THE CO-OP IMPROVEMENT PROGRAM

2023-2024

YEAR 3 REPORT : HIGHLIGHTS & IMPACT

uhab

HDFC CO-OPS AND DISTRESS

What is an HDFC Co-op?

Housing Development Fund Corporations (HDFCs) are housing co-ops providing affordable housing to low-income New Yorkers. Collectively owned and operated by residents ("shareholders"), these co-ops elect a board annually and make collective decisions about expenses and projects. With proper support, HDFCs exemplify affordability and democratic participation.

Resident-controlled
Cooperatively Owned
Permanently Affordable

Understanding Distress

While most HDFC co-ops are democratic, financially stable, and affordable, about 20% are in distress. This distress threatens families with the loss of their equity and ownership, potentially leading to foreclosure.

Preserving Affordable Housing

HDFC co-ops are crucial to NYC's housing landscape. It is vital to keep this housing accessible to low-income communities. UHAB is committed to maintaining these homes within the communities that need them.

Co-op Improvement Program

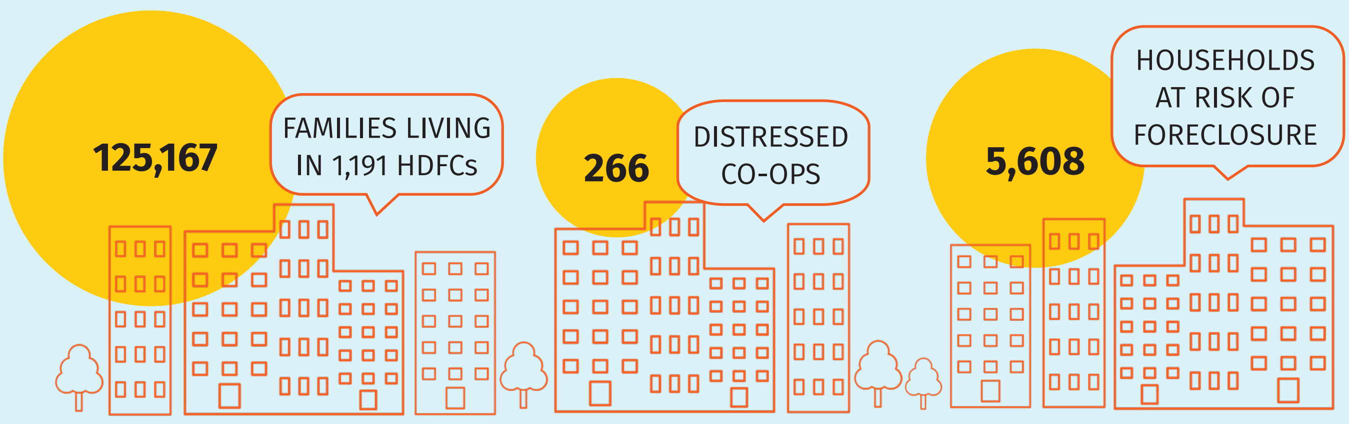
CIP provides free, in-depth technical assistance to distressed HDFCs. Now in our second year, our goal is to restore financial and physical health to hundreds of buildings.

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.

What is distress?

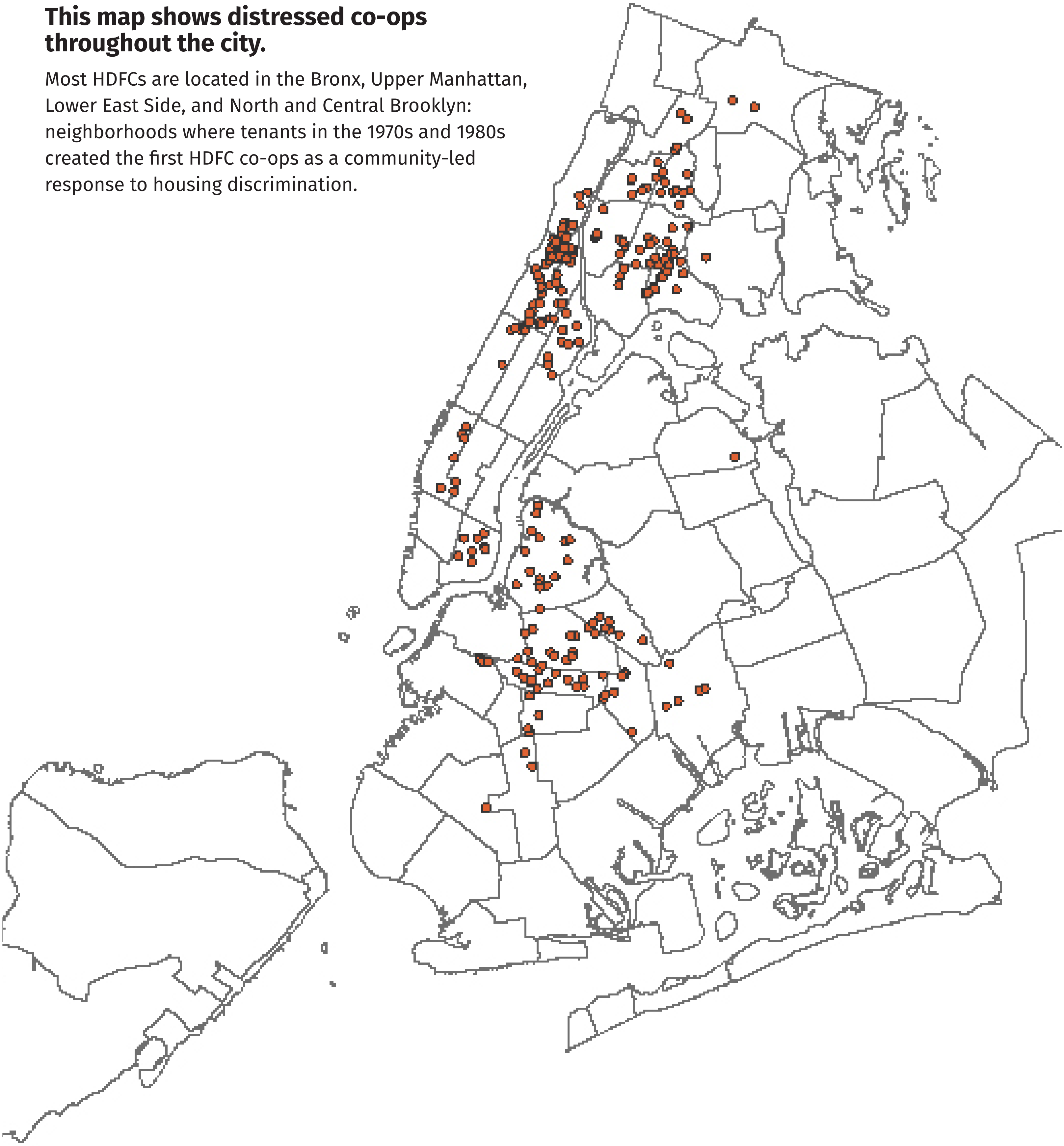
NYC's Department of Housing Development and Preservation (HPD) defines distress as $3,000 in debt per dwelling unit, or a certain number of building violations per unit. UHAB evaluates distress based on physical, financial, and organizational factors, including resident participation, building maintenance, and more.



WHERE ARE DISTRESSED HDFCs?

This map shows distressed co-ops throughout the city.

Most HDFCs are located in the Bronx, Upper Manhattan, Lower East Side, and North and Central Brooklyn: neighborhoods where tenants in the 1970s and 1980s created the first HDFC co-ops as a community-led response to housing discrimination.



CASE STUDY 1: CULTIVATING TRANSPARENCY

Longwood, Bronx

Size: 24

Debt: $9,510 + DEP?

Summary:

The Coop-Improvement Program (CIP) team first engaged with the residents of this building in the fall of 2021. The initial contact was from a shareholder who informed the CIP team about the building's long standing issues such as water arrears and an absence of elections for several years. In January 2022, UHAB assisted with holding an election that was a crucial step towards re-establishing governance. The building later refinanced their loan with the Lower East Side People's Federal Credit Union (LESPFCU) to cover the water arrears, effectively eliminating municipal debt and removed the building from being in high-risk of distress.

After the unexpected passing of the long-time board president, the remaining board members were unprepared to fill this role due to lack of access to crucial information. Our team assisted with a preliminary Green Housing Preservation Program (GHPP) loan application with HPD, securing cheaper insurance, and fostering financial transparency among shareholders. By organizing meetings to review books and records, we helped cultivate a more engaged and transparent process for their co-op.

Next steps:

1. Finalizing Boiler Registration: Follow up on the registration of the building's boiler to ensure compliance with regulations and prevent potential penalties

2. Implementing Financial Transparency: Continue to support the board in maintaining transparent financial practices, including regular reviews and audits of books and records.

3. Strengthening Governance: Provide ongoing training and resources to board members to ensure they are well-equipped to lead effectively and sustainably.

4. Securing Additional Funding: Continue to assist the board in finalizing the GHPP loan application and exploring other funding opportunities to address any remaining financial and infrastructural needs.

Takeaways:

As seen in this case study, lack of transparency can lead to several issues; dependency on one person, lack of continuity, reduced accountability, and weakened trust. We found that community engagement and participation are key. The high turnout at the election and the willingness of residents to address issues collectively were pivotal in fostering a transparent and cooperative environment. Additionally, by prioritizing financial transparency trust formed between the board and the shareholders. This open communication encouraged residents to resume paying maintenance fees and contributed to the building's financial stability. This highlights the need for "continuous training", transparent communication, and comprehensive documentation to build strong and democratic HDFCs.

ARCHETYPES & OUTREACH STRATEGIES

Four Archetypes of Distress

Extreme Debt

Buildings with over $450,000 in debt face complex issues and need combined private and public loans.

Moderate Debt

182 HDFCs have under $450,000 in debt. These buildings need timely intervention to prevent worsening distress.

No Debt, High Violations

These violations may be simple to resolve or involve serious physical problems affecting health and energy costs. We connect these buildings to our Climate and Resiliency team.

Small Buildings

Buildings with under 6 units face unique challenges, often struggling to find cost-effective management and are at higher risk of predatory practices.

Outreach Strategies

Methods: Leverage existing relationships, phone calls, canvassing, and mailers.

Database: Our internal database with over 10,000 HDFC co-op contacts and interaction records from the past 50 years is our most powerful outreach tool.

Community Trust: UHAB is well known in the community, having worked with many buildings in various capacities.

Barriers

- Distrust of HPD and regulatory bodies.
- Lack of shareholder organization or participation.
- Absence of contact information or autocratic governance.

CASE STUDY 2: BUILDING TRUST

Mount Hope, Bronx

Size: 60 units

Debt: $371,339

Summary:

This building faced significant challenges due to lack of active governance following the passing of the elected board members over the years, leaving the building in financial and physical disrepair, with mounting municipal debts and necessary structural repairs unmet. Initial attempts to engage the residents yielded limited response, but persistence paid off. Our team's proactive outreach led to the successful organization of a special election with the cooperation of the building superintendent, who had temporarily taken control of building management. The election saw an impressive turnout and resulted in the establishment of a new, seven-member board, equipped with diverse skills including accounting and business management. This newly formed board immediately began to stabilize the building's finances and structure. Our CIP team assisted them in setting up record keeping and connecting with essential resources, like our Connecting Books service. The new board showed strong initiative by expressing interest in HPD loan products and Article 11 to clear their municipal debt, which had been accruing for several years. They also began addressing urgent physical repairs, including facade damage and boiler upgrades, and were connected with DEP's amnesty program before its expiration.

Next steps:

1. Finalizing Financial Recording Systems: Continue to support the board in setting up and maintaining their financial records to ensure transparency and accountability.
2. Securing Funding for Repairs: Assist the board in finalizing applications for HPD loan products and Article 11 to address municipal debts and fund necessary repairs.
3. Implementing Energy Efficiency Upgrades: Provide guidance on boiler upgrades and other energy efficiency measures to reduce long-term operational costs.
4. Ensuring Compliance and Safety: Follow up on structural repairs, such as the facade, to ensure compliance with safety regulations and avoid potential violations.

Takeaways:

Proactive engagement is crucial for success and persistent outreach can build trust, eventually leading to successful engagement. In addition, empowering residents by facilitating elections and encouraging them to take control of their building's management fosters significant positive changes and increased self-reliance.

Providing comprehensive support, including financial management and structural repairs, is vital for the holistic revival of distressed HDFCs.

Collaboration with external agencies, such as the DEP's amnesty program, offers critical resources and support for building rehabilitation efforts.

EARLY INTERVENTION

Year 3 Takeaway: Early Intervention Can Prevent Escalation

A Strategic Shift in Addressing HDFC Distress

Early intervention is key to preventing HDFCs from descending into severe distress. By identifying and addressing issues before they become critical, we can save time, money, resources, and ultimately, protect the stability of these communities.

Visualizing Early Intervention

Current Approach:

CIP is designed to assist HDFCs when they are already in severe distress, often at the brink of foreclosure. While this is necessary, it is also more costly for both the City and the buildings involved. The process is time-intensive and requires significant effort from our team.

Proposed Approach:

If we can engage with HDFCs at earlier stages of distress, we can mitigate many of these issues before they escalate.

Identifying Early Signs of Distress:

To effectively implement early intervention, we need to identify buildings that, while not yet on HPD’s high-risk list, show signs of potential future distress.

Benefits of Early Intervention

Cost Savings: Addressing issues early reduces the need for expensive emergency repairs and legal interventions.

Increased Efficiency: Early intervention allows for more manageable, less time-intensive solutions.

Better Outcomes: Preventative measures lead to improved financial health and governance, reducing the risk of foreclosure.

Enhanced Community Sustainability: Early support and proactive engagement fosters a sense of security among residents and helps establish strong foundations for long-term sustainability.

EARLY INTERVENTION

Next Steps and Recommendations

Expand Outreach and Monitoring → Increase the number of on-the-ground outreach and a larger CIP team to identify and support HDFCs showing early signs of distress.

Implement Early Warning Signs → Monitor key indicators such as financial health and governance activities.

Proactive Education and Training → Continue to provide training for board members and shareholders on best practices.

Facilitate Access to Resources → Provide resources for HDFCs to access funding or support programs before issues become critical.

Strengthen Community Engagement → Foster community involvement and transparent communication among shareholders.

Conclusion

Early intervention is not just a more sustainable strategy, it is a necessary shift in our approach to supporting HDFCs. By addressing issues before they become crises, we can ensure the long-term stability and health of these vital communities.

To achieve this, we need more support, resources, and a commitment to proactive engagement. Early intervention will help us prevent extreme distress, protect low-income homeownership, generational wealth, and build more resilient futures for HDFC communities.

CASE STUDY 3: PREVENTING ESCALATION

Brooklyn, New York

Size: 8 unit building and 3 unit building

Summary:

This 8-unit building had descended into severe disrepair, with numerous violations and only one remaining shareholder. The building's operational issues were compounded by legal and financial uncertainties, including the discovery by renters that they were not legally obligated to pay rent. This situation highlighted the critical need for a solid operational foundation in co-op management. Our CIP team stepped in to help the remaining shareholder navigate the complex process of settling estates and bringing in new shareholders, aiming to restore the building's functionality and sustainability.

A smaller, three-unit building in Gowanus faced a different set of challenges. While not in arrears, the building needed assistance with the estate process following the death of two residents. The goal was to ensure the building's functionality by guiding the heirs through the surrogate's court and sales processes and supporting communication among residents in order to avoid nonpayment issues and ensure the future viability of the coop

Next steps:

1. Improve Co-op Functions: Continue assisting with estate sales to bring in new shareholders and stabilize the co-op's operations. Address the root causes of organizational distress to prevent future legal and financial issues.

2. Legal and Administrative Support: Provide ongoing support in navigating the estate process to ensure a smooth transition and legal compliance. Facilitate meetings and mediation sessions to foster clear communication and prevent potential disputes.

3. Comprehensive Rehabilitation: Develop and implement plans for necessary repairs and upgrades, focusing on both immediate needs and long-term sustainability.

Takeaways:

Early intervention is crucial for preventing minor problems from escalating into severe distress, making proactive support and intervention key to sustainable management. Establishing robust governance and operational frameworks, including clear financial management, legal compliance, and effective communication, is essential for the long-term health of HDFCs. Tailored support that addresses the unique challenges and specific needs of each building is necessary for effective intervention. Additionally, fostering a sense of community and ensuring open lines of communication among shareholders can significantly improve the building's overall functionality and resident satisfaction.

The experiences of these two buildings illustrate the critical impact of early and comprehensive support in transforming distressed HDFCs into thriving, sustainable communities. Our CIP team's efforts in these case studies demonstrate our commitment to empowering residents and building strong, resilient cooperatives.

IMPACT SUMMARY

Key Milestones

This year, we continued our mission to support HDFCs across New York City by reaching more buildings and facilitating essential processes. Our efforts have led to significant achievements in supporting HDFCs.

Highlights

266 Buildings Reached

There are 262 distressed HDFCs under HPD's criteria and a few more that meet UHAB's definition of distress that have reached out to us and been enrolled in the program.

Connected 22 HDFCs to UHAB services

There are 22 HDFCs in CIP that are utilizing UHABs other services such as Climate and Resiliency, Bookkeeping, and Training.

8 elections held

Fair, transparent, and democratic elections are an especially important first step if there hasn't been turnover on the board of directors in a long time.

19 low-cost HPD loans in review

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 is a years-long process.

MEET THE TEAM

YOLANDA RIVERA, Assistant Director of the Co-op Improvement Program, is a highly motivated bilingual housing professional with 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. She has been engaged in housing movement work in Los Angeles, including performing a displacement risk analysis of the proposed Crenshaw Mall redevelopment and doing policy analysis and popular education for a Community Land Trust in South LA. Abby received her Master's in Urban and Regional Planning from the UCLA Luskin School of Public Affairs and holds bachelor's degrees in Anthropology and International Affairs from the University of Georgia.

LIZ GALEANO joined UHAB in January 2024 as a Project Associate for Co-op Preservation & the Co-op Improvement program. She previously worked as a tenant organizer for almost 2 years in the South Bronx, assisting rent-stabilized tenants in building collective power to fight for better living conditions. In addition, she spent a great portion of her academic & professional career working with youth development organizations in Queens & The Bronx. She holds a B.A. in Urban Studies & Environmental Studies from Fordham University.

NATALIE CISNEROS joined UHAB as a Project Associate in the Co-op Improvement Program in April 2024. With a strong commitment to building collective power, she has previously served as a bilingual educator for immigrant communities, secured critical housing assistance for families in the Greater Boston region, and supported formerly incarcerated-led initiatives focused on prison abolition and ending mass incarceration. In her current role, she aims to sustain affordability in New York City by connecting shareholders to essential resources and supportive networks that will create better living conditions. She holds a B.A. in International Relations and Latin American Studies from Boston University.

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