

**Resident Participation
In HUD Affordable Housing Preservation
Projects:
*What Works?***

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Resident Participation In HUD Affordable Housing Preservation Projects: What Works?

Executive summary

This research addresses structures and issues in resident participation in six very distinct HUD properties in California. Each of these properties went through a buy-out process in the period 1992-1996. During that process residents participated in choosing a non-profit partner, or creating their own non-profit or cooperative corporation to take on ownership of the property. As the first generation of HUD expiring use buy-outs in which substantial resident participation and control was encouraged, these properties lend themselves to an assessment: Several years after the buy-out, how are the original participatory structures functioning? What models work best, and where have difficulties arose? And finally, how can these findings inform future affordable housing preservation efforts?

This report examines and evaluates the participatory structures established at the following sites:

1. Foothill Plaza, Sacramento
2. Glen Ridge Apartments, San Francisco
3. Astoria Gardens, Sylmar
4. Su Casa Por Cortez, Encinitas
5. Turnagain Arms, Fallbrook
6. Cedar Gardens, Fresno

Key factors in the ongoing well-being of these sites extend beyond residents to HUD policies and the individual asset managers who carry them out, tenant organizers and advocates, and non-profit organizations devoted to the preservation of affordable housing. While the projects covered in this report all were purchased through HUD's Title 2 or Title 6 program, future purchases of HUD affordable housing stock are likely to be financed through tax credit purchases, which will introduce the role of the for-profit investor into the equation.

Conclusions

The project profiles included here must be considered in light of the ultimate goals of affordable housing preservation. A successful preservation effort ensures long-term affordability on site, while supporting the highest possible quality of life for residents. Quality of life starts with decent, safe housing, and can expand to include truly positive experiences in community, and access to training and educational resources which may give individual residents the boost they need to move on to unsubsidized housing. Resident participation and control must be evaluated based on its contribution to the goals of long-term affordability and quality of life on site.

The benefits of residents' control and participation are recognized by HUD, non-profit affordable housing developers, resident advocacy groups, and the residents themselves. The diverse interests committed to the preservation of affordable housing recognize resident participation as a way to:

- Improve the overall management of the property
- Protect resident interests
- Create a community/social support system on site
- Empower residents as a group and individually
- Give individual residents the opportunity to build skills based on their participation.

However, as illustrated in the case studies, challenges and limits to resident-participation are also apparent: Ownership and governance of HUD-subsidized housing is a complex task that requires a level of competence and sophistication beyond that required of home owners in a traditional unsubsidized context. Challenges to resident control include:

- Complying with HUD regulations
- Operating in a multi-lingual, multi-cultural environment
- The need for capacity-building for low-skilled groups.

Recommendations

Resident participation has the potential to improve the overall management of a property in both quality and cost-effectiveness to protect resident interests, to create community and a social support system on-site, empower residents as a group and individually, and give to individual residents the opportunity to build marketable skills based on their participation. For these reasons, HUD encourages and supports resident participation. The following recommendations are offered to ensure the long-term preservation of high-quality affordable housing in California.

1. Preserve a system of checks and balances
 - Maintain the benefits of resident participation and control while instituting a system of checks and balances through an annual social audit.
 - Mandate oversight of board elections.
2. Institutionalize resident training and outreach
 - Establish structured orientation program for all new residents.
 - Provide training for all new board members.
 - Organize and fund opportunities for residents to meet, learn and strategize with their peers from other HUD-subsidized complexes.
 - Develop sustainable funding for assistance to resident-controlled properties.
3. Work with HUD to recognize resident groups as legitimate partners
 - Enlist the support of HUD community builders.
 - Support a consistent approach for uniform use by HUD asset managers.

A sampling of best practices illustrates initiatives by residents, non-profit housing developers and local government that most effectively address common barriers or limitations to resident participation. The report closes with observations on the current climate for housing preservation, which is much less conducive to resident participation and control than during the 1986-1996 time period, when LIHPRAH and ELIHPA provided significant funding and options to residents faced with a buy-out. Key issues for the future include identification of effective structures for resident participation and control within the tax credit buy-out model; encouraging resident input any time an additional investment of public resources may be made to a property, whether for a transfer of ownership, or to support an existing owner; and establishing reliable income streams to support resident outreach, organizing and education.

1. Introduction

Overview of affordable housing preservation

The preservation of HUD affordable housing refers to efforts to retain the current stock of federally subsidized housing as HUD use restrictions expire, resulting in the potential for the conversion of previously subsidized units to market rate. The primary goal in preservation of this “at-risk” housing stock - housing with expiring use restrictions and a for-profit owner- is ensuring long-term affordability, generally through transfer to an ownership entity committed to maintaining affordability indefinitely. Coupled to the goal of maintaining the nation’s affordable housing stock to serve a growing need is an interest in providing the highest possible quality of life for residents of subsidized housing.

All properties profiled in this study were purchased under the ELIHPA (Emergency Low Income Housing Preservation Act of 1987) or LIHPRHA (Low-Income Housing Preservation and Resident Homeownership Act of 1990) preservation programs. The programs, also known as Title 2 and Title 6 respectively, required owners to notify HUD before prepaying restricted-use mortgage loans, and favored resident or non-profit purchasers in cases involving existing owners who chose to opt out of expiring HUD contract obligations. Both programs addressed the need to preserve our nation’s affordable housing stock through transfer to a non-profit owner or other entity committed to preserving long-term affordability.

Beyond a commitment to preserving affordability, new purchasers through LIHPRHA and ELIHPA were required to work directly with residents, to ensure a transition that recognized resident interests and needs. Residents voted to select and approve purchasers, and generally received ample assistance from outside tenant education groups to fulfill their role and best meet their own needs, as they went through the buy-out process. In 1996, when Congress discontinued the LIHPRHA program, owners of HUD-subsidized building regained their right to pre-pay mortgages, and raise rents to market rate or sell their properties on the open market.

From 1987 through 1996, when LIHPRHA and ELIHPA financing was available, residents of HUD-assisted multifamily properties had the rare opportunity to form their own non-profit association to purchase their complex. The programs favored resident participation and control, and resulted in a number of fully resident-controlled purchases, as well as other purchases by non-profit and resident partners. The sites examined in this report were all acquired under the LIHPRHA or ELIHPA programs.

Why resident participation?

Residents have a personal stake in the long-term success of the property

Advocates for resident control argue that tenants have the greatest stake in their own housing, and therefore are the best candidates for the stewardship of the nation’s publicly subsidized affordable housing stock. As consumers of HUD affordable housing, they naturally will do everything possible to manage their complexes efficiently and in a manner that will engender the highest quality of life possible on site.

Resident participation contributes to the quality of life on site

Support for resident participation in the decision-making and creation of policies that most closely affect them is in keeping with HUD’s Strategic Goals of “empowering people and communities,” as

well as “restoring public trust.” As promoted in HUD’s Management Handbook 4381.5 (12/94), “The participation and cooperation of residents is important in creating a suitable living environment and can contribute to the successful operation of these properties. For example, resident involvement can help maintain the physical condition of the property, ensure proper maintenance, improve security, contribute to improvement in energy efficiency and control operating costs.”

As delineated in the handbook, several factors favor resident participation as an ingredient for optimal performance by HUD properties:

- Residents know the property better than any outsider, and can assist owners, managers and HUD as allies in detecting and addressing maintenance and security problems on site.
- As stakeholders, residents who have a role in the governance of their own housing are most likely to actively contribute to the quality of life on site.
- Resident organizations and other community links amongst tenants will contribute to security and development of proactive social activities on site.

At properties included in this study, residents contribute to the physical well being of their property through resident-driven landscaping and maintenance activities, as well as active partnership with maintenance staff. Resident contributions to the social well being of the property include mobilization to address security issues through a formal neighborhood watch along with informal “looking out for each other.” Resident-driven social programs include academic and social activities for children and youth visits to the elderly, informal translating services provided by bilingual neighbors, and neighbor-to-neighbor tutoring on computer and job-search skills.

Empowered residents gain the skills and confidence to improve their financial situation and move on

Resident control, and the education, empowerment and leadership development associated with it, serves the ultimate goal of subsidized housing, which is to assist residents in gaining the skills and resources to move on to non-subsidized housing.

In a study comparing social conditions and outcomes at two HUD-subsidized housing complexes - similar except for differing levels of resident participation - Mushrush et al (1996) found higher levels of resident participation linked not only to a higher sense of security and satisfaction on site, but also personal growth by residents. Mushrush tells success stories of resident leaders at River Community Homes, a resident-controlled complex in Arcata, Calif. One former board president at the River Community Homes left for graduate school and joined an artists’ co-op, “because now she knew how to get things done.” Another former board president who was moving to a private residence explained that she “wouldn’t have done anything if she hadn’t had the positive role models of her neighbors and learned skills from the board experience.”

The testimonials recorded by Mushrush are typical of the stories from resident-controlled complexes included in this study. Organizers bemoan the loss of key resident leaders, as the individuals who rise to the challenge of leadership in their housing communities acquire the skills and confidence to find better jobs and move on to non-subsidized housing. Some resident leaders, like Tony Morales, now an organizer at Los Angeles’ Coalition for Economic Survival, find a career in tenant advocacy after cutting their teeth in a personal housing struggle.

Resident control of what? Defining the scope of resident participation

Sites visited for this study represent a broad range in governance structure and scope of resident

participation and control. During buy-out, most resident groups went through a process of defining their common interest in controlling their property, and negotiating with HUD or a non-profit partner based on their preferences. Residents, advocates, HUD officials, and non-profit housing developers interviewed for this study all pointed out that resident groups vary widely on how much control they want of their site, and that, above all, those preferences should be heeded in developing a governance structure.

The ultimate division of responsibilities on a given site will depend on resident capacity and interest, funding availability and administrative requirements. Any of the following roles and responsibilities may be assumed by residents in the ongoing ownership and management of HUD-subsidized properties.

Ownership

Residents who assume ownership control of their property through either a residents-controlled non-profit or cooperative corporation must have the capacity to manage their property indefinitely, whether directly or through a management agent. In addition to ensuring ongoing fulfillment of management tasks, owners must be in a position to qualify for financing in the first place, and must be able to take on the risk associated with owning a property. They must demonstrate the financial and organizational resources to gain HUD approval for the purchase, and win the trust of any investors or financial institutions participating in the purchase.

Management

In their work with resident groups in Los Angeles, Coalition for Economic Survival organizers present property management roles as follows:

- **Occupancy:** develop waiting list, maintain occupancy list, fill vacancies, bill for rent, collect rent, obtain subsidies, serve notices, evictions
- **Accounting:** Receive/deposit rent, receive/pay bills, maintain financial records, provide financial statements to the board
- **Operations:** prepare operating budget, prepare reports for board, prepare reports for HUD/ other interested entities, obtain professional services, obtain bids on large projects, obtain insurance
- **Maintenance:** inspect units, develop maintenance plan, dispatch maintenance workers, purchase and maintain tools, evaluate maintenance performance
- **Membership:** communicate with membership, distribute information, evaluate quality of member relations

During buy-out, organizers work with residents to determine how much control they want, and within the scope of resident control, which tasks and roles residents want to take on as a group, and which should be contracted out.

Traditional resident association role

Even in situations in which residents have a limited role, a residents' association typically participates in the development of house rules and undertakes social and educational programming on site. HUD guarantees certain basic rights to residents, as articulated in the pamphlet *Resident Rights and Responsibilities* (12/99). These include the right to organize, to use common space, and to receive timely response to requests and complaints made to management.

Resident preferences in level of participation and control

Amongst the resident groups interviewed for this report, the most independent are members of the Glenridge Apartments cooperative. Residents not only perform all ownership tasks, including interface with HUD, with no outside assistance, but also the board of directors is currently considering a transition to self-management for the 275-unit complex. Glenridge is a mixed-income complex whose residents include legal and finance professionals. Interviews with residents reflect a culture of independence at least amongst the leadership group, reflecting experience and political clout that they have gained in winning HUD approval as an ownership entity.

Conversely, ownership responsibilities at Fresno's Cedar Gardens pass entirely to ACLC, the non-profit partner. Residents organize a neighborhood watch and some social programming through their resident association. They enjoy a good relationship and open communications with their non-profit sponsor, with resident participation on the joint governing board operating at a token level.

2. Case studies

Sample and methods

Site selection for the interviews and observations that form the basis of this report was guided by a number of factors. The researcher worked with a team of tenant education groups and low-income housing specialists in California to identify HUD preservation properties and determine the best candidates for case study analysis.

This study strives to assess the broadest possible array of ownership and control structures within HUD's Title 2 and Title 6 preservation properties. Therefore the primary criterion for inclusion in the study was diversity, first in participatory structure, and then in geographic location, demographic population served and project size. Beyond those criteria, preference was given to resident groups served by partner groups on the project - California Coalition for Rural Housing (Sacramento), San Diego Legal Aid, Coalition for Economic Survival (Los Angeles) and Housing Rights Committee of San Francisco). Finally, in the interest of longitudinal study, projects featured in the video *Taking Control* (Center for Cooperatives, 1996) were favored in the selection process.

Because of the small size of the sample and the unique nature of each property and its residents, no attempt is made to apply a statistical analysis. Rather, findings are based on interviews with a variety of interested parties, and on-site observation of meetings and other interactions completed during the period January-April 2000.

Resident participation model: Mutual housing

Foothill Plaza I, Sacramento

98 units, project-based Section 8 subsidy
Title 6 buy-out, 1994

Ownership entity: Sacramento Mutual Housing Association (SMHA)
Additional resident board: Foothill Plaza Resident Council

Site and demographics

Foothill Plaza I is a gated apartment complex located just off a shopping strip in a Sacramento neighborhood which, beyond the busy Auburn Boulevard shopping area, is quietly residential, dominated by small single-family houses and tree-lined streets. 170 adults and 117 children occupy the 98-unit complex, composed of one- to four- bedroom units. Most are immigrant families, with a majority from the former Soviet Union. Many residents have limited English skills; Russian and Vietnamese are the two primary languages for translation.

Foothill Plaza's common space includes a community room and office that houses SMHA resident organizing staff as well as a new computer center. On-site community programs include a welfare-to-work program sponsored by SMHA to coach residents in job seeking skills, a neighborhood watch, English-as-a-second-language classes, and an after-school homework club. Physical amenities include a large playground, ample parking and landscaping. An SMHA resident organizer, Svetlana Kitanov, is on-site at least two days per week.

Ownership and financing structure

Foothill Plaza was acquired in a Title 6 purchase after an owner opt-out in 1994. Residents were approached by SMHA as purchaser, approved the sale, and participated in the planning process for site upgrades, which included converting two units to create the new community room, major rehab and landscaping improvements. Foothill Plaza is one of seven affordable housing complexes owned by SMHA, and receives a project-based Section 8 subsidy.

SMHA is a non-profit mutual housing association, devoted to providing safe, affordable multi-family housing through the acquisition and renovation of troubled properties. The mutual housing model is distinguished by the emphasis on resident participation, support to multiple properties by a team of professional staff members, and set-aside of the majority of board seats for residents of affiliated properties. A single management company is on contract with SMHA to serve all of the association's properties. SMHA membership is composed exclusively of residents of the seven affiliated properties. These residents elect SMHA board members, and occupy a majority of seats on the board.

While residents are given a strong voice in SMHA decision-making, they are also asked to contribute four to six hours per month in work, whether social, physical or administrative in nature, to maintain their properties. Residents' participation is supported by a four-member professional organizing team, funded through the mutual agency. The organizing department receives roughly one-third of its funding through operating budgets of the affiliated properties, while two-thirds is covered by short-term grant subsidies.

Resident participation

Currently one resident of Foothill Plaza serves on the SMHA Board of Directors. Others are members

of SMHA central committees. Board elections take place at SMHA's annual picnic meeting, a highly promoted event which mixes food and entertainment with the SMHA annual report, board candidate introductions and elections by residents of the seven affiliated complexes. Those who don't attend the picnic can vote at home; ballots and written information about the candidates are provided in advance.

Foothill Plaza Resident Council

The Foothill Plaza Resident Council is an internal governing group that is facilitated by the SMHA resident organizer, who also provides English/Russian translation of all written and oral content. The resident council is composed of 24 "cluster leaders," two representing each of 12 "clusters" of 8-10 units, who meet monthly. These cluster leaders take on internal decision-making and are charged with disseminating information and seeking the views of their neighbors. Currently, cluster leaders are elected by their neighbors, though some have suggested rotating the role annually. The role of meeting chair is rotated amongst cluster leaders, and each meeting chair must assemble an agenda based on information from all cluster leaders.

Tasks that fall under the purview of the Resident Association include ensuring a high level of resident participation, event planning, and committee oversight. Residents have a small discretionary budget of approximately \$150 per month, which is built into the Foothill Plaza operating budget and is contingent on residents completing their work hours and on full occupancy of the building. Spending proposals must be approved by a majority of all residents. Most recently, these funds were used for a community computer purchase.

Resident orientation, training and leadership development

Svetlana Kitanov, SMHA's staff resident organizer who serves Foothill Plaza and two other SMHA properties, has been working with residents since SMHA first initiated the buy-out process. Her English-Russian bilingual capacity is well used at the complex. She works onsite at least two days per week, and is available by phone when not physically present. Ms. Kitanov assists cluster leaders and committees, tries to ensure full resident participation in democratic elections and work-hour participation, and helps resolve problems that have not been resolved by onsite problem-solving mechanisms.

New residents

Foothill Plaza has no vacancies and a long waiting list. Vacancies are filled by lottery. To be added to the waiting list, new applicants must attend an SMHA orientation session led by a staff organizer. Those who are offered a unit must attend a full family interview with resident leaders, based on SMHA approved questions, before receiving final approval for move-in at Foothill Plaza. While HUD Section 8 guidelines preclude requiring residents to perform work hours, SMHA staff and resident leaders make a great effort to convey to new residents an appreciation for the mutual housing structure and member participation element.

Leadership development

Residents are encouraged to become cluster leaders and committee members. On-site committees include gardening, finance, community watch, newsletter, clean up, youth education and recreation, and resident selection committees. Residents may serve as a basketball coach, translator or any other activity based on individual skills and preference. Once residents have successfully served in an on-site leadership role, they are eligible to run for SMHA board membership. The SMHA resident organizer encourages promising leaders to run for an SMHA board seat. To get on the ballot, prospective board members must attend a board interview. Newly elected board members are given

a full training and orientation by SMHA staff. The board makes a conscious effort to maintain an environment where resident members feel comfortable.

Assessment: Strengths and limitations of the resident participation model

Strength: Ownership rests with a professionally staffed, resident-controlled non-profit corporation

The affordable nature and consistent high-level functioning of SMHA properties is ensured by a non-profit owner with professional staff tending to the complex administrative and financial needs of its seven member sites. Key advantages of the multi-site structure supporting the central organization are long-term organizational integrity, access to funding and budget economies based on service to multiple sites.

Residents are guaranteed ultimate control of SMHA policy-making, since they are given a majority of the seats on the board of directors, which makes decisions by majority vote. Any board decision will reflect the interest of the residents, but also represents the views of other board members, who include two local government appointees and representatives from business, financial institutions and local advocacy groups. A strong and consistent board training program, widely attended democratic elections, leadership development opportunities and a universal work-hours commitment at the site level combine to create a system that encourages informed and responsible democratic participation.

Strength: Institutionalized training and outreach services

SMHA's staff structure includes a four-person professional organizing department. Roughly one-third of funding for organizing is built into the operating budgets of member properties, with the remainder coming through grant subsidies. The mutual housing structure and permanent staff positions guarantee the continuity of training, from new-member orientation through education and support for emerging leaders, as well as assistance with special events and activities to boost participation. Organizing staff members monitor resident participation and outreach on-site, although much of the hands on planning and implementation of activities and outreach systems is completed by the residents themselves. Thanks to the economies and efficiency of serving seven sites through a central support agency, SMHA has established an environment in which resident access to orientation and training information is consistent, timely and high quality.

Strength: Mutual model precludes isolation of individual properties

A challenge faced by many tenant organizers is helping residents view housing issues in a larger context than their individual home situation. Bringing together residents of different properties is on every effective strategy, both for educating and empowering residents, who learn from each others' experiences. The logistics of hosting multiple resident groups are often daunting. Mutual housing has the advantage of providing a guaranteed forum for resident interchange across properties.

Limitation: Mutual housing is susceptible to staff take-over

Although there is no indication that this is the case at SMHA, other mutual housing organizations have experienced an imbalance in control between residents on the governing board and the staff members who report to them. Full-time professional staff members have more expertise in their field than resident board members, and they often come from a more privileged social and educational background than the constituency they serve. Vigilance is necessary to ensure that resident board members receive adequate information and support to fully embrace their governing role.

Foothill Plaza contacts

Foothill Plaza residents

- Cindy Collins, member, Property Operations Committee, SMHA
- Chris Williams, member, SMHA Board of Directors
- Resident cluster leaders, Foothill Plaza I

SMHA staff

- Svetlana Kitanov, resident organizer
- Karl Hilgert, director of community organizing
- Rachel Iskow, executive director
- Rick Watson, director of operations

Resident participation model: Limited-equity housing cooperative

Glenridge Apartments, San Francisco

275 units

Title 2 buy-out, 1993

Ownership entity: Glenridge Apartments, Limited Equity Housing Cooperative

Associated organizations: Glenridge Apartments Resident Council

San Francisco Affordable Housing and Preservation Association

Tenant education assistance: None

Site and demographics

Glenridge is located in the San Francisco's residential Glen Park neighborhood, close to a large park. It is a scattered site cooperative comprised of 275 units.

Ownership and financing structure

Glenridge was purchased in 1993 by the Glenridge Apartments Resident Council, under the Title 2 program. The limited-equity cooperative structure was chosen by a majority of residents, who contribute \$1,000 each to purchase a membership share in the cooperative. Residents who decided against joining are permitted to stay on as renters from the cooperative, though all new residents are required to become co-op members. A resident-controlled non-profit, Glenridge Apartments Resident Council held title to the property until 1997, when 51 percent of all residents were paid co-op members, and a transfer of legal ownership to the cooperative corporation was possible. As of March 2000, 80 percent of the households at Glenridge were members of the cooperative ownership cooperation.

During buy-out, Glenridge negotiated an agreement with HUD to preserve the existing income mix on site, with 50 percent of the units reserved for very low-income households, 25 percent set aside for low income and 25 percent for moderate-income households. The 75 percent of Glenridge households who are low income receive a Section 8 subsidy. The San Francisco Redevelopment Agency financed \$ 8 million worth of rehab on site at the time of acquisition.

In addition to the resident council, Glenridge residents formed a 100 percent resident controlled non-profit housing development corporation at the time of the buy-out. The San Francisco Affordable Housing and Preservation Association managed the conversion and rehab work in 1993. At the

time, a group of residents was interested in building the non-profit into a full-fledged organization and expanding preservation work to other sites. That ambition never materialized, partly due to internal differences within the group. The non-profit remains today, with a small reserve fund left for the project, and is currently working to get an agreement to create a loan fund to help finance co-op by-in for members of low-income households who are currently renters at Glenridge.

One Glenridge resident interviewed expressed extreme frustration with HUD officials, observing that HUD is supportive of management companies and doesn't like tenants. The Glenridge leadership spent three years fighting HUD opposition to a conversion to cooperative ownership, and took that fight to the national office in Washington, where they finally found support once Henry Cisneros was appointed. Washington ordered the regional office to support the conversion effort. Still, the regional HUD office reportedly delayed the process of forming the cooperative for more than a year by refusing to qualify current residents as buyers, based on a lack of assets. The regional office also denied a Glenridge operating budget line to pay consultant Kirby Sack, who assisted the group throughout the buy-out process to remain on contract as the owner's representative.

Resident participation

As a cooperative, Glenridge is owned and controlled by its members, through a democratically elected board. Resident leaders express an interest in moving toward self-management, from what one member described as a "mediocre relationship" with the current management company. One resident, former board member and lawyer Fred Butler, acted as board liaison to HUD, and then was hired to serve as owner's representative to HUD during the period from 1993 to 1997. Currently, Glenridge board members work directly with HUD asset managers.

The Glenridge board is composed of approximately 15 members, one representative for each street in the co-op. According to president Carol Burns, the board will soon be reduced in size, as the large membership has proven unwieldy. The transition between the original non-profit board and the co-op board - which occurred two years ago once 51 percent of all share purchases were complete - has been a source of conflict amongst members, who expressed some disagreement over whether seats on the new co-op board should include set-aside seats for existing non-profit board members.

Resident orientation, training and leadership development

New residents

All new residents are required to purchase a share in the cooperative. After they are screened by management, board representatives meet with new members to discuss participation requirements.

Leadership development

As one co-op member observed, "Now the real work begins, training people on how to run a business. This is difficult. Not everyone has the background and knowledge to run their own business." Glenridge provides training with outside assistance for all new board members, and requires individuals to serve on a committee before they may run for a board seat.

Assessment: Strengths and limitations of the cooperative model

Strength: Financial self-sufficiency

Beyond receiving SFRA funding for rehab and HUD Section 8 subsidies for low-income residents, Glenridge operates completely independently as an unsubsidized project. The limited-equity

cooperative structure and income restrictions ensure the long-term preservation of affordability. No private owner is deriving profit from the property, nor is an outside non-profit entity collecting administrative oversight funds from the operating budget. The 25 percent of residents who live in unsubsidized units benefit from the mortgage interest deduction on their personal taxes, just as any homeowner would.

Strength: Resident control and empowerment

Nobody is more motivated to serve the interests of a resident group than the residents themselves. At Glenridge, residents take full responsibility for oversight of the management company, interacting with HUD and developing policies for the property. Both skilled and unskilled residents have the opportunity to expand their horizons as they take on responsibility within the cooperative.

Weakness: A lack of universal participation

Twenty percent of Glenridge households still have not formally joined the cooperative. It appears that a fairly small, highly able core group has taken on leadership responsibilities over time.

Weakness: Conflict amongst leaders

Core leaders have disagreed over board composition and electoral procedures, as well as use of funds. One board president was elected and later recalled by petition of the community. An on-site manager who was also a resident was fired by the board, and filed legal complaints against the board and several individual members.

Glenridge contacts

Glenridge residents

- Fred Butler, president of the San Francisco Affordable Housing and Preservation Association, former Glenridge board member and former owner's representative to HUD.
- Carol Burns, president, Glenridge board of directors

Resident participation model: Resident-controlled non-profit

Astoria Gardens, Sylmar

136 units

Title 6 buy-out, 1996

Subsidy: Project-based Section 8

Ownership entity: Astoria Gardens Tenants Association

Resident support services: Coalition for Economic Survival

Site and demographics

Astoria Gardens is a large, gated complex in a notoriously bad section of Sylmar, in the San Fernando Valley, 20 miles northwest of downtown Los Angeles. Residents tell of the property's trans-

formation in the past five years from a crime-infested slum harboring gangs, drugs and prostitution, designated by HUD as a troubled property, to the attractive and pleasant residence it is today. Astoria Gardens residents are almost entirely Latino, and board meetings are currently held in Spanish, since that is the primary language for 10 out of 11 members.

Ownership and financing structure

Astoria Gardens is owned by a 100 percent resident-controlled non-profit organization. Resident leaders receive technical assistance, including board training, meeting assistance and HUD representation through a contract with the Coalition for Economic Survival. They worked with the same organizers during their Title 6 buy-out process, which was completed in 1996, leaving theirs as the last project nationally to benefit from HUD's generous financing arrangement under LIHPRHA. The site is subsidized through project-wide Section 8.

HUD and the Los Angeles City Council opposed purchase by the Tenants Association, arguing that as a troubled property, Astoria posed problems that would overwhelm a resident group. However, as resident organizer Tony Morales notes, "There would never be a property so run down or problematic that the tenants shouldn't purchase it. Leaders fought for the property through political channels, and finally were awarded control, along with a substantial Federal subsidy to pay for employing a security company on site. The property went through a \$1.5 million rehab process upon acquisition by the tenant association. During the buy-out period Astoria Gardens residents were assisted by the California Mutual Housing Association, whose organizers have remained with them during post-development, as direct consultants or staff with the Coalition for Economic Survival (CES) /LA Center for Affordable Tenant Housing.

Residents and their advocates remain at loggerheads with their HUD Asset Manager, Fred Matthews, over approval and payment for continuing improvements on site.

Resident participation

Board of Directors

Residents hold elections for their 11-member board every two years. In the most recent election, in Fall '99, a total of 26 candidates ran for 11 board seats, and approximately 80 percent of the resident population turned out to vote. Resident organizers from CES monitor the election process closely, ensuring that nominees have a speak-out night two weeks prior to the election, and that ballots are cast and counted in a fair and democratic fashion. Board meetings are held weekly, with agendas compiled by tenant organizers, based on viewpoints solicited from each board member.

All spoken and written communications are available in Spanish. Residents recently replaced a management company that failed to translate documents into Spanish after many requests. Residents take an active role in site maintenance and improvements as well, including a buying trip to Mexico to purchase tiles.

Resident orientation, training and leadership development

Astoria Gardens is one of four resident-controlled sites receiving direct assistance from attorney David Etezadi and organizer Tony Morales. The two provide ample hands-on and training assistance to Astoria Gardens residents, and have been working with them since before the buy-out process.

In addition to attending and assisting with weekly board meeting and monitoring the election process, the team provides a three-hour training and orientation session to all new board members, and delivers other training as necessary. For example, when board members began micro-managing their management company, Mr. Etezadi intervened with training on board and management roles. When residents became impatient with the management company for delaying repairs, tenant organizers gave training on HUD protocols, which included explanation that a six-month delay on HUD approval for a repair request was typical.

Residents receive regular training and guidance from their support team, and have been actively involved in the Los Angeles Countywide Alliance of HUD Tenants as well as the National Alliance of HUD Tenants. While they have access to training, information and policy-makers through these HUD tenant groups, they still have a sense that they are operating in isolation, as one of only five resident-controlled sites in greater Los Angeles. As attorney and consultant Mr. Etezadi said, "My fear is that I'll be gone and they'll lose touch and fade away. They'll forget about resident control."

Leadership development

Astoria Gardens residents seem genuinely thrilled about resident control, and rave about the vast physical and security improvement at their complex. While they receive ample training and guidance from their support team, tenant organizers have observed that at times residents have become overly dependent on them. They have responded by trying to reduce their roles in areas in which they feel residents could take more leadership.

While board members express themselves with confidence, individual contributions to the meeting, as observed by this writer, do not consistently reflect a good sense of the scope of the board, an understanding of the issue under discussion or the realm of acceptable and useful actions. For example, the board president firmly believes that Astoria Gardens residents will be in a position to buy out their property as a private cooperative in a number of years. Considering that residents are living in a Section 8 subsidy situation under which all assets of the complex belong to the non-profit resident association, a co-op conversion is impossible.

Assessment: Strengths and limitations of the resident participation model

Strength: Resident empowerment

Astoria Gardens residents are proud, involved, and motivated to continue their work to make their property the best it can be. They have clearly learned a lot about their own capacity in the past five years. Organizer Tony Morales estimates that 10 Astoria Gardens families have moved on to purchase their own homes since the buy-out.

Strength: High resident participation

The turnout for Astoria Gardens' recent board election is one indicator that residents are engaged and committed to fully participating in the work of running their property.

Strength: Positive relationship with tenant organizers

The affection between residents and their organizing team is easily observed. Organizer Tony Morales is a former HUD resident himself, who rose to self-sufficiency through his leadership within his own tenant group some years ago. David Etezadi is a dynamic lawyer and knowledgeable consultant. The organizers have none of the ownership responsibility a non-profit partner would

have, and so can advise residents without holding a personal stake in the outcome of resident decisions and activities. The only downside to resident trust and respect for this charismatic duo is a tendency to become dependent on them.

Limitation: Residents lack the necessary knowledge and background to properly carry out ownership of a large HUD property

While residents have embraced ownership and operation of their 136-unit complex, they are not trained professionals in the affordable housing field and have no experience working within HUD regulations. At best, they lack sophistication, and at worst they stray into corrupt activities. HUD preservation staff member Fred Matthews lists resident mistakes based on inexperience, including improper filing of non-profit incorporation documents, a rehab process that exceeded budget and took too much time, and choosing the wrong people to give them advice. Mr. Matthews sees all five resident-controlled non-profit buy-outs in Los Angeles as time-consuming “disasters” from HUD’s point of view, with Astoria posing the most trouble because it is such a large and historically problematic site.

Astoria Gardens contacts

Astoria Gardens residents

- Ten of 11 members of the resident board: Pablo Partida, president; Jose Cervacio, secretary; Jesus Diaz, treasurer; Maria Chavez, Lillian Delgadillo, Ann Lindley, Joaquin Ortega, Fernando, Perez, Lourdes Romero, Felix Ramirez

Property Management

- Roberto Sepeda, on-site manager
- Mauricio Sepeda, assistance manager

Tenant organizers

- Tony Morales, Coalition for Economic Survival/L.A. Center for Affordable Tenant Housing
- David Etezadi, lawyer, consultant to the Astoria Gardens Tenants Association

HUD

- Fred Matthews, asset manager

Resident participation model: Joint-venture pursuing transition to resident-control

Su Casa Por Cortez, Encinitas

30 units, project-based Section 8 subsidy
Title 6 buy-out, 1993

Ownership entity: Su Casa Housing Association, designed as a joint venture between residents and a partner non-profit; however the non-profit seats have been vacant for the past two years.

Additional Resident Board: Su Casa Residents Association

Resident Support Services: San Diego Legal Aid, Adopt-a Building Program

Site and demographics

Su Casa Por Cortez is a 30-unit townhouse apartment complex located in the exclusive Southern California community of Encinitas. The site is small and attractive, with ample greenery. Approximately 15 children and 40 adults live on site. A large portion of the resident population is composed of Russian immigrants, many of whom are past retirement age. While 90 percent of the resident households qualify for Section 8, skills represented amongst the immigrant families include large-scale property management, electrical engineering and architecture. All materials and meetings are translated into Russian.

Residents expressed a high level of satisfaction with their management company, Tarantino Property Management, Inc., on contract since 1998, when it replaced an unsatisfactory management firm. Board members enthusiastically credit their on-site manager with driving criminal activity from the property during the early 1990s. They have a close working relationship with management company president Wende Tarantino, who not only tends to the physical site and HUD administrative needs, but also has personally trained board members in the basics of HUD housing management.

Ownership and financing structure

Su Casa Por Cortez was acquired in a Title 6 purchase in 1993. San Diego Adopt-a-Building Program tenant advocates worked with the residents to form a resident association and select a non-profit partner for a joint partnership ownership board. As designed, the board composition balances control between three resident board members, three non-profit representatives, and one community member. However, the non-profit partner selected during the buy-out, North Coast Housing, ceased operation in December 1996. Since that time, the community and non-profit seats on the board have stood vacant.

The bylaws of Su Casa Housing Association, the formal ownership entity, provide for a transition to 100 percent resident control any time after the third year of operation, upon request of the Su Casa Resident Association. Bylaws stipulate that a request for the withdrawal of the non-profit partner must be accompanied by an assessment that the resident association is capable of owning and managing the property. Any transition would be subject to the approval of HUD and lenders to the property.

While bylaws provide for a supervised transition to resident control, in fact, the non-profit partner withdrew and residents took over full responsibility for the complex. During the past three years, residents have taken full control of the property, with the assistance of a well-respected and very supportive management company. HUD asset manager Victor Grigorian, authorized to make the HUD decision about readiness for resident control at Su Casa, requested residents to identify a new non-profit partner. Residents prefer full control of the property, and have requested permission to enact the bylaws provision to convert to 100 percent resident control.

Currently residents and HUD are at a stand off. Mr. Grigorian emphasizes HUD's support for resident involvement, but notes that "until residents can demonstrate to HUD that they are capable of full board membership without a non-profit, we want them to be involved with a non-profit. HUD has requested further documentation of resident capacity before approving a conversion; however the material required and basis for approval is subject to much confusion. In my interviews with residents, organizers and HUD, I was told at various times that the key to HUD approval was providing a list of board member qualifications and terms, documenting that Su Casa residents had received a complete training program, and that HUD approval had been withheld because residents were not meeting regularly or filing reports.

Beyond questions of resident capacity, Mr. Grigorian noted that as a 30-unit property, Su Casa's small size translates into a very low budget allocation of HUD oversight funding, which is calculated

on a per-unit basis. While a large project may be allocated an oversight fee of \$15,000 per year, Su Casa's oversight contract allocation is too small to provide a financial incentive to a non-profit partner.

Resident participation

The Su Casa Resident Association coordinates democratic elections of three residents to the Su Casa Housing Association Board. Board meetings adhere strictly to agenda, and follow Robert's Rules of Order. There are no committees on site. Board members characterize Su Casa as a very close community, where roughly 70 percent of the residents contribute in some way, and will attend a community meeting when invited.

Resident orientation, training and leadership development

Su Casa was supported by San Diego Legal Aid's Adopt-a-Building affordable housing preservation program throughout the Title 6 buy-out process. Adopt-a-Building organizers continue to monitor the unusual resident control situation at Su Casa, as a legal advocate for the tenants. HUD community builder Myrna Pascual Peña, who previously worked with Su Casa as a staff member at the Adopt-a-Building program, encourages residents to apply for a HUD training grant to contract with a resident education organization to build their internal capacity.

Currently, Su Casa has no formal board training program. Su Casa Residents Association president Joyce Roberts prefers departing board members to train their replacements. Recently, the board contracted with the San Diego Coalition of HUD Tenant (SANDCAT) to provide training support in topics related to resident control.

Assessment: Strengths and limitations of the resident participation model

Strength: A capable and reliable property manager supports residents

Wende Tarantino is "approachable, accessible and does things right," according to Myrna Pascual Peña of HUD. Likewise Su Casa residents express a high level of enthusiasm and trust in Ms. Tarantino. Tarantino Property Management handles a number of HUD properties in the San Diego area.

Strength: Resident control and empowerment

Su Casa leaders express great satisfaction with their de facto control of their property. With training and technical support provided by their property manager, board members express confidence that they are fully prepared to take formal control of the property.

Limitation: Resident dependence on a for-profit entity

A fundamental problem with an otherwise very appealing relationship is the basic, profit-motivated nature of Ms. Tarantino's property management business, as opposed to a non-profit affordable housing mission. When asked about this seeming misfit, residents expressed confidence in their abilities to protect their own interests and supervise management. They also expressed deep dissatisfaction with the performance of North Coast Housing, their original non-profit partner, and a mistrust of non-profit motives and professionalism in general.

Su Casa Por Cortez contacts

Su Casa residents

- Richard Sandf, president, Su Casa Housing Association (SUCHA)
- Joyce Roberts, president, Su Casa Resident Council and secretary, SUCHA

HUD

- Victor Grigorian, asset manager
- Myrna Pascual Peña, Community Builder (and former staff member of Legal Aid's Adopt-a-Building Program)

Property Management

- Wende Tarantino, Tarantino Property Management Company, Inc.

Tenant advocacy

- Berta Pasche, San Diego Legal Aid, Adopt-a-Building Program
- Lorena Moran, tenant coordinator, San Diego Legal Aid, Adopt-a-Building Program

Resident participation model: Joint venture with lower resident involvement than anticipated

Turnagain Arms, Fallbrook

80 units

Title 6 buy-out, 1994

Subsidy: 22 units have Section 8 contract, remainder have HUD 236 subsidy

Ownership entity: Turnagain Arms Community Housing Association

Additional resident board: Turnagain Arms Resident Association

Resident support services: Legal Aid of San Diego, Adopt-a Building Program

Site and demographics

Turnagain Arms, a massive mission-style block of 80 apartments, rises from a rural canvas of fruit stands and gas stations. Just off the highway, roughly halfway between Los Angeles and San Diego, Turnagain Arms residents fall into two primary demographic groups: approximately 70 percent are Hispanic families, while the remainder are seniors and other single people, most of whom are Anglo. Existence of these two primary demographic groups, differing in family structures, language and needs, has at times led to ethnic tensions on site.

Ownership and financing structure

Turnagain Arms was acquired in a Title 6 purchase in 1994. Of 80 units, 22 are subsidized by Section 8 contracts. The remainder are subsidized through HUD's 236 loan program. At the time of the buy-out, San Diego's Adopt-a-Building Program worked with tenants to form a resident association, and select a non-profit partner to share control through a joint board. As currently configured, two board seats are reserved for Turnagain Arms residents, and two seats are held by the partner non-profit, Community Housing of North County, and currently occupied by one Community Housing staff member and the local sheriff. One seat designated for a community representative is currently

occupied by a resident who was offered the seat by the partner non-profit after her term in a regular resident seat expired.

Turnagain Arms bylaws include a provision for conversion to full resident control starting three years after the buy-out. Resident board members express satisfaction with Community Housing and their current management company, and have taken no steps to assert control. Non-profit staff member Patti Hamic-Christiansen expressed frustration with the low level of resident interest in involvement in governance at the complex.

Resident participation

Turnagain Arms Resident Association

A resident association has been active at Turnagain Arms since 1998, and has sponsored murals on site, addressed community safety concerns, and provided programs and equipment for children. Resident Association leaders attended San Diego Foundation workshops on leadership and community building in 1999, with the support of Community Housing of North County. While the resident association has been active in promoting social programs at Turnagain Arms, interest in participating actively in the governance of the site has been low. Participation in Board elections stood at 20 percent of the resident population in 1999. Resident board members report going door-to-door to assess resident opinions when an important issue arises.

Other resident initiatives and services

An individual resident and board member, Immanuel Bisrat, works with the teens on site. Currently residents are collecting surplus money from their coin laundry machines to finance a new playground, which will complement a community mural, new basketball hoops and a tetherball set, which are already in place. A resident service coordinator, secured through AmeriCorps, is on site twice a week, and provides an after-school learning program for the older children as well as other community education programs.

Community Housing of North County has supported social programs on site, and financed the development of a small community room, the Learning Center, to house the complex's after-school program and other educational activities. The Learning Center was recently outfitted with a computer purchased by Community Housing through a HUD ITAG grant, for use by children and resident board members on site.

Resident orientation, training and leadership development

In the past, there seems to have been some confusion over whether Turnagain Arms' operating budget included a line item for board training, and other resident education. Community Housing of North County staff has "coached" new board members, but no formal training was provided. In 1999 resident association leaders received training in leadership and community building. This year, with funding from a \$30,000 HUD ITAG grant, formal training in governance issues has started, and Community Housing has contracted for outside assistance with tenant educator and attorney David Etezadi. Workshops will focus on broadening resident participation before delving into the more technical elements of resident self-management. HUD's Victor Grigorian, asset manager for Turnagain Arms, confirms that funds for individual training are included in the non-profit oversight line item.

Leadership development

Patti Hamic-Christiansen, community development director at Community Housing of North County,

reports that the non-profit organization has made a great effort to nurture resident leadership at Turnagain Arms, especially after 1998, once urgent needs for management improvements and crime deterrence were addressed. One resident board member commented that a number of residents are confused and think that since the buy-out they own their units. Resident board members appeared to lack a clear understanding of appropriate agenda items for board discussion. While Community Housing appears to be doing a fine job managing this property, all indications are that until recently, the organization has fallen short in their commitment to support resident participation and empowerment. An increase in the non-profit's support for resident training and empowerment may be linked to an internal change that moved responsibility for resident support from the organization's Asset Management department to its Community Development department, in order to resolve the natural conflict of interest that arises when an ownership entity is charged with empowering its tenants.

Assessment: Strengths and limitations of the resident participation model

Strength: Positive relations between resident leaders, Community Housing of North County and property management

Resident board members expressed high satisfaction with site improvements since the buy-out. They also are very pleased with both on-site and off-site management.

Limitation: Resident participation in governance is low

The low (20 percent) resident turnout for a board election, and lack of Resident Association connection with governance issues, raises questions about the effectiveness of community outreach on site.

Until recently, resident education, outreach and empowerment have been neglected by the non-profit partner. Residents did not receive any formal education or training from the 1994 buy-out until 1998. That deficiency is reflected in a board dynamic that is dominated by the non-profit partner, with resident members who are unclear on appropriate board agenda material. Residents lack the knowledge base necessary to participate fully in the work of the board. This year, an independent consulting team was hired to present a series of workshops and support strategies to boost participation.

Turnagain Arms contacts

Turnagain Arms residents

- Leticia Espinoza, board president
- Immanuel Bisrat, board member

Community Housing of North County staff

- Shelley Skirven, asset manager
- Susan Keatley, assistant asset manager, and resident of Turnagain Arms
- Patti Hamic-Christiansen, community development director

Property management

- Gail Scott, president, Cuatro Properties, Inc.
- Rigo, on-site property manager

HUD

- Victor Grigorian, asset manager
- Myrna Pascual Peña, Community Builder (and former staff member of Legal Aid's Adopt-a-Building Program)

Tenant advocacy

- Berta Pasche, San Diego Legal Aid, Adopt-a-Building Program

Resident participation model: Joint venture, limited resident role

Cedar Gardens, Fresno

146 units, project-wide HUD capital grant subsidy
Title 6 buy-out, 1995

Ownership entity: Cedar Gardens Associates, joint venture ACLC and residents

Additional resident board: Cedar Gardens Tenants Association

Tenant education assistance: California Coalition for Rural Housing (during buy-out only)

Site and demographics

Cedar Gardens is a gated apartment complex adjacent to a shopping complex in Fresno, Calif. Families in the property's one, two and three-bedroom units are a diverse mix, and include immigrants from North Africa, Southeast Asia and Latin America.

At the time ACLC acquired the property in 1995, it was a rough-looking site with security and maintenance problems, described by one visitor as a sparsely landscaped "barracks." ACLC worked closely with residents to plan and carry out repairs and upgrades, including installation of security gates, wrought iron fencing and metal screen doors. One three-bedroom unit was converted to a community room, which now houses the tenant association, computer center and after-school program.

Ownership and financing structure

Cedar Gardens was acquired in a Title 6 purchase after an owner opt-out in 1995, under a joint venture arrangement between residents and ACLC. Rents are subsidized through a HUD capital grant which was selected as more stable subsidy option than Section 8, though it resulted in higher initial rents than the Section 8 alternative. The California Coalition for Rural Housing (CCRH) provided tenant education during the buy-out process, and assisted residents in choosing ACLC as non-profit partner in a joint venture purchase of their property. Lawyer and tenant advocate David Kirkpatrick assisted with formation of Cedar Gardens Associates, the new non-profit owner; he also provided training for the initial board of directors, and assisted in negotiations with ACLC.

ACLC is a non-profit housing development organization, incorporated in 1983. Fifty percent of the seats on ACLC's board of directors are reserved for low-income families or those who serve them. Until Cedar Gardens, their only experience was with new construction, including self-help housing. Cedar Gardens residents selected ACLC based on their proposed plan for improvements and long-term affordability on site. Now, five years after buy-out, and three years after completion of major rehab, residents and non-profit staff members alike express enthusiastic support for their mutual relationship as well as the significant physical improvements on site. ACLC provides Cedar Gardens with a resident service coordinator, who runs the computer center and supports the resident association.

Resident participation

Within ACLC

One Cedar Gardens resident, who is also past president of Cedar Gardens Associates, serves on the ACLC Board of Directors. As ACLC staff member Robert Muñoz observes, ACLC is a “hands-on owner” that likes to work with residents. Robert is on-site at Cedar Gardens at least once a month, and knows the residents. ACLC inspects individual units four times per year.

Cedar Gardens Associates

The formal owner of Cedar Gardens is a joint venture non-profit organization, Cedar Gardens Associates, whose board is composed of three residents and four ACLC board members. Cedar Gardens Associates meets twice annually to review ACLC-prepared budgets and plans for the complex. During the buy-out negotiation process, ACLC made clear its interest in holding majority control of the joint venture body, and limiting formal resident control of the property. While outside organizers were concerned about this approach, residents and ACLC staff members expressed nothing but satisfaction with the relationship.

Cedar Gardens Tenants Association

The tenant association plans social activities, runs a neighborhood watch, and gives suggestions to ACLC. Since completion of rehab and security measures on the property, participation in the tenants association has been low. As resident Buster Rappe explains, “When we first started this thing, everyone was interested. Then, everything got done. We got a good place to live.”

Resident orientation, training and leadership development

Once transfer of ownership to the ACLC partnership occurred, outside resident organizers who had done significant work at the site felt that their presence was no longer appropriate. ACLC has offered some training in the past, including open workshops on bylaws, board roles and responsibilities, and how to run a residents’ association. ACLC provides translation of key information into the numerous languages represented at the complex. Recently, however, residents have not been offered formal leadership development and training opportunities. They are likewise given little responsibility for management and decision-making at the complex, although ACLC staff members remain accessible and responsive to residents’ suggestions.

Assessment: Strengths and limitations of the resident participation model

Strength: Control rests with a highly successful and well-liked, professionally staffed non-profit corporation

Cedar Gardens residents express the highest level of satisfaction with ACLC and the management company assigned to their site. ACLC was able to complete extensive rehab of the property, partly because the organization’s personnel had the experience and knowledge to convince HUD to fully cover the proposed rehab costs, although that request had initially been denied. ACLC’s commitment to reserving 50 percent of their board seats for affordable housing residents or those who serve them suggests a legitimate community-base to the organization.

Limitation: The Cedar Gardens joint partnership is virtually controlled by the non-profit partner

Cedar Gardens Associates, formal owner of Cedar Gardens, meets only twice per year, for what appears to be a budget and operations report by ACLC staff to the resident members of that board.

While communications on site appear to be open and positive, residents do not take an active role in the ownership of the property, as they had negotiated to do during the buy-out process.

Limitation: There is no role for neutral tenant education on site.

Cedar Gardens residents have not received training or support from an organization devoted to resident participation and empowerment since buy-out of the property was completed in 1995. Since no ongoing relationship was established with outside assistance providers at that time, it is now up to residents, who may not know to ask, or ACLC staff members, who have little incentive to ask, to bring in outside educators to ensure that residents have the basic information and training they need to participate meaningfully in the governance of their housing.

Cedar Gardens contacts

Cedar Gardens resident

- Buster Rappe, member ACLC Board of Directors

ACLC staff

- Robert Muñoz

Tenant organizer

- Rob Wiener, executive director, California Coalition for Rural Housing

3. Key players, key issues

- Residents
- HUD
- Non-profit housing developer or other ownership entity
- Management company
- Tenant assistance groups: educators, organizers and advocates

Residents

Residents of HUD-subsidized housing first require a decent, safe and affordable place to live. Residents of the six properties profiled in this report unanimously express a high level of satisfaction with their living situation, regardless of ownership structure. Each property went through a major physical rehab process in the mid-1990s, thanks to funding available at buy-out through LIHPRHA or ELIHPA. Serious crime and security issues were resolved at four of the six properties through a combination of physical and programmatic interventions.

Participation

Beyond sheer funding, the organizing and participation element required by LIHPRHA and ELIHPA served residents well. Simply knowing one's neighbors is an important step in addressing the fear and isolation that often accompany a lack of financial resources and living options. Key areas in which resident groups influence include ensuring community security, and organizing social and educational programming for children and adults.

Control linked with education

Residents place high value on access to information on physical and financial plans for their home, and having a voice in the activities that will directly affect them. In a buy-out process, outside educational assistance is crucial for residents to be able to contribute meaningfully. The higher the expectations for ongoing democratic control by the residents, the more essential the role of education and information sharing.

Empowerment

As low-income people gain control of their living situation, acquire new knowledge and skills, and get to know their neighbors, opportunities for self-reliance increase. On the property, empowerment is reflected in independent resident initiatives to improve the quality of life. Activities range from making landscaping and other physical improvements on site, to developing new social and educational programs, to firing an unsatisfactory management company. On the individual level, new knowledge, experience and confidence may help residents make the leap to new employment or a non-subsidized home. Beyond individual empowerment, as a group, residents have the opportunity to organize to influence national housing policy, through a number of channels including the National Association of HUD Tenants.

HUD

While HUD endorses resident empowerment at the policy level, regional HUD asset managers who were interviewed expressed a strong preference for working with experienced owners and management companies. HUD representatives want to be assured of the long-term stability, capacity and integrity of the owners, developers and managers of publicly subsidized housing. Due to the complexity of regulations governing HUD-assisted housing, HUD exerts a strong preference for working with established HUD partners.

While HUD preference for established partners is understandable from the point of view of efficiency and staff convenience, such preference favors known multi-property owners and managers over newcomers to the field. Outsiders perceive a strong anti-resident bias at HUD. While LIHPRHA and ELIHPA specifically encouraged resident ownership and control on the policy level, each resident-controlled site profiled here (Glenridge, Astoria Gardens, Su Casa) experienced intense opposition from HUD regional office staff members. Glenridge and Astoria Gardens both won resident control through protracted political battle. Su Casa residents are still caught in a tangle of requirements, though they have been operating independently for the past two years.

Non-profit housing developer or other external ownership entity

Three of the six projects profiled here (Foothill Plaza, Cedar Gardens, Turnagain Arms) include a role for a non-profit sponsor. Two of these agencies include a majority of residents on their governing boards (ACLC and Sacramento Mutual Housing Association). HUD's oversight contract with a non-profit owner or partner is a critical factor in making participation attractive. In very small sites, such as Su Casa, at 30 units, the oversight line item may be too small to cover administrative costs.

HUD personnel and representatives of financial institutions who share a stake in the long-term stability of a given subsidized housing complex prefer a professional agency to hold ultimate ownership and control of the site. One HUD asset manager, Fred Matthews, believes that 51 percent of the seats on a joint board should belong to a professional housing organization. HUD community builder, Myrna Peña Pascual believes that while 100 percent resident control is possible with ongoing training, a non-profit sponsor guarantees fiscal and organizational integrity. For success in obtaining financing or managing tax credit investments, California Housing Partnership's Janet Falk points out that institutions are seeking an owner with a professional track record.

Sponsoring or partner agencies enter into a range of successful agreements for resident control. The key factors in building a sound working partnership appears to be clear and open communications, coupled with an ongoing commitment to resident education. While some resident groups express a burning desire for full control of their property and are motivated to invest the significant effort required to achieve that, other groups, particularly seniors and disabled residents, prefers site-related responsibilities to be handled by an external agency.

For instance, at Cedar Gardens, residents have a voice in governance at the site, but non-profit sponsor ACLC holds ultimate control. This arrangement is clear to all involved; ACLC manages the site efficiently, and residents gladly turn their attention to other matters. Conflicts between residents and their non-profit sponsor generally arise when the partner agency does not honestly communicate the limits of resident control at the outset, and then is perceived as infringing on resident independence. When residents do not receive ongoing education, they may "forget" that their control has limitations, even if a clear agreement was established earlier.

Management company

HUD gives explicit guidelines to management companies on how to interact with residents, how to share information, and how to handle complaints. HUD community builder, Myrna Pascual Peña suggests that management companies should require more training to comply with HUD directives. Four of the six sites profiled here (Glenridge, Astoria Gardens, Su Casa, Turnagain Arms) have replaced their management company during the past four years for non-responsiveness or poor use of funds.

Resident-management relations require a delicate balance in resident-controlled sites; management has the professional background and experience to provide authoritative advice on key issues and

residents often have no other source of information. The result is dependency in which residents may lack the capacity to properly supervise their management companies or monitor management spending to ensure proper use of their funds. Alternately, residents may micro-manage or express unrealistic expectations for their management company, for lack of understanding of their contractual relationship with management

Management company representatives interviewed for this report uniformly expressed satisfaction with their work, and reported that they did not consider resident control a problem.

Tenant assistance groups: educators, organizers and advocates

Four independent tenant assistance groups participated as partners in this study:

- California Coalition for Rural Housing, Sacramento
- San Diego Legal Aid - Adopt-a-Building Project
- San Francisco Housing Rights Coalition
- Coalition for Economic Survival, Los Angeles

The primary role of these tenant organizing groups occurs during the buy-out process, generally starting when an owner gives HUD notice of a decision to opt out or pre-pay a HUD subsidized mortgage. At that point, HUD regulations mandate a resident participation process. HUD technical assistance grants and other funding sources are available to support non-profit assistance groups devoted to tenant advocacy to participate in that process. In a typical buy-out, such as the one that occurred at Cedar Gardens, an outside educator - in this case California Coalition for Rural Housing - assists the residents as they select a non-profit partner and negotiate for site improvements to be included in the rehab process. The negotiating process extends to the development of an MOU, which spells out the terms of site control and resident participation.

Due to the complex and time-sensitive demands of the buy-out process, ample tenant assistance is given until the ownership transition is complete. After that, however, as in the case of Cedar Gardens, the neutral tenant education group no longer has a formal role on site, and may be perceived as over-stepping their bounds if they continue in their advocacy role. Therefore, the tenant education group leaves the site, and does not return. This was the pattern at both non-profit dominated buy-outs and resident buy-outs, including Glenridge, and Cedar Gardens. Turnagain Arms and Su Casa residents continue to have a relationship with San Diego Legal Aid as tenant advocates, but do not receive educational programming from them. Astoria Gardens stands alone in its link to ongoing assistance from an outside advocacy agency.

Foothill Plaza I, as a member of Sacramento Mutual Housing Association (SMHA), followed a different resident education trajectory. SMHA staff members provided both buy-out organizing and education and ongoing support; no outside assistance organization was involved at any time. The SMHA is unique as a hybrid organization that combines the professional staffing and capacity of a typical non-profit housing developer, with high-level control by residents of the member buildings. While the mutual housing model may be susceptible to staff take-over based on either a lack of interest or capacity by resident members of the board, this does not appear to be the case in Sacramento. The organization appears highly responsive and dedicated to resident participation.

4. Conclusions and recommendations

The project profiles included here must be considered in light of the ultimate goals of affordable housing preservation. A successful preservation effort ensures long-term affordability on site, while supporting the highest possible quality of life for residents. Quality of life starts with decent, safe housing, and can expand to include truly positive experiences in community, and access to training and educational resources which may give individual residents the boost they need to move on to unsubsidized housing. Resident participation and control must be evaluated based on its contribution to the goals of long-term affordability and quality of life on site.

Three central findings and associated recommendations, based on an analysis of sites with a variety of forms of resident-control, emerge:

1. Preserve a system of checks and balances.
2. Institutionalize resident training and outreach.
3. Work with HUD to recognize resident groups as legitimate partners.

Finding 1: Benefits and challenges of resident participation in HUD-subsidized housing

The benefits of residents' control and participation are recognized by HUD, non-profit affordable housing developers, resident advocacy groups, and the residents themselves. The diverse interests committed to the preservation of affordable housing recognize resident participation as a way to:

- Improve the overall management of the property
- Protect residents' interests
- Create community and a social support system on site
- Empower residents as a group and individually
- Give residents the opportunity to build skills based on their participation.

However, as illustrated in the preceding case studies, challenges and limits to resident participation are also apparent: Ownership and governance of HUD-subsidized housing is a complex task, which requires a level of competence and sophistication beyond what would be required of home owners in a traditional unsubsidized context. Challenges to resident control include:

- Complying with HUD regulations
- Operating in a multi-lingual, multi-cultural environment
- The need for capacity building for low-skilled groups.

Recommendation: Preserve a system of checks and balances

Due to the complexity of managing HUD-subsidized housing, and the long-term, public mission of preserving affordability, residents should not be given full control of their site with no external support or training. Whether formal ownership is with a 100 percent resident-controlled organization or in partnership with a non-profit housing organization, safeguards should be in place to protect both the housing stock and those who live in it.

Maintain the benefits of resident participation and control while instituting a system of checks and balances through an annual social audit

Institute an annual "social audit" process for resident groups, non-profit owners and their management companies, by an outside expert. The audit should be geared to identify shortcomings in

information-sharing, democratic participation and training. Ideally, the audit would be performed by a tenant education group, which would not only identify trouble areas, but also suggest the means to resolve them. This audit would complement the annual physical inspection of the property and regular financial audits. Should auditors identify a situation of corruption within a governing board, those involved should be mandated to correct the situation or face HUD intervention.

A model for such a system can be found within the Canadian Cooperative movement (Fairbairn et al, 1991), in which a sample social audit process includes assessment of the following elements:

- Decision-making approach and structure
- Service performance
- Use of human resources
- Community involvement
- Economic performance.

Mandate oversight of board elections

Where residents enjoy democratic participation on a governing board, bylaws should stipulate that a neutral third party must observe and certify elections. This task might be folded into the annual social audit process delineated above.

Finding 2: The need for ongoing resident organizing and education

The conversion to resident control is invariably accompanied by ample assistance from outside experts, thanks to the availability of HUD and other funding, and the sheer complexity of the situation. Too often, once the transition is complete, interest and funding for continued assistance dwindles. The consultant moves on, and residents are left to their own devices, as they negotiate the tasks involved in jointly owning and operating a HUD-subsidized complex. Some groups maintain membership in advocacy groups, such as the National Association of HUD Tenants, but many drift toward complete isolation from other housing sites or assistance groups who share their interests. An ongoing relationship with outside assistance providers was identified by many interviewed in this report as a key need for HUD residents.

Resident training funds are included in HUD oversight fees paid to non-profit owners or partners in Title 2 and 6 housing. However, at several sites visited, including Turnagain Arms and Cedar Gardens, residents had not received regular training through their non-profit owner. At 100 percent resident-controlled complexes, like San Francisco's Glenridge and Los Angeles' Mission Plaza, resident groups maintain no ongoing relationship with an outside assistance provider. New member orientation and board education are two important areas that may be completely overlooked. At Su Casa, where residents are striving to convert to 100 percent control, new board members receive only informal training from departing board members.

For resident-controlled buildings, isolation can lead to serious problems, including corruption on the part of the management company or the resident group. Management may "take over" a site, for lack of resident capacity or interest. Likewise, a non-profit partner may take responsibility for tasks and decisions that were originally the domain of residents. In extreme cases, such as Los Angeles' Mission Plaza, HUD staff steps in to address problems on site.

Sites that do include an ongoing resident education component include Foothill Plaza, which receives support through its central mutual organization. Astoria Gardens has a long-term contract with organizers from the Coalition for Economic Survival, of which they are a member organization. Residents of Su Casa receive education from a benevolent management company. While the situa-

tion seems to be working quite well at the moment, a structure of dependency by residents on a profit-driven enterprise, however good its credentials, is inherently flawed.

Recommendation: Institutionalize resident training and outreach

Structured orientation program for all new residents

New residents should be informed of resident-control elements at the time they move on site, and advised of their options to participate. New member orientation is a key to ensuring that over time residents won't "forget" their part in controlling their property, as those who were present during buy-out gradually move off site and new residents arrive. Failure to convey information to new residents could result in apathy and negligence toward responsibilities on site; it could also cause residents to misunderstand their role, and operate, for instance, under the common assumption that ownership by a resident-controlled non-profit is equivalent to private ownership of individual units.

Training for all new board members

New board members should not be allowed to assume responsibilities until they have attended a training session, preferably through a central training organization which provides orientation and training to new board members from a number of buildings at once. This system is currently in place at Sacramento Mutual Housing Association, as well as the Anti-displacement Project in Massachusetts. The training requirement should appear as a bylaws stipulation.

Organize and fund opportunities for residents to meet, learn and strategize with their peers from other HUD-subsidized complexes

While the Association of HUD Tenants exists both within California and at the national level, many complexes remain unaffiliated, with residents unaware of the education and self-advocacy opportunities that could be accessed through larger scale organizing. During the years 1992-1996, representatives of many resident-participation complexes attended the Co-op Housing Institute, a full-week training program in a Sierra camp setting, organized by the now-defunct Southern California Mutual Housing Association. Exchanges and training sessions on the regional level would provide broader insights to residents who are normally aware only of conditions at their own complexes, and thereby provide a richer and more efficient vehicle for training than a similar curriculum presented to an individual site.

Develop sustainable funding for assistance to resident-controlled properties

Currently, operating budgets include an oversight line item that provides funds for resident education. However, not all non-profit sponsors follow-through on their obligation to resident education. At small properties, HUD fees may not be sufficient to cover costs of a formal education program.

To ensure the stable operation of resident-controlled properties in the long-term, an ongoing relationship with outside assistance and training providers is crucial. Funding for resident support activities may come through operating budgets or outside grants to either resident groups or non-profit assistance providers. Institutionalized assistance should include the annual social audit process and new board member training, as described above, at a minimum.

Finding 3: HUD is inconsistent in its recognition of resident groups as legitimate partners

HUD's LIHPRHA and ELIHPA programs allowed and encouraged resident groups to take control of their own housing. However, in practice, residents were not only discouraged, but also opposed by

field office personnel. Ongoing relationships with resident-controlled properties are inconsistent, depending on the asset manager involved. For instance, residents at Mission Plaza, a large resident-controlled complex in Los Angeles, were never required by HUD to receive training of any sort, while residents of the 30-unit Su Casa property have submitted evidence of a full program of training, and still aren't considered "trained" by their HUD asset manager.

HUD's recent 2020 Management Reform Plan, which articulates the strategic goal of "restoring public trust," expresses keen internal awareness that all is not well between HUD and the millions of Americans it serves with affordable housing and economic development. HUD employees at every level express the lag between policy and practice in recognizing tenants as legitimate, useful partners who can facilitate smooth operations of HUD properties and also gain the skills and independence to move on to a non-subsidized situation with HUD support. Insiders acknowledge that the bureaucracy will be slow to change; entrenched personnel and arcane regulations preclude an easy transition to direct resident involvement.

HUD's new Community Builder program, initiated in 1998, places HUD outsiders with strong connections in their local communities on the inside, creating a community advocate position within the HUD field office. Lawyer and resident advocate Myrna Pascual Peña is now a community builder at HUD's Southern California field office. Her services are currently being used in the negotiating process between the Su Casa residents seeking HUD permission to shift to resident control and the HUD Asset Manager who holds authority to grant that request.

In a 1999 assessment by Ernst and Young, LLP, HUD Community Builders were found to be "responsive, resourceful and effective community partners" whose work supports HUD's six strategic objectives, particularly the objectives of restoring public trust and empowering communities. While the community builder position is a concrete step by HUD toward building a working relationship with the communities it serves, several interviewees for this report, both inside and outside HUD, observed that the community builder role has not yet achieved a broad impact. Still, this new program reflects an organizational shift at HUD, and provides a means to advocate for resident needs internally. Recommendation: Work with HUD to recognize resident groups as legitimate partners

Enlist the support of HUD community builders

HUD Community Builders should initiate training and broker relationships between HUD asset managers, building owners, property managers and tenants with the goal of creating a working relationship that reflects HUD's policy of working with tenants as partners in the provision of quality affordable housing.

Support a consistent approach among HUD asset managers

Special attention should go to educating HUD asset managers on their obligations to resident-controlled groups. The current situation of inconsistency between HUD policy allowing tenants to be owners, and the common field office reality that asset managers actively oppose residents who take on ownership, is untenable. A formal program to bring consistency to the work of the asset manager would be a great service. Community builders could play a key role in making such a program a reality.

5. Best Practices to Promote Resident Participation and Empowerment

In this research, models that provide for resident participation under non-profit ownership, with institutionalized professional support by non-profit tenant education and advocacy groups, emerge as the ideal way to ensure long-term affordability. Beyond preservation of affordable units, successful models promote the highest possible quality of life on site, while giving residents every opportunity to take control and contribute in a meaningful way to life at their complex. Regardless of ownership structure or the extent of resident control, resident organizations require organizing assistance and financial resources to form and succeed as participatory vehicles.

The organizations and approaches featured in this section on best practices represent proven models to maximize resident participation and empowerment, while promoting long-term stability and sustainability. Critical issues which emerge when considering resident participation include: defining the scope of resident control; establishing long-term training and organizational support; building democratic participation in a multi-lingual, multi-cultural environment; and assuring HUD tenants a voice in affordable housing policy. The following initiatives address those issues from the perspective of non-profit owners and advocates, local government, and the residents themselves.

Best Practice

- Capture efficiencies and support residents through a multi-site approach

Sacramento Mutual Housing Association, Sacramento, CA ***Non-profit, mutual ownership model***

As detailed in the Foothill Plaza I profile in this report, Sacramento Mutual Housing Association (SMHA) provides centralized, non-profit ownership and administration for seven, soon to be eight, affiliated affordable housing complexes. Residents elect all SMHA board members (except for two seats appointed by the city council and county board of supervisors), hold the majority on the SMHA governing board, and actively participate in committees. The central organization employs a four-member, multi-ethnic and multi-lingual resident organizing team, as well as housing development and administrative professionals. Costs of the central organization are covered by a combination of operating budgets of existing properties, grants, and developer fees on new properties. SMHA contracts with a single management company to serve all member properties.

Residents of each housing complex manage internal affairs through a Resident Council, and receive training, guidance and trouble-shooting assistance from SMHA's resident organizing staff. On-site committees take responsibility for gardening, finance, and a wide range of social and resident support activities. Participation is high, with 68% of SMHA's resident-members voting in the most recent board election. Staff member organizers, who ensure that both spoken and written information is translated, address linguistic and cultural barriers to democratic participation. On-site support services include English-as-a-Second-Language classes, a homework club for youth, computer access, and job search assistance.

SMHA's highly successful model of resident involvement may in part reflect a lack of dependence on HUD. Of SMHA's seven properties, only Foothill Plaza I, profiled in this report, is HUD-subsidized. Its participatory structure differs slightly from other member complexes because of HUD regulations, which disallow participation requirements and membership fees. While residents of other SMHA complexes invest a \$20-\$40 monthly membership fee, refundable with interest for all residents who participate in their communities four to six hours per month, Foothill I residents pay no membership fee, and receive optional participation contracts, which the vast majority sign. Executive Director Rachel Iskow reports that SMHA's high level of organizer involvement has been

made possible by grant funding and new project developer fees; requests to HUD for organizer funding in addition to SMHA's Asset Management Fee for Foothill Plaza I have been denied, except during a period when organizer funds were allowed as part of a Neighborhood Networks program. As a result of HUD's reluctance to support organizer involvement, funding for Foothill Plaza I's organizer is not institutionalized in its operating budget, but remains grant dependent.

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Anti-Displacement Project, Springfield, MA
Mutual assistance to resident-owner groups, to support community organizing amongst low-income people

The Anti-Displacement Project (A-DP) takes an innovative approach to community organizing, combining features of traditional tenant organizing with features of the institutional based model pioneered by the Industrial Areas Foundation. The A-DP's method is to build new institutions controlled by low-income people, and then link these institutions together into a broad based multi-issue organization that can wield regional power. Following the principle that strong community organizations are built on strong institutions, Affiliated tenant associations seek to win control of the complexes they live in, to gain institutional stability and financial independence.

Four A-DP member groups have successfully purchased their properties, creating 1,100 units of resident controlled permanently affordable housing and the collective ownership of \$32 million worth of real estate. They have used a variety of financing mechanisms including LIHPRHA, Low Income Housing Tax Credits, HOME funds, and State Bond funds. A-DP member groups have followed a number of different structuring models, ranging from straight non-profit tenant buyouts to forming a subsidiary for-profit corporation to partner with a for-profit developer, with the stipulation that the developer is removed from the partnership when the guarantees are no longer necessary. AD-P is currently organizing tenant associations at two additional properties where residents are mobilizing to purchase, preserve and rehab more than 300 units.

A-DP embraces many of the shared support strategies and associated economies of the Sacramento Mutual Housing model, while leaving ownership to the individual resident associations at each complex. Member properties pay between \$12,000 and \$20,000 in annual dues to cover A-DP's technical support services and to participate in regional issue campaigns. A-DP organizers work closely with residents and board members, nurturing leadership, and providing training. The relationship is formalized in resident association bylaws, which stipulate that all new board members must attend an A-DP "new owners' training" covering board roles and responsibilities, before their term begins.

As Executive Director Caroline Murray explains, since A-DP is not in an ownership position, the relationship with tenant associations is a straightforward membership relationship, with none of the conflicts or lack of accountability which arise when a support agency is also landlord. In keeping with this approach, A-DP will not take a partnership position in a tax credit buy-out and questions the ability of any ownership entity, non-profit or for-profit to empower their residents. While bylaws provisions encourage resident associations to maintain their membership in the long-term, residents have the choice to discontinue their association with A-DP if they are dissatisfied with the services they receive. Member tenant associations also have ample opportunity to address their concerns directly at the board level, where members hold the majority.

Starting with control of housing-based wealth, A-DP member groups join together to address larger social issues affecting their lives and neighborhoods. Recent achievements include signing an agreement with the Building Trades to create apprentice and journeyman positions for 60 A-DP members; negotiating a partnership with the University of Massachusetts to create outreach and mentoring for A-DP families, most of whom have never considered going to a four-year college; and negotiating a rate reduction from the local utility company. The A-DP Jobs Strategy Team is now preparing to start up a new worker-owned landscaping company, which will service the resident-owned properties as well as the general population, as a means of both job creation and economic self-determination.

The Anti-Displacement Project has succeeded, possibly better than any other organization nationally, at putting control in the hands of the residents, yet supporting resident associations with a complete program of training, community organizing, and professional support services. Under the A-DP model, creating ownership opportunity is only a stepping stone to building leadership and a platform for community organizing amongst some of the poorest residents in their region. Emerging leaders from diverse backgrounds discover common ground and create lasting relationships with each other as they work together to address the economic and social barriers which affect them all.

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Best Practice

- Institutionalize resident dialog with HUD and public policy decision-makers
- Promote cross-building training and information-sharing

HUD tenants, as well as the resident education and advocacy groups that support them, emphasize the importance of organizing across buildings. Expanding the arena from a single, isolated complex provides residents the opportunity to meet and learn from each other, get training and gain perspective, join forces to effect public policy changes to preserve affordability, and improve the living conditions at HUD-subsidized properties. Resident groups which control their properties have a critical need for access to information and a larger network, in order to develop the resources to make good long-term decisions for their properties.

The Los Angeles Countywide Alliance of HUD Tenants (LA-CAHT) was one of the first area-wide organizations for HUD tenants, founded as a project of the Coalition for Economic Survival in the late 1980s. The alliance allows tenants to share experiences, develop strategies and pursue legislative initiatives to preserve affordable housing. Alliance members address problem issues regularly with regional HUD officials, including Cameron Eldredge, acting director of the L.A. HUD Multi-family hub office.

Los Angeles Countywide Alliance of HUD Tenants

Now boasting a membership of more than 50 resident associations representing HUD subsidized buildings, LA-CAHT has worked on successful campaigns to secure Los Angeles City funds for resident outreach and training grants, ensure pre-payment buildings come under the Los Angeles rent control ordinance, and revise HUD regulations governing tenants' right to organize. Funding to cover staff member and program expenses for LA-CAHT has been provided by tenant education grants, first through the City of Los Angeles preservation program, and later through HUD's Outreach and Training (OTAG) Grant program. LA-CAHT served as a model for both statewide and national alliances of HUD tenants, where Los Angeles tenant groups join other resident associations for mutual support,

education and political action.

LA-CAHT member Ruth Olay attributes the high level of resident participation to LA-CAHT's focus on responding to concrete problems, its access to top regional HUD officials, and strong record of successful action to meet tenant needs. She provided information for this report following her return from the National Alliance of HUD Tenants' annual conference in Washington, D.C., where she attended training workshops and joined fellow HUD tenants in high-level political meetings on Capitol Hill. Ms. Olay emphasizes the positive contribution of organizing staff of the Coalition for Economic Survival (CES) and Los Angeles Center for Affordable Tenant Housing (LACATH). LACATH, a nonprofit organization where HUD tenants hold the majority of Board seats, is the recipient of OTAG funds and is overseen by CES.

San Diego Countywide Alliance of Tenants

Following the model developed in Los Angeles County, the San Diego Countywide Alliance of Tenants (SanDCAT) formed in 1993 as a coalition of tenants associations in HUD assisted and public housing. SanDCAT shares the goals and basic operating format of LA-CAHT including regular meetings with regional director Cameron Eldredge. However, SanDCAT is not linked with an existing advocacy group, has received no grant funding, and has only a limited relationship with advocacy staff, through San Diego Legal Aid's Adopt-a-Building Program. Members report that participation is lower than expected, observing that resident associations typically request SanDCAT help in times of crisis, but don't maintain an ongoing membership and interest in the organization. SanDCAT leadership is working to address the issue of low participation, which reflects the challenge of organizing between properties, where lack of access to transportation and the diversity of language and cultural groups inhabiting publicly-subsidized housing encourage isolation between properties.

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- Ruth Olay, member and resident of Neilson Villa Apartments

San Diego Countywide Alliance of Tenants
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- Juanita Cole, president; Curtis Morgan, past president

Best Practice

- Support resident organizing and participation through local preservation programs

Resident participation becomes a key factor once an owner gives notice of an expiring contract or intent to opt-out or pre-pay. Typically, residents require education and guidance to understand their options and organize as a resident association capable of entering negotiations. A resident association may influence the choice of new owner (including the transfer of ownership to a resident-controlled entity) and scope of repairs and upgrades to be implemented after transfer of the property. LIHPRAH and ELIHPA gave organized resident groups the power to select a new owner and negotiate the scope of resident participation after transfer of title. Currently, HUD regulations do not mandate any resident participation during a transfer of ownership, and so local government activities and regulations become more important in protecting tenant interests during a buy-out.

The California Housing Partnership Corporation recommends that local government take the following

measures to track and preserve at-risk housing:

A. Staff Activities: Analyze inventory; establish communications with HUD office; contact owners regarding Section 8 Renewal plans or mortgage prepayments; assist in tenant education; identify potential buyers and potential acquisition funds; establish a preservation coordinator

B. Regulatory actions: Require owners who want to opt-out or pre-pay to provide notice; require a right of first refusal from owners who sell assisted projects; require owners to provide moving assistance for tenants; prohibit discrimination against voucher holders

C. Financial assistance: Provide funding for preservation purchases; require restrictions in return for financial assistance

San Francisco Redevelopment Agency, Housing Preservation Program

In a city notorious for its housing costs, the San Francisco Redevelopment Agency (SFRA) is pursuing what Housing Program Manager Olson Lee calls “an aggressive program for preservation.” City staff members estimate that of 88 project-based Section 8 properties, half (3,500 units total) are held by for-profit owners, and therefore at risk. Based on the notion that preserving affordable units today is more efficient than rebuilding them in the future, the City provides both staff and funding to support tenants and discourage owners from converting their HUD-subsidized buildings to market rate.

The SFRA Housing Preservation Program relies on public/private collaboration and an inclusive process that encourages banks, tenant advocates, and non-profit housing agencies participate. The program is delivered through three components: education and outreach to tenants, regulatory and legislative activity, and direct contact with owners to facilitate a transfer of property that will result in long-term affordability.

San Francisco requires owners of HUD-subsidized housing to give 18-months’ notice of intent to sell, a substantially longer period than the federal or state requirement for notice. SFRA outreach staff provide education and assistance at every property that receives notice, to help residents understand the implications of receiving notice, and their options for responding. SFRA offers democratically controlled resident groups Capacity Grants of up to \$25,000 to hire their own consultants. The Housing Rights Committee of San Francisco has worked with a number of resident groups under SFRA Capacity Grant funding, offering organizing assistance for resident associations, and workshops on issues ranging from how to run a meeting, to negotiating for repairs, to how to read financial statements. If residents choose to pursue some form of resident-sponsored ownership or joint ownership with an existing non-profit, they can access an additional \$75,000 Pre-development Grant from the San Francisco Redevelopment Agency to fund preliminary steps.

Beyond providing education, SFRA’s Housing Preservation Program strives to save affordable units through regulation, legislative advocacy and straight-out acquisition, followed by transfer to a non-profit owner. During a six-month period after notice is served, the City reserves the Right of First Refusal for purchase of the property, based on a negotiated fair market price. San Francisco’s regulatory protection for tenants requires landlords to observe rent stabilization laws which preclude raising rents of existing tenants, requires a public notice process which discourages for-profit buyers from acquiring affordable properties, and disallows discrimination based on source of income, which means that landlords cannot refuse to accept rent vouchers.

To date, SFRA has assisted in the transfer and preservation of two properties where HUD subsidized units were at risk.

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6. Supporting Resident Participation in HUD Affordable Housing: Future Needs

Current Climate and Strategies for Preservation

California is facing the potential loss of 186,000 units of subsidized rental housing due to expiring HUD contracts, leaving private owners the option to convert their properties to market rate. The California Department of Housing and Community Development (1998) estimates that these “at-risk” properties house 375,000 to 450,000 people, many of whom are very low-income elderly and families with children. The Department calls the potential loss of these units “one of California’s foremost housing problems.”

Preservation of affordable units is most reliably achieved through transfer to an ownership entity with a non-profit mission. From 1986 through 1996, the federal Emergency Low-income Housing Preservation Act (ELIHPA) and then the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) prevented owners from converting to market rate; instead, these programs provided financial compensation from HUD in exchange for new 20 to 50 year affordability restrictions. Since 1996, however, owners have had the option to convert to market rate; approximately 17,000 apartments, comprising 10 percent of California’s stock of affordable units, were lost to market-rate conversion during the period 1996 to 1999 (CHPC, 1999).

ELIHPA and LIHPRHA not only channeled more than half a billion dollars of HUD funding to cover preservation costs in California, but both also included protective measures and financing for resident participation during the transfer process. Resident associations received funding for organizing and technical assistance, had a real opportunity to acquire their own property and had ample negotiating power with outside ownership interests, including the final say in approving a potential buyer. Transfers under ELIHPA and LIHPRHA resulted in a broad range of participatory structures, including outcomes where residents took on significant control or full ownership, as presented in the case studies in this report. Such transfers were in large part possible because, unlike a private investor, HUD was willing to finance tenant groups with no experience.

Since 1996, options for residents of building whose owners choose to opt-out or pre-pay their HUD contracts are more limited. While state and local governments have adopted some of the protective regulatory mechanisms and financing options that had been part of the federal emergency preservation acts, funding for resident- or non-profit acquisition of at-risk properties is not nearly as available as it was during the period 1986 to 1996. Furthermore, since 20-year affordability restrictions imposed under ELIHPA from 1986 through 1989 are already nearing expiration, so-called “preserved” affordable housing stock may be back on the market, if not held by an organization with a non-profit mission. While preservation funds have been scarce in recent years, California’s FY 2000 budget includes dramatically increased provisions for housing preservation.

Options for Resident Participation in Tax-credit Buy-outs

Non-profit affordable housing developers agree that the Low-Income Housing Tax Credit program is currently the most accessible financing method for acquisition of at-risk properties, although advocates of affordable housing express optimism that the development of additional resources at the state or federal level could ease reliance on tax credits in the future. Janet Falk, executive director of the California Housing Partnership Corporation, considers resident-ownership through tax credit purchase impossible, since residents have neither the experience nor the financial resources to apply for tax credits, qualify for a loan or put up guarantee money. The ideal environment to maximize resident participation might instead be partnership with a sensitive non-profit developer, where tenants are

represented on the board of directors.

Alice Solinas, housing developer at Esperanza Housing in Los Angeles, is working on several tax credit buy-outs. In her experience, resident participation can be encouraged but not ensured by a non-profit owner. She notes that a key element in supporting participation is including sufficient community space in the site design to allow residents to convene. Resident organizers at the Coalition for Economic Survival/Los Angeles Center for Affordable Tenant Housing see potential in partnering with non-profit developers like Esperanza Housing, to provide resident support services as an external contractor.

In what appears to be the only resident-ownership scheme which uses the tax credit program, the Anti-Displacement Project in Springfield, Massachusetts has assisted tenants to partner with a for-profit developer, with the stipulation that the developer is removed from the partnership once tax credit guarantees are no longer required. While tenant groups occasionally consider partnering with a benevolent management company, most housing professionals caution against giving management an ownership stake in the property, due to the inevitable conflict of interest which arises.

Public Policy to Promote Resident Participation

At the policy level, the Department of Housing and Urban Development (HUD) endorses resident empowerment and participation as supporting both efficient management of HUD-subsidized buildings, and the low-income families who live there. However, current public policy fails to fully reflect the value of resident participation.

HUD's current mark-up policy, to encourage existing owners to retain their properties and the associated HUD subsidized units through a price adjustment mechanism, includes no provision for resident participation in the decision to assist the existing landlord. Likewise, California preservation funds provide no opportunity for resident endorsement of a new purchaser. Jim Grow, of the National Housing Law Project, suggests that any time an additional investment of public resources may be made to a property, residents should be given a formal role in the approval process. Residents would then be given a voice not only during a transfer to a non-profit owner, but in the 95 percent of complexes where there will be no change in ownership and rather a market rate adjustment awarded to an existing owner.

In order to ensure accountability at the project level, residents should be guaranteed the opportunity to meet periodically with management, owners and HUD decision-makers and any other contract administrators, as they do through the regional alliance model operating in Los Angeles and San Diego. Especially at sites where residents have 100 percent control, public policy should recognize the need for external support and monitoring by an outside tenant support group. Any tenant group, regardless of level of control, would benefit from the annual "social audit" process recommended in Section 4 of this report.

Funding Needs

For affordable housing preservation to occur, funds must be available to cover acquisition, rehab and predevelopment costs. A patchwork of resources, including a significant increase in state funding allocations for preservation, is emerging to meet this need. Once basic preservation is ensured, funds for resident organizing and tenant services should be secured. Even where residents don't have control of their site, HUD-approved budgets should include funds for resident organizing and services, to be used at the discretion of the resident association.

To optimally support resident participation and control, HUD-approved operating budgets should

include funds to cover professional support staff, such as the staff organizer position at Sacramento Mutual Housing Association, and external support by tenant education and advocacy groups. HUD should continue to require use of a portion of the owners' asset management fee for tenant education, and improve enforcement of that policy, which was ignored by owners at some properties profiled in this report. At sites where a private owner gives notice of intent to sell, residents should have access to assistance through public sources, such as the outreach and education assistance provided through the San Francisco Redevelopment Agency and/or non-profit resident education groups.

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