

# Tent City Apartments: Considerations for Cooperative Ownership

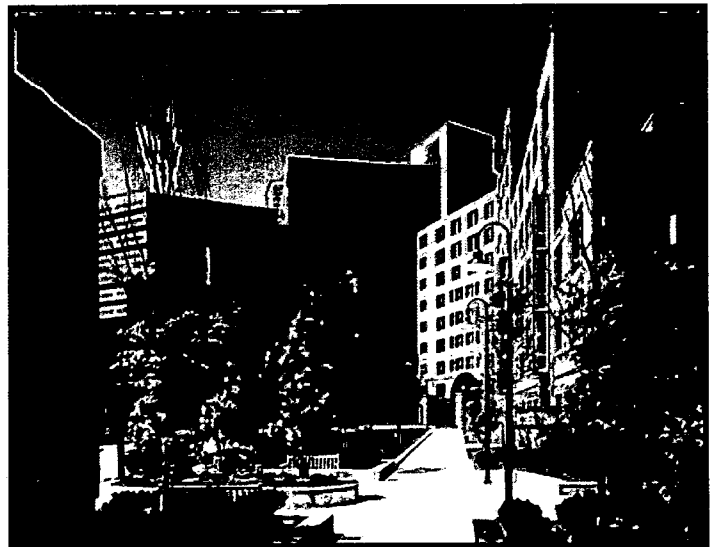


## Client

Syvalia Hyman III,  
Chairman of Tent City  
Corporation

## Tent City Tufts Team

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## **Project Overview**

As a requirement for completion of the Master of Arts degree in the Department of Urban and Environmental Policy and Planning at Tufts University, students undertake a Field Project under the direction of Department faculty. Student teams work on projects proposed by clients and selected by faculty. The student team and client enter into a Memorandum of Understanding, which outlines the scope of the project, methods, expected work products, and a timeline. The Memorandum of Understanding between the Tent City Corporation and the Tufts team is found in Appendix A.

The scope of this project, as determined through meetings between the Tufts team and the client, and outlined in the Memorandum of Understanding, consisted of three main components. The Tufts team was asked by the Board of Tent City to help them to look into ways to convert Tent City Apartments into cooperative ownership. Through resident surveys, interviews of other cooperatives in the Boston area, and outreach efforts, the Tufts team was asked to compile some findings and analysis of the current situation at Tent City Apartments and possible ways to proceed with the cooperative conversion. The following report relates the context, methods, findings, and recommendations of this project.

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Harry Smith, Jamaica Plain Neighborhood Development Corporation

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## Executive Summary

Tent City Apartments has a rich history of dramatic civil rights activism and community spirit. Built upon the protests of '60s activists demanding affordable housing for South End residents, Tent City Apartments took decades to become a reality. With the combined efforts of activists and investors, the mixed-income apartment complex first broke ground in the 1980s. Today, faced with the prospect of having to pay back initial investors in the development, residents of Tent City Apartments are considering the possibility of taking advantage of this milestone to turn their complex into a cooperative, as founders had initially envisioned.

The team of Tufts students worked with Val Hyman, chairman of Tent City Corporation, and Clemencia Lee, director of the Tent City Board, to evaluate resident interest in the prospect of turning Tent City Apartments into a cooperative housing development.

The role of the Tufts team revolved around three interconnected goals, which were:

- To determine the residents' knowledge of, interest in, and commitment to, the conversion of Tent City Apartments to a cooperative.
- To provide the Board and Tent City Apartments residents with models of cooperative conversion in the Boston area that may help in the process.
- To utilize these two measures to assist in educating the Board and residents of Tent City Apartments when applicable.

With these goals in mind, the team developed two surveys. One was for area cooperatives, and the other was for Tent City Apartments residents. The survey for cooperatives was seen as an opportunity for the team, and by extension, the Board, to learn about the challenges and advantages of going cooperative. The survey for the residents would allow the Board to gauge resident interest in the plan.

The cooperative surveys yielded some important information for the board of Tent City Apartments. Cooperative representatives also gave the team useful information on the major challenges that all cooperatives face: namely, keeping residents informed and involved. A few gave suggestions about financing as well.

While some of the cooperatives were financially healthy, at least one had suffered major setbacks due to criminal activities on the part of residents who had taken up managerial roles. However, for the most part, the representatives from the cooperatives surveyed painted positive pictures of cooperative living,

and provided detailed information on the structures and community of their coops. Details of the cooperative survey results, along with tips on management and budgeting, can be found on pages 14-32.

As for the resident survey, the team visited each of Tent City Apartment's 269 units twice, and administered the survey to residents in person. Surveys were left at the doors of those who did not answer. There were a total of 82 surveys completed. Quantitative results are displayed graphically on pages 33-45.

In general, the team found that, of the residents who answered their doors, most were welcoming and interested in learning more about the possibility of going cooperative. There were some residents who were uninterested in the survey and still others who were unwelcoming. There was one isolated incident of complaint to a security guard on duty. Many who have lived in Tent City Apartments for years expressed frustration with the inaction around this issue. Several thanked team members repeatedly for their efforts. A discussion of the survey methodology and its limitations can be found on pages 50-51.

In general, respondents tended to be interested in going cooperative, but requested more substantial information on the subject. Of particular interest were financial details and actual cost to residents. The idea of joint ownership appealed to a number of people, and 70% of the survey respondents said that they would live in a cooperative. More analysis of responses can be found on pages 46-50.

Based on the surveys and meetings with residents that the team has attended, the team offers a number of recommendations around resident involvement and education, leadership development, communication and community building, conversion process and decision-making. Some of these include:

- Talk with other cooperatives to obtain training ideas and resources.
- Hold educational sessions about limited equity cooperative basics and respond to resident concerns about costs.
- Reach out to residents who are not low-income or long-term renters.
- Create a comprehensive communication system among residents. For example, consider an internal cable channel.
- Undertake a cost-benefit analysis of going cooperative. Evaluate whether cooperative ownership is the best form of ownership for Tent City Apartments.

The team feels that, for a cooperative conversion of this magnitude to take place, resident concerns detailed within this document must be addressed systematically. In addition, concrete steps towards creating an inclusive and active community will ensure that any possible cooperative will be able to be successful and, most importantly, sustainable.



## **1.0 History and Context**

### **1.1 Tent City**

On Friday, April 26, 1968 "violence erupted in the Back Bay this morning when police clashed with demonstrators blocking a privately owned parking lot on Dartmouth Street." (Baron, 2001, 1)

In 1968, protestors pitched tents across from Copley Place, which was then an empty parking lot, to protest Boston's urban renewal programs that had displaced many South End residents. Tent City Corporation, a non-profit group that grew out of the original group of protestors, was founded in 1979 as part of an organizing strategy for the development of mixed-income housing. Tent City Apartments opened in 1988, following years of struggle with private developers and city officials. The 269-unit development is now home to more than 700 individuals. Twenty-five percent of the units are reserved for low-income tenants, fifty percent for moderate-income tenants, and twenty-five percent for market-rate tenants. In addition to housing, the new community also provides a landscaped courtyard, a large community room, a daycare center, and five commercial spaces (3/13/04).

### **1.2 The Struggle for Tent City Apartments**

Originally a strip of land connecting Boston to Roxbury and Dorchester, the South End was widened by landfill in the first half of the nineteenth century. The early development of the land was the work of private investors (Edel, Sclar, Luria 1984, 82). The South End was designed as an upper-class residential district. However, a financial crisis in the latter part of the 19<sup>th</sup> century led to an influx of immigrant tenants, leading the South End to resemble a shantytown instead of the center of opulence and architectural elegance it was intended to be. As immigrant groups and African-Americans became concentrated in this area, affluent dwellers left, land values declined, and the neighborhood became a well-known slum (Edel, 1984, 82-83).

Beginning in the 1960s, the expansion of the downtown business district had an adverse impact on residents. The rehabilitation of many of the old squares of the South End and the Prudential Center development led to a steep increase in prices (Edel, 1984, 84). Unfortunately for South End residents, terms such as revitalization, rehabilitation, and urbanization meant displacement. After generations of immigrants had bought into the area in order to secure ownership, land values spiraled downward yet prices increased which forced them to sell their property. Only those individuals with enough equity or expertise could undertake the necessary precautions to ward off redevelopers hoping to buy property at cheaper rates. The housing stock crisis of the 1960s precipitated strikes and protests.

The assassination of Dr. Martin Luther King in 1968 was a catalyst for the activism and protest that became known as Tent City. The Tent City protestors of 1968 were residents concerned with the systematic demolition of townhouses across South End and Roxbury under the guise of urban renewal, which resulted in the displacement of many low-income families. Approximately 100 residents led by CAUSE (Community Assembly for a United South End) occupied a three-acre commuter parking lot located at Dartmouth Street next to Copley Square (King & Price, 1998). The parking lot on Dartmouth Street, then owned by Fire Commissioner William Fitzgerald, had originally housed one hundred families, before the housing stock was demolished as part of the local urban renewal project. Following the arrests, protestors, refusing to be silenced, set up shacks and tents—hence, the birth of “Tent City” (King & Price, 1998, 1).

The occupation of the empty parking lot visibly dramatized the need for affordable housing within the South End. By drawing maximum public attention to the flawed policies of the Boston Redevelopment Authority (BRA), the protestors achieved an important immediate concession—the creation of an urban renewal committee elected by the community (King & Price, 1998, 1). However, it would be another twenty years before protest rhetoric would be equated with developmental reality.

Throughout the 1970’s and early 1980’s, the City of Boston, part owner of the property through urban renewal, refused to support affordable housing on the site of the original protests. However, Tent City Corporation (TCC), formed in 1979, was able to broker a deal with the remaining part owners of the site, JMB/Urban Investment & Development Company, owner and developer of the Copley Place development adjacent to the Tent City site (1999). In the mid-1980s with the help of a newly elected mayor, the BRA negotiated an agreement allowing for construction of replacement housing on the Tent City site. JMB/Urban wanted to construct parking for Copley Place, but the community opposed its plans for an above-ground garage. In an innovative solution, JMB/Urban traded the surface and air rights of its half of the Tent City site for the right to build a two-story garage underneath the entire parcel, as well as for development rights on a nearby site on Huntington Avenue. JMB/Urban also agreed to provide the foundations and support structure for the housing development, along with setting aside 129 parking spaces for Tent City Apartments tenants. In return, the BRA extended a 99-year lease to JMB/Urban for the parking spaces as well as the opportunity to pursue development on other city-controlled sites. The city retained ownership of the site, leasing land and air rights to TCC for 99 years to develop the housing. This partnership between TCC and JMB/Urban ensured a visual and functional transition between the civic and commercial character of Copley Square. Groundbreaking for Tent City Apartments began in the mid-1980s with more than thirteen financial sources providing \$36 million development costs (Urban Land Institute, 1991, 20-21).

Although it took more than twenty years to actualize their vision, Tent City Apartments stands as a reminder of the protestors who fought for affordable

housing in the late sixties. Another result of the Tent City Apartments construction has been the connections between office, residential, and commercial development. Tent City Apartments has won several architectural awards and national recognition (Posner, 1989, 6). Even more remarkably, the community has remained loyal to the original vision of the protestors. It stands today as a true mixed-income housing development for families, complete with an ownership structure that places legal control with both residents and the community.

### **1.3 Tenant Objective of Conversion to Cooperative Ownership**

Since its inception, Tent City Apartments was intended to provide its residents with more than a place to live. It was intended to provide an opportunity for property ownership and control of the apartment complex's physical plant, operation, and future. This was in keeping with Tent City Apartment's original mission of community empowerment and control.

The objective of tenant ownership and control has been discussed for years at Tent City Apartments. Attention has focused on the model of cooperative ownership (specifically, a limited-equity cooperative, discussed more fully below), and the possibility that TCC, with financial assistance, buys out the development's limited partners to obtain ownership and control of Tent City Apartments. However, such discussion of tenant ownership has been without formal plan or pursuit. This is due to a number of factors, including the difficulties inherent in informing and organizing residents about conversion to ownership; the complexity and technical nature of the financial transactions involved; the daunting task of raising sufficient funds to enable a buyout by TCC, and finally, the lack of any urgency to complete such a conversion.

However, the questions of whether and how TCC may obtain ownership of the development have recently become more pressing. TCC has an option to purchase the ownership interest held by the Leighton Park Limited Partnership, which owns 99% of the development. This option to purchase must be exercised within one year of June 2005. A buyout of the limited partners by TCC after expiration of the option period is theoretically possible, but would be significantly more difficult, as a negotiated agreement with 51% of the limited partners would be required. To be in a position to exercise the option by the June 2006 deadline, the Tent City Apartments Board of Directors (Board) seeks to plan and commit to a buyout strategy by June of 2004.

Even if the option to purchase is not exercised, Tent City Apartments will continue to operate with the same ratio of low-income, moderate-income, and market-rate tenants. For this reason, the affordability and mixed-income components of Tent City Apartments are not in jeopardy. However, the opportunity for resident ownership and self-determination - an original and enduring goal of Tent City Apartments - may be lost.

Over 220 people attended TCC's annual meeting in September of 2000, at which resident ownership was a major topic of discussion. A slate of residents was elected to the Board, increasing resident representation from five to eight of the Board's eighteen total members, and residents were elected to the positions of President, Vice-President, Assistant Treasurer, and Clerk.

Although resident representation on the Board was improved by these elections, the residents elected to these leadership positions have found themselves to be at a disadvantage relative to other Board members who have more experience concerning Board responsibilities. Accordingly, the eight resident Board members have sought to become informed in matters of fiscal management, homeownership, program development, and strategy, so that they may in turn inform Tent City Apartments residents of the opportunity of a buyout and conversion to cooperative ownership. Due to the nature of cooperative ownership, in which residents are responsible for the upkeep, operation, and governance of the development, it is particularly necessary that current residents understand the responsibility and level of commitment associated with a buyout and conversion.

The Board has envisioned a several year process of converting Tent City Apartments to cooperative ownership, the first phase of which is plotting a conversion strategy. The Board's goal is to have this strategy, as well as initial leadership training, in place by 2004. The Tufts team was retained to assist the Board in this planning phase; the team's activities are described more fully below. In subsequent phases, the Board will seek funding from charitable foundations, as well as the Federal National Mortgage Association (FNMA or Fannie Mae) and the Federal Home Loan Mortgage Corporation, (FHLMC or Freddie Mac) in order to raise sufficient funds to allow a resident buyout of the limited partners. The Tufts team's responsibilities did not extend to these pursuits.

#### **1.4 Role of Tufts Team**

With the rich history of Tent City Apartments in mind, as well as the ongoing discussions of conversion to a cooperative, the Tufts team met with Val Hyman, Chairman of Tent City Corporation, and Clemencia Lee, Board Director of Tent City Apartments to discuss the scope of the field project. In the initial meeting, Mr. Hyman and Ms. Lee provided more background information, current concerns and interests for the project. Tufts team members expressed their interests in the project and their desires for the project. From this meeting, a Memorandum of Understanding was formulated and signed by all parties. Keeping in mind the skills and timeline of the Tufts team, the role of the team was designed to include three interconnected goals. These include:

- To determine the residents' knowledge of, interest in, and commitment to, the conversion of Tent City Apartments to a

cooperative.

- To provide the Board and Tent City Apartments residents with models of cooperative conversion in the Boston area that may help in the process of formulating a conversion strategy
- To utilize these two measures to assist in educating the Board and residents of Tent City Apartments when applicable

The first two aspects of the project were expected to command the majority of the team's efforts, with the education component applying throughout the process as well as after the other two aspects, time permitting.

## **2.0 Methodology**

Having determined the scope of the project and agreeing upon the deliverables, the team selected methods for gathering data. While acknowledging that the final product would consist mostly of the results of both resident and other cooperative information collected, the team felt that it was necessary to obtain a working knowledge of the basics of cooperatives, and limited equity cooperatives in particular. This information would be helpful not only in providing a basis of understanding, but would also be instrumental in informing the selection of other methods. While the meeting with Mr. Hyman and Ms. Lee was helpful, many questions were left unanswered, so the first matter of business was to research cooperatives.

### **2.1 Background Research**

The team identified different aspects of cooperatives that were complex and required further research, including: financing, ownership, process, and known benefits and disadvantages of cooperative ownership. The sources used to research these questions were varied. General Web sites on cooperatives were helpful in providing a strong overview and contact names. Literature was recommended by Tufts professors and Tent City Apartments Board members, and provided a more academic basis for understanding. Interviews with key players in the cooperative community helped the team to understand cooperatives on a more fundamental level, as well as provide a forum for questions that could not be answered through website or literature research.

### **2.2 Interviews with Other Cooperatives**

One of the main goals of the project, as discussed above, was to provide the Board and Tent City Apartments residents with models of cooperative conversion in the Boston area. The team was provided by the client with a list of Boston-area cooperatives to study, and decided to contact a key player in each of these organizations by telephone in order to complete this section. This aspect of the project was approached with several goals in mind, including:

- To gain a better understanding of cooperative formation, conversion and management.
- To learn lessons from other cooperatives.
- To understand more fully the challenges associated with cooperative conversion and management.
- To provide the Board and Residents of Tent City Apartments with a comprehensive look at previous efforts at cooperative conversion for potential use as a model.

In order to ensure uniformity in the answers provided from a diverse set of organizations and professionals, the team developed an interview template, which addressed issues of concern to both the team and the client. The interview instrument, which was found to be exempt from extended review by the Tufts Institutional Review Board (IRB), is found in Appendix B. The questions were grouped into three broad categories; Financial, Process Development, and Current Status. The questions were designed to provide an established framework for easy comparisons among cooperatives, as well as provide ample room for interviewees to share valuable lessons, precautions, and expertise.

This process proved more challenging than anticipated, given the low response rate of the original cooperatives suggested by the client. The team decided to contact other cooperative organizations at their own discretion, turning to earlier research on cooperatives for other organizations and contacts. The final list of cooperatives studied includes Jamaica Plain Neighborhood Development Corporation cooperatives (six total), Fensgate, Charlesbank, and Charles Newtown Housing. In addition, one development whose residents opted for a resident-controlled nonprofit ownership model, rather than a cooperative, was also reviewed (Academy Homes II). The analysis of these interviews appears on pages 14-32.

### **2.3 Surveys of Tent City Apartments Residents**

The other main component of the project was to survey the residents of Tent City Apartments. This method was chosen in order to achieve several goals.

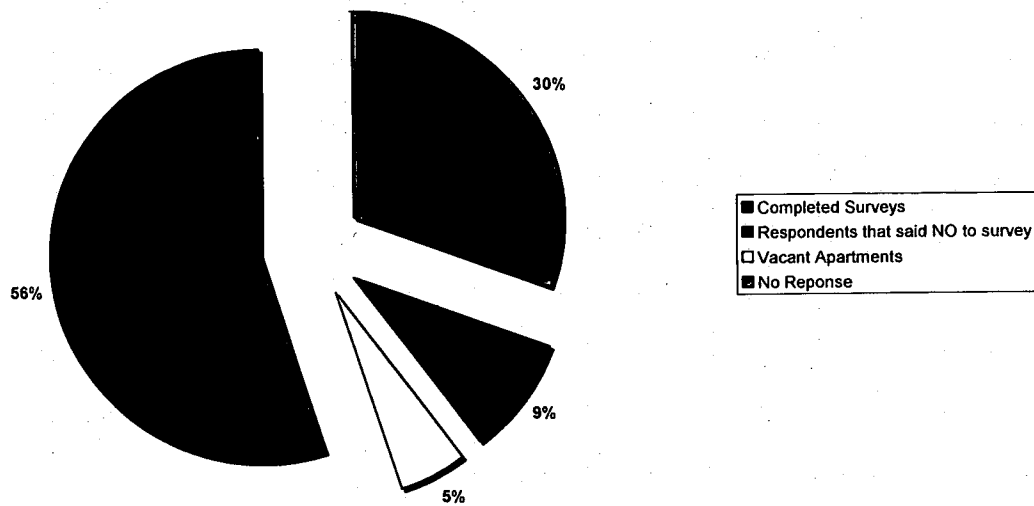
- To determine residents' general knowledge of limited equity cooperatives and conversion process.
- To determine residents' opinions regarding the possible conversion of Tent City Apartments to a limited equity cooperative.
- To determine the willingness of residents to be involved in the process, specifically through leadership roles.

The team designed survey questions to gather information on these issues. A survey of thirteen questions was submitted to the Tufts IRB, and was found to be exempt from the full review process. A copy of this survey, which became the final instrument, is found in Appendix C.

The team decided to conduct a door-to-door survey in order to obtain the highest response rate. Prior to the survey, all residents received a flyer explaining who the Tufts team was, what it was doing, and when the surveys would be conducted. Residents also received a flyer that provided a brief explanation of limited equity cooperatives. Both flyers were distributed to all residents in English and Spanish. These flyers appear in Appendices D and E.

Over the course of two weeks at the end of March, the team went door-to-door conducting the surveys. Each apartment was visited at least twice if the resident was not available on the first visit. The team went to the site at different times of the day to increase the likelihood of finding residents at home. When contacting residents, the team advised that participation in the survey was not required. The team also distributed the educational flyer to those residents who stated that they had not received it prior to the visit. The team obtained a total of 75 survey responses – that is, interviews with willing residents - and a significant number of refusals, which can be counted as responses as well. Time constraints, the sheer number of apartments to be visited, and the unwillingness of some residents to participate are all factors in the response rate. While not low, the team decided that it would be best to get as many responses as possible. As a result, the team decided to leave a survey and note at the doors of each apartment that had not yet responded, giving residents the option to fill out the survey on their own and drop it off in a box at the security desk. Additional surveys were received this way, bringing the total number of completed surveys to 82.

Tent City Resident Surveys



In addition to the statistical results of the survey, there is another more personal story to be told. The reaction of residents to the team and the survey in general illustrates many important points that are worth mentioning.

In general, the reaction of residents was very welcoming. Many of them expressed gratitude for the efforts of the team. A number of residents were eager to have their voices heard and many were simply happy that some action was being taken after so many years of talking about the conversion process. Many of them expressed their frustration in the inaction as of yet, but seemed genuinely interested in getting the process off the ground. Several people thanked the team repeatedly for its help and made it clear that they would be interested in hearing the results of our survey.

There were a number of residents who were unwelcoming, showing this either by declining to participate in the survey, or through an isolated incident of complaint to the security guards. This was infrequent, however, and most people, even when refusing to participate, were friendly and polite. The general feeling in Tent City Apartments was one of curiosity and interest.

### **3.0 Research on Limited Equity Cooperatives**

As noted above, the team was asked to provide the Board with Boston-area models of conversions to housing cooperatives. Prior to speaking with representatives from area cooperatives about their experiences, the team gained a basic understanding of cooperative ownership and the conversion process. This information is summarized below.

#### **3.1 Features of Limited Equity Cooperatives**

Limited equity cooperatives are:

- Operated and governed by a cooperative housing corporation that owns the real estate (land, building(s) and apartments) and also owns the deed, holds the mortgage, and pays all municipal taxes and fees.
- A form of multi-family housing that offers residents both affordability and resident control. Most limited equity cooperatives have income guidelines for prospective members, restricting sale to low- and moderate-income households.
- A form of cooperative/joint ownership. Residents do not own the land or their individual units; rather, residents acquire shares in the cooperative corporation that holds title to the building.
- Made more accessible to low-income renters with share prices that are restricted to levels well below the typical down payment required for the acquisition of a single-family dwelling.



- Are nearly identical to market-rate cooperatives, with the fundamental difference that they restrict the resale prices to maintain affordability. These restrictions are usually incorporated into cooperatives' bylaws and into individual occupancy agreements.
- Models in which the occupant is simultaneously a tenant, a shareholder, and a member of the cooperative.

### **3.2 Advantages of Cooperative Ownership**

- **Control.** Cooperative members elect a board of directors that oversees management of the property. The members control the cooperative – one member, one vote gives occupants great control. Members have almost complete control over their individual units.
- **Affordability.** Share purchase prices are usually significantly less than down payments for single-family homes, making this form of homeownership accessible to a broad range of incomes. They also usually have low maintenance payments.
- **Security of tenure.** As long as members abide by the rules of their occupancy agreements, they have the right to remain in their cooperative unit. Units can be transferred to family members at will.
- **Community building.** Cooperatives create an opportunity for larger-scale community building by bringing cooperative ownership units to low-income communities often in sizeable numbers, stabilizing apartment buildings and/or stabilizing neighborhoods.
- **Stability.** As renters are generally a more transient population, cooperatives increase neighborhood stability.
- **Diversity.** Limited equity cooperatives can be developed in affluent or gentrifying communities, building communities by mixing households of different economic means.
- **Training/management.** Cooperatives usually offer homeownership training and management and leadership experience to individuals who often have not had those opportunities previously. Training can include homeownership skills, credit counseling and economic literacy.
- **Taxes.** Tax deductions are available for interest and taxes.
- **Rental assistance.** Rental assistance (Section 8) can be used.
- **Better maintenance.** Peer pressure and corporate oversight maintain units in good repair.
- **Risk pooling.** Maximum pooling of burdens and risks.

### **3.3 Disadvantages of Cooperative Ownership**

- **Limited return on investment.** As the resale price is restricted in a limited equity cooperative, this means that cooperative members cannot look to their homes as sources of substantial equity or as opportunities for capital appreciation.

- Limited use rights. Cooperative ownership is shared ownership – cooperative occupancy agreements can and usually do restrict use of the member's designated unit in certain ways.
- Members may amend corporate bylaws to repeal protections over long-term affordability.
- Increased responsibility. As owners of the cooperative, the cooperative residents are responsible for electing members to the board of directors. They are also encouraged to be responsible on committees and become involved in cooperative decisions.
- Training required. In order for the cooperative to run smoothly, cooperative residents and board members in particular should have training into cooperatives finances, ownership and management. This is an ongoing process.
- Commitment. Cooperative ownership requires additional commitment: financial, time and input.
- Difficulty in accessing affordable share loans. A system of affordable share loans is not available in many places; buying into older cooperatives can become difficult for lower-income households.
- Risk pooling. Pooling of risk can mean that everyone goes down together; a few residents who do not pay charges on time can drag down the whole cooperative.

### 3.4 Comparison with Other Forms of Ownership

	Cooperative	Rental	Single Family	Condominium
Ownership	Residents are shareholders in a corporation that owns the property. Owning a share entitles the resident to occupy a unit.	Tenants own nothing. On expiration of lease tenants may be forced to leave.	Owners acquire individual title to their dwellings and yard.	Unit "airspace" owned by individual, plus an undivided share of common elements.
Monthly cost	Members pay their share of the operating cost, building mortgage and real estate taxes.	Tenants pay rent specified in lease.	Owner makes mortgage and tax payments to lender.	Same as cooperative, except mortgage payment and taxes are paid directly to the lender.
Move-in-cost	New members buy their share in the coop and also pay the first monthly charge in advance.	Usually one month's rent is paid as a security deposit, plus the first month's rent.	Purchaser must buy the property, usually with a mortgage with a down payment of at least 5%.	Same as single family, plus first month's condo fee.
Community control	Coop members elect their board of directors, which decide policy matters. The board usually sets up several committees to help run the community.	Renters usually have no voice in establishing and maintaining community standards.	Individual owners have no jurisdiction over their neighbors.	Condo owners, like coop members, elect a board of directors.
Federal tax benefits to individuals	The resident's share of mortgage interest and real estate taxes are deductible on personal income tax return.	No benefit.	Mortgage interest and real estate taxes are deductible on personal income tax return.	Mortgage interest and real estate taxes are deductible on personal income tax return.

(Taken from handout at "Home is Where the Heart Is" event at Tent City Apartments, 02/14/04)

### **3.5 Process of Conversion to Limited Equity Cooperative**

#### **3.5.1 Financing/Sources of Capital**

Most limited equity cooperatives require some source of subsidy in order to bring units within the reach of low and moderate-income households. However, because cooperative development often benefits from economies of scale, particularly in multi-family buildings, the amount of subsidy may be substantially lower than that required for standard affordable homeownership programs.

(Alternative Financing Models, 3)

Most limited equity cooperatives are non-profit organizations, although they may not be established as 501 (c)(3) organizations. Some states, Massachusetts included, have statutes under which housing cooperatives enjoy tax exemptions and other benefits. As a non-profit organization, they may look to foundations and local and national intermediaries for grants and low interest loans. Banks and other traditional sources of credit have often refused to provide financing for cooperatives or have charged higher rates of interest because of a perception of greater risk. Sources of construction and permanent financing for cooperatives include commercial banks, savings and loans and pension funds.

Some limited equity cooperatives have used Low Income Housing Tax Credit (LIHTC) equity as a vital part of their overall financing packages. LIHTC equity entails the creation of a partnership between equity investors, who are limited partners, and the developer, which is the general, or managing partner.

(Alternative Financing Models, 3)

#### **3.5.2 Role of Federal/State/Local Government**

The role of governmental agencies can vary widely depending upon the nature of the project. In general, some form of government assistance will be required for funding. Funding can come in several forms.

- HOME program. These funds are allocated by the federal government to states, cities and towns to be used for equity, debt or rental subsidies. A cooperative can access this money by applying directly to the city and can use the funds to pay off a portion of the mortgage.
- Community Development Block Grants (CDBG). A federal program in which funds are allocated directly to cities and towns. These funds can be used for social services, renovations, and other necessities in a cooperative. CDBG allocation is fairly flexible, which is helpful in meeting the financial needs of a complex system.
- Low Income Housing Tax Credits (LIHTC). LIHTC can be accessed by certain projects as well. Only new construction can utilize the full benefits, but rehabbed projects can receive some as well. Although a federally

funded program, the cooperative must apply to the state to be given tax credits. These can offset the initial costs by increasing equity and lowering debt. However, LIHTCs come with complex regulations and can add time and confusion to the process.

- State Housing Finance Agency. Grants and low interest loans can often be accessed through the state's housing finance agency. In Massachusetts, MassHousing provides this service and will work with developers and owners to finance a variety of projects.

Both the state and local governments have a stake in the formation of limited equity cooperatives as well. The advantages of cooperatives, while including many incentives for individual residents, extend to the community as a whole. Communities that are struggling with affordability benefit directly from the maintenance of affordable units. In addition, the stability of resident tenure in cooperatives may have an impact on the general character of the neighborhood.

### **3.5.3 Role of Residents**

Cooperative members do not have ownership interests in the real property itself but in shares of stock in the corporation that owns the property. Cooperative members pay a monthly maintenance charge, which includes their portion (usually calculated on a share basis) of the cooperative's management and operating costs. These costs include real estate taxes and insurance, as well as principal and interest on the mortgage loan that the cooperative corporation obtained to pay for acquisition and any necessary rehabilitation of the property.

Members are usually responsible for their individual utilities and for the costs of any loan they may have taken out for the purchase of their shares. In most limited equity cooperatives, the cost of shares is low enough to prevent the need for share financing. When buyers do not need financing, poor or no credit are not impediments to homeownership.

In addition to their equity interest, members hold a proprietary lease, called an occupancy agreement, under which they occupy a specific unit in the project.

### **3.6 Potential Obstacles/Difficulties in Conversion Process**

- Extensive renovation is often required before transferring to a cooperative.
- Finding appropriate ways to handle nonparticipating tenants. This might include relocation, moving to private housing with a Section 8 certificate, remaining in place with a Section 8 certificate.
- Difficulty in explaining and developing interest in joining a cooperative. The cooperative concept is difficult for people to understand.
- Financing the sale.
- Lack of experience in sales programs in general and cooperatives in particular amongst board members and cooperative residents.

### **3.7 Potential Obstacles / Difficulties in Management (Post-Conversion)**

- Maintaining financial health especially if large loans/mortgages have been taken, leading to a debt burden.
- Share payment arrears. Some tenants behave as they did when they were rental tenants by not paying their monthly fees on time.
- Inadequate training for board members.
- Lack of communication between the board of directors and the residents. This leads to a general distrust of the board, with them being seen as the landlord rather than a group of fellow residents.
- Lack of participation in the affairs and activities of the cooperatives by residents. The cooperative residents don't understand the difference between being a renter and being a cooperator.

### **4.0 Examples of Limited Equity Cooperatives**

In an effort to better understand the advantages and disadvantages of cooperatives, our group surveyed five organizations involved with cooperative housing. There were recurring themes in our interviews with housing representatives from Jamaica Plain Neighborhood Development Corporation, Charlesbank Cooperative Corporation, Cooperatives of Charles Newtown Housing, Inc., and the Fensgate Cooperative. We also interviewed a representative of Academy Homes II, a housing organization that rejected cooperative housing in favor of another model. One of the points emphasized repeatedly by all was the need for resident involvement and training.

Individual summaries of each cooperative follow. Wherever possible, we have tried to preserve the essence of the conversation by quoting each interviewer's notes taken during the conversation. The results are summarized into three main categories: Financial, process development and current state of the cooperative.

#### **4.1 JPNDC**

31 Germania Street  
Jamaica Plain, MA 02130

"Running a coop is boring and can be dry and intimidating to get people interested in. You need to make them see that their decisions can make a real difference."

- *Notes from a conversation with JPNDC staff*

The Jamaica Plain Neighborhood Development Corporation ("JPNDC") has a good deal of experience with cooperative housing. In addition to three fully resident-owned cooperatives, another three are in the "transition" period and one

is still in the conversion process. All of the developments are low-income preservation projects.

Dana spoke with Kate Casa, Director of Asset Management at JPNDP for four years. Ms. Casa has worked on expiring use projects converting to resident control. Also included in the conversation were Lizbeth Heyer, Associate Director of Community Development at JPNDP for 11 years and Harry Smith, Community Organizing Director who oversees individual cooperative organizers.

### ***History and Background***

The JPNDP cooperatives “mostly evolved out of the organizing around the need for more resident control and community planning process, with strong individuals emerging but mostly from resident leaders themselves,” said staff. There was also a strong desire on the part of organizers to maintain an acceptable level of low-income units in their neighborhood. “They wanted to see people invested in the community, rather than absentee renters.”

The original use of each cooperative development varies by project.

- Scattered site: “was originally individual multi-family buildings and were privately owned, acquired and packaged to become a coop. This took a long time because they were existing rental properties and getting people involved was hard to do.”
- Forest Glen: “came out of a community organizing effort and residents organized the conversion...this led to JPNDP buying the property and developing it into a coop. This process was much easier since the idea of a coop came from the residents.”
- The tax credit cooperatives: “are new construction and the idea grew out of a commitment to neighborhood control and dealing with abandoned land and problems resulting from them and to also provide affordable ownership opportunities. Their other one was city-owned units that had gone into foreclosure previously and the residents through community organizing identified coop as the option they wanted to pursue.”

### ***Ownership and Conversion Process***

As JPNDP has multiple cooperatives, there is an established formula for the cooperative conversion process. Importantly, there are two main players in the ownership scenario of JPNDP cooperatives: JPNDP, and the residents. Residents do not own the cooperative immediately. There is a transition period of three years in which the JPNDP owns the cooperative and trains residents so that they can become full owners. After transition, staff members note that JPNDP steps back somewhat, but not completely:

“JPNDP renames an interested advisor and the cooperatives all pay JPNDP a small fee for asset management, even after they become fully resident-owned.

JPNDC continues to play a role as asset managers and financing advisors. The goal is to mentor residents on ownership and develop a stable organization before handing it over.”

This varies by cooperative but it would be fair to say it is a three to five year process depending on how motivated people are. If they are starting from a place where people are interested, it is easier. The moment of conversion actually begins the most intensive training and residents get most interested.

### ***Resident Participation and Communication***

It is challenging to motivate residents to get involved in a cooperative. Said staff:

“In general, it is easier to create a coop with a new property with all residents moving in simultaneously, because they understand from the beginning what they are getting into. However, it can work if it is motivated from the resident’s desires. You absolutely need to get the residents motivated around something.”

JPNDC uses a model that creates a resident association early in the cooperative creation process. This allows all residents who are interested to get involved from the beginning. Staff members said that residents:

“Go through formal trainings, which can be administered by ARCH, MBHP, or an in-house training for the core group that emerges. [Residents] talk to other coops as well.”

One thing JPNDC wishes they did better is a newsletter. “The newsletter is an important thing that residents should take ownership of,” said staff. Right now, JPNDC usually has a staff person write one up.

### ***Management***

Staff members said that JPNDC has “outside management for all coops, resident boards and a staff person at JPNDC who remains involved at least on a financial asset management level. The tax-credit developments also have the limited partners to contend with, although they mentioned that the investors are usually very easy to work with and understand that the coop should be run as much as possible by the residents.”

### ***Financing the Cooperatives***

Ownership structure is however, affected by the financing structure, said JPNDC staff members. JPNDC’s cooperatives either rely on tax credits or other options such as long-term affordable loans with low-interest rates and public subsidies such as HOME funds.



Staff members said that in tax credit cooperative situations, "ownership is actually a general partnership and is structured as a corporation. They own 99% of the building rights until tax-credits are gone (similar to the ownership of Tent City Apartments currently). Functionally, the cooperative makes operating decisions, maintenance, but ultimately if they want to do anything big (such as change management companies, rehab the building, etc), the limited partners have approval rights over that."

Relying on tax credits may offer a substantial amount of money for the cooperative, but may not be appropriate for Tent City Apartments. Staff members said: "Tax credit projects are larger. They typically need to be in order to cover the additional soft costs they bring along, due to administration of tax credits. Tent City would not be able to maximize the tax credit program because Tent City does not need rehab, but they could get the 4% credit, due to the large scale of the development. The benefit is that this is a rolling source and can be utilized as long as you are changing ownership. LISC has some funding sources for low-interest rate loans to leverage other funds (smaller amounts) and Boston Community Capital as well."

More advice and words of caution in regards to relying on tax credits to support a cooperative are listed in the next section, Section 5. Lessons for Tent City Apartments.

### ***Structure and Logistics***

JPNDC currently has three cooperatives that have independent boards. These cooperatives have moved past the three-year transitional period, and residents maintain full control of the cooperative.

The 13-unit Forest Glen cooperative has had some financial difficulties because residents are hesitant to increase rents when costs go up. The solution, according to staff members, was that "they recently got a new manager on board who has been able to address this problem by getting Section 8 rents higher to gain income. They are also looking to refinance one loan to lower their debt."

Another cooperative, Scattered Site, is "doing OK, but has had tough moments...it has been harder to marshal leadership there, but with attention from JPNDC have been able to get things back on track."

Finally, staffers told Dana that "the tax credit project is doing well, has a lot of money, have reserves and are financially well off. They just voted to do a capital needs study, make some repairs and reinvest money back into the properties. They have very strong leadership, but they are getting tired...the burden is on a few people which is getting hard and shifting leadership is difficult."

## ***Longevity and Measures of Success***

"In general, time as a cooperative does not determine how well it is functioning, however, since interest ebbs and flows with issues and leadership changes."

- *Notes from a conversation with JPNDC staff*

One of the survey's questions asked interviewees for their cooperative's five-year financial projection. Dana was told that some of the projects, such as Forest Glen, were founded over twenty years ago.

An important note, however – as noted above- is that the amount of time that a cooperative has been in existence doesn't necessarily indicate its success, said staff members, since resident leadership is never at a constant level.

"Mostly they go through cycles, interests wane and then something happens that generates interest and things get moving again."

As a result, there is a need for outside support to maintain continuity and ensure a cooperative's success, said staff members: "Sometimes there is a feeling among professionals that there will come a day when coops don't need staffing, but Harry argues that they will need professional assistance forever, in some degree. In order to function properly, this is necessary to deal with changes of interest, populations, and leadership."

JPNDC staff members said that the financial health of their cooperatives vary, as the developments are in different phases. Three cooperatives are past the transition phase, another three are in the transition phase and one in development right now. Dana was told that at the more "financially secure sites, they have invested money back into the cooperative several times and the board is involved in what needs to be done. Capital needs studies can be helpful in maintaining the property and effectively utilizing limited funds."

### **4.2 Charlesbank**

650 Huntington Avenue  
Boston, MA 02115

Yve surveyed Charlesbank cooperative residents. Respondents included: Pat McMorrow, president of the Charlesbank Cooperative Corporation Board; Bob Pelletier, treasurer of the Charlesbank Cooperative Corporation Board (on the Board since 1989); John and Chuck, two other Board members. Note: All Board members are shareholders/residents.

The following is a summary of the responses that Yve received, with some direct text from her interview notes.

## ***History and Background***

The cooperative conversion process started in about 1989, when the original owners wanted to raise the rent by \$200 per unit. The threat of increased rents prompted residents to take action. They formed a Tenants Association (under HUD) and worked with HUD and the owners to keep the affordability without increasing rents.

Over a two- to- three- year period, residents were very active. They picketed outside the building, wrote letters and sent them to the owner's homes, had meetings with HUD, had meetings with attorneys.

## ***Financing the Conversion***

Residents worked with the MA Alliance of HUD Tenants (and Michael Kane) on an application for the HOPE II grant. They got the apartment complex's owners to agree to sell the building if they were awarded the HOPE grant. When they were awarded a HOPE II grant of \$8.8 million in 1995 (only two were ever awarded), the owners kept their word and the development was bought for \$4.4 million. The owners also gave \$130,000 for the reconstruction.

## ***Ownership and Conversion Process***

A core group of about six to seven very motivated residents formed the cooperative in 1995. When the building was purchased, it was in bad repair and needed intense capital improvement. There were code violations, such as a lack of sprinklers, that the founders had to address immediately.

From 1995-2000 Charlesbank engaged in the process of selling 2/3 of their shares of stock of the building to shareholders. In January 2004, after the mortgage was paid off, the name was officially changed to Charlesbank Cooperative Corporation.

Prior to the conversion, renters were only low- and medium-income renters, with maximum salaries lower than the median income for Boston. There were and are no market-rate renters, and no Section 8 renters.

## ***Conversion Challenges***

Once the building had been purchased in 1995, founders had to convert the renters to shareholders. They had to sell 2/3 of their shares of stock of the building to shareholders (residents) to make the administrative transfer to a cooperative. This was achieved in 2000.

## ***Management and Structure***

Residents are encouraged to be on committees and the Board. This is a challenge, as there tends to be the same group of people involved, with an

occasional new person if someone moves in. There are about 25 to 30 people who come to a board meeting. There are six officers and one director for each floor of the complex so there are 30 on the Board.

Maloney Property Management is the management company. Charlesbank respondents said that a management company is necessary to preserve confidentiality and professionalism in sensitive situations such as evictions.

### ***Resident Communication and Participation***

As mentioned previously, the cooperative formed the Tenants Association and solicited input from the residents from the beginning of the conversion process. The threat of raised rents was a driving force in encouraging people to participate in the conversion process. Despite this high level of resident activism, an ongoing problem remains: Rather than seeing themselves as the owners, residents still think of the Board as the owners.

About forty renters did not want to - or were not income-eligible - to become shareholders. These residents remained renters throughout the conversion process, and some continue to rent their apartments today. The remaining renters pay their rent to the Charlesbank Cooperative Corporation.

Today, all new tenants must, however, become a shareholder; there is no rental option.

### ***Structure and Logistics***

In the first year of residence, the shareholder pays 30% of their income to the building. After the first year, the shareholders pay a capped fee. The capped fees correspond to the unit, not income, and prior to Charlesbank becoming a cooperative, were HUD approved rental rates. Each year, the shareholder must re-certify (if there are no salary changes or an individual's salary has increased, this is just signing a paper). An individual whose salary has decreased and is no longer able to pay the capped fee may qualify to pay 25% of income. There are also some concessions for the elderly, sick, and people in need.

- It is a limited equity cooperative. The down payment is one month's rent. When the shareholder leaves, if their payments are in good standing, they receive their down payment and any interest that has accumulated. They receive no other equity.
- Heat and hot water is included in the carrying charge monthly fee/rental fee. Residents pay their other utilities (electricity, phone etc.) individually. Residents in a very difficult financial situation can get a \$27 utility allowance from the Charlesbank Cooperative Corporation.

## ***Financial Health***

As of January 5, 2004, Charlesbank paid off its mortgage, and has no outside investors or HUD loans. After the mortgage was paid off, the development's name was officially changed to Charlesbank Cooperative Corporation.

Financially speaking, Charlesbank representatives told Yve that Charlesbank was excellent, and couldn't be better. After the cooperative paid off the mortgage early this year, the carrying charges (monthly fees) are channeled into:

- Operating functions of the building (property management, security, taxes etc.)
- Funds for capital improvement

In response to a question about the cooperative's projected status five years from now, representatives said that the cooperative couldn't be better than it already is.

The land on which the development is situated is still, however, owned by the BRA, and Charlesbank leases it from them. Charlesbank will have an option to purchase the land from the BRA in 2010 for a reasonable amount of money.

## ***Advantages and Challenges of Ownership***

Advantages: a core group of motivated residents.

- They were very driven to prevent displacement, keep the building affordable and have the residents control the functioning of the building. Residents jokingly call themselves "control freaks."

Challenges: to remain financially stable.

- With new people, the challenge is to make them aware of the cooperative, what it is, how it came about, what it requires etc., so that people don't think it's "free rent" and become free-loaders.
- As the management company does the rent collection and interacts with the residents, it's hard for the residents to understand the cooperative process, and instead, they tend to see the Board as the "boss".

### **4.3 Cooperatives of Charles Newtown Housing, Inc.**

10 Old Ironsides Way  
Charlestown, MA

Brandy spoke with Donna Brecia, the property manager of Cooperatives of Charles Newtown Housing, Incorporated. The following is summarized from Brandy's notes from the conversation with Ms. Brecia.

## ***History and Background***

This cooperative started as a cooperative; it therefore never went through a conversion process. New Charlestown, Inc. founded the cooperative 33 years ago. The cooperative is 100% low-income households and is, as a result, 100% subsidized. It is a 262-unit property, which houses approximately 700 individuals.

The cooperative is a brick building with no elevators on a 14-acre lot. It is set in an urban area and located directly across the street is a 1600-unit VHA housing property. The grounds are mainly concrete and asphalt with no courtyard.

Ms. Brecia said that a motivating factor for building this cooperative rested in the housing professionals.

“During the development of the cooperative there was a movement among housing professionals to promote ownership, which would cut costs and build a sense of community and self-efficacy and everything else which is associated with home ownership.”

## ***Ownership and Conversion Process***

The conversion was originally financed under Section 221(d)(3) of the National Housing Act. The section for mortgage financing through rental subsidies allowed for this cooperative to develop and sustain itself.

All of the residents are shareholders, or owners of the development. The individuals living at the cooperative buy shares instead of having to pay a down payment.

The down payment is \$250.00 regardless of whether the prospective tenant is moving into a 1, 2, 3, or 4-bedroom unit. The only requirement is that potential residents meet income requirements (as provided through HUD). When tenants move out they get their down payment of \$250.00 back and nothing more. There is no appreciation on the value of their original buy-in to become a shareholder.

## ***Conversion Challenges***

- Informing individuals about cooperative development and making sure that all residents understood the process.
- Initially, the cooperative was owned and managed by residents, which led to internal problems not exclusive to cooperatives.
- Overall, a lack of adequate business training for residents who ran the cooperative was problematic. Individual residents usually don't have the experience necessary to successfully run a cooperative.

## ***Resident Communication and Engagement***

Meetings with residents were held to educate members about cooperative living. A Board of Directors was established in 1972 in order to establish a ruling body of the cooperative.

## ***Management***

The division of management responsibilities was noted as difficult by Ms. Brecia. "That is the dicey situation in any cooperative." The perception is that the board gives direction to the management company concerning capital investment and community development. However, with resident-controlled properties, incidents of favoritism and bias come into play.

Winn Management has been the property manager for the past 12 years. Before that, residents managed the property and operated the board which led to internal fraud and HUD-sponsored litigation that resulted in Winn's involvement.

## ***Financial Health***

This property has a rental-based Section 8 subsidy program through HUD. The exact financial state is unknown; however, it is estimated that Charles Newtown is \$2 million in debt.

Five years from now the cooperative will probably still be repaying on the original mortgage and possibly refinancing the property because there are certain capital improvements, which are being sought. The concern with any development is the political climate five years from now.

There is a growing concern that HUD subsidies are increasingly dwindling, at the same time as costs associated with cooperatives increase. If HUD allotments don't outweigh expenditures, then a problem exists.

Fuel and insurance costs have increased dramatically since September 11, 2001, and since these two are major expenditures to any development, it causes concern. Furthermore, though it seems improbable, if HUD does not renew its contract, the cooperative would immediately be in trouble since only 30% of its monthly "income" comes from tenants and the remaining 70% is provided through HUD.

## ***Physical Features and Community Maintenance***

Due to the current state of the grounds it is being recommended that management and the board cooperatively set up a "Paint your fence day" which not only builds a sense of community but is more cost efficient as well.

## **Challenges**

- Aesthetics and maintenance: In an urban setting with approximately 350 children, residents want the place look livable and aesthetically pleasing.
- Security: The location in which the cooperative is located is plagued by crime and violence.
- Space: Since the community room is small when events are hosted a lot of individuals cannot safely fit into the space.
- The theoretical advantages are that with tenants ideally working together as a community individuals feel connected and actually have a share in the development.

### **4.4 Academy Homes II**

621 Columbus Ave.  
Boston, MA 02118

Barbara interviewed Henry Joseph, a consultant who has been working with the residents of Academy Homes II. Importantly, this is not a development that has gone, or is considering going, cooperative.

Though Academy Homes II did consider cooperative ownership, the concept was rejected about six months ago in favor of a model in which a resident-controlled nonprofit will own the development. The team thought that it might be useful to include an alternative to cooperative housing in the survey.

### ***History and Background***

Academy Homes II was originally constructed in the 1960's and consisted of 315 units in pre-cast concrete buildings ranging from three to nine stories. Cooperative ownership was anticipated, but due to severe construction problems that surfaced soon after occupancy (leaking and water damage), the residents never took over ownership of the property.

About thirty years after the initial construction, Academy Homes II was accepted in to the HUD/MassHousing Demonstration Program (Demo Dispo). Under Demo Dispo, it was decided, with resident input, to demolish the existing buildings and replace them with 236 new units in townhouse-style low-rise buildings.

Approximately 190 households from the original buildings were moved to alternate housing during the construction period and then returned to the new buildings when they were completed.



## **Ownership**

Academy Homes II had been privately owned until it was foreclosed upon by HUD. As with other Boston-area Demo Dispo projects, the MHFA (now MassHousing) has been acting as developer, overseeing the construction process carried out by a general contractor selected through a competitive bidding process. Construction must be completed prior to transfer of ownership to the nonprofit.

HUD told the residents of all Demo Dispo projects that they had several options: 1) full resident control, either through cooperative ownership, or through a resident-controlled nonprofit corporation; 2) partnership between the resident association and some other entity, in which the resident association is the majority owner; and 3) partnership in which the resident association is a minority owner. Once the residents made a choice of ownership structure, HUD would then evaluate the residents' choice to determine whether the residents actually had the capacity to carry out the responsibilities involved with their choice.

The residents of Academy Homes were very reluctant to have an outside partner, based on their earlier experiences with private developers. They wanted long-term control and were concerned that private developers would use any partnership to get a foothold on the very valuable property that Academy Homes II occupies. So, they faced a choice between the two resident-controlled options: a cooperative or a resident-controlled nonprofit. Ultimately, they chose the nonprofit.

Residents do not own shares of the development property, as in a cooperative. The resident-controlled nonprofit corporation will own the development. Residents elect and serve on the nonprofit's board of directors. Some consideration is being given to having outside directors with special areas of expertise.

### ***Why Not Go Cooperative?***

According to Mr. Joseph:

- Many residents didn't fully understand the meaning of a cooperative. Some of the older and longer-term residents in particular had it mixed up with condominium ownership, and thought they would have to buy their units at prices they could not afford.
- Among the criteria established by HUD for a cooperative conversion, 70% of the residents would have to join the cooperative prior to transfer of ownership. The resident association was concerned that it would not be able to meet that threshold.
- The resident association believed that cooperative ownership would require more active resident participation than the resident-controlled

nonprofit. (Note: In Mr. Joseph's opinion: there's very little actual difference). They were concerned about what was realistic to expect of resident participation.

### ***Management and Structure***

The nonprofit corporation will contract with an outside property management company. This has been the case with other Boston-area Demo Disposition developments.

Among current residents, there is a range of mostly low-income and some moderate income households; there is no market component. When the property is transferred by HUD, there will be a regulatory agreement in place that will have income restrictions expected to be consistent with what exists now. The residents are not looking for any particular income mix beyond what currently exists.

### ***Nonprofit Financing***

Academy Homes II was one of eleven Boston-area Demo Dispo projects. These were developments HUD had acquired through foreclosure on FHA mortgages.

The construction of Academy Homes II, including architecture, engineering and other development costs has been paid for entirely by HUD with funds from the FHA mortgage insurance reserve fund.

At the end of construction, the development will be transferred to the new ownership entity, a resident-controlled nonprofit called URIAH (United Residents in Academy Homes II) for \$1. Ownership of the development will be transferred with a project-based Section 8 rent subsidy for all units for fifteen years.

### ***Financial Health***

As the nonprofit corporation will acquire the property without any mortgage, it should be financially sound when it assumes ownership and in the future. Tenants will pay rent based on their incomes. The operating budget developed by residents and the consultant, with input from MassHousing, shows tenant rents and the project-based Section 8 rent subsidy as meeting costs.

### ***What's the Difference?***

According to Mr. Joseph, in both models, there must be a sufficient number of residents that pay attention enough to ensure turnout at annual meetings and election of the board of directors. This "general participation" threshold is no

higher in cooperatives than in resident-controlled nonprofits. In both models, there must be a small group of highly-involved residents, but no more so in a cooperative than in a resident-controlled nonprofit.

In terms of resident control and empowerment, there is not necessarily a difference between the two models. This is because the degree of control residents have in either model really depends in part on the level of resident participation, and in part on deed restrictions, mortgage covenants, and regulatory agreements, but not what type of entity is running the development.

In theory, the cooperative model offers some economic benefit over the resident-controlled nonprofit, in that some of the "carrying costs" (the equivalent of rent in cooperatives) paid by tenants are deductible on their federal income taxes. However, this is only beneficial if the taxpayer itemizes deductions instead of taking the standard deduction – and the vast majority of low-income households do not itemize deductions.

Finally, there are not significant differences between cooperatives and resident controlled nonprofits in the ability to maintain the long-term affordability of units.

#### **4.5 FENSGATE Cooperative**

73 Hemenway Street  
Boston, MA

The Fensgate Cooperative was founded by the Fenway Community Development Corporation. Shubhada interviewed Fenway CDC staff member Carmen Beato. It should be noted that unlike the some of the other models, Fensgate wasn't a rental development that went cooperative. This residential development has been run on cooperative ideals since inception in 1987. Therefore, the challenges of resident engagement and organization were not as great, according to Ms. Beato, who is familiar with Tent City Apartments.

#### ***History and Background***

The Fenway CDC first proposed the creation of the Fensgate cooperative in 1982. The 46-unit, mixed-income cooperative is housed in a historic building designed by renowned architect Guy Lowell, who also designed the Museum of Fine Arts building and other area university buildings. The cooperative is on Hemenway Street in Boston and also houses Fenway CDC offices. The building is listed on the National Register of Historic Places.

#### ***Cooperative Financing***

The cooperative was financed by a mortgage taken out from Wainwright Bank. As Fensgate is a mixed-income community, the cooperative qualified for assistance from the Metropolitan Boston Housing Partnership (MBHP), a non-

profit housing agency contracted by the Massachusetts Department of Housing and Community Development. As a result, of this relationship with MBHP, eleven of the 46 units are under contract to get subsidies.

In addition to the MBHP subsidies, the Fenway Community Trust Fund offers low-income residents/applicants a loan to help with shares.

Importantly, since the building's mortgage is currently being refinanced, Ms. Beato noted that some of the bylaws will change.

### ***Management and Structure***

"This is a true coop; there are certain things that maintenance doesn't take care of. Tent City Apartments is a different situation - it will be important to drill these people who have been renting a long time that coop responsibilities are different. They have to think that this is about ownership. People have to talk about ownership. Trainings have to be held, bylaws made."

- *Carmen Beato, Fenway CDC*

Fensgate uses a management company to help maintain the building. However, the management company does not perform all maintenance and renovation tasks. Ms. Beato said that "certain maintenance things we take care of—trash, general maintenance. If a resident wants to change a unit, they are responsible for [costs associated with that] and must also get approval."

This means that, if residents wish to change their units, they must supply the management office with a scope of work and insurance details and cover the costs themselves. If a resident redoes a kitchen, it is possible that their share price goes up.

Organization for cooperative management includes committees, such as the Membership Committee, which interviews applicants and make recommendations to the Board. These details show applicants that residents care, said Ms. Beato.

The cooperative is highly structured, said Ms. Beato. "There's a procedure to everything." For example, applicants to the cooperative go through several interviews in order to be accepted into the cooperative. Applicant screening procedures include: Interviews, criminal background and credit checks.

### ***Resident Engagement***

"They don't *have* to be involved. We encourage people to get involved."

- *Carmen Beato, Fenway CDC*

Having active, informed residents is a key to cooperative success. Said Ms. Beato: "You have to have a strong board." Fensgate is fortunate enough to have a diversified board. The president is a lawyer. The treasurer used to work for the CDC. We're fortunate in that we have diversified people and knowledge. They really do read the financials and want to know what's going on. Very minimal compared to other coops. We all meet every month."

### ***Longevity and measures of success***

Financially speaking, the current state of the cooperative is good, said Ms. Beato. It is "right on the budget", she said, adding that the cooperative has proved popular, and maintains a waiting list for all types of units.

In terms of financial projections, Ms. Beato said that she sees that Fensgate has a stable community, stable income, and therefore, the financial outlook continues to be strong.

### ***Challenges***

Ms. Beato said that the cooperative doesn't have many challenges. She did, however say that it is very important to make sure that the Board is always diversified, and ensure that all members are being represented in order to avoid the feeling among residents that the Board is run by market-rate members.

## **5.0 Lessons for Tent City Apartments**

"[There is] no reason to convert to a cooperative unless there is a real sense of community."

*- Notes from the conversation with Charles Newton respondents*

There are certain hurdles that almost all of our respondents encountered while trying to build a cooperative. The first: engaging and keeping residents active in the development. Second, navigating through the financial aspects of running a cooperative. Third, creating effective management structures.

Survey respondents made a number of excellent points, hoping that their experiences would prove helpful to Tent City Apartments residents as they approach the possibility of going cooperative. Importantly, a number of the respondents offered to meet with those at Tent City Apartments interested in further discussing this process.

The following is a summary of the lessons learned that respondents wanted to share:

## 5.1 Resident Participation

Resident participation is a key ingredient of cooperative living. In an informal conversation with Shubhada, a founding resident of the Belmont Chambers Cooperative said, "The first five years were hell; people didn't understand what a coop was."

Survey respondents also emphasized that resident engagement can make or break a good cooperative. They said:

- **Leadership** is a big challenge. Cooperatives must have strong, knowledgeable and diverse boards that proportionately represent the makeup of the resident community. Strong leadership is key to a successful cooperative.
- **Resident education** is a key component of going cooperative. It is difficult to have an existing rental development go cooperative, because this involves a dramatic shift in mindset for residents. Residents must clearly understand that cooperative membership doesn't equal free housing, nor does it mean control over everything.
- **Inclusivity is sustainability.** Train as large of a pool as possible to protect against burn-out. Find a role for as many people as possible from the beginning. If residents see their development as a part of something bigger (crime watches, affordable housing preservation, organizing efforts), it means more of them will be involved.
- **Train residents** on how to run a meeting, how to follow up on meeting agendas, do outreach, and tie that in to specific actions. Also, implement on the job training, such as reviewing how to come up with a budget; this will prepare them for when they take over.
- **Communication**, such as a newsletter, is important. One thing JPNDC wishes they did better is a newsletter. The newsletter is an important thing that residents should take ownership of. Right now, JPNDC usually has a staff person write one up.
- **Actively cross social divisions.** The mixed-income aspect of Tent City Apartments will be a challenge, since there tends to be a divide of who is involved and how this plays out. However, their concern was more that the market-rate tenants would take control because of more education, not the other way around (i.e. less interest, as the team found at Tent City Apartments).
- **Create bridges to the larger communities.** Stronger connections to the issues that unite the residents to the bigger picture of the community lead to a stronger cooperative. Make sure you address on the job training, informal training, learning policies, creating policies, management strategies. Constantly have social events to create a sense of community and get them organized around larger issues.

## 5.2 Financing

- **Use caution with tax credits.** Financing ranges from low-interest loans, public subsidies, and tax credits. JPNDC recommended a high level of caution with the tax credits model of financing, as it is generally a 15-year process during which residents do not have full control.
- **Over-budget for key areas.** Money should be made available for residents to get technical assistance and have adequate funds for consultation and also for resident groups to do things they need (i.e. training, buying supplies, computers, organizing programs, throwing parties). If this is not built into the original operating costs, it will not get funded and the cooperative will suffer as a result. Start big in funding proposals and to have enough money for all expenses.
- **Engage a formal asset management company.** Make sure to have a formal asset management role from the start, instead of as things go along. This would have been helpful to know from the beginning, said JPNDC.

## 5.3 Management

*"You want to diversify the board. It would be nice for a person to represent each [income] category. You don't want all board members to be market [-rate members]."*

*- Notes from the conversation with Fensgate*

- **Policy issues should be left to the Board,** compliance issues to the management company.
- **Management companies are an important intermediary.** Enforcement of rules should be left to the management company so that residents are not involved in issues such as eviction.
- **Keep business meetings to a minimum** and build the community feel instead.
- **Place restrictions on the Board and members,** advised Charles Newton respondents. Don't have a board that is too big (no more than seven people). Consider term limits of board members (for example: cannot serve more than 6 years in a row). To encourage participation, set up a contract where those that want to reside within a cooperative should serve as a board or committee member at one point in time.
- **Be strict with rent due dates;** no exceptions!

Organization	Housing type	Location	Years in existence	Units	Funding	Financial Status
JPNDC	Cooperatives	Multiple, Jamaica Plain	Varies	13 +	Tax credits, low-interest loans, HOME subsidies	Varies depending upon age / stage of the coop.
Charlesbank	Cooperative	Boston	About 15	276	HOPE II grant	Excellent; mortgage paid off.
Charles Newton	Cooperative	Charlestown	33	262	HUD; Section 221D-3 of the National Housing Act	Est. \$2 Million debt
Academy Homes II	Resident-run nonprofit	Boston	About 40	236	HUD; MHFA. Originally a Demo-Dispo project.	Projected financial security upon transference to nonprofit.
Fensgate	Cooperative, mixed-income	Boston	About 15	46	MBHP, Wainwright Bank, Fenway Community Trust Fund	Stable; right on budget.

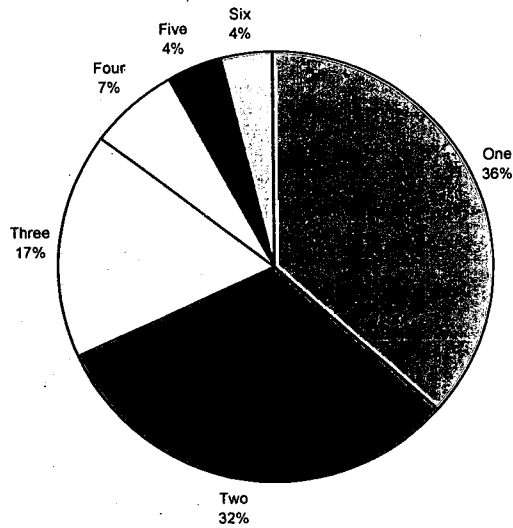


## 6.0 Survey Results

### 6.1 Respondents Demographics

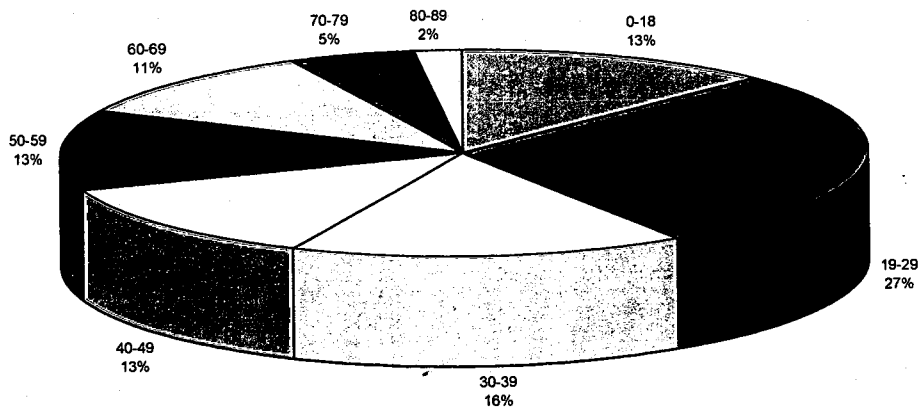
- The majority of people surveyed have 1-3 people living in their household.

How many people live in this household?



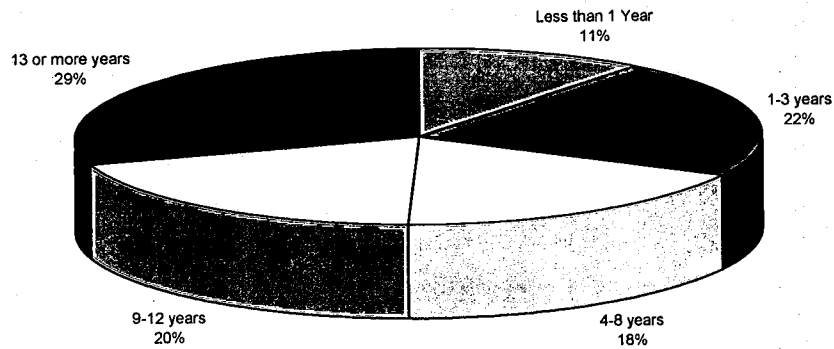
- We surveyed a wide range of people from different age groups.

Age of Respondent



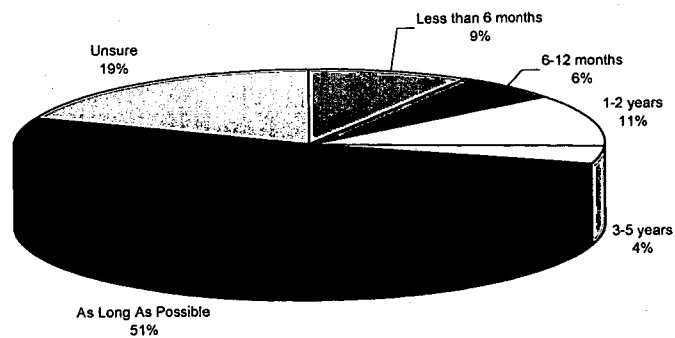
- The majority of people surveyed have lived at Tent City Apartments for more than 3 years, indicating that they are less transient.

How long have you lived at Tent City Apartments?



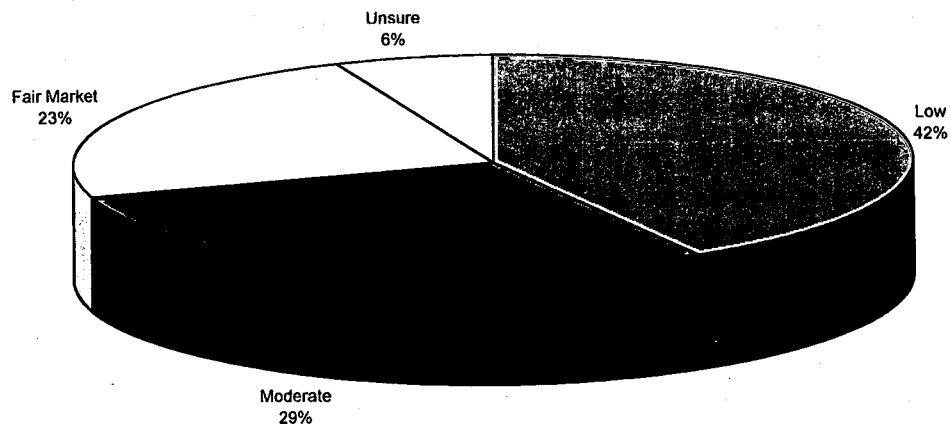
- The majority of people surveyed hope to stay at Tent City Apartments as long as possible.
- There was also a significant percentage of people, however, who may move out within the next 5 years.

How long do you plan to live at Tent City Apartments?



- The largest group of people surveyed was Low-Income renters. The responses are skewed to some extent, since we should have received responses from roughly 25% low-income, 50% moderate-income, and 25% market rate. This could be for a number of reasons, including that the low-income renters may have been more willing to speak with us than other income levels.

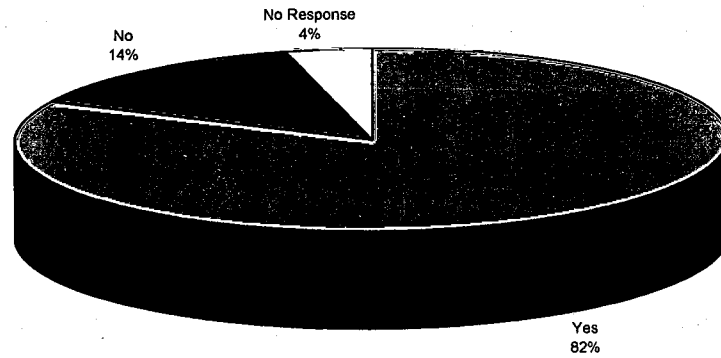
Are you a low, moderate or fair market renter?



## 6.2 Knowledge of Conversion Talks

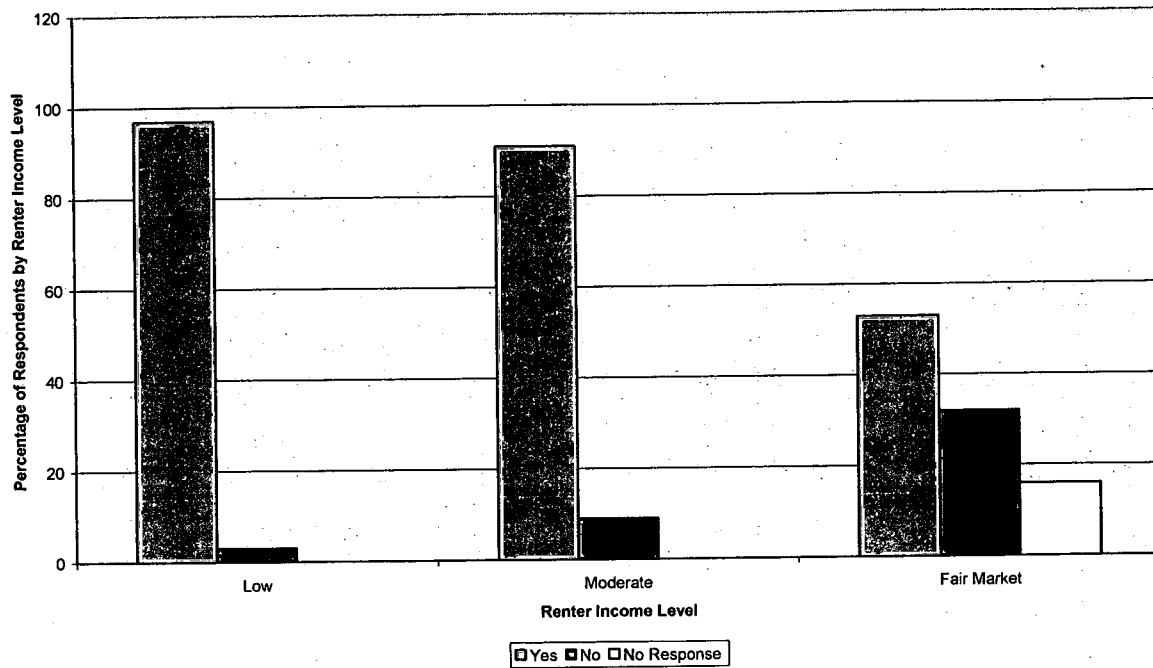
- The majority of people surveyed were aware that there have been discussions of converting Tent City Apartments into a cooperative.

Did you know that there currently there is discussion of converting Tent City Apartments into cooperative housing?



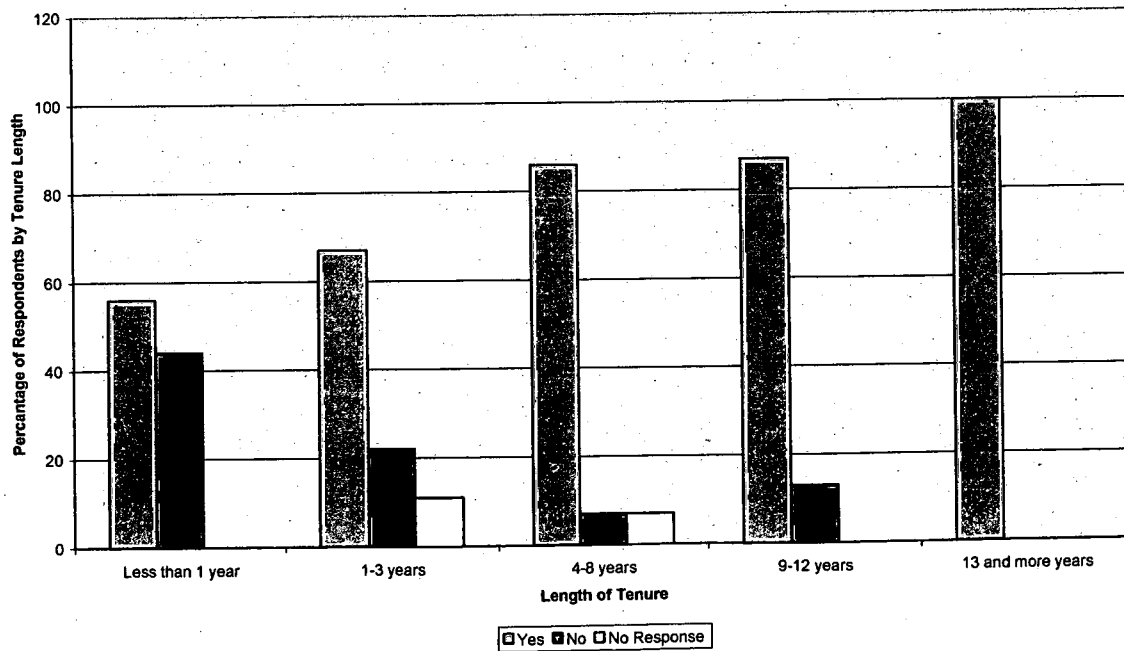
- Low-income renters were the most aware of these conversion talks, with market rate renters being the least aware.

Knowledge of Conversion Talks by Renter Income Level



- Residents who had lived at Tent City Apartments longest were more aware of the conversion talks as well.

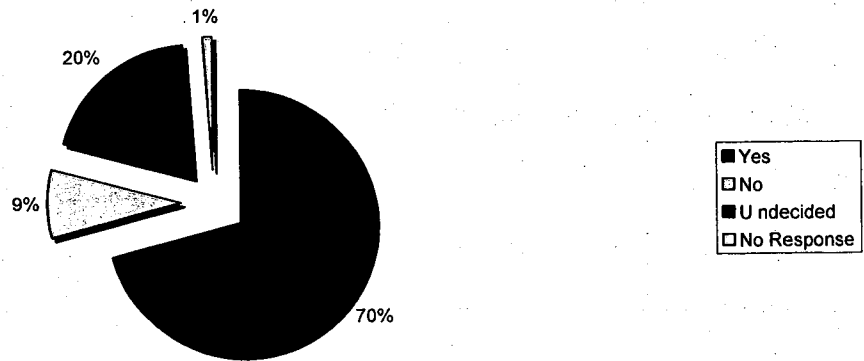
Knowledge of Conversion Talks by Tenure Length



### 6.3 Interest in Residing in a Cooperative

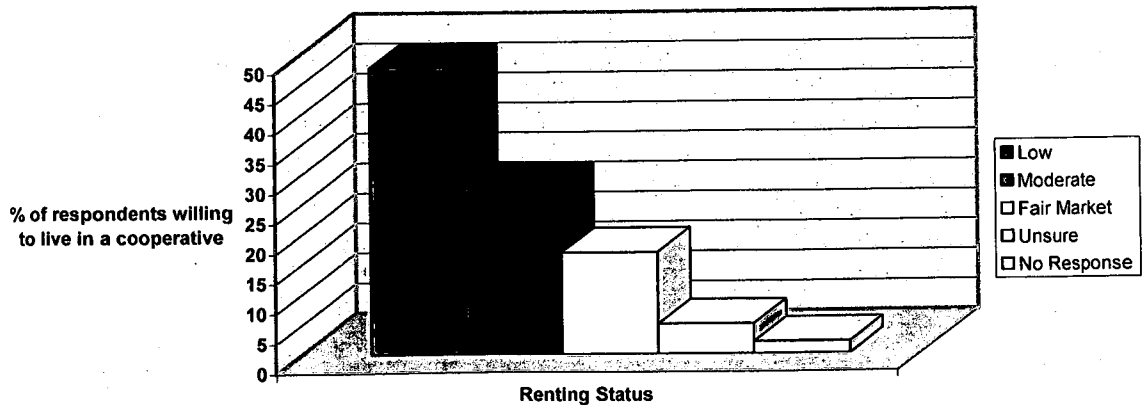
- As noted above, 82% of those residents surveyed were aware that there has been discussion of converting Tent City Apartments to a cooperative.
- Over two thirds (70%) of all residents surveyed responded that they would be willing to reside in a cooperative. This includes those residents who had not heard discussion of cooperative conversion

Are you willing to live in a cooperative?



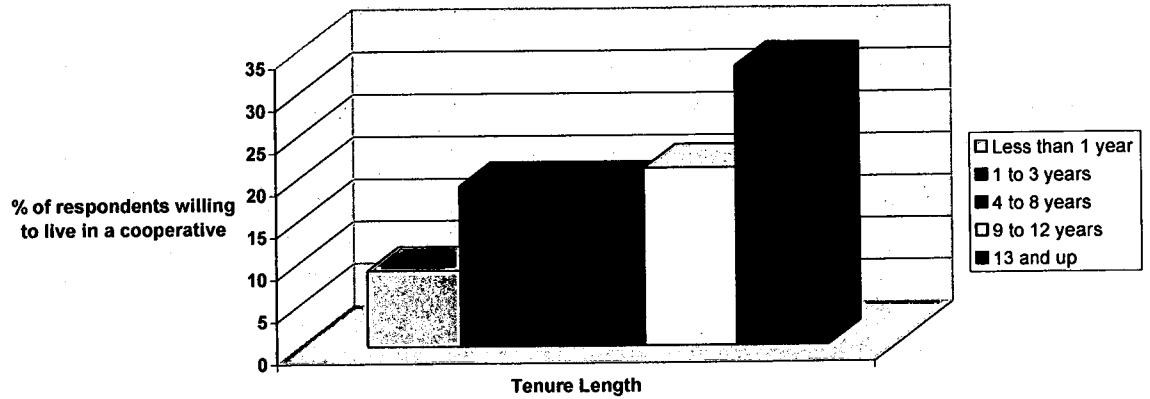
- Willingness to live in a cooperative was most strongly expressed by low-income respondents. Of those residents who indicated a willingness to live in a cooperative, almost half (48%) were low-income households. Moderate-income households comprised a substantially smaller portion of the total (28%), with market rate households a smaller portion still (17%).

Are you willing to live in a cooperative by renter status



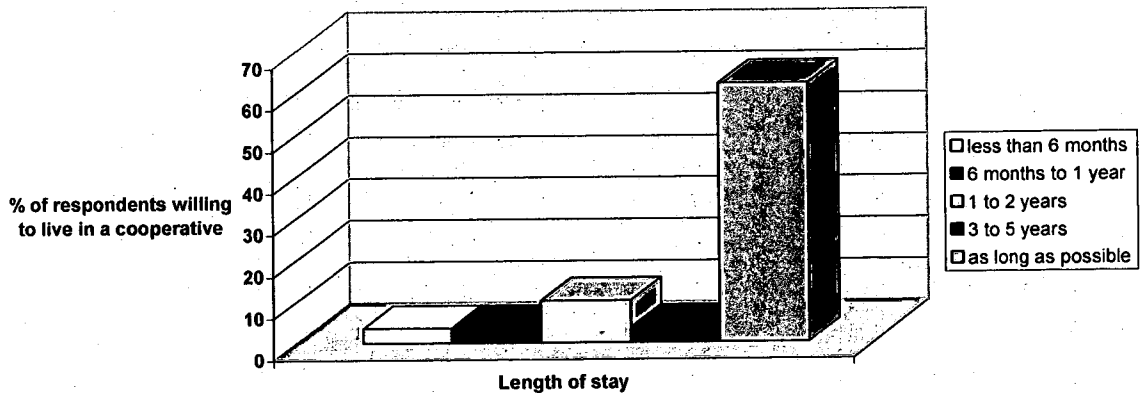
- Of those respondents willing to live in a cooperative, the largest group was those who had lived in Tent City Apartments for thirteen years or more.

Are you willing to live in a cooperative by tenure length



- Of those respondents willing to live in a cooperative, the largest group by far was those who planned to live in Tent City Apartments as long as possible.

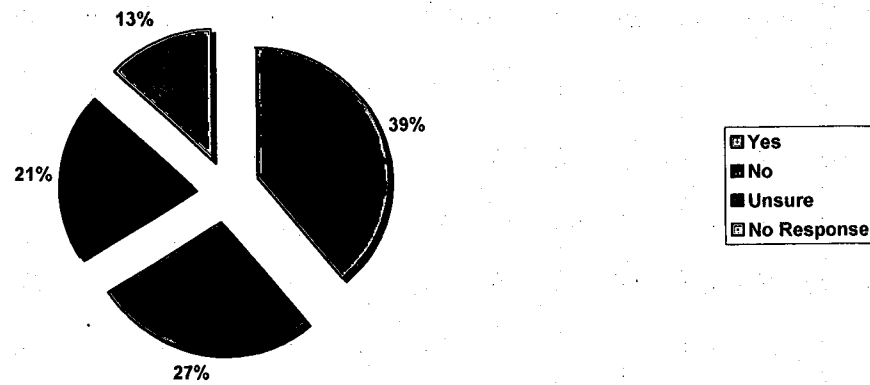
Are you willing to live in a cooperative by the length you are planning to stay



## 6.4 Leadership

- Residents were asked if they would be interested in serving in a leadership position in managing the cooperative, if such an opportunity became available. More than one-third of respondents (39%) expressed an interest in leadership.

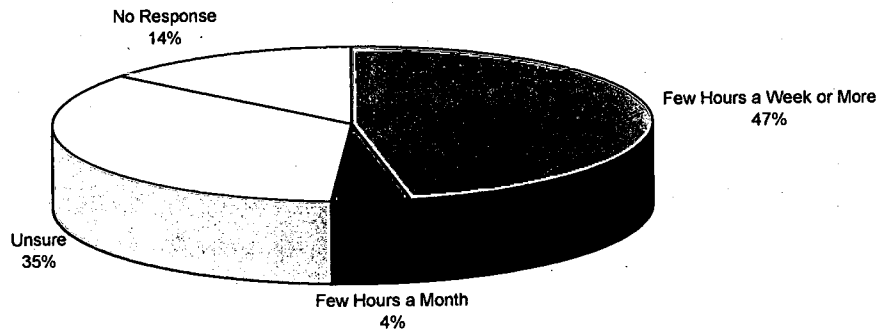
Are you willing to take a leadership role





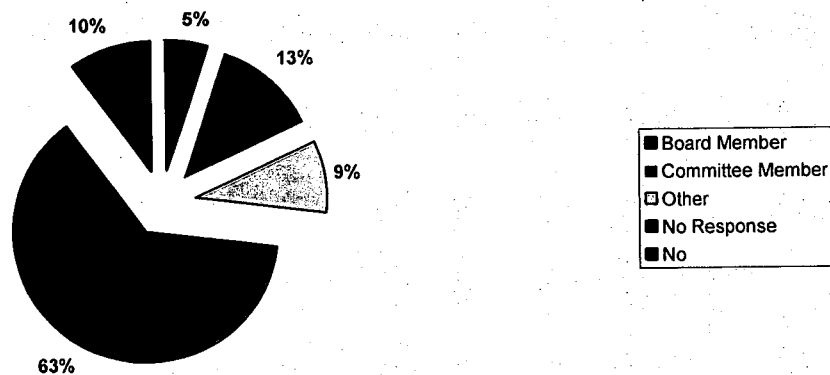
- Most people who wanted to have a leadership role in the cooperative felt that they could give a few hours a week or more to this position, although a significant number of people were unsure as to what amount of time they could give.

How much time do you think you could volunteer your services in a leadership capacity?



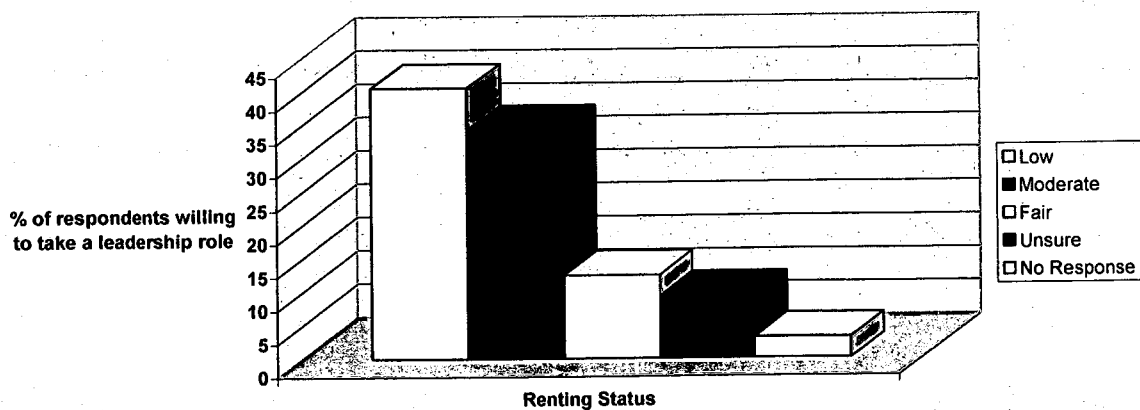
- Residents were asked about interest in particular leadership roles, such as serving as a board member, committee member, or other position. Only a small portion of respondents identified a specific role: 13% expressed interest in committee membership, and 5% in board membership. Almost two-thirds (63%) of those surveyed had no response to this question.

In what capacity are respondents interested in becoming involved in?



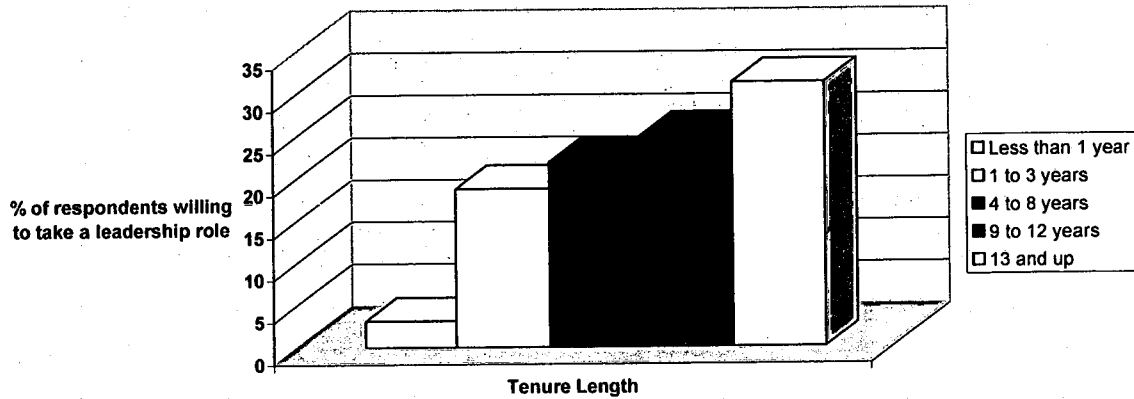
- Low-income and moderate-income residents were most willing to take a leadership role.

Are you willing to take a leadership role by renter status



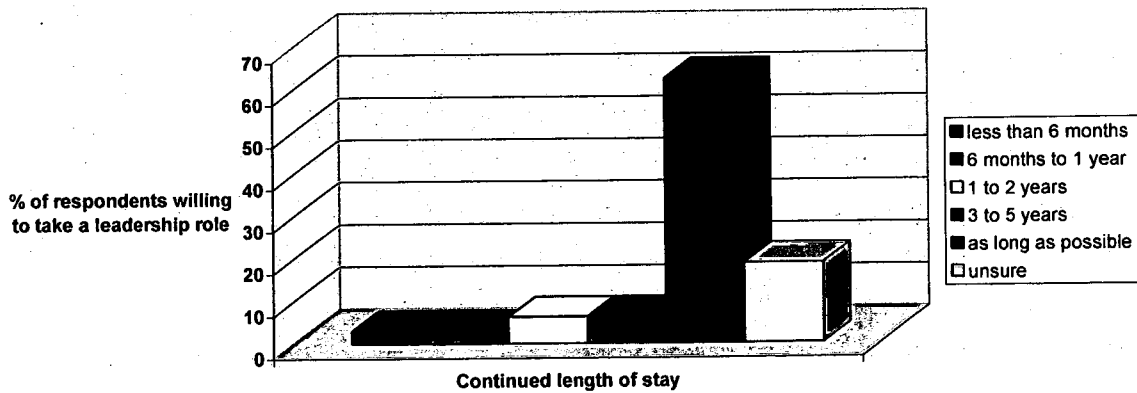
- Respondents who had lived in Tent City the longest were the largest group of those willing to take leadership roles. Very few respondents who had lived in Tent City Apartments for less than one year were willing to take a leadership role.

Are you willing to take a leadership role by tenure length



- A substantial majority of respondents willing to take leadership roles were those who intended to stay at Tent City Apartments for as long as possible.

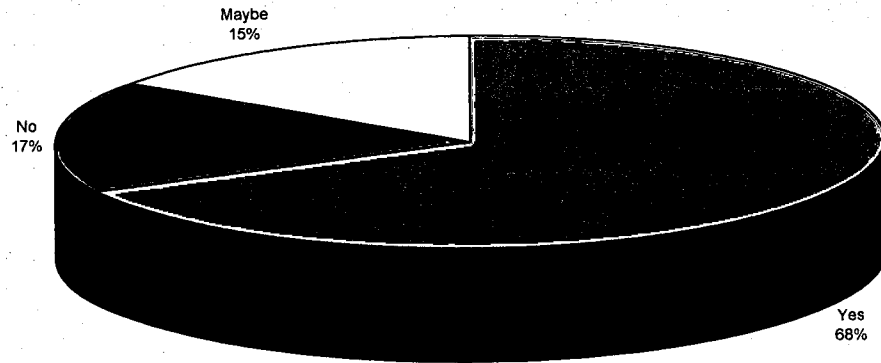
Are you willing to take a leadership role by continued length of stay



## 6.5 Financial Planning Classes

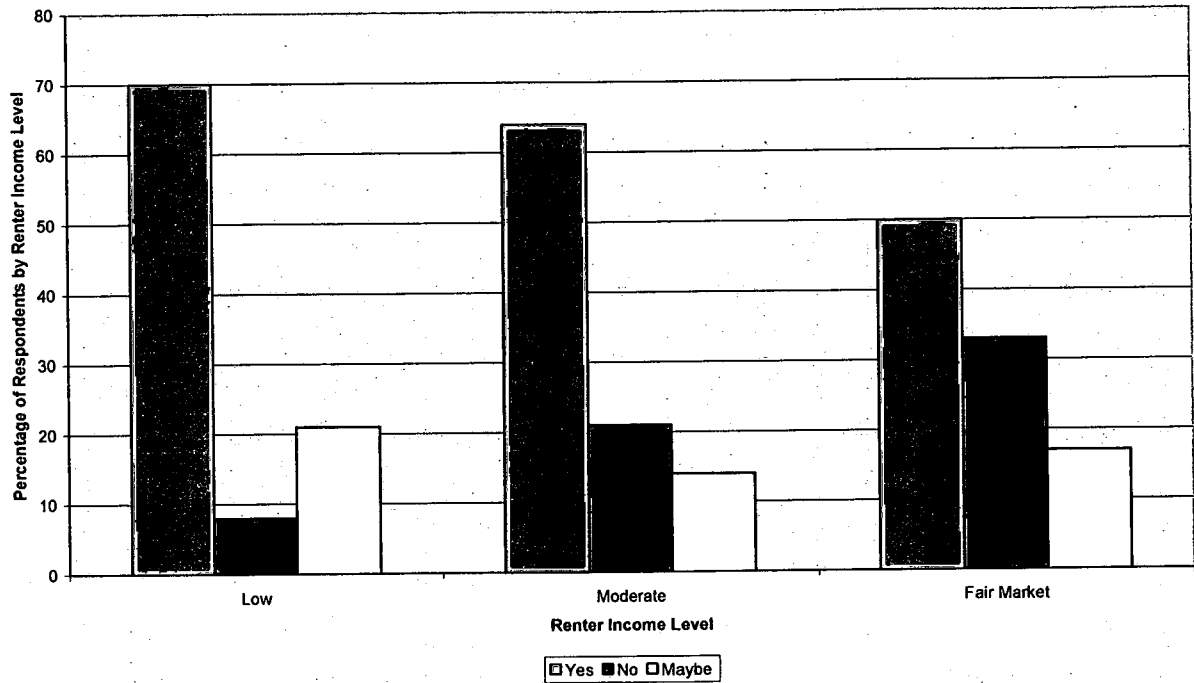
The majority of people surveyed would like to take financial planning classes if offered.

Would you be interested in taking financial planning classes to help you prepare for becoming a member of a cooperative?



- Low-income renters were the most interested in taking financial planning classes, with market rate renters being the least interested.

Interest in Financial Planning Classes by Renter Income Level



## **6.6 Reactions, Questions, and Comments of Residents Regarding Cooperative Housing**

Questions 7, 8 and 13 of the survey elicited many different responses from residents. The team thought these responses were best represented by summarizing the actual comments and questions they gave the team. It is important to note that the majority of residents who responded to our survey had questions, and wanted answers. For this reason, the team thought it was important that the questions were accurately represented, and we have encouraged the Board to supply the residents with replies as soon as possible. The list of comments and questions were given to the Board on April 19, 2004, and the team offered to help create an educational piece based on the questions received, which would provide answers to residents. This educational piece could be distributed to all residents.

The team's general experience surveying the residents was that:

- Residents want more education and information about cooperatives and the process of conversion to a cooperative.
- Residents want to know the advantages and disadvantages of joining a cooperative.
- Residents especially want financial information. The majority of questions were of a financial nature.
- Residents want to know when the cooperative will convert and how this will be decided.

As the survey was conducted, residents asked questions about down payments and monthly fees, which the team passed along to Mr. Hyman. His answers were then provided to residents in later surveys. Therefore, the comments and questions regarding down payments and monthly fees are more reflective of the team's initial surveys.

The following is the summary of the team's findings. Numbers in brackets represents the number of times the same question/comment arose.

### **6.6.1 What Appeals to Residents about Joining a Cooperative/What do Residents See as Positive?**

#### Financial

- Maintaining affordability (5)
- Equity/ money going into something the resident can gain from and be part of (5)
- Lowers costs (rent and expenses) (1)
- Good for low and moderate renters who don't have other opportunities for investment (1)

- Like the different financial arrangements (1)

#### Governance

- Part ownership (12)
- Resident control (3)
- Unit can be transferred to children (1)
- Preserving and securing space (1)

#### Social

- Community life (1)
- Getting to know neighbors (1)
- Cooperative means cooperation and this is appealing (1)
- People are staying so there's a sense of community developing (1)
- Like living here (1)
- Know people at other cooperatives who are very happy with it (1)
- Continuity - been here since the beginning (1)
- Maintains diversity (1)

#### Management

- Security (3)
- Safety as a single woman (1)
- Well managed (1)

#### Other

- Location / convenience (7)
- Like it as it is as only staying 2 more years (1)

### **6.6.2 What Concerns Residents about Joining a Cooperative/What do Residents See as Negative?**

#### Financial

- General financial concerns regarding down payments, monthly fees (many)
- Higher costs/maintaining affordability (2)
- Large amount of debt is daunting (1)
- Don't want anything with large investment (1)
- Would probably rather get equity from house without extra responsibility (1)
- Would rather buy (1)
- Nothing in it for them as fair market renter, no benefits as the equity is low (1)
- Wants to go & buy house, get equity and get tax right off (1)
- No additional benefits - it's an investment but what does the resident get out of it? Want to make money but can't do that in a cooperative, want to own something like the resident's unit (1)
- The only benefit for a fair market renter is paying less on monthly basis (1)
- Not beneficial to go cooperative as it eats into a corporations profits (1)
- A stupid idea financially – stealing from the rich to give to the poor which is adverse to principles of capitalism (1)

#### Governance

- Lack of resident input and involvement (4)

- Increased responsibility (2)
- People in Tent City Apartments won't have time to take care of a cooperative (2)
- Would rather be in a condominium, which is more structured (1)
- Board and leadership roles seem to be too political (1)
- Too much commitment (1)
- Unsure how much skill Tent City Apartments residents have to deal with cooperative issues (1)

#### Social

- Won't go cooperative and people will be evicted (3)
- Lots of ego stuff/difficulty working together e.g. conduct in meetings puts others off (1)
- Are people unified? (1)
- Residents are apathetic (1)
- People don't care who neighbors are but are quick to complain (1)
- That handicapped people won't be taken care of (1)
- Have to build a sense of community (1)

#### Management

- Security (3)
- Poor unit quality (2)
- Ventilation system bad and wouldn't want to invest in it (1)
- Selling and dealing of drugs in building and nothing is done (1)
- Young kids being disruptive (1)
- Hard to find parking (1)

### **6.6.3 What Other Information did Tenants Request about Joining a Cooperative?**

#### Financial

- What is the down payment amount? (15)
- What is the monthly amount? (11)
- How much does the resident get when he/she leaves and how is this determined? (7)
- What happens to Section 8s? (7)
- How long does the resident have to pay the down payment? (3)
- What happens if your finances change? (3)
- What are the tax implications? / Is there a cooperative break on tax forms? (3)
- What are the programs in order to get down payment? (2)
- What happens if the resident doesn't have enough money for the down payment? (2)
- What is the loan policy – the origins, who funded it, etc.? (2)
- What will the composition of the cooperative be – low, moderate, market renters? (2)
- Who pays for capital improvements? (2)



- What happens to the share if there is no one to inherit it? (1)
- What happens if no one buys the share that a resident wants to sell? (1)
- How easy is it to sell a share – provide statistics based on other cooperatives (1)
- What are the carrying charges per year? (1)
- Will contributions change over time? (1)
- Will residents need to pay more in the future? (1)
- How much debt does Tent City Apartments have? (1)
- What happens to the debt? (1)
- Why hasn't Tent City Apartments been making a profit? (1)
- How does a cooperative affect each income level? (1)
- Who qualifies for low-income rates? (1)
- Will credit history be a disqualification? (1)
- If a resident is unemployed, does he/she still qualify? (1)
- If a resident is on social security does he/she still qualify? (1)
- Will people be treated appropriately regardless of their income level? (1)
- What is the impact on the current financial situation? (1)
- What kind of capital funding sources are available for upkeep and emergencies? (1)
- What happens to bills like water (TC pays now) & electricity / heat (pay own now)? (1)
- If units are not filled, who pays? (1)
- Can residents have first time home ownership information? (1)
- Who can help with finances and training? (1)

#### General

- What are the pros and cons of living in a cooperative? (8)
- Timeframe: When is this going to happen? (8)
- Meetings requested on the process of how to become a cooperative / workshops/education (6) with Spanish translation (2)
- What are the benefits of living in a cooperative? (4)
- General information on cooperatives (3)
- What are the responsibilities of living in a cooperative? (1)
- Will it ever take place? (1)

#### Governance

- How much say would residents have in the process of whether it is going to become a cooperative? (2)
- How many residents need to agree to the process? Do you need 80%? (2)
- How is the cooperative structured re governance? (1)
- How is it going to be determined who wants to be in a cooperative or not? (1)
- What is the voting process? (1)
- Why wasn't the cooperative done immediately? How did the process happen 15 years ago? Why has it not come to fruition? (1)

- Information on model cooperatives would be helpful (including issues of low income, disability, rents, down payments etc. and how they fit into the process) (1)
- What happens to people who don't want to be in a cooperative if it does convert? (1)
- Is the cooperative offered to everyone? (1)
- How will a cooperative affect living arrangements? (1)

#### Management

- Can residents renovate their units? If so, what is the approval process? (3)
- Who handles repairs / maintenance? (2)
- Will units be redone before conversion / new appliances? (2)
- Can residents switch units? (2)
- What happens when a tenant dies? Can residents leave their share of the cooperative to a family member? (2)
- How will it be managed? (1)
- Will residents hire a management company? (1)
- Who will handle undesirable tenants and eviction processes? (1)
- How long can someone live there? (1)
- Can residents sublet their units? (1)
- What happens if leave and go to study for 2 years? (1)
- Can residents have pets? (1)
- Will training for residents include long-term training? (1)
- Do residents have a condo option? (1)
- Are any legal organizations involved? (1)
- Is it possible to have a gym? (1)

## **7.0 Limitations of Survey Methodology**

In any survey, there will be some limitations to the applicability of findings, based on issues both within and beyond the survey team's control. The survey implemented by the Tufts team at Tent City Apartments has limitations of both kinds. It is important to acknowledge these limitations as conditions that may have influenced the data.

The most prominent limitation in this survey was the time constraint. With three months total to complete the project, the team was under very strict time limits. The IRB process was an unexpected step in the process and took a significant amount of time, leaving the team with less than a month and a half to implement and analyze the survey. The survey also required some preliminary educational flyers to be distributed, which pushed the project back even further. As a result, the team was forced to conduct the survey over a two-week period from March 15 to March 29, 2004. The sheer number of units also presented a limitation, making it impossible to ensure full participation. Each unit was contacted at least twice and left with a survey to fill out if no contact was possible, but this still left many units without responses. The final response rate was lower than hoped

due to these constraints, although the number of completed surveys (82), as well as the total number of responses, including refusal to be interviewed, 24, is significant and conclusions can be generated from the sample.

Another limitation of the survey is that it was not mandatory. The residents, while informed of the survey, were under no obligation to participate. This resulted in several problems, otherwise known as selection bias. First, there was no guarantee that the residents would be home when the team came to survey them. Second, if they were home, they were under no obligation to speak with us. On a number of occasions, residents said they would prefer not to take part. Several times, they simply did not answer the door. These residents may have had a particular opinion on cooperatives that will not be represented in the survey results.

The members of the team, while all participants in creating the survey, were not formally trained on conducting surveys. When implementing the survey there may have been some observer bias. The way in which the surveyors responded to the residents' comments may have prompted the resident to answer in one way or another. While this is hopefully minimal, it is a possibility.

All of these issues may have had some amount of effect on the usefulness of conclusions that can be drawn from the study. However, to the best of the team's ability, the results as given are accurate and useful to the Board.

## **8.0 Recommendations**

On the basis of the survey of Tent City Apartments residents, interviews with staff from other cooperatives in the area, and general research on the subject of cooperatives, the team has prepared a list of recommendations.

These are not guidelines for the conversion process; rather they are important issues to keep in mind as the Board and residents begin the process of decision-making and possibly the conversion from rental to cooperative ownership. The team believes that these recommendations will be valuable no matter what route the community at Tent City Apartments takes, and that they may be used in conjunction with the other findings presented in this report to create and maintain a successful development and community.

### **Resident Involvement and Education**

- **Hold regular meetings about limited equity cooperative basics**

This should be one of the first steps taken and can be helpful in engaging all members of the Tent City Apartments community. These meetings should include explanations of the financing and organization of limited equity cooperatives and the process of conversion. These

meetings should continue through the entire process to keep residents well informed of any changes or developments.

- **Create an educational pamphlet answering the questions raised by residents during the survey**

Many of the residents have questions that they would like answered before committing to the conversion of Tent City Apartments into a cooperative. These questions should be answered as promptly as possible in order to better gauge the willingness of residents to convert. It is also an important step in making sure that residents feel involved and informed.

- **Make this report available to Tent City Apartments residents**

The information included in this report is valuable to the board as well as the tenants. Many residents have questions about the cooperative process and were interested to see the team's findings. Many of them were simply unaware that talks of conversion had been going on. This report can be a good resource for alleviating some of these problems.

- **Get people who are not low-income renters or long-term residents involved**

The surveys showed that residents who are market-rate renters and who have not lived at Tent City Apartments for a long period of time are less involved in the community at Tent City Apartments. The team believes it is important to engage these residents in any planning to ensure a successful conversion.

### **Leadership Development**

- **Identify residents who are willing to take on initial responsibilities**

It is important to have a strong core group of involved residents to get a cooperative running. The surveys indicate that about 1/3 of the residents are willing to take a leadership role. Capitalize on this asset early to ensure involvement once the conversion occurs.

- **Create a training program for board members and identified leaders**

Interviews with other cooperatives revealed that extensive training is required in order to prepare residents leaders for the responsibilities that come along with cooperative ownership. This training should be started before the conversion process so that resident leaders are well

informed of the process and should continue well into the conversion process and beyond.

- **Converse with other cooperatives to obtain training ideas and resources**

Many of the board members of the cooperatives interviewed for this report have gone through extensive training sessions already. Use this resource to tailor any training program and gain lessons from people who have experience. The interviews provided in this report are only a sampling of the knowledge available from these cooperatives. Tent City Apartments may be able to learn from these cooperatives.

### **Communication and Community**

- **Create a comprehensive communication system**

In order to be involved, residents need to be informed of events and decisions. The team recommends that Tent City Apartments implement a communication system that will be easily accessible by every member of the development. Possible methods for this include a development-wide voicemail system, mailbox stuffings, or a closed circuit TV channel for Tent City Apartments residences.

- **Have translators on hand at all meetings and community events**

Several residents expressed concern that they wanted to be involved, but were unable to because of a language barrier. Language should not prevent anyone from taking a leadership role in the cooperative.

- **Foster stronger communication between the board and residents**

This is an important step in managing a cooperative. If the residents are unaware of what is happening in the development, they will not feel motivated to get involved. If the board is unaware of what the residents are saying and feeling, they will be ineffective at addressing their concerns. An important lesson learned from the cooperative interviews is that board burnout is frequent and open communication between the board and residents can help to replace board members who step down with more ease.

- **Have social community events to foster community**

Running a cooperative can be very dry and technical, as mentioned in the cooperative interviews. It is important that residents feel connected to their community in order to create a working cooperative. Make

sure to budget adequate funds for social events and gatherings to create this sense of community.

## **Process**

- **Address the issue of Tent City Apartment's debt before moving forward**

A large portion of the residents surveyed expressed concern over the amount of debt that TCC has incurred. They are wary of committing to partial ownership of a development that may not be financially secure. Whether this concern is well founded or not, it is important that residents feel confident that they are involved in a sound investment.

- **Undertake a cost-benefit analysis**

In conjunction with the previous recommendation, it may be helpful to undertake a cost-benefit analysis to determine the financial viability of cooperative ownership at Tent City Apartments. This will reassure residents that their investment is a good one.

- **Designate criteria that must be met in order to move forward in the conversion process**

Many of the residents surveyed have basic questions about when the conversion might take place, how many people will need to be interested for the conversion to happen, and what will happen if a significant number of people are opposed. The board should create some criteria to address these questions in order to determine under what conditions the conversion to a cooperative will be undertaken. This will help residents to visualize the process and give them a greater sense of security in the process.

- **Create scenarios to help residents understand the process**

We understand that many of the decisions about the logistics and specifics of the cooperative will have to be worked out once the conversion process is underway. However, it would be helpful to residents if the board created scenarios illustrating possible outcomes based on a set of criteria such as resident interest levels, funding sources, and timelines.

## **Decision-Making**

- **Evaluate whether cooperative ownership is the best form of ownership for Tent City Apartments**

We encourage the board to examine our findings and consult with other experts and cooperative boards to determine whether Tent City Apartments would benefit from cooperative ownership.

## References

*Alternative Financing Models – Hybrids of Homeownership Limited-Equity Cooperative Housing* available from World Wide Web:  
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"Tent City." *The Urban Land Institute: Project Reference File*. Volume 21, Number 8. April – June 1991.

*What is a limited equity housing cooperative?* Available from World Wide Web  
(<http://www.weown.net/LimitedEquityCoops.htm>)

*What is a Housing Cooperative? Comparison to Other Forms of Housing* from handout at "Home is Where the Heart Is" event at Tent City Apartments, 02/14/04



## **Appendices**

- A. Memorandum of Understanding
- B. Cooperative Survey
- C. Resident Survey
- D. Flyer Announcing Survey (English and Spanish)
- E. Flyer Explaining Cooperatives (English and Spanish)
- F. Institutional Review Board Materials
- G. Client Project Description

**MEMORANDUM OF UNDERSTANDING BETWEEN THE STUDENT TEAM FROM THE DEPARTMENT OF URBAN AND ENVIRONMENTAL POLICY AND PLANNING PROGRAM AT TUFTS UNIVERSITY AND TENT CITY CORPORATION**

This document describes the scope of work, products (deliverables), timeline and work processes agreed to by the parties for the satisfactory completion of the project. The project entails assisting Tent City residents in developing a strategy for converting all or part of the Tent City development from rental units to cooperative ownership or other appropriate form of ownership.

**Client**

~~Val Hyman, Acting Director~~  
Tent City Corporation  
434 Massachusetts Avenue, Suite 204  
Boston, MA 02118

*SYVALIA HYMAN, III Chairman*

*S. W. [Signature]*

Phone:   
FAX:

**Project Goal**

To determine the goals of Tent City residents regarding ownership of their units and common areas of the development, and to provide the Board and residents of Tent City with models of cooperative conversion in relevant projects in Boston and nationwide.

**Methods**

The student team (Team) will meet with residents and, where appropriate, with the Acting Director, to learn the goals of the residents concerning ownership of their units and common areas of the development. In addition to meeting with residents actively involved in developing a conversion strategy, the team will craft and administer a survey to gather information from a wider group of residents.

*Chairman and other Board members*  
*S. W. [Signature]*

The team will also research other instances in which comparable residential developments have been converted from rental units to cooperative ownership. This will involve review of available literature, as well as interviews with practitioners in the areas of housing and community development. The Team will specifically look at the projects provided to them in the initial meeting with Val.

In addition, the team will assist in educating the residents of Tent City about the cooperative ownership process, whenever possible. We plan to do this by asking the residents what questions and concerns they have about the conversion, and then provide information in the form of flyers, meetings and one-on-one conversations.

**Products/Deliverables**

The Team will produce a survey designed to determine the residents' goals concerning conversion and ownership, residents' willingness to get involved in the process, and the residents' general understanding of the conversion process.

The Team will produce a detailed report on the process of conversion from rental units to cooperative ownership (or other appropriate form of ownership). The report will draw from examples of previous conversions, as well as materials on available government and foundation programs. This document will include small case studies of several projects as well.

**Timetable**

Task	Target Completion Date	Actual Date
Initial meeting with Client. Provide draft MOU for comment	February 7, 2004	February 7, 2004
Conduct literature, field and legal research. Ongoing weekly Team discussions and evaluation of research.	February [ongoing]	
Draft Survey due; review with Client	February 26, 2004	

- Implement Survey March 15, 2004
- Summarize results of Survey; review with Client April 1, 2004
- Draft Report on conversion models due; review with Client April 13, 2004
- Meet with residents to discuss report and interest in pursuing conversion for Tent City April 21, 2004
- Deliver Final Report to Client April 28, 2004

**Work Processes and Communication**

The Team will report to Client <sup>Representative Val Hyman</sup> ~~Val Hyman~~. The Team will also meet with residents to implement the survey, to present the draft report, and to interview involved residents.

**Revisions and Renegotiations**

This MOU can be revised and renegotiated with the agreement of all members of the Team and the Client.

**Consideration and Expenses**

Each team member expects to spend approximately ten hours per week on this project. No payment is expected from Tent City, its ~~acting Director~~, or any Tent City resident. A small expense account is provided to the team by the Department of Urban and Environmental Policy and Planning for minor copying, travel and long-distance phone calls. Other expenditures requested by the Client are to be financed by the Client.

**Team Members**

- Brandy Brooks [REDACTED]
- Barbara Huggins [REDACTED]
- Shubbada Karubi [REDACTED]
- Dana LeWiner [REDACTED]
- Yve Torrie [REDACTED]

**Faculty Advisor**

Professor Ann Rappaport [ann.rappaport@tufts.edu](mailto:ann.rappaport@tufts.edu) <sup>ARB</sup> (617) 627-3417 <sup>3394</sup>

[Signature] Chairman

Client Tent City Corporation Date 2/11/04  
Team Representative Dana LeWiner Date 2/11/04

- Brandy M. Brooks 2/11/04
- Y. L. Torrie 2/11/04
- Barbara Huggins 2/11/04
- Shubbada Karubi 2/11/04

## Tent City Survey Questions to current Cooperatives

Before asking subjects questions a brief introduction will be provided detailing the research study, its contents and purpose, which will then be followed by several questions.

### Financial

- 1) What types and kinds of programs and subsidies are involved? Are these subsidized entities still involved?
- 2) Who owns the cooperative?
- 3) How was the conversion process financed?
- 4) Financially speaking, what is the current state of the cooperative?
- 5) Five years from now what do you think the financial situation will look like?

### Process Development

- 6) What was the status of the property before becoming a cooperative?
- 7) What are some of the challenges you faced during conversion?
- 8) What were some of the motivating factors, which led to the conversion of ownership?
- 9) Who were the founders of the cooperative?
- 10) How long was the process from its inception to the buyout of the development?
- 11) How did you initially engage resident in the process of conversion? For example, did you issue a survey, questionnaire; conduct interviews, educational information sessions, etc? If yes, do you have copies that we could see and use in our process?
- 12) Prior to the conversion process what was the percentage of low, moderate, and fair market renters? Has that changed?

### Current State of Cooperative

- 13) What are the responsibilities associated with being a cooperative? How are management responsibilities divided among residents?
- 14) How long have you been a cooperative?
- 15) Now that residents have acquired more ownership what is the current physical state of the cooperative?
- 16) What factors were advantageous to the process of converting the rental property? What are the present day challenges, if applicable?
- 17) What factors were challenging to the process of converting the rental property? What are the present day challenges, if applicable?
- 18) If you could restructure any aspect(s) of the conversion process of current state of property management what would you change?
- 19) Do you currently use an outside property management company? If so, why?

## Tent City Apartments Conversion Survey Questions

Before asking subjects questions a brief introduction will be provided detailing the research study, its contents and purpose, which will then be followed by several questions.

### Personal Information

- 1) How many people live in this household?
- 2) What is the age of all members of the household?
- 3) How long have you lived in Tent City Apartments?
- 4) How long do you plan to live at Tent City Apartments?
- 5) Are you a low, moderate, or fair market renter?

### Cooperative Knowledge

- 6) Did you [the resident] know that currently there has been discussion about converting Tent City Apartments to cooperative housing?  
If no, provide a brief explanation explaining what a cooperative is?  
If yes, highlight a few key points to make sure respondent has general knowledge of cooperative housing.
- 7) What are your thoughts, negative or positive, regarding Tent City Apartments's conversion to cooperative housing? What appeals to you? What are your current concerns?
- 8) Is there any further information that you would like to receive concerning a cooperative development? If yes, then what type of information could be provided?
- 9) Would you be willing to reside within a cooperative development? If no, why?

### Involvement in Cooperative Development/Leadership

- 10) If it becomes available would you want to be considered in a leadership capacity in helping to manage the cooperative development? If yes, in what capacity (as an honorary board member, coordinator of committees, organizing and attending resident meetings, etc.) are you hoping to become more involved in?
- 11) How much time do you think you could volunteer your services in a leadership capacity?
- 12) Are you interested in taking financial planning classes to help you prepare for becoming a cooperative member?
- 13) Do you have any additional questions, comments, and/or concerns?

Wrap up and thank the respondent for participating in the Tent City Apartments Conversion Survey.

# ***TENT CITY RESIDENTS:***

## ***COOPERATIVE HOUSING SURVEY***

We are a team of students from Tufts University who have been asked by the Tent City Corporation to come to Tent City Apartments to see if there is interest in changing Tent City Apartments from **rental housing** to a **housing cooperative**.

To help Tent City residents learn about housing cooperatives and evaluate the level of interest in a housing cooperative, we will be conducting a survey with the residents. We will be going door-to-door asking some questions.

The survey:

- is completely **voluntary**
- will take about **ten** minutes
- will be **anonymous**
- will **help** plan future information sessions about converting Tent City Apartments to a housing cooperative
- will be compiled by the students into a **report**

We will be knocking on your door sometime from:

***Monday, March 15<sup>th</sup> through Monday, March 29<sup>th</sup>***

Your participation in the survey would be very valuable for evaluating the interest in cooperative housing and for planning future information sessions. However, if you do not wish to participate in the survey, simply let us know when we visit.

***Thank you!***

# What Do I Need To Know About LIMITED EQUITY COOPERATIVES?

A limited equity cooperative is an alternative housing option to renting or homeownership. In a cooperative, residents do not own their units or rent them.

Instead, residents of Tent City Apartments would own a share of a corporation (based on the size of their housing unit), which in turn owns the development.

Rather than paying rent or a mortgage, residents pay a monthly carrying charge for their unit, which is like rent, to the cooperative. Limited Equity means that the units cannot appreciate in value above a certain level, so that they will remain affordable to future residents.

## Things to know:

- Units remain affordable to future residents.
- When residents want to move out, they sell their share of the cooperative. Because Tent City would be limited equity, residents who sell their shares would be able to receive a small increase on their initial sale price.
- Tent City Apartments would remain a mixed-income community, with 25% of units being affordable to low-income families, 50% affordable to moderate-income families, and 25% at market-rate.
- Residents would hire a management company to manage the development.
- Cooperatives need residents to be involved in the process and maintenance of the development.
- To become a member, residents will need a down payment to purchase their share in the cooperative, but there are programs that can help with this.
- Being in a cooperative does not make you a first-time homebuyer, and will not affect future subsidies to help you become a first-time homebuyer.

To learn more, check out these websites:

[www.weown.net](http://www.weown.net), <http://www.housinginfo.coop/>, <http://www.chc.coop/>

## Que necesito saber sobre COOPERATIVAS DE PROPIEDAD LIMITADA?

Las Cooperativas de Propiedad Limitada son una alternativa al alquiler o compra de vivienda.

En una cooperativa, los residentes no son propietarios ni inquilinos. En su lugar, los residentes de Tent City serían propietarios de acciones (accionistas) de una corporación (de acuerdo al tamaño de su vivienda), la que a su vez, sería dueña de las viviendas.

En vez de pagar alquiler o un préstamo hipotecario, los residentes pagan un cargo mensual a la cooperativa. *Propiedad Limitada* significa que el valor de las unidades no puede sobrepasar cierto nivel, para que las mismas continúen a precios accesibles para futuros residentes.

### Cosas que debe saber:

- Las unidades se mantienen a precios accesibles para futuros residentes.
- Cuando los residentes desean mudarse, venden sus acciones de la cooperativa. Como Tent City sería de propiedad limitada, al vender sus acciones, los residentes se beneficiarían de un pequeño aumento en su valor.
- Tent City se mantendría una comunidad representativa de distintos niveles económicos, con un 25% de las unidades a precios accesibles a familias de bajos ingresos, 50% accesible a familias de ingresos moderados, y un 25% a precio de mercado.
- Los residentes contratarían una compañía para administrar los apartamentos.
- Las cooperativas necesitan que los residentes participen en el proceso y en el mantenimiento del complejo de apartamentos.
- Para participar, los residentes tendrían que pagar una cuota inicial (down payment) para adquirir sus acciones. Hay programas para ayudarles con estas cuotas.
- El participar en una cooperativa no le convierte en 'dueño de casa', y por lo tanto, no le afectará para obtener subsidios que le permitan comprar un casa por primera vez.

Para más información, visite: [www.weown.net](http://www.weown.net), [www.housinginfo.coop](http://www.housinginfo.coop),  
[www.chc.coop](http://www.chc.coop)



Project Title: Tent City Conversion Survey

Principle Investigator(s): Brandy Brooks, Dana LeWinter, Barbara Huggins, Shubhada Kambli, Yve Torrie

Principle Investigator(s) Signature: \_\_\_\_\_

Faculty Advisor if Student: Ann Rappaport

Funding Source: Dept. of Urban and Environmental Planning and Policy

Today's Date: 2/12/04

Date submitted to funding source: \_\_\_\_\_

Campus Phone:

Email:

Campus Address: 90 Talbot Avenue (Brown House)

Location of Research: Tent City Headquarters (South End/Lower Roxbury)

1. Do you use human subjects in your research?  YES  NO  
(if yes, follow the instructions below)

2. Has this research been reviewed by Tufts' IRB?  YES  NO  
(if you answer no, but you think your project is exempt, select the exemption category from this form and explain why)

This project is within the parameters explained in exemption example category two. Though the research will include a survey of Tent City residents, which has three components: (1) to ascertain their interest in limited equity cooperative housing, (2) gauge their understanding of what cooperative ownership entails, and determine the likelihood of current residents to volunteer their services for a position of leadership. As gathered from the abbreviated version of exemption category 2 this research revolves around the administration of a survey to current Tent City residents for the aforementioned reasons. Furthermore, at its current stage of development it has not conclusive that any identifiable data is going to be collected. As a result all responses to the survey will not only be unidentifiable by outside observers but answers provided will remain confidential. In the resulting report human subject responses will be carefully coded so as not to disclose any information, which could potentially be associated with a particular resident.

3. If the answer to number 2 was YES, then when was your proposal last reviewed (it must be within a year)?

Date \_\_\_\_\_

If this is an annual continuation, go to number 9.

If you answered NO to question two or the review was greater than one year ago then you must answer the remaining questions on this form (use additional sheets if necessary). Even if your project is eventually ruled exempt by the IRB you still must complete this form. In addition, you must provide the following information:

(a) a description of what the subjects will do (an abbreviated version of your proposal may suffice for this, but be sure that enough information is provided so that the IRB can adequately judge the potential risks to human subjects);

In the Tent City Conversion Survey after granting consent subjects will then be surveyed either face-to-face or through a telephone interview lasting a maximum of fifteen minutes in length. As a result of the survey it may confirm that residents request additional information on the process of converting Tent City rental units into limited equity cooperative housing. If applicable, residential meetings and information sessions may commence to discuss not only the results of the survey but to answer any additional questions subjects may have regarding the conversion process.

(b) How many subjects you will be using;

At this moment it is hard to determine how many Tent City residents will consensually agree to be surveyed. However, having completed background research on the apartment dwelling which is being considered cooperative conversion there are approximately 250 rental units. Ideally, given that there are 250 rental units it is possible that this survey will collect data from 250 individual renters.

(c) How they will be recruited;

The pool of survey respondents will consist of current residents of Tent City. Tentatively, the survey will be administered through a door-to-door campaign and possibly phone interviews. Those individuals currently residing in Tent City and give consent to participate in the survey, through either medium, will be questioned.

(d) Any specific characteristics of your population (e.g., age and gender);

At the present time no specific information is known about the study population and at this juncture this basic identifiable information may not be necessary, given the context of the survey.

(e) A copy of your consent form; and

(f) a copy of your debriefing statement.

4. Is there any possibility of physical harm or pain to participants? \_\_\_\_\_ YES  NO.

If YES, please detail the potential source of this harm/pain and the justification for including the manipulation.

<Start typing here>

5. Is there any possibility of psychological harm to the participant? \_\_\_\_\_ YES  NO. If YES, please detail.

<Start typing here>

6. Does the research involve deception of the participants? \_\_\_\_\_ YES  NO. If YES, please detail.

<Start typing here>

7. Will the data and subject information be kept confidential?  YES \_\_\_\_\_ NO. If NO, please detail.

<Start typing here>

8. Does your research involve the use of any potentially "compromised" population (e.g., children/minors, cognitively impaired individuals)? \_\_\_\_\_ YES  NO. If YES there may be additional concerns regarding the safeguarding of these individuals. Please read D.H.H.S 45 CFR 46 carefully, particularly subparts B, C and D. Below describe the precautions you are taking to insure that these subjects will be adequately protected.

<Start typing here>

9. For Continuing Review Either Annually or Earlier: Please provide the protocol summary and a status

report on the progress of the research, including (i) the number of subjects accrued; (ii) a summary of any adverse events or unanticipated problems involving risks to subjects or others and of any withdrawal of subjects from the research or complaints about the research since the last IRB review; (iii) a summary of any relevant recent literature, findings obtained thus far, amendments or modifications to the research since the last review, any relevant multi-center trial reports, and any other relevant information, especially information about risks associated with the research; and (iv) a copy of the current informed consent document.

<Start typing here>

#### **Six categories of exemption.**

(1) Research conducted in established or commonly accepted educational settings, involving normal educational practices, such as (i) research on regular and special education instructional strategies, or (ii) research on the effectiveness of or the comparison among instructional techniques, curricula, or classroom management methods.

(2) Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures or observation of public behavior, unless: (i) information obtained is recorded in such a manner that human subjects can be identified, directly or through identifiers linked to the subjects; and (ii) any disclosure of the human subjects' responses outside the research could reasonably place the subjects at risk of criminal or civil liability or be damaging to the subjects' financial standing, employability, or reputation.

(3) Research involving the use of educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures, or observation of public behavior that is not exempt under paragraph (b)(2) of this section, if: (i) the human subjects are elected or appointed public officials or candidates for public office; or (ii) Federal statute(s) require(s) without exception that the confidentiality of the personally identifiable information will be maintained throughout the research and thereafter.

(4) Research involving the collection or study of existing data, documents, records, pathological specimens, or diagnostic specimens, if these sources are publicly available or if the information is recorded by the investigator in such a manner that subjects cannot be identified, directly or through identifiers linked to the subjects.

(5) Research and demonstration projects which are conducted by or subject to the approval of Department or Agency heads, and which are designed to study, evaluate, or otherwise examine: (i) Public benefit or service programs; (ii) procedures for obtaining benefits or services under those programs; (iii) possible changes in or alternatives to those programs or procedures; or (iv) possible changes in methods or levels of payment for benefits or services under those programs.

(6) Taste and food quality evaluation and consumer acceptance studies, (i) if wholesome foods without additives are consumed or (ii) if a food is consumed that contains a food ingredient at or below the level and for a use found to be safe, or agricultural chemical or environmental contaminant at or below the level found to be safe, by the Food and Drug Administration or approved by the Environmental Protection Agency or the Food Safety and Inspection Service of the U.S. Department of Agriculture.

# Tent City Corporation

**Background Description:** The Tent City Corporation (TCC) is a non-profit community development corporation formed in 1979 as part of an organizing strategy for the development of mixed-income housing on a parcel of land in the South End section of Boston. In 1968, following the assassination of Dr. Martin Luther King Jr., about 100 South End activists occupied a three-acre parking lot close to Copley square. They were protesting the ongoing demolition of housing stock throughout the South End neighborhood and the proposed development of luxury housing and an above-ground garage on the site as part of Boston's "urban renewal." Two decades later at that exact location their efforts yielded Tent City Apartments, a living monument to the vision that people of all races and incomes can and should live together in socially and physically integrated housing.

The vision and spirit of activism that resulted in the 1988 opening of 269-units of mixed income housing known as Tent City Apartments exists today in the form of Tent City Corporation. TCC's continued commitment and focus on community-building campaigns has enabled South End/ Lower Roxbury residents the opportunity to participate and benefit from neighborhood development activities ranging from developing new affordable housing units, expanding home ownership services and creating opportunities for youth. TCC continues to work toward fulfilling the original mission that people of all races and incomes can and should live together in socially and physically integrated housing. TCC remains committed toward that goal by advancing tenant empowerment through leadership development and ultimately neighborhood homeownership. Today, TCC's operations include four significant areas - expanded home ownership services, affordable housing development, the South End Technology Center, and comprehensive youth programs.

It is the objective of TCC that units at Tent City Apartments become wholly owned by residents within the next three years. In September 2000, residents of Tent City Apartments mobilized to pursue additional resident representation on the Tent City Corporation Board of Directors. At the Tent City Corporation Annual Meeting in September of 2000, over 220 people attended, including over 150 residents, to discuss the issue of resident ownership. The residents of Tent City were successful and a slate of six residents (including some incumbents) was elected to the board, increasing resident representation from five members of the eighteen-member board to eight. Residents were elected to the positions of President, Vice President, Assistant Treasurer, and Clerk. Resident representation is essential to the Tent City Corporation Board but these board members are at a disadvantage in discussions where corporate managers have had more experience in dealing with board responsibilities and issues. With the intention that the eight residents effectively participate in board discussions and votes, it is essential that they receive training in the areas of fiscal management, homeownership, and program development, enabling them to make informed decisions on issues as they move forward.

The task at hand for TCC is ground-breaking in the area of affordable housing preservation. The undertaking requires a buyout plan of the present limited partners, specialized education for TCC members of the Board of Directors, and extensive education and training for Tent City Apartment residents for it to be successful. Social and legal issues need to be addressed -- keeping units affordable, fair market values, responsible cooperative living, as well as financial responsibilities that go along with homeownership. It is the intention of TCC to continue to work toward fulfilling the original mission and TCC remains committed toward that goal by advancing tenant empowerment through leadership development and ultimately neighborhood homeownership.

Through TCC's participation in the Field Projects Practicum, TCC foresees the undertaking of Phase One of the conversion of Tent City Apartments to cooperative ownership. Phase one would entail the planning stage for a complete conversion strategy, which will ultimately enable all residents of Tent City Apartments to own their own units within three years. The activities through this project will meet the criteria set out in the planning guideline for the practicum. Students will be able to participate in all aspects of the planning process - needs assessments, evaluation, presentation of goals and objectives and concrete board of director activities. Students will be active participants throughout the entire process.

In addition, students would be working directly with Muhammad Abdussabur, Executive Director and architect of the cooperative ownership strategy. Muhammad has both the professional hands on experience and the experience of teaching at the university level to enable students in the Field Projects Practicum to obtain genuine hands on experience.

For Tent City Corporation to remain on schedule for total conversion of the Tent City Apartments in three years, planning will need to be completed by June of 2004 with leadership development started as well. Tent City Corporation will be seeking funds from Freddy Mac and Fannie Mae programs as well as from various charitable foundations. Unfortunately, most of these foundations provide funds for the specific activities associated with this endeavor and not for the initial planning stage. It is essential that Tent City Corporation, with the assistance of Tufts Department of Urban and Environmental Policy and Planning, properly address issues, needs and concerns, and potential stumbling blocks before proceeding with the actual buyout. Tent City Corporation intends to involve practicum participants in the research and exploration of options available for financing the buyout portion of the project in addition to developing a program of board development activities in the areas of financial and legal responsibilities so that members may participate and intelligently carry out the objective they themselves have identified - that of responsible tenant control and homeownership.

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