POLICIES AND PROCEDURES FOR CONVERTING DISTRESSED URBAN BUILDINGS TO SCATTERED SITE COOPERATIVE HOUSING CORPORATIONS: CASE STUDIES IN PENNSYLVANIA, OHIO AND LOUISIANA

By

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To Frederick Brockway Gleason III

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LIST OF ABBREVIATIONS

AFL-CIO	The American Federation of Labor and Congress of Industrial Organizations
CCP	Center for Community Progress
CHC	Cooperative Housing Corporation
CRA	Community Reinvestment Act
FAIR	Fair Access to Insurance Requirements
FDIC	Federal Deposit Insurance Corporation
FCA	Farm Credit Administration
FHACT	Fair Housing Act
FHADMIN	Federal Housing Administration
HCLB	Hamilton County Land Bank
HIT	Housing Investment Trust
HUD	United States Department of Housing and Urban Development
IRC	Internal Revenue Code
IRS	Internal Revenue Service
LLT	Louisiana Land trust
NHA	National Housing Act of 1949
NORA	New Orleans Redevelopment Authority
PGCDA	Port of Greater Cincinnati Development Authority
PHA	Philadelphia Housing Authority
PHDC	Philadelphia Housing Development Corporation
PCDPP	Philadelphia City Department of Public Property
PRA	Philadelphia Redevelopment Authority

Abstract of Thesis Presented to the Graduate School
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Chair: Janet Snyder Matthews
Co-Chair: Sara Katherine Williams
Major: Historic Preservation

This thesis focuses on the question of converting blighted historic buildings into Cooperative Housing Corporations (CHCs) in the states of Pennsylvania, Ohio and Louisiana. The methodology for this is research intended to show researchers how to explore the complex and rewarding opportunity of saving and converting multisite distressed historic buildings by converting them into a scattered site CHC. CHC is a form of homeownership that requires federal enabling legislation but is also affected by state and local rules. First, I researched federal laws affecting Cooperative Housing Corporations. Secondly, I examined homeownership tax benefits in the state statutes of Pennsylvania, Ohio and Louisiana as they applied to CHCs. Thirdly, I looked at the available municipal ordinances regulating CHCs. During this phase of my research, I closely examined the new municipal tool of Land Banking used for the disposal of distressed urban fabrics in the prescribed states. For a new CHC, bringing in nonprofit training and support organizations for the training of a CHC board of directors is critical.

Once a well-trained and financed CHC is established, the next step of acquisition and rehabilitation of distressed urban buildings can be another complex process. I was fortunate to find an example of how this process worked in one city in Ohio.

Hessler Road Cooperative in Cleveland, Ohio, is an excellent example of this process (due to the successful conversion of a group of distressed, scattered site historic buildings into a CHC. Hessler astutely applied laws and ordinances, financing, tenant training and historic preservation in order to save the buildings from demolition.

Finding a successful example of implementing these complex procedures by Hessler CHC has shown the unique underutilized CHC approaches a great potential. Utilizing CHC conversion of distressed historic buildings as a tool for community revitalization and historic preservation, as shown by Hessler, could possibly be replicated in other cities in the three states, which are the focus of this thesis.

CHAPTER 1
INTRODUCTION

While pursuing my Associate Degree in Preservation Trades Technology at Belmont Technical College in St. Clairsville, Ohio, in 2009, I became concerned about the plight of abandoned historic buildings in once thriving cities in Pennsylvania, Ohio and Louisiana. During my field of work in historic preservation, I noticed that many of the neighborhoods in these cities had been developed with houses set on small lots, interspersed with small commercial buildings on the corner. Homeownership had dwindled and the neighborhoods suffered from abandonments and vice. Historic preservation organizations proposed saving many of the structures petitioning the cities and staging small fundraisers. Never the less many were demolished because of municipal and state officials viewing these structures as blight and a lack of funds or expertise by the historic preservationist. As a result, many of these buildings, which could qualify as historic were demolished for weedy and vice plagued vacant lots

While attending Belmont Technical College, I traveled to Cleveland, Ohio, for a lecture on the Beaux-Arts muralist Edward Blashfield given by the Cleveland branch of Classical America. Before the lecture, I explored the streets in the University Circle neighborhood around Euclid Avenue and came upon Hessler Road lined with historic buildings, surrounded by large institutional buildings. A sign designated the street as a Landmark District in the City of Cleveland and another sign proclaimed Hessler Housing Cooperative in front of one of the buildings. I checked online later and learned of the Hessler Housing Cooperative multi-building layout and the history of the project. The Hessler Street Cooperative Housing Corporation was founded to achieve the historic preservation of a group of buildings, referred to as “scattered site buildings,” as

cooperative housing. I was very interested in the possibility of preserving an urban neighborhood under a single tenant controlled unit, such as a housing cooperative.

After the lecture, when I asked a current Cleveland city council member if housing cooperatives are currently being developed, she replied that she was not aware of any. I now wondered how there came to be a historic scattered site cooperative housing in Cleveland and what other places might benefit from such a concept for historic preservation. How was a scattered site-housing cooperative formed from historic buildings possible in Ohio? How did this differ from the compact apartment buildings organized as cooperative housing that are more common in New York City? I wanted to find out more about these unique forms of home ownership, while finding a way to promote historic preservation. How could this scattered site type of cooperative housing be utilized for historic preservation in communities such as New Orleans, and other cities with blighted historic fabric where there is an urgent need for Cooperative Housing Corporations?

The term “Cooperative Housing Corporations” (CHC) is the legal incorporation term for better-known co-op or housing cooperative. CHCs are actually the first type of multifamily unit home ownership, predating condominiums in this country by a century. The most common form of cooperative housing in the United States is the Cooperative Housing Corporation (CHC). CHCs were first defined as homeownership in the Federal Housing Act of 1949. With this federal recognition of home ownership, CHC are recognized by the Internal Revenues Service and United States Agency of Housing and Urban Development as a form of homeownership and eligible for federal homeownership tax credits and federally backed mortgages. Even with federal enabling

legislation, state statutes differ on implantation and the ability for CHCs to be recognized and eligibly for homeownership tax benefits.

Cooperative members own a share in a corporation that owns or controls the building(s) and/or property in which they live. Each shareholder is entitled to occupy a specific unit and has a vote in the corporation. Every month, shareholders pay an amount that covers their proportionate share of the expense of operating the entire cooperative, which typically includes underlying mortgage payments, property taxes, management, maintenance, insurance, utilities, and contributions to reserve funds. There are many benefits to cooperative ownership. Some of these include homeowner income tax deductions, lower turnover rates of units, reduced maintenance costs, and resident participation and control of building(s) (National Association of Housing Cooperatives Winter 2010).

In a CHC, the housing corporation owns the premises and the apartment units. The tenant-stockholders (residents) own stock in the corporation, thus giving them occupancy rights to the units and maximizing their homeownership tax advantages (Jordan 2009, 519). Cooperative Housing Corporations are the most common incorporation of cooperative housing because of their federal recognition as homeownership entitling federal and state tax advantages. CHCs are commonly confused with co-housing or communal living arraignments, but are different in that a CHC is legally required to have separate units with kitchens, bathrooms and living spaces separate from other units in a shared building. “Cooperatives and Condominium differ on legal titles to premise held. Cooperatives format is of shared ownership, a cooperative holds title to entire building, and including individual apartment. . . .

Condominium owners hold title to individual units in fee simple absolute and common areas jointly as tenants in common" (Jordan 2009, 6). In the corporate form of cooperative housing, the corporation incorporated through the Secretary of State of the state of residence.

There are two types of Cooperative Housing Corporations, Market Rate and Limited Equity CHCs, and each has advantages and disadvantages. State incorporation is the same for both. In addition, both must follow the same laws and statutes. The difference is in the bylaws of the respective CHC. Only the developer and cooperative board can include or define the form of cooperative in the incorporation papers and bylaws of the CHC. In market-rate cooperatives, shareholders may buy and sell their shares at full market value. The residents are shareholders in a corporation that owns the property. Owning a share entitles a tenant to occupancy of the CHC unit. Market rate type of cooperative housing allows equity to build and price to increase in tenant stockholder units similar to other forms of homeownership. Limited equity co-ops limit the resale value of shares. The maximum resale value is predetermined by a formula established in the cooperative's bylaws, and is generally targeted at low- and moderate-income tenants (National Association of Housing Cooperatives 2012).

This thesis will focus on market rate CHCs, and will not discuss limited equity cooperatives or other non-federally recognized sub forms of communal housing.

Cooperative Housing Corporations were founded on the nineteenth century English Rochdale Principle first established in 1844 by the Rochdale Society of Equitable Pioneers in Rochdale, England, for promoting cooperative forms of interaction, housing and commerce. Since the conception of the Rochdale Principle,

cooperative housing projects have become prominent throughout the world, with a high rate of housing in Scandinavia and India organized as a cooperative form of home ownership (Coughlan Jr. and Franke 1983).

In 2010, the National Association of Housing Cooperatives outlined the principles of the Rochdale Pioneers as follows:

- Voluntary open membership
- Democratic membership control
- Autonomy and independence
- Education, training and information
- Co-operation among cooperatives
- Concern for community (National Association of Housing Cooperatives Winter 2010)

In the United States, the concept of cooperative tenant-controlled buildings dates back to the 1920s. Homeownership became available to all income levels in dense urban city such as New York City, with developers focusing on a variety of income levels. Even when the Great Depression devastated luxury co-op developments along with high-income developments throughout the nation, working class CHCs continued to be developed by labor unions for workers, while private development of market rate slowed with the rest of the real estate market (Siegler and Levy 1986, 14). However, it was not until the National Housing Act was passed in 1949 that CHCs were recognized by the federal government as homeownership eligible for homeownership tax advantages. This recognition made federal insured mortgages available and provided other tax advantages to tenant stockholders of CHCs. Even so, by 2009, only a small percentage CHCs has been established in this country. (Figure 1-2)(Figure1-4)

As a student of urban planning and historic preservation at the University of Florida, my interest in this unique form of homeownership once again came to the forefront in 2011 and 2012, when I took two of Dr. Andres Blanco's classes, one on Urban Economies, followed the next semester by his course on Land Economics. During these courses, I learned the importance of finance, land development and homeownership laws and statutes and their effect on urban economic development patterns. With the knowledge of urban economics gained from Dr. Blanco's courses, my awareness of federal policy and expanding knowledge of public policy and historic preservation were reinforced by the federal policy course taught by Dr. Janet Snyder Matthews. In Dr. Matthews's course, I learned the importance of enabling federal legislation and the role of state statutes as implementation of federal law for historic preservation and urban redevelopment. Both Dr. Blanco's and Dr. Matthews's courses highlighted the challenges of utilizing distressed historic fabric in metropolitan areas suffering from population loss. The levels of laws, statutes and ordinances, along with access to capital, have significant influences on economic change. Urban centers in the states of Pennsylvania, Ohio and Louisiana all have distressed scattered sites that might utilize the CHC concept to convert them to market-rate housing.

I focused my research on these areas and discovered that developers interested in the conversion of distressed historic buildings to Cooperative Housing Corporations in these states had difficulty understanding financing options and the multiple layers of federal and state legislation affecting CHCs. What would help these developers overcome these obstacles? Could a niche market that only exists in areas such as New York City, where a history and awareness of the benefits and process for conversion is

already in place, be applied to cities in Pennsylvania, Ohio and Louisiana? Pennsylvania, Ohio and Louisiana were chosen for this research because of the similarity of the 19th century development pattern of their largest cities, struggles with blight, having CHC statutes and this researcher's familiarity of historic preservation struggles in the primary cities of Philadelphia, Cincinnati and New Orleans.

Cooperative Housing Cooperatives have the distinct advantage over other forms of homeownership of being able to assemble scattered site buildings in a neighborhood, incorporating them into a single CHC with one mortgage for the all the buildings in the CHC. Thus, the cost of the mortgage is spilt between the units in the buildings. The advantage for distressed neighborhoods is further enhanced by a provision in the Internal Revenue Code allowing for up to twenty percent of CHC revenue to come from commercial space. This allows the revenue from rental of this commercial space to go towards paying fees, thus further lowering the expense of the tenant stockholder. Many older neighborhoods have abandoned small commercial spaces, such as shops and restaurants, which could be renovated and leased from the CHC, while providing income and amenities within walking distance of the residential units.

As of 2009, CHCs represent only one percent of all housing units in the United States (Figure 1-1). As of 2012 there were 6400 CHCs consisting of 1.2 million units in the United States. The highest concentration of CHCs is in the New York City metro area and the boroughs of New York Of the entire CHCs market, rate cooperatives make up the majority with 725,000 units, followed by limited equity cooperatives consisting of 425,000 units of housing (Fig. 1-2) (National Association of Housing Cooperatives 2012)

My interest in urban redevelopment became the catalyst for examining ways of supporting affordable homeownership while promoting historic preservation in Philadelphia, Cincinnati and New Orleans. Could Cooperative Housing Corporations be used to reach these goals? When I was conducting literature reviews on the subject of rehabilitation of historic fabric and Cooperative Housing Corporations, the answer became clear. Whereas enabling federal laws of Cooperative Housing Corporations exist, research is lacking on the complex financial instruments and the intricacies of dealing with non-standardized tax statutes that differ from state to state.

Cooperative Housing Corporations have the distinction of being the only form of homeownership with non-standardized statutes. My research found that all three states uniquely interpret federal CHC laws. Pennsylvania's statutes focused mostly on the regulation of displacing rental tenants of buildings upon conversion to housing cooperatives. Ohio has detailed rules on the filing dates that Cooperative Housing Corporations must submit paperwork to be recognized as a form of homeownership. Finally, Louisiana specifically enables the formation of Cooperative Housing Corporations, encourages redeveloping of distressed scattered site properties and provides homeownership benefits.

In 1981, the Uniform Law Commission, an independent commission with members made up of county executives from all fifty states, was formed with the purpose of increasing the efficiency of government. The Committee made recommendations to unify the multitudes of statutes regulating CHC from different states. The lack of unified statutes was considered a hindrance to CHCs and developers of multifamily homeownership. With the Commission's success in unifying

other statutes, they felt confident in proposing the Model Real Estate Cooperative Act to provide uniformity in cooperative housing and ensure ease of finance and consumer protection for tenant stockholders of CHC. The Uniform Law Commission promotes legal uniformity of state statutory law by nonpartisan legal professionals. This Act was based on the commission's successful Uniformed Condominium Act to standardize condominium laws. Unlike the Condominium Act, which was adopted by all states, only Virginia adopted the Model Real Estate Cooperative Act in 1982, leaving the rest of the states non-uniformed. This explains why Pennsylvania, Ohio and Louisiana have differing statutes on CHCs (Berstien-Baker 1988, 398).

This thesis will clarify the complex policies and financial instruments that apply to Cooperative Housing Cooperatives while analyzing support organization and acquisitions of distressed historic buildings in the states of Pennsylvania, Ohio and Louisiana. With this research, an interested party could better understand the process and procedures of agencies and be encouraged to undertake the redevelopment of distressed historic fabric into successful cooperative housing corporations, creating affordable homeownership and strengthening urban communities.

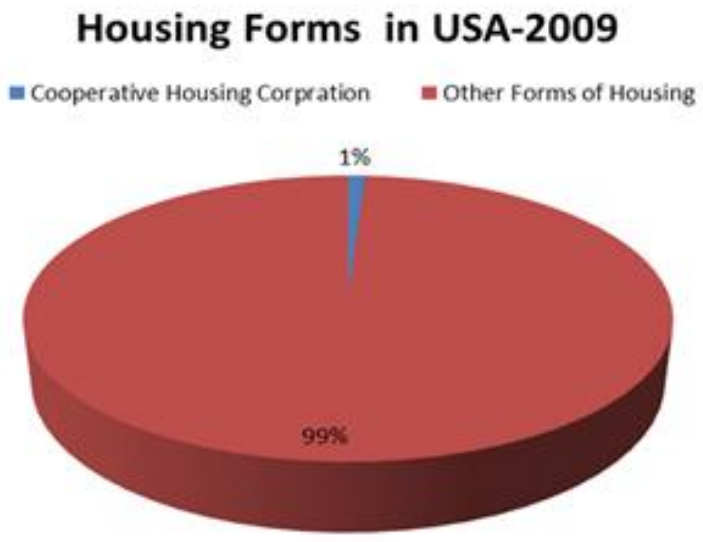


Figure 1-1. Housing Percentages in USA, 2009 (National Association of Housing Cooperatives 2012.12).

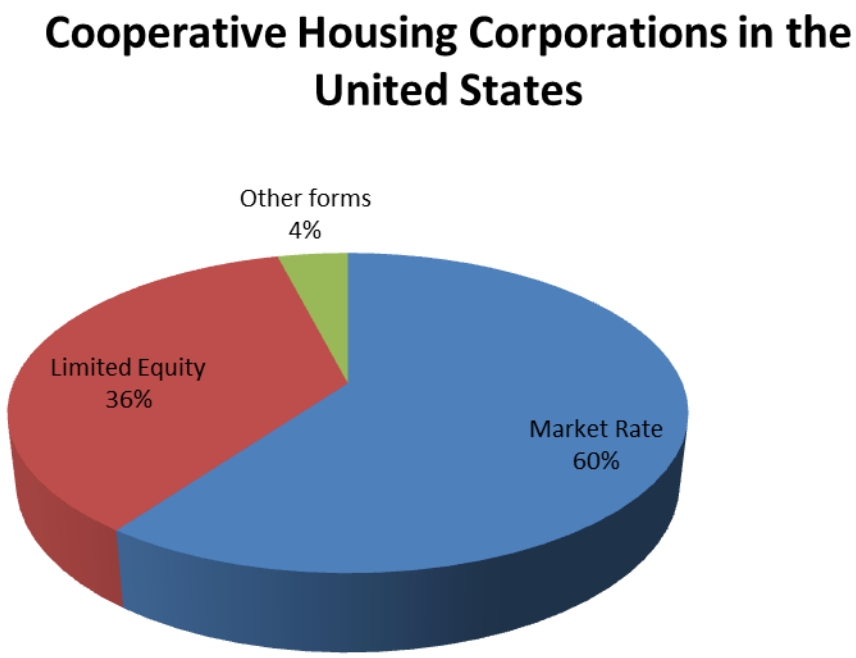


Figure 1-2. Cooperative Housing Corporation Ratio (National Association of Housing Cooperatives 2012.9)

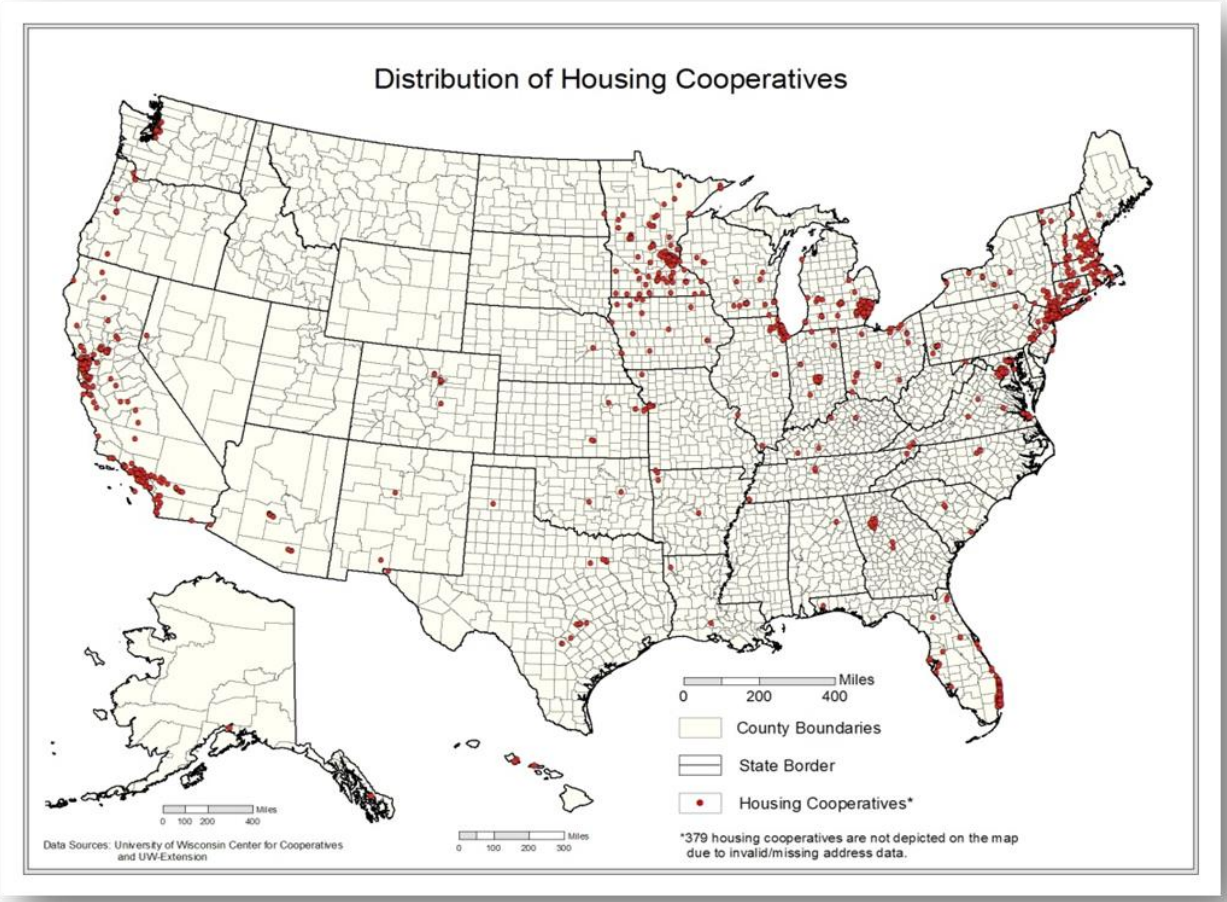


Figure 1-3. Distribution of Housing Cooperative in the USA, 2001 (http://reic.uwcc.wisc.edu/house/, accessed 17MAY2013)

Figure 1-4. 740 Park Avenue Cooperative Housing Corporation in NYC, 2013 (http://uppereastside-apartments.com/wp-content/uploads/2012/09/740-Park-Ave-NY-NY.jpg, accessed 20MAY2013)

CHAPTER 2
LAWS AND STATUTES APPLYING TO COOPERATIVE HOUSING CORPORATIONS

In order to understand the process of conversion of blighted historic fabric to cooperative housing, one must be aware of the federal enabling legislation recognizing Cooperative Housing Corporations as a form of homeownership. Federal policy defines CHC criteria requisite to eligibility for tax benefits related to homeownership and federally backed mortgages. Federal agencies with administrative oversight enforce the Internal Revenue Code (IRC), which sets the federal tax law regarding CHCs. The importance of the IRC is in giving homeownership tax advantages to tenant stockholders.

A Cooperative Housing Corporation (CHC) is defined as a form of homeownership under the National Housing Act (NHA) of 1949. While the FHA is the federal enabling legislation, the Federal Housing Administration (FHA), a branch of the United States Department of Housing and Urban Development (HUD), administers the authority of the act. The FHA, by recognizing a CHC and offering insured mortgages to CHCs, is the next agency involved. The FHA determines the requirements housing must meet in order to be eligible for federal homeownership tax advantages. The federal legislation that regulates a CHC is the Internal Revenue Code under the jurisdiction of the Internal Revenue Service (IRS). Besides being a regulatory agency, the IRS sets tax policy for CHCs, which state statutes must interpret. Cooperative housing researcher and author, Caroline Brat, in a legal survey of laws applying to cooperative apartments, claims the following: “Any tax advantage that cooperatives do enjoy is strictly the actions of congress.” She further claims that her research on federal policy and cooperative housing in the middle of the twentieth century shows CHC

federal laws are agglomerations of legal concepts that are at times contradictory (Bratt 1978, 760). Bratt states that CHC tax advantages are acts of Congress. Nevertheless, the federal legislation is non-uniformed and contradictory. The contradictory element of federal CHC legislation shows in the duplicity of agencies regulating CHCs. For example, the United States Department of Agriculture (USDA) and HUD are both agencies federally charged in the creation of CHCs. The USDA administers a cooperative housing development program limited to rural areas with fewer than 5000 residents with HUD, which is also in charge with enabling the creation and support of CHCs, but without a population requirement. With two separate agencies responsible for regulating and supporting CHC development, CHCs in rural areas are subject to two agencies' regulations. With only HUD having a financial and administrative support for CHCs, it is possible for a rural CHC to incorporate with the help of the USDA and then have to reorganize itself to meet the requirements of HUD in order to be funded, adding another layer of complexity, to an already complex process (Coughlan Jr. and Franke 1983).

Even with the complexity of federal legislation, it is possible to define and clarify CHCs regulations. With a clear understanding of the federal laws authorizing CHCs the federal requirement of CHCs incorporating as a non-profit housing corporation with the Secretary of State, is required by law, of the state where the CHC is located in order to take advantage of the IRC designation of homeownership benefits. Interpretations of federal policy are critical to understanding the basic statutes to be discussed later. The states take a variety of approaches, which clarifies or complicates implementing these federal programs, as Bratt has noted.

CHCs are required to incorporate in their state and receive Certificates of Incorporation. After being incorporated by the Secretary of State with a set of Articles of Incorporation, the CHC and the tenant stockholders are entitled to homeownership tax advantages. As state incorporation requirements differ, each state statute must be perused carefully in order to ensure that CHCs meet the regulations (Coughlan Jr. and Franke 1983). The National Association of Housing Cooperatives (NAHC) claims that the CHCs statutes are so complex because they are a combination of incorporation and property owner tenant laws (National Association of Housing Cooperatives 2012).

Part of the complexity of statutes arises because tenant shares of CHCs are not securities regulated under federal law, as are shares of other corporations. However, the sale of shares may be regulated by the various state securities laws such as those in Florida and California regulated by the each state's Secretary of State (Bernstein-Baker 1988). The role of statutes as regulating securities of CHCs does not affect the states examined in this thesis, Pennsylvania, Ohio, and Louisiana, and will not be examined. The complexity of statutes offers a possible tax advantages if the CHC is a non-profit corporation focusing on distressed fabric. Cities interested in "combating community desperation" could offer the possibility of CHCs being incorporated as tax-free 501c (3) organization (Inter Cooperative Council v. Department of Treasury 2003). Another topic for future research is why CHCs are the only form of homeownership with such disjointed statutes. However, for now we will see how the three states that are the focus of this study take a variety of approaches in implementing the federal programs in contradictory ways.

National Housing Act (NHA)

Several sections of the National Housing Act apply specifically to CHCs. The largest of the sections is Section §513, which prohibits federally insured mortgages for CHCs from financing transient hotels or buildings with hotel services. This stipulation prohibits developers from utilizing federal funds for rental properties such as boarding housing or bachelor hotels with single rooms, while stating the intent to fund multifamily homeownership. This provision was included in the 1949 National Housing Act as a way to promote multifamily homeownership and not the development of boarding houses or extended stay hotels. With this provision regarding hotels and boarding houses, the new development concept of some high-density buildings that would combine condominiums and hotels would not work with a CHC concept. This is not to say CHC development is exclusive only to tenant-owner occupied units, as will be clarified later. A feature of the flexibility of CHC is the ability to have up to twenty percent of their fees come from commercial, onsite sources, such as first floor retail, leased parking or laundry services available to the community at large. (D. H. Stevens 2010).

Internal Revenue Code (IRC)

Under IRC Section 216, Cooperative Housing Corporations are legal entities incorporated with each state by the Secretary of State they are located in, in order to meet IRC regulations. The Internal Revenue Code administered by the Internal Revenue Service is the federal regulation administering tax laws for CHCs. This section of the Code defines CHCs and enforces the standard of eligibility for federal homeownership tax credits and allows tenant stockholders deductions for real estate

taxes and mortgage interest, which is intended to make CHCs equal to other forms of home ownership (Jordan 2009, 523).

The Internal Revenue Code Section 216 states that CHCs must meet the following criteria:

- The corporation must offer one type of stock.
- Ownership of stock must equal a right to occupy a unit.
- Stockholders cannot receive payouts of capital assets of CHC, unless liquated.
- Tenant stockholders fees are equal to at least eighty percent of CHCs gross income.

The so-called 80/20 rule allows for up to twenty percent of the units to be used for commercial rents in the cooperative, allowing for street level commercial space or other income-producing activities (Jordan 2009) (Coughlan Jr. and Franke 1983). IRC section 216 further regulates tenant stockholders and requires the following:

- Tenant stockholders must own fully paid stock in the CHC.
- The value of the stock and residential unit must be commensurate with the value of the corporate entity.
- Tenant stockholders must have right to occupy the unit. (Billings and Weld 1991, 62)

Even with the intent of providing tenant stockholders the same benefits of other forms of homeownership, tenant stockholders of CHCs are banned by this section of the IRC to take deductions for charitable contributions such as historic façade easements of their building (Jordan 2009). Tenant stockholders are also at a tax disadvantage because they are not authorized by this section of the Code to deduct alternative minimum tax (AMT) from their share of the housing cooperative (O'Driscoll 2006).

Section 216 of the IRC is critical for CHCs' tenant stockholders in defining their stock as a form of homeownership, in contrast to the stock of private corporations and exempting CHC stock from corporation taxes until sold. The tax status of a CHC must be annually reevaluated by the IRS in order to continue the tax benefits. This Section further states that CHCs are not co-housing by declaring that each unit of a CHC must contain facilities for cooking, sleeping and sanitation in order to qualify for benefits. This excludes many forms of co-housing, but CHCs under this stipulation can apply to scattered site structures, houseboats or mobile homes (Billings and Weld 1991).

Section 277 of the IRC further expands on the criteria defined by IRC §216 concerning the 80/20 rule. This Section expands the definition to limit the maximum income of a CHC commercial rent to twenty percent of the corporation's revenue, outside of tenant-stockholder membership fees. These commercial fees can come from commercial space in a co-op building, services provided to the community, such as laundry or parking or storage (Coughlan Jr. and Franke 1983). As of 2000, the IRS has not enforced this rule because cases involving CHCs in higher commercial rent districts such as Manhattan in New York City makes it difficult for CHCs to limit income to twenty percent. With an increased income offsetting tenant fees for some CHCs, a few federal government examiners from the IRS have considered this as a form of tax shelter for high-income residents (Banoff and Lipton 2000). Allowing commercial rents to decrease tenant stockholder fees in theory could also help lower the cost for low income CHCs in high demand commercial corridors. The complexity of ensuring commercial rent is kept within the percentage boundary would require the expertise of a tax professional.

Another part of the Code (IRC §121) states that the IRS tax treatment excludes the first $250,000 of capital gains on sale of a tenant stockholder's primary residence. This applies only if a resident has resided in the unit for more than two of five years preceding the sale (Jordan 2009).

Additionally section of the Code (IRC §163) reinforces Section 216 in that interest paid on a tenant stockholder's CHC share loan is deductible, defined by the IRS as a "qualified residence," a primary residence. IRC designation of CHC stock as a form of homeownership recognizes CHC share loans on par with mortgage holders in other types of homeownership (Jordan 2009).

Furthermore, Section (IRC §164) provides that tenant stockholders are allowed to deduct state and local property taxes when filing annual tax returns. However, the complexities of IRC §56 and §55 references to IRC §164 is a matter of legal research outside this study and constitutes only a small part of the tax code referring to CHCs (Mannino 2006). The next part of this chapter looks at how these federal laws and regulations are interpreted and applied in Pennsylvania, Ohio and Louisiana.

State Statutes in Pennsylvania

Pennsylvania is home to several successful historic CHCs. Even with a history of CHCs, new ones have not been developed in over thirty years. Pennsylvania, besides being home to established market rate CHCs, is also home to low income cooperatives that incorporated under the state nonprofit incorporation statutes instead of CHC (Bernstein-Baker 1988). The incorporation procedure of specialty low income housing cooperatives is a complex procedure outside of this research. It has been studied in the past, but is in need of updated study. With a large amount of vacancy plaguing its largest cities and with many Philadelphia structures being over 50 years old (Figure 2-

3), most of the buildings and districts would be eligible for some sort of historic designation. By combining historic preservation and scattered site patterns, CHCs in Philadelphia neighborhoods could offer a way to revitalize existing underused structures.

In South Philadelphia is located the Girard Estate Historic District with its land usage and historic fabric the neighborhood would is a good test study on how a scattered site CHC could be created. Usage represents the larger areas of Philadelphia (Figure 2-4) although; the historic district is in better condition than some other neighborhoods in Philadelphia. Girard Estates Historic District with its residential structures densely sited on small, deep lots close to the road (Figure 2-5), land usage is representative of developmental patterns in Philadelphia as a whole. Even though, the case study of Hessler Road CHC in Cleveland will show, there is not a prescribed equation for scattered site CHCs, a high-density street with row houses or two family attached units are usually ideal for a scattered site CHC. The Girard Estate Historic District is a prospect, similar to the Hessler Road CHC case study, because it has similar land usages and a unified streetscape (Figure 2-5). Girard Estate Historic District also has the advantages of connecting to other row-house districts with commercial units (Fig. 2-6), making available the prospect of incorporating commercial properties into a CHC under the 80/20 IRC rule. This commercial space could be utilized for a business deemed essential for the neighborhood such as a corner store or coffee shop, offering the neighborhood a ‘third-place’ for community interaction and employment(A “third place” is a place which is not home or work, but a space utilized by a community for interaction and bonding) (Waxman 2006).

Creation of cooperative ownership in Pennsylvania is covered under The Real Estate Cooperative Act; Section 4101-4418. Pennsylvania's CHC Act is the only statute in this thesis to cover in detail regulations pertaining to conversion of existing buildings. While the statutes are unusual for lacking a required minimum number of units to incorporate, the lack of a number could put a small new CHC under six units at risk of being denied funding, because The National Cooperative Bank requires a minimum of six units in order to be eligible for a mortgage. Both Ohio and Louisiana require a minimum of units, as will be explored further in this chapter.

In order for a CHC to incorporate in Pennsylvania, it is first required by the Secretary of State to formulate a public offering statement that must include a statement by the declarant, based on a report prepared by an independent registered architect or professional engineer, describing the following:

- The age, present visible condition and, if known or ascertainable, the dates of construction, installation and major repairs of all structural components and mechanical and electrical installations, including, but not limited to, roofs, plumbing, heating, air conditioning and elevators material to the use and enjoyment of the cooperative.
- The results of the inspection of the units and common elements required pursuant to section 4414(c) (relating to implied warranty against structural defects) for visible conditions that adversely affect the health or safety of the residential occupants.
- The extent to which the report by the architect or professional engineer is based upon a visual inspection of the units as well as the common elements.
- A statement by the declarant of the expected useful life of each item reported on in paragraph (1), including the current replacement cost of such item.
- A list of any outstanding notices of uncured violations of building code or other municipal regulations, together with the estimated cost of curing those violations.
- A statement by the declarant, based on a report prepared by an independent licensed exterminating company, describing the presence in the conversion building of, if any, visible pest conditions dangerous to health and safety, such as

the presence of insects and rodents dangerous to health or safety, and outlining actions taken or to be taken to eliminate the existence of pest conditions dangerous to health or safety (PA. Stat 4406, Wolter Kluwer 2013).

Furthermore, Pennsylvania is the only state to require a procedure for dealing with existing tenants in a building converting to a CHC from rental. Pennsylvania Statute § 4412 requires the following:

- The declarant of every cooperative containing one or more conversion buildings shall give each of the residential tenants and subtenants, if any, lawfully in possession of a unit or units in a conversion building a conversion notice no later than one year before the declarant will require residential tenants and residential subtenants to vacate, subject to revocation of such notice in accordance with subsection.

- The conversion notice must set forth generally the rights of residential tenants and residential subtenants under this section and shall be hand delivered to the unit or mailed by prepaid United States certified or registered mail, return receipt requested, to the residential tenant and residential subtenant at the address of the unit and not more than one other mailing address provided by a residential tenant.

- Every notice shall be accompanied by a public offering statement concerning the proposed sale of cooperative interests within such conversion building or buildings.

- Except as otherwise provided in subsection (f), no such residential tenant or residential subtenant in a conversion building may be required to vacate the unit he leases earlier than one year after the conversion notice date, except by reason of nonpayment of rent, waste or conduct that disturbs other tenants' peaceful enjoyment of the premises, and the terms of the tenancy, including terms that apply to a period occurring in whole or in part after the conversion notice date, may not be altered, but may be enforced, during that period.

- Failure to give notice to a residential tenant or residential subtenant entitled to such notice pursuant to this subsection is a defense to an action for possession against such residential tenant or residential subtenant. (PA. Statute §4412 (Wolter Kulwer 2013).

For the conversion of distressed urban fabric, these regulations are incorporated into the planning process of the new CHC, unlike Ohio and Louisiana. Whereas Ohio's statutes focus on deadlines for homeownership tax benefits, Pennsylvania does not

have any dates for submission of documents affecting CHC, but does focus on displacement of renters and certification of occupancy issues. Any party interested in creating a CHC in Pennsylvania should consult the statutes directly to determine if there is a possibility of a conflict in converting occupied structures within the state.

State Statutes in Ohio

Ohio's major urban cities developed during the industrial revolution, which follows the pattern of Pennsylvania of dense pedestrian-focused housing. With Cincinnati's explosive growth, predating Chicago and earning its name the 'Queen City' before the Civil War, the city developed in a tight pattern of row houses, tenements and single family homes on small lots near the street. Cleveland follows a similar pattern, aggressively growing from the late nineteenth until the mid-twentieth century, when it fell in to a rapid decline. Unlike Cleveland, Cincinnati population and economy are growing, along with investment in the urban core (Schneider 2012).

Even with this growth, Cincinnati, as with Cleveland, has suffered from deindustrialization and suburbanization, leaving many dense historic neighborhoods with vacant buildings and lots (Figure 2-1). Since the 1930s, the Over-the-Rhine Historic District in Cincinnati has lost a significant number of properties because of urban decay (Figure 2-7, 2-8). Developed on the Miami and Erie Canal, now covered by Central Parkway, Over-the-Rhine Historic District was one of the densest neighborhoods in the nation. Settled by German immigrants in the nineteenth century, the once vibrant neighborhood recently became infamous for the urban blight and drug house scenes in the acclaimed movie *Traffic* in 2000 and a year later the battleground with police during the Cincinnati Riots in 2001 (Simes 2010).

With its distinctive Italianate buildings on pedestrian-oriented lots (Figure 2-9) and multiuse commercial and residential building (Figure 2-10), along with the City of Cincinnati and nonprofits actively supporting renovations in the district, it has become a hot bed of renovation activity. Nevertheless, Over-the-Rhine still has many distressed buildings. Creating a scattered site CHC in Over-the-Rhine could be a successfully done with the knowledge of having the same statutes with the most successful historic scattered site CHC Hessler CHC in Cleveland. Over-the-Rhine has the same advantage as districts in Philadelphia, having commercial spaces that could be incorporated into the CHC as a community benefit.

On the other hand, utilizing the ground floor or corner store to bring a food cooperative to the neighborhood allowing for access to a low cost, high quality grocery store in an area that lacks access to one, is possible. If the CHC was looking to start a food cooperative the National Cooperative Bank (NBC), the same bank that offers loans to CHC, also works with food cooperatives, making the process simpler.

An exciting development in Over-the-Rhine and Cincinnati as a whole is the creation of creative business incubators rehabilitating historic buildings in Over-the-Rhine. Cintrifuse is the highest profile of these enterprises whose mission statement states that “Its mission is to leverage the strong existing regional resources that are helping develop startups, as well as identify and find solutions for gaps, which include a lack of early stage funding flowing into the region”(Figure 2-13) (Pichler 2013). Cintrifuses members’ dedication to rehabilitating a historic structure in Over-the-Rhine could be furthered, offering the ability to expand their incubator space to a CHC located

nearby. This CHC focus could be on the type of young professionals and companies, which Cintrifuse would like in proximity.

Ohio has the distinction of being the only state, in this research, not to use the federal designated term CHC in the statutes. Instead, the state statute uses the term "housing cooperative." this make search for statutes difficult and reinforces the claim of the complexity of non-standardized statutes. Ohio defines a housing cooperative as a housing complex owned and operated by a nonprofit corporation that issues shares of corporate stock to an individual, entitling the individual to live in a unit of the complex and collects monthly maintenance fee from the individual to maintain, operate and pay the taxes of the detailed Statute 135. CHCs are eligible for homestead exemptions in the state of Ohio. Ohio Statute 135.804 defines homestead exemption for CHCs as "a unit in a housing cooperative that is occupied as a home, but not owned by an individual whose domicile is in the state." (OH. Stat §135.804, Wolter Kluwer 2012)

Many sections of the Ohio statutes are concerned specifically with the dates that certain documents must be filed. CHCs in Ohio have by the first day of the year to determine yearly taxes of the whole cooperative and then split the taxes between its tenant stockholders as if taxes paid, by percentage of square feet. Ohio §323.159 (b) states CHCs must file no later the fifteenth day of May with the county auditor's office along with application (A) §323.153 to claim for tax homestead exemption. Tenant stockholders must file for the reduction in real estate tax applications to their CHC no later than March 1, and applications must be offered by the CHC to its tenants by March 15. The CHC must file tax homestead unit information with the county auditor's office, along with any supplemental applications from §323.153 (a).

By May 1, CHCs must determine the amount of property taxes paid in previous year and attribute to each tenant homestead exemption paid, and then split cost by square footage of units (OH. Stat §323.159, Wolter Kluwer 2012). CHCs must turn in their tenant stockholders real estate tax reduction claim to the county tax commissioner's office no later than May 15. County auditors have until the first Monday in October to approve or deny real estate tax deductions from tenant stockholders. Once approved, the county auditor will record the amount in the general tax list. The CHC will be notified of the approval and reduction in real estate taxes for homestead exemption, which will reduce maintenance fee equal to one-twelfth of reduction to taxes. If the tenant stockholder is denied a homestead exemption, the county auditor is mandated to notify the applicant no later than the first Monday in October of the reason for denial. (OH. Stat §323.159(c) (Wolter Kluwer 2012). The tenant stockholder is responsible for notifying the county tax office if they no longer meet homestead exemption criteria. Tenant stockholders' homestead tax exemptions are at a disadvantage to other forms of homeownership in Ohio if they try to transfer exception of a family member, otherwise exemptions are not transferable. The dates must be met in order for the CHCs to be recognized as homeownership in order to receive tax benefits in the State of Ohio.

Furthermore, if a CHCs is created by a Mutual Housing Association (MHA), its tax status must be that of a 501c(3) granted by the Ohio Tax and Government Entities (TE/GE) office of the IRS in Cincinnati in accordance Code 6104(c) with the Federal Department of the Treasury, before the MHA creates a CHC. A MHA is a nonprofit type

of Development Corporation of CHCs, that is sole purpose, is to develop affordable CHCs (Inter Cooperative Council v. Department of Treasury 2003).

State Statutes in Louisiana

Louisiana currently lacks a physical CHC. According to the Louisiana Secretary of State's online database, several CHCs were incorporated in 2005 after Hurricane Katrina but the following year became defunct without constructing or converting a single building. The most interesting case is of the Grand Caillo Housing Cooperative, Inc., incorporated in March 11, 1957, located on a vacant lot or a small single-family home near the Interstate at 1558 Pleasure Street. According to the Secretary of State, this nonprofit housing corporation has not filed a report to update its information, but does have two officers. Having an incorporated non-profit CHC that has lacked buildings for over 50 years is strange. Nevertheless, it continues as a recognized CHC in Louisiana, eligible for state and federal funds. Since this research does not cover phantom non-profits, Grand Caillo Housing Cooperative will not be covered in this thesis (State of Louisiana Secretary of State 2013).

Since 1950, the state has had statutes that recognize CHCs as a form of homeownership. The Cooperative Housing Law of Louisiana "Foster(s) sale of decent and affordable housing in the state by enabling individuals to form cooperative corporations for developing, acquiring, owning, operating multifamily and single family units as cooperatives." (LA. Stat §12:499:1, Wolter Kluwer 2012). Louisiana is explicit in stating the inclusion of single-family homes as a part of a cooperative housing scheme, the only state statute I reviewed to reference a scattered site CHC.

As with Philadelphia and Cincinnati, New Orleans housing conforms to a pattern predating WWII, with long houses sited on narrow lots (Figure 2-14). In New Orleans'

Holy Cross Historic District, for example, the developmental pattern of ‘shotgun’ housing is the norm. A shotgun house, which can be a single or double, is a structure with a hall running on one side of the building from the front door to the back. The term refers to a bullet from a shotgun fired from the open front door that can go through the back door without hitting a wall. Shotgun houses were constructed as a vernacular African-American style of house most associated with the working class of the American South (Lienhard 1997).

The age, layout and location of the Holy Cross Historic District make this district, along with others in New Orleans, full of scattered sites comparable to Hessler CHC in Cleveland, Ohio. Spared some of the worst devastation of Hurricane Katrina in 2005, Holy Cross still suffers from abandonment and blight (Figure 2-2). Unlike neighboring Ninth Ward, it did not have substantial flooding and remaining intact but suffers from a high amount of distressed urban fabric (Figure 2-15). With the pedestrian-friendly layout and traditional neighborhood scaled commercial spaces on the corners, combing distressed historic single family shotgun houses into renovated scattered site CHC to provide affordable historic housing is a viable option for the Holy Cross Historic District (Figure 2-16).

Before, any work can be done in Holy Cross; Louisiana’s CHC statutes must be understood. Louisiana’s Cooperative Housing Law states that a CHC must adopt articles of incorporation with the title cooperative in its name and must include the following:

- Election of directors and other officials is by unit or district.
- Voting by stockholders is based on one vote per member or one vote per dwelling unit rather than one vote per share.

- That any action required or permitted to be taken at a meeting of stockholders may be taken by mail ballot.
- A method of membership representation of stockholders at meetings by delegates from units or districts, if delegates were proportional to the number of members in each unit or district.
- Redemption or recall of stock.
- Termination of membership rights and privileges of a stockholder.
- Standards for eligibility to become a stockholder.
- The allocation of net savings among the uses permitted in R.S. 12:499.9. (LA. Stat §12:499, Wolter Kulwer 2012)
- An amendment to its articles electing to become subject in order for the CHC to terminate leases it must have 80% of stock voting for it. (LA. Stat §12:499.10 ,Wolter Kulwer 2012)

For a cooperative in Louisiana to incorporate as a CHC with the Secretary of State, it must meet certain standards. The CHC must have a minimum of three tenant stockholders who reside in the state. The CHCs may not pay a dividend on their stock more than six percent noncumulative upon its stock if the transfer value of the CHC stock is restricted. (LA. Stat. §12:499 (Wolter Kulwer 2012). The statutes state that stock of CHCs is tax exempt from state corporation laws. If the CHC needs to secure a loan, Louisiana allows stock as collateral in a mortgage (LA. Stat. §12:499.11, Wolter Kulwer 2012). The Louisiana statutes clearly state that tenant stockholders in CHCs are subject to homestead exemptions. (LA. Stat §12:499.13, Wolter Kulwer 2012). Unlike Ohio, but similar to Pennsylvania, Louisiana does not outline the procedure for procuring a homestead exception from the tax auditor's office. Louisiana's statutes are untested and the least defined of the statutes reviewed for this study. Nevertheless, they are the only ones with a defined purpose. With the stated intent of the statute to utilize single-family homes as part of a CHC, Louisiana, besides being the only state to

reference scattered site CHCs, follows Pennsylvania and Ohio implying the vitality of conversion of existing structures. These structures would most likely be of a historic nature being located in state known for having an older housing stock within its cities and for its interest in historic preservation.

Municipal Ordinances in Philadelphia, Pennsylvania

Municipal ordinances regulating CHCs are the lowest level of policy in the nation. In some cities, municipal ordinances predate the federal and/or state recognition of CHCs as home ownership. As covered in the Introduction, cooperative housing developments date from the nineteenth century in New York City and the 1920s in Philadelphia (Figure 2-17). It was not until 1949 that CHCs were first recognized by the Federal Government in the 1949 Federal Housing Act and made eligible for homeownership tax credits and federally insured mortgages. The fact that in some places cooperative housing was one of the first types of multifamily home ownership also predates ordinances pertaining to condominium developments by thirty years. Some city councils passed ordinances limiting the rapid conversion and construction of condominiums and, for some reason, added CHCs to the restrictive ordinances.

Philadelphia is such a case, with municipal ordinances providing for CHCs. Except for Philadelphia, all the major cities researched in Pennsylvania, Ohio and Louisiana defer to the statutes as to housing policy. Because of a lack of municipal ordinances in Cincinnati and New Orleans, they are omitted from this chapter. Pennsylvania, and Philadelphia's policy of tenant protection, is unique and required when converting distressed urban fabric into market rate CHCs.

In the 1930s, Philadelphia was one of the major cities engaged in the development of cooperative housing (Siegler and Levy 1986, 15). Through mentioned

in books (Heskin and Leavitt 1995), a survey of early CHCs has yet to be conducted in Philadelphia. By 1978, Pennsylvania was home to 10,000 CHC units (Bratt 1978. 761). Nevertheless, while searching real estate sites online, it became apparent to me that by the 1970s the current stock of CHCs were fully developed, including a Quaker-based one, a luxury and middle class one in Center City with a limited equity conversion located in West Mt. Airy. In 1978, CHCs were grouped together with condominiums by the City Council in restricting the process of converting buildings with existing tenants. The state of Pennsylvania passed the Unified Condominium Act in 1980, invalidates the local ordinances on condominium restrictions. However, the remnant of restriction is still an ordinance in Philadelphia and requires CHC conversion sponsors to offer right of first refusal to existing rental tenants (Philadelphia, Pennsylvania Municipal Code §9-1201, 9-1206,). The ordinance also states vaguely that tenant protection must be satisfied before a building can be converted to a CHC. (Philadelphia, Pennsylvania Municipal Code §9-1204, 9-1208). A “satisfied tenant” is not exactly defined and this ambiguity could be a legal liability to a future CHC developer (Berstien-Baker 1988, 395,408). Philadelphia’s Ordinance also states that the shares of a CHC are exempt from local taxes. The research required to examine the extent to which municipal authority has the right to contradict the state and tax corporate stock transactions are subjects for future research (Bernstein-Baker, 1988, 411).

Philadelphia’s ordinance legality is questionable in its current fragmented state. The ordinance's intent of anti-gentrification is left intact. Nevertheless, the fragment is unclear and complicates the process of multi-family conversion to a CHC, with the state standardizing part of the ordinance pertaining to condominium construction and

conversion, while leaving the CHC remnant on the books in Philadelphia. A review of this ordinance is needed to ensure it complies with the Pennsylvania statutes, but is beyond the scope of this thesis. With a formal CHC not being developed in decades in Philadelphia, it appears this ordinance has not been implemented or questioned.

Federal enabling legislation recognizing CHCs as a form of homeownership by the NHA and thus eligible for homeownership tax benefits are clearly stated in the IRC. The NHA and IRC enable but do not implement CHC policy, leaving implementation of CHC law to the domain of state statutes. CHC are recognized not recognized as homeownership in all states. Pennsylvania, Ohio and Louisiana all have statutes recognizing CHCs as homeownership, thus interpretation federal CHC laws. While all three of these states requiring CHC to incorporate with their prospective Sectary of State as a non-profit housing corporation, this is where the similarities end.

CHCs being the only form of homeownership without national standardized statutes, each states statues focus vary. Pennsylvania has verbose statutes on anti-gentrification but lacks defining minimum units or state filing directions or dates. Alternatively, Ohio has a detailed and frank statute on CHC tax obligations and procedures. Louisiana's CHC statutes offer specific intent of affordable housing without any direction or detail on how a CHC should file its taxes. With varied CHC statues throughout the nation, any interested party should research their prospective state to ensure; first, the state recognizes CHCs as homeownership, thus entitled to tax benefits and secondly the prospective CHC tenant stockholders are aware of the state requirement. If statutes were standardized, throughout the nation CHC, developers could expand interstate and possible CHCs could become a larger percentage of

housing with developers understanding the unified concept. Even in its current complex state finding CHC laws and statues is not difficult for an interested party. Understanding CHC laws and statutes are required and educational and support organizations are the best way to ensure tenant stockholders of CHCs kept up to date and trained on CHC regulation.

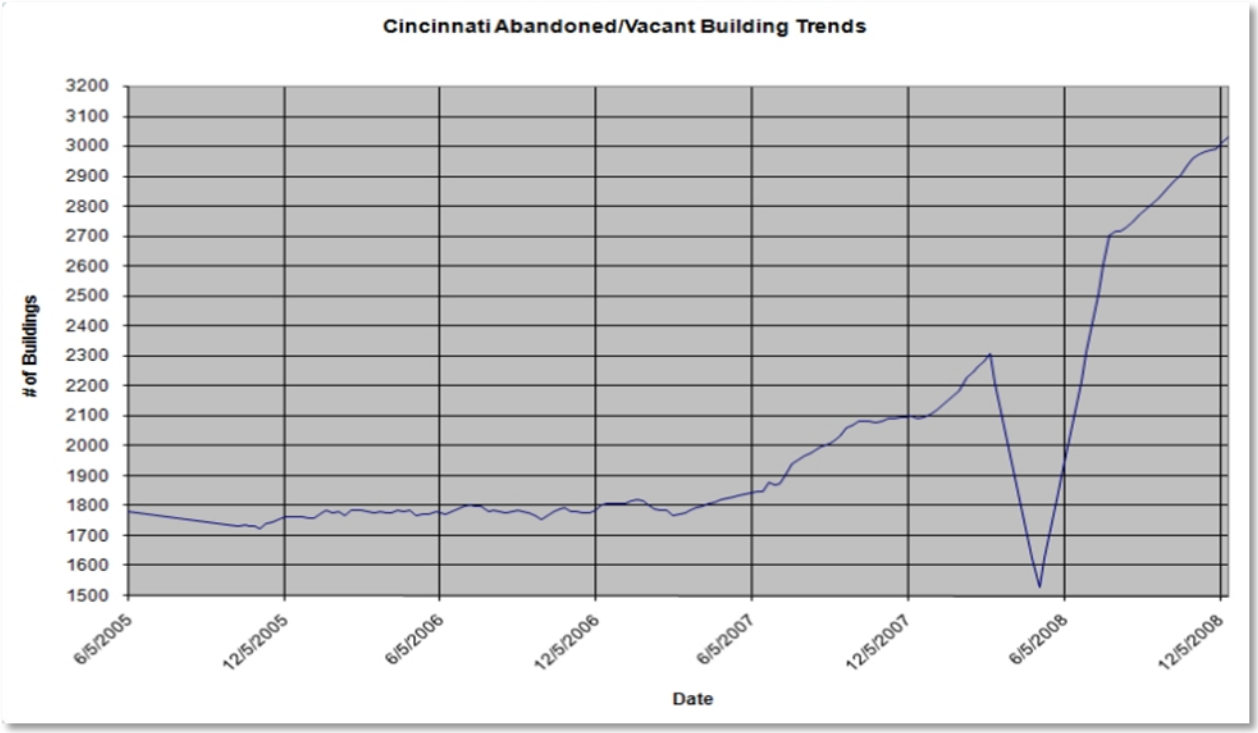


Figure 2-1 Cincinnati, Ohio, Abandoned/Vacant Buildings 2005-2008 (http://www.building-cincinnati.com/2008_12_01_archive.html, accessed 17MAY2013)

4	Neighborhood	Vacant units, 2000	Vacant units, 2010	Total change, 2000-10	Percent change, 2000-10	Share of total, 2000	Share of total, 2010	Density per sq mi of developed land, 2000	Density per sq mi of developed land, 20010	Percent vacant, 2000	Percent vacant, 2010
5	Algiers Point	263	284	21	8%	1.0%	0.6%	937	869	19%	19%
6	Audubon	476	621	145	30%	1.8%	1.3%	225	297	8%	10%
7	B.W. Cooper	226	95	-131	-58%	0.8%	0.2%	759	301	14%	23%
8	Bayou St. John	239	565	326	136%	0.9%	1.2%	576	1,374	10%	25%
9	Behrman	616	948	332	54%	2.3%	2.0%	408	625	15%	25%
10	Black Pearl	144	134	-10	-7%	0.5%	0.3%	613	555	13%	13%
11	Broadmoor	307	980	673	219%	1.1%	2.1%	551	1,733	10%	31%
12	Bywater	462	735	273	59%	1.7%	1.5%	535	839	17%	29%
13	Central Business District*	252	522	270	107%	0.9%	1.1%	249	519	21%	29%
14	Central City	2,197	3,449	1,252	57%	8.2%	7.2%	1,554	2,452	21%	40%
15	City Park	132	205	73	55%	0.5%	0.4%	58	89	8%	12%
16	Desire Dev & Neighborhood**	449	233	-216	-48%	1.7%	0.5%	240	122	22%	26%
17	Dillard	141	602	461	327%	0.5%	1.3%	153	653	5%	24%
18	Dixon	79	208	129	163%	0.3%	0.4%	329	822	11%	29%
19	East Carrollton	184	288	104	57%	0.7%	0.6%	489	760	8%	12%
20	East Riverside	245	292	47	19%	0.9%	0.6%	969	1,178	15%	18%
21	Fairgrounds	332	707	375	113%	1.2%	1.5%	382	812	10%	22%
22	Filmore	129	698	569	441%	0.5%	1.5%	110	601	4%	30%
23	Fischer Development	198	59	-139	-70%	0.7%	0.1%	1,116	313	28%	18%
24	Florida Area	253	314	61	24%	0.9%	0.7%	805	997	18%	38%
25	Florida Development	250	1	-249	-100%	0.9%	0.0%	4,260	18	39%	33%
26	French Quarter	1,734	1,984	250	14%	6.5%	4.2%	3,844	4,296	37%	43%
27	Freret	183	286	103	56%	0.7%	0.6%	949	1,459	17%	31%
28	Garden District	145	158	13	9%	0.5%	0.3%	688	729	11%	13%
29	Gentilly Terrace	306	926	620	203%	1.1%	1.9%	253	761	7%	22%
30	Gentilly Woods	116	253	137	118%	0.4%	0.5%	170	361	7%	20%
31	Gert Town	335	439	104	31%	1.2%	0.9%	460	573	18%	29%
32	Hollygrove	326	865	539	165%	1.2%	1.8%	525	1,411	11%	33%
33	Holy Cross	358	727	369	103%	1.3%	1.5%	540	1,055	15%	41%

Table of Contents / Population / Housing Units / Occupied Units / Vacant Units

Data Dictionary

Vacant units: A housing unit is vacant if no one is living in it on Census Day, unless its occupants are only temporarily absent. Like all structures considered to be housing units, a vacant unit must be closed to the elements. Vacant units include:
- short-term vacancies such as homes that are for sale and for rent,
- long-term vacancies such as homes that have been boarded up and are in need of repair in order to become habitable, and
- homes temporarily occupied at the time of enumeration by individuals who have a usual residence elsewhere (e.g. "seasonal" housing).

Share of total: The percent of the city's vacant units found in a particular neighborhood. In other words, the vacant units of a neighborhood divided by the total vacant units in New Orleans.

Density per sq mi of developed land: The number of vacant units per square mile of developed land. Developed land is land developed for residential, commercial, industrial and transportation uses. Developed land does not include forests, water, grasslands, farmland and wetlands.

Figure 2-2. Sample of Neighborhood Vacancy rates in New Orleans, Louisiana, including Holy Cross 2010 (http://www.gnocdc.org/PopulationLossAndVacantHousing/)

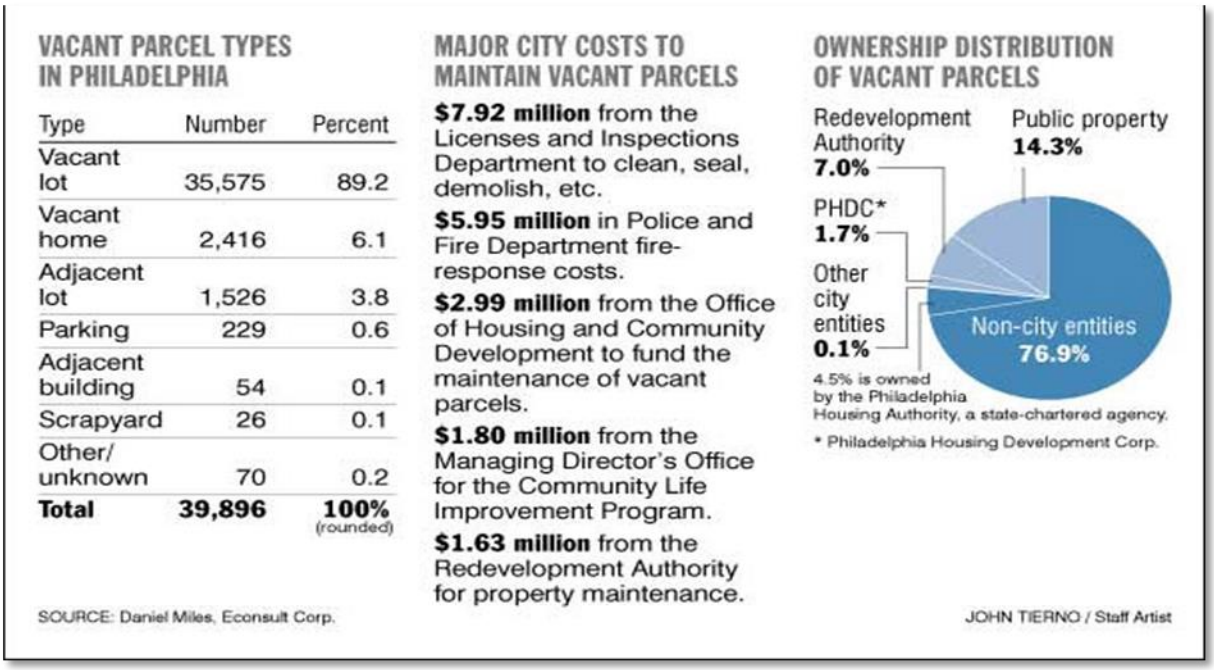


Figure 2-3. Vacancy statistics in Philadelphia, Pennsylvania, 2010 (http://articles.philly.com/2010-11-11/news/24953490_1_properties-city-agencies-blight, accessed 17MAY2013)

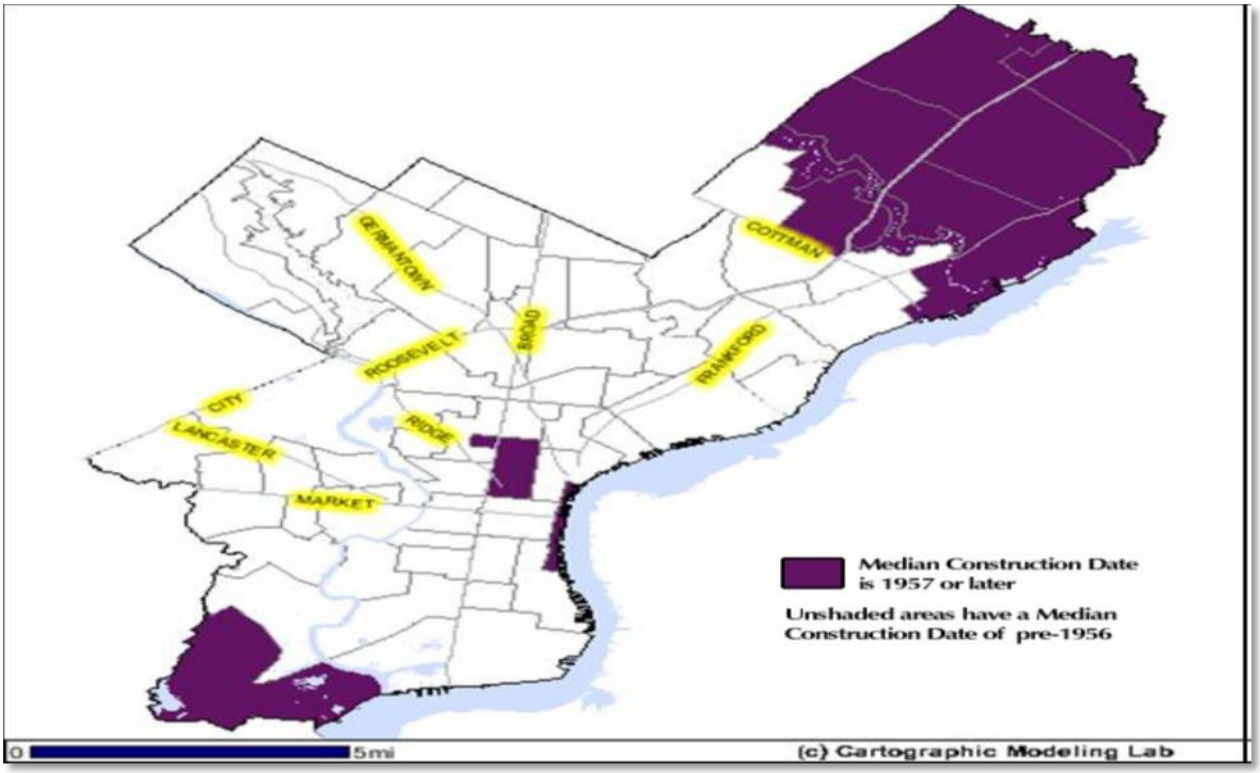


Figure 2-4. Median Construction Age of Buildings in Philadelphia, Pennsylvania, 2010 (Cooperman and Kegerise 2007)

Figure 2-5. Girard Estate Historic District satellite view in Philadelphia, Pennsylvania, 2008 ((Philadelphia Historical Commission, http://forum.skyscraperpage.com/showthread.php?t=149003, accessed 16MAY2013)

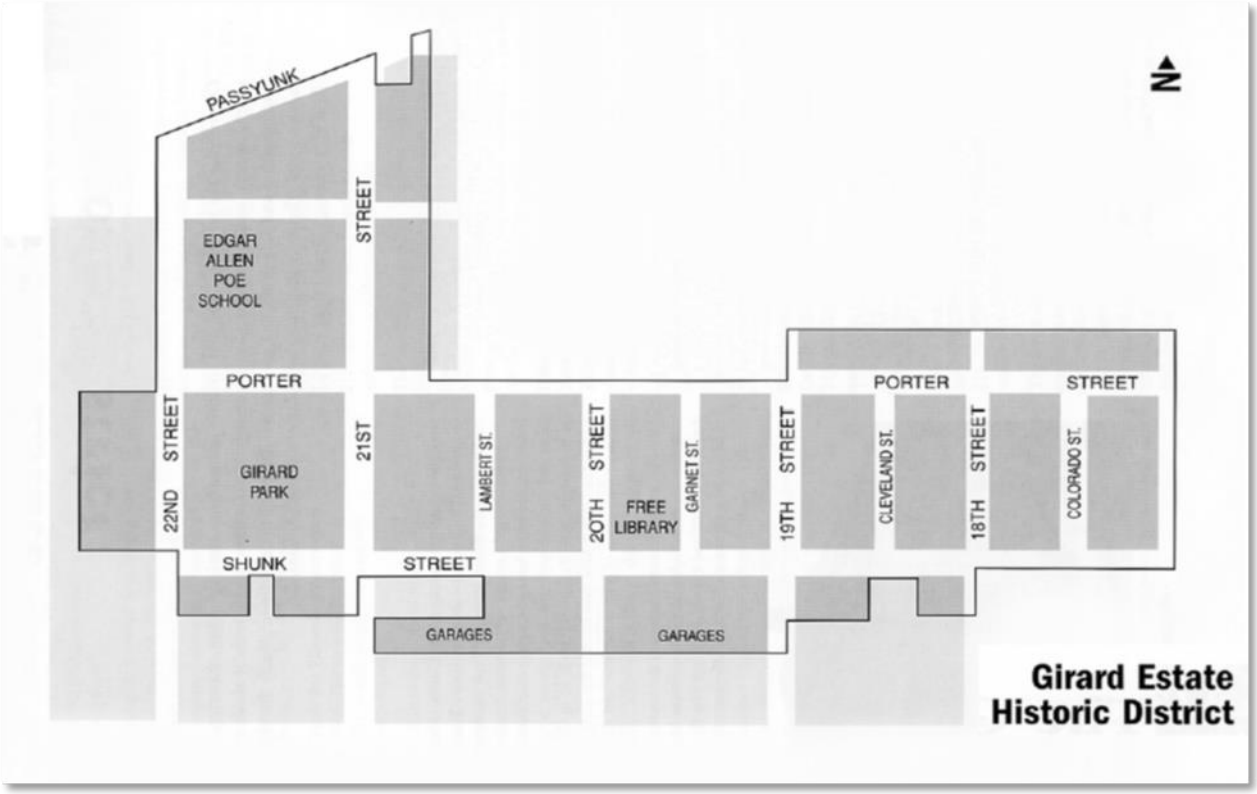


Figure 2-6. Girard Estate Historic District Map, Philadelphia, Pennsylvania, 1999 ((Philadelphia Historic Commission, http://www.phila.gov/historical/pdf/WEBSITE%20DISTRICT%20PAGE/Girard%20Estate%20Map.pdf, accessed 16MAY2013)

Figure 2-7. Girard Estate Historic District Streetscape, Philadelphia, Pennsylvania, 2008 (http://forum.skyscraperpage.com/showthread.php?t=149003, accessed 16MAY201)

Figure 2-8. South Philadelphia Streetscape with Commercial Storefront adjacent to Girard Estates Historic District on Snyder Ave, Philadelphia, Pennsylvania, 2013 (http://listings.realbird.com/Real_Estate/drhanh-net-Girard-Estates-Townhouse-listing/Philadelphia/PA/E8E6C8C8/55717.aspx?tab=photos, accessed 17MAY2013)

Figure 2-9. 1930 Insurance Map of the Over-the-Rhine Historic District, Cincinnati, Ohio, (OTR Foundation, http://www.otrfoundation.org/Historic Preservation.htm, accessed 17MAY2013)

Figure 2-10. Destroyed Historic Fabric of Over-the-Rhine Historic District, Cincinnati, Ohio, since 1930-2006 (OTR Foundation, http://www.otrfoundation.org/Historic_Preservation.htm, accessed 17MAY2013)

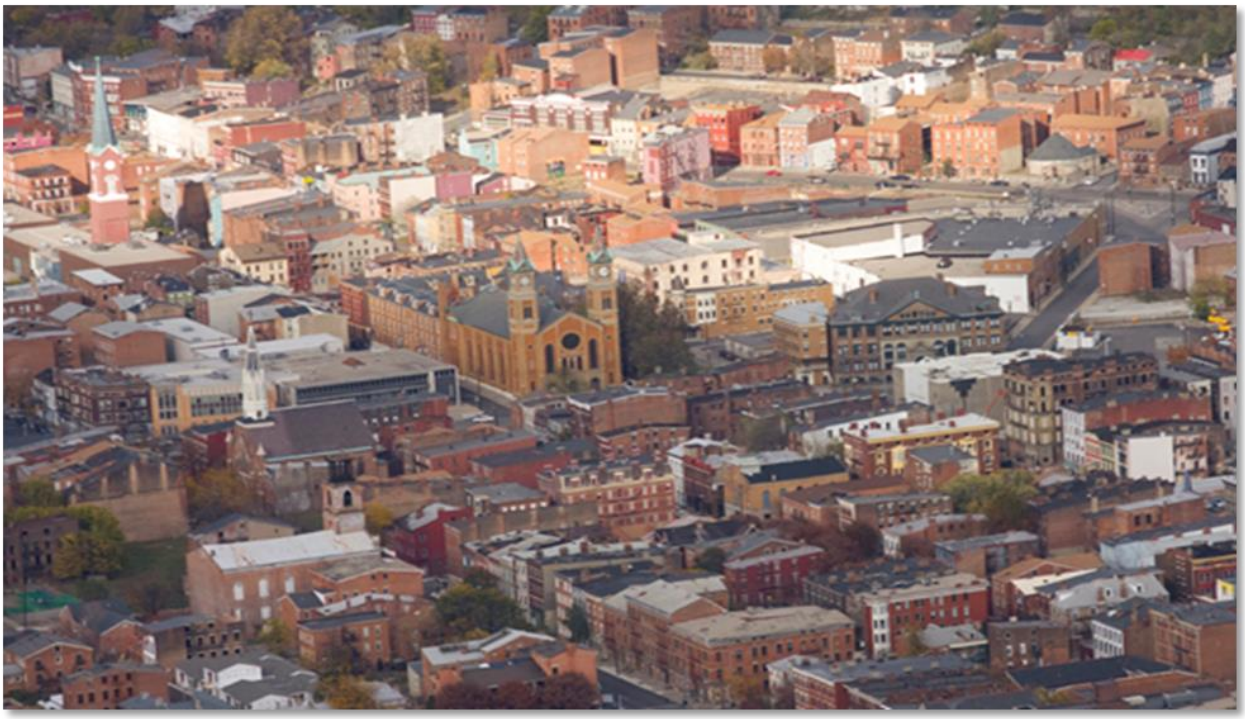


Figure 2-11. Birdseye view of Over the Rhine Historic District, Cincinnati, Ohio, and 2008 (Queen City Discovery, http://queencitydiscovery.blogspot.com/2008/11/queen-city-from-sky-aerial-photos-from.html, accessed 17MAY2013)

Figure 2-12. Findlay Market in Over the Rhine Historic District, Cincinnati, Ohio, and looking west 2010 (photo by marty5 at flickr.com, accessed 17MAY2013)

Figure 2-13. Cintrifuse's new office in Over-the-Rhine Cincinnati, Ohio 2013 (Cintrifuse's Facebook Photo Page, https://www.facebook.com/photo.php?fbid=570096236354052&set=pb.461089453921398.-2207520000.1369850006.&type=3&theater, accessed 10MAY2013)

Figure 2-14. Map of Holy Cross Historic District, New Orleans, Louisiana, 2011 (City of New Orleans Historic Landmark Commission, http://new.nola.gov/nola/media/HDLC/Historic%20Districts/HolyCross.pdf, accessed 17MAY2013)

Figure 2-15. Map of neighborhood elevations with Holy Cross lower right adjacent to the Lower Ninth Ward, New Orleans, Louisiana, and date not listed (University of New Orleans Community Elevation Project, http://www.uno.edu/chart/community-elevation-project/neighborhood-map.aspx, accessed 17MAY2013)

Figure 2-16. Holy Cross Historic District street view, New Orleans , Louisiana, 2007 (National Trust of Historic Preservation, http://www.preservationnation.org /magazine/2007/september-october/block-by-block.html#.UZbH-i7D8cA, accessed 17MAY2013)

Figure 2-17. Rittenhouse Plaza CHC 1927 Philadelphia (Center), Philadelphia, Pennsylvania, January 12, 1926 (The Library Corporation of Philadelphia, Apartment Houses, Rittenhouse Plaza, Http://Www.Lcpimages.Org/ Inventories/Jennings/Aptbldgs/Jenningsp9479-214161plaza.Jpg, Accessed 28May2013)

CHAPTER 3
SUPPPORT AND EDUCATIONAL ORGANIZATIONS

CHCs being based on 19th century English Rochdale Principles require a great deal of participation of the tenant stockholders. Rochdale Principles dictate a CHCs administrative structure is democratic and tenant controlled hence, the term 'cooperative' for all the cooperation required of tenant-stockholders in the CHC, more so than the condominium concept (Figure 3-1). Other forms of homeownership owners are independent in finance, tax and maintenance decisions. Single-family homeowners take control of all aspects responsibilities of their house, condominium are limited to control over their unit and limited control on public spaces. In either of these cases if there is a bad neighbor the neighborhood or condominium cannot evict or force a delinquent to leave in a CHC the tenants can. With CHC being a communal organization run by tenant stock holders and requiring a joint mortgage and shared ownership in the building requiring educational training and support to administer a CHC as a communal organization. Having such control and a communal administrative structure is a benefit, but in the communal structure if some tenant does not pay their share, the others must make up the difference or the CHC will fail. Because of this risk of communal failure, education of the tenant stockholders is critical and required for funding.

In order to receive long-term financial support, HUD and the NCB require training of the board members in a CHC. For the most part, a condominium is developer-led with a for-profit company or by a real estate professional with the occupancy rights and mortgages separated to the owners units. Support and educational nonprofits organizations are critical for educating the tenants. From my

limited expirations, the real estate education departments at universities lack CHC development and support from their foundational teachings, thus limiting knowledge of CHCs to real estate professionals. This exclusion would be a fascinating subject for further research. Nevertheless, professional originations fill the educational gap.

CHCs highest administrative body is the board of directors. The board of directors of a CHC is usually over other specialty boards including, but not limited to, finance, membership, maintenance and legal. Depending on the size and bylaws of the CHC, these boards can combine, having the same members on multiple boards and committees or with separate members. The upside to all this tenant interaction is engagement and democracy at its finest. On the other hand, as has been the case, mismanagement or incompetency of the board can lead to loss of tax benefits and in some cases loss of the whole CHC as seen in the failures of all CHC in Louisiana and all but Hessler in Ohio (Marcus 2011) (Ohio Secretary of State 2012) (State of Louisiana Secretary of State 2013).

The success of Hessler Road CHC in Cleveland long-term success would not have been possible without the early support of local, now defunct, cooperative housing support or the established Midwest Association of Housing Cooperatives both of who provided tenant and board training and legal support. CHC support origination recognized by the National Association of Housing Cooperatives support all aspects of their members from legal and tax issues down to daily matters. CHCs can join these voluntary organizations for longer periods or just at the beginning to get their board trained and CHC setup, then internalizing the training from one generation to another, as is the case with Hessler.

Parties with an interest in converting distressed historic building into a new CHC will require training for the new tenants. This chapter will look into the national and regional CHC support and educational organizations available to a new CHC in the states of Pennsylvania, Ohio and Louisiana. It will not cover the history of the defunct CHC state and local support organizations once located in Philadelphia, Cleveland, Dayton, Cincinnati or New Orleans; those smaller organizations for some reason did not survive into the 1980s.

National Level

National Association of Housing Cooperatives. The National Association of Housing Cooperatives (NAHC), based in Washington D.C., is the most prominent national advocacy and educational organization of CHCs in the nation. Founded in 1960, the NAHC represents three million tenant-stockholders of all types of CHC nationally. The NAHC structures itself as a national representation of its recognized regional affiliates; these regional affiliates will be discussed later in this section.

Member Associations of the NAHC:

- CSI Support & Development
- California Association of Housing Cooperatives
- Cooperative Housing Association of New England
- Council of New York Cooperatives and Condominiums
- Delaware Valley Association of Housing Cooperatives
- Federation of New York Housing Cooperatives and Condominiums
- Midwest Association of Housing Cooperatives
- New Jersey Federation of Housing Cooperatives
- Potomac Association of Housing Cooperatives

- Southeast Association of Housing Cooperatives (National Assocaiton of Housing Cooperatives 2011)

However, in a recent change of policy the NAHC has allowed a limited amount of CHCs to become direct members of the NAHC without a regional representative organization, a change that allows CHCs to have several options in regards to support organizations throughout the nation. The reason for this direct form is attributed to the member CHC wanting direct representation by the NAHC and not through a regional representative. Currently the NAHC advocates for CHCs and is the national lobbyist for CHCs in Washington, D.C. Further, the NAHC offers programs similar to its regional representatives, such as educational and training programs for CHC managers and boards. Manuals and an online reference library for members, along with technical assistance and a monthly newsletter, are offered to members. These programs and services ensure that members CHC in areas without regional representation or with less developed organizations are still receiving training and education that boards require (National Association of Housing Cooperatives 2012). (Coughlan Jr. and Franke 1983, 211) (Marcus 2011, 3-4).

NAHC's offers several training courses for CHC executive boards; one such course is the "Roles, Risks & Rewards - The 3Rs for Co-op Boards Training Course". In this training course the roles and responsibilities of a cooperative's executive board is covered in a six-hour training course designed to educate board members and others on the effective governance and management of a housing cooperative. The course focuses on your own governing documents, including cooperative's bylaws, regulatory agreements, articles of incorporation, occupancy agreement, which are important for an executive board to be aware of in order to administer a CHC(Board Training, NAHC

2013, coophousing.org/DisplayPage.aspx?id=144&bMenu=152&bItem=144, accessed 10JUN2013)

In 2011, the NAHC hired consulting group Bostrom to reorganize the association to promote “Positioning for future growth through strategic planning” with a goal of improving outreach to CHCs and to advocate for the development of new CHCs. This is the first time the NAHC brought in an outside company to reorganize and promotes growth of CHCs (Brockway 2011). The NAHC representation of CHCs on a national level is supported by regional efforts through independent “Regional Associations”. The Midwest Association of Housing Cooperatives (MAHC) covers the largest number of states from Washington to Massachusetts, with a focus on CHCs in the Midwest, while the newest member, the Delaware Valley Association of Housing Cooperatives, focuses on the Philadelphia region (DVAHC) (Marcus 2011)

Regional Level

Philadelphia, Pennsylvania

The Philadelphia area is represented by the newest regional affiliate of the NAHC, the Delaware Valley Association of Housing Cooperatives, founded in 2009 and the smallest of the NAHC with four CHCs with 202 units. While it is the youngest member, the DAHC representatives cannot yet vote in NAHC matters because they lack the 600 units required to have voting rights. As of 2012, only two CHCs in Philadelphia are members of the DAHC. Even with a city history of CHC, DAHC is challenged with CHC’s that “never attempt to interact with each other” (National Association of Housing Cooperatives 2011). The isolation of CHCs in Philadelphia could further be highlighted by the different intent of the several established CHCs in Philadelphia. For example, a historic 1920s luxury co-op on Rittenhouse Square refused to answer any questions for

my research to protect its residents from outside interference to a CHC. On the other hand, the West Mount Airy neighborhood has a recent history of progressive social activism dating from its formation from a rent strike from the 1970s, similar to the case study of Hessler Road in Cleveland. Finally, there is a large middle class CHC dating from the Kennedy Admiration in the Logan Square neighborhood. It can be seen that the few CHCs in Philadelphia vary greatly in focus, accessibility and income. Even with these challenges, the DAHC vision is to bring together these varied CHCs together for a unified organization representation in the City of Philadelphia. As a side note, as of 2013 the DACH website is no longer active, the contact email defunct, and a new contact not available.

Cincinnati, Ohio

Cincinnati along with the state of Ohio traditionally was the home to several local and regional CHC support originations. At the time of Hessler Road CHC founding in the 1979, CHC support and education organizations were found in Cleveland, Dayton and Cincinnati. By the early 1980s, these organizations became defunct except for the Midwest Association of Housing Cooperatives, representing lower income CHC in Ohio, but based in Michigan (Coughlan Jr. and Franke 1983) (Ohio Secretary of State 2012).

MAHC involvement with Ohio dates from 1975, when its leadership traveled and held seminars throughout Ohio, representing three cooperatives in the Cleveland area, two in Dayton and one in Cincinnati, both of who as of 2012 have let their incorporation filing become delinquent with the State of Ohio. Since this time, MAHC has become the largest regional CHC support and education organization in the country. It is now national in focus, representing member CHCs from the Atlantic to Pacific Coast (Fig. 2-2). The cooperative in Cincinnati working with MAHC was, or is, according to the

Secretary of State, a low-income cooperative whose incorporation status is suspended as of 2012 (CHC incorporation list, (Ohio Secretary of State 2012)). This was a limited equity cooperative, nevertheless the support services of board training, publications, advocacy and education is applicable to all types of CHCs.

Hessler Housing Cooperative CHC in Cleveland during the early days of the cooperative up until the early 1990s has been a member of the MAHC and utilized the training and support available. Being a small CHC with little turnover of units, Hessler's Board deemed it unnecessary to continue membership and has an internal programs for new members and has an attorney with legal experience in CHC in case of legal advice. (Cogger 2013)

MAHC as of 2013 offers courses taught to CHC boards and members, training them in the responsibilities of successfully administrating a CHC. Some of the courses offered focus issues affecting CHC on the following topics:

- Financial Management
- Understanding Management Contracts
- Evaluating Cooperative Management
- Membership Selection and Orientation
- Identifying and Solving Financial Problems
- Communication

The MAHC further offers seminars focused for executive boards concerns covering the following issues,

- Role and Responsibility of the Board Legal Liability of Directors
- Co-op Security Maintenance
- Developing Community Services Newsletters
- Energy Conservation
- Purchasing
- Encouraging Participation

In addition to these courses, seminars are held throughout the year, which can be conducted at yearly conventions or at the member CHC. The MAHC further ensures its member's CHCs are administering correct internal policy by providing Certified Cooperative Maintenance Manager (CCMM) certification classes for Maintenance Personnel.

MAHC further offers the Certified Cooperative Manager (CCM) course for managers and assistant managers of CHCs. Covered in the sixteen-hour class are the following topics:

- Fair housing policy
- Ethics
- Legal structure of a CHC
- Internal policy creation
- Decision-making
- Financial integrity
- Battling the renter mentality in today's cooperatives

Furthermore, the MAHC sends out monthly newsletters similar to the NAHC alerting member CHCs of news and policy changes effecting CHCs. If these steps are not enough for a struggling member, the MACH can send a 'Cooperative Assistance Team' to visit the member CHC and work with the board to recommend solutions to the pressing problems they face. In addition to the MACH work with members, it has the ability to legally represent and lobby for members CHCs in situations as needed (Dau 2009) (Midwest Association of Housing Cooperatives 2012).

Being a member of such an established support and educational CHC organization does not always correlate to a successful CHC. MAHC, being a voluntary organization, cannot force its members to take advantage of its services. Cases in point are the CHCs in Ohio. All of the current members of MAHC as of a 2009 (Figure 3-2)

have lost their status as a CHC in the state of Ohio by not filing annual paperwork required by the statutes (Ohio Secretary of State 2012). Only Hessler Road CHC, a former member, is up to date on the CHC annual filling. As covered in the previous chapter, the State of Ohio statutes are the most detailed and exacting of the states examined in this research.

New Orleans, Louisiana

As stated in the Louisiana Statue section of Chapter 2, New Orleans is home to only one CHC recognized by the Louisiana Secretary of State. The Grand Caillou Housing Cooperative dates back to 1957 and has does not have tenants, building or records, but somehow is recognized by the state as a non-profit as of 2012. With the mailing address and administrative contact being a vacant lot or a small single family house, as previously stated, the disparities in this housing entity is for a another thesis, probably in the law school.

The history of CHC support organizations in the New Orleans metropolitan area is one that on paper reflects the attention New Orleans received, post Hurricane Katrina. By March 13, 2006, a year after Katrina, a group incorporated as the New Orleans Cooperative Housing Association, then in 2008, filed its last annual report to the Louisiana Secretary of State becoming listed as inactive by the state. By becoming inactive without becoming an active support organization for CHCs in New Orleans, the association joins several ill-fated groups who, according to the Louisiana Secretary of State, tried to form a CHC in New Orleans after Hurricane Katrina and failed by 2008 (State of Louisiana Secretary of State 2013).

This evidence of failure in New Orleans is not a terminal as might first appear. As covered previously, the MAHC supports and educates its members located from Seattle

to Boston. Adding New Orleans to their map fits in with their national focus. What New Orleans needs is an established organization to educate and support the tenants and nonprofits who want to convert distressed buildings into a scattered site CHCs. With this support, financing from the National Cooperative Bank and HUD will be easier to gain. Professionalizing the conversion process and educational support of new CHCs in New Orleans will greatly improve the long-term success of the scattered site CHCs. From what information I have found, the previous attempts to create CHCs in New Orleans were by isolated individuals and not a concerted effort (Mazzucca 2002). (Midwest Association of Housing Cooperatives 2012)

CHC support and educational organizations are important elements in ensuring tenant-members of CHCs are well equipped to administer the cooperative leadership format of a successful CHC. Nationally representing CHCs in the legislative processed the NAHC in Washington D.C, to establish regional support organizations, such as the MAHC, there are many qualified professionals available to help and support a new scattered site CHC form in the states of Pennsylvania, Ohio and Louisiana. With regional CHC support organizations not available in every area, the NAHC should be considered a primary source for a developer of a scattered site CHC. When starting a new CHC training the executive board is critical to ensure the CHC runs well and meets all legal requirements

The decline of local CHC support organizations in the last thirty years can be reversed with a critical mass of CHCs in an area, such as seen in New York City. The question at the municipal level is what will come first, a support organization to promote CHCs or a new CHC with its members starting a citywide support organization. What

are needed are qualified individuals who are knowledgeable in the complex process of CHC development in Pennsylvania, Ohio and Louisiana, with the support of the NAHC and MAHC to revive the local support and educational support organizations in these states. Understanding the laws, statutes and support organizations that a CHC require are important but, financing a CHC is just as critical and the specific types of funding a CHC require will be examined in the next chapter.

Cooperative Housing Comparison Chart

	Cooperative	Rental	Single Family	Condominium
Ownership	The residents are shareholders in a corporation that owns the property. Owning a share entitles you to occupy a unit.	Tenants own nothing. On expiration of lease, tenants may be forced to vacate.	Owners acquire individual title to their dwellings and yard.	Unit "air space" owned by individual, plus an undivided share of common elements.
Monthly Cost	Members pay the Co-op for their share of the actual operating cost, building mortgage, and real estate taxes, based on the non-profit operation of entire community.	Tenants pay rent specified in lease.	Owner must make his or her purchases of whatever is needed, often at higher retail costs. Owner makes mortgage and tax payments to lender.	Same as cooperative, except mortgage payments and taxes are paid directly to the lender.
Move-in Cost	New members buy their share in the cooperative and also pay the first monthly charge in advance.	Usually one month's rent is paid as as ecurity deposit, plus the first month's rent.	Purchaser must buy the property, usually with a mortgage with a down payment of at least 5% and closing costs of 3% or more.	Same as single family, plus first month's condo fee and often a "contribution to capital" of 1-2 months' fee.
Community Control	Co-op resident members elect their board of directors, which decides all policy matters. The Board usually sets up several committees to help run the community.	Renters usually have no voice at all in establishing and maintaining community standards.	Individual owners have no jurisdiction over their neighbors.	Condo owners, like cooperatives, elect a board of directors.
Community Service	Co-ops provide a natural base for service and activity desired by its members.	Provided at discretion of landlords.	On your own.	Condos similar to co-ops, unless limited by state law.
Federal Tax Benefits to Individuals	Your 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.

Figure 3-1. CHC comparative housing chart 2012 (http://www.coophousing.org/DisplayPage.aspx?id=48, accessed 28MAY2013)

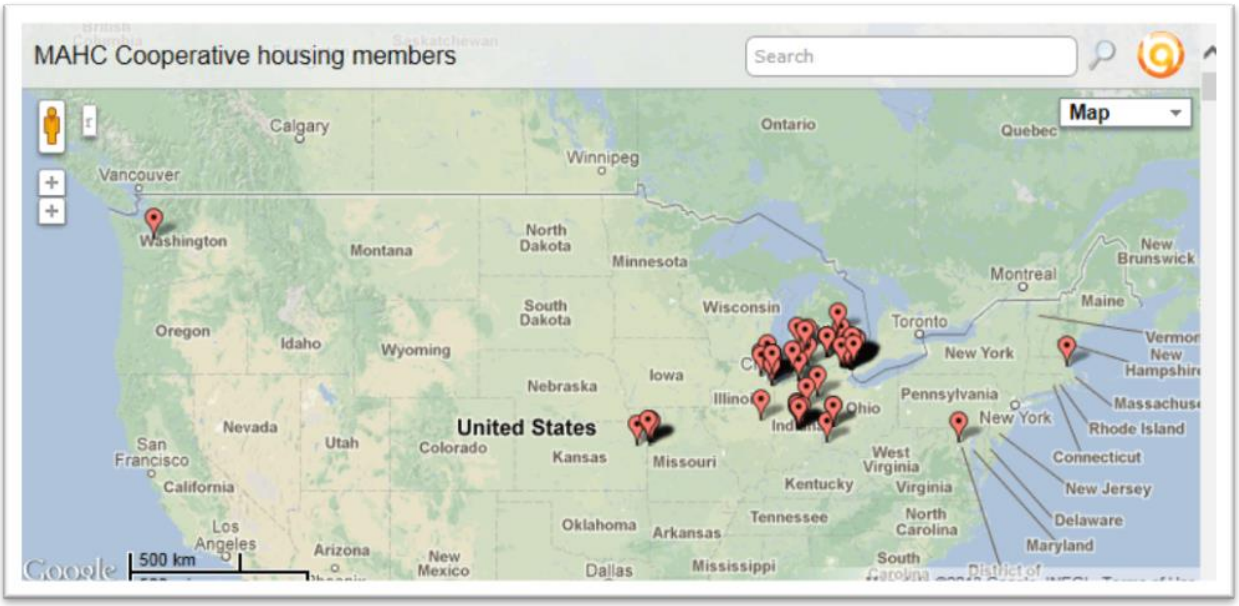


Figure 3-2. Map of MAHC member CHCs (http://www.mahc.coop/Coop%20map.html) accessed 28MAY2013)

CHAPTER 4
FINANCIAL PRODUCTS

Because Cooperative Housing Corporations are a specialized form of homeownership concentrated in a few areas nationally, most regional banking institutions do not offer any type of financing for a developer or a potential tenant stockholder. This is not to say that financing for CHCs cannot be found. For the most part organizations that have an interest in CHCs are located in areas with a concentration offers multiple sources of funding. CHCs require specialized financing compared to other forms of homeownership. A mortgage is issued to the CHC itself and tenant stockholders pay a percentage of the mortgage, known as a blanket mortgage. This communal approach to a mortgage has the advantage of keeping ownership cost lower than a condominium complex with individual mortgages for each unit. With the CHC owning all units and tenant stockholders having shares that require occupancy, rights of a unit for share individual mortgages are not applicable. A potential tenant stockholder is likely to have an individual share loan for their unit. A share loan is a loan taken out by a tenant to purchase a share of CHC stock enabling the tenant to take control of a unit (Figure 3-1 in Chapter 3). With share loans tied to the price of occupancy share of the CHC equity, a limited-equity CHC can cost only a few thousand to several million in New York City.

A tenant of a CHC usually pays a combination of interest on a share loan and an assessment fee for services provided by the CHC. As with a condominium, the upfront cost of a share is only part of the cost of homeownership. Having a CHC share encompasses the responsibility of paying a percentage of a blanket mortgage on the whole CHC, the biggest risk of being a tenant stockholder is if a fellow tenant

stockholder does not pay his share, then responsibility to make up the difference falls to the other stockholders. Having the responsibility of the CHC board to screening the admissions of new tenant stockholders to ensure they can meet the financial requirements of being a tenant stockholder.

On the private sector side, the National Cooperative Bank for the last three years has been the largest lender to new and established CHC Since the NCB's founding its focus on CHC has been constant. While other banks such as Chase, Wells Fargo, PNC, BB&T and smaller financial institutions offer a multitude of financing in regions with a concentration of CHCs, only NCB and HUD offer national funding opportunities. Federal financing is also available by FHA Section 223, administered by HUD (DC Cooperative Housing Coalition 2013). Unlike the private sector, HUD requires specific criteria for funding, such as insurance being required by applicants CHCs and a market analysis of the prospective area the CHC will occupy in order to analyze its competitive location and a demand in the area (D. Stevens 2010) .

Insurance

When converting distressed urban buildings into a scattered site CHC in a distressed historic neighborhood, the required insurance might be difficult to option. As was once the case in urban centers with the discriminatory red lining in minority and low-income areas, because a perceived higher risk to insurance companies, some have had difficulty in accessing affordable insurance policies. With this history of urban discrimination in the insurance and finance industries, the federal government has banned insurance companies from discrimination against distressed neighborhoods. The Fair Access to Insurance Rates (FAIR) act mandates that insurance be available to those in areas where private insurance companies are less likely to insure. Insurance is

required for a mortgage and financing, so without insurance a CHC in a distressed neighborhood cannot exist. Furthermore, other federal acts have been passed in recent years to deal with discrimination, which affect CHCs such as the Fair Housing Act (FHAct) and the Community Reinvestment Act (CRA). The importance of distinguishing restrictions of the FHAct with legality financial and criminal past restrictions by admission boards CHC are well documented and are not covered in this research (Coughlan Jr. and Franke 1983, 109).

Federal Funding

Federal funding originating from HUD is one of the most complex components of this research. With multiply overlapping and contradictory funding programs reform is needed and required to ensure these programs become accessible and viable for their original intent of funding CHCs. Currently, they are underutilized with new and existing CHCs preferring to go to the private sector for their funding needs.

Since the 1949, National Housing Act first federally recognized CHCs as a form of homeownership and eligible for federal tax benefits. It also includes Federal Housing Administration (FHA) funding for market rate CHCs. Section 213 of the FHA backed mortgages and Section 213 created dedicated funding for the construction or conversion of existing buildings into middle income CHCs. FHA Section 213 financing administered by HUD encompasses 40-year level payment loans of up to 97 percent of the FHA estimate of replacement cost over the next 20 years of the development. Since 1950, Section 213 enabled CHCs to be created for more than 100,000 families. Nevertheless, the fund has a history of being underutilized, especially in the last few decades One part of the FHA (Section §223) states that CHCs are eligible for federally insured mortgages under the Multifamily Housing Development Agency (MHDA)

administered by HUD. In order to be eligible for a federal NHA Section 223 mortgage, extra requirements apply to a greater degree than some private loans. The requirements for extra cash reserves and maintenance plans increase the overall amount of fees a CHC must pay, but it is required to ensure the CHC has long-term funds reserved for replacement of mechanical systems and maintenance repairs. Some CHCs have chosen to refinance at a lower rate with private banks that do not require this reserve, but they are then at their own risk of being unprepared for large expenses in the future of the building. These differences in requirements for different types of mortgages available to CHCs are explored further in the chapter on CHC finances later in this thesis (D. H. Stevens 2010).

The NHA Section 213 defines the types of mortgages available to CHCs. These mortgages are available for existing CHCs for development or refinancing. This section of the NHA provides for development loans for conversions and constructions of new cooperatives housing units. This federal program has been underutilized by developers of market rate CHCs for decades. Only United Properties located in Minnesota currently takes advantage of this mortgage for new construction of a few senior cooperatives. United Properties successful development of new CHCs utilizing this funding demonstrates how those who understand the process of creating new developer-sponsored CHCs in the United States can utilize this federal funded mortgage (D. H. Stevens 2010). The reason for the underutilization status of Section 213 as fully funded middle class CHC developmental program could be explained because of a lack of new middle class CHC being developed. Having such a program funded and available for CHC conversions of scattered site distressed historic buildings

should be considered a resource worth exploring for future development (Current Cooperative Development News 2010).

Federal funding opportunities further include FHA sections 221(d) and 236 that provide financing for moderate income CHCs with a 100% loan to value of the CHC. The restriction to moderate income is not clarified numerically or percentage of local incomes in the forms provides, but it requires incomes to adjustment to inflation, if there were terms found would need to be reset. FHA Section 221(d) and 236 unlike Section 213 are for refinancing of existing mortgages on middle income CHCs. Therefore, if this was put in order of usage by a new CHC created from scattered site historic buildings, Section 213 would create the CHC and Section 221(d) and 236 would be utilized to provide funding for a blanket mortgage and other long-term expense. (Summer 2011 NAHC 16)

HUD further offers Section 234 mortgage insurance program to private mortgage companies who loan to CHCs. Section 234 is administered by the Multifamily Housing Branch of HUD, separately from the other funding covered in this section. To further the confusion of HUD's involvement in funding, sometimes it directly and other times through FHA provides funding for CHCs, (Coughlan Jr. and Franke 1983, 123). Multifamily Accelerated Processing Guide, Section 223 does not cover 100% of a CHC mortgage. It only covers up to 35 years at 75% of remaining economic life of property, whichever is less (Stevens 2010, 2). The complex regulations and disjointed funding HUD offers further limiting with a restriction of funding only CHCs in areas with "a strong market understanding and acceptance of cooperative housing" while also requiring the availability of share loans for tenant stockholders is available. This

requirement would, if enforced, limit any HUD-backed loans to be made in Louisiana, because the state lacks any CHCs. While this requirement is limited on from a federal prospective, loans are available with the National Cooperative Bank, at a lower cost (Stevens 2010, 5). HUD also requires refinancing a CHC's mortgage 223 detailed rent rolls with the following:

- Tenants names
- Unit number
- Location
- Mailing address
- Whether unit is occupied (Stevens 2010, 5)

The CHC must have at least five residential units for three previous years in order to qualify for a mortgage (Stevens 2010, 4). Before HUD will insure a mortgage for a CHC, the requirements must be met with a management plan that includes the following:

- Type of Management
- How Management will report to CHC board
- What Staff (if any) will the CHC board hire directly and personnel policy that apply
- Plan for marketing unfilled membership shares
- Maintenance and repair program
- A plan for managing revenue collection
- A cash management strategy and accounting procedures (Coughlan Jr. and Franke 1983, 151)

Besides HUD and FHA, federal programs are increasing the lending rates to CHCs. Through the U.S Treasury, the Department of Community Development, Financial Institution awarded 1.5 million in equity to loan to residential manufactured housing CHCs in 2011 (National Association of Housing Cooperatives Winter 2010).

FHA 213 differs from FHA 223 in the types of mortgages available to CHCs. FHA 223 mortgages are for existing CHCs, while FHA 213 provides for development loans for conversions and construction of new cooperative housing units. This program is currently underutilized. Only United Properties located in Minnesota currently takes advantage of this mortgage for new construction, senior cooperatives (Stevens 2010). Section 213 and United Properties will be explored further in the Finance and Case Study sections.

One of the greatest hurdles to utilizing the 223 FHA program is that it is not intended to finance rehabilitations of existing structures in order to refinance existing mortgages. CHCs are also required to estimate the total gross sellout value of the buildings to receive FHA funding. This requires factoring the price per square foot multiplying the square footage of the building and adding the unpaid mortgage balance to get the gross sellout plus the value of the mortgage to get the sellout price of the CHC (Table 4-1).

The complexity of forms required HUD and FHA for funding is not without a guide. FHA supplies a model forms package for CHC including all the forms required for HUD/FHA funding. With FHA being administered by HUD the intermixing of terms and agencies in these forms, at first viewed appear contradictory, never the less they are all under the authority of HUD. When viewed it could be daunting to a first time developer or interested party. Compared to the services offered by the NBC for interested developers of a CHC along with the support team the NCB offers, compared to no professional support listed by HUD. Improvement in HUDs processes are needed (D. H. Stevens 2010)

Private Funding

In 1978, Congress created the National Consumer Cooperative Bank. Later its name was changed to the National Cooperative Bank (NCB), with the mandate to make funding available to cooperatives including, agricultural, energy, food distribution and housing. With the privatization agenda of the Reagan administration, The NCB became a private bank in 1981. Even though it was a private bank, the NCB has the distinction of being regulated differently from other private banks by the Farm Credit Administration (FCA). The NCB fall under the FCA, because the bank provides an important role of supporting all types of cooperatives, including rural farming and electrical cooperatives, in addition to CHCs. NCB besides being under the jurisdiction of the FCA is organized into two parts the NBC Financial Group and the NCB Federal Savings Bank (FSB) based in Hillsboro Ohio, near Cincinnati.

The NCB offers share loans, development loans, and mortgages to CHCs and the FSB provides for the commercial banking needs to everyday people. With the NCB based in Washington D.C. and the lending section of FSB based in Ohio, NCB has the ability to be near any scattered site CHC development in Ohio (Mazzucca 2002). The NCB originates commercial loans through the Ohio subsidiary (NCB FSB), giving Cincinnati an advantage, and being near capital. The NCB has in the past successfully originated financing for rehabilitation conversion of distressed urban buildings when New Village CHC converted a condemned apartment building into a CHC for Cambodian and Laotian refugees in Minneapolis Minnesota.

Financing over $78 million worth of loans to CHCs in December 2012 in NY-NJ region alone, demonstrates the amount of funding available for CHCs through the NCB. Over the last three years the NCB has consistently funded over half a billion dollars to

CHCs (Figures 4-1 through 4-3). With CHC share loans, having the lowest default rate of any form of homeownership; banks should be interested in continuing to provide financial services to CHCs for the near future (Figure 4-4).

Another approach to federal agency funding for CHCs, is federal law regulating the banking industry. Such as the Community Reinvestment Act (CRA), the CRA requires local private banks to offer low interest loans to distressed communities in their area. With CRA, banks and other financial institutions are required to meet a quota of low interest loans. An issue affecting local banks is the lack of knowhow and connections with established local nonprofits in utilizing the CRA loans. Programs such as Neighborhood Works have successfully collaborated with financial institutions to facilitate low interested community development loans to local projects. A CHC nonprofit developer focusing on distressed historic neighborhoods could collaborate with local institutions to make available funds to a scattered site CHC. Since the Community Reinvestment Act was passed in 1977, hundreds of billions of dollars in low interest loans have supported local projects throughout the nation (Ludwig 2008).

Private pension funds have been a source of financing for large developers for years. For example, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) Housing Investment Trust's (HIT) National Job Initiative provides funding for multifamily housing developments with the intent of creating jobs for AFL-CIO member unions. In 2011, United Properties utilized $4.7 million in HIT funding as part of the financing of Applewood Point senior CHC construction in Minnesota, adding to the $17.6 million in 2009 for the development. HIT funding is combined with FHA 213 backed mortgage for the financing of Applewood CHC. Since

HIT's job initiative began over 9,000, jobs were created and $1.5 billion dollars has been loaned for developers during the recession (Anonymous 2011) (Staff 2011).

If a CHC is developed by a nonprofit development company, it is eligible for corporate donations. General Electric consumer lending unit donated $240,000 to the Mutual Housing Association of Southwest Connecticut for the rehabilitation and construction of low income CHCs (Lee 2006).

Funding for the creation of a scattered site CHC consisting of distressed historic urban buildings is complex, especially at the public federal level. With HUD and FHA, overlapping each other on funding opportunities and regulations it is apparent why they are underutilized compared to private funding options. Clarification of procedures is needed to ensure these funding options can become user friendly to interested parties. Nevertheless, the federal programs are funded and should be further examined as a viable option for funding. On the private side of funding, even if local banks in Pennsylvania, Ohio and Louisiana do not offer construction. Blanket and share loans to CHCs are nationally available by many private options for tenant stockholders and developers. Ohio is the most promising case with the federal savings bank division of the NCB being an hour's drive from Cincinnati, making the onsite development visits by bank officials easily accessible.

Any future development of a scattered site CHC should consider the successful model in of United Properties in Minnesota of utilizing HUD funding combined with the AFL-CIO HIT financing for such a new CHC projects. Additionally, the possibility of collaborating with local or regional financial institutions required by the CRA should be considered by any developer of a CHC. As this chapter, along with the others have

explained, education is key in understanding the sometimes-difficult complex structure regulating CHCs. In the next chapter the process continues with acquiring scattered site distressed historic buildings at low rates.

Table 4-1. Gross Sellout Unit Value Chart required by HUD (example) (D. H. Stevens 2010)

Name of CHC	Units	X Price per unit (average)	+ Mortgage balance	=Total gross sellout value
Quaker City CHC	40	70,000	2,500,000	5,300,000
Queen City CHC	50	60,000	2,000,000	5,000,000
Crescent City CHC	60	50,000	1,500,000	4,500,000
Total	150	1,800,000	6,000,000	14,800,000

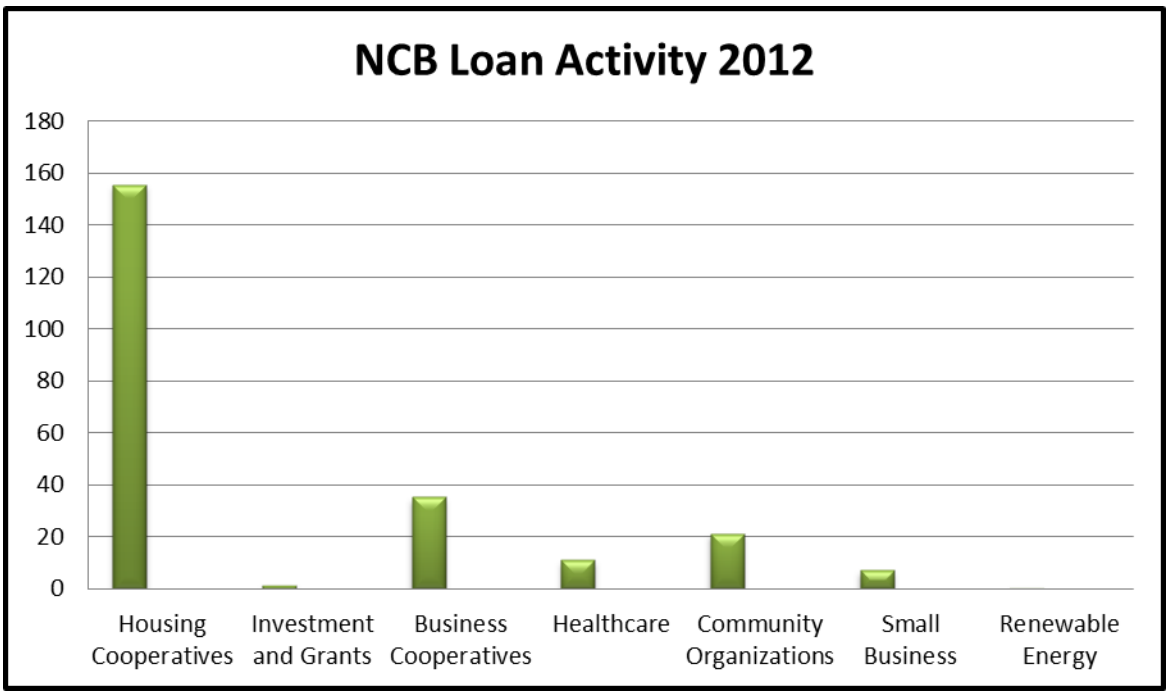


Figure 4-1. 2012 NCB loan activity (http://www.ncb.coop/uploadedFiles/New_Site_Content/Publications/2013_Mission_Print_Booklet.pdf, accessed 28MAY2013)

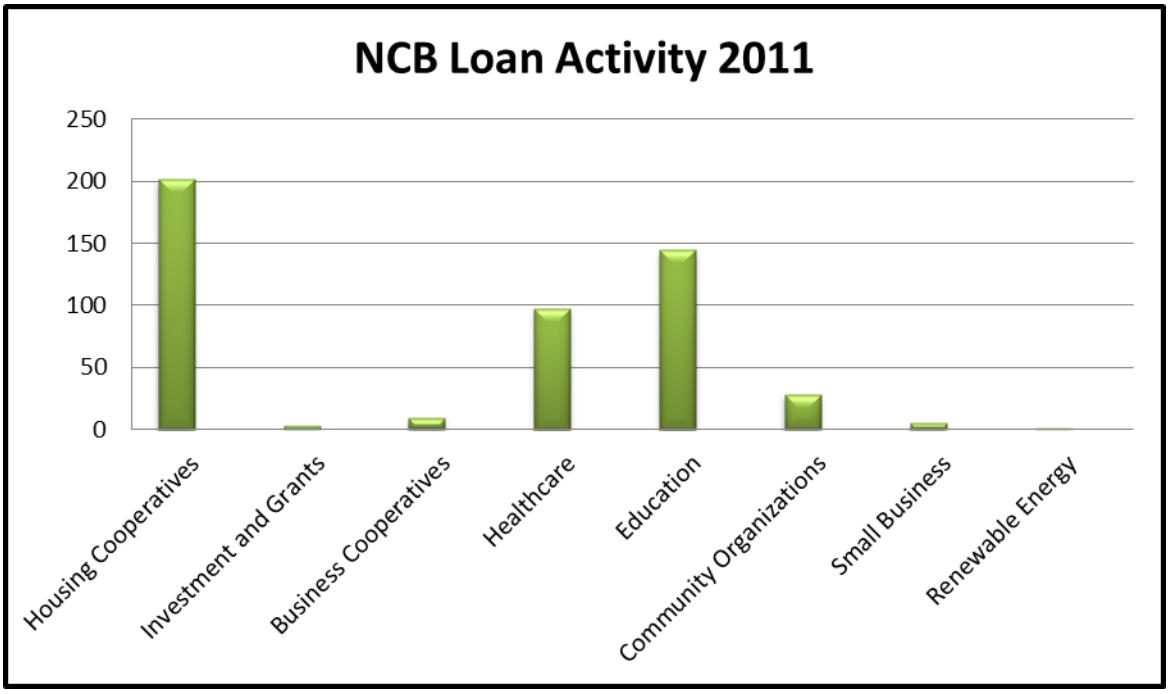


Figure 4-2. 2011 NCB loan activity (http://www.ncb.coop/uploadedFiles/New_Site_Content/Publications/MissionReport2011.pdf, accessed 28MAY2013)

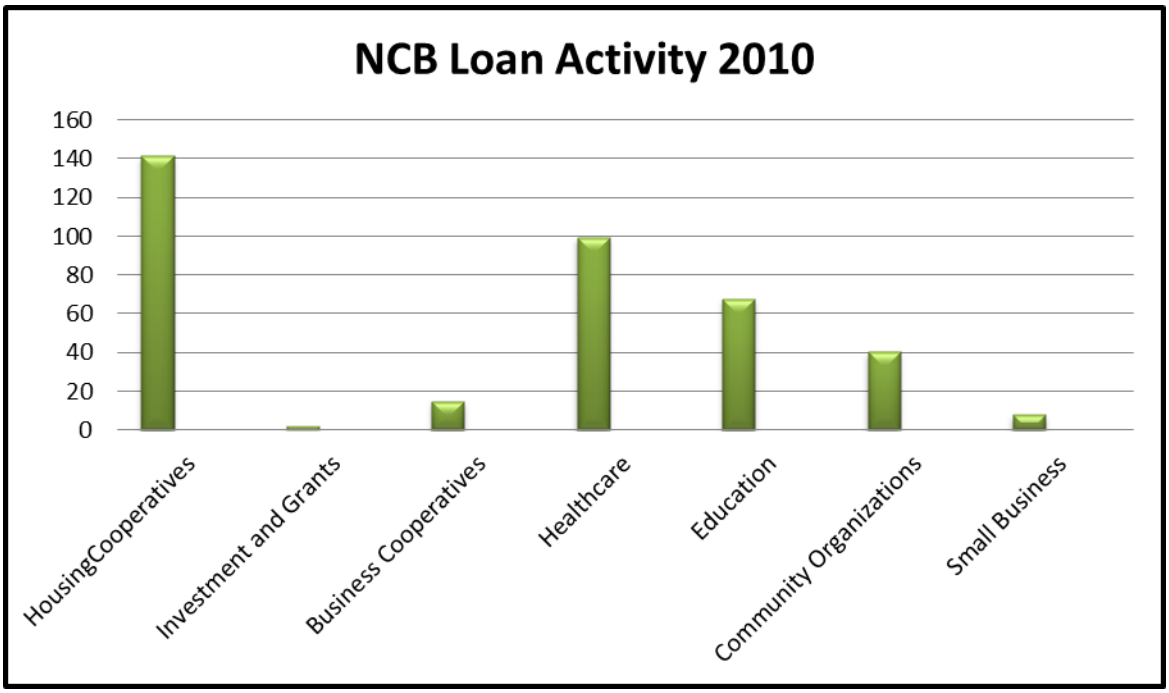


Figure 4-3. 2010 NCB loan activity (http://www.ncb.coop/uploadedFiles/New_Site_Content/Publications/NCB_AnnualReport2010.pdf, accessed 28MAY2013)

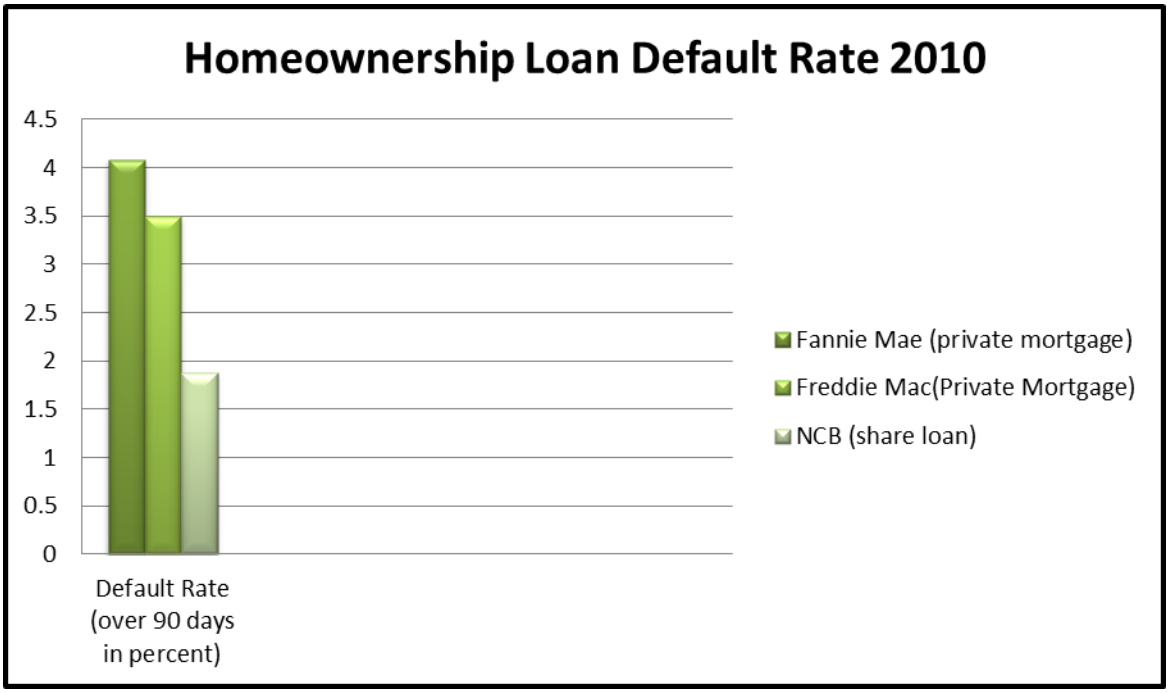


Figure 4-4. 2010 Mortgage default rate ((National Association of Housing Cooperatives 2012)

CHAPTER 5
ACQUISITIONS OF SCATTERED SITE, DISTRESSED HISTORIC URBAN BUILDINGS

Once financing and regulations affecting Cooperative Housing Corporations are understood, the next step is exploring the process of buying multiple distressed buildings within close distance of one another. The large number of vacant properties located in Philadelphia, Cincinnati and New Orleans does not correlate easily to accessible purchases of these distressed historic buildings. With many of these structures having tax liens, code violation liens and by owners who are negligent or the deceased in some cases in Philadelphia, how could an interested party purchase and renovate these distressed building while converting them into scattered site CHCs? Municipalities struggling with blight and policies regarding negligent property owners are regular news for newspapers and bloggers, especially in Philadelphia, which struggle with tax delinquent properties, and New Orleans, which has serious blight problems.

Land Banks may offer a solution. Land Banks date from the 1960s, were created as a tool that municipalities could use to make troubled properties available for reinvestment. Some of the earliest ones were in St. Louis, Cleveland and Atlanta, where they have a history of acquiring derelict properties for large urban redevelopments. Over the years, the role of land banks has shifted to preservation of buildings or for the intent of redevelopment for smaller projects. The legacy and intent of managing property explain why such programs are usually under the auspices of municipal redevelopment authorities (Alexander 2011).

In 2008, Congress passed the Housing and Economic Recovery Act. Section 2301 of this act allowed for the creation of a new type of land banks for municipalities, allowing for acquisition and redevelopment of blighted properties from newly created

agencies within municipal government. Once, the federal law was enacted states, created their statutes to interpret the federal legislation. These land banking statutes adopted by most states are similar for a reason The Center for Community Progress (CCP) an academic think tank is collaborating with state legislatures throughout the nation to create land-banking policy. The CCP is a new organization cofounded by academic law professors in 2010 with funding from the Ford Foundation and the Charles Stuart Mott Foundation. One of CCP's goals is the standardization of land banking statutes and ordinances. . Land banks are 'local entities that manage vacant properties and direct their reuse and redevelopment' (Bellis 2012). The CCP promotes land banking statutes, as a tool of revitalization in line with its mission is to create vibrant communities by promoting the reuse of vacant or abandoned buildings and land by recommending policy while collaborating with organizations to implement improvements.

Pennsylvania

On October 12, 2012, Pennsylvania Governor Tom Corbett signed into law the Land Bank Act. The Pennsylvania act allowed for municipalities in the state to create their own land banks. The Land Banks are empowered by the Act to acquire vacant land, abandoned properties, and transfer vacant municipal owned properties to the Land Bank authority. Besides being able to acquire and disperse properties for reinvestment, the Act allowed municipal Land Banks the authority to clear titles and liens of distressed properties (Bellis 2012)..

With Pennsylvania's high rate of vacant buildings, over 300,000 as of 2012, and with $417 million owed on property taxes alone in Philadelphia, the legislation proposed with the help of the CCP was long overdue. The Act also regulates the operations of

the land banks requiring an executive board with open meetings and minutes available to the public for the sake of integrity. With graft possible in the management of real estate, the intent of integrity in the legislation is critical for the success of the program and the city.

Even with Philadelphia's high blight rate and being the national leader in tax delinquent properties, the City Council of Philadelphia has yet to approve an ordinance for the creation of a land bank of municipally controlled properties; nevertheless, it has added an amendment to the proposed land bank ordinance that requiring council member approval of all property sold in their district.

The current ownership of municipal owned property is spread over several agencies (Figure 5-1). Properties are held by the Philadelphia Housing Development Corporation (PHDC), the Philadelphia Redevelopment Authority (PRA), the Philadelphia Department of Public Property (PDPP), the Philadelphia Housing Authority (PHA) and the Vacant Property Review Committee. After determining which entity owns the vacant building (Figure 5-2), one has to determine the process for purchase (Figure 5-3). The different property holding city agencies(PHDC,PRA,PDPP and PHA) has varying requirements and policies for selling properties in order to acquire property from their holdings. While the creation of a Philadelphia land bank with standardized procedures and policies for disposal of blighted properties is still in process, the PRA has composed a master list of municipally owned properties of all the agencies and contact information for these scattered site structures (Figure 5-4). Almost all are abandoned row houses or vacant lots. Even with this list, coordinating with the varying agencies is challenging to the most active nonprofit developer and improvements are needed (Stahl 2012)

Ohio

Ohio, compared to Pennsylvania, has a history of land banks since 1976 and currently has some of the most successful land bank authorities in the nation, including 42 active ones. Ohio's statue is similar to Pennsylvania's in substance but not in name. The Ohio legislature refers to their land banks as County Land Revitalization Corporations (CLRC). These CLRCs differ from municipal land banks by having jurisdiction over counties, not just municipalities. The Hamilton County Land Revitalization Corporation (HCLRC) jurisdiction covers the city of Cincinnati and neighboring suburbs in Hamilton County, Ohio. The HCLRC has the authority to combine city-owned and tax delinquent blighted properties, thus clearing their titles of liens for resale. The HCLRC administered by the Port of Greater Cincinnati Development Authority (PGCDA), which is tasked with making distressed structures available for redevelopment. This authority is also tasked with implementing the Move Ohio Forward Fund (MOF). The Move Ohio Forward Fund is funded by Ohio's settlements with mortgage companies for fraudulent mortgages during the recent housing bubble. While the HCLRC goal is to reuse distressed buildings (Figure 5-5), the MOF funds are for the demolition of distressed buildings.

HCLRC transparency and ease of purchase of distressed urban buildings is one of the best I found in this research. The monthly updated blog of properties coming up for sale provide pictures, recent and past violations and appraised values. The embrace of the redevelopment authority of this blog has helped the authority increase the rate of turnover of their properties. The blog originated from an outside source, the project of a law student at the University of Cincinnati who thought it was difficult to find information about these properties and partnered the with redevelopment authority to

make it easier to sell them (Building Cincinnati 2012). It is perplexing that the same agency that oversees Cincinnati's widespread demolition of historic buildings is also marketing them for reuse. In addition, it is troubling that the focus of program lacks formal preservation protection leading to large amounts of distressed historic buildings being demolished leaving vacant lots throughout the city. With little chance of new construction infill, these lots will most likely be vacant for some time into the future.

Louisiana

On the other hand, the land bank in New Orleans collaborates with the Louisiana State Historic Preservation Office to promote historic distressed properties. The state of Louisiana's approach to acquiring and disposing of distressed urban buildings predates the work of the CCP and that of Pennsylvania and Ohio. By necessity, New Orleans had little choice. After the destruction caused to the city by Hurricane Katrina and the Industrial Canal failure, the Louisiana State Legislature revised statutes affecting nonprofit corporations to include the Road Home Corporation and Louisiana Land Trust (LLT) for the redevelopment of blighted structures. Both these programs are administered under the Louisiana Recovery Authority (Figure 5-6) when it was created in 2008 (Campanella 2006). The LLT is charged with clearing liens from titles of properties it has received in order to make them available for redevelopment.

In New Orleans the LLT is administered by the New Orleans Redevelopment Authority (NORA), NORA is allowed to expropriate blighted properties (Figure 5-7) into the LLT once the property is categorized as blighted by the City of New Orleans. The City of New Orleans defines a blighted structure as properties that are vacant, uninhabitable and hazardous (Billot and Gillard 2010). Unlike Cincinnati, the LLT and NORA coordinate with the Louisiana State Historic Preservation Office and offer a list of

blighted properties in historic districts or listed individually as historic (Figure 5-8). This gives the prospective owner information on the properties, especially for an interested party with the intent of creating a scattered site CHC.

With new land banking entities being administered under redevelopment authorities in Cincinnati, New Orleans, and possibly in the near future in Philadelphia anyone interested in acquiring multisite distressed historic buildings in these cities should contact the local redevelopment authority, New Orleans unique concept of collaborating NORA,LLT and the Louisiana SHPO to promote the renovation of distressed historic buildings in historic districts is a concept other municipalities should consider. New Orleans provides the best case of converting distressed historic buildings into a CHC. Having agencies with a focus on historic preservation and land banking ensures for an intact historic neighborhood for the creation of scattered site CHCS

Troubling is the duel intent in Cincinnati of the PGCDAs' role of demolition of distressed historic buildings funded by the MOF program and saving historic buildings for reuse with the HCLRC. Quickly tearing down historic buildings, with little thought of historic preservation or future reuse, while marketing properties for preservation in the same distressed neighborhood policy and could cause large amount of long-term vacant lots. Having such large amount of vacant lots would limit the appeal of preservation of the reaming distressed stock.

Philadelphia’s complex and opaque procedure for acquiring blighted property would be a challenge to an interested party in assembling scattered historic buildings in a neighborhood, at this time. With the creation of a central land, banking authority by

the Philadelphia City Council the process of purchasing distressed historic buildings could become transparent and efficient. If the legislation passes Philadelphia's large stock of row houses would make a unique opportunity of redevelopment.

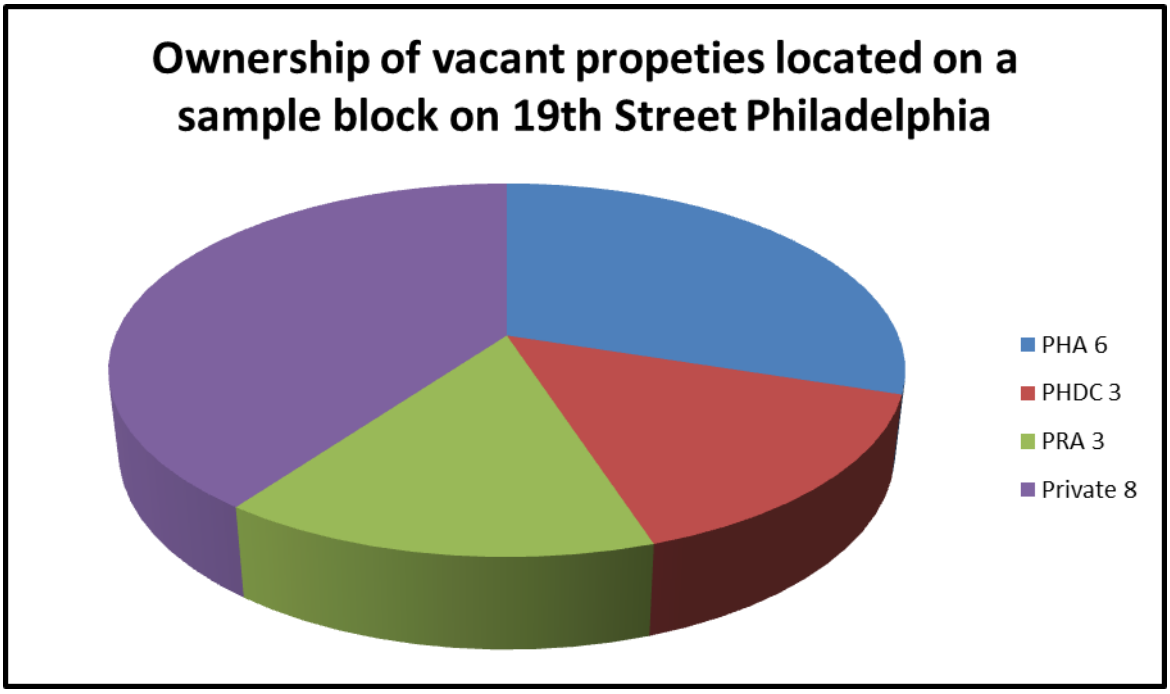


Figure 5-1. Sample block Philadelphia (Econsult Corporation and Penn Institute for Urban Research 2010)

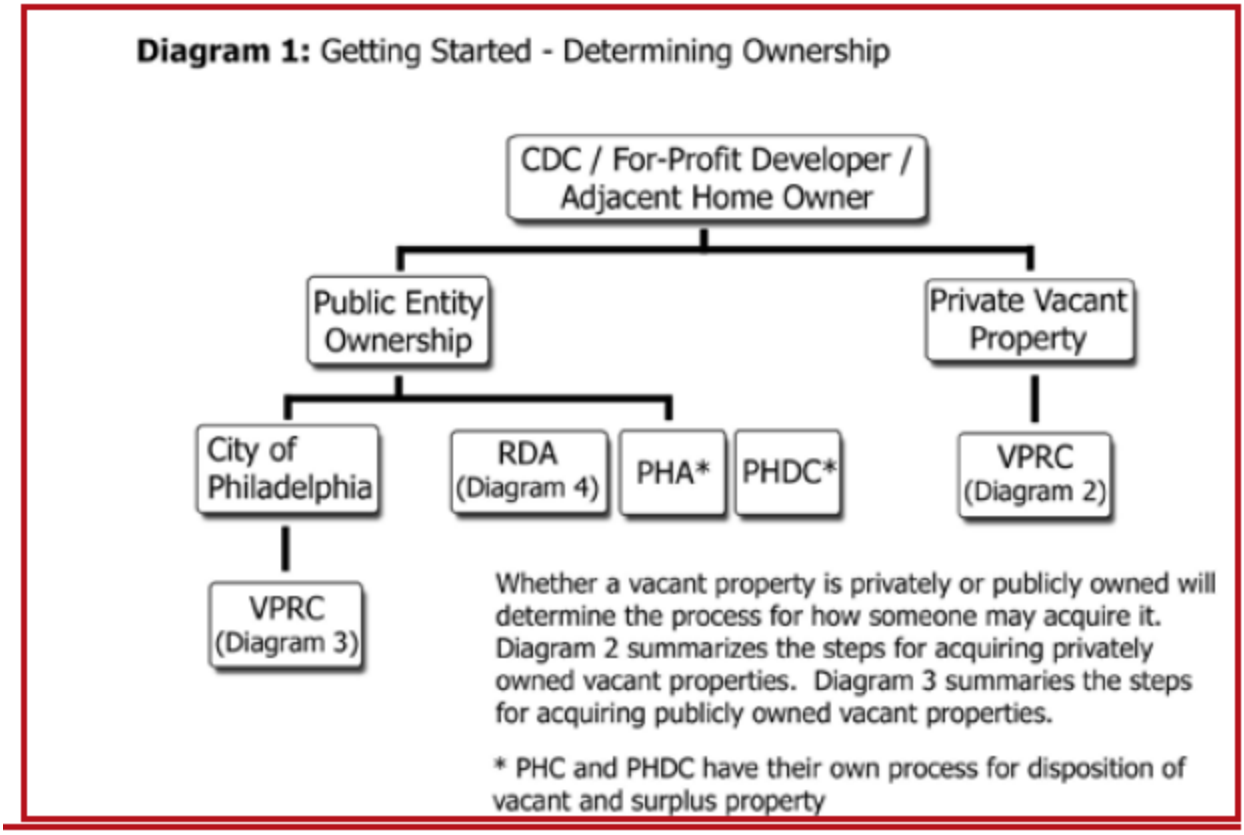


Figure 5-2. Procedure for determining ownership (Econsult Corporation and Penn Institute for Urban Research 2010)

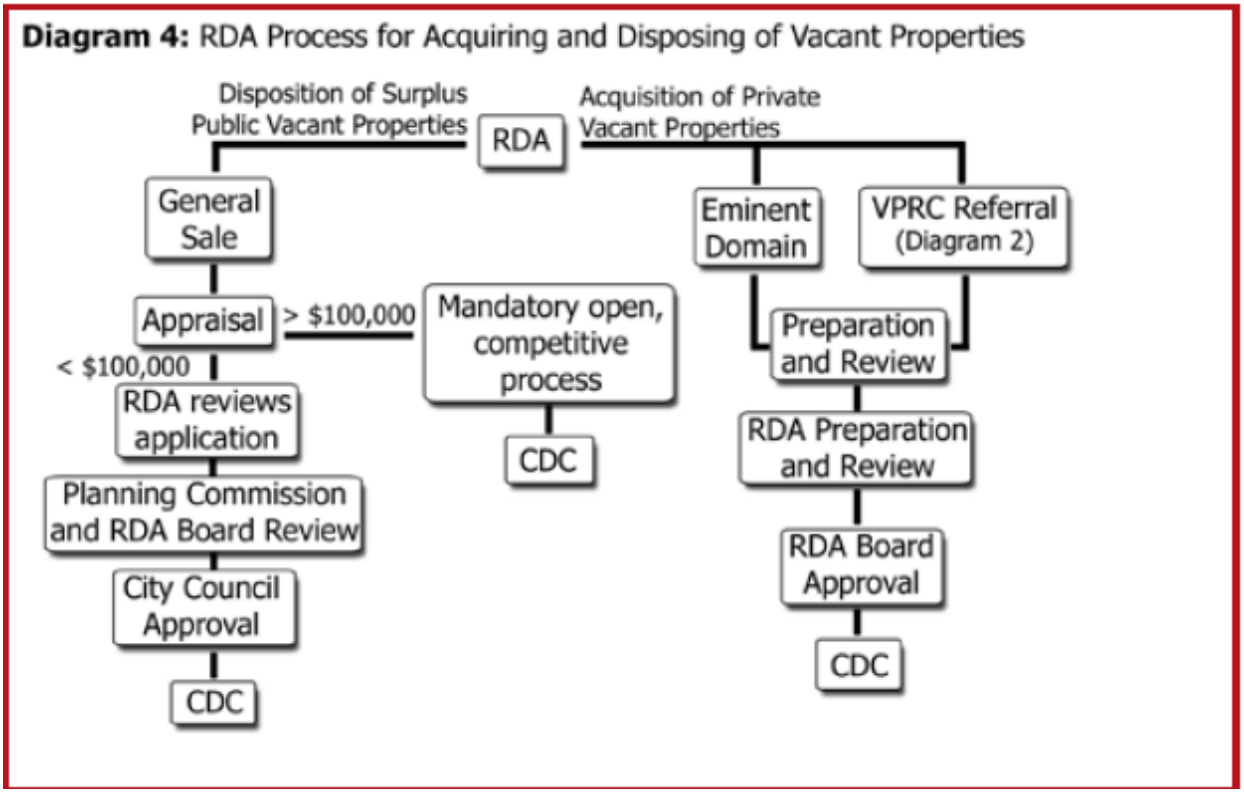


Figure 5-3. Procedure for purchase of city owned blighted property (Econsult Corporation and Penn Institute for Urban Research 2010) (Note, CDC is a Community Development Corporation, a form of nonprofit developer)

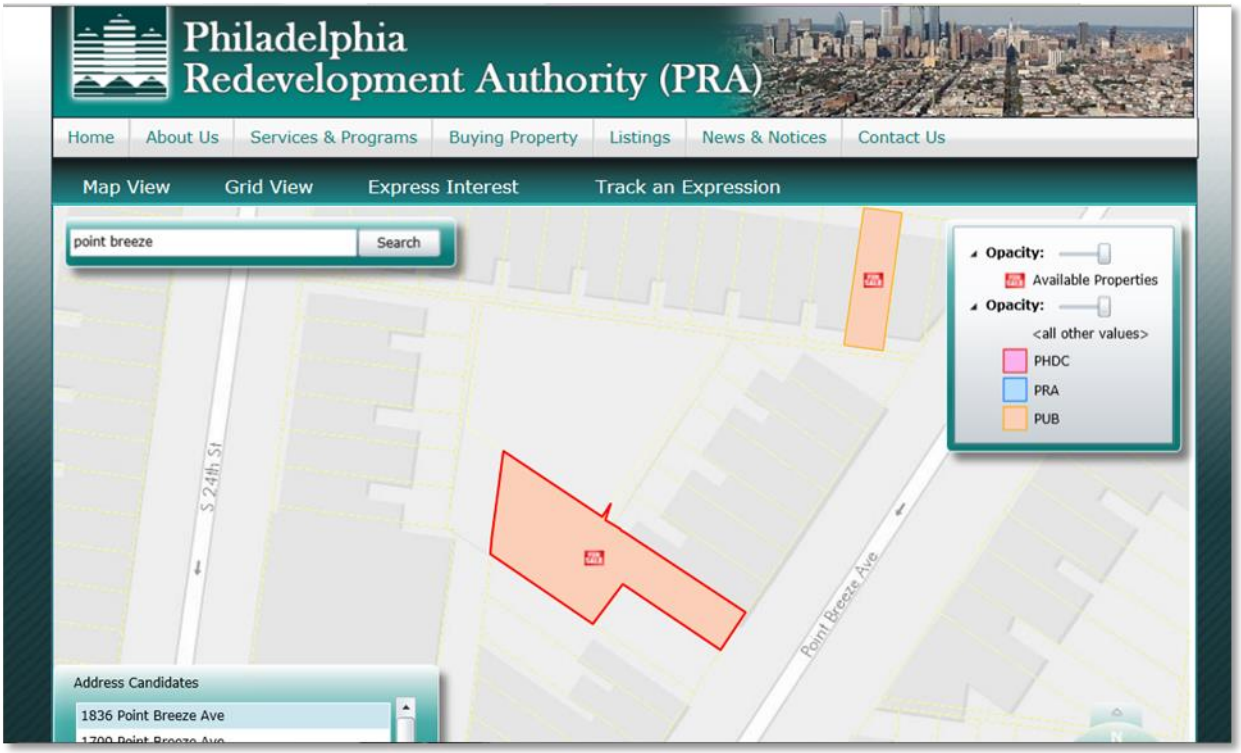


Figure 5-4. Philadelphia Redevelopment Authority Property Acquisition webpage (http://www.phila.gov/pra/buyingproperty.html, accessed 13JUN2013)

Figure 5-5. HCLRC Property Acquisitions webpage (http://www.hamiltoncountylandbank.org/working-with-us/property-acquisition/acquisition-pricing-schedule/, accessed 13JUN2013)

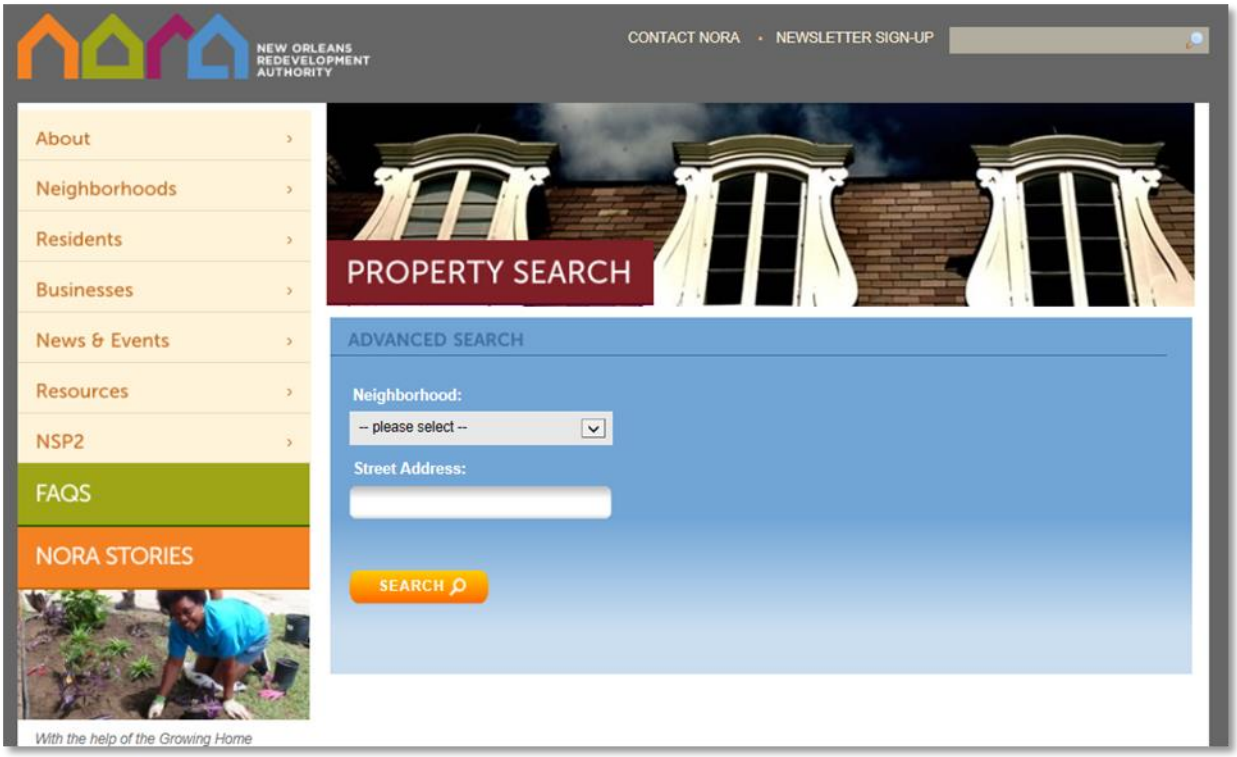


Figure 5-6. NORA LLT Property Portal (http://www.noraworks.org/neighborhoods/property-search, accessed 13JUN2013)

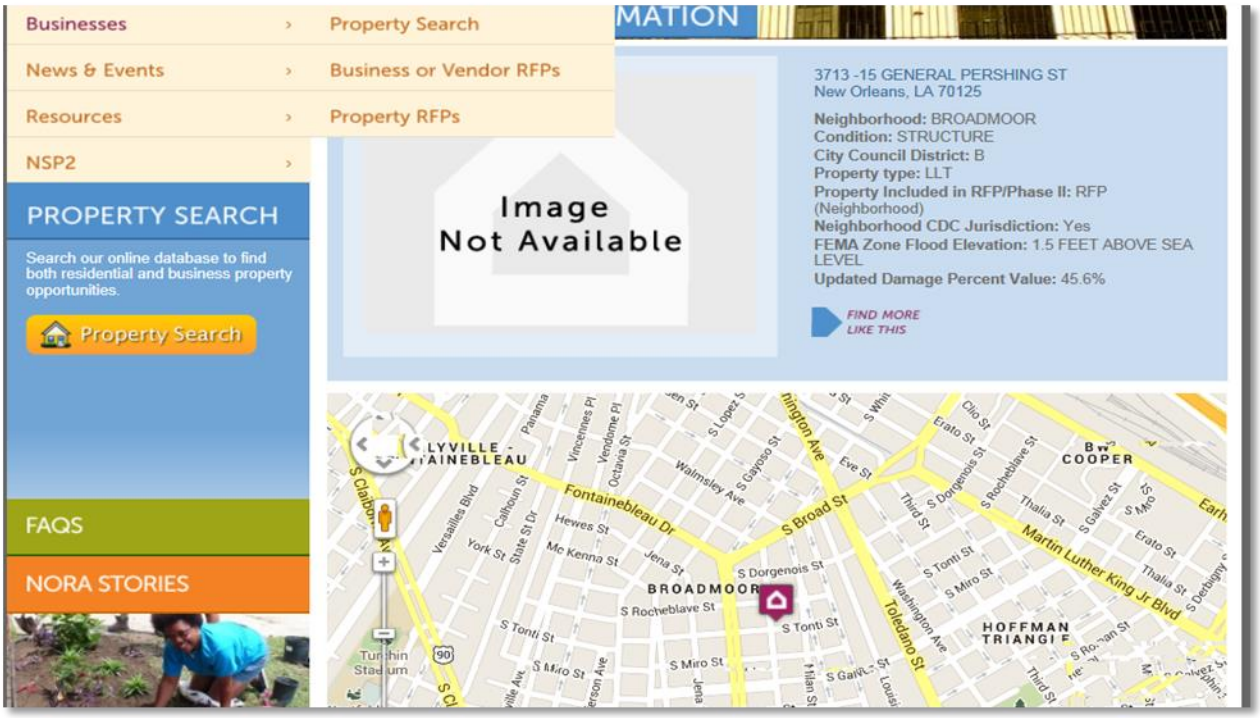


Figure 5-7. NORA blighted owned property search (http://www.noraworks.org/neighborhoods/property-search, accessed 13JUN2013)

PARISH ID	Street Number	Street Name	Neighborhood	Historic Neighborhood	City	Zip	Property Status	Damage Percent %
BER012223	445	MEHLE ST			ARABI	70032	STRUCTURE	10-30%
BER039935	447-449	MEHLE ST			ARABI	70032	STRUCTURE	30-60%
BER198411	548	ESTEBAN ST			ARABI	70032	STRUCTURE	10-30%
ORL003768	2650	MYRTLE ST	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	52.13
ORL004104	1667	N ROCHEBLAVE ST	SEVENTH WARD	Esplanade Historic District Extension	NEW ORLEANS	70119	STRUCTURE	54.69
ORL005969	3611	CLEMATIS AVE	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	35.34
ORL005983	3339	PIEDMONT DR	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	49.51
ORL007455	4221	S ROBERTSON ST	MILAN	Uptown New Orleans Historic District	NEW ORLEANS	70115	STRUCTURE	54.69
ORL007640	2133	PORT ST	ST. CLAUDE	NewMarigny Historic District	NEW ORLEANS	70117	STRUCTURE	29.02
ORL011354	2734	ACACIA	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	52.13
ORL014050	6217-19	DAUPHINE ST	HOLY CROSS	Holy Cross Historic District	NEW ORLEANS	70117	STRUCTURE	55.64
ORL014540	1720	MARIGNY ST	ST. ROCH		NEW ORLEANS	70117	STRUCTURE	55.93
ORL015041	4109	EDEN ST	BROADMOOR		NEW ORLEANS	70125	STRUCTURE	31.24
ORL017238	2654	N GALVEZ ST	ST. CLAUDE	NewMarigny Historic District	NEW ORLEANS	70117	PROPERTY NOT ASSESSED	52.91
ORL020915	2465	GLADIOLUS ST	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	51.74
ORL021855	2759	LAVENDER ST	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	52.52
ORL022523	2539	JONQUIL ST	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	51.12
ORL023691	2620	PALMYRA ST	TULANE - GRAVIER	Mid-City Historic District	NEW ORLEANS	70119	STRUCTURE	54.32
ORL023813	716	CHARBONNET ST	HOLY CROSS	Holy Cross Historic District	NEW ORLEANS	70117	STRUCTURE	0
ORL027373	2835	NORTH TONTI ST	ST. CLAUDE	NewMarigny Historic District	NEW ORLEANS	70117	STRUCTURE	52.52
ORL029272	2223	MANDEVILLE ST	ST. ROCH	NewMarigny Historic District	NEW ORLEANS	70117	STRUCTURE	52.36
ORL030701	2413	GLADIOLUS ST	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	51.74
ORL032091	2534	PAUGER ST	SEVENTH WARD		NEW ORLEANS	70116	STRUCTURE	47.29
ORL032548	4611	SOUTH DERBIGNY ST	BROADMOOR		NEW ORLEANS	70125	STRUCTURE	51.74
ORL033182	2115	MANDEVILLE ST	ST. ROCH	NewMarigny Historic District	NEW ORLEANS	70117	STRUCTURE	32.36
ORL033940	3512	LOYOLA AVE	MILAN	Uptown New Orleans Historic District	NEW ORLEANS	70115	STRUCTURE	0.78
ORL034016	414	TUPELO ST	HOLY CROSS		NEW ORLEANS	70117	STRUCTURE	
ORL034463	3308	CLEMATIS AV	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	52.13
ORL035862	4924	SOUTH GALVEZ ST	BROADMOOR	Broadmoor Historic District and Expansion	NEW ORLEANS	70125	STRUCTURE	53.07
ORL037373	2559	CLOVER ST	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	32.5
ORL038828	2622	ELDER ST	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	54.38
ORL040057	517	SOUTH HENNESSEY ST	MID-CITY	Mid-City Historic District	NEW ORLEANS	70119	STRUCTURE	50.28
ORL040611	2723	N ROMAN ST	ST. CLAUDE	NewMarigny Historic District	NEW ORLEANS	70117	STRUCTURE	48.96
ORL041273	706	SAINT MAURICE AVE	HOLY CROSS	Holy Cross Historic District	NEW ORLEANS	70117	STRUCTURE	56.77
ORL047705	2501	SAGE ST	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	36.21
ORL048261	2419	LAVENDER ST	GENTILLY TERRACE		NEW ORLEANS	70122	STRUCTURE	33.83
ORL050368	6727	CONGRESS DR	PONTCHARTRAIN PARK	Pontchartrain Park Historic District	NEW ORLEANS	70126	PROPERTY NOT ASSESSED	53.69
ORL052288	607	FLOOD ST	HOLY CROSS	Holy Cross Historic District	NEW ORLEANS	70117	STRUCTURE	51.74
ORL052468	2312	N PRIEUR ST	ST. ROCH	NewMarigny Historic District	NEW ORLEANS	70117	STRUCTURE	49.25
ORL052711	3708	PIEDMONT DR	GENTILLY TERRACE	Edgewood Park Historic District	NEW ORLEANS	70122	STRUCTURE	33.58
ORL052836	1932	FOUCHER ST	MILAN	Uptown New Orleans Historic District	NEW ORLEANS	70115	STRUCTURE	4.81
ORL053235	420	SOUTH OLYMPIA ST	MID-CITY	Mid-City Historic District	NEW ORLEANS	70119	STRUCTURE	51.74
ORL053531	315	TRICOU ST	HOLY CROSS	Holy Cross Historic District	NEW ORLEANS	70117	STRUCTURE	55.64
ORL054159	408	DELERY ST 410 DELERT ST	HOLY CROSS	Holy Cross Historic District	NEW ORLEANS	70117	STRUCTURE	53.69
ORL055071	6344	DEBORE DR	PONTCHARTRAIN PARK	Pontchartrain Park Historic District	NEW ORLEANS	70126	STRUCTURE	0

Figure 5-8. Louisiana SHPO/LLT property list (http://www.lalandtrust.us/index.php?option=com_content&view=article&id=170&Itemid=86, accessed 13JUN2013)

CHAPTER 6
HESSLER HOUSING COOPERATIVE, HISTORIC PRESERVATION CASE STUDY

As I analyzed, laws, statutes, acquisitions, and support organizations a new CHC would require in Pennsylvania, Ohio and Louisiana, I looked for an example to show the validity of scattered site CHCs as a tool for historic preservation. While scattered site CHC utilizing existing historic building are rare, one of the best examples I found is located in a state with the most stringent statutes regulating CHC. Hessler Housing Cooperatives scattered site concept mixing into a setting with multiple types of established housing options makes it a compelling option of giving residents the option of single-family homes, rental and CHCs all while promoting historic preservation.

Hessler Housing Cooperative (HHC) is a CHC located in the University Circle neighborhood in Cleveland, Ohio, at 11301, 11303, 11305, 11307, 11330, 11326, and 11324 Hessler Road (Figures 6-1 through 6-6). HHC is composed of seven units located in three brick row houses and two units each located in two, two-family wooden frame houses. The structures on the Hessler Road were constructed between 1907 and 1927 in a variety of styles and configurations (The Encyclopedia of Cleveland History 1997). Besides being a scattered site CHC within Cleveland's first local historic district (Figure 6-7), HHC has the distinction of being the only CHC in the state of Ohio in full compliance of CHC statutes and fully recognized by the Ohio Secretary of State. (Figure 6-8) (Ohio Secretary of State 2012).

HHC is located on Hessler Road adjacent to Case Western Reserve University. Hessler Road's boundaries are Ford Drive to the west to Hessler Court to the west and Bellflower Road to the north. (Figure 6-9). It is a residential street surrounded by large

institutional buildings. This location will play a significant role in the development history of HHC.

During the 1940s, the buildings became rental properties for students from neighboring Case Western Reserve University and by the 1960s, urban renewal schemes had destroyed much of the surrounding neighborhood. In 1969, tenants of Hessler Road organized the Hessler Neighborhood Association with the intent of raising funds to repair the buildings on their road. They organized the Hessler Street Fair in1969 to raise funds to renovate and repair the historic buildings (Figure 6-10), even though the tenants would not own the buildings for several more years. Since the fairs founding in 1969, it has become an annual festival promoting the arts and music, while maintaining its original focus on Hessler Road (Hessler Street Fair 2013).

The buildings on the street had been intentionally neglected by the property owners in order to make way for demolition. University Circle Incorporated (UCI) owned the buildings and represented the largest cultural institutions in the City of Cleveland, including Case Western University, Cleveland Clinic, Cleveland Symphony and the Cleveland Museum of Art. Leading up to the late 1970s, UCI had been wavering between different redevelopment plans for the area from demolition to condominium conversions of the buildings. Because of inaction and neglect by UCI, the buildings were decaying rapidly in the severe northern Ohio weather (Cogger 2013). In 1975, the residents of the street raised enough funds from the Hessler Street Fair to have Hessler Road designated the first local historic district in Cleveland. By 1976, the condition of the buildings had not improved. Because of the property owners' neglect, the tenants staged a rent strike against UCI. The tenants, represented by the University Circle

Tenants Union, negotiated with UCI for a divestment of properties on the street to the tenant control. According to HHC founding member, Andrea Schmitt, UCI was hostile to the demands, but relented and offered right of first refusal to purchase buildings by current tenants (Schmitt 2013). By 1977, tenants of Hessler Road Historic District were formulating plans for a turnover of property. Some tenants with money opted for single-family homes, others preferred the new condominium concept and a few wanted to form a CHC. By 1979, all the buildings were turned over to tenants. A group of eight tenants led by Bob Shepard and Ken Esposito researched and pushed for the CHC concept. Because of the efforts of the tenants, the Secretary of State of Ohio incorporated Hessler Housing cooperative CHC on September 4,1979, as 501c3 nonprofit Housing Corporation (Figure 6-11).

Historic preservation and affordability were always the intent of the founders of HHC. After the rent strike, UCI turned over the buildings to tenants to renovate and rehabilitate. Following the successful efforts of the CHC tenants to petition the Cleveland Landmarks commission for a preservation district, the whole road was designated as a local historic district on November 1, 1975.

In 1977, with guidance and training from the newly formed University Circle Tenants Union, now defunct, the future founder of HHC began laying the framework for a CHC. It would not be the last time Hessler Housing Cooperative utilized support organizations. Until the 1990s, Hessler was an active member in the Mid-West Association of Housing Cooperatives. Since that time, the cooperative has handled all training and legal issues in house (Schmitt 2013).

The tenants needed funds to purchase and rehabilitate the distressed historic buildings now in their possession. HHC timing could not have been better, with the new congressionally formed National Consumers Cooperative Bank (now National Cooperative Bank, NCB). HHC was fortunate that the funds were now easily available to new CHC and that their state representative was powerful and on the approbations sub-committee for HUD. At that time, HUD was over the NCB before the bank privatization in the 1980s.

Being a small cooperative with only seven units, according to Hessler founders, the NCB was reluctant to loan to the CHC because their size did not meet the banks' lending requirements. Hessler CHC founder Andrea Schmitt states the cooperative being located in Representative Louis Stokes's district was the deciding factor of, the bank making for making a loan to Hessler CHC. Rep. Stokes at the time was on federal committees regulating the funding of NCB and the NCB was desperate for a deal in his district because congress was threatening existence of the NCB. Since the NCB was not, yet privatized annual federal funding was not guaranteed, until the bank privatized during the Regan Administration.

Hessler Housing Cooperative became one of the first loans made from the newly formed NCB; this, however, caused problems for the cooperative. The bank lending requirements were for larger developers and not for small ones like Hessler. With problems of large of amounts of reserve capital and paperwork, Hessler paid off the blanket loan early in order to be free from such regulation (Cogger 2013) (Schmitt, Hessler Cooperative 2013).

With the mortgage to purchase the buildings in place from the NCB, funds were needed to rehabilitate the scattered site buildings. The funding for the renovation came from the City of Cleveland's Community Development Block Grant (CBDG). CBDG is administered by the city's Department of Community Development, with funding from federal grants, with the intent to eliminate blight and deteriorating property. With this loan for three percent, HHC was able to rehabilitate the buildings within the local landmark district. Windows were retained and rehabbed and exterior architectural elements were conserved keeping cost low while incorporating historic preservation ethos in the project (Cogger 2013).

As of 2013, Hessler Housing Cooperative is well run and located in a highly desirable Hessler Road Historic District in neighborhood of University Circle. Tenant occupancy share has remained since its founding, a modest $500 to occupy a unit. There is a monthly charge of $400 for the brick row house, while the unit in the two-family frame house is going for $300 a month. The share price of the CHC purchases the unit and the monthly charge covers utilities and maintenance cost. Incorporated with a non-equity clause at its founding, the units are the same price they were in 1979. Home ownership in a desirable neighborhood including utilities in Cleveland for $900 is 'unheard of' (Cogger 2013). Currently all loans have been paid off and the cooperative is debt free.

Monthly tenant board meeting usually cover maintenance issues and repairs needed to the buildings and, rarely, voting on new tenants. Residents are responsible for interior improvements and interior decorating in their units. HCC takes care of maintenance, repairs, exterior elements, mechanical and paint. Vacancies are rare in

the small cooperative in University Circle. HHC never advertises and a long waiting list is common: tenants rarely leave. If a vacancy does occur, the vacancy is advertised by word of mouth. Prospective tenants are interviewed by the board and, finally, a vote is taken by the all the tenants. The board looks for someone who already lives in the area, has some experience with cooperatives and would fit in and help with duties of the CHC (Cogger 2013).

Hessler Housing Cooperative demonstrates that with education interested parties can successfully convert distressed historic buildings into a scattered site CHC. Ohio has the most detailed statutes regulating CHC, and Hessler has shown itself to be self-sufficient in filling required paperwork on time and remaining financially solvent since its inception over 30 years ago. The process of a saving a distressed historic neighborhood revitalized partially by forming a CHC is a concept worth emulating in other distressed neighborhoods. With research from this thesis and an example such as Hessler Housing Cooperative, CHC can and should be considered by residents and cities as an affordable way to preserve and revitalize urban neighborhoods.

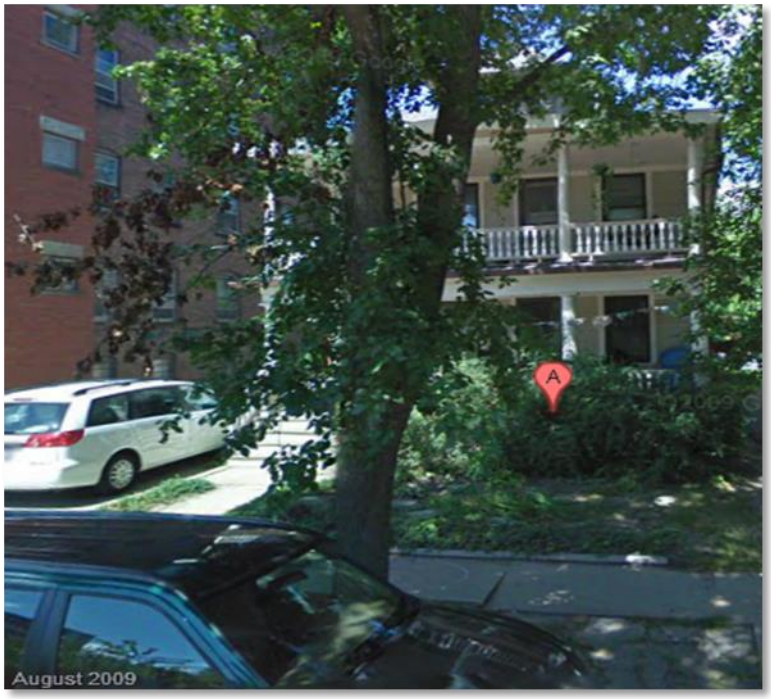


Figure 6-1. 11301& 11303 Hessler Road, AUG2009 (https://maps.google.com/maps ?hl=en&gs_rn=11&gs_ri=psy-ab&gs_mss=hessler+roa&tok, accessed 22APR2013) 3

Figure 6-2. 11305& 11307 Hessler Road, AUG2009 (https://maps.google.com/ maps?hl=en&gs_rn=11&gs_ri=psy-ab&gs_mss=hessler+roa&tok, accessed 22APR2013

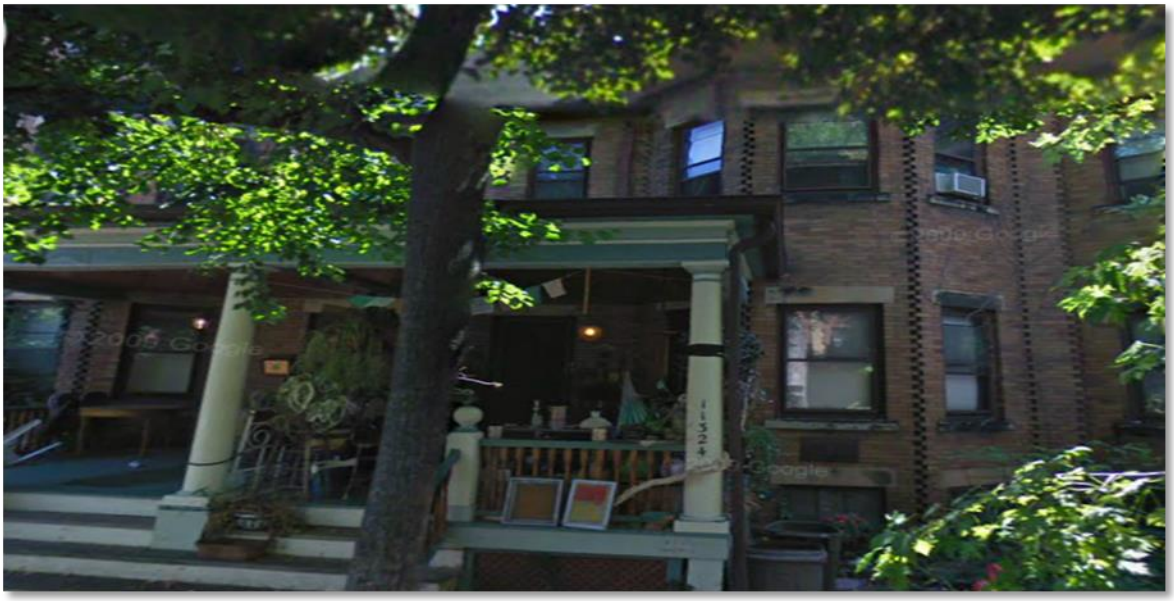


Figure 6-3. 11324 Hessler Road, AUG2009 (https://maps.google.com/maps ?hl=en&gs_rn=11&gs_ri=psy-ab&gs_mss=hessler+roa&tok, accessed 22APR2013)

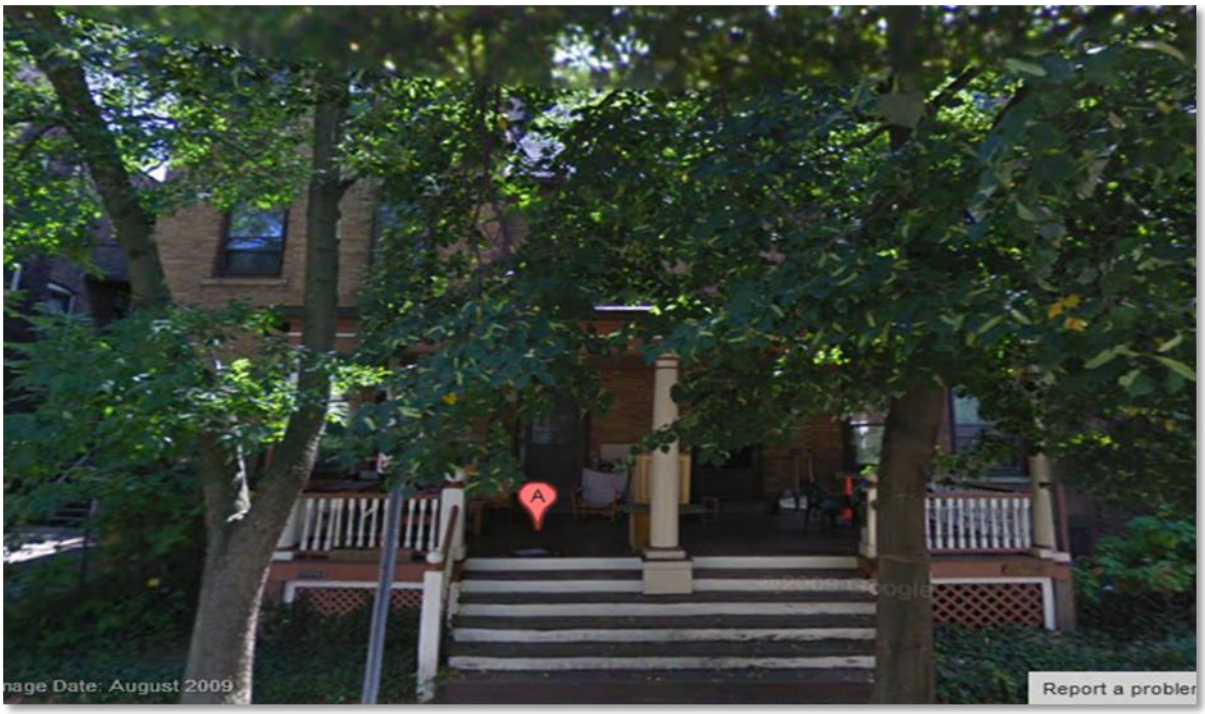


Figure 6-4. 1126 Hessler Road, AUG2009 (https://maps.google.com/maps ?hl=en&gs_rn=11&gs_psy-ab&gs_mss=hessler+roa&tok, accessed 22APR2013)

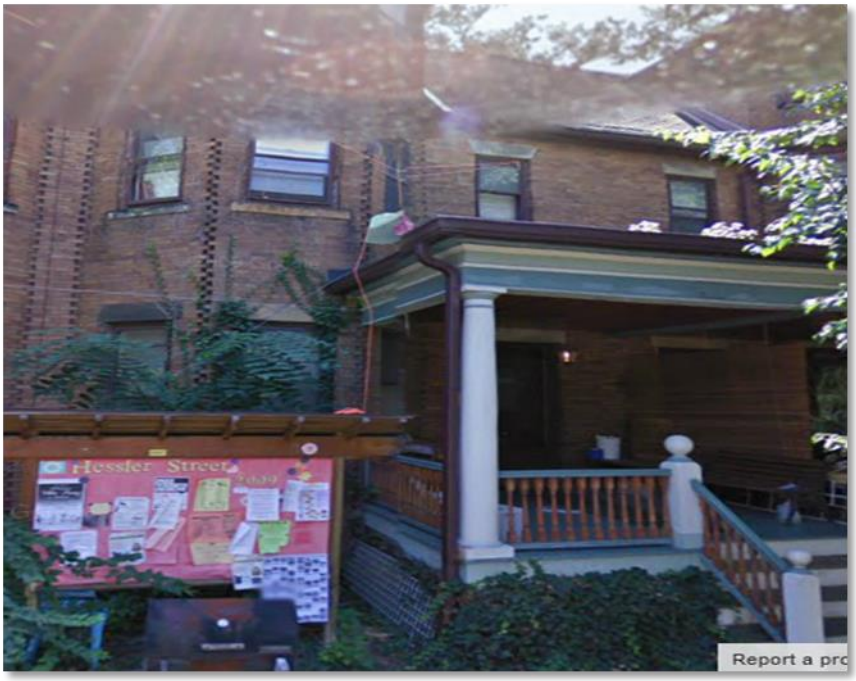


Figure 6-5. 11330 Hessler Road, AUG2009 (https://maps.google.com/maps ?hl=en&gs_rn=11&gs_ri=psy-ab&gs_mss=hessler+roa&tok, accessed 22APR2013

Figure 6-6. Street view from North from 11326, AUG2009 (https://maps.google.com /maps?hl=en&gs_rn=11&gs_ri=psy-ab&gs_mss=hessler+roa&tok, accessed 22APR2013)

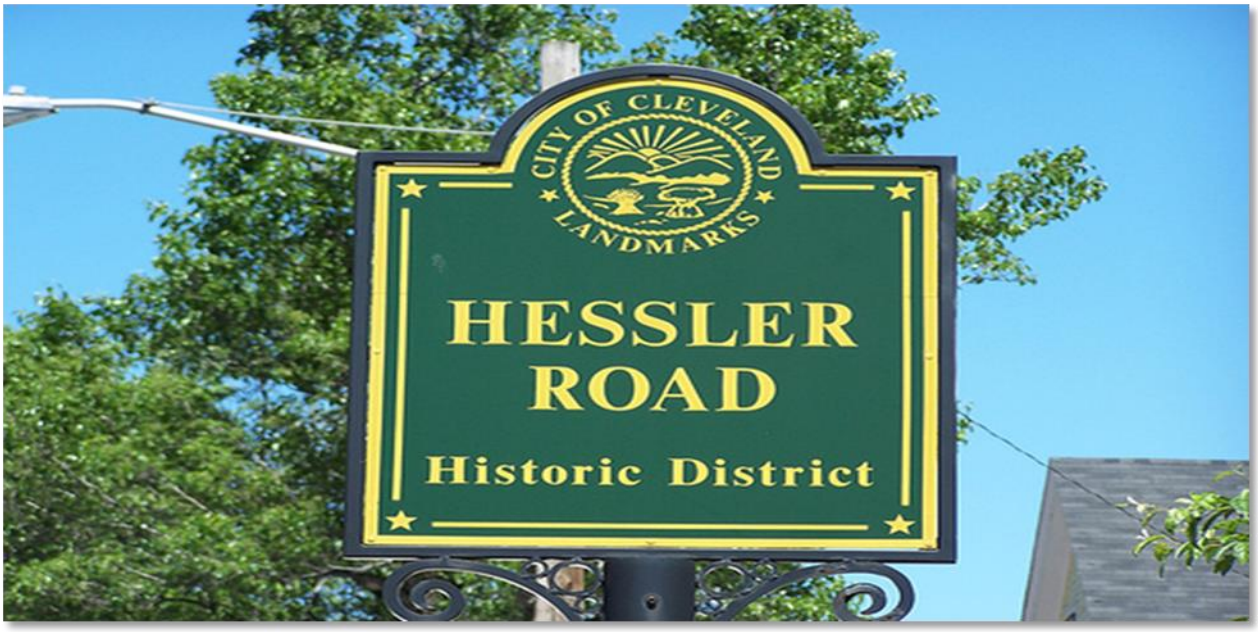


Figure 6-7. Hessler Road Historic District marker 2001 (http://flickr.com/photos/rcoss2001/570028791/, accessed 20APR2013)

STATE OF OHIO
CERTIFICATE
Ohio Secretary of State, Jon Husted

542154

It is hereby certified that the Secretary of State of Ohio has custody of the business records for

HESSLER HOUSING COOPERATIVE

and, that said business records show the filing and recording of:

Document(s)	Document No(s):
Certificate Of Continued Existence	**201218501122**

United States of America
State of Ohio
Office of the Secretary of State

Witness my hand and the seal of the Secretary of State at Columbus, Ohio this 2nd day of July, A.D. 2012.

Jon Husted

Ohio Secretary of State

Figure 6-8. Hessler Housing Cooperative Certificate of Continued Existence 2012 (http://www2.sos.state.oh.us/pls/bsqry/f?p=100:7:0::NO:7:7:P7_CHARTER_NUM:542154, accessed 20APR2013

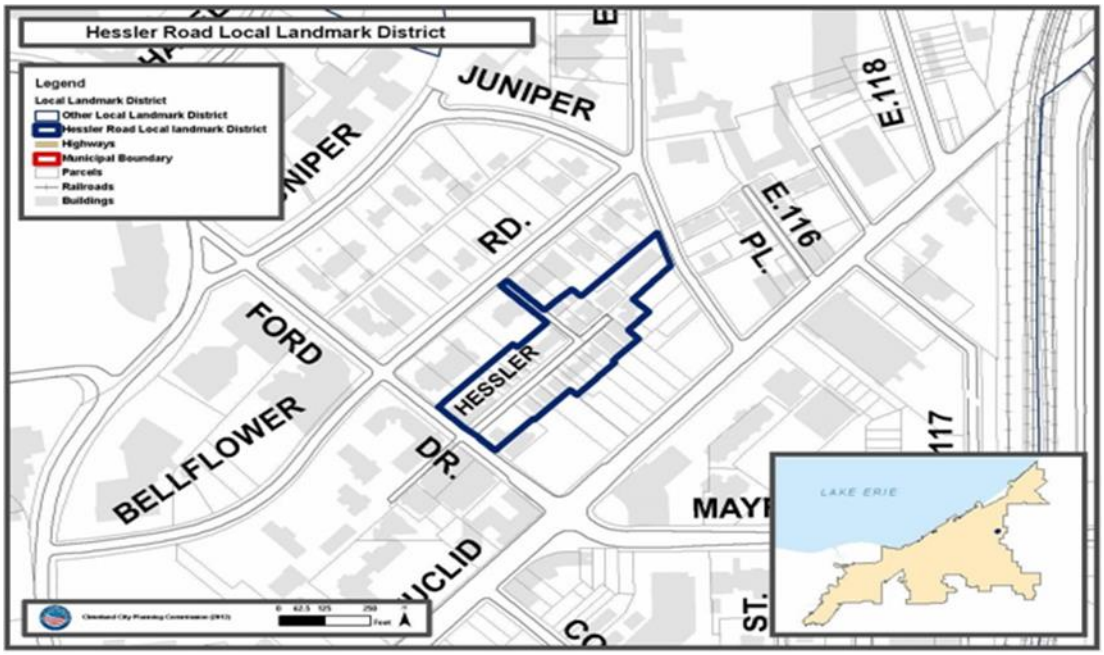
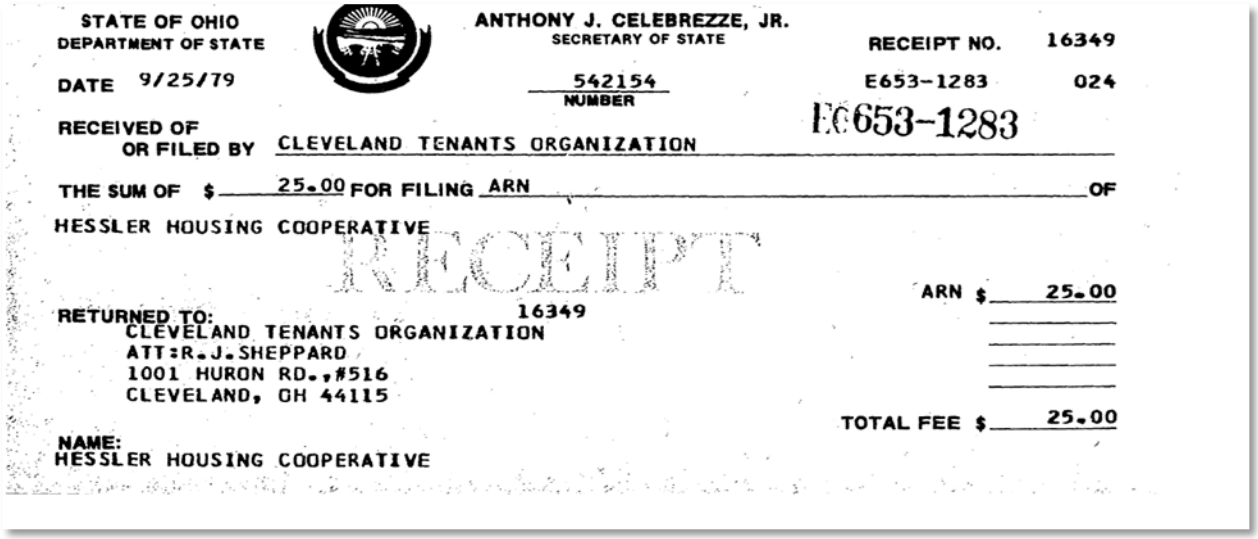


Figure 6-9. Hessler Road Historic District Map 2013 (http://planning.city.cleveland.oh.us/maplist.php?catID=clc, accessed 15JAN1013)

Figure 6-10. Hessler Street Festival on Hessler Road 2009 (www.hesslerstreetfestival.org, accessed 20APR2013)



STATE OF OHIO
DEPARTMENT OF STATE

ANTHONY J. CELEBREZZE, JR.
SECRETARY OF STATE

RECEIPT NO. 16349

DATE 9/25/79

542154
NUMBER

E653-1283 024

E653-1283

RECEIVED OF
OR FILED BY CLEVELAND TENANTS ORGANIZATION

THE SUM OF $ 25.00 FOR FILING ARN OF

HESSLER HOUSING COOPERATIVE

RECEIPT

ARN $ 25.00

RETURNED TO: 16349
CLEVELAND TENANTS ORGANIZATION
ATT:R.J.SHEPPARD
1001 HURON RD.,#516
CLEVELAND, OH 44115

TOTAL FEE $ 25.00

NAME:
HESSLER HOUSING COOPERATIVE

Figure 6-11. Hessler Housing Cooperative Incorporation receipt 1979 (http://www2.sos.state.oh.us/pls/bsqry/f?p=100:7:0::NO:7:P7_CHARTER_NUM:542154, accessed 12JAN2013

CHAPTER 7
CONCLUSIONS

Blight and the subsequent demolition of historic buildings has accelerated in recent years with the housing and banking recession. With so many historic neighborhoods in declining cities faced with vacancies and little hope of financing home ownership from traditional sources. The time for reevaluating methods of historic preservation and affordable homeownership is now. This research question addressed in this thesis was to find if it is possible to create a scattered site CHC of distressed historic buildings with the intent of historic preservation and affordable homeownership with case studies in Philadelphia, Cincinnati and New Orleans. Hessler Housing Cooperative proved that it has been done in the past, but could it be done today?

The findings suggest it can and should be done today. At first glance, the procedure appears complex and contradicting. If one utilizes the methodology of this thesis, it will not answer all questions but will show basic knowledge needed for a CHC conversion of distressed historic buildings. First, a CHC is a federally recognized form of homeownership. Since the 1949 Federal Housing Act, the IRC administered by the IRS regulates the definition a CHC. There are many sections in the tax law, but some of the most important to understand is IRC Section 216. Section 216 is the main CHC section is contained in the IRC. It defines CHCs and lists criteria required to be recognized as a CHC and thus eligible to receive federal tax benefits. Section 213 and Section 227 includes mention of the ‘80/20’ rule, which allows for commercial space to be included within a residential cooperative. Section 121 excluded the first $250,000 of capital gains tax on a CHC tenant stockholders residence, as long as it is a primary

residence. Federal tax laws are clear and concise and should be easy to understand for a person interested in CHC policy.

The clarity of policy ends with the federal government. This research has found state statutes regulating CHC vary by state. CHC have the distinction of being the only form of homeownership with unstandardized statutes. Out of Pennsylvania, Ohio and Louisiana, only Ohio has detailed and user-friendly statutes. All dates for tax filing and the chain of command of CHC state tax policy is well laid out. Pennsylvania statutes are verbose without details on tax filings and Louisiana's statute is so vague it is hardly useful. My suggestion is for states to adopt the Model Real Estate Cooperative Act.. In 1981, the Uniform Law Commission presented the Model Real Estate Cooperative Act in order to standardize CHC statutes nationally. This act was only adopted by Virginia, but is needed in all states, especially Pennsylvania and Louisiana. With both of these states, suffering from blighted historic neighborhoods a well formed CHC statute could be a catalyst for creating scattered site CHCs out of distressed historic buildings.

The findings of this research further suggest an established infrastructure of national and regional support educational and support organizations ready and able to train new CHC tenant stockholders in administering a CHC. CHCs are different in structure from other forms of homeownership and would require new tenants with backgrounds in other forms of housing to be trained. Contacting a support organization should be one of the first steps of a party interested in creating a CHC of distressed historic fabric.

Finding funding a CHC with federal programs through HUD and FHA mirror some state statutes in their complexity, but this should not discourage an interested party in

this funding. While inspecting all the documents, it became clear that a few programs could be utilized for creating a new CHC of distressed historic buildings. FHA 213 is a fully funded underutilized program for funding construction of middle income CHCs and should be considered along with FHA 221(d) and FHA 256 for long-term mortgages of a CHC. While the federal programs are funded, most CHC choose the NCB for their funding needs. The NCB covers all financial needs of a CHC from development, to mortgages and individual share loans. The NCB is a one-stop shop for all CHC needs. Other options for funding include the AFL-CIO HIT program for construction loans for larger CHCs, as utilized by Applewood in Minnesota or a low income CHC might qualify for CRA low-income loans from local banks. For the most part the findings support FHA and the NCB as the best source for the conversion of distressed historic buildings into a scattered site CHC.

Findings show it would be difficult to acquire distressed historic buildings in some regions such as Philadelphia and possibly other municipalities. With their lack, a unified land bank to sell distressed historic buildings to interested parties and complexity of purchasing such buildings. Reform is required to foster revitalization and increase the tax base in Philadelphia. On the other hand, in Cincinnati, the rush to utilize federal funds to demolish historic building, while at the same time marketing distressed historic buildings by the same agency leaves historic neighborhoods with numerous vacant lots, stifling growth a scattered site CHC consisting of historic fabric. Philadelphia and Cincinnati RDA's should look towards New Orleans with its partnership NORA and the Louisiana SHPO in making distressed historic buildings in historic districts available to interested parties with the intent of saving the buildings for future generations. New

Orleans partnership of historic preservation and economic development organizations with the goal eliminating blight should be considered a national model for other large cites dealing with blight.

Is it possible to convert distressed historic buildings into a scattered site CHC in Pennsylvania, Ohio and Louisiana? Hessler Housing Cooperative in Cleveland proved it is possible to convert distressed historic buildings into a scattered site CHC. The Hessler concept of combining historic preservation and a CHC to save a historic neighborhood from the bulldozer is a little used concept but one that could be replicated in states with CHC statutes and should be considered by historic preservationist and housing advocates.

With federal grants and private development loans for distressed historic building difficult to acquire, increasing blight in some cities along with the rising cost of home ownership the concept of a creating scattered site CHC from distressed historic buildings is a concept worth considering. Hessler Housing Cooperative has proven, along with this research that such a concept is attainable. The finding of this research clarifies the process, but does not limit its application. A scattered site CHC created from distressed historic fabric does not have to be outsiders to an area. The concept of a CHC allows it the flexibility, as shown by Hessler Housing Cooperative, of the possibility of renters originating to save their buildings from demolition or resident fearing gentrification might displace them and combining their historic properties into a CHC, thus lowering their cost and preserving a way of life. The options for saving historic buildings, however humble by creating a scattered site CHC should be

considered not only by historic preservationist , but neighborhood activist and anyone with an interest in saving historic places.

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BIOGRAPHICAL SKETCH

Joseph Jessop Warren will complete his Master of Historic Preservation degree at the University of Florida in the summer of 2013. A native of Columbus, Georgia, Mr. Warren graduated in 2006 with a B.S in political science from Georgia Southern University. He is professionally qualified in the preservation trades, graduating with honors from the Building Preservation and Restoration Program at Belmont College in St. Clairsvillie. He also, completed a year in the Preservation Carpentry Program at the North Bennet Street School in Boston, Massachusetts. During his time at The North Bennet Street School he worked on with classmates on the Old Statehouse in Boston, The Old Manse in Concord and an 18th Century English Scribe Barn at the Blue Hill Reservation in Milton, Massachusetts. In summer of 2011, Mr. Warren interned at Stratford Hall in Virginia as the preservation trades intern restoring the house servant cabins. Mr. Warren trade skills include traditional timber framing, welding, smithing, stain glass, historical finishes, carpentry, stone carving, masonry, electrical, roofing, woodturning and residential plumbing. Mr. Warren will receive his commission as a Second Lieutenant in the United States Army in the summer of 2013.