

# Organizer's Handbook

*bringing new cooperatives to life*

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## *Acknowledgments*

First published by NASCO in 1991 in response to an overwhelming demand for information about creating new housing cooperatives, the *Organizer's Handbook* has been revised into a more accessible and comprehensive format. It is the product of years of work by many people. Writers for the First Edition include Renee Ordeneaux, Danny Krouk, and Mitch Hough; and for the Second Edition include Brian Nagorsky, Eric Guetschoff, and Phil Ashton. Also, special thanks to James Canup and Ben Phillips for their editorial and advisory role.

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# Preface

*Are cooperatives relevant to contemporary students?*

*Is a co-op on every campus realistic?*

*How can we achieve our vision?*

Before diving into a lengthy explanation about how to organize a housing cooperative, it would be beneficial to discuss the broader issues that inspire students to take action. This discussion is especially important for people not yet involved with cooperatives, but whom we seek to work with: co-op organizers and participants in other movements.

The more historically-inclined people in the cooperative movement have found that the periods when co-ops have experienced the strongest waves of development are the times when they have enjoyed widespread popular support. The vision of our movement is to facilitate the creation of a cooperative system on every campus in North America. However, co-ops exist on only a small percentage of college campuses and probably serve an even smaller percentage of the total student body.

The central issue is building the popular support necessary to realize this vision. Thus, the Preface will consider questions relating to the relevance of co-ops to contemporary students, the barriers that students face in the housing market, and a strategy for widespread development.

## Are cooperatives relevant to contemporary students?

Didn't co-ops die in the 60s with the hippie communes? Are the (supposedly) apathetic youth of today really interested in social and economic justice? How do cooperatives relate to the interests of contemporary students?

Two historical examples of periods when cooperatives have experienced considerable waves of development are the 1930s and the 1960s. In the 30s, cooperatives addressed economic and racial issues related to student housing. The 60s wave of development was motivated by a vision of equitable social and economic relations in which cooperatives were viewed as grassroots strategy for economic democracy.

Contemporary student organizers that focus on cooperative housing derive their inspiration from a variety of concerns. One concern is the lack of control students face as tenants in the housing market: co-ops bring democracy into the economy to advance livable housing conditions and the fair treatment of tenants. Likewise, by bringing students together to manage the organization, cooperatives create a community that works toward common goals. Building a sense of community on campus is integral to reviving civic life and student involvement.

Because cooperatives are democratic organizations that are entirely defined by their members, they will continue to address issues that relate to contemporary students. For instance, because they include a space for discussion about issues such as difference and equality, co-ops contribute to the contemporary dialogue on identity. Furthermore, new cooperatives can contribute to interest in sustainable living by experimenting with alternative methods of construction and rehabilitation.

Probably the aspect of cooperatives that makes them most relevant to the concerns of today's students is that they make education more economically-accessible. In recent years, one of the most important issues in student communities has been the accessibility of higher education to people who have been historically-underrepresented. By lowering the cost of housing, cooperatives are a vital part of a strategy to make college more affordable.

## Is a co-op on every campus realistic?

Sure, student co-ops are a fine idea, but do they really work? How can students, who are so stressed-out and inexperienced possibly own and operate a housing organization? Is the vision of a cooperative on every campus really feasible? Such are the questions that come to many minds when they first encounter student cooperatives?

Such questions stem from a lack of information about cooperatives and the perception that the student community is transient and inexperienced. However, once the rational observer is presented with the history and success of student cooperatives, such illusions are easily dispelled.

Concerns about whether it is truly feasible to organize a system of cooperative housing on every campus in North America do have some avidity. Historically, new campus co-ops have experienced serious difficulty obtaining loans from mainstream financial institutions. Even when the facts are presented, bankers shy away from lending to what are considered "high risk" projects. This has resulted in a financial crisis that has severely limited the development of new cooperatives throughout history.

The movement has responded to this crisis by using innovative methods. As such, new cooperatives have obtained financing from a variety of sources: established co-ops, owners, universities, governments, credit unions, and other community-based lenders. Yet, these sources shouldn't be relied upon for consistent support, as they are not obligated to provide loans to student cooperatives. What is needed is a funding source that exists for the sole purpose of creating co-ops on new campuses.

The project of creating such an entity has been undertaken by cooperative movement organizations. The Kagawa Fund for Student Co-op Development is a movement-controlled loan fund for establishing new co-ops. Kagawa is currently being raised to a capacity that could facilitate a substantial wave of cooperative growth on college campuses.

## How can we achieve our vision?

The student cooperative movement is slowly coming to the conclusion that it cannot realize its vision alone. Our resources are too few to effectively facilitate a wave of development that will produce a system of affordable student housing on every campus on the continent. Now more than ever, we should be ready to reach beyond the student co-op movement to other cooperative sectors and reach beyond the cooperative movement to other progressive people and organizations seeking to revitalize community, democracy, and education.

Indeed, the student cooperative movement has begun to create partnerships and coalitions with allies working towards common objectives. Partnerships with universities, governments, and community organizations can provide the resources necessary to purchase and construct new student housing. Likewise, coalitions with other student associations and progressive movement organizations can create a network of support to tackle the nitty-gritty work of cooperative development. Seeing cooperatives as part of a broad-based strategy for educational accessibility is the key to a strong future.

# The Cooperative Movement

*Cooperatives*

*Student Cooperatives*

*Movement Organizations*

Cooperation, economic and otherwise, is a concept which has been around for most of history. People learned ages ago that by working together they can accomplish more than the sum of each individual's efforts. Early cultures recognized the advantage of collective strength and the potential of cooperation by hunting, living, worshipping, cooking and providing shelter together in groups. The history of human economic cooperation is perhaps older than the history of competition. Even before agriculture had become the basis of human economy, cooperation was a necessity.

The modern cooperative movement dates to a group of twenty-eight textile workers who organized the *Rochdale Society of Equitable Pioneers*. In 1844, these weavers pooled 140 British pounds to open a small dry goods store stocked with oatmeal, sugar, butter and flour. Their effort was rooted in poverty and desperation. The previous year they had been fired and blacklisted by employers after an unsuccessful weavers' strike.

The Rochdale Pioneers incorporated several important features of democratic organization previously tried by earlier cooperatives. Most importantly, they codified their features and rules into what is commonly known as the Rochdale Principles. These principles helped strengthen the organization and formed the basis of a growth-oriented movement. The International Cooperative Alliance revised the principles in 1995 after the 150 birthday of Rochdale. The new document, called the Statement on Cooperative Identity is recognized as the basis of any cooperative.

These principles make several distinctions about cooperation. First, cooperatives are member-owned and -controlled businesses, in which all members have an equal say in the governance of the business: one member, one vote. Co-ops stand in contrast to proprietary ownership, in which one person holds all of the authority, and "traditional" corporate ownership, in which bases control on the size of one's investment. Second, cooperatives serve their members, and not the interests of speculative capital. By establishing limits on the return of investment and on share holdings, cooperatives discourage profit-seeking investments. Instead co-ops encourage local control and investments by the people who use the business. Third, cooperatives help the members actively govern their organization through education and help other cooperatives to better serve their members. This is done through buying goods from other cooperatives and providing development assistance to organizing groups. Finally, cooperatives exist not just for the benefit of the members but to serve, strengthen, and sustain local communities. They are community organizations.

It is of interest to note that the cooperative principles state nothing about member labor or low cost, two common perceptions of cooperatives. While member labor is a method frequently used by smaller cooperatives to keep the costs of operations low (thereby maximizing savings to members), member labor is not a principle or even an overwhelming characteristic of the cooperative movement. Involving membership in the daily operations of the cooperative, however, is another means of fostering cooperative education, participatory democracy, and a sense of community amongst the members.

Similarly, although cooperatives operate at cost and keep their prices as low as possible, many people equate cooperatives with the potential to under-price mainstream competitors. In many cases, it is possible to price below competing businesses, particularly through the use of member labor. However, cooperatives are generally subject to the same market conditions as other businesses, and there is no magic, nor mandate, that cooperatives' prices be lower than that of the competition. In fact, in contemporary markets, national and transnational corporations sell merchandise at incredibly low prices by paying their employees poorly, and/or relying on the lower costs of labor and materials in other countries. Some cooperatives have made a conscious decision to keep prices high enough to pay their employees fairly, provide higher quality goods, offer some additional service, or achieve other social goals.

In housing, most new co-ops are constrained from offering low rates due to the expensive nature of purchasing property. While members may realize some savings due to the co-op's nonprofit nature, or through the use of member labor and group purchasing, most new housing co-ops will operate near market rates. Fortunately, mortgage payments remain relatively constant over the term of the mortgage, and, due to inflation, the co-op becomes lower in cost over time. In the meantime, the co-op members are building equity for themselves and future members.

## Cooperatives

On a world-wide basis, modern cooperatives have developed for over 200 years. In many countries, such as Sweden and Japan, cooperative businesses figure prominently in their national economies. More importantly, cooperatives exist all over the world providing goods and services which would otherwise be unattainable. In many Third World countries, cooperatives such as credit unions and agricultural organizations have been very successful in helping people provide for themselves where private and other corporate capital do not see high profitability.

In Canada and the US, the roots of the cooperative movement sprang up for similar reasons. Rural electric co-ops, credit unions, and agricultural co-ops were founded to meet the needs of populations, particularly rural, which did not attract investment or where goods and services were provided at unfair prices.

In the early 20th century, cooperatives in these two countries began to see a need for national organizations. In the US, cooperatives organized the Cooperative League of the USA, which later became the National Cooperative Business Association (NCBA). NCBA provides networking, technical assistance, and development assistance. One of NCBA's major contributions has been lobbying at the national level for cooperatives. For instance, it lobbied for legislation which made cooperative incorporation possible and helped pass legislation which formed the National Cooperative Bank in 1978. Today, NCBA remains the premier cross-sectoral link among co-ops in the United States.

Canada enjoys an even stronger network of cooperative support organizations. The Canadian Co-operative Association (CCA), formed from a merger of the Co-operative Union of Canada and the Co-operative College of Canada in 1987, provides educational services to its member cooperatives and sponsors cooperative development in lesser-developed nations. The Co-operative Housing Federation of Canada (CHF) provides technical assistance to developing and established co-ops throughout English-speaking Canada. Canadian cooperatives have also benefited from the support of the Canadian Mortgage and Housing Corporation (CMHC). However, the CMHC has not provided financing for a student cooperative since the early 1970s, and funding for the program has dropped off sharply in recent years. Other sources of financing are available, primarily from within the cooperative movement itself.

The contemporary cooperative movement is strong and diverse. Cooperatives exist all over Canada and the United States. Some of the larger cooperatives have an annual income of several billion dollars. In addition to rural electric co-ops, credit unions, and agricultural co-ops, there are cooperatives to serve almost every need: food co-ops, automotive co-ops, insurance co-ops, housing co-ops, book co-ops... the list goes on.

## Student Cooperatives

The beginnings of student cooperatives are unknown, but it is believed that the first student co-ops were bookstores and group houses that began in the late 1800s. The Harvard "Coop" is the best known example of the early bookstores. Recent research by Deborah Altus has documented the existence of women's housing co-ops during this period. These houses, owned and controlled by the university, were established to provide affordable housing for women. They were "cooperative" only in that the members shared responsibilities and ate meals together. Most of the pre-Depression Era student housing cooperatives were university owned and operated.

The Great Depression of the 1930's brought many student cooperatives into existence in both Canada and the United States. This period of economic hardship encouraged people to think in new directions and a wave of new co-ops was started. If one event can be seen as the birthplace of student cooperative movement it was a lecture by an internationally-renown Japanese labor, cooperative, and peace activist, Toyohiko Kagawa. Kagawa spoke at a Student Christian Movement conference in Indianapolis, Indiana. Students from Ann Arbor and Toronto went to this conference and returned home to start student housing cooperatives that thrive even today. Other student activists saw him speak elsewhere and were similarly inspired.

The 1930s also saw the start of other long standing cooperative systems including Berkeley, Austin, Los Angeles, and Eugene. By 1941, about 150 cooperative housing associations had some 10,000 student members. An association was formed called, the North American Students Cooperative League (NASCL), which survived into the 1950s. The Second World War deflated much of the momentum of this period, drafting members for the war. As most of these co-ops were in rented buildings, most of them died during the war. The organizations that survived were usually the ones that had begun to purchase their own buildings.

In the 1950s, new systems in Kingston, Ontario; Oberlin, Ohio; and Lincoln, Nebraska were established. However, McCarthyism did not encourage progressive answers to social problems. No one can tell, with cooperatives or other progressive movements, to what extent the fear and guilt of the McCarthy era damaged the chances for revival and expansion. At any rate, there was little new development of cooperatives during these years.

In the 1960s, the political fervor over the civil rights, free speech, and anti-war movements brought new enthusiasm to student communities around the world. This enthusiasm translated into a keen interest in non-traditional forms of democracy, such as cooperatives. New cooperatives were started in places such as Austin, Texas; St. Paul and Minneapolis, Minnesota; and Providence, Rhode Island, among others.

Throughout the 1970s, former student activists put their ideas into action by creating food and other cooperatives based on the idea of participatory democracy and a healthy life. This activity translated into what is known as the "New Wave" cooperative movement, as opposed to the "old wave" co-ops of the 1930s. Some of these organizations existed on college campuses but most were integrated into communities and served community needs. The New Wave cooperatives, with their emphasis on healthy and organic foods, were the beginning of the contemporary health food movement.

In 1968 at a conference sponsored by the Inter-Cooperative Council at the University of Michigan a proposal was passed to form an organization to meet the growing needs of the student cooperatives in Canada and the United States. Three weeks later, a group gathered in Chicago to organize the North American Students of Cooperation (NASCO), based on the NASCL model of the 30s and 40s. During the 1970s, NASCO was composed not just of student cooperatives but of the new wave co-ops that were popular in youth circles. The contemporary NASCO is composed mainly of student cooperatives and serves as the voice of a strong and future-oriented movement.

In the realm of development, an important change that took place during the late-60s and early-70s was in the area of federal funding provided by the US and Canadian governments. Most of the existing student housing cooperatives took this opportunity to expand rapidly. However, the late-70s and early-80s were the end of this period of fantastic growth. Established cooperatives expanded during this period, but only a few new systems were started. For this reason, in 1987, the Campus Cooperative Development Corporation (CCDC) was founded as the development partner of NASCO. With the vision of a co-op system on every campus, CCDC has advocated for and assisted student groups.

Student cooperatives are considered to be unique in relation to the rest of the cooperative movement in many respects. First, campus cooperatives have higher rates of member turnover than most because of the limited time students attend college. Second, most student cooperatives have a higher degree of member participation—both in governance and operations—because of the labor responsibilities of membership. Third, student co-ops often serve the social needs of their members more intensely, since they are frequently based upon group houses and/or shared dining groups.

### *Management Structures*

For the day-to-day operations of their organizations, student members have developed a variety of management structures. However, most structures contain the two following types of participation:

- **Member Participation:** Almost all campus housing co-ops require labor or work hours from their members. By providing much of the routine custodial, kitchen and maintenance labor, members significantly reduce costs. On a broader level, the members control the co-op through their involvement in committees and the Board of Directors.
- **Management Continuity:** Experience, expertise, and continuity are gained through either hired management or through direct affiliation with the university. These people provide the long-term guidance needed to keep the organization alive and healthy, especially in the areas of long-term maintenance and finance.

A balance between these two aspects should be maintained. If the balance is unstable, the cooperative might close its doors or lose its cooperative identity. Without the member volunteer labor, the housing becomes too expensive, the commitment of the members declines, the member education becomes negligible, and the understanding of member control is insignificant. With member labor, a “sweat equity” investment is developed by all members, learning and control are maintained, and a strong sense of community develops.

Similarly, with long-term management, the cooperative can maintain its properties in good condition and remain financially healthy. Many student cooperatives that lack this continuity and expertise have withered away into nonexistence. Recognizing the need for skills and continuity, some campus cooperatives have also worked to put community and university resource people on the Boards of Directors, to complement the students decision-making abilities and create a link between the organization and the outside world.

Teaming these two aspects enables campus cooperatives to provide on-going housing services at an affordable price. This teaming has proven in the past to be the most successful way to operate a co-op within the given constraints—high student turnover, inexperience, limited financial capacity—because it is the least expensive management structure and enables students to learn about and invest in the organization in a way they can afford given the limitations of the student lifestyle.

### *Building Structures*

Over the years, the campus housing cooperatives around the continent have built or purchased several different types of facilities designed to meet the particular needs of an individual campus. Four basic types of building styles have been used.

*Small Group House.* Fifteen to fifty students share a house, which is often an older, converted building. This “group house” usually has shared meals several times per week, often every day. Members contribute about four to six hours of labor per week to the operation of the household. This labor includes preparing meals, cleaning the kitchen and “common areas,” collecting rent and paying bills, and possibly office work within the central management structure. Co-ops of this size generally have about five to eight officers responsible for administrative tasks and networking with the central organization or university housing office.

*Large Group House , or Small Dorm.* In this model, approximately 100 students share one large structure. There are usually shared meals. Some have constructed their own buildings for this model, usually resulting in a structure of about eight to ten “suites” which offer cozy areas in a large building. Most of these large houses are operated quite similarly to the small houses, but it has been observed that houses of this size require more people in administrative positions and may require staff specific to the building; i.e., a building manager, cook, or maintenance personnel.

*Small Apartment Building.* These buildings are often purchased or built by co-ops that have group houses to give older members more privacy. Some organizations with these types of buildings do require a work contribution, often for grounds maintenance. There are no shared meals and there is generally a “small” feeling to the co-op but with a high degree of privacy. A similar structure is the townhouse complex, organized very successfully as a cooperative in many family-housing situations.

*Large Apartment Complex.* Students share apartments of two to five bedrooms. This model allows the largest number of students housed per square foot of land, but may lack a sense of cooperation. There are no shared meals. Students are not usually required to contribute labor to the cooperative in this model, although they may organize their apartments as “mini co-ops.”

There are many student cooperatives that consist of only one group house, but the majority of students involved with campus cooperatives live in a building that is part of a cooperative system. These co-ops are organized into a central organization governed by a member-elected Board of Directors, which is accountable to the membership. In a system of several group houses, or one with houses and small apartment complexes, Directors are usually sent to the Board as representatives of a building. In high-rise apartment complexes, Directors may be elected at large, or represent a floor of the building.

## Movement Organizations

The existence of organizations whose mission is to educate and expand the student cooperative movement has furthered the general interests of student cooperatives. NASCO, CCDC, and NASCO Properties are three movement organizations that have been created the student co-ops in Canada and the US. They have provided a forum to discuss issues affecting member co-ops and an impetus for assisting organizers in building new student co-ops.

### *North American Students of Cooperation*

NASCO's creation in 1968 meant that student cooperatives began working together towards their common interests. NASCO began its work almost immediately on creating tools to develop more cooperatives. Through a strong lobbying effort, student co-ops were able to get the Department of Housing and Urban Development to make loans directly to student co-ops.

As part of its goal to serve active members, NASCO developed educational programs to assist its student co-ops in educating their members. First focusing on regional conferences, NASCO developed a bi-national conference, called the Cooperative Education and Training Institute (CETI) to train co-op members and organizers in the principles and practice of cooperation. Other programs were developed to educate and link NASCO members from around the US and Canada. Today, NASCO keeps the student cooperative movement strong and develops leaders for the future. The services currently include the following:

- CETI: an annual educational conference attended by 200 to 400 co-op members

- *Co-op Voices*: a newsletter with Articles to inspire involvement
- *Member Visits*: educational workshops done on-site at each co-op
- *Managers' Association*: an informal network of student co-op managers
- *Information Services*: provides information about cooperatives to members and the general public
- *Internship Network*: provides students with jobs in cooperatives around the continent

### *Campus Cooperative Development Corporation*

The late eighties and early nineties brought the development and implementation of a new business plan for NASCO, which called for increased efforts in maintaining the ground which student cooperatives had achieved through enhancing member services. The plan also called for increases in development activity and resulted in the creation of the Campus Cooperative Development Corporation (CCDC).

CCDC was founded in 1987 by NASCO and its member cooperatives. A nonprofit organization dedicated to cooperation among cooperatives, CCDC was created because NASCO found that, due to limited resources, it could not effectively assist co-op organizers. The organization encourages and initiates co-op development on a substantial and continuous basis by providing comprehensive technical assistance to student groups looking to establish co-op housing. CCDC works with student groups on cooperative organizational aspects, legal incorporation, analyzing the feasibility of potential properties, finding appropriate properties, arranging financing, and assisting in the design of the organization.

CCDC is a separate organization with its own membership, which allows for special participation in a development effort that is not perceived as a drain on NASCO's educational efforts. While NASCO and CCDC are different organizations, there are substantial connections between the two. First, the memberships in the two organizations overlap extensively. Second, the organizations consider themselves to be development partners, meaning that they coordinate their efforts. Finally, NASCO, CCDC, and NP all share staff and office space.

As a part of their strategy, in 1988, CCDC and NASCO incorporated another organization, NASCO Properties (NP), which provides ownership and management services for several new cooperatives. NP seeks to combat the problem of student organizers' lack of access to mainstream financial resources. By posing as a reputable national property owner, NP is able purchase a property for local student cooperatives. A more detailed description of NASCO Properties can be found in the "Purchasing Property" chapter.

# Getting Organized

Organizing is the process of bringing people together into a group. People have always worked together in social units to further common interests and objectives. In the contemporary world, organizations are a fundamental part of a democratic society because they represent the interests of a certain constituency. Likewise, organizing is regarded as a key aspect of creating progressive social change.

For students, the organizing process can be an integral part of the educational experience. Larger social, political, and economic issues being studied in school may function within the dynamics of the project, painting a clearer picture of how the world works. Furthermore, students may be able to integrate projects with school work to receive college credit for organizing, saving time and sanity. Whatever the case, campus organizing is an enriching experience that teaches people how to lead an active life.

The first section of the *Handbook* addresses a host of fascinating issues that will get the project on its feet and moving forward. The tasks of recruiting new members, educating the public, and building a strong core group are the keys to a healthy project. Likewise, mobilizing community support, creating a system of governance, and incorporating as a nonprofit organization prepare the group to tackle the forthcoming challenges presented by the housing market.

# Organizing a Core Group

*Creating a Vision*

*Campus Organizing*

*Building a Core Group*

*Educating the Group*

An organizing group could be formed by a couple folks who come up a great idea, create a vision, and then recruit people into the organizing group. Others could be a group friends who decide to embark on a project together, form a core group, then create a vision. The possibilities for different scenarios are endless. Whatever the sequence of events, forming a core group of people who are dedicated to making the project a success is essential.

Developing interest among participants and potential supporters is something an organizing group can do productively. In addition to establishing an effective and committed core-group, some of the initial projects that can be tackled are establishing contacts for advice and support. CCDC can help in this process by making presentations to local groups to develop interest, clarify intentions, or reassure the wary.

## Creating a Vision

An important starting point for organizing groups is the issues and aspirations that lead them to identify the need for a cooperative. Many cooperatives are conceived as responses to pressing social and economic issues. Others are started to fulfill more spiritual needs, or to provide lifestyle alternatives. An important part of the development process is researching these issues and how a cooperative can respond to them. This prepares the organizing group to persuade others—funders, future members, university officials, local governments—that a student co-op is worthy of support.

Part of the process of creating a vision is defining the organization's goals and purposes. This dialogue is usually one of the first discussions that a group has, as there are often pressing issues bringing a group together. However, it does not end after the first discussion, as the fundamental nature of the subject is cause for extensive and continued deliberation. In fact, student cooperatives that have been in existence since the Great Depression, still review their organizational mission periodically. Below is a list of provocative discussion topics that may prove useful in guiding a visioning discussion.

### *What is going on in the community that makes a cooperative seem desirable?*

Often, social, economic, and political trends form a basis of interest in student housing cooperatives. In the 30s, economic woes and racial discrimination led students to create these housing alternatives. Likewise, the student cooperatives of the 1960s were energized by the idealism and activism of the period. The student cooperatives of the 1990s and beyond will likely emerge from a combination of factors and interests, including diversity, accessibility, spirituality, community, and economic democracy.

What are some of the issues that are alive on your campus and community? Is there a housing crisis? Are students dissatisfied with university and/or private housing options such that they are open to consider alternatives? Consider the relevant issues on the campus and imagine how a cooperative could address them.

### *What is the target group? How will this group benefit from a cooperative?*

Campus communities are invariably composed of a series of social groupings and circles. Will your cooperative target a specific population in its focus, advertisements, and outreach? It is important to be aware of how the environment that that is constructed affects who is interested in living at the co-op.

### *In what area will the cooperative be located?*

In the neighboring communities of most universities is a student ghetto, a neighborhood composed primarily of students. Student ghettos are known for their dilapidated housing, absentee landlords, and are generally seen as a menace by non-students. Also, sometimes property speculators will buy up property in poor neighborhoods and rent it out to students at higher rates, creating new student ghettos.

Will the cooperative occupy housing in the student ghetto? In what ways will the cooperative address the problems of other low-income people in the community? Organizing groups should attempt to instill in themselves a heightened sense of awareness about how they affect the people outside of the student community.

### *How do the members envision the cooperative's operations?*

This chapter presents some introductory information designed to give organizers a fair idea about how different student housing cooperatives operate. While co-op operations evolve out of a process of trial and error, it is important for organizers to take the time to envision the initial operations.

Will the food be organized on a common or individualized basis? Or both? To what degree will the members be involved in the governance and operations? How will the governance and management of the organization work? Who will clean the toilets? It is strongly advised that organizing groups visit other student cooperatives and discuss their operations. Summer internships at student cooperatives provide an excellent opportunity to experience first hand co-op operations.

## Campus Organizing

An important task in building a core group is increasing the level of student interest in cooperative housing. Beyond the people who are doing the leg work, are there other students interested, or potentially interested, in cooperatives? There are many different kinds of activities which can help reach-out to students and other supporters and develop interest in the organizing effort.

### *Promotion*

Leafleting and posterling are proven means for student organizers to get the word out about issues and events. Plaster campus kiosks with flyers, host a dinner or a forum on the topic, and test the level of interest. Creating such materials can be a catalyst for clarifying vision and purpose. See the discussion of recruitment in the "Opening the Cooperative" chapter for more ideas about promotion and recruitment.

### *Public Meetings*

Consider hosting two separate meetings, one for social interaction, and one for business. This will help publicize the organization to all interested students, while allowing you to identify those who are truly interested in the idea of a student housing cooperative. Some of these people could be those who will join your group and spend a considerable amount of time on the project, or they could just want to move into your cooperative. Others might become sympathetic advocates, spreading the word, although not remaining active participants. Consider anyone to be a potential ally.

Circulate a sign-up sheet to get the names, addresses, phone numbers, and email addresses of people who might be interested in joining the cooperative. It might also be useful to find out how many more years each person expects to be on campus, and if they have any skills relating to cooperatives, business, or housing. Getting other students involved is usually some of the easiest, and most fun, outreach work to do—an opportunity to dream and to motivate.

It is important to distinguish the people who may be interested and who will participate from those who will be the leaders and form the core group. At this stage, organizers should look for leaders: in particular, people who will come to meetings, who will work outside of group meetings, and who are committed to bringing a cooperative to life. This is not to say that anyone should be discouraged, but it is important for movers and shakers to step forward.

### *Educational Events*

Often the most productive way to get students and others motivated to create a student housing cooperative is to organize an educational event. A conference, workshop, or other day-long event can focus attention on local needs and models of response. In the past, organizing groups have invited speakers, organized public booths and displays to coincide with major dates in the cooperative movement (for instance, October is Co-op Month), and convened debates during election time to talk about local housing issues. These events have proved to be excellent forums to introduce the concept of cooperative housing and publicize group activities.

### *Fundraising*

In the initial stages, organizing a student cooperative doesn't take much money. However, the cost of phone calls and printing can add-up, and it is often not realistic to expect individual members to foot the bills. Fundraising can help reduce the cost of co-op education conferences. For instance, events such as film nights, bake sales, and bottle drives can help raise funds for the group (videos about cooperatives are available).

Other fundraising strategies include: educational community events (perhaps about student housing problems), pledge campaigns, and getting the local food co-op to give five cents for each bag customers re-use. Funding sources to research include: foundations, alumni associations, universities, and city governments.

Successful fundraisers combine traditional techniques with creativity and innovation to produce a campaign that suits the group's needs and abilities. For instance, combining efforts to recruit organizers and build support for cooperative housing, a group might initiate a campaign to educate the campus about student housing problems: exploitation, affordability, or overcrowding. If successful, the campaign could segue into a campus ballot initiative to raise student fees one dollar per semester to be allocated to an affordable housing development fund. In just one year, such a method could yield 30,000 dollars on a campus of 15,000

students. The fund could support the organizers during the initial stages and yield a down payment for a co-op after a few years.

### *Student Government*

In broadening the scope of outreach, the student government is an excellent resource. Student governments can offer organizational advice, assistance, and encouragement. Often they have literature which is designed to help student groups organize, and will be able to provide information about the benefits of becoming a registered student organization.

This designation often provide groups with a number of benefits, including funding, copies, meeting space, office space, organizational development assistance, advertising advice, etceteras. Registering also shows that a group is committed and wants to be a part of the campus community.

Furthermore, the student government may become another supporter of the effort. Even if the support is in name only, having such backing could generate further support from others who might have be reluctant. Some student governments are active in the area of housing and tenants' rights and might have housing committee or program that will prove useful.

### *Student Organizations*

There are several different types of groups which may be interested in lending support the effort. Are there groups on your campus interested in educational accessibility? While affordable student housing is always not considered part of a strategy to improve the college accessibility, there are signs that the tides are turning. Social justice and students' rights group may prove to be dynamic allies.

One supporter of cooperatives is the is the Youth Section of the Democratic Socialists of America. DSA currently has a "Campaign for a Democratic Economy," which relates to cooperatives as democratic economic organizations. Environmental groups often support of cooperatives. Does the university have a local student Public Interest Research Group (PIRG)? Is there an environmental center? Many campus activist groups may be willing to sponsor organizing or provide funding for housing cooperatives.

Organizers who reach out to other groups often encounter a lack of knowledge about cooperatives and sometimes disbelief that students can run their own housing organizations. NASCO may prove useful in overcoming this challenge by providing the group with pamphlets or reports about student cooperatives that can be used for outreach. This literature adds validity to the concept and helps build support. Persistence certainly has its place in organizing.

## **Building a Core Group**

At some point, perhaps after the initial outreach effort, a "core group" should be firmly established to actively develop the cooperative. The difference between a core group and an organizing group is that the latter may include many supporters that do not have the time to participate, and the core group actually does the organizing work. The core is more dedicated and tightly networked.

Issues of importance in establishing a core group are as such: Are potential members team players? Has she or he shown a commitment to the project? Does the core group need to expand, or is it already an optimal size? Does the group need more participants to achieve its development goals?

If it is decided that more members are needed, consider the following issues when recruiting. What sort of background experience do potential members have? Experience in the areas of cooperatives, housing, business, governance, activism, community service, and maintenance are all helpful. What does a potential member bring to the project? How can this increase the chances of success?

Be careful, however, not to expand the size of the group just for the sake of expansion or general enthusiasm. While large groups provide extra labor power, groups that are too large are difficult to manage. The core should be "optimal" in size, which is a subjective trait to be judged by the intuitions of the current participants. It is important that the members of this core group are all willing to commit significant time and energy to creating the cooperative.

Down the line the co-op may need more people to move into a house. It may prove useful to keep a database or a list of names, phone numbers, email, and addresses, of all those who have expressed support. This will make staying in contact and new member recruitment easier.

## Educating the Group

Even an organizing group composed of experienced cooperators should provide for member education. A commitment to education breathes meaningful life into the cooperative structure and empowers the members to take control of the organization. There are three areas of member education in creating a student housing cooperative: cooperatives in general, housing in general and student co-ops.

### *Cooperatives*

Opportunities for education about cooperatives are a lot more plentiful than one might think. In many cities in North America there are cooperatives and experienced co-op activists. As much as the student sector might believe that “our” cooperatives are the only “real” ones, there is much to be learned from other sectors of the movement. Maybe a local food cooperative has an education program. Possibly the manager of an agricultural cooperative will come and lead a discussion about the cooperative principles. Think creatively, and, once again, look for allies.

### *Housing*

Housing is another challenge altogether. Development, rehabilitation, maintenance, financing, and the real estate market probably seem to most like they are from another world. Indeed, most student activists know very little about property. However, glimmers of hope do exist. Member’s parents may own a house and can share some of their experience. Or perhaps there is someone in the group that is knowledgeable about housing development.

Proactive steps should be taken to empower student groups in this often unexplored area. There may be real estate courses offered at the local community college. Or, if a group member does know something about housing, efforts should be taken to share the knowledge through workshops or discussion. If no one in the group is knowledgeable, is there someone else that will facilitate a workshop?

It is hard to find accessible “how to” information on housing, which is one of the reasons for writing the *Organizer’s Handbook*. Discussion is usually the best means for empowering student groups. An effective educational format is to make copies of one chapter of the *Handbook*, distribute them to everyone in the group, read it, and discuss. This process does not lead to mastery, but gets groups thinking and acting.

### *Student Cooperatives*

The final subject in group self-education is the student cooperative movement. Student cooperatives have their own breed of special rules and quirks that make them interesting for both the participant and the observer. Keep in mind that all co-ops are different—and take everything you see, hear, read, and experience with a grain of salt. Knowing which aspects of other student cooperatives make sense to the group is useful during the process of creating a collective vision and system of operations.

Members can learn about student cooperatives via fellow organizers, road trips, and educational conferences. There may be a student co-op alumni in the group, who can provide valuable information but should not be relied upon as the only source of knowledge. Group road trips to student cooperatives are fun and provide an opportunity for members to get to know each other better. Most co-ops, in the spirit of the movement, are quite willing to house guests overnight, but plans should be made in advance. Road trips provide organizers with flavor for what others have done. NASCO Institute and regional conferences organized by local cooperatives are unique opportunities to meet cooperators, discuss strategies, learn about new ideas, and energize the group.

# Moving Forward

*Working Together*

*Technical Assistance*

*Advisory Committee*

*Getting Legal*

*Governance*

An obvious place to look for support for a student cooperative is the student community. However, venturing into the larger community makes a project more dynamic by giving it a broader base of resources. Once the organization establishes a more concrete form and makes strides in the real estate market, such support will prove valuable.

Another significant aspect of organizing a cooperative is establishing a legal status and system of governance for the future organization. Creating the legal documents is necessary for incorporation but also provides a good opportunity to envision the purpose and how the cooperative will work. Contemporary organizers are in a unique position of being able to integrate historical lessons into their plans for how their organization will work in the future.

As the organizing group begins to work closely together towards achieving common goals, members should pay special attention to creating healthy group dynamics. In order to work together as effectively as possible, groups should establish a process of communication, evaluation, and decision-making, as well as making an honest attempt to maintain a sense of equality.

## Working Together

A misconception about cooperatives is that everyone involved gets along, there are no arguments or divisions, and everyone is always smiling: the members are “cooperative.” In reality, human interaction involves interpersonal and group politics. Participation in a housing cooperative involves living, playing, making decisions, doing chores, and managing an organization.

Yet the ability to work together is a skill that is acquired over time through practice and honest effort. As an organizing group moves forward, members should simultaneously consider the issues of working together and dividing responsibilities in an equitable fashion. Rather than discussing the tasks of organizing, the next two sections will discuss the process of organizing.

Task and process are two concepts that are interwoven because how one does a task affects its outcome. For instance, if a group is working on a project and there is poor communication or some members feel they cannot speak about what's on their mind, the decisions and the work completed by that group will lack in quality because not everyone has voiced an opinion.

### *Group Dynamics*

The status of how a group of people interact with each other is known as the group dynamics. The effectiveness of an organizing group or cooperative is dependent upon how well people are working together to achieve common goals. Smart groups build a dialogue about their dynamics and honestly work to improve their interactions. For instance, one common “unhealthy” dynamic is when one or more members are taking-on far more responsibility than the others in the group or there are some people who have lost interest or are simply not living up to their responsibilities. If the problem is not addressed, it can lead to resentment among those who have taken-on more responsibility, which can manifest in unpleasant ways. Other unhealthy group dynamics include lack of communication, excessive power hierarchies, or a competitive atmosphere.

People interested in organizing cooperatives often have a healthy respect for the idea of equality. Probably just about everyone believes in equality in the sense that all people should be treated equal, but equality in an organizing group should have a more meaningful definition. Organizers should strive for an equality of input, meaning the amount of work and thought that people are putting into the core group is equal. Equality of input helps to bring about healthy group dynamics as well as insuring equal participation. A lack of equality often leads to the burnout of the most committed members, which can result in those members quitting.

One way of achieving equality of input is to evenly divide the responsibilities among core group members. The first step in this process is for each group member to state his or her commitment to the group. The next step is to meet to discuss the what the responsibilities are and delegate them according to who can best achieve each task: the art of delegation is something that organizers should make a concerted effort to master. The last step is to check-in at a later meeting and discuss how each person's responsibilities are coming along. Meeting on a regular basis furthers the whole process and creates the space for good communication. The secret to this process is being organized and following through on commitments.

Of course, if a member is willing to take on more responsibility than other people, that is her or his prerogative. But one should be wary of not doing this too much or letting it interfere with other parts of one's life. Burnout is a serious problem amongst activists, and it's no fun.

Being organized, both personally and as a group, is another thing that makes for healthy group dynamics. It is difficult for students to participate in extracurricular activities with the stress of a full load of studies, an often low-wage job, and a social life. To meet all of one's responsibilities and be an activist takes a courageous individual. Being organized helps one manage time so that nothing is forgotten and maximum effectiveness is achieved. Groups also need to be organized. Keeping notes, creating an organizational structure, and meeting regularly help to get stuff done. In addition, groups that appear to “have their act together,” are more apt to impress potential supporters.

Communication is a third means of achieving healthy group dynamics. Talking about strategies for the near future, the purpose and vision of the co-op, and so forth are some examples. Most importantly, when problems arise, the group should talk about them, and try to conceive solutions that meet everyone's concerns. Once again, regular meetings create a basis for good communication.

Finally, it helps to get to know other members on a personal basis: get-togethers, hanging out after meetings, going out on the town, etceteras. As mentioned in the previous chapter, educational trips are excellent ways to learn about the cooperative movement and build and a strong sense of community.

## Technical Assistance

Unknown to many students is the plethora of resources available at the local and statewide levels, which can assist organizing groups in tackling the technical aspects of cooperative development. Starting a cooperative does not require magic—activists usually learn most of what they need to know during the organizing process— but time and frustration can be saved by knowing allies and seeking assistance.

Local, statewide, and provincial forms of technical assistance are powerful tools which organizing groups can take advantage. Technical assistance (help with the more specialized aspects of housing development and legal structures) can come from local nonprofit housing organizations, cooperatives, government agencies, university administrations, and supportive citizens.

One technical assistance provider that readers are probably familiar with is the Campus Cooperative Development Corporation (CCDC). While CCDC works with students from across the continent, it is a small organization that does not have the resources to give all the help that is needed. NASCO, CCDC and NASCO Properties share only three and a half staff persons, an intern, and a small office. Therefore, in addition to working with cooperative movement organizations, organizing groups should seeks assistance from others that can aid in its struggle.

Resourcefulness and persistence are key factors in seeking out such assistance. Most organizations will not be familiar with the operations, governance, or finance of student housing cooperatives. Furthermore, not everyone will be receptive to the concept of a student cooperative, and twenty-something organizers may encounter prejudice based on their age, idealism, or lack of formal experience. On the other hand, technical assistance providers are the best hope for access to such amenities as: legal and development aid, business advice, meeting space, office space and machinery, other resource connections, etceteras. Indeed, most socially-conscious people, once the concept is well-articulated, agree that student cooperatives contribute significantly to college education and accessibility.

Organizers should delegate the responsibility of researching technical assistance to someone in the group. Yet, it is important to remember that outreach consists of more than mere research. Effective outreach consists of building a presence in the community and then approaching constituencies for support. Such work might involve taking advantage of local networks, tabling at community events, organizing demonstrations, and communicating with local media. Once a key constituency has been identified, a strategy might include: phone calls, letters, visits to the office, and an invitation to a dinner potluck. Another approach could be to intern with a prospective organization for course credit to learn first-hand about the issues they address and build a strong relationship.

While the services of a technical assistance provider may be available to benefit the general public, that does not mean anyone who walks through the door and asks for it. Success can be achieved through convincing staff that those involved are a group of motivated and organized human beings and that the project will succeed.

There is no comprehensive master list of technical assistance organizations across the nation that can be referenced to find the desired groups. But the following is a list of some categories that will give an idea of what form these organizations take and where to begin looking. Some of the categories may be familiar, like a tenants' union or university housing office, and others may be foreign, like a mutual housing association or affordable housing corporation.

A place to begin looking is the phone book or the world wide web. Further, NASCO has a limited database of cooperatives and technical assistance organizations, which could be helpful. Each time contact is made with an organization, ask if they can provide leads to other sympathetic resources. Persistence is key. After compiling a list of potential allies, send out invitations for a dinner party and discussion of aspirations and

goals. Often, people will not be interested until they know the organizers and are able relate with them as human beings.

### *Cooperatives*

A comfortable place to start the outreach process might be with other cooperatives in the area: a food co-op, book co-op, community housing co-op, agricultural co-op, etceteras. These organizations may not be familiar with the needs of student cooperatives, particularly in aspects of development, but could prove to be enthusiastic providers of information and advice. Local cooperatives may also be able to offer access to their office facilities, space for forum, informal business advice, and cooperative education resources.

A local housing cooperative may be willing to play the role of a "big sister co-op." It may be willing to donate staff time to help inspect potential properties, offer advice on the local housing market, donate old tools and equipment, and so on. In many cases, these organizations can do better than CCDC because they are local. They are easier to contact and have relevant information.

Existing student cooperatives have been important sources of support for organizing groups in the past. These organizations, both young and established, can be invaluable sources of information and encouragement. Many have a history of providing financing for organizing groups. Even if individual cooperatives are not in a position to provide financial support, they can use staff and other resources to help groups grapple with the challenges of getting project off the ground.

### *Universities*

Even though it may at times feel like a force working against students, the university can be a valuable source of assistance for an organizing group. In the past, universities have played various roles with student cooperatives, both positive and negative. On one hand, history has many stories of universities that have tried to exert control over the policies and lives of co-op members. Recently, student co-ops have had major conflicts with the campus administrations of UC San Diego and Brown University. On the other hand, the student housing cooperative in Berkeley leases several properties from the university at the cost of only one dollar per year. This functions as a subsidy for the organization that makes the housing more affordable. University relations remain a mixed bag for student cooperatives, dependent on the people involved and how relations are conducted.

The housing office or student affairs office are good places to begin communication. It is likely that most of the administrators will not know about student housing cooperatives. Come prepared to explain the concept of cooperative housing and the resources the university may be able to provide to the group. If appropriate, NASCO can provide pamphlets about student co-ops which explain the concept and add legitimacy.

Universities often own buildings or land in the community or on campus that could potentially benefit a cooperative. It is unlikely that the university will be willing to make a commitment at this stage, but early contact plants the seed for a future partnership once the organization is established. For instance, a sympathetic administration might be willing to provide financing when the cooperative purchases a future house. There are many possibilities. At the very least, the university can add the cooperative to its list of recommended housing to aid in member recruitment.

Another useful place to visit is the community housing office. Usually there is information on local average rents, tenant-landlord laws, reputable and un reputable property managers, and lists of available housing. Because the staff in this division deal with community housing and are familiar with the problems associated with it, they may be sympathetic to the group's cause.

### *Local Housing Organizations*

Most cities and regions of North America have at least one organization whose mission is to develop nonprofit housing. Nonprofit development organizations, community development corporations, and community land trusts all have skilled staff who can answer questions and offer advice in housing development. They may refer you to sympathetic sources of financing or lawyers who are willing to offer their services free of cost.

Also, many areas have a tenants' union which works on behalf of tenant rights. Tenant organizations will be useful in any of the following areas: pointing out bad landlords, information on landlord-tenant law, and

literature or statistics about local housing trends to reference when making the case for the need for a student housing cooperative in your area.

### *Government Agencies*

Many city governments have housing or community development programs which can be useful to organizing groups. Meeting with the administrators of these programs can give an indication of what kind of public resources are available for cooperatives, and what strings might be attached. City governments may be able to provide funding in the form of grants or loans for affordable housing—even affordable student housing. And city administrators can provide advice on legal issues, such as zoning and housing codes, and how feasible the group's plans are for certain neighborhoods. The Community Development Department is a good place to start, and may have information about other local affordable housing providers.

Most municipalities go through periodic planning processes where they analyze local issues, and try to match municipal resources to perceived problems. Making a presentation to the Planning Commission or other planning body about student housing can help build political support.

It is also worthwhile to seek the support of the local city council. Some organizing groups have been able to use the support of council members to reform local housing and zoning codes. At the very least, a supportive politician can be useful in dealing with the city administration.

### *State and Provincial Housing Agencies*

Most states have housing finance agencies which work to make housing financing more accessible. They sell bonds or use a portion of state income taxes to provide mortgage financing to individuals and organizations. Similarly, some cities in the US and Canada have para-municipal housing agencies or trust funds which finance or support housing development. The availability of these programs varies.

Sometimes such agencies have special programs which subsidize the costs of loans for housing which meet special needs or is developed by nonprofit organizations. The program administrators can look over an organizing group's plans and comment on whether they match the criteria for established lending or subsidy programs. They are also good referral points for other sources of financing.

### *Project Status*

CCDC "Project Status" for a cooperative or organizing group takes the relationship beyond the stage of investigation and into the stage of development. In order to be considered for Project Status, the group needs to state its intentions and development plans. The questions are fairly straight-forward. Most committed student groups have excellent potential to become CCDC projects.

Project Status takes the form of a service agreement between the two organizations. It is approved by the cooperative's Board of Directors or membership and the CCDC Board. The typical terms of the contract include the responsibilities of each party. Generally, CCDC agrees to provide administration, pursue financing, negotiate and arrange for purchase and/or lease agreements, start up assistance, and follow-up. The cooperative usually agrees to coordinate local efforts, recruit members, maintain student status, and become and remain members of NASCO and CCDC. The agreement will also describe the type of compensation CCDC will receive for its services, which is typically a success fee after purchase. The fee is part of the mortgage, so the co-op does not have to raise the funds.

There are two additional aspects of the agreement. The first is that the cooperative agrees to commit to "continuous expansion." As an organization which was designed by, and entirely funded by, the student co-op movement, CCDC seeks to strengthen that movement. Continuous expansion policies rest on the assertion that cooperatives are valuable contributions to student communities and that their expansion is therefore desirable. The basic idea is: the more co-ops, the better.

Second, the service agreement stipulates that the cooperative participate in the cooperative movement and remain members of NASCO and CCDC after its initial years. As a movement-funded organization, CCDC asks the cooperatives that it helps create to continue to support technical assistance for other organizing groups. Likewise, membership in NASCO assures that the new co-op has access to education, training, and consulting, beyond the initial years. Dues reductions are sometimes available for groups that have low funds.

## Advisory Committee

Creating an organizing group is an effective way to formalize a network of student support. As organizers begin to build support from professionals and others in the community, a means of formalizing this support is an Advisory Committee.

While many groups are interested in cooperative housing because it provides member-control and empowerment, this does not mean that they should not seek outside help. As long as the Advisory Committee maintains an advisory capacity—as opposed to a decision-making capacity—it will not affect the “cooperative” nature of the organization.

An Advisory Committee is made up of people from the community that understand the need for cooperatives and have time and skills they would like to donate. Advisors should support the group’s mission, purpose, mode of action, and be willing to provide advice and technical skills for the cooperative. An effective Advisory Committee might include any of the following resource people:

- Fund-raiser: to gather financial support from the community.
- Community leader: to help build a base of support.
- Lawyer: to serve as a legal advisor.
- Architect: to do some drawings for potential buildings to purchase.
- Loan officer: to provide assistance in getting loans.
- University staff: to serve as a link and offer services.
- Someone who is knowledgeable about cooperatives: to serve as a point of reference for committee members and provide advice and encouragement to the organizers.
- Organizer: someone from the group to link the organizers with advisors.

## Getting Legal

Sometime after the group has been established, action should be taken to incorporate as a nonprofit corporation. A corporation is a legal status for organizations, both for-profit and not-for-profit, that relieves the individual shareholders or members of legal responsibility. In turn, the members or shareholders elect a Board of Directors that take legal responsibility for the actions of the organization and make the decisions that guide those actions.

Essentially, corporations are treated as separate “persons”, distinct from those who own, manage, operate them. They pay taxes, enter into contracts, incur debt, and can sue in a court of law. Corporate debts, transactions, and activities may normally be advanced only against the corporate entity, not against any of the individuals associated with it or their own personal assets.

The organization acquires legal existence after complying with state incorporation procedures and formalities. Generally, this involves writing and filing a set of “Articles of Incorporation,” which state the purposes, and a set of “Bylaws,” which outline the governance structure of the organization. These legal documents need to be produced by the organizing group in order to obtain corporate status.

There are three types of corporations: for-profit, nonprofit, and cooperative. Interestingly, most student housing cooperatives are incorporated as nonprofit corporations, not as cooperatives. The pros and cons for this practice are explained below, in the “Nonprofit Status and Tax Exemption” section.

### *Articles of Incorporation*

Both the Articles of Incorporation and Bylaws are written in legal jargon that is initially difficult to understand. But it is analogous to reading Shakespearean Old English: with some concentration and persistence, it can be mastered, even by non-literary (or non-lawyer) types.

Articles of Incorporation declare the nature of a corporation to the state or province. By and large, states and provinces have the same basic requirements for incorporation:

- Declare a name, which has not already been taken.
- State the purposes of the organization.

- State a primary location of business.
- Obtain the signatures and names of the incorporators.
- Name the initial Board of Directors.
- Pay a filing fee.

Often, additional information is required, but is usually of a broad nature that is easily completed. The Secretary of State or the Secretary of Commerce are usually the departments that handle incorporation and can be found in the phone book.

Articles of Incorporation are an important factor in a corporation's ability to receive tax exempt status from the US Internal Revenue Service. When a cooperative applies for tax exempt status, the IRS will look at the articles, which should contain several standard sections that pertain to private inurement, dissolution of the corporation, and corporate purposes. These sections are in the Articles of Incorporation of almost all of the student cooperatives and many nonprofits in the United States.

It is very important, in filing for incorporation, to be aware of all the options and have an informed assessment of what is needed to keep options open for the organization. While filing for incorporation is not particularly difficult, amending the Articles or the changing incorporated status can be a time-consuming and annoying process. However, because the document affects the application for tax-exempt status, it is important not to make mistakes. Otherwise, the IRS might second-guess the intentions of the organization, which could cause future difficulties.

Therefore, before submitting the Articles of Incorporation to the state or province, organizing groups should send a copy to CCDC to look over. Staff members can find errors and omissions. Furthermore, an attorney specializing in nonprofit law should also review the Articles.

### *Bylaws*

The Bylaws are the governance structure for the corporation. Creating a governance structure can be an empowering process for a democratic organization. While all major economic organizations in the world economy have governance structures, they are not all accountable to the people they serve in the same way as cooperatives. As organizations that are created and governed by everyday people, co-ops have the potential to reorient our thinking about economic participation.

With this in mind, organizers should design governance structures that empower members and encourage participation in the organization. As the cooperatives grow, acquiring more properties and more members, there is the potential for the system to become centralized and alienating. While this is probably a process that happens over a long period of time, organizers have the responsibility to get things started on the right track.

While the Articles are a fairly standardized and brief document that can be put together with little work, the Bylaws are more time-consuming. The first thing to state in the Bylaws is that the corporation is a cooperative and has members. The qualifications for membership are broadly described and the Board of Directors is given power to further define or modify. Typically, the Bylaws separate the powers of the corporation into several different groupings, bodies, or divisions that have powers.

The membership is the broadest grouping. The Bylaws will specify that the membership at a general meeting can exercise *all powers of the corporation*. This is not to say that the membership will make all the decisions but that the corporation is controlled by the members, as opposed to the Board of Directors or the staff. There may be specific powers that can only be exercised by the membership such as amending the Bylaws, election of the Board of Directors, purchase or sale of property, etceteras.

Second, the Bylaws should specify the powers of the houses, which are commonly used to decentralize the governance and operations. Typically, each house is given the power to operate meal plans, perform minor maintenance, expel members, run house meetings, choose officers, and elect a Board representative.

Third, the Bylaws will specify the powers of the Board of Directors. This usually includes borrowing money, accepting gifts, purchasing property, controlling corporate funds, establishing committees, arbitrating between houses, interpreting Bylaws and Articles, and hiring employees. Often, there is also an "elastic

clause" that states any powers not listed reside with the Board of Directors, unless otherwise decided by the membership.

The Bylaws of the corporation, more than the Articles, will remain a reference document for the Board of Directors, as Board members are responsible for ensuring that the corporation is operating legally. In this respect, Bylaws are much like a constitution and should be treated as such in terms of their thoughtful preparation. The guidelines presented in this section intend to give organizers, who often have little experience in this area, an introduction to the subject. The process of writing down the purposes and structure of the future cooperative should be approached by organizers with vigor and an open mind. Contemporary student co-op organizers are in a position to build on the experience of the past and capturing the fresh ideas and energy of a new generation.

### *Nonprofit Status and Tax-Exemption*

Organizing groups, as mentioned before, have several options in the incorporation process: incorporation as a for-profit, nonprofit, or cooperative. While it may make intuitive sense to incorporate as a cooperative, most student housing cooperatives are incorporated as a nonprofit corporations. Cooperative laws vary from state-and-province to state-and-province, and are generally used by agricultural cooperatives. Incorporation as a nonprofit has both pros and cons. By far, though, the pros tip the scale.

To begin with the reasons against, regulation of nonprofit corporations is more strict than that of for-profits. Student cooperatives incorporated as nonprofits must be able to establish that the net income is not treated as profit. In most cases, this means that the assets of the organization may not be given or paid, other than for services rendered, to any other person or organization. Depending on the type of incorporation, the activities (such as lobbying) that the organization may engage in will be limited.

On the other hand, as organizations operating at cost and for the benefit of everyday people, nonprofit status fits the mission and goals of a cooperative. Second, nonprofit is the only corporate category that qualify for tax exemption, which add to affordability. Third, because the Directors of nonprofit corporations are volunteers and cannot be paid for services rendered as Board members, most states and provinces limit the extent to which Directors are liable for the corporation. These protective laws are called limited liability laws. Fourth, nonprofit status gives an organization the public stature accorded to nonprofit, tax-exempt institutions. This allows the cooperative to receive charitable donations, low-interest government loans, access to special postal rates, etceteras.

In the United States, the most common type of nonprofit tax-exemption for student cooperatives is under Internal Revenue Code section 501(c)(3). A 501(c)(3) corporation is exempt from paying any federal income tax on any income derived from its tax-exempt purposes. A donation to a 501(c)(3) can be taken as a deduction on the donor's tax return. A 501(c)(3) can be received for charitable, literary, scientific, educational or religious purposes. Typically, a student cooperative applies as a charitable or educational institution.

A tax exempt application, can be obtained by writing to the Department of the Treasury (IRS) or by calling 1-800-TAX-FORM. To apply for 501(c)(3) status, form 1023 is needed, and form 1024 for other sections. These applications will ask for some basic information about the corporation, but much of what is most important to the Internal Revenue Service is information such as projected operating budgets and a balance sheet: information which may be difficult to generate in the early stages.

Once again, as tax exempt status is extremely important, it is strongly recommended that organizing groups have the CCDC review the application. CCDC has copies of successful applications to follow and compare. It is also suggested that groups have an attorney review the application as well. While an attorney can cost a good deal of money, the benefits down the road will be significant.

It is situations such as this that underscore the benefits of activities such as fundraising and community outreach. If a group has a strong presence in the community, it is more likely to be able to find an attorney to do pro bono work, and if that is not possible, fundraising can help offset the amount that organizers will need to chip in out of their own pockets.

## Governance

Once the organization has been successfully incorporated, the Board of Directors should have its first meeting. There are two aspects of governance that the Board should address at this meeting. The first is corporate governance, the other is house level governance.

### *Corporate Governance*

The Bylaws usually define the Board of Directors, its officers, powers, and decision-making process. Still, there are a number of other governance considerations to be taken into account at the Board's first meetings. The Board should ensure that it has all of the resource documents necessary to function.

- **Legal Documents:** Each Board member should be provided with a copy of the Articles and Bylaws for reference. Board members should also have copies of budgets, Board policies, any contracts or agreements the organization has entered into. If any of these items are not present, it should be a priority for Board discussion.
- **Minutes:** As corporate minutes are a requirement to maintain tax-exempt status for 501(c)(3) organizations, it should be ensured that the secretary is recording the proceedings and decisions. Nonprofit organizations should keep minutes of their proceedings to provide record of their decisions for future reference. Recording the decisions as well as the discussion helps to establish the intent of the Board, if it is not clear from the resolution. Boards also take minutes in order to protect themselves in the case of legal proceedings being initiated against them. Minutes should be stored in a readily accessible location for access by all members of the cooperative. Finally, Board members should receive copies of the preceding meeting's minutes before each meeting, and should vote to amend and approve minutes for the official record.
- **Policy Notebook:** A policy notebook will prove to be helpful to the organization in the long term. Although it might seem of questionable value at a stage when everyone can mentally recall all of the policies and resolutions of Board, a policy notebook will be of great use to the organization as time goes on and there are new members and pages of policy.

### *House Governance*

The Board should decide whether or not each house will have a governing body of its own. In most cooperative systems, where several properties are owned, individual buildings have "house councils" and house officers which are responsible for facilitating the decision-making work of the members in that building. House councils usually consist of all members of the house. Sometimes these councils will have their own constitutions which detail their decision-making process, officers, and other building-specific policies. If a system is not composed of houses but rather, say, a high-rise apartment building, councils can be organized by floor or other relevant unit.

The cooperative should clearly establish the difference between decisions of the corporation as a whole, and those of each council. A policy limiting the amount of debt any member may incur to the organization is likely to be a corporate policy, whereas a non-smoking policy, is usually building-specific, and is thus a house policy.

Initially, it may seem redundant to have a corporate governance system in addition to a house system, particularly if the cooperative begins with only one house. However, it is illegal for the nonprofit organization to exist without a Board of Directors. Also, it is important that the cooperative maintain a body that deals with the long term needs of the organization. Likely, the cooperative will have only one house for just a short period of time.

Before the first members move into a new co-op, the basics of a constitution should be drafted to begin a dialogue about house governance. If possible, the dialogue should begin beforehand. Many constitutions begin with a preamble which contains a version of the cooperative principles and a general statement of beliefs. To avoid future confusion, it could include descriptions of officer positions, how they will be elected, and guidelines for meeting process. Whether the members choose to use consensus or majority vote in meetings, it is imperative that the constitution be clear about the process.

It is a point of good communication to include the responsibilities of each member in the constitution, concerning both finances and house labor. Furthermore, the house should establish a schedule for paying the house charges, the procedure for assessment and rebate of net income, and a means of member expulsion. While it does not seem very "cooperative" to expel a member from the house, it is helpful to have a process for

dealing with problem members who are not living up to their responsibilities or are causing other problems. It makes the affair less painful.

Each decision-making entity should establish regular meeting times and post an agenda so that everyone has ample time to prepare for the issues to be considered. This is a basis for the establishing a healthy system of communication and positive house dynamics.

# Housing Challenges

At some point during the effort to bring a cooperative to life, organizers venture out into the big, bad world of real estate. It's inevitable. Some groups start researching and exploring early. Others choose to first strengthen their core group culture, process, and vision. Whatever the case, the property search is a fascinating process that involves curiosity, persistence, tenacity, and perhaps a bit of political savvy.

Real estate agents, public officials, university administrators, and other professionals may not always understand who these ambitious idealists are, what they are doing, and consequently may not take them seriously. However, this is not cause for intimidation. Organizers should be ready to stand their own ground: explain what a cooperative is, how it will be achieved, and that such entities have flourished on college campuses across the continent for many years.

The second part of the *Handbook* addresses a slew of issues that will prepare organizers to overcome the challenges presented by the housing market. Researching the dynamics of the local community is a necessary starting point to the searching for property. Subsequent chapters on leasing and purchasing address strategic and logistical questions relating to obtaining properties to operate as housing cooperatives.

# Doing the Homework

*Market Research*

*Community Research*

*Neighborhood Research*

*Creating a Prospectus*

Before leaping into the real estate market and making a hasty decision, organizers should understand the dynamics of the local community, economic system, and the details their ideal building. Researching the housing market, the community context, and specific neighborhoods are important aspects of organizing a student housing cooperative.

Market research involves understanding the local real estate market in terms of supply and demand, market trends, and student needs. Community research fosters an understanding of context, existing resource networks, and local laws and regulations. And neighborhood research focuses the housing search to specific area that meet the group's goals.

Once organizers understand the factors affecting their venture, they are in a better position to make good decisions about where to look and whether or not a specific property will work. Further, the research process poses another opportunity to create allies and build a broad base of support.

With this knowledge in mind, organizers are well-positioned to create a document called a prospectus to make an argument to the public about the need for cooperative housing. A project prospectus is a document that outlines contextual factors surrounding the cooperative such as: the need for a co-op, a summary of the organization, the feasibility of a particular site, and the details of how it will be accomplished.

## Market Research

Researching the real estate market provides an organizing group with an analysis of the local housing market and student needs within that market. The goal is to understand the dynamics of how supply and demand affect student life. Market researchers might ask themselves the following questions:

- How much do students spend on housing?
- What other factors affect the student budget?
- What cost pressures affect these housing expenditures?
- How do students cope with economic challenges?
- Is there a housing crisis?
- Are real estate prices rising or falling?

There are several sources of information. Organizers may already have some sense of what market conditions are like through personal experience and conversations with students and others living in the area. The university may have a community housing office that can provide average rental rates for local student housing. The newspaper is another source of information, particularly the “Real Estate” section, which provides a good idea of the property values in the area.

Surveys are an excellent means of assessing student needs at a particular campus. The information may already exist, (student governments will periodically perform such work), or the organizers may have to initiate the effort.<sup>1</sup> Such a survey might incorporate the above questions into a format that is easy to quantify and has the space for independent comments.

One useful tool for analyzing market conditions is vacancy rate, which is the percentage of an area’s total available housing that is vacant. If an area has a 2 percent vacancy rate, then renters that are looking for a place to live have only 2 percent of the area’s available housing to choose from. Conversely, the occupancy rate is the opposite of vacancy and refers to the total occupied units. So, a 98 percent occupancy rate is the same as a 2 percent vacancy rate.

Statistics about an area’s vacancy and occupancy rates are useful because they indicate the shape of the local housing market. If an area’s vacancy rate is low —say, 2 or 3 percent— then property values (and, thus, rent) are likely to be high because an increase in demand without an increase in supply pushes up the average price. Such statistics may be available through the technical assistance organizations discussed in the previous chapter.

Ownership patterns are also helpful to establish, particularly in smaller environments. To what extent is student housing owned by the university, local landlords, or absentee (out-of-town) landlords? Is the situation such that any one of these owners effectively monopolizes the market? Researching ownership patterns can be done in some detail at the tax assessor’s office. The records on-file are public information and can be looked up either by owner or address. These records will also have the assessed value of the properties, which will likely be lower than market value.

## Community Research

Community research is a process whereby groups familiarize themselves with various aspects of their communities. The goal is to understand the local regulatory environment and the network of support from which student cooperatives can benefit. Generally, the more knowledge organizers have about the surrounding context, the more effective their efforts will be. Community research is strongly tied to the discussion about Technical Assistance in the previous chapter.

### *Local Resources*

Programs exist at various levels of government to develop affordable housing. Public sector programs, depending on the priorities of local government, may be used to develop student housing cooperatives. Two

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<sup>1</sup> An efficient use of time is to integrate such work into one’s studies through an independent study.

programs, funded by the Federal government and administered at the local level are: Community Development Block Grants (CDBG) and HOME Funds. The disbursement of these funds varies widely, but includes both grants and low-interest loans.

Another resource is a city master plan. Local governments frequently produce master plans to prioritize the city's direction for 3 to 5 year periods. Such plans may call for allocating city funds for the creation of affordable housing. It may even recommend allocating provisions to address student housing needs. Reading a master plan will help organizers understand the local political climate and, more specifically, whether they can expect to get funding.

More information about master plans and city programs can be obtained through the city departments listed in the Technical Assistance section of the previous chapter.

### *Building Codes*

City and regional building codes can profoundly affect the process of looking for property. Zoning codes are essentially a means of dividing a community into numerous property zones; examples are: industrial, commercial, and residential. Each of these zones is divided by density and other permitted uses. Density codes include: high, medium, and low density. The average suburban neighborhood composed of single family homes is an example of low density zoning. Urban areas, or areas consisting of apartment buildings and similar structures are examples of higher density zoning.

In an effort to use space more efficiently, many communities adopt a mixed-use code, often in a downtown location. The code usually consists of a retail space on the bottom floor and living space on top levels. It has recently been creatively adopted by affordable housing providers to use the income provided by the retail space to subsidize the housing space. Co-op organizers could use such a code to create a mixed-use cooperative, with, say, a student-run business on the bottom floor, and cooperative housing on the top.

Organizers should look for high density areas because in order to make the housing affordable, the building's space needs to be populated as densely as possible. A map of local building codes can be obtained from the city administration (Housing Department, Community Development Department, Zoning Board, or Planning Commission). Likewise, cities often publish a zoning code handbook that lists specific properties and gives an overview of local zoning codes.

An important zoning restriction for co-op organizers is commonly called the "unrelated persons restriction." This restriction limits the number of unrelated adults that may live in a housing unit. Such restrictions are often aimed at limiting student housing in a certain locale. The existence of such a zoning code will have a great impact on where organizers look for property and the overall feasibility of the project.

## Neighborhood Research

Neighborhood research involves applying market and community research to specific neighborhoods. The goal is to locate neighborhoods which match the group's goals. So, for instance, a neighborhood that is zoned for high density, multi-family, residential use has the kind of characteristics that an organizing group is looking for. Another factor to consider is the property values of the area. One can get an idea of a neighborhood's property values by surveying buildings currently for sale. Also, student organizers should consider how accessible a neighborhood is to campus; either through close proximity or convenient public transportation.

Typically, communities are composed of some neighborhoods that are more affordable than others. Most of the time, "affordable" neighborhoods are that way for a reason (i.e. the housing is "less desirable" to mainstream consumers). "Less desirable" could mean that the housing stock is deteriorated. Or it could mean that it is next to an airport that is extremely noisy. Sometimes less desirable means that the neighborhood is home to poor people or people of a certain ethnic group and that other people do not want to live there because of a certain prejudice. Students can also make a neighborhood "less desirable." Neighborhoods are usually considered "less desirable" due to a combination of factors.

Some issues to consider when researching potential neighborhoods are as follows:

- What characteristics surround the neighborhood? Public transit? Groovy shops and restaurants? Close to campus?
- Is it in an area in which students and other youth will want to live?
- Is the organizing group going to focus specifically on searching for a house or an apartment building? Or will it consider both?
- What will be the size of the first building? Estimates of the optimal size for small group democracy range from five to twenty-five. Successful new student co-ops aim for the high end of this spectrum to maximize bulk food buying power and minimize the effects of member turnover.

## Creating a Prospectus

The goal of all of this research is to develop arguments which you can use to convince decision-makers of the importance and feasibility of cooperative housing for students. The normal format for these arguments is a prospectus - a written proposal package which lays out the context and details of your plans for a student housing cooperative.

The prospectus is more than just a report on your research. It is a statement about your vision, your understanding about the needs and justifications for student-controlled housing, and your plans for the near and distant future.

A basic prospectus can be modified as your group begins to find properties, becoming a project proposal which you can submit to bankers, University administrators, municipal officials and other potential sources of support.

# Leasing Property

*Lease Strategy*

*Lease Logistics*

Leasing property is certainly not an ideal in the co-op world. On the surface, it subverts our proud motto, “We own it!” referring to member ownership of the economic means. On a deeper level, to a certain extent, it goes against the grain of the cooperative principles. A persuasive argument can be made that lack of ownership dilutes the democratic nature of the cooperative model.

However, sometimes it is necessary to rent –especially for new housing co-ops. Two primary reasons that groups choose to rent housing before purchasing is that they don’t have funds or cannot find a building that is feasible. Conventionally, banks expect a 20 percent down payment on a building and student groups usually don’t have it. Even when an established student cooperative is willing to lend the down payment to a group, many banks think that lending to students is risky or that co-ops are weird.

Another reason that organizing groups rent instead of own is that it allows a period of time to create a process for functioning as a group and operating as a business. It is a long jump from student organizer to nonprofit manager. A leasing period creates the space for the group to transform itself into a student housing cooperative.

## Lease Strategy

In the US and Canada, eighty percent of new small businesses go under in the first three years. Likely, the number is even greater for student businesses because of a relative lack of experience and a high turnover rate. Student cooperatives that are successful learn to think about themselves as economic organizations that will exist well into the future and plan for the challenges it will hold.

### *An Organizational Step*

Leasing a building can provide an organizing group with the opportunity to plan and build an organizational structure and culture. Coupled with the fact that it is difficult to find a building that will be affordable and meet the needs of a student cooperative, it is clear why leasing is a common development method. Living in the same household provides an excellent space for meetings to deal with house issues (such as creating a labor system) and business issues (such as writing the Articles Incorporation, Bylaws, and looking for properties). As well, cooperative living saves time and money for organizers struggling through school.

While an informal cooperative living situation provides a good space to tackle just about any organizing task, particular importance should be given to the task of fundraising because it relates directly to the purchase of property. Small cooperatives do themselves well in creating a development fund to save for the down payment of their first purchase, which is typically 20 percent of the purchase price. If there is no funding outside of the initial member share investment, the down payment must be borrowed, which makes the housing less affordable. A development fund, no matter what size, will subsidize the mortgage and bring down the amount of money borrowed, thus each mortgage payment, and each person's rent. There are many creative fundraising strategies a group can use for the first purchase. See the Campus Organizing section of the chapter on "Organizing a Core Group" for ideas and inspiration.

### *A Development Model*

The lease strategy for student cooperatives can also be viewed as a development model. The model can be characterized as a five to ten year period of leasing a large number of buildings from property owners and managing the buildings as student housing, effectively making it a cooperative management organization. During this period of rapid "lease expansion," the organization is able to hire several staff members and build a sizable development fund.

This development model addresses two prominent problems in the student co-op sector: lack of capital and lack capacity to hire staff. The lack of capital refers to the fact that student groups usually do not have the funds to make a down payment of around 20 percent of purchase price. The lack of capacity to hire staff is another issue. Because there is a high turnover rate in student communities (approximately every four years), student cooperatives experience chronic instability. Such instability, coupled the common challenges faced by new businesses, can lead to the demise of the organization.

Some co-ops have addressed this problem by hiring a staff person to assist in coordinating the affairs of the organization. A permanent staff person ensures that basic tasks such as bookkeeping and new member recruitment get done, and gives the co-op some organizational memory from year to year. However, many new co-ops are unable to afford staff because of low funds. Thus, members of small co-ops quickly learn that money is the root of many problems of the organization.

One means of addressing the lack of staff funding is to lease a large number of buildings, budget for a net income from each project, and use that income to fund a staff position. While, historically, many student cooperatives have leased to further their development, a special example is the cooperative serving students of the University of California at Santa Barbara. (See the text box for an organizational profile.) UHRP, in the early years, did nothing but leasing cooperatives and viewed itself a "cooperative management organization." This example effectively illustrates the power of leasing.

### *University Options*

The University is another leasing strategy for organizing groups. While this option wholly depends upon the attitude of the university towards unconventional means of providing student housing, it is just as worthy as any other possibility for assistance. The University Students' Cooperative Association (USCA), clearly illustrates how a University can support affordable student housing.

The USCA in Berkeley, California is a nonprofit organization that owns most of its buildings it operates. In addition to these buildings, however, the USCA also leases several buildings and plots of land from the university at below market rate, sometimes at only 1 dollar per year. These partnership agreements function as a subsidy that make the housing more affordable. In addition, the USCA gives students from economically-disadvantaged backgrounds priority for membership. See the text box for an organizational profile.

As mentioned in the “Moving Forward” chapter, historically, university involvement with student cooperatives has been a mixed bag. Sometimes they can impose their will on the co-op with effects that would dramatically hinder the organization’s well-being. Other times, seeing co-ops as an educational partner, they can work with them to enhance educational accessibility.

## Lease Logistics

In addition to strategic issues related to leasing cooperatives, there are some nuts and bolts issues consider before any agreements are made. The process is actually fairly straight-forward and most of the issues that arise can be addressed through common sense. However, as a primer for further thought, organizers should think about the process of looking for rental properties and signing a lease.

### *Looking for Property*

There are many factors influencing the search for property to lease, most significantly, the group’s vision for the co-op they want. The types of buildings that exist in the typical student market include: apartments, large houses, university dorms, sorority or fraternity buildings, bed & breakfasts, convents, and so forth.

There are many places to look for rental housing, both conventional and unconventional. One factor to remember is that real estate agents deal with rental housing as well as property for sale. Refer to the “Looking for Property” section in the following chapter for a more detailed discussion on the process of looking for property.

One factor that is different for leasing property is rehabilitation. It is not financially wise to invest money in the rehab of a building that a group will be using for only a few years. Groups may sign a “master-lease” for the building that gives them responsibility for minor maintenance repairs, but it should be noted that major upkeep of the building is the owner’s responsibility.

### *Signing a Lease*

It is important to understand the legal issues involved with entering into lease agreements. A lease is a written, legal agreement between an organizing group and a property owner. It specifies the rights of the tenant and the owner’s rights as landlord. The group can either take part as an incorporated organization (which is held responsible) or the actual persons can enter into the agreement and take personal responsibility. If the members do put their names on the lease, they should realize that they are legally responsible for paying all charges related to the agreement.

An important aspect of the lease agreement is the monthly rental rate. Before signing, the group should analyze how many people can legally live in the building. Also, consider which bedrooms will be singles, doubles, and triples. How much will each person pay at the rates that are offered? Will people live in these spaces? Would you?

Create a trial budget. Remember to budget money for things such as food, utilities, business expenses, vacancies, minor maintenance, cooperative education, and development. If the spaces can be realistically rented at market rates (at least), then the project is feasible to lease.

Sometimes owners are willing to negotiate the lease price. Prices are often set above what the owner is really wants in anticipation that the renter will negotiate. To an extent, it depends upon the market conditions. In a housing market that has a high vacancy rate, landlords will set prices higher that what they expect to get in anticipation of picky tenants. Conversely, in a tight market for tenants, owners will not be as willing to negotiate.

Depending on the local market conditions and the housing stock, it may also be possible to negotiate a lower rental price because the group is assuming responsibility for renting the whole building. This is called master-

leasing. Sort of like a bulk discount on housing. Professional property managers normally charge about 6 to 7 percent of a property's income. As a co-op group will be assuming the management responsibilities (filling the vacancies, minor maintenance, etceteras), this percentage can be used to reduce rates and fund an operating budget. It is essential that the group is willing to do the recruitment work necessary to assure that vacancies are low. Otherwise, the cost of empty spaces will be assumed by the members.

Lease agreements are usually contracted for a one year term. However, something called an "option" can be added to the lease, which gives the option to renew the lease next year. This gives the group first dibbs on leasing the following year, contingent on being a good tenant (i.e. paid the rent on time, no maintenance disasters). An option gives the cooperative a some extra room, if it hasn't found a house to buy or is not ready. Renting the same house from year to year can also lend stability to the organization.

Finally, a deposit will be required. There are usually legal limits on the size, which may include any of the following: security deposit, cleaning deposit, utilities deposit, and/or last month's rent. Consult with a local tenant's union to find out the limit for a specific area.

# Purchasing Property

*Looking for Property*

*Negotiation*

*Inspection and Appraisal*

*Financing the Project*

*Getting Loans*

*Closing the Deal*

*Rehabilitation*

*The NASCO Properties Option*

*New Construction*

To some people in the cooperative movement, purchasing property is “the point” of organizing a housing cooperative. This position holds that while there are certain benefits of living in a community, the point is really purchasing buildings, acquiring equity, and developing more buildings. While there is no single, monolithic “point” to organizing a student housing cooperative, purchasing property certainly weighs-in heavily on a scale of importance. Of course, the experience of community organizing and democratic living are, perhaps, equally important to owning property.

With the benefits of collectively purchasing property come the challenges of achieving this monumental task. It is no small affair for a group of often overcommitted students to incorporate as a nonprofit organization, formulate a system of operations, find a property feasible for purchase, and obtain financing from conventional and alternative lenders. Furthermore, there is the equally monumental task of successfully operating the cooperative in the long-term (recruiting new members, making mortgage payments, purchasing more properties) as the original organizers go on to other things and the founding energy dissipates.

This chapter addresses the critical technical challenges that an organizing group will tackle during their struggle. Issues such as the property search, real estate professionals, financing, and signing the agreement are discussed in a manner that makes them understandable and accessible to people who are just learning. Once a group begins this process, the *Handbook's* earlier emphasis on research and organization will become crystal clear. Such preparation is critical to understanding the issues involved with purchasing.

## Looking for Property

Before an organizing group begins the property search, participants should establish the characteristics they are looking for in a building. A productive group exercise is a brainstorm session to create a profile of the ideal building. The following questions will bring the right issues to the table and may inspire further discussion:

- How many people will live there?
- Should the building have a group kitchen or at least a big kitchen?
- How much common area should there be?
- Is space for parking necessary, both in practical and legal terms?
- What is the ideal mix of singles and doubles?

The next step after the ideal has been created is throw it away. Not literally, but organizing groups should be aware that the building they find will probably not be their ideal because of the difficulty of finding feasible buildings suited for cooperatives. Nonetheless, it is useful for group members to know their preferred characteristics so they are able to recognize them during the property search.

There are certain kinds of buildings that organizing groups should consider because they well-suited to meet the needs of a group house. Sorority and fraternity houses tend to make good student cooperatives because most are large and well-suited for group living. Other possibilities include: rooming houses, convents, bed & breakfasts, and houses that have been subdivided into apartments. Redesigning such buildings into a group house can make rates more affordable. Choosing one central kitchen and turning remaining kitchens into bedrooms will increase the number of people paying for the total mortgage and, consequently, each individual's rent will be lower. Places to check are the university housing office, newspapers, flyers on campus, and property management firms.

Relating to group's ideal living situation are the various zoning laws must be taken into consideration. Zoning laws are regulations concerning the way in which property may be used, such as group housing, multi-family, single family, retail, office, etceteras. Refer to the Community Research section of the "Doing the Homework" chapter for a more thorough discussion on this subject.

### *Real Estate Agents*

An effective tool in the property search is a real estate agent, who can help by guiding organizers through the housing market. Groups can communicate their property needs to the agent, who will come up with a list of properties which generally adhere to those specifications. Real estate agents can also provide information concerning the general market, and are some of the most likely people to know about the availability of appropriate student properties. If sympathetic, she or he may prove to be a good teacher of the ins and outs of local real estate. Compensation is commonly provided in the form of a commission once a purchase is made and will ultimately be added to the total amount of the mortgage.

It is important to note that while real estate agents are licensed by the state and fairly closely regulated, they are agents of the sellers of property. Principally, their interest rests in getting a high selling price for the properties they are showing because the commission is based on a percentage of the selling price. Thus, while real estate agents may be more or less friendly and helpful, it is worthy to be mindful of the relation of competing interests.

Nevertheless, both for reasons discussed above and because obvious suspicion is insulting, it is appropriate to maintain a professional working relationship with a real estate agent. An advisable approach is to take what is said with a grain of salt and critically examine the situation in later discussion. In addition, members of an Advisory Committee could prove useful in analyzing the situation.

Finding a real estate agent is not very difficult. Because they work by commission, agents are usually interested in potential new clients, which has both advantages and disadvantages. It means that cold calling an agent will almost always get a response, but also that the agent may not know much about student or cooperative housing. However, real estate agents do exist who specialize in commercial rental property or perhaps even group housing.

While they are integral to the property search, it is important not to rely purely on real estate agents. Proactive organizers who have built a support network will use it as the extended eyes and ears of the property search. Administrators, nonprofits, community people, and friends supportive of the organizing group can play a very productive role. Other places to look might include the office of Greek life, a current or former landlord, and, of course, the newspaper. Owners who don't want to pay a real estate commission often advertise in the paper.

### *Devising a Search Method*

A method for examining potential building should be devised by the organizers. This method might include dividing responsibilities among group members such as: making a floor plan to keep track of how many rooms are singles, doubles, triples; keeping a special eye out for maintenance considerations, such as leaky roofs, critters, cracks, loose bricks, and the like; and calculating quick feasibility check. Another member responsibility is researching building codes, ownership, and the value other buildings in the neighborhood.

In addition to whether or not it is a desirable place to live, each building should be examined for maintenance problems and financial feasibility. Successful organizers are curious, critical, and talk to as many people as possible. The following is a list of questions to consider when looking for property:

- Is it in good condition? Roof? Foundation? Paint job? Heater?
- Is the water pressure good?
- Is the house weather-proofed?
- Are there mice, rats, bugs, or other critters?
- Does the layout of the house lend itself to building a sense of community?
- What size is the kitchen? If sharing food is an aspect of the cooperative, it will require a large preparation and storage area.
- Does the kitchen adjoin to a common room?
- What is the neighborhood like?

All of this information is useful in determining whether a building is feasible to be used as a student housing cooperative. While there are many factors affecting whether a building will work as a cooperative, feasibility is the most important. In order to work with CCDC and be eligible for most student co-op funding sources, it is standard for staff to come to the site to examine the building and perform a detailed feasibility analysis, called "crunching the numbers." Often it takes years for groups to find a building that is feasible to purchase.

After looking for properties for an extended period of time, organizers develop an eye for good cooperatives. In fact, many begin to see the world in terms of potential co-op buildings. They stop each time they find a large building, map out which neighborhoods would work for multiple developments, and know that because a building is not officially on the market does not mean the owner won't consider. Property records are kept at city hall or the housing department, where one can research the owner or property management firm. A tour can be arranged through an agent or property owner.

## Negotiation

After a desirable building is found, the next step is negotiating a price. The negotiation process begins with the submission of a purchase offer, also known as a sales agreement. The purchase offer is an offer to buy a piece of property under certain conditions, with certain stipulations. It is submitted to the seller of a piece of property for consideration. They may respond by accepting the purchase offer, or, more likely, by submitting an edited version of the offer, known as a counter-offer.

Purchase offers and sales agreements are accompanied by *earnest money*, which is typically about two to three percent of the purchase price. Earnest money serves as a deposit with the seller, establishing a serious intent to purchase the property. It differs from a down payment in that down-payments are part of the actual purchase. If the purchase happens, the earnest money usually becomes part of the down-payment.

Aside from these technical considerations, though, is the fact that an organizing group must supply this earnest money in advance of the purchase. Again, this is a situation in which building a strong network of community contacts can pay off: supporters often have the resources to provide a loan or grant for part or all

of this money. In some situations, CCDC can arrange a loan from an established student cooperative for the earnest money.

Purchase offers, if accepted, make certain commitments to the seller. In summary, a purchase offer states:

- The amount the group is willing to pay
- When it would like to take possession
- The type of financing being sought
- That taxes and utilities will be pro-rated (appropriately divided)
- Protects the buyer against partial ownership claims and unspecified repairs on the property

Purchase offers also contain various contingencies. These contingencies are items that the buyer and/or seller must have resolved before the purchase can go forward. The most common contingency is for financing, which gives the buyer a period in which it has to find a source willing to lend money to buy the building (usually 60 days). Other contingencies might include: approval by the cooperative's Board or general membership, approval of the agreement by an attorney, a thorough inspection by contractor, a valid Certificate of Occupancy, termite inspection, or other factors that may affect the feasibility of the project.

If the purchase offer is accepted and signed by both parties, it is important for organizers' to be cognizant of their obligations and ensure they are fulfilled. An important obligation is the stipulation that the buyer keep the seller informed of efforts to obtain financing. Purchase agreements have this stipulation to protect sellers from people who are not serious in making an offer on their property and to be fair by keeping them aware of difficulties which may make compliance with the agreement impossible. This requires that the real estate agent be notified, in writing, if there are significant changes in the financing as planned, or in the timeline initially projected. As CCDC is normally responsible for arranging the financing, it takes much of the responsibility for informing the seller of changes.

Finally, it is important for organizers to keep CCDC informed of any on-site developments which may effect the purchase agreement, even though staff usually maintain a high on-site presence. However, this does not guarantee that CCDC has knowledge of everything that transpires. Generally, the more effort invested into healthy communication, the less mistakes that are made.

## Inspection and Appraisal

The first stage in obtaining financing is assessing the value of the property, which is done through a property inspection. As stipulated by the buyer in the purchase agreement, the inspection insures that the property is in satisfactory physical condition. It also identifies what kind of rehabilitation will need to be done to the property. Hopefully, the inspection will not find anything unexpected. If major problems are discovered, the feasibility analysis should be modified. Depending on the situation, the group may need to submit a new offer.

An inspection should be performed by an independent housing inspector who will do the type of inspection desired by the buyer. Independent inspections commonly cost several hundred dollars, and the findings are not public. Inspections usually focus on the following:

- grading, drainage, landscaping, fences, paved areas, retaining walls, recreational facilities, garage
- exterior walls, insulation, doors, windows, porches, decks, steps
- roofing, vents, hatches, skylights, gutters, downspouts, chimneys
- crawl space or basement: construction, settlement, water penetration, termites, rot
- attic: access, ventilation, insulation, signs of leakage, fire safety
- interior: walls, floors, ceilings, fireplace, stove, stairs, closets, fire safety
- electrical system
- plumbing system
- heating and cooling systems
- kitchen and bathrooms

An inspector is hired by the buyer to inspect anything of concern in addition to the standard list. Inspectors should also be asked to estimate what it will cost for each repair that needs to be done. It is smart to get more

than one estimate for major rehabilitation projects. A feasibility analysis is not solid until after the inspection and rehab estimate, which makes the viability of any project uncertain.

An appraisal is an estimate of the value of the property by a certified expert. It is information that financial institutions will need to know in considering loans. Appraisers commonly estimate the value of a building using the methods listed below. The appraiser considers these options and estimates the market value accordingly.

- Replacement Cost: How much would it cost to replace the current facilities?
- Market Data: How much are comparable properties in the local market selling for?
- Income Approach: What value will a property with this income support?

## Feasibility

An important step in housing development is establishing that a property can be put to economic use as a housing cooperative. This applied research is aimed at producing information which you can use to decide whether a building meets the needs of your group (in terms of affordability), as well as to convince banks and other sources of financing that a property is feasible.

### *Occupancy*

Can the building be legally occupied and used for the purposes that you desire? Key sources of information for assessing occupancy issues include:

- How is the building currently used? If it's a group house for students, that's a good indication. How many people does it currently house?
- Zoning and building departments - go to the City and ask for information on a particular property, its zoning, and what legal uses are eligible under that zoning designation (you're probably looking for something in the multiple-family/apartment/rooming house range). You'll also want to find out if there is a maximum number of people who can live in the building - that'll be key when it comes time to look at the financials.

Other factors that might impact legal occupancy of a property include lot size, number of off-street parking spaces, rules on use of basement spaces, and requirements for adequate light and ventilation of sleeping rooms. You will also need to find out whether your municipality has restrictions on the number of "unrelated persons" who can live together, as this will affect the occupancy of some properties.

### *Sources and Uses of Funds*

Also known as a "Development Budget", this is where you come up with the ticket price for purchasing the building. A quick way to do this is as follows. Taking a piece of paper, :

- On one side list all of the costs that are involved with turning the building into a working student coop house. Include an estimated purchase price, any rehabilitation work that you think might be necessary, furniture and appliances, anything else that seems relevant, and then add 10% for miscellaneous contingency items. Only count the one-time expenses involved with purchasing and starting the co-op. Total these items - they are known as the **uses** of funds.
- On the other side, list all of the sources of financing and their terms. An easy place to start is to assume that you'll need a bank mortgage for about 75-80% of the cost of the project - so take 80% of the total ticket price from the other side (the terms of a bank mortgage are usually a loan for 25 years or so at about 9-10% interest right now). The remainder is risk financing that you'll have to drag up from somewhere. Does your organization have cash in the bank (no terms there)? How much of your current building can you use as equity (what do you owe on its mortgage vs. what it is worth - you can count that as cash in hand when it comes time to go to a bank)? Are there City programs to help affordable housing

(the terms of these will vary)? Will the University consider financing part of the cost? Could you get a loan from an existing cooperative (possibly up to \$50,000 as a loan)? Total these - they are the **sources** of funds.

The sources and uses need to match!! If they don't you probably don't have enough funds, and need to find some more. Or you need to evaluate the uses for your capital, to see whether you need to negotiate a lower purchase price or perhaps change the amount of rehabilitation that you are planning for the building.

Finding sources of funds is often the largest hurdle which a student housing cooperative needs to tackle in starting or expanding. Don't let this stop you from analyzing properties; try making some assumptions about sources of funds, and then work later on

### *Cashflow (aka an Operating Budget).*

Finally, you need to see if the building can generate enough money to cover the costs of running it. Take another piece of paper and:

On one side total up all of the revenue that you can expect from the building in the space of one year. For housing co-ops, this is almost entirely rent. Look at each space in the house, and determine what you could reasonably charge for it. Total the rent for each month, and come up with a gross figure for the whole year. If the summer housing market is significantly different, you will need to do two different sets of revenue, one for school year and one for summer.

On the other side, total up all of the expenses that you can expect to incur in a single year. Look at two separate types of expenses:

- i) Debt Service - if your Sources of Funds includes borrowed money (loans, mortgages, etc), and it will, you need to calculate and itemize the annual payments that each loan will require (there are amortization books or programs that can help with this, or your spreadsheet can do it).
- ii) Operating expenses. Usual categories of expenses include: property taxes, heating, electricity, water, and maintenance. You can either get figures from the previous owner, or try and estimate them based on your current building.

Only worry about accuracy to the degree that you can. Try to estimate costs in a way that you can defend if you need to, but don't worry about having every single cost pinned down just yet.

Subtract total expenses from total revenue. If the amount is positive, you're probably looking at a building that will work as a co-op. If the amount is negative, you need to look closely at how you can make this building support itself. Possible strategies include increasing the number of people in the building paying rent, eliminating unnecessary expenses, or changing the structure of the sources and uses of funds to lower the debt service expenses.

If all three of these elements come into place (occupancy, sources & uses, and cashflow), then the building is probably feasible. Don't be surprised if it's not, though. It can take a long time to find a building which will work as a student co-op.

## Financing the Project

Financing new student housing cooperatives is one of the most difficult aspects of the development process. Obtaining loans from conventional lenders is often impossible, even when a group has obtained the funds for a down payment. The cooperative movement, however, is in the process of creating a pool of resources to finance new co-ops.

### *Mortgage Financing*

Financing the purchase of property is generally done through a mortgage loan. A mortgage loan is a loan that is made "against" the property which the group is purchasing. This means that the property being purchased serves as collateral which can be repossessed if the new cooperative defaults on its loan payments.

Mortgages typically provide a maximum of 75 percent of the financing for any given purchase. This gives banks protection in the case of defaults: they are very likely to get 75 percent of the value of the house through a resale after repossession. As well, the remaining 25 percent of internal capital and subsidiary financing, tells the bank that other people have enough confidence in the buyer's ability to pay, to risk their own money. The 25 percent is considered the cooperative's down-payment.

Another attribute of mortgage financing for new student cooperatives is that, almost without exception, it is at a variable rate, which means that the interest rate of the loan is tied to prevailing market rates and subject to go up and down. This is unlike a typical home owner mortgage which is fixed and has the same payments throughout the loan. The rates can change monthly, yearly, every three years, five years, etceteras.

Loans also have two lengths attached to them. The first is the amortization of the loan. This refers to the length of time it would take to pay off the loan in monthly installments, which is commonly 20 years. The longer the amortization the smaller the monthly payment—but more payments are scheduled to be made and therefore the more total interest paid.

The second length of time is the term, which is the length time that the buyer will be paying off the loan (is not necessarily the same as the amortization). For example, the loan might have payments figured on a 30 year amortization, but with a term of 5 years and so it will need to be paid off at the end of 5 years. This is done because the lender does not want their money committed for an extended period of time or is unsure of the buyer's ability to be consistent in loan payments. Usually, the cooperative will either extend the loan or get a new one.

### *Subsidiary Financing*

Historically, obtaining subsidiary financing, the remaining 25 percent of the loan, has posed a difficult problem for student cooperatives, which is discussed in the previous section. In CCDC projects, subsidiary financing is most successfully obtained from the limited resources within the cooperative movement: established student cooperatives, the Kagawa Fund, local co-ops, and member shares.

Other options for subsidiary financing are local supporters and organizations: local businesses, nonprofits, universities, cities, and philanthropists. Though these are not likely to produce loans for a significant portion of the subsidiary financing, every piece of the financing package is important.

### *Member Investment*

A common element of subsidiary financing is member investment, which serves several purposes. With respect to the organization, it is one of many ways in which members create and maintain a commitment to the cooperative. This sense of ownership creates an incentive to care for the buildings and the organization. Furthermore, the contribution to the purchase of the building makes the project attractive to mortgage and subsidiary lenders. Also, the member investment reduces the size of the mortgage payments and, thereby, adds to the affordability of the project.

If the cooperative defaults, and the property is sold, the mortgage and subsidiary lenders want to recover their money. A return of 95 percent of project cost is used as a standard, in case the property must be sold quickly. Therefore, lenders generally look for around 5 percent member share investment to cover the loss. The member shares effectively function as a built-in incentive for member participation.

The concept of member shares is common throughout the movement, even in, say, a food co-op. Members purchase shares in the cooperative, and the shares are the source of initial capital for the venture. They are equity contributions which last through the member's term of involvement. The sum is paid upon entering the cooperative and is refunded when the member leaves: it also functions as a security deposit. Usually, the share is not any more than the area's average deposit.

Another kind of member investment is a loan, which either comes from a member or a relative. These investments are unique in that they are socially-responsible by supporting a good cause and personally-responsible by supporting one's education. While the terms of loans depend on circumstance, the interest rates can be set to make them attractive investments.

A strategy for member loans which has been used before in low income housing is through credit union membership. If a credit union will not lend directly to the co-op, perhaps they will consider lending to the members, who in turn will lend the loan to the co-op. If organizers are members of a credit union, they can take out loans for the amount of their member loans to the cooperative. The interest paid to the member on their loan would be equal to or greater than the interest of the credit union loan. Thus, the member loan would have no direct financial costs, while still providing a form of member-loan investment.

### *Movement Resources*

The student cooperative movement has responded to the difficulties in obtaining financing by developing a pool of resources which it can draw upon when necessary. One strategy has been to lobby the government for the use of public funds. In both Canada and the United States, all levels of government have provided low-interest loans and grants for the capital needs, operations, and rehabilitation of student cooperatives. The problem has been that government support is not consistently reliable, fluctuating with the political climate.

The principle of cooperation among cooperatives is a movement-building force that has helped in overcoming financial barriers. Many established student cooperatives are willing to loan money to organized groups with feasible projects. Even better, local cooperatives are sometimes willing to provide loans and play the role of sister organization. However, cooperatives are not obligated to provide loans, which means that it comes in waves just as with government support.

A model which addresses the problem of wavering support is the creation of a revolving loan fund that is controlled by participants within the cooperative movement. A revolving loan fund is a pool of money which loans initial capital to projects and re-uses the repaid money by loaning again. It grows by charging interest, soliciting depositors, and fundraising. The initial capital could be provided by established cooperatives or through public funds.

The Kagawa Fund for Student Cooperative Development is a revolving loan fund named in memory of Toyohiko Kagawa. The initial capital was provided by the Japanese cooperative sector and is currently controlled by CCDC and the Cooperative Development Foundation. The current funds (as of early-1997) are only sufficient to provide for part of the subsidiary financing of one project every per year. However, a fundraising effort focused on established cooperatives and co-op supporters is in the making, which will make the fund more effective.

## Getting Loans

While banks do not have fixed loan requirements, there are certain items which they will look for in deciding whether or not to approve a loan. Other than the overall soundness of the project (ability to pay and adequate management arrangements) banks look at how much the organization budgets in reserves. Safe numbers are as such: two percent for operating expenses, three percent for repairs and replacement, and five percent for vacancy. Also, banks look for a net income of around 10 percent.

### *Loan Applications*

The loan application is, essentially, a summary of all of the development data obtained or created through the development process. The basics of the application are as follows:

- organizational mission, purpose, and goals
- description of the organizational structure
- need for the loan
- type of loan
- property information: value, condition, and existence of liens, or debts owed
- substantiation of the organization's ability to pay the loan back

As well, the loan application should include a business plan that articulates the next three to five years of operation. Most of the information for the business plan is generated in the financial projections, so it is not difficult to put together.

The amount of information that banks require for loan applications makes them fairly detailed documents. The bank is in the business of loaning money and has a long list of specific requirements; loans from other sources will likely require a lot less information. When lenders are treated in a professional manner, they are likely to feel better about the loan. While this may seem inconsequential, lending decisions (to an extent) are based on a subjective intuition, in addition to the financial details of the project.

### *Loan Evaluation*

Once the loan application is complete and submitted to the bank, the application will be evaluated by a loan committee. A loan officer will be assigned to the project and will be the main contact during the loan evaluation process. He or she will take the application before the loan committee, which will evaluate it on the aforementioned criteria.

The loan committee, through a loan officer, will probably want additional information which can be supplied by the organizing group, CCDC, real estate agents, building appraisers, and housing inspectors. The committee will then make the decision to approve or deny the loan.

## Closing the Deal

The day on which someone actually purchases a building is called Closing Day. It is the day when the title to the property is transferred from the seller to the buyer. It is not the same as the day in which the members move-in or "take possession" of the property. Possession of the property is sometimes arranged before or after Closing Day.

The closing normally occurs at a title company, which is a firm that specializes in property transfers. They are responsible for preparing all the relevant documents and issue the "Title Insurance" that guarantees the buyer gets title to the property. There are a number of people present at the closing, including:

- owner
- co-op member
- CCDC staff
- lawyers of both parties
- real estate agents
- representatives from the lenders
- other parties, such as the building inspector or appraiser

Sometimes there will be an independent lawyer who is there to coordinate the affair and draw-up some of title transfer documents. Papers are passed around and signed by both parties. This is the time when the down-payment to the bank is made, consisting of member shares and subsidiary financing. Usually the contractors and lawyers will receive fees for their services at this meeting and lending-related fees will be paid. Others involved will inform the buyer of when they expect to be paid.

## Rehabilitation

Very seldom will an organizing group find a building suited perfectly to their needs. It is often the case that the building is in need of rehabilitation in order to make it livable or to conform with local fire and health codes. Frequently changes in a building need to be made because of increased occupancy or the previous owner's neglect. Generally, members work closely with CCDC staff to insure that things proceed properly.

Even entering into a property with all the necessary rehabilitation fulfilled, it is often desirable to upgrade in other ways which will improve its functioning. Possible renovations could be something that a member can facilitate, such as converting a garage to a bicycle shed. More complex projects require hired labor: installing skylights, replacing the roof, or adding additional living space to the building.

### *Developing a Rehab Plan*

As mentioned, much of the renovation work will be required by local fire and safety ordinances. To learn about what changes will be required of the group, it is necessary to make contact with the city housing building

inspector. Often it is advisable to have the city inspector tour the house personally, because his or her interpretation of the code is most relevant.

Plans for major renovation should incorporate the assistance of an architect, who will be able to apply the local housing code to the new cooperative. As with other professional help, it is advantageous to create an advisory committee that can provide sympathetic and affordable advice. A sympathetic architect can give relevant assistance to a rehabilitation plan.

After the city inspector has compiled a list of requirements and the plans have been completed by the architect, the rehabilitation should be carefully planned. To begin with, work that can realistically be performed by willing members is noted. Next, a schedule is developed which includes priority renovations and work coordination. Further, bids are solicited for repairs and construction: generally three bids per work project. Members can play a key role in finding contractors who are recommended by people in the area and checking on the reputation of others. Factors in choosing a contractor are:

- Experience: Has the contractor worked with the cooperative or neighbors on another projects and done a good job?
- Time: Will the contractor be able to complete the project when needed?
- Guarantee: Is the work guaranteed and how do different bid guarantees compare?
- Work included: Is the bid of one contractor more complete than another? Will subcontractors need to be involved?
- Price.
- Cooperation: Is the contractor willing to work with some members?
- References: Does the contractor have good references or work to be displayed?

Organizing a work committee is helpful, if the co-op wishes to reduce its rehabilitation costs through “sweat-equity,” or member volunteer labor. CCDC can help establish what tasks are doable by members and how long tasks may take. Such decisions should be made when the rehab schedule is developed. When it comes time for members to begin certain tasks, everyone in the group should be clear about their responsibilities. Informing a contractor that rubbish will be cleared out of an attic, and not having it done when he or she arrives with the work crew increase the overall cost of the project.

CCDC usually advises groups to appoint a development liaison who is responsible for being the on-site coordinator. If there is room in the budget, provisions can be set aside for a development intern to paid for the large amount of work that is required of the liaison. The liaison is responsible for informing the work committee of its responsibilities and checking-up on the work that contractors perform. Not only is the final product important in this case, but being aware of work which is falling behind schedule can be of crucial importance. Delaying one job can have a domino effect on the renovation and cause the cooperative added inconvenience and expense.

## The NASCO Properties Option

The primary strategy outlined in this chapter for acquiring property to be run as independent cooperative systems is seen by many in the movement as the most desirable development process. However, it is still based upon the support of traditional banks for the mortgage portion of the finance package. Such support cannot always be counted upon.

Even if the project is able to attract loans for a down payment through movement resources and alternative lenders, many banks are still not willing to lend money to student cooperatives. This added dimension to the movement’s financial barriers has necessitated innovation beyond the movement resources discussed earlier.

NASCO Properties (NP), a tax-exempt nonprofit organization, was created for the purpose of saving an existing student cooperative from financial ruin. The Inter Cooperative Council in Austin (ICC-Austin), Texas was suffering from the effects of a real estate crisis caused by the Savings and Loan scandals of the late-80s, and NP was created to purchase one of their buildings to provide a much-needed cash infusion to the

ICC-Austin. In addition to saving an existing co-op system, NP was created for the larger purpose of addressing the mortgage finance barriers faced by organizing groups.

NASCO Properties' creation in 1988 was immediately followed by the provision of assistance for an organizing group in Chicago in '89. The group had been unsuccessful in finding conventional financing, even with the help of the student cooperative movement. This problem was resolved by NP purchasing one building, and then a second, and leasing it to the local cooperative.

Today, NP seeks to poise itself as a reputable national property owner in the financial industry, with the intention of assisting student groups unable to access conventional financing. The organization seeks to empower the local co-op to the point that it is able to purchase property on its own. While NP has produced a development statement, it has not agreed upon specific policy or process concerning the future ownership of properties.

As CCDC and NP are cooperative development organizations, they are committed to overcoming financial barriers and making projects work by any means necessary. The philosophy is that, as much as possible, student cooperatives should expand due to their own efforts. Yet, due to financial challenges experienced by new student cooperatives, total autonomy is not often possible, and tools such as NASCO Properties are a necessary alternative.

## New Construction

Another strategy for establishing a cooperative is new construction. The construction process is dramatically different from purchasing existing housing stock, involving elements such as hiring an architect for design, agreeing on design, hiring and advising a construction firm, obtaining building permits, and so forth. However, there are similarities as well: primarily, obtaining financing. While this handbook focuses on purchasing buildings, new construction is, in many cases, an effective means of providing community-oriented, affordable housing.

### *Democratic Design*

Sometimes organizing groups decide that the buildings in the local market are not conducive to the student cooperative model, which traditionally requires a large building to maximize the group's labor power by creating an economy of scale. Similar to cohousing, which incorporates the concept of resident-developers, new construction gives student organizers democratic control over the design of their future home.

Constructing a new building allows the group to create a structure that enhances their objectives. Such a design may include a centralized food area, plenty of common space for hanging-out, private dwellings for alone-time, and thick walls for study-time. It is difficult to find a building in the private market that incorporates all the right elements for cooperative life. New construction provides an ideal basis for a healthy community.

New construction also provides an opportunity for experimenting with new innovations in ecologically sustainable design methods. Conventional housing development is often based upon leveling undeveloped land and building new structures with unsustainable methods. New (or not so new) environmental design methods incorporate concepts such as energy efficiency, recycling of waste, community gardening, bike storage, solar, and wind energy.

### *Relief in Tight Markets*

The existence of students can affect the housing market in negative ways. For instance, if a new university is built or enrollment is increased and new student housing is not constructed, then students, who then rely upon the local market, have a negative impact on local renters. In classic economic terms, an increase in demand without an increase in supply will drive the price of housing up and make life difficult for low-income tenants.

For organizing groups motivated by the provision of affordable housing, new construction is sometimes more socially-responsible than purchasing existing housing stock. One reason for this is that by creating more housing, the impact of students on the local community is lessened, non-student-specific housing is freed-up, and a downward pressure is exerted on the local market. This is what makes student cooperatives beneficial to the entire community. Furthermore, new construction allows for the maximization of space.

Affordable housing is different from housing designed for middle- or upper-income people in that the former is densely populated and the latter is low density.

### *Subsidies*

A final justification for new construction relates to the previous subsections. Because they have the potential to improve the accessibility of higher education, the larger community, and the well-being of the planet, new construction projects are more eligible for public and private subsidies than purchased property.

City governments are sometimes interested in providing affordable housing to low-income people. Because student cooperatives indirectly benefit low-income communities, cities may be willing to provide low-interest loans or grants. Likewise, universities are often responsible for providing a certain amount of student housing and may be willing to provide loans or land subsidies to fulfill this responsibility. A land subsidy is a piece of land provided to a cooperative for significantly lower than market rate that, in effect, functions as a subsidy.

As consciousness of the environmental destruction of the planet becomes more widespread, private foundations and other funders will be more willing to support innovations in sustainable design. While sustainable methods are often more costly than conventional development, a grant to subsidize the project could even things out. A student cooperative project might be attractive to funders because it involves young people learning about alternatives, who, in turn, will incorporate such lessons into their lives.

One criticism of new construction is that when all the costs are added-up, the project is not feasible unless it is subsidized in some manner. This support may come in the form of low-interest loans, grants, or university land at no cost. Thus, before a group invests too much time and hope into a project, the first step is researching the available programs.

# Working with a University

*Establishing University Motivation*

*University Requirements*

*Developing a Bargaining Position*

One development option which is different from either renting or owning property involves working with a University. This option is similar to rental, in that it does not require the rigours of purchasing property. However, as it can also open a whole other set of issues, it deserves special treatment.

Universities normally provide housing as part of their package of services to students. However, much of the housing that they provide is expensive and not responsive to student needs. Cooperative housing can offer Universities an opportunity to provide for different students interests and needs without having to administer it themselves; it is affordable, educational, and innovative - qualities that are sometimes attractive to administrators.

Typically, student housing cooperatives which work with Universities lease buildings which are University-owned, either on or off-campus. The terms of the lease vary widely, as do the terms of occupancy. Key issues in successful leases have been the value of the lease (how much the co-op has to pay on a monthly or semesterly basis); whether the residents have to be students at the University in question; the division of responsibilities in key areas such as maintenance; and the terms for termination and renewal of the lease.

However, be forewarned - University commitment to student cooperative housing can be transitory. University politics are complicated, especially when it comes to real estate. In recent years, co-op systems at Cornell and Brown Universities have been reduced in size because the Universities in question decided that their resources needed to be concentrated elsewhere - away from the needs of students. If you are planning on approaching your University administration, it is important to do your homework and understand what the University's motivation is going to be to support co-op housing, what terms they will likely set for their involvement, and what your bottom line is going to be.

## Establish University Motivation

Identify an appropriate unit in the University administration to approach and make a presentation to. It is important to identify arguments in favor of student cooperative housing which appeal to the interests of these administrators. Key arguments are likely to include:

- *Student Life Development:* A lease-arrangement with a cooperative can provide Universities the opportunity to allow students to experience a community theme. They may view this as a key factor in the development of students' overall educational experience.

- *The Benefactor:* Some Universities may desire to aid students in a "good cause". They may feel that cooperative management corporations, provide students with good non-profit business experience.
- *Demand:* If there is a demand for cooperative or affordable housing, a University may simply be interested in quickly and easily responding to a student demand.
- *Lower-cost:* The University may be interested in providing housing at a lower-cost than its overhead may permit.
- *Better up-keep:* Occasionally, a University may contract with a management corporation because it does not have the maintenance resources or abilities to satisfactorily maintain its own buildings. This is not usually a reason why a University will contract with a student cooperative.

## University Requirements

In addition to motivating factors, the University will have requirements, as property-owner, which any leasing organization (student cooperative or not) must meet in order to independently rent or lease facilities. As property-owner, the University has certain responsibilities, to itself, to its students, to its lenders, and to the community, which it wants to be sure to fulfill. Those requirements include:

- *Assured income:* The University must be sure that it will collect the income due to it from the leasing organization. This means that the leasing organization must be soundly organized in its collection and management of funds; and that it should provide for the high-occupancy of its managed buildings. Note: Consistent and on time lease payments for a long way towards keeping a University satisfied with a lease arrangement.
- *Proper upkeep:* The University will be interested in the proper upkeep of buildings. This includes minor maintenance, major maintenance, and occasional rehabilitation work. The leasing organization must be able to deliver regular and reliable minor maintenance, and appropriately provide major maintenance and rehabilitation. The leasing organization should not allow the rapid deterioration of its managed buildings, even if repairs are swift and complete. Note: Funds invested by a leasing organization are generally worth the expense, if it means savings on chargebacks from University-performed maintenance.
- *Sound operation:* The University will be interested in the orderly and appropriate operations of properties. This includes the programming of social functions and activities, the clean and sanitary operations of the premises, and the healthy operations of any food service. Note: The existence of successful education programs and the design of "systems" for operating
- *Low conflict:* The University is interested in a management of the property which is favorably received by its residents. Resident dissatisfaction or conflict will worry a University.
- *Responsible negotiations:* The University is interested in quiet and productive negotiations. Note: High profile protest and positioning may be appropriate for emergency situations such as a co-op closing or skyrocketing chargebacks, but could backfire in the long-term -- a University may not feel that it can work amicably with a leasing organization, and therefore wish to end the relationship.
- *Public image:* The University will be interested in its property being well-received in the larger community. If not being perceived as an asset to community, at least it should not be perceived as

a liability. Note: Phone calls from neighbors and parent, even about low priority issues, will prompt the University to take a more active role in management. This can translate into more restrictions and higher charges for a co-op.

- *Responsible admissions:* The University will be interested in the fair admission of residents. Note: Selective admissions can lead to complaints to the University administration and increased scrutiny.
- *Independent operations:* The University will be interested in a leasing-organization which can operate without University assistance (even if the University plans to offer a significant amount of management through the lease agreement). An independent leasing organization means that the University has flexibility in its leasing arrangements, and it can trust the leasing organization to properly manage the premises. Note: A co-op using paid management or accounting services helps to lay to rest many University fears.
- *Working Relationship:* The University will be interested in establishing a good working relationship with a leasing organization. Continuity, low-conflict, and flexibility are some of the qualities that a University will look for in a leasing organization. Note: The more the University feels that there are shared goals, the more flexible the University is likely to be.
- *Coherent Organization:* The University will be interested in working with an organization which it understands. Understanding the management corporation will allow the University to credit it with trust in operating its property. Note: This translates into providing a consistent contact person and ease of communications. Unanswered phones and unreturned phone calls damages a sense of responsiveness.

## Developing a Bargaining Position

Developing a bargaining position with the University, in Rent Contract or Lease negotiations, begins with developing a sound business organization, one with articulate goals, a management capacity, and plan to meet its goals (see Doing your Homework). While a student cooperative management corporation may not be able to, or desire to, be responsive to all of a University's desires, the cooperative must be able to live up to its requirements.

The best rent contracts or lease agreements will promise the delivery of certain results (regular lease-payments, proper maintenance, sanitary kitchens...) in return for the use of buildings. The University needs to be convinced that it can expect those results from the student cooperative in order to negotiate a favorable lease.

The more the University perceives that the student cooperative may not be able to provide certain results, the more the University will be interested in an unfavorable lease-agreement (involving operational interference, University-control of capital reserves, shorter lease-terms). In this case, the University's motivation in negotiating the lease agreement will be, partially, to design the cooperative's management structure through the lease. If the University shapes the management structure (or controls certain operations), it will guarantee certain results. However, it will also involve itself in the management of the property, losing some the benefits of leasing its property.

In designing its negotiating position the University will look at the following considerations:

- *Finance:* Can the management cooperative adeptly budget income and expenses, manage its cash-flow, bill its members, and collect its income? If the cooperative cannot perform any of these tasks well, the University has reason to worry that it may not receive its lease-payments on

time (or in full), and it has reason to worry the the cooperative may poorly treat its members by having them subsidize substantial member debt, or by creating "surprise" increases in charges in order to make expenses. Similar, poor financial organization and operation will give the University reason to believe that the cooperative should not manage the capital reserves for the improvements on the buildings.

- *Maintenance:* Can the management cooperative provide low-deterioration and good up-keep of buildings? High wear-and-tear on buildings will alert the University that the management cooperative is poorly run. If its member-residents are destroying its fixtures at a swift rate, the management corporation should be discouraging these activities to save its members money. Similarly, the management cooperative should have a good repair system, so that the University can be assured that small repairs will be quickly identified and repaired -- and repaired properly. High levels of maintenance, especially involving member labor, can assist in convincing a University (or other private parties) to help pay for some repairs or even furniture and equipment donations.
- *Operations:* Can the management cooperative quickly and adequately respond to the needs of its member-residents and the University? If the decision-making processes are too slow or cumbersome (discouraging their use, or prohibiting their efficient use) the University will worry that the management cooperative does not have the ability to deal with crisis situations. Similarly, the management cooperative must provide for its administration by skilled and trained individuals, so that decisions and administration are sound.

By developing and communicating the existence of these capacities, student cooperatives can put themselves in a position to bargain for more autonomy and generally more favorable terms in rent contract and lease-negotiations.

# The Beginning and the Future

*It has been said that cooperativism is an economic movement that uses education; we can alter that definition, affirming that it is an educational movement that uses economic action.*

— Jose Maria Arizmendiarieta,  
founder of the Mondragon  
Cooperative Corporation

A social movement is a process of building collective strength to bring forth social change. Movements are a means of gathering people together that reach beyond the bounds of a formal organization. Contemporary progressive movements address issues such as: civil rights, labor, environmentalism, socialism, feminism, and, of course, cooperatives. These movements are integral to democracy because they mobilize people to voice concerns and affect society from the bottom-up.

Cooperatives are inherently movement organizations. Many co-ops blossom from the efforts or assistance of people already involved in a movement. Others arise independently to further the interests of their members and realize that their mission can be better fulfilled by working with other cooperatives. In any case, the larger task of democratizing the economy is such a massive task that it can only be achieved by working as a movement.

The third part of the *Handbook* addresses the challenges that arise once the cooperative has been established. On a microcosmic level, in order for the co-op to be successful as an organization, it is necessary to invest time, thought, and research into designing a system of operations. Likewise, on a macrocosmic level, in order for the movement to be successful, it is necessary for the co-op to participate on the local, regional, national, and international levels.

# Opening the Co-op

*Interim Management*

*Recruitment*

*Getting it Done*

*Labor Systems*

*Orientation*

Purchasing or leasing a building is not quite as simple as: find house - purchase house - occupy - and *shazaam* it's a co-op. Although that is the basic sequence of events, there are a few details in-between that will keep the new owners busy. Some of the responsibilities are geared towards preparing the cooperative for the members, and others take place after the cooperative has opened. It is important to give special attention to this work because it can make the difference between a smooth first year and one that is muddled with problems.

Once a building is purchased, organizers should pay close attention to all the tasks involved in preparing for the opening. Building renovation needs to be coordinated by a co-op intern or building committee to ensure that progress is moving forward properly. If it will not be operated as a co-op right from the start, organizers should devise system to manage it in the interim period. Also, new members should be recruited and thought should be invested into how the house will operate. Once the co-op opens, experienced members should host an orientation for newcomers to introduce them to the organization, the cooperative movement, and make them feel at home.

## Interim Management

The members of the new cooperative might be able to occupy their building immediately or soon after purchase. However, this is dependent upon who is currently living in the building, the length of their leases, and what is best for the members. Usually, there is a variable period of time between the purchase and when it becomes an actual cooperative household. During this period, it is advisable to have a plan for the interim management of the building.

One of the primary issues that should be dealt with during an interim period is the current tenants. Will they be asked to leave so the organization can start anew? Will they be invited to join the co-op? Sometimes tenants have been living in a building for a long time and may feel that it is their home. The prospect of leaving can produce feelings of sadness or anger, which necessitate sensitivity in dealing with the situation. Furthermore, if the tenants have a long-term lease, the co-op may have to honor it by allowing the tenant to stay. The decisions that organizers make in these situations depend almost entirely on the context from which the issues arise.

Another issue to be dealt with is collecting rent during the interim period. As the new owner of the building, the cooperative is responsible for paying the mortgage payments. No payments can be missed. This requires insuring that the tenants are paying the correct amount of rent.

Likewise, organizers should be clear with tenants about when they are scheduled to move out. Standards for maintaining of each room and cleaning it upon departure should be enforced by the interim manager(s). Lastly, deposits that each resident put forth upon entering the building, which are usually transferred on closing day to the co-op, need to be available returned once rooms and debts have been cleaned, which is usually one week to one month. Money should be subtracted for damage done to the rooms and cleaning that was not done. The residents should not be allowed to subtract their last month's rent from the deposit, as this money may need to be used to cover other expenses.

Interim management may not feel very "cooperative" for the organizers, who could feel like they are sacrificing their moral principles by playing the role of a more traditional landlord. However, each of the tasks listed above are a standard part of any management program; co-op members will need to handle such responsibilities once the organization becomes an actual cooperative. The primary difference might be that interim residents are not as willing to work with the management as future members will be, which can cause friction.

## Recruitment

In many cases, for both leased and purchased buildings, the cooperative will need to recruit new members to fill the empty spaces. However, it is important that potential members understand the cooperative and what is involved. Organizers should begin to think about the details of policy and practice before recruiting begins; constructive dialogue should be invested in the following issues:

- **Meal Plan:** If the cooperative is going to eat meals together, the details should be considered beforehand. How many meals will be provided each week? Will there be food at other times? What type of member labor will the meal plan require? Food is an excellent catalyst to bring the community together.
- **Cost:** Perhaps the first question that will be asked by potential members is, "How much does it cost?" An initial cost projection should have been created for the feasibility analysis. Likewise, estimates for utilities and food should be created if applicable.
- **Member Share:** If the building is purchased, part of the down payment was likely a member share. Member shares function similarly to a deposit, as deductions for damages or lack of cleanliness are subtracted upon departure. How much does the potential member have to put down?
- **Labor:** How many hours and what kind of work is expected of each member? The meal plan usually requires the bulk of the work in a student cooperative.

Member contracts, incorporating the above information, should be created. A standard residential lease is probably not appropriate, although it's a good start. Most residential contracts have the same standard clauses, which will protect the cooperative from legal or financial hassles. Issues covered in a standard contract include but are not limited to: damages, late payment charges, length of contract, and so forth.

Once these details have been mulled over, and possibly decided, organizers should design a recruitment strategy. A good place to start is to consider what qualities a prospective member should have. What places does the prospective member likely frequent? What kind of publicity would attract attention?

Everyone should be involved in the recruitment campaign. Word of mouth is the cheapest and most effective way of spreading the word. Organizers should identify friends and colleagues that might be interested and personally invite them to join. People who expressed interest at outreach events should also be contacted and personally invited. Successful recruitment involves targeting people who are interested in community living and social change, not just cheap rent.

Universities often have resources for student housing that student organizations can take advantage of to recruit members. One is the off-campus housing office: advertising is often free. Another may be a housing brochure that is distributed to incoming students who are unfamiliar with the local housing market.

Taking the campaign one step further, organizers should reach-out to the student community and general public. Perhaps the most common form of outreach is posters. Effective posters are colorful, creative, and expressive of the co-op spirit: pictures, poetry, quotations, descriptions, logos, and slogans all help to achieve this. The visual element should be underscored: large and provocative images draw the viewer closer to take a more detailed look.

An innovative approach to recruitment that is geared toward outreach and public education will help the cooperative develop an enthusiastic and diverse membership and a strong community presence. The following is a list of approaches that can help make an outreach campaign into a public education campaign:

- Hosting a press conference or public event
- Writing a press release and sending it to the student and local press
- Tabling at a public event
- A year-round pamphlet display at the community housing office and student center
- Registering the phone number with an easy-to-remember number, such as 555-COOP.

Innovative techniques to creating a community presence are important not only for the initial recruitment campaign, but for future campaigns. In the long term, it will save the organization time and money.

## Getting it Done

Perhaps for the first time, the cooperative is now on a tight schedule with deadlines. If, for instance, the co-op must be ready to open by the beginning of the school year, organizers may have to hustle to stay on time. For larger groups, it may be necessary to create an oversight committee to make timely decisions about rehabilitation, interim management, and member recruitment.

Indeed, there is a lot of work involved during the transition period. So much, that it may not be realistic to expect volunteers to handle it all. Many new cooperatives budget money to hire a development intern to coordinate rehabilitation, management, recruitment, and volunteers. Someone whose schedule is freed-up, is accountable to the co-op and CCDC, and can focus on getting the work done increases the chance of success. In this case, the oversight committee, in addition to volunteering, can supervise the intern.

## Labor Systems

Elaborating on a point brought up in the previous section, an important consideration is the member labor system. It may be tempting, in a bureaucratic age such as our own, not to systematize the cooperative and to rely on the trust and good will of each person. However, there are benefits to creating a labor system that is accountable to the democratic will of the group.

One benefit is that the group does not have to reinvent the wheel each term. Another benefit to having a fairly constant schedule is that it addresses all the necessary chores and that members are clear about their obligations.

### *House Officers*

Student cooperative across the continent have a variety of labor systems, developed for their particular circumstances. While no two co-ops are exactly alike, there is a fairly common methodology used in designing work systems. One aspect to a labor system are officer positions: the following list is a fairly standard division of labor between officers:

*Chair or President:* The cooperative should have one recognized representative. The responsibilities could include: planning and facilitating house meetings, serving as a representative to the community and Board, and checking-in with house officers.

*Treasurer:* The treasurer collects member charges, prepares a budget for house approval, pays the bills, reports regularly on the status of collections, and compares income and expenses with the projections in the budget. The financial success of the organization depends on the foresight and communication of the treasurer.

*NASCO Representative:* This person serves as a liaison between the cooperative and NASCO/CCDC, serving to facilitate communication between the two groups. It is easier for NASCO/CCDC to work with a new cooperative when there is a designated communicator. Often, this responsibility is given to the president or chairperson.

*Food Steward:* This person is responsible for facilitating the purchase of the house food. If the house doesn't have a meal program, a steward is not necessary. The steward's responsibilities may include the following: making the food budget, creating a shopping list based on the needs of the cooks and the general desires of the members, and purchasing food. Furthermore, sometimes this person is responsible for overall welfare of the kitchen.

*Work Manager or Labor Czar:* The work manager is generally responsible for facilitating the work schedule and ensuring the proper completion of work assignments. The manager may also be responsible for ordering supplies, and assisting with scheduling special projects, including work holidays, maintenance labor, and recruitment activities. The frightening title of "labor czar" is sometimes given because the job often requires disciplining members who are not living up to their responsibilities.

*Secretary:* Someone to take notes and compile minutes for each meeting is an effective means of facilitating house communication (for those not present) and enhancing organizational memory (over a period of time). The responsibilities of the secretary might include: taking minutes, filing minutes, and posting them in the bathroom or other prominent area, keeping records of alumni, and forwarding mail to former members.

*Maintenance Manager:* This person oversees the maintenance tasks of the house, coordinates other maintenance workers, schedules labor as necessary, and communicates with contractors. This position is crucial to the long term health of the building.

House officers can be elected by the members at the beginning of each term or each year. Furthermore, it is useful to clearly spell the responsibilities of each position in a house constitution, which furthers a sense of identity and helps things run smoothly.

Some of the house officers (president, treasurer, secretary) may look similar to the officer positions on most co-op Boards of Directors. However, there is a clear distinction between house and organizational operations in multi-house systems. In one-house systems, there is a distinction on paper but rarely is there a distinction in reality. For instance, the Board of Directors may be composed of everyone and house officers become the organization's officers. See the Getting Legal section in the "Moving Forward" chapter for a more detailed discussion of governance.

### *Fundamental Work*

Determining what work needs to be done on a regular basis is fundamental to the smooth functioning of the household. Fundamental work probably includes each of the following: cleaning the bathrooms, kitchen after meals, and common areas; preparing meals; maintaining the outside grounds; taking out the garbage and

recycling; and so forth. It is also nice to have jobs that change from term to term to encourage new ideas. Lastly, whether or not Board members will be counted as labor is an important issue to be resolved.

Once a rough list of fundamental labor has been composed, it is helpful to design job descriptions and estimate the time and frequency required for each task. Often, job descriptions are compiled in a folder and posted at various locations throughout the house: officers in a central location but others by their job location (bathroom cleaner in the bathroom, cooks in the kitchen).

One of the objectives of a labor system is to balance the work load so that each person has a relatively equal amount of work. Some cooperatives assign an amount of work credits for each job based on the time commitments and difficulty of tasks. Jobs that are not considered very pleasant are given extra work credit as compensation (i.e. taking out the trash or cleaning the bathroom). Other cooperatives base work on the amount of time required for each job.

### *Implementation*

The implementation of the labor system begins with establishing a process whereby everyone in the house is assigned jobs. Student cooperatives have various mechanisms for this: elections, lotteries, appointments, or a combination. Different techniques stem from different priorities and goals: for instance, a lottery system attempts to achieve fairness by being totally unbiased.

In the early stages of implementation, the house will likely run into unexpected problems. Members may discover that no one is cleaning the basement or that the hallway is being cleaned twice as often as is necessary. Or that being work manager is more time consuming than was planned for. These problems should be resolved before each new term and job descriptions should be revised as necessary.

The implementation would not be complete without a system for dealing with work-left-undone. It is usually the work manager's responsibility for the acting on policies for missed jobs. The house should be clear about informing the work manager when a job is considered undone and what the procedures and penalties are. Examples of penalties range from strict fines to a "wheel of misfortune" that is spun randomly choose a make-up task: for instance, scrubbing the oven, cleaning under the kitchen sink, baking cookies, and so forth.

## Orientation

New member orientations function as an introduction to the organization and the cooperative movement. They are an integral part of the "cooperative education" principle in that they get the relationship between member and cooperative off a good start. Orientations provide members with information about the organization's operations, member responsibilities, and cooperative principles.

An orientation should be useful, enjoyable, and mandatory. Three or four hours should be a sufficient block of time. Two tips that might enhance participation in cooperative education events are as such: provide food and make it look fun and interesting. Also, allow time for informal interaction, so members have a chance to get to know one another. An example of an orientation schedule is as follows:

### *Introductions*

5:00 Round Robin: How did you find the co-op?  
5:10 Agenda Review (display on butcher paper)

### *Cooperative Movement*

5:15 Round Robin: What is a cooperative?  
5:25 Cooperative Principles  
5:35 Cooperative Forms: consumer, worker, agricultural, student, food, etceteras  
5:45 NASCO and CCDC  
6:00 Project History, Vision, Mission

### *Break*

6:15 Dinner (eat during the orientation)

*How things work, or could work*

6:25 Governance: Board of Directors, house meetings, decision-making process  
6:40 Financial Structure: where charges go, when they are due, etceteras  
7:00 Labor System: jobs and responsibilities,  
7:20 Kitchen: meal plan, dishes, food system  
7:40 House Tour

This sample orientation should be changed to suit a cooperative's specific needs. If the house is just opening, policies likely will not have not been set, nor does anyone know where things are kept. The idea is for old timers to make the new comers feel welcome and to give them a sense of history and ownership. It is important for educators to stretch their brains to imagine where new members are coming from and what would be useful to know. Good orientations have flexible schedules (not too flexible), plenty of room for questions, and a festive atmosphere.

It will be most people's first time learning about the cooperative movement, which is usually an eye opener. NASCO has educational materials and resources (pamphlets, books, videos) which may help communicate the basics of the movement. Yet this is an ongoing process and resources should be provided in a library for further research.

Besides communicating the basics about of the cooperative, the orientation should provide the inspiration new members need to become involved and make a difference. An empowering orientation will help make the house a successful, democratic household.

# The Future

*Leadership Development*

*Development Culture*

*Movement Culture*

Once a cooperative comes to life, the struggle is not over, it just takes on a new character. It changes from the work of getting the venture started to building a strong organization and maintaining momentum. There are actually many challenges that new student cooperatives will face that could not possibly be addressed within this text. A separate handbook could be written to help members of new student cooperatives address these challenges. The final chapter focuses on three broad areas new cooperatives should bear in mind as they are setting the tone for the venture.

One is leadership development: efforts to develop new leaders and disseminate knowledge will make the organization stronger and prepare it for future turnover. Building a culture of continuous development will create a strong local network of co-op households, increase the organization's base of resources, and further its mission of providing as much affordable housing as possible. Likewise, maintaining a high level of participation in the cooperative movement benefits the organization through the sharing of resources and helps organizers in communities without cooperatives. Proactive founders understand the serious nature of these challenges, viewing them as opportunities for growth and welcoming the future with open arms.

## Leadership Development

After putting in innumerable hours of work, the founding group inevitably would like to see their creation blossom into a healthy community organization for years to come. Perhaps one's gut instinct is that this entity has come to life and now we can sit back and watch it flourish. Perhaps, on the other hand, the founders are worried that when they leave, the organization is so fragile, it's going to fall apart. While the actual situation is dependent upon the particular circumstances, there are some actions that the founding generation can take to help the cooperative thrive.

Perhaps the most basic factor is to remain a member of the cooperative for as long as possible. Often, a crisis period (or at least a challenging adjustment period) will follow when the founding bunch goes on. With organizing experience, a sizable list of student and community contacts, and knowledge of the cooperative movement, founders are in a position to empower new members by disseminating knowledge and building a vision to guide the organization. Founders might consider staying after graduation to help get the organization on its feet.

An on-going issue in all student cooperatives is the constant turnover in the student community. Turnover hinders the organization by breaking continuity and weakening organizational memory, and, at the same time, revives the organization by providing new blood and ideas. Established cooperatives have addressed this potentially devastating problem by hiring staff and budgeting for cooperative education to train new members. However, a new student cooperative does not have those resources, and therefore should address the problem from another angle: leadership development.

One approach to leadership development is touched upon in the previous chapter: member recruitment. When recruiting, founders should target a specific kind of student: those who are already involved in community projects or student activism. These folks, who understand they *can* make a difference in the world, are ideal because in a cooperative, solving problems and running the organization is not a landlord's responsibility, it is dependent on the members. That is a concept that not everyone is ready for or, at least, has a difficult time understanding.

Another approach to leadership development is cooperative education. An empowered, enthusiastic, and informed membership is fundamental to making good organizational decisions and maintaining a proactive vision. A thorough education program includes the following:

- educational materials: cooperative books, an owner's manual, directory of local cooperatives
- orientation: see previous chapter
- retreats: problem-solving and visioning getaways for those interested in improving the co-op
- one-on-one: officers should train future officers and work together as a team
- co-op conferences: regional and bi-national educational gatherings
- tours: regional and local tours of other cooperatives
- networks: making friends in other cooperatives and learning from their experiences

The opportunities for cooperative education should be planted firmly into the organizational culture and operations. An education committee is an effective means of organizing events and maintaining a focus and healthy education budget. Such a committee should have its place in the Bylaws.

## Development Culture

One-house co-op systems face challenges beyond their fragility and lack of continuity. They face the problem of isolation. Isolation is perhaps something that a co-op suffers from without even realizing it. Members of multi-house systems understand the variety of ways that a co-op can operate and that it is really just an organization that is defined by the members, whoever they may be.

Steps should be taken to maintain the vision of a multi-house cooperative system by building a culture of development. Understanding the real estate market is one means of achieving this culture: at times the market has nothing feasible and then may suddenly offer-up a fantastic building. Establishing a development committee that is out there looking at properties and keeping in tune with the market is one means of creating

a sense of readiness for development. Other activities the committee can work on is cultivating a relationship with the university and researching city and county programs that could benefit the cooperative. Much of this work is similar to organizing in that it involves finding property and building support.

The benefits of expanding from a one-house system into a two-house system are manifold. One is that it creates a local network of co-op households that are inextricably tied together. In addition to the friendships the network provides, it also functions as a basis for further community involvement.

Another benefit is affordability: as more buildings are purchased by the cooperative and mortgages are paid-off, the equity is reinvested into the organization making it more affordable. This is often a crucial issue for one-house cooperatives that have purchased their buildings with no equity. Borrowing 100 percent of the funds to purchase the building means that the average rent is higher than if the organization had the 20 percent down payment. This makes it difficult to compete with other housing in the private market, even if the landlord is making a profit. As the co-op builds a store of equity, reinvests it in the system, and purchases more housing, a system of affordable housing is created.

Purchasing more housing also creates a broader funding base that allows the organization to hire staff. Needless to say, it is difficult to run an organization with volunteer labor over an extended period of time. Coordinating recruitment, finance, maintenance, education, and development with volunteer labor is difficult to handle in a stable fashion and often leads to burnout. Hiring a staff person that is accountable to the democratic will of members creates a more sustainable situation over the long term. Staff members that understand cooperatives and can relate to students are an excellent solution to the problem of turnover in student cooperatives.

A final argument in favor of maintaining the spirit of expansion is that it is the mission of the student cooperative movement to make higher education more economically accessible by lowering costs. At the local level, student cooperative organizations should seek to provide as much affordable housing as possible. Many believe that all student housing should be run as cooperatives: students have the right to control their living environments! It is the co-op's responsibility to expand whenever feasible.

On the other hand, a valid argument against development is that as cooperatives become larger, they become alienating to the average member. In a one- or two-house system, every member can have input into most the major decisions that are made. Everyone knows everyone else. It's a cozy situation. Many established student cooperatives are large and complex democratic organizations with a political context and process all their own. It is easy for the average member to feel excluded from the goings-on even if opportunities for involvement are available.

Most of these organizations were created during the Great Depression and are over 60 years old. Their organizational cultures developed without any models to learn from. Student cooperatives that got their start during the 1960 and 70s wave of development or getting their start now are in a position to learn from the histories of their predecessors. The challenge of the coming wave of cooperatives is to become a large cooperative, while remaining small: to provide as much affordable student housing as possible and retain a sense of empowerment through avenues of member participation.

## Movement Culture

Student and community cooperatives should be also a part of a larger system — the cooperative movement. The problem of isolation is not totally solved by developing more cooperatives at the local level, co-op systems should network with cooperatives in other areas to learn about different modes of operation. Road trips, e-mail discussion groups, and educational conferences give members the opportunity to interact and share stories, problems, and solutions.

For cooperatives in student communities, which are affected by the high turnover rate, a movement culture should be incorporated into the education program. When experienced members graduate they are replaced by new ones who don't necessarily know anything about the movement. Cooperative education addresses this problem by providing the organization with an avenue to learn about the broader picture and cultivate a movement culture as years go on.

Cooperatives that consider themselves partners in a movement are in a better position to practice the principle of cooperatives among cooperatives. Loan money to start-ups and cooperatives in crisis is often the only help available to these ventures, and it is such gestures that make the movement stronger and more widespread. Indeed, it is only as a movement that we can take advantage of the opportunities that the future presents for expansion. As a movement, we can achieve the vision of a co-op on every campus in North America.

# What is the Organizer's Handbook?

The *Organizer's Handbook* is a comprehensive guide to creating housing cooperatives in student communities. By explaining the cooperative movement, campus organizing, nonprofit incorporation, financing, and housing development, this important resource demystifies a challenging project. First released in 1991, the Second Edition is even more comprehensive, written with accessible language and an encouraging tone.

Student housing cooperatives are a means of providing affordable student housing that incorporates student participation into a nonprofit structure. Co-ops have provided services on college campuses throughout North America since 19th Century and many organizations that were formed during the Great Depression still exist today. By lowering the cost of student housing, cooperatives are an integral part of a grassroots strategy for making college more accessible.

The *Organizer's Handbook* is an essential resource for the student or community organizer focusing on housing issues. Furthermore, it is an informative and illuminating read for progressive people concerned about affordable housing and college accessibility. While it focuses on student cooperatives, many of the resources will prove useful to people organizing community and non-housing co-ops. Active students, college administrators, faculty, foundations, libraries, concerned citizens, and nonprofit organizations will all find the *Handbook* an excellent addition to their collection of resources.

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