

**PROTECTING TENANT INTERESTS**  
**IN AN**  
**EXPIRING USE RESTRICTION**  
**HUD SECTION 236**  
**PRIVATELY OWNED, FEDERALLY SUBSIDIZED**  
**MULTI-FAMILY**  
**AFFORDABLE HOUSING DEVELOPMENT**

Project Paper  
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Shelter in decent affordable housing is not a luxury. It is a necessity upon which access to other necessities and the development of healthy, productive families and communities most often depend. Nothing is more essential to the welfare of men, women, and children. Nothing is tied more directly to the recognition of the dignity, worth, and values of persons. Because housing is so closely related to the welfare of persons and to recognition of their value as persons, nothing is a more basic right than the opportunity, regardless of income or class, to live in that kind of housing which supports the welfare of the family and community.

The Episcopal City Mission's policy statement  
"Housing: A Basic Human Right"

This Project Paper is lovingly dedicated to the memory of my mother  
Beverly Butler Stinson  
whose brief illness and untimely death during my first term made school all the more difficult,  
but whose life-long inspiration helped me complete my goal.

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## INTRODUCTION

In 1991 I was organizing tenants in a large apartment complex in which I had lived since November of 1990. I had worked for a number of years in human services, most recently in the areas of homelessness and welfare rights. The owners of the complex sent out notices that they were going to sell. After I got involved with the housing issue I became frustrated with the complexity of the problem and my lack of information about it.

During the Summer of 1991, I re-discovered a graduate program that dealt with injustice at a different level than the one I had been working at. When I contacted the CED program I learned their philosophy of development through changes at the community level and through economics. I also learned that there were courses which would teach me the things I needed to know to be successful in dealing with the housing issues I was working with. Part of the program included completing a year-long project. I was told I could use my work with my community housing issue for my project.

This paper is supposed to address the project completed during four terms of graduate work from September, 1991 through December, 1992. However, the project must be described in context of the development of the Royal-Concord Gardens Tenants' Association (beginning in February, 1991), as well as within the context of the other sub-projects funded by separate grants. In addition, my work included an internship with the New Hampshire Community Loan Fund in the final months of the project.

The Mott-funded Tenant Organizing Project through the Community Training Assistance Center (CTAC) ran from July, 1991 through June, 1992. The Tenant Education Project funded by the Haymarket People's Fund ran from December, 1991 through December, 1992.

So, the boundaries between one project and another are not often clear and there can be no way to describe only the graduate project as a discrete project. It will be necessary to discuss the aspects of all parts of the projects. For simplicity, the graduate project is focused as much as possible on the housing development issues and activities.

Included in this project report are assignments completed for course work which relate directly to my project. They are indicated by underlining in the Table of Contents.

## A. THE PROBLEM

### DESCRIPTION

On January 1, 1991 all tenants of Royal and Concord Gardens received from the owners a Notice of Intent to Prepay the mortgage. It said: "This Notice of Intent is filed under Section 222 of Title II of the Emergency Low Income Housing Preservation Act of 1987. The date of this Notice of Intent is December 20, 1990. The plans for the project are to transfer ownership of the project to a qualified non-profit organization utilizing the incentives provided for pursuant to federal statutes and regulations." After *timelines or deadlines for proposed actions*, the notice said: "The Owner seeks to accomplish the transfer at the earliest possible time."

HUD Section 236 provides federal financing to private developers in exchange for keeping the housing affordable for low and moderate income tenants during the 40-year period of the loan. After 20 years, however, the owners have the option of pre-paying the mortgage and becoming free of the affordable housing restrictions (the HUD restrictions on the owners to use the property only for affordable housing expire. Hence, *expiring use restrictions*). The owners can choose to refinance the property, profiting from the increased equity, or sell the property to new owners. Current HUD regulations require that the property for sale must first be offered to non-profit buyers, who may include the current tenants.

Royal-Concord Gardens is the largest combined HUD project in the state. There are 80 1-bedroom units, 180 2-bedroom units, and 40 3-bedroom units for a total of 300 units. Tenants can have incomes no more than 80% of the area's median income in order to qualify. Under the Section 236 subsidy, tenants pay Basic Rent. If a current tenant's income increases beyond the income guidelines, they pay the HUD-determined Market Rent.

Tenants with incomes less than 50% of the area's median income may qualify for Section 8 rental assistance, which means they pay only 30% of their income for rent. There are only 120 project-based Section 8 subsidies. People can also use Section 8 subsidies provided by the Concord Housing Authority. If a family qualifies for a Section 8 and there are none available, they must pay Basic Rent until a Section 8 is available.

Most of the tenants living in the 1-bedroom units are elderly. Many of the 2-bedroom units are occupied by single parent households. Many of the 3-bedroom units are occupied by households with four or more members. A large portion of the tenants receive incomes from AFDC, State Aid to the Permanently and Totally Disabled, Social Security, workers compensation, unemployment compensation, or working class wages.

### PROJECT PROBLEM STATEMENT

If nothing is done about it, the tenants of Royal and Concord Gardens may no longer be able to afford and may lose their homes by June 30, 1992.

After receiving a Notice of Intent from the owners to prepay the mortgage and sell the property, the approximately 1000 tenants in the 300 units of the private HUD-funded Royal and Concord Gardens were surveyed and responded that they are dissatisfied with their community's housing and social conditions. If the situation continues, tenants are in jeopardy of losing their homes, affordability, and economic stability because HUD'S use restrictions on owners to provide affordable housing have expired.

### DOCUMENTATION

Although the problem was created primarily by the expiring use restrictions, it could hardly be that alone. There are many facets to the problem. It is a policy problem because the government, the owners, the community and the residents would have to deal with the effects of prior housing policy, patching it up to meet today's needs, and coming up with a comprehensive, long-term solution. It is an owners' problem because, unlike public housing, there are considerations due to private ownership. It is a community problem to the extent of the community's commitment to its affordable housing resources. Most importantly, it is a residents' problem because it is their homes the issue most directly affects.

Therefore, it is appropriate to document the need from the residents' perspective. The R-CGTA carried out a survey of tenants in the Spring of 1991. The results are summarized here. Additionally, a community analysis was performed by interviewing tenants about what they thought the problems were. This is also included here.

### SUMMARY OF TENANT SURVEY RESULTS

In the Spring of 1991 every tenant received a questionnaire and was given an opportunity for input. Problems and needs were grouped and members reviewed and tallied the results. *46% of the tenants returning surveys indicated they planned to stay living at the Gardens, 26% reported they planned on owning their own home someday, 23% were undecided about their future housing plans, 3% wanted something more affordable, and 3% said they planned to move. 40% reported they were interested in tenant ownership and 40% were*

interested but wanted more information. Only 23% said they were not interested in tenant ownership.

80% reported they were either interested in membership in the Tenants' Association or wanted more information, while 6% reported they were afraid and only 23% said they were not interested. When asked what they most liked about living here, the top three responses were: *affordability*, *heat and utilities included*, and the availability of three bedrooms. The most frequent dislikes were: *condition of buildings and property*, safety and security issues, and about the lack of "community". When asked what they felt could improve, the most common answers were about social needs. When asked if they were interested in tenant ownership, 40% reported yes, another 40% reported they were possibly interested, and 23% said they were not.

## COMMUNITY ANALYSIS INTERVIEWS

According to a 1991 R-CGTA survey and self reports, many of the tenants are on public assistance, retirement, disability, or unemployment. A large number are under employed working class. One newspaper article about the 1991 rent increase recounted that 94 tenants would be "drastically affected", paying more than 50% of their incomes for rent.

Two residents of the community were interviewed for this report. They were asked the following questions:

1. What do you think this community needs most?
2. What are the community's biggest problems?
3. What do you see being done about the problems?
4. Do you plan on staying or moving?
5. What would you most like to see done to change conditions?

### **First Interview**

1. The first resident reported that she thinks the needs of the community include: 1) need for regular community meetings; 2) *building repairs* (she reported maintenance had been in several times to fix the leaks around her tub and it still leaks); 3) landscaping, especially improving lawns and planting flowers; 4) residents need higher incomes because jobs and assistance programs don't pay enough; 5) *less expensive, more affordable housing*; 6) tenant rights education; 7) more consistent information from the managers (they tell you one thing one day and say they don't remember saying that another day); 8) social programs should apply standards equally (CAP programs like fuel assistance and weatherization treat people with similar circumstances differently); 9) State welfare (where this resident had worked) seems to make up their own rules and intimidate people. She said she felt there was a lack of supervision, who got what benefits depend on what worker they get and that workers mistreat clients.

2. The first resident thought the biggest problems were: Finding someone to work full time for tenants to coordinate and link residents with social services. This person would help mobilize and access resources. Many residents lack transportation to city and state welfare, W.I.C., and the grocery store. She said there is also a need for child care on-site. She added that she thought tenants need leadership, support, and encouragement.

3. When asked what she saw being done to address these issues, she responded that she likes the R-CGTA's newsletter, what the leaders in the Tenants' Association have been doing, the support from the city, N.H. Legal Assistance, and Concord Area Trust for Community Housing (CATCH).

4. When asked about whether she planned to move or stay, she said she felt she really had no choice because she *can't afford to live anywhere else*. The only option, she suggested, was if she could move to one of CATCH's coops.

5. She said that what she most would like to see done is to change conditions so that people would not have to work overtime to pay the bills and that the State has reduced their employment. She added that she knows of many people who have serious transportation difficulties, creating access barriers to work and to services. She concluded that a lot of tenants, especially the older ones, are intimidated and afraid of participating in improving the community.

### **Second Interview**

1. In the second interview, the question about the community's needs was answered with: 1) safer playgrounds; 2) more adequate outdoor lighting; 3) a community building; 4) better laundry facilities; and 5) for tenants to have more say in management.

2. When asked about the community's biggest problems, the answers were: 1) domestic violence, including spouse and child abuse, related alcoholism, and poverty as a root cause; 2) unemployment; and 3) not enough control by community members.

3. She said she thought nothing was being done about the first two needs (except for the Tenant Association's exploration of holding the Parent Child Center program on-site). She felt the second problem was being addressed by the R-CGTA.

4. The interviewee reported there were *no plans to move out of the community*.



5. The thing she said she would most like to see done is constructing a community building, because this would provide a place and a means to deal with all the other issues.

### **Summary**

Both interviews had some things in common. For problems, both listed social and economic issues and stated them in terms of tenant involvement ("rights education" and "more say in management"). The first tenant saw most of the needs as being social ones, while the second emphasized safety and facility needs.

In their views of biggest problems, the second tenant listed social problems and the first listed problems in terms of solutions to social problems. The first person saw the need for someone to provide services, while the second stated the need for control by community members. (It is worth noting that the first person works for a State human services agency and the second is closely involved with the tenants association).

Both saw solutions being worked on by the R-CGTA, and the first person mentioned support from the larger community. Both planned to stay living in the same community. However, the first person saw an option of moving into a coop.

The two residents contrasted in what they would most like to see done. The first person saw her and others in a work time and economic sense. She saw transportation as a major barrier. The second person indicated she felt the community could solve its own problems if it were able to work on its issues in a community building.

### **Conclusions**

Both of the community residents interviewed saw the community problems in social and economic terms. All three ways that people get things done-- service, advocacy, and mobilizing/organizing-- were listed. It is clear from these descriptions that the community has problems which need to be addressed in a variety of ways. These are all problems which can be addressed by further investigation and thoughtful planning.

The survey indicated that less than half the residents planned to stay living at the Gardens and what was most important to them living here is affordability. In both of the tenant interviews it was clear that these tenants saw their housing and community as the foundation for support in both an economic and social sense. They were dissatisfied with the current conditions in the complex and wanted improvements. Their issues extended well beyond the issues of the expiring use restrictions. Both expressed a commitment to remain here. The assertions in the Problem Statement are supported by these data.

## HISTORY

The housing development issues with which we have been dealing in this project are extremely complicated and technical. This fact has not lent itself well to the goal of tenant empowerment, which is based on making decisions for oneself, having the appropriate, comprehensible information. The history of the problem is discussed here in the dimensions of housing policy legislation, the history of the project, and the history of the organization. Particular detail is given to the policy discussion because of its critical role effecting our activities, to give the reader an appreciation of the complexity, and to inform others who might use this information dealing with expiring use properties in the future.

### Expiring Use in New England

The following is taken from an article in the tenant newsletter. It was based on a report called: **Saving Northgate:**

#### Through the Looking Glass

Once upon a time, nestled in the hills just outside Burlington, Vermont there was a federally subsidized affordable housing project called Indian Brook Apartments.

In 1986 the owners prepaid the mortgage and converted the apartments into market rate rental condominiums. "No one had known who was ousted from Indian Brook or what happened to them." The tenants disappeared and were never heard from again.

Once upon another time there was a 336-family, HUD-subsidized housing project called Northgate, also in Burlington. The tenants complained about high energy costs due to poor insulation as well as about poor management and maintenance. When prepayment time was coming upon them the tenants organized.

A HUD official was invited to speak to the tenants and explain the owners' options and HUD's response to the situation. The HUD official told the tenants not to worry and that the owners had no intention of prepaying and had no motivation to do so.

But the nasty HUD official soon left his government job and went to work for the owners, instead. It was no surprise that the owners announced that they did want to sell after all.

The tenants of Northgate kept right on organizing. They worked with local, state, and federal government to purchase the property themselves. They made it so they could keep the property affordable by limiting equity, so that future tenant-owners will not have to pay more in the future than what it costs today. Rents were kept at 30% of tenants' incomes and, yes, including utilities.

## Housing Policy Legislation History

### Public-private Partnerships and Public Subsidy

According to Rachel Bratt (**Rebuilding a Low Income Housing Policy**, 1989):

"The history of public housing not only reveals how several key forces and decisions shaped the program but also reflects how the federal government has changed its thinking about its role in subsidized housing for low-income people. Although the public housing program started out with management and ownership resting solely with the local public housing authority, as the program came under attack in the mid-1960's, the private sector was looked to as a way to rescue it."

"...other subsidized housing programs were including a new role from the private sector... ..in 1959 private entrepreneurs were given their first opportunity to produce subsidized housing. The Section 202 program enacted in that year provided direct below-market interest-rate loans to private nonprofit sponsors of housing for the elderly. The Section 221(d)(3), Section 236, and Section 8 programs, enacted in 1961, 1968, and 1974, also invited sponsorship of multifamily subsidized housing by private, for-profit groups.

The September/October 1987 issue of the **Journal of Housing** had an article on "50 Years of Housing Legislation". It says that 1968 Congress passed the Housing and Urban Development Act (public Law 90-448) creating the Section 236 (rental) mortgage insurance program (replacing the Section 221[d][3] program) with below-market interest rates down to 1 percent. This act established a 10-year national goal of 26 million housing units, including six million units for low- and moderate-income families. The Housing and Community Development Act of 1974 (Public Law 93-383) created a new federally assisted housing program-- Section 8-- which authorized federal "housing assistance payment contracts" to sponsors.

### ELIHPA vs. LIHPRHA

Emily Achtenberg, in **Preserving Expiring Use Restriction Projects**, July 1992, describes the "Evolution of the Federal Regulatory Framework":

#### 1. The Emergency Low Income Housing Preservation Act (ELIHPA)

The Emergency Low Income Housing Preservation Act of 1987 (ELIHPA) was developed as a temporary response to the mortgage prepayment problem. Initially enacted on February 6, 1988 for a two-year period, ELIHPA was subsequently amended and extended through October 30, 1990 to give Congress more time to fashion a permanent solution.

This landmark statute established Congress' authority-- at least on an emergency basis- to restrict owners' contractual prepayment rights in the interest of protecting tenants and preserving the original social purpose of the housing. In general, ELIHPA prohibited the prepayment of subsidized mortgages without a HUD-approved Plan of Action and authorized incentives to owners or purchasers to extend their projects' low and moderate income use.

Prepayment was permissible only if there was no adverse impact on

current tenants or on the local affordable housing supply. Preservation incentives were available only to owners whose properties had a demonstrably higher and better use than low income housing. In exchange for incentives, owners or purchasers were required to maintain the historical occupancy profile of their projects, at correspondingly affordable rents, for the balance of the HUD-assisted mortgage term.

## **2. Experience to Date**

While useful as a stopgap measure, ELIHPA had many limitations. For example, owners objected that ELIHPA did not guarantee them a consistent or predictable rate of return. Rather, ELIHPA incentives were based on each project's historical occupancy profile, which determined the rent structure and level of subsidy available under a Plan of Action.

Tenants criticized ELIHPA because it required only a limited (20 - year) extension of use restrictions, and did not advantage preservation plans offering permanent affordability. State and local governments were concerned that ELIHPA ownership transfers often required substantial amounts of non-federal funding in order to achieve market sales prices. In general, the federal government's commitment to pay for preservation under ELIHPA remained unclear. Also, without clear timelines projects languished for months (and even years) in the ELIHPA process.

As a result, in the four years since its enactment, ELIHPA has operated primarily as a prepayment "moratorium". As of May 8, 1992, only 81 Plans of Action had been approved by HUD, including one authorizing mortgage prepayment without continuing use restrictions. Of the remaining Plans approved for preservation, only 12 are known to have involved sales to tenant, non-profit, or public agency purchasers. In the vast majority of ELIHPA projects, existing owners received incentives to continue their projects' low and moderate income use.

## **3. The Low Income Housing Preservation & Resident Homeownership Act (LIHPRHA)**

The Low Income Housing Preservation and Resident Homeownership Act of 1990 (LIHPRHA), enacted in November 1990, represents an effort by Congress to develop a comprehensive solution to the prepayment problem. While retaining ELIHPA's Plan of Action concept, menu of incentives, and tenant rent and occupancy profile requirements, the new law reflects a fundamentally new approach to preservation.

LIHPRHA is a permanent statute. It reflects a political compromise between the interests of owners, tenant advocates, and government in the preservation/prepayment debate.

Under LIHPRHA, owners are guaranteed **fair market value incentives** to retain ownership of their projects or a **fair market sales price** if they wish to sell. Unlike ELIHPA, whose incentives were primarily affordability-based, LIHPRHA starts with value.

Specifically, owners who stay-in are entitled to a return of 8% on the market value of their equity in the property, either as a cash dividend or to service new debt on federally-insured equity takeout loan (for up to 70% of the equity value). Selling owners can receive a purchase price equal to the fair market value of the housing. In establishing this approach, Congress was influenced, in part, by a desire to shield the permanent preservation statute from future constitutional challenge, and by the failure of ELIHPA to provide a consistent economic result for owners.

Owners and purchasers who receive incentives are required to preserve

the low and moderate income use of the housing for its **remaining useful life** (at least 50 years). This represents a significant extension of ELIHPA preservation benefits.

Unlike ELIHPA, LIHPRHA provides a genuine opportunity for tenant groups, non-profits, and public agencies to purchase prepayment-eligible properties. These groups have priority purchase rights with respect to any property offered for sale. They are also eligible for special funding assistance, including preservation grants and federally-insured loans for up to 95% of cash acquisition costs (plus related costs), which enhances the feasibility of sales.

In combination with LIHPRHA's scaled-down equity takeout loan program for stay-in owners, these purchase provisions indicate Congress's intent to create a "level playing field" for the stay-in and sales options. The new purchase program also reflects HUD Secretary Jack Kemp's desire to expand resident homeownership opportunities.

...Under LIHPRHA, tenants and state or local government officials are required to be informed and have an opportunity to participate at key stages of the process. Under ELIHPA, tenants were largely ignored until it was too late to make a difference.

...At the same time, certain uniform federal protections are required for tenants who are displaced by mortgage prepayment, including relocation benefits, rental subsidy assistance, and limited continued occupancy rights.

**4. Implications**

...The new law also provides expanded opportunities for tenant, non-profit, and public ownership which can permanently remove the housing from the speculative real estate market. At the same time, LIHPRHA imposes a significant new responsibility on tenant and non-profit groups to salvage their own housing as purchasers of last resort. If many properties are offered for sale over the next few years, the capacity of existing non-profit sponsors may need to expand significantly in order to avoid permissible prepayments.

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Further comparisons of ELIHPA and LIHPRHA are given in the appendix.

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As if the complexities of the expiring use regulations weren't enough, there is also the Homeownership and Opportunity for People Everywhere (HOPE) II program to consider. The following is excerpted from a HUD publication:

**HOPE 2** empowers low-income families to become homeowners by providing planning and implementation grants to organizations that will help individual families in government-insured or -owned, or FHA distressed, multifamily buildings purchase and maintain their homes and properties. **HOPE 2** will give low-income families greater control over their homes and neighborhoods, help expand the supply of decent housing, and promote economic self-sufficiency for participating families.

**BACKGROUND**

**HOPE 2 (Multifamily Homeownership)** is one of the major elements of President Bush and Secretary Jack Kemp's Homeownership and Opportunity for People Everywhere (**HOPE**) initiative. The **HOPE** grants

program, which also includes Public and Indian Housing Homeownership (**HOPE 1**) and Single Family Homeownership (**HOPE 3**), was enacted in the National Affordable Housing Act of 1990 ...

**HOPE 2** will provide homeownership assistance to low-income families (those whose incomes are below 80 percent of local area median income), and families or individuals residing in the multifamily units to be sold when HUD approves a **HOPE 2** implementation grant.

Homeownership is a fundamental incentive to people who wish to break the cycle of poverty and dependence and achieve a better life for themselves and their families. HUD's experience with homeownership programs for low-income people has identified the need to provide resources that will allow a family to buy a decent home and help them make the transition to financial independence by providing for economic development and self-sufficiency training. The approach taken in **HOPE 2** will make the dream of homeownership a reality for low-income families and strengthen the communities in which the homeownership occurs.

### PLANNING GRANTS

How May Planning Grants Be Used?

...Planning grants may be used for a wide range of activities that will enhance the capacity to implement a viable homeownership plan.

...Eligible activities for mini planning grants include:

- Development of resident councils and resident management corporations.
- Study of the feasibility of a homeownership program; and
- Training and technical assistance related to the development of the program.

Full planning grants may be used for the activities eligible under mini planning grants as well as these additional activities:

- Preliminary architectural and engineering work;
- Resident home buyer counseling and training;
- Economic development planning, including job training and other activities that promote economic self-sufficiency for future home buyers;
- Development of security plans;
- Appraisals related to the program; and
- Preparation of an application for a **HOPE 2** implementation grant.

What Must a Planning Grant Application Contain?

... Signed statement from the owner of the eligible property expressing interest in selling the property for homeownership under **HOPE 2** and agreeing to allow sufficient time for the applicant to apply for an implementation grant and for HUD to act on the application...

### IMPLEMENTATION GRANTS

How May Implementation Grants Be Used?

... Acquisition of eligible properties;  
... Rehabilitation of the eligible property...

What Is the Maximum Implementation Grant Amount?

The maximum implementation grant may not exceed 120 times the current

published fair market rents for existing housing. In addition, Section 8 assistance may be requested for nonpurchasing residents.

**What Are the Maximum Acquisition and Rehabilitation Costs?**

The cost of acquiring a property may not exceed the as-is, fair-market value of that property for residential use. Applicable low-income use restrictions may be considered, as may reasonable and customary closing costs. If debt exceeds fair-market value of the property, the excess debt may not be the responsibility of the grantee or the homeowner.

The maximum combined cost of acquisition and rehabilitation paid for from the grant funds must be the lower of (1) the as-is, fair-market value of the property plus the actual cost of rehabilitation; or (2) the maximum dollar limitation that applies to property financed and repaired under Section 223(f) of the National Housing Act.

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Note: under Section 223(f), the maximum dollar limit is equal to 10 year's rental value. For the 150 units of Concord Gardens, this amounts to \$7,057,740. The maximum amount for Royal Gardens would have to be calculated on its slightly lower rents. In all, a maximum HOPE 2 acquisition and rehabilitation grant would be just over \$12 million.

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It should be evident from all of this information that there are an excessive number of fronts to cover in this housing development process. Most, if not all, of the remaining expiring use properties in New Hampshire have prepayment dates that fall outside of the provisions of ELIHPA and within the provisions of LIHPRHA, making it that much easier for these projects to deal with their development. It is rumored that the Clinton administration will favor the HOME program, at the expense of continued funding to the HOPE program. It will be important for others dealing with expiring use projects to monitor the outcome of federal funding for these programs.

**Project History**

In 1969 three general partners (Richard Sullivan, Morton Meyerson, Mark Waltch) from Massachusetts built 150 housing units called Royal Gardens. A year later they built another 150 units adjacent to the property called Concord Gardens. The Royal-Concord Gardens complex is located on the Heights area in East Concord, New Hampshire. The property is bounded by Loudon Road, East Side Drive, Christian Ave., and Ormond Street. This Section 236 project is overseen by the U.S. Department of Housing and Urban Development (HUD). The HUD field office is located in Manchester, N.H. in the Norris Cotton Federal Building at 275 Chestnut Street. The branch which oversees the project is Loan Management, Mr. Francis Gros Louis, Branch Chief.

When the complex was built there was plenty of opportunity for the owners to make money. HUD guaranteed the loan subsidizing at 1% interest. 20 years ago there was a lot more

room in a development budget for developers' fees. Developers could even be their own contractors and earn profits from doing construction themselves. They could take and sell tax credits. They could take accelerated depreciation.

The owners filed their Notice of Intent dated December 20, 1990. They would have the option of proceeding under either ELIHPA or LIHPRHA. From the beginning, it was not clear whether the owners would decide to sell or stay in. It was rumored that 2 of the 3 general partners wanted out. The affordable housing act of 1990 had been passed. All parties would have to wait for the regulations to be published to determine the impact of the owners proceeding under Title II (ELIHPA) or Title VI (LIHPRHA). Another unknown was what incentives HUD would provide the owners to stay in and keep the housing affordable.

## **Organizational History**

The Royal-Concord Gardens Tenants' Association (R-CGTA) began organizing in February, 1991 after the owners of the 300-unit HUD Section 236 housing development in Concord, New Hampshire filed their Notice of Intent to Prepay. The Notice was sent to all tenants, some of whom responded by contacting community agencies (including the Concord Area Trust for Community Housing and N.H. Legal Assistance) and the City. Concord Mayor James McKay formed a City Task Force to assist tenants in making sure the Gardens remain an affordable housing resource for the city. The City offered CDBG money to perform an engineering study of the property to determine needs. The owners refused the offer. A meeting of tenants and community agencies was held and various groups offered the tenants their support. The option for a tenant buy out was discussed. There had been successful ones in New England, including Northgate in Burlington, Highgate in Barre, North Canal in Lowell, and others. If the owners would not sell, at least they would have to do major improvements. The tenants decided there were other issues besides the sale of the property and began to organize other tenants.

## **TRACK RECORD**

Between February and May 1991 the R-CGTA was extremely successful. We were able to:

- Organize weekly meetings, bringing in new people, preparing an agenda, providing refreshments, planning, and training.
- Publish a newsletter
- Carry out a survey
- PR event/interview with feature article
- Raise money through regular meeting donations
- Network with community and regional support



- Put together a mass meeting for tenants to form the R-CGTA
- Plan a special event: Community Pride Day, clean-up, cookout, and raffle

On February 25 the first meeting of tenants was held and they agreed to organize tenants to work together to improve the quality of life at the Gardens, regardless of the outcome of refinancing or sale, and to have a voice in that process. These tenants agreed to organize other tenants who were also interested. They called themselves the Tenant Organizing Committee (TOC).

The Tenant Organizing Committee began meeting weekly. A mass meeting was planned to form a tenants' association. The TOC also completed a survey of tenants. A newsletter was published to keep all tenants informed. The TOC organized a community pride clean up day. During the meetings, tenants began to list the conditions they wanted to change. The conditions included: buildings and property requiring repair and rehab.; problems with safety and security; lack of sense of community; complaints about maintenance and management issues; and a need to address the social problems of the elderly, handicapped, children and youth, single parents, hunger, etc.

The mass meeting was held for all tenants to attend on April 21, 1991. There was a unanimous vote at this meeting to form a grassroots tenants association formed by and run by tenants. The Royal-Concord Gardens Tenants' Association was official.

In May, the owners requested a 15% rent increase. Tenants were angry and mobilized easily around the issue. The owners had said the increase was due to increased costs and we wanted to tell them they had not done anything in the project to earn a 15% increase. Meeting attendance increased. A petition was circulated. A tenant action was organized.

In June, the R-CGTA received a Mott grant for \$10,000 from CTAC. Tenants learned that the owners had filed a Plan of Action, describing what they wanted to do with the property. Owners refused to share a copy with tenants and the R-CGTA spent months working with a national coalition and N.H. Legal Assistance to obtain a copy. Sharing this information would be guaranteed under Title VI, but the regulations had not been published yet, nor was a decision made under which law the owners would have to proceed.

When HUD did not respond to our information opposing the rent increase, tenants decided to hold an action. We organized tenants to go together to HUD in Manchester for a press conference and meeting with HUD officials. I went out door-to-door and asked tenants if they would join us in telling HUD why we could not afford a rent increase. After a week of going out every night and putting up posters and notices in mail slots, 24 tenants had agreed to go. I called several bus services and compared prices, finding out the cheapest way is to rent a city school bus. Everyone worked so hard on this event. I asked another member to make the signs. I made up a press information packet, faxed and called the media to announce what we

were doing.

So, after weeks of planning, off to HUD we went with signs and posters. In June, tenants rented a bus to go to HUD in Manchester to protest in front of the federal building. I arranged the bus transportation for the 14 tenants and their children. On the ride down we sang songs and talked about what we were doing. Since it was a weekday, a lot of tenants could not come because of work. When we got there we were met by the press. We stood in front of the federal building for our press conference and demonstration. After this, we went upstairs for the meeting with HUD. There were police in riot gear who escorted us up. Once we were in the meeting room, the people from HUD introduced themselves and told us they were giving us a lot because they had never held a meeting like this before. We handed HUD our stage prop check signifying giving back the rent increase. We read our list of demands. All of the tenants introduced themselves and said why they felt the rent increase was unfair. In the end, HUD reduced their approval to a 12% increase.

In August tenant leaders met with one of the owners and the head and other representatives of the management company. The owner said he would not rule out selling the property. He insisted tenants would not be allowed to be threatened for organizing. There was an agreement to meet monthly with tenants to discuss management and maintenance. They agreed to install speed bumps. There was resistance to a tenant's request to open a food pantry for other tenants. The owner agreed to consider a tenant developed construction of a community building. They would not disclose the Plan of Action, except to say they requested doubling the number of Section 8 subsidies.

## ANALYSIS OF ROOT CAUSES

### CAUSE OF CONDITION

Tenants had to prepare to proceed for several different scenarios: Title II or Title VI and sell or refinance. Legislation and policy development lagged behind the beginning of prepayment dates. Technical assistants at CTAC urged the R-CGTA to take on an adversarial strategy with the owners so that they would not want to deal with tenants for the next 20 years by staying in to nudge them towards selling. Tenant leaders were undecided on whether or not to pursue this strategy. Tenant housing development initiatives lagged behind events because of lack of information and preparation beforehand.

Not selling, or keeping the property, would mean the owners could refinance their debt on the property based on the increased value of the property. It also meant that the amount of the income they were allowed to keep (return on equity) would increase, because it is based on a portion of the new property value. 20 years ago they were allowed to take something like 8% per year of about \$4 million in value. At this point, they would be allowed to take about 8% of the current value of about \$12 million. One cause of the conditions is based on the fact that owners would act in their own interests, whether or not it conflicted with tenants' right to have some measure of control over their own homes.

Recent HUD policy clearly supported tenant ownership. However, there were a number of disincentives for the owners to sell. First, the owners would have to pay capital gains tax based on the new property value, severely reducing their profit on the sale. Even though the property was 20 years old, it was still providing a nice cash flow through the management fees (according to HUD, the owners had not taken out equity in 8 years). Also, the head of the management company was married to the daughter of one of the owners, keeping the money in the family. Again, HUD would offer the owners incentives to stay in and keep the housing affordable. Finally, the housing market had softened considerably, making it less likely for the owners to get what they would want in a sale.

Other causes for these conditions are due to: lack of organized community structure; isolation; powerlessness; and residents are tenants rather than owners. Tenants are isolated from one another. There are no activities or facilities to bring people together within the neighborhood. As individuals, rather than an organized group, people are powerless to change the community. People who are poor often prioritize their time doing survival activities, rather than working together with their neighbors. Families with children have a difficult time getting out without child care. People who are unaware of their rights or solutions are unable to assert their rights or participate in change. When tenants are not owners, there is little incentive to

improve the property or for their surroundings to reflect healthy self-esteem. Seniors and handicapped people who are home-bound deteriorate. Children with no community activities or programs get bored and get into trouble. Out of state owners and the management company have no investment in improving the quality of life as long as the property simply remains profitable. Achtenburg, *et al*, refer to the problem of the "commodification" housing, treating a basic human need as any other resource, which the market is inadequate to allocate fairly.

## HOUSING MARKET STUDY FOR CONCORD, NH

### **Methodology**

Data for this report were gathered by phone calls to Concord's Economic Development Office, code enforcement, Housing Authority, and Board of Realtors. Telephone contact was also made with the Department of Employment Security, N.H. Housing Finance Authority and N.H. Office of State Planning. Data were taken from the NHHFA's "Statewide Summary Report: Analysis of New Hampshire Housing Markets 1990". While there is a separate report for the Concord area, it was not available for this report.

### **Supply & Demand**

According to Concord's Economic Development Office, the 1990 census showed that Concord's population has risen to 36,006 (a 16% increase over 1980). The city's labor force dropped from 20,840 in April of 1991 to 20,570 in April of 1992 and the unemployment rate increased from 6.6% to 7.0% for those dates. There has continued to be a loss of manufacturing jobs. Reports of median incomes varied. According to the Office of State Planning, the 1989 income included in the 1980 census for Concord was \$32,733 for households and \$39,531 for families. The NHHFA reported their survey data median income for Concord renters at \$23,500. According to Concord's Code Enforcement Office, there have been only 15 single family building permits issued through May of this year compared to 67 permits during all of 1991 and 88 permits through 1990 (compared to 552 housing construction units reported for 1984). They did not provide any other information regarding the types, number, or prices of houses being built.

The Concord Housing Authority reported their waiting list to be six months to two years, depending on circumstances. Since this report only considers Concord, there was no attempt to find the length of the waiting list for the area. The City Welfare Director did not provide the number of people they placed in shelters.

### **Local Housing Costs**

The N.H. Housing Finance Authority reported median contract and gross

(includes utilities) rents for 1991. For 2 bedroom rentals the monthly amount was \$627 and for 3 bedrooms \$616. These rents were down from the previous year, ending a decade long rise. The overall gross median rent was \$586. The NHHFA reported that the sample size of 14 was too small to report median costs of condos. The NHHFA reports the 1991 median sales price of an existing single family home in Concord at \$107,715 (down from the NHHFA 1989 reported cost of 113,900).

## **Required Household Incomes**

Using 1991 NHHFA median gross rental costs (includes utilities) for Concord of \$627 for a 2-bedroom and \$616 for a 3-bedroom, the required incomes would be \$25,080 for 2 - bedrooms and \$24,640 for 3-bedroom units (NHHFA explains the cost discrepancy attributable to utility cost factors). The overall median rent of \$586 would require an income of \$21,096.

For purchasing a single family existing house (@11%, 30 years): ( $\$107,715$  purchase price X .95 financed) =  $\$102,329$  X .1143 =  $\$11,696$  annual mortgage payment/.75 =  $\$15,595$  PITI/.28 =  $\$55,696$  income required.

## **Affordability**

The NHHFA reported median income for Concord renters was 23,500. Using 30% of income as a measure of affordability, the average renter cannot afford a 2- or 3-bedroom apartment in Concord, but would have to spend 32% of income for a 2-bedroom unit and 31% for a 3-bedroom unit. Since these are median figures, half the incomes are above and half below these figures. According to the NHHFA: there are 1868 households in Concord with rental assistance; 2,450 very low income households pay 30% or more out to gross rent; there are an additional 150 very low income and low income households a year needing rental assistance; only 8% of renters have adequate income to finance a median price existing home and; only 6% of renters have both an adequate downpayment and adequate monthly income to support the price of a home in the existing market.

In order to purchase an existing house at the median rate of \$107,715, the median income household would have to spend 36% of their income on the mortgage alone.

## **Analysis of Typical Costs for Land and Buildings**

No information was available at the time of this report. The State Association of Realtors referred me to the Concord Board of Realtors, who referred me to the Board Chairperson, whose line was busy.

## **Major Needs & Potential Programs**

Since there are no more rental subsidies available and the need continues to grow, there is clearly a major need for affordable rental housing for very low income and low income renters. Even the coops in the community land trust are beyond the affordability of these groups. During the previous two decades, lots of elderly housing was built, but not enough to keep up with the aging baby boomer population. New three bedroom housing has been practically ignored. The Division of Mental Health and Developmental Services has programs for emergency and transitional housing for the homeless. The Developmental System of Area Agencies is working on a pilot project for special needs housing. The Concord area is scheduled to participate to the extent of 2 housing units this year.

There are no plans to build additional low income housing units and the large existing project is threatened by expiring use restrictions, which may either result in continuing their affordability, adding additional Section 8 subsidies, or ending low income affordability restrictions all together. While new private construction crawls along at a snails pace, the land trust is also moving very slowly in creating additional family housing, even though they are finally ready to begin construction on their 26 new units.

## **Conclusions**

A veritable affordable housing crisis remains in the Concord area. There is no new growth of resources as the demand grows and as the federal government has gone out of the housing business. The housing boom of the 80's has gone bust and so have the increasing incomes. New construction is at barely more than a standstill. Homeowners and renters are being squeezed unmercifully by rising property taxes. All in all, there is plenty of opportunity for innovative ways to create more affordable housing in Concord.

## B. PROJECT GOALS

### CTAC TENANT ORGANIZING PROJECT

In 1991 the Community Training and Assistance Center (CTAC) funded core operating support for the Royal-Concord Gardens Tenants' Association (R-CGTA) Tenant Organizing Project through the Mott Foundation's Small Grants Program.

The R-CGTA planned to address the following goals:

- A. Organizational Development
- B. Tenant Education
- C. Housing Development**
- D. Management and Maintenance
- E. Safety and Security

### CED PROJECT GOALS

The project goals for housing development are derived from the problems and needs presented by the expiring use process and as identified by tenants. They are:

1. To assure and expand long-term affordability;
2. To obtain aggressive repairs and improvement plans;
3. To hold all parties accountable to the current and future residents and community;
4. To be prepared to purchase the complex, if the opportunity arises; and
5. To learn the necessary information to reach the prior goals.

Protecting affordability means assuring that the complex remains within the ability of the tenants and the area's poorest residents to pay. Whether the owners chose to stay-in or tenants became able to purchase, it is essential that no one be displaced because of increased rents and that rents become affordable for those tenants paying more than 50% of their incomes for rent. Very low- and low-income residents should pay no more than 30% of their incomes for rent. Further, rents should be guaranteed affordable long-term.

The expiring use process, no matter which way things turn, presents a major opportunity to make repairs and improvement to the aging buildings and grounds. Under ELIHPA the owners would stay in at least another 20 years. Under LIHPRHA resources would be available for the remaining useful life of the project, up to 50 years. Major needs include replacing roofs and heating systems, making the buildings warmer and more energy efficient,

replacing worn out appliances and fixtures, replacing deteriorating structural elements, improving safety and security issues, and repairing tenant-identified problems.

Accountability to the tenants and community is essential. HUD must not be allowed to uphold its agreements with private owners, at the expense of failing to act in accordance with its responsibility to the public and to residents. Owners must not allow their financial interests to supersede their responsibility to tenants whose homes they own. Both HUD and owners have a moral and ethical responsibility to provide disclosure for tenants in order to make informed choices.

Purchasing the property would be the option for tenants to have the most control over their own homes and community. Taking advantage of this option would require staying on top of events between the owners and HUD as well as the emerging policy, keeping tenants informed, and organizing to represent a majority of tenants.

The complexity and technicality of the process requires learning of many different subjects and new skills. The goal includes learning in the following areas:

- The expiring use process
- Development financing
- Housing management
- Basic housing development
- Housing policy
- Housing co-ops
- Negotiation skills

**"...life-long education should be regarded as both a human right and as a fundamental necessity in any civilized society in order that every individual is enabled to respond to his learning needs, fulfill his potential, and discover a place within the wider society."**

*--Peter Jarvis from: Adult and Continuing Education  
Theory and Practice*



## C. METHODS & ACTIVITIES

In August I applied to graduate school. In September I was forced to resign as President of the R-CGTA in order to qualify for the HUD work study funds. School also meant less time meeting with other tenants. Most of my work was done at home and was more administrative in nature (reporting, correspondence, etc.). Also in the Fall, the other main leader had a premature child which required frequent long-distance traveling to the hospital and less communication. This was followed by the illness and death of my mother which resulted in even less time meeting with tenants. Communications and leadership had been significantly reduced.

### Community Economic Development Mission Statement

The Community Economic Development Program at New Hampshire College views community economic development as:

- a strategy for people to develop the economy of their community by benefiting the greatest number of its residents;
- a systematic and planned intervention promoting economic self-reliance, focusing on issues of local ownership and capacity of local people;
- a program for helping consumers become producers, users become providers, and employees become owners of economic enterprises; a method for building efficient, self-sustaining and locally controlled initiatives that support both profitable ventures and effective social programs.
- a commitment to working within the context of a community's social, cultural and political values.

New Hampshire College presents its program as an alternative to the orthodox models of development. It is guided by the following set of principles:

1. Social and economic institutions must operate so as to guarantee an equitable allocation of opportunities and resources for all people in society.
2. Equitable institutions can only be achieved and maintained through community participation and awareness.
3. Social and economic development programs are most effective when they address the needs of the community as articulated by a representative member of that community.

### September Through December

In September we worked with management to solve problems of children waiting

for the bus in the morning. Things had been out of control and the on-site manager asked for help in keeping children out of the laundry rooms and to one side of the road. This was the first time that anyone from management had approached the R-CGTA to work on a problem. We distributed issue number 5 of the tenant newsletter. The issue compared two housing projects in Vermont, Indian Brook and Northgate. Indian Brook had been sold out from under the tenants, while Northgate was purchased by tenants. Most of the issue was devoted to carrying out a survey of tenants of needed repairs. A copy of the city's housing code checklist was included. Tenants were asked to fill out the checklist and return it and to send a copy to the city.

In October we organized and held our first tenant education meeting at a local hall. These meetings were aimed at involving tenants, showing the R-CGTA was accomplishing something, and recruiting new members. A Legal Assistance attorney spoke on: "Your rights to decent housing and what you can do". We continued to develop support alliances, networks, and coalitions. We were in regular contact with tenant organizations in Massachusetts, Washington, and the community. At the national level, we participated in conference calls about the emerging HUD LIHPRHA regulations.

In November we organized a community coalition meeting. We explained our need for political and financial support. They reaffirmed support for the R-CGTA. We agreed to work on a plan and come back to them for their review and input. We organized and held a second tenant education meeting. The city welfare director spoke about various resources to help pay the bills and get through the holidays.

In December we worked to help tenants deal with the holidays. We worked on a food pantry for tenants. We continued to meet, less regularly, to work on planning.

### **January Through April**

In January we continued working with officers and technical assistance provider on organizational planning. A conflict emerged when our technical assistant completed a plan which I could not commit to because it was not developed by tenants. There had been growing tensions with the technical assistants over whose agenda would be followed, theirs or the R-CGTA's. I wrote and distributed issue number 6 of the tenant newsletter. The issue was about returning more of the repair needs checklist, about self-help social services, and an update about the R-CGTA's activities.

The HOPE program was launched by HUD in the beginning of 1992. HOPE II is for tenant ownership of HUD-private housing (HOPE I is for public and Indian housing, HOPE III is for single home ownership). In February we attended a HUD conference and worked on putting together a planning grant, which would have allowed us to complete studies and put together a deal to make an offer to the owners. During our research we spoke to technical

assistants, as well as HUD in Manchester, Boston, and Washington. The major snafu is the requirement for the owners signature on the request to proceed, saying the owner is interested in selling to tenants. The owners had filed a plan to refinance which was pending consideration by HUD and weren't about to say they were willing to sell to support our request for a planning grant.

In the event of a decision to sell, our hands were tied in terms of preparation. If the owners were to make such an announcement, it would take months to obtain the funding and work to put together a deal. The new regulations from HUD were more than 6 months past due. We had no way of knowing how they would affect the owners decisions, and too little was known about the regulations to work on preparing for either contingency. In the likely event that the owners decided to stay in, we did not have access to their plans under ELIHPA (which would have been guaranteed under LIHPRHA) to know how it would work or how it would involve and effect tenants. The only sure thing was that there would have to be some major capital improvements.

In March we worked on organizational development to recruit new members, fundraising, planning, and structure. We continued tenant education activity planning.

In April it became clear that our plans to apply for a HOPE II Planning Grant had fallen through. We kept asking HUD in Boston and Washington if it was possible to apply if the owners had filed to refinance under the old housing law. We were so disappointed to hear that we could not. The good news was that there was a pot of \$25 million to be allocated by HUD and we hoped to get a piece of that! For us, HOPE was *hopeless*. Also, the playgrounds here are in real rough shape. The management was planning to replace them. I called Alex Wing from the previous CED class. He works for a playground company that works with kids and parents to build playgrounds. Management here was very interested in the idea from the literature and video tape.

In April there was an incident which would lead to a mortal schism in the R-CGTA. I circumvented a process I instituted to have two signatures on R-CGTA checks. It caused a major rift between the person I count on most here and myself. To make matters worse, she contacted our funder and fiscal sponsor before talking to me about the problem. I apologized for violating her trust. I told her she needed to own some of her responsibility and that she should have talked to me sooner. The result is that I ended up working hard at trying to protect our reputation with our funder and fiscal sponsor; I proposed fiscal policies to prevent such problems from happening again, and worked real hard on doing an accounting and budget performance report. Even though I had known better, I learned not to violate my own good judgment.

The last horrible news was that a girl was raped here on the property one evening.

For some time we had hoped to work with tenants to form a block watch, but management sent around a letter for a meeting to start one before we mobilized to do it ourselves. Of course, community safety is the most important thing and I'm glad something is being done. I just regret the opportunity for tenants to take control through the tenants' association.

## **May Through August**

Things were slow in terms of tenant activities. There were several delays at HUD, the major one being HUD's disagreement over the value of the property and HUD going through an evaluation process. Also, the new housing act regulations had only recently been released.

I had a conference call with HUD tenant organizations nationwide. We are proposing rules on how to award the \$25 million in HUD funds which have already been allocated, but not awarded. I advocated for using the funds for organizing tenants like ours who would not be eligible to apply for HOPE funds. I read the Federal Register for the long-awaited, just released rules for privately-owned HUD housing (more fun than being stretched on a rack, but not by much). I also worked on setting up a mediation for the major conflict that erupted in May.

In June I continued to struggle with a leadership crisis. After many attempts to contact him, I finally reached the Legal Assistance attorney I asked to be a mediator. He agreed to get back to me with a place and a time for a meeting, but it took over a month. Eventually, he contacted a private attorney who agreed to mediate. I completed an analysis of my organizations' strengths, weaknesses, opportunities, and threats, as well as a Housing Market Analysis for Concord. There is such a critical need for affordable housing. There are no new initiatives underway, even though the need continues to grow. If my project were to become unaffordable in the expiring use process, hundreds of households would be added to the need. I also completed an organizational development analysis for my organization. Consensual democracy is our goal, but we have been mired in earlier stages of development. Specifically we have become fixated in what has been described the formal differentiation stage.

July was a watershed month for the project. The Tenants' Association had been embroiled in the conflict for some three months. I prepared for a mediation meeting on the ninth. It was the first time the members and officers had talked since April. The outcome was in breaking the ice and planning to meet for a disclosure of accounting of funds. Most of my work for the last month was preparing information, reading, and discussions and meetings with our attorney for the mediation session. I also managed to work on a fundraising plan for the organization. HUD sent out their engineering people to inspect and undertake a needs assessment of the property. This third party review was a major benefit for tenants, because

there was now more than just the owners' assessment of what needs to be done. HUD informed us that they were not required to perform this assessment, so we felt doing so was due to the R-CGTA.

At the end of July, just before class, I had met with a mediator, the Tenant Association officer with whom I had a conflict beginning in April, and some tenants. We had agreed to meet to discuss the issues and come up with an agreement. The week after class I met with my project advisor. I considered changing my project, so that it would not be so close to so many personal issues (financial, academic, personal interests). This helped take the pressure off during the meetings when we developed an agreement. The key piece of the agreement was in explaining the budgets, finances, and expenditures of the organization to the others. There had been a misunderstanding which led to the conflict. We waited nearly two months to return to the mediator with the agreement. I felt so much better and looked forward to getting on working with the others.

I was quite busy working on the reporting for the other tenants. The most important parts were explaining expenditures for personnel and for equipment. At the same time, the end of year report was due to CTAC for the \$10,0000 grant for core operating support. I used practically everything I learned in accounting and financial management to develop these reports. I had to do journals, ledgers, track down documentation, figure accounts payable and develop budget performance reports. I wrote the final report narrative and sent the draft out to the others for review and input.

### CONFLICT RESOLUTION SKILLS

#### **Analysis of Conflict**

In May of 1991 our nascent tenants' organization elected four officers. Prior to that time house meetings were held open to any tenants. Decisions were made by the group attending. This democratic, highly-participative form of decision-making reflected our group's values, but was not very efficient. Any decision had to wait until the next meeting. When the four officers were elected, attendance and participation fell off rapidly.

Officers began to meet regularly. Decisions were centralized. Work also became concentrated. After several months, the officers came to find the responsibilities burdensome. Lack of involvement by other tenants became frustrating. Officers' frustration built and interest waned. Officers began taking it out on each other by not communicating, skipping meetings, meeting less often, and showing less commitment.

A breakdown occurred when one of the officers learned about sums of money being spent without her approval. She reacted and took control of the funds without consulting

the other officers. She abandoned two of the officers and took the one who was her friend with her and formed a group of her own, excluding the others.

The leader's response was complete openness and apology. He sought mediation for the dispute, rather than attacking her or forming his own group. It has taken nearly 3 months to get the meeting together. He asked an attorney to mediate, but the attorney felt there would be a conflict of interest, so referred her to another attorney while he agreed to work with the second party. The meeting is to consist of the two parties and the two attorneys. She is the first party, I am the second.

### **Intended Application of Principals**

I planned to begin the session by identifying the problem, rather than our positions in order to have a clear objective. I hoped we were meeting to come to a solution, rather than to discuss past hurts and become defensive of our positions. I wanted to agree that any organization of tenants will be more effective if there is only one organization, rather than two or more. The problem for me was to create unity, without necessarily having a love affair with the other party.

I planned to seek to learn her interests and to put forth my own in an effort to separate the people from the problem. In order to come to a solution, I have learned that I must see things from her point of view and to seek to have her understand mine. Just as important is understanding the emotions. I planned to keep on track of dealing with the problem, though.

The next step was to identify options to resolve our conflict, trying to keep an open mind and search for creative solutions. This tactic of synergy can help build a relationship for the future by arriving at a solution which is better than either of us could achieve alone.

I was not sure how to incorporate objective criteria in this negotiation. There is no set of by-laws or policies to compare. I felt we needed to determine a set of principals. For example, our activities must include conforming to project proposals, unless there has been mutual agreement to deviate from them.

Fisher and Ury suggest a way to protect one's self in a negotiation is to have a Best Alternative To a Negotiated Agreement-- BATNA. I considered mine. If we could not reach an agreement, I would go on and organize separately, even though our credibility and effectiveness is in a much weaker position than if we had worked together. My greatest assets are my ability to organize and lead. Those assets were not threatened by her side. If my work is weakened by working in a second group, her work is weakened, too.

I did not plan to attack her or her positions. I liked the idea of deflecting her attacks and keeping on track of discussing the problem. Perhaps one or both of the mediators would be able to draft a one-text procedure, coming up with a single solution which includes

both of our concerns. To summarize, Fisher and Ury suggest:

- Separate the people from the problem
- Focus on interests, not positions
- Invent options for mutual gain
- Insist on objective criteria

I was deeply personally invested in the outcome of this negotiation. I hoped these tools would help to arrive at a mutually satisfactory outcome. I was concerned about the potential of the situation to become adversarial, a process which I did not believe can produce an acceptable outcome.

## **September Through December**

The mediation with the officers was completed with their resignations in September. While this was unexpected, it cleared the way to get back to more participatory meetings. I wrote a letter to the chairperson who had resigned asking for a report of expenditures and charges for the period between April and August. I also asked to get together to straighten out the checking accounts. There has never been a response from her. I had sent copies of the letter to our attorney and to our fiscal sponsor.

I wrote and distributed a newsletter. There was an article reviewing the housing development issues, another encouraged local economic development by asking people to advertise their crafts and services, and a scheduling of weekly tenant meetings again.

In October I wrote our attorney asking him to make a request to HUD for information on the Plan of Action under the Freedom of Information Act (F.O.I.A.). I had begun a new work/study at the N.H. Community Loan Fund working on a survey of members of the N.H. Affordable Housing Network. I met weekly with my project supervisor, Mike LaFontaine, and we have developed the survey and talked about other projects (getting census data on housing at the Office of State Planning, researching affordable housing studies completed in the last 18 months, and some other stuff). The owners announced a meeting with tenants about the Plan of Action.

At the end of October, the head of the management company and the consultants met with tenants at a restaurant in Concord. They described their plans for continued affordability and the repairs and improvements they planned to make, to which HUD had made preliminary approval. After a 90 day comment period, HUD could make final approval. The next day I wrote a newsletter describing the meeting and distributed it door to door myself to all the tenants.

In December I continued working at the N.H. Community Loan Fund on the survey project.

## D. RESULTS

Wednesday evening, Oct. 27 Tom Chamberlain of Royal Management, Bob Cardman and Jeff Goodman of Boston Investment and Financial Services Corporation, consultants, met with tenants to discuss the owners' Plan of Action for the Gardens, to which HUD has given Preliminary Approval. The consultants said they anticipate closing the deal by the end of January.

About 45 tenants were at the hour and a half meeting to hear what the speakers had to say and to ask questions. A two-page handout was distributed explaining the Plan.

The owners have chosen their option to retain the property and maintain it as affordable housing, rather than selling it.

The notice starts the clock for the 60 day period for review and comments on the Plan by the community and tenants. It is the only opportunity for input on the plan when tenants and others can make recommendations for things which should be included.

### **Assuring Long-Term Affordability**

In order to preserve the Gardens as affordable housing, plans call for increasing the number of Section 8 subsidies from the current 120 to about 246 of the 300 units. Rents on the remaining units would be capped at \$510 for 1-bedroom, \$680 for 2-bedroom, and \$855 or 3-bedroom units. Utilities will remain included in the rent.

Under Section 8, tenants pay only 30% of their adjusted gross incomes for rent. The government pays the owners the difference between what the tenant pays and the rent caps listed above.

So, a tenant with a 2-bedroom apartment and receives \$609 income a month, they would pay \$183 a month (without any adjustments) and the government would pay the \$497 difference. Adjustments to reduce income include payments for medical expenses, child care and deductions for handicaps and for children.

82% of current tenants have incomes which qualify them for Section 8. Tenants with recent changes in income would have to recertify within the next 60 days. The Section 8 contract between the owners and HUD lasts for 5 years and can be renewed after that. According to the consultants, there will be one more opportunity to change the number of Section 8's before the contract is finalized.



Qualifications for Section 8 include those households with 50% or less of median income:

<u>Household Size</u>	<u>Annual Max. Income Limit</u>
1 Person	\$15,300
2 Person	17,500
3 Person	19,650
4 Person	21,850
5 Person	23,600
6 Person	25,350

*What About Families with Incomes Higher than 50% of Median Income?*

Tenants would still pay 30% of their income up to the maximum rents listed above. Rent increases would be phased in over a three year period.

One tenant at the meeting remarked that there is plenty of housing in the area that costs less. Mr. Cardman responded that you can "vote with your pocketbook", meaning that you can choose to move if you can find cheaper housing elsewhere. The same tenant asked if income was counted before or after taxes, and was answered that the policy counts income before taxes. The advantage to staying here is that if something happens and you lose your income, your rent can be recalculated on your lower income.

According to the consultants, there is currently no mechanism to increase the maximum rents, although it is expected there will be a way to increase them, based on HUD-established Fair Market Rents for the County.

**SUMMARY OF AFFORDABILITY RESULTS**

1. More than double project-based Section 8's from 120 to 245.
2. All current very-low income tenants will receive Section 8's.
3. Non-section 8 rents caps:
 

1-BR	\$510
2-BR	\$680
3-BR	\$855
4. Tenants with low-incomes and higher will pay 30% of their adjusted incomes for rent or capped rents, whichever is lower.
5. Current tenants facing a rent increase: phased in over 3 years.
6. Rents for future tenants re-rented to maintain current tenant profile of very-low, low, and moderate incomes. Upon turnover, all market rate tenancies must be replaced with moderate income tenants.
7. New, unsubsidized tenants pay factored rents. When a tenant's rent decreases and there are no Section 8's available, the lowest possible rent will be limited to the floor rent.

<u>Percent of Median Income</u>	<u>1-BR</u>	<u>2-BR</u>	<u>3-BR</u>	<u>Current # Tenants</u>
< 51 -Very-low Income	\$391	\$469	\$538	226
51 - 60 -Low 1	\$430	\$516	\$591	14
61 - 70 -Low 2	\$508	\$610	\$699	11
71 - 80 -Low 3	\$586	\$704	\$806	5
81 - 95 -Moderate	\$688	\$826	\$946	3
95+	Market			16
			(Vacant)	23

(Notes: 300 total units, rents include utilities, 2 employee concession units)

### Repairs and Improvements Plan

An essential part of the Plan of Action is the owners' plan for the property. HUD is requiring about \$2 million in repairs and improvements (which, on paper, will look like \$4 million because of escrow accounts).

Some of the plans include replacing all the windows with new aluminum energy-efficient ones, additional insulation in the attics to keep the units warmer, replacing the boilers and hot water heaters, repaving, landscaping, and more.

Some apartments require substantial improvements and a few tenants will be inconvenienced by having to leave their belongings and temporarily staying in another vacant apartment while the repairs are made, which could take up to one to two weeks. One tenant voiced his concern for the security of their belongings if they had to move out temporarily.

Another tenant asked if the Plan included more maintenance crew members, since the ones we have are overwhelmed. The response was that the same number of crew members should be able to respond to problems sooner, since the improvements will mean they won't have to be going to the big jobs that they are now.

#### Tenants Questions

Tenants were told that some of the repairs will be universal, while others will be specific to certain units.

A tenant asked about water damage. She was answered that there will be a lot of drywall repairs and water drainage problems will be repaired.

Another asked if local labor will be used to do the work. The response was that the subcontract work would be up to the contractors, who have not been selected yet.

A tenant expressed concern for the new playground's location and safety. Another asked if the management company planned to go ahead with a playground from Community Built, which works with kids and parents to design and construct the playground. The response was that the refinancing loan will provide money for new playgrounds.

Someone asked if there would be new leases, and Mr. Chamberlain said that there would be a new one.

A tenant asked why dishwashers weren't allowed. Mr. Chamberlain said he asked the same question himself and said he thought it had something to do with the capacity of the pipes which remove water.

One tenant asked about plans for the outsides of the buildings and the grounds. The response was that there are plans to do paving, improve building signs, add exterior lighting, painting and repairs to damaged siding, an addition will be made to the maintenance workshop, and landscaping will be improved.

Another tenant expressed concern about puddles which become ice. She was answered that work will be done to change some of the slopes to improve water runoff.

When a tenant asked about improvements, such as adding a deck, the response was that this is not allowed because the building's appearance would not be uniform and decks would decay.

Another question was about the range hoods, for which filters are not available. The response was that there are plans to replace some of them.

There were questions to Mr. Chamberlain from tenants about specific concerns regarding their units and buildings. Mr. Chamberlain stayed after the meeting to answer questions for anyone who wanted to talk to him.

## **SUMMARY OF REPAIR AND IMPROVEMENT PLAN**

1. Funding from 241 (f) Insured Mortgage Program Loan.
2. Estimated costs: \$2 million.
3. Estimated completion time: 12 months.

## **IMPROVEMENT PLAN**

- Replace all windows with new thermal efficient ones.
- Replace all original boilers and hot water heaters.
- Create new playground area.
- "Significant" repaving.
- New building signs.
- Refurbish laundry rooms (management official leases them).

• Replacement of "many":

- kitchen appliances
- new bathtub enclosures
- new kitchen faucets
- additional attic insulation
- landscaping
- cabinets and counters
- new bathroom flooring
- new bath faucets
- new 2nd story decks
- added exterior lighting

Some units require substantial improvements and some tenants will have to vacate them long enough to make the repairs.

### **Assuring Accountability**

Admittedly, accountability was meant to be one way-- accountability to the tenants by everyone else. This included HUD at all levels, the owners, and the community. Starting from the top down, HUD in Washington was expected to draft regulations and provide funding favorable to tenants. In July 1991 we attended a meeting in Boston between HUD and tenants and their advocates to demand that the LIHPRHA regulations provide more disclosure, tenant participation, and timelines which would allow tenants to effectively participate in the process. We continued this effort through participation in the National Low Income Housing Coalition. This resulted in achieving most of our goals in the regulations. We were also successful in getting HUD to use a fair process in distributing \$25 million to tenants in expiring use properties. At the regional level, we pushed HUD to get an answer from Washington on whether or not we could apply for HOPE funds without the owners' consent (we couldn't). Our most disappointing results were in trying to pry information from the Manchester office of HUD. They would not release to us any information about the Plan of Action or information about the project which we needed to know. Our phone calls and correspondence directly from the R-CGTA and from our attorney were simply ignored or resulted in denials. The lack of this vital information left us unable to plan or respond strategically. While these efforts were frustrated, they may have been successful in getting the Manchester office to give more consideration of tenants, especially in regards to the architectural and engineering studies.

Correspondence and telephone calls to the management company and the owners for information were not fruitful. While the affordability and repair plans could be described as benefiting the tenants, they were necessary for the owners to achieve the results necessary to continue to own the property and secure their equity take out. It is important to note that the increased equity take out, as well as the increased management fee (which is based on higher income and higher expenses), is essentially funded with public dollars.

<b>Return on Equity</b>	
<b>New Authorized Annual Rate of Return:</b>	
HUD Fair Market Unsubsidized Value:	\$12,248,600
Outstanding 1st Mortgage Balance:	-\$ 4,230,626
Owners' Revised Indicated Equity:	\$ 8,017,974
HUD 241(f) Equity Take-Out Loan:	-\$ 5,441,484
Owners' Undistributed Equity:	\$ 2,576,490
Maximum Allowable Distribution:	<u>X .08</u>
(8% of Owners' Undistributed Equity including Authorized Annual Return)	\$206,119/year

From the Maximum Allowable Distribution, the Authorized Annual Return is allowed to be distributed from surplus cash.

The duration of the Plan will remain in effect until the maturity date of the original mortgage, which is September 1, 2012.

#### MANAGEMENT FEE

The management fee is capped at \$144,000 per year or 6 1/2% of gross collections, whichever is less. (It would take a gross income of \$2,215,385 to support the cap.)

During the period of the project little was asked of the city. They were responsive to requests for housing code inspections. A representative attended coalition meetings. They suggested applying for CDBG funds when we knew what we needed them for, such as engineering studies.

#### **Tenant Purchase**

A tenant purchase would have been satisfying because it would have given control of our homes over to tenants. All of the other R-CGTA's goals we wanted to achieve would have come easier, or at least without denial by someone else, under ownership. During this project we could have prepared for the possibility of ownership. These efforts were frustrated by the inability to apply for a planning grant. Even though the owners submitted a plan, we felt we should have had the opportunity to put together an offer for them to consider. There is no evidence that the owners understood the option of a tenant purchase under HOPE 2, the amount tenants could have paid, or how the owners would otherwise benefit.

**Development Proforma for Purchase of Concord Gardens per HOPE 2 Grant**

Unit type	# of Units	Sq. Ft./Unit	Total Ft.	Percent	Operating Cost/Unit
1-BR	40	600	24,000	.47	\$3,317
2-BR	90	892	80,280	.69	\$4,870
3-BR	20	1,208	24,160	.94	\$6,634
Number of Units: 150			128,440		
Average Area of Units:		856			

Reverse Form of Operating Budget (How much can we offer owners?)  
**Maximum HOPE 2 Grant: \$7,057,740**  
 =====

Gross Income	\$705,774
Less Vacancy Allowance	\$ 44,089
Effective Gross Income	\$661,685
Less Operating Costs	\$650,768
Net Operating Income	\$ 10,917 (With no debt service or improvements)

NOI divide by DSC Ratio \$ 9,097 (Amount available for reserves, new debt service, rehab., technical assistance, community building, etc.)

**OPERATING EXPENSES (from HUD Budget Worksheet)**

- R/E Taxes	\$120,963
- Insurance	52,067
- Total Admin. Expenses	112,298
- Utilities	158,271
- Water & Sewer	44,336
- Repairs & Maintenance	102,415
- Reserves for Replacement	43,200
- General Operating Reserves	17,218
<b>Total Operating Expenses</b>	<b>\$650,768</b>

Note: the amount available for debt service of \$9,097/year could support a total loan of \$87,516 at 15 years and 8%.

**Current Debt Service at Year 20**

- Financial Expenses	\$ 40,877
- Principal Payment Required	\$ 37,453
<b>Total</b>	<b>\$ 78,330</b>

Effective Gross Income	\$729,098 (Total Operating Expenses + Debt Service)
+ Vacancy Allowance	\$ 42,676
<b>Gross Income Required</b>	<b>\$771,774</b>

The maximum HOPE 2 grant is the sum of 10 years rental value per unit.  
 The maximum acquisition per unit is "as-is" Fair Market Value.  
 The maximum rehab. per unit is as is necessary for marketability.  
 At least 2/3 of the units must be acquired by income-eligible families.  
 No unit may be acquired by a family with more than 95% of median income.

A planning grant would have given us the information we would need to determine rehabilitation needs, funding sources, and complete feasibility plan. We could not apply for a

HOPE 2 grant because it required the okay of the owners, who had already file a Plan of Action to refinance. The point of this exercise in developing the proforma is to determine how much tenants could have offered for acquisition based on the terms of a HOPE 2 implementation grant.

### **Acquired Learning**

Achieving the learning goals involved interacting with our technical assistants, networks, HUD, and the CED graduate program. CTAC met with us a few times from September through February. They talked to us about their experiences with expiring use properties in Massachusetts and Vermont. They sponsored a conference in November, which one of our officers attended. They promised a manual on expiring use, which they never delivered. They were aware of our organizational difficulties, but never approached me, responded to my correspondence, or returned phone calls. Their interest and involvement clearly waned when it became likely that the Gardens would not be sold. While they did answer many of our questions, we did not receive enough information to adequately understand the complexities of expiring use. The National Low Income Housing Coalition was helpful in answering our questions and keeping us up to date with their newsletter. They strongly supported organizing the unorganized, but provided no direct services in doing so. Emily Achetenberg was helpful in answering some of our questions. It was unfortunate that it took until recently for her to publish her manual. There was no information from HUD that was helpful in understanding or working with the expiring use process.

The community economic and housing development goals were well-addressed by my graduate program. Introduction to CED gave me an overview of the landscape, an understanding of economics, and how community control provides a just, sustainable, inclusive strategy for development. This information helped me most by developing a perspective of achieving social goals through economic means.

Accounting and financial management courses were useful in managing the organizations funds, but also in building a foundation for courses in financing CED and housing development. Each of these courses was empowering, since I could rely less on experts to understand and implement development. Financing CED demystified banking and financing, giving the information to finance development.

<b>FINANCING DEVELOPMENT LEARNING ACTIVITIES</b>
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1. Described Community Financing Issue (see next page);
2. Described the Role of Banks in Financing CED in the Concord Community;
3. Analysis of Neighborhood Housing Services' Home Purchase Program for Low-Income Families; and
4. In-class Activities

COMMUNITY FINANCING ISSUE

Our community is Royal and Concord Gardens, a 300 unit, privately owned, HUD section 236, expiring use development located in the Heights area of Concord, N.H. There are a number of subsequent financing needs, based on the future of the property. The needs for financing are seed capital, predevelopment funding and development funding.

Seed funding is needed for the first stage to pay for startup organizational costs, equipment and technical assistance. The goals of this stage are to organize and train tenants, develop networks, complete an initial analysis of existing conditions and assessment of potential outcomes, and identify optional courses of action. Predevelopment funding is needed to do the technical development, architectural and engineering analyses necessary to put together a complete feasibility study and implementation plan.

Finally, development funding is the implementation stage of putting together the deal and transferring control and ownership of the property to new owners, preferably the tenants.

At this point we are midway through the first phase. There was a \$10,000 grant for organizational core support and one for \$2,000 for tenant education. Approximately half-way through the first year, it is time to turn our attention towards planning and funding for the next year.

The course we must take is a schizophrenic one, because we must go down two tracks at the same time. We must be prepared for the eventuality that the owners may sell the property, and at the same time be prepared for maximum gains if the owners decide not to sell. In either case, our goal is to maximize tenant control of our housing and to participate in whichever process pans out. In short, the financing issue currently facing the community is to obtain funds which empowers tenants by making them competent in dealing with the housing development process.

In our preliminary budget, we estimate that we will need \$25,000 for the technical development assistance. The process we are involved in is covered by new federal housing regulations and requires that we have intensive, knowledgeable experts to deal with the regulatory and financial environment. We also need to know what is available for us and how to proceed.

We estimate that we will need \$15,000 for the architect and engineering technical assistance to gain a fair assessment of the property and its rehabilitation needs. In the case of the owners' equity refinancing, we will need to have complete details of needed property improvements. These costs will detract from the owners' take and may improve the chances for tenant ownership.

In the case of a tenant purchase, we need to have the information about the



condition of what we are buying and what needs to be done. Organizational costs for personnel, expenses and equipment total about \$50,000. These cover tenant organizing, training, and administration.

Sources of funds include government, charitable, and development non-profit. To date, the funds have come from charitable funds, the Mott Foundation and Haymarket People's Fund. In addition, there have been in-kind donations in the form of student practicums and work study. All the resources have been used for organizational costs.

The most pressing current financing issue is for technical assistance. A housing development assistance provider is necessary to assist with a HUD HOPE II Planning grant application, to determine the regulatory and financial positions of the owners, and to complete the architectural and engineering studies.

Several months ago the City offered to use CDBG money to fund the engineering study. The owners turned the offer down. At this point the Tenants' Association is planning to apply to the City for this money to pay for the study. Tenants will benefit even if the owners refinance, because there will be documentation for rehab. In the event of a sale, tenants can include a rehab. package in their application to HUD.

We plan to apply to private trusts for the seed money for the early involvement of the housing development technical assistance provider. Funds for organizational expenses will be sought from HUD, CDBG, private foundations, in-kind, and the Community Development Finance Authority (currently capitalizing).

Prior to applying for funds a plan is being completed. The organization will meet with the technical assistance provider on January 20th to draft a plan to present to the community coalition in early March. After the coalition's review and input, a letter proposal will be sent to two foundations to hire the housing development technical assistance provider, who will work on the HUD Planning grant application. Next, CDBG and foundation funds will be sought for the other technical assistance and organizational needs. The end of this process is to begin predevelopment work, eventually leading to actual development.

There are a number of barriers and hurdles to overcome in this process. First, private foundations are not used to dealing with this kind of request, especially for housing. It is difficult to explain our planned outcome since we must go down those two tracks, and we have very little control over which one will eventually be the one to occur. If we wait until the owners decide which way they will definitely go, it may be too late.

The owners have filed a Plan of Action with HUD to refinance the project, taking a loan on windfall property values. However, their options and opportunities will be determined by the awaited new HUD regulations. Also, the owners Plan has been held up at HUD due to disagreements in the property value, the owners wanting a higher one. One of the owners

explicitly said in a meeting after filing their Plan that they would not rule out a sale. However, in the event their plan is approved, we must be concerned with what we can win, especially in terms of property improvements and rehabilitation. Again, enough pressure on this issue may make the expense so great that the owners would just as soon sell as refinance. While it seems like the difference for the owners between refinancing and sale is not to our advantage, we have been working with our national network to revive some federal legislation to forgive capital gains tax to owners who sell to tenants or non-profits. This would remove a significant disincentive for the owners to sell. It was previously proposed by Rangell of New York and pushed by a wealthy former developer.

There are many problems with the HUD Planning grant. First of all, many people have told me that HUD doesn't know what it is doing. The idea of tenant ownership is new at HUD and is part of Secretary Kemp's initiative. There are a number of issues to be solved. A planning application requires a document from the owners expressing their interest in selling, and agreeing to keep the property off the market for 18 months (presumably the time for a approval of an implementation grant and time for a planning grant activities to be completed).

Will the owners agree to this? If so, do they give up their rights to pursue the Title II refinancing plan? Are tenants locked into the HOPE II process (HUD ends affordability restrictions after 10 years)?

The problem could be dealt with more effectively if more funding sources understood the need for initial funding to organize and educate tenants. Funders must understand the complexity of housing and the need for expensive technical assistance. The federal government, specifically HUD, must make fewer assumptions and test out their ideas to see if they can be implemented. Tax incentives must not be abandoned by Congress as a way of dealing with the deficit. In our particular instance, forgiving owners capital gains is not a loss because they wouldn't have paid it anyway if they hadn't sold. Republicans should be comfortable because it is consistent with their idea of lower capital gains. Democrats should see it as a direct, rather than trickle down, benefit for low and moderate income households.

Our current problems are not ones which can be solved by traditional financial institutions. We don't need loans, we need seed capital. This is not an investment on which we can promise a return. The owners may not sell. Predevelopment and development stages are certainly more appropriate for traditional funding sources. Should we ever have the opportunity for a tenant purchase, we expect an innovate, eclectic approach to be necessary. The point is that we can never reach that point without first laying the groundwork now.

**HOUSING DEVELOPMENT AND MANAGEMENT LEARNING ACTIVITIES**

1. Housing Market Study for Concord N.H.
2. Completed Pro Forma for Development and Operating Budgets
3. Completed Pro Forma for Tenant Purchase and Operating Budget under HOPE 2
4. Completed Case Studies in Housing Management Issues

The course in housing development provided a basic understanding of the process. It was useful in developing an analysis of HOPE 2 and how much could be applied for, as well as understanding the financing of our housing project. The information has also been used in my work at the Community Loan Fund in comparing the housing developments of various social housing providers in N.H. The follow-up course in housing management provided insights into what would be involved in tenant ownership, as well as understanding the considerations and concerns of the management company.

**HOUSING AND LAND POLICY LEARNING ACTIVITIES**

1. Review of Local Zoning Code.
2. Report on Ford Foundation Paper, **Affordable Housing: The Years Ahead**
3. Local Housing Policy Audit
4. Proposal for a Policy Change to Support Community-Based Housing Organizations  
Developing Affordable Housing
5. In-class Exercises

The course in housing policy was invaluable in understanding the evolution of U.S. housing policy and how we got to where we are now at. The course provided information on what is happening now, and how to impact emerging housing policy. It also provided insights into understanding some of the problems we are currently facing in our housing project. The course on cooperatives provided the information on how to develop cooperative housing, and how cooperatives can be used for economic development to benefit residents as owners of businesses. I developed a business plan for a worker-owned, on-site day care center. The course on negotiation strategies aided in handling our organizational difficulties, and provided skills necessary in getting what we need, especially financing.

All of the other courses in the program directly supported my efforts and gave me a working knowledge to effectively practice community economic development. Perhaps the most significant result of the learning was the empowerment which equalizes me as an agent of self-help change. There is no longer a mystification or competence differential in dealing with the players involved in development.

**HOUSING COOPERATIVES LEARNING ACTIVITIES**

1. Readings on Housing Coops
2. Prepared Business Plan for Housing Project-Based Worker Cooperative Day Care Center
3. Completed Application and Training Process for Cooperative Housing at CATCH

**NEGOTIATION SKILLS LEARNING ACTIVITIES**

1. In-class activities
2. Paper and Completed Actual Mediation (see page 28).

## **E. ANALYSIS, CONCLUSIONS, RECOMMENDATIONS**

### **ANALYSIS**

I would want people to learn about the potential loss of existing affordable housing resources because of expiring use restrictions. I would want them to understand that social ownership or tenant ownership of housing is the highest use because it best provides for the long-term affordability for the people who need it. Homeownership empowers people to participate economically in their community and to work together to improve their quality of life. I would want people to learn not to feel powerless against the owners or HUD or to remain passive. It is better for tenants to be involved than not. Tenant involvement can at least keep the owners and HUD aware and consider their interests in decision-making. A self-help, grassroots people's organization is the best way to achieve development goals. Advice is helpful, but it is the tenants who will be around long afterwards who must live with the decisions. When organizing tenants, it is helpful to find ones with organizational experiences and skills. A resident or residents should receive extensive training in the expiring use process as well as housing, community, and organizational development in order to effectively respond and become proactive. People mobilize around problems they feel deeply, rather than around visions.

From a tenant's perspective, the idea of using public funds to finance private development to create affordable housing didn't work very well. In cases where owners of expiring use properties were permitted to prepay and sell high when the market was hot, tenants were displaced. When ELIHPA was enacted to prevent such abuses, incentives were offered to owners, leaving tenants out. Under LIHPRHA many objections by tenants and advocates were remedied. Much of this was due to the fact that they had the time to impact the process.

In the case of Royal and Concord Gardens, the owners kept the ball in their court and were supported by HUD in doing so. If we had known in June of 1991 what the owners planned, we could have had a public discussion of the Plan. Tenants and other concerned parties in the community would have been able to analyze the Plan and make suggestions on how to make it better for the goals of long-term affordability, sustainable repairs, etc.

If HUD had been more flexible in the guidelines for planning grants, such that owners were not required to commit to a sale to tenants, there may have been a sale to tenants if the owners understood how an offer would benefit them.

If tenants had known whether the owners would proceed under ELIHPA or LIHPRHA we could have focused our energies more productively. For example, if we had known a year and a half ago that the owners Plan came under ELIPHA and that they planned to stay in, we could have involved the community in commenting on that and spent energy on

developing a community center, playgrounds, etc.

The long-term costs of Section 8 subsidies are at much greater public cost than government equity investments in tenant ownership. My estimated present value of the Section 8 subsidies average \$300/month X 245 units = \$73,500/month X 12 months = \$882,000/year = \$4.41 million/5 years = \$8.82 million/10 years = \$17.62 million/20 years! That's a per unit cost over 20 years of \$71,918, enough to purchase an existing home for every household. An 8% return for the owners = \$206,119 per year in current dollars. A maximum HOPE 2 grant would have cost only \$13 million for tenant ownership.

## CONCLUSIONS

There were both successes and failures. Among our successes I would count: Quick, effective initial organization; early public commitment of community support; obtaining an instant local foundation grant; ability to secure technical assistance and funding; goodwill and PR value of community pride clean up day; well-planned first mass meeting; highly participative, democratic weekly meetings; an effective newsletter; securing our second grant through Haymarket Peoples Fund; use of internships to have people with the time to get the work done; learning valuable information and making connections at conferences; tenant education meetings; meeting with the owner and getting his support for at least some of our ideas; making HUD pay attention and give us proper consideration; preserving affordability; obtaining the third party architectural and engineering study.

Among the problems and disappointments I would count: Difficulties in the scale of organizing more than 150 active households (the critical number for certain decisions required by HUD); comprehending and communicating the complex expiring use process; recalcitrance of HUD in Manchester to provide information and assist tenants; the scare tactics used against tenants by the owners and/or their agents; the incomprehensibility of HUD's regulations; advice by T.A. providers to use an adversarial strategy; the lack of enough tenants participating with appropriate skills; lack of space, people, and money to provide child care for tenant meetings; lack of an adequate meeting space for tenant meetings; tenants' unreal expectations such as using meetings for bitch sessions, rather than committing to solutions and how to measure success (process versus outcomes); backbiting and gossip by tenants; agenda undeveloped by a broad base of tenants; agenda in conflict with T.A. providers; withdrawal of T.A. providers' interest after apparent decision not to sell; lack of officers' participation due to personal and other difficulties; small leadership group; declining group communications; lack of understanding and participation in fiscal matters; distrust; officer communicating with outsiders first; failure of mediation resulting in organizational breakdown; owners' stay-in resulting in loss of control for tenants and greater public cost.

The idea of affordable housing may be more myth than fact. "Affordability" seems to refer more to least cost to develop than to affordable rents for those least able to pay. Households with less than 80% of median income seem to find affordable housing in one of two ways. The first is with Section 8's. The second way is for people who are fortunate enough to have been living in apartment for many years and the landlord has not increased the rent to keep pace with the market, or landlords who keep rent low because they have paid off the debt and keep rent low because of low operating expenses. In my survey of New Hampshire's Affordable Housing Network, in Concord the lowest rent in CATCH housing is \$400 for 1 bedroom. That rent at 30% would require an annual income of \$16,000 (52% of median income). CATCH's rent for a 3 bedroom unit is listed at \$640, requiring \$25,600/year (51% of median income for a 6-person household, 65% of median income for a 3-person family). By definition, one fourth of all households would have to pay more than 30% of their income for the area's "affordable" housing. CATCH is about to rent up their 26 units of 3-bedroom townhouses. Half the units are Section 8. The monthly cost for the remaining units is \$525 for rent plus an estimated \$100 for utilities. \$625 would require an annual income of \$25,000, 64% of 3-person household median income and 49% of 6-person household median income.

## RECOMMENDATIONS

1. Tenants in expiring use properties should be notified of eligible prepayment dates and informed about the expiring use process and their options. They should be given the resources to organize well before the expiration dates for their properties. These outreach initiatives should be handled by HUD, advocacy and affordable housing groups, and by existing tenant groups. HUD's Office of Resident Initiatives certainly has the capability, if not the mandate, to do this. The other groups who should be involved in outreach are the National Low-income Housing Coalition, National HUD Tenants Coalition, various regional housing coalitions, technical assistance providers (such as CTAC and ICE), state housing agencies, Legal Assistance, and community loan funds. Failure to do so may result in the loss of existing affordable housing resources, which are already in short supply or, maintaining current ownership, unnecessary public expense and loss of an opportunity for social and community control.
2. Make sure people understand finances before anything else. Internal financial misunderstandings caused more problems than any actions by outside parties. Individuals involved in a people's organization must understand what money is

for, how it is being spent, and must be willing to take responsibility for both knowledge and decision-making.

3. Tenants involved in organizing should seek out other tenants in their project with experiences and skills
4. Tenants at Royal and Concord Gardens should now focus their energies on remaining opportunities, including:
  - Organize monthly meetings with management to discuss issues;
  - Organize tenants to work with management to construct a community-built playground or playgrounds;
  - Work together to construct a community building;
  - Use prepared business plan to start on-site day care;
  - Exploit federal funding opportunities to provide social services;
  - Exploit federal economic development initiatives to provide jobs, develop microenterprises, etc.
  - Pursue federal drug elimination grant;
  - Aggressively seek enforcement of Section 3 to hire residents for property improvements and to operate contract services businesses;
  - Seek private and federal funding for community organizing; and
  - Learn about and take advantage of regulations and opportunities under HUD's Office of Resident Initiatives.
5. Tenants and advocates should learn how to use HOPE 2 funds in the remaining expiring use projects. Special attention should be given to the replacement provisions, which provide for replacing each unit of housing which becomes privatized with new public housing.
6. Tenants and advocates should learn about how to use HOME funds to preserve expiring use properties and to create additional affordable housing.
7. Affordable housing projects should start with incomes. The critical bottom should be determined (e.g., social security income, AFDC, etc.) and develop a project proforma from there. The lower the income base, the less ability to support debt and the greater the need for equity. For example, social security disability pays



around \$400/month. Affordable housing projects should be developed to include those people who can pay only \$100/month. Mixed income developments would probably be the most feasible. Since there are not, and probably never will be, enough Section 8's to meet the need, government equity would be another way to provide housing for everybody. Besides, the long-term costs of Section 8's are more costly than equity. The median rent this year for a 1-bedroom apartment is \$488. The person on social security disability would need to have \$388/month in Section 8 subsidy. This costs \$4,656/year. Without calculating income and rent increases over time, the ten year cost of the Section 8 is over \$46,000. Certainly, an equity investment of this amount per unit today would represent a large savings over time.

8. New multi-family housing could be required to include a certain percent of affordable units, just as there are requirements for handicapped units. Something like a requirement of 15%, but not less than 1 unit, could be required of developers. The "subsidy" would come from either/or/both owners' equity and the residents of the project. There should be an eligibility priority based on lowest income.
9. There should be more sweat equity projects. The costs for construction and materials keeps affordability nearly prohibitive. But there have been successes, such as those of Habitat for Humanity and a classmate from Maine works for a CAP agency, which has successfully mixed Farmer's Home funding with homeowners' sweat equity to create affordable housing.
10. The CED program has a role in training community members working with expiring use and with affordable housing. The CED program, N.H. Community Loan Fund, Community Development Finance Authority, various projects of ICCD, and graduates of the program have all had a major impact on New Hampshire, the region and the nation. Competent practitioners are essential to empowering residents and implementing just, sustainable, and inclusive community economics.

The CED Program... is the first program in the United States that offers a degree specifically in community economic development - the practice of applying economic principles in a manner that is consistent with the social and cultural values of the community.

- *Michael Swack*

May you reaffirm and uphold your commitment to these important principles of CED practice:

...To acknowledge the power of cultural and spiritual forces and to respect the integrity of the culture and spirit of the people with whom we are working, implementing the CED principles of leadership development, ownership, increased participation, and, ultimately, human development, thus helping to create balanced growth and change in society.

- *Covenants to The New Hampshire College Graduate School of Business  
Community Economic Development National Weekend Program*