

Frequently Asked Questions (FAQs)
Regarding the Cooperative Offering Plan
By John Edward Dallas

Q. What are the petitions all about?

A. For starters, the petitions were prepared by the building captains and MHA. With the help of the building captains, they are being circulated by MHA, at the request of the New York State Attorney General's Office.

As required by law, MHA recently submitted to the AG's Office a proposal (hundreds of pages of documents, in fact) to convert the 21 properties it owns into a single, unified housing cooperative. While reviewing the proposal for compliance with all relevant laws and regulations, the AG's Office suggested to MHA that it conduct an informal survey of the residents of all 21 buildings, so that it -- the AG's office -- would have an idea of how many residents are interested in becoming members of the proposed housing cooperative.

Signatures on the petitions are a non-binding expression of interest. In other words, they do NOT obligate signing tenants to purchase the shares to their units. It is only after the co-op proposal (also known as the offering plan) has been approved by the AG's office and presented by MHA to the tenants that tenants will have to decide whether or not to become shareholders, that is, commit to purchasing the shares to their units or remain tenants. It is anticipated that it will be several more months before this process will take place.

Q. How did the idea of the co-op conversion come about?

A. The co-op conversion was the community's choice. It was selected after numerous membership meetings, workshops, and other forums, sponsored by the Cooper Square Committee, over many years, with residents of the 21 buildings and the larger community. Moreover, the 21 buildings that will make up what will be called the Cooper Square Mutual Housing Association Cooperative were turned over by the City of New York to MHA on the condition that the buildings would be converted into a housing cooperative.

Q. Why can't things stay the way they are?

A. Other than government funding designated for weatherization and other types of rehabilitation, MHA is not slated to receive any other large grants for the 21 buildings. From now on, then, the buildings will have to meet their operating expenses entirely on their own. Conversion of the 21 buildings into a single, unified cooperative housing company will put all the buildings in a much stronger position to fulfill three critical needs simultaneously and successfully. These needs are: (1) generating enough revenue to timely and completely pay the co-op's bills (for example: various types of insurance coverage; wages, health care, and mandatory payroll deductions for the administrative and maintenance staff; legal and accounting fees; fuel and utilities), (2) keeping rents affordable to low-income households, and (3) maintaining a reserve fund to address the costs of replacing minor and major components and systems (for example, roofs and boilers) in all the buildings as time goes by.

The multi-building unified housing cooperative model selected by the community and proposed to the AG's Office by MHA is an innovative concept. While relatively common in Northern Europe, it will be implemented in New York City for the first time with the anticipated creation of the Cooper Square Mutual Housing Association Cooperative. It is a bold and forward-looking approach to the city's severe shortage of affordable private-residential housing for low-income households amid rampant gentrification, historic levels of unemployment, and the steady disappearance of livable wages. MHA has received local, national, and international inquiries about its use of the unified scatter-site housing co-op model and the possibility of its adaptation to the affordable-housing crises specific to other communities in the United States. To be part of the Cooper Square Mutual Housing Association cooperative conversion process is to be a part of history.

Furthermore, the multi-building unified cooperative model is a prime example of the validity of the concept of "power in numbers" adapted from politics and civics to housing: "purchasing power in numbers." One of the most significant benefits of the model is that the consolidation of the 21 buildings into one housing corporation will allow the new entity to buy goods (e.g., fuel, utilities, insurance, supplies) and services (e.g., auditing, legal, extermination) in bulk and therefore at discounted prices. The savings that will result from reduced operating expenses will be passed on to co-op members in the form of annual maintenance increases that are moderate, rather than hefty.

Another major advantage of the multi-building unified housing cooperative model is that each of the individual buildings will benefit from a large communal reserve fund. If 10 or 20 years after a building has been renovated, there arises the need to replace, say, a roof or a boiler, the cost will not be borne solely by residents of that individual building, which would ordinarily necessitate a steep increase in carrying charges and in all likelihood create a hardship for low- and fixed-income residents. (Many small and medium-sized stand-alone limited-income housing cooperatives sponsored by the City of New York – known as TIL

or HDFC buildings -- have failed under these same circumstances.) However, in the planned multi-building unified cooperative, payment of a major system replacement will come from the pool of reserve funds generated by all the buildings. In a very real way, each building acts cooperatively to help all the other buildings by "chipping in" to the reserve funds.

Q. Okay, what's in the cooperative conversion process for me? How would I benefit personally, if I were to become a co-op member?

A. Above all, you will go from being a tenant to the owner of shares in a corporation – a shareholder – and therefore a co-owner of a housing company. Your status as a shareholder would entitle you to a stock certificate, which carries with it a number of privileges and benefits:

Security: Shareholders will have the right to a 99-year, automatically-renewing lease, as opposed to a month-to-month or one- or two-year tenancy. They can occupy their units essentially forever, provided they pay their rent (more accurately, maintenance or carrying charges) and abide by the terms of their lease and the house rules.

There will be an internal waiting list for shareholders requiring a different apartment because of, for example, a disability or overcrowding. This list will have priority over the external waiting list.

Affordability: Rents will be based on what it actually costs to manage and maintain the cooperative, rather than on making a profit (as is typically the case in private-market rental housing). With additional income being generated by the commercial spaces and rental units, maintenance increases will remain affordable to low- and fixed-income households into the indefinite future.

As part of their monthly maintenance or carrying charges, shareholders in all housing cooperatives as a rule pay a proportionate share of the co-op's operating expenses, such as mortgage payments and real estate taxes. Since MHA is exempt from mortgage payments and property taxes, maintenance charges will be exceptionally reasonable, comparatively speaking.

Unlike in most other cooperative housing models, the MHA cooperative model will not make shareholders responsible for the repairs in their units and replacement of appliances (the stove and refrigerator) – except where the shareholders are at fault.

Democracy: Shareholders will have the right to vote in the annual election of the board of directors, to run for the board of directors, to remove board members, and, working with other shareholders, to call special meetings of all the shareholders to raise and have a vote on issues they believe important to the

proper functioning of the cooperative

Transparency: Shareholders will have the right to an annual financial report (a profit and loss statement and a balance sheet) on the cooperative, and the right to inspect the cooperative's books, records, documents, and accounts.

Q. Would there any disadvantages to being a tenant in the housing cooperative?

A. Yes. Since tenants are not members of the housing cooperative, they would not be entitled to any of the many privileges and benefits enjoyed by shareholders, as outlined in the answer to the previous question. There is one notable exception: Tenants will continue not to have pay for repairs in their units and the replacement of their stove or refrigerator, unless they are at fault.

Q. I've been a tenant in my building for many years and for the longest I've heard about the co-op conversion. Is it really going to happen this time?

A. MHA has filed all the necessary paperwork for the co-op conversion with the New York State Attorney General's Office, as the law requires. The Attorney General's Office is reviewing the documents. Completion of the review is expected to be in several months. It is anticipated that the AG's Office will approve the plan, since, in preparing the many documents legally required as part of the filing, MHA's attorneys scrupulously followed the requirements of state law and the guidelines of the AG's Office, along with promptly discussing with the AG's Office any questions and concerns that arose (on either end) about required documents and information. After the AG's Office has approved the plan, its future will lie in the residents' hands. A minimum number of residents — presently, 75 percent — must commit to becoming shareholders, or else the co-op conversion will not become a reality.

Q. What happens if I decide not to become a shareholder? Do I have to move out? Or will I be evicted?

A. If the required number of shareholders agrees to become shareholders and, as a result, the buildings become a housing cooperative, tenants who decide not to become shareholders will be allowed to stay on in their units as tenants. They will NOT be evicted. Nor will they be in way pressured or manipulated to give up their units so that it shares can be sold. Tenants who decide not to become shareholders will have the same tenant rights and responsibilities that they have now, and enjoy the same services they have all along. One of the terms of the conversion plan is the non-eviction of residents who decline to buy the shares to their units. This is in line with MHA's unequivocal commitment to preserving and promoting economically-, racially-, and ethnically-integrated affordable housing on the Lower East Side.

Q. When you become a shareholder, aren't you buying the apartment? I've heard something different and I'd like to know more about this?

A. First, a housing co-op is a corporation or company. Becoming a member of a housing co-op requires the purchase of shares. It is no different than on Wall Street where individuals buy and hold shares in a company and, as a result, become, in relation to the company, its investors, members, and co-owners at the same time. Co-op members will be the housing co-op's shareholders and, consequently, its investors and co-owners. However, co-op members will not own their units; the units will belong to the corporation or housing co-op. Instead, co-op members will own the shares they hold, which will be confirmed by their possession of a stock certificate issued exclusively to them by the housing cooperative. Their ownership of shares will entitle co-op members to a proprietary lease, a special kind of lease that gives the right to occupy their units, not on a month-to-month or year-to-year basis, but continuously for 99 years.

Moreover, because co-op members' units will not belong not to them but to the housing co-op, members will need to obtain permission from the co-op board to do certain things with or to their units. For example, shareholders who wish to sublet their units will have to notify and receive permission from the board. The same goes for major renovations.

When individuals purchase the actual units they live in, they are in a condo (short for condominium), rather than a co-op. They own their units the same way homeowners do. They not only pay property taxes. They also are responsible for all repairs and the replacement of appliances. For instance, as with any homeowner, if their sink gets clogged, they are entirely responsible for calling a plumber and paying the bill for services and materials.

Q. If I become a shareholder, a member of the housing cooperative, can I sell my unit?

A. Remember: As a shareholder you will not own your unit; the housing co-op will. What you will own are the shares associated with your unit. Therefore, it is your shares that you will be able to sell as a shareholder. However, there are two major restrictions. First, you must sell your shares back to the housing co-op. Second, the resale price will be limited, so you will not make a profit. Rather, you will make back what you paid for your shares adjusted for inflation, plus any credit for improvements you made to your unit with the board's approval, minus deductions for any amounts you owe to the housing co-op.

The restrictions might strike you as unfair. However, there will be in place precisely to ensure fairness. First, Cooper Square Mutual Housing Association Cooperative will be a not-for-profit corporation. What is more, the housing co-op's certificate of incorporation, or charter, requires it to be a low-income cooperative for as long as it exists. Moreover, the housing co-op will have been

and will be the beneficiary of millions of taxpayer dollars and other public benefits – the total renovations, or gut rehabs, of all the buildings were made possible by federal grants, and the co-op will be exempt from costly city property taxes for many years. Because of these sizable public subsidies, it is only fair that units, upon resale, should serve an urgent public interest: the preservation of affordable housing on the Lower East Side for low-income families and individuals who are completely priced out of all the other private residential housing in the community.

Q. If I have more questions or concerns about the conversion process, who can I turn to?

A. Working with MHA, Cooper Square Committee has a hired a housing specialist, John Dallas, whose job is to provide the residents of all 21 buildings with any information they need about the offering plan. He will conduct information meetings and workshops (in English, Spanish, and Chinese) in all the buildings, and attend membership, building, and building captains meetings. He will also gladly meet one on one with residents to discuss their questions and concerns. He can be reached at 212.228.8210. He speaks English and Spanish.

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