

Intro to Co-op: Structure and Governance

A Solution for Permanently Affordable Housing
uhab Co-op Incubator
URBAN HOMESTEADING ASSISTANCE BOARD

©5-24

uhab
URBAN HOMESTEADING ASSISTANCE BOARD



Uhab

COMMUNITY THROUGH COOPERATION



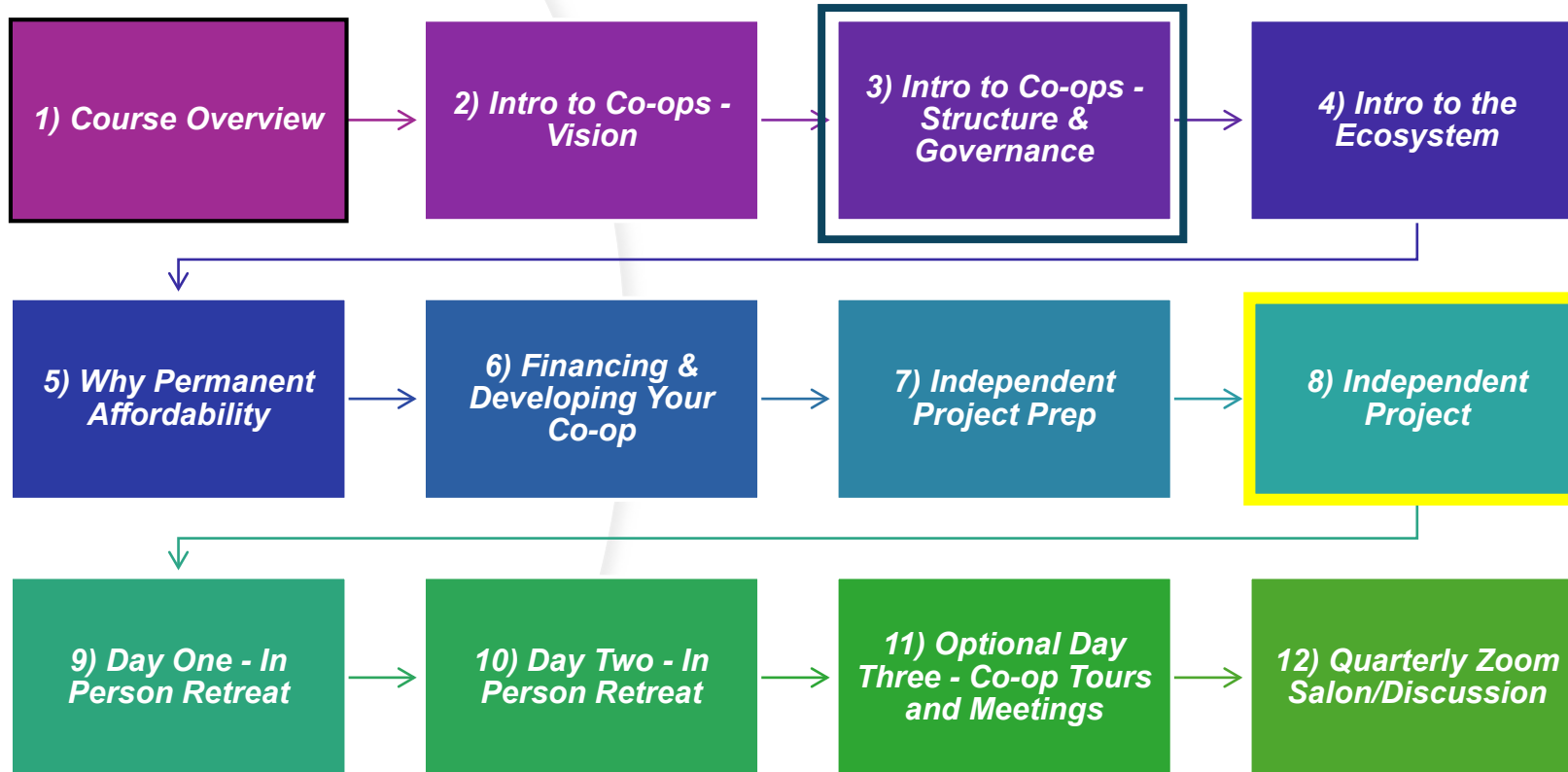
UHAB | URBAN HOMESTEADING ASSISTANCE BOARD

Agenda:

- 1) Orientation in Series
- 2) Structuring Co-ops:
 - Structure Choices
 - Co-op Models
- 3) Governance vs Management
- 4) Co-op Governance
- 5) Wrap up
 - Homework
 - Survey
 - Next Session

Introduction & Overview

Incubator Sessions:



Who Are You Trying to Serve?

- Income level? Very Low Income, Low Income, Moderate Income
- Credit Quality? Very Good, Good, Average, Standard Low Income Score, Poor Credit
- Population? Individual Groups, Expanding Group
- Special Population? Longtime Members of Community, Government Employees, Artists, Handicapped, Elderly, Returning Citizens, Immigrants, Homeless, Large Families

Structure Choices

- **Limited-Equity vs No Equity/Group Equity**
- **Stable Size vs Growth**
- **Permanent Affordability vs Real Estate Wealth**
- **Share Loans vs No Share Loans**
- **Ownership vs Renting**
- **Same Subsidy For All, Surcharge When “Over Income”, or Section 8 Vouchers**
- **What Parts of “Ownership” Do We Need?**
- **Conventional Co-op Housing Finance, Self-finance (Tenants-in-Common), or LIHTC**

Limited-Equity vs No Equity vs Group Equity

- Limited-Equity Co-op
 - Conventional Affordable Model
 - New York Older and Newer
 - Builds Modest Equity over Time
 - Allows First time Homebuyer Subsidies (But will those be there for the next buyer?)
 - Share Loans **Likely** (Individual Qualification)
- No Equity
 - CSI/Canadian/Australian
 - No Individual Credit Check (beyond rental requirements)
 - Entry Cost Equal to Security Deposit (could be Zero)
- Group Equity
 - NASCO Student Co-op Model
 - Frequently More Transient Occupancy
 - Equity Stays for the Next Residents

Co-op Models

1. Limited Equity Co-op Model (New York, DC, Chicago, HUD)

- Co-op on a Community Land Trust (CLT)
- Income Surcharges (Mitchell-Lama Co-ops)

2. Membership Co-ops

- Cooperative Services Inc. (CSI) Elderly
- NASCO Group Equity

3. Mutual Housing Associations (MHA)

4. LIHTC Co-ops

- Always Membership Co-ops
- Management Co-ops
- Co-General Partner Co-ops
- Leasehold Co-ops
- Year 15 LIHTC conversions

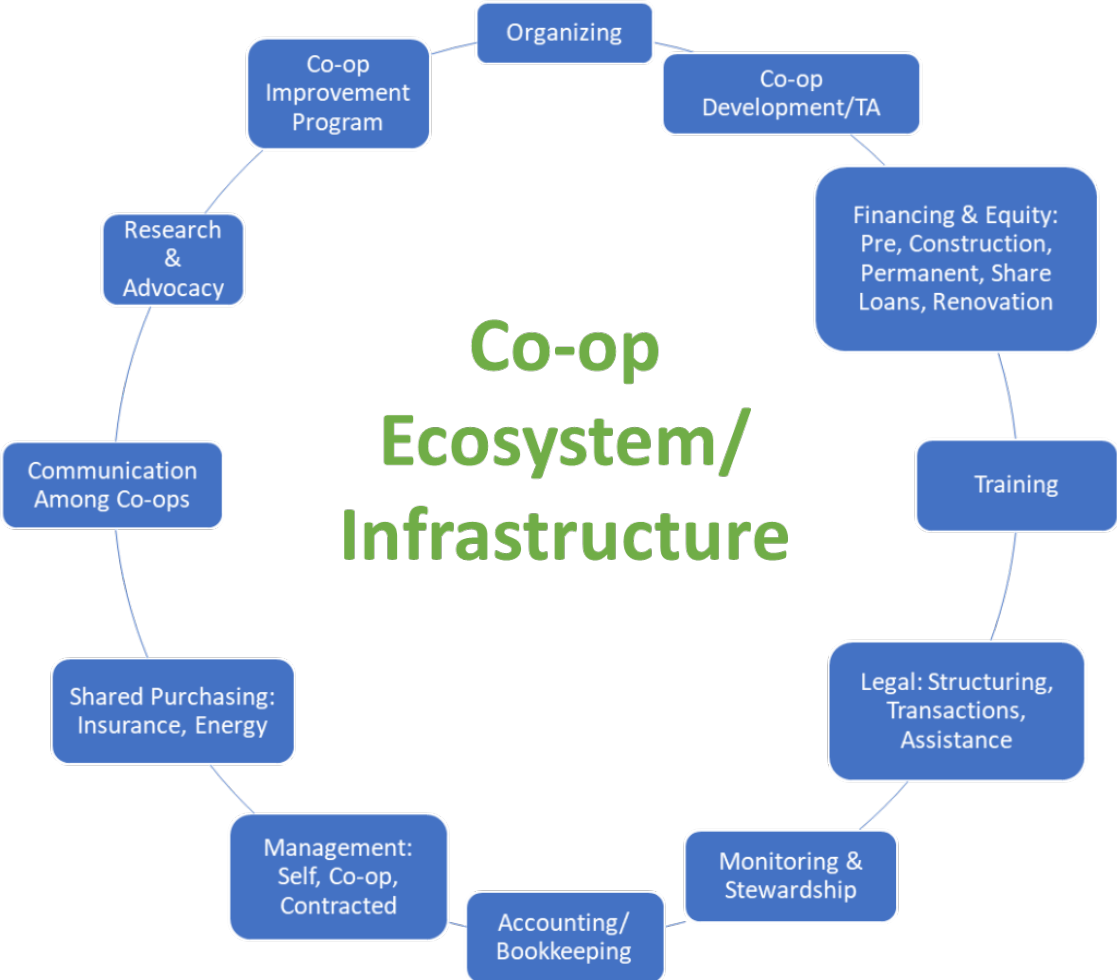
5. Tools for Development

- Tenant Opportunity to Purchase Act (TOPA)
- HUD/FHA 213 and 223(f)
- New Market Tax Credit (NMTC)
- Direct Pay LIHTC

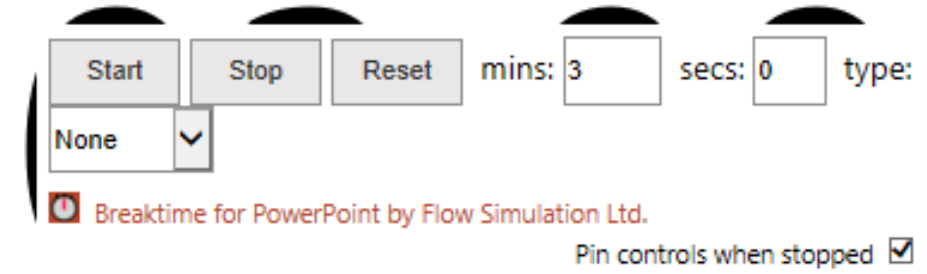
6. Additional Models

- Canadian Cooperative Housing Foundation (CHF) Membership Co-ops
- Rental Co-ops (Australia, Co-op Cincy)

What Role do You Want to Play in the Co-op Ecosystem?



Co-op Vision Guide



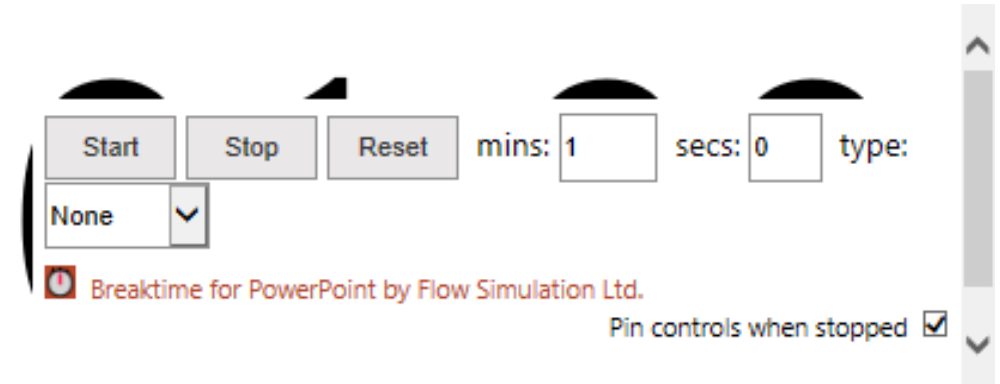
- Do you already have a vision for a particular co-op
- Or do you see a Different Role for your Organization in the Ecosystem?
- Where are you in the co-op development process?
- How have the first sessions impacted or evolved your co-op vision?

Do you have any questions about the considerations below?

- Do you have a **population** you are working with that you'd like to co-op to **serve**?
- Are those **people** part of the **organizing** effort?
- Is there interest in local or state **government to support** your co-op development, or will you need to help organize that?
- Are you imagining **converting** existing Rental(s) to a co-op?
- Are you imagining **renovating** a vacant building or building **new**?
- Are there, or will you be working with an **existing co-op(s)**?
- Before you Share Your Vision do you have any other Questions?

Co-op Vision Report Back

In 1 minute, please report back on the following prompts:



1. Describe the vision of the co-op(s) you hope to develop, or that you want to serve?
2. Where are you in the co-op development process?
3. What is the role you want to serve in the co-op ecosystem?
4. What are some challenges to your co-op vision?

5 Minute Break

The image shows a software interface for a break timer. It features three buttons labeled "Start", "Stop", and "Reset". To the right of these buttons are two input fields: "mins:" with the value "1" and "secs:" with the value "0". Further right is a label "type:" followed by a dropdown menu currently showing "None". Below the "Start" button is a red clock icon and the text "Breaktime for PowerPoint by Flow Simulation Ltd.". At the bottom right, there is a checkbox labeled "Pin controls when stopped" which is checked. A vertical scrollbar is visible on the right side of the interface.

Start Stop Reset mins: 1 secs: 0 type:

None

Breaktime for PowerPoint by Flow Simulation Ltd.

Pin controls when stopped

The Difference Between Management & Governance

Governance vs Management

- The Board **Governs**
- Governance **Writes** The Instructions
- Management **Carries Them Out**
- **Management Works** for the **Board**

Difference Between Governance & Management?

Governance is the **Running of the Corporation** according to its:

- **Legal Documents**

- Bylaws
- Proprietary Lease
- Certificate of Incorporation
- Regulatory Agreement
- Loan Documents



- **Policies**

- Resale Policy
- Waiting Lists
- House Rules

- **Historical or Standard Practices**

- **The Governance of a Co-op is the Sole Responsibility of the Board.**

Difference Between Governance & Management?

Management is running the **Day-to-day** Operations

Management occurs by:

- Using Industry-standard Practices For Accounting, Budgeting & Maintenance
- Supervising **Co-op** Employees (if any)
- Maintaining The Physical Structure Of The Building
 - Including 3rd Party Contracts And Contractors
- Making **Co-op** Payments **According To Board Priorities**
- Implementing The Policy Decisions **of the Board**

Questions?

Co-op Governance

Co-op Governance

Democratic Control

- Election of Directors
- Cost-Based Budgets

Cooperative Approval

- Ownership Transfers
- Individual Financing
- Subleasing
- Policies

Cooperative Enforcement

- Resale Limitations
- Other Regulations



Introduction to Democratic Decision Making

Overview of democratic decision making.

Participation and Leadership Responsibility

The continuum of decision making from consensus to a majority vote

- Typical decision making styles in LECs

Co-op Members

- live in the co-op
- elect board of directors
- guide policy and budget

Staff

- hired by the board
- day to day management of the co-op

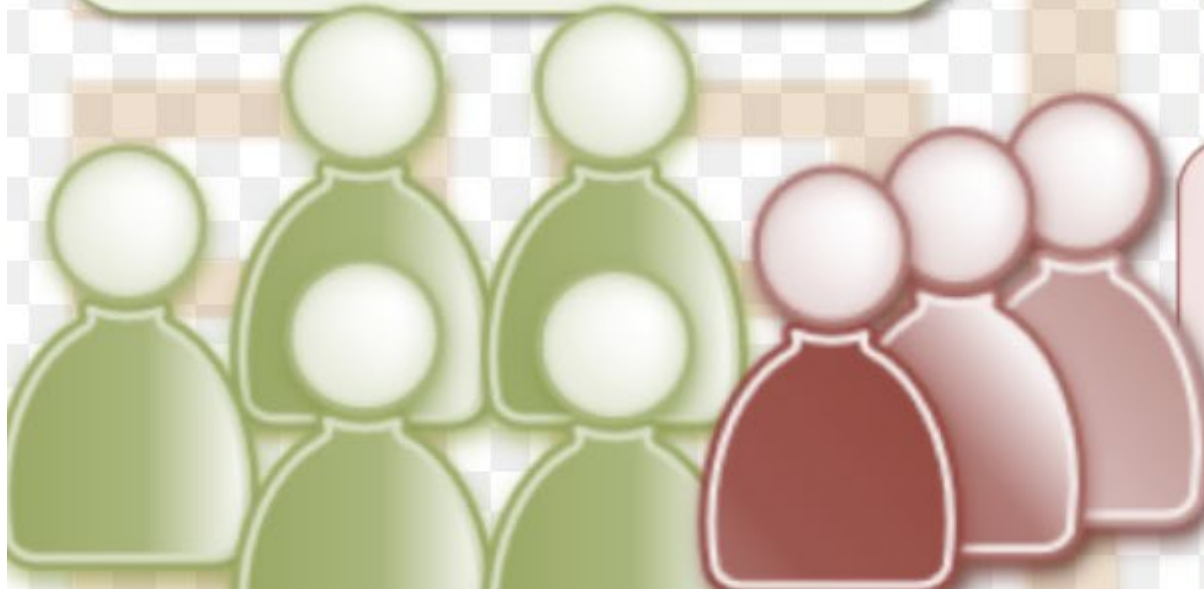


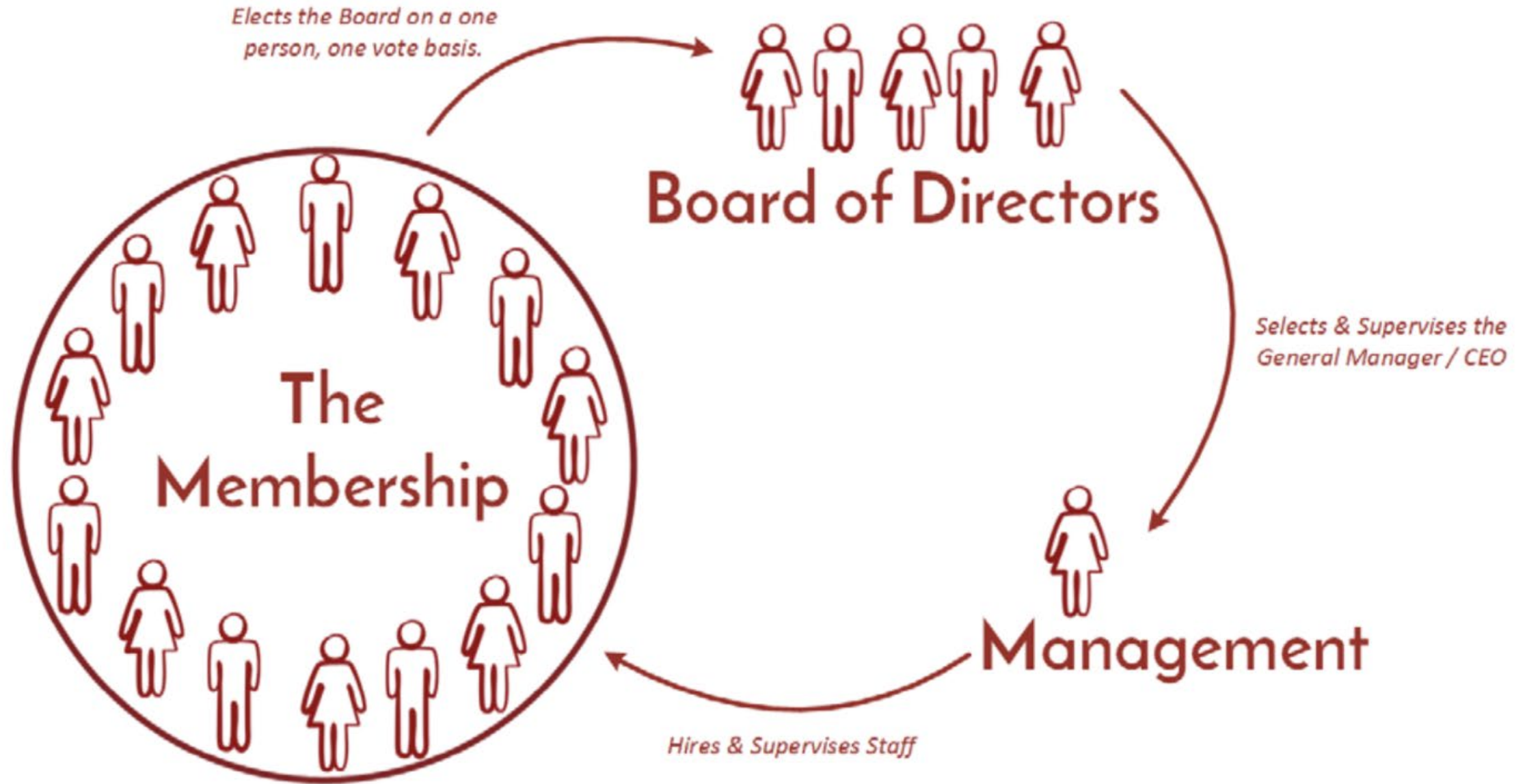
Other Stakeholders

- community, monitor/steward
- government
- lenders

Board of Directors

- elected by co-ops members
- governs the co-ops affairs

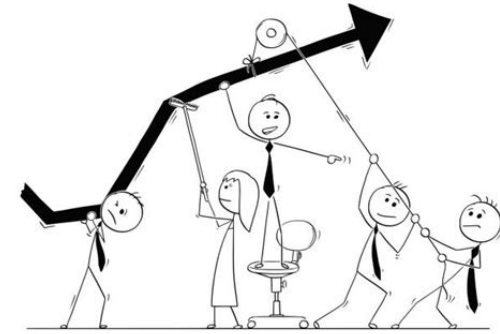




Governing What?

Governing the Business

- Hiring & Supervision of the Manager
 - Review Management Reports
- Financial Planning & Monitoring
- Developing Policies & Procedures



Governing the Property

- How the Property Is Operated & Maintained
- Capital Planning

Governing the Members

- House Rules
- Policies

Roles & Responsibilities



- **Governance Responsibilities**

- **Democratic Functioning, Meetings & Communication**
- A Financial (Fiduciary) Responsibility
- Insuring That the Property Is Managed Effectively
- Complying with All Pertinent Federal & Local Laws

- **Governance Responsibilities of The Cooperative Members**

- Responsible for Participating In The Affairs of the Co-op
- Attending Meetings; Voting; Serving on the Board and Committees
- Paying Monthly Fees

Roles & Responsibilities

- **Board**

- Set Policy
- Elected To Represent & Serve The Interests Of The Corporation

- **Officers**

- **Elected Annually by The Board (Not by the Membership)**
- Responsible for Contact with The Manager
- Responsible for Carrying out the Policies set by the Board

- **Committees**

- Carry Out the Detailed **Research & Policy Development & Implementation** Work of The Board
- At Least Three Standing Committees
 - Maintenance & Repair, Finance/Audit, & Member Selection



Practices and Processes



- **Meetings**

- Life Blood Of Housing Co-op
- Where Policies & Procedures Are Discussed

- **By-Laws**

- The Rules That Govern the Life of The Cooperative

- **House Rules**

- Guide the Everyday Life of the Co-op

Practices and Processes

- **Co-op Policies**

- Developing Sound, Fair & Comprehensive Policies
- One of The Most Important Governance Functions Of The Board

- **Elections**

- Legally Required to Conduct **Annual Elections** For The Board Of Directors
- **Regular Turnover** to Bring Fresh Perspectives

- **Education**

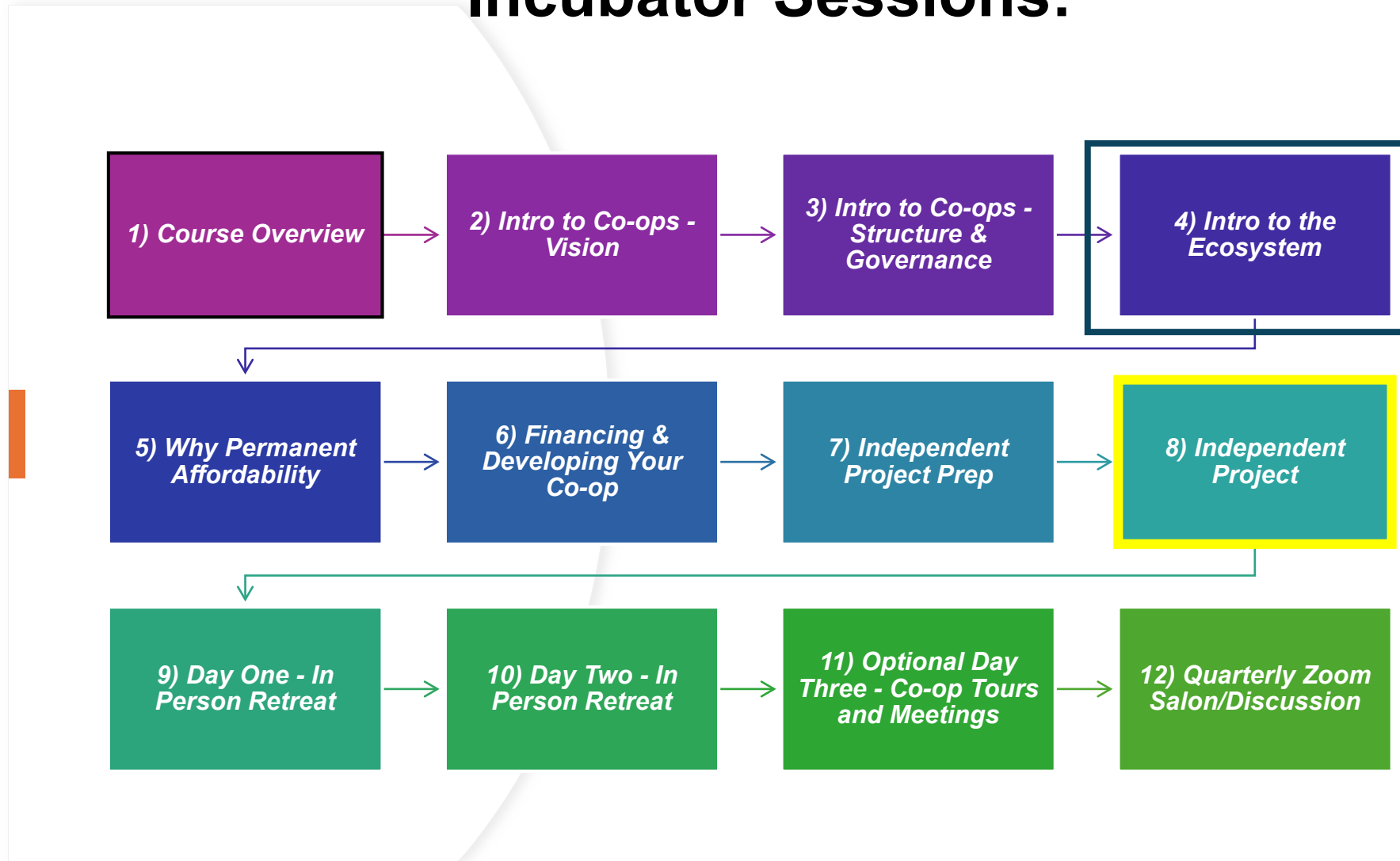
- Member Training Both In:
 - **How Their Co-op Can Function Best**
 - **Their Own Roles & Responsibilities**
- Board Training in Carrying Out Their Duties
 - **Annual Education Plan**



Wrap Up

- Homework
- Survey

Incubator Sessions:



Andy Reicher
reicher@uhab.org

Peter Dean
dean@uhab.org



www.uhab.coop

