

# Housing

The unofficial capital of cooperative housing in America is New York City; its "White House" is on the Lower East Side at 465 Grand Street, headquarters for the United Housing Foundation (UHF); its Founding Father is the late Abraham Eli Kazan, an immigrant from Kiev who began his career as errand boy for the International Ladies Garment Workers Union (ILGWU); and its most astonishing achievement thus far is Co-op City, a new, gigantic complex of apartment buildings, town houses and stores rising improbably from the marshes of the East Bronx.

Kazan, who died last year at the age of 82, organized the nation's first housing cooperative in 1926, when as manager of the Amalgamated (Clothing) Workers Credit Union he persuaded that organization and the Jewish Daily Forward Association to finance and sponsor the unlikely experiment. Few observers at the time were betting on his success. The city was in the familiar grip of Tammany plunderers, dancing to the jazzy tune of Mayor James ("Gentleman Jimmy") Walker, and low-cost housing was not at the top of their agenda.

But Kazan persisted. He was, as Robert Moses was to observe 45 years later, a "highly intelligent and stubborn little man . . . far and away

the best in a field in which there are so many articulate, breast-beating do-gooders and so few genuine builders." By 1927 the Amalgamated Co-op was fully owned and occupied by 250 workers and their families; they paid carrying charges of \$11 per month. (The building, a five-story walkup, was torn down four years ago to make way for two 20-story cooperative towers built by Kazan's original organization, Amalgamated Housing. It is the oldest cooperative housing sponsor in the United States, and it is the only one to have survived the Depression.)

## **Toward a Better Life**

Kazan pushed ahead with construction of more co-ops during the next two decades, teaming up with such New York labor and political luminaries as Sidney Hillman, Jacob Potofsky and Herbert Lehman. Like the organizers of Seattle's health co-op, Kazan was able to draw strength from the labor movement, but his principles were pure Rochdale. In 1951 he helped found the United Housing Foundation, a consortium of co-ops and trade unions aimed at sponsoring new housing. "All that we do," announced the founders in their statement of purpose, "is directed toward utilizing the methods of cooperation to en-

able people to enjoy a better life and to achieve a better society."

In 21 years the Foundation has brought "a better life" to more than 100,000 New Yorkers, sponsoring an unrivaled procession of middle-income cooperatives. These have ranged in size from the Park Reservoir Housing Corporation (273 apartments) to Co-op City (15,382 units).

Co-op City is home to some 60,000 persons. Each adult has a legally equal voice in directing the community's affairs; each is a shareholder in the co-op stores he patronizes; each is an owner, a voter and a full participant in the nation's most interesting housing experiment since the invention of the log cabin.

At present the community, a combination of skyscrapers and town houses, looks as raw and primitive as any frontier settlement. But the cooperators, assisted by UHF, are doing all they can to speed the mellowing process. They have filled in the swamps, planted 22,000 trees and left intact the hills and rocky outcroppings that surround their homes. The street names—Brook Farm Place, Bellamy Loop—are not the sort one is likely to find in a suburban subdivision.

The cooperators also have started to heat up that peculiar social brew which invariably marks the success-

ful co-op. "The place vibrates," says Sidney Weinberger, who with his wife and two daughters has been living in Co-op City since last August. "I can only say this: If suddenly there were no television, most of New York City's population would go nuts. But not us. We don't need the boob tube. We got too many other things going for us."

## Niagara of Activities

One thing they have going for them is Co-op politics, a process which residents take at least as seriously as Presidential politics. After a recent election of board members, supporters of a losing candidate charged one winner with "electioneering near the polls" and bade the board not to seat him. The insurgents lost, but by stirring up a fuss they reminded everyone that democracy was the name of the game at Co-op City.

Besides electing a 15-member Board of Directors, Co-op City residents are called upon to choose Advisory Councils for each of their "sections," a section being either an apartment building or a cluster of town houses. When Weinberger ran (successfully), he was one of nine candidates vying for two seats. Debates among the contenders focused on such practical matters as how to stabilize carrying charges, or "rents," now hovering at about \$33 per room; how to improve bus service between Co-op City and midtown Manhattan (it takes 45 minutes in moderate traffic); how to insure good schools (the city is now building four new ones in the area, including a high school complete with swimming pool and planetarium); and how to secure satisfactory patronage refunds from the new Co-op stores.

Between elections co-op members spawn new organizations at a remarkable rate. These range from the Camera Club to the Black Caucus. In a single issue of the cooperative's weekly newspaper, the following organizations announced they had

scheduled meetings for the coming week: an Art Club, Co-op City Senior Citizens, the Mr. & Mrs. Club of Section #2, a day camp, an ambulance corps, a modern dance group, the American Legion, a glee club, a Jewish folk-chorus, a Spanish-American club, a horticulture hobby group, the Singles Club, the Married Couples Club, the Black Caucus, B'nai B'rith, the Knights of Pythias, and a miscellany of temple and church groups.

The Niagara of activities can be a mixed blessing. Residents accustomed to the anonymity of apartment-house living are sometimes overwhelmed by Co-op City's small-town social pressures. "Before I came here," says a woman who moved in two months ago, "I used to complain that 'nobody knows my name.' Now my main complaint is that *everybody* knows my name. The phone is constantly ringing, and there's always someone on the other end asking me to raise money to fight cancer, or to campaign for someone running for some kind of office, or take up *ballet*, for heaven's sake. It's friendly and sweet, but sometimes I just like to be left alone."

## The Rest of America

Critics of Co-op City have deplored its "monolithic design," its "excessive sterility" and its "appalling isolation." But no one who lives there believes it. On the whole they like the village atmosphere; they also like the convenient shopping, the central air-conditioning, the private terraces and the relatively low tariff. Weinberger, for instance, pays \$232 a month for a seven-room town house on [Heywood] Broun Place. His initial down payment was \$3,150, or \$450 per room. That is not inexpensive, but it is considerably cheaper than rates most New Yorkers must pay for comparable living space and amenities. "All I can tell you," says Weinberger, "is this: It should only happen to the rest of America."

The rest of America, alas, remains mostly a marshland bereft of decent, reasonably priced housing, with only a scattering of cooperatives to grace the grim landscape. The Cooperative League estimates that fewer than a million Americans live in co-ops (probably one-quarter of them in New York). The U.S. Department of Housing and Urban Development (HUD) has hazarded a guess that of the nation's 65 million dwelling units, less than one-half of one percent are cooperatively owned—and these include dozens of unsubsidized, luxury co-ops crowding the shores of the Potomac, the Hudson and other urban watering places. Strictly speaking, the residents of these posh places are part of the "cooperative movement," but in truth their interests run less to Rochdale than to real estate. Their paper co-ops are seldom anything other than tax gimmicks and are beyond the focus of this study.

Of interest here are low- and moderate-cost cooperatives, and the signs that they are catching on. Both the young and the elderly are seeking cooperative housing in growing number—the former in response to a strong campus-based cooperative tide, the latter out of urgent need. The Nixon Administration is escalating its cooperative rhetoric, too, if not its cooperative budget. Last year HUD's Special Assistant for Cooperative Housing, Philip R. Thompson, gave out the news that for the first time, "we at HUD are really taking housing cooperatives seriously."

## Last Hope

Thompson's boss, FHA Assistant Commissioner Eugene A. Gullledge, had gone still further in a speech delivered two years ago to the National Association of Housing Cooperatives. "For a great many people in this country," he said, "some type of cooperative concept is perhaps their last and only hope of being able to have a decent place to live." But then, while pledging to promote and

finance more cooperatives, he unintentionally discouraged a lot of people. "We will achieve . . . the same type of satisfactory results," he predicted, that "we've been able to produce in such things as the Indian housing program, the elderly housing program, and [other] subsidized programs."

Gulledge was as good as his word. Last year builders completed 1,500 new, HUD-supported cooperative units, using up *one-fifth of one per cent* of all HUD's available insurance and loan funds. No one now can doubt that the government's cooperative housing program equals its Indian housing program, which, at present rates of construction, will rehouse the entire Indian population in 281 years.

The truth is, we have drifted into a dreadful housing crisis brought on by decades of Federal indifference and papered over by a pastiche of Federal nonprograms. In 1968, the Congress committed the nation—in principle anyway—to the "construction or rehabilitation of 26 million housing units" during the next 10 years. Six million of those units were to be subsidized—that is, slated for low- and moderate-income families who couldn't afford decent housing at going market rates.

But no sooner was the goal enunciated than it began to recede. Construction lagged; housing costs soared. Suddenly not 6 million households but 25 million—40 per cent of all the households in the nation—became technically eligible for Federal housing assistance. As the Administration conceded last summer in its *Annual Report on National Housing Goals*, "It appears unlikely that the housing needs of the nation's poorest families would be fully met, even if the numerical goal of producing 6 million new units during the 1969-78 decade is achieved." (The congressional goal of 26 million new or rebuilt units, obsolete as it is, also exceeds our grasp. Since 1968, construction has fallen behind by 20 per cent; for

*subsidized* housing, the lag is 35 per cent.)

Needless to say, co-ops cannot singlehandedly cure the nation's nagging housing headache. The cure will come when Federal agencies, at present armed only with empty congressional promises, have money to spend and a firm mandate to get the job done. Much of the evidence, however, suggests that cooperatives could do that job best.

**Item:** Cooperatives cost less to maintain. Recently the Urban Institute, a Washington-based research organization, compared maintenance and operating expenses of HUD-sponsored co-ops with those of HUD-sponsored rental projects. The co-ops' expenses ran from 15-35 per cent lower per unit.

**Item:** Cooperatives cost less to build and sell. Nearly everyone in the housing profession concedes that cooperative sponsors tend to create more housing for less money than do their profit-oriented competitors. HUD officials estimate the difference to be 5 per cent; Paul Golz, president of the National Association of Housing Cooperatives and founder of the Mutual Ownership Development Foundation (MODF), says 15-20 per cent is more like it.

**Item:** Cooperative sponsors provide greater space. Urban Institute investigators found that one-third of the co-op units studied, but only one-fourth of the non-co-op units, contained three or more bedrooms. Moreover, the density for co-ops was 15 units per acre, compared to at least 21 units per acre for other types of subsidized housing.

**Item:** Cooperators meet their payments. The same study compared payment default rates among families participating in a variety of HUD programs. The co-op families had the best record.

**Item:** Cooperators tend to stay put. The turnover, or move-out, rate among cooperative families studied was 16 per cent; among other families, about 30 per cent.

**Item:** Cooperators often behave better than their neighbors. In Watsonville, California, Golz's MODF sponsored a 100-unit cooperative for Chicano farmworkers next door to a straight rental project. In one typical month local police had two calls from the co-op and 58 calls from the rental project.

## Section 213

In the light of all this, one wonders why more cooperative housing does not get built. The answer appears to lie in the biases of our Federal government and in the wasteful ways it subsidizes low- and middle-income housing. In New York, cooperative sponsors like United Housing can rely largely on state subsidies; but in most other places the fate of cooperative housing is directly linked to the success or failure of Federal housing programs.

This has been true since 1950, when Congress amended the National Housing Act to make cooperatives eligible for Federal loan insurance. The amendment, known as Section 213, was as important to cooperative builders as the Capper-Volstead Act had been to cooperative farmers three decades earlier. For the first time, it gave co-ops a reasonable shot at Federal subsidies. But the subsidies are shrouded in a bureaucratic maze that has grown increasingly complex.

Since the passage of Section 213, as Congress has periodically tinkered with the housing crisis, new subsidy programs and new section numbers have proliferated. For example, Section 221 (d)(3) sets the interest rate on mortgages at 3 per cent, far below the conventional market rate, with the government paying commercial lenders the difference. Similarly, Section 236 reduces interest rates on a sliding scale, to as low as 1 per cent for the poorest families. These and other programs are not specifically designed for co-op housing; but each makes room for cooperatives in parceling out its largesse, giving rise to

a system of cooperative sponsors ready and eager to tap into any program that promises to provide capital.

## **Co-op Entrepreneurs**

Sponsors began to appear as soon as Section 213 became law, for it was instantly clear that if proposals for new cooperatives were to make progress through the Federal maze, they would require professional packagers: experienced, well-connected organizations capable of speaking plainly to bankers, land developers and government officials. Indeed, most of the cooperative housing being built today is sponsored by one or another of these entrepreneur-type groups, such as the Foundation for Cooperative Housing (FCH) in Washington, D.C., Cooperative Services in Detroit and Paul Golz's MODF on the West Coast.

It is they who coax in the subsidies, manage the money, buy the land, hire the builder (or do the building themselves), screen the applicants, negotiate the insurance rates and lawyers' fees, and finally—O blessed day!—hand over the keys to the new cooperators. In return, sponsors receive a guaranteed service fee, usually about 3.5 per cent of total costs; sometimes they are hired by residents to manage the new co-ops.

At their best, cooperative sponsors are both educators and advocates, teaching families the cooperative way and protecting them from the ordinary plunderings of profit-oriented contractors, bankers and attorneys. All this works well on paper, but in practice it sometimes breaks down. The government seldom allows a sponsor sufficient funds to educate new cooperators, to school them in both the Rochdale principles and the art of apartment management. The result is that many people who are, in theory, cooperative owners behave as if they are tenants: They take no interest in the proceedings, and they tend to think

of the landlord as "them" rather than "us."

I have visited co-ops where residents were not aware they were owners. In a co-op in Atlanta, sponsored and managed by FCH, some of the occupants were considering staging a "tenants' strike" to protest shoddy conditions in the project. It would have been a strike against themselves, but no one had bothered to tell them.

The sponsor's advocate role is equally difficult. Federal subsidy programs are so deviously designed as to immediately invite a parade of middlemen, each with his hand outstretched, each claiming he is indispensable to the housing process.

## **Jungle of Middlemen**

Wright Patman, the shrewd Texan who chairs the House Banking and Currency committee, summed up the subsidy situation a few months ago: "Many . . . Federal programs start out with high-sounding purposes. . . . Then someone comes along and insists that we add in the profit margin for each real estate interest as the program moves forward. There's a little bit for the land speculator, the lender, the closing attorney, the title company, the insurance company, and on down the line. By the time the project reaches the end of the line, it is so top-heavy that you can't be sure just who did get the subsidy."

That is the Achilles heel of Federal housing efforts. It is also one reason sponsors loom so large on the scene: Their job is to bring their co-operator-families safely through this perilous jungle of middlemen.

Kazan, remarked former Mayor Robert Wagner, was a "hard man where a dollar, or even a penny, is concerned." Kazan was continually at war with all the people and the companies who saw in new cooperatives only new cash opportunities. When, for instance, he failed to persuade Consolidated Edison to lower its electricity rates, he installed complete electric and steam generating

plants in two cooperatives, Rochdale Village in Queens and Warbase Houses in Brooklyn. (They may be the only two nonrural electric co-ops in America.)

Because the subsidy system is geared primarily not to house people but to enrich developers and their clan, officials can only shake their heads in rueful wonder at cooperative sponsors who refuse to play the game. "Most people who have Golz's skill," a HUD official said to me, "could make \$200,000 a year." The unuttered question was: Why doesn't he?

A few years ago, while introducing Kazan to a group, Governor Nelson Rockefeller could think of no higher tribute than to describe Kazan as a man who "could have gone into private business for himself and made a fortune." To which Kazan replied, "I am a cooperator, interested only in building the cooperative commonwealth." Edward Bellamy might well have spoken the same words to the governor's grandfather.

What the Nixon Administration is interested in building is anybody's guess, but we are probably safe in assuming it is *not* the cooperative commonwealth. Despite the new rhetoric coming from HUD, many cooperative sponsors continue to encounter indifference and even hostility from key Federal housing officials, especially at regional levels. Golz tells of having gone in 1970 to see the director (since retired) of the Federal Housing Administration's insurance office in San Diego, hoping to get approval for long-delayed mortgage applications. "He won't look at them," an FHA aide told Golz.

"But I have an appointment," Golz protested.

"He won't look at them," the aide repeated. "We don't want them." Golz left the applications there, and never saw them again.

"The problem," says Golz, "has always been FHA's reluctance at the local level to treat co-op applications

equally with applications from profit projects. Most officials don't even know how to process a co-op application. And many are under the illusion that co-ops cost more and cause more defaults than do other projects."

Apparently no amount of argument, or evidence, can shake these worthies from their anti-co-op convictions. The default myth is especially poignant when one considers HUD Secretary George Romney's recent confession about Federal interest subsidy programs, 99 per cent of which support non-co-ops. These programs "were so poorly conceived and so uncautiously developed," he declared, "that we estimate the Federal government will, in the next few years, have more than 240,000 units in default—and with little resale value except at catastrophic levels of loss." Where, one might ask, does the fault lie? And who is lying about default?

### Housing the Elderly

Despite the bureaucratic hurdles, a handful of hard-pressed sponsors and hopeful college students persevere in their labors for a cooperative commonwealth. One of the sponsors is Cooperative Services, Inc., in Detroit, which began in 1960 as an optical co-op—dispensing glasses and eye care to members—and soon branched into cooperative housing for the elderly. "It took us five years to get our first loan applications through HUD," says Fred Thornthwaite, founder of the cooperative and its executive director, "but we stayed with it."

One reason they stayed with it was their determination not to abandon all those applicants who were counting on them. "We found an appalling need for housing among the elderly," says Virginia Thornthwaite, Fred's wife and co-worker. "They had no money and no place to go." The Thornthwaites came upon rooming-house tenants who were so poor that when a neighbor up the street died, they went there to take

food from the icebox. One woman told Mrs. Thornthwaite, "I got \$3,000 in the bank and Social Security of \$67 a month. I hope I die before it runs out."

### Beams from Bishop

Eventually, Thornthwaite and his organization succeeded in completing two cooperative apartment buildings in Wyandotte, a blue-collar suburb south of Detroit. Three more co-ops are in construction. I visited the Bishop co-op in Wyandotte, a nine-story building of 204 apartments, most of them with a view of the Detroit River from their living rooms. I was greeted at the door by several members of the co-op Building Council, including Viola Doty, a short, energetic woman who did most of the talking.

"A lot of people call themselves co-ops but they're not," Mrs. Doty said. "We manage this whole place. We put out a monthly newsletter, we interview new applicants, we hear all complaints, and we organize bingo and card parties for our recreation fund. So far we've taken in over \$3,000."

In the gleaming lobby we paused briefly to peruse the Thanksgiving issue of the newsletter, *Beeps, Beams and Banter from Bishop*. Residents had been asked to write in telling what they felt thankful about. Helen Davidson wrote, "We are thankful for Bishop and all its advantages—our light, airy and attractive rooms, so easy to clean. The pleasant people in the other apartments. The kindness and patience of all those in charge. . . . The moderate rents. We could go on and on, but 'isn't it lovely?'" "Anonymous" wrote, "I'm thankful for each floor having its own laundry room."

Our small entourage entered an elevator. A sign on the wall said, "Children Must Be Accompanied by Adults in Elevator." "I'm 78, and I have ten grandchildren and three great-grandchildren," said Mrs. Doty, apparently reading my mind, "It's nice when they visit, but I'm

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glad they don't live here. Sometimes we old people get tired of children. All that noise and confusion! We love them but we want to be able to leave them."

We looked into a few apartments which Mrs. Doty knew were unoccupied just then. The apartments were either one-and-a-half rooms or two-and-a-half rooms, all "light, airy and attractive." "Everyone likes his privacy," Mrs. Doty said. "But sometimes when a person comes back from the hospital, privacy is not a good thing. The person might be too weak to take care of himself. That's a problem. We want a halfway house for people to go to from the hospital, before they come back here. A halfway-house cooperative. People really need that kind of a home."

By now we were back in the front vestibule. I asked Mrs. Doty where she would be living if Bishop had not been built. "Oh, probably with one of my kids," she said. "It wouldn't be good. Not for them and not for me. Years ago I took it for granted that if my husband died, I'd live with one of my children. I didn't know about cooperatives. If I'd known about co-ops when I was young, I'd have devoted my life to them."

### **Born in Controversy**

Paul Merrill is young (27), knows about co-ops and may be devoting his life to them. He quit graduate school at the University of Minnesota last year to become general manager of Commonwealth Terrace, a student housing co-op of 400 units. "We thrive on controversy in our organization," says Merrill. "After all, we were born in controversy." The housing had been under University control, but two years ago officials casually announced a \$10 rent hike, and the students were quick to respond. With their wives and small children they converged on the steps of the State Capitol in St. Paul and asked the governor to support their efforts to turn Com-

monwealth Terrace into a student-managed cooperative.

The governor approved, and so, eventually, did University officials. "The University still owns the housing," says Merrill, "but we manage it. In our first year as a co-op we were able to reduce rents an average of \$5 per month; we closed the year with a \$4,000 surplus. This year we had to raise rents \$7—but when you add it up, that comes to only a \$2 net increase over two years." Residents pay between \$88 and \$100 per month. According to University officials, that is 50 per cent less than what most other married students must pay.

Members help keep rents low by taking on such minor maintenance chores as mowing the lawn, changing light bulbs, cleaning laundry rooms, and sweeping stairwells. In addition, co-op leaders engage in hard bargaining for goods and services. The coin-operated laundry, for example, now yields considerably more revenue than it did under University auspices.

"When we took over," says Merrill, "a vending service had the contract and was paying 10 per cent of its take to the University. It amounted to \$2,500 a year. We didn't ask for the 10 per cent. We asked whether we could get 50, 60 or 70 per cent." The cooperative negotiated with other companies and ultimately settled for an even split. Last year residents made \$10,000 from the coin-operated laundry; this year, after more negotiations, they are guaranteed \$15,000.

Commonwealth Terrace has its problems. Members engage in much bickering, and Merrill complains of their reluctance to get involved—"apathy," we would have called it 20 years ago. Sometimes even the Board of Directors fails to muster a quorum.

Yet the co-op seems likely to endure. It was born in protest, reflecting a conviction among students that they are their own best advocates. Cooperative supporters can find en-

couragement, not in the protest *per se*, but in the direction it took. If the University had tried to raise rents 20 years ago, student response would have been diffuse and ineffective—at most, the Dean of Students might have been hanged in effigy. In the mid-'60s a rent hike might have sparked a demonstration; students might even have drawn up a list of nonnegotiable demands; but they would not have organized a cooperative.

### **After College?**

To students nowadays the idea of organizing a cooperative may be more natural than that of joining a sorority or fraternity. In fact, the cooperative resurgence on many campuses has paralleled a "Greek" collapse, with many new co-ops taking over the abandoned houses of once-flourishing Betas and Kappas. In Madison, Wisconsin, university officials estimate that at least one third of the students live in co-ops and communes, most of these being informal arrangements in which students pool their rent and food money. At the University of Michigan in Ann Arbor, the Inter-Cooperative Council has built eight new houses in three years, and still has a long waiting list of co-op aspirants. (Michigan is the cradle of student cooperative housing. The Inter-Cooperative Council was founded in 1932, an offshoot of the campus Socialist Club.)

It now remains to be seen whether students, on leaving the campus, will take their cooperative experiences with them. Or will they, like many of their parents, seek the solitary joys of suburbia—a private patch of lawn, individually owned and individually mowed? While chatting with Merrill in his office, I asked him this question. He smiled mysteriously and pointed to a sign on the wall, a small bit of inspiration from President John F. Kennedy: "United, there is little we cannot do in a host of new cooperative ventures."