

Hearing: State of San Francisco's Cooperatively Owned Housing

Board of Supervisors
Land Use & Transportation Committee

November 1, 2021

Supervisor Myrna Melgar

Cooperatively owned housing in San Francisco

1. What (and where) is it?
2. How can the City support people in Co-op Housing?
3. How can we assist the preservation and construction of new co-op housing?



Cooperatives are **people-centered enterprises** owned, controlled and run by and for their members to realize their common economic, social, and cultural needs and aspirations.

Cooperatives bring people together in a democratic and equal way. Whether the members are the customers, employees, users or residents, cooperatives are democratically managed by the '*one member, one vote*' rule. Members share equal voting rights regardless of the amount of capital they put into the enterprise.

Driven by values, not just profit, cooperatives share internationally agreed upon principles and act together to build a better world through cooperation. Putting fairness, equality and social justice at the heart of the enterprise, cooperatives around the world are allowing people to work together to create **sustainable enterprises** that generate long-term stability, jobs and prosperity.

Rainbow Groceries is a Co op
business in SF

RAINBOW GROCERY

WORKER OWNED CO-OP

SINCE 1975



Housing Co-ops in San Francisco



CONDO

VERSUS

CO-OP



A condo is a private, specific unit within a multi-unit building



A co-op owner has a share in the entire building and a contract or lease that allows the owner to occupy a unit within that building.

Limited- or zero-equity affordable housing co-ops receive grants and government subsidies to make co-op shares more affordable to low-income people.

They keep the housing permanently affordable through legal restrictions on the amount of gain on a future sale of the co-op share. Often these are organized groups of low-income tenants that agree to collectively buy the building they already rent through a nonprofit, usually a land trust that holds title to the land and takes it off the speculative market. It's a great way to make permanent gains in the fight against gentrification.



Limited Equity Housing Cooperatives in San Francisco



**Mayor's Office of Housing and Community
Development**
City and County of San Francisco

SF Limited Equity Housing Cooperatives

	CO-OP NAME	OWNER	ADDRESS	UNITS	SECTION 8	Neighborhood	Financing Program	Maturity Date
1	AMMEL PARK CO-OP	Ammel Park Inc.	656 Grove Street	120	95	Western Addition	HUD 236	7/1/2016
2	DIAMOND VIEW APTS	Diamond View Residents Association, Inc.	296 Addison Street	58	43	Diamond Heights		3/31/2026
3	FREEDOM WEST I	Freedom West	820 McAllister	192	0	Western Addition	HUD repaid	None
4	FREEDOM WEST II	Freedom West	621 Gough Street	190	0	Western Addition	HUD repaid	None
5	GLENRIDGE APARTMENTS	Glenridge Apt Residents	137 Addison Street	275	209	Diamond Heights	HUD 223	11/1/2044
6	LOREN MILLER HOMES	Loren Miller Homes	950 Buchanan, Bldg #2 ST	105	62	Western Addition	HUD 236	6/1/2012
7	MARTIN LUTHER KING/MARCUS GARVEY SQ	MLK-Marcus Garvey SQ	1680 Eddy Street	211	211	Western Addition	HUD 221	11/1/2009
8	NORTHRIDGE CO-OP HOMES	Northridge Coop Homes	1 Ardath Court	300	300	BVHP	HUD 221	4/1/2049
9	UNITY, PEACE & FREEDOM	Unity Homes Inc	220 Cashmere Street	94	88	BVHP	HUD 236	9/1/2013
10	COLUMBUS UNITED COOPERATIVE	Columbus United Cooperative	53 Columbus	21	0	Financial/Chinatown	No HUD funds	None
			TOTAL	1566	1008			
	no HUD subsidies/funds							
	MOHCD funds							

MOHCD's support of existing coops

- LEHCs are a critical resource for preserving housing stability for vulnerable residents
- MOHCD responds to building and financial needs as they arise
- Providing a shallow operating subsidy to Freedom West to support operating shortfalls as the project considers its recapitalization options.
- Funding technical assistance and training to coops (most recently, MLK Garvey) under a grant with Enterprise Northern California, including assessing conditions and planning for major building rehabilitation, help with co-op budgeting and finances, supporting board development, and promoting healthy resident and board relations.
- Few San Francisco limited equity co-ops were developed with City funds and the City has no regulatory or monitoring role
- However collaborates with HUD and other lenders to lend support and problem solve



Recent MOHCD-funded Technical Assistance

- 2019 Co-op Town Hall - Freedom West - Enterprise and MOHCD staff met with residents, and started soliciting feedback on topics residents sought support on.
- Mid 2019 - Enterprise issued Request for Qualifications to build a bench of subconsultants with the skills and expertise most relevant to the resident needs
- Late 2020- present While the Covid-19 pandemic significantly set back resident engagement, Enterprise engaged with coops through referrals from MOHCD staff and via word of mouth from co-op residents directly.
- Early 2021 - CCCD, through Enterprise, provided co-op overview to City staff (OEWD, Planning, MOHCD, Supervisor offices)
- Late 2020 - TA for Martin Luther King-Marcus Garvey Square Co-op Apartments (MLK-Garvey) was initiated through an introduction by MOHCD staff. Co-op faced challenges related to internal governance, regulatory compliance, fair housing, shareholder education, and their relationship with HUD and property management, contested elections, the removal of board members by vote, and pending litigation.



MLK Garvey – findings from recent Study

- **Consistent engagement with the co-op** from locally based partners will allow necessary trust-building to occur. Board hesitates to collaborate with third-party professionals.
- **Power dynamics** between board members and other residents complicate cooperative governance.
- **Clear expectations and communications** with property management staff and other contractors with whom they engage are critical.
- **Consistent access to information for co-op board members and shareholders.** Especially during pandemic, equitable access to information has been challenging.

Learning more about SF's co-ops

- **Co-op Demographics:** Data on resident and board ethnicity, race, language capability, age, household size, tenure, and annual income.
- **Governance:** Role of government contracts and auxiliary regulations (federal and municipal levels), cooperative by-laws, public agency engagement, board dynamics.
- **Operations and Finances:** Community programming, existing capital needs, planning for building improvements, renovations, and addressing deferred maintenance, asset management practices, and the relationship between the different kinds of financing that co-ops utilize and their operations.
- **Networks:** Strength of existing networks among LEHCs, relationships between local co-op community and external institutions (lenders, public agencies, local community-based organizations, TA providers, state and national LEHC organizations).



Areas of Further Study – SF Co-op Ecosystem Mapping

- LEHCs' relationship with external institutions and with local stakeholders within the co-op community.
- actors such as community-based organizations, lenders, public agencies, property management companies, and TA providers.
- legal obligations or agreements between LEHCs and public agencies, and efforts they have undertaken in the past
- which organizations are best poised to address specific challenges co-ops encounter and partner with city staff on future engagement efforts?



Areas of Further Study – Comparison Metro Ecosystems Mapping

- Develop a similar network map for LEHCs in peer cities
- What institutions support co-ops, and which policies target their development?
- Identify economic and regulatory conditions in other cities that have led to success of the LEHC model
- Explore Mutual Housing and Land Trust models



What about new co-ops?

- MOHCD's current focus is rental housing for lower income households
- Because of high development costs in SF, MOHCD prioritizes projects that can leverage other funding sources, eg Low Income Housing Tax Credits (LIHTC).
- Limited Equity Cooperatives cannot be financed with LIHTC as LIHTC requires a limited partnership to own the property and prohibits explicitly share purchases by residents.
- HUD programs that provided subsidies to co-op owners have been suspended
- Little history of co-op development, limited subject matter expertise at MOHCD. We need more information.



Stay Connected

- ❖ Central location to apply for affordable housing on the DAHLIA SF Housing Portal: **housing.sfgov.org**
- ❖ More info and resources available on MOHCD's website: **sfmohcd.org**
- ❖ Follow us on Facebook, Instagram + Twitter: **@sfmohcd**

