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A Framework for Cooperative Housing in Portland, ME: Lessons from 13 Existing Cooperative Houses in the U.S.

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**A Framework for Cooperative Housing in Portland, ME:
Lessons from 13 Existing Cooperative Houses in the US**

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Capstone paper for
Master of Community Planning and Development Program
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Introduction

Cooperative housing may be a viable and financially-sound alternative for individuals and families of low to moderate income, as Portland, Maine's downtown area becomes gentrified raising property values to unaffordable heights. Of the 13,546 family households in Portland, 8.7% earn below \$25,000, which for an average family of four \$24, 250¹ is considered to be in poverty, and 18.4% earn between \$25,000 and \$50,000. Meanwhile, 13.2% of the 16, 561 non-family households are below the poverty line, and 27.5% earn between \$25,000 and \$50,000 (US Census Bureau, 2014).

From 2000 to 2011, the population on Munjoy Hill increased by 5%, mainly artists, self-employed professionals, and singles (Donnelly, 2015). Now, in the present, Munjoy Hill has become an attractive neighborhood for wealthier people to reside driving up the property values. According to Jed Rathband, a real estate agent for Keller Williams Realty who specializes in East End property, most of the new incoming residents are baby boomers hailing from other large cities from out of state, such as Boston and New York City (Donnelly, 2015).

For the average working-class family, the median income is just above \$33,000 which is below Portland's estimated median income of \$45,000 making it difficult for low-income residents to acquire affordable housing in the Munjoy Hill area (Billings, 2013). Despite new projects being advertised as affordable, renting units or buying a house has become unreachable for many low-income people. House tenement and single-family buildings would cost an estimated \$650,000 for purchase and renovation costs. On Monument Street, purchasing a unit can start at \$235,000 for 997 square feet, and condominiums on Lafayette Street can start at \$325,000 (Billings, 2013).

¹ 2014 Poverty Guidelines, U.S. Department of Health and Human Services.

The working-class is being pushed out of the housing market as the demand for high-end properties have risen in downtown Portland, sparking new developments that cater to prospective residents of higher income. It was only a decade ago, in the early 2000s, that one-bedroom apartments were priced at \$700 to \$750 per month. In the present, however, one-bedroom apartments now costs \$1,000 per month and 2-bedroom apartments can rent for \$1,100 to \$1,800 a month (Billings, 2013).

As it becomes increasingly difficult for low to moderate income earners to find affordable housing, cooperative housing offers the alternative. A cooperative is an organization with a set of political ideological beliefs that is a response to the external economic and social circumstances. In this case, the high cost of housing in an urban environment is the issue that has spurred Portland residents to organize and search for an alternative.

A cooperative house offers economic stability through low rent that does not consume half of a family's or an individual's monthly income, and provides permanent housing, which means no time limits and tenants can choose to stay as long as they are able to pay rent and meet lease obligations. Not only does cooperative housing offers economic stability, the residents of the cooperative house have decision-making power on the management of the property through a democratic system. Each resident, through facilitated meetings and voting, contributes on the decisions regarding maintenance and management of the household.

In Portland, Maine, cooperative houses are not widely available as alternative cheaper housing; the closest to a cooperative housing is an intentional community² called Dreamship Community whose goal is to become a fully self-sustainable cooperative.

² According to the Fellowship for Intentional Community "intentional community" is defined as a group of people who have chosen to live together with a common purpose, working cooperatively to create a lifestyle that reflects their shared core values.

This research paper will focus on four areas: 1. Long-term affordability of cooperative housing, 2. Implementation of cooperative principles, 3. Obstacles that cooperative houses face, and 4. Framework for cooperative community-based control housing in Portland, ME with case studies of cooperative housing. The goal is to provide a model for potential cooperative houses in Portland, ME to become recognized as a cooperative, and how to sustain itself and provide affordable housing for low to moderate income earners.

Affordable Housing Demands in Portland

The demand for affordable housing is rising in Portland, Maine. The city has seen a renovation of the downtown causing land value to increase, which also means rent increase. Although this revitalization of the neighborhoods in Portland have helped downtown become a thriving city, many low-income residents are realizing the danger that comes with the rising of costs of housing. Monthly rent has become beyond their reach.

For the average family household, 2.11 persons per household, the median income is at \$44,458.³ According to Maine Housing's Homeownership Affordability Index, the median home price in Portland is \$241,500. However, the median income needed to afford the median home price is \$72,904. With the current household median income, the affordable price for the household is \$146,852. 72% of 31,098 households are unable to afford the median home price. 20.6% of residents live below the poverty level for an average family of four, \$24,250.⁴

³ (US Census Bureau 2013)

⁴ U.S. Department of Health and Human Services. *2015 Poverty Guidelines for the 48 Contiguous States and the District of Columbia*.

Table 1. Portland-South Portland Housing Market Averages

Year	Average 2BR rent (with utilities)	Renter Household Median Income	Income Needed to Afford Average 2 BR rent
2010	\$954	\$36,727	\$918
2011	\$1,023	\$34,762	\$869
2012	\$970	\$35,387	\$885
2013	\$1,114	\$36,234	\$906
2014	\$1,238	\$35,530	\$888

Between 2010 and 2014, in the Portland--South Portland region, the average rent for a two-bedroom apartment including utilities have risen about 29.7%. In order to afford rent of a two-bedroom apartment of Portland, a household must earn an average of \$52,411 in order to pay the average rent of \$1,310.

However, a renter household's median income in Portland is only \$30,601 and is able to afford a monthly rent of \$765. Renter households in Portland are paying 42% above their ability to pay for housing. 70.7% of Portland residents are unable to afford an average two-bedroom housing, a total of 17,798 household out of an estimated 30,465 total households in Portland (2009-2013).

Cooperative Housing

What is Cooperative Housing?

There is no one true definition of cooperative housing. Cooperatives, in general, are counterculture alternatives to the mainstream. They tend to have a set of ideological beliefs that reflects the external and economic and social circumstances of the time. (McGillivray, Ish, p. 82). However, the goal for cooperative houses is to not only maintain affordability to individuals

and families of a certain income, but also give the residents more control on the management of the house.

Types of Cooperative Housing

1. *Limited equity*⁵. This is usually sponsored by nonprofit organizations. With its low interest rates on mortgage loans, grants, or real estate tax abatement, limited equity housing is affordable to low and moderate-income families. Its goal is to encourage long-term residency and affordability. The cooperative may also have income caps for new members in order to keep the affordable housing available to families in need. Limited equity housing cooperatives may also receive government financial assistance in the form of rental assistance.
2. *Group Equity*⁶. This type of equity is much more common in student housing cooperatives. However, non-student cooperative houses are starting to adopt this practice due its low cost. The assets of the coop are owned by the group as a whole. The group equity model only makes up a tenth of 1% of the housing coops in the US.
3. *Leasehold cooperative housing*⁷. The cooperative house leases the property which belongs to an investor or a nonprofit corporation. The cooperative does not build equity as they are only renting the property usually for long term, but there is the option to buy the property. Some leasing cooperatives allow outgoing members to take at least part of their share of the cash reserves built up by the cooperative corporation while they were shareholders.

⁵ National Association of Housing Cooperatives. "Housing Co-Operatives in USA". March 2012. PDF File.

⁶ North American Students of Cooperation. "Housing Co-op Equity Models". April 23, 2018. Website.

⁷ National Association of Housing Cooperatives

4. *Mobile Home Parks or Manufactured Housing Communities*⁸. The cooperative owns the land and any common utilities and amenities. Its members own the home and have control over its management, and members also manage the park.
5. *Cohousing*⁹. A type of intentional, collaborative housing. Its residents participate in the design and operation of the community, and each resident owns their own house. It has a communal type setting with common houses and recreational areas.
6. *Special interest housing cooperatives*
 - a. *Senior Housing Cooperatives*. Housing with services designed for senior residency from age 55 years old and older.
 - b. *Artist Housing Cooperatives*. The cooperative's main goal is to maintain affordable housing for artists. It is a combination of housing and workspace for the artists. The cooperative either leases or are limited-equity housing.
 - c. *Student Housing Cooperatives*. This housing is for students on or near their campus. The housing can be either a dormitory, a house, or an apartment building and has a minimal membership fee.

13 Cooperatives Houses in the US

Out of the 31 cooperative houses that received the survey, only 18 houses responded. 13 of the responses were from cooperative houses located in the US, including three houses that are a part of the Madison Community Cooperative, and 5 responses were from houses located abroad (UK, Canada, and Australia).

⁸ Ibid.

⁹ Ibid.

Locations of the Surveyed Cooperative Houses Across the US (Map 1)¹⁰



Table 2. 13 Surveyed Cooperative Houses in the US

#	<u>Cooperative House</u>	<u>Location</u>	<u>Type</u>
1.	Apex Belltown	Seattle, WA	Limited Equity
2.	Avalon	Madison, WI	Cohousing
3.	Dreamship Community ^{11 12}	Portland, ME	Special Interest
4.	Faire Bande A Part Housing	Lewiston, ME	Limited Equity
5.	Franklin House	Minneapolis, MN	Student Housing
6.	Hypatia	Madison, WI	Limited Equity
7.	Lothlorien	Madison, WI	Group Equity
8.	Ninth Street Co-op	Berkeley, CA	Limited Equity
9.	Qumbya	Chicago, IL	Group Equity

¹⁰ The numbers correspond to (Table 2) 12 Surveyed Cooperative Houses in US

¹¹ The founder of Dreamship Community was a resident of the house and made an agreement with the landlord for a rent-to-own arrangement, in order to create a community that would be drug and alcohol free.

¹² Dreamship Community is not an official cooperative house. Its residents are subletting from a single person. However, it still implements many of the cooperative principles, and does provide affordable and long-term or permanent housing.

10.	River City Housing	Iowa City, IA	Student Housing (residency open to members of the community)
11.	Rock Ridge	Dodgeville, WI	Limited Equity
12.	Sasona	Austin, TX	Cohousing
13.	Urbana/Soil Tierra	Los Angeles, CA	Limited Equity

Principles¹³

Every cooperative house is required to follow seven major principles that are essential in becoming a cooperative. These principles allow the cooperatives to create relations within the house, so as to bar a resident’s ability to use their wealth to exploit others.

1. *Voluntary and open membership*
2. *Democratic member control*
3. *Member economic participation*
4. *Autonomy and independence*
5. *Education, training and information*
6. *Cooperation among cooperatives*
7. *Concern for community*

Residents have restrictions on private property, but will experience “social ownership, production-oriented values, and a work ethic” (Melnyk, p. 133). Despite not having private property, the cooperative guarantees the community three major benefits: 1. An equal voice in determining affairs of the co-op 2. Community responsibility for each member’s welfare 3. Environment-operated principles secured by organizational commitments to the individual (Melnyk, p. 133). This type of environment helps the residents, especially families, thrive in a cooperative house.

¹³ National Association of Cooperative Housing. “Cooperative Principles and Values.” April 23, 2018. Website: <https://coophousing.org/resources/general-cooperative-information/cooperative-principles-and-values/>

Implementation of Principles in Cooperative Housing

Every cooperative house interprets the principles differently, so how they implement them varies. Sometimes a few cooperatives do not enforce the principles as much as others. This is due to constant change in tenants whose goals are different than the goals of the cooperative house, and some houses prefer to focus on maintaining affordable housing rather than get involved in the greater community.

I. Voluntary and open membership

Cooperatives are voluntary organizations, open to all persons.¹⁴ Residents are accepted without gender, social, racial, political, or religious discrimination, as long as they contribute to the management and stability of the cooperative. All housing cooperatives implement open membership in their communities. Some, however, require potential residents to undergo a probationary period to demonstrate that they are eligible to live in the cooperative.

At Urban-Soil Urbana Tierra Cooperative, new applicants must go through a six-month membership process. Within the six months, prospective members must “demonstrate their commitment to living more cooperatively and more ecologically, and make friends with all existing members.”¹⁵ At Rock Ridge Coop, prospective residents that are like-minded should agree with the cooperative principles by actively being a part of the community at the “forefront of political activism for many social issues in this area (rural western Wisconsin).”¹⁶

II. Democratic member control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions.¹⁷ Every cooperative house has a

¹⁴ National Association of Cooperative Housing

¹⁵ Gacosta, Cyndi. “Cooperative Housing”. Questionnaire. April 2015.

¹⁶ Ibid.

¹⁷ National Association of Cooperative Housing.

different decision-making process, which must include all residents' input. The Qumbya Coop, located in the South Side of Chicago, exercise the principle of democratic member control by appointing their own board of directors, and its properties are owned by a national affiliate, The North American Students of Cooperation (NASCO Properties), which has democratic governance by member co-ops.

The Qumbya Coop teaches facilitation skills so that residents are involved in the decision and policy-making process. The residents are involved in weekly community meetings in which decisions are made by consensus, and social events. All residents have responsibility for some area of co-op business.

III. Member economic participation

Members contribute equitably to, and democratically control, the cooperative's capital, a common property, of their cooperative.¹⁸ The financial gains of the cooperative must be allocated to further develop the cooperative. Limited-equity and group equity cooperative houses are able to get residents to economically contribute to the house.

There are two ways residents can pay into the cooperative house: 1. Pay a deposit to move in or 2. Pay a "share" estimated to be the same as the deposit. This benefits the coop in four ways: 1. The assets go to the coop 2. The cooperative is better able to fund its own growth 3. The rent will not rise as much as the cooperative will be financially stable.

Residents usually receive limited compensation, if any, on capital subscribed as a condition of membership.¹⁹ If a resident lives in a group equity cooperative, they do not profit from their time in the coop. When they leave, the deposit or share would be returned to them

¹⁸ Ibid.

¹⁹ Ibid.

with any charges deducted. For those who reside in limited-equity cooperatives, they do build up equity and can resell their share, but with restrictions.

At Faire Bande a Part Housing Cooperative, residents own shares of stock and lease their units from the cooperative for as long as it suits them. When they leave for personal, economic, or other reasons, they sell their share back to the cooperative. There is a restriction on how much shares of stock can be sold for, so that residents cannot speculate on their share value. Dividends paid to residents are also limited so that property maintenance is incentivized to keep it in good shape for the next residents. At Ninth Street Cooperative, a resident's share values start low at \$2,600 with an annual increase based on bank interest rate, a minimum of 2% per year.²⁰

IV. Autonomy and independence

Cooperatives are autonomous, self-help organizations controlled by their members.²¹ Qumbya created four separate teams for a foundation of support: food, finance, membership, and maintenance. The membership team enforces its non-discrimination policy when determining applicants. The maintenance team handle the day-to-day technical function and sanitation of the house, while the food team purchase health-conscious food in bulk for the cooperative in order to avoid packaging waste, and conserve energy by living and cooking together. The finance team manages the bills and budget of the cooperative, ensuring affordable rent. They also collaborate with Evergreen Land Trust, a non-profit organization in Washington State that assists cooperatives and encourages the development of cooperative communities and sustainable land use practices through the preservation of land and housing.²²

²⁰ Gacosta, Cyndi. "Cooperative Housing". Questionnaire. April 2015.

²¹ National Association of Cooperative Housing.

²² The Evergreen Land Trust Association. http://www.evergreenlandtrust.org/p/about-elt_1.html

V. Education, training and information

Cooperatives provide education and training for their members, so they can contribute effectively to the development of their cooperatives.²³ There are two ways cooperative houses educate and train their residents: 1. Current and long-time residents train new incoming tenants 2. Workshops led by a professional and are paid for by the co-op. Most of the education and training revolves around building skills in specific house jobs, like maintenance, or bookkeeping. Residents at Rock Ridge Coop and Lothlorein run the co-op and are educated and trained by other residents, occasionally being provided with professional training paid for by the co-op. Other places, such as Sasona Coop, use NASCO to assist with training residents in using softwares like QuickBooks for financial management.

VII. Cooperation among cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.²⁴ At Faire Bande A Part Housing has helped cooperative housing start-ups, and are “developing a new housing cooperative, Raise-Op Housing Cooperative, which will have a broader social mission to grow and diversify membership and become more active in the cooperative movement.”²⁵ At Qumbya Cooperative, they send participants to NASCO Institute, attend, regional cooperative gatherings, occasionally host couch-surfers from other co-ops, and provide loans to other cooperatives, case-by-case).

²³ National Association of Cooperative Housing.

²⁴ Ibid.

²⁵ Gacosta, Cyndi. “Cooperative Housing”. Questionnaire. April 2015.

VIII. Concern for community

While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.²⁶ This sustainable development, for some cooperatives, come in the form of a community garden. Franklin House sponsors a community garden at Minneapolis’s Rec Center. They use the space to teach residents and locals the principles of sustainable urban gardening, as well as network with local co-op programs.

The Urban Soil/Tierra in Los Angeles, the residents of the cooperative conduct a variety of projects and events (some limited to community members, friends, and family; and others open to the public). These projects include a food co-op, tool shop, sewing studio, art studio, several small on-site businesses, community gardens and orchard, kids play areas, and ad hoc committees, including a conflict resolution team. The Urban Soil/Tierra believe that “the more social time we spend together, the more cohesive the community is.”²⁷

Table 3. Additional Principles and Goals Adopted by Cooperative Houses

<u>Additional Principles</u>	<u>Goal</u>	<u>Cooperatives that have adopted Principles or goals²⁸</u>
Long-term stability and affordability	<ul style="list-style-type: none"> Maintain and provide stable and affordable housing 	1-13 (All)
Sustainability	<ul style="list-style-type: none"> Reduce ecological footprint through conservation and building energy efficiency Be a public demonstration of high quality living patterns at a much lower environmental impact²⁹ Urban gardening initiative³⁰ 	3, 4, 5, 6, 7, 8, 9, 10, 11, 13
Collective Activism	<ul style="list-style-type: none"> Bring social, environmental, and political awareness 	2, 11, 5, 13
Specific Community	<ul style="list-style-type: none"> Create a specific community of (artists, musicians, writers, farmers...etc) 	3, 11, 13,

²⁶ National Association of Cooperative Housing.

²⁷ Gacosta, Cyndi. “Cooperative Housing”. Questionnaire. April 2015.

²⁸ Each number represents a cooperative that had participated in the survey. Refer to Table 2. 12 Surveyed Cooperative Houses in the US for the names of the cooperatives.

²⁹ This goal is specific to the Urban Soil/Tierra cooperative.

³⁰ This is goal is specific to the Franklin House cooperative.

Another cooperative house located in Dodgeville, Wisconsin, the Rock Ridge Coop continues to improve upon its implementation of the principles. They enforce sustainable living standards that lessens their carbon footprint by installing solar panels, low-flush toilets, and replaced heaters with 95% efficient units. Ninth Street Coop, also, installed solar panels, low-flush toilets, double-paned windows, and replaced heaters with 95% efficient units. In addition, Ninth Street has a large garden with fruit trees, compost, chickens, and a greenhouse.

Franklin Coop installed solar panels on the houses and insulated them and replaced windows for energy efficiency. Qumbya Coop, though they do not excel in the ecology, carbon-footprint area, congregate living (12 bedrooms, one kitchen, four shared baths, shared food purchasing and cooking) significantly reduces energy usage, building sq. ft per person, food packaging and cost, and allows them to purchase less energy intensive foods (no meat). Electricity purchased from 100% renewable supplier (REC's through standard utility system).

Long-term Affordability of Cooperative Houses

As rent continues to increase, while wages remain stagnant for low-income families, cooperative housing provides permanent affordability. At cooperative houses, rent increases less than inflation and a fair rent system is based on the income of the resident, making adjustments according to the resident's current financial situation. cooperative houses purpose is not to gain profit from rent, but to provide affordable long-term affordability with no limit to age or duration for low-income earners.

Table 4. 2015 Rent Comparison: Cooperative Housing and Regular Apartment in US

Cooperative House	Highest Rent in Cooperative	Avg. Rent in City Area (2 bedroom)	Difference (%)
Apex Belltown	\$638	\$2,443.66	74%
Avalon	\$500	\$1,304.66	62%
Dreamship Community	\$397	\$1,439.08	72%
Faire Bande A Part Housing	\$645	\$684.83	6%
Franklin House	\$225	\$1,919	88%
Hypatia	\$549	\$1,304.66	58%
Lothlorien	\$400	\$1,304.66	69%
Ninth Street Co-op	\$624	\$3,124.33	80%
Qumbya	\$650	\$2,151.25	70%
River City Housing	\$410	\$908.83	55%
Rock Ridge	\$500	\$795.50	37%
Sasona	\$823	\$1,481.17	44%
Urbana/Soil Tierra	\$1,050	\$2,714.08	61%
Total Average:	\$570.08	\$1,659.67	66%

Rent is decided on three factors: area median income, operating costs (maintenance and upgrades), and resident's ability to pay. Most cooperative houses base rent on operating costs with an average rent of \$412.39 (lowest) and \$585.50 (highest) per month. For cooperative houses located in major cities with a dense population, such as Berkeley, Los Angeles, Madison, Austin, Chicago, Seattle, and Minneapolis, the contrast between renting in a cooperative house and a regular apartment complex is much more noticeable than those cooperatives located in smaller cities or towns like Lewiston and Dodgeville. Living costs in these major cities tend to increase every year as population grows and housing demands increase.

Some cooperative houses, however, have income caps on applicants. Cooperative residents should not have an income more than 80% of the area median income. At Apex Belltown Cooperative in Seattle, Washington, 80% of the co-op residents should have incomes under 80% of the area median income (\$89,600)³¹. For Lothlorein Cooperative, no more than 5% of member households shall have incomes greater than 80% of Wisconsin's Dane County median income and no less than 60% of member households shall have incomes less than 50% of the area median income (\$82,600)³².

Community land trusts (CLT) also play a role in maintaining affordability for cooperative houses. CLTs own land that are rented to a homeowner through a long-term, renewable ground lease. Three important features of a CLT is that it is a non-profit organization: Lease of the land is transferable to homeowner's heirs; homeowners are permitted to a limited amount of appreciation upon resale of the home; CLT membership is open to all individual within a geographically defined service area, including non-CLT residents. (Ehlenz, p. 6)

The Cooperative and Resources Services Project (CRSP) donated land to the Beverly-Vermont Community Land Trust (BVCLT), which holds a ground lease with the Urban Soil-Tierra Urbana Cooperative (USTU) which pays a monthly land rent fee. Both BVCLT and USTU have permanent affordability mandates and income restrictions written into its Articles of Incorporation and its Bylaws. Permanent affordability is built into the social culture of the community. However, it should be noted that CLTs do not provide wealth building opportunities and home resales are restricted. (Ehlenz, p. 6)

³¹ U.S. Department of Housing and Urban Development. FY 2015 Income Limits Summary for King County, Washington.

³² Ibid. FY 2015 Income Limits Summary for Dane County, Wisconsin.

Obstacles in Managing and Sustaining a Cooperative House

Cooperative housing provides affordable rent that is lesser than the area median rent, however, it is not without its own obstacles. Based on the survey answered by the 13 cooperative houses, there were three common major obstacles found³³: 1. Costs of maintenance and operation, and limited growth 2. Loss of valuable skills during transitional phase 3. Internal household conflicts.

I. Costs of maintenance and operation, and limited growth

Some cooperative houses find it a challenge to deal with rising maintaining costs while keeping rent cost to a minimum. River City Housing Collective in Iowa City must maintain three historical houses. They have experienced an increase of maintenance and operation costs and had faced a shortage of labor during summer to keep projects alive. Apex Belltown jointly owns the building with a separate owner who runs a ground floor retail space.

During a transition phase of ownership of the ground floor, the previous owner opposed to upkeeping the building as it needed a lot of maintenance done, and the current owners, while better than the previous, are too slow to move with upkeep of the building. Cooperatives also face limited growth. Urban Soil/Tierra Cooperative would like to grow by purchasing new properties, but property prices have significantly increased in their area in Los Angeles. Most of its residents lack the experience to navigate the system of receiving government subsidies or grants.

II. Loss of valuable skills during transitional phase

The management of a cooperative house, especially regarding finance, depends heavily on shared responsibilities of its residents. While cooperatives do provide education and training

³³ Gacosta, Cyndi. "Cooperative Housing". Questionnaire. April 2015.

for new residents, many valuable skills and knowledge, such as finance, legal, and policy, are still lost during the transitional phase between tenants. This has an impact on the social and financial conditions of the house, and training new tenants and staff takes time. Small cooperative houses (1 or 2 houses), like Faire a Bande a Part Housing with 11 residents, are sensitive to these transitional phases. Urban Soil/Tierra Cooperative with two houses and an estimated 60 residents total has experienced loss of important skills when tenants move out, and the scale of the cooperative can only support one part-time staff person.

Member disengagement and laxness are also factors in the difficulty of managing the house. Rock Ridge Cooperative's lax policies led to indecisions among members in regards to financial expenditures which then resulted in unnecessary expenses and member dissatisfaction.

III. Internal household conflicts

Conflicts between residents can have a negative effect on the management of the house. Internal conflicts within the house can be separated into two types: different interpretation of principles and personality differences. All cooperative houses adopt the seven principles of a cooperative and implement the principles into their daily routine of managing the house. It is up to the cooperatives houses to interpret and create a system that implements the principles in the most efficient way. However, residents of a cooperative tend to interpret the principles, such as self-governance, differently. Some view a house's policies as inflexible and that they should be abided without question. If rules are inflexible it would make it difficult for the cooperative to keep up with the changes of social dynamics in the house. Some treat policies as guidelines that should be flexible when it serves them, and others are in between feeling inflexible on certain policies and flexible on other policies depending on the situation, and or not caring one way or the other.

The indecision of what should and should not be enforced can lead to more indecisions and repetitive issues, such as decisions on household expenditures and priority of goals. This is more due to the lack of an efficient decision-making process. Some cooperatives have rotating facilitation teams and multiple weekly or monthly meetings, but these meetings at times tend to focus on minor details and issues that can be delegated to other residents or a committee for resolution.

Personality differences is a major factor of internal conflicts and unresolved conflicts can affect the quality of life for others in the community. Not every member follows through their assigned responsibilities in household management; there are some more willing to do the work than others. It is challenging for cooperatives to identify and remove residents that use resources but do not contribute, and those who compromise the safety of others. While a Conflict Resolution Team is provided in some cooperatives, not everyone takes advantage of the service when it is needed. Also, a constant change in tenants can cause a shift in the culture of the house resulting in each resident having different priorities and goals that do not necessarily involve the cooperative.

Despite the obstacles that cooperative houses encounter, there is a sense of community that develops within most houses, and with the principles and goals that the house creates, eventually a relationship is developed between the house and the larger community. This communal environment is formed by sharing common areas, such as a yard or garden, and resources like laundry equipment or child care assistance, and participating in social activities. Having children in the residence may also help foster this sense of community as it enforces interaction between residents.

Framework for Cooperative Housing

The basic framework for cooperative houses is broken down into five categories: community assets, building capacity, demonstrating capacity, critical consciousness, and goal attainment (Sousa, p. 180).

Table 5. Framework for Cooperative Housing

Community Assets	<ul style="list-style-type: none"> ● Grants/Loans <ul style="list-style-type: none"> ○ State and local government ○ Community land trust ○ Non-profit foundations ○ Banks ● Donations or micro-loans <ul style="list-style-type: none"> ○ Fundraising events <ul style="list-style-type: none"> ■ Use of community volunteers ● Guidance from existing cooperative organizations
Building Capacity	<ul style="list-style-type: none"> ● Identify best governance practices ● Organizational skills
Demonstrating Capacity	<ul style="list-style-type: none"> ● Community organization ● Strengthen skills and knowledge of self-management in order to decrease dependency on a remote authority
Critical Consciousness	<ul style="list-style-type: none"> ● Reflect on strategies <ul style="list-style-type: none"> ○ identify challenges and problems <ul style="list-style-type: none"> ■ resolve the issues through a democratic process.
Goal Attainment	<ul style="list-style-type: none"> ● Democratic structure of cooperative household is set and stabilized. ● Support between membership and external organizations.

I. Community Assets

Community assets, resources that are necessary tools of community organizing, serves as the base of the framework. These assets are in the form of grants or loans from the local government, a non-profit foundation, donations from fundraising events, micro-loans from businesses or individuals, and guidance from other cooperative houses.

Finding financial assistance to help cooperative houses get started is a challenge. For many cooperative houses, the bulk of financial support comes from loans. 12 out of the 13 cooperative houses studied in this case relied on loans, either from a bank or another source, and or combination of both.³⁴ Nine out of the 13 cooperative houses sought bank loans for support.³⁵

Bank loans for cooperative houses can come from local credit union banks or national banks, such as the National Cooperative Bank (NCB). The NCB has provided banking and financial services to cooperative organizations since 1981 focusing on cooperative expansion and economic development. It is the only known lender that specifically serves housing cooperatives and unit owners.³⁶

There are limited financial assistance, either in grant or loan form, from the local government. Greater Portland Community Land Trust (GPCLT), a nonprofit community-based organization can provide a start for budding cooperatives by acquiring and maintaining ownership of land. The GPCLT has a long-term, renewable lease that provides stability and affordability to families. GPCLT has provided assistance to a Portland cooperative house, the Dreamship Community.

Non-profit foundations aimed towards helping different types of cooperatives also provide grants or loans for cooperatives houses. The Cooperative Fund of New England (CFNE) offers financial assistance in the form of loans to cooperative or nonprofit organizations, including housing. CFNE serves the New England states of Massachusetts, Vermont, New Hampshire, Maine, Connecticut, and Rhode Island. They also accept some eastern New York communities.³⁷

³⁴ Gacosta, Cyndi. "Cooperative Housing". Questionnaire. April 2015.

³⁵ Ibid.

³⁶ Mathe, Larry and Chris Goettke. "Cooperative Housing/Share Loan Financing".2017.PowerPoint File.

³⁷ Cooperative Fund of New England. "Information for Loan Applicants." April 2018. PDF File.

Donations, while not the main financial source, are used to supplement the cooperative's existing financial assets, aiding them with maintenance costs and other expenditures for managing the house. Seeking donations requires residents of the house, along with outside volunteers, to organize and participate in fundraising events. Some cooperative houses may find it difficult to participate in these events as it depends on the interest level and commitment of its members.

One of the most valuable assets, aside from financial institutes and foundations, is the guidance from other existing cooperative organizations that can offer mutual aid and support. The North American Students of Cooperation (NASCO), along with its affiliates NASCO Properties, NASCO Development, and Lots in Common (LINC), is a major source of aid and support for cooperative housing. They have provided support to cooperatives since 1968. Not only do they focus on students, but they also extend their support to community members, worker-owners, and activists, who incorporate cooperative principles into their missions.

II. Building Capacity

Building capacity involves identifying best governance practices that will enforce the seven cooperative principles, and creating and implementing strategies for the community's assets. How the seven cooperative principles are implemented are decided by the house through a democratic process. Goals need to be defined and priorities need to be recognized.

When a cooperative house does not set a structured decision-making process, it is easy for issues to become unresolved, decisions unconfirmed, or trivial matters to dominate the discussion space. Creating committees or a task force can help focus the cooperative house's available resources in a way that benefits the house as a whole, and eventually the larger community.

On the individual level, the resident requires organizational skills that enables them to “arrange meetings, use rules of order, manage human resources, locate sources of information, and communicate constructively” (Sousa, p. 180). By appointing residents in a specified position, and training and educating them in their roles, the house would run more efficiently and reduce the risk of loss valuable knowledge and skills during a transitional phase as the new resident should receive the same training and education.

III. Demonstrating Capacity

Once the cooperative community builds their capacity, they must demonstrate their knowledge and skills by working in partnership with the government’s housing authority and being able to effectively communicate and negotiate for their needs that will benefit the community. Its purpose is to decrease the community’s dependency on a remote authority and strengthen their skills and knowledge of self-management.

The principles of a cooperative propel them to be active participants outside the household engaging in local city government and neighborhood affairs. Lothlorien Cooperative provides space in their house for organizations to host public events ranging from open mics to workshops. Residents of Faire a Band Housing are actively involved in neighborhood associations, the business district, and neighborhood elementary school. They are also involved in city government and community activism, even being a part of an effort to improve housing condition in their downtown area. At Urban/Soil Tierra Cooperative, residents have developed a strong relationship with their local elected officials. Many of the residents are employed or pro-active in environmental, social, and eco-justice organizations, advocating for sustainable urban living, such as affordable housing and bicycle and public transportation issues.

Critical consciousness is a reflection on the strategies that the community has executed by identifying challenges and problems, and being able to resolve the issues through a democratic process.

Goal Attainment is the final component to the cooperative housing framework that represents the community's skills and knowledge that has enabled them to achieve their objectives. They now have set and stabilized the democratic structure of a cooperative household and "the foundation of support between the membership and external organizations" (Sousa, p. 191).

Weakness in the Framework

While the framework is a guidance for how cooperative houses can achieve its goals, there are two sections within the framework that cooperative house may face as challenges: community assets and demonstrating capacity. Based on the survey, six of the 13 cooperative houses used personal finances and loans in order to purchase a house, and the obstacles that they faced also hinders their progress toward self-management and maintaining certain skills needed to run the cooperative house.³⁸

The first challenge is gathering the community assets (finances) to startup a cooperative house. Financing the start-up of a cooperative house may be a challenge for low-income people as the bulk of the funding for cooperatives come from bank loans and personal finances of its members. Ninth Street Coop, for instance, purchased from with assistance from a non-profit organization. The former owner of the house was willing to sell and allowed the cooperative members time to arrange financing. They received a mortgage and a small grant of \$6,000 from

³⁸ Gacosta, Cyndi. "Cooperative Housing". Questionnaire. April 2015.

the City of Berkeley and two \$10,000 loans. However, each cooperative member still had to use their personal finances, each giving \$2,600 toward the startup of the housing cooperative.³⁹

For low-income residents, especially ones with children, may find it difficult to use their own personal finances. Guidance from established cooperative houses and non-profit organizations may alleviate this challenge through low interest loans and or grants. Also, increasing government grants and assistance toward cooperative housing startups may help cooperatives to overcome financial difficulties.

The second challenge that cooperative houses may face is demonstrating capacity. Losing valuable skills during the transitional phase between tenants and personality differences between residents are the internal struggles of a cooperative house. Setting up a training system to educate new tenants on how things work in the house, such as keeping financial records and physical maintenance of the house, would help maintain valuable skills during the transitional phase. However, for the issue of personality differences between residents, the solution is much more complex and dependent on individual situations.

Conclusion

For low to moderate income earners, in a time when housing costs continue to rise faster than wages, cooperative housing offers affordable and long-term housing. Residents of cooperative houses have decision-making power on the management of the property through a democratic system. Each resident, through facilitated meetings and voting, contributes on the decisions regarding maintenance and management of the household. Despite some of the challenges that cooperatives may face, externally (finances and housing maintenance) and

³⁹ Ibid.

internally (resident conflicts) cooperative housing still provide an affordable option for families and individuals looking for long-term housing.

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Appendix

Survey Questions

- a. Name of Cooperative House
- b. Type of cooperative (limited equity, cohousing, special interest, mobile home)
- c. How many years has the cooperative existed?
- d. How was the cooperative house created?
- e. What resources did you need to create the cooperative?
- f. How many reside in the house?
- g. Is there an income cap for residents?
- h. If so, what is the cap?
- i. How has the cooperative provided permanent housing for the residents?
- j. What is the lowest rent? What is the highest rent?
- k. What are the main principles and goals does your cooperative have?
- l. And how has the cooperative implemented these principles into practice?
- m. What obstacles/challenges do you face in managing and sustaining the cooperative?
- n. Can you describe relationship the cooperative has with the larger community?
- o. Can you describe the relationship the cooperative has within the coop?

<u>Cooperative Houses</u>		<u>How Cooperative Principles Are Implemented</u>
1.	Faire Bande A Part Housing	<ul style="list-style-type: none"> ● They influenced policy at local and state government to help create more funding opportunities for other housing coops. ● They consulted with many folks that want to start their own cooperative. ● Most importantly, they are helping to develop a new housing cooperative, Raise-Op Housing Cooperative, which will have a broader social mission to grow and diversify membership and become more active in the cooperative movement.
2.	Ninth Street Co-op	<ul style="list-style-type: none"> ● Most of the above are basic to the model. ● Ecological footprint: Installed solar panels, double-paned windows, added insulation, replacing heaters with 95% efficient units, low-flush toilets. Large garden, fruit trees, compost, chickens, green-house
3.	Avalon	*No response to how principles are implemented.
4.	Hypatia	<ul style="list-style-type: none"> ● Democratic meetings. Sharing food. Compositing.
5.	Rock Ridge	<ul style="list-style-type: none"> ● Rock Ridge Coop has provided a communal setting for like-minded people who agree with these principles.

		<ul style="list-style-type: none"> ● We have good relations with the nearby town and with all our neighbors. ● The Community has been in the forefront of political activism for many social issues in this area.
6.	Franklin House	<ul style="list-style-type: none"> ● We sponsor a community garden at the city's Rec Center where we teach the principles of sustainable urban gardening, ● we have installed solar panels on the Franklin house, and we insulate our houses and replace windows for energy efficiency. ● We network with the local food co-op and take action on sustainability issues in our city. ● We educate our members in cooperative democracy and empower them to take active roles in co-op programs.
7.	River City Housing	<ul style="list-style-type: none"> ● we are a member of NASCO a national organization ● we do community outreach ● have activities within the coop where the public is invited ● donations are collected and given to other worthy non-profit organizations
8.	Qumbya	<p>Policies:</p> <ul style="list-style-type: none"> * rent increases less than inflation * non-discrimination in membership process * democratic house meetings for operations. board of directors appointed by house units (There are three houses comprising Qumbya Co-op.) * property owned by national affiliate (NASCO Properties) which has democratic governance by member co-ops. * Electricity purchased from 100% renewable supplier (REC's through standard utility system) <p>Practices:</p> <ul style="list-style-type: none"> * Teaching facilitation skills to actively include all members in process. <p>Consensus and modified consensus processes.</p> <ul style="list-style-type: none"> * We don't really excel in the ecology, carbon-footprint areas. However, congregate living (12 bedrooms, 1 kitchen, 4 shared baths, shared food purchasing and cooking) significantly reduces energy usage, building sq ft per person, food packaging and cost, and allows us to purchase less energy intensive foods (no meat). * Member of NASCO * Provide loans to other co-ops, case-by-case * Send participants to NASCO Institute * Attend regional co-op gatherings. * Host couch-surfers from other co-ops occasionally
9.	Apex	Regular meetings, house rules that can be amended via proposals,

	Belltown	massive sweat equity.
10.	Urbana/Soil Tierra	<ul style="list-style-type: none"> ● We have a set of core values and many policies that people who enter our process are expected to become familiar with and abide by. ● We have meal sharing a few times a week, weekly community meetings in which decisions are made by consensus, work parties a few times a month, special events (both limited to community members and friends and family; and public events), a food co-op, tool shop, sewing studio, art studio, several small on-site businesses, community gardens and orchard, kids play areas, about a dozen standing and ad hoc committees, including a conflict resolution team, etc. The more social time we spend together, the more cohesive the community is. During the six month membership process, applicants are expected to demonstrate their commitment to living more cooperatively and more ecologically, and make friends with all existing members.
11.	Sasona	<ul style="list-style-type: none"> ● Provide stable and affordable housing -- rent rates are very low, for the location, plus all the benefits of living here. 75% of members make below MFI. Voluntary and open membership -- membership is open to any and all who are interested. Democratic member control -- each member gets one vote. Members are compelled to attend a majority of house meetings, lest they get nagged for not coming. ● Network with other cooperatives to strengthen the cooperative movement -- plans in the works to partner with Austin Cooperative Business Association to put on a co-op tour event in Austin, featuring housing cooperatives and cooperative businesses. ● Support sister co-op, La Reunion, which provides cooperative apartment-style housing in the north of the city. Provide education, training, and information for members -- members build skills in specific house jobs, like maintenance, or bookkeeping. NASCO gives trainings, too. There is one coming up to train financial officers in using QuickBooks.
12.	Lothlorien	<ul style="list-style-type: none"> ● Rents are considerably lower than the market rate for the area since there is no one profiting from rents. ● Open rooms are advertised publicly and applicants are asked to agree to follow fair housing law plus four house values (Egalitarianism, Feminism, Environmentalism, and LGBT friendliness) if they become members. ● Food co-op has a focus on local and organic foods when possible. Passive solar panels for water heating. Part of Madison

		<p>Community Co-op which is 12 houses in all. Hosts and participates in workshops demonstrating practical skills.</p> <ul style="list-style-type: none"> • Members do all the jobs of running the co-op and are often educated by other members how to do the jobs or offered professional training paid for by the co-op.
13.	Dreamship Community	<ul style="list-style-type: none"> • Rent-to-own arrangement with landlord.

<u>Cooperative Houses</u>		<u>How the cooperative houses were created</u>
1.	Faire Bande A Part Housing	Four people were living in downtown Lewiston in a rental property owned by CEI, which CEI had promoted as property that would soon convert to cooperative ownership. This did not take place, but it planted a seed for the four founders of Faire-Op, who wanted to live downtown, have equitable ownership in a property, and not be isolated in single-family homes that they could not afford. They formed Faire-Op and purchased a 3-unit building from CEI, inviting one of the residents in that building to stay and join the coop.
2.	Ninth Street Co-op	Tenants purchased from the owner, with assistance from new nonprofit. Owner was a willing seller, and allowed ample time to arrange financing. They received a mortgage plus Co-op members each put up \$2600. The City of Berkeley gave the cooperative a small grant (\$6000) and two small loans that were repaid (\$10000 each).
3.	Avalon	The cooperative was created by 8 representatives forming an umbrella organization which we now call, Madison Community Cooperative.
4.	Hypatia	No response to this question in the survey.
5.	Rock Ridge	A group of people who collectively bought ~200 acres in rural western Wisconsin in the 1970's decided to build housing for the members. Three earth sheltered buildings were constructed in 1981, intending to house up to 5 families.
6.	Franklin House	With help from the Oberlin, OH housing co-op and the North American Students for Cooperation.
7.	River City Housing	It started as student housing for the university of Iowa

8.	Qumbya	A group of students at the University of Chicago (including undergrad, grad, and medical) formed a co-op in order to have housing that was cheaper than what was offered by the University and of higher quality than the private landlords. They also wanted housing where they could have a greater say in the operations and policies of the property. The group initially rented a ~10 bedroom house before purchasing a 3-apt house in 1990.
9.	Apex Belltown	A group of likeminded artists purchased an unused former flop house hotel to form a limited equity co-op.
10.	Urbana/Soil Tierra	CRSP, a nonprofit tax exempt corporation acquired the first of USTU's two adjacent buildings in 1996 and the second one in 1999. Both buildings are in the Los Angeles Eco-Village (LAEV) neighborhood. LAEV started as a neighborhood retrofit demonstration project by CRSP in 1993. An intentional community grew in the two buildings and was acculturated to the idea of becoming an ownership co-op, having already developed as a secure and cohesive intentional community over the nearly two decades. The culture of permanent affordability and responsibility grew sufficient for CRSP to feel confident of the transfer ownership to the Co-op, which was also approved as a 501.c.3 tax exempt corporation.
11.	Sasona	In the spring of 2001, a group of friends at 21st Street Co-op brought up the idea of starting their own co-op. In the fall of 2001, Daniel Miller (who had recently moved out of 21st St.) stowed away on the College Houses bus to NASCO Institute, hiding in the back of the bus with the help of his 21st St. friends, and took the course block on Developing New Cooperatives. By the spring of 2002, the co-founders started having meetings to work out the details of buying a house and incorporating as a non-profit.
12.	Lothlorien	House was purchased on a land contract.
13.	Dreamship Community	The founder was living in the house and decided to ask the landlord for a rent to own arrangement, in order to create a community that would be drug and alcohol free. Since then, rooms have been added, and residents have come and gone.

Cooperative Houses		<u>What obstacles/challenges do you face in managing and sustaining the cooperative?</u>
1.	Faire Bande A Part Housing	Small member-managed coops are very sensitive to change in membership, because institutional memory is easily lost and one person moving out can have a big effect on social and financial conditions of the coop. The new coop will have a staff person and more units to bring more stability to the organization.
2.	Ninth Street Co-op	Equal member participation! There have always been some more willing to do the work than others. Many efforts have been made to address this with limited success.
3.	Avalon	No response to this question in survey.
4.	Hypatia	The membership just had conflict with staff, that was a challenge. Mostly things at our house go pretty smoothly though.
5.	Rock Ridge	The Coop has had a rather stormy history, with conflict and disorganization among some former members. Personality differences have played a significant role in these conflicts. Though financially stable, there has been lax and conflicted control of fiscal matters resulting in unnecessary expense and member dissatisfaction.
6.	Franklin House	Transitional tenants - students don't stay long - we are always re-inventing the wheel. Rising maintenance costs - operating costs have increased over the years. Summer labor is scarce, and we have to reach beyond the membership to keep projects alive during summer months.
7.	River City Housing	Turn-over rate and the time and ability to train new members to be leaders in the community financially keeping up with the maintenance of three historical houses while keeping rent cost to a minimum.
8.	Qumbya	<p>Scale of co-op can only support 1 very-part-time staff person. Some skills and knowledge of financial, legal, and policy are lost with turnover of members and staff and take a while to re-train. The co-op would like to grow by purchasing new properties, but property prices have increased significantly in our area. We do not have experience (and generally too small) to receive government subsidies or grants.</p> <p>Congregate living requires members to navigate and embrace the shifting social and emotional landscape of a collective household. This is a major benefit for many, and why they seek this type of co-op, but it requires a level of attention, communication skills, and patience that is not as necessary when living alone.</p>

9.	Apex Belltown	We jointly own our building. The ground floor retail space has separate owner. We do not always see eye to eye. That space changed ownership several years ago. The previous owner had been basically opposed to building upkeep since he knew he would be selling and blocked a lot of need maintenance. The new owners are better, but they have been slow to move on projects.
10.	Urbana/Soil Tierra	<p>1. Our Co-op is in the Central City, and many of our members have extensive involvement and commitment with many other activities, friends, family, social activist organizations, so sometimes there's just not enough time or a high enough priority for everyone to be involved at the same level of commitment as those who live and work on-site.</p> <p>1. Although we have a Conflict Resolution Team, everyone does not take advantage of it when needed, and unresolved conflicts can affect the quality of life for others in the community.</p> <p>2. My opinion which may not be shared by all: Although we have about 4 or five two-member rotating facilitation teams, and they have improved quite a bit over the years, we still spend far too much time on minutiae in our meetings, repetition, and items being carried over which could be assigned to committees and committees empowered to make decisions. I hope we will be transitioning to a more efficient decision-making process in the coming year, e.g., sociocracy or dynamic governance.</p> <p>3. The intentional community, at this juncture in time, appears to be divided in three different approaches to self governance: 1/3 view policies as inflexible rules and that we should all abide by them unflinchingly, 1/3 view policies as guidelines which we should be flexible on when it serves us as a community to be so; and 1/3 are kind of in the middle feeling inflexible on certain policies and flexible on other depending on the situation and/or not caring one way or the other. This requires us all to try to engage in more fun activities together, so no matter how intense the disagreements become, we can congenially "agree to disagree."</p> <p>4. Again, my opinion which may not be shared by others: There is too much "poverty consciousness" among our members who, in my opinion, tend not to recognize the enormous potential we have for fund raising, and that if they spent a little more time on preparing grant proposals and/or crowdfunding and/or special events, etc., no one would have to be worrying about the budget..</p>
11.	Sasona	Prices too high for target audience. Board of directors disconnected to house. Gentrification of houses. Discrimination, racism. lack of accountability, lack of transparency, high turnover rates - due to the

		above. Since the start of La Reunion, Sasona's sister cooperative, it has been challenging to navigate growth with grace. Communication between the houses has been difficult at times. Sasona has a more well-developed house culture, while La Reunion is just starting out, still experiencing some growing pains.
12.	Lothlorien	No response to this question in survey.
13.	Dreamship Community	Different personalities. High turnover of residents. Low involvement at times due to people's busy lives. Making democratic decisions but also respecting the authority of those who have been here the longest.

Financial Resources Used to Start Cooperative Houses

Cooperative Houses	Financial Resources						
	Bank Loan	Personal Finances	Non-bank loans (not including government)	Grants from non-profit foundation	Government assistance (loan or grant)	Donations from fundraising events	Other
Apex Belltown	✓				✓		✓
Avalon	✓	✓	✓	✓			
Dreamship Community							✓
Faire Bande A Part Housing		✓		✓	✓		
Franklin House	✓			✓			
Hypatia	✓						
Lothlorien		✓		✓			
Ninth Street Coop	✓	✓	✓		✓		
Qumbya	✓	✓	✓			✓	
River City Housing	✓					✓	✓
Rock Ridge	✓	✓					
Sasona	✓						

Urbana/Soil			✓		✓		
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