Through education and transparency, the co-op can make each member's vote better-informed and more empowering.

Sixth Principle: Cooperation Among Cooperatives

Cooperatives work to help other cooperatives to better serve their members. This occurs by buying goods from other cooperatives and assisting developing co-ops. This keeps the resources of cooperatives inside the broader cooperative community. Similarly, individual coops keep the business they generate inside of their local communities.

Seventh Principle: Concern for Community

Cooperatives do not exist just for the benefit of the members. They exist to serve, strengthen, and sustain local communities. Cooperatives are powerful hubs for culture, mutual aid, education, and organizing within communities.

How to Start a Co-op in Five Easy Steps

There are many paths toward establishing a new community and controlling your housing through cooperation, but these are the key steps you will need to get started. For more assistance with your particular project, we encourage you to contact us via the ["Start a Co-op" Form](#)¹¹ on the NASCO website. Starting a new housing co-op for you and your community usually takes 1 to 3 years. It takes a lot of coordination, dedication, and a medium amount of pure luck. You won't get rich (and probably won't get paid at all) starting a co-op, but you will get the home you need and establish a community that will live on for decades to come. It's not easy, but there is a lot of support out there and NASCO is here to help!

Step 1: Create a Shared Vision

A housing co-op exists to meet the shared needs of its members together when they could not do so separately. The first step is to identify what needs you and your community have that are not being well met by the currently available housing. Do you need cheaper rent? More flexible terms? Control of your space? Write down your vision for a housing arrangement that meets the needs of your community. Be bold and honest. The sky's the limit, but the ground is where you build from. Share your vision and find the people that want to be a part of it. Recruitment is not

¹¹NASCO "Start a Co-op" Intake Form:

<https://www.nasco.coop/start-a-coop?reason=1>

just about finding people who like your idea, but people who are willing and able to participate in an egalitarian team and to do the work of creating a new organization. This section will walk you through how to come up with a plan and then revisit and refine it as you grow your vision.

Step 2: Develop Tangible Plans

Once you've got the band together, it's time to start making tangible plans. Your plans will necessarily change and evolve over time. You won't have all the answers. Start writing down plans to make a framework for figuring out what is possible. Who can you lean on when you need help? Make a list of what technical assistance providers you know and how they can aid you in the development process. What do you want your property to look like? How big, how many units, what amenities, what location? Sketch it out. When will you move-in? How long do people have to work on this before they might move on to other projects or locations? How long can people stay in their current housing? How long will real estate opportunities last? How much will it cost to buy/build/lease a property? How much money and work will members need to contribute upfront and per month? How will we pay for regular and expected expenses? NASCO provides an excellent [Budget Template](#)¹² online!

¹² NASCO's Budget Template along with some helpful videos on how to use it can be found at:
<https://www.nasco.coop/resources/creating-housing-cooperative-development-budget-1-4-use-funds>

Step 3: Create and Fund a Legal Entity

A legal entity (such as a non-profit corporation, cooperative corporation, or LLC) gives you a legal and financial tool to share an asset among many people. It makes the rights and responsibilities of individual members explicit and legally enforceable. And it can protect the members from adversarial entities or individuals who may try to sue, displace, or take-over the co-op. Forming your legal entity allows you to open bank accounts, receive bills, purchase property and take out loans in the name of the co-op. A corporation is formed by filing a form with a state. It is often as simple as filling out a form on a website, but you should consult an attorney familiar with co-op law in your state before submitting any documents. Pro Tip: Look for a legal clinic at local law schools to see if they provide free services for groups starting new co-ops or non-profits.

Step 4: Acquire a Property

There are several options for acquiring a property. Your co-op can master lease a residential property, purchase an existing property, or build/renovate a building to suit your needs. Many co-ops start off by leasing their first property then purchase a building later. There are a variety of specialists you will probably need to hire (or ask to donate services pro bono!) in order to navigate the legal and financial process of purchasing or renovating a building, and we'll go through them here.

Step 5: Begin Operating the New Co-op

Once you've started a housing co-op, the journey is not over yet! There is still work to be done to ensure that your co-op runs smoothly. Recruiting other cooperators, deciding house policy, electing housing officers, and assigning chores are just some of the many tasks to work on once you've built your co-op. This chapter will walk you through this usually 1-to-2-year process and help you ensure your co-op is ready to thrive.

Step 1: Creating a Shared Vision

Forming a Core Organizing Group

Creating a Vision

Educating the group

Working Together

The first section of the Handbook addresses a host of fascinating issues that will get the project on its feet and moving forward. Recruiting new members, educating the public, and building a strong core group are essential to a healthy project.

Forming an Organizing Group

If you have a dream of starting a housing co-op, reach out to everyone you can think of. After initial outreach, define a core organizing group¹³ as separate from the supporting group.¹⁴ Supporters are people that are friendly but cannot dedicate themselves to the project. A core organizing group actually does the organizing work. The core must be dedicated and tightly networked. It will have to “bottom-line” major goals and deadlines.

¹³ Organizing Group: The initial group of organizers brought together to build a co-op from the ground up and entrusted with the success or failure of the project.

¹⁴ Supporters Group: a group of people who lend assistance in whatever way they can: moral, financial, physical, etc. They are not responsible for the project and can be thought of as community members or volunteers.

An organizing group could be a couple folks who came up with a great idea. Another could be a group of friends who decide to embark on a project together. Groups can come from the membership of existing co-ops. They can come from student or community groups. However they join, a core group of people dedicated to making the project a success is essential.

The group should be large enough to be able to accomplish the various sets of goals that will come up. It should be small enough for everyone to know what everyone else is working on, and how far along they are.

Do not expand the size of the core group just for the sake of expansion or general enthusiasm. While large groups provide extra labor, groups that are too large are difficult to manage. The balance between being nimble enough to make quick decisions but large enough to complete needed tasks depends on the group. All members of the core group must be willing to commit significant time and energy to creating the cooperative.

If you feel more members are needed, consider the following questions when recruiting. A good core group member should have positive answers for all of these:

- What sort of experience does the potential member have? Experience in cooperatives, housing, business, governance, community activism, and maintenance are all helpful.

- What other qualities or skills does the potential member bring to the project?
- How would this member joining the core group increase the chances of success?
- Is the potential member able to work on a team well?
- Have they shown a commitment to the project?
- Are they reliable?
- Does the core group need more participants to achieve its development goals?

Far down the line, the co-op may need more people to move into a house. It may prove useful to keep a database or a list of names, phone numbers, email, and addresses, of all those who have expressed support. This will make staying in contact and new member recruitment easier.

Creating a Vision

An important starting point for organizing groups is a discussion of what led them to work towards a cooperative in the first place. Many cooperatives are conceived as responses to pressing social and economic issues. Others are started to fulfill more personal needs, or to provide lifestyle alternatives. An important part of the development process is understanding these issues. Determine how your cooperative can respond to them. This prepares the organizing group to persuade the many people you'll have to talk to that your co-op deserves support.

Part of the process of creating a vision is defining the organization's goals and purposes. Early on, many groups do not see the need to have this conversation. The members of most organizing groups share common

assumptions that led them to start a co-op. However, this should be one of the first discussions that a group has. The work of creating a vision does not end after the first discussion. Cooperatives' fundamental nature is one of extensive and continued deliberations. Cooperatives that have existed since the Great Depression still periodically review their missions.

Here are some questions to think through as you begin your visioning process:¹⁵

- What are you trying to achieve?
- Why is this important to you? Why do you need this?
- What is at stake for you if the project is not successful?
- What are you willing to forgo or sacrifice to achieve your goal?

Housing cooperatives without careful visioning can reproduce systems of oppression found in society. A way to prevent this is to establish your intentions early. Race, culture, class, religion, spirituality, gender, sexual orientation, and ability matter. Committing early to support marginalized groups gives you a solid foundation.

Below is a list of discussion topics that may prove useful in guiding a visioning discussion for a student or community co-op.

¹⁵ Visioning Process: The process of thinking through your goals as you begin a new project and considering any limitations on those goals.

- What is going on in the community now that makes a cooperative seem desirable? In the 1930s, economic woes and racism led students to create co-ops as housing alternatives to the oppressive policies of dorms. The student cooperatives of the 1960s were born of the idealism and activism of the period. The housing cooperatives of today emerge from a combination of factors and interests. They seek social, economic, and environmental justice, accessibility, community, civic engagement, and democracy.
- What are some of the issues that are alive in your community or on your campus? Is there a housing crisis? Are people displeased enough with local or university housing to consider alternatives? Consider issues in the community and imagine how a cooperative could address them.
- What is your co-op's mission? What is the target group that this mission will serve? How will a cooperative benefit this group? Most communities are composed of many social groupings and circles. Will your cooperative target a specific population in its focus, advertisements, and outreach? Be aware of how the co-op environment you create affects who wants to live at the co-op. Avoid limiting your impact in the community by being needlessly exclusive.
- Where will the cooperative be located? Neighboring most universities, you can find rundown

neighborhoods populated by students. Dilapidated housing, absentee landlords, and community neglect demarcate these areas. They are generally seen as urban blight by non-students. This is usually not the fault of the residents. The owners of those properties profit from the rents of students. They have little incentive to keep the properties in decent shape. Increasingly, property speculators buy property in poor neighborhoods and rent it to students at higher rates, gentrifying whole areas.

- Will the cooperative occupy housing in a student neighborhood? How will the co-op address the problems of other low-income people in the community? Student organizing groups must be aware of how they affect the people outside of the student community.
- Will the food system be organized on a collective or individual basis? Or both? To what degree will the members be involved in governance and operations? How will the governance and management of the organization work? Who will clean the toilets? If possible, organizing groups should visit other student cooperatives and discuss their operations. Internships at existing cooperatives provide an excellent opportunity to experience first-hand co-op operations.
- How do the members envision the cooperative's operations? Co-op operations usually evolve out of a process of trial and error. It is important for

organizers to take the time to envision the initial policies and practices. Some best practices are discussed in this handbook's section on operating a new co-op.

Educating the Group

A commitment to education is necessary even for experienced cooperators. It breathes life into the cooperative structure and empowers members to take control of the organization. There are three important areas of education in creating a new housing cooperative. These are cooperatives in general, property management, and the specifics of housing co-ops.

Education About Cooperatives

Opportunities for education about cooperatives are a lot more plentiful than you might think. In many cities in North America there are cooperatives and experienced co-op activists. The members of your organizing group may have a shared vision of what their co-op will do for them, and what their co-op "should be." There are, however, many different types of co-op. Each of them has developed interesting democratic techniques for solving problems. They all provide opportunities to learn from their examples. If you are able, try to set up visits to other co-ops with your organizing group. Visiting other co-ops gives a window into how similar co-ops operate, and can open your eyes to ideas you weren't even considering.

Maybe a local food cooperative has an education program. An agricultural cooperative manager could come lead a discussion about the cooperative principles. You may also

find co-housing, utility co-ops, worker co-ops, or other types of collective or co-op in your area. Any of these that are willing to speak to your group about their experiences will help inform your decision-making process. Think creatively, and, once again, look for allies.

Education About Property Management

Property Management is another challenge altogether. Development, rehabilitation, maintenance, financing, and the real estate market seem to most like they are from another world. Most community activists know very little about property management. Thankfully, most communities have plenty of resources available to organizing groups. Many of these topics are accessible to novices and experts alike through free workshops.

Proactive steps should be taken to empower your group in this area. There may be real estate courses offered at the local community college. There are often free workshops for first-time homebuyers put on by the city. To learn more about zoning and housing regulations, you can speak to a realtor to get an overview. You can also meet with the staff at the city planning department. Ask them questions about how your co-op would need to go about finding the right kind of property.

In most cases, the buildings your group looks at will need some amount of work. Your members will almost certainly need to either do this work or at least supervise and coordinate it. To do this responsibly requires knowledge of how the systems in the building work, and how to change or improve them. Many hardware stores host free workshops

on building topics as a way of attracting customers. You can visit these to become more aware of the sorts of issues attached to the work you will want to do. There are also many online resources to help you understand many types of construction and renovation.

Education about Housing Cooperatives

You're in luck! That's what the rest of this handbook is all about! It's also the mission of NASCO to educate members of the public about housing co-ops. They are an excellent first step toward reaching the wider housing cooperative movement.

Discussion is usually the best means for empowering organizing groups. An effective educational format is to make copies of one chapter of this Handbook, distribute them to everyone in the group, read it, and discuss. This process does not lead to mastery but gets groups thinking and acting. Often, a group member already knows about housing, finances, legal structures, or some other part of organizing. They should share their knowledge with the group through workshops or discussion. If no one in the group is knowledgeable, find someone else that will facilitate this.

There may be co-op alumni in the group, who can provide valuable information. However, do not rely upon them as the only source of knowledge. The annual NASCO Institute and other regional conferences are opportunities to meet cooperators, trade strategies, and inspire. Similarly to visiting other cooperatives in general, visiting other housing

co-ops can open your eyes to many models of housing co-op. On top of this, they are fun opportunities for members to learn and bond. Most co-ops, in the spirit of the movement, are quite willing to host guests overnight. Out of respect, though, plans should be made in advance.

Working Together

Pay special attention to creating healthy group dynamics. A healthy organizing group balances its two major responsibilities: task and process. Task is the group's responsibility to the project: it must assign jobs and ensure that they happen on time. Process is the group's responsibility to itself: it must support its members fairly and seek to work together well. The many tasks your organizing group will take on make up the majority of this handbook. Before that, we must focus on process.

Establish a clear process of communication, evaluation, and decision-making. Clarity is essential to organizing and regular meetings create a good basis for this. At this point, you probably will not have committed to a legal structure. Take this opportunity and flexibility to try a few different decision-making methods. These methods should strive to dismantle social oppression within the group and beyond. Regularly review strategies for the near future, purpose and vision of the co-op, and progress of each member. Keeping updated about these things prevents confusion and keeps members on task. Take a few minutes out of each planning session to let people talk about how they feel. Check in on how things are working, and if people's time and abilities are being respected. Starting a co-op is an exciting process, but without checking in, group members can start to feel

disrespected or burned-out. Find out where people feel like they are gaining, rather than losing energy from the project. Use this to encourage and support the group.

Recognize the identity differences within your organizing group. Race, culture, class, religion, gender, sexual orientation, and ability all impact your work. Work together to create an anti-oppressive space in the co-op. Without careful watch, systemic oppression can seep in and create fissures within an organizing group. There are many ways a co-op can educate itself on systems of oppression. Members can lead workshops for the group or find outside trainers. There is usually a wealth of resources near universities and student organizations to get started. Anti-oppression education improves group dynamics dramatically if applied. Beyond this, it provides a framework for building diverse membership and a stronger community.

Make time to get to know other organizing group members on a personal basis. It is much easier to work with people if meetings aren't the only way you know them. You don't have to be best friends, but building personal relationships helps you to see your fellow organizers as the complex humans they are. Educational trips combine cooperative learning with building a strong sense of community. In the end, participation in a housing cooperative involves more than just meetings. It is living, playing, making decisions, doing chores, and managing an organization together.

A misconception about co-ops is that everyone involved gets along. To some, that's what being a "cooperative" means. In reality, there will be periods of intense

disagreement. Disagreement is not bad. In fact, it is fundamental to good decision making! Handling disagreements openly and honestly helps your group define itself. Groupthink can be damaging to an organizing group. If some group members feel they cannot say what's on their mind, you may overlook serious issues. Thus, decision-making and the work quality will suffer. When more serious problems than disagreements arise, the group should address them swiftly. Seek restorative solutions that meet everyone's concerns.

This section is short, but vital. As you move into the many tasks that you will have to do, keep reviewing whether you're working well together. Ask yourself, "are we considering our group's needs?" "Are we fairly dividing tasks?" "Are we communicating well enough?" If not, reevaluate your actions. Committing to balancing task and process throughout the project will lead to a stronger community and better results. The ability to work together takes time, practice and effort. With good process, your group may be able to start another co-op when you finish this one!

Step 2: Develop Tangible Plans

Community Organizing

Technical Assistance

Community Organizing

After building an organizing group, seek to build community interest in cooperative housing. Effective outreach consists of building a positive presence in the community first. That presence helps immensely when asking for support. Support from the larger community gives a project a broader resource base. This makes the project much more dynamic. Community support becomes even more valuable when the co-op tries to acquire property. Bringing community members into the process as stakeholders adds a helpful perspective. This also creates a real sense of civic engagement for your members. Are there other people in the community who are interested, or potentially interested in cooperatives? Any effort you put into organizing or outreach should be based on the needs that your co-op is meant to fill. A student- or campus-based co-op will use different tactics than a co-op for single parents. Affordable community housing, or commercial/residential mixed-use¹⁶ co-ops will use different tactics still.

¹⁶ Commercial/Residential Mixed Use: Commercial use - land/units zoned for commercial purposes with the intention of profit; Residential use - land/units zoned for housing purposes; Mixed Use - land/unit

Promotion

Leafleting and postering are traditional means for community organizers to get the word out. They are still very effective for student co-op organizers. Creating a social media presence is essential at this point as well. Remember to reach out on multiple platforms - you can't find everyone on Facebook. Craigslist and other apartment listings are other great ways to advertise spaces in your co-op once you get rolling. They are also great to find people who are interested in forms of support needed by the co-op. Other online tools can include social network groups with meetings and events.

Online organizing inserts a social and class bias into which parts of the community get to hear about the project. Organizers should make sure to use several channels of communication to get the word out. Try creating eye-catching flyers and posters to place in areas where people congregate. Target places that serve the communities that will be interested in your co-op. For student groups, plaster campus kiosks with flyers. Talk up your alternative housing to folks in the local dorms and at student life events. Creating such materials can be a catalyst for clarifying vision and purpose.

In any organizing situation, try to test the level of interest in your project. You can certainly get enough people to work as your core group, but will you need to plan on a core of four people who will raise awareness in the public later? Or do you have 20 people chomping at the bit to file papers with the secretary of state next week? Host a dinner or a

forum on the topic and see what the intensity and amount of interest look like. It may take a few tries before you find the right venue, and the right way to communicate this, so don't get discouraged if you "throw a party and nobody comes."

Social events

Social events help publicize the organization widely. They also allow you to identify those who can help the project and how. Some attendees could be valuable to your organizing group. Others may want to move into your cooperative. Others still might help spread the word, even if they don't become active participants. Consider anyone to be a potential ally.

Have a sign-in sheet at all social events. Use it to create a contact list. Try to record what brought people there as well. Most people have some level of "email list burnout". Be careful to give them an idea of how communication will be going around. Give them the option to unsubscribe, or to only get very relevant updates. It is useful to find out how many more years each person expects to be in the area. Find out if they have any skills relating to cooperatives, business, or housing. Involving community members by hosting social events is fun and powerful outreach work. It is an opportunity to dream and to motivate.

Use social events to distinguish the supporters from the organizing group. Look for leaders. You will need them to attend and work between business meetings. You will need them to commit to bringing the cooperative to life. This is

not to say that anyone should be discouraged, but it is important for movers and shakers to step forward.

Educational Events

Hosting educational events is a great way to do initial outreach. Try to combine these with your efforts to recruit organizers and build support for co-ops. Consider coinciding with major local dates or dates in the cooperative movement. (October is Co-op Month.) You can campaign to educate the community about co-ops and local housing issues. Conferences, workshops, and other one-day events can focus on how co-ops respond to local housing needs. Past organizing groups have hosted speakers. Some set up public information booths. Others have held debates during elections to talk about local housing issues. These events introduce the concept of cooperative housing and publicize your group's activities. They can motivate people to help support your project and even seek to be future co-op members. If successful, the campaign could segue into a local ballot initiative!

A smaller scale educational event could be a workshop for a more focused group. Skill-shares can focus on basics in maintenance and renovation. They can help potential members understand local housing and zoning laws. You could hold an info session about some of the terms used in real estate. You can usually find knowledgeable folks in your area to speak on these issues. If not, members of the group can break up this research and come back together to share

what they have learned. This is the each-one-teach-one¹⁷ method, a powerful teaching tool.

Fundraising

In the initial stages, organizing a cooperative doesn't take much money. However, calls, gas, and printing start to add-up. It is often not realistic to expect individual members to pay all these bills. To cover these, you'll have to start fundraising. Fundraising can also help reduce the cost of co-op education conferences and get more members of your group to get helpful trainings. Your campaign should take into account your group's needs and abilities.

Film nights, bake sales, bottle drives and pledge campaigns can help raise funds for the group. Educational and community events can serve as outreach as well as fundraisers. Getting other local co-ops to donate money is a tried-and-true strategy. Research foundations, alumni associations from existing co-ops, universities, and city government programs. Chances are, your project fits someone's funding profile.

Successful fundraisers combine traditional techniques with creativity and innovation. In a university community, you could campaign to raise student fees \$1 per semester to build an affordable housing development fund. In a non-student community, similar suggestions could be made

¹⁷ Each-one-teach-one: A teaching method rooted in a slavery-era African American Proverb. Enslaved people were often barred from learning to read or write. Those that did made it their duty to teach others. This led to the spread of literacy among the enslaved population.

to local affordable housing advocacy groups or municipal funds for housing. There you could seek to create a pool of city money for cooperative or affordable housing. The fund would start out small, but could support the organizers during startup. (The co-op would have to live in rented property to start.) After a few years, though, it could yield a down payment large enough to buy a building. These funds sometimes already exist, so be on the lookout for them.

Student Government

The student government is an excellent resource for campus organizers trying to widen their outreach. Student governments can offer organizational advice, help, and encouragement. Often, they have literature designed to help student groups organize. They will be able to provide information about the benefits of becoming a Registered Student Organization, or RSO. RSOs often get university funding, printing access, meeting space, office space, development help, advertising, and more. Registering also shows the university that a group is committed to being a part of the campus community.

Furthermore, the student government may become another supporter of the effort. Even if it is in name only, having their backing can encourage others who might have been on the fence to support you. Some student governments are active in the area of housing and tenants' rights. They may have housing committees or programs that can prove useful.

Student Organizations

Are there groups on your campus interested in educational accessibility?¹⁸ Keeping student housing affordable is not always part of a university's accessibility strategy. However, it is not uncommon to find groups that recognize that affordable student housing helps keep students out of debt.

Social justice and students' rights groups may also prove to be helpful allies. The empowering and egalitarian values of co-ops often align with the goals of social justice groups. They may be willing to lend organizing support or help fundraise for housing co-ops. Does the university have a local student [Public Interest Research Group](#)¹⁹ (PIRG)?

Environmental groups will also often show support for cooperatives. Cooperatives are much less resource intensive than other forms of housing. Additionally, many co-ops include sustainability programs. Is there an environmental center?

Organizers who reach out to other groups often encounter a lack of knowledge about cooperatives. Sometimes groups don't believe that students can run their own housing organizations. NASCO can help overcome this by providing

¹⁸ Educational Accessibility: The ability of people to receive an education from an institution. This ability is often affected by race, economic status, gender, etc.

¹⁹ Public Interest Research Group: PIRGs are federations of nonprofit organizations that aim to bring about liberal political change.

literature about student co-ops for outreach. This literature adds validity to the concept and helps build support.

How to Find and Get Technical Assistance

There are many resources available for new organizers both local and statewide. These resources can help tackle the technical aspects of cooperative development. Founders of co-ops usually learn most of what they need to know during the organizing process. However, you can save time and frustration by knowing allies and seeking assistance. Talking to people who regularly work with the topics you need to master will be the best way for you to learn them. Real estate, tenant law, zoning, and other professionals can help build context for your co-op's project.

Technical assistance providers²⁰ are powerful tools which can benefit organizing groups. They offer legal and development aid, business advice, and other assistance connections. Some may offer meeting space, office space, printing, and other resources.

Technical assistance providers exist for public benefit, but they cannot work with everyone. To get their help, you must first convince them that your group is active, serious, and organized. Second, you must convince them that the project will benefit from their help. Third, you must convince them that it has a chance to succeed.

There is no comprehensive master list of co-op technical

²⁰ Technical assistance provider: A person or organization that can provide targeted support to an organization with a development need in a particular arena.

assistance providers. NASCO has a limited database of cooperatives and technical assistance organizations. Many universities and colleges keep records of local non-profits. You can check sites like www.idealists.org or www.craigslist.org. There are some categories of provider types that can help you narrow your search. Local housing organizations, co-ops, government agencies, universities, and neighborhood associations provide opportunities for assistance. Delegate researching technical assistance providers to a few people in the organizing group.

Ask each organization you contact if they can provide leads to other resources. After compiling a list of potential allies, try a few different kinds of outreach. Practice your "elevator pitch". In a minute or so, you should be able to explain your main goal, how you plan to get there, and why a provider can help get there.

Resourcefulness and persistence are key to finding assistance. Many technical assistants you find won't be familiar with housing co-ops. Furthermore, not everyone is as excited about co-ops as you may be! Young organizers often encounter prejudice based on their age or lack of experience and resources. Don't be discouraged! Co-ops are great and there should be more of them!

Build an Advisory Committee

A means of formalizing support from professionals and community members is an Advisory Committee. An Advisory Committee should not make decisions for the co-op. It should merely advise members of best practices. This way it will not affect the member-led nature of the cooperative. Advisory Committee members should understand the benefits of co-ops and have time and skills

to contribute. Advisors should support the group's mission, purpose, and methods, and they should be willing to provide advice and technical skills for the cooperative.

An effective Advisory Committee might include any of the following resource people:

- Fundraiser: to gather financial support from the community.
- Community leader: to help build a base of support.
- Lawyer: to serve as a legal advisor.
- Architect: to do some drawings for changes to potential buildings to purchase.
- Loan officer: to provide assistance in getting loans.
- University staff (if applicable): to serve as a link and offer services.
- Co-op staff person: to serve as a point of reference for committee members and provide advice and encouragement to the organizers.

NASCO Development Services

[NASCO Development Services](https://www.nasco.coop/development)²¹ is a technical assistance provider that specializes in housing co-ops. They are a great first stop for organizing groups who are just starting out. NASCO Development Services provides free initial

²¹ NASCO Development Services can be contacted for initial consulting at <https://www.nasco.coop/development>

consulting! This is invaluable to new organizers. Ask them about your project's feasibility or next steps. They can often steer you toward the resources you need. NASCO Development Services is a small organization with limited resources. Therefore, organizing groups should seek assistance from others that can aid as well.

NASCO Development Services gives technical assistance from start to finish for Active Projects.²² To become an Active Project, the group needs to first state its development plans. Most committed groups have excellent potential to become successful projects. NASCO Development Services staff can help you through the entirety of creating your development plan.

The second step toward becoming an Active Project is to sign a contract between your organizing group and NASCO Development Services. It is approved by the cooperative's Board of Directors or membership and the NASCO Development Services Board. If approved, your project will have Active Project status. This gets your co-op professional assistance all the way through.

The service agreement states each party's responsibilities. During the project, NASCO Development Services provides Active Projects administration. They seek financing, both grants and loans. They negotiate and arrange purchase and/or lease agreements. They provide start-up assistance. After the project ends, They provide two years of follow-up with the cooperative. They make sure that all the required corporate filing is maintained. They check over the

²² NASCO Development Services Active Project: A status a core group can attain by formally stating its intentions and development plans to NASCO Development Services, and signing a contract for services

accounting. They provide trainings to board directors and members.

The cooperative agrees to coordinate local efforts and recruit members. They also agree to become and remain members of both NASCO and NASCO Development Services. NASCO Development Services is a movement organization. Thus it asks the co-ops that it helps create to support growth and assistance for future co-ops. NASCO membership assures that the new co-op has education, training, and consulting beyond the initial years. The cooperative also agrees to commit to continuous expansion.²³ NASCO Development Services seeks to grow the co-op movement. Cooperatives are valuable contributions to their communities and their expansion is desirable. The more co-ops, the better.

The agreement also describes how NASCO Development Services is paid for its services. Typically they charge a success fee that becomes part of the mortgage. This means that the co-op only pays if NASCO Development Services succeeds in getting financing for the co-op. This also means that the co-op does not have to raise the funds up front. Almost invariably, the amount of time and money that the co-op saves by working with NASCO Development Services pays for itself.

²³ Continuous Expansion: When a cooperative commits to the mission of continuing to grow as an organization as long as it is financially sustainable. This contributes to the growth of the cooperative movement.

Cooperatives

A comfortable place to start the local outreach process might be with other cooperatives in the area. Note that local food,²⁴ book,²⁵ agricultural²⁶ or utility co-ops²⁷ may not be familiar with your style of housing co-op. Most of the concerns about membership and governance will be very similar for all types of co-ops. Particularly for development, co-ops can be enthusiastic providers of information and advice. Cooperatives may also offer their offices, meeting space, business advice, or education resources.

Local housing cooperatives may be willing to play the role of a "big sister co-op." Co-ops could donate staff time to help inspect potential properties. They could offer advice on the local housing market, donate old tools and equipment, and so on. You never know until you ask.

Existing student cooperatives often support organizing groups. They can be invaluable sources of information and encouragement. Many have a history of providing financing for organizing groups. Even if they cannot provide financial support, they often can use staff and other resources to help get your project off the ground.

²⁴ Food Co-op: A cooperative that operates as a grocery store that serves member-owners by providing groceries often at a reduced cost.

²⁵ Book Co-op: A cooperative that operates as a library in which members have access to a wide variety of books.

²⁶ Agricultural Co-op: A cooperative that is comprised of agricultural producers.

²⁷ Utility Co-op: A cooperative comprised of utility consumers who collectively control a utility. Rural electric cooperatives are a textbook example of this.

Universities

Universities can be valuable sources of assistance for organizing groups attempting to start student or campus-based co-ops. Expect administrators to not know about student housing cooperatives. Prepare to explain the concept. Have in mind what resources the university may be able to provide to the group. Be willing to ask for these, and ask if there are alternative forms of support. If appropriate, NASCO can provide pamphlets or letters of support. These help explain co-op housing and add legitimacy to your ask. Universities often own buildings or land in the community or on campus that could benefit a cooperative.

The housing office or student affairs office are good places to begin communication. At the very least, ask the university to add the cooperative to its list of recommended housing. Doing so is a huge aid in member recruitment. The Housing office should have information on rents, tenant-landlord law, and available housing. These staff deal with community housing and are familiar with the problems associated with it. They may be sympathetic to your group's cause.

Local Housing Organizations

Most cities in North America have at least one organization whose mission is to develop non-profit or affordable housing. Non-Profit development organizations, community development corporations, and community land trusts all have skilled staff who can answer questions and offer advice in housing development. They may refer you to sources of financing or lawyers who are willing to offer their services free of cost. Many areas have a tenants' union which works on behalf of tenant rights. Tenants' unions point out bad

landlords, give information on landlord-tenant law, and track local housing trends. These are great references when making the case that you need a housing cooperative in your area.

Government Agencies

Many city governments have housing or community development programs. The Community Development Department²⁸ is a good place to start. They can let you know what resources are available for cooperatives, and what strings are attached. They may have information about other local affordable housing providers. City governments may be able to provide affordable housing grants or loans. Some cities have para-municipal housing agencies²⁹ or trust funds which support housing development. The availability of these programs varies.

Other city staff can provide advice on legal issues, such as zoning and housing codes. They can let you know if the group's plans are allowed in certain neighborhoods. Ask them about "multiple unrelated persons" living together, "multi-family", or "group residence". These terms differ from city to city, so carefully explain your plans to Zoning staff. Many co-ops run into problems that could have been avoided by taking this step. Most cities will have a way for citizens to go and speak to city staff about their project's

²⁸ Community Development Department: A governmental department that could have a different name in your city. This usually focuses on providing housing and community services.

²⁹ Para-municipal Housing Agencies: These are public-private partnerships between a municipality and investors, donors, and developers. These agencies use the intersection of public and private enterprise to develop housing.

specifics. These people are there to help you understand what you need to do to meet city requirements and get to your goal.

Most municipalities have a Planning Commission.³⁰ Periodically, they analyze local issues and target municipal resources to address them. A presentation to the Planning Commission about cooperative housing can build political support. Co-ops have a rare combination of strengths. They provide affordable housing without lowering surrounding property values. They are high-density and low-impact. They are easier to communicate with than most forms of multi-family housing. They require minimal subsidy to operate. All of these are things that your city wants to hear.

It is also worthwhile to seek the support of the local city council. Some groups have worked with council members to reform housing and zoning codes. At the very least, a supportive politician can be useful in dealing with the city administration. A good way to get city council support is to win the support of a local neighborhood association. By showing up at their meetings and being willing to talk, your co-op will be more engaged than most residents in the area!

State and Provincial Housing Agencies

Most states and provinces have housing agencies focused on accessible home financing. They sell bonds or use taxes to finance mortgages for people and organizations. Sometimes they have programs that subsidize loans for housing that meets certain needs or is non-profit. The program administrators can look over your group's plans

³⁰ Planning Commission: A governmental organization, usually organized at the municipal level, that dictates municipal plans for development.

and decide if you qualify. They are also good referral points for other sources of financing.

Step 3: Create and Fund a Legal Entity

What is Incorporation?

Why Incorporate?

The Incorporation Process

Different Models for Housing Cooperatives

Non-Profit Status and Tax-Exemption

The First Meetings

What Is Incorporation?

After you establish a group, and form a vision, your next step is to incorporate³¹ the group as a non-profit corporation³² or cooperative. This is the point where you actually "create" the co-op. Sometimes people talk about "the co-op" in reference to a building. THE BUILDING IS NOT THE CO-OP! A co-op is a legal entity. It is a type of corporation with a group of members who direct it, each with one vote. The co-op exists even if all the original members leave. The co-op exists even if there is no building. That co-op may own a building, but THE BUILDING IS NOT THE CO-OP.

³¹ Incorporation: Incorporating codifies the organization as a corporation and as a separate legal entity from its organizing group. "Incorporating" literally means "to make bodily."

³² Non-Profit Corporation: A business whose primary aim is not making a profit, and often operates at-cost for this reason.

Your organizing group may be operating like a co-op at this point. However, until you incorporate, your co-op doesn't even exist in the eyes of the law. Incorporation is the process of creating a corporate entity or, "corporation". This process establishes a legal status and system of governance for the corporation. That entity has a name, can make decisions, own property, can sue and can be sued. It can have legal responsibilities, has a tax ID number, and it can have a bank account. These are all the kinds of things that an individual human can do legally. With a corporation, it's a group of people doing those same things and making decisions as a group. Co-ops are one type of corporation where members all have equal votes on how the co-op operates.

Why Incorporate?

If you've started fundraising, you have probably run into the first reason: Where do we put the money? A corporation is an entity that can enter into contracts and own things. This means that the corporation can have its own bank account. Your group would otherwise be stuck using personal accounts to manage that money. This is a major risk for embezzlement, accidental or malicious. It's also messy when trying to transfer funds or accept donations. People aren't going to want to donate to your bank account.

Corporations can own things and carry debts. This means that any house that your co-op purchases does not have to be in an individual member's name. The co-op can own it in its own name. This creates much clearer lines of

responsibility and ownership once the co-op is operating. You won't run into a situation where one person "owns" the building and others "rent."

Corporations don't need you. That's right, you can walk away from a corporation, and it just keeps on existing. The entity lasts well beyond your own personal involvement. This is especially important for setting up a co-op where people move in and out, but the co-op remains. Corporations don't die either, so the organization you're setting up may outlive you.

Corporations have legal responsibilities and duties. If you are an unincorporated group of people, each person is liable for your group's decisions. If you have incorporated, the corporation bears that responsibility. This is the concept of a "liability shield." Liability shields are one of the major reasons people incorporate. If someone sues the co-op, they're suing the corporation, not the individual members. If the co-op goes bankrupt, it's on the co-op, not the individual members. (Though those members might have to find somewhere else to live.)

Corporations can sign contracts and hire people. Many technical assistance providers (NASCO Development Services included) cannot contract with unincorporated entities. Having a real organization to work with opens the door to many other partnerships.

Incorporation also gives your organization a real name and a real presence. Being able to say that you are part of a registered organization lends weight to all your outreach. It means you have committed to a mission and model, and shows people you mean business.

Incorporation is a powerful and galvanizing team building exercise. Creating governance systems, and incorporating as a non-profit are educational opportunities. Each step prepares the group to tackle the coming challenges of the housing market.

The Incorporation Process

The co-op exists after complying with state or provincial incorporation requirements. This involves writing a set of organizing documents and filing them with the government. You should expect to pay a fee for filing each of these.

You need two main documents to incorporate:

1. Articles of Incorporation³³ - These state the type, structure and purposes of the organization.
2. Bylaws³⁴ - These outline the organization's governance, and how it makes decisions.

Articles of Incorporation and Bylaws are written in legal jargon that is initially slow to read through. Don't be intimidated! With concentration and persistence, you can understand them. Organizers should talk to others who have gone through a similar process. Co-ops that have created structures like yours may have input about how they worked out.

³³ Articles of Incorporation: A document registered with the government that legally establishes an organization as a corporation

³⁴ Bylaws: Rules and regulations made by an organization to govern their decision-making

Articles of Incorporation

Articles of Incorporation declare the nature of a corporation to the state or province. When writing Articles, avoid being unnecessarily specific. It may be tempting to proscriptively include every minute organizational detail. However, amending the Articles or changing the incorporated status is a tedious process. It's much easier to leave options for specific structure open to be included in your Bylaws later. By and large, states and provinces have the same basic requirements for incorporation:

- Declare what type of corporation you are creating.
- Declare a name, which has not already been taken.
- State the purposes of the organization.
- State a primary location of business.
- Obtain the signatures and names of the incorporators.
- Name the initial Board of Directors.
- Include a Dissolution Clause³⁵
- Pay a filing fee.

³⁵ Dissolution Clause: A statement included in the articles of incorporation that states how the assets of the co-op get divided if the co-op is ever dissolved

Type

There are broadly three types of corporations: for-profit, non-profit, and cooperative. Interestingly, most student housing cooperatives are incorporated as non-profit corporations, not as cooperatives. The pros and cons for this practice are explained below, in the "Non-Profit Status and Tax Exemption" section. The first thing to state in the Articles is that the corporation is a cooperative and has members.

Name

Choose a name that clearly identifies your co-op, and is easy to remember. The name of your Cooperative must not already be taken. Your state or province will have some additional restrictions on corporate names. Many places do not allow "co-op" or "cooperative" in the name if the corporation is not in fact a co-op. Often, corporations must include, ".inc", "LTD", "Co." or some such appendix to the name.

Purposes

This should be the reason the co-op exists. These should be broad purposes that your Organizing Group can all agree upon. These purposes will be the primary criteria upon which your co-op may be considered for tax-exempt status. Therefore, you should consider carefully what these purposes are.

Some example Purposes:

"To provide low-cost, cooperative housing."

"To combat gentrification through cooperative control of land."

"To provide housing and educational access to college students."

Location

This will be the primary location your cooperative does business, and receives mail. Try to choose somewhere that will remain stable for a while. You don't want paperwork from the state going to an old address. Also, any time your location changes, you'll have to file an amendment with the government.

Incorporators

The Incorporators are the people filling out the paperwork to create the corporation. You should expect to have 3 to 5 people on this list. Many municipalities require a certain number of incorporators.

Initial Board of Directors

The Initial Board of directors will be the group responsible for making decisions for the corporation at its outset. This is often a placeholder Board, chosen by the Incorporators. Once the co-op is operating, the members may elect a new Board.

Dissolution Clause

A "Dissolution Clause" should be included to state what happens to your corporation's assets if you shut it down. Most co-ops state that their assets will go to cooperative development or to charity. This is to prevent the members closing down the co-op, selling the buildings, and pocketing the cash.

Filing & Fees

The Secretary of State or the Secretary of Commerce usually handle incorporation. They can be found online. Most Secretary of State or Secretary of Commerce offices have extensive resources online. These often include info on all the steps that your group will need to take, a list of all fees, and contact info. Some allow you to file online, download forms, and even provide examples of properly created documents.

In order for these to be recorded, you will be required to pay something to the state. This is a nominal fee, and usually paid out of pocket by the incorporators.

Bylaws

While the Articles are a brief document that defines the corporation, the Bylaws are more involved. However, since Bylaws do not require filing with the state, they are easier to amend. The Bylaws define the governance structure and decision-making process for the corporation. They define

the powers and duties of the different groups of people in the corporation.

Take the time to read through the bylaws of one or two other co-ops. Most cooperatives are happy to share their bylaws. Feel free to incorporate sections from other co-ops' documents. They have likely encountered similar questions to yours. It is much easier to learn from their experience than to reinvent solutions. Successful co-op organizers blend the experience of the past with ideas for the future.

Co-op governance structures represent a radical shift in how organizations are run. Those structures are what allows for member control and all the other hallmarks of co-ops. They have the potential to reorient our thinking about economic participation. Organizers must design structures that empower members and encourage participation in the organization.

The bylaws will set the parameters and tone of all future actions the co-op takes. It is therefore essential to begin with inclusivity. Create the bylaws in a collaborative manner. A top-down approach will linger in the psyche of the cooperative long after the bylaws are written. Radical inclusion and the "we own it" ideal only happens if the bylaws are crafted in an inclusive process.

Membership

The Bylaws should start by defining member qualifications. Who can be and who can't be a member must be clearly defined. If members have responsibilities required to maintain membership, they should be included here.

In a cooperative, the Membership³⁶ is the broadest and most powerful group. The Membership is comprised of all voting-eligible members of the co-op acting as a body. The Bylaws must specify that the Membership at a meeting can exercise all the powers of the corporation. This does not mean the Membership will make all the decisions. It means that the members have final control of the corporation, not the Board of Directors or the staff.

The decision-making process of a general membership meeting should be included here. Will your co-op make decisions based on Consensus? Majority vote? What number of members must be at a meeting to constitute a quorum? These questions will need answers before you start to make binding decisions.

In many co-ops, only the Membership may change the rights and duties of members, or the structure of the co-op. Powers of the Membership may include:

- Amending the Bylaws,
- Electing the Board of Directors,
- Buying and selling property,
- Dissolving the Co-op, etc.

Board of Directors

The Bylaws specify the composition, selection, and powers of the Board of Directors. The Bylaws of the corporation, more than the Articles, will remain a reference document for

³⁶ Membership: The entire group of co-op members acting as one body. This is often called the "General Membership" or "General Assembly"

the Board of Directors. Board Directors are responsible for ensuring that the corporation is operating legally. Actions taken by Board Directors, Staff, or members that violate the terms outlined in the Bylaws are unenforceable. Members who take such actions may be personally liable for their consequences.

The decision-making process of the Board should be included here. Will your co-op make decisions based on Consensus? Majority vote? What number of Directors must be at a meeting to constitute a quorum³⁷? These questions will need answers before you start to make binding decisions.

In many co-ops, the Board makes most decisions on behalf of the cooperative. Powers of the Board may include:

- borrowing money,
- accepting gifts,
- purchasing property,
- controlling corporate funds,
- establishing committees,
- arbitrating disputes between members or houses,
- interpreting Bylaws and Articles,

³⁷ Quorum: The minimum number of people required to be present to make a decision in a meeting. Example: if quorum is 50% and you have 13 members, you would need to have 7 people to make a decision. 50% of 13 is 6.5 and as you can't have 6.5 people, so you round up to the next whole.

- and hiring employees.
- Often, there is an “elastic clause”³⁸ that the Board of Directors has all other powers, except those otherwise decided by the Membership.

Committees, Houses, and other Decision-making Groups

As a co-op grows, acquiring more properties and more members, its systems can become overly centralized and alienating. This is a process that happens over many years, and is hard to correct. Organizers can preempt this by setting up ways to delegate and disperse power in the co-op.

The Bylaws should specify the powers of any other group, house, or standing committee in the co-op. At first, when a co-op may be only one small house, creating these may not be necessary. As the co-op grows, doing this disperses the burden and power of governance and operations. A Finance Committee may be created to deal with budgeting and financial planning. A Maintenance, Membership, or Education Committee could prove useful in time as well. Any such groups will generally be unique to your cooperative project. Each should be defined at least as follows:

- Name of the Committee
- Purpose of the Committee

³⁸ Elastic Clause: A clause that accounts for any powers of the Board of Directors that are not specifically enumerated in the bylaws.

- Members of the Committee, and how they are chosen
- Responsibilities of the Committee
- Powers of the Committee

Often, in multi-house cooperatives, each house is given authority over house operations. Individual houses often operate meal plans, perform maintenance, expel members, run house meetings, choose officers, and elect a Board representative. The Bylaws may state that the members of a house may create house rulebooks or policies that members of that house must adhere to. Any such policies exist subject to the Bylaws. This means that they cannot contradict or ignore the Bylaws. In this respect, Bylaws act much like a constitution for your co-op. Any policy that contradicts your co-op's bylaws is unenforceable. Like any unconstitutional law or action - it doesn't count.

Different Models for Housing Cooperatives

There are a few different ways to categorize housing co-ops. These relate to how they deal with their ownership structure and who they serve. Regardless of membership or equity model, to become a member of a co-op, members must be approved in some way, make some kind of financial contribution, and move in.

Membership styles

There are student co-ops³⁹, which house students while they're in college. There are community co-ops⁴⁰ which house all sorts of people. There are co-ops for families or single parents. Some co-ops are explicitly for retirees. A housing co-op can be set up to serve almost any population. Most of the co-ops that NASCO has worked with over time tend to either be student co-ops, or community co-ops.

Equity Models

The different ways of dealing with ownership structure are usually related to how the equity⁴¹ in a house is treated. For most housing co-ops, a building is by far the most financially valuable asset of the co-op.

*****Build in Graphics Here for Each Equity Model*****

³⁹ Student Co-ops: In this text refer to housing cooperatives primarily focused on the housing of students. Co-ops that house a community of students and are generally near to a college or university.

⁴⁰ Community Co-ops: A catch-all term for co-ops which are not specifically intended for students.

⁴¹ Equity: This Handbook uses two definitions of the word "equity." In a real estate context, we are referring to real cash value held in an asset or investment that can be bought, sold, or transferred. In a social justice context, we are referring to fairness in access. One could say that "there is a lack of equity in the way equity is apportioned" to mean that "there is a lack of fairness in access in the way that cash value in ownership is apportioned." In this chapter, we use the real estate context.

Market-Equity Co-ops

In a market-equity co-op, a member joins the co-op, buys a share, and lives in a unit. This is like buying a condominium, but instead of owning one physical condo, you own a share of the whole complex. That share gives you voting rights and the right to inhabit a unit. The co-op sets policies which affect all members and may have shared resources. The cost for each member to live in the co-op depends mainly on when they bought a share, and at what price. Often, they would have a fairly traditional mortgage on their share of the co-op in their own name. When you decide to leave the co-op, you can sell your share to the next member at whatever price you want. You keep 100% of the equity accrued during your time in the co-op. This gives an incentive to sell at the highest price the market will accept. Therefore, market-rate co-ops are almost always trend away from being affordable housing. This type of co-op is normally dealt with by the [National Association of Housing Cooperatives \(NAHC\)](#).⁴²

Limited-Equity Co-ops

Limited-equity co-ops provide affordable housing, while allowing members to build some wealth. When a member joins, they buy a share in the co-op to move in, just like in a market-equity co-op. Also, like in a market-rate co-op, the members can build wealth by selling their share for more

⁴² National Association of Housing Cooperatives (NAHC): <https://coophousing.org/>

than they bought it for. Upon sale, however, the resale price is limited to a set amount above the original purchase price. For example, the co-op may state that the sale price cannot exceed 3% above the initial purchase amount. This keeps housing prices affordable long-term. This also gives members less incentive to increase the co-op's move-in cost by selling with spikes in the market. Some limited-equity co-ops use a split-equity structure where sale gains are divided between the co-op and the member. In these, the total sale price may be limited to, say 10% above the original purchase price. However, that 10% may be split 50/50 or 25/75 between the co-op and that member. This split helps keep a portion of the equity in the co-op and available for growth. While NASCO has worked with a few limited-equity co-ops, the Urban Homesteading Assistance Board has dealt with them in more detail.

Group-Equity Co-ops

Group-equity⁴³ co-ops place primary emphasis on affordability, and not on member wealth-building. Most of the co-ops that NASCO or NASCO Development Services work with are group-equity. In a Group-equity co-op, members buy a share to move in, like other co-ops. The share, however, is not purchased from the previous member. It is purchased from the co-op and structured similarly to a security deposit for a rental. When a member moves out, they get their deposit or share returned minus any charges made to this money. Some co-ops provide a

⁴³ Group-equity Co-op: Often Called Shared-equity, Common-equity, or Zero-equity Co-ops, Group-equity Cooperatives are distinguished in that members do not own an equity stake that they later sell for a gain in price. 100% of the co-op's equity remains with the co-op, and the member's benefit is a decrease in total charges.

return on the share, but this is uncommon. The price of a share is roughly the same as a security deposit on a similar rental space. The cost to join a Group-equity co-op is generally in the hundreds of dollars. This is much lower than other co-ops which may be in the tens or hundreds of thousands. The Group-equity model tends to be better at making sure that the co-op stays affordable. The reason for this is that as the co-op develops equity, 100% of that equity goes to fund the co-op. It is not paid out to the members as cash. The co-op also has no reason to raise member charges beyond expenses. Because the co-op is able to hold onto this value as it grows, a group-equity co-op is better able to fund its own growth and build an economy of scale quickly. Group-equity co-ops are more likely to stay cooperatives permanently. No one joins a group-equity co-op to make money. They join to benefit from and to provide low-income housing. This prevents demutualization, a common problem in limited-equity co-ops. Group-equity co-ops have been very successful in specific markets, such as in university towns, but they make up only 0.1% of US housing co-ops. The Group-equity model started with student co-ops in the 1930s. At the time, students were not concerned with building equity by buying property. For similar reasons, many Senior Retirement Cooperatives used this same model. Their members were at a stage in their life when they were not concerned about profiting from the value of their housing. Low-income people rarely expected to ever buy homes. They adopted the model for community co-ops due to its low entry cost and rent control. As the housing market changes, more young people are looking at alternatives to the traditional path of buying a first home while young. Group-equity co-ops provide the affordability and flexibility that many want from their housing.

Keep in mind that all co-ops are different. Just because a model works for one co-op, doesn't mean it will work for yours. Knowing which aspects of other housing co-ops make sense to your group is fundamental to creating a set of shared goals and system of operations.

Non-Profit Status and Tax-Exemption

Organizing groups, as mentioned, have several types of corporate structure to choose from. That choice has significant financial consequences. Your choice will determine if your co-op will have to pay taxes or be eligible for tax-exemption⁴⁴.

Taxes are one of the largest expenses that for-profit corporations have. For-profit corporations are taxed based on the profits that they make for their owners or shareholders. Often, for-profit corporations structure their expenses and depreciation to minimize their profits. This lowers or eliminates their tax liability. For-profit corporations are almost always ineligible for grant assistance.

Charities and nonprofits are exempt from many kinds of taxes as they provide a public service without profit. Co-ops designed to house low-income people or other disadvantaged groups may qualify as charities. Charities and nonprofits are also often the only groups eligible for many grants and subsidies. Therefore, it is often in your co-op's best interest to be considered a nonprofit or charity.

⁴⁴ Tax-exemption: Reduced taxes for an organization, or the amount that an organization is legally allowed to write off as taxable income.

Structuring your Coop for Tax-Exemption

If you seek tax-exemption, you will have to choose between incorporating as a non-profit or as a cooperative. At first glance, it may make intuitive sense to incorporate as a cooperative. However, many housing cooperatives are in fact non-profit corporations. They choose this option when there are not good cooperative statutes to organize under in their states. These housing co-ops recreate cooperative structures within the framework of a non-profit corporation.

Cooperative laws vary from state-to-state and province-to-province. In some states, cooperatives are broadly defined. In others, they are only defined for agricultural cooperatives. Check with your state's Secretary of State or an attorney to find out more about how cooperatives work in your area. An ever-increasing number of states have laws that work very well for housing co-ops. If your state or province does not have a good local option, consider incorporating out of state. Michigan, Ontario, Quebec, Wisconsin, and Minnesota all have excellent cooperative incorporation options. In all of these, they allow an entity to be tax-exempt at the state and federal levels.

If friendly cooperative statutes are unavailable to you, you may be able to incorporate as a non-profit. Group-equity low-income or student cooperatives operate at cost to benefit everyday people. Non-profit status fits those missions and goals.

Regulation of non-profit corporations is stricter than that of for-profits. Cooperatives incorporated as non-profits must be able to establish that their net income is not treated as profit. In most cases, this means that the assets of the

organization may not be given or paid, other than for services rendered, to any other person or organization. Depending on the type of incorporation, the activities (such as lobbying) that the organization may engage in will be limited. This does not mean that the co-op can never have extra money. The co-op can and should have a surplus. That surplus is a way to grow the co-op, to protect against loss, or to replace your facilities as they break down. It is not supposed to be a way for individuals to extract wealth from the organization.

Because the Directors of non-profit corporations are volunteers and cannot be paid for services rendered as Board members, most states and provinces limit the extent to which Directors are liable for the corporation. These protective laws are called limited-liability laws⁴⁵.

Non-profit status gives an organization the public stature accorded to non-profit, tax-exempt institutions. This allows the cooperative to receive charitable donations, low-interest government loans, access to special postal rates, etc.

Applying for and Receiving Tax-Exempt Status

Just because your cooperative may be structured as a nonprofit and doing charitable activity, it's not automatically tax-exempt. Tax-exempt status is granted to an organization by the government after it has shown that it operates on a nonprofit or charity basis. Many group-equity or limited-equity co-ops can and have received tax-exempt status. To do so, the co-op must be structured and

⁴⁵ Limited-liability Laws: A corporate structure in which the members of the organization are not personally liable for the company's debts or liabilities

incorporated with the explicit purpose of targeting tax-exemption.

If your co-op applies for tax-exempt status, you will do so with the [US Internal Revenue Service](#)⁴⁶ (IRS) or the [Canada Revenue Agency](#)⁴⁷ (CRA). They will look at your Articles of Incorporation to see if your co-op exists for charitable work. These should contain several standard sections:

- Protection against Private Inurement⁴⁸,
- Dissolution of the Corporation,
- and Corporate Purposes.

These sections are in the Articles of most cooperatives and many nonprofits. Without them, the IRS or CRA might not believe the non-profit intentions of the organization and reject the application. Therefore, before submitting Articles of Incorporation to the state or province, organizing groups should send a copy to NASCO Development Services to look over. Staff members can find errors and omissions, and provide this service for free. Furthermore, an attorney specializing in non-profit law should also review the Articles.

⁴⁶ The US Internal Revenue Service: A United States federal government agency responsible for collecting taxes.

⁴⁷ Canada Revenue Agency: A Canada government agency responsible for collecting taxes.

⁴⁸ Private Inurement: When the money or resources of a nonprofit are used for private purposes instead of charitable ones. This could be anything outside the mission or regular business of the organization that financially benefits insiders or controlling members.

In the United States, the most common type of non-profit tax-exemption for housing cooperatives is under Internal Revenue Code section [501\(c\)\(3\)](#).⁴⁹ A 501(c)(3) corporation is exempt from paying any federal income tax on any income derived from its tax-exempt purposes. A donation to a 501(c)(3) can be taken as a deduction on the donor's tax return. A 501(c)(3) can be received for charitable, literary, scientific, educational or religious purposes.

Typically, a student cooperative applies as a charitable or educational institution, either by claiming that they provide affordable housing⁵⁰ or by claiming that they are an educational resource for students. Co-ops not explicitly for students generally apply for tax-exempt status on the basis of providing affordable housing.

A US tax-exempt application can be obtained by visiting www.irs.gov or by calling 1-800-TAX-FORM. To apply for 501(c)(3) status, form 1023 is needed, and form 1024 for other sections. These applications will ask for some basic information about the corporation. The Internal Revenue Service cares most about financial information. However, projected operating budgets and balance sheets may be difficult to generate early on. For this reason, you can apply for a provisional 501(c)(3) status. For provisional status, you

⁴⁹ Internal Revenue Code 501(c)(3): An IRS classification that allows for federal tax-exemption of nonprofit organizations, specifically those that are considered public charities, private foundations or private operating foundations.

⁵⁰ Affordable Housing: Affordable housing is defined as housing that is affordable to those below the median income of a community. (Costing less than ⅓ of that median income amount)

state what you plan to do, and the IRS comes a few years later to check up on you. To apply for permanent 501(c)(3) status, prepare to show several years of records showing that you have already been acting in the way that the IRS demands.

Tax-exempt status can save you tens of thousands of dollars, and is often the only way to be grant-eligible. Therefore, NASCO Development Services strongly recommends that a professional review the application. NASCO Development Services has copies of successful applications to follow and compare. It is also suggested that groups have an attorney review the application as well. While an attorney can cost a good deal of money, the benefits down the road will be significant. Situations such as this underscore the benefits of fundraising and community outreach. If a group has a strong presence in the community, it is more likely to be able to find an attorney to do pro bono (for free) work. If that is not possible, fundraising can help offset the amount that organizers will need to chip in.

The First Meetings

Once the organization is incorporated, the Board of Directors should have its first meeting. This meeting must be held in accordance with any requirements put forth in the Bylaws of the cooperative. There are two aspects of governance that the Board should address at this meeting. The first is corporate governance, the other is house level governance.

Corporate Governance

The Board should ensure that it has the following necessary resource documents:

- **Legal Documents:** Each Board member should be provided with a copy of the Articles of Incorporation and Bylaws for reference. Board members should also have copies of Board policies⁵¹, and any contracts or agreements the organization has entered into. If any of these items are not present, it should be a priority for Board discussion.
- **Financial Documents:** Board members should have copies of budgets, and any recent financial statements.
- **Minutes⁵²:** Records of meeting proceedings are required to maintain 501(c)(3) tax-exempt status. Ensure that somebody (usually the secretary) is recording the proceedings and decisions. Co-ops should keep minutes of their proceedings to provide a record of their decisions for future reference. Sometimes, resolutions can be unclear. Recording the decisions as well as the discussion helps to establish the intent of the Board. Boards also take minutes to protect themselves in the case of legal

⁵¹ Board Policies: Any rules that the board has created to govern its own operation. Often these are in the general Bylaws and Policies of the organization.

⁵² Minutes: An official account of what was talked about or accomplished during a meeting.

challenges. Store minutes in a manner accessible to all members of the cooperative, not just the Board. Board members should receive copies of the preceding meeting's minutes before each meeting. At the meeting's outset, they should vote to amend and approve the minutes for the official record.

- Policy Manual⁵³: Bylaws provide the decision-making structure of the co-op. Policies⁵⁴ are those decisions of the Board that guide the operations of the co-op. Decisions about staffing, member pets or debts, or similar topics are policies. Keeping these decisions recorded in a Policy Manual will prove to be essential in the long term. Maintaining a Policy Manual may seem unnecessary early on when everyone can remember all the Board's decisions. As time goes on, however, there will be new members and new pages of policy. This Policy Manual over time becomes the foundation of the training and orientation for new board members.

House Governance

The Board should decide whether or not each house will have a governing body of its own. Before the first members move into a new co-op, begin a dialogue about house governance.

In most cooperative systems, where several properties are owned, individual buildings have house meetings and house

⁵³ Policy Manual: A single document with all the co-op's operating procedures. Members who sign contracts will be subject to these policies, so they must be accessible and understandable.

⁵⁴ Policy: An individual co-op operating procedure, enacted by the Board or the Membership.

officers which are responsible for facilitating the decision-making work of the members in that building.

House meetings usually consist of all members of the house. Sometimes these meetings will have their own constitutions or other formalized structure which detail their decision-making process, officers⁵⁵, and other building-specific policies. If a system is not composed of houses but rather, say, a high-rise apartment building, meetings can be organized by floor or any other relevant unit.

The cooperative should clearly establish the difference between decisions of the co-op as a whole, and those of each house. A policy limiting the amount of member debt is likely to be a corporate policy. A non-smoking policy is usually building-specific, and is thus a house policy.

It may seem redundant to have this corporate governance system in addition to a house system, especially if the co-op starts with only one house. However, it is illegal for a non-profit organization to exist without a Board of Directors. Also, the cooperative should have a body that deals with long-term organizational needs. Ideally, the cooperative will have only one house for only a short period of time.

Many house constitutions or house policy manuals⁵⁶ begin with a preamble which contains a version of the cooperative principles and a general statement of goals. To avoid future confusion, it could include descriptions of officer positions,

⁵⁵ House Officer: Those responsible for facilitating the decision-making work of the members in a co-op building or living group. These are not the same as Board Officers.

⁵⁶ House Constitution or House Policy Manual: A policy manual that applies to the residents of one house or living group that is written, modified, and enacted by the members of that group and sanctioned by the overall co-op Board or Membership.

how they will be elected, and guidelines for the meeting process. Whether the members choose to use consensus, majority vote, or some combination in meetings, it is imperative that the constitution be clear about the process.

It is a point of good communication to include the responsibilities of each member in the constitution, concerning both finances and house labor. Furthermore, the house should establish a schedule for paying the house charges, the procedure for assessment and rebate of net income, and a means of member expulsion. While it may not seem likely that a co-op will need to expel a member from the house, it is helpful to have a process for dealing with problem members who are not living up to their responsibilities or are causing other problems. It makes the affair less painful and will make sure that the problem member has every chance to remedy the situation, preventing the co-op from being legally vulnerable.

Each decision-making entity should establish regular meeting times and post an agenda so that everyone has ample time to prepare for the issues to be considered. This is a good starting point for establishing a healthy system of communication and positive house dynamics.

Step 4: Acquire a Property

Housing & Real Estate Research

Property Strategy 1: Leasing Property

Property Strategy 2 Purchasing & Developing Property

Other Property Acquisition Strategies

There are a lot of ways to get a building. (Trades, gifts, squats, inheritances, you name it.) This Handbook will focus on the traditional route of buying one.

Some groups start researching and exploring their options early. Others choose to first strengthen their core group culture, process, and vision.

Property acquisition is the most complicated of the 5 steps to organizing a coop. It is a fascinating process, and different every time. It requires curiosity, persistence, tenacity, and a bit of political savvy. It comes with many pitfalls that can have serious lasting financial and legal consequences. Read and reread this section a few times if you are going to try to buy or lease a property.

Every city and country has a unique real estate market. Every organizing group is different, and so is every building. This guide speaks broadly, as it cannot include every local consideration needed to buy a property. You will have to do local research and reach out for help from other human sources wherever you can get it. Whenever possible, seek

professional assistance. NASCO Development Services exists to help guide co-op startups through property acquisition. NDS can be an invaluable resource to the new organizer.

Housing & Real Estate Research

Why Research?

Market Research

Research Local Government Resources

Building & Zoning Code Research

Neighborhood Research

Creating a Prospectus

Real Estate Agents

Why Research?

Leaping into the real estate market and making a hasty decision without research is a recipe for trouble. Research will help organizers make better decisions about where to look and whether a specific property will work. Further, the research process poses another opportunity to create allies and build a broad base of support.

Before even looking at buildings, organizers should research the dynamics of the local community, economic system, and the details of their ideal building. Researching the housing market, the community context, the needs of your future members, and specific neighborhoods are important aspects of organizing a housing cooperative.

With this knowledge in mind, organizers will be well-positioned to create a document called a prospectus to make an argument to the public about the need for cooperative housing. A project prospectus is a document that outlines contextual factors surrounding the cooperative such as: the need for a co-op, a summary of the organization, the feasibility⁵⁷ of a particular site, and the details of how it will be accomplished.

Market Research⁵⁸

You must research your local real estate market to understand what factors affect local resident needs. Depending on whether the market is a campus, rural, or downtown, the locals may have vastly different housing needs. Market researchers should ask themselves at least the following questions:

- How much do our potential members spend on housing?
- What other factors affect their budget?
- What cost pressures affect these housing expenditures?
- How do our potential members cope with economic challenges?
- Is there a housing crisis in our county? In our city? In the neighborhood our members need to live in?
- Are real estate prices rising or falling?

⁵⁷ Feasibility: The likelihood that a development project can realistically be accomplished.

⁵⁸ Market Research: Understanding the local real estate market in terms of supply and demand, market trends, and resident needs

There are many sources of information. Organizers may already have some sense of what market conditions are like from personal experience and conversations with residents living in the area. A university may have a community housing office that can provide average rental rates for local student housing. The "Real Estate" section in the newspaper should provide a good idea of the property values in the area. And of course, Craigslist, Zillow, and other online resources provide a by-the-minute idea of what housing costs are like in your area.

Surveys are an excellent means of assessing resident needs in a particular community. The information may already exist, (city or student governments will periodically perform such work), or the organizers may have to initiate the effort. Such a survey might incorporate the above questions into a format that is easy to quantify and has the space for independent comments.

One useful tool for analyzing market conditions is the vacancy rate, which is the percentage of an area's total available housing that is vacant. If an area has a 2 percent vacancy rate, people looking for a place to live have only 2 percent of the area's available housing to choose from. The occupancy rate is the opposite of vacancy rate and refers to the total occupied units. So, a 98 percent occupancy rate is the same as a 2 percent vacancy rate. Across the USA, vacancy rates average around 7% as of 2019. However, organizers must look at their local vacancy rate to get a sense of their market. The US Federal Reserve tracks this rate at:

<https://fred.stlouisfed.org/series/RRVRUSQ156N>.

Statistics about an area's vacancy and occupancy rates indicate the shape of the local housing market. If an area's vacancy rate is low —say, 2 or 3 percent— then property values (and, thus, rent) are likely to be high because an increase in demand without an increase in supply pushes up the average price. This tighter housing market will lead to other things that will affect your co-op. For example, a shortage of housing leads to landlords being less flexible about the length of a lease, or other bargaining items aside from rent cost. Statistics on these issues may be available through the technical assistance organizations discussed in the previous chapter.

Ownership patterns are also helpful to establish, particularly in smaller environments. To what extent is housing owned by the government, university, local landlords, or absentee (out-of-town) landlords? Is the situation such that any one of these owners effectively monopolizes the market? Researching ownership patterns can be done in some detail at the tax assessor's office. The records on-file are public information and can be looked up either by owner or address. These records will also have the assessed value of the properties, which will likely be lower than market value.

Community Research⁵⁹

The goal of community research is to understand the local regulatory environment and the network of support from which housing cooperatives can benefit. Generally, the more knowledge organizers have about the surrounding context, the more effective their efforts will be. Community

⁵⁹ Community Research: A process whereby groups familiarize themselves with various aspects of their communities

research is strongly tied to the discussion about Technical Assistance in the previous chapter.

Research Local Government Resources

Programs exist at various levels of government to develop affordable housing. Public sector programs, depending on the priorities of local government, may be used to develop housing cooperatives. Two programs funded by the US Federal government and administered at the local level are: [Community Development Block Grants](#)⁶⁰ (CDBG) and [HOME funds](#)⁶¹. The disbursement of these funds varies widely but includes both grants and low-interest loans.

Another resource is a city master plan. Local governments frequently produce master plans to prioritize the city's direction for 3-to 5-year periods. Such plans may call for allocating city funds for the creation of affordable housing. It may even recommend allocating provisions to address student-specific housing needs. Reading a master plan will help organizers understand the local political climate and, more specifically, whether they can expect to get funding.

⁶⁰ Community Development Block Grants: CDBG funds are part of the US Government's Housing and Urban Development Department. These are intensive, competitive grants of usually \$1Million+. Generally, these are not suitable for small housing projects.

https://www.hud.gov/program_offices/comm_planning/communitydevelopment/programs

⁶¹ HOME Funds: The HOME Investment Partnerships Program is part of the US Government's Housing and Urban Development Department. These funds are available through competitive grants and are earmarked for low-income housing development. 15% of these funds are earmarked for CHDO's or "Community Housing Development Organizations" - Nonprofits that are dedicated to providing low-income housing. These are available to smaller projects than CDBG.

<https://www.hud.gov/hudprograms/home-program>

Depending on whether your planned co-op is for students only, for another specific group, or for the community at large, you may be eligible for certain sources of funding, but not for others. By contacting the City Planning Commission⁶², affordable housing advocates, university officials, or other relevant groups, you can get a better feel for what assistance will be available to your group.

More information about master plans and city programs can be obtained through the city departments listed in the Technical Assistance section of the previous chapter.

Building & Zoning Code Research

City and regional building codes⁶³ can profoundly affect the process of looking for property. Zoning codes⁶⁴ are essentially a means of dividing a community into numerous property zones; examples are: industrial, commercial, and residential. Each of these zones is divided by density and other permitted uses. Density codes can include: high, medium, and low density. A suburban neighborhood composed of single-family homes is an example of low-density zoning. Urban areas, or areas consisting of apartment buildings and similar structures are examples of higher density zoning.

⁶² City Planning Commission: A government body comprised of people who make decisions about the way the city will grow and develop.

⁶³ Building Codes: A set of rules that specify regulations about constructed buildings. These exist on a Federal, State/Provincial, and on a local level.

⁶⁴ Zoning Codes: The manner in which land in a municipality is divided for certain kinds of use. Usually administered by City Councils.

In an effort to use space more efficiently, many communities adopt a mixed-use zoning code, often in downtown locations. This code usually allows for retail space on the bottom floor of buildings and living space on top levels. It has recently been creatively adopted by affordable housing providers to use the income provided by the retail space to subsidize the housing space. co-op organizers could use such a code to create a mixed-use cooperative, with, say, a member-run business on the bottom floor, and cooperative housing on the top. Organizers should generally look for high density areas because in order to make the housing affordable, the building's space needs to be populated as densely as possible. A map of local building codes can be obtained from the city administration (Housing Department, Community Development Department, Zoning Board, or Planning Commission). Likewise, cities often publish a zoning code handbook that lists specific properties and gives an overview of local zoning codes.

An important zoning restriction for co-op organizers is the occupancy limit⁶⁵. This restriction limits the number of unrelated adults that may live in a housing unit. Such restrictions are often aimed at limiting student housing in a certain locale. The existence of such a zoning code will have a great impact on where organizers look for property and the overall feasibility of the project for any type of group-housing co-op but will not affect apartment or co-housing style cooperatives nearly as much.

⁶⁵ Occupancy Limit: The number of people allowed to live in a building. Set by local zoning codes.

Neighborhood Research

The goal of neighborhood research⁶⁶ is to locate neighborhoods which match the group's goals. So, for instance, a neighborhood that is zoned for high density, multi-family, residential use has the kind of characteristics that an organizing group is looking for. Another factor to consider is the property values of the area. One can get an idea of a neighborhood's property values by surveying buildings currently for sale. Student organizers should consider how accessible a neighborhood is to campus; either through close proximity or convenient public transportation. Affordable community housing co-op developers should look into similar factors, such as accessibility to public transit, clusters of jobs, and other amenities which will serve your future members.

Typically, municipalities are composed of some neighborhoods that are more affordable than others. Most of the time, "affordable" neighborhoods are that way for a reason (i.e. the housing is "less desirable" to mainstream consumers). "Less desirable" could mean that the housing stock is deteriorated. Or it could mean that it is next to an airport that is extremely noisy. Students can also make a neighborhood "less desirable." Neighborhoods are usually considered "less desirable" due to a combination of factors, and not all are benign. Organizers must recognize that often "less desirable" neighborhoods are places where historically marginalized communities have been forced to live in. The

⁶⁶ Neighborhood Research: Applying market and community research to specific neighborhoods

historical context of redlining⁶⁷, differential mortgage approval, and outright racism in housing must be part of your research. Consider this especially if you are starting a cooperative in a neighborhood that you do not currently live in or know well. Buying up affordable properties to create co-ops without regard for how the co-op will include members of the community is gentrification that can easily lead to displacement.

Some questions to answer when researching potential neighborhoods are as follows:

- What are the characteristics of the neighborhood? Public transit? Shops and restaurants? Close to campus?
- Is it in an area in which your future members will want to live?
- Is the organizing group going to focus specifically on searching for a house or an apartment building? Or will it consider both? Warehouse/Loft space? Empty motels? Vacant school or nursing homes?
- What will be the size of the first building? Estimates of the optimal size for small group democracy range from five to twenty-five. Successful new co-ops aim for the high end of this spectrum to maximize bulk food buying power and minimize the effects of member turnover.

⁶⁷ Redlining: Systematic denial of various services to residents of specific, often racially associated, neighborhoods or communities, either directly or through the selective raising of prices.

Creating a Prospectus

The goal of all of this research is to develop arguments which you can use to convince decision makers of the importance and feasibility of your cooperative housing project. The normal format for these arguments is a prospectus - a written proposal package which lays out the context and details of your plans for a housing cooperative. Successful [prospectus examples](#)⁶⁸ can be requested from NASCO Development Services.

The prospectus is more than just a report on your research. It is a statement about your vision, your understanding about the needs and justifications for resident-controlled housing, and your plans for the near and distant future. A basic prospectus will be modified as your group begins to find properties until it becomes a fully-formed project proposal⁶⁹ which you can submit to bankers, university administrators, municipal officials and other potential sources of support. Be simple, clear, and to the point. Use the talking points that you list in your prospectus when speaking to these professionals. Prepare to explain what a cooperative is to them, and your plan to establish one. They may not know that co-ops like yours have flourished across the continent for many years. Your project may seem strange at first to these professionals and they may not know why they should pay attention to you. Don't shrink back! You can learn to "talk the talk" to gain their respect

⁶⁸Lucy Stone Cooperative in Boston, MA has an excellent prospectus that can be found at:

<https://www.dropbox.com/s/dcjauhrisuie7ok/4.%20PROJECT%20NARRATIVE.pdf?dl=0>

⁶⁹ Project Proposal: A document that helps you sell a potential investor on investing in your project.

and attention. This is one of the most empowering parts of the organizing process!

Real Estate Agents

A real estate agent can be an effective tool in the property search and purchase process. Real estate agents serve to link buyers and sellers and to broker the complex deal of transferring property. There are generally two kinds of agent - buyer's agents, who negotiate on behalf of the buyer and seller's agents, who negotiate on behalf of the seller.

Real estate buyer's agents know the ins and outs of the local housing market very well. Groups can communicate their property needs to the agent, who will come up with a list of properties which generally adhere to those specifications. Buyer's agents can also provide information concerning the general market and are some of the most likely people to know about the availability of appropriate group-housing properties. If sympathetic, they can prove to be good teachers of the ins and outs of local real estate. A buyer's agent can help you ensure that all of your required steps toward purchasing are professionally reviewed and happen on time. This is an extremely valuable service that should not be discounted.

Finding a real estate agent is not very difficult. Because they work by commission, agents are usually interested in potential new clients, which has both advantages and disadvantages. It means that cold calling an agent will almost always get a response, but also that the agent may not know much about student or cooperative housing. However, real estate agents do exist who specialize in commercial rental property or perhaps even group housing.

A buyer's agent may tell you that you don't have to pay them anything for their work - that their costs are paid by the seller. While this is technically true, they are paid via a commission that will ultimately be added to the total amount of the mortgage once a purchase is made. At closing, the buyer's agent and seller's agent will split a percentage commission on the total sale price (usually around 6%). The seller pays the seller's agent brokerage, who pays both the seller's agent, and the buyer's agent brokerage. Out of that payment to the buyer's agent brokerage, the buyer's agent is paid.

It is important to note that while real estate agents are licensed by the state and fairly closely regulated, they are paid by the sellers of property. Principally, their interest rests in sealing the deal, and in getting their commission. Because the commission is based on a percentage of the selling price, there is an incentive to target a high selling price for the properties they are showing. Thus, while real estate agents may be more or less friendly and helpful, it is worthy to be mindful of the relation of competing interests. Obvious suspicion will damage your professional relationship with a realtor, so take what they say in person with a grain of salt, and critically examine it afterward.

While they can be very helpful to the property search and purchase, it is important not to rely purely on real estate agents. Most, but not all property transactions will involve them. Owners who don't want to pay a real estate commission often advertise in the paper or online classifieds. This is often referred to as "For Sale By Owner." Doing this can save you money in the short-term but comes with additional risk. If you do embark on attempting to purchase a property without an agent, however, ensure that

you have a lawyer to review all the appropriate paperwork. You don't want to find yourself in a poorly-handled transaction.

Property Strategy 1: Leasing Property

Lease Strategy

Lease Logistics

Leasing⁷⁰ property may seem like a counter-intuitive way to start a co-op. After all, isn't "We Own It" a co-op slogan? Well, yes. But it depends on how you define "it". It can be easy to forget that the co-op and the building are two different things. Ideally the members own the co-op, and the co-op owns the building. But even in situations where the co-op is leasing a building, the members still own the co-op, and can make decisions for how to run the co-ops. It is true that there are limitations which the owner of the property may place on the co-op as their landlord. On the other hand, if the co-op buys a building, the bank and other interests may have more control over how the co-op uses the building than the members might think.

Sometimes it is necessary to rent –especially for new housing co-ops. Two primary reasons that groups choose to rent housing before purchasing are that they either don't have funds or cannot find a feasible building for sale. Conventionally, banks expect a 20 percent down payment on a building and organizing groups usually don't have it.

⁷⁰ Lease: A contractual agreement that specifies the terms by which a property can be rented.

Even when an established cooperative is willing to lend the down payment to a group, many banks think that lending to a group just getting started, especially if the members are young or students, is risky, or that co-ops are weird.

Another reason that organizing groups rent instead of own is that it allows a period of time to create a process for functioning as a group and operating as a business. It is a long jump from organizer to non-profit manager. A leasing period creates the space for the group to transform itself into a well-established housing cooperative with a plan for the future.

Leasing as a Step Towards Ownership

Leasing a building can provide an organizing group with the opportunity to plan and build an organizational structure and culture. Coupled with the fact that it is difficult to find a building that will be affordable and meet the needs of a housing cooperative, it is clear why leasing is a common development method. Living in the same household provides an excellent space for meetings to deal with house issues (such as creating a labor system) and business issues (such as writing the Articles Incorporation, Bylaws, and looking for properties). Additionally, cooperative living saves time and money for organizers struggling through school, starting families, or beginning their careers.

While an informal cooperative living situation provides a good space to tackle just about any organizing task, particular importance should be given to the task of fundraising because it relates directly to the purchase of a property. Small cooperatives do themselves well by creating

a development fund to save for the down payment⁷¹ of their first purchase, which is typically 20 percent of the purchase price. Even raising 10% will make your co-op more likely to find help from other co-ops or from sellers who may be sympathetic to your goals.

If there is no funding outside of the initial member share investment, the down payment must be borrowed, which makes the housing less affordable. A development fund, no matter what size, will subsidize the mortgage and bring down the amount of money borrowed, thus each mortgage payment, and each person's rent. There are many creative fundraising strategies a group can use for the first purchase.

A step beyond "informal" cooperative housing would be an intentionally leasing cooperative.⁷² In this case, the cooperative is the "person" that leases the property, and then each of the co-op members sublease their space from the co-op. This allows the co-op to build a history as a business, and also means that the responsibility for the lease does not fall on any one or more persons in the group. Some landlords who are not experienced with leasing to corporations may be nervous about the residents' names not appearing on the lease. If they will not budge from this position, try to find out if the co-op can become one of the names on a lease, in addition to the names of the individual residents.

⁷¹ Down Payment: The initial payment on a building, typically 20% of the purchase price

⁷² Leasing Cooperative: A cooperative that does not own the building it operates in. the cooperative usually has a "master lease" with the landlord and creates subleases for each individual member.

Leasing as A Development Model

The lease strategy for housing cooperatives can also be viewed as a development model. The model can be characterized as a five to ten-year period of leasing a large number of buildings from property owners and managing the buildings as cooperative housing, effectively making it a cooperative management organization. During this period of rapid lease expansion,⁷³ the organization is able to hire several staff members and build a sizable development fund by setting the rent income from each building leased a few percentage points above the actual cost of the lease.

This development model addresses two prominent problems in the co-op sector: lack of capital and lack of capacity to hire staff. The lack of capital refers to the fact that organizing groups usually do not have the funds to make a down payment of around 20 percent of the purchase price. The lack of capacity to hire staff is another issue. Because there is a high turnover rate in student communities (approximately every four years), student cooperatives experience chronic instability. For similar reasons, non-student co-ops tend to lose organizational memory when members leave due to burnout, change of family status, or to pursue a budding career. Such instability, coupled with the common challenges faced by new businesses, can lead to the demise of the organization.

Some co-ops have addressed this problem by hiring a staff person to assist in coordinating the affairs of the

⁷³ Lease Expansion: When a leasing cooperative begins leasing more properties.

organization. A permanent staff person ensures that basic tasks such as bookkeeping and new member recruitment get done and gives the co-op some organizational memory from year to year. However, many new co-ops are unable to afford staff because of low funds, or unable to keep staff due to turnover. Thus, members of small co-ops quickly learn that money and member retention are at the roots of many problems of the organization.

One means of addressing the lack of staff funding is to lease a large number of buildings, budget for a net income from each project, and use that income to fund a staff position. While, historically, many student cooperatives have leased to further their development, a special example is the cooperative serving students of the University of California at Santa Barbara. (See the text box for an organizational profile.) UHRP⁷⁴, in the early years, did nothing but leasing cooperatives and viewed itself a "cooperative management organization." This example effectively illustrates the power of leasing.

Looking for Property to Lease

There are many factors influencing the search for property to lease, most significantly, the group's vision for the co-op they want. The types of group-housing appropriate buildings that exist in the typical market include: apartments, large houses (often former rooming houses), university dorms, sorority or fraternity buildings, bed & breakfasts, convents, nursing homes, and so forth. There are

⁷⁴ UHRP: Now SBSHC, the Santa Barbara Student Housing Cooperative started by leasing dozens, then hundreds of units. It grew, shrank and now owns 6 buildings in Isla Vista with over 90 members.

many places to look for rental housing, both conventional and unconventional. One factor to remember is that real estate agents deal with rental housing as well as property for sale. Refer to the "Looking for Property" section in the following chapter for a more detailed discussion on the process of looking for property.

One factor that is different when leasing property as opposed to purchasing is rehabilitation⁷⁵. It is not financially wise to invest money in the rehab of a building that a group will be using for only a few years. Groups may sign a "master-lease" for the building that gives them responsibility for minor maintenance repairs, but it should be noted that major upkeep of the building is the owner's responsibility. The definitions of "major upkeep" and "minor maintenance" should also be made clear ahead of time. the owner's responsibility for major upkeep is one of the biggest advantages of leasing a property, so make sure that the co-op is given the freedom to do what the members need to, but without being stuck replacing a roof, foundation, or other major expense.

Preliminary Budgeting for Property Leasing

When creating a budget for your co-op to lease a property, you will want to balance the expenses of the co-op with the income you will receive from your members. Remember to budget money for things such as food, utilities, business expenses, vacancies (use 5% or higher as an estimate), minor maintenance, cooperative education, and development. If the spaces can be realistically rented at

⁷⁵ Rehabilitation: The process of making a building useable for its intended purpose, typically through construction.

market rates or lower, then the project is feasible to lease. When trying to figure out what “market rents” are, online listings can be a good way to try and figure this out. Members will be quick to point out that there will always be a cheaper option than the co-op. But this does not mean they are better values than the co-op. Try comparing the co-op's rent (minus the cost of food and utilities) to other housing options such as a rented room in a house with roommates, an efficiency apartment, a room in a dorm, and other options. Do these other options come with food? Do they include utilities? What other amenities do they include? Try using a few different ways of measuring the value of the co-op to find out where you fit into the prices in the area.

Negotiating with Landlords

Sometimes owners are willing to negotiate the lease price. Prices are often set above what the owner really wants in anticipation that the renter will negotiate. To an extent, it depends upon the market conditions. In a housing market that has a high vacancy rate, landlords will set prices higher than what they expect to get in anticipation of picky tenants. Conversely, in a tight market for tenants, owners will not be as willing to negotiate.

Depending on the local market conditions and the housing stock, it may also be possible to negotiate a lower rental price because the group is assuming responsibility for renting the whole building. This is called master-leasing⁷⁶ and is sort of like a bulk discount on housing. Professional

⁷⁶ Master-Leasing: The practice of having a single entity - the co-op - lease an entire building or floor of a building at a bulk discounted rate, then renting the individual units out to the members.

property managers normally charge about 6 to 7 percent of a property's income. As a co-op group will be assuming the management responsibilities (filling the vacancies, minor maintenance, marketing, etc.), and this percentage can be used to reduce rates and fund an operating budget. It is essential that the group is willing to do the recruitment work necessary to assure that vacancies are low. Otherwise, the cost of empty spaces will be assumed by the members.

Lease agreements are usually contracted for a one-year term. However, something called an "option"⁷⁷ can be added to the lease, which gives the option to renew the lease next year. This gives the group first dibs on leasing the following year, contingent on being a good tenant (i.e. paid the rent on time, no maintenance disasters). An option gives the cooperative some extra room, if it hasn't found a house to buy or is not ready. Renting the same house from year to year can also lend stability to the organization. If at all possible, try to find out if the landlord is willing to enter into a longer lease than one year. This provides even more stability for your group in its early stages, allowing the energy of the group to be focused on creating a co-op culture and planning for your eventual purchase of a permanent home.

There are also a few more unusual terms that can be included in a lease which can help the co-op plan for the

⁷⁷ Option: An agreement at the end of a contract that allows the signer to engage in another contract with the issuer at their decision. usually, this is an "option to renew" the contract, but can often be an "option to purchase" the building.

future. One is the Right of First Refusal.⁷⁸ This is a clause which can be placed in a lease which states that if the owner decides to sell the property during the time that you still hold your lease, the co-op will have the chance to purchase before a third party would. The terms of this purchase would, to some extent, be laid out in the lease clause, and the co-op would have a specified amount of time to meet the terms of the Right Of First Refusal before the seller could go to third parties.

Another option for a lease involves a lease-to-own⁷⁹ scenario. There are several ways that this can be set up, but one of the more common would involve the co-op paying a certain amount above the monthly cost of the lease. This extra amount would build up over the course of the time that the co-op uses the property and would become some or all of the down-payment of the property at some point in the future.

University Leasing Options

Leasing with a local university is a powerful strategy for organizing student cooperative housing groups. This option is similar to a standard rental arrangement, however, it wholly depends upon the university's attitude towards an unconventional means of providing student housing. Typically, student housing cooperatives which work with universities lease buildings which are university-owned,

⁷⁸ Right of First Refusal: A contractual right that allows the tenant of a building the first opportunity to buy the building if its owner moves to sell.

⁷⁹ Lease-to-own: An arrangement that specifies a time and price for the lessee to purchase the building.

either on or off-campus. The terms of the lease vary widely, as do the terms of occupancy. Key issues in successful leases have been the value of the lease (how much the co-op has to pay on a monthly or semester basis); whether the residents have to be students at the university in question; the division of responsibilities in key areas such as maintenance; and the terms for termination and renewal of the lease.

[The Berkeley Students' Cooperative](#)⁸⁰ (BSC), clearly illustrates how a university can support affordable student housing. The BSC in Berkeley, California is a non-profit organization that owns most of its buildings it operates. In addition to these buildings, however, the BSC also leases several buildings and plots of land from the university at below market rate, sometimes at only 1 dollar per year. These partnership agreements function as a subsidy that make their housing more affordable. In addition, the BSC gives students from economically disadvantaged backgrounds priority for membership.

However, be forewarned - university commitment to student cooperative housing can be transitory. University relations are complicated, especially when it comes to real estate. In recent years, co-op systems at Cornell and Brown Universities have been reduced in size because those universities decided that their resources needed to be concentrated elsewhere.

⁸⁰ Berkeley Students' Cooperative: <https://www.bsc.coop/>

The first step to working with a university is to identify the appropriate department to approach. Understand what motivations the university has for supporting co-op housing and what terms they will likely set for their involvement, as well your absolute minimum requirements are. Identify arguments in favor of student cooperative housing which appeal to the interests of those administrators. Key arguments are likely to include:

- Cooperation builds community: By its nature, cooperative housing can provide an excellent source of student community building. They may view this as a key factor in the development of students' overall educational experience.
- Lower-cost: The university may be interested in providing affordable housing at a lower cost than its over-head may permit. Because the co-op will be self-managed, the university can avoid the overhead of staff for it.
- Diversifying: Different forms of housing satisfy different students, which is why most universities have family housing, apartment housing, dorm housing, duplexes, etc. A student co-op can appeal to students who may have interests different from any of these other options.
- Experiential Learning for Students: Some universities may desire to aid students in improving their job prospects after graduation. They may feel that

cooperative management corporations, provide students with good non-profit business experience and make the school look good in turn

- Demand: If there is a demand for cooperative or affordable housing, a university may simply be interested in quickly and easily responding to a student demand.

Negotiation With Universities

Developing a bargaining position with the university, in Rent Contract or Lease negotiations, begins with developing a sound business organization, one with articulate goals, management capacity, and plan to meet its goals. While a student cooperative management corporation may not be able to, or desire to, be responsive to all of a university's desires, the cooperative must be able to live up to its requirements.

The best rent contracts or lease agreements will promise the delivery of certain results (regular lease-payments, proper maintenance, sanitary kitchens...) in return for the use of buildings. The university needs to be convinced that it can expect those results from the student cooperative in order to negotiate a favorable lease. Ideally, both the co-op and the university will have clear responsibilities to one another, and both sides will feel comfortable with the benefits of the lease.

The more the university perceives that the student cooperative may not be able to provide certain results, the more the university will be interested in an unfavorable lease-agreement (involving operational interference, university-control of capital reserves, shorter lease-terms for the co-op) The university will be interested in establishing a good working relationship with a leasing organization by ensuring continuity, low-conflict, and flexibility and will usually make many of the following considerations:

- Fair Housing: Is the cooperative compliant with the Fair Housing Act?⁸¹ The university will be interested in the fair admission of residents. Selective admissions for any reason can lead to complaints to the university administration and increased scrutiny. Selective admissions may also put the co-op at risk for discrimination lawsuits or a negative image in the community.
- Finance: Can the cooperative usefully budget income and expenses, manage its cash-flow, bill its members, and collect its income? If the cooperative cannot perform these tasks well, the university has reason to worry that it may not receive its lease payments on time or in full, or that the cooperative may have residents subsidize substantial member debt.

⁸¹ Fair Housing Act: A federal act passed in 1934 that makes housing discrimination illegal in private housing, public housing, and housing that receives federal funding.

Similarly, poor financial organization and operation will give the university reason to believe that the cooperative should not manage the capital reserves for the improvements on the buildings.

- Maintenance: Can the cooperative prevent deterioration and maintain good upkeep of buildings? If the building swiftly deteriorates, this negligence can alert the university that the cooperative is poorly run. Similarly, the cooperative should have a good repair system, so that the university can be assured that small repairs will be quickly identified and repaired.
- Business Operations: Can the cooperative quickly and adequately respond to the needs of its member-residents and the university? If the decision-making processes are prohibitively slow or cumbersome, the university will worry that the cooperative does not have the ability to deal with problems as they arise and may inject itself into the management structure. Similarly, the cooperative must provide for its administration by skilled and trained individuals, so that decisions and administration are sound.
- Student member relations: Will management of the property be favorably received by its residents? Resident dissatisfaction or conflict will worry a university.

- Community Relations: Will the properties be well-received in the larger community? If a property is not perceived as an asset to the community, at least it should not be perceived as a liability.
- Optics: Will negotiations be productive and civil? High-profile protest and positioning may be appropriate for emergency situations, such as a co-op being closed by the university or skyrocketing lease charges, but could backfire in the long-term. A university may not feel that it can work well with such a leasing organization and may therefore wish to end the relationship.

By developing and communicating the existence of these capacities, student cooperatives can put themselves in a position to bargain for more autonomy and generally more favorable terms in rent contract and lease-negotiations.

Signing a Lease

It is important to understand the legal issues involved with entering into lease agreements. A lease is a written legal agreement between an organizing group and a property owner. It specifies the rights of the tenant and the owner's rights as landlord. The group can either take part as an incorporated organization (which is held responsible) or the actual persons can enter into the agreement and take personal responsibility. If the members do put their names on the lease, they should realize that they are legally responsible for paying all charges related to the agreement and do whatever they can to make sure the co-op is a party on the lease in order to build a history as an organization.

An important aspect of the lease agreement is the monthly rental rate. Before signing, the group should analyze how many people can legally live in the building. Also, consider which bedrooms will be singles, doubles, and triples. How much will each person pay at the rates that are offered? Will people live in these spaces? Would you?

Finally, a deposit will be required for any lease. There are usually legal limits on the size, which may include any of the following: security deposit, cleaning deposit, utilities deposit, and/or last month's rent. Consult with a local tenants' union to find out the limit for a specific area, and the terms on which the deposit must be returned.

Property Strategy 2: Purchasing & Developing Property

Looking for Property

Negotiation

Inspection and Appraisal

Financing the Project

Getting Loans

Closing the Deal

To some people in the cooperative movement, purchasing property is the most important part of organizing a housing cooperative, as it takes land off of the speculative real estate market. This position holds that while there are certain benefits of living in a community, the point is really

purchasing buildings, acquiring equity, and developing more buildings. While there is no single, monolithic “point” to organizing a housing cooperative, (the experience of community organizing, learning how to run a business or non-profit, civic engagement, and democratic living are, to many, equally or more important) purchasing property is certainly a powerful way by which cooperatives accomplish their goals and retain their independence from outside influences.

With the benefits of collectively purchasing property come the challenges of achieving this monumental task. It is no small affair for a group of often overcommitted organizers to incorporate as a non-profit organization, formulate a system of operations, find a property feasible for purchase, and obtain financing from conventional and/or alternative lenders. Furthermore, there is the equally monumental task of successfully operating the cooperative in the long-term (recruiting new members, making mortgage payments, purchasing more properties) as the original organizers go on to other things and the founding energy dissipates.

This chapter addresses the critical technical challenges that an organizing group will tackle during their attempt to purchase property. Issues such as the property search, real estate professionals, financing, and signing the agreement are discussed in a manner that makes them understandable and accessible to people who are just learning. Once a group begins this process, the Handbook's earlier emphasis on research and organization will become crystal clear. Such preparation is critical to understanding the issues involved with purchasing.

Looking for Property to Purchase

Before an organizing group begins the property search, participants should establish the characteristics they are looking for in a building. A productive group exercise is a brainstorm session to create a profile of the ideal building. The following questions will bring the right issues to the table and may inspire further discussion:

- How many people will live there?
- Should the building have a group kitchen or at least a big kitchen?
- How much (or how many) common area/s should there be?
- Is space for parking necessary, both in practical and legal terms?
- What is the ideal mix of singles and doubles?
- Is yard space necessary?

The next step after the ideal has been created is to throw it away. Not literally, of course, but organizing groups should be aware that the building they find will probably not be their perfect ideal because of the difficulty of finding feasible buildings suited for cooperatives. Nonetheless, it is useful for group members to know their preferred characteristics, so they are able to recognize them during the property search. Be aware, though, that there may be properties which have all of the necessary characteristics, but do not fit the model of what your members think they are looking for. In many areas, groups may be focused on finding big funky buildings with lots of character, and

assume that apartments, multiple house structures, nursing homes, or other buildings won't work for them. But by keeping an open mind, and focusing on the needs of the group, rather than a set idea of the type of building you are looking for, you will have a better chance of finding a space that best fits the co-op's needs.

There are certain kinds of buildings that organizing groups should consider because they're well-suited to meet the needs of a group house. Sorority and fraternity houses tend to make good student cooperatives because most are large and well-suited for group living and are near campus. Other possibilities include: rooming houses, convents, bed & breakfasts, and houses that have been subdivided into apartments. Redesigning such buildings into a group house can make rates more affordable. Choosing one central kitchen and turning remaining kitchens into bedrooms will increase the number of people paying for the total mortgage and, consequently, each individual's rent will be lower.

Examples of Housing Cooperative Building Structures

Over the years, the housing cooperatives around the continent have built or purchased several different types of facilities designed to meet the particular needs of an individual community. While there are examples of many types of structures which can and should be considered for use by the cooperative, including some examples such as geodesic domes and warehouse lofts, in most situations one of four basic types of building styles have been used.

Small Group House



In this model, ten to fifty members share a house, which is often an older, converted building. This "group house" usually has shared meals several times per week, often

every day. Members generally contribute about four to six hours of labor per week to the operation of the household. This labor includes preparing meals, cleaning the kitchen and "common areas," collecting rent and paying bills, minor maintenance, and possibly office work within the central management structure. Co-ops of this size will have elected officers responsible for administrative tasks and networking with the central organization. A note: Co-ops of less than 10 often lack the economies of scale that larger cooperatives have, have more admin work per member, and are more susceptible to high turnover causing crises.

Large Group House, or Small Dorm

In this model, approximately 100 members share one large co-op, either as a single high-rise or dorm-style building, as several buildings sharing one location. There are usually shared meals. Some have constructed their own buildings for this model, usually resulting in a structure of about eight to ten "suites" which offer cozy areas in a large building.



Most of these large houses are operated quite similarly to the small houses, but it has been observed that houses of this size require more people in administrative positions and may require staff

specific to the building; i.e., a building manager, cook, or maintenance personnel. On the other hand, co-ops of this size offer a better economy of scale, and are able to deliver more goods and services for the same amount of money and labor per person.

Small Apartment Building

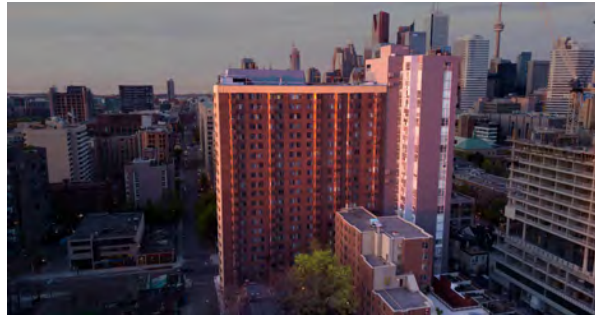


These buildings are often purchased or built by co-ops that have group houses to give older members more privacy. Some organizations with these types of buildings do

require a work contribution, often for groundskeeping or

maintenance. There are usually no shared meals and there is generally a "small" feeling to the co-op but with a high degree of privacy. A similar structure is the townhouse complex, organized very successfully as a cooperative in many family-housing situations.

Large Apartment Complex



In this model, members will share apartments of two to five bedrooms. This model often allows the largest number of members

housed per square foot of land but may lack a "feeling of cooperation". There are no shared meals. Students are usually required to contribute very little labor to the cooperative in this model, although they may organize their apartments as "mini co-ops."

There are many cooperatives that consist of only one house, but the majority of housing cooperative members live in buildings that are part of multi-house co-ops. These co-ops are organized into a central organization governed by a member-elected Board of Directors, which is accountable to the membership. In a co-op of several group houses, or one with houses and small apartment complexes, Directors are usually sent to the Board as representatives of a building. In

high-rise apartment complexes, Directors may be elected at large, or represent a floor or wing of the building.

We recognize that the majority of those reading this text will be looking to start either small apartment-style or group-home-style cooperative houses. However, the concepts apply to larger systems as well, and if you are a member of a large cooperative system, these organizing steps can apply on a significantly larger scale.

Structural Feasibility & Occupancy

You must find out if your building can house your cooperative. There are 3 parts to feasibility, and your building must meet all 3. It must be feasible structurally, legally, and financially. This information will help you know if a building meets your needs. It will help convince banks, lenders, grantors, and other sources of financing that your plan is realistic.

A method for examining each potential building should be devised by the organizers. Consider dividing the following responsibilities among group members.

- Make a floor plan to keep track of how many rooms are there, and how you could repurpose them.
- Note maintenance issues (leaky roofs, critters, cracks, loose bricks, dead trees)
- Calculate a quick financial feasibility check
- Research building codes, ownership, and the value of other buildings in the neighborhood.

Here is a list of questions to consider when looking for a property. It is not exhaustive but is a good place to start.

- Is the structure of the building in good condition? Roof? Foundation? Paint job? Heater/AC?
- Is the water pressure good? How about the rest of the plumbing? Electricity?
- Is the house weather-proofed?
- Is there a Fire Alarm? Sprinkler System? Do you need one?
- Are there mice, rats, bugs, or other critters?
- Does the layout of the house balance community common space with privacy for members?
- What size is the kitchen? Is there enough food prep and storage space?
- Does the kitchen adjoin to a common room?
- What is the neighborhood like?
- What is the Occupancy⁸² of the building?
- Can the building be legally occupied and used for the purposes that you desire? Key sources of information for assessing occupancy issues include:
 - How is the building currently used? If it's a group housing, or has multiple units, that's a good indication. How many people does it currently house?
 - Zoning and building departments - go to your City Zoning, building, and planning departments. Ask for information on a particular property, its zoning, and what legal uses are eligible under that zoning designation (you're probably looking for something in the multiple-family/apartment/rooming house range). You'll also want to find out if there is a

⁸² Occupancy: The total number of unrelated individuals allowed to live in the building. This is often the most significant delimiting factor in whether a building is suitable for co-op needs.

maximum number of people who can live in the building - that'll be key when it comes time to look at the financials. Many cities now list zoning and other information about a property online.

- Other factors that might impact legal occupancy of a property include lot size, number of off-street parking spaces, rules on the use of basement or attic spaces, and requirements for adequate light, ventilation, and accessibility, or "egress,"⁸³ of sleeping rooms. You will also need to find out whether your municipality has restrictions on the number of "unrelated persons" who can live together, as this will affect the occupancy of some properties.

Very seldom will an organizing group find a building suited perfectly to their needs. It is often the case that a building is in need of rehabilitation in order to make it livable or to conform with local fire and health codes. Frequently changes in a building need to be made because of increased occupancy or the previous owner's neglect. Often, this "fixer-upper" condition of the building is a large part of why the building was affordable for the co-op and gives the members a chance to adapt the building to suit their needs. Generally, members work closely with NASCO Development Services staff to ensure that things proceed properly through the planning and renovation.

⁸³ Egress: The means by which rooms are entered or exited. Usually, Bedrooms require 2 paths of egress, a window and a door of certain size and accessibility restrictions, subject to fire and building code.

All of this information is useful in determining whether a building is structurally feasible to be used as a housing cooperative. While there are many factors affecting whether a building will work as a cooperative, structural feasibility is the most important. In order to work with NASCO Development Services and be eligible for most co-op funding sources, it is standard for staff to come to the site to examine the building and perform a detailed structural feasibility analysis, or "crunch the numbers."

Often it takes years for groups to find a building that is feasible to purchase. After looking for properties for an extended period of time, organizers develop an eye for good cooperative houses. In fact, many begin to see the world in terms of potential co-op buildings. They stop each time they find a large building, map out which neighborhoods would work for multiple developments, and know that because a building is not officially on the market does not mean the owner won't consider. Property records are kept at city hall or the housing department, where one can research the owner or property management firm. A tour can be arranged through an agent or property owner.

Preliminary Budgeting for Property Purchasing

Cooperatives are generally subject to the same market conditions as other businesses, and there is no mandate that cooperatives' prices be lower than that of the competition. In contemporary markets, national and transnational corporations sell merchandise at incredibly low prices by paying their employees poorly, and/or relying on the lower costs of labor and materials in other countries. The same concept applies to landlords who maintain

artificially low rents by minimizing their reinvestment into their properties.

Some cooperatives have made a conscious decision to keep prices high enough to pay their employees fairly, provide higher quality goods, offer some additional service, or achieve other social goals. It can be helpful to think in terms of value instead of price. It may cost less to rent an apartment or buy your rice from a chain store, but there are factors other than the gross dollar value to consider. There are issues about the sustainability of the cooperative, the co-op's ability to keep money circulating in the local economy, or services added to the transaction that increase the value.

Development Budget (Sources and Uses of Funds)

A Sources and Uses Document, also known as a Development Budget,⁸⁴ is where you come up with the sticker price for purchasing the building. A quick way to do this is as follows. Take a piece of paper:

- On one side list of all of the costs that are involved with turning the building into a working co-op house. Include an estimated purchase price, any rehabilitation work that you think might be necessary, furniture and appliances, anything else that seems relevant, and then add 10% for miscellaneous contingency items. Only count the one-time expenses involved with purchasing and starting the co-op. Total these items - they are known as the uses of funds.
- On the other side, list all of the sources of financing and their terms. An easy place to start is to assume that you'll need a bank mortgage loan for about 75-80% of the cost of the project - so take 80% of the total ticket price from the other side (the terms of a commercial bank mortgage are usually a loan for 20 years or so at about 6-9% interest right now). The remainder is risk financing that you'll have to drag up from somewhere. Does your organization have cash in the bank? How much of your current building can you use as equity (what do you owe on its mortgage vs. what it is worth - you can count that as cash in hand when it comes time to go to a bank)? Are there

⁸⁴ Development Budget: The budget that determines the total initial cost of the project and where the initial money will come from.

City programs to help affordable housing (the terms of these will vary)? Will a university consider financing part of the cost? Could you get a loan from an existing cooperative? Are there private persons that your members could borrow the money from, and then pass the loan through to the co-op? Total these - they are the sources of funds.

The sources and uses need to match! If they don't, you probably don't have enough funds and need to find some more. Or you need to evaluate the uses for your capital, to see whether you need to negotiate a lower purchase price or perhaps change the amount of rehabilitation that you are planning for the building. Finding sources of funds is often the largest hurdle which a new housing cooperative needs to tackle in starting or expanding. Don't let this stop you from analyzing properties; try making some assumptions about sources of funds, and then work later on your Statement of Cash Flows, also known as an Operating Budget.⁸⁵

⁸⁵ Operating Budget: The budget that determines the continued operating costs and revenues of the project after it has been purchased/built.

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Weona Cooperative

Sample Project Development Budget (Sources / Uses Statement)

Bedrooms 12

USE OF FUNDS

Acquisition

Property Acquisition	\$340,000
SubTotal	\$340,000

Construction

Lead / Asbestos Abatement	\$5,000
Construction / Repairs	\$10,000
Contingency 10%	\$1,500
SubTotal	\$16,500

Professional Costs

Appraisal	\$1,250
Survey	\$1,000
Property Inspection	\$500
Lead / Environmental Inspection	\$1,500
Legal	\$4,000
Subtotal	\$8,250

Loan Closing & Financing Costs

Loan Fees	\$5,675
Title Insurance & Recording	\$2,000
Transfer Taxes	\$2,000
SubTotal	\$9,675

Other

Operating Reserve	\$2,000
SubTotal	\$2,000

Total Project Uses	\$376,425
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SOURCE OF FUNDS

Debt Sources		Loan to Value Ratio	Estimated Value
1st Mortgage	\$293,000	85%	\$345,000
2nd Mortgage	\$52,000	100%	
Total Debt Sources	\$345,000		

Equity Sources

Member Shares	\$12,000
Donations & Fundraising	\$6,725
Development Fund	\$12,700
Total Equity	\$31,425

Total Sources	\$376,425
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Balance	\$-
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Operating Budget (Cashflow)

Finally, you need to see if the building can generate enough money to cover the costs of running it. Take another piece of paper and:

- On one side total up all of the revenue that you can expect from the building in the space of one year. For housing co-ops, this is almost entirely rent (assuming that food and utility charges are a part of your rent). Look at each space in the house and determine what you could reasonably charge for it. Total the rent for each month and come up with a gross figure for the whole year. In a student organizing group, if the summer housing market is significantly different, you will need to do two different sets of revenue, one for school year and one for summer.
- On the other side, total up all of the expenses that you can expect to incur in a single year. Look at two separate types of expenses:
 - Debt Service⁸⁶ - if your Sources of Funds includes borrowed money (loans, mortgages, etc.), and it will, you need to calculate and itemize the annual payments that each loan will require (there are amortization books or programs that can help with this, or your spreadsheet can do it).

⁸⁶ Debt Service: Money spent paying back debts to creditors.

- Operating expenses⁸⁷ - Usual categories of expenses include: property taxes, heating, electricity, water, and maintenance. You can either get figures from the previous owner or try and estimate them based on your current building, if you have one.

Only worry about accuracy to the degree that you can. Try to estimate costs in a way that you can defend if you need to, but don't worry about having every single cost pinned down just yet. Subtract total expenses from total revenue. If the amount is positive, you're probably looking at a building that will work as a co-op. If the amount is negative, you need to look closely at how you can make this building support itself. Possible strategies include increasing the number of people in the building paying rent, eliminating unnecessary expenses, or changing the structure of the sources and uses of funds to lower the debt service expenses.

⁸⁷ Operating Expenses: Money spent in order to keep the organization running.

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**Weona Cooperative
Sample Operating Budget**

Monthly Room Charges	Units	Monthly Charge	Total Monthly	Trends
Small	4	395	1,580	Income 3%
Medium	4	465	1,860	Expense 2%
Large	4	540	2,160	RE Taxes 3%
Total	12	1,400	5,600	Utilities 4%

Income		Year 1	Year 2	Year 3	Year 4	Year 5
Total Potential Income		67,200	69,216	71,292	73,431	75,634
Vacancy Allowance	3%	2,016	2,076	2,139	2,203	2,269
Bad Debt Allowance	2%	1,344	1,384	1,426	1,469	1,513
Annual Income		63,840	65,755	67,728	69,760	71,852

Expenses	per bed					
Minor Repair/Maintenance	\$125	1,500	1,530	1,561	1,592	1,624
Property Tax	\$500	6,000	6,180	6,365	6,556	6,753
Property Insurance	\$292	3,500	3,570	3,641	3,714	3,789
Utilities	\$500	6,000	6,240	6,490	6,749	7,019
Legal/Accounting	\$63	750	765	780	796	812
Co-op Services	\$104	1,250	1,275	1,301	1,327	1,353
Supplies	\$63	750	765	780	796	812
Miscellaneous	\$21	250	255	260	265	271
Operating Expenses	\$1,667	20,000	20,580	21,178	21,795	22,432

Capital Improvement Reserve	\$200	2,400	2,448	2,497	2,547	2,598
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Net Operating Income		41,440	42,727	44,053	45,418	46,823
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Debt Service						
1st Mortgage		22,805	22,805	22,805	22,805	22,805
2nd Mortgage		12,504	12,504	12,504	12,504	12,504
Total Debt Service		35,308	35,308	35,308	35,308	35,308

Total Expenses + Debt		57,708	58,336	58,984	59,650	60,338
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NET INCOME		6,132	7,419	8,744	10,109	11,515
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Debt Coverage (NOI / Debt Service)						
DCR 1st Mortgage		1.82	1.87	1.93	1.99	2.05
DCR 2nd Mortgage		1.17	1.21	1.25	1.29	1.33

Debt Source	Principal	Amort Months	Interest	Maturity Term	Monthly Payment	Annual Payment	Due at Maturity
Nice Bank Incorporated	\$293,000	360	6.75%	120	\$1,900	\$22,805	\$250,424
Even Nicer Community Loan Fund	\$52,000	60	7.50%	60	\$1,042	\$12,504	
					\$2,942	\$35,308	

If all of these feasibility elements fall into place, then the building is probably feasible. Don't be surprised if it's not, though. It can take a long time to find a building which will work as a co-op.

Financing new housing cooperatives is one of the most difficult aspects of the development process. Obtaining loans from conventional lenders is often very difficult, even when a group has obtained the funds for a down payment. The cooperative movement, however, has access to some resources from within the greater co-op community to finance new co-ops.

Making an Offer and Negotiation

After a desirable and feasible building is found, the next step is negotiating a price. The negotiation process begins with submitting a purchase offer, also known as a sales agreement⁸⁸ to the seller or the seller's agent. The purchase offer is an offer to buy a piece of property under certain conditions, with certain stipulations called Contingencies.⁸⁹ It is submitted to the seller of a piece of property for consideration. They may respond by accepting the purchase offer, or, more likely, by submitting an edited version of the offer, known as a counter-offer. When negotiating prices

⁸⁸ Purchase Offer/Sales Agreement: A document that constitutes a legal contract to purchase the building at the offered price.

⁸⁹ Contingencies: Sections in a Purchase Offer that allow the buyer to back out of the purchase without penalty if certain conditions occur. (like an appraisal of the building coming back too low)

and going through the counter-offer process, it is important to be aware of what the co-op can and cannot afford. With each offer, the feasibility analysis must be recalculated. If the property proves unfeasible, the group must be willing to walk away. Giving up on buying your first choice of property is a real setback for the group, but it is much better than being stuck in a bad mortgage.

Purchase offers and sales agreements are accompanied by earnest money,⁹⁰ which is typically about two to three percent of the purchase price. Earnest money serves as a deposit with the seller, establishing a serious intent to purchase the property. It differs from a down payment in that down-payments are part of the actual purchase. If the purchase happens, the earnest money usually becomes part of the down-payment. If the co-op backs out of the purchase for reasons not covered by the purchase offer, the earnest money is typically lost. Aside from these technical considerations, though, is the fact that an organizing group must supply this earnest money in advance of the purchase. Again, this is a situation in which building a strong network of community contacts can pay off: supporters often have the resources to provide a loan or grant for part or all of this money. In some situations, NASCO Development Services can arrange a loan from an established cooperative for the earnest money.

⁹⁰ Earnest Money: Cash Money put down to establish the seriousness of the offer to purchase. If the buyer backs out, the Earnest Money is given to the seller to compensate for wasting their time.

Purchase offers, if accepted, make certain commitments to the seller. In summary, a purchase offer states:

- The amount the group is willing to pay
- When it would like to take possession
- The type of financing being sought
- That taxes and utilities will be prorated (appropriately divided)
- Protects the buyer against partial ownership claims and unspecified repairs on the property

Purchase offers also contain various contingencies. These contingencies are items that the buyer and/or seller must have resolved before the purchase can go forward. The most common contingency is for financing⁹¹, which gives the buyer a period in which it has to find a source willing to lend money to buy the building (usually 60 days). Other contingencies might include: approval by the cooperative's Board or general membership, approval of the agreement by an attorney, a thorough property inspection⁹² by a

⁹¹ Financing Contingency: A Contingency that states that the Buyer can back out if they can't get reasonable financing.

⁹² Property Inspection: When a buyer hires a licensed property inspector looks through the building for deficiencies. The inspector provides an inspection report to the buyer. The buyer can then use the report to adjust the offer as long as there is an inspection contingency.

licensed contractor, a valid Certificate of Occupancy⁹³, termite inspection⁹⁴, Zoning Approval⁹⁵, or other factors that may affect the feasibility of the project.

If the purchase offer is accepted and signed by both parties, it is important for organizers' to be cognizant of their obligations and ensure they are fulfilled. An important obligation is the stipulation that the buyer keep the seller informed of efforts to obtain financing. Purchase agreements have this stipulation to protect sellers from people who are not serious in making an offer on their property and to be fair by keeping them aware of difficulties which may make compliance with the agreement impossible. This requires that the real estate agent be notified, in writing, if there are significant changes in the financing as planned, or in the timeline initially projected. As NASCO Development Services is normally responsible for arranging the financing, it takes much of the responsibility for informing the seller of these changes.

Finally, it is important for organizers to keep NASCO Development Services informed of any on-site developments which may affect the purchase agreement,

⁹³ Certificate of Occupancy: A document that certifies a building's compliance with applicable building codes and deems it viable for occupancy.

⁹⁴ Termite Inspection: What it sounds like. If there are termites in your area, ensure that this is done.

⁹⁵ Zoning Contingency: If it turns out that the buyer cannot get zoning approval to use the building as a cooperative, this allows the purchase offer to be cancelled.

even though staff usually maintain a high on-site presence. However, this does not guarantee that NASCO Development Services has knowledge of everything that transpires. Generally, the more effort invested into healthy communication, the less mistakes that are made.

Inspection and Appraisal

The first stage in obtaining financing is assessing the value and condition of the property, which is done through an appraisal and a property inspection. This step can only occur once a purchase offer has been made.

An appraisal is an estimate of the value of the property by a certified expert. It is information that financial institutions will need to know in considering loans. The appraiser considers these options and estimates the market value accordingly. Most of the time, one of the contingencies that gets covered in a purchase agreement is that the building gets appraised to be worth at least as much as the asking price. If something comes out of the appraisal showing the value to be lower than the asking price, your group would submit a new purchase agreement. Appraisers commonly estimate the value of a building using the methods listed below.

- Replacement Cost: How much would it cost to replace the current facilities?
- Market Data: How much are comparable properties in the local market selling for?
- Income Approach: What value will a property with this income support?

As stipulated by the buyer in the purchase agreement, the inspection ensures that the property is in satisfactory physical condition. It also identifies what kind of rehabilitation⁹⁶ will need to be done to the property. Hopefully, the inspection will not find anything unexpected. If major problems are discovered, the feasibility analysis should be modified to reflect this. Depending on the situation, the group may need to submit a new offer, or even start looking for a different property. An inspection should be performed by a licensed independent housing inspector who will do the type of inspection desired by the buyer. Independent inspections commonly cost a few hundred dollars, and the findings are private to the buyer. Inspections usually focus on the following:

- grading, drainage, landscaping, fences, paved areas, retaining walls, recreational facilities, garage
- exterior walls, insulation, doors, windows, porches, decks, steps
- roofing, vents, hatches, skylights, gutters, downspouts, chimneys
- crawl space or basement: construction, settlement, water penetration, termites, rot
- attic: access, ventilation, insulation, signs of leakage, fire safety

⁹⁶ Rehabilitation: The process of making a building useable for its intended purpose, typically through construction

- interior: walls, floors, ceilings, fireplace, stove, stairs, closets, fire safety
- electrical system
- plumbing system
- heating and cooling systems
- kitchen and bathrooms

An inspector is hired by the buyer to inspect anything of concern in addition to the standard list. Some inspectors can also be asked to estimate what it will cost for each repair that needs to be done. However, usually they will not, and you will have to find an independent contractor to provide an estimate. It is smart to get more than one estimate for major rehabilitation projects that you become aware of as a result of the inspection. A feasibility analysis⁹⁷ is not solid until after the inspection and rehab estimate, which makes the viability of any project uncertain.

Developing a Rehabilitation Plan

Even entering into a property with all the necessary rehabilitation fulfilled, it is often desirable to upgrade in other ways which will improve its functioning. Possible renovations could be something that a member can facilitate, such as converting a garage to a bicycle shed. More complex projects require hired labor: installing

⁹⁷ Feasibility Analysis: A study to determine the likelihood of completing a project by taking into consideration all the relevant factors at play.

skylights, replacing the roof, or adding additional living space to the building.

As mentioned, much of the renovation work will be required by local fire and safety ordinances. To learn about what changes will be required of the group, it is necessary to make contact with the city housing building inspector. Often it is advisable to have the city inspector tour the house personally, because their interpretation of the code is most relevant.

Plans for major renovation should incorporate the assistance of an architect, who will be able to apply the local housing code to the new cooperative. As with other professional help, it is advantageous to create an advisory committee that can provide sympathetic and affordable advice. A sympathetic architect can give relevant assistance to a rehabilitation plan.

After the city inspector has compiled a list of requirements and the plans have been completed by the architect, the rehabilitation should be carefully planned. To begin with, work that can realistically be performed by willing members is noted. Next, a schedule is developed which includes priority renovations and work coordination. Further, bids are solicited for repairs and construction: generally, three bids per work project. Members can play a key role in finding contractors who are recommended by people in the area and checking on the reputation of others. This kind of recommendation is another area where a good relationship with the neighborhood association members can pay off. Factors in choosing a contractor are:

- Experience: Have they worked with the cooperative or neighbors on other projects and done a good job?
- Time: Will the contractor be able to complete the project when needed?
- Guarantee: Is the work guaranteed and how do different bid guarantees compare?
- Price!
- Cooperation: Is the contractor willing to work with some members?
- References: Does the contractor have good references or work to be displayed?
- Work included: Is the bid of one contractor more complete than another? Will subcontractors need to be involved?

Organizing a work committee is helpful, if the co-op wishes to reduce its rehabilitation costs through sweat-equity, or member volunteer labor. NASCO Development Services can help establish what tasks are doable by members and how long tasks may take. Such decisions should be made when the rehab schedule is developed. When it comes time for members to begin certain tasks, everyone in the group should be clear about their responsibilities. For example, informing a contractor that rubbish will be cleared out of an attic, and then not having it done when they arrive with the work crew, will increase the overall cost of the project.

NASCO Development Services usually advises groups to appoint a development liaison who is responsible for being the on-site coordinator. If there is room in the budget, provisions can be set aside for a development intern to paid for the large amount of work that is required of the liaison. The liaison is responsible for informing the work committee of its responsibilities and checking-up on the work that

contractors perform. Not only is the final product important in this case, but being aware of work which is falling behind schedule can be of crucial importance. Delaying one job can have a domino effect on the renovation and cause the cooperative added inconvenience and expense.

Financing the Project

Mortgage Financing

Financing the purchase of property is generally done through a mortgage loan⁹⁸. A mortgage loan is a loan that is made "against" the property which the group is purchasing. This means that the property being purchased serves as collateral which can be repossessed if the new cooperative defaults on its loan payments.

Mortgages typically provide a maximum of 75 percent of the financing for any given purchase. This gives banks protection in the case of defaults: they are very likely to get 75 percent of the value of the house through a resale after repossession. The remaining 25 percent of internal capital and other financing also tells the bank that other people have enough confidence in the buyer's ability to pay, to risk their own money. The 25 percent is considered the cooperative's down-payment.⁹⁹

⁹⁸ Mortgage Loan: An agreement in which a bank lends money at interest in exchange for taking title of a property, on the condition that the transfer of title is void upon full payment of the loan.

⁹⁹ Down Payment: The initial payment on a building, typically 20% of the purchase price

Another attribute of mortgage financing for new cooperatives is that, often, it is at a variable rate, which means that the interest rate of the loan is tied to prevailing market rates and subject to go up and down. This is unlike a typical home owner mortgage which is fixed and has the same payments throughout the loan. The rates can change monthly, yearly, every three years, five years, etc. Generally, this makes planning for the co-op very difficult. Banks will generally give a fixed rate to new co-ops, although the fixed rate will be higher than the lower end of the variable rate.

Loans also have two lengths attached to them. The first is the amortization¹⁰⁰ of the loan. "Amortization" refers to the length of time it would take to pay off the loan if the same amount is paid each month. Commonly, amortizations are set to take 20-25 years to pay off for commercial mortgage loans, and 30 years for personal mortgage loans. The longer the amortization the smaller the monthly payment—but more payments are scheduled to be made and therefore the more total interest paid.

The second length of time is the term¹⁰¹. "Term" refers to the length of time that the buyer has to pay off the entire balance of the loan. This is not necessarily the same as the amortization as we will see in the following example:

For example, a loan may have payments figured for a 30-year amortization and a term of 5 years. This means that the entire balance is due 5 years down the road, but only 5

¹⁰⁰ Amortization: The process of reducing or paying off a debt with regular payments.

¹⁰¹ Term: The time period during which the loan will be paid off, usually 1-10 years.

years' worth of a 30-year payment plan will have been paid off by then. This leaves 25 years' worth of payments due suddenly at the 5-year mark! This is called a balloon payment.¹⁰² Balloon payments occur because interest payments change over time, and the lenders may wish to renegotiate the loan periodically. At the 5-year mark in this example, the borrower and lender will need to refinance this mortgage - either attempt to extend the loan's term for either another 5 years or a longer term with the same lender, or search for alternative lending sources.

Subsidiary Financing

Historically, obtaining subsidiary financing, the remaining 25 percent of the loan, has posed a difficult problem for new cooperatives, which is discussed in the previous section. In NASCO Development Services projects, subsidiary financing is most successfully obtained from the limited resources within the cooperative movement: established cooperatives, the Kagawa Fund, local co-ops, and member shares.

Other options for subsidiary financing are local supporters and organizations: local businesses, non-profits, universities, cities, and philanthropists. Though these are not likely to produce loans for a significant portion of the subsidiary financing, every piece of the financing package is important.

¹⁰² Balloon Payment: A large payment made at the end of a loan that pays off the entire remaining loan balance.

Member Investment

A common element of subsidiary financing is member investment,¹⁰³ which serves several purposes. With respect to the organization, it is one of many ways in which members create and maintain a commitment to the cooperative. This sense of ownership creates an incentive to care for the buildings and the organization. Furthermore, the contribution to the purchase of the building makes the project attractive to mortgage and subsidiary lenders. Also, the member investment reduces the size of the mortgage payments and thereby adds to the affordability of the project. The downside to a high member investment is that it sets a higher barrier to entry for new members to the co-op, who may not have hundreds or thousands of dollars to put forward as the capital to join the co-op.

If the cooperative defaults,¹⁰⁴ and the property is sold, the mortgage and subsidiary lenders want to recover their money. A return of 95 percent of project cost is used as a standard, in case the property must be sold quickly. Therefore, lenders generally look for around 5 percent member share investment to cover the loss. The member shares effectively function as a built-in incentive for member participation.

The concept of member shares is common throughout the movement, even in, say, a food co-op. Members purchase

¹⁰³ Member Investment: When members contribute to the down-payment of the co-op. This can come in the form of grants or loans. If loans, they are subsidiary to the primary mortgage.

¹⁰⁴ Default: When one ceases to make payments on a loan due to lack of funds

shares in the cooperative, and the shares are the source of initial capital for the venture. They are equity contributions which last through the member's term of involvement. The sum is paid upon entering the cooperative and is refunded when the member leaves: it also functions as a security deposit. Usually, the share is not any more than the area's average deposit. Different states and cities have their own regulations regarding deposits, though, and many areas consider the share in the co-op to be a form of deposit. Make sure to check with the local Tenants' Union¹⁰⁵ to find out if there are regulations that would affect the collection and use of member shares in your co-op.

Another kind of member investment is a loan, which either comes from a member or a relative. These investments are unique in that they are socially-responsible by supporting a good cause and personally- responsible by supporting education and affordable housing. While the terms of loans depend on circumstance, the interest rates can be set to make them attractive investments which would provide a respectable return on investment¹⁰⁶ (abbreviated as ROI).

A strategy for member loans which has been used before in low income housing is through credit union membership. If a credit union will not lend directly to the co-op, perhaps they will consider lending to the members, who in turn will lend the loan to the co-op. If organizers are members of a

¹⁰⁵ Tenants' Union: If available in your municipality, a tenants' union is an organization that represents tenants against landlords and advocates for their rights.

¹⁰⁶ Return on Investment: Measurement of the gain or loss generated on an investment relative to the amount of money invested.

credit union, they can take out loans for the amount of their member loans to the cooperative. The interest paid to the member on their loan would be equal to or greater than the interest of the credit union loan. Thus, the member loan would have no direct financial costs, while still providing a form of member-loan investment.

Movement Resources

The housing cooperative movement has responded to the difficulties in obtaining financing by developing a pool of resources which it can draw upon when necessary. One strategy has been to lobby the government for the use of public funds. In both Canada and the United States, all levels of government have provided low-interest loans and grants for the capital needs, operations, and rehabilitation of affordable housing cooperatives. The problem has been that government support is not consistently reliable, fluctuating with the political climate.

The principle of cooperation among cooperatives is a movement-building force that has helped in overcoming financial barriers. Many established cooperatives are willing to loan money to organized groups with feasible projects. Even better, local cooperatives are sometimes willing to provide loans and play the role of sister organization. However, cooperatives are not obligated to provide loans, which means that it comes in waves just as with government support. A second approach to loans from existing cooperatives is to ask if the established co-op will be willing to cosign on a loan from a bank or other traditional lender. This would mean that the loan would be based on the credit rating of the existing co-op, but that the money would come from the bank, rather than the reserves of the established

co-op. The established co-op will still be responsible for the money if your co-op fails to pay.

A model which addresses the problem of wavering support is the creation of a revolving loan fund that is controlled by participants within the cooperative movement. A revolving loan fund is a pool of money which loans initial capital to projects and re-uses the repaid money by loaning again. It grows by charging interest, soliciting depositors, and fundraising. The initial capital could be provided by established cooperatives or through public funds.

The [Kagawa Fund for Cooperative Development](#)¹⁰⁷ is a revolving loan fund named in memory of Toyohiko Kagawa. The initial capital was provided by the Japanese cooperative sector and is currently controlled by NASCO Development Services and the Cooperative Development Foundation. The current funds are only sufficient to provide for part of the subsidiary financing of a few projects each year. However, a fundraising effort focused on established cooperatives and co-op supporters is in the making, which will make the fund more effective.

Getting Loans

While banks do not have universal fixed loan requirements, there are common items which most will consider when deciding whether or not to approve a loan.

¹⁰⁷ The Kagawa Fund for Student Housing Cooperative Development is managed by Shared Capital Cooperative, and can be found at: <https://sharedcapital.coop/borrow/kagawafund/>

Loan Applications

The loan application is, essentially, a summary of all of the development data obtained or created through the development process. The basics of the application are as follows:

- Official description of the organization
 - Organizational Mission, purpose, and goals
 - Articles of Incorporation
 - Bylaws
 - Current list of officers/legal decision-makers
 - Any Tax-exempt certification
- Purpose for the loan
- type of loan
- property information: value, condition, and existence of liens, or debts owed
- demonstration of a good plan showing the organization's ability to pay the loan back

The loan application should also include a business plan that articulates the next three to five years of operation, taking into account details such as inflation, future maintenance needs, etc. This type of Budget is called a Pro Forma.¹⁰⁸ Most of the information for the business plan is generated in the financial projections, so it is not difficult to put together. In the Pro Forma, banks look at how much the

¹⁰⁸ Pro Forma:

organization budgets for reserves. Safe annual reserve budget numbers are as such:

- 2% of the annual budget should be set aside for an operating expense reserve,
- 3% for a repairs and replacement reserve, and
- 5% percent for a vacancy reserve.

This means that the banks will be looking for a net income of at least 10% so that the co-op can meet its reserve targets.

Another target that the banks will evaluate your loan application on is your Debt Service Coverage Ratio, or DSCR. This ratio is calculated as follows:

$$DSCR = \frac{\text{Total income after expenses \& Reserves, excluding Debt Service}}{\text{Total Debt Service}}$$

A DSCR of 1.0 means your co-op has exactly enough income after operating expenses to pay its debts. This would mean there is no padding or wiggle room in case of unexpected expenses. A ratio below 1.0 means the co-op does not have enough income to pay its debts. A ratio of much higher than one (like 2+) means that the co-op is making significant income. Most banks will not approve loans to cooperatives with a DSCR below 1.25.

The amount of information that banks require for loan applications makes them fairly detailed documents. The bank is in the business of loaning money and has a long list of specific requirements; loans from other sources will likely require a lot less information. When lenders are treated in a

professional manner, they are likely to feel better about the loan. While this may seem inconsequential, lending decisions (to an extent) are based on a subjective intuition, in addition to the financial details of the project.

Loan Evaluation

Once the loan application is complete and submitted to the bank, the application will be evaluated by a loan committee. A loan officer from the bank will be assigned to the project and will be the main contact during the loan evaluation process. They will take the application before the loan committee, which will evaluate it on the aforementioned criteria. The loan committee, through a loan officer, will probably want additional information which can be supplied by the organizing group, NASCO Development Services, real estate agents, building appraisers, and housing inspectors. The committee will then make the decision to approve or deny the loan.

Closing the Deal

The day on which someone actually purchases a building is called Closing Day.¹⁰⁹ It is the day when the title to the property is transferred from the seller to the buyer. It is not the same as the day in which the members move-in or "take possession"¹¹⁰ of the property. Possession of the property is sometimes arranged before or after Closing Day.

¹⁰⁹ Closing Day: When the buyer and seller sign the papers officially sealing the deal, and ownership of the property is transferred

¹¹⁰ Take Possession: physically establishing ownership of the building.

The closing normally occurs at a title company, which is a firm that specializes in property transfers. They are responsible for preparing all the relevant documents and issue the Title Insurance¹¹¹ that guarantees the buyer gets title to the property. There are a number of people present at the closing, including:

- seller
- co-op member
- NASCO Development Services staff
- lawyers of both parties
- real estate agents
- representatives from the lenders
- other parties, such as the building inspector or appraiser

Sometimes there will be an independent lawyer who is there to coordinate the affair and draw-up some of the title transfer documents. Papers are passed around and signed by both parties. This is the time when the down-payment to the bank is made, consisting of member shares and subsidiary financing. Usually the contractors and lawyers will receive fees for their services at this meeting and lending-related fees will be paid. Others involved will inform the buyer of when they expect to be paid.

¹¹¹ Title Insurance: a form of insurance that protects against financial loss from discrepancies between the title and the real property.

Closing day is a cause for celebration! It's the day when the co-op can finally say "We Own It!" It is also the day when much of the work of establishing the co-op in the building begins.

Other Property Acquisition Strategies

The NASCO Properties Option

Rehabilitation

New Construction

The NASCO Properties Option

The primary strategy outlined in this chapter for acquiring property independently in order to start your cooperative is seen by many in the movement as the most desirable development process. However, it is still based upon the support of traditional banks for the mortgage portion of the finance package. Not only is such support not always available, but there are some downsides to this. In fact, most cooperatives that are unable to overcome obstacles they encounter are those that remain entirely independent. While there are benefits to being entirely self-owned, there are also benefits to being self-governed, but with access to a larger support structure.

NASCO Properties,¹¹² a tax-exempt non-profit organization, was created for the purpose of saving an existing student cooperative from financial ruin. The Inter-Cooperative Council in Austin¹¹³ (ICC-Austin), Texas was suffering from the effects of a real estate crisis caused by the Savings and Loan scandals of the late- 80s, and NASCO Properties was created to purchase one of their buildings to provide a much-needed cash infusion to the ICC-Austin. After purchasing the title to the property, NASCO Properties leased the building back to the ICC, and the co-op remained controlled by the ICC. In addition to saving an existing co-op system, NASCO Properties was created for the larger purpose of addressing the mortgage finance barriers faced by organizing groups.

NASCO Properties' creation in 1988 was immediately followed by the provision of assistance for an organizing group in Chicago in 1989. The group had been unsuccessful in finding conventional financing, even with the help of the student cooperative movement. This problem was resolved by NASCO Properties purchasing one building, eventually followed by two more, and leasing them to the local cooperative.

¹¹² NASCO Properties: A 501(c)2 property holding organization is a "co-op of co-ops" where each member co-op shares equity and governance with the others.

<https://www.nasco.coop/nasco-properties>

¹¹³ Inter-Cooperative Council in Austin: A multi-building student housing cooperative in Austin, TX.

<https://www.iccaustin.coop/>

NASCO Properties's board is mainly composed of members of each of the co-ops which lease buildings from NASCO Properties, to make sure that NASCO Properties, as a "landlord", makes decisions with the needs of the member co-ops in mind. Each of NASCO Properties's member co-ops have their own board, their own mission, and their own policies, allowing for the co-op to operate independently as though they owned the building, but still have access to a larger network of support. NASCO Properties also holds 3 board meetings per year, and these meetings are generally hosted by the NASCO Properties member co-ops, allowing house members and NASCO Properties board members to meet and "talk shop", leading to an information exchange between the co-ops.

As of 2019, NASCO Properties owns 16 student and non-student properties across the country, with the intention of assisting organizing groups unable to access conventional financing. The organization seeks to empower the local co-op to the point that it is able to purchase property on its own. NASCO Properties has a commitment to helping member co-ops expand, whether they decide to do so through more NASCO Properties owned buildings, or through savings that allow them to purchase their own properties.

As NASCO Development Services and NASCO Properties are cooperative development organizations, they are committed to overcoming financial barriers and making projects work by any means necessary. The philosophy is that, as much as possible, cooperatives should expand due to their own efforts. Yet, due to financial challenges experienced by new cooperatives, total autonomy is not

often possible, and tools such as NASCO Properties are a valuable alternative.

New Construction

Another strategy for establishing a cooperative is new construction. The construction process is dramatically different from purchasing existing housing stock, involving elements such as hiring an architect for design, agreeing on design, hiring and advising a construction firm, obtaining building permits, and so forth. However, there are similarities as well: primarily, obtaining financing. While this handbook focuses on purchasing buildings, new construction is, in many cases, an effective means of providing community-oriented, affordable housing.

Sometimes organizing groups decide that the buildings in the local market are not conducive to the type of cooperative they want to start, which traditionally requires a large capacity to maximize the group's labor power and create an economy of scale. In a way that is similar to co-housing, which incorporates the concept of resident-developers, new construction gives organizers democratic control over the design of their future home.

Constructing a new building allows the group to create a structure that enhances their objectives. Such a design may include a centralized food area, plenty of common space for hanging-out, private dwellings for alone-time, and thick walls for study-time. It is difficult to find a building in the private market that incorporates all the right elements for cooperative life. New construction provides an ideal basis for a healthy community. New construction also provides an opportunity for experimenting with new innovations in

ecologically sustainable design methods. Conventional housing development is often based upon leveling undeveloped land and building new structures with unsustainable methods. New (or not so new) environmental design methods incorporate concepts such as energy efficiency, recycling of waste, community gardening, bike storage, solar, and wind energy.

Relief in Tight Markets

One advantage of new construction for both student- and community-based co-ops is that the construction will provide new housing in a tight market¹¹⁴. Added perks are that this housing is likely to be of higher quality than either quickly built suburban homes or deteriorating urban housing stock, that the co-op will be more responsive to the needs and hopes of the residents than other types of housing, and that the building is likely to be done in a more sustainable way than the average new home. Even in cases where green building methods¹¹⁵ are not emphasized, the way in which co-op members use the space tends to be much more efficient in terms of waste produced and water/energy used than most other forms of housing.

In the case of university-dominated areas, a large student population can affect the housing market in negative ways. For instance, if a new university is built or enrollment is

¹¹⁴ Tight & Loose Market: A qualitative measure of how competitive a housing market is. A tight market will have few purchasing opportunities and high prices. A loose market will have many purchasing opportunities and low prices.

¹¹⁵ Green Building Methods: Building methods designed to minimize environmental impact either immediately in construction or over time in operation.

increased and new student-friendly housing is not constructed, then students, who then rely upon the local market, have a negative impact on local non-student renters. In classic economic terms, an increase in demand without an increase in supply will drive the price of housing up and make life difficult for low-income tenants. By constructing new housing for the student population, the co-op can help keep affordable housing available for the non-student parts of the community, while helping its members avoid the poor conditions that landlords often force on students.

For organizing groups motivated by the provision of affordable housing, new construction is sometimes more socially-responsible than purchasing existing housing stock, depending on the situation in your city. One reason for this is that by creating more housing, the impact of students on the local community is lessened, non-student-specific housing is freed-up, and a downward pressure is exerted on the local market. This is what makes cooperatives beneficial to the entire community. Furthermore, new construction allows for the maximization of space. Affordable housing is different from housing designed for middle- or upper-income people in that the former is densely populated, and the latter is low density.

Subsidies

A final justification for new construction relates to the previous subsections. Because they have the potential to improve the accessibility of higher education, the larger community, and the well-being of the planet, new construction projects are more eligible for public and private subsidies than purchased property. There are,

however, often funds available for rehabilitating buildings in deteriorating neighborhoods, so it is worth finding out what the funding options are at your local housing non-profit.

City governments are sometimes interested in providing affordable housing to low-income people. Because cooperatives indirectly benefit low-income communities, cities may be willing to provide low-interest loans or grants. Likewise, universities are often responsible for providing a certain amount of student housing and may be willing to provide loans or land subsidies¹¹⁶ to fulfill this responsibility. As consciousness of the environmental destruction of the planet becomes more widespread, private foundations and other funders are more willing to support innovations in sustainable design. While sustainable methods can be more costly than conventional development, a grant to subsidize the project could even things out. A cooperative project might be attractive to funders because it involves young people learning about alternatives, who, in turn, will incorporate such lessons into their lives.

One criticism of new construction is that when all the costs are added-up, the project is not feasible unless it is subsidized in some manner. This support may come in the form of low-interest loans, grants, or university land at no cost. Thus, before a group invests too much time and hope into a project, the first step is researching the available programs.

¹¹⁶ Land Subsidy: any decrease to purchase price provided by a government entity that allows land to be sold below market rate.

NASCO Cooperative Organizer's Handbook: Fourth Edition

Step 5: Begin Operating the New Co-op

Preparing for the Transition to Cooperative Management

Interim Management

Cooperative Management

Financial Management

Membership Management

Member Education

Maintenance Management

Cooperative Vs. House Management

House Management & Labor Systems

A Living Entity

New challenges arise once the co-op owns the building. Just because the building is purchased doesn't mean that it's suddenly a functioning co-op. There are many tasks in between that will keep the new co-op busy. Some of the responsibilities are geared towards preparing the cooperative for the members, and others take place after the cooperative has opened. This work can make the difference between a smooth first few years and a period that is muddled with problems.

Preparing for the Transition to Cooperative Management

Once a building is secured, organizers should begin scheduling the tasks needed to prepare for the opening. In most cases, there will be several timelines all operating simultaneously. To deal with this, try creating several timelines from the present to a few months after the co-op opens, one for each major area of concern. Once these are all created, try to place them onto one large sheet of paper or whiteboard. Consider taking the large display of all of the tasks that need to get done and putting it somewhere visible that your organizing group can refer to. This should help to give an idea of what needs to be done at which time and allows the group to decide how to divide up tasks from week to week.

- Building renovation needs to be coordinated by a person or committee to ensure timely progress. Maintenance and renovations must be scheduled and details on permits or zoning may need to be resolved.
- Marketing has to be created and rolled out, Future members should be recruited. Once the co-op opens, experienced members should host an orientation for newcomers to introduce them to the organization, the cooperative movement, and make them feel at home and empowered to help run the co-op.
- Any additional funding has to be finalized.

- A cooperative management plan has to be designed and implemented along with an interim plan during transition.
- Any additional policies, bylaws, and contracts need to be created.

There is a lot of work involved during the transition period. So much, that it may not be realistic to expect volunteers to handle it all. Many new cooperatives budget money to hire a development consultant or temporary staff person to coordinate rehabilitation, management, recruitment, and volunteers. Someone whose schedule is freed-up, is accountable to the co-op and NASCO Development Services, and can focus on getting the work done increases the chance of success. In this case, an oversight committee, in addition to volunteering, can supervise that person.

The project will be on a tight schedule with hard deadlines. If the co-op must be ready to open by the beginning of the school year, or other lease period, organizers may have to hustle to stay on time. Failure to open on time can easily cost the project tens of thousands of dollars in lost revenue. It may be necessary to create a committee to make timely decisions about rehabilitation, interim management, and member recruitment. Having regular meetings through this period is crucial. Most groups at this point meet at least once per week, with many more emails, phone calls, and lunch-dates filling the gaps in between. This is the most challenging period, but your co-op is closer to home every day.

Interim Management

The members of the new cooperative might be ready to occupy their building immediately or soon after purchase. Often, there will be time between the purchase and when the building is ready to become an actual cooperative household. If the building will not be operated as a co-op right from the start, organizers must devise a system to manage it in the interim period.

It is easiest to start a co-op in a building that is currently vacant. However, if there are people living in the building, there will be a period where the co-op will be transitioning between a rental and cooperative management. The tenants will still be living there during this time, and the co-op will have to fill the role of their previous landlord. During this period, the co-op will need a plan for the interim management of the building. This plan will depend on the length of the current tenants' leases, and what is best for the co-op members.

One of the primary decisions during the interim period is what to do with the current tenants. Will they be asked to leave so the organization can start anew? Will they be invited to join the co-op? If your co-op would displace people, then your co-op could easily be a force of gentrification. Often tenants have been living in a building for a long time. That building is their home. The prospect of leaving can produce feelings of sadness or anger, which necessitate sensitivity in dealing with the situation. If the tenants have a long-term lease, the co-op may be legally required to allow them to stay through its end. The

decisions that organizers make in these situations depend almost entirely on the context from which the issues arise. Whenever possible, offer current residents the chance to join the co-op, so long as they join under the same terms and contract as every other member.

Another issue to deal with is collecting rent during the interim period. As the new owner of the building, the cooperative is responsible for paying the mortgage payments. No mortgage payments can be missed. This requires ensuring that the tenants are paying the correct amount of rent. The co-op should also start planning immediately for other essential payments, such as property taxes. Property Taxes can be a very large bill, but will generally only come due once or twice per year.

Organizers should be clear with tenants about when they are scheduled to move out. Standards for maintaining each room and cleaning it upon departure should be enforced by the interim manager(s). Security Deposits are usually transferred from the previous owner to the co-op on the closing day. Each resident put those forth upon entering the building. Those need to be available to be returned once rooms and debts have been cleaned, which is usually one week to one month. Money should be subtracted for damage done to the rooms and cleaning that was not done. The residents should not be allowed to subtract their last month's rent from the deposit, as this money may need to be used to cover other expenses. If there are no subtractions to their deposits, the co-op must promptly return the money. There are legal consequences for delay.

Interim management may not feel very “cooperative” for the organizers. Members may feel like they are sacrificing their moral principles by playing the role of a traditional landlord. If so, reevaluate the interim management program to meet those moral principles. However, each of the tasks listed above is part of any property management program. Members will need to handle the same tasks once they begin managing the building as a co-op. The primary difference is that interim residents did not choose to work with and support a co-op as management. This can cause friction as long as you have interim residents.

Cooperative Management

Cooperative Management Plan

After any interim period, the cooperative will now be able to begin self-management. Effective management is essential in order for the co-op to be successful. Management works best with clearly written plans and expectations of who does what. Therefore, the cooperative should draft a Management Plan to ensure that all members can understand how management will work in your co-op. There are a few major necessary components to any cooperative management plan. These are:

- Finance
- Maintenance
- Education
- Membership

The cooperative will need at least one person assigned to ensure that each of these parts of the co-op is operating. A failing in any one of these can cause major problems for the

new co-op. Each person entrusted with ensuring that these parts are running does not need to be the person who does all the work. They are there to ensure that the required tasks are done. Some cooperatives even contract out management to third parties, but that can come with costs enumerated later in this chapter.

Additional components of the management plan should be added as time goes on. The plan should be a living document, tailored to fit your cooperative.

Member Participation

On the broadest level, members control the co-op by participating in committees and the Board of Directors. However, that method of participation can often feel intangible. To provide other ways to contribute, most group-equity housing co-ops require labor hours from their members. Members can reduce costs by providing routine custodial, administrative, and maintenance labor. While member labor is common in co-ops, it is not universally required. Without volunteer member participation, however, the co-op becomes much more expensive to run. If staff do all the work, member commitment to the co-op often declines, and a transactional relationship develops. This leads to a loss of member education and understanding of member control. With member labor, participants develop a sense of collective investment. An environment of learning and member control develops a strong sense of community. Member engagement in the business of the cooperative is what makes co-ops thrive. Such participation is an essential part of ensuring the success of housing cooperatives.

Staff Continuity

The average length of time a member lives in a group-equity cooperative is 2-1/2 years. Student co-ops often have even shorter turnover periods. This can lead to loss of institutional memory and a tendency to reinvent the wheel. Hired staff or affiliates with a university can bring experience, expertise, and continuity. Long-term perspective is especially valuable in the areas of maintenance and finance. With skilled staff, the cooperative can maintain its properties in good condition and remain financially healthy without putting undue burden on a membership base that may not have the time or resources to volunteer for all of these tasks. Without long-term management, especially in co-ops with high turnover, the cooperative can lose skills and continuity and may wither away into nonexistence. While co-ops need to keep the buildings fixed and the accounts positive, they must also maintain member control. Good managers must understand this balance. Their role is to provide guidance to and implement the will of the membership. They must empower and support the membership to develop a shared vision and will. It is in the co-op's best interest to have a clear contract with anyone hired for these services. Delineate the relationship between staff's responsibilities and the cooperative's in such a contract. This understanding helps prevent staff capture of the organization.

Financial Management

Standards for Co-op Finances

Cooperatives must meet a few basic financial standards when operating. NASCO has found some that universally apply to group equity co-ops. Your co-op may be more stringent than these, but should not be less. A co-op should keep track of its income and expenses, and follow Generally Accepted Accounting Principles, or GAAP. The co-op should be able to produce 3 basic accounting statements at least quarterly (every 3 months). These are the Statement of Activities, Statement of Financial Position, and Statement of Cash Flows. The Co-op should have a balanced budget, and stick to it. In the co-op's budget, a minimum of 5% should be allocated for vacancy/non-payment expenses. A standing target of a minimum 1.25 DSCR should be maintained. While the co-op does not have to have that DSCR at all times, if below, the co-op should be planning to reach that target. The co-op should put in place fraud prevention controls. These should include policies or systems that ensure that more than one person is able to see the accounts. If the co-op has any additional requirements placed upon it by lenders or local law, it must comply with those as well.

Keeping the Co-op Financially Accessible

The Rochdale Principles state nothing about financial accessibility. National and transnational corporations sell merchandise at incredibly low prices. However, many do so by paying their employees poorly, or relying on cheap labor and materials in other countries.

Cooperatives are generally subject to the same market conditions as other businesses. There is no mandate that cooperatives' prices be lower than that of the competition. The co-op will have to compete with other forms of housing out there. If the co-op is wildly more expensive than surrounding apartments, it will have a difficult time finding members. If it is wildly cheaper, it may have difficulty providing for needed repairs.

In housing co-ops, a room may cost more per square foot than an apartment, but will also often include other perks. Meals, utilities, laundry, and spacious commons more than make up for the price difference. Co-ops should be careful to note that while those amenities don't cost money, they aren't "free." The labor of members is usually the source of this added value. The real value of the co-op should be told to prospective members up front: the co-op offers things that other forms of housing do not.

This is why it can be helpful to think about "value" instead of "price." Cooperatives often make conscious decisions to pay their employees fairly, provide higher quality goods, buy local, or achieve other social goals. This can lead to an increase in price, but a greater increase in value. The sustainability of the cooperative, the co-op's ability to keep money circulating in the local economy, or services added all increase the value.

Members may find savings from the co-op's non-profit nature, through increasing the density of people in the building, and the use of member labor and group

purchasing. However, due to the expensive nature of purchasing property, most new housing co-ops open near market rates. Fortunately, fixed-rate mortgage payments remain constant over the term of the mortgage. Thus, due to inflation, the co-op's mortgage can become lower in cost over time. The co-op still has to raise the rent every year or so to keep up with rising external costs, but that the rents can go up more slowly than will the surrounding housing, which makes the co-op a better value over time. In the meantime, the co-op members are building equity for the co-op's future. Over time, this makes it possible for the co-op to expand, pay for improvements, and keep rents affordable for future members.

Affordability means different things to different people. However, housing industry accepted standards¹¹⁷ for 'affordable' cost for housing are that $\frac{1}{3}$ of a person's income can be spent on rent and utilities. A person spending more than $\frac{1}{3}$ of their income, on rent/utilities would be considered 'rent-burdened'. Rent-burdening members is not only bad for them, it is also bad for the co-op, as those members will be more likely to miss payments. This damage to the co-op's cash flow could mean missed mortgage payments or worse. Therefore, it is in everyone's interest to target member charges to be an amount that is affordable. HUD in the USA and CMHC in Canada provide data on area median income, which can help the co-op set rental rates to be

¹¹⁷ USA: HUD

<https://www.huduser.gov/portal/datasets/fmr.html>

Canada: CMHC

<https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/rental-market>

affordable to certain income levels. Most Very Low Income affordable units are affordable to people making 30% of the area median income. This means that the rent amount would be $\frac{1}{3} * 30\%$ of the Area Median Income. Most Low Income affordable units are affordable to people making 80% of the Area Median Income. For students, affordability may not be measured in income levels, but in how much available money they have to spend (usually including parental contributions).

Membership Management

Membership Program Purpose, Goals and Standards

The primary focus of a Membership Program is to manage who is and is not a member of the cooperative. Often in this program are placed responsibilities relating to recruitment and review of the current membership. As a co-op is made up of its members, ultimately the success or failure of the co-op will hinge upon being able to recruit and retain good members.

Marketing & Recruitment Plan

Organizers should design a recruitment strategy. Successful recruitment involves targeting people who are interested in community living, having a direct say in their community, and social change, not just affordable rent. Using public cooperative education as a recruitment approach will help the cooperative develop an enthusiastic and diverse membership and a strong community presence.

A good place to start is to consider what the co-op has to offer to potential members, which will influence which portions of the surrounding community will be the most interested in joining the co-op. What places would a likely member frequent? What kind of publicity would attract the attention of a likely member? What are unfilled needs in the housing market that would gain the most interest?

Outreach Methods

- Word of mouth
The least expensive and most effective way of spreading the word. Organizers should identify friends and colleagues that might be interested and personally invite them to join.
- Events
Contact and personally invite people who expressed interest at any co-op events.
- Universities
Student organizations can often use University resources to recruit members. One is the off-campus housing office: advertising is often free. Another may be a housing brochure that is distributed to incoming students who are unfamiliar with the local housing market. Taking the campaign one step further, organizers should reach-out to both the student community and the general public.
- Posters
Colorful, creative, and expressive of the co-op spirit: pictures, quotations, descriptions, logos, and slogans

all help to achieve this. The visual element should be underscored: large and provocative images draw the viewer closer to take a more detailed look. The poster should also tell someone looking at it a bit about why the co-op is different from other options, and why they would be excited about it. Posting in community centers, tenants unions, and student centers are excellent options.

- Website
usually the easiest way people can find out information about your cooperative. Make sure that information on how to become a member is clearly posted on the site. Register a simple and memorable domain name. Avoid ".com", as this not only has the fewest available domains, but also sends a message that you are a for-profit enterprise. ".com" stands for ".commercial". Try either ".org", which is very inexpensive and meant for non-profits, or ".coop", which costs more, but has plenty of available names and sends a clear signal that you are a cooperative.

Key Information for Prospective Members

- Cost
Include this in all outreach materials. The first question that will be asked by potential members is, "How much does it cost?" An initial cost projection should have been created for the feasibility analysis. Likewise, estimates for utilities and food should be created if applicable. Your group should consider how to best present this cost to interested persons. Some co-ops use one price to represent all costs incurred by members, including food, rent, utilities, etc. Other co-ops break this out into several

numbers. Neither of these approaches is “correct”, but one or the other may work better in your area.¹¹⁸

In either case, the key is for the co-op to make clear what the members will have to put in, and what they will receive in return, and to find ways to meaningfully compare the value of living at the co-op with alternatives in the area.

- **Meal Plan**
Food is an excellent catalyst to bring the community together, but to take full advantage of this, everyone should have a clear understanding of what they are participating in. If the cooperative will have a meal plan, prepare to answer the following questions: Is participation mandatory? How many meals will be provided each week? Will there be food at other times? What type of member labor will the meal plan require? What about members who cannot cook, or handle food due to allergies or health conditions?

¹¹⁸ Some co-ops that use multiple numbers find that many potential members want to “opt out” of the meal plan, and only pay the rent portion. Most co-ops will not allow this, as it erodes the economy of scale for the co-op and makes it more difficult to plan future food budgets. Although members “opting out” presents purchasing issues for the co-op, the co-op should consider making some exceptions (for example, low-income members who work in the service industry may not be able to make mealtimes and receive food at work). Other co-ops that use one figure to show all costs for the co-op find that applicants have “sticker shock” at the idea that a single room may cost as much as their own efficiency apartment.

Will the meals be planned by one person, or by the cooks? Will the co-op use a "food staples" list, and base meals on that, or will the co-op get food on a more opportunistic basis?

If there are ideological assumptions in the food plan, make sure that they are discussed openly. For example, vegetarian meal plans, "freegan" meal plans, locavore purchasing, and other policies for food may exclude some members from wanting to participate or may make others excited to do so. In deciding how to set up a meal plan, try to have an understanding of why a decision is being made that can be explained to future members, and remember that the current members of the co-op are only a part of the co-op, and that this decision could affect potential members for years to come.

- **Labor System**
Prospective members must know about any required labor systems in the co-op before they become members. Ensure that the labor system is explained clearly, along with the consequences for nonparticipation. When explaining these systems, remember to ask if the prospective member needs any accommodations in order to engage in the labor system. This is especially important for the co-op to be inclusive of members with disabilities. Asking if someone needs accommodations is appropriate. Asking specifics about a disability is not. Often, the co-op making allowances for applicants to engage in the labor system is the applicant's deciding factor in choosing to become a member.

- **Cooperative Membership**
Cooperatives are not standard apartments. This must be extremely clearly stated. Applicants must know that they're joining in on the management and stewardship of the cooperatives, building, members, and finances. They must know that by not having a landlord, they're assuming all the landlord's responsibilities. They should know what a cooperative is, what it means, and why they're joining. If the fact that the organization is a cooperative is not highly prioritized in outreach, the co-op runs the risk of having many members who consider themselves "renting from the co-op" and develop a transactional relationship where they're mostly in the project for the cheap rent. This is a difficult hole for a co-op to dig out of, so it's better to avoid it altogether through intentional recruitment.

Inclusivity in Recruitment

As you plan your recruitment, keep in mind where you may be excluding potential members. For example, if all your ads are online, anyone who does not have access to a computer will be excluded. If the co-op uses mainly word-of-mouth, then those outside your social network may be left out. Using only flyers or tables at events limits your applicants to the people who visit those locations or events. Sometimes this "sampling bias" is intentional on the part of the co-op. More often than not, that bias is a limitation of the culture and experiences of the founding members. and can be accounted for by thinking carefully about how to publicize the co-op. When promoting your co-op, try to avoid language that is jargon to a particular culture or subculture. For example, when describing your meal plan,

try “nightly family-style home-cooked dinners with vegetarian options” over “vegetarian dinners.”

Targeting Recruitment

Targeted Recruitment refers to reaching out to target populations that the co-op wants to include. Word-of-mouth advertising tends to attract populations that are very similar to the current members of the co-op. Online ads, flyers, and other outreach tools can be posted in locations where target populations currently live, work, or congregate. Consider posting ads in local community centers, or in newspapers or on websites read by your target population. Doing so can help to improve the diversity of background, experience, and perspective that a co-op needs to thrive.

Fair Housing Considerations

While targeting in recruitment is acceptable behavior, discrimination or making any housing decisions based on a protected class is not. In the US, there are 7 classes federally protected by the Fair Housing Act. These classes are Color, Sex, Family Status, (Dis)ability, National Origin, Race, and Religion. In Canada, Human Rights law is defined provincially, but several classes will be protected throughout. These classes are Sex, Marital and Family Status, Race, Colour, Ethnic Origin, Ancestry, Place of Origin, National Origin, Religion, Creed, Age¹¹⁹, (Dis)ability, Sexual Orientation, Source of Income, and Political Belief. Additional classes may be protected on the state/province and municipal level.

Your marketing and recruitment plan must abide by these

¹¹⁹ Generally, Age is not protected for those under 15, and some senior housing permits limiting to only those over 55.

considerations! Do not use these classes as even a partial reason to deny housing. Additionally, discouraging applicants from applying, or directing applicants to certain units based on these classes is unacceptable. Intent does not matter when it comes to fair housing complaints. Impact does. If your marketing and recruitment plan disproportionately affects one type of protected class, you must adjust it. Periodically review your plan to ensure that it is inclusive, not discriminatory.

Member Intake

Member Contracts

A good rule of thumb for member contracts is “no contract, no key.” Member contracts, addressing the above information, should be created. A standard residential lease is probably not appropriate, although it’s a good start. Most residential contracts have the same standard clauses, which will protect the cooperative from legal or financial hassles. Issues covered in a standard contract include but are not limited to: damages, late payment charges, length of contract, and so forth. NASCO Development Services staff can also supply you with examples of member contracts used by other co-ops around the US and Canada.

It is absolutely essential to note that member contracts are provided to every person who plans to live in the building. Without signed agreements, the cooperative may run into difficulties holding members accountable for their contributions, and the member may have difficulty holding the cooperative accountable for its responsibilities as a property manager. Clear legal agreements are essential to good property management. There have been many

instances where people without contracts have stayed long after the community of a cooperative wanted them to leave. Contracts help prevent this, and protect both members and the co-op.

The Co-op should designate a person to ensure that contracts are issued and signed by both the co-op and the member in a timely manner. This person is usually a member (Frequently the membership officer) in smaller co-ops, but as the co-op grows, this job is often assumed by staff.

Member Share

If the building is purchased, part of the down payment was likely a member share. Member shares¹²⁰ function similarly to a deposit, as deductions for damages or lack of cleanliness are subtracted upon departure. How much does the potential member have to put down? Will the share appreciate in value along with the co-op's worth, or is the share actually closer to a deposit? It is also very important for your co-op to make sure that the policies regarding the share or deposit comply with state and local laws regarding deposits, which you can get from your local tenants' union.

Member Tracking

A membership program should at least maintain a list of who is and is not a member of the cooperative. At first, it is usually obvious who has joined and is a member, but as the months and years go by, it can become easy to lose track of who has and has not retained the qualifications for

¹²⁰ Member Shares: A member's equity ownership stake in the corporation.

membership. This is especially important when considering who has the right to vote in the cooperative.

The cooperative should keep a file for each member with basic information such as their lease, move-in date, payment plans, and any contract violations. This supplemental information is often valuable when trying to assess issues in the cooperative.

If your cooperative has income or demographic restrictions or targets, keeping this information on file as well can be extremely helpful. It is one thing to say that the co-op feels very white and queer, and another to be able to point to long-term trends.

Member Departure

The co-op's membership will need systems to handle members leaving the co-op. Whether amicable or not, when a member leaves, their contract must be closed in some way. Those responsible for the membership program must also ensure security deposits are returned to departing members within the legally required timeframe. The process by which members leave the co-op is just as important as the process by which they join.

Member Education

In many cases, for both leased and purchased buildings, the cooperative will need to recruit new members to fill the empty spaces. However, it is important that potential members understand the cooperative and what is involved. Organizers should begin to think about the details of policy

and practice before recruiting begins; constructive dialogue should be invested in the following issues:

Member Orientation

The fifth Rochdale Principle is “cooperative education, training and information.” Member orientations are an essential introduction to the organization and the cooperative movement. They inform new members about the co-op's operations, member responsibilities, and cooperative principles. This is necessary information for a new member to engage in the cooperative. Even if all the initial members of the cooperative are your Organizing Group, develop a member orientation program for those who will come after you.

An orientation should be useful, enjoyable, and mandatory. Most co-ops allocate three or four hours for this. Your cooperative may wish to differ significantly. A few key tips that enhance participation in cooperative education events are:

- Have Food
- Make it Fun.
- Have both formal and informal time, to help members get to know one another.
- Have a copy of the policies and bylaws readily available.

An example of an orientation schedule is as follows:

Introductions

5:00 Round Robin: How did you find the co-op?
5:10 Agenda Review (display on butcher paper)
5:15 Round Robin: What is a cooperative?
5:25 Cooperative Principles
5:35 Cooperative Forms: consumer, worker, agricultural, student/community housing, co-housing, food, etc.
5:45 NASCO and NASCO Development Services
6:00 Project History, Vision, Mission
Break
6:15 Dinner (eat during the orientation)
How things work, or could work
6:25 Governance: Board of Directors, house meetings, decision-making process
6:40 Financial Structure: where charges go, when they are due, etc.
7:00 Labor System: jobs and responsibilities,
7:20 Safe space discussion, discussion about anti-oppression
7:50 Kitchen: meal plan, dishes, food system
8:00 House Tour

This sample orientation should be changed to suit a cooperative's specific needs. If the house is just opening, policies likely will not be finalized, and not everyone will know where things are kept. The idea is for old-timers to make the newcomers feel welcome and to give them a sense of history and ownership. Educators should consider

where new members are coming from and what would be useful to know. Good orientations have flexible schedules, clear goals, plenty of room for questions, and a festive atmosphere.

Orientation will be many people's first time learning about the cooperative movement. Don't worry too much about covering absolutely everything about co-ops in Orientation. Instead, make sure that members know that cooperative education is an ongoing process. Provide resources in a library, on a website, or in a handout for further research. NASCO has many educational materials and resources on their website.¹²¹ (pamphlets, books, videos) These can help frame the cooperative movement.

Orientation should go beyond providing information about the cooperative. It should inspire new members to become involved and make a difference. An empowering orientation will help make the house a successful, democratic household.

Member Support & Continuing Education

Many cooperatives lump member support services under "membership." However, the kind of initial support most members need is often best sought from an education program. Members often need help figuring out what support services are available to them within the cooperative, and how to engage with those services. Members who need financial assistance may not know where to get payment plans. Members needing physical

¹²¹NASCO Resource Library: <https://nasco.coop/resources>

accommodations may not know who to reach out to. Those who want to make changes in the co-op will need to understand how to engage with the decision-making processes. Even conflict mediation and resolution services are generally based in unlearning systems of oppression.

Providing safe spaces can be part of a membership program, but membership would usually only get involved with the mechanics of removing people from the cooperative or rehousing them appropriately.

Education is not a one-time activity. Regularly, the co-op's member education plan and programming should be evaluated to ensure that not only do new members receive orientation, but that continuing members receive timely continuing education.

Maintenance Management

Owning a building quickly teaches one that buildings degrade over time. As the co-op has invested likely hundreds of thousands of dollars into its buildings, and they make up the basis of the housing that the co-op provides to its members, it is essential to protect that investment. Having a maintenance plan will help prevent major problems down the road, and will likely save significant amounts of money. A maintenance plan should have 3 major components: A plan for repairs, a plan for major projects/improvements, and standards for habitation.

Repairs

Repairs are the most basic part of building maintenance. They focus on minor fixes to the general wear and tear that a building faces through normal use.

Whenever possible, use skilled labor to make repairs in your building. Often, municipal and state codes will require this of anyone working on a multi-family residential building.

Repairs should generally be done in-house if the co-op is able to do so. Having a skilled repair person on staff, or a skilled member to do general repairs is an excellent way to both ensure quality work and control costs.

Contractors can be very useful when attempting to fix things that are out of the scope of member or staff skill sets. Often, these professionals will allow you to watch and learn how to make the repairs that they do. This allows the co-op to not have to hire out repairs every time.

Repairs should be budgeted for on an annual basis based on past expenses. Each type of building and location will have different individual carrying costs, so as time goes on, your repair estimates will become more accurate. Repair costs are considered expenses when they're below a certain threshold that your co-op may set in its financial policies. (usually ~\$2500)

Capital Improvements & Major Project Planning

From time to time, the co-op will need to make major reinvestments in its properties above the repair expense threshold. These are considered Capital Improvements, as they are major reinvestments that raise the value of the building. (Small repairs like fixing a few light switches don't really affect the value of the building.)

A way to understand this is that a building with a \$25,000 brand-new roof is now worth \$25,000 more than it was when it had a 25-year-old broken one. In 25 years, we can assume that the new roof will be right where the old one was, broken and in need of replacement. Thus, in 25 years, the roof will be worth \$0. Each year, the roof is worth \$1000 less. This loss of value (without spending any cash) is called a "Depreciation Expense."¹²² A Capital Improvement raises the value of the building to counteract this depreciation.

Depreciation is calculated according to a number of tables that can be found on the IRS website¹²³ in the US, or the CRA website¹²⁴ in Canada. In both cases, you will want to speak with an accountant about quantifying your depreciation.

When budgeting for Capital Improvements, look at how much depreciation you are planning for, and try to budget for at least that much in reinvestment. This will help ensure that the buildings that you've invested in do not devalue. Likewise, prioritize projects that will have lasting value, or that will protect other parts of the building. A roof is a good

¹²² Depreciation only applies to the building, not the land. So landscaping is not a capital expense, it's just a regular expense.

¹²³ IRS Depreciation Schedule Page:

<https://www.irs.gov/pub/irs-pdf/p527.pdf>

¹²⁴ CRA Depreciation Schedule Page:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/rental-income/capital-cost-allowance-rental-property/rental-classes-depreciable-property.html#buildings>

example of a capital improvement to prioritize, as it not only is a reinvestment, it also prevents further rain damage to other parts of the buildings.

Standards for habitation

Just because the buildings aren't falling down doesn't mean they're in good repair. The maintenance program must ensure that the cooperative meets all local building and safety codes for the type of multifamily building(s) you are operating. Some basic universal minimums are that all bedrooms must have smoke detectors, all individually rented rooms must have operating locks, outlets must not be painted over, windows must operate properly, and insulation must be adequate. Having a building inspection done is a great way to ensure that your buildings are safe and adequate homes for your members. At least annually, a qualified individual should walk through all rooms in the cooperative and assess them for habitability.

Cooperative vs. House Management

There should be a demarcation between what jobs are done on the house level and what are done on an organizational level.

House Management & Labor Systems

It may be tempting not to systematize the cooperative and to rely on the trust and good will of each person. However, there are benefits to creating a labor system that is accountable to the democratic will of the group. The labor

system can be very empowering for the membership, if everyone gives input into how it will be structured. This means that the job descriptions, the division of labor, scheduling, and the labor assignment process should be transparent to all, and open to member feedback.

How many hours and what kind of work is expected of each member? How will the co-op hold members accountable for their required work contributions? How will the labor system distribute different types of work i.e. chores, cooking, and leadership positions? Will the labor system account for gender when distributing work among members? How will the labor system account for class differences amongst members i.e. members who must work full-time as students, members who work multiple full- and part-time jobs etc.? What happens to the labor system when there are vacancies? How will the co-op accommodate members with different ability levels, and who may not be able to perform the tasks that are currently open to them? The meal plan usually requires the bulk of the work in a group housing cooperative.

One benefit of creating a labor system is that the group does not have to reinvent the wheel if many members leave. Another is that a consistent schedule for all the necessary chores helps members be clear about their obligations. It also helps let members know if a job is not being done. The biggest benefit is that a defined labor system gives every member the chance to try different roles. This lets the member find the jobs that work best for them. Trying different jobs also gives members a better idea of how their co-op functions as a whole.

Fundamental Work

Determining what work needs to be done on a regular basis is fundamental to the smooth functioning of the household. Fundamental work probably includes each of the following: cleaning the bathrooms, the kitchen after meals, and the common areas; preparing meals; maintaining the outside grounds; taking out the garbage and recycling; performing regular preventative maintenance, and so forth. It is also nice to have jobs that change from term to term to encourage new ideas. Whether or not to count serving as a Board member as labor is an important issue to be resolved. Once a rough list of fundamental labor has been composed, it is helpful to design job descriptions and estimate the time and frequency required for each task. Often, job descriptions are compiled in a folder and posted at various locations throughout the house: officers in a central location but others by their job location (bathroom cleaner in the bathroom, cooks in the kitchen).

House Officers

Different co-ops have various labor systems, with details tailored for their particular circumstances. While no two co-ops are exactly alike, there is a common methodology used in designing work systems. One aspect of a labor system is the officer¹²⁵ positions. Officers are servants of the membership, and responsible for carrying out the intentions of the co-op. They are not the bosses of one area or another. This can be made clear in member orientations,

¹²⁵ House Officer: Those responsible for facilitating the decision-making work of the members in a co-op building.

and in any "Owner's Manual" material you might create. Your co-op can also try to create many officer positions so that most members of the co-op have the chance to be an officer. The following list is an example division of labor between officers:

- Chair or President: The cooperative should have one recognized representative. The responsibilities could include planning and facilitating house meetings, serving as a representative to the community and Board, and checking-in with house officers.
- Membership Coordinator: This person would run ads, keep track of contracts, help members pick their room in the co-op, and is often a mediator in conflicts between members.
- Treasurer: The treasurer collects member charges, prepares a budget for house approval, pays the bills, reports regularly on the status of collections, and compares income and expenses with the projections in the budget. The financial success of the organization depends on the foresight and communication of the treasurer.
- NASCO Representative: This person serves as a liaison between the cooperative and NASCO/NASCO Development Services, serving to facilitate communication between the two groups. It is easier for NASCO/NASCO Development Services to work with a new cooperative when there is a

designated communicator. Often, this responsibility is given to the president or chairperson.

- Food Steward: This person is responsible for facilitating the purchase of the house food. The steward's responsibilities may include the following: making the food budget, creating a shopping list based on the needs of the cooks and the general desires of the members, and purchasing food. Furthermore, sometimes this person is responsible for overall welfare and condition of the kitchen.
- Work Manager: The work manager is generally responsible for facilitating the work schedule and ensuring the proper completion of work assignments. The manager may also be responsible for ordering supplies, and assisting with scheduling special projects, including work holidays, maintenance labor, and recruitment activities.
- Secretary: Someone to take notes and compile minutes for each meeting is an effective means of facilitating house communication (for those not present) and enhancing organizational memory (over a period of time). The responsibilities of the secretary might include: taking minutes, filing minutes, and posting them in the bathroom or other prominent area, keeping records of alumni, and forwarding mail to former members.

- **Maintenance Manager:** This person oversees the maintenance tasks of the house, coordinates other maintenance workers, schedules labor as necessary, and communicates with contractors. This position is crucial to the long-term health of the building.

House officers can be elected by the members at the beginning of each term or each year, as the positions open up, or upon a schedule that the members create. Be aware that too short a term limits experience, and can result in a position never being done as well as possible. However, too long a term prevents members from being able to run for positions to get involved. Furthermore, it is useful to clearly spell the responsibilities of each position in a house constitution, which furthers a sense of identity and helps things run smoothly.

Some of the house officers (president, treasurer, secretary) may look similar to the officer positions on most co-op Boards of Directors. However, there is a clear distinction between house and organizational operations in multi-house systems. In one-house systems, there is a distinction on paper but rarely is there a distinction in reality. For instance, the Board of Directors may be composed of everyone and house officers become the organization's officers.

Equity in Labor

One of the objectives of a labor system is to balance the workload so that each person has an equitable amount of work. It is important to note that equality is not the same as equity - some members may simply be unable to do the

same number of hours or jobs as others. Your cooperative will have to address this issue. Some cooperatives use a work credit system to balance this. They require a number of work credits for each member to complete. They then amount of work credits for each job based on the time commitments and difficulty of tasks. Jobs that are not considered very pleasant are often given extra work credit as compensation (i.e. taking out the trash or cleaning the bathroom). Other cooperatives base work credits on the amount of time required for each job.

It is important to note that if your cooperative develops a system that tracks labor, that you take note of whether or not it is being fairly applied. Cooperatives can easily fall prey to discriminatory use of job "strikes" or "missed hours" as ways to target protected classes. [Race, Gender, Sex, Disability, etc.] Take active steps to ensure that your systems are equitable and applied consistently to all members.

Labor System Implementation

The implementation of the labor system begins with establishing a process whereby everyone in the house is assigned jobs. Different cooperatives have various mechanisms for this: elections, lotteries, appointments, or a combination. Different techniques stem from different priorities and goals: for instance, a lottery system attempts to achieve fairness by being totally unbiased. An assignment, based on assessments of skills and preferences, is better at matching each member up with something that matches their abilities or schedule.

The implementation would not be complete without a system for dealing with work-left-undone. It is usually the work manager's responsibility for acting on policies for missed jobs. Usually, the co-op will have a clause in the lease stating that members must comply with house labor policies. The house should be clear about informing the work manager when a job is considered undone and what the procedures and penalties, if any, are. Examples of penalties range from strict fines to a "wheel of misfortune" that is spun randomly choose a make-up task: for instance, scrubbing the oven, cleaning under the kitchen sink, baking cookies, and so forth. The co-op should give members every reasonable chance to find labor that works for them, and to make up for labor that was missed. At the same time, this labor is essential to the function of the co-op. If a member feels that their contribution is not valued, or that labor does not matter, then this is something that must be resolved. If a member refuses to do labor, to the extent that no remedy can be found within the house, the house must be willing to evict the member if necessary.

In the early stages of implementation, the house will likely run into unexpected problems. Members may discover that no one is cleaning the basement or that the hallway is being cleaned twice as often as is necessary. Or that being a work manager is more time consuming than was planned for. These problems should be resolved before each new term and job descriptions should be revised as necessary. Usually, these revisions are done by the labor manager, and then ratified by the membership.

A Living Entity

At this point, you may begin to feel that the cooperative starts to take on a life of its own. You may begin to feel that you and your original organizing group are no longer unilaterally calling the shots. You may begin to feel that the new members have opinions and dreams for the co-op that differ from yours. If you are beginning to feel this, then congratulations! you've done it! you've started a co-op!

One of the beauties of cooperatives is that no one person can own the entity. It is of, by, and for the members. That is to say, just because you started it, that doesn't make it "yours." When we say, "we own it," we mean the collective as a whole. remember that if you are a member of this new cooperative, you have created something bigger than yourself, that you will and have contributed to, that hopefully will endure for decades to come.

The Future

Leadership Development

Development Culture

Movement Culture

Once a cooperative comes to life, a new set of exciting challenges and opportunities begin. The project changes from the work of getting the venture started to that of building a strong organization and maintaining momentum, and creating a timeline for those projects that will still need to be done now that you are living in the co-op. You now have the advantage of infrastructure, though, in the form of being in the same place as your fellow organizers, having regular meetings, having a stable address and phone number, etc. There are actually many challenges that new cooperatives will face that could not possibly be addressed within this text. The final chapter focuses on three broad areas new cooperatives should bear in mind as they are setting the tone for the venture.

One is leadership development: efforts to develop new leaders and disseminate knowledge will make the organization stronger and prepare it for future turnover. Building a culture of continuous development will create a strong local network of co-op households, increase the organization's base of resources, and further its mission of providing as much affordable housing as possible. Likewise, maintaining a high level of participation in the cooperative movement benefits the organization through the sharing of resources and helps organizers in communities without

cooperatives. Proactive founders understand the serious nature of these challenges, viewing them as opportunities for growth and welcoming the future with open arms.

Leadership Development

After putting in innumerable hours of work, the founding group inevitably would like to see their creation blossom into a healthy community organization for years to come. Perhaps one's gut instinct is that this entity has come to life and now we can sit back and watch it flourish. Perhaps, on the other hand, the founders are worried that when they leave, the organization will still be so fragile that it will fall apart. While the actual situation is dependent upon the particular circumstances, there are some actions that the founding generation can take to help the cooperative thrive.

Perhaps the most basic factor is to remain a member of the cooperative for as long as possible. Often, a crisis period (or at least a challenging adjustment period) will follow when the founding bunch goes on. With organizing experience, a sizable list of student and community contacts, and knowledge of the cooperative movement, founders are in a position to empower new members by disseminating knowledge and building a vision to guide the organization. Founders might consider staying for at least a few years to help get the organization on its feet. During this time, it is important that the founding members allow new members to replace them in critical positions, so that the rest of the membership has a chance to try new approaches, but still have the original community members around for input.

An ongoing issue in all cooperatives is the constant turnover¹²⁶ in their community. This turnover is built into the student co-ops, as their members graduate. This also affects the non-student housing co-ops, where many members may live for a long time, but others might use the co-op as a transitional form of housing. Turnover hinders the organization by breaking continuity and weakening organizational memory, and, at the same time, revives the organization by providing new blood and ideas. The co-op should aim to strike a balance between new members and returning or more senior members. Often times the most senior members hold the most power and influence in the co-op, and tensions can brew from power dynamics and more senior members resisting change in the co-op. Being sensitive to turnover and seniority is crucial to maintaining health group dynamics. Established cooperatives have addressed this potentially devastating problem turnover issues by hiring staff and budgeting for cooperative education to train new members. However, a new cooperative does not have those resources, and therefore should address the problem from another angle: leadership development.

One approach to leadership development is touched upon in the previous chapter: member recruitment. When recruiting, founders should target a specific kind of member: those who are already involved in community projects or community activism. These folks, who understand they can make a difference in the world, are ideal because in a cooperative, solving problems and running the organization

¹²⁶ Turnover: The process by which members move in, move out, and are replaced by new members.

is not a landlord's responsibility, it is dependent on the members. That is a concept that not everyone is going to pick up right away.

Of course, co-ops have an obligation to practice open and voluntary membership practices as one of the cooperative principles, so "activism" should not become a litmus test for whether a person is admitted to the co-op, and organizers should try to balance encouraging members who will already be engaged with providing opportunities for anyone to come and get engaged. One of the most inspirational parts of being involved in a new cooperative is watching "normal" people become passionate about the work that the co-op is doing and teach themselves skills they never expected to have. The best solution for a co-op is to practice leadership development by both inviting people who already show leadership skills, and by developing the "leader within" from people who are interested.

Another important angle to approach leadership development is ensuring that traditionally underrepresented and marginalized voices are integrated into the co-op's leadership. On campus or in the community at large, there are often people who are excluded or underrepresented in decision-making bodies. Underrepresented groups often include people of color, people with disabilities, transgender people, queer people, and international students. It is important for the co-op to be aware of the demographics of its leadership and use an anti-oppressive approach to empowering marginalized voices into leadership. Note: the co-op also must be aware of tokenism, which is often associated with "affirmative action" policies where there is little analysis around oppression. To avoid

this, the cooperative should actively seek the input and expertise of people with marginalized identities, and not merely add their bodies to a committee or board to meet a quota.

Another approach to leadership development is cooperative education. An empowered, enthusiastic, and informed membership is fundamental to making good organizational decisions and maintaining a proactive vision. A thorough education program includes the following:

- educational materials: cooperative books, an owner's manual, directory of local cooperatives
- orientation: see previous chapter
- retreats: problem-solving and visioning getaways for those interested in improving the co-op
- one-on-one: officers should train future officers and work together as a team
- co-op conferences: regional and binational educational gatherings
- tours: regional and local tours of other cooperatives
- networks: making friends in other cooperatives and learning from their experiences
- meta-meetings: a chance to discuss how your own process for meetings works, and how to improve

The opportunities for cooperative education should be planted firmly into the organizational culture and operations. An education committee is an effective means

of organizing events and maintaining a focus and healthy education budget. Such a committee should have its place in the Bylaws.

Development Culture

Single-house co-op systems face challenges beyond their fragility and lack of continuity. They face the problem of isolation from other co-ops. Isolation is perhaps something that a co-op suffers from without even realizing it. Members of multi-house systems benefit from being constantly reminded of the variety of ways that a co-op can operate and that it is really just an organization that is defined by the members, whoever they may be.

Steps should be taken to maintain the vision of a multi-house cooperative system by building a culture of development. Understanding the real estate market is one means of achieving this culture: at times the market has nothing feasible and then may suddenly offer up a fantastic building. Establishing a development committee that is out there looking at properties and keeping in tune with the market is one means of creating a sense of readiness for development. Other activities the committee can work on is cultivating a relationship with the university and researching city and county programs that could benefit the cooperative. Much of this work is similar to organizing in that it involves finding property and building support.

There are many benefits of expanding from a one-house system into a two-house system or more. One is that it creates a local network of co-op households that are

inextricably tied together. In addition to the friendships the network provides, it also functions as a basis for further community involvement.

Another benefit is affordability: as more buildings are purchased by the cooperative and mortgages are paid-off, the equity is reinvested into the organization making it more affordable. This is often a crucial issue for one-house cooperatives that have purchased their buildings with no equity. Borrowing 100 percent of the funds to purchase the building means that the average rent is higher than if the organization had a 20 percent down payment. This makes it difficult to compete with other housing in the private market, even if the landlord is making a profit. As the co-op builds a store of equity, reinvests it in the system, and purchases more housing, a system of affordable housing is created.

Growing your co-op system does not have to mean purchasing buildings. Many co-ops use a hybrid development model¹²⁷ for growth, where some houses are owned and some are leased, but all share some common resources. This allows the co-op to provide housing for more members and get a larger profile in the community without having to wait until tens of thousands of dollars are piled up for a down payment. This also allows each co-op to create its own culture and emphasis but allows all of the houses to work together to make the goals at the board and general membership level a reality. By creating several

¹²⁷ Hybrid Development Model: Using both purchasing and leasing as means of development. Not tying the organization to only one or the other.

houses, even leased houses, your group can collect a modest development fee from each member to bring closer the day when the co-op can buy a property for itself.

Developing more housing also creates a broader funding base that allows the organization to hire staff. Needless to say, it is difficult to run an organization with volunteer labor over an extended period of time, especially as it gets larger. Coordinating recruitment, finance, maintenance, education, and development with volunteer labor is difficult to handle in a stable fashion and often leads to burnout. Hiring a staff person that is accountable to the democratic will of members creates a more sustainable situation over the long term. Staff members that understand cooperatives and can relate to students, activists, or a younger demographic are an excellent solution to the problem of turnover in housing cooperatives.

A final argument in favor of maintaining the spirit of expansion is that it is the mission of the student cooperative movement to make higher education more economically accessible by lowering costs. At the local level, student cooperative organizations should seek to provide as much affordable housing as possible. Many believe that all student housing should be run as cooperatives: students have the right to control their living environments! This holds equally true for community co-ops based in a non-student community, where all people should have a right to livable and affordable housing, and a chance to be represented in the decisions affecting their homes. It is the co-op's responsibility to expand whenever feasible.

On the other hand, a valid argument against development is that as cooperatives become larger, they become alienating to the average member. In a one- or two-house system, every member can have input into most of the major decisions that are made. Everyone knows everyone else. It's a cozy situation. Many established cooperatives are large and complex democratic organizations with a political context and process all their own. It is easy for the average member to feel excluded from the goings-on even if opportunities for involvement are available.

Most of these organizations were created during the Great Depression and are over 60 years old. Their organizational cultures developed without any models to learn from. Cooperatives that got their start during the 1960 and 70s wave of development or getting their start now are in a position to learn from the histories of their predecessors. The challenge of the current wave of cooperatives is to become a large cooperative, while remaining small: to provide as much affordable student housing as possible and retain a sense of empowerment through avenues of member participation.

Movement Culture

Student and community cooperatives are a part of a larger cooperative movement. The problem of isolation is not totally solved by developing more cooperatives at the local level, co-op systems should network with cooperatives in other areas to learn about different modes of operation. On a strategic level, in order for the movement to be successful, it is necessary for the co-op to participate on the local,

regional, national, and international scales. Road trips, email discussion groups, and educational conferences give members the opportunity to interact and share stories, problems, and solutions.

For cooperatives in student communities, which are affected by high turnover rate, a movement culture¹²⁸ should be incorporated into the education program. When experienced members graduate, they are replaced by new ones who don't necessarily know anything about the movement. Cooperative education addresses this problem by providing the organization with an avenue to learn about the broader picture and cultivate a movement culture as the years go on.

Cooperatives that consider themselves partners in a movement are in a better position to practice the principle of cooperatives among cooperatives. Loan money to start-ups and cooperatives in crisis is often the only help available to these ventures, and it is such gestures that make the movement stronger and more widespread. Indeed, it is only as a movement that we can take advantage of the opportunities that the future presents for expansion. As a movement, we can achieve the vision of a co-op in every community in North America.

¹²⁸ Movement Culture: A set of cultural norms and expectations based around the concept that cooperativism is a social and economic movement - one that seeks to empower and improve the lives of cooperative members and one that seeks to expand the principles and values of cooperation to benefit our communities and beyond.

Afterword

Building a housing cooperative from the ground up can never be synthesized into one tangible document. This guide can never provide a foolproof method, as such a method does not exist.

For this reason, we strongly encourage you to use this guide as a jumping off point and explore your own local resources as best you can. If there are co-ops in your area, go and ask them about how they got started or if anyone from their leadership wants to grab a cup of coffee. If nothing else, this kind of "cooperative networking" can help you build connections with other local organizers that could be invaluable down the line.

We sincerely hope that the Organizer's Handbook has aided and inspired you as you embark on this journey, and we hope to hear from you as you get off your feet.

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Appendix

A Brief History of North American Cooperatives

In Canada and the US, the roots of the cooperative movement sprang up for similar reasons. Rural electric co-ops, credit unions, and agricultural co-ops were founded to meet the needs of populations, particularly rural, which did not attract investment or where goods and services were provided at unfair prices. In the early 20th century, cooperatives in these two countries began to see a need for national organizations. In the US, cooperatives organized the Cooperative League of the USA, which later became the [National Cooperative Business Association](#)¹²⁹ (NCBA). NCBA provides networking, technical assistance, and development assistance. One of NCBA's major contributions has been lobbying at the national level for cooperatives. For instance, it lobbied for legislation which made cooperative incorporation possible and helped pass legislation which formed the National Cooperative Bank in 1978. Today, NCBA remains the premier cross-sectoral link among co-ops in the United States. One recent lobbying success of the NCBA that you may be aware of as the creation of the ".coop" web domain, allowing cooperatives to have a presence on the web that reflects that they use a model that

¹²⁹ National Cooperative Business Association (NCBA): NCBA is a major networking and advocacy organization for all sorts of cooperatives. <https://ncba.coop>

is not entirely for profit (like a .com) nor entirely not-for-profit (like a .org).

Canada enjoys an even stronger network of cooperative support organizations. The Canadian Cooperative Association (CCA), formed from a merger of the Cooperative Union of Canada and the Cooperative College of Canada in 1987, provides educational services to its member cooperatives and sponsors cooperative development in Global South nations. The [Cooperative Housing Federation of Canada](#)¹³⁰ (CHF) provides technical assistance to developing and established co-ops throughout English-speaking Canada. Canadian cooperatives have also benefited from the support of the Canadian Mortgage and Housing Corporation (CMHC). However, the CMHC has not provided financing for a student cooperative since the early 1970s, and funding for the program has dropped off sharply in recent years. Other sources of financing are available, primarily from within the cooperative movement itself.

The contemporary cooperative movement is strong and diverse. Cooperatives exist all over Canada and the United States. Some of the larger cooperatives have an annual income of several billion dollars. In addition to rural electric co-ops, credit unions, and agricultural co-ops, there are cooperatives to serve almost every need: food co-ops, automotive co-ops, insurance co-ops, housing co-ops, daycare co-ops, book co-ops... the list goes on.

¹³⁰ Cooperative Housing Federation of Canada: <https://chfcanada.coop>.

Student Cooperatives & NASCO

The beginnings of student cooperatives are unknown, but it is believed that the first co-ops were bookstores and group houses that began in the late 1800s. The Harvard "Co-op" is the best-known example of the early bookstores. Research by Deborah Altus from 1994 has documented the existence of women's housing co-ops during this period.¹³¹ These houses, owned and controlled by the university, were established to provide affordable housing for women. They were "cooperative" only in that the members shared responsibilities and ate meals together. Most of the pre-Depression Era student housing cooperatives were university owned and operated.

The Great Depression of the 1930's brought many student cooperatives into existence in both Canada and the United States. This period of economic hardship encouraged people to think in new directions and a wave of new co-ops was started. If one event can be seen as the birthplace of student cooperative movement it was a lecture by an internationally-renowned Japanese labor, cooperative, and peace activist, Toyohiko Kagawa. Kagawa spoke at a Student Christian Movement conference in Indianapolis, Indiana. Students from Ann Arbor and Toronto went to this conference and returned home to start student housing cooperatives that thrive even today. Other student activists saw him speak elsewhere and were similarly inspired.

¹³¹ "Women in Community Yesterday and Today." Communities; Journal of Cooperative Living, No. 82 by Deborah Altus

The 1930s also saw the start of other long-standing cooperative systems including Berkeley, Austin, Los Angeles, and Eugene. By 1941, about 150 cooperative housing associations had some 10,000 student members. An association was formed called the North American Students Cooperative League¹³² (NASCL), which survived into the 1950s. The Second World War deflated much of the momentum of this period, drafting members for the war. As most of these co-ops were in rented buildings, most of them died during the war. The organizations that survived were usually the ones that had begun to purchase their own buildings. In the 1950s, new systems in Kingston, Ontario; Oberlin, Ohio; and Lincoln, Nebraska were established.

However, McCarthyism¹³³ and the public discomfort with anything that could be branded as “communist” or “socialist” did not encourage progressive answers to social problems. No one can tell, with cooperatives or other progressive movements, to what extent the fear and guilt of the McCarthy era damaged the chances for revival and expansion. At any rate, there was little new development of cooperatives during these years.

¹³² North American Students Cooperative League: NASCO's precursor founded in 1946.

¹³³ McCarthyism: This term was coined in the early 1950s in response to US Senator Joseph McCarthy's practice of blacklisting people as communists, with or without sufficient evidence.

In the 1960s, the political fervor over the civil rights, free speech, and anti-war movements brought new enthusiasm to student communities around the world. This enthusiasm translated into a keen interest in non-traditional forms of democracy, such as cooperatives. New cooperatives were started in places such as Austin, Texas; St. Paul and Minneapolis, Minnesota; and Providence, Rhode Island, among others.

Throughout the 1970s, former student activists put their ideas into action by creating food and other cooperatives based on the idea of participatory democracy and a healthy life. This activity translated into what is known as the "New Wave" cooperative movement, as opposed to the "old wave" co-ops of the 1930s. Some of these organizations existed on college campuses but most were integrated into communities and served community needs. The New Wave cooperatives, with their emphasis on healthy and organic foods, were the beginning of the contemporary health food movement.

In 1968 at a conference sponsored by the Inter-Cooperative Council at the University of Michigan a proposal was passed to form an organization to meet the growing needs of the student cooperatives in Canada and the United States. Three weeks later, a group gathered in Chicago to organize the [North American Students of Cooperation](#)¹³⁴ (NASCO),

¹³⁴ North American Students of Cooperation (NASCO): The North American Students of Cooperation Organization organizes and educates affordable Group-equity co-ops and their members for the purpose of promoting a community-oriented cooperative movement.

based on the NASCL model of the 30s and 40s. During the 1970s, NASCO was composed not just of student cooperatives but of the new wave co-ops that were popular in youth circles. The majority of contemporary NASCO members are student cooperatives, however, in recent years, many community organizers and co-op alumni have taken the model used by NASCO member co-ops and applied it to non-student cooperatives, which have then become members. NASCO now serves as the voice of a strong and future-oriented movement.

In the realm of development, an important change that took place during the late-60s and early-70s was in the area of federal funding provided by the US and Canadian governments. Most of the existing student housing cooperatives took this opportunity to expand rapidly. However, the late-70s and early-80s were the end of this period of fantastic growth. Established cooperatives expanded during this period, but only a few new systems were started. For this reason, in 1987, [NASCO Development Services](#)¹³⁵ was founded as a development partner of NASCO. With the vision of a co-op system on every campus, NASCO Development Services has advocated for and assisted student groups.

Student cooperatives are considered to be unique in relation to the rest of the cooperative movement in many respects. First, campus cooperatives have higher rates of

¹³⁵ NASCO Development Services: A subdivision of NASCO that seeks to support the development of new cooperatives as they get off their feet and support existing cooperatives as they continue to operate and expand.

member turnover than most because of the limited time students attend college. Second, most student cooperatives have a higher degree of member participation—both in governance and operations—because of the labor responsibilities of membership. Third, co-ops often serve the social needs of their members more intensely, since they are frequently based upon group houses and/or shared dining groups.

The existence of organizations whose mission is to educate and expand the housing cooperative movement has furthered the general interests of housing cooperatives, and especially student housing cooperatives. NASCO, NASCO Development Services, and [NASCO Properties](#)¹³⁶ are three movement organizations that have been created by and for the co-ops in Canada and the US. They have provided a forum to discuss issues affecting member co-ops and an impetus for assisting organizers in creating new co-ops.

North American Students of Cooperation

NASCO's creation in 1968 meant that student cooperatives began working together towards their common interests. NASCO began its work almost immediately on creating tools to develop more cooperatives. Through a strong lobbying effort, co-ops were able to get the [Department of](#)

¹³⁶ NASCO Properties: A subdivision of NASCO that helps new cooperatives finance group equity co-ops.

[Housing & Urban Development](#)¹³⁷ to make loans directly to co-ops.

As part of its goal to serve active member cooperatives, NASCO developed educational programs to assist co-ops in educating their own members. After first focusing on regional conferences, NASCO developed a binational conference, called the Cooperative Education and Training Institute (often referred to simply as "NASCO Institute") to train co-op members and organizers in the principles and best practices of cooperation. Other programs were developed to educate and link NASCO members from around the US and Canada. Today, NASCO keeps the Group-equity and student cooperative movement strong and develops leaders for the future. The services currently include the following:

- [NASCO Institute](#)¹³⁸: an annual educational conference attended by 400+ co-op members
- Member Visits: educational workshops and consultations done on-site at each co-op
- Staff and Managers Conference: an annual conference of co-op staff and managers to network

¹³⁷ Department of Housing and Urban Development (HUD): The HUD provides housing and community development assistance to ensure compliance with the Fair Housing Act.

¹³⁸ NASCO Institute: A conference on cooperation hosted by NASCO each year for training, networking, and learning new skills. <https://nasco.coop/institute>

and further professional development at co-op staff and managers

- Information Services: provides info on cooperatives to members, media, policy makers, and the general public
- Internship Network: provides students with connections to jobs in cooperatives around the continent
- Action Camp: a week-long retreat for co-op leaders to confront social inequalities in their co-ops
- Emerging co-op Leaders: an annual conference bridging different co-op sectors to compare methods

NASCO Development Services

The late eighties and early nineties brought the development and implementation of a new business plan for NASCO, which called for increased efforts in maintaining the growth which our member cooperatives had achieved through enhancing member services. The plan also called for increases in development activity and resulted in the creation of the NASCO Development Services.

NASCO Development Services was founded in 1987 (as the Campus Cooperative Development Corporation) by NASCO and its member cooperatives. NASCO Development Services was created because NASCO found that, due to limited resources, it could not effectively assist co-op organizers. The organization encourages and initiates co-op development on a continuous basis by providing financial aid, consulting, and comprehensive technical assistance primarily to student groups looking to establish co-op

housing. NASCO Development Services works with organizing groups on cooperative structural aspects, legal incorporation, feasibility studies of potential properties, finding appropriate properties, arranging financing, and assisting in the design of the organization.

NASCO Development Services is a separate organization from NASCO, with its own membership, which allows for special participation in a development effort that is not perceived as a drain on NASCO's educational efforts. While NASCO and NASCO Development Services are different organizations, there are substantial connections between the two. First, the memberships in the two organizations overlap extensively. Second, the organizations consider themselves to be development partners, meaning that they coordinate their efforts. Finally, NASCO, NASCO Development Services, and NASCO Properties all share one staff and office space.

As a part of their strategy, in 1988, NASCO Development Services and NASCO incorporated another organization, NASCO Properties, which provides ownership and management services for several cooperatives. NASCO Properties seeks to combat the problem of co-op organizers' lack of access to mainstream financial resources. By showing itself to be a reputable national property owner, NASCO Properties is able to purchase a property for local housing cooperatives. A more detailed description of NASCO Properties can be found in the "Purchasing Property" chapter.

New Chapters & Features Planned for 5th Edition:

- The Fair Housing Act and Co-ops
- Providing affordable Housing - and Proving It!
- [The NASCO resource library](#) (once you open your co-op)
- Finding and Keeping Good Members
- Community Awareness of Cooperatives
- Cooperatives as Tools to Combat Gentrification

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