THE CO-OP IMPROVEMENT PROGRAM 2021-2022

The first year of our initiative to stabilize affordable housing & protect community ownership

uhab

HDFC CO-OPs & DISTRESS

The Co-op Improvement Program is an ambitious new initiative to preserve thousands of homes in affordable co-ops across New York City.

Although the vast majority of HDFCs are democratic, financially solvent, and affordable, around 20% have fallen into distress. Families in “distressed” HDFC co-ops are at risk of losing their equity and ownership. If these residents don’t get immediate support, their homes will be in danger of foreclosure.

New Yorkers can’t lose this affordable housing. HDFC co-ops are a vital part of the New York City housing landscape that provide a rare opportunity for low-income homeownership. UHAB is working to keep this housing in the hands of the communities who need it.

The Co-op Improvement Program offers in-depth technical assistance to address the causes of distress, for free. Over four years, we hope to bring hundreds of buildings back to financial and physical health.

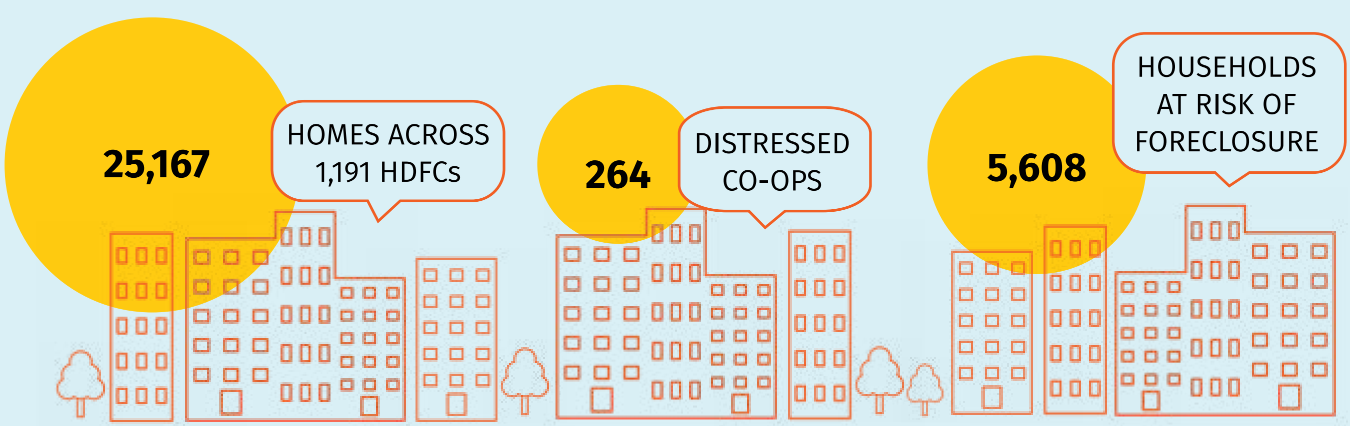
Who lives in HDFC co-ops?

HDFCs house majority people of color, and their volunteer boards are most often made up of older women of color. Residents range from 50% to 120% of Area Median Income. Up to half of HDFC residents speak Spanish at home.

What is an HDFC Co-op?

Housing Development Fund Corporations (HDFCs) are housing co-ops legally designated to provide housing to low-income people in New York City. These co-ops are collectively owned & operated by their residents (“shareholders”) who democratically elect a board every year & make collective decisions about expenses, projects, and roles in the building. When they have the support they need, HDFCs offer a strong model for affordability & democratic participation.

Resident-controlled
Cooperatively Owned
Permanently Affordable



YEAR ONE PROGRESS

Remediation looks different in every building. For some, it may be securing a low-cost loan to cover debt; for others, it may be a shift in leadership or filling vacancies in the building with new shareholders. Over year one, we've implemented a variety of unique, creative solutions, and look forward to carrying them out over the coming years.

264 distressed HDFCs

We conducted data analysis and worked with HPD to determine a formula to identify causes and solutions to distress.

Our analysis found 262 distressed HDFCs in NYC in the beginning of 2021. We also enrolled two additional buildings in the Co-op Improvement Program that met our internal metrics for distress.

In-person visits to buildings

28

We used spatial analysis to find neighborhood clusters of distressed HDFCs. We've canvassed 18 buildings in the Bronx, 5 in Brooklyn, and 5 in Upper Manhattan where residents were unresponsive by phone.

Outreach to buildings

82

We made hundreds of calls and focused in on a smaller subset of buildings. For year 1 outreach, we focused on small buildings and buildings with moderate debt.

1 low-cost HPD loan in progress

2 loans completed

HPD offers low-cost and evaporating loans that can help pay off debt and cover necessary capital improvements, but they come with a lot of regulation and the application is a complex process. Working with buildings to understand their options and apply for the right loan can be a years-long process.

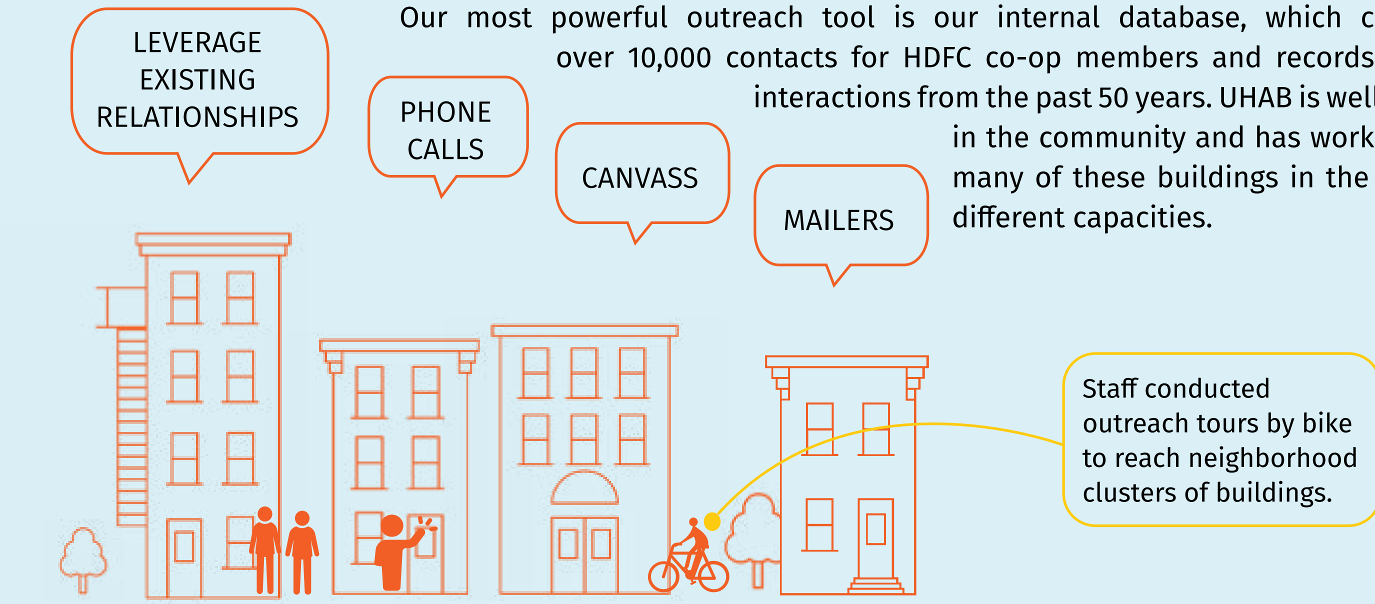
5 elections

Fair, transparent, and democratic elections are an especially important first step that can take months to lay groundwork for if there hasn't been turnover on the board of directors in a long time.

In following years, we'll continue to build upon this progress. Ultimately, the fees generated from packaging loans will help this program become financially self-sustaining, and it will continue as long as we see a need for it in the HDFC community. Our goals for the coming years include completing outreach to all 264 distressed co-ops, and continuing to administer individualized work-out plans to remediate HDFC co-ops.

OUTREACH STRATEGIES

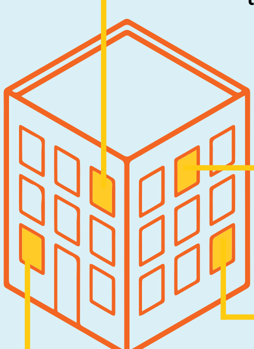
Our most powerful outreach tool is our internal database, which contains over 10,000 contacts for HDFC co-op members and records of our interactions from the past 50 years. UHAB is well known in the community and has worked with many of these buildings in the past in different capacities.



When are buildings ready to enter the Co-op Improvement Program?

The Co-op Improvement Program relies on open and voluntary participation from residents. Solving distress is a lot of work, and it can take a push for co-op members to be ready to dive in. Barriers to a positive working relationship can include distrust of HPD and other regulatory bodies, or a lack of contact information for current residents. In some cases, when an HDFC isn't democratically run, shareholders may not see themselves as having responsibility for the building. If we can't get in touch with a building by phone, we canvass residents in person and send mail. If a building is unresponsive, there are some factors outside of UHAB's control that may help:

Crisis situation. Crises, from a lawsuit to a boiler going out on Christmas Eve, can be a touchpoint for unresponsive buildings to get in touch. We turn these crises situations into a longer-term relationship to prevent future emergency situations.



Endorsement from a trusted messenger. One building was unresponsive until one of its members heard that a friend from his union was working with UHAB to elect a new board in his HDFC. Connections like these can be especially important when motivated shareholders must organize to hold their board accountable to address distress.

Leadership shift. Generational transitions occur as the original shareholders, who often participated in the building's cooperative conversion, retire and pass away. Transitions in leadership are a crucial point for residents to receive training and guidance.

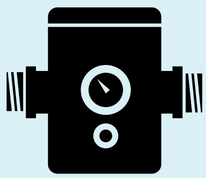
Foreclosure. Many distressed HDFCs will be at immediate risk of foreclosure if the City releases a new round of the Third Party Transfer program. Through this program, third party buyers can purchase buildings foreclosed on by the City. The program has come under fire for its unequal impact on homeowners in communities of color. If another round of TPT is announced, we can expect shareholders across the city to spring into action as the threat of losing ownership becomes imminent.

WHAT IS DISTRESS?

NYC's Department of Housing Development and Preservation (HPD) defines distress as $1,500 in debt per dwelling unit, or a certain number of building violations per unit. UHAB's approach takes a more holistic set of criteria into account:

Financial:

- Does the building have arrears to the Department of Finance (property taxes) and the Department of Environmental Protections (water bill)?
- Does the building have reserve funds for emergencies?
- Has the building recently lost an operating subsidy, like Section 8?



Physical:

- Is the heat working adequately in the winter?
- How old are the building systems (roof, boiler, electrical, mechanical, etc.)?
- Is there a plan for upgrades and replacements?
- Does the building have open violations?

Organizational:

- When was the last Board election? Was it democratic, open, and fair?
- Are the majority of shareholders eligible to vote (not in arrears or estate issues)?
- Does the building have professional services, like a CPA or lawyer?

The causes of distress are complex and multiplicative.

Residents can't pay monthly maintenance fees and aren't getting the benefits they're eligible for, depleting the building's reserves

Lack of support and subsidies from the City

Governance challenges

Historic disinvestment and systemic racism

Sudden disaster like a flood or fire

Can't find qualified buyers for empty apartments

Leadership crisis on the board of directors as original shareholders retire and pass away

Loss of tax abatements like Article XI or J51

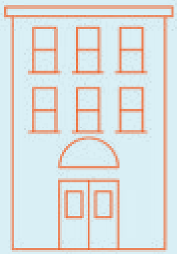
Building never got a substantial rehabilitation

Building systems like the roof and boiler are overdue for an expensive rehabilitation

Deferred maintenance, high energy bills, costly emergency repairs

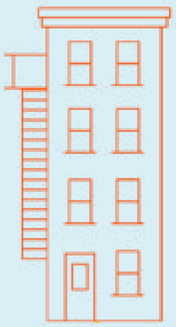
OUTREACH TARGETS

Debt level and building typeology are important considerations in what types of remediation and resources each co-op will need. After extensive research and analysis into the different types of distress, we segmented outreach into four main categories.



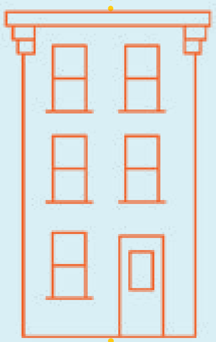
Moderate Debt

There are 182 distressed HDFCs with less than $450,000 in debt, a level that can usually be covered by a single private loan. Because these HDFCs need intervention before distress worsens, and the financing solutions are simpler, moderate debt buildings have been a big focus for outreach.



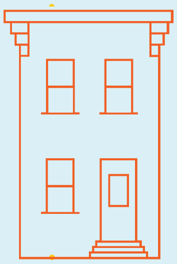
Extreme Debt

Buildings with over $450,000 in debt tend to be larger buildings that have too much debt to be covered by a single loan. They're likely to have been in distress for a longer period of time, and their causes of distress tend to be more complicated. They require more complex solutions, such as combining private and public loans, and usually take longer to return to financial health.



No Debt, High Violations

Some buildings without debt are still considered distressed because of numerous building violations. While for some buildings this may simply be a matter of clearing old violations, many buildings have serious physical problems, leading to adverse health affects for residents and high energy costs. We connect these buildings to our Climate and Resiliency team to explore energy-efficient and renewable technologies.



Small Buildings

Buildings under 6 units tend to have less debt overall, giving them more options for loans. Training and leadership strategies also differ in small buildings: with such few units, each shareholder must be involved in maintenance and governance for the building to succeed.

TACKLING THE CAUSES OF DISTRESS

The solutions to distress will vary widely across buildings, much like the causes themselves. The Co-op Improvement Program creates an individualized plan for each building to address their unique conditions. Many co-ops will require loans or refinancing, while some will need more training or assistance with renovations. Common elements of these plans include:

- Applying for loans or tax forgiveness to pay off debt
- Settling estate issues and selling vacant units
- Training shareholders on cooperative management and governance
- Hiring a management company if the board doesn't have capacity for daily building operations
- Holding an election to diversify building leadership
- Making energy-efficient upgrades to the building

We can't afford the upgrades we need

Vacant units

We're not having meetings

Intake & Assessment

Meet with your UHAB coordinator & identify issues in the building

YES, we want free technical assistance from UHAB!

Sign on with UHAB

Make an agreement to work with UHAB to develop and implement a work-out plan

Pay off our water debt

Sell our vacant units

Fix our heating system with a low-cost loan

Develop a Work-out Plan

Figure out what the building needs for physical & financial health, and make a plan to get there. This will look different for every building.

Carry out the plan

This could involve getting a loan, signing up for UHAB programs to save money, and doing capital improvement projects.

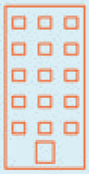
Ongoing Technical Assistance

Long-term housing stability

Training and cost-saving services keep the building healthy

CASE STUDIES

Washington Heights, Manhattan: Progress through new participation



Size: 66 units

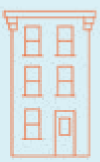
Debt: $133,280

Summary: This building had the same board for many years, which had dwindled from 5 to only 2 people. At first the board was resistant to meeting with UHAB, but paid off a substantial part of the building's municipal arrears after we discussed the potential consequences of this debt. Through sustained outreach to other members of the cooperative, many of whom were unaware of the building's debt, we held an informational shareholder meeting and carried out an election to expand leadership in the building. Now the building has a 5-person board, and is taking steps to pay off their substantial water debt and plan for building upgrades.

Next steps: This building is interested in applying for a loan from HPD to finance upgrades and address remaining debt. They are exploring hiring a management company to assist with day-to-day tasks, and UHAB is continuing to advise on coop best practices and issues of potential mismanagement by the prior Board.

Takeaways: Even for buildings that appear to be doing fine, a lack of board turnover is a sign that something in the building isn't right. This can be due to a lack of shareholder capacity, participation, or education, or a divide among new and old residents, which can be exacerbated by cultural, racial, or class differences as the makeup of buildings shift over time. Organizing residents to hold an election and get engaged is a crucial first step no matter what the causes of distress.

Morrisania, Bronx: Lack of oversight and illegal sales



Size: 6 units

Debt: $83,180

Summary: This building was illegally sold by the board president in 2017. The sale took place without approval from shareholders or HPD (the Housing and Preservation Department), and the only other active board member was facing a health crisis at the time that prevented her from fully understanding what was happening. The new illegal owner is insisting that shareholders are now renters, and driving up rents without leases in an attempt to intimidate shareholders into abandoning their homes. The illegal owner is not paying property taxes or making repairs, and the condition of the building continues to deteriorate.

Next steps: So far, the attorney general's office and HPD have been unresponsive. UHAB has connected the shareholders with Bronx Legal Services in an attempt to begin a case but have yet to file. UHAB continues to advocate for the building to elected officials and government agencies, but for now the lack of clarity around legal ownership puts the building in limbo when it comes to paying off their debt and making repairs.

Takeaways: A lack of government oversight allows bad actors to threaten co-op members' housing stability. Many HDFCs are over-regulated: they have to hire management companies they don't need or give up the right to pass their apartments on to their children in order to qualify for certain subsidies. However, many HDFCs are also under-regulated: they can't get support from government agencies, and are preyed upon by negligent board members or management companies. To prevent more buildings from falling into distress, we need more robust support and enforcement from both HPD and the Attorney General's office.

MEET THE TEAM

YOLANDA RIVERA, Assistant Director of the Co-op Improvement Program, is a highly motivated bilingual housing professional with over 10 years of experience working with residents of limited equity cooperative housing corporations (HDFCs). Yolanda moved from UHAB's TIL/HDFC technical assistance department to the Coop Preservation department over a year ago, and provides organizational evaluation, financial planning, and loan packaging assistance to low-income cooperatives. She has saved several HDFCs from foreclosure to preserve affordable housing for low income New Yorkers. Prior to joining UHAB, Yolanda worked for many years with credit unions around the New York City area. She served as a teller and collection manager and in member services with the abilities and skills to implement new programs such as credit and debit cards.

ABBY WILLIS joined UHAB in August 2021 as a Project Associate with the new Co-op Improvement Program. Her work is driven by a commitment to empower residents of community-controlled housing to protect and expand alternative housing models in New York City. She previously worked as a tenant organizer in the South Bronx, helping rent-stabilized build power to win better living conditions and policy changes. Abby received her Master's in Urban and Regional Planning from the UCLA Luskin School of Public Affairs.

CELIA EASTON KOEHLER joined UHAB in 2019 as a Project Associate in the Co-op Preservation Department where she offers technical assistance to HDFC co-ops. She also co-coordinates AHIFA (Affordable Housing Is For All), a unique body of over 60 shareholders in affordable co-ops across NYC. The purpose of AHIFA is to advance a shared political vision for housing justice and to advocate for the model of affordable, resident-run and resident-lead, cooperative housing. Celia holds a BA in Political Geography from the University of Oregon. Before UHAB she worked in community outreach for Make the Road NY, helped produce the Laura Flanders Show podcast, and worked on vegetable farms and in bakeries/bars.

ARIELLE HERSH is a Project Associate at the Urban Homesteading Assistance Board (UHAB). Arielle joined UHAB in 2019 working between the Co-op Development, Member Services, and Preservation programs to help bridge efforts around outreach to financially distressed buildings, co-op pre-development, and research and policy initiatives. She is a recent graduate of New York University where she focused on affordable housing and community organizing in New York City neighborhoods.

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