

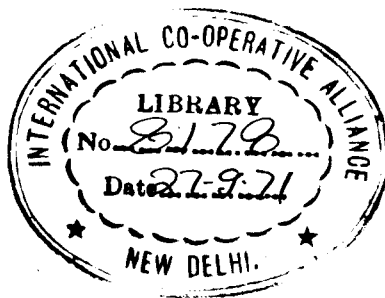
International Cooperative Alliance

COOPERATIVE HOUSING

BY

F. C. H.

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**WHAT IS THE**

**INTERNATIONAL  
COOPERATIVE  
HOUSING  
DEVELOPMENT  
ASSOCIATION ?**

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## INTERNATIONAL COOPERATIVE HOUSING DEVELOPMENT ASSOCIATION

### ORIGINS:

The International Cooperative Housing Development Association (ICHDA) was formally organized at Vienna, Austria, September 3, 1966.

The founding came at the time of the Triennial Congress of the International Cooperative Alliance (world federation of cooperative associations) and the annual meeting of the Housing Committee of the International Cooperative Alliance. Housing organizations from 22 countries are members of that Committee, which is a constituent body of the International Cooperative Alliance.

ICHDA's founding followed a series of discussions concerning the role of cooperative housing in the development of newly developing countries.

The Foundation for Cooperative Housing already had an extensive program in Latin America and in other parts of the world. Swedish, Israeli, and British organizations had provided technical assistance in Africa, India, and South East Asia. It was felt, however, that a multinational body composed of the cooperative housing organizations of a number of countries could effectively encourage the expansion of middle and low income housing in the developing regions, by-passing such bilateral aid pitfalls as unnecessary duplication, restrictive limitations, and unequal geographical preference.

It was agreed that the association would be created when five national organizations indicated their willingness to make a nominal investment in the formation of such a development corporation and to work with the organization in the development field.

These discussions culminated in the founding session of ICHDA. The founding organizations were the HSB:s Riksforbund, Stockholm, Sweden; Svenska Riksbyggen, also of Stockholm; Kulutusosuuskuntien Keskusliitto (KK), Helsinki, Finland; East Midlands Housing Association, Leicester, England; Shikun Ovdim, Tel Aviv, Israel; and the Foundation for Cooperative Housing, Washington, D.C.

Shortly after the founding took place the membership in ICHDA was expanded to include Co-operative Planning Limited, London, England, and the Instituto de Viviendas Populares (INVICA), a cooperative housing development organization in Santiago, Chile. By early 1970, ICHDA's membership totaled eleven. In addition to the original national organizations it included the Gesamtverband gemeinnutziger Wohnungsunternehmen, Cologne, Germany; Faellesorganisationen af Almennyttige Danske Boligskaber, Copenhagen, Denmark; and TECNICOOP, an organization which provides technical and organizational advice to housing cooperatives in Chile.

### GOALS:

ICHDA was founded as an international non-profit organization incorporated under the Cooperative Corporations Act of the District of Columbia, U.S.A. It is devoted to technical assistance in the newly developing countries where there are problems of housing, particularly for lower income groups.

The founding member organizations of ICHDA felt that a multinational organization would be particularly helpful in bringing to bear the experience and expertise of the cooperative organizations in the various countries on the problems of housing. Recommendations from recent conferences and reports on international development attest to the validity of this approach.

While the cooperative housing organizations in Sweden, Israel, Britain, Chile, and the U.S. have all worked with their own governmental bodies on cooperative development overseas, it was felt that a multinational organization should be designed especially to provide broad-gauge technical assistance to private organizations, governments, inter-governmental organizations and to the United Nations. This voluntary association of private, non-profit national cooperative housing organizations is structured to operate in response to the felt housing and urban development needs of the developing countries. Such development tasks as analyzing conditions and policies of developing regions, establishing rapport with local officials, evaluating capital and technical assistance needs and mobilizing the funds and personnel to fulfill those requirements are within the scope of ICHDA's goals.

The member organizations represent varied experience -- building housing in the Northern European countries of Sweden, Germany, Denmark, and Finland; the semi-tropical housing of Israel; the middle income housing in Great Britain and the newly developing single family cooperative housing projects in Chile, as well as the highly competitive housing market of the U.S.A. The cooperative solution has been applied to a variety of situations which could be useful in many of the newly developing areas.

Multinational organizations can perform significant functions of integration, coordination and dissemination of knowledge. ICHDA is designed to fulfill these functions in the fields of low cost and cooperative housing.

#### OBJECTIVES:

In light of these goals, ICHDA is pursuing the following objectives:

- A. Pilot Program Development
- B. Collaboration with the United Nations
- C. Mobilization of Capital Assistance from National Development Agencies
- D. Establishment of a "Talent Bank."

#### A. Pilot Program Development

Building upon the combined experience of its member organizations, ICHDA will seek new solutions to the housing and urban development problems of developing regions. Innovation is mandatory in the effective adaptation of tried techniques to new situations. One means of testing new methods is the pilot program approach.

ICHDA, in collaboration with the United Nations Economic Commission for Africa (ECA) is currently involved in assisting the Government of the United Republic of Tanzania implement their site and services/cooperative housing program. Five hundred units of a 25,000-unit national cooperative housing program will be completed in 1970. The Tanzanian program will serve as a pilot program for the entire sub-region of East Africa. As well as alleviating immediate housing problems in Dar es Salaam, this program will experiment with new methods of measuring costs, amortization and using indigenous materials.

The pilot program in Tanzania grew out of a recommendation by a regional seminar in 1969. It was followed by a reconnaissance survey of several East African countries by an ICHDA team to select a site for the first project. A similar procedure has been approved for West Africa.

#### B. Collaboration with the United Nations

The United Nations has a framework of agencies effectively administering aid to developing nations. Their staff and facilities are, however, heavily strained. Outside experts from voluntary organizations such as ICHDA can supplement the U.N. staff. By pooling their resources, the U. N. agencies and ICHDA can respond more effectively to the housing and urban development needs of developing regions.

Acting in accordance with these precepts, the United Nations Economic Commission for Africa and ICHDA entered into a Memorandum of Understanding in February, 1970. This Memorandum outlines the working relationships of the two organizations for present and future collaborative efforts. It establishes a precedent for the coordination of complementary resources and provides a framework within which ECA and ICHDA can structure their approaches to common development objectives.

Recruitment is now underway for UNDP-financed technical assistance for the Pilot Program in Tanzania. Further cooperation and collaboration with the United Nations is anticipated and welcomed by ICHDA.

#### C. Mobilization of Capital Assistance from National Bilateral Agencies

Pilot program development requires not only technical assistance, but seed capital. These funds are needed, of course, to defray the costs of building. But, more importantly, seed capital is essential to the institution building activities associated with cooperative development. Seed capital forms the bases of revolving mortgage funds and cooperative societies which stimulate the mobilization of credit and savings by the members. The organization of housing cooperatives in a developing country, therefore, has an impact in other sectors of the nation's economy.

ICHDA is designed to channel seed capital into new and on-going cooperative housing projects and urban development programs in the developing regions. By informing bilateral aid agencies and private aid organizations of the capital requirements of such programs, ICHDA hopes to generate multilateral, untied seed capital for the alleviation of the increasingly serious housing and urban problems of the developing world.

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What is ICHDA?

D. Establishment of a "Talent Bank"

Qualified individuals in the fields of low cost and cooperative housing, housing finance and infrastructure development are necessary for the tasks involved in analyzing conditions in developing regions, evaluating assistance needs and implementing pilot programs. It is sometimes difficult to locate and recruit such personnel for immediate response to the pressing needs of and requests from developing nations. In order to facilitate this process, ICHDA plans to establish a "talent bank" of experts from numerous countries who can be utilized by ICHDA, international agencies and the developing nations in the areas of greatest need.

MEMBER ORGANIZATIONS

On the following pages is a description of the member organizations active in ICHDA's work.

These brief summaries are provided to illustrate the scope of relevant experience in low cost and cooperative housing which these organizations make available to developing countries through their support of ICHDA's programs.

SWEDEN:

#### HSB:s RIKSFORBUND

Sweden has become world famous for all aspects of housing programs: environmental planning, exterior and interior design and quality in construction. Much of the credit must be given to HSB, which in the sixties built a quarter of the apartments in urban areas, demonstrating that cooperative housing can play a vital role in improving the standard of housing.

HSB:s Riksförbund was founded in 1923 and today is the largest cooperative housing organization in Sweden with 275,000 members. It has built more than 250,000 homes - eight percent of all housing in Sweden.

HSB operates in many phases of housing. It not only builds houses, it also is engaged in producing housing materials, especially in wood materials and pre-fab elements. In addition to its own projects, HSB assists municipalities in executing housing and urban development plans. It has the largest housing planning office in Scandinavia and has nearly half a century of experience in planning, administration and management.

HSB provides diverse services to its members. It manages a savings fund to assist its members acquire cooperative homes. It puts emphasis on education and training. HSB also has a school of its own and issues a monthly journal to all of its members.

#### SVENSKA RIKSBYGGEN

Svenska Riksbyggen, a sister organization to HSB, was established in 1940 with the dual purpose of providing employment to construction workers and of providing cooperative non-profit housing for those who needed it. It was founded as an economic association to assist cooperative societies with technical, management and financial services.

In recent years Svenska Riksbyggen has undertaken the production of non-profit, rental housing for municipalities in various parts of Sweden. Svenska Riksbyggen and HSB together produce more than 25% of all new housing in Sweden (more than 300,000 cooperative and other dwellings to date).

Svenska Riksbyggen is a joint venture of the labor and cooperative movements. Member organizations include the Swedish Confederation of Trade Unions (LO) and its local affiliates, social movements, production firms operated by the construction trades and local housing cooperatives.

Svenska Riksbyggen conducts numerous programs for the expansion and improvement of housing. It has cooperated with the country savings banks since 1958 to sponsor a home savings plan to assist prospective home owners meet their downpayments. Svenska Riksbyggen has made revolutionary contributions to housing quality and environment, including 1) the planning of land usage, 2) the designing of space and equipment, 3) surveys of consumer demands and 4) courses on the functions, care and maintenance of dwellings.



FINLAND:

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KULUTUSOSUUSKUNTIEN KESKUSLIITTO (KK) and HAKA HOUSING

The Cooperative Union of Finland (KK), which was founded in 1916, first undertook the development of non-profit housing by decision of its congress in 1939. A special Housing Council and Housing Department were established in 1940. The Helsinki Central Housing Society (HAKA) is an important member of the Union. Since 1940 the KK, working with municipalities and local coops, have founded 45 HAKA Housing Societies both in rural and urban districts. By the end of 1969, the HAKA organization had built about 1500 apartments containing over 36,000 units.

The formation of HAKA Societies was considerably stimulated by the post-war housing scarcity and by steps taken by the government to relieve it. The war-destruction, the arrival of refugees from confiscated territory, and the flow of people to towns were factors which caused serious housing shortages. In 1949 the government set up the National Housing Board with power to provide loans on mortgages for new housing. About 12% of all houses built with these loans are HAKA undertakings.

The Housing Department of the Cooperative Union provides various specialized services to the local societies. Its architectural office is one of the biggest in Finland. It designs projects, aids local societies in their administrative, legal and financial problems, and handles technical problems such as electricity, heating, sanitation, and air-conditioning.

ISRAEL:

SHIKUN OVDIM, LTD.

Shikun Ovdim, Ltd. is an outgrowth of the general federation of workers, Histadrut, and is the oldest and largest non-governmental housing body in Israel. Founded in 1932, Shikun Ovdim is dedicated to the objective of creating better housing for workers and professional people at lower cost. By the end of 35 years of operation, nearly 100,000 units of cooperative housing had been completed in villages and urban districts.

To meet a continuous emergency, Shikun Ovdim has produced more than 35,000 dwellings for immigrants to Israel. A fairly substantial number of additional homes have been financed through the popular "savings for housing scheme," similar in many respects to savings and loan associations.

More than 300,000, or nearly 25% of the entire urban population of Israel, now live in homes erected by the cooperative association. The social character of this housing is reflected in the composition of the residents: 60% are workers and artisans, 32% salaried employees, and 8% members of the professions.

In recent years, Shikun Ovdim has concentrated largely on the building of what it describes as workers' garden cities. The largest of these are Kiriya Hayam -- "City of Life" near Haifa (with a population of 23,000), Kiriya Avoda -- "City of Work" in Holon (15,000), and Kiriya Shalom -- "City of Peace" in Tel Aviv (12,000).

Shikun Ovdim and the Workers Bank have jointly established the Housing Mortgage Bank which, within the space of 15 years, has become the largest mortgage institution in Israel.

ENGLAND:

EAST MIDLANDS HOUSING ASSOCIATION

East Midlands Housing Association was formed twenty-five years ago as a non-profit organization to help alleviate the critical, post-war shortage of housing.

It first developed low cost, subsidized houses at Irthlingborough, Northants. As with the Association's later developments, the primary aim of this project was to provide comfortable, modern houses for low and moderate income families. By late 1969, the Association had completed several thousand units of this type.

In conjunction with this social purpose, the Association has a deep concern for innovative designs and building techniques and the application of new management methods. One of its most significant accomplishments is the development of a system for completing the building, decorating and furnishing of a traditional brick and tile residence within 16 days.

The Association has a very efficient building department which successfully carried out these plans. Subsequent utilization of factory-made houses is expected to further the Association's objectives of encouraging home ownership among low and moderate income families. It has emphasized the development of architecturally exciting and structurally sound residential communities.

CO-OPERATIVE PLANNING LTD.

Co-operative Planning Ltd. is a co-partnership of Architects, Surveyors, and Town Planners founded in 1946 and affiliated with the British Co-operative Union.

Its main work, under its Chief Architect, Harry Moncrieff, has been to develop housing programs emphasizing industrialized techniques for a number of the larger housing authorities, particularly in London.

During the whole period of its existence, members of the staff and committee have actively assisted in propagating the idea of cooperative housing in Britain and a number of pioneering projects have been built.

The Chairman of Co-operative Planning, Mr. Harold Campbell, has been appointed by the Government as a member of the Housing Corporation, the Government-sponsored agency responsible for encouraging and financing Housing Societies.

## DENMARK:

FAELLESORGANISATIONEN AF ALMENNYTTIGE DANSKE BOLIGSKABER

The FAADB, founded in 1919, is the primary association of housing companies and cooperative housing organizations in Denmark. Four hundred and twenty-five housing companies are members of the Association and collectively they have built 175,000 units.

The purpose of the Association is: "to join the housing companies and housing organizations in a mutual effort for their own and their tenants' interests and on the whole to influence the development of housing in its economic, technical and social aspects by cooperating with other organizations interested in housing."

The Association participates in political discussions on housing and maintains close contact with the Ministry of Housing, various official committees and commissions and institutions that have close contact with the construction industry.

The Housing Insurance Fund was established in 1966 to enable members of the Association to build without government funds. In 1967 the Association participated in establishing a national housing construction fund (Boligselskabernes Landsbyggefond) to accelerate the construction companies' self-financing capabilities.

## GERMANY:

GESAMTVERBAND GEMEINNUTZIGER WOHNUNGSUNTERNEHMEN

The Gesamtverband is the central organization which unites the 10 Control Boards which share the membership of 2200 non-profit housing enterprises in Germany. In the Federal Republic of Germany and West Berlin the non-profit housing enterprises are the largest and most efficient group of enterprises in housing. As of 1967, 2,200 non-profit housing associations had constructed 2,579,949 units. Among the 2,200 non-profit housing enterprises are 1,500 in the legal form of cooperative societies and companies.

All housing enterprises have to be associated with one of the 10 Control Boards registered in the Federal Republic and West Berlin. These Control Boards and the Federal Association of Deutsche Heimstätten are merged within a Head Organization, Gesamtverband Gemeinnütziger Wohnungsunternehmen, headquartered in Cologne. The Head Organization fulfills all tasks of a trade organization. It often centralizes all questions concerning non-profit housing as a whole. It informs and advises the housing enterprises through the Control Boards on all essential facts related to their work, on political developments and legislative programs or measures. It maintains liaison with kindred housing and building organizations, with banks, insurance companies, tenants and private house-owners, profit-making housing enterprises, trade unions and employers alike. It keeps the members of the German Bundestag informed about pending housing problems. To this extent the Gesamtverband acts as advisor to the legislative body as well as to the various ministries whose executive measures or propositions it supports or criticizes. Thus the Laws on Housing and the executive orders were largely initiated and devised by the bodies responsible for non-profit housing.

CHILE:

### INVICA

The INVICA Low-Cost Housing Institute was established in 1959 as a private, non-profit foundation. Its purpose is to assist medium and low income people to achieve home ownership. From the beginning INVICA encouraged and supported cooperative housing as the best way to attain its goals.

INVICA's main achievements have been the following:

- 1) Organization of the cooperative housing system in Chile.
- 2) Construction of nearly 8,000 houses for medium and low income families with a total investment of US\$32,000,000.
- 3) Preparing of site plans for construction of another 10,000 homes.
- 4) Development of a savings system for people to finance their housing.
- 5) Obtaining of foreign investments of US\$8,600,000 to carry out INVICA's programs.

INVICA's leadership in cooperative housing led to the creation of the cooperative housing institute, INVICOOP, Ltd., in 1967. INVICOOP has assisted in the integration of the cooperative housing system and the stimulation of more effective participation of the membership.

Late in 1967 INVICA acquired the majority of the stock of the Mortgage Bank and put it at the service of the socio-economic development programs.

### TECNICOOP

TECNICOOP was created in 1961 with participation of five institutions related to cooperatives to render non-profit service in the areas of technology, law, accounting, administration and finance.

TECNICOOP functions primarily to assist medium and low income groups. Until 1967 it had given technical assistance to some 50 cooperatives housing around 3,000 families. Expanding its operations, TECNICOOP had aided 97 coops by December, 1969, of which 40 have completed their buildings, 10 are under construction, 22 are raising capital and 25 are forming. Beginning in 1967 TECNICOOP added supervision of construction work to its services to coops.

TECNICOOP has made three basic contributions to cooperative housing: a system of expanding the growth of cooperative membership, better capitalization methods and improved management techniques.

UNITED STATES:

FOUNDATION FOR COOPERATIVE HOUSING

The Foundation for Cooperative Housing was established in 1950 to promote the development of cooperative housing. Its founders believed that the co-op approach could contribute significantly to meeting the need for better low cost housing, especially among the low and moderate income groups.

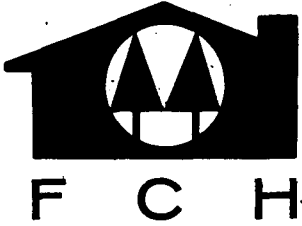
During the past twenty years the Foundation has sponsored more than 35,000 units of housing for these groups. In the last four years, FCH has organized between 4,000 and 5,000 units per year and it presently has 50,000 units in the pipeline. Technical assistance is furnished to developing coops through the Foundation's wholly-owned subsidiaries:

FCH Services, the principal operating arm of the Foundation helps organize, develop, market and manage new coops, conversion and rehabilitation projects. It is financed solely from mortgage proceeds in amounts established by FHA to cover the expense of services rendered.

TechniCoop assists coops in matters relating to community and site planning, architectural and engineering phases of development.

FCH International assists the formation and development of coops in developing nations. Members of its staff also train administrators, sponsors and managers of overseas cooperatives.

Working with such organizations as the Agency for International Development and the Inter-American Development Bank, FCH concentrates on the building of cooperative institutions in developing regions. Training local personnel so that they may eventually direct cooperative programs themselves constitutes the prime objective of such overseas programs.



## THE TECHNICAL SERVICE ORGANIZATION: KEY TO SUCCESSFUL COOPERATIVE HOUSING

### FOUNDATION FOR COOPERATIVE HOUSING CONCEPTS AND METHODS SERIES

#### **The U.S. Experience:**

For 50 years—until 1950—people in the United States tried to set up successful housing cooperatives. Their successes were few; their failures were many and costly.

Not only was financing inadequate, but inexperienced laymen were attempting to do a job which requires the kind of technical, managerial and administrative abilities which have to be organized, directed and paid for.

Then, in 1950, legislation was passed permitting the Federal Housing Administration (FHA) to provide mortgage insurance for housing cooperatives. Provision was made for technical advice, guidance and assistance to these co-ops. In administering the provisions, the FHA allows for organization, legal and marketing expenses in its estimates of co-op project costs and mortgage amounts.

Mortgage insurance opened the door for long-term private investment in housing cooperatives. The provision for inclusion of technical assistance costs encouraged cooperatives to seek and use professional assistance and it stimulated formation of technical service organizations.

Three major private, nonprofit technical service organizations now serve U.S. housing cooperatives. They sponsor and organize co-ops, provide the needed technical guidance and also offer management services.

The combination of financial incentive and technical assistance gave great impetus to the U.S. cooperative housing movement. By mid-1967, more than 1.5 billion dollars of cooperative mortgages had been insured by the FHA on co-op homes for middle income families. This was 115,000 units of housing—housing for nearly half a million people.

A newer program to provide housing for people with incomes below the middle level was begun in 1961. This now amounts to 190 million dollars of insured co-op mortgages for projects serving 13,500 families. One third of all the projects are cooperative.

Cooperative housing is not only spurting ahead, but the projects are also technically and financially sound. There has *not been a single default* in any FHA-insured co-op mortgage in the below middle income program. The middle income co-ops have done nearly as well. They have suffered only 1.67% defaults, and have a better repayment record than any other FHA market interest rate program.

In addition to these co-ops, there has also been great development of housing cooperatives financed by private sources without benefit of federal insurance. These are about equal in mortgage amounts to the FHA-insured programs.

#### **In Latin America:**

Today Latin America is undergoing an experience much like that in the United States a few years ago.

There are substantial numbers of housing cooperatives being formed. Their members show energy, desire and motivation to work hard to obtain homes. Some of them may have already organized a co-op credit union or store, but when they try to develop housing projects, which are much more complex, they often fail or take years to reach their goal. When there is success, it is most often realized with far greater effort than is necessary when a technical service organization (TSO) for cooperative housing is used.

In Chile and Brazil, however, TSO's have been introduced with great success. Thousands of units of cooperative housing have been produced, and co-op housing development is accelerating. In Panama, Colombia and Honduras, important programs have begun under recently established TSO's.

#### **The Role of a TSO:**

To generate and sustain cooperative housing programs, technical service organizations perform these functions:

- promote interest in cooperative housing among government officials, potential sponsors, cooperative groups and the general public
- conduct feasibility studies to determine the cooperative housing market
- provide legal, financial, organizational and technical assistance to develop and finance cooperative housing projects and see them through to completion
- provide management services for co-op housing
- encourage legislation favorable to the cooperative housing movement

- develop plans for continuing programs of cooperative housing organization and construction

### **Setting Up a TSO:**

The simplest and most practical way to develop a TSO and to train and provide initial guidance for its leadership is to obtain assistance from an already experienced organization in the cooperative housing field.

A new TSO paid staff might include only a director or manager and a secretary. An unpaid board of trustees, made up of local citizens interested in cooperative housing development, may serve the TSO in an advisory capacity. Such additional services as legal, architectural and sales may be employed on a fee basis until the cooperative housing development warrants a permanent full staff. An example of the way a TSO might be set up is shown in the chart on page 3.

The TSO director should be a highly competent professional person with broad experience in at least some of the technical aspects of cooperative housing: land procurement, project planning, housing design, construction, legal matters or management. Above all he should be a good administrator.

The advisory committee, or board of trustees, should consist of leading socially motivated persons, should represent a cross section of the community, and should be able to advise the TSO, without charge, on such matters as financing, construction, law, architecture, engineering, economics, sales, membership organization, etc.

In the early years, these trustees should also review the work and recommendations of the TSO and approve all negotiated contracts.

After determining the market for housing, the TSO's initiate projects, conduct sales programs and organize the memberships. In some countries, selected members from among the trustees form the legal board of directors of a cooperative during its development stage and represent the future resident members of the cooperative until a project is completed and occupied.

### **TSO Program Promotion:**

Successful cooperative housing projects provide the most effective demonstration of the many advantages of cooperative housing.

But until these projects exist, it is essential that the TSO provide information on cooperative housing to many groups who are important in its development. Among these are government housing officials; potential sponsors, such as industrialists seeking housing for employees; builders; bankers; savings and loan officials; local credit unions and other sources of financing; civic organizations; cooperative and other consumer groups; and the general public.

Meetings with individuals, seminars, lectures, press, radio and television are other important means of gaining support and assistance for cooperative housing.

### **TSO Feasibility Studies:**

Before programs begin, the TSO must study housing needs and the housing market. Data must be obtained on how much people at various income levels can afford to pay for housing and on the number of families at each level who need and want housing. This will determine the initial project size, unit costs, location, and many other important factors.

The feasibility study should identify any cooperative groups already formed to obtain housing and also any labor unions, church groups, industrialists and others who may sponsor or provide valuable program support.

Location and cost of potential sites for projects should be included in the study. Site information should include the investigation of such critical considerations as pertinent ordinances, building regulations and other restrictions; taxes; topography; availability of electricity, water and sewer lines; construction costs; and proximity to employment, markets, schools, and transportation.

Legislation and ordinances bearing upon cooperative housing and its organization and financing should also be studied.

The availability of construction financing and of long-term mortgage money must be determined. Thorough examination should be made of possibilities for funding from government housing agencies, pension funds, savings and loan associations, banks, insurance companies, industries and external sources.

The feasibility study will enable the TSO to pinpoint the first projects to be undertaken and to assure that these will be viable undertakings with an identified market. It will also help create a sound basis for long-range programs.

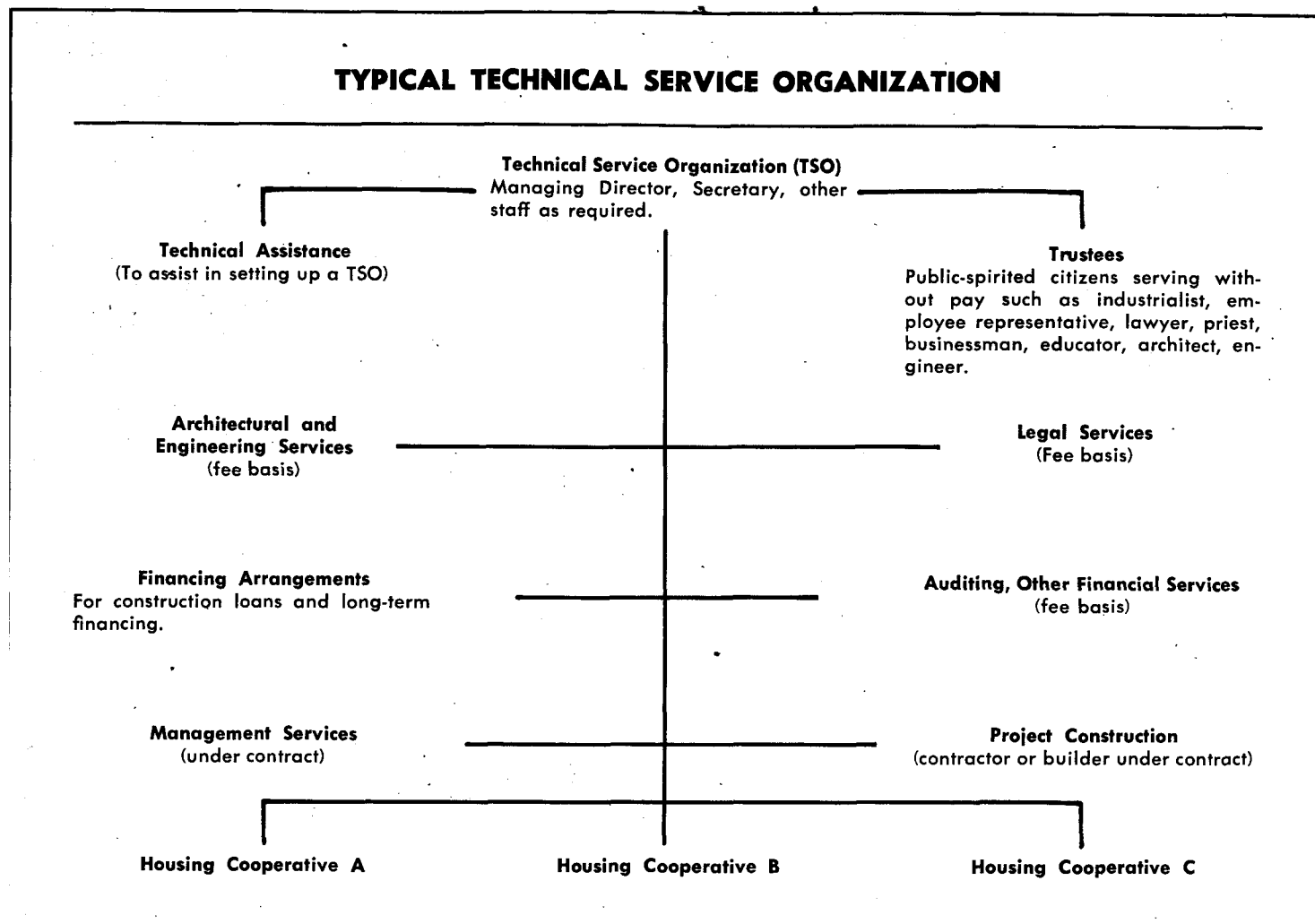
### **TSO Project Organization:**

Before a cooperative is organized and a project built, the interests of the future members of the cooperative must be represented and protected.

One method is to have selected members of the TSO advisory committee or board of trustees form the cooperative and serve as its board of directors during the organizing, design and construction phases. This enables them to enter into contracts and otherwise represent the future members. When the project is completed and occupied, the members elect a board of directors and the trustees resign. One of the great advantages of this method is that the entire operation may be handled by professional people who have competence to put together successful projects.

Another method is to seek out a small number of qualified persons who wish to build a cooperative project and help them form a legal cooperative. They elect from among themselves a board of directors to serve during project development and construction phases. When this method is used, only enough members should be admitted to meet minimum legal requirements and the members must agree in advance that they will delegate decisions on all technical matters to the TSO and its professional employees. When a full membership is initially involved, there are likely to be

## TYPICAL TECHNICAL SERVICE ORGANIZATION



interminable and costly arguments over each detail of planning, design and construction—matters in which the participants are likely to have little competence. Their decisions may be based upon compromises which can jeopardize the future welfare of the project.

Whatever organizing method is used, the TSO staff, its board of trustees, and its employed consultants should carry out these functions:

1. Obtain legal status for the cooperative and prepare all necessary legal documents. These will include the cooperative charter and bylaws, membership and occupancy agreements, sales agreements and the mortgage documents, etc.
2. Select and conclude arrangements to purchase suitable land.
3. Obtain firm commitments from lenders for construction financing and long-term financing.
4. Establish a maximum allowable selling price for the dwellings, based upon the amount prospective members are able to pay.
5. Select an architectural/engineering firm and negotiate a contract with this firm to: design the project; prepare contract documents and cost estimates; supervise construction.
6. Approve final plans, specifications and cost estimates.

7. Select a contractor (either by negotiation or bidding) to construct the project and arrange for signing of the construction contract by the co-op's board of directors.

8. Conclude arrangements for financing based on contractor's firm proposal.

9. Establish the actual selling price of the housing units (including downpayments and closing costs) based upon the construction contract, and determine monthly payments.

The monthly payment schedule must include member's share of:

- Interest and amortization of loan
- Cost of maintaining community facilities
- Cost of property management
- Reserves for future repairs and replacements
- Reserves for delinquencies and vacancies
- Taxes, insurance, and utilities

10. Establish membership standards and qualifications for:

- Minimum and maximum income requirements
- Size of family in relation to size of house
- Credit rating
- Character rating



11. Undertake a sales program to obtain the necessary number of members.

12. Set up a savings program among prospective members to assure that they will have the required down-payments by the time the project is completed.

13. Oversee the architectural/engineering firm inspections during construction and approve the project on completion.

14. Prepare a cooperative project budget to cover the first year of occupancy.

15. Conduct an education program for cooperative members during the construction period so that they will fully understand their privileges and responsibilities.

16. Make arrangements for management. The TSO may undertake the management of the project under contract with the cooperative or, in certain cases, management responsibility may be assumed by the board of directors.

17. Make necessary arrangements to move families into the project or into sections of it as these are completed.

18. Assist the cooperative to set up election procedures for election of a board of directors from among its members.

19. Instruct the newly elected board of directors in its responsibilities and help arrange an orderly transition from the old to the new board.

20. Arrange for post-occupancy education of board of directors and all other members. This final stage is critical in the successful development of cooperative housing. Often it is overlooked for members may feel when they have their housing that they need nothing more. But to assure the financial integrity of the project, and to maintain the value of the homes and the community, post-occupancy education and membership participation in the cooperative is essential.

#### **Financing the TSO:**

TSO organization and start-up costs may vary greatly, depending on the number of initial projects and other factors.

Program start-up costs should not all be charged to the first projects. To fund these, it is usually necessary to obtain a grant from interested agencies, private sources, or both. If this is not possible, consideration may be given to borrowing the funds under terms that will permit future cooperatives to share in the costs.

Regular TSO costs in organizing and providing other services to projects are a proper charge against future home owners. Provision should be made for payment of the TSO services out of construction financing funds. In most cases, this will be from 3% to 4% of project cost.



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# CO-OP HOUSING MAY FILL YOUR SHELTER NEEDS

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EVERYBODY'S  
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A CUNA INTERNATIONAL PUBLICATION



**FCH SERVICES, INC.**  
*A Nonprofit Subsidiary of The Foundation for Cooperative Housing*



Tara Cooperative, Fort Wayne, Indiana

CUNA INTERNATIONAL, INC., is the worldwide organization assisting in the growth and progress of more than 50,000 credit unions throughout the free world. These credit unions now serve more than 30 million members.

The CUNA program is based on the belief that credit unions provide a unique and essential service—and that their growth should be accelerated in every possible way as a benefit to society and the economy.

CUNA aids the formation of new credit unions, developing better organization methods and opening new fields of service.

CUNA informs people about credit unions through publications and other media.

CUNA represents credit unions in the national capitals, in all relations with lawmakers, administration, and

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CUNA researches the needs and accomplishments of credit unions and investigates new technical developments for the movement.

CUNA aids the training of credit union officials and employees and is the principal source of educational tools for the movement.

CUNA provides bonding and other insurances, procuring coverage from outside carriers as a buyer's representative for the movement.

With help from CUNA INTERNATIONAL, credit unions have more than doubled in number since 1950. Currently, credit unions are growing at the rate of a million members and \$1 billion in assets annually. The CUNA program is growing with them.



**L**ike to have a four-bedroom house with 1½ baths and a full basement for only \$225 down and \$143 a month?

Or how about a two-story, two-bedroom house with one bath and a full basement? You can get this one for \$180 down and \$117.50 a month.

What's more, those monthly prices include principal and interest payments, heating, taxes and insurance.

They also include complete maintenance: lawn and shrubbery care, trash and snow removal; repairs of electrical, mechanical or plumbing systems such as oven and range, refrigerator, garbage disposal, water heater, air conditioning and furnace, all of which come with your house.

What's the gimmick? Very simple. We've been describing actual co-op houses, part of a plan tens of thousands of families are now using to meet their shelter needs.

With housing shortages and high living costs in both the U.S. and Canada, the cooperative way looks better and better.

While the cooperative idea in housing has been around a long time, it really didn't take off in the U.S. until 1950, after legislation was passed permitting the Federal Housing Administration to insure the mortgages of housing cooperatives.

Technical service organizations have been set up to design the housing, get the financing, contract for construction, and then "sell" the project to prospective member-residents.

After the project is completed and the cooperative set up, the service organization is also available on a fee basis as managing agent.

Two such organizations are the Foundation for Cooperative Housing and the Mutual Ownership Development Foundation in California. A third, United Housing Foundation, operates in New York.

In 1950 there were about 10,000 units of co-op housing in the U.S. By mid-1967 the FHA had insured over \$1.5 billion in cooperative housing mortgages for middle income families. That meant 115,000 units of housing for about 500,000 people.

Another program provides low-cost housing to people with low or moderate incomes, for the elderly and disabled, and people in rural communities.

There is also a state mortgage plan in New York. Through this program UHF is building Co-op City in the Bronx. When finished, it will be the world's largest housing co-op.

All cooperatives, like credit unions, operate on the basis of one man, one vote.

And like other cooperatives, a housing co-op is a nonprofit corporation owned and operated solely for the benefit of the members.

As a member you own a share of the corporation and that gives you a vote and the right to occupy a housing unit. You lease the unit from the corporation at considerable savings.

There are no definite figures on how much you will save by living in a co-op. But the FHA estimates the costs are 20 percent less than renting.

The savings come about for several reasons. You save through lower building costs because of mass construction. Most cooperatives are apartments or townhouses. A few are semidetached units, and fewer still are separate houses.

Then, administrative and maintenance costs are lower because resident-owners have proved they take better care of property than renters do. Long term, low-cost financing keeps costs down, and there is fuller occupancy and less turnover in cooperative housing. The residents sign three-year renewable leases to become members.

Finally, you get income tax deductions not available to renters. These deductions for real estate taxes and interest from federal income tax commonly come to 50 percent or more of the monthly carrying charges (or lease payment).

All cooperatives with FHA-insured mortgages permit equity. The equity (or transfer) value is made up of the down payment (used for corporation's working capital), occupancy fee, value of any board approved improvements you've made, and the amount of annual increase spelled out in the cooperative's bylaws. This last amount usually varies from \$90 to \$200.

The member collects this equity when he leaves the cooperative. The co-op has first option on his membership. If the co-op doesn't buy it, then the member can sell it to anyone approved by the cooperative—and, as long as FHA insures the mortgage, all

applicants must meet the credit requirements of the FHA. This includes the original membership too.

There are no membership restrictions on the basis of race, creed or national origin.

Of course, in limited income housing co-ops membership is restricted to those people with incomes below certain ceilings set by the FHA. The actual amount of income a family may earn and still qualify for the low-cost housing depends on family size but the range is usually between \$4,000 and \$8,000.

Those members whose incomes increased more than 105 percent of the permitted maximum can stay in the co-op by paying proportionately higher monthly charges.

The monthly charges consist of mortgage interest and principal, real estate taxes, maintenance, reserve funds and administration.

The reserves cover such things as replacement and repair of structure and equipment (including appliances), and general operating reserves to be used for special situations such as deficiencies from delinquency or for repurchasing of memberships. These two reserves are required by FHA regulations.

The co-op may also establish reserves for painting, for repair or replacement of other equipment used in the project (tools, lawn mowers, snow blowers, etc.), for vacancy and collection losses, working capital, and escrow accounts for real estate taxes and insurance payments.

One of the biggest problems with co-op housing is the shortage of it. While any co-op is reluctant to say how long the wait will be before you can get in, it is a known fact that the lists are long.

The shortage in co-op housing only serves to point up the total housing shortages we've faced in the U.S. since before World War I.

The National Housing Act of 1949 and subsequent amendments combined with the growth of nonprofit service organizations have put tens of thousands in good, low-cost homes.

With the experience of the past decade behind them, the service organizations are now in a position to bring the benefits to millions more. ■

The Foundation for Cooperative Housing is a private educational and research foundation established in 1950 to conduct demonstrations in the application of cooperative techniques to housing. It conducts a continuing educational program to train cooperative board members and committeemen in the efficient operation of their cooperatives.

FCH Services, Inc., a wholly-owned subsidiary of the Foundation, offers technical services necessary for the development of housing cooperatives, which are paid for by the housing cooperatives.

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# BUILDER TELLS TIMING AND PROCEDURES FOR PROFITABLE FHA LOW-INCOME WORK.

AN ARTICLE BY: HOWARD H. FOGEL



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**FCH SERVICES, INC.**

*A Nonprofit Subsidiary of The Foundation for Cooperative Housing*





"FIGURE 8 to 10 MONTHS, as a minimum on FHA work, from the time you begin processing until the time to start construction."—Gene B. Glick, (above) Indianapolis builder who specializes in low and moderate-income multi-family housing under FHA programs.

**Indianapolis**—Gene B. Glick is a low and moderate-income housing specialist whose company has been at the forefront of those builders who foresee business opportunity in the various FHA subsidized programs. His firm has extensive experience in building for cooperatives under FHA, as well as limited-dividend development. It is currently moving into projects under FHA 236, which Glick defines for multi-family builders at the end of this article.

The first cooperative housing for moderate-income families was built by this Indianapolis-based developer in 1964 for the Foundation for Cooperative Housing, headquartered in Stamford, Conn. The Ft. Wayne "Jamestown" project was a group of 212 townhouses. It was a turning point for Glick because it helped to develop the basic plan for all of his future work, whether strictly rental or for cooperative ownership under FHA programs.

Since 1964, the Glick organization has developed moderate-income housing in Ft. Wayne (3), South Bend (2), Louisville (1), Hammond (1), Indianapolis (3). In all ten projects, Glick has taken the same approach. There are three basic plans, with variations for a specific development. "In that respect," Glick points out, "we are doing the same thing that Holiday Inn and Howard Johnson do in motel construction." The standardization helps to bring efficiency and reduce building costs.

There is an "order of business" which Glick's experience has developed in these projects. He finds that from start to finish, it takes approximately three months longer for either FHA 221 (d) (3) or 236 processing than in conventional programs, assuming that funds are available. And this timing is based on Glick's expertise in the field. Says Martin Baruch, director of low and moderate income housing for HUD: "I think most of the time lost in processing is what we consider to be sponsor lag time. As you get sophisticated people such as Mr. Glick, who have worked these programs, time can be cut. Develop any sophistication and you can talk about six to eight months processing. And we are working on new methods which will cut that to below six months."

On rental projects, Fannie Mae will commit to buy the project when completed. But in all programs, interim financing must be worked out by developers. Glick has cemented relationships with two of the largest banks in Indianapolis. "To do any volume in this type of building," he points out, "it is essential to obtain good lines of credit."

It is this front-end that makes Federal programs a gamble as far as the developer-builder is concerned. "We have managed to get the quickest processing time, and we have reduced construction time. But we never forget that it is still a gamble."

#### Time Sequence

Reducing the "gamble period" means organized control. The Glick company comes up with the following time sequence for government-assisted development:

##### 1. Locate site (2-4 weeks)

Glick finds a city that has an estimated 100,000 population or more. While population is important, he is concerned about the growth potential of the community. After the city has been chosen, he begins to assemble the land, obtaining an option, then engaging an engineering feasibility survey.

##### 2. Zoning (2-3 months)

This includes developing the site plan for local approval.

##### 3. Application for Number 2013 feasibility (4-6 weeks)

Glick applies to submit the Request for Allocation for funds (assuming that the funds are available which he checks before entering into the project) to the Indianapolis FHA office, if the project is in Indiana. This request consists of the prescribed FHA forms. After the forms are received, the FHA makes a study of the proposal, looks at the land, and the Washington, D.C., office makes a study on the needs. At an informal feasibility conference, the FHA interviews the Gene B. Glick Company people to determine if they have the capabilities to fulfill the requirements of their programs.

##### 4. Receive feasibility letter (3 weeks)

Assuming that the funds are available, the feasibility letter is received, and with it a preliminary reservation of

funds. This is the turning point from theory to action. Up until this point, there have been no fully developed plans or specifications of any kind. Maximums have been set for construction costs and for the interest subsidy payment. Glick has also been assigned an FHA Design Representative for his staff.

"It takes about three to six months to complete the Accelerated Multi-family Processing," he points out. "And it is here where the gamble comes in, although I must admit that by now much of the gamble has been defined by experience factors."

##### 5. Engineering and architectural drawings (24 months)

It is possible to reduce this amount of time in several ways. First, some of this work could be done during the first four steps—and Glick believes that the more he has under his belt, the better equipped he is to negotiate and to recognize the profitability factors involved. Second, he works with architectural and engineering people who know what is to be built—the reason for his basic types of plans discussed previously—and who have FHA engineering and architectural experience. "Another factor relating to the success of the project is that you must command the attention of an engineering firm who will complete the drawings in a minimum of time," Glick says. "Once again, time is a key to the profitability of the project."

Glick gets specific about the time-and-cost factor. "Let's say that we prepare the layout of the plot one way—the street layout and house relationship—or that we have worked out our unit mix a certain way, and after it is all completed, the FHA wants changes. We have found it to be less expensive to make those drawing board changes at this point than to wait until we get full approval six months later and then first begin."

However, the point has been reached where Glick finds fewer and fewer—if any major changes. "Don't forget, the FHA has its Design Representatives working closely with you as the builder. These are capable men who know what is expected, and they are just as interested as you are in helping to expedite the work."

##### 6. Cost Estimating (1 month)



7. *FHA processing the commitment (2-4 weeks).*

The sixth and seventh points occur simultaneously. The cost estimating involves the bid taking and negotiation. While the FHA processing is taking place, Glick is beginning to place commitments and to arrange and obtain interim financing.

8. *Pre-Construction Conference (1 week)*

These conferences are the Prevailing Wage Meeting and the Equal Opportunity Meeting.

9. *Preparation & Initial Closing (2-3 weeks)*

After the initial closing has taken place, Glick would then commence construction.

The total time needed for 236 project is estimated to run between eight to 12 months. On his conventional projects, Glick estimates that the time involved runs between five to nine months. And the above timetable does not take into account and makes no allowance for the absence of funding. In one of his latest examples, he filed the 2013's in December, 1968, and as of May, 1969, he was still waiting for the allocation.

On cooperatives Glick becomes eligible to draw against the FHA approval and commitment only after the Foundation for Cooperative Housing has formed the specific cooperative. On a project of 100 units, for example, the Gene B. Glick Company cannot close the loan until 90% of the units have been sold. On the average this takes about two months, but it has been known to go anywhere from six to eight months as well. All the time before that first draw, he is still using his own money. He may obtain Permission for Early Start, but once again, it is with his own money because he must wait until that 90% figure has been reached.

The basis for the arrangement with the cooperative mortgagor is a lump-sum contract between the builder and the mortgagor at a price equal to the FHA value of the construction cost, plus the allowable builders profit and overhead, and the bond premium.

At the time of the cost certification, the cooperative mortgagor merely certifies the actual amount paid for the

entire project. This includes the total amount paid to the general contractor under the lump-sum contract. There is no necessity for the general contractor to certify to its actual cost of construction. The mortgage for the cooperative is 100% of the certified costs.

Glick takes these words and develops a specific example. He has entered into a lump-sum contract with the FCH's cooperative. The FHA in its commitment has told the Gene B. Glick Company the value they will allow: \$3,000,000 for the buildings and grounds of a 200 unit project for instance. Glick enters into the lump-sum contract with the FCH to produce at \$3,000,000. Whenever the total costs are less, he makes a profit. Whenever they are more, he sustains a loss.

10% Contribution

Experience has taught the Glick people that their contribution to profit and overhead, including land profit, has averaged \$1,500 per unit on dwellings which average \$15,000 in price.

Overhead varies, but generally it is about \$600 per unit. This leaves a profit of \$900, or 6%.

There is another opportunity to increase profits. The FHA regulations permit a provision for incentive for prompt construction in the construction contract. This gives the general contractor 50% of any savings of interest, taxes, and insurance from the amount allowed in the FHA commitment for these purposes.

Glick summarizes the possibilities of the cooperative venture this way: "The general contractor may make a profit from the construction of the project. The profit will be determined by the difference between the FHA valuation of replacement cost for construction and the actual cost insured by the general contractor, plus any sums due under the incentive provisions of the construction contract. The general contractor may also profit from the sale of land to the cooperative based upon the difference between the cost of the land and the FHA valuation of the land in the commitment.

Cooperatives may have a special advantage in the future, if contemplated

tax changes affect accelerated depreciation, which could reduce investor interest in limited-dividend programs.

Glick is a great believer in using the provisions of the National Housing Act. "All low-income housing must be oriented toward these government programs by economic necessity. You have to dig into these programs. You can come out with a fair profit."

Staff of Specialists

Organization toward working with government programs includes numerous specialists in the Glick organization.

Besides president Gene B. Glick, the company has a Management Review Committee, a Planning Committee, an Executive Vice President, a Division Vice President and General Manager, a Project Feasibility Analyst, a Project Negotiator, a Project Engineer, a Vice President of Government Relations, a Vice President of Engineering Services, and assistant, Chief Architect/Manager of Architectural and Engineering, Marketing Director, Vice President of Field Production, Vice President of Financial and Administrative Services, Controller, Budget Director, Director of Data Processing and Personnel and Office Manager.

Of particular interest in the staff functions above is the executive in charge of government relations, who has overall legal responsibility, is responsible for zoning accomplishment, negotiates with agencies on allocations, commitments, problem resolutions, public relations, power structure, interprets the law, handles relationships with sponsors and assists in land negotiations.

How FHA 236 Works

In 1968 Congress enacted Sec. 236 of the National Housing Act. Instead of relying on a subsidized below-market interest rate mortgage which was the key to Sec. 221 (d) (3), Sec. 236 provides for a mortgage at market-rate, which, under current FHA regulations, is 7½%, with the mortgagor paying to the mortgagee monthly the amount necessary to amortize principal and interest at 1%, and the government paying to the mortgagee the additional amount necessary to

amortize principal and interest at 7½% plus the ¼% mortgage insurance premium of FHA.

The term of the mortgage is 40 years and the rents, for all practical purposes, are approximately 2/3 of the market or economic rents for a similar project in the community, or 25% of the tenant's income, whichever is higher.

Since only the lump-sum in the contract is cost certified, the contractor may make more or less than that allowed by FHA in its commitment for contractor's profit, depending upon the ability of the general contractor to construct the project in accordance with the plans and specifications.

Also assuming that the general con-

tractor or one of its affiliates is the owner of the land, the general contractor may also make a land profit if the FHA valuation for the land exceeds the cost of the general contractor for the land.

FHA regulations permit a provision for incentive for prompt construction in the construction contract, giving the general contractor 50% of any savings of interest, taxes and insurance from the amount allowed in the FHA commitment for these purposes.

In summary, under the regulations pertaining to limited distribution entities, it is possible for the limited distribution entity to obtain a 100% mortgage and possibly an amount slightly in excess thereof, depending upon land valuation, and after comple-

tion of the project to obtain a 6% return on the equity investment in the project and such tax losses as may flow from the project.

In the case of the nonprofit project, the general contractor is entitled to a profit ranging between 3 to 6% on the construction contract, plus any sums due under the incentive provision of the construction contract, and assuming that the general contractor is also the land owner, he is entitled to any profit which may accrue by the sale of the land to the nonprofit organization and the FHA valuation of the land.

In the case of a cooperative type project the general contractor may make a profit from the construction of the project, which profit will be determined by the difference between the



**MODERATE-INCOME TOWNHOUSES** built in Indianapolis for cooperative corporation using Federal programs convinced Gene B. Glick that because of economic necessity all housing for low and moderate-income families must be developed under subsidized programs in the future. Mr. Glick reports on how FHA Spec. 236 works in this accompanying article.



Grand Opening of the Tara Cooperative in Fort Wayne, Indiana.

FHA valuation of replacement cost for construction and the actual cost incurred by the general contractor, plus any sums due under the incentive provisions of the construction contract. The general contractor may also profit from the sale of land to the cooperative based upon the difference between the cost of the land and the FHA valuation of the land in the commitment.

**Project Management**

Regardless of the type of mortgagor-sponsor, someone must manage these projects. If the builder-developer has an experienced management company he may manage his own limited distribution projects, or may contract with either the nonprofit sponsor or the cooperative to manage these projects.

Even if there is an identity of interest between the limited dividend sponsors and the management company, a reasonable management fee may be paid to the management company. No real experience has been built up under Sec. 236.

It would appear that FHA is allowing between 5 and 6% for management, depending upon the custom in the area. However, the management firm is responsible for determining the qualifications of each tenant, fixing the rent to be paid by each tenant, making all required reports to FHA concerning tenant rent, fixing the budget for the project, hiring maintenance personnel for the project, disbursing funds for and on behalf of the owner of the project, collecting all rents, giving an

accounting to the owner and FHA of all rents, making the monthly payments to FHA of excess rental collections, and rectifying tenant rents at the request of FHA, but at least every two years. While we hope that our management company will realize a profit from the management fees even after performing all of this work, it is obvious that the management company will never be accused of making an excessive profit.

What then will be the association between the average builder-developer and Sec. 236? In my opinion, when the conventional mortgage lenders do not ask for sweeteners, and when the cash flow is between \$200 and \$400 per unit, the average builder-developer will not be a fan of Sec. 236. But when the conventional lenders are

either your partners or your employers, when financing and operational charges put a severe squeeze on cash flow, then Sec. 236 begins to look better and better.

An example of the rent structure, the economic rent or market rate rent for one of our proposed projects for a one-bedroom unit, including all utilities, averages \$165 per month, while the basic rent, or the rent at 1% interest, including all utilities, averages \$110 per month, or a maximum subsidy of approximately \$55 per month. The maximum subsidy for a two-bedroom is approximately \$65 per month, and for a three-bedroom \$74 per month.

This is the maximum subsidy or the basic rent necessary to support the operating costs of the project after a standard vacancy factor, plus debt service on a 40-year mortgage amortized at an interest rate of 1%.

Once the basic rent is determined, it is then necessary to determine the amount to be paid by each tenant based upon the income of that tenant. To do this, the total annual income of the prospective tenant's family must first be determined, including all income from all members of the family except minor children. From this total income there is subtracted 5%, plus \$300 for each minor child, and this, then, becomes the adjusted gross income of the family. In order for the family to qualify for a subsidy, the adjusted gross income must be less than the maximum income permitted in the region for that particular size family.

Basically there are three types of mortgagors who qualify under Sec. 236. The first (for rentals) is the limited distribution type mortgagor, which is a profit motivated type project. All costs incurred by the mortgagor, including the entire cost of construction, must be certified to FHA and the maximum mortgage is 90% of the certifiable cost of the project, which certifiable cost includes a 10% builders and sponsors risk allowance figured on all items except land, plus the FHA estimated value of the land.

For example, if all costs and expenses of the project other than land are \$1,000,000, and the land value as determined by FHA is \$1,000,000, the maximum mortgage would be computed as follows: The \$1,000,000

actual cost, plus 10% builders and sponsors risk of \$100,000, plus \$100,000 for the land, or a total replacement cost of \$1,200,000, and a maximum mortgage of 90% of \$1,200,000, or \$1,080,000. If, as stated, the actual cost of the project other than land is \$1,000,000, and if the land actually cost \$80,000 and was valued by FHA at \$100,000, then the actual cost would be \$1,080,000, and the mortgage would be 100%. If the land valued by FHA at \$100,000 actually cost \$100,000, then the investment by the sponsor would be \$20,000.

The second type of mortgage is the nonprofit sponsor. The mortgage for a nonprofit sponsor is 100% of certifiable cost, plus land, but instead of using a 10% builders and sponsors risk allowance, there will only be allowed a profit allowance to the building contractor on the construction contract at a scale amount determined from the FHA manual, depending upon the amount of the construction contract. This figure generally varies between 4 and 6% of the construction contract.

The third type of mortgagor is a cooperative corporation. Assuming that there is no identity of interest between the builder and the cooperative mortgagor, the builder may enter into a lump-sum contract with the mortgagor at a price generally equal to the FHA value of the Construction cost, plus the allowable builders profit and overhead, which is determined in the same manner as for a nonprofit sponsor, and the bond premium. At the time of cost certification, the cooperative mortgagor merely certifies the actual amount paid for the entire project, including the total amount paid to the general contractor under the lump-sum contract, and there is no necessity for the general contractor to certify to its actual cost of construction. The mortgage for the cooperative is 100% of the certified costs.

What then are the advantages and disadvantages under Sec. 236 to the builder-developer either for his own interests as a limited distribution mortgagor, or as a general contractor for a nonprofit organization, or as a general contractor for a cooperative?

In a limited distribution project all costs and expenses of the project, other than the land valuation, must be certified to FHA and therefore if there is an identity of interest which would ordinarily exist between the general

contractor and the mortgagor, no profit may be realized by the mortgagor or general contractor except in the area of land. In the land area, regardless of the amount paid by the mortgagor for the land, the mortgagor may draw from mortgage proceeds 90% of the FHA appraised value of the land. If no construction profit is paid by the mortgagor to the general contractor, then in the perfect case, if it is assumed that the FHA appraised value of the land is the same as the purchase price of the land, the mortgage is actually approximately 99% of the total cost of the project.

If the construction profit is paid by the mortgagor to the general contractor, then to this extent the mortgage will be less than 100% and such funds must be furnished from the sponsors through the mortgagor entity.

As previously indicated, in the limited dividend situation the equity of the mortgagor is determined upon final closing of the project and is generally equal to 10% of the total replacement cost of the project. The owners of the project are then entitled to a return equal to 6% of this equity per annum, and in the event the mortgagor is unable to pay this amount in cash in any year, the return is cumulative.

The only profit, therefore, to the sponsors is the 6% return on equity and the tax loss which would accrue annually for this project during the initial years of the project.

The 6% return was set in 1961 when interest rates on mortgages were below 6%. Although 6% may have been a reasonable return in "1961," the rate today should be no less than the prime rate of 7½%.

I must observe that the possibility exists, under the limited distribution operation, to bring in investors as participants in the project.

Finally, in the case of the cooperative, the general contractor obviously has no interest in the contract after completion and is therefore not entitled to any equity or tax loss from the project. However, the construction contract between the general contractor and the cooperative, assuming that there is no identity of interest between the two, may be a lump-sum contract which will generally be equal to the amount allowed by FHA for construction purposes, profit, overhead, and bond premium.

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**LENDING OPPORTUNITIES  
FOR THE MORTGAGE BANKER  
IN THE FHA COOPERATIVE  
& CONDOMINIUM PROGRAMS**

**AN ARTICLE BY: HARRY E. JOHNSON**



**REPRINTED FROM:**

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**FCH SERVICES, INC.**

*A Nonprofit Subsidiary of The Foundation for Cooperative Housing*



Biographical Sketch

Harry E. Johnson  
Special Assistant for Cooperative Housing  
Federal Housing Administration

Mr. Harry E. Johnson was born in Randolph, Massachusetts, on March 18, 1914, and attended the public schools and Northeastern University in that State.

He was admitted to the Massachusetts Bar in April 1938 after having received the LL.B. degree cum laude from Northeastern University.

From June 1938 to April 1951 he was (except for a period of military service during World War II) employed by the Reconstruction Finance Corporation, specializing in large loans to banks and business enterprises. Since April 1951, he has been employed by the Federal Housing Administration, first as an attorney for the rental housing programs, then as an attorney in the cooperative housing program, and later became Chief Counsel for the Cooperative Housing Section of the Legal Division. In November 1958 he was appointed Director of the Cooperative Housing Division, charged with administering the cooperative housing programs under Section 213 and 221 (d) (3) and the condominium program under Section 234. He is presently the Special Assistant to the FHA Commissioner for Cooperative Housing. The volume of insured mortgages under Section 213 is over one and one-half billion dollars.

Many lenders are not yet aware of the opportunities for investment afforded by the cooperative and condominium programs administered by the Department of Housing and Urban Development.

The earliest of these programs (Section 213 of the National Housing Act) was enacted in 1950. Under this program, over 2,000 project loans have been insured in an amount exceeding \$1.5 billion. This market-rate program has been very successful from the mortgage risk standpoint. Some of the largest lenders in the country have provided the permanent financing. Many originating lenders have also participated.

Under the Section 221 (d) (3) program enacted in 1961, some 268 cooperative loans have been insured with a mortgage amount of approximately \$350 million. GNMA provides the take-out financing for these 3 percent loans.

The condominium program offers financing at the market rate of interest under Section 234.

Cooperatives are eligible mortgagors under the newly created Section 236 housing assistance program, and condominium purchasers may finance their loans under the Section 235 housing assistance program.

With the increasing cost of land and construction, coupled with the increasing concentration of population in urban areas, it is understandable that multi-family housing constitutes an ever-increasing proportion of total housing construction in these areas. On the other hand, the desire for home ownership is also increasing. The cooperative and condominium programs are vehicles which accommodate themselves well to this situation. Many of the advantages of home ownership are enjoyed by cooperative and condominium owners, yet they may reside in close-in locations involving comparatively high density land usage.

What are the home ownership advantages available to cooperative and condominium owners?

#### 1. *Hedge against inflation:*

The housing project is operated on a non-profit basis. The owners pay monthly only their share of the project's actual operating costs. Thus, increases in the monthly housing cost are limited to actual increases in operating costs. In rental housing, the rent is often affected by supply and demand. Thus, during times of housing shortage or general inflation, rents may be increased in uncontrolled rental projects even though the landlord's

operating costs may not have been significantly increased.

#### 2. *Tax advantages:*

An owner may deduct from his income for federal income tax purposes (and often also for state income tax purposes) the real estate taxes and mortgage interest he has paid during the year. (In a cooperative, the member deducts his share of the real estate taxes and mortgage interest paid by the cooperative corporation.) A cooperative or condominium owner, thus, has basically the same income tax advantage of a conventional home owner. This, in effect, is a reduction in the owner's housing cost.

#### 3. *Absence of landlord's profit:*

Inasmuch as the owners are, in effect, their own landlord, and since they operate on a non-profit basis, their monthly housing cost does not include an allocation for landlord's profit which is, of course, included in the rent of an ordinary tenant. This, in itself, may amount to a reduction of 10 percent or more in monthly housing cost.

#### 4. *Reduced maintenance expense:*

Experience has shown that owners take better care of the overall property than tenants. Moreover, the owners frequently handle the redecoration of their unit interiors on a "do-it-yourself" basis. Maintenance costs are, therefore, usually less in a cooperative or condominium project than in a rental development.

#### 5. *Equity accrual:*

If a cooperative or a condominium is successfully operated, equity accrual can be anticipated upon resale of the unit, as in the case of other forms of home ownership. (Some limitations are, however, imposed on this right in the case of projects which are federally subsidized.)

The foregoing advantages are of a financial nature. Perhaps even more important in these days of social stress, are the sociological advantages which flow from cooperative and condominium home ownership. Under the cooperative and condominium plans, the residents have a voice in the policies and standards under which their housing will be operated. Any possible resentment against absentee ownership or control is thus avoided. At the same time, the residents must assume a responsibility for the business-like operation of their project. Their project is, in fact, a democratic institution, and the owners learn about the democratic process in day-to-day project activities. As a result, such

owners often assume not only a pride of ownership, but also an interest in the general community which they might not have had as rental tenants.

While cooperatives and condominiums share these advantages, the type of financing differs. In a cooperative, only one mortgage loan, covering the entire project, is obtained. Each member has a stock or membership interest in the cooperative, and the right of occupancy in a designated unit. He makes a monthly payment to the cooperative covering his share of the operating cost (which includes mortgage amortization). The condominium unit, on the other hand, is owned directly by the condominium purchaser (together with an undivided interest in the common elements). This arrangement permits the individual to either pay cash for his unit, or to obtain a conventional or an FHA-insured mortgage. Prior to the "spin-off" to individual condominium ownership, however, the project must be constructed, and this may be accomplished with the aid of an FHA-insured project loan.

Cooperatives and condominiums have, in the past, been utilized largely by the upper- and middle-income groups. It is hoped that the opportunity for cooperative and condominium home ownership now extended to lower-income families by recent legislation, will have a beneficial effect not only in the physical sense by making improved housing available to them, but by improving their morale. Provision is included in these programs for upper mobility, so that a member may remain in the project (with reduced federal assistance) even though he may have succeeded in earning an increase in his income. Thus, cooperative and condominium ownership is available to varying income levels, with conventional financing of the more costly developments, and FHA-insured financing for middle-income families on a non-assisted basis and housing for moderate- and lower-income families on a federally assisted basis.

Loans to cooperatives are attractive to some lenders, whereas loans of smaller denominations to condominium owners will appeal to other lenders. In either case, if the housing proposal is well conceived, it should be a sound investment from the lender's standpoint, and the transaction will have basically the same characteristics as other FHA-insured loans. The lender may also take some satisfaction in the knowledge that he is participating in programs which many feel will make a significant contribution towards solving the problems of our cities.



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# COOPERATIVE UNITS HOUSE 200,000 U.S. FAMILIES

AN ARTICLE BY: RICHARD C. HALVERSON



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A Nonprofit Subsidiary of The Foundation for Cooperative Housing



Photo: Jim Hughes, Staff Photographer, The Christian Science Monitor

Mr. and Mrs. Roger Ward, daughter Jean Marie, and her friend Joanne relax in the Ward's tastefully furnished cooperative apartment [which was sponsored by the Trustees of the Foundation for Cooperative Housing.] Besides the financial benefits of a co-op, the Wards like the security of knowing that no landlord can force them to move.

## COOPERATIVE UNITS HOUSE 200,000 U.S. FAMILIES

Richard M. Nixon and Hubert H. Humphrey can agree on at least one point: the advantages of living in their cooperative apartments.

Some 200,000 other American families also have cast their votes for co-ops that range from government subsidized, low-income units to \$200,000 Fifth Avenue showplaces.

A housing cooperative is a nonprofit corporation set up to own an apartment building—or a complex of townhouses. Buying a co-op entails buying a share in that corporation in return for a long-term lease on an apartment.

The co-op member takes no title to a co-op, as does the purchaser of a condominium. He cannot arrange individual financing for a co-op as he can for a condominium. Instead a co-op member shares payments on a blanket mortgage covering the entire property.

#### Expenses shared

Should a member default, the remaining shareholders must take over his share of the payments and taxes—unless they can resell the share. If enough default, the co-op will go under as so many did after the '29 crash.

Each member pays a proportionate share of the expenses for maintenance. But when deciding on how the co-op will be run, it's one man, one vote. Each member keeps up the interior of his residence.

One of the fastest growing types of cooperatives is the rental apartment house converted into cooperative ownership. Conversions are particularly popular in New York City as a hedge against rent de-control.

In new construction, the conventionally financed co-ops now are practically all luxury units. Tight money has all but halted construction of middle-income co-ops backed by Federal Housing Administration mortgage insurance.

To fill the gap, more and more new co-ops today are subsidized—either through the FHA or by states such as New York, Michigan, Illinois, and now New Jersey.

A prime attraction of any type co-op is lower housing costs, estimated by the FHA to run 20 percent less than renting. Part of the savings stems from being able to deduct one's share of interest and taxes on federal income-tax returns.

#### Payments differ

Down payments on a new, conventional co-op range from 20 to 30 percent. The second owner of a co-op buys out the equity of the first, plus paying whatever he demands in market-value appreciation. The new owner takes over the mortgage payments.

Since subsequent owners cannot re-finance a co-op purchase, they may face stiff downpayments as equity and appreciation grow. But secondary bank financing of the down payment is sometimes available.

On FHA-subsidized co-ops, down payments run a minimal 2 percent for working capital. The government finances them at a special 3 percent interest rate, with a 100 percent mortgage. Co-ops subsidized under New York's Mitchell-Lama program require 10 percent down.

#### Repurchase options

Conventional co-ops are appreciating in market value right along with real estate in general. No capital gains are permitted, though, on subsidized co-ops.

In FHA-insured co-ops, the corporation has the option to buy back shares at the original price plus equity, though about half of their governing boards permit owners to sell at market value.

All FHA co-ops, totaling about 98,000 units, permit equity to grow by fixed amounts specified in the corporation's by-laws.

In contrast, New York, which runs the biggest state aid program, permits neither equity nor appreciation. It has subsidized about 50,000 co-op units with low-interest financing and hefty real estate tax abatements. In return, a

departing co-op member leaves behind whatever he has paid off on the corporation's mortgage—taking only his down payment.

Since no title changes hands, there are no closing costs on a co-op purchase. Sellers of conventional units pay the normal real-estate commissions. In low- and moderate-income co-ops, the seller of a share pays only a \$50 fee to cover the co-op's administrative expenses.

The FHA-financed co-op of Mr. and Mrs. Roger Ward in Brookline shows how economical co-ops can be. Mr. Ward, a fireman for the town, paid just \$275 down for his three-bedroom unit. Total monthly charges will run \$125.50.

Mr. Ward points out that a comparable apartment would rent for at least \$185. The main reason his costs are so much lower is that the co-op pays the government only 3 percent interest on its mortgage. Mr. Ward figures his income-tax savings equal a month's payment on his home.

Income limits, now at \$10,000 a year, are being moved up to \$11,500, says Mr. Ward. In New York City, income limits of eligibility for state-subsidized co-ops go as high as \$27,000.

Though scores of co-ops failed during the depression, they have set a good safety record since World War II. Only seven FHA-insured co-ops, for example, have folded out of the 565 built.

When buying a well-located co-op, these are the main points to cover:

Carefully read the budget and the by-laws governing the corporation.

Make sure monthly payments are adequate to meet current expenses and additions to reserves.

Look out for a low-occupancy rate, which jacks up monthly payments.

Check for top-flight management. Attracting competent management is the co-op's worst problem.

A well-kept appearance—plus a balanced budget—will tell whether the management and the governing board are doing their job. ■

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TechniCoop, Inc.

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A Nonprofit Subsidiary of The Foundation for Cooperative Housing



TCI Memo #9  
March 1970

## RUBBISH REMOVAL FOR TOWNHOUSE COOPERATIVES

Every cooperative must provide for rubbish removal - trash and garbage disposal. Too often the arrangements for this essential service are only added as an afterthought, with ugly containers, inconvenient storage places and annoying if not dangerous collection systems.

This memorandum outlines presently available techniques and our recommendations based on our experiences with designing and managing more than 100 townhouse cooperatives. Most recommendations apply also to other types of lower-density housing communities, from detached and semi-detached houses to three-story apartments.

Cost Considerations: Wherever possible, rubbish removal should remain a municipal function. The major cost is then paid for out of municipal taxes rather than cooperative funds. So the choice of arrangements may frequently depend on what services will be provided by the municipality.

However some municipalities do not furnish rubbish collection services. Others are divesting themselves of this responsibility. Where either of these circumstances may apply, it is most important to design the system so that rubbish can be efficiently handled by private collection companies.

There are two basic kinds of systems -- individual containers and community collection stations.

Individual Container Systems: Sometimes individual containers are necessary. The local municipality may only provide free collection from individual cans on a door-to-door basis, or the houses may be too far apart to make a community collection system feasible.

A practical individual container system provides two 20-gallon cans per dwelling unit. These may be kept in the basement or in a rear hall. The containers are carried to the curb or other pick-up point by the member for collection by the municipality perhaps once a week. The cooperative may also provide plastic bags for disposal of rubbish and overflow trash. This system works best if disposals are provided in each kitchen for food wastes.



We try to avoid individual container systems in cooperatives. There is a strong tendency for members to deposit overflow rubbish in piles outside their service door, an unsightly and sometimes unhealthy practice. And the cost of having the cooperative maintenance crews collect rubbish from individual containers has generally been rather expensive.

Individual sunken containers have sometimes been urged and several of our cooperatives have had them. Usually there is one such sunken container provided for each dwelling unit, large enough to "conceal" a 20-gallon garbage can. The problems with this system are many. There is no place to store excess rubbish and this often is piled up beside the sunken can and is then scattered around the property. If water seeps into the underground container housing, it will cause the container to float or "pop out" -- something that has happened quite frequently to us in rainy weather! Freezing, rusting, corrosion and filling up of the underground container housings with debris make these containers a maintenance problem and they are often abandoned after a few years. We do not recommend them.

Community Collection Station Systems: We generally recommend them. We have found that where members of a cooperative have a choice, they usually prefer them. They simplify all the problems of storing and disposing of rubbish.

Community collection stations should be inconspicuous, yet located for easy and convenient access by both members and collectors. No dwelling unit should be more than 200 feet by paved walkway from a collection station. Stations should minimize nuisances -- their design should provide protection from dogs, rats, flies and also spare room for occasional overflows of paper boxes and junk.

Each station needs to be large enough and emptied often enough to handle all nearby units. Generally, 1/3 cubic yard capacity per living unit per week is sufficient. Two 20-gallon containers equal 1/3 cubic yard. But there also must be room to take care of extra demands such as occur during holidays, spring cleaning and move-in periods: We suggest a 50% excess capacity.

We have had successful experience with three kinds of community collection station systems.

1. Outdoor Container Storage Bins: Sheet metal bins with sliding doors on one side or spring loaded, hinged tops have been successfully utilized by cooperatives with thousands of dwelling units. The bins can be conveniently located and landscaped. Each bin is designed to accommodate from six to ten 20- or 30-gallon containers. The members deposit their rubbish into the bin, with most of it falling into the cans. On

collection days, the maintenance crew pull out the cans from a service door at one end; then use a big shovel and broom to pick up what falls down between the cans. Once in a while they hose the bins out. Since the bins are fully enclosed, problems of trash overflow, vermin, smells and flies are kept at a minimum. Some overflow capacity is built in - during periods of peak holiday usage trash is often piled on top of the cans, but is still within the enclosed bins.

This system is used where municipalities will only provide free collection of individual trash cans. The collection stations should be located at curb-side so containers can be easily picked up by the municipality. Usually they are placed near entrances of parking lots or at the end of a row of townhouses, provided there are no windows or doors within 20 feet.

A practical variation of the enclosed bin is an enclosed storage area, screened by plantings or a fence. This system is less expensive and more easily provides for overflows. But the storage areas usually have no roofs and may present more nuisances with respect to odors and vermin, including flies and rats.

2. The Container Storage and Compactor Truck System combines the use of large containers to store rubbish between collections and special trucks that compact the rubbish. With good planning in the placement and number of collection areas, this can be the most effective and aesthetic system now available.

The containers should be designed so that a woman or child can lift the cover with one hand, as with the well-known Leach Container. (See illustration) The wheels of the container, if any, should be large enough to facilitate easy handling, i.e., a two-cubic yard container should have 8" diameter wheels, (existing types of containers often have smaller 5" or 6" diameter wheels). A method of braking, locking, or both, may be necessary in hilly areas to keep children from riding them down hill and to help the trash collector control the container when moving it around.

A two-cubic yard container, collected three times a week, should be adequate for 18 living units. One or more extra containers may be kept next to the maintenance building for overflow and emergency use, and for grass clippings, trash from vacated units and ground clean-up.

Larger containers are sometimes difficult to handle. The very large skid-mounted containers need special design treatment to make them less of an aesthetic eyesore and to make them more usable - so that women and small children can easily dump trash into them. (If their doors or



lids are heavy or hard to reach, bags of garbage will be left outside, to be scattered all over the place!)

3. The Stationary Compactor System now used in many big apartment buildings is not usually recommended for townhouse cooperatives. The compactor unit is expensive and so must be centrally located. Some families may have to walk long distances. The compactor itself should only be operated by the maintenance crew for safety reasons. This means that there usually must be a rubbish storage area where members drop off their refuse, a compactor unit and a post-compacted-storage area of material being held for pickup.

The cost of installing this system is comparatively high. The initial cost for each compactor unit is approximately \$4,700 and operating costs are a factor, too. However, in cases where commercial pickup is required, compactors may reduce the total cost to a competitive figure.

Other Systems: Some other systems of refuse collection and disposal are worthy of note, particularly mobile compactors and incinerators.

Mobile Compactors, such as the one advertised in the March 1969 issue of House & Home (see illustration), presents most of the same problems as the Stationary Compactor System except the mobile unit does not need a central location if the air compressor can be attached to the compactor. As with the Stationary Compactor System, there could be a saving if commercial collection is necessary, because the costs for collecting rubbish are usually based on volume rather than weight.

Incinerators have been used for years on apartment projects. They are made in many sizes and can even be bought for individual dwelling units. The individual dwelling incinerators reduce the amount of rubbish to be removed and are especially useful when garbage disposals are not included in the living unit. But the installation costs are high because an over-sized chimney is required and gas lines must be run; and the high temperatures and good combustion needed to reduce air pollution have so far made such units fairly expensive.

There are also some problems in maintenance of incinerators. For example, pressurized cans are often thrown into them; these will explode and can cause damage to the incinerator lining or even to maintenance personnel. The incinerator does not eliminate a rubbish removal system. Ashes and other non-combustible items must still be removed from the premises.

Reference:

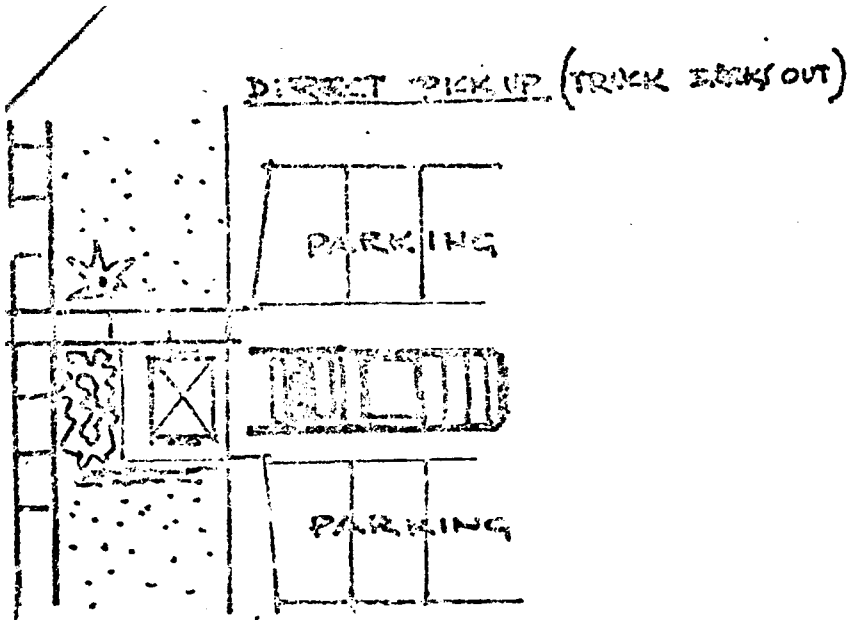
For those desiring further study, see:

"Refuse Collection Practice"  
Committee of Public Health Service  
Public Administration Service  
1313 East 60th Street  
Chicago, Illinois 60637 .

Enclosures:

Sketch of typical container bin  
Leach Container System  
Mobile Compactor

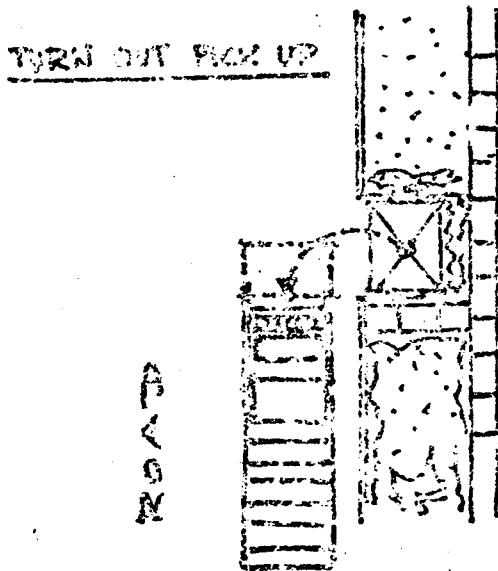
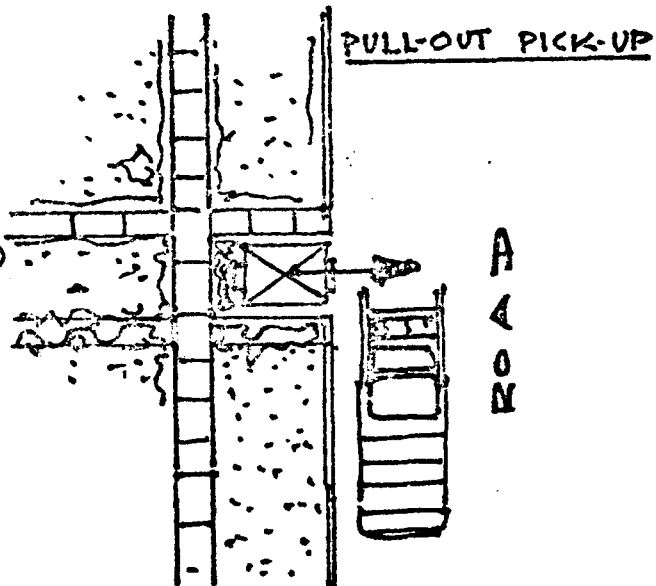
Robert Placido and Roger Willcox, A.I.P.



TYPE A - (Direct Rubbish Pickup)  
 At end of parking lot, etc.  
 Container without rollers.  
 Truck backs out.  
 Platform above road elevation.

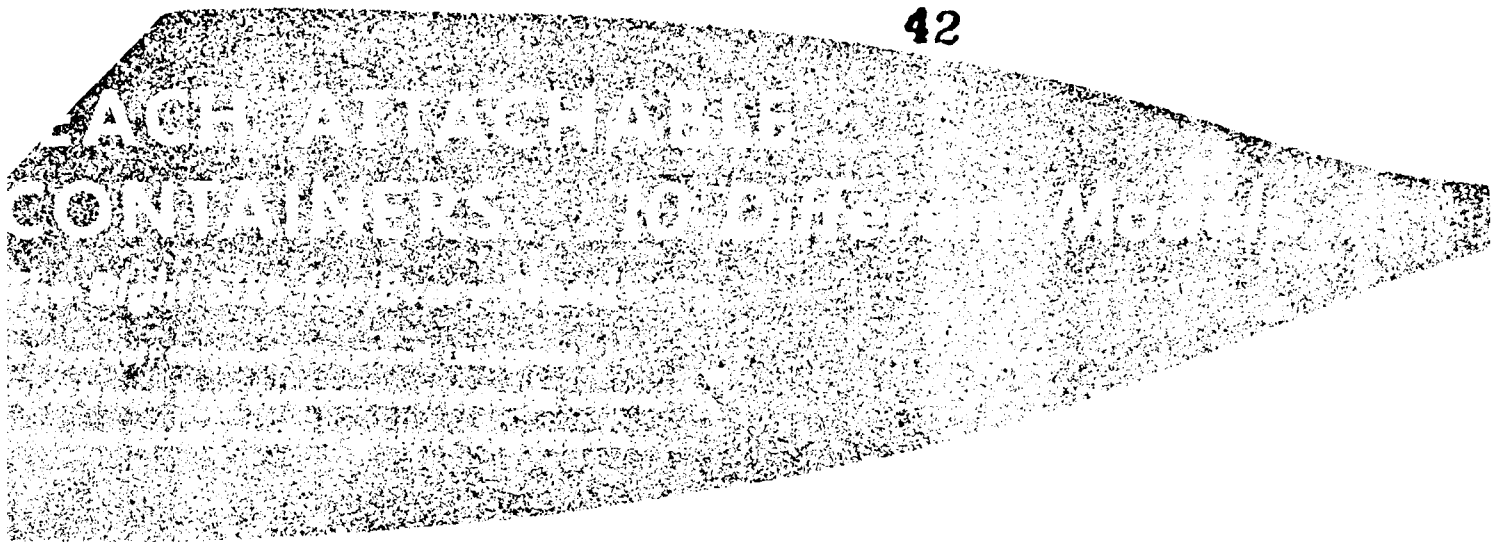


TYPE B - (Side pull-out, Pick up)  
 Container perpendicular  
 & alongside road (May  
 be in parking lot)  
 Platform same elevation  
 as road.

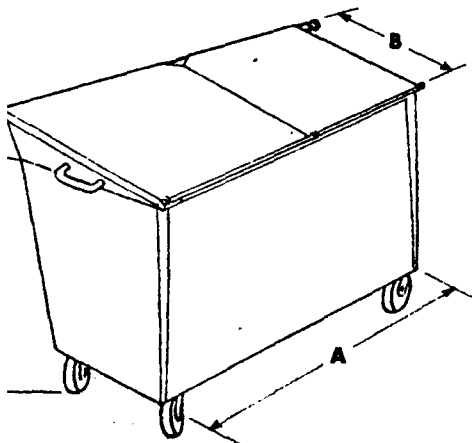


TYPE C - (Turn out & Pick up)  
 Container parallel and along-  
 side road.  
 Container with rollers  
 Platform same elevation as  
 road.

NOTE: Locate all platforms adjacent roads. Platforms should be at road level except for direct pick up condition. Containers must be on rollers with locking device attached to prevent accidental rolling.

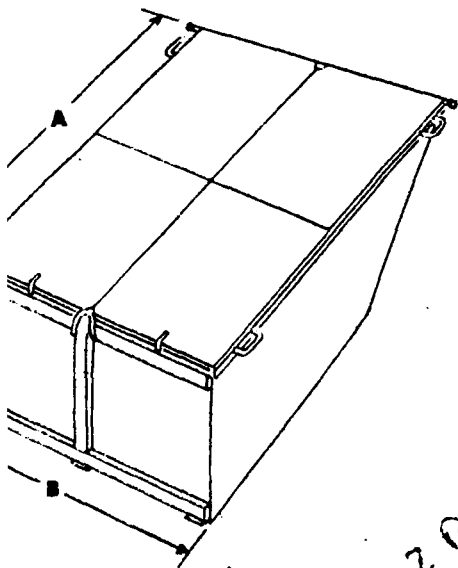


**One and Two Cubic Yard Containers Including Two New Dock Unloaders**



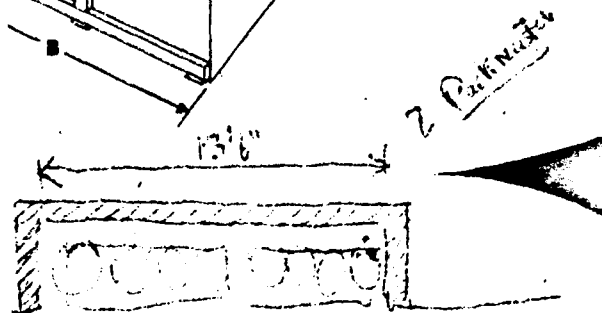
MODEL	CAPACITY	A LENGTH	B WIDTH	C HEIGHT	WHEELS	APPROX. WEIGHT
Standard 1 cu.yd.	1 cu.yd.	77 $\frac{3}{8}$ "	30"	46 $\frac{3}{4}$ "	6" x 2"	290 lbs.
Dock Unloaders	1 cu.yd.	61 $\frac{1}{2}$ "	31"	44"	6" x 2"	270 lbs.
Standard 2 cu.yd.	2 cu.yd.	81 $\frac{1}{8}$ "	60 $\frac{1}{4}$ "	53 $\frac{3}{8}$ "	6" x 2"	590 lbs.
2-R PACKMASTER	2 cu.yd.	77 $\frac{3}{8}$ "	42 $\frac{1}{4}$ "	50 $\frac{1}{4}$ "	6" x 2"	470 lbs.
Standard with hoist	2 cu.yd.	81 $\frac{1}{8}$ "	60 $\frac{1}{4}$ "	53 $\frac{3}{8}$ "	8" x 2"	590 lbs.

**New Jumbo, Three, Four, Five and Six Cubic Yard Models**



MODEL & CAPACITY	A LENGTH	B WIDTH	C HEIGHT	APPROX. WEIGHT
3 cubic yard	77 $\frac{1}{2}$ "	81 $\frac{1}{4}$ "	50 $\frac{3}{8}$ "	750 lbs.
4 cubic yard	92"	81 $\frac{1}{8}$ "	50 $\frac{3}{8}$ "	880 lbs.
5 cubic yard	106 $\frac{1}{2}$ "	81 $\frac{1}{4}$ "	50 $\frac{3}{8}$ "	1050 lbs.
6 cubic yard	121"	81 $\frac{1}{8}$ "	50 $\frac{3}{8}$ "	1180 lbs.

\*3, 4, 5, 6 cu. yd. models available with either wheels or skids. Height shown is with skids - add 4" for wheels.



Packmasters = 3-20 gallon cans

**Your Local Distributor**



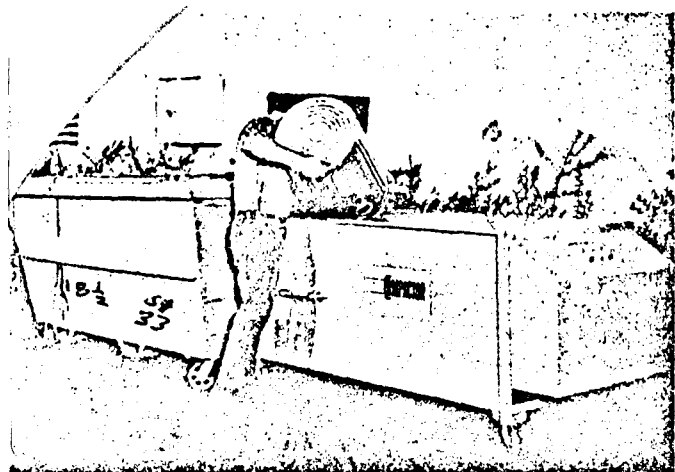
## ... and apartment owners get an answer to their garbage problem

The problem is the rising cost of garbage collection. The answer is a low-pressure pneumatic compactor that sells for \$2,500 (F.O.B. Seattle) and compacts garbage to one-fifth of its bulk. Since garbage-collection rates are based on volume rather than weight, the compactor can help reduce costs more than 60% by permitting monthly instead of weekly garbage pickups.

Two sources of power are needed to operate the machine:

a 110-volt outlet and an air compressor. The air operates a nylon-fabric ram which, exerting only eight pounds per sq. in. of pressure, compacts refuse at the rate of 45 cu. yds. per hour in 40-second cycles.

No special training is required to run the machine. And repairs are much less expensive than for hydraulically operated compactors, heretofore the only type available. Seattle Tent & Fabric Products, Seattle, Circle 246 on Reader Service card.



**ALL-SCALE COMPACTOR**, made of 10-gauge steel, is less than 8' long, wide and weighs 700 lbs. Legs are mounted on casters to permit towing.



TechniCoop, Inc.

2510 BOOK BLDG. • DETROIT, MICH. 48226 • AREA 313 - 961-2755

A Nonprofit Subsidiary of The Foundation for Cooperative Housing

TCI Memo #1 - April 1969  
Formerly FCH Memo #20

Site Selection for Moderate-Income Housing Communities  
to be Financed with FHA Mortgage Insurance

1. Introduction: Selection of good sites involves economic, social, legal, political and several other kinds of considerations. Some of the more important are:

2. Options: No site should be bought specifically for an FHA-insured project until it has been approved and a fair market price for it established by the Federal Housing Administration. Commercial builders usually hold their proposed building sites on options until they are ready to start construction. Nonprofit groups should not take chances that builders avoid!

Proper options should provide for only a nominal payment prior to approval of the site by the FHA, and only a small down-payment prior to the start of construction. The option should allow for not less than one year to the initial closing, release of mortgage funds and start of construction. There should be provision for extensions of time.

3. Size and Character of Project: A multi-family project to be built with FHA-insured financing should contain not less than 100 dwelling units. Smaller projects are usually uneconomic both to develop and to manage. The size of a tract of land needed for a project of at least 100 units depends on the zoning and building regulations that will apply to the property and on the type of dwelling units desired. Usually no more than four detached houses should be built on an acre of land. From eight to twelve attached houses may be built per acre. In central city areas where high-density townhouses or apartment are acceptable, it is possible to provide decent living conditions with as many as twenty-five or thirty units per acre in back-to-back townhouses or garden apartments. (Elevator apartments are only possible under special conditions.)

Cooperatives may be built on scattered sites. In rural areas, housing cooperatives will probably be developed on a series of sites, each providing perhaps ten to thirty houses.

It is desirable for all houses owned by one cooperative to be close enough so that members of the cooperative can get together from time to time for meetings and management and maintenance staff can readily service all the dwelling units.

If a sufficient market demand is anticipated, it is always desirable to option or acquire extra land so that additional sections or projects can be built, all designed to be part of one carefully planned residential neighborhood.

4. Cost of Land Per Unit: The permissible cost of improved land per dwelling unit varies from one place to the next, and from one kind of a site to another. As a rule of thumb, the raw land for any housing development to provide homes for moderate-income families should not exceed \$800 per unit for even the choicest project in a central city location. Good land on the outskirts of most urban areas is often available for about \$300 per dwelling unit, and even less in rural areas.

But many projects for moderate-income families have been built on land costing substantially more than \$1,000 per dwelling unit, and others have been built on land costing less than \$100 per dwelling unit. What price is appropriate depends on the availability of good access roads and utilities and the consequent costs of developing the property, and the cost of purchasing comparable properties in the immediate market area.

5. Physical Characteristics of a Good Site:

Urban area land should be served by or be accessible to public roads, public water and sewer. Rural sites should have at least good public road access and a practical way to have water and sewage disposal.

The land must be "buildable" -- that is, it must not require too much fill, blasting of rock or present difficult foundation conditions due to swamps, compressible soil, etc.

Not too much of the site should have slopes over 15%. Steep portions of the site usually cannot support many dwelling units without excessive construction costs. (A project can include land usable only for park, playgrounds or greenbelts.)

The site should be relatively convenient to schools, public transportation, centers of employment, shopping centers, community facilities, recreation facilities, etc.

The availability of good schools is particularly important. Projects may include some community facilities within the project mortgage, but not more than about 10% of the mortgage funds can be used to build such facilities.

The site must not be subject to flooding and should not be affected by objectionable smells, odors, bright lights or vibration from any nearby heavy traffic arteries or industrial or commercial establishments.

6. Land Use, Zoning and Political Acceptance: Sites which meet the above criteria are often hard to find. Compromises may have to be made. But the "site" must always be one on which buildings of the proposed type can be erected in the foreseeable future! If there is a zoning ordinance, the property must either be already properly zoned or be optioned subject to the securing of suitable zoning. The effects of existing building codes, planning and subdivision regulations and municipal regulations applicable to the site must also be taken into consideration.

7. Site Inspection and Approval: FCH Services, and the Federal Housing Administration (or in rural areas the Farmers Home Administration) will usually provide free site inspection and technical consultation on programs. However, remember that:

- (a) Sites submitted for consideration should never be obviously impractical! No technical agency will continue to give service to anyone who abuses the confidence. Sites which are definitely not practical for one or more reasons should never be submitted for consideration.
- (b) This means that the parties looking for sites must undertake, with respect to each prospective property, a systematic investigation of the items mentioned above. Answers to virtually all the above questions should be at hand before a site is submitted for approval.
- (c) It is usual practice to attempt to find several possible sites in a given area before a physical inspection is required, either by FCH Services representatives or by the FHA or Farmers Home Administration office having jurisdiction. Then the technicians can compare the sites found and perhaps suggest which is best. At the time of an inspection, available information on all subjects outlined above should be on hand to aid in an intelligent appraisal.



TechniCoop offers a professional site-planning service as part of its technical analysis of apparently acceptable proposed sites. This service is available without charge if FCH is going to be associated with the proposed program. The potential of any given site for cooperative home ownership program will be developed in one or more sketches at a scale of 50' = 1" or larger for use in discussions with prospective project sponsors, municipal officials, architects, builders and federal officials. Appropriate community and recreation facilities will also be analyzed and recommendations made.

For this preliminary site planning service to be most effective, an accurate boundary survey, a topographic survey, an extract of the present or proposed zoning regulations, and a report on the character of adjacent land uses and other items listed in this paragraph 7 are needed.

8. Use of Brokers: In many instances it will be desirable to secure the services of a reputable real estate broker in attempting to find suitable sites. Competent brokers should be able to provide most of the information mentioned above. However, if a broker is used, there should be a clear understanding of the amount and timing of any fees to be paid. Furthermore, certain sites owned by public and nonprofit agencies and certain private individuals may best be obtained without the services of a broker. Good judgment needs to be used to avoid eventual payment of unnecessary or excessive commissions.

9. Payments for Land: Before a real search for land can be conducted, the method by which the land will eventually be paid for must be clearly known.

In most cases it is possible to option land for comparatively nominal funds if the owner of the land has confidence in the ability of the prospective purchaser to complete his deal, get his financing and purchase the land with funds released from mortgage proceeds, when construction starts. The option must, of course, be subject to necessary approvals by the FHA, any required rezoning, extension of existing utilities, etc.

If the prospective purchaser does not have a clear idea of the way in which the land is to be used, the seller will usually either require a cash transaction or will raise the price or the cost of the option to unreasonable levels.

10. Marketability: Finally, no site however desirable will be considered if the market for housing on it is questionable. This self-evident economic factor is often overlooked by eager developers, builders, sponsors and brokers.

There should be agreement that there are people who want decent new housing at the proposed location, and can pay a price at which it can be built.

FCH will help determine marketability for any specific site including an analysis of what the proposed housing will cost the consumers in terms of downpayments and monthly payments. In addition, most cooperatives organized by FCH are of the "presold" type, where prospective residents are signed up, are qualified as to credit and make their downpayments before construction is started. FCH also usually recommends that projects be built in several sections, of perhaps 40 to 80 units in urban areas (or 10 to 30 units in rural area cases with Farmers Home Administration financing), as members are signed up, are qualified and complete their downpayments.



CHECKLIST FOR PREPARING A SITE PLAN  
(major items only)

This list summarizes major items which are needed in order to prepare a realistic preliminary site plan. Failure to supply one or more of the following items may well result in a pretty but useless (and expensive) sketch.

I. Boundary and Topographic Data:

Boundaries of property. A survey by a licensed surveyor is preferred.

Location of preferred road access to site. (This can be added to the map showing the boundaries of the property by a notation. It would be helpful to indicate the character and condition of the street.) Also the locations of any other existing or platted streets either within or near the property.

Topography, preferably at 2-ft. contours and sufficiently detailed to include indications of any rock out croppings, swampy areas, brooks and streams, locations of larger trees worth saving and locations of any existing structures including former basements, retaining walls and other features which should be taken into account in the site planning. If no detailed topographic survey is available, then there must be at least a description of the topography, preferably including a USGS map with general contour information or an aerial photograph.

Location of existing (or proposed) utility connections and easements serving the property, for water, sewer, storm drainage, gas and electricity.

It would be very helpful to provide notations on the map of the property regarding existing land uses for adjacent properties and distances and directions to the nearest public transportation, nearest public schools and shopping areas.

II. Legal Restrictions on Site Planning:

Minimum requirement: A copy of the applicable zoning restrictions (a copy of the zoning ordinance or copies of the pages of the zoning ordinance applicable to the zone in which the property is located.)



It is desirable to furnish information regarding applicable subdivision requirements, community planning requirements and any proposed covenants or owner's restrictions which could affect the design or development of the property.

III. Specific Requirements for Design:

Desired minimum number of units and number of sections, if any.

Suggested types of units and their outside dimensions. Also any setback requirements and number of parking spaces required per unit. Sketch plans of proposed units would be helpful.

Approximate cost of land per acre, per square foot, for the entire tract.

IV. Sources of Further Information: Please give names, addresses and telephone numbers.

V. NOTE: All requests for site planning should indicate when the sketch is needed!

RW/ad



FCH SERVICES, INC.  
 COOPERATIVES ESTABLISHED WITH FCH ASSISTANCE\*  
 BY FISCAL YEAR

	<u>New Coops.</u>	<u>Number of Units</u>	<u>No. of Separate Mortgages (Sections)</u>	<u>Mortgage Amount</u>
1952 - 1960	19	6,172	19	\$ 24,077,810
1960 - 1961	3	407	3	5,632,200
1961 - 1962	3	887	3	10,603,600
1962 - 1963	15	2,567	21	30,396,669
1963 - 1964	15	3,271	30	42,419,400
1964 - 1965	18	4,172	40	52,123,775
1965 - 1966	20	4,133	42	58,143,100
1966 - 1967	21	4,185	47	56,973,800
1967 - 1968	17	4,073	68	64,999,400
1968 - 1969	<u>25</u>	<u>4,719</u>	<u>72</u>	<u>79,982,900</u>
	156	34,586	345	425,352,654

\* Excluding Investor-Sponsor and community sponsor cases where final closing and transfer of title to the cooperative has not taken place.

PREPARED BY ROGER WILLCOX, PRESIDENT FOR RESEARCH AND DEMONSTRATION, FCH SERVICES, INC.



### BUILDING A FOUNDATION FOR THE FUTURE

Providing adequate housing for low- and moderate-income families using the single-mortgage cooperative concept has been the principle objective of the Foundation for Cooperative Housing since its inception in 1952.

There have been many obstacles, but, as this report indicates, steady progress has been made. Over 35,000 families have been able to obtain new housing with this assistance of the Foundation and its operating arm, FCH Services Inc.

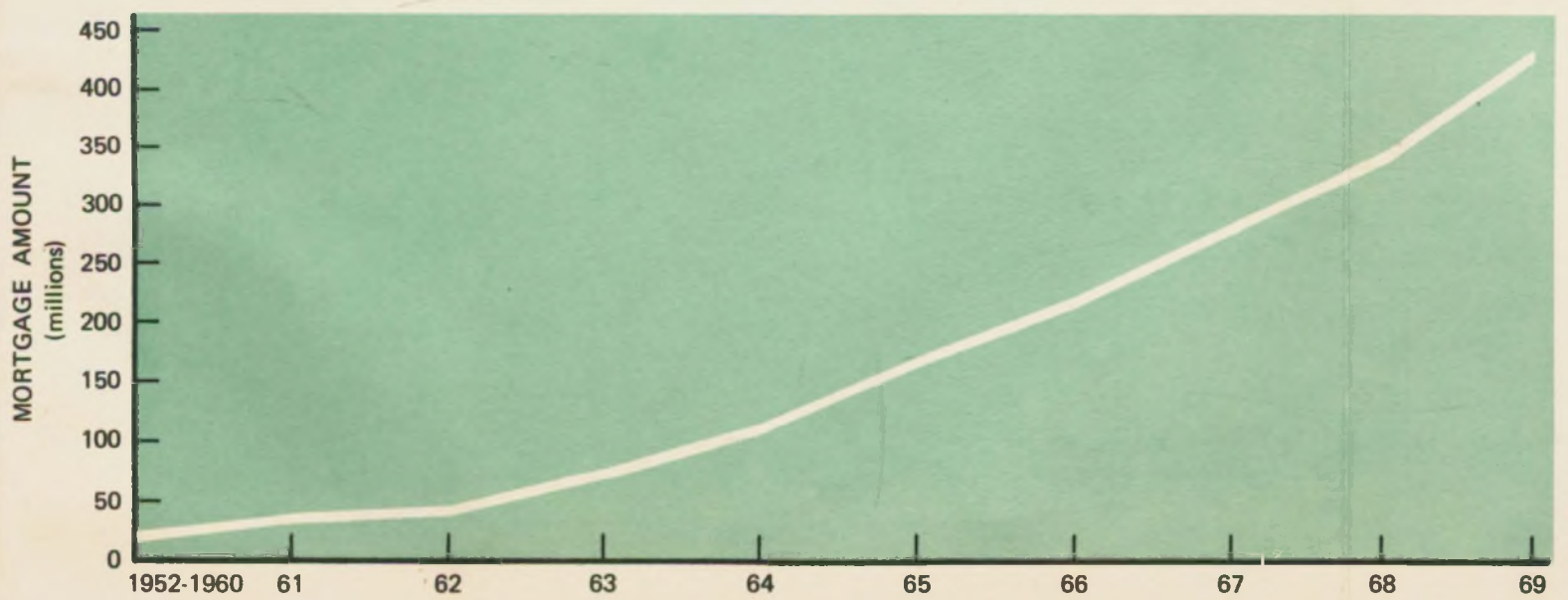
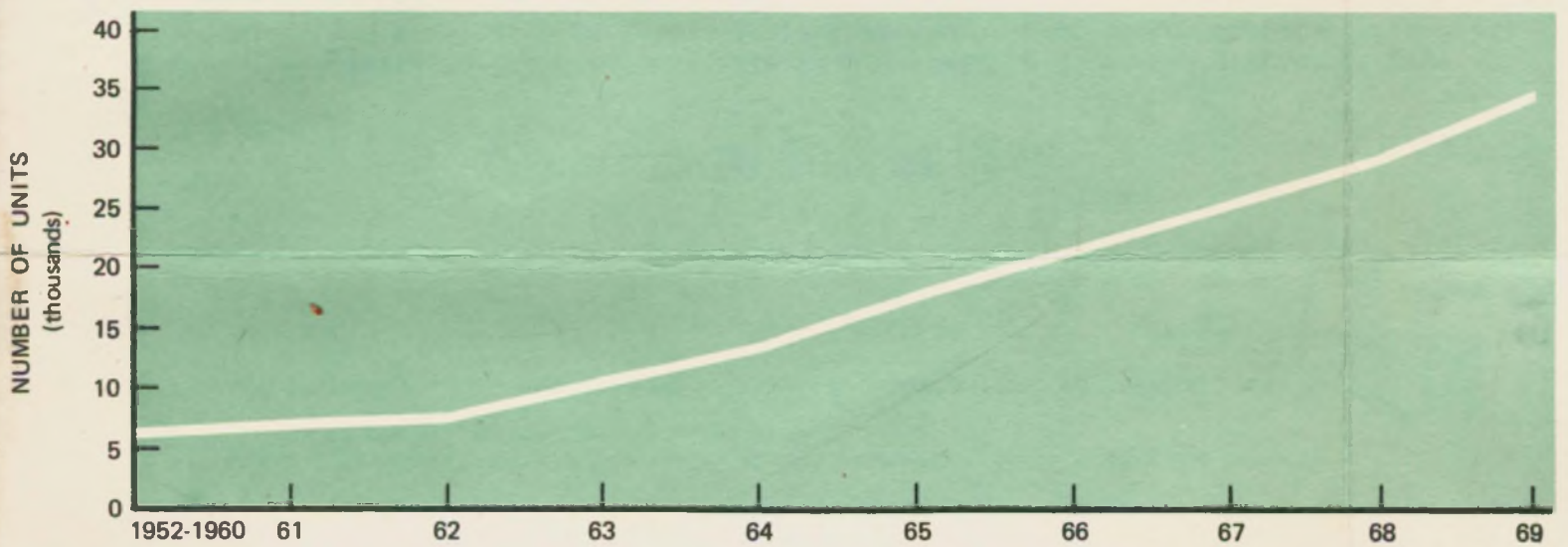
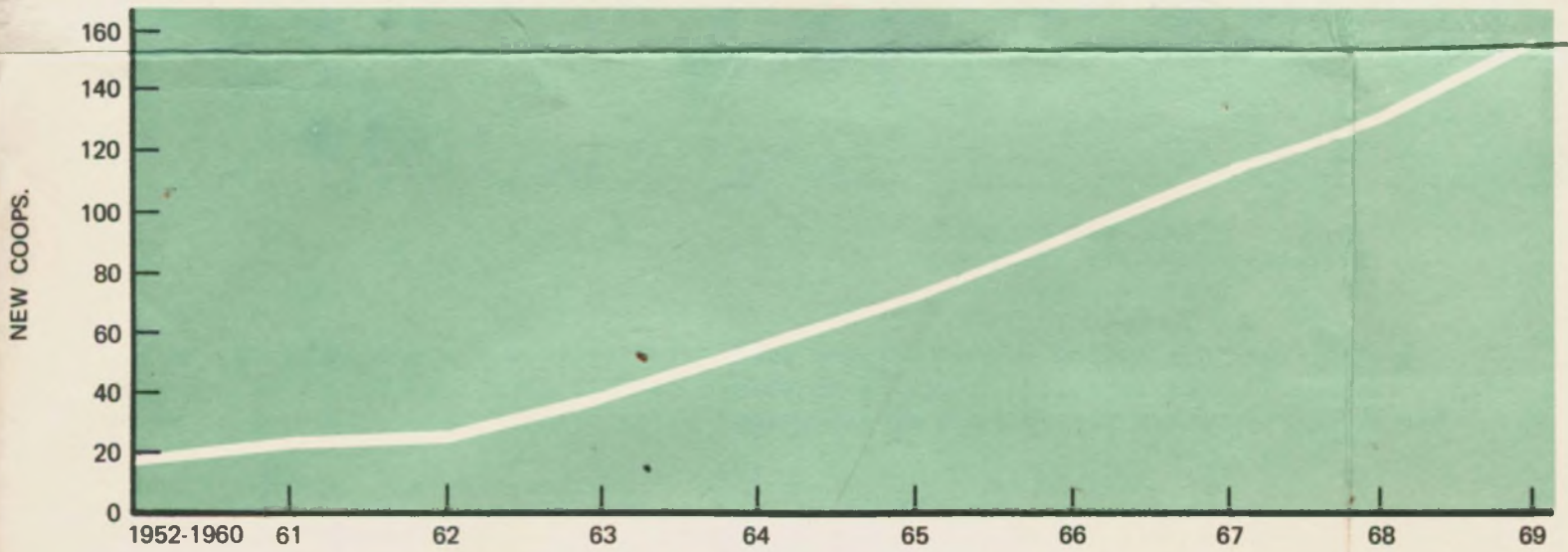
The figures contained in this report, while impressive in themselves, are only a beginning. A sound base has been built for even greater expansion of the cooperative housing concept. From this base we expect to produce substantially more dwelling units during the years ahead.

C. Franklin Daniels  
 President for Administration  
 FCH Services, Inc.





FCH SERVICES, INC.  
 COOPERATIVES ESTABLISHED WITH FCH ASSISTANCE\*  
 BY FISCAL YEAR



\*Excluding Investor-Sponsor and community sponsor cases where final closing and transfer of title to the cooperative has not taken place.