



GOVERNMENT OF THE DISTRICT OF COLUMBIA

Limited Equity Cooperative Task Force Meeting Agenda

Wednesday, October 30, 2019

6:00 pm to 8:00 pm

DC Housing Finance Agency

815 Florida Ave NW, Washington, DC 20001

DHCD Conference Call Line: 1-877-447-5075; Participant code is #2418574

Attendance:

Present: Jade Hall, Paul Hazen, Louise Howells, Amanda Huron, Vernon Oakes, Lolita Ratchford, Ana Van Balen, Risha Williams, and Elin Zurbrigg

Council: Barry Weise and Emmanuel Brantley

Guests: Anamita Gall, Justice Haynes, Adam Maloon, Sam Stringer, Cassia Sookhoo, Dianne Rouse, Angelize Scarborough, Earline Matthews, Justice Haynes, and Kevin McCoy.

Absent: Sandra Butler-Truesdale and Janene Jackson

Meeting commenced at 6:00pm

Summary: The October 30th LEC Taskforce meeting focused on a few key topics: devising strategies or a coalition team that can work to intervene or assist Limited Equity Cooperatives (LECs) that are struggling with governance and management issues; how to translate the taskforce's recommendations into legislative and budgetary action; hosting a LEC coop day to capitalize on growing community interest in LECs; modifying the tax code to allow LECs certain tax exemptions; and finally lessons learned from coops in British Columbia. A number of action items are noted at the end.

Paul Hazen commenced the meeting, the agenda and noted that the order will change slightly as the council representative, Barry Weise and Elin Zurbrigg will join the meeting late. Thus, the group will discuss the agenda items: Coop Day in DC and the Councilmember Office's feedback on the report later in the meeting.

- **Discussion of LEC Coop Governance and Management Issues**
 - Vernon initiated a discussion on the challenges of supporting Limited Equity Cooperatives (LEC) that have dysfunctional boards and challenges with maintaining their property, particularly a case the taskforce has previously discussed: 1424 W St.
 - Vernon shared an overview of 1424 W St., a coop he has managed off and on and has struggled to work with over the years. The property has several maintenance and infrastructure issues and has had challenges retaining a



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management company. The coop has also had several governance issues with their elected board. The board has not made sound decisions in the past and hasn't been responsive or communicative with their management companies. There is a suggestion of internal corruption, as a former board member influences the current board's decision-making. Presently, the coop has asked Vernon (in the role of property manager) to stay on contract until the end of the year, which coincidentally is the same time Vernon is closing his business.

- Paul recapped a previous conversation on the challenges with supporting LECs that have governance or management issues and that there are limited avenues for outside entities (public or private) to intervene. The group discussed and agreed that property management is not the only problem or solution to handling this coop. The coop has no debt so there is no lender that can apply pressure to nudge the coop or board to function better. The group discussed the possibility of engaging housing counseling organizations and formally notifying the coop residents of the issues and including the housing counseling orgs contact information or providing the residents with a resource sheet. Housing Counseling Services has found that when they responded to requests for assistance, the board has accused them of trying to undermine the coop board. The group discussed ways to have a coalition of government and community organizations in place to determine strategies for intervening with coops that are struggling with governance and management; a "swat" team of sorts. Lolita Ratchford asked if the board has a corporate license and if that might be an avenue through which the Office of the Attorney General could be engaged to intercede. Finally, the group discussed having a small team composed of members from Mi Casa Inc., the Department of Housing and Community Development (DHCD), Louise Howells, and Vernon to have a conversation with any willing board member of 1424 W Street.
- The group discussed having a staff person at DHCD that could respond to these types of scenarios. In previous years, either the Tenant Working Group or Preservation Network group has dealt with similar issues.
- **Discussion of a potential Coop Day in DC**
 - Elin shared her general vision for Coop Day, being focused on LECs and could include participation from different stakeholders (government and community organizations); sessions and conversations on LECs. The hope is that leadership would emerge to drive action around Coops. The group debated who would organize it, whether it could be co-hosted by a few different advocacy orgs.
 - A survey was conducted from a prior coop day to get a sense of what coops would want to see in a coop day: what types of assistance they might need; what agencies they might need to work with etc. The survey received 11 responses, but they were primarily from one coop, so the survey should be re-issued to get more feedback. Mi Casa has a VISTA volunteer that would be willing to help send



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- out the survey and learn what stakeholders would want to see happen on the day and when it should be held.
- The taskforce discussed the evolution of the group and how they can be involved in coordinating a coop day. The following action items were discussed:
 - Amanda Huron will gather more data to inform the development of an LEC Coop Day
 - Elin and Lolita will convene a meeting to plan a LEC Coop Day
 - Risha volunteers to engage the preservation taskforce/ tenant purchase working group to discuss more immediate solutions to help Coops in trouble, such as the one in the group
 - Jade and Samantha both expressed an interest to provide additional support.
 - Amanda shared an overview of the DC Co-op day that was recently held by a few key community organizations: Wacif, Capital Impact Partners (CIP), and the Arc. Some 63 people attended. The event was focused on growing coops in DC. Vernon shared that there was a lot of interest in coop housing and Elin shared she believes there is community interest in learning about forming LECs

Guest attendees on coops

- Guests shared some concerns as their coop is reaching a maturity date. The coops board is not responsive to members and there are development companies interested in purchasing their building. The group discussed the possibility of the coop refinancing.
- **Report from Barry Weise**
 - There will be another hearing on the proposal of coops in DC. Barry introduced Emmanuel Brantley is the director of communications for Councilmember Anita Bonds. Barry shared that Emmanuel can work with the group to devise a promotional campaign on coops
 - The group discussed how recommendations can be included in the budget. The budget process beings soon and is initiated with an ask from the council. Theoretically, funds to support coops or LECs could be allocated in the budget by October 1, 2020. The group would need to advocate for it and should consider hosting an LEC or coop advocacy day and visit the councilmembers. The groups should consider having t-shirts and other promotional materials. Barry will follow up and share the timeline of the budget process as it will soon be initiated.
 - The group discussed presenting the recommendations as weighted options rather than in an order of priority, so that the council can consider them within the constraints of the budget. They also discussed strategically advocating for funding for coops within the executive office.
 - Action item- Vernon will follow up with J ickerson to coordinate Anita Bonds to meet with 801 P St. coop.



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- The group discussed scattered site projects and/or vacant land that the government owns and whether these types of properties could be turned into coops. The city's vacant to vibrant program operates in this manner: small developers buy the properties and renovate them into affordable housing.
- The group moved on to discuss how to address the tax code fixes that need to be made. It was decided that the changes should be presented as a bulleted list with explanations, which is then provided to councilmember Bonds office. Paul volunteered to provide a legislative strategy and will follow up with Emmanuel regarding Councilmember Bonds' timelines for legislative action. All legislative materials should be sent to Barry Weise. Coop advocacy day and legislation advocacy can be done at the same time. Legislation doesn't have a strict timeline, but ideally should be completed by July 2020; however, can extend until December 2020.
- The group asked if Barry could share an update on the Common Interest Community bill and he agreed to follow up.
- The group asked if there is some sort of designation that councilmember Bonds can provide for the group to continue working. Her office can provide a letter. Group discussed removing members who were inactive and asking coop members to join.
- **Discussion of LEC Property Abatement**
 - Justice Haynes, a student of Louise Howells, shared a brief overview of a research report he drafted to examine if LECs could be exempted from property taxes, like nonprofits. In short, his report suggested that if LECs are redefined in the economic interest deed recordation tax, they could be considered exempt. Many coops have restrictive covenants per the legislation, which has strict income limits for incoming members. So, changing the definition to be more general could allow coops to generally keep housing affordable rather than limiting incoming members.
 - The group discussed the valuation of coops in the context of the Beecher coop, which is remaining an LEC as its their mission and not because there is external restriction. Recorder of Deeds takes covenants only. The other recommendation could be to make all the tax exemptions consistent. For example, to make the tax exemption based on 120 of Area Median Income (AMI). The fix would be a clarification not a change, which not have a fiscal impact.
- **Discussion of British Columbia Housing Coops**
 - Paul shared the highlights from a presentation recently given on coops in British Columbia. Essentially, the coops created a land trust and transferred existing coops to them, which allowed them to leverage their resources. It allowed the coops to form their own property management company, which allowed them to better manage resources. Paul will share the PowerPoint from the presentation. The group in British Columbia was able to enhance their units and created approximately 4,000 units in five years.



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- Adam shared that one of the key aspects of creating coops is getting to scale quickly which allows for efficiency.
- **Other Business**
 - Paul asked the group what the taskforce should look like moving forward. Risha raised the issue of rehabilitation and the importance of having a group to discuss rehabilitating buildings in need given the growing challenging around financing them, given the rising costs of housing. Risha discussed a project in southwest which has an astronomical rehabilitation cost where developers must make personal guarantees of \$47MM, which is not feasible. The reality is that there are some coops with properties have reached the end of their life. The infrastructure is old, and they need to be completely rehabilitated where they are demolished and possibly rebuilt with even more units. Paul shared that some of the lenders such as Capital Impact Partners are hosting a lender meeting to hear the recommendations of the taskforce on December 12 - 9:30 to 11:30am. The group also discussed its continuation as an ad-hoc group to address critical issues as they arise.
 - The group asked about having DHCD involved in compliance and oversight, and asked Ana if it would be possible to have a meeting on the report. Ana shared that could be possible. Paul recapped the goal of having Barry at the meeting today is to learn the councilmember Bond's team's agenda or strategy for implementing the recommendations of the taskforce.
 - Emmanuel asked for volunteers to attend a press meeting to share insight on coops and about LEC Taskforce's work.

Meeting Action items:

- Paul to send out December 12 invite for a taskforce meeting with lenders.
- Vernon will follow up with J Dickerson to coordinate Anita Bonds to meet with 801 P St. coop.
- Amanda Huron will gather more data to inform the development of an LEC Coop Day
- Elin and Lolita will convene a meeting to plan a LEC Coop Day
- Risha volunteers to engage the preservation taskforce/ tenant purchase working group to discuss more immediate solutions to help Coops in trouble, such as the one in the group.

Meeting adjourned at 7:38pm.