

# **California's Farmworker Housing Cooperatives: Lessons on Farmworker Ownership and Management**

**California Coalition for Rural Housing  
October 8, 2002**

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Funded by the United States Department of Agriculture  
through the University of California Center for Cooperatives

## **Acknowledgements**

This research was made possible through a grant from University of California Center for Cooperatives with funding provided by the United States Department of Agriculture. As with any research project, the contributions and participation of many individuals were necessary to complete this work. The California Coalition for Rural Housing would like to recognize the contributions to this research made by Denise Boswell, Hector de la Rosa, Jeff Deiss, Alfred Diaz-Infante, Pat Dyas, Reed Flory, Rafael Galvan, Ruben Garcia, Pat McGuire, Dan McKell, Ed Moncrief, Ellen Reed, Vincente Ruelas, Jose Trujillio and Jose Vasquez. A special thanks to Shermain Hardesty, Kenneth Farrell, Kim Coontz, Liz Esper and Jonathan Barker from the Center for Cooperatives for their assistance with this research.

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## **EXECUTIVE SUMMARY**

### **A. Purpose of Study**

This study was undertaken by the California Coalition for Rural Housing (CCRH) to evaluate the effectiveness of the cooperative model in providing affordable home ownership to California's farmworkers. The cooperative housing model has been employed in California for almost three decades and there are now 11 farmworker housing cooperatives operating in the state. Although they vary in terms of funding sources, equity structures and occupational restrictions, all of these cooperatives share a common structure in which low-income farmworkers have an opportunity to collectively own and democratically operate their own housing.

Typically, farmworker housing cooperatives serve as an intermediate form of ownership when single-family housing is impractical. Often home ownership is not feasible either because of the limited incomes of the farmworkers to be served or development constraints such as zoning, site characteristics or high land costs. These types of constraints may restrict the kinds of housing that can be built on a site to a specific type, such as multifamily units. Density or minimum lot size requirements can combine with the size and shape of a specific site to render an affordable single-family subdivision impractical. In many cases high land costs can increase the cost per home beyond the reach of low-income farmworkers – even with subsidies. Cooperatives can sometimes fit into this intermediate slot due to lower share purchase costs, easier financial qualification standards and employment of a higher density, multifamily-type project design.

Because all of the farmworker housing cooperatives in the state have required substantial public subsidies to develop, appreciation restrictions, in some form have been placed on share sales. Additional restrictions prohibit renting out of units, ownership of more than one share per household, or nonmembers sitting on the board of directors. The cooperative itself is governed by a board of directors elected by the members with one vote per household. Key decisions about the operation of the cooperative such as selection of the management agent or method, maintenance budget or house rules are made by the board.

This study comes at a propitious time. With the November 2002 passage of the Housing and Emergency Shelter Trust Fund Bond Act of 2002, which provides a \$200 million set-aside for farm labor housing, it is critical that resources are channeled into farmworker housing models that have demonstrated their effectiveness. In this study we explored the questions of effectiveness and sought to determine whether the farmworker housing cooperative models provides farmworkers with meaningful control and affordable ownership.

### **B. Methodology**

To answer these questions, CCRH selected four farmworker housing cooperatives that were representative of typical development forms, funding, occupational restrictions and

share appreciation formulas. Residents were asked to evaluate cooperative performance and benefits on a structured-response mail questionnaire that achieved a 69% return rate.

Key professional informants were interviewed regarding the history, operation and performance of the cooperatives. Relevant documents, records, and other secondary data were also reviewed to cross check survey data and evaluate cooperative viability.

### **C. Summary of Findings**

#### **I. Cooperative housing is a viable and effective model to provide meaningful ownership and control to low- and moderate-income farmworkers.**

One of the principal findings of this study is that cooperative housing does work for farmworkers. Our findings show that the cooperative housing model has been largely successful in providing farmworkers with meaningful control and affordable ownership of their housing. All four cooperatives are well managed and financially viable. We found no evidence of any major operational or financial problems either in our interviews with informants or review of cooperative records. Nor were there any significant compliance issues with any of the agencies responsible for regulatory oversight. Survey data showed the majority of respondents rated cooperative performance in the areas of management, maintenance, enforcement of house rules and their elected boards as satisfactory or better.

#### **II. Limited equity cooperatives continue to provide affordable ownership to current and future farmworkers owners.**

The two housing cooperatives that were organized as limited-equity cooperatives under state law and have to restrict share appreciation to an annual percentage increase continue to provide affordable ownership to current and new farmworkers. Unlike the other two cooperatives in our study that allowed for more rapid escalation of share prices and entry costs, the low share prices of limited equity cooperatives provide a much lower and accessible entry cost ranging from \$2,000 to \$3,000. Somewhat surprisingly, many residents in these limited equity cooperatives value the ownership benefit even though the amount of equity is nominal. Our research suggests that the psychological and social benefits low-income farmworkers derive from ownership may be more significant than previously thought.

#### **III. The restricted equity and no-equity cooperatives may eventually become affordable only to farmworkers with incomes at or close to moderate-income levels due to high entrance costs.**

The no-equity cooperative in our study was a mobile home park in which the land and improvements are owned by the cooperative, but the mobile home units are owned individually. Share prices are fixed and not allowed to increase. Entrance costs, however, are quite high in this cooperative due to individual ownership of mobile home units and the lack of any limits on the sales price of mobile home units to incoming members. Current sales prices range from \$70,000 up to \$100,000. In the other, restricted-equity cooperative,

share prices appreciate based on each unit's proportionate share paid on the principal of the blanket mortgage plus authorized improvements. Over time, share prices have increased significantly as more of the principal is paid down. Current share prices of \$28,000 now price out most low-income households. Unless these cooperatives find ways to subsidize or assist new members with share purchases, they will eventually be unable to provide ownership to lower income residents. The future for these cooperatives may be a niche for more moderate-income farmworkers who are unable to purchase a single-family home.

**IV. All four farmworker cooperatives still continue to serve current, retired and former farmworkers.**

All four cooperatives have continued to serve almost entirely farmworkers. Almost all of the membership consists of households engaged in farm labor, former farmworker households who have changed occupations, farmworker households that are receiving public assistance or retired/disabled farmworkers. Only 3% of the membership of these cooperatives has no farm labor background. Even the cooperative with the least restrictive occupational requirements, Las Casas de Madera, still remains a predominantly farmworker cooperative after 20 years of operation.

**V. Most farmworkers participate in their cooperatives and value the benefits offered by cooperative housing, but many feel limited control over the management and operation of the cooperative.**

Data from the study shows that residents do value the benefits of cooperative housing – resident governance, low-cost quality housing and ownership, in particular, stand out. For most respondents, these were important – if not always the most important - motivations in their decisions to seek membership in a housing cooperative. By and large, residents do participate in the governance of the cooperative. Most residents feel they exercise at least a moderate degree of control over management, maintenance, house rules and the selection of new members. However, while a majority of residents experience at least moderate levels of control over their housing, many other residents feel they have little or no control.

**VI. Farmworkers in this study strongly endorse the cooperative housing model and support the development of more farmworker housing cooperatives.**

Most of the residents surveyed rated cooperative housing as superior to rental housing and believed that more farmworker housing cooperatives should be built. Very few respondents felt rental housing was equal to or better than cooperative housing or that cooperatives should not be used for farmworker housing. However, support for the cooperative housing model, while strong, was also qualified. This is consistent with other data that found many residents had mixed or unsatisfactory experiences with some aspects of resident control.

**VII. Farmworker cooperatives in this study need to conduct more outreach and training to their membership.**

Increased training, membership development and outreach are needed to address the dissatisfaction and lack of control experienced by many residents. Respondents identified insufficient knowledge of cooperative housing as one of the primary reasons more residents did not participate. Solid majorities of those surveyed at each of the four cooperatives felt that many members did not understand how cooperatives worked and that more training was needed.

## **I. SCOPE AND PURPOSE OF THE STUDY**

### **A. Introduction**

As California moves to meet the challenge of housing the state's farmworkers, it becomes increasingly important to identify housing models that best serve the needs of this vital social group. The impact of persistent and worsening shortages of decent, sanitary and affordable farmworker housing is now reaching beyond farmworkers and is affecting agricultural industries and communities (Working Group on Agriculture and Affordable Housing 2001). Recent initiatives from agriculture, the public sector, communities and affordable housing advocates are recognition of the urgency of the problem and the need to find more effective solutions. Among the recent major developments are:

- 2001 - Napa County voters adopted an initiative supported by the local growers to create a farmworker housing trust funded by assessments on agricultural land.
- 2001 – Growers, farmworker advocates and community groups formed a coalition to increase the supply of farmworker housing in Ventura County
- 2002 – The California Department of Housing and Community Development (HCD) convened a farmworker housing task force to provide stakeholder input on the department's farmworker housing programs, policies and strategies.
- 2002 – Proposition 46, the Housing and Emergency Shelter Trust Fund Bond Act of 2002, will secure a \$200 million set-aside for farm labor housing if passed on the November 2002 ballot
- 2003 – HCD is slated to complete production of the agency's first statewide farmworker housing plan

This increased interest in farmworker housing has been driven by the impact of high housing costs, sprawl, urbanization of rural areas, loss of agricultural land, changing demographics and rapid population growth throughout much of California. The impact of farmworker housing shortages on agricultural industries and communities is bringing state government, growers, agricultural communities, environmental groups and affordable housing advocates together to seek solutions. If these efforts are to be successful, they will require that the investment of resources be channeled to those forms of housing that have been proven to meet the needs of farmworkers. This study was undertaken to evaluate the effectiveness of one model that has been in use in the state for three decades to provide affordable ownership for farmworkers – housing cooperatives.

#### *Farmworker Housing Cooperatives*

Although the development of farmworker housing cooperatives has not become widespread, there are 11 farmworker housing cooperatives in operation in California today (see Appendix A for a list). At least 4 of them were initiated by farmworkers themselves to

secure a decent home for their families and establish roots in the communities they live in (Bandy 1992, Bordenave 1979). In each of these cases, the cooperative housing model was chosen because it offers what farmworkers aspire to and need most from their housing: affordability, quality, security, ownership and control.

Fulfilling these kinds of housing needs is usually seen as best accomplished through single-family housing that is made affordable to farmworkers through public subsidies and/or self-help labor savings. But despite the undeniable success of many communities in developing viable and attractive single-family housing for farmworkers, this model cannot always be applied. In some cases constraints of land, high real estate values, financial resources and zoning make single-family housing impractical. Even with subsidies to write down costs, farmworkers are among the poorest social groups in the state and many will simply not be able to afford home ownership. It is in these situations that the cooperative model can provide an alternative or intermediate model of home ownership.

### *Cooperative Ownership Structure*

Farmworker housing cooperative provide ownership through a structure that differs greatly from other housing models. Unlike condominiums or single-family homes, the residents of a cooperative do not individually own a permanent dwelling unit nor do they take out an individual mortgage. Instead, the cooperative is structured as a nonprofit public benefit corporation that owns the land, buildings and other improvements. The cooperative holds a `blanket` mortgage for the entire development and assesses members monthly carrying charges to cover debt service and operating costs.

Cooperative members own a share in the cooperative corporation, but unlike other corporations or condominiums, share ownership is limited to one per household. Share ownership entitles the household to occupy a unit and gives each household one vote in elections. Members are free to move and sell or “transfer” their share, but farmworker cooperatives typically prevent windfall gains and maintain affordability by restricting share value based on a preset appreciation formula.

Farmworker cooperatives are self-governing through an elected board of directors responsible for the overall operation of the cooperative. Through the board, residents can influence house rules, management of the housing, levels and quality of maintenance, provision of resident services and increases in monthly carryings charges. Since share transfers require board approval of new members, cooperatives provide residents with an opportunity to choose their neighbors. This democratic governance is reinforced by a common ownership structure that creates both self-interest and mutual interest in the larger welfare of the cooperative on the part of members.

### *Farmworker Housing Cooperative Research*

Despite the presence of 11 farmworker housing cooperatives in the state and the potential of the cooperative model as an intermediate form of ownership, there has been surprisingly little research on its effectiveness. We know little in a systematic way about how well

these cooperatives have worked.<sup>1</sup> Did they actually achieve their purpose of providing ongoing affordable ownership for farmworkers? Do farmworkers value the ownership and control benefits cooperatives offer? Are farmworkers able to effectively own and operate their own housing and maintain its financial and physical viability? In short, is cooperative housing for farmworkers a model that should be pursued? These are the essential questions that this study seeks to answer.

## **B. Study Objectives**

The goal of this study, then, is to determine how effectively the cooperative model has both worked for and been valued by farmworkers along several dimensions. Seven research questions were set out to guide this evaluation:

1. Operational Performance and Viability: *Over time, are farmworkers able to maintain the financial integrity of the housing they own and operate?*
2. Affordable Farmworker Home Ownership: *Over time, does the cooperative model continue to provide affordable ownership opportunities for farmworkers?*
3. Farmworker Utilization: *Over time, do farmworker cooperatives continue to serve primarily farmworkers?*
4. Membership Valuation of Cooperative Benefits: *Do farmworker shareholders value the equity, participation and control benefits cooperatives offer*
5. Membership Control: *Do farmworker shareholders exercise meaningful control or influence over the operation and management of their housing?*
6. Membership Development: *Do farmworker cooperatives provide the membership with the training and information necessary for them to effectively own and operate their housing?*
7. Member Evaluation of the Cooperative Model: *Based on their experiences with cooperative housing, do farmworkers endorse the cooperative model for farmworker housing?*

## **C. Study Methodology**

These research questions were addressed through intensive case studies of four representative farmworker housing cooperatives. Both objective and subjective measures and methodologies were employed. Among the methods employed, were mail return questionnaires, structured interviews with key informants and regulatory agencies,

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<sup>1</sup> Dewey Bandy covered some issues of operational effectiveness in a comprehensive study of housing cooperatives in the state that included farmworker housing in a 1993 study. Also see Gordon 1995 and Heskin and Bandy 1989.

examination of organizational documents and records, analysis of secondary data sources and review of previous research. These methods were used to assess the experience of current membership with the cooperative model, develop demographic and occupational profiles of each cooperative, determine whether the cooperatives are financially sound, and identify significant operational problems or issues. We developed a 34-question survey instrument to assess resident perceptions and experience with cooperative housing. A bilingual staff person, with a farmworker background, participated in the development and translation of the questionnaire. This same staff person convened and facilitated a group of farmworker residents at one of the cooperatives to pretest the instrument. After final modifications based on the pretest, the questionnaire was mailed to all 275 residents at the four cooperatives.

A target response rate of 50% for the entire sample was set. To ensure that goal was met, we secured the support of each cooperative board and the site manager for the survey. A CD player was offered as a raffle prize at each cooperative for households returning a survey. Bilingual staff conducted door-to-door outreach to further increase response rates. As a result, an overall response rate of 69% for the entire sample was attained. Table I provides a breakdown of response rates.

**Table I: Resident Survey Response Rates**

Cooperatives	Number of Units	Number Responding	Response Rate
Las Casas de Madera (CDM)	75	49	65%
La Buena Esperanza (LBE)	40	35	88%
San Jerardo (SJ)	60	29	48%
Santa Elena (STE)	100	76	76%
<b>Total</b>	<b>275</b>	<b>189</b>	<b>69%</b>

Residents were queried regarding household demographic and occupational characteristics, reasons for moving into the cooperative, valuation of key cooperative benefits, participation, levels of control over the operation of the cooperative, their assessment of current cooperative management and their overall rating of the cooperative model for housing farmworkers. Survey questions were predominantly structured response with provision for additional comments by the respondents.

Key informants were interviewed based on their experience with the history, development, operation and oversight of the cooperatives. These interviews provided important background and historical information and helped assess cooperative management, resident services physical condition, fiscal status and resident relations. Transcripts and tape recordings of interviews, conducted by Dr. Bandy while completing his dissertation on farmworker housing cooperatives, further supplemented interviews with key informants.

A number of secondary data sources were used to address the research objectives of this study. Internal cooperative records such as reports, audits, management plans, operating budgets and organizational documents were made available at all four cooperatives for use

in the study. Other sources included newspaper articles, cooperative publications, related research and public records and documents.

#### **D. Selection of Case Study Cooperatives**

The four cooperatives selected are representative of the development form, project type, equity structure and occupational eligibility requirements typical of farmworker housing cooperatives in the state. These criteria are as follows:

##### *Project type*

The case studies were selected to be representative of the different forms farmworker cooperative housing takes and the development methods. As a form of group of ownership, farmworker cooperatives tend to be either mobile home parks or some type of multifamily development. Within the state, farmworker and other affordable housing cooperatives have been developed as traditional multi-story apartment or town home-style housing, scattered site developments with a mix of structure types, single-story multiplex projects or clustered detached single-story cottages. Development methods have included new construction, acquisition and rehabilitation of both occupied and unoccupied housing and combinations of all of these methods.

##### *Equity structure*

The equity structure of the cooperative pertains to how equity appreciation is realized when shareholders sell or transfer their shares. Because ownership occurs through the cooperative and financed through a single or 'blanket' mortgage, ownership and equity are realized through holding a share in the cooperative. All of the cooperatives in the case studies and all of the state's farmworker housing cooperatives restrict share/equity appreciation. Equity appreciation methods can be specified by the major funding programs under which the cooperative is organized and/or by California state law. The general methods, which are discussed in more detail below, are linking share appreciation to the units' proportionate contribution to principal payments on the blanket mortgage or limiting the share increase to a set annual percentage or index such as the consumer price index. The third method is to simply prohibit any increase in the share value. This is most applicable to mobile home cooperatives where the goal of the cooperative is to commonly own the park but allow for individual ownership of the mobile home units.

*Limited equity:* Passage of AB 1364 in 1978 established the limited equity cooperative in California. Cooperatives organized under Section 1103.4 of the California Business and Professions Code and Section 3307.5 of the Health and Safety code are nonprofit public benefit corporations. At least \$100,000 or 50% of the construction costs, whichever is less - must come from a subsidized grant or loan source. In addition, the cooperative must execute a regulatory agreement with a public agency for the duration of its subsidies. Annual share appreciation cannot exceed 10% per year plus the value of any improvements made to the unit by the shareholder. The price of the initial share cannot exceed 3% of the

value of the unit. This limited appreciation prevents rapid increase of the share prices and maintains affordable ownership for long periods of time.

*Restricted Equity:* Many cooperatives organized prior to the 1978 passage of AB 1364 in 1978 were organized under loan programs through the U.S. Department of Housing and Urban Development (HUD) or the U.S. Department of Agriculture's Rural Housing Service (RHS) agency – formerly known as Farmer Home Mortgage Administration (FmHA) (Sazama 1996). These types of equity restrictions were placed on the one cooperative in this study organized under the RHS Section 515 Rural Rental Housing Loan Program. The restrictions prohibit the sale of shares at market value and require new members to meet the income eligibility standards of the RHS Section 515 program, which limit admission to low- and moderate-income households. Share prices can appreciate based on each unit's proportionate share paid on the principal of the blanket mortgage plus authorized improvements. Over time, share prices can increase significantly and price out most low-income households (Agora Group 1992).

*Fixed Equity:* The one mobile home park in this study is a fixed equity cooperative that prohibits any share appreciation. The share price serves as a membership fee and confers occupancy, voting and other rights on the shareholder. The land is owned by the cooperative while the shareholder individually owns their mobile home unit. Since the shareholder can sell their mobile home unit without any price restrictions, the entry costs for new members (share cost plus the purchase price of the mobile home unit) can become quite high. Any sale of the mobile home unit, however, would still be contingent on both the new member meeting any applicable income and/or occupational eligibility standards and the cooperative's approval of the new member.

#### *Occupational Eligibility Restrictions*

Occupational eligibility standards for farmworker housing are determined by the funding programs or land use regulations under which farm labor housing is developed. Generally, these restrictions divide into very strict occupational requirements under the RHS Section 514 and 516 Rural Housing Loan and Grant Programs (RHS 514/516) that require all households to be engaged in agricultural labor and more flexible occupational restrictions required by the California Department of Housing and Community Development Farm Worker Housing Grant Program (FWHG) or land use restrictions.

*RHS 514/516:* Occupancy is limited to low- and moderate-income farmworker households who derive a substantial amount of their income from farm labor. Priority for admission is given to households with higher proportions of farm labor income. Continued household employment in farm labor is a condition for occupancy. Except for disabled or retired farmworkers, households that do not continue in farm labor must leave the cooperative. Additionally, RHS 514/516 define farm labor as direct employment by a farmer, group of farmers or labor contractor who are directly engaged in cultivation and harvesting of food, fiber and livestock. Eligible farm work can also include processing, packaging and delivery of agricultural products produced by a farm operator or group of farm operators. However, employment in related agricultural activities such as packing, shipping, or

processing, that are not part of a farm owner's overall operations are not considered farm labor.

*FWHG:* The more flexible occupational restrictions of the FWHG can require that all or some of households seeking admission derive a substantial portion of their income from agricultural labor and/or require that some portion of the units be occupied by households meeting those farm labor requirements. FWHG occupational standards, however, do allow households to leave farm labor entirely after they move in. In addition, the FWHG program expands on the USDA farm labor criteria to include agriculturally- related employment, such as packing, processing and shipping, even it is not owned by a farm operator. The number of units covered by the FWHG occupational requirements is based on the proportion of FWHG funds within the total development cost of a housing project. If the FWHG funds constitute more than 25% of the total project costs, all of the units are covered by FWHG eligibility requirements. When the FWHG amount is less than 25% of the total projects costs, restrictions are applied to only to a share of the units proportionate to the FWHG proportion of the total project costs.

*Use Permits:* Zoning or other land use restrictions may place farm labor restrictions on the use or occupancy of housing project. In one of the case studies, the cooperative was able to obtain a use permit to develop the housing only on the condition that the housing be used for agricultural labor. The use permit, in this case, required that households derive a substantial proportion of their income from farm labor in order to be eligible to occupy the housing. However, the use permit did not require farmworkers that leave agricultural labor to move out of the cooperative.

#### *Resident control and democratic governance*

It is standard practice for farmworker and other affordable housing cooperatives to be structured to ensure democratic governance through an elected board of directors. One vote is allocated to each share and households are prohibited from owning more than one share. Only residents may own shares in the cooperative and only shareholders may serve on the board of directors. Absentee ownership is not allowed and members are prohibited from renting out their units. Articles of incorporation and bylaws will typically contain detailed and specific procedures and requirements for nominations and elections, general membership and board meetings, organizational record keeping, meeting procedures and the like. All four cooperatives easily met these criteria.

#### *Management Structure*

One of the principal benefits of cooperative housing is the control over management it affords residents. Cooperatives can contract with a qualified professional entity to provide basic management services such as maintenance and repairs, marketing and intake, enforcement of house rules, income and occupational certifications of member households, reporting and fiscal management. If the cooperative does not feel satisfied with the performance of the management company, they are free to shop for another management entity.

*Professional Management:* Contracting for professional services can be challenging for both the cooperative and the management agent. Typically, management companies work for an owner of a property and not for the residents. Cooperatives blur those roles and the management agent must learn to work with residents who are also the owners. Further, because the residents democratically operate cooperatives, there is a need for ongoing support, board training, and membership development. This, in turn, places greater demands for services and involvement on a management company than are normally found with rental housing.

The reverse problem of excessive demands from the cooperative, is when the management agent “takes over” the cooperative. This happens when the cooperative board of directors is unable and/or unwilling to exercise appropriate oversight and evaluation. A cooperative board can easily slip into over-reliance on the information, reports and recommendations provided by the management agent. This is particularly true when the board is made up of lower-income members whose education, occupation, and life experience has not prepared them for dealing with the complexities of property management. Ongoing technical assistance, training and membership development by a sponsor organization or private consultant is necessary for lower-income boards to effectively management the management company.

*Self-Management:* In a self-managed cooperative, the cooperative performs basic management functions. This can be accomplished through the cooperative hiring management and maintenance staff as employees of the cooperative, members performing some management functions, and contracting with various vendors. If carried out properly, self-management can result in considerable cost savings by eliminating the profit and overhead charged by a management agent. Self-management can also provide cooperatives members more direct control over their housing, without having to work through a management company.

The challenges of self-management are in some ways similar to contracting professional management. Board members must master the skills necessary to act as both an employer and property manager. This can be challenging for lower income board members who often lack the kinds of professional and technical skills and experience that is required. (Heskin and Bandy 1989, Sazama and Wilcox 1995) Also, the direct control over operations provided by self-management can be a double-edged sword. With the direct control come opportunities for favoritism, laxity in following established procedures and even board corruption. Self-management requires the cooperative to police itself. If the board does not provide sufficient authority to their manager and staff to enforce rules and implement policies, the cooperative can face significant maintenance, social, compliance and financial problems.

#### *Case studies*

Based on these criteria, the following four case studies were selected for the study. All four are in different parts of Monterey County, which is a major agricultural area in the state.

*La Buena Esperanza:* This is a 40-unit new construction, apartment-style two-story development. It was incorporated under state laws as a limited equity cooperative. RHS 514/516 occupational restrictions apply and all households must be low- or moderate-income households that meet USDA agricultural employment criteria.

*Las Casas de Madera:* This 75-unit development is also a new construction, town home style development incorporated under state laws as a limited equity cooperative. Although developed explicitly to serve farmworkers, its primary funding sources do not place occupational restrictions on occupancy. FWHG funding for the cooperative does require that households who derive a substantial portion of their income from farm labor occupy a minimum of 22 units at all times.

*San Jerardo:* This is an acquisition and rehabilitation cooperative consisting of 60 units laid out in clustered single-story, multiplex buildings. It was incorporated under the RHS Section 515 Rural Rental Housing Loan Program prior to 1978 and is a restricted equity cooperative. Both the use permit and the FWHG require that all households derive a substantial portion of their income from farm labor at the time of occupancy. However, they are later free to leave farm labor if they so chose.

*Santa Elena:* Santa Elena is a 100-space mobile home park cooperative that was purchased by farmworkers and substantially rehabilitated. It is incorporated as a fixed-equity cooperative. There are no restrictions on the sale of mobile home units by members. FWHG funding requires that all households derive a substantial portion of their income from farm labor at the time of occupancy. However, they are later free to leave farm labor if they so chose.

### III. CASE STUDIES

#### A. Background: Monterey County

Monterey County is representative of many of the agricultural areas in California and the farmworker housing crisis in the state. Located on the coast at almost the midpoint of state, the county is characterized by scenic geography, a temperate climate and fertile soil. The county encompasses 3,332 square miles with a population of 401,762. The Salinas Valley runs the length of the county along its center and is one of the major vegetable producing regions of the nation. There are two major urban areas in the county – the City of Salinas and the Monterey Peninsula.

#### *Demographics*

The two major population groups in Monterey County's are whites and Latinos. According to the 2000 Census, Latinos make up approximately 46% of the county's population with the whites population at about 40%. The urbanized, western half of the county along the coast and Monterey Peninsula is famous for its spectacular scenery, recreation and quality of life (Figure 1). It is characterized by a higher income, more white population with the tourism industry concentrated in this area. Housing costs are the highest in the county and few of the low-income workers employed in the service and tourism industries can afford to reside there (Monterey County 2001A & B). Most of these workers cluster in the Salinas areas and other communities outside the Peninsula and commute in.

**Figure 1: Monterey County and location of Case Studies**



The northern and southern parts of the county – including the city of Salinas – are the mirror opposites of the Monterey Peninsula. Agriculture is extensive and the primary economic activity in these areas. Most of the Latinos, farmworkers and the 13% of Monterey County’s population that are in poverty are concentrated in these areas (Census 2000, Monterey County 2001A & B).

### *Housing*

As a result of jobs-housing imbalances, the attractiveness of the Monterey Peninsula and proximity to high cost areas such as San Jose County and Silicon Valley – Monterey County is characterized by high housing costs and serious shortages of affordable rental housing. Single-family housing prices are among the highest in the nation (National Association of Home Builders 2002). Even in the lower income and agricultural areas of the county, single-family home prices are well out of the reach of farmworkers and other low-income groups.

Rental housing has not been spared from these high housing costs. In the county’s largest city, Salinas, rents have increased at three times the rate of inflation between 1997-2001 (Salinas 2002 Housing Element). According to 2002 data from the National Low Income Housing Coalition, a household earning minimum wage would have to work 96 hours a week to afford a two-bedroom rental priced at U.S. Department of Housing and Urban Development (HUD) Fair Market Rents (FMR) for Monterey County (National Low Income Housing Coalition 2002). If a three-bedroom rental were needed, the minimum wage household would need to work 134 hours each week to afford the FMR.

## **B. Agriculture and Farmworkers**

The county is one of the top ranking agricultural counties in the state (California Department of Food and Agriculture 2002). According to the California Department of Food and Agriculture, the gross value of the county’s agricultural production in 2000 was over \$2.9, placing it third among the state’s 58 counties. Nationally, Monterey County is one of the largest vegetable producing counties in the nation. Agricultural production is diverse and includes vegetables, fruits and nuts, various field crops dairy and livestock.

Agriculture is the major industry and requires a large, low-wage workforce to toil in its farms, vineyards, ranches, dairies, and food packaging and processing operations (Monterey County 2001B). Consequently, Monterey County has one of the highest concentrations of farmworkers in the state to work in its agricultural sector (Smith-Heimer, et.al. 1998). Recent estimates for just the seasonal and migrant workforce range from 72,258 up to 128,584 (Applied Survey Research 2001).

### *Farmworker Housing in Monterey County*

The farmworker population is characterized by severe poverty and poor housing conditions. A 2001 survey of farmworkers in the region, conducted by Applied Survey Research for the Counties of Monterey and Santa Cruz, found that farmworkers had the lowest earnings of any occupational group in the county with an annual median income of just \$11,000. Almost all of these farmworkers rent their housing. Over one-third of the

farmworkers pay more than half of their gross income towards housing costs and over one-half of the farmworkers surveyed paid 30% or more of their gross income for housing.

Housing conditions were grim for most farmworkers. About 11% of the farmworkers surveyed reported living in a car, shed, garage, motel or rooming house. Overcrowding was a serious problem, with over one quarter of those surveyed reporting that at least one person in the household had to sleep in the living room. One-fifth of the Monterey County farmworkers lacked any plumbing in their dwelling units. Another one-third reported insufficient heating in their dwelling, over one-third had basic household appliances that did not work properly and over half reported insect infestations.

### **C. Locations of the Case Studies**

*Salinas:* Both Las Casas de Madera (CDM) and San Jerardo (SJ) are located in Salinas. Salinas is the largest city in Monterey County with a population of 151,060 according to the 2000 Census. Known as the “salad bowl of the world,” agriculture remains vital to the local economy. Approximately 8,000 farmworkers are estimated to be residing in the city. Latinos are now in the majority and make up approximately 60% of the population. The poverty rate in the city is approximately 17%. According to the city’s 2002 Housing Element, Salinas is experiencing a serious shortage of affordable housing. Over forty percent of all renters were paying more than 30% over their income towards housing. Median sales price of a new home in 2001 was \$232,000 (U.S. Census 2000, City of Salinas Housing Element 2001, Salinas Californian 2002).

*King City:* La Buena Esperanza (LBE) is located in this small agricultural city in southern Monterey County. King City has a population of 11,094. Its economy is sustained by agriculture with food processing and packing as the major agricultural activities within the city limits. There is a large Latino population in the city. The median home value in the city is \$245,000 and the average monthly apartment rent is \$750 (U.S. Census 2000, Salinas Californian 2002, King City 2002).

*Soledad:* Santa Elena (STE) is also located in a small agricultural town in southern Monterey County with a population of 11,263. Its economy is somewhat diversified due to a nearby state prison. However, agriculture remains vital to the economic base of the city. The city has a large Latino population. The median home value is \$240,500 and the average monthly rent is \$756 (U.S. Census 2000, Salinas Californian 2002)

### **D. Farmworker housing cooperatives in Monterey County**

California farmworker housing cooperatives originated in Monterey County with the development and organization of San Jerardo in Salinas by the Central Coast Counties Community Development Corporation (CCCDC) in 1976. The experience and expertise that was gained through San Jerardo ultimately was translated into the development of five other farmworker housing cooperatives in the county. San Jerardo served as a source of inspiration and support for farmworker leaders at two of the other three cooperatives chosen for case studies. When CCCDC elected to move out of housing development in

1979, staff that had worked on San Jerardo left to found a new housing development corporation, Community Housing Improvement Systems Association (CHISPA). This infusion of skills and experience enabled CHISPA to develop three more farmworker housing cooperatives, including two of our case studies, in the county.

This concentration of farmworker housing cooperatives helped us utilize the limited resources available for the study more efficiently. The cluster of six farmworker housing cooperatives, in Monterey County enabled us to easily select four representative case studies that met our selection criteria. Proximity of the cooperatives to one another enabled us to more efficiently and intensively employ the limited funds available to support this research. This was especially important due to the extensive outreach and on-site, bilingual support that was required to ensure high response return rates on the resident questionnaires.

### **E. Research Objectives for Case Study Section**

In this section, we will first overview the development history of each cooperative and the reasons that led to the organization of a farmworker cooperative. After laying out the development context, we will provide basic data on its structure, funding, management, affordability, occupational restrictions and demographic characteristics of the cooperative. We will then present our data and findings relative to research questions 1 through 3. These objectives pertain to the viability and operational performance of the cooperative, whether it provides affordable ownership opportunities and if the cooperative continues to serve a predominantly farmworker population. In the next section we will present our data and findings on research questions 4 through 7. These objectives assess membership valuation of cooperative benefits, levels of membership control, membership training and development needs, and the overall evaluation of the farmworker cooperative model by the members themselves.

**Case Study:** San Jerardo (SJ)

**Developer:** Central Coast Counties Community Development Corporation (CCCDC)

**Location:** Cooperative is located on a 32.6-acre site in Monterey County outside the Salinas city limits on Old Stage Road. Including the property across from the entrance on Old Stage Road, all surrounding land is active cropland.

**Type:** Multifamily – rehabilitation, clustered single story multiplex units.

**Units:** 60 cooperative units

**Management:** Self-managed

**Equity:** Restricted Equity –shareholder’s equity increases on a prorated basis as the mortgage principal is paid down and the value of any shareholder improvements.

**Share Prices:** \$24,000 to \$28,000

**Services:** Head Start childcare program, convenience store, below-market farmworker rental housing

**Eligibility:** RHS 515 eligibility requirements restrict eligibility to low-income and moderate-income households. The state Department of Housing and Community Development’s Farm Worker Housing Grant Program (FWHG) mandates strong preference being given to lower income farmworker households for admission to the cooperative. A county use permit requires households derive at least 51% of income from agricultural labor at the time of occupancy. Continued employment in agricultural labor is not a condition of the use permit and households may remain in the cooperative if they leave agricultural labor.

### **Major Funding Sources**

- RHS Section 515 Rural Rental Housing Loan Program (RHS 515)
- RHS Section 523 Rural Rental Assistance
- Department of Housing and Community Development’s Farm Worker Housing Grant Program (FWHG)
- Housing Assistance Council Grant
- Campaign for Human Development Grant

**Development Synopsis:** The development of the San Jerardo cooperative was initiated by a grassroots farmworker organization explicitly for the purpose of creating farmworker homeownership in early 1972. The group was formed as the result of a United Farm

Worker (UFW) organizing drive. When the labor camp in which the farmworkers were living was sold, they squatted in the streets of Salinas for over two weeks until they were relocated to temporary housing in the form of an unused labor camp. The group then proceeded to secure ownership of the camp through a very unorthodox purchase. Christening their organization and property after the Mexican patron saint of gamblers, San Jerardo, the group formed a development partnership with the now defunct Central Coast Counties Development Corporation (CCCDC). Key leadership roles were played by CCCDC staff person Ed Moncreif and the leader of the farmworkers, Sixto Torres. A cooperative structure for their future housing was chosen as a compromise. The families desired unrestricted ownership but a condominium or single-family project was infeasible due to the zoning on the land and lack of potential funding sources. The other alternative, rental housing, was equally undesirable because it would not provide the farmworkers with ownership or control. With assistance from California Rural Legal Assistance (CRLA), CCCDC and the San Jerardo families fought a lengthy battle against local school district and growers who opposed the cooperative. At the same time they had to surmount numerous bureaucratic obstacles from federal and state agencies. In the end however, their determination won out. Development rights were secured in 1975, the first ever funding from the U.S. Department of Agriculture's Rural Housing Services (RHS) agency – then FmHA - for a farmworker cooperative was committed in 1977 and construction of the 60-unit cooperative was completed in 1979.

### **San Jerardo: Operational Performance and Viability**

**Research Question:** *Over time are farmworkers able to maintain the financial integrity of the housing they own and operate?*

Interviews with RHS staff indicated that San Jerardo has had no significant default, fiscal, maintenance or other compliance issues. Reviews of San Jerardo audits, fiscal reports and other financial documents revealed no significant financial or operational problems or issues. Contacts with professionals familiar with the cooperative indicated no significant or financial, maintenance or management issues. One professional commented that the cooperative could exercise better oversight of members' additions – such as yard fencing. But this concern was more over the physical appearance of the units than deterioration or maintenance. Reserve amounts required by RHS appear to be adequate.

As shown by Table SJ-1, when members were asked to assess elements critical to the financial and operational viability of the cooperative, solid majorities give satisfactory or better marks to maintenance, site management, and the board. However, the cooperative also received negative evaluations in these areas from 13% to 24% of the respondents.

Resident evaluations of services were a cause of some concern. Less than half, or 44% of the respondents rated cooperative services as satisfactory or better. Even though the cooperative does offer services, about one quarter of the sample were not aware of any of them. Overall, the data suggest that some member service needs are possibly not being met and/or members may not be fully informed regarding services.

**Table SJ-1: Resident Evaluation of Cooperative Operations**

<u>Response</u>	<u>Management</u>	<u>Maintenance</u>	<u>Enforcement House Rules</u>	<u>Performance of Board</u>	<u>Resident Services</u>
Excellent	3 (10%)	1 (3%)	0 (0%)	1 (3%)	1 (3%)
Good	9 (31%)	13 (45%)	11 (38%)	10 (34%)	5 (17%)
Fair	8 (28%)	6 (21%)	9 (31%)	11 (38%)	7 (24%)
Poor	2 (7%)	2 (7%)	3 (10%)	1 (3%)	2 (7%)
Very Bad	4 (14%)	4 (14%)	4 (14%)	3 (10%)	5 (17%)
No Opin.	2 (7%)	1 (3%)	1 (3%)	2 (7%)	1 (3%)
No Resp.	1 (3%)	2 (7%)	1 (3%)	1 (3%)	1 (3%)
Other	0 (0%)	0 (0%)	0 (0%)	0 (0%)	7 (24%)
Totals	29 (100%)	29 (100%)	29 (100%)	29 (100%)	29 (100%)

**San Jerardo: Affordable Farmworker Ownership**

**Research Question:** *Over time, does the cooperative model continue to provide affordable ownership opportunities for farmworkers?*

The RHS 515 mortgage limits occupancy to low and moderate-income households and provides for very low monthly carrying charges. The RHS 515 program regulations establish minimum and maximum monthly carrying charges. Monthly carrying charges to residents are reduced or subsidized through the very low interest rate on the RHS 515 mortgage. Minimum or “Basic” monthly carrying charges are set at an amount necessary to service the low interest RHS 515 mortgage and meet operating costs. The maximum, or “Market” monthly charges that can be assessed are established based on the operating costs and projected debt service if the low interest, RHS 515 mortgage subsidy was not provided. Within these constraints, cooperative members pay 30% of their income - less a utility adjustment - toward their monthly carrying charge.

The RHS Section 521 Rural Rental Assistance Program provides assistance in cases where the Basic carrying charges would exceed 30% of a household’s adjusted income. This program pays the difference between 30% of a household’s adjusted income and the monthly basic carrying charge. Seventeen households receive this assistance. As Table SJ-2 shows, monthly housing costs are low for the area and well below the Low Income Housing Tax Credit (LIHTC) rents for very low-income households in Monterey County.

**Table SJ-2: Carrying Charges**

<u>Unit Size</u>	<u>Number</u>	<u>Basic Rent</u>	<u>Market Rent</u>	<u>LIHTC Rents</u>
Two Bedroom	2	\$150	\$260	\$605
Three Bedroom	35	\$245	\$430	\$690
Four Bedroom	23	\$275	\$480	\$780
<b>Total</b>	<b>60</b>			
RHS 521 Rental Assistance Units	17			

Share prices were the highest of any of the cooperatives in the study. Because the transfer value of the share is determined by the units' proportionate share of principle paid on the RHS 515 mortgage, share prices at the cooperative range from \$24,000 to \$28,000. These high costs clearly present a formidable barrier to very low-income and low-income households.

In the future, these share prices may become even higher. Currently the cooperative is planning to pay off its RHS 515 mortgage early. The goal is to end the equity restrictions required by the RHS 515 program. Although this will end RHS income eligibility restrictions, the use permit will still allow only farmworker households to move into the cooperative. Even if the cooperative were to continue the RHS 515 mortgage, rising share prices may present significant challenges for the cooperative to maintain compliance with occupational restrictions.

One mitigating factor may be the high housing costs of Monterey County. Like many areas of California, the costs of buying a single-family home have skyrocketed. Even with a large down payment, most farmworker families would not make enough income to qualify for a mortgage on a home purchase. Waiting lists for subsidized, first-time homebuyer and self-help housing are long. Given these conditions, San Jerardo will likely continue to fill an important niche for farmworker families who can raise the purchase price of a share. A former manager of the cooperative projected that in the future the cooperative will still serve farmworker families with incomes closer to moderate income levels - 70% and 110% of the area's median income. The money for the share purchase would most likely be raised from family and other personal resources.

### **San Jerardo: Farmworker Utilization**

**Research Question:** *Over time, do farmworker cooperatives continue to serve primarily farmworkers?*

Use permit restrictions require households moving into the cooperative to earn at least 51% of their income from agricultural labor at the time of occupancy. The FWHG also places agricultural labor requirements on the cooperative. However, neither the use permit nor the FWHG mandates continued farm labor employment as a requirement to maintain residency or cooperative membership. This provides farmworker families who move into San Jerardo an opportunity to move into other forms of employment and leave farm labor.

In interviews, current and former managers of the property stated that many farmworker families take advantage of that opportunity. They believe the cooperative serves a dual role of both providing security and housing for lower income farmworkers families and a platform for economic advancement out of farm labor. This dual role of providing both farmworker ownership and opportunity for economic progress is supported by occupational and income data from our sample, cooperative records and USDA RHS reports. Table SJ-3 summarizes this occupational data from the sample and the cooperative. Eleven of the 29 households in our sample have at least one household member currently engaged in farm labor and seven households are retired from farm labor. Just six of those households are engaged exclusively in agricultural labor employment and only three reported having at least one member engaged in migratory farmwork. For the

entire cooperative, USDA RHS data shows about one-third of the households are active in farm labor, approximately one-half are households no longer engaged in farm labor and just over one-sixth are retired from farmwork

**Table SJ-3: Household Occupational Characteristics**

Category	Total HH	Percent	Sample	Percent
Household member in Farmwork	20	33%	11	38%
Former Farmworker Household	31	52%	10	35%
Retired Farmworker Household	9	15%	7	24%
No Farmwork History	0	0%	0	0%
No data provided by respondent			1	3%
<b>Total</b>	<b>60</b>	<b>100%</b>	<b>29</b>	<b>100%</b>
Migrant Farmworker Household	Not available	N/A	3	10%
Only Farm Labor reported	Not available	N/A	6	21%

USDA RHS demographic data shows San Jerardo to be a mixed income cooperative that still serves mainly lower income current or former farmworker families. Approximately two-thirds of the 60 households that make up the cooperative are low-income or very low-income. The remaining households are moderate-income and above.

Most households are families with children. In just over three-fourths, or 46 of the 60 cooperative households at least one member is a minor. Almost one-third, or 19 households include at least one disabled member. In nine households (15%) at one or more members are elderly.

San Jerardo households are generally employed. Fifty-one households, or 85%, derive most of their household income through work. Twelve households receive on social security earnings and 15 receive on various forms of public assistance. However, in most cases of public assistance these are relatively nominal sums in the form of food stamps.

Survey data and cooperative records show that most San Jerardo residents are long term. The average tenure for residents participating in the survey is 13.6 years with a median tenure of 14 years. Cooperative records show the average tenure to be 9.7 years with a median of 10.3 years.

<b>Table SJ-4: Income and Demographic Characteristics</b>				
<u>Category</u>	<u>Total HH</u>	<u>Percent</u>	<u>Sample</u>	<u>Percent</u>
Very Low-Income	31	52%	19	66%
Low-Income	8	13%	6	21%
Moderate-Income & Above	21	35%	4	13%
<b>Income Totals</b>	<b>60</b>	<b>100%</b>	<b>29</b>	<b>100%</b>
Employed	51	85%	26	90%
Families with Children	44	73%	19	66%
One or more Elderly HH Member	41	68%	7	24%
One or more Disabled HH Member	18	30%	11	38%
HH receiving Social Security	12	20%	10	34%
HH receiving Public Assistance	15	25%	1	3%
Average Tenure in Years	9.7		13.6	
Median Tenure in Years	10.3		14.0	

**Findings:** San Jerardo continues to provide secure and stable ownership opportunities for primarily low-income active, retired and former farmworker families. This may change as increasingly high share values price out lower-income farmworkers. However, given the high costs of single-family housing in Monterey County, it is likely the cooperative will still continue to provide ownership for farmworker households who are close to or in the moderate income range and can not otherwise qualify or afford to purchase a house on the open market. Also, the low carrying charges may offset somewhat the “sticker shock” of San Jerardo’s high share prices. The overall management, maintenance and the fiscal health of the cooperative appear to be satisfactory. Data from the study supports the contention that the cooperative serves as a springboard for economic advancement by farmworkers.

**Case Study:** La Buena Esperanza (LBE)

**Developer:** Community Housing Improvement Systems and Planning Association (CHISPA)

**Location:** The cooperative is located on a 2.82-acre parcel in King City, a small agricultural city in southern Monterey County. La Buena Esperanza was the first permanent farmworker housing development in King City.

**Type:** Multifamily - new construction of town home-style units

**Units:** 40 cooperative units

**Management:** Professionally Managed

**Equity:** Limited equity – shareholder equity increases based on an annual cost of living factor plus improvements to the unit.

**Share Prices:** \$2,000

**Services:** None

**Eligibility:** RHS 514 and 516 eligibility requirements cover all of the units. Occupants of these units must be engaged in farm labor unless they are disabled or are retired from farmwork. Otherwise, households that leave farm labor must move out of the cooperative.

### **Funding Sources**

- RHS Section 514 Farm Labor Housing Loan
- RHS Section 516 Farm Labor Housing Grant
- HCD Farm Worker Housing Grant

**Development Synopsis:** La Buena Esperanza (LBE) was the second cooperative project undertaken by the newly formed CHISPA headquartered in Salinas in 1979. The project originated out of the efforts by migrant farmworkers to find permanent housing in King City. Inspired by the example of San Jerardo, a group of farmworker families who resided at a seasonal migrant housing center decided to squat in the streets of King City when the camp closed for the season. Like the San Jerardo families, they wanted to own homes and settle down in the community. Although they were not able to force authorities to relocate them to permanent housing, they stayed together as a group. Their quest for permanent housing in the King City area soon brought them into contact with CHISPA. CHISPA assigned a staff person, Jose Vasquez, to work with the families. He worked closely with the leader of the farmworkers, Josephina Felix, to acquire housing in King City and win over community support. At that time King City had no farmworker housing and the mood in the small town was hostile to this type of housing. After a lengthy and frustrating search, Vasquez was finally able to locate a vacant site. Funding was acquired

to purchase the land and the efforts of the families moved towards obtaining the necessary approvals for their housing. The families decided the name of their future housing should reflect their aspirations and named the property La Buena Esperanza – “the good hope” in English.

Once again, the cooperative model was chosen as a compromise. Rental housing would not satisfy the families’ desires for control and ownership and single family and condominium projects were infeasible for the site and the funding sources available at that time. With the first farmworker housing project in King City facing a lengthy and potentially hostile review process, it was essential to win over community support. Vasquez and Felix conducted extensive outreach to growers, civic leaders and public officials to persuade them of the need for farmworker housing. Although the review process did prove to be lengthy, detailed and difficult, their persistence paid off. With the behind-the-scenes support of civic leaders, La Buena Esperanza was finally approved for development by the city council in 1982.

Construction was completed in 1984. La Buena Esperanza became a showcase of quality farmworker housing and would open the door for more farmworker housing projects in the town. Thanks, in part, to La Buena Esperanza, CHISPA went on to develop a series of single-family farmworker ownership projects in King City and the nearby city of Greenfield. Over the years, many members of the cooperative have gone on to purchase these homes.

### **La Buena Esperanza: Operational Performance and Viability**

**Research Question:** *Over time are farmworkers able to maintain the financial integrity of the housing they own and operate?*

CCRH interviews with HCD and RHS oversight staff found no compliance, fiscal or management issues. Interviews with professional informants familiar with the development and management staff showed the project to be well managed with no significant operational issues. Reviews of audits, operating budgets, reports and other relevant cooperative records and documents confirmed these assessments and did not find any significant fiscal or operational issues.

Respondents generally gave high ratings on cooperative performing in areas critical to the viability of the cooperative. As Table LBE –1 shows, over 60% of the respondents rated maintenance, site management and enforcement of house rules as “good” or “excellent.” Over half of the respondents gave the board of directors high marks for their performance. Altogether, the proportion of respondents who rated management, maintenance, enforcement of house rules and board performance as at least satisfactory (fair) ranged from 68% up to 92%. By way of comparison, negative ratings seldom exceeded 10% of the sample - ranging from 6% up to 12 %.

**Table LBE-1: Resident Evaluation of Cooperative Services**

<u>Response</u>	<u>Management</u>	<u>Maintenance</u>	<u>Enforcement House Rules</u>	<u>Performance of Board</u>
Excellent	10 (29%)	9 (26%)	6 (17%)	5 (14%)
Good	13 (37%)	14 (40%)	17 (49%)	14 (40%)
Fair	7 (20%)	9 (26%)	7 (20%)	5 (14%)
Poor	1 (3%)	2 (6%)	0 (0%)	3 (9%)
Very Bad	2 (6%)	0 (0%)	2 (6%)	1 (3%)
No Opinion	0 (0%)	0 (0%)	0 (0%)	6 (17%)
No Response	2 (6%)	1 (3%)	3 (9%)	1 (3%)
Total Sample	35 (100%)	35 (100%)	35 (100%)	35 (100%)

**La Buena Esperanza: Affordable Farmworker Ownership**

**Research Question:** *Over time, does the cooperative model continue to provide affordable ownership opportunities for farmworkers?*

As Table LBE-2 shows, La Buena Esperanza continues to provide affordable ownership opportunities for low-income current and former farmworkers. Monthly carrying charges are quite low and well below tax credit rents set at levels affordable to very low-income households. All monthly carrying charges at La Buena Esperanza are set at the subsidized or ‘Basic’ amount. If the Basic carrying charge exceeds 30% of a household’s adjusted income, rental assistance is available through the RHS Section 521 Rural Rental Assistance Program. This program pays the difference between 30% of a household’s adjusted income and the monthly Basic carrying charge. Over half of the households at La Buena Esperanza receive assistance through this program.

**Table LBE-2: Carrying Charges**

<u>Unit Size</u>	<u>Number</u>	<u>Basic Rent</u>	<u>LIHTC Rent</u>
Two Bedroom	8	\$395	\$605
Three Bedroom	24	\$460	\$690
Four Bedroom	8	\$510	\$780
<b>Total</b>	<b>40</b>		
RHS 521 Rental Assistance Units	27		

## La Buena Esperanza: Farmworker Utilization

**Research Question:** *Over time, do farmworker cooperatives continue to serve primarily farmworkers?*

Because RHS 514 and 516 regulations require households to be engaged in farm labor as their primary employment - unless the household head is disabled or retired from farm labor – to be eligible for occupancy, La Buena Esperanza membership is entirely farmworker households. Over 80% of the cooperative households are engaged in farm labor. Three households are retired and another three are farmworker households that are on public assistance.

These proportions are roughly the same for our sample of survey respondents. Eighty percent of the respondents were engaged in farm labor. Four households in our sample had at least one household member engaged in migrant farm labor. Reflecting the farmworker-only occupational restrictions of the cooperative, three-fourths of our sample was engaged only in farm labor. This was the highest rate of employed households engaged solely in farm labor of all the cooperatives studied. Table LBE-3 summarizes the occupational demographics of the cooperative and our survey sample.

**Table LBE-3: Household Occupational Characteristics**

<u>Category</u>	<u>Total HH</u>	<u>Percent</u>	<u>Sample</u>	<u>Percent</u>
Household member in Farmwork (Employed)	33	82%	28	80%
Disabled Farmworker Household	1	3%	Not Available	
Retired Farmworker Household	3	8%	3	9%
Farmworker Hshold. on Public Assistance*	3	8%	4	11%
<b>Total</b>	<b>40</b>	<b>100%</b>	<b>35</b>	<b>100%</b>
Migrant Farmworker Household	Not Available	N/A	4	11%
Only Farm Labor reported	Not Available	N/A	21	75%
Unemployed or Disabled Farmworker**	Not Available	N/A	2	6%

\* Differences may be accounted for by different time periods in data collection.

\*\* Categories and data combined in survey

La Buena Esperanza is almost an entirely low-income cooperative made up mainly of working families with children. Although RHS 514 and 516 income eligibility regulations allow moderate-income households, approximately four-fifths of the households are very low-income and almost all the remaining households are low-income. There is only one moderate-income household in the cooperative.

The average household size for the survey sample is 4.2 and with a median size of four. USDA RHS data shows the average size household for the entire cooperative to be 4.15 with a median of four persons per household. Over 80% of the cooperative and sample consists of agriculturally employed families with children according to both survey and USDA RHS data.

**Table LBE-4: Income and Demographic Characteristics**

<u>Category</u>	<u>Total HH</u>	<u>Percent</u>	<u>Sample</u>	<u>Percent</u>
Very Low-Income	32	82%	29	83%
Low-Income	6	15%	5	14%
Moderate-Income & Above	1	3%	1	3%
<b>Income Totals</b>	<b>40</b>	<b>100%</b>	<b>35</b>	<b>100%</b>
Families with Children	34	85%	29	83%
Single Parent Family	Not Available	N/A	5	14%
Hshlds. W/Elderly Member	5	10%	5	14%
Average Tenure in Years	6.8		6.3	
Median Tenure in Years	6.0		6.0	

Occupational restrictions may also contribute to the lowest length of tenure of all four case studies. USDA RHS regulations require farmworker families who leave farm labor employment to move out of the cooperative. This may be reflected in an average tenure of 6.8 years and a median tenure of 6.0 years, as shown in Table LBE-4. These average and median tenure figures are approximated in data from our sample.

**Findings:** With the strictest occupational restrictions of the study combined with low share prices, limits on equity appreciation and very-low monthly carrying charges, La Buena Esperanza proportionately provides more affordable ownership opportunities for farmworkers than any other cooperative in the study. However, the strict occupancy requirements may come at the cost of forcing households that seek economic advancement to move out of the cooperative if they leave farm labor. Further, while the low-cost share provides accessible ownership, there is little opportunity for any substantial economic gain through ownership. In spite of these limitations, La Buena Esperanza provides financially accessible and very affordable ownership opportunities to lower income farmworker families – most of whom likely would not be able to afford the higher cost of entry to cooperatives like Santa Elena or San Jerardo. Interview data, survey responses and reviews of internal cooperative records and financial documents show La Buena Esperanza to be well managed with no significant operational, financial or compliance issues. Most respondents rated management, maintenance, enforcement of house rules and board performance as at least satisfactory or better.

**Case Study:** Santa Elena (STE)

**Developer:** Cooperativa Santa Elena

**Location:** Mobile home park near the Highway 101 boundary in the city of Soledad in Monterey County

**Type:** Mobile Home Park –acquisition and rehabilitation

**Units:** 100 cooperative mobile home spaces

**Management:** Self-managed

**Equity:** Fixed Equity – transfer value of share is fixed and does not appreciate. Mobile home units are owned by individual cooperative members who negotiate the sale price with the buyer. Buyer must be approved by the cooperative for membership and meet other eligibility requirements.

**Share Prices:** \$500

**Services:** Scholarship program funded by member assessments.

**Eligibility:** HCD Farm Worker Housing Grant (FWHG) eligibility requirements cover all of the units. A household must be engaged in farm labor at the time of occupancy in order to move into the cooperative. They can, however, later leave farm labor entirely and still occupy the unit. High priority in filling the units must be given to very low-income farmworker households.

### **Funding Sources**

- National Cooperative Bank (NCB) mortgage – paid off
- HCD Farm Worker Housing Grant (FWHG)
- City of Soledad Community Development Block Grant

**Development Synopsis:** Santa Elena was developed through a partnership of farmworkers, California Rural Legal Assistance (CRLA) and Rural Communities Assistance Corporation (RCAC). Some of the key leaders in this effort were farmworker and park resident Ruben Garcia, Ellen Reed and Marta Erisman from RCAC and Hector de la Rosa from CRLA. The project began in 1978 when farmworkers residing in the badly deteriorated, privately owned Pinnacles Mobile Home Park became tired of constant rent increases and substandard living conditions. They were aware of, and inspired by, the efforts of farmworkers to develop the San Jerardo cooperative and began to organize. Leaders from the Pinnacles met with CRLA to explore strategies for the farmworkers to purchase the park. It was decided to put pressure on the owners of the Pinnacles through litigation over physical conditions. Additionally, CRLA and the farmworker leaders began an advocacy campaign to have the city take code enforcement action against the Pinnacles

owners. As a result of the legal action and city pressure, the Pinnacles owners became open to selling the property to the farmworkers. With the assistance of RCAC, primary financing for the purchase and rehabilitation of the park was obtained from the National Cooperative Bank, the state Farm Worker Housing Grant program and a city Community Development Block Grant (CDBG). RCAC staff also provided training and technical assistance to help the Pinnacles farmworkers organize a fixed-equity mobile home park and learn how to operate it. As a result of this work, the farmworkers were well prepared to assume ownership and management responsibilities when the sale of the park was completed in 1980. The farmworkers decided to name the cooperative after RCAC staff person Ellen Reed in appreciation of her assistance in preparing them for ownership.

### **Santa Elena: Operational Performance and Viability**

**Research Question:** *Over time are farmworkers able to maintain the financial integrity of the housing they own and operate?*

Santa Elena is in excellent financial condition. Through efficiencies and cost savings achieved through self-management, Santa Elena has paid off its NCB mortgage and has no other outstanding debt. Interviews with HCD staff assigned to monitor the project, current and former managers and professional informants confirmed that the cooperative has had no major or significant operational issues, defaults, management, fiscal maintenance or other compliance issues. Our reviews of internal organizational records, audits and other financial documents also showed no significant problems or areas of concern. Operating budgets and reserves for the cooperative appear to be adequate.

Survey respondents also reported satisfactory performance in areas necessary to maintain the viability of the cooperative. As shown by Table STE -1, the majority of respondents rated maintenance, site management, enforcement of house rules and the performance of the board as “good” or “excellent.” When respondents rating performance in these areas as at least satisfactory (fair) are included, the percentages range from 81% up to 91%. Negative ratings in these areas ranged from 3% up to 13 %.

Resident services and programs got the lowest marks with one-fifth of those surveyed rating the performance as “poor” or “very bad.” Another seven responses in the “other” category indicate respondents who feel that the cooperative does not provide programs or services for the residents. Altogether, almost one-third of the respondents had negative ratings of the cooperative in this area.

**Table STE-1: Resident Evaluation of Cooperative Operations**

<u>Response</u>	<u>Management</u>	<u>Maintenance</u>	<u>Enforcement House Rules</u>	<u>Performance of Board</u>	<u>Resident Services</u>
Excellent	15 (20%)	18 (24%)	20 (26%)	22 (29%)	12 (16%)
Good	30 (39%)	35 (46%)	23 (30%)	26 (34%)	21 (28%)
Fair	19 (25%)	16 (21%)	19 (25%)	15 (20%)	15 (20%)
Poor	4 (5%)	0 (0%)	5 (7%)	6 (8%)	9 (12%)
Very Bad	3 (4%)	2 (3%)	2 (3%)	4 (5%)	6 (8%)
Other	0 (0%)	0 (0%)	0 (0%)	0 (0%)	7 (9%)
No Opinion	1 (1%)	1 (1%)	4 (5%)	1 (1%)	1 (1%)
No Response	4 (5%)	4 (5%)	3 (3%)	2 (3%)	5 (7%)
Total Sample	76 (100%)	76 (100%)	76 (100%)	76 (100%)	76 (100%)

**Santa Elena: Affordable Farmworker Ownership**

**Research Question:** *Over time, does the cooperative model continue to provide affordable ownership opportunities for farmworkers?*

As a cooperative, Santa Elena does provide affordable ownership of the land component of mobile home ownership. The cooperative ownership of the park removes a major cost component in mobile home ownership – land costs. Santa Elena further removes the risk associated with mobile home parks that lease out space to mobile home owners – rent increases or conversion of the park to another use. As Table STE-2 shows, monthly carrying charges for mobile home spaces are very low at only \$180. Share prices are fixed at \$500 with no appreciation. These factors may account for the large number of long-term members residing in the park.

However, the sales price of the mobile homes is not restricted in any way. Current sale prices for mobile home units are approximately \$70,000 for single-sized mobile home and \$100,000 for doublewide mobile homes. This presents a significant hurdle for low-income households who would like to join the cooperative. However, with median home prices in Soledad at \$240,500, there are few other ownership alternatives available for farmworkers in the community.

These prices are mitigated somewhat by an innovative loan program operated by the Community Bank. Normally, financing a purchase of one of the older mobile homes would present both appraisal and qualifying problems for a lower income farmworker seeking a loan. To facilitate these transactions, Community Bank has adopted less stringent underwriting and appraisal standards for low-income farmworker loan applicants. However, they do require up to a 30% down payment on the part of farmworkers seeking a loan. According to the manager, low-income farmworkers have been able to raise the down payment through personal and extended family resources. Even so, some of the

professional informants we spoke with expressed concerns that Santa Elena, like San Jerardo, will not be affordable to very low-income households in the future.

<u>Space Size</u>	<u>Number</u>	<u>Monthly Carrying Charges</u>	<u>2001 LIHTC Rents @ 50%</u>
Single-sized	22	\$180	N/A
Double-wide	28	\$180	N/A
<b>Total Units</b>	<b>100</b>		
HCD FWHG Spaces	100		

### **Santa Elena: Farmworker Utilization**

**Research Question:** *Over time, do farmworker cooperatives continue to serve primarily farmworkers?*

The residents at Santa Elena are primarily very low-income households with at least one member engaged in farm labor. Although, the FWHG allows households to leave farm labor after they move in, most households at the cooperative are still engaged in some form of agricultural work. This differs from San Jerardo and Las Casas de Madera, where more residents appear to leave agricultural employment.

Table STE-3 summarizes occupational data collected from the sample and the cooperative. Data collected from cooperative records show about three-quarters of the households are still engaged in farm labor (Table STE-3). Over one-fifth of the cooperative is no longer engaged in farmwork due to either retirement or employment outside the agricultural sector. Survey sample data approximated the data obtained from the cooperative's records.

<u>Category</u>	<u>Total HH</u>	<u>Percent</u>	<u>Sample</u>	<u>Percent</u>
Household member in Farmwork	77	77%	62	82%
Former Farmworker Household	12	12%	7	9%
Retired Farmworker Household	11	11%	7	9%
No Farmwork History	0	0%	0	0%
<b>Total</b>	<b>100</b>	<b>100%</b>	<b>49</b>	<b>100%</b>
Migrant Farmworker Household	Not available	N/A	4	5%
Only Farm Labor reported	Not available	N/A	7	9%
Unemployed/Disabled Farmworker	Not available	N/A	6	8%

Santa Elena differs from the other two cooperatives whose occupational restrictions also allow farmworkers to leave agricultural employment after they become members. At San Jerardo and Las Casas de Madera, proportionally larger numbers of households have left farm labor altogether than at Santa Elena. A probable explanation has to do with the location and economy of Soledad. Soledad has a much smaller population than Salinas

and much less diversified economy. Employment is mainly at the local state prison or in agriculture. Salinas is the only major population center near Soledad and is located about 30 miles north of town. These various factors likely combine to limit the opportunities for occupational changes for Santa Elena residents.

This predominance of agricultural employment is reflected in the income characteristics of the residents. As Table STE-4 shows, Santa Elena is made up of almost entirely low-income households. Approximately four-fifths of the households are very low-income and the rest are at low-income levels. Approximately one-half of the households are very low-income and one-third are at low-income levels. Most of the households are working families with children. The average size household for the entire cooperative was 3.8 and for the sample 3.7. Median household size for both the cooperative and sample were 4.0 persons. The average tenure for residents participating in the survey was 12.7 years with a median tenure of 10 years.

<b>Table STE-4: Income and Demographic Characteristics</b>				
<u>Category</u>	<u>Total HH</u>	<u>Percent</u>	<u>Sample</u>	<u>Percent</u>
Very Low-Income	56	56%	42	86%
Low-Income	35	35%	7	14%
Moderate-Income & Above	6	6%	0	0%
No data	3	3%		
<b>Income Totals</b>	<b>100</b>	<b>100%</b>	<b>49</b>	<b>100%</b>
Families with Children	Not Available	0%	51	67% %
Average Tenure in Years	3		12.7	
Median Tenure in Years	10.3		10.0	

**Findings:** Santa Elena is providing long term and very affordable ownership opportunities for some of the poorest farmworker families in the county. Monthly housing costs are very low and the share price is nominal. An innovative financing program through Community Bank provides some help for farmworkers who are trying to purchase a mobile home from a departing member. However, the cost of mobile home units is between \$70,000 and \$100,000, and the bank does require a 30% down payment. While this allows lower-income farmworkers to realize some equity appreciation, it will also mean that many low-income farmworkers will be unable to afford to live there. It could also mean that those who do manage to scrape together the money for the down payment could be burdened by high housing costs as they try to pay off any family or other informal loans used for the down payment.

Data suggests that households tend to remain in farmwork longer at Santa Elena than other cooperatives with the same occupational restrictions. This may be due to the economy and location of Soledad. Both subjective and objective data strongly indicates that Santa Elena's self-management system has been very successful. The cooperative has retired its blanket mortgage and is debt free. Interviews with professional informants, HCD regulatory staff and reviews of cooperative documents revealed no significant problems or compliance issues. The majority of respondents expressed satisfaction with management, maintenance, enforcement of house rules and board performance. Responses regarding

cooperative services were of some concern and may be an area for the cooperative board to follow up on. The cooperative received particularly high ratings in the areas of maintenance and board performance.

**Case Study:** Las Casas de Madera (CDM)

**Developer:** Community Housing Improvement Systems and Planning Association (CHISPA)

**Location:** Infill development of a blighted center city neighborhood in the city of Salinas in Monterey County

**Type:** Multifamily - New construction of town-home style units

**Units:** 75 cooperative units

**Management:** Professional management

**Equity:** Limited Equity – shareholders equity increases based on an annual 4.5% cost of living factor plus improvements to the unit.

**Share Prices:** \$2,400 to \$3,000

**Services:** None

**Eligibility:** Funding from the state Department of Housing and Community Development Farm Worker Housing Grant (FWHG) requires that households who derive a substantial portion of their income from farm labor occupy a minimum of 22 units. A HUD Section 8 contract provides rental assistance for all 75 units and requires households to be very low-income in order to receive the assistance.

### **Funding Sources**

- HUD Section 8 New Construction and Substantial Rehabilitation Program
- HCD Farm Worker Housing Grant
- U.S. Office of Community Services Self-Help Development Grant
- City of Salinas Community Development Block Grant
- City of Salinas Redevelopment Agency Bond

**Development Synopsis:** Las Casas de Madera (CDM) was the first cooperative project undertaken by the newly formed CHISPA headquartered in Salinas in 1979. Ed Moncrief had left CCCDC to organize CHISPA. He employed the experience gained from San Jerardo to make CDM the centerpiece of a CHISPA revitalization strategy that targeted an overcrowded, deteriorated section of the Hebbroon Heights neighborhood in central Salinas. Prior to development, the site was home to some forty farmworker families living in overcrowded, squalid bungalows, sheds and shacks dating back to the 1930s.

CHISPA conducted extensive outreach in the neighborhood and held a number of community meetings to promote the plan to redevelop the site as a housing cooperative. These efforts culminated in the spring of 1980 when Las Casas de Madera, Inc. was

organized. The latter was not a cooperative but a non-profit corporation that acted as the families' transitional development entity. The development plan called for seventy-five townhouse units with stucco exteriors, porches, and fenced rear patios. A majority of these units were family-sized with three and four bedrooms. Additional amenities included a 2,100 square foot community room and a playground for small children.

Through this partnership with the farmworkers, CHISPA secured bond financing, FWHG funding and a Section 8 New Construction rental assistance contract. Upon the completion of the project in 1982, seventy-five Section 8-eligible farmworker households occupied the project. Over the next eighteen months, the cooperative membership adopted articles and by-laws, instituted monthly dues, and elected officers and board members. Initial share costs were \$1,800.

### **Las Casas de Madera: Operational Performance and Viability**

**Research Question:** *Over time are farmworkers able to maintain the financial integrity of the housing they own and operate?*

Our interviews with HCD staff assigned to monitor the project revealed no major or significant operational issues, defaults, management, fiscal maintenance or other compliance issues. Reviews of internal financial and organizational documents revealed no significant problems or areas of concern. Interviews with current managers and professional informants familiar with the project, found no significant operational, fiscal or compliance issues with the exception of the possible future impact of deferred maintenance.

Las Casas de Madera was developed as family housing with the majority of units three and four bedrooms. Although CHISPA used standard, mid-range building materials in constructing the project, heavy use and breakage over the years has taxed the replacement reserve account. In 2000, the manager and Board secured additional CDBG funding from the City of Salinas to repair roofs, repave parking lots, replace patio fencing and paint building exteriors. Current reserve amounts appear sufficient to address future needs and this potential problem may be under control.

Responses from the survey indicate that the cooperative is performing well in areas necessary to maintain the viability of the cooperative. As shown by Table CDM -1, the majority of respondents rated maintenance, site management, enforcement of house rules and the performance of the board as "good" or "excellent." When respondents rating performance in these areas as at least satisfactory (fair) are included, the percentages range from 71% up to 85%. Negative ratings in these areas ranged from 2% up to 18 %.

**Table CDM-1: Resident Evaluation of Cooperative Services**

<u>Response</u>	<u>Management</u>	<u>Maintenance</u>	<u>Enforcement House Rules</u>	<u>Performance of Board</u>
Excellent	14 (29%)	11 (22%)	8 (16%)	11 (22%)
Good	12 (24%)	21 (43%)	19 (39%)	14 (29%)
Fair	10 (20%)	10 (20%)	10 (31%)	10 (20%)
Poor	3 (6%)	1 (2%)	5 (10%)	6 (12%)
Very Bad	5 (10%)	0 (0%)	1 (2%)	3 (6%)
Other	0 (0%)	0 (0%)	0 (0%)	0 (0%)
No Opinion	1 (2%)	0 (0%)	0 (3%)	2 (7%)
No Response	4 (8%)	6 (12%)	6 (12%)	3 (3%)
Total Sample	49 (100%)	49 (100%)	49 (100%)	49 (100%)

### **Las Casas de Madera: Affordable Farmworker Ownership**

**Research Question:** *Over time, does the cooperative model continue to provide affordable ownership opportunities for farmworkers?*

Las Casas de Madera continues to provide affordable ownership opportunities for low-income current and former farmworkers. Section 8-assistance is provided to all of the units. Eligibility standards for Section 8 require that household income be below 50% of median income for Monterey County. Under the Section 8 contract, the household pays 30% of their income towards the monthly carrying charge. The balance of the monthly carrying charge is paid to the cooperative through the HUD Section 8 assistance. Table CDM-2 shows the current Section 8 contract rents and compares them with Low Income Housing Tax Credit rents set at levels affordable to very low-income households.

Ownership opportunities at Las Casas de Madera are affordable due to its limited equity structure. Shares appreciate at a set rate of four and a half percent annually. As a result, share prices for the cooperative are low – ranging from \$2,400 to \$3,000.

**Table CDM –2: Carrying Charges**

<u>Unit Size</u>	<u>Number</u>	<u>Section 8 Contract Carrying Charges</u>	<u>2002 LIHTC Rents @ 50%</u>
Two Bedroom	22	\$826	\$605
Three Bedroom	28	\$1,028	\$699
Four Bedroom	25	\$1,128	\$780
<b>Total Units</b>	<b>75</b>		
HCD FWHG Units	22		
Section 8 Units	75		

**Las Casas de Madera: Farmworker Utilization**

**Research Question:** *Over time, do farmworker cooperatives continue to serve primarily farmworkers?*

Las Casas de Madera is an occupationally mixed, predominantly low-income cooperative that serves primarily current and former farmworkers. Although Las Casas de Madera was originally developed to provide affordable ownership to farmworkers, the primary funding sources – Section 8 New Construction and the City of Salinas bond financing - do not require the units to be occupied by households actively engaged in farm labor. The FWHG, however, does require that at least 22 units be occupied at all times by active farmworker households.

Demographic information from cooperative records and the questionnaire shows that Las Casas de Madera houses a significant number of active, retired and former farmworkers. As Table CDM-3 shows, almost 90% of member households are current, retired or former farmworkers. Active farmworker households constitute the largest occupational group at the cooperative with former farmworker households a close second. Retired farmworkers outnumber the handful of households with no farm labor history.

**Table CDM-3: Household Occupational Characteristics**

<u>Category</u>	<u>Total HH</u>	<u>Percent</u>	<u>Sample</u>	<u>Percent</u>
Household member in Farmwork	29	39%	18	37%
Former Farmworker Household	25	33%	13	27%
Retired Farmworker Household	12	16%	11	22%
No Farmwork History	9	12%	7	14%
<b>Total</b>	<b>75</b>	<b>100%</b>	<b>49</b>	<b>100%</b>
Migrant Farmworker Household	Not available	N/A	3	6%
Only Farm Labor reported	Not available	N/A	13	19%
Unemployed/Disabled Farmworker	Not available	N/A	11	23%

As at other cooperatives in the study, current and former managers and professional informants stated that the cooperative provides an opportunity for farmworkers to improve their economic status, which often means leaving agricultural labor. Data from our survey

and cooperative records support this contention. As indicated by Table CDM-3, a little less than a fifth of our sample is engaged exclusively in farm labor. Another indicator is the small number of households engaged in migrant labor – just three.

In contrast to San Jerardo, which has a more mixed-income membership, Las Casas de Madera is entirely a low-income cooperative. Approximately four-fifths of the households are very low-income and the rest are at low-income levels. Most of the households are working families with children. As Table CDM-4 shows, almost three-quarters of our sample were households with children. The average household size for the entire cooperative was 4.15 and 4.2 for the sample. Median household size for both the cooperative and sample were 4. The average tenure for residents participating in the survey was 8.2 years with a median tenure of 7.0 years. Cooperative records show the average tenure to be 9.7 with a median of 10.3 years.

<b>Table CDM-4: Income and Demographic Characteristics</b>				
<u>Category</u>	<u>Total HH</u>	<u>Percent</u>	<u>Sample</u>	<u>Percent</u>
Very Low-Income	61	81%	42	86%
Low-Income	14	19%	7	14%
Moderate-Income & Above	0	0%	0	0%
<b>Income Totals</b>	<b>75</b>	<b>100%</b>	<b>49</b>	<b>100%</b>
Families with Children	Not Available	0%	36	73%
Average Tenure in Years	9.7		8.2	
Median Tenure in Years	10.3		7.0	

**Findings:** With its low share prices and Section 8 assistance Las Casas de Madera provides an important ownership opportunity to farmworkers – especially very low-income families. However, the low-cost share also means there is little opportunity for any substantial economic gain through ownership. Ratings by survey respondents, interviews with HCD staff and professional informants and reviews of internal cooperative records and financial documents show the cooperative to be well managed and operated with no significant financial or compliance issues. Majorities of respondents expressed satisfaction with management, maintenance, enforcement of house rules and board performance. Like the other cooperatives, data from the survey and interviews with professional informants suggest that this cooperative can assist farmworkers to advance economically and socially.

#### **IV. MEMBERSHIP PARTICIPATION AND VALUATION OF COOPERATIVE BENEFITS**

**A. Research Question: *Do farmworker shareholders value the equity, participation and control benefits cooperatives offer?***

In many ways, this section of the study is the most important in assessing the effectiveness of farmworker housing cooperatives. At its essence, the cooperative housing model is a user-owner model. Membership allows farmworkers to exercise a level of ownership and control of their housing that would not be available to them through either the housing market or subsidized rental housing. Regardless of how many farmworkers cooperatives continue to serve, or whether they remain financially viable housing developments, if the members do not value these benefits or do not feel they can attain them through the cooperative, it makes little sense to continue this model as a means to house farmworkers.

This farmworker valuation of the cooperative model is crucial because many affordable housing developers are reluctant to utilize the cooperative model. A common refrain from these developers is that it does not make sense to utilize a model that is difficult to develop and provides such limited ownership. In this view, cooperative members will not value the ownership of a share that is little more than a “glorified” security deposit. It makes more sense, the argument goes, to develop more participatory models of rental housing that can stabilize low-income residents and prepare them, through housing counseling services, for eventual “real” ownership through subsidized single-family housing (Sazama and Wilcox 1995).

In this section, we look at how cooperative members actually value the benefits the cooperative model offers. Do they feel a sense of ownership and control over their housing and is it meaningful to them? Are members participating in the governance of their cooperative? Or do they feel a lack of control and ownership? Given their experience, how would they compare cooperatives with rental housing and would they recommend the continuation of this model of farmworker housing?

##### *Motivations for Cooperative Membership*

The starting point in assessing membership valuation of cooperatives is whether it was influential in the decision to move into the housing. Survey data show that the cooperative character (ownership and control) of the housing was an important, although not primary, reason for residents moving into the housing. Residents were asked to select all the reasons that informed this decision. As Table II shows, cooperative features were the third most selected reason for the entire sample. For Las Casas de Madera, San Jerardo and Santa Elena, the cooperative factor was the third most selected reason and for La Buena Esperanza it ranked fourth.

When asked specifically to rate the importance of the housing being a cooperative in their decision to move in, 63% of the respondents reported it was “very important” - an almost six-to-one ratio over those (11%) indicating that it was not important. These high ratings held for all four cooperatives as shown by Table III. When combined with those who

responded “somewhat important,” almost three-fourths of the sample located in the housing, at least in part, because it was a cooperative.

**Table II: Reasons for Moving into Co-op**

<u>Categories</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Sample Size	49	35	29	76	189
Low Monthly Housing Cost	28	24	19	37	108
Quality of the Housing	20	17	14	35	86
Cooperative: ownership/control	13	10	17	34	74
Location of Housing	12	13	10	17	52
Housing Stability	11	9	8	15	43
Just Needed Housing	3	3	6	5	17
Other	1	1	2	4	8
No Response	1	0	0	2	3
Totals	56	49	49	101	255

**Table III: Importance of Cooperative in Move-in Decision**

<u>Categories</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Very Important	31 (63%)	22 (63%)	19(66%)	48 (63%)	120 (63%)
Somewhat Important	7 (14%)	3 (9%)	4 (14%)	7 (9%)	21 (11%)
Slightly Important	4 (8%)	2 (6%)	2 (7%)	4 (5%)	12 (6%)
Not Important	4 (8%)	4 (11%)	2 (7%)	10 (13%)	20 (11%)
No Response	3 (6%)	4 (11%)	2 (7%)	7 (9%)	16 (8%)
Totals	49	35	29	76	189

*Valuation of Cooperative Benefits*

Residents at all four case studies value important features of the cooperative model. As Table IV shows, when asked to pick the three best features of their housing, ownership and control went neck and neck with low monthly housing costs.

**Table IV: Three Best Features of Housing**

<u>Feature</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Sample	49	35	29	76	189
No Response	2	0	0	0	2
Ownership & Resident Control	41	19	23	69	145
Low Monthly Hsg Cost	33	30	27	56	146
Location of Cooperative	16	15	18	30	79
Overall Quality of the Hsg	8	11	7	9	35
Security & Safety of the Hsg	17	13	4	29	63
Good Management	8	6	3	6	23
Other	4	4	0	4	12

When asked to rate the Ownership and Resident Control benefits offered by their cooperative, solid majorities in all four case studies rated these benefits highly (Table V). Almost three-fourths ranked ownership as an “Important” or “Very Important” benefit. As expected, ratings of the ownership were highest at San Jerardo and Santa Elena where membership provides the highest equity returns to members. But, it is noteworthy that even at the low-equity cooperatives of Las Casas de Madera and La Buena Esperanza the majority of respondents highly rated the ownership benefit.

**Table V: Rating of Ownership Benefit**

<u>Categories</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Very Important Benefit	26 (53%)	18 (51%)	19 (66%)	43 (57%)	106 (56%)
Important Benefit	8 (16%)	3 (9%)	6 (21%)	16 (21%)	33 (17%)
Somewhat Important	1 (2%)	2 (6%)	2 (7%)	6 (8%)	11 (6%)
Not much of a benefit	3 (6%)	0 (0%)	0 (0%)	1 (1%)	4 (2%)
No Benefit	3 (6%)	2 (6%)	0 (0%)	0 (0%)	5 (3%)
No Opinion/Don't Know	7 (14%)	9 (26%)	2 (7%)	9 (12%)	27 (14%)
No Response	1 (2%)	1(3%)	0 (0%)	1 (1%)	3 (2%)
Sample Size	49	35	29	76	189

Resident control benefits were slightly less valued than ownership. Sixty-nine percent of all the residents surveyed rated this benefit as “important or “very important” (Table VI). At three of the four cooperatives, the resident control benefit was rated by over 70% of the respondents as “important” or “very important”. Only at La Buena Esperanza did the ratings drop below 50% for “important” or “very important”. Even so, a majority (58%) of the residents still rated this benefit as at least “somewhat important” or higher.

**Table VI: Rating of Resident Control Benefit**

Categories	CDM	LBE	SJ	STE	Total
Very Important Benefit	24 (49%)	14 (40%)	14 (48%)	41(54%)	93 (49%)
Important Benefit	11 (22%)	3 (9%)	9 (31%)	15 (20%)	38 (20%)
Somewhat Important	4 (8%)	3 (9%)	0 (0%)	5 (7%)	12 (6%)
Not much of a benefit	3 (6%)	2 (6%)	1 (3%)	3 (4%)	9 (5%)
No Benefit	0 (0%)	3 (9%)	1(3%)	1 (1%)	5 (3%)
No Opinion/Don't Know	6 (12%)	9 (26%)	2 (7%)	8 (11%)	25 (13%)
No Response	1 (2%)	1(3%)	2(7%)	3 (4%)	7 (4%)
Sample Size	49	35	29	76	189

*Resident Participation*

Besides ownership, cooperatives offer residents a chance to make or influence key decisions about their housing. Who manages the housing and how they do it, the selection of new members, house rules and maintenance levels are all ultimately determined by the residents through an elected board of directors. But in order to control, residents have to participate. If they don't, a management company or a small clique of well-organized members can easily fill the power vacuum. Alternatively, the cooperative can simply deteriorate organizationally, physically, and financially if the members are not watching the store. Ultimately, participation affects viability (Rioux and Rioux 1994, Sazama and Wilcox 1995).

Participation also goes to the heart of member valuation of cooperative benefits. If members don't participate in the affairs of the cooperative by voting, attending meetings, or serving as board members, they are in effect voting with their feet. The level of participation can be important indicator of the value members place on one of the principal benefits of cooperative housing.

It is also through participation that the social development of the membership occurs. Many of the professional informants and managers interviewed spoke of the empowerment poor farmworkers gain through participation. As they gain new skills and knowledge by actually owning and operating their own housing, socially marginalized farmworkers can become active and participating members of the communities they live in. In this view, the set of participatory experiences gained through the cooperative become the platform for social and economic progress.

*Participation Levels at the Cooperatives*

Overall, data from returned questionnaires show high levels of participation within the full sample and from each individual cooperative. We found no significant<sup>2</sup> difference in participation between cooperatives based on self-management or equity structure.

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<sup>2</sup> As used in this study, 'significant' does not refer to any statistical tests of significance.

One measure of participation is service on the board of directors. Widespread board service throughout a cooperative's membership suggests an active and engaged membership. Conversely, if only a few members have served on the cooperative board it may mean that members have little interest in the affairs of the cooperative or participating in them. As Table VII shows, almost one-third of the overall sample has served on the cooperative board.

**Table VII: Service on the Board of Directors**

Category	CDM	LBE	SJ	STE	Total
Yes - have served	8 (16%)	9 (26%)	16 (55%)	22 (29%)	55 (29%)
No – never served	36 (73%)	24 (69%)	13 (45%)	52 (68%)	125 (66%)
Nonresponding	5 (10%)	1 (3%)	0 (0%)	1 (1%)	7 (4%)
Don't know	0 (0%)	1(3%)	0 (0%)	1 (1%)	2 (1%)
Total Sample	49	35	29	76	189

Respondents were also asked to assess their own levels of participation at meetings, in elections, and in the overall affairs of the cooperative. As Tables VIII and IX show, respondents across the board report fairly high levels of participation. Well over half of those queried reported frequent attendance at board meetings and nearly 70% reported frequent attendance at general membership meetings.

**Table VIII: Attendance at Board Meetings**

Rating	CDM	LBE	SJ	STE	Total
Frequently	26 (53%)	26 (74%)	20 (69%)	42(55%)	114 (60%)
Occasionally	9 (18%)	9 (26%)	2 (7%)	20 (26%)	40 (21%)
Seldom	4 (8%)	0 (0%)	1 (3%)	8 (11%)	13 (7%)
Never	8 (16%)	0 (0%)	6 (21%)	5 (7%)	19 (10%)
No Response	2 (4%)	0 (0%)	0 (0%)	1 (1%)	3 (2%)
Total Sample	49	35	29	76	189

**Table IX: Attendance at General Membership Meetings**

Rating	CDM	LBE	SJ	STE	Total
Frequently	31 (63%)	24 (69%)	24(83%)	51 (67%)	130 (69%)
Occasionally	10 (20%)	9 (26%)	3 (10%)	15 (20%)	37 (20%)
Seldom	1 (2%)	0 (0%)	0 (0%)	4 (5%)	5 (3%)
Never	5 (10%)	2 (6%)	2 (7%)	4 (5%)	13 (7%)
No Response	2 (4%)	0 (0%)	0 (0%)	2 (3%)	4 (2%)
Total Sample	49	35	29	76	189

Nearly three-fourths of our sample reported voting in the last cooperative election. The two higher-equity cooperatives, San Jerardo and Santa Elena, showed much higher voter turnout than the two low-equity cooperatives (see Table X). But, on other measures of participation, we found no significant differences between cooperatives based on either equity or self-management.

<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Voted	27 (55%)	20 (57%)	27 (93%)	63 (83%)	137 (72%)
Did not Voted	20 (41%)	8 (23%)	2 (7%)	11 (14%)	41 (22%)
Don't know	1 (2%)	4 (11%)	0 (0%)	1 (1%)	6 (3%)
No Response	1(2%)	3 (9%)	0 (0%)	1 (1%)	5 (3%)
Total Sample	49	35	29	76	189

As shown in Table XI, respondents generally rated their personal participation in the cooperative as high or very high. Two-thirds of the sample assessed their participation as “high” or “very high.” Overall, almost 90% of the sample reported at least moderate participation rates. Respondent participation rates did not vary significantly between cooperatives or as a result of equity structure or self-management.

<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Very High	18 (37%)	7 (20%)	7 (24%)	13 (17%)	45 (24%)
High	15 (31%)	14 (40%)	13 (45%)	37 (49%)	79 (42%)
Moderate	11 (22%)	7 (20%)	6 (21%)	17 (22%)	41 (22%)
Low	3 (5%)	0 (0%)	0 (0%)	1 (1%)	4 (2%)
Very Low	1 (2%)	0 (0%)	0 (0%)	1 (1%)	2 (1%)
No Opinion	0 (0%)	6 (17%)	2 (7%)	6 (8%)	14 (7%)
No Response	1 (2%)	1 (3%)	1 (3%)	1 (1%)	4 (2%)
Total Sample	49	35	29	76	189

Respondents also, generally, gave high marks to their neighbors on the question of participation – although at somewhat lower levels than their ratings of their own involvement in the cooperative. As Table XII shows, over one-half (56%) of the respondents rated membership participation rates as “high” or greater.

**Table XII: Participation Rates of Cooperative Membership**

<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Very High	8 (16%)	4 (11%)	1 (3%)	18 (24%)	31 (16%)
High	23(47%)	15(43%)	13 (45%)	25 (33%)	76 (40%)
Some	14 (29%)	11 (31%)	10 (34%)	20 (26%)	55 (29%)
Low	2 (4%)	0 (0%)	2 (7%)	5 (7%)	9 (5%)
Very Low	1 (2%)	1 (3%)	2 (7%)	2 (3%)	6 (3%)
No Opinion	0 (0%)	3 (9%)	1 (3%)	4 (5%)	8 (4%)
No Response	1 (2%)	1 (3%)	0 (0%)	2 (3%)	4 (2%)
Total Sample	49	35	29	76	189

Data from questions on participation show an active and involved membership at all four cooperatives. Board membership appears to turn over rather than grouping among just a few activist members. The majority of cooperative members report that they attend meetings, vote in elections and involve themselves in the affairs of the cooperative on a regular basis. It should be noted that very few respondents either from the sample as a whole or from individual cooperatives gave low marks on any of these measures. We also thought it significant that, in general, overall participation rates do not appear to be effected by higher equity values or self-management. In sum, residents of the cooperatives studied do participate at fairly high levels in their cooperatives.

## V. RESIDENT CONTROL

**Research Question:** *Do farmworker shareholders exercise meaningful control or influence over the operation and management of their housing?*

Resident control is both a primary benefit of cooperative housing and essential for the long-term viability of the housing. It is through resident control that farmworkers can derive the empowerment benefits offered by cooperative housing. At the same time, resident control is the first - and most important - line of oversight in ensuring that the cooperative is run in an efficient and prudent manner. In the absence of an active and empowered membership, inefficiencies, fiscal mismanagement, favoritism, and outright corruption can flourish. A minority of well-organized and self-interested members may become entrenched on the board and use the cooperative for their own ends. Or a management company may fill the void of resident leadership and effectively usurp the role of the board and residents by default. Whatever the scenario, the viability of the cooperative, like any form of housing, ultimately depends on the actions of its owners.

In this part of the study, we explored whether residents experience a sense of control over their housing. We asked residents to evaluate the degree of influence and control cooperative members exert over the management and operation of their cooperatives. The starting point for this inquiry was the extent to which members exercise control through their elected board of directors. Overall, a little over one-quarter of the sample felt residents had high levels of control of the cooperative through the board and over one-third felt that members had at least moderate levels of control through the board (Table XIII). One-fourth of the respondents, however, felt residents had little or no control over the cooperative.

When broken down by cooperative, majorities of respondents report moderate or greater control through their boards at three of the four developments. We detected no significant differences between cooperatives based on equity or self-management on this question. It is noteworthy, however, that significant minorities ranging from about one-fifth to one-third of the respondents at each cooperative indicated very little effective resident control of their housing through the board of directors.

**Table XIII: Resident Control Through The Cooperative Board**

Category	CDM	LBE	SJ	STE	Total
A lot of control	18 (37%)	6 (17%)	3 (10%)	24 (32%)	51 (27%)
Moderate control	15 (31%)	10 (29%)	16 (55%)	28 (37%)	69 (37%)
Very little control	6 (12%)	7 (20%)	6 (21%)	7 (9%)	26 (14%)
No control	6 (12%)	3 (9%)	4 (14%)	7 (9%)	20 (11%)
No op/don't know	3 (6%)	7 (20%)	0 (0%)	7 (9%)	17 (9%)
No response	1 (2%)	2 (6%)	0 (0%)	3 (4%)	6 (3%)
Total Sample	49	35	29	76	189

As indicated below, however, when queried about *specific* areas of resident control – management, maintenance expenditures, setting house rules and selection of new members - we found the sense of control by cooperative members dropped noticeably.

*Management*

Control over management showed a noticeable split between the self-managed cooperative of Santa Elena and the two cooperatives that hire a management company. Residents at the cooperatives using a management agent were asked the extent to which they agreed or disagreed with the following statement:

*The coop board is very weak and the management company really makes all the decisions and doesn't listen to the residents.*

The level of control experienced by the respondent was indicated by the extent of agreement or disagreement with the statement.

As Table XIV shows, the majority of residents feel some lack of control over the management agent and that the management agent is not responsive to the residents. About one-third of the residents feel they have very little control and that the management agent is not responsive to cooperative members. This compares with about one-quarter of the sample that feels they have moderate to strong control over the management company and that the management agent is responsive to the cooperative membership.

**Table XIV: Resident and board control over management process**

<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>Total</u>
Strong Control	4 (8%)	1(3%)	5 (6%)
Moderate Control	12 (24%)	5 (14%)	17 (20%)
Slight Lack of Control	7 (14%)	8 (23%)	15 (18%)
Lack of Control	8 (16%)	5 (14%)	13 (15%)
Strong Lack of Control	9 (18%)	4 (11%)	13 (15%)
No op/Don't know	7 (14%)	9 (26%)	16 (19%)
No response	2 (4%)	3 (9%)	5 (5%)
Total Sample	49	35	84

In contrast, when the residents of Santa Elena were asked a similar question - adapted for self-management – they reported a strong sense of control over the management process. At Santa Elena, residents were asked their level of agreement with the following statement:

*The coop doing its own management instead of hiring a management company is a good way to give residents a strong voice in how the property is run.*

As Table XV shows, about two-thirds of the Santa Elena respondents reported moderate to strong control over the self-management process. Less than 10% of the respondents expressed a lack of control of the management process.

**Table XV: Resident Control Over Self Management Process**

Category	Number	%
No response	5	7%
Strongly agree	36	47%
Agree (Moderate)	16	21%
Slightly agree	4	5%
Disagree	6	8%
Strongly disagree	1	1%
No op/Don't know	8	11%
Totals	76	100%

*Maintenance*

As Table XVI shows, just under one-half (49%) of the sample felt residents had medium to strong control over maintenance expenditures. However, about one-third (34%) of the sample expressed very little or no control over maintenance expenditures.

The sense of control varied significantly by cooperative, with respondents from the self-managed cooperatives reporting the highest levels of control. Las Casas de Madera residents were split evenly on this question. At La Buena Esperanza, respondents expressing higher levels of control exceeded the number reporting little or no control by a slight margin.

**Table XVI: Resident Control Over Maintenance Expenditures**

Category	CDM	LBE	SJ	STE	Total
High Control	9 (18%)	2 (6%)	5 (17%)	25 (33%)	41 (22%)
Moderate control	11 (22%)	12 (34%)	15 (52%)	13 (17%)	51 (27%)
Very little control	8 (16%)	5 (14%)	3 (10%)	14 (18%)	30 (16%)
No control	12 (24%)	3 (9%)	5 (17%)	14 (18%)	34 (18%)
No op/don't know	8 (16%)	11 (31%)	1 (3%)	7 (9%)	27 (14%)
No response	1 (2%)	2 (6%)	0 (0%)	3 (4%)	6 (3%)
Total Sample	49	35	29	76	189

*House Rules*

As Table XVII shows, responses were very similar for resident levels of control over house rules. Once again, a little less than half the respondents reported moderate or higher levels of control with about a one-third feeling they had little or no control. Also similar to maintenance, the self-managed cooperatives had the highest levels of control. At Las Casas de Madera, a slight plurality of residents expressed moderate and higher levels of control while at La Buena Esperanza almost half of the respondents felt very little or no control over house rules.

**Table XVII: Resident Control Over House Rules**

<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
High control	11 (22%)	2 (6%)	2 (7%)	16 (21%)	31 (16%)
Moderate control	10 (20%)	6 (17%)	15 (52%)	25 (33%)	56 (30%)
Very little control	5 (10%)	5 (14%)	6 (21%)	11 (14%)	27 (14%)
No control	14 (29%)	11(31%)	4 (14%)	12 (16%)	41 (22%)
No op/don't know	5 (10%)	9 (26%)	1(3%)	8 (11%)	23 (12%)
No response	4 (8%)	2 (6%)	1 (3%)	4 (5%)	11 (6%)
Total Sample	49	35	29	76	189

*New Member Selection*

Residents expressed a slightly higher level of control over the selection of new members to the cooperative. A little over half (51%) of the respondents reported moderate to high levels of control in this area (Table XVIII). However, as in other areas of resident control, approximately one-third of the sample felt residents had little or no control over member selection. For individual cooperatives, a majority of the residents from both of the self-managed cooperatives, again, expressed higher control levels than the cooperatives that use management companies. A slight plurality of residents at La Buena Esperanza felt they had little or no control over resident selection while a slight plurality at Las Casas de Madera reported moderate to high control over resident selection.

**Table XVIII: Resident Control Over New Member Selection**

<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
High Control	12 (24%)	2 (6%)	5 (17%)	32 (42%)	51 (27%)
Moderate control	10 (20%)	11 (31%)	11 (38%)	14 (18%)	46 (24%)
Very little control	6 (12%)	3 (9%)	7 (24%)	6 (8%)	22 (12%)
No control	11 (22%)	12 (34%)	4 (14%)	15 (20%)	42 (22%)
No op/don't know	5 (10%)	6 (17%)	1 (3%)	4 (5%)	16 (8%)
No response	5 (10%)	1 (3%)	1 (3%)	5 (7%)	12 (6%)
Total	49	35	29	76	189

## VI. MEMBERSHIP DEVELOPMENT

**Research Question:** *Do farmworker cooperatives provide their membership with the training and information necessary for them to effectively own and operate their housing?*

While our study shows that most residents value the control and ownership benefits of cooperatives, participate in cooperative governance and, in most cases, experience at least moderate levels of control, we also found indications that all was not well. When respondents were asked to name the three things they liked least about their cooperative, control and ownership issues topped the list, as shown by Table XIX. Residents expressed dissatisfaction about features of cooperative ownership – mainly concerning the restrictions on appreciation – and the perceived lack of resident control.

**Table XIX: Three Worst Cooperative Features**

Feature	CDM	LBE	SJ	STE	Total	Total%
Sample Size	49	35	29	76	189	100%
No Response	9	11	6	14	40	21%
No Resident Control	18	6	8	15	47	16%
No Financial Gain	8	4	8	9	29	10%
Poor Quality Housing	1	4	4	5	14	5%
Security – Crime	7	10	7	9	33	11%
Bad Management	9	4	6	12	31	11%
High Monthly Hsg. Cost	5	5	0	5	15	5%
Don't Like Location	7	2	0	5	14	5%
No Real Ownership	23	11	14	10	58	20%
Problems w/ Neighbors	0	0	0	0	0	0%
Other - Misc.	6	4	6	11	27	9%
Other - No Negatives	4	1	3	19	27	9%
Totals	78	46	47	70	295	100%

It should be noted that expressions of dissatisfaction with resident control are not always clear-cut. Democratic governance of a housing cooperative does not guarantee that the right decisions will always be made or that all parties will be satisfied with the outcomes produced by that process. It is possible that, in some cases, dissatisfaction with a particular outcome may lead to a conclusion that the process itself is somehow not working. In other cases, dissatisfaction may actually indicate that resident control is working. Members, for example, who fail to meet their responsibilities and find themselves on the enforcement end of an otherwise reasonable policy, may blame the cooperative process for their own shortcomings and misconduct.

One factor, however, that may contribute to this dissatisfaction is the need for more member training and education. When members of a cooperative do not understand what a

cooperative is, how it operates, the ownership structure and/or what their roles are, a lack of participation and dissatisfaction can set in. Existing problems can be exacerbated and new problems created. As mutually owned and governed housing, it is essential that cooperative members have the knowledge and tools to carry out their responsibilities (Heskin and Bandy 1989).

The need for training also relates to dissatisfaction with ownership restrictions that are part and parcel of affordable housing cooperatives. In our interviews with current managers, former managers, and professional informants, the point was made that new cooperative members sometimes do not completely understand cooperative ownership and its limitations. Training and orientation must often surmount formidable linguistic, literacy and cultural barriers. Further, when farmworker cooperatives are formed as the result of grassroots farmworker initiatives - as these case studies were - the original goal of unrestricted homeownership can change. Inevitably, modifications and compromises occur as the dream of homeownership takes the form of a cooperative with public subsidies, occupational eligibility requirements and equity restrictions. When these changes in the original goal occur, farmworkers may experience disappointment and frustration.

Data from our study strongly suggests that more member outreach and training is needed at all four cooperatives. When residents were asked what were the reasons members did not participate, the lack of knowledge and understanding of cooperatives was the most frequently cited, as shown in Table XX. At two of the cooperatives, this reason was selected most frequently and ranked second and third at the remaining two cooperatives.

**Table XX: Reason Membership Doesn't Participate**

Category	CDM	LBE	SJ	STE	Total
No Coop knowledge	12 (24%)	8 (23%)	11 (38%)	19 (25%)	50 (25%)
Long Ag work hours	9 (18%)	9 (26%)	6 (21%)	23 (30%)	47 (30%)
Too busy	2 (4%)	2 (6%)	1 (3%)	11 (14%)	16 (14%)
Disatisf. w/Coop operation	3 (6%)	1 (3%)	0 (0%)	5 (7%)	9 (7%)
Apathy	4 (8%)	3 (9%)	0 (0%)	1 (1%)	8 (1%)
Tensions w/ membership	3 (6%)	0 (0%)	4 (14%)	0 (0%)	7 (0%)
No opinion/don't know	7 (14%)	9 (26%)	3 (10%)	9 (12%)	28 (12%)
No response	9 (18%)	3 (9%)	4 (14%)	8 (11%)	24 (11%)
Total Sample	49 (100%)	35	29	76	189

We also asked respondents if they agreed or disagreed with the following statement:

*Most residents in the cooperative don't really understand what cooperative housing is and how it works. Residents really need a lot of training.*

As Table XXI shows, over half of the sample expressed moderate to strong agreement with the statement and over 60% were in at least slight agreement. Solid majorities at each cooperative expressed moderate to strong agreement with the statement. Some level of

agreement with the statement was expressed at levels ranging from slightly over 60% up to 80% of respondents at each of the cooperatives.

**Table XXI: Residents Need For Training on Housing Cooperatives**

<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Strongly agree	18 (37%)	12 (34%)	13 (45%)	23 (30%)	66 (35%)
Agree	11 (22%)	11(31%)	6 (21%)	23 (30%)	51 (27%)
Slightly agree	2 (4%)	2 (6%)	4 (14%)	11 (14%)	19 (10%)
Disagree	5 (10%)	1 (3%)	2 (7%)	8 ( 1%)	16 (8%)
Strongly disagree	0 (0%)	0 (0%)	0 (0%)	3 (4%)	3 (2%)
No op/Don't know	8 (16%)	6 (17%)	2 (7%)	4 (5%)	20 (11%)
No response	5 (10%)	3 (9%)	2 (7%)	4 (5%)	14 (7%)
Totals	49	35	29	76	189

## VII. MEMBER EVALUATION OF COOPERATIVE MODEL

**Research Question:** *Based on their experiences with cooperative housing, do farmworkers endorse the cooperative model for farmworker housing?*

Our final area of inquiry concerned residents' rating of the cooperative model for farmworker housing. In the first of these final two questions put to respondents, we asked them to compare cooperative- with apartment-style rental housing. Finally, we asked them whether or not the cooperative model should be used in the future to house farmworkers. Their responses to these final two questions indicated a strong endorsement of the cooperative housing model.

### *Cooperative vs. Rental Housing*

Residents were asked to assess whether cooperative housing was better or comparable to rental housing, or if rental housing was superior to cooperative housing. By a solid 62% majority, respondents rated the cooperative model as "much better" than rental housing. Only seven respondents in the entire sample felt that rental housing was superior to cooperative housing. Once again, the self-managed and high-equity cooperatives of San Jerado and Santa Elena most strongly rated the cooperative model over rental housing. At La Buena Esperanza and Las Casas de Madera, slightly over half of the respondents gave cooperatives a strong edge over rental housing.

However, the results also show that a sizeable minority of respondents did not strongly endorse the cooperative model (Table XXII). About one-fifth of the sample, or 23%, saw cooperatives as either about the same as rental housing or only slightly better. About one out of ten respondents felt that rental housing was superior or equal to cooperative housing.

**Table XXII: Cooperatives vs. Rental Housing**

<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Coops are much better	27 (55%)	18 (51%)	18 (62%)	55 (72%)	118 (62%)
Coops are a little better	10 (20%)	5 (14%)	7 (24%)	7 (9%)	29 (15%)
Both are about the same	4 (8%)	6 (17%)	0 (0%)	5 (7%)	15 (8%)
Rental is a little better	2 (4%)	0 (0%)	1 (3%)	1 (1%)	4 (2%)
Rental is a lot better	2 (4%)	0 (0%)	0 (0%)	1 (1%)	3 (2%)
No op/Don't know	1 (2%)	5 (14%)	2 (7%)	4 (5%)	12 (6%)
No response	3 (6%)	1 (3%)	1 (3%)	3 (4%)	8 (4%)
Totals	49	35	29	76	189

### *Endorsement of Farmworker Housing Cooperatives*

Respondents also provided a strong, but not overwhelming endorsement for building more farmworker housing cooperatives. As Table XX shows, over 60% of the respondents from three of the four cooperatives provided strong endorsements for the cooperative model.

Only a handful of respondents felt that the cooperative model was not suited for farmworkers and that other forms of housing should be built. However, about one-fifth of the sample gave only a lukewarm endorsement of cooperative housing. When these responses are combined with the negative ratings, about one-third of the sample expressed some degree of reservation about the suitability of the cooperative model to house farmworkers.

**Table XXIII: Rating of Coop Model for Farmworker Housing**

<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>
Great - build more	11 (22%)	9 (26%)	1 (3%)	18 (24%)	39 (21%)
Good - build more	22 (45%)	14 (40%)	13 (45%)	34 (45%)	83 (44%)
Fair -work with problems	9 (18%)	9 (26%)	6 (21%)	17 (22%)	41 (22%)
Poor - build other hsg.	1 (2%)	2 (6%)	2 (7%)	0 (0%)	5 (3%)
Very bad - build other hsg.	0 (0%)	0 (0%)	4 (14%)	2 (3%)	6 (3%)
No op/Don't know	0 (0%)	0 (0%)	1 (3%)	1(1%)	2 (1%)
No response	6 (12%)	1 (0%)	2 (7%)	4 (5%)	13 (7%)
Total Sample	49	35	29	76	189

## **VIII. CONCLUSIONS**

### **A. Cooperative housing is a viable and effective model to provide meaningful ownership and control to low- and moderate-income farmworkers.**

One of the principal findings of this study is that cooperative housing does work for farmworkers. All four cooperatives are well managed and financially viable. We found no evidence of any major operational or financial problems in either in our interviews with informants or review of cooperative records. There were no significant compliance issues with any of the oversight agencies – RHS or HCD. Further corroboration comes from the survey data where most respondents at all four cooperatives rated performance in management, maintenance, enforcement of house rules and their elected boards as satisfactory or better. Although we interviewed current and former managers of these cooperatives as well as professional informants involved in their development and later operations, not one identified any significant problems or expressed any concerns about their future viability. This is not to say that the management of these cooperative can't be improved or that current managers might not have any weaknesses. But, in terms of key operational and financial areas, we found no deficiencies.

### **B. Limited equity cooperatives continue to provide affordable ownership to current and future farmworkers owners .**

The two limited equity cooperatives, La Buena Esperanza and Las Casas de Madera, continue to provide affordable ownership to current and new farmworkers. Unlike San Jerardo and Santa Elena, the low share prices provide a much lower and accessible entry cost due to share prices that range from \$2,000 to \$3,000. While this finding is not surprising, what is notable is that many residents in these cooperatives value the ownership benefit even though the amount of equity is nominal. Our research suggests that the psychological and social benefits low-income farmworkers derive from ownership may be more significant than previously thought.

### **C. The restricted equity and no equity cooperatives may eventually become affordable only to farmworkers with incomes at or close to moderate-income levels due to high entrance costs.**

The entrance costs to San Jerardo and Santa Elena have increased to levels that are well beyond the reach of many, if not most, low-income farmworkers. Santa Elena's entrance costs are due to the unrestricted purchase price of mobile home units by incoming members. In the case of San Jerardo, the problem is the result of the equity restriction of the RHS 515 funding program it was organized under. If the RHS 515 loan is prepaid, there will be no restrictions on the sale of these shares. Unless these cooperatives find ways to subsidize or assist new members with share purchases, they will eventually be unable to provide home ownership opportunities to lower-income farmworkers. The future for these cooperatives may be a niche for more moderate-income farmworkers who are

unable to purchase a single-family home.<sup>3</sup> We would recommend that the boards in these two cooperatives begin exploring share loan purchase programs that could provide low or no interest loans to and require minimal down payments from low-income farmworkers.

**D. All four farmworker cooperatives still continue to serve current, retired and former farmworkers.**

All four cooperatives have continued to serve almost entirely farmworkers. Only 3% of the membership of these cooperatives has no farm labor background. 97% of the membership is households engaged in farm labor, former farmworker households who have changed occupations, farmworker households that are receiving public assistance or retired/disabled farmworkers. Even the cooperative with the least restrictive occupational requirements, Las Casas de Madera, still remains a predominantly farmworker cooperative after 20 years of operation.

<b>Table XXIV: Occupational Demographics</b>						
<u>Category</u>	<u>CDM</u>	<u>LBE</u>	<u>SJ</u>	<u>STE</u>	<u>Total</u>	<u>%</u>
Active Farmworker	29	33	28	77	167	59%
Former Farmworker	25	0	31	12	68	24%
Retired Farmworker	12	7	9	11	39	14%
No Farmwork History	9		0	0	9	3%
Total	75	40	68	100	283	100%

**E. Most Farmworkers participate in their cooperatives and value the benefits offered by cooperative housing, but many feel limited control over the management and operation of the cooperative.**

The findings in this section provide further evidence that cooperatives do work for farmworkers, but also raise some concerns for the cooperatives in our study. The data show that residents do value the benefits of cooperative housing – resident governance, low-cost quality housing and ownership, in particular, stand out. For most respondents, these were important – if not always the most important - motivations in their decisions to seek membership in a housing cooperative. By and large, residents do participate in the governance of the cooperative. Most residents feel they exercise some degree of control over management, maintenance, house rules and the selection of new members. Solid majorities of respondents felt cooperative housing was superior to rental housing and strongly endorsed the development of more cooperative housing for farmworkers.

We also think it important that the resident valuation of cooperative benefits was, generally, across the board. In particular, the data show that the value of ownership and control did not appear to be driven solely by higher share values. Even in the

<sup>3</sup> The National Housing Association of Housing Cooperatives calls for just such a role for cooperatives in a 2000 White Paper “Housing Cooperatives: An opportunity to expand home ownership for moderate income families” [http://www.coophousing.org/white\\_page.htm](http://www.coophousing.org/white_page.htm)

low-equity cooperatives of La Buena Esperanza and Las Casas de Madera, many residents felt ownership was an important benefit and one that, at least partially, motivated their decision to move into the housing. Our findings suggest that the ownership confers important social and psychological benefits for lower-income farmworkers that go beyond the dollar value of their shares.

However, our study did uncover areas of concern. As Table XXV and the previous tables show, data from the resident-control questions indicate that, while in most cases a majority of residents experience at least moderate levels of control over their housing, many residents feel they have little or no control. In some of the cooperatives, those feeling little or no control were the majority. Even when the majority of respondents did report sufficient control, significant numbers of residents - usually about one-third of the sample - consistently reported a lack of control both at specific cooperatives and in the total sample.

**Table XXV: Summary of Strong to Moderate Resident Control Responses by Cooperative**

<u>Coop</u>	<u>Board</u>	<u>Management</u>	<u>Maintenance</u>	<u>House Rules</u>	<u>New Members</u>
CDM	Majority	Minority	Tie	Plurality	Plurality
LBE	Plurality	Minority	Plurality	Minority	Minority
SJ	Majority	Unavailable	Majority	Majority	Majority
STE	Majority	Majority	Majority	Majority	Majority

**F. Farmworkers in this study strongly endorse the cooperative housing model and support the development of more farmworker housing cooperatives.**

Cooperative residents do endorse the cooperative model. Majorities of residents believe that cooperative housing is superior to rental housing and that more farmworker housing cooperatives should be built. It is noteworthy that very few respondents felt that rental housing was equal to or better than cooperative housing or that cooperatives should no longer be used for farmworker housing. However, it should also be noted that some of the support for the cooperative housing model was lukewarm and qualified. This is consistent with data from other parts of the survey that indicate that many residents have mixed or unsatisfactory experiences with some facets of cooperatives – particularly resident control issues. These results also lend more support to our next finding that cooperatives may need to conduct more outreach and training for their membership.

**G. Farmworker cooperatives in this study need to conduct more outreach and training to their membership.**

An obvious starting point in addressing dissatisfaction and lack of control indicated by our findings is increased member outreach and training. Respondents identified insufficient knowledge of cooperative housing as one of the primary reasons more residents did not participate. Firm majorities at each of the four cooperatives felt that many members did not understand how cooperatives worked and that more training was needed. Determination of the specific reasons or causes for membership dissatisfaction, beyond

simple statements in a survey questionnaire, would require a much more expanded scope of study and resources. These reasons or causes are, undoubtedly, richly nuanced and textured. In order to better understand and address areas of dissatisfaction revealed in this study, we would recommend that the cooperative boards reach out directly to their membership to fully uncover, explain, and address resident concerns.

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**Appendix A: California Farmworker Housing Cooperatives**

<b>County</b>	<b>Cooperative</b>	<b>City</b>
Contra Costa	La Colonia Santa Maria Housing Corporation	Brentwood
Contra Costa	Villa De Guadalupe Coop	Brentwood
Monterey County	La Buena Esperanza	King City
Monterey County	Las Casas de Madera	Salinas
Monterey County	San Jerardo	Salinas
Monterey County	Santa Elena	Soledad
Monterey County	Vista de la Terraza	Salinas
Monterey County	Cooperativa Las Tres Palmas	Watsonville
Ventura County	Cabrillo Village	Saticoy
Ventura County	Rancho Sespe	Ventura
Sonoma County	Santa Rosa Creek Commons	Santa Rosa

## **Appendix – B: History of San Jerardo**

Any history of farmworker housing cooperatives in California begins with San Jerardo. Aptly named after the Mexican patron saint for gamblers, San Jerardo was born out of the turmoil and conflict of early UFW organizing drives in Salinas. It started when the grower who owned the La Posada labor camp in Salinas closed and sold the property in as part of a strategy to defuse a UFW organizing drive.

However, when the La Posada labor camp was closed in 1972, the families confounded local authorities that expected them to disperse. Thirty-two families set up tents, built makeshift cardboard shacks and converted their cars into sleeping quarters and even organized a “street” kitchen. They wanted to stay together and demanded permanent housing be found for them. Perplexed and embarrassed by the squatting action, which had had gone on for more than two weeks and had attracted national attention, city and county officials arranged for the families to be temporarily relocated to Camp McCallum - an abandoned labor camp at the outskirts of Salinas that was owned by the Monterey County Housing Authority (MCHA).

### **Purchase of the Camp**

This World War II-era camp was located in the midst of prime agricultural land. It's barracks had been designed to house single male agricultural workers and had not been used since 1967 when the Bracero program was closed down. Camp McCallum was in serious disrepair and was intended only as temporary housing until families could be relocated. The MCHA had little interest in providing permanent housing for the families and was eager to wash its hands of the troublesome farmworkers. However, the troublesome La Posada families began to consider the possibility of somehow converting Camp McCallum into permanent homes they could own. They resisted relocation and defied deadline after deadline by the MCHA to move out.

The living conditions at the dilapidated camp, however, were harsh. Over time, as the standoff between the farmworkers and the MCHA continued, more and more of the families moved out. When only a few families remained, the MCHA sold the property to a San Francisco entrepreneur Leo Briggs in April 1973.

Although the sale of the camp to Briggs should have marked the end of the saga of the La Posada families, it actually was a new beginning. The families were tired of living in labor camps and wanted to own their own homes. To them, the unwanted Camp McCallum was the potential site of their new homes. Even though many had relocated out of the camp, they had kept their group together and even added to it. Their leader, Sixto Torres, approached Briggs about buying the camp.

Briggs was an unorthodox entrepreneur and agreed to sell. A sales price of \$140,000 with a \$20,000 down payment was agreed to. Briggs would carry the balance interest free with payments of \$2,500 per month. A sales contract was written up on legal notebook paper. Sixto raised the \$20,000 in cash through share sales of \$500 to the membership. Each member agreed to pay \$50 per month as his or her share of monthly principal payments.

All these transactions were in cash with hand written receipts issued by Sixto. Sixto kept the down payment funds in his briefcase then made the down payment to Briggs in cash.

### **Formation of the Cooperative**

With the land under their control, the families next sought professional assistance to develop housing. Central Coast Community Development Corporation (CCCDC) and California Rural Legal Services (CRLA) were contacted for assistance and both agencies agreed to help them. Ed Moncrief was assigned by CCCDC to work with the families. A development team was formed with staff from CCCDC, CRLA and Sixto Torres representing the farmworkers was formed under Moncrief's leadership.

CRLA helped the La Posada families incorporate as nonprofit corporation while CCCDC provided training and technical assistance. It was decided that a cooperative was the most realistic way to meet the families' desire for ownership and control of their housing. The families certainly would have preferred individual ownership to a cooperative. But the kinds of subsidies that would be needed for single-family or condominium housing were not available at that time. Rental housing was not an option because it would not provide the ownership or control that was so important the families. A cooperative was the only form of housing that could satisfy desires for ownership and control, still be feasible in terms of available subsidy programs and survive what promised to be a contentious review and approval process. Given the gamble the families were taken they rechristened their group after the Mexican patron saint of gamblers – San Jerardo.

### **Battle for the Use Permit**

Because the land was zoned for agricultural uses and not permanent housing, a use permit was needed in order to develop the project. Opposing San Jerardo were some of the most influential families and growers in the Salinas area. They were opposed to farmworker housing and wanted the land returned to crop production. Joining them in opposition was the local school district – ostensibly over the impact of the proposed cooperative.

A comprehensive and wide-ranging campaign was conducted to win approval of the use permit. Funding commitments from state Department of Education Migrant Education programs were obtained to mitigate the impact of the increased enrollment that would result from the housing. Farmworker families hit the streets and gathered over 1,000 signatures on a petition to demonstrate community support. The previous sketchy and undeveloped project concept was replaced by a polished and professionally designed project proposal. Loan and grant applications were submitted. Architectural and engineering plans were prepared. Sixto Torres and farmworker leaders conducted a survey of labor camps – many of them illegal – to demonstrate the need for farm labor housing in the area. Perhaps most importantly, Ed Moncrief and Sixto Torres were able to conduct a quiet, skillful, low profile outreach campaign that won over many influential civic and public leaders. All of these efforts paid off in autumn of 1975 when the Monterey County Planning Commission and County Board of Supervisors approved the use permit.

## **Legal and Bureaucratic Hurdles**

At that time, cooperative farmworker housing was a very new and unfamiliar housing model to the various agencies that had to grant approvals and/or fund the project. For agencies such as FmHA (now Rural Housing Services), the California Department of Real Estate, the Public Utilities Commission, the California Water Quality Control Board and the California Corporations Commission, the cooperative did not easily fit into established policies and procedures. Agency staff became cautious or uncertain how to apply regulations or procedures designed for single-family subdivisions or rental projects to a cooperative project. Various review, approval and funding process became complicated, protracted and sometimes contentious as development moved forward.

In essence, San Jerardo had to blaze a new trail through difficult and sometimes hostile terrain. Moncrief and CRLA attorneys created model documents, especially designed for a cooperative. These forms were then used for funding and regulatory agencies whose standard forms were incompatible with a cooperative project. Creative adaptations in the physical design of the project circumvented bureaucratic architectural restrictions. When the review and approval processes of state agencies became hopelessly stuck, high-level state officials in the Brown Administration were enlisted to get the project moving again.

The first phase of the cooperative was finally completed in April 1978 and by 1979 all rehabilitation work was completed. But just as the construction work was completed, CCCDC withdrew from housing. Moncrief, in turn, left the organization and was in the process of starting up Community Housing Improvement Systems and Planning Association (CHISPA). As a result, the cooperative was without a nonprofit partner to assist them with operations and management. Also, despite the best efforts of the farmworker leaders, CCCDC and CRLA to carry out membership development, the external battles had diverted much of the resources and attention away from internal development of the membership. This problem was further compounded by the membership turnover due to the length of time it had taken to complete the cooperative. Consequently, many of the families did not fully understand how cooperatives worked or their role as members in the cooperative.

## **Operations**

Not surprisingly, the San Jerardo faced some major challenges its first three years. Controversy and internal conflict broke out over financial issues and some of the remaining original La Posada leaders were voted off the board – they eventually moved out of the cooperative. Social and youth delinquency problems developed around a few families. Board members – not fully prepared or understanding their role – were reluctant to take action against these problem families. The management company hired by the cooperative had no experience with cooperatives at all. Used to dealing with more traditional and experienced ownership, the management agent was unable to establish a working relationship with the board or provide the kind of training or technical support the board needed.

## **Self-Management**

An important milestone for the cooperative was securing FmHA approval for self-management in 1983. In another important move, the cooperative hired Jose Trujillio. He was known and trusted by the board due to his prior work with the cooperative. Under his leadership, San Jerardo came into its own. He was able to provide the training and support the board so badly needed. Through his efforts, the board was able to remove problem families and reduce some of the accompanying social problems. Four new large family rental units were built and rented out to farmworker families at below-market rents. A convenience store was setup on site and a member selected to rent and operate it via a lottery process. Childcare services were provided through a contract with a local social service agency to operate an onsite facility. Over 20 years later, this program is still operating.

## **Current Status**

Jose Trujillio left as manager of the cooperative in 1997. His work, however, went a long way towards stabilizing the cooperative. The property is well run, the convenience store continues in operation and child development services are still provided in the community room. The board is exploring a prepayment of the Rural Housing Services Section 515 mortgage. This would mean the cooperative would convert from a restricted equity cooperative to a market or stock cooperative with no appreciation restrictions on the share value. However, the use permit will still remain and effect. San Jerardo's future may be providing home ownership opportunities to moderate-income farmworkers who are priced out of the high-cost Monterey County housing market and unable to buy a single family home.

## **Appendix C: History of La Buena Esperanza**

“La Buena Esperanza,” translated into English, means “the good hope.” And that was exactly what the La Buena Esperanza cooperative proved to be. A dream of dignity, security and respect that took root in twelve migrant families living in an overcrowded state migrant labor camp eventually blossomed into a forty-unit farmworker housing cooperative. The repercussions of that dream helped move race relations forward in a small rural town and opened the door for the development of several other affordable housing projects in the area.

### **Eviction from Migrant Camp**

Similar to the mass eviction of farmworkers from the La Posada labor camp that ignited the struggle for the San Jerardo cooperative, La Buena Esperanza began in April 1977 with the displacement of twelve farm worker families from the Monterey County Housing Authority's (MCHA) Jayne Street migrant camp in King City. This camp was open from June 1st through November 30<sup>th</sup> each year to house migrant farm worker families. This pattern of seasonal operation was typical of state and county migrant housing camps in the Salinas Valley. When the harvest season was over, the camps closed and the families had to move on. Even securing a temporary abode in the government-operated camps was itself an uncertain proposition, since the camps had long waiting lists that always exceeded the number of available units.

However, families from the camp had become aware of the struggles of the La Posada families in Salinas that would eventually lead to the development of the San Jerardo Cooperative. The Jayne Street families were tired of the migrant life and wanted to have stable homes and settle down in the community they worked in. They began organizing families in the camp and when the camp was due to close in November 1976, eleven families refused to leave. Backed by assistance from California Rural Legal Aid (CRLA), they contested attempts by the MCHA to evict them.

Eventually, the families were evicted from the camp in March of 1977. However, like the La Posada families who squatted in the streets of Salinas, the Jayne Street families also camped out in the streets of King City. They began a state and local advocacy campaign that included a sit-in at then Governor Jerry Brown’s office. Eventually, they were relocated to a labor camp approximately 40 miles outside of King City.

### **Families Regroup**

Although dispersed, the families were far from defeated. They began recruiting other farmworker families and the size of the group began to grow. Josephina Felix was part of this influx of new members. She was a natural, articulate and passionate leader who soon became the spokesperson and leader of the group. It was her leadership that kept the farmworkers focused on their housing goals and prevented them from drifting into other issues. She would also keep the up group’s morale up during the long and difficult struggle to develop the housing that was to come.

As part of their regrouping, a request for assistance was made to Ed Moncrief, now serving as the Executive Director of the newly formed Community Housing Improvement Systems and Planning Association (CHISPA). While Moncrief was not able to work with the group himself due to ongoing work with other projects, he did assist the group in obtaining an operating grant from Rural America. He also assigned a new CHISPA staff person, Jose Vasquez, to work with them.

Vasquez and Felix started their work by building the capacity of the group. Articles and bylaws were adopted and the group was incorporated as a nonprofit corporation - La Buena Esperanza. A board of directors was elected that included Josephina Felix. An aggressive training program was also instituted to prepare the families for their new roles and responsibilities. Vasquez worked with the board to develop a systematic action plan to acquire land and build housing.

### **Land Search**

The first hurdle faced by the La Buena Esperanza group was finding a site on which to develop the housing. There was only a limited amount of land suitable for the development of housing within a small town such as King City. In addition, deeply ingrained prejudices and stereotypes toward farmworkers had to be overcome. These attitudes had been compounded by bitter UFW-led farmworker strikes that had strained race relations. Land acquisition efforts were further burdened by the lack of credibility nonprofit developers sometimes face when they attempt to purchase property. Local real estate agents and property owners thought that a group of poor farm worker families could never actually raise the funds needed to buy land, let alone develop it.

To overcome these obstacles, Vasquez conducted extensive outreach to civic leaders in King City, presenting the goals of the group and the need for farmworker housing in King City. Through these informal, one-on-one meetings, he was able to win over the support of key civic leaders and prominent growers in the town. This low-profile approach was part of a strategy to present a moderate image of the La Buena Esperanza families and project. In a town inflamed by labor conflict between the UFW and local growers, the plight of hardworking farmworker families was highlighted and the social justice elements of the struggle deemphasized.

Even so, finding land proved so difficult that by November 1979, a discouraged Vasquez decided that the time had come to give up. He had spent twelve months searching for land and had found only two potential sites. In both cases, however, the Monterey County Board of Supervisors rejected applications to develop housing on those sites. Every possible site had been identified and evaluated and there was simply nowhere left to look. The families would either have to give up or look for land in another town.

Josephina Felix and the farm worker board, however, simply refused to give up on King City and insisted that the search for land continue. To them, the effort to build housing in King City was more than just a self-interested effort to gain home ownership. It was a crusade to break down barriers of racism and assert the dignity of farmworkers. Even though potential sites were readily available in Greenfield--a small town twenty-two miles north of King City--the board would not consider them.

## **Land is Found**

Shortly after the board made this decision a new subdivision providentially opened up and was annexed by King City. The lots had not been selling well and the developer was eager to make a deal. Vasquez was able to negotiate the purchase of a 2.282-acre parcel, zoned for multifamily housing, for \$570,000 in January 1980. Funding for the purchase was secured through the California Department of Housing and Community Development (HCD) predevelopment loan fund, a loan from the Housing Assistance Council (HAC) and the developer carrying the remainder of the purchase price. The purchase closed on February 7, 1980. In June 1980, permanent funding commitments were obtained through the FmHA (now Rural Housing Services).

Once the site was secured, the families faced a new issue – what kind of housing should be built. Even with the support of key civic leaders and growers, not everyone in King City was enthusiastic about the prospect of 40 units of farmworker housing being built in the middle of the town's newest single-family subdivision. If they chose to construct a conventional rental project, the approval process would be relatively straightforward and painless. But if they wanted ownership and control of their housing, then a use permit would be needed. And this would almost certainly mean a lengthy and difficult review process.

A cooperative was what the membership eventually decided upon. Like the struggle of other groups in this study, their struggle was about more than just housing. To be sure, they weren't completely clear about all the technicalities and implications of a cooperative. Most would have preferred single-family homes. But what they wanted most was the control, security and dignity that come with ownership. Vasquez, with help from Felix, convinced the members that rental units would not provide them ownership and control and that single-family homes or condominiums were financially infeasible. Cooperatives were the only viable option that still reflected the aspirations of the group.

## **Battle for the Use Permit**

With the land secured and the decision to go with cooperative housing made, the group made applications to the King City Planning Commission and City Council beginning in July 1980. The City Council and Planning Commission then subjected the proposed cooperative to intense examination. Although the proposed development met all zoning requirements, the city council approved the cooperative only after a very difficult two-year review process.

The basic dynamic of the process was intense and detailed scrutinization of the project and imposition of conditions for approval. While some aspects of this process were part and parcel of any development-related review process, others clearly reflected the farmworker nature of the project. Concerns that farmworkers would turn the development into a rural village with cars on blocks, clothes hung on lines between buildings and chickens running loose led to requirements for an oil change pit, prohibitions against any outside clothes lines and restrictions on pets. Plans for garages had to be changed to covered parking due to concerns that relatives of residents might set up residence in the proposed garages. An

economic impact report of the proposed project on property values in the neighborhood was required.

As these and other hurdles were surmounted the City Council began to exhaust the kinds of changes and issues it could raise. Council members were becoming concerned that they were pushing the envelope on the review process and were risking a lawsuit against the city. In addition, the informal, behind-the-scenes support of key civic and agricultural leaders, cultivated by Vasquez earlier, began to pay off. During the two-year review process, opposition to the project began to soften. The use permit was approved in March 1982, construction began shortly afterward, and by December 24, 1982, the families moved into the forty-unit cooperative.

### **Operations**

Once development was completed, CHISPA continued its relationship with the cooperative as its management agent. However, over time, board members and residents felt dissatisfied with the quality of services and level of attention they received from CHISPA. In 1997, the cooperative selected another management agent.

For its part, CHISPA felt that it did provide quality management to the cooperative. As at Las Casas de Madera, CHISPA felt La Buena Esperanza required more labor-intensive management services than rental housing and that they were losing money on their management contract. Whatever the merits of these different perspectives, this issue illustrates how the cooperative model provided farmworkers with the option of changing management if they so desired.

Perhaps the biggest challenge the cooperative now faces is expanded membership training and development. Because of very strict occupational eligibility requirements, the low share prices and the nearby opportunities for homeownership through CHISPA self-help housing, many of the residents are able to move up into single-family homeownership. With fewer long-term and experienced members and larger numbers of farmworkers new to cooperative ownership, the training needs for this cooperative may be more intense than at San Jerardo and Santa Elena who have more longer term members.

### **The Legacy of La Buena Esperanza**

Completion of the cooperative not only provided the La Buena Esperanza farmworker families with the ownership, dignity and sense of control they sought. As part of the larger civil rights and farmworker movements of the time, it helped break down some of the racial barriers in King City that kept farmworkers on the margins of the community. Civic and community leaders were visibly impressed with the high quality and efficient operation of the cooperatives. Farmworker families proved to be good neighbors and valuable members of the community. La Buena Esperanza added, not detracted, to the value of local property.

As a result, King City became somewhat more open towards farmworker housing and encouraged CHISPA to build more. CHISPA went on to build 45 self-help homes and another 50-unit multifamily housing development – although the latter project was

opposed by the city. In nearby Greenfield, CHISPA would end up building over 200 self-help homes. Many of the families from La Buena Esperanza – including Josephina Felix – have gone on to single-family home ownership through CHISPA’s self-help program. In this way, La Buena Esperanza provides another opportunity not envisioned by its founders. The cooperative serves as an intermediate form of ownership that prepares farmworkers to transition into single-family home ownership.

## **Appendix D: History of Santa Elena**

Santa Elena was the dream come true of desperate farmworkers who turned around the nightmare of a shabby, high-rent, trailer park owned by absentee landlords. The origins of this cooperative go back to 1974 when investors decided to develop a luxury, 100-space mobile home park for retirees in the agricultural community of Soledad.

At first farmworkers found it difficult to rent a space in the park. The owners felt that a farmworker presence worked against their efforts to fill the park with middle class, white retirees. Farmworkers who tried to move in would find their applications rejected – ostensibly because of the age, condition and appearance of their trailers.

However, the owners soon found themselves with an empty mobile home park. Agriculture and the local state prison were the main sources of employment in the area. There was no market for a high-end senior mobile home park. Despite their best efforts, by 1976, only ten spaces had been rented to senior households.

With the high-end market failing, the owners reversed direction in mid-1976 and pursued the lower end of the market – farmworkers. With virtually no other mobile home or trailer parks in the area, the owners had a captive market to rent to. Farmworkers now filled up the park. To further exploit the plight of the farmworkers, the Pinnacles owners only allowed new mobile homes into the park. They made arrangements for a mobile home dealer to set up a sales lot right next to the park. New mobile homes were then sold to the farmworkers with financing provided by a local bank. So great was the housing shortage in the area, that financially strapped farmworkers had little other choice.

Once farmworkers navigated those hoops and moved in, they found the atmosphere less than inviting. Despite contracts stipulating that the park would provide a pool, jacuzzi, clubhouse, playground and other amenities the reality was quite different. Although they were the majority of park's residents, farmworkers felt they were discouraged from using these facilities and amenities. A decline in maintenance and serious physical deterioration accompanied the shift from a retirement community to a farmworker trailer park. Even worse, the owners took advantage of their captive market and hit the farmworkers with a series rent increases.

Increasingly, the farmworkers felt they were being pushed into a corner. The rents were reaching the financial breaking point for most of the families. Physical deterioration of the park seemed to keep pace with the rent increases. In order to move, a farmworker would have to find another farmworker family that was willing to purchase their mobile home and pay the high rent. The only other alternative was to move their mobile home, at a cost of approximately \$1,500, to another mobile home park - in an area where there were virtually no other parks. Unable to move and forced to live in squalid conditions, the farmworker families were in a trap.

## **Farmworkers Organize for Ownership**

By the fall of 1978, the residents were at the end of their rope and began looking for a way to spring the trap. Thanks to the organizing work of the United Farm Workers (UFW) the farmworkers had some experience and success in advocacy. Several leaders emerged in the park that were willing to take action. They organized a somewhat informal and loose-knit resident association and began to take action. Their first step was to contact the local California Rural Legal Assistance (CRLA) office and explore strategies to address the high rents and poor conditions within the park. Hector de la Rosa was assigned by CRLA to work with the families.

Through these contacts, the farmworker leaders learned that little could be done about rent increases. There were no rent control laws covering mobile home parks at that time. Absent such controls, the owners had an almost unrestricted right to raise rents as often and as high as they wanted. It was clear that as long as the Pinnacles remained in private hands, rent increases would remain a fact of life for the residents.

The strategy of farmworker ownership emerged from these contacts. Farmworker ownership had already been established in the area by the completion of San Jerardo and another farmworker cooperative, La Buena Esperanza, was nearing completion in nearby King City. What was needed was leverage to pressure the owners into selling the property.

Outstanding repairs and breach of contract provided that leverage. The existing repair problems clearly violated state tenant-landlord law as well as local building codes. Additionally, the failure to provide the farmworkers with the amenities stipulated in their lease agreements constituted a breach of contract on the part of the owners. CRLA and the farmworker decided to pursue a two-pronged strategy of litigation and community pressure.

The farmworker leaders and Hector de la Rosa organized a series of project-wide and smaller house meetings with the residents to present the ownership plan and secure support. Through these meetings the residents first learned about the possibility of cooperative ownership – although at this stage their understanding was rudimentary.

## **Community Action and Litigation**

By 1979 the physical conditions in the park were approaching an all time low. Severe flooding occurred during the winter because of the inadequate drainage system. Flooding was further exacerbated by the unpaved interior streets and neglected landscaping in common areas. No concrete pads were provided on which to site the mobile homes, leading to sinking and consequent damage. Much of the electrical wiring within the park was jerry-rigged and did not meet code. The garbage disposal facilities, originally intended for elderly households, were completely inadequate for the large farmworker families that now occupied the park. As a result garbage overflowed and was blown throughout the common areas. The community room and recreational areas were no longer being maintained and were deteriorating. Broken-down cars were stored on the crowded interior streets.

Other safety and noise problems resulted from the park's location immediately adjacent to a busy state and railroad tracks. The lack of any sound wall, protective landscaping or other barrier meant the site was bombarded by road noise from the heavily traveled highway. This also created a danger for children at play who could easily wander out onto the highway or the railroad tracks.

Farmworker leaders went to city council meetings to request action on the repair issues. The council was sympathetic to the plight of the farmworkers. Soledad was a small city and local government was becoming more and more concerned about the future slum that was developing on a large, highly visible piece of property that sat near one of the main highway entrances into the town. Inspections were conducted, citations were issued for outstanding code violations and the council began to put pressure on the owners.

In 1979 CRLA filed suit on behalf of the tenants over outstanding repairs and code violations. As expected, negotiations ensued between the Pinnacles ownership and CRLA once litigation began. During the negotiations, CRLA presented the proposal for a farmworker buyout of the property. While the Pinnacles ownership was surprised by the concept of farmworkers actually buying the property, they were also open to the concept. The owners were under legal and political pressure to sell the park. Moreover, the whole Pinnacles venture had never turned out as the owners had expected and the litigation now represented a serious financial threat. An agreement was worked out for the farmworkers to purchase the park.

### **Transition to Ownership**

Now that the farmworkers had a purchase agreement in hand, they needed technical and financial assistance to complete the deal and operate the housing. Fortunately, Rural Community Assistance Corporation (RCAC), an established and successful provider of technical assistance to rural housing groups, stepped in. Two RCAC staff, Ellen Reed and Marta Erisman, were assigned to work with the residents. On the financial front, RCAC developed a project budget and development plan, produced funding applications and eventually secured permanent financing from the National Cooperative Bank along with a state Farm Worker Housing Grant and a local Community Development Block Grant (CDBG). Organizationally, RCAC helped the residents incorporate themselves as a nonprofit cooperative corporation. They also provided extensive training to the residents on the operation of cooperative housing.

Under the cooperative structure that RCAC and residents set up, each household owned a \$500 share with no appreciation and no more than one share per household. Share ownership entitled the household to a space for their mobile home unit and one vote in elections. The individual household - not the cooperative - owned mobile homes themselves. As a result, the sales price of a mobile home is not restricted and is instead determined by negotiations between seller and buyer. All new members had to be approved by the board. Households had to reside in their space and were not allowed to rent out their mobile home.

This support was crucial for the success of the project. RCAC staff conducted numerous training and informational sessions for residents on how cooperative ownership operated and the new roles and responsibilities residents would have. With RCAC's assistance, elections were held to choose the first board. To ensure the board would be successful, RCAC conducted intensive sessions on management. Board members learned about financial management, maintenance, management techniques, record keeping and how to conduct board meetings. As a result of these trainings and membership development activities, the board was able to produce the cooperative's management plan with assistance from RCAC.

### **Rehabilitation**

The cooperative was incorporated in April 1981 and sale of the property closed that same year. Residents and the board decided to rename the cooperative Santa Elena in appreciation of RCAC staffer Ellen Reed who worked closely with the families when they were forming the cooperative. With the sale completed, rehabilitation began. Interior streets were paved, the electrical system was brought up to code, cement slabs were provided for each unit and common areas and facilities were renovated. The drainage system was improved, a sound and safety wall along the freeway was put in and fencing added to keep children off the nearby railroad tracks was built.

### **Decision to Self-Manage**

When the farmworkers finally took over the park, they faced the challenges that come with ownership and control. Their first critical decision concerned whether the cooperative would be managed directly by the residents themselves or managed by a private management company. It was here that the earlier capacity development work by RCAC paid important dividends for the cooperative. The cooperative found that there were no management companies in the area with experience working with farmworker housing cooperatives. Rather than bring in an inexperienced management entity, the board and residents chose self-management instead.

Self-management provides a cooperative a chance to save money that would otherwise pay for the profit and overhead of a professional management company. Besides reducing operating costs, self-management provides more direct control by the residents and board. The downside is that the cooperative essentially must self-police when it comes to enforcement of house rules, evictions, and financial management. If the cooperative is unable to establish and adhere to sound management and financial practices, the consequences can be catastrophic.

Soon Santa Elena faced just such a challenge. Residents parking their cars along the narrow interior streets inside the park had become an established practice. In some cases vehicles were put up on blocks and stored on the streets. When the manager began to enforce the rules prohibiting parking or storing cars on the interior streets, some member households began to complain loudly. The Santa Elena board and residents had to decide whether to back their manager and enforce their rules upon themselves. If they failed this

first test, it would establish a bad precedent for other difficult issues the cooperative would inevitably face and undermine the entire self-management process. Thanks to the intensive training and technical support provided by RCAC and CRLA, the board was prepared for this issue and understood the stakes involved. After some debate, the board supported the manager, the cars were removed and the cooperative went on to successfully self-manage over the next 20 years.

One tangible benefit of self-management was the early retirement of the National Cooperative Bank mortgage on the property. The savings achieved through self-management were channeled into paying down the mortgage as quickly as possible. Currently, the cooperative is debt free.

### **Sale of Mobile Home Units**

Financing the sale of mobile homes from outgoing households to new households wanting to move in is essential to the success of a farmworker mobile home park cooperative. With occupancy restricted to low-income farmworker households who were unlikely to have the cash for a full purchase and might have difficulty obtaining credit, some mechanism had to be in place to finance such a large purchase. At first this wasn't a problem since a local bank continued its established practice of financing new members.

This arrangement worked well until the local branch bank was acquired in a merger with Bank of America soon after the sale to the residents was completed. After taking over, concerns were raised by the Bank of America headquarters about lending to low-income farmworkers on aging mobile homes. As noted earlier, the sale of the mobile home was between buyer and seller and the cooperative did not cosign or indemnify the bank in the event of a default. The level of risk for the bank exceeded normal underwriting standards.

The cooperative board turned to CRLA for assistance. Since the local branch bank was bound by underwriting standards established at the regional headquarters in San Francisco, the loan could no longer be made. CRLA met with the farmworker board and together they devised a strategy to circumvent the underwriting issue. Instead of trying to get the headquarters to make an exception in its conventional lending practices, CRLA and the Santa Elena board would propose the loans be treated as lending under the Community Reinvestment Act (CRA). As a CRA loan, the bank could adopt more flexible and relaxed underwriting standards than under conventional lending. The regional bank headquarters was receptive to their proposal and began a pilot CRA lending program with more flexible underwriting standards.<sup>4</sup>

### **Current Status**

Currently Santa Elena is in the process of conducting extensive member and board training. A college scholarship program is in place, and funded through a special assessment on members. The cooperative has no debt and continues to be well managed.

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<sup>4</sup> Due to mergers the bank now operating this CRA lending program is Community Bank

## **Appendix E: History of Las Casa de Madera**

Las Casa de Madera (LCM) was one of the first housing projects undertaken by the newly formed Community Housing Improvement and Systems Planning (CHISPA). Ed Moncrief established CHISPA in September 1979 when the Central Coast Counties Community Development Corporation (CCDC) had begun to disengage from housing development. Energized by the success of San Jerardo, Moncrief and CHISPA were determined to provide badly needed ownership opportunities for farmworkers in Monterey County. At that time, the development of single-family housing in the County faced onerous land use regulations and approval processes.

Las Casas de Madera was the centerpiece of a CHISPA revitalization strategy that targeted an overcrowded, deteriorated section of the Hebron Heights neighborhood in central Salinas. Prior to development of the cooperative, the site was home to some forty farmworker families living in overcrowded, squalid old bungalows, sheds and shacks dating back to the 1930s. An auto-dismantling yard lay adjacent to the property. Under the revitalization plan, CHISPA demolished all of the existing housing and eventually relocated many of the families into Las Casa de Madera.

The site was comprised of some eleven different parcels. The sale of each had to be negotiated with the various different owners. CHISPA began purchasing the parcels in March 1980, using a Farm Worker Housing Grant (FWHG) from the California Department of Housing and Community Development (HCD) and with operational support from the City of Salinas. A City of Salinas-issued bond provided interim and permanent financing for the cooperative. Although San Jerardo had been financed through the USDA/FmHA (now RHS) 515 Multi-Family Housing Program and La Buena Esperanza through the 514/516 Farmworker Housing Program, CHISPA was not able to tap these resources because FmHA financing could not be used in communities with populations larger than ten thousand. Instead, a long-term HUD Section 8 New Construction contract was secured to help ensure affordability and a stable cash flow. Additional funding support was to come through a second FWHG.

### **Organizing the Farmworkers**

The organizing of the cooperative paralleled the physical development of the site. CHISPA obtained a \$120,000 grant from the Office of Self-Help Development, an agency launched during the Carter Administration. These funds supported CHISPA's work with the farmworker families to set up the cooperative entity. It should be noted that the Reagan Administration terminated both the Section 8 New Construction program and the Office of Self-Help Development within a few weeks after CHISPA had secured its commitments from these agencies. Only strong support from Congressman Leon Panetta preserved these commitments despite the tempest of budget cutting that characterized the times.

CHISPA conducted extensive outreach in the neighborhood and held a number of community meetings to promote the plan to redevelop the site as a housing cooperative. these efforts culminated in the spring of 1980 when Las Casas de Madera, Inc. was

formally organized. The latter was not a cooperative but a non-profit corporation that acted as the families' transitional development entity. Under HUD guidelines, the cooperative could not be formed until the members had been identified; but the members could not be identified until after they had been screened and qualified as eligible to live in the development. This could not occur until after the homes were constructed and ready for occupancy. Because of these timing issues, Las Casas de Madera, Inc. would actually own the project for two years until the limited equity cooperative corporation, Las Casas de Madera Cooperative, Inc. was fully formed and functioning to HUD's satisfaction. Only then could the transfer of ownership from the resident-controlled non-profit development entity to the cooperative be consummated.

The farmworkers were active and engaged partners with CHISPA in the creation both of the development entity and of the cooperative itself. CHISPA provided training and technical assistance to build the capacity of the group. Low-income farmworkers – many with little education and/or limited English – learned how to conduct meetings, keep minutes, maintain records, and prepare and understand financial reports. They also received training in the construction process and the management of cooperative housing.

During the development stage, the Las Casas de Madera board together with CHISPA staff held regular meetings with the membership to update them on progress, address any problems or issues that might have arisen, and respond to the questions and concerns of the membership. While CHISPA took the lead in representing the project at planning commission and city council meetings, the farmworker families also attended. Their participation served as an important visual reminder of the desperate need for safe, decent, and affordable housing for the city's farmworker population. As with San Jerardo and La Buena Esperanza, technical assistance staff conducted extensive outreach to key decision makers in the community to win support for the project and neutralize potential opposition.

This capacity building effort paid off in the planning, design and development of Las Casas de Madera. CHISPA and the farmworkers settled on a design for the seventy-five-unit project that featured attractive townhouse units with stucco exteriors, porches, and fenced rear patios. A majority of these units were family-sized with three and four bedrooms. Additional amenities included a 2,100 square foot community room and a playground for small children.

### **Political Opposition**

Although Las Casas de Madera didn't face the same level of opposition that San Jerardo or La Buena Esperanza did, its development was still far from smooth sailing. Perhaps the most perilous moment came at the final city council hearing to approve the bond financing. The cooperative and the housing development itself nearly died over a mix-up between the Salinas Redevelopment Agency and Salinas City Council procedures. Political opposition to Las Casas de la Madera surfaced at the last minute in the form of a newly elected City Council member who was, apparently, philosophically opposed to subsidized housing. The City Council served as the Board of the Redevelopment Agency. The Board had to approve bond financing to support the development and construction costs. Without the bond financing, the project would collapse. Only three council members were present at the meeting. When the vote to issue the bonds was called, two council members voted for

the bonds. The newly elected member voted against them. Under City Council rules, a majority of the council – not the majority of those present – had to approve the bond. CHISPA and the farmworkers were stunned as they watched all their hard work disappear.

Fortunately, at the last minute, the city attorney caught the potentially disastrous but simple mistake. The Redevelopment Agency had different rules than the City Council. Under the Redevelopment Agency procedures, a majority of those present were sufficient for the bond approval. The bond financing went through and the related HUD Section 8 New Construction commitment was eventually secured.

### **Bureaucratic Hurdles**

Cooperatives in California often face a more difficult approval process from funding agencies more familiar with rental housing. Las Casas de Madera proved to be no exception. Even though HUD was a relatively experienced cooperative lender, CHISPA still faced a number of problems in securing the agency's financing. While developing the Las Casas de Madera site, CHISPA had acquired a second site in the neighborhood just two blocks away. Initially, it planned to consolidate the two parcels, creating one cooperative as the owner of both; but neither HUD nor HCD would approve an entity that held multiple mortgages on separate parcels. Eventually, the second, smaller parcel became the site of the forty-unit Vista de la Terraza leased cooperative development.

Other bureaucratic anomalies plagued the formation and initial management of Las Casas de Madera. Because CHISPA lacked housing management experience, HUD and HCD were hesitant to approve it as the management agent. CHISPA staff believed, however, that it was better equipped to manage a cooperative comprised primarily of Mexican-American farmworker families than most, if not all of, the private management companies it interviewed. Ongoing training and technical assistance to the members was essential to the success of the cooperative. CHISPA's observation of private management companies had led it to the conclusion that such companies would manage the project in the same manner they managed rental projects; with minimal resident input.

Although, in the early eighties, the number of farmworker housing cooperatives was growing, such developments were still far from the norm. Both HUD and HCD had extensive experience in monitoring their *rental* projects and approving management budgets related to this form of housing. Their staffs had developed cost parameters based on their experience with rental projects around the nation or the State. The farmworker housing cooperatives were markedly different from these in several respects. Many, if not most, projects financed by HUD and HCD at the time were one, two, and three-bedroom developments. In most HUD and HCD funded projects, the residents were comprised of English-speaking tenants. On the average, family sizes were smaller. The residents of rental projects do not enjoy the benefits, nor have they assumed the obligations of homeownership.

The residents of Las Casas de Madera and the other farmworker housing cooperatives of the time had larger families, occupying three and four bedroom units. Their primary language was Spanish. They had ownership rights and duties; and the management

company had to be fully committed to responding to these. The Financing agencies' rental experience led their staffs to apply rental parameters to the management costs. The obligations of the management company to train and support the cooperative board and membership were not adequately considered in the agencies budget-approval process.

Ed Moncrief's hard gained experience with similar issues in the development of San Jerardo and La Buena Esperanza, both financed by USDA, proved invaluable to CHISPA in working with HUD and HCD in the management of Las Casas de Madera and Vista de la Terraza. Eventually, operating budgets were increased to reflect the cost of managing a large family housing cooperative.

CHISPA faced another hurdle in its effort to incorporate the cooperative. Both the California Department of Real Estate and the California Corporations Commission had a hand in the approval process. The Corporations Commission required that the cooperative enroll its members before incorporation while the DRE simultaneously took the opposite position, *prohibiting* membership enrollment before incorporation. After some shuttle diplomacy between the two agencies, Moncrief was able to convince the DRE to accept pre- membership incorporation. The cooperative was incorporated in October 1982. With lenders satisfied and approvals by regulatory agencies secured, CHISPA was able to begin construction in September 1981. By the fall of 1982, construction was completed and the units occupied.

Upon the completion of construction and with CHISPA's assistance, seventy-five Section 8-eligible farmworker families were invited to become the project's first residents. Over the next eighteen months, this initial membership adopted articles and bylaws, instituted monthly dues, and elected officers and board members. Each family paid a \$1200 membership fee to capitalize the cooperative corporation.

### **Current Status**

Over the past twenty years, the cooperative has faced a variety of challenges, including issues related to the maintenance and management of the cooperative, the ongoing education of its ever-changing residents, and disagreements among the members.

Financially, the cooperative has made all loan payments and maintains satisfactory fiscal and accounting systems. CCRH's review of project records uncovered no significant financial problems, and the most recent audits show no major deficiencies. The biggest issues the cooperative has faced since its inception have been deterioration of common areas such as the community center and playground, changes in management agents, and internal issues related to the conduct of some Board members.

### **Deferred Maintenance**

As discussed earlier, Las Casas de Madera was developed as family housing with the majority of the units three and four bedrooms. Although CHISPA used standard, mid-range building materials in constructing the project, heavy use and breakage over the years has taxed the replacement reserve account. The Board has had to secure additional CDBG

funding from the City of Salinas to repair roofs, repave parking lots, and replace patio fencing and paint building exteriors.

### **Management Change**

Las Casas de Madera also ended its long relationship with CHISPA in 1998 and contracted a different management company. The break is illustrative of the issues that can arise between an independent housing cooperative and a nonprofit housing developer. From CHISPA's perspective, cooperatives entail a very labor intensive and expensive commitment to the provision of on-going training and technical assistance. CHISPA felt that it was providing "pro bono" services and losing money on its management contract.

At the same time, the Las Casas de Madera Board wanted a higher level of services and support from its management agent. In a difficult decision for the Board – many of who had worked shoulder to shoulder with CHISPA to develop the cooperative – the Board contracted with a new management agent. Perhaps the important point here is that regardless of how accurate the Board's perception of CHISPA's performance was, as a cooperative it had a choice and the freedom to try another management agent.

### **Internal Issues**

Like many cooperatives, Las Casas de Madera has faced internal issues of favoritism. In the past, questions were raised about board members getting preferential treatment and whether new members were being selected more on the basis of "connections" than merit. A system of fines for members who allegedly violated the cooperative rules raised more questions about favoritism and misuse of the funds. These issues were never resolved to anyone's satisfaction.

Whatever the extent of the problems, there were internal disagreements between members over these issues. In the last few years these issues appear to have been resolved. Starting in early 1997, the board and members received training over a two-year period. The board composition has also changed with more new members being elected. The manager is very experienced with cooperatives and highly regarded. He is a former farmworker himself and was one of the original farmworker board members at Santa Elena – where he also served as manager. With his assistance, the board was able to secure funding from the City of Salinas to carry out needed repairs on the roofs, interior fencing and the parking areas.