

THE ABCs OF CO-OP IMPACT



HOUSING COOPERATIVES: A FRAMEWORK FOR MEASURING IMPACT

ABOUT THE ABCs

This sector report examines how housing co-op ownership influences economic activity, community vitality and individual well-being based on a seven-factor framework developed by the Urban Institute in partnership with NCBA CLUSA and the Cooperative Development Foundation. These factors are: Access; Business Sustainability; Community Commitment; Democratic Governance and Empowerment; Equity, Diversity and Inclusion; Financial Security and Advancement; and Growth.

ABOUT HOUSING CO-OPS

A housing co-op is a corporation that exists primarily to provide housing to its members. The model has a two-tiered ownership structure: at the top is the cooperative corporation; below that are the corporation's owners, typically known as member-owners.

The cooperative corporation owns or leases the housing stock, which includes all land, dwelling units and common areas. Member-owners purchase stock—sometimes called shares or membership certificates—in the cooperative corporation. Upon purchasing stock, member-owners signs a perpetual lease, called a proprietary lease or occupancy agreement, giving them a legal and exclusive right to occupy a particular dwelling unit, on condition that all obligations to the cooperative are met.

As the legal owner of the property, the cooperative corporation is responsible for meeting its financial obligations, including mortgage payments, property taxes and management and maintenance costs. The cooperative passes these costs on to the member-owners according to an equitable formula, generally based on a variable such as unit size. In turn, members pay a single monthly “assessment” or “carrying charge” to the cooperative, covering all fixed and operating expenses, including taxes, insurance, maintenance and replacement reserves, and the member's pro-rata portion of any overall debt.

TYPES OF HOUSING CO-OPS

**MARKET RATE OR
EQUITY COOPERATIVE:**
Units are bought and sold at market value.

**LIMITED EQUITY
COOPERATIVE (LEC):**
Bylaw provisions limit the maximum resale price of co-op units thereby maintaining long-term housing affordability.

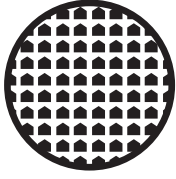
**RESIDENT OWNED
COMMUNITIES (ROC):**
Owners of manufactured homes collectively own the land and non-residential infrastructure in their community.



1775 Eye Street, NW, 8th Floor
Washington, DC 20006

nbaclusa.coop | cdf.coop

HOUSING CO-OP IMPACT BY THE NUMBERS



LIMITED EQUITY
CO-OPS
PROVIDE
166,000
AFFORDABLE
HOUSING UNITS¹



CO-OP OWNED
COMMUNITIES
RAISE LOT FEES
LESS THAN 1%
ANNUALLY, VERSUS
3 PERCENT IN INVESTOR
OWNED PARKS²



HOUSES IN CO-OP
OWNED COMMUNITIES
**SELL FOR
MORE**
AND **SELL FASTER**
THAN HOMES IN
COMMERCIAL PARKS³



CO-OP COMMUNITIES
HAVE INVESTED
\$50 MILLION
IN HEALTH AND SAFETY
IMPROVEMENTS
SINCE 2008⁴



ROC USA® NETWORK
REPRESENTS OVER
16,664
HOUSING UNITS IN
244
CO-OPS⁵



EMPOWERED HOUSING
CO-OP RESIDENTS
ARE MORE LIKELY TO BE
**ENGAGED
CITIZENS**⁶

1 "Counting Limited Equity Co-ops," Research Update, Urban Homestead Assistance Board (UHAB), February 2016

2 "2016 National Communities Summary," Manufactured Housing Institute

3 Ward, Sally K, Charlie French and Kelly Giraud. "Ownership in New Hampshire's 'Mobile Parks': A Report on Economic Outcomes," The Carsey Institute at the University of New Hampshire, March 2010.

4 ROC USA®, "Making Resident Ownership a Reality Nationwide," 10th Anniversary Report, 2018.

5 Bullard, Mike. ROC USA®, July 2019.

6 Saegert, Susan and Gary Winkel, "Cooperative Housing, Social Capital, and Crime Prevention" *Cooperative Housing Journal* 2001, National Association of Housing Cooperatives, p. 14

THE ABCs OF HOUSING CO-OP IMPACT

A CCESS

Housing co-ops are a proven way to expand access to affordable housing, particularly for limited-income residents. Because housing co-ops are one property, they can access a single underlying mortgage. This means that housing cooperative units can be financed collectively, individually or through some combination of the two. Improvements and repairs can also be financed collectively through funds borrowed by the cooperative, rather than assessed individually to homeowners. Housing co-ops operate at cost, so buying power is leveraged and monthly

carrying charges only increase if actual underlying expenses do. In this way, cooperative home ownership presents fewer risks to a household than conventional single-family home ownership, and offers more control than rental housing.

B USINESS SUSTAINABILITY

Cooperative housing, in particular LECs, are a stable and effective means of low-income housing, proving resilient in the face of economic cycles that often negatively affect real estate investments.

In comprehensive studies, cooperatives performed equally or better than nonprofit housing, with better overall survival rates. Housing cooperatives were also found to have lower operating costs when compared to nonprofit-owned developments, yet also be conservatively managed and well-reserved for future capital needs.

COMMUNITY COMMITMENT

As member-owners work together on issues of common concern, they generate both individual and communal benefits. Data shows that LEC residents participate in neighborhood organizations more and live in neighborhoods longer compared with low-income renters. A survey of almost 500 buildings in NYC found higher levels of social capital in the co-ops than in any other form of affordable housing. Even within the same geographic neighborhoods, the housing cooperatives in the study were consistently found to have the safest, highest-quality housing, and resident participation in community groups was key to that finding.

DEMOCRATIC GOVERNANCE AND EMPOWERMENT

As their democratically-elected representative body, cooperative housing boards of directors have a much greater ability to make and enforce house rules than do tenants associations of renters, or even condominium association boards. This democratic influence—and, ultimately, collective control over the details of ones living situation—has proved meaningful, especially for low- and moderate-income residents for whom control or even influence over their housing situation is often quite limited.

EQUITY, DIVERSITY AND INCLUSION

Affordable housing co-ops in the U.S. have a long history of providing access to high quality home ownership for members of all races and ethnicities. The 30,000 units of affordable housing saved and reorganized as resident-owned cooperatives by the Urban Homestead Assistance Board (UHAB) in New York City, for example, serve almost exclusively Black and Latino households. Despite being lower income households in some of the lowest income neighborhoods in New York City, these cooperative members govern some of the city's most successful affordable housing projects,

providing high quality, affordable resident-controlled housing for decades.⁷

FINANCIAL SECURITY AND ADVANCEMENT

LECs limit the speculative gain that residents can make when selling their home, but they deliver other financial gains that increase financial security for co-op members. Because housing cooperatives operate at cost, residents always know that their monthly housing costs will be kept in check. Lower housing costs and shared risk together allow low- and moderate-income families to confidently shift funds to other areas, such as education. Increased stability enjoyed by co-op residents also plays a direct role in their financial well-being. It has been established by numerous studies that housing stability plays a clear role in educational achievement. Housing stability has also been linked directly to job tenure and success.

GROWTH

Housing cooperatives contribute to the growth and economic well-being of their neighborhood. LECs provide a bulwark against gentrification and displacement, allowing residents of modest means to remain in place, even as surrounding property values increase. This makes economic growth more equitable for everyone.



Photo: NCBA CLUSA

Established in 1952, Friends Housing Cooperative is a diverse and affordable community in the heart of Philadelphia.



Photo: NCBA CLUSA

A MORE EQUITABLE, INCLUSIVE AND AFFORDABLE MODEL FOR OWNERSHIP OF MANUFACTURED HOMES

Manufactured, or “mobile,” home communities are an essential part of affordable housing in the U.S. There are about 37,000 such communities in the country, ranging in size from a couple of lots to several hundred.⁸ While people own their homes, they do not own the land beneath them, making them vulnerable to displacement. Not owning the land can leave them subject to substandard infrastructure and unreasonable rent prices, and with no say in community rules.

To combat exploitation, residents have banded together to form ROCs, or Resident-Owned Communities. Zoning laws typically prevent the purchase of individual parcels of land, so residents need to form an association to buy the property jointly.

Community ownership has significant advantages. For instance, in a long-term study done by ROC USA®, co-ops raise lot fees an average of one percent annually, while commercial communities raise fees three percent on average.⁹

Cooperative communities also benefit homeowners when they sell their homes. Data from the Carsey Institute at the University of New Hampshire show manufactured homes in cooperatives sell for 16 percent more



Photo: ROC USA®

Residents of Meadow Valley Manufactured Home Park in Unadilla, New York purchased their community with financing from ROC USA®.

per square foot than comparable homes in comparable commercial communities. Homes in cooperatively owned communities also sell more quickly compared to homes in investor-owned communities.¹¹ Since 2008, co-ops connected to ROC USA® have invested over \$50 million in health and safety improvements, including water and sewer systems, roads, drainage and storm shelters.¹²

After 25 years of co-op development work in New Hampshire by the Community Loan Fund, ROC USA® was formed in 2008 to scale co-op ownership nationwide. ROC USA® today represents 240 co-ops in 16 states. Nearly 16,000 homes have been secured to date, and that number is expected to double in the next ten years.¹³

8 Desmond, Mathew and Carl Gershenson, “Housing and Employment Insecurity Among the Working Poor”, *Social Problems*, 2016, 0, 1–22.

9 “2016 National Communities Summary,” *Manufactured Housing Institute*

10 Saegert, Susan and Lymari Benitez, “Limited Equity Housing Cooperatives: Defining a Niche in the Low-Income Housing Market. *Journal of Planning Literature*, Volume 19, No. 4 (May 2005), p. 430

11 Ward, Sally K, Charlie French and Kelly Giraud. “Ownership in New Hampshire’s ‘Mobile parks’: A Report on Economic Outcomes,” *The Carsey Institute at the University of New Hampshire*, March 2010.

12 ROC USA®, “Making Resident Ownership a Reality Nationwide,” 10th Anniversary Report, 2018.

13 ROC USA®, “Sustainably Scaling Resident Ownership: Leadership and Impact,” *Strategic Plan: July 2018–June 2021*, 2018.