SUCCESSFUL HOUSING MANAGEMENT PRACTICES

THE EXPERIENCE OF TWO NEW YORK CITY COMMUNITY DEVELOPMENT CORPORATIONS

by

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Abstract
This thesis identifies the elements of successful CDC housing management operations and pinpoints management issues that are of particular concern to CDCs. It is difficult to identify universal management truths because the opportunities for and limitations of CDC housing management differ from city to city. This thesis focuses specifically on community-based housing management in New York City. Several of the city programs under which CDCs manage housing are discussed. There is a particular emphasis on the Community Management Program (CMP).

The housing management experience of New York City CDCs is explored through case studies of two well-established groups -- Manhattan Valley Development Corporation and Southside United Housing Development Fund Corporation. While each CDC manages housing developed under a diverse set of programs, there is enough similarity in their portfolios to permit comparisons. An important difference between the two is that MVDC has created a separate management company, the Manhattan Valley Management Company, to manage its non-CMP projects. In contrast, Los Sures has developed a single, in-house operation to manage all of its properties.

There are three categories of management concern discussed throughout the thesis. These are: (1) how a CDC organizes its management operation and views its mission, (2) the struggle to develop positive interactions between tenants and management, and (3) the program requirements and regulations that affect management's ability to financially and physically maintain its projects.

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Introduction

"The absence of adequate attention to management and operating needs of housing has proved to be the Achilles heel in the development process for new publicly-assisted units."\(^1\)

Community development corporations (CDCs) have become essential producers of publicly-assisted housing in cities across the nation. In the 1980's, they were increasingly relied upon to fill the gap in affordable housing production left by the diminished commitment of the federal government and the private sector. CDCs have developed, through rehabilitation and new construction, a significant quantity of low- and moderate-income housing. It is crucial that CDCs be assisted in maintaining the viability of that housing for future generations.

In the 1970's, the federal government developed programs to encourage private sector involvement in building affordable housing. Developers built hundreds of thousands of low- and moderate-income housing units to take advantage of the tax benefits and below-market interest rate mortgages offered by the government. There are two problems now facing some of that housing stock. First, when profits began to decline, many owners allowed their buildings to fall into disrepair. Second, the use-restrictions on many of the units will expire in the next few years allowing owners to pre-pay their mortgages and cease to maintain the units as affordable.

In response to these issues, new public subsidy programs emphasize tenant and nonprofit ownership. On the federal level, the 1990 Federal Housing Act provides for federal funding to aid "nonprofit community

housing developers" in either the development, ownership, or sponsorship of affordable housing. The Act awards purchasing priority to nonprofit developers, residents, and public housing agencies for expiring use-restriction properties. States and municipalities also encourage nonprofit housing development. New York City and New York State have developed many programs to provide general operating support and project-specific funding to CDCs.

Nonprofit, community-based housing groups have demonstrated that, with subsidies, they can produce affordable housing. It is not sufficient, however, to only construct homes. The housing that is produced must be properly managed to ensure that it remains decent and affordable. While CDCs' intentions are good, most are faced with difficult building management tasks. They operate in low-income neighborhoods that suffer from a multitude of social problems. Their buildings are often under-funded and in poor physical condition.

Since CDCs are being encouraged to increase their housing portfolios and to accept new challenges, such as housing the homeless, it is important to consider how equipped they are to manage their housing. This issue is of great concern to housing professionals and foundations involved with nonprofit housing groups.²

The goal of this thesis is to identify the elements of successful CDC housing management operations and to pinpoint management issues that are of particular concern to CDCs. It is difficult to identify universal management truths because the opportunities for and limitations of CDC

² Current projects intended to assist CDCs in housing management include: (1) Research at the New School for Social Research on the experience of tenants living in CDC managed buildings, (2) National LISC is studying CDCs and social service provision with funding from the Edna McConnell Foundation, (3) Bankers Trust Foundation funding CDCs managing SIP buildings, (4) in Boston, the Neighborhood Development Support Collaborative has convened a Management Task Force.
housing management differ from city to city. This thesis focuses specifically on community-based housing management in New York City.

New York City has a long history of nonprofit housing development. Nonprofit developers have played an important role in affordable housing production in the city. Their projects account for approximately 27% of the subsidized housing produced in the city during the last 15 years. Many of the CDCs also manage the housing they develop. This thesis studies CDCs that manage their own properties, although many of the issues raised are relevant for all CDCs involved with affordable housing production and management.

New York City

New York City has a unique stock of housing available for development, ownership, and management by community groups. The city's in rem properties consist of thousands of occupied and vacant, abandoned and tax delinquent buildings. The Department of Housing Preservation and Development (HPD) manages these properties until it can identify an owner more suitable than itself. Under a number of programs, CDCs are chosen as the landlord or managing agent. Three of these programs will be discussed in this thesis. There is a particular focus on the Community Management Program (CMP). In this program, community-based housing groups manage the day-to-day operations and the renovation of occupied, city-owned buildings. Tenants in CMP buildings are encouraged to become involved with building management and, ultimately, to form a cooperative and purchase their buildings from the city. If the tenants choose not to buy the building, the CDC may do so and maintain it as a rental property. CMP has

4 Stegman, Michael, Housing and Vacancy Report, New York City 1987, p. 204. There were over 100,000 units in 1987, but this number changes all the time.
played an important role in building the housing management skills of many of New York City’s CDCs.

CDCs receive buildings and funding from New York City. They also receive development funding from New York State, the federal government, foundations, and intermediaries. Each funding source expects compliance with a multitude of regulations, has their own reporting requirements, and makes inspections. CDCs’ management operations are significantly affected by these demands.

The Case Studies

The housing management experience of New York City CDCs are explored through case studies of two well-established groups. Both organizations have been developing and managing housing in the complicated New York City environment for many years. The two groups are the Manhattan Valley Development Corporation (MVDC), established in 1968, and the Southside United Housing Development Fund Corporation (known as Los Sures), created in 1972. MVDC operates in the Manhattan Valley area in Manhattan. Los Sures’s target area is the Southside Williamsburg neighborhood in Brooklyn. Both groups manage over 800 housing units, developed under a diverse set of city and federal housing programs, and each is credited with having created a successful management operation.5

These two CDCs were chosen for their similarities as well as their differences. While each CDC manages housing developed under a diverse set of programs, there is enough similarity in their portfolios to permit comparisons. An important difference between the two is that MVDC manages its CMP buildings, but has created a separate management company,

5 The Local Initiative Support Corporation identified these two groups as being successful housing managers.
the Manhattan Valley Management Company to manage its non-CMP projects. In contrast, Los Sures has developed a single, in-house operation to manage all of its properties. Since MVDC has split its management function, this thesis explores three management operations. All of them display differences in management style and success. In spite of the different organizational structures, there is substantial similarity in the management programs of the two CDCs.

There are three categories of management concern discussed throughout the thesis. These are management mission and organization, tenant/management interactions, and physical and financial maintenance of buildings. (1) A community-based housing group experiences tension being both a community advocate and a landlord. Management mission includes how a CDC wants its management organization to be perceived. The groups studied in this thesis strive to be viewed as both professional and attentive to tenants' needs. (2) CDCs struggle to develop positive interactions between tenants and management. Los Sures and MVMC have developed mechanisms for selecting "good" tenants. They also work towards changing the standard tenant/management relationship by encouraging tenant organizations and involvement in building management. (3) The two CDCs, on which this thesis focuses, manage some buildings that were obtained occupied and others that were vacant and then completely rehabilitated. A CDC's ability to maintain its projects effectively depends as much upon the programs under which the housing was developed as it does on management's maintenance and financial systems.

Chapter Format

The thesis is divided into three chapters. Chapters 1 and 2 provide a framework for understanding the housing management operations of MVDC
and Los Sures. Chapter 3 discusses the two CDCs' management organizations in detail.

Chapter 1 provides background information on the New York City environment in which MVDC and Los Sures operate. The chapter addresses city programs that have a significant impact on the two CDCs' ability to manage their properties.

Chapter 2 develops criteria for recognizing successful low- and moderate-income housing management operations. These criteria are established in two ways. First, the findings of a massive study on housing management undertaken by the Urban Institute in the early 1970's offers clues to the differences between management operations in high- and low-performance HUD-assisted projects. Second, conversations with housing professionals shed light on issues of particular importance to CDC housing management.

Chapter 3 describes the management operations of MVDC and Los Sures. The chapter is divided into five sections. (1) An introduction to the two CDCs and their neighborhoods; (2) management mission and staffing structure of the management organizations; (3) tenant/management interactions including selection, orientation, eviction, organizations, and tenant involvement in management decisions; (4) issues related to building maintenance including systems to handle complaints, maintenance staff, building finances, and a look at how well the CDCs' buildings are actually maintained; and (5) overall impressions of the two CDCs' management operations based on my observations and discussions with housing advocates.

The thesis concludes with a discussion on the components from Los Sures's and MVDC's management operations that are important to their success.
Chapter 1

The New York City CDC Housing Environment

The history of the growth of community development corporations as developers of low and moderate-income housing differs by city. Each city, in which there is a nonprofit housing sector, has its own combination of public agencies, private foundations, social service networks, and demographics that make the tasks and functions of its CDCs unique. New York City has a large and active community-based nonprofit housing sector that has developed to address the housing needs in many low-income neighborhoods across the city. There are numerous programs that have nurtured the growth of what have become essential providers of affordable housing in the city.

This thesis focuses on the housing management programs of two New York City CDCs. Each CDC’s ability to manage its housing effectively is strongly affected by the city’s complex housing environment. It is impossible to comprehend the CDCs’ management operations without developing an understanding of the institutional arrangements by which CDCs acquire housing. This chapter provides the background necessary to understand the case study information presented in chapter 3.

Most of the low-income neighborhoods in New York City experienced landlord abandonment of multi-family buildings in the 1970’s. These abandoned buildings, as well as buildings in which owners were delinquent in paying real estate taxes, became part of the City’s in rem housing stock. This stock consists of both vacant and occupied buildings. The city, through its housing agency, the Department of Housing Preservation and Development (HPD), has developed a number of programs to transfer
ownership and management. In some cases, the buildings are returned to the private sector, but in others, the city turns the buildings over to the tenants, or community-based, nonprofit housing groups.

While there are a number of HPD programs that utilize nonprofit housing developers, there are three that are most relevant to the housing management portfolios of the CDCs on which this thesis focuses. The programs are (1) the Division of Alternative Management's Community Management Program (CMP), (2) the HPD-LISC Demonstration Program, and (3) the Special Initiatives Program (SIP). Each of these programs has different objectives that impose constraints upon and provide opportunities for CDC management. This chapter describes how these HPD programs operate and some of the ways in which they challenge CDCs.6

In light of the various city programs and the New York City environment, the chapter concludes with a discussion of how effective the CDCs in New York City have been at housing development. This section is based on findings of an extensive study undertaken in 1988 by The Pratt Institute Center for Community and Environmental Development.

I. In Rem Buildings

New York City is the owner of over 100,000 housing units in multifamily buildings that were either seized from, or abandoned by delinquent landlords.7 There are both occupied and vacant buildings in the in rem stock. The Office of Property Management in the Department of Housing

6 There are other programs that will not be discussed because they are not directly related to CDC housing management. These include HPD's Community Consultant Program and New York State's Neighborhood Preservation Program. Both are important funding sources for New York City CDCs and they allow the groups to apply for funds for many different purposes including grants to enhance management capacity.

7 Stegman, p. 204. The number of in rem buildings changes every year.
Preservation and Development (HPD) is responsible for managing the occupied buildings.

The city has a reputation for being a negligent landlord. When its portfolio started to grow in the mid-1970's, "the media carried frequent stories of tenants dying from lack of heat in abandoned buildings." The city has improved its management skills since then, however, the large HPD bureaucracy makes efficient management almost an impossibility. The buildings are plagued by poor maintenance, drugs, vandalism, and low rent collection.

The city accepted the job of landlord out of necessity. Unfortunately, in most instances, city ownership was simply a replacement of one poor landlord with another one equally as bad. The city acknowledges that it is not the landlord of choice and has looked for more appropriate owners for the in rem buildings.

The Division of Alternative Management Programs (DAMP)

HPD's Division of Alternative Management runs three of the programs the city has developed to transfer ownership of occupied in rem buildings. The three programs are: (1) Private Ownership and Management Program (POMP), (2) Tenant Interim Lease Program (TIL), and (3) Community Management Program (CMP). These programs represent the spectrum of ownership possibilities -- private ownership, tenant ownership, and community-based, nonprofit ownership. In the following sections, the TIL programs is discussed briefly and CMP is described in detail because it relates directly to CDCs and the topic of this thesis -- housing management practices of community-based housing groups.

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Tenant Interim Lease (TIL)

The goal of the Tenant Interim Lease program is to turn occupied in rem buildings into tenant-owned cooperatives. For a building to be eligible for the program, it must be largely occupied, three-fifths of the residents must sign a petition indicating their desire to enter the program, and the tenants must be willing to restructure the rents, if needed, so that the rent roll is sufficient to cover building expenses. In addition to the rent roll, Community Development Block Grant funds are available to help pay for building repairs. Tenants are expected to make minor repairs themselves. The program initially called for the tenants to enter into an 11-month lease to self-manage, at which time it would be decided whether the tenants would purchase the buildings from the city for $250 a share. What has evolved instead are renewable leases and a process that can take several years.9

The city provides extensive training for the tenants through the Urban Homesteading Assistance Board (UHAB). The building president and one other officer are obliged to attend cooperative training classes. Some community groups, such as Los Sures, also provide tenant organizing and technical assistance to residents in TIL buildings.

II. Community Management Program (CMP)

From a tenant “empowerment” perspective, TIL is an appealing program. There are many city-owned buildings, however, where tenants are not sufficiently organized to succeed in the program. The Community Management Program offers an alternative path for some of these buildings.

9 For a more extensive discussion of the TIL program see From Abandonment to Hope. The authors did an extensive study of the experiences of residents in buildings that went through abandonment by private landlords, poor city management, and then through perseverance and struggle became low-income cooperatives. In their study, the authors also contrasted the experience of residents in the co-ops with that of tenants in CMP buildings.
Under a 3-year contract with HPD, nonprofit community groups manage day-to-day operations and rehabilitation of city-owned buildings as well as organize the tenants to form a cooperative. When rehabilitation is complete, the city either sells the building to the tenants as a co-op, or if the tenants are not interested ownership, the CDC purchases the building and maintains it as a rental.

The program unofficially began in 1972. The participating groups and the program administration grew in sophistication and funding during the late 1970's and 1980's. The program is about to undergo a significant change in operations on July 1, 1991 that is promising to alter the way the CDCs function. In this section, I will discuss the program's beginnings, its current operation, and the upcoming changes.

**Program beginnings**

The Community Management Program grew out of the frustrations of a group of community activists in Brooklyn with the city's lack of *in rem* building management skills. Leavitt and Saegert describe how, "in 1972, community workers in Williamsburg, Brooklyn, told the city that they could do the job better. An agreement was struck between the city and a community organization, Los Sures, that the organization would manage receivership buildings from an office in the neighborhood, with a budget for staffing (a director, bookkeeper, and handymen to make minor repairs). Contracts with other groups followed." 10

**Program growth** 11

The program started off with only a few participating groups because the city did not have access to funds. Once Community Development Block

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10 Ibid, p. 119.

11 Except where otherwise indicated, this section is based on interviews with Sandra Abramson, Director of Rehabilitation, HPD - DAMP.
Grants (CDBG) became available the program grew.\textsuperscript{12} By 1978 there were 22 groups participating and the city was able to use CDBG funds to pay the community groups' staff. CMP staff could include a Director of Management, a bookkeeper, and Tenant Resource Specialists (TRS). TRSs are responsible for rent collection, day-to-day building operations, and organizing the tenants to form a cooperative. There were still no funds for rehabilitation. Most of the rehabilitation work was done by HPD while the CDCs managed the properties. The first co-op was sold in 1981 by Los Sures.

In the beginning, there was a maximum of $15,000 a unit for rehabilitation. As time went on, the renovation budgets increased and the community groups took on more rehabilitation responsibility. It was not until 1987 that HPD learned how to successfully utilize city capital dollars for CMP rehabilitation work. HPD continues to use federal CDBG monies to pay for the CDCs' staff and operating subsidies, but major renovation work is funded from the capital fund. In 1987, the Community Management Program spent $3 million in capital funds; in 1990 it spent $18 million.

**Building CDC management capacity**

The Community Management Program was instrumental in building management capacity of many New York City CDCs. Original participants are now the most well-known CDCs in the city.\textsuperscript{13} While having their staff paid for by the city, groups gained rehabilitation experience, hands-on contractor and construction supervision, and knowledge of building maintenance and management services.\textsuperscript{14} Leavitt furthers the argument that CMP encouraged the growth of community-based, housing groups:

\textsuperscript{12} Leavitt & Saegert, p. 119.

\textsuperscript{13} Interview with Sandra Abramson, Director of Rehabilitation, DAMP-HPD.

\textsuperscript{14} Ibid.
CMP has been consistently attacked by politicians for being too costly a housing program and for going beyond housing. Yet, there are benefits for those interested in seeing them. There were some existing community groups that were able to survive only because they had a CMP contract. There were new groups that were encouraged. In both instances, this meant a closer presence to the household level than a centralized housing bureaucracy. Other groups were able to leverage the CMP contract and become developers of new housing, health, and child care facilities.\(^\text{15}\)

The Community Management program has provided a unique opportunity for CDCs to learn the management ropes without having ultimate financial responsibility for the buildings. The buildings do not produce sufficient income for operating expenses or the rehabilitation work. The city covers the difference between income and expenses. While the CDC has to provide HPD with projected budgets, it does not have to balance a budget or obtain outside financing. If the buildings become unmanageable for the CDC, it has the option to return the building to city management.

**Building tenant capacity**

While the program has encouraged the building of management capacity of many CDCs in the city, Leavitt and Saegert argue it has not been as successful in building tenant skills. Some CDCs are more successful at leading tenants to form cooperatives than others. Recent studies have indicated CMP buildings that became co-ops have been more successful over the years than those that became nonprofit-owned rentals.\(^\text{16}\) It appears that

\(^{15}\) Leavitt & Saegert, p. 191.

\(^{16}\) There are a few possible explanations for why CMP co-ops have fared better than rentals. (1) The buildings that remain as rentals were not renovated as well, so the tenants did not want to form a co-op to buy a building in poor shape. (2) The tenants in a co-op feel greater responsibility for their building so they maintain it better. (3) Sandra Abramson notes that due to a regulation in the program, rental buildings are not sold directly to the CDC because the city requires the building be sold to an Article 11 Corporation. Instead, the CDC forms a Housing
HPD is at least as interested in how well the CDC handles the rehabilitation process, as it is in whether or not the tenants form a cooperative.

The city has tried to address the co-op training needs of the tenants and the CDC CMP managers. In the past, CMP tenants attended the same UHAB training as TIL residents. The expectation in the UHAB training was that the co-op was going to self-manage. Most CMP “graduate” co-ops, however, hires a managing agent. The city has asked UHAB to provide courses that are specific to CMP tenants needs. The tenants are helped in making the transition from tenant to owner. Since they will probably hire a managing agent, the tenants learn what to expect from a manager. They learn what reports they should be provided and how to make sure taxes and insurance are paid. The classes also focus on how to decide which repairs to make and what to do if one of the co-op members stops paying maintenance fees.

**Difficulties encountered by CDCs managing CMP buildings**

The Community Management Program has provided an opportunity for many CDCs to grow and increase their housing development and management capacity. The program does not offer an easy management situation for the participating groups. Most of the buildings in CMP were in city management for a number of years before the CDC took over. The buildings are generally in terrible physical condition and many of the tenants have not paid rent for years. There is often a serious drug problem in the building. Managing renovation of an occupied building causes a variety of problems. Tenants either have to be relocated or they must share facilities with neighbors. The buildings generally enter the program with a superintendent in place. This “super” has had a disinterested landlord in the

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Development Fund Corporation (HDFC) to own the building. The CDC is not ultimately responsible for the buildings under this agreement and the city has had problems with community groups falling apart and leaving a buildings without an owner.
city and now is faced with the CDC who will presumably have higher expectations. The superintendent does not always respond well to his or her new "boss." When it comes down to it, the CDCs are confronted with managing some of the most difficult properties in the city and the hope is that they will be able to turn them around.

The program puts the CDCs in a difficult position because they are caught between the tenants' needs and demands and the city's pocketbook and time-frame. Sandra Abramson argues the program forces the CDCs to "wear 35 different hats." On the one hand, the CDC is supposed to help "empower" the tenants through training and organizing towards forming a cooperative. On the other hand, the CDC is responsible for renovating occupied buildings within the city's budget and time constraints. If the CDC is successful at tenant organizing, the tenants become involved in management decisions. The tenants new role in their building's management and future encourages them to make demands of the CDC. Unfortunately, the CDC is not always in a position to respond to the tenants' requests. The tenants become angry because their rents have been raised and the work is not getting done quickly, in turn, they might withhold rent. Abramson points out a CDC can sometimes find itself taking a tenant to court after it has encouraged the tenant's involvement.17

The city has ruled that every vacancy in a CMP building must go to the homeless. The homeless family must be chosen from a shelter, or what the city calls "allocatable" or HRA eligible. The families from the shelters are often of a different racial or ethnic background from the current building residents. This has caused some problems in the buildings and challenges for the community groups.

The difficulty of juggling the multiple roles of tenant organizer, building manager, and building renovater leave the CDC with some enemies.

17 Sandra Abramson.
Abramson argues that ultimately the CDC is often put in the position of pushing tenants to purchase a building for which the tenants are not that happy with the rehabilitation job. The tenants’ rents and their expectations have been raised. The CDCs are left with the reputation of raising rents and not offering the tenants enough for the extra money. It is because of this reputation that not all eligible buildings in a community chose to enter the program.

**CMP as of July 1, 1991**

On July 1, 1991, groups will face a new challenge -- learning how to function under completely new CMP rules. According to Sandra Abramson, in the past HPD was not concerned with how well groups handled building rehabilitation. A CDC’s success in obtaining buildings to manage was determined more by politics than by performance. She believes that the program as it was constituted led the CDCs to function inefficiently. Most groups established separate operations for CMP buildings, rather than managing all of their projects under one management organization. She is under the impression that the CDCs only produce financial building reports for CMP buildings because the city requires them.

Under the new program rules, CDC production performance will be important to a group’s success in the program. The program changes are not, however, as simple as monitoring performance more closely. There will be a substantial difference in the way the groups are funded. While the changes are due in part to the agency’s desire to hold the groups more accountable, they are also due to budget cuts in the program.

Under the current program, HPD pays for the following: building operating subsidies, renovation costs, 11% management fee to the CDC, salaries and benefits for CDC CMP staff, and a 4% construction management fee.
Under the new program regulations, most of the funds to the CDC will come in the form of a construction management fee. The group will receive a fee of 15% of the construction budget for overseeing the renovation. In addition, they will also receive a 9% management fee based on collected rent. (There is discussion of an incentive of an 11% management fee if they collect 95% of the rent and a 7% fee if they collect below a certain amount.) The program will continue to pay operating and maintenance subsidies (although at a lower level than in the past). Since the construction management fee will be received only once construction bids have been received, there will be a revolving loan fund for start-up costs.

These new program rules will work to encourage CDCs to move buildings through the program as quickly as possible because the bulk of the funding will come through the construction. The CDC will continue to receive a management fee, but it will not be enough to cover management staff salaries. The CDCs will also have to be more aggressive in collecting rent since the management fee is based on actual income. HPD hopes the pressure of the new rules will force groups to establish more efficient renovation operations and to fold management of the CMP buildings in with management of their other buildings.\footnote{Ibid.}

The CDC CMP staff is fearful about the upcoming changes. The funding cutbacks will require groups to lay-off many of their CMP staff. Only time will tell what sort of effect the new program configuration will have on the CDCs. In addition to the program changes, some of the groups are facing a lack of available and eligible buildings to manage. The inability to bring in new buildings may ultimately have a larger impact on those groups than the program changes.
III. **HPD-LISC Demonstration Program**

The Division of Alternative Management programs are designed to transfer city-owned, occupied buildings to other owners for renovation, management, and ultimate ownership. HPD has several programs to renovate vacant city-owned buildings for affordable housing. One of these programs involves the Local Initiative Support Corporation (LISC).

LISC has been lending financial and technical support to CDCs in New York City and across the country since 1980.

LISC is a national nonprofit lending and grant making institution founded to draw private sector financial and technical resources into the development of deteriorated communities and neighborhoods. It invests these resources in projects of new construction and rehabilitation in housing, business, and industry that are being developed by community-based nonprofit organizations.\(^{19}\)

LISC develops different programs depending upon the needs and resources of the particular city in which it is operating. One of the programs it developed in New York City, the HPD-LISC Demonstration program, combines the resources and skills of HPD, LISC, and CDCs. The program provides a mechanism for the transfer of vacant city-owned buildings to experienced CDCs for renovation and ownership. Ten of the city’s most experienced CDCs were chosen to participate in Phase I.

The city provides vacant buildings (that are sold to the CDCs for one dollar) and financing for 75% of the development costs in the form of a 1%, 30-year balloon mortgage. Some funding is obtained from federal Section 17 grants. The remainder is provided by LISC through the sale of Low-Income Tax Credits to New York City corporations. In addition, LISC provides

technical assistance, development oversight, and support for front-end development costs to the CDCs. The CDCs are responsible for rehabilitation and ownership and management of the buildings. In Phase I, 972 units were produced. Phase II has just been completed with 643 and Phase III is in the pre-development phase with a plan for approximately 630 units. Ten percent of the units developed under Phase I and II of the Demonstration program are designated for the homeless. The remainder are reserved for households earning 60% or less of the area median income. The tenant specifications for Phase III have not yet been decided.

According to Marc Jahr, the New York City Program Director, LISC's intent in working closely with the CDCs to produce such a large number of units is to show that nonprofit housing developers can be big players in the real estate market in their communities. The program promotional brochure explains how the LISC-HPD partnership will benefit the CDCs:

The scope and scale of the Demonstration Program are possible only because LISC and HPD are packaging site control and disposition, pre-development working capital and construction and mortgage financing -- the three major components necessary for successful development.

This approach allows the CDCs to focus on renovation rather than "the time-consuming and frustrating task of piecing together necessary resources." The program has established a unique building reserve that will aid in the future management of the projects. In addition to a standard reserve fund of 2% of collected rent each year, LISC has also created an operating reserve for future cash flow problems. This extra reserve account is funded by tax credit investors during the first six years of the project. The

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20 Interview with Marc Jahr, NYC Program Director, LISC.
21 HPD-LISC Demonstration Program brochure.
22 Ibid.
extra reserve amount is derived from a formula based on a proforma projection of rents increasing 2% per year and expenses increasing 5% per year, for fifteen years -- the length of the tax credits. Under that scenario, in year seven, the building will not produce enough income to cover expenses. At that point the reserve fund, which has been accruing income over the years, will be there to cover the deficit. In Phase I, the extra reserve fund calculations led to reserves of approximately $2,500 to $3,000 per unit.

**Management difficulties with the Demonstration Program**

There are many positive attributes to the Demonstration program that lead to ease of management. The buildings are gut rehabilitated. There is enough up-front money to do a good job and to start the buildings off well. There are, however, management difficulties for the CDCs associated with the program.

The program requires tenants be chosen by a lottery. Receiving and processing applications is time consuming, labor intensive, and costly. Given the shortage of affordable housing in New York City many more applications are received than there are available apartments. When a unit becomes vacant later on, the CDC is required to go back to the original applications.

There are strict income guidelines for choosing tenants. If these guidelines are not adhered to the unit can lose its tax credit eligibility. In Phase I, the allowable rent for a unit is based on household size, rather than unit size. Therefore, if a household size changes, at lease renewal, the tenant's rent has to be decreased or increased accordingly. Marc Jahr notes that it is unusual to tie rent to household size. He does not think that any of the CDCs in the program have grasped the concept, because it is not the way they are used to doing things. This situation will complicate the groups' financial planning because they will not know the project's income from one

23 Marc Jahr.
year to the next. They cannot kick out tenants because their household size decreased. In Phase II and III, LISC was able to have the income tied to unit size, not household size.

Finally, the program requires considerable management reporting. The CDCs are expected to report financial statements to the New York Equity Fund on a quarterly basis. On a yearly basis they will have to report to HPD and LISC who monitor and administer the operating reserve fund.

IV. The Special Initiatives Program (SIP)

The Special Initiatives Program (SIP), similar to the HPD-LISC Demonstration program, utilizes vacant, city-owned buildings to produce affordable housing. In contrast, SIP is geared to producing housing for homeless families. The program was started in 1986 as a response to the serious homeless situation in New York City. Under SIP, the city renovates vacant buildings and then turns them over to community-based housing organizations for management. The program was originally designed to provide 100% of the units in SIP buildings for homeless families. At the request of the participating CDCs, the city changed the requirement to 60% homeless families, some of whom can be doubled and tripled-up families in the community. As of June 1990, there were approximately 2,500 units completed and in management and another 2,900 units planned or in production. The SIP units are managed almost exclusively by fifteen CDCs,

24 "NYEF is a real estate investment fund which finances nonprofit affordable housing projects in New York City. Through the Equity Fund mechanism, prominent New York corporations make limited partner investments in such properties and earn profits through tax savings from Federal Low Income Housing Tax Credits." HPD-LISC Demonstration Program brochure.

25 HPD's Capital Budget Homeless Housing (CBHH) program also utilizes nonprofit housing organizations for the rehabilitation and ownership of vacant city-owned buildings. CBHH is similar to SIP, however it is targeted at smaller projects. Los Sures owns and manages one CBHH building.
with 90% the units in Manhattan and the Bronx and the remainder in Brooklyn. 26

Difficulties associated with SIP

While the city provides some funding for social services for SIP residents, there is a concern on the part of HPD, as well as housing and homeless advocates, that the needs of the homeless families placed in CDC managed housing will overwhelm both the nonprofit groups and the communities in which these projects are built. Many homeless families come with social service needs that the CDCs are not necessarily in a position to provide assistance. There has been some response on the part of foundations to this concern.

The national LISC has received funding from the Edna McConnell Foundation to study the relationship between housing management and social service provision in CDC managed housing with a particular emphasis on the needs of newly housed homeless families. In a paper to the Foundation, the Conservation Company, which was hired by LISC to undertake the research, made the following points:

One or more of a host of crises or problems caused these families’ initial homelessness. Whatever the cause, life in the hotels and shelters effectively conditions them to unpredictable disruption, the futility of planning, dependence, and the need to concentrate completely on day-to-day survival. Many of these families are singularly unprepared for the demands of establishing a new life in what is often a strange community. ..... Increasing numbers of housing sponsors are finding that their existing techniques are inadequate for the management of housing for homeless families, and they are uncertain how to respond to the new demands. This quandary places serious strains on the sponsors and undermines

the security and well-being of the families.\textsuperscript{27}

The report discusses strategies for foundation response. It suggests the foundation could fund an effort to document successful management/social service models already in existence, provide small seed grants to support development of new initiatives, and fund an intermediary to "deliver technical assistance to housing sponsors in the development and implementation of initiatives responding to the social service needs of tenants."\textsuperscript{28}

The Bankers Trust Foundation responded to HPD's fears that the CDCs managing SIP buildings do not have the capacity to deal with all the social service needs of their new tenants. They believe that the groups are facing unique problems, not previously dealt with, in taking on this special needs population. The Foundation has provided grants of up to $25,000 to 14 CDCs managing SIP buildings. Fifteen thousand dollars is for building organization capacity and $10,000 is for providing social service programs for families. In addition to the grants to the CDCs, the Foundation has also awarded the National Center for Housing Management (NCHM)\textsuperscript{29} $200,000 to provide, over a 2-year period, intensive one-on-one housing management training to approximately five of the CDCs deemed to need extra help. NCHM will provide general help to the other groups on issues such as how to deal with drugs in their buildings, integrating homeless families into the community, setting standards, and organizing tenant associations.\textsuperscript{30}

\textsuperscript{27}Ibid p. 2, 3.
\textsuperscript{28}Ibid p. 10 - 13.
\textsuperscript{29}NCHM is a national nonprofit organization that provides property management training and certification.
\textsuperscript{30}Interview with Nancy Tifkin, President, Bankers Trust Foundation and Gary Hattem, Director of Community Development, Bankers Trust.
V. **How New York City CDCs have fared**

The preceding sections described a subset of the support system for CDCs that produce affordable housing. The HPD programs have enabled CDCs to produce a large quantity of housing. There are numerous local nonprofit housing groups throughout the many low-income neighborhoods in the city. The Pratt Institute Center for Community and Environmental Development undertook a massive study to assess the role of nonprofit housing groups in housing production. The researchers sent questionnaires to 229 nonprofit organizations involved in some type of housing-related activity and received responses from 186 organizations. The 186 included city- and borough-wide housing organizations, social service organizations, and community-based housing groups.

With the help of the city, state, foundations, and intermediaries, nonprofit housing groups have been able to provide a considerable amount of housing for homeless, low- and moderate-income persons. According to the Pratt study, a very rough estimate of housing (this includes units and beds) produced or in production by non-profit groups is 33,731 units/beds. The researchers believe that number is conservative. These units were generated by 115 organizations. Frank DeGiovanni tried to estimate the percentage of the overall production of low- and moderate-income housing that is produced by nonprofits. He notes that finding the exact number is not possible, but he derives an estimate that credits nonprofits with producing at least 27% of all the subsidized housing built in the city during the last fifteen years.31

**Conclusion**

The Pratt study focused on the role nonprofit housing developers play in the production of affordable housing. Since 1988, CDCs have continued to

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31 DeGiovanni, p. 4.
increase their housing portfolios. What the Pratt study, or any other study, does not address is whether or not CDCs have the systems in place to manage their large and increasing housing portfolios effectively. The city programs discussed above have led many of the groups to greatly increase the number of units they are managing. Joe Stillman notes that "it is not unusual for a group’s management inventory to have doubled or even tripled in the past two years." In addition, a large percentage of those units house relocated homeless families. This population places new and difficult management demands on CDCs.\(^\text{32}\)

The abundance of programs, foundation and other support, and active community-based housing groups make New York City an interesting environment to study CDC housing management. This chapter described the institutional environment necessary for understanding CDC housing in the city. The following chapter continues to develop the framework needed to discuss the management programs of the two chosen CDCs by establishing criteria for recognizing successful housing management. While the ideas presented are relevant to any organization managing multi-family housing, issues are raised that are specific to CDC’s undertaking the task.

\(^{32}\) Stillman, p. 4.
Chapter 2

Criteria for Successful Housing Management

The previous chapter described the environment in which CDCs in New York City operate. Programs place different management demands upon the managing organization. Each has its own requirements and regulations by which the CDCs must abide. Community Management Program buildings, due to their occupied and dilapidated condition, are more difficult to manage than newly renovated vacant buildings. Buildings that have a predominance of relocated homeless families challenge the CDCs in the realm of social service provision. The two CDCs that are the focus of this thesis manage large and varied housing portfolios in the New York City environment. Before their management operations can be discussed, it is necessary to establish a framework for recognizing good nonprofit housing management practice.

In the previous chapter the point was raised that, while there has been a large-scale study on CDC housing development in New York City, there has not been a comparable study on CDC housing management. To find a significant study on housing management, one has to look to the early 1970’s. From 1971 through 1978, the Urban Institute undertook a massive housing management study for the U.S. Department of Housing and Urban Development. The Institute searched for “keys to successful management” of HUD-assisted, low- and moderate-income housing across three ownership types. The researchers determined that the “key to successful management was in its style.”

The Institute also determined that no single ownership type assures success and they found examples of successful management in all three ownership types. The researchers report many of their findings by ownership type, however, they do not distinguish issues that might be particular to the achievement of successful management by each type. The goal of this chapter is to establish a framework for understanding CDC housing management. While many of the Institute's "keys to successful management" are relevant to what a CDC should strive for, the findings need to be reinterpreted and augmented based on the current New York City CDC housing reality.

The chapter is divided into three sections. The first section describes the Urban Institute study and summarizes its findings. The second section discusses issues relevant to community-based nonprofit housing groups either not raised by the Institute findings or reinterpreted from the findings. These issues were identified by housing professionals involved with community-based housing groups as important for successful CDC housing management. The last section offers criteria to determine whether a CDC should manage its properties itself or hire an outside management firm.

I. The Urban Institute Study

In the early 1970's, the Urban Institute embarked upon a major research project on multi-family housing management for the U.S. Department of Housing and Urban Development. From 1971 to 1973 the Institute compared management performance in HUD-assisted housing for low- and moderate-income families across three ownership types. The ownership types studied were: (1) privately-sponsored, limited dividend, (2) nonprofit, and (3) cooperative. (In a later study the Institute also considered management of

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34 All of the information in this section is derived from Keys to Successful Management. This publication summarizes the Urban Institute's findings.
public housing projects.) The study sought to answer two questions. (1) "What type of ownership most assures good management?" and (2) "How does the management of successful projects differ from the management of less successful ones?" Langley Keyes notes that this study was "the first and last time that HUD initiated a concentrated effort to look at management issues across ownership lines."³⁵

The Urban Institute management research constituted a significant effort. The researchers studied the management of 60 projects, located in cities, suburbs, and small towns across the country. "The Institute designed a 444-part questionnaire for housing managers and a 361-part questionnaire for occupants." The responses to these questionnaires were used to gauge "the success of developments according to 24 performance measures." The measures gauged success from four points of view: the residents, the manager, HUD, and the mortgage banker. "In conjunction with the 24 performance measures, the Institute used three other kinds of measures: controls to hold project characteristics constant in comparing different ownership groups, style measures to analyze management’s characteristic mode of operating, and organization measures to examine patterns of authority and responsibility in relation to performance. In all, close to 1,000 measures were examined."

Projects that performed well in the following areas were considered successful: resident satisfaction, management satisfaction, low rent delinquency rate, low management expenses, mortgage and reserve payments on schedule.

Study findings — “How does the management of successful projects differ from the management of less successful ones?”

After compiling the massive database of management responses, the Institute researchers determined that “the key to housing management success is its style. Successful management is a blend of firmness, management responsiveness and occupant concern.”

“Firmness means setting down and enforcing rules of behavior for occupants.” Included in the list of attributes of management firmness in high-performance projects are:

(1) Residents were aware of written behaviour rules,
(2) Management was strict about late rent payments,
(3) Residents shared their neighbors’ beliefs and standards.

“Management responsiveness encompasses heeding requests by residents for repairs and providing recreational space.” In high-performance projects the researchers found the following:

(1) Management is prompt in responding to maintenance requests,
(2) Residents know whom to contact when they have a repair request,
(3) Management puts a higher priority on choosing quality contractors, than choosing contractors for their prompt service.

“Occupant concern covers a wide range of behaviors, attitudes and interests, including the way residents care for their apartments and their organized concern for the social life of the development.” Under Occupant Concern, the Institute found the following criteria for successful projects:

(1) Management felt residents cared for their apartments,
(2) Residents felt they should pay for damages,
(3) Residents were aware of the reasons for rent increases,
(4) Occupant organizations were concerned with social and recreational activities.

In addition to the three categories constituting management style, the
Institute offered other findings related to management performance:

(1) “Management cannot simply spend its way out of problems, and that money alone is not a guarantee of success.”

(2) “Occupants have a strong day-to-day management role mainly in low-performance projects.”

(3) Owners in high-performance projects assumed more responsibility and gave little authority to off-site management firms.

(4) Projects performed better when managers spent more time on maintenance than collecting rents.

II. Management Issues for CDCs

Nonprofit housing groups in New York City operate in an environment that is different from the housing environment studied by the Urban Institute twenty years ago. The Institute research focused on management of HUD-assisted projects. Managing the reporting and financial requirements of those projects was straightforward. It required reporting to one regulatory agency -- HUD. CDCs in New York City currently manage housing developed under many different programs. A CDC may have obtained funding from half a dozen sources for one project. Each program and funding source has its own regulations and reporting requirements. While CDCs strive to establish good management practice, they must operate within the constraints of the programs under which they developed their housing. In addition, community-based housing groups have a particular belief system that guides their organization. They struggle to establish how management fits in with their organizational mission.

This section addresses issues of particular concern to CDCs. These issues were identified through discussions with housing professionals who work
with, and are committed to the success of, nonprofit housing groups. These people were asked what they thought was necessary and important to ensure CDCs manage their properties successfully. Housing professionals were relied upon almost exclusively because there is little recent research on management and none specific to nonprofit housing management. The points raised most often, and the ones I considered to be the most important, are discussed in this section. In many ways, housing professionals suggest that CDCs strive for similar qualities in their housing management as were raised by the Institute's research. To understand the management issues with which today's CDC struggle, though, new points must be discussed and some of the Institute's findings need to be reinterpreted and expanded.

Management is a business

Managing buildings is a business. Running a successful private, for-profit business means knowing how to generate enough income to pay for expenses, satisfying the clients, and earning a reasonable profit. Nonprofit community-based groups have a reputation for not having business-like operations and standards. This is especially true of groups that have come into the housing arena from a grassroots, advocacy background. Housing professionals argue that CDCs need to understand that management is a business that must be approached with a professional attitude and a long-term commitment. If a CDC does not establish a business-like operation, it will not be able to survive the institutional and regulatory New York City environment. A CDC must provide the best management possible, i.e. as good or better than an outside management company, otherwise they are not doing the community a service.

Hire property managers not organizers

To run a successful management business, housing professionals stress
the management operation should be staffed with people who want to be property managers. A community group should not expect their tenant organizers to transform into efficient and successful property managers. Tenant organizers have the reputation of viewing the tenant/landlord relationship as one of conflict. They help tenants battle their landlord for increased services and help tenants fight evictions.

While processing an eviction is not a joyful occasion for a property manager, she generally views it as a necessary evil in managing a successful project. A housing manager has to be equally concerned with the needs of the tenants as with the landlord (the CDC in this case) and must meet the landlord’s obligations to all tenants. Gary Hattem argues that trying to make an organizer into a property manager is not good for the organizer. A successful property manager requires a different sort of personality and set of psychological skills for dealing with day-to-day management problems than is usually associated with tenant organizers. Tenant organizers are not accustomed to dealing with the physical component of building operations. Property managers are responsible for ensuring building repairs are responded to quickly and effectively and handling complaints from angry tenants. The belief that organizers do not make acceptable property managers is related to the Urban Institute’s recommendation for management “firmness.” The assumption is that tenant organizers will not be able to do what it takes to collect rent and effectively run a building.

**Tenant/Management Interactions**

The organizer versus property manager issue raises questions regarding the appropriate relationship between tenants and management. The Urban Institute study suggests a limited role for tenants in actual management.

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36Interview with Gary Hattem, Director of Community Development, Bankers Trust, former Executive Director of St. Nicholas Preservation Corporation.
decision-making, although the research indicates it is important for tenants to be informed and concerned about building management. Should a CDC attempt to provide more than good building management, i.e. is there a proper relationship between tenants and management for which the CDC should strive? In Chapter 1 it was noted that the Community Management Program “has been consistently attacked ... for going beyond housing.” Can a CDC manage its housing successfully without “going beyond housing?”

Many of the CDC’s tenants are accustomed to unresponsive managers, having lived previously in city- or privately-managed properties or shelters. The expectation is that CDCs should strive to offer a better residential environment for their tenants.

This section addresses four issues of tenant/management interaction that were either not discussed in the Institute findings, or need further elaboration. The issues are: (1) the selection process, (2) expectations for social service provision, (3) the role of management in organizing, and (4) tenant involvement in management decisions.

Tenant selection

The tenant/management relationship begins when management selects a tenant for an apartment. How that selection is made, though, is a controversial issue. To what extent is it appropriate for management to screen to find “desirable” tenants? Depending upon the program under which the housing was developed, the city and HUD regulate tenant income requirements and the process by which tenants are chosen (most often requiring a lottery). That process determines eligibility but not the ultimate selection. Keyes argues that “the dynamics of tenant selection are such that screening becomes implicitly a means of prioritizing tenants and deciding who shall live in subsidized housing.”

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37 Leavitt and Saegert, p. 191.
Nonprofit housing groups are dependent upon high rent collection rates because their housing usually operates close to the margin and without much flexibility for rent loss. Groups in New York City also know it is difficult to obtain evictions because judges and welfare workers are extremely reluctant to add to the homeless population. The Institute study notes that management should not be lenient about late rent payments, however in a system where evictions are extremely difficult to obtain and welfare is willing to pay up to three months back rent, being “firm” does not necessarily accomplish the desired objective. One of management’s means of “firmness” is heavily screening so as to assure “good” tenants. Whether this is right or wrong, it is certainly a reality for many CDCs. 39 Keyes contends that “the ability to screen is critical. A housing authority or a CBO [community-based organization] wants to take the maximum space allowed it by the regulatory agencies screening out tenants for cause.” 40

Access to social services

No matter how carefully management screens, there will be tenants who have problems that could affect the building’s and other tenants’ well-being. CDCs operate in communities that are plagued by crime, drugs, unemployment, poor schools, and lack of social services. Increasingly community-based housing groups are being called upon to house New York City’s homeless families. 41 These families come with a host of social service needs that the CDCs are not necessarily equipped to meet. The families often come from outside the community, so they do not have a social network to

38 Keyes, p. 151.
39 Homeless advocates complain that CDCs utilize more stringent tenant application procedures and screen more heavily than any other landlord.
40 Keyes, p. 153.
41 Many city housing programs are geared towards producing units for homeless persons. These include: SIP, Homeless Capital Housing, LISC, and vacant units in CMP.
support them. It is important that management have the mechanisms for helping tenants who are experiencing difficulties that might affect the tenant’s ability to pay their rent or disturb other tenants in the building. Most CDCs do not have formal social service functions in-house, but they should have a staff person responsible for helping tenants get access to social service providers. In addition, the CDC must develop networks with organizations in its community or the city to help its tenants.

**Tenant organizations**

Another important tenant/management interaction is the role of tenant organizations in CDC managed buildings. Many housing professionals stressed the importance of tenant organizations and suggested that it was in the CDC's best interest to encourage and aid tenants in the formation of tenants associations. CDCs should strive to change the standard adverse landlord/tenant relationship and encouraging tenant organizations is one way to begin that transition. On the other hand, some CDCs believe that as a landlord it is a conflict of interest to organize their tenants.

There is a conflict between the desire for tenant organizations and the adamant belief that property managers should not come from organizing backgrounds. An answer to this apparent conflict may be found in considering three different functions a tenants organization can serve. (1) Tenants may join forces against a negligent landlord or managing agent because they are receiving inadequate services. This could lead to establishing a dialogue between tenants and management, or in the extreme case to a rent strike. (2) Tenants can come together to deal with building safety issues. They might establish a tenant patrol or hold police seminars on crime prevention. (3) A tenants association may be formed for social purposes such as organizing a children’s play group. In fact, the Institute study found that where “occupant organizations were concerned about social or recreational
activities," the buildings performed well.\textsuperscript{42}

A tenants association formed to hold a rent strike is not one management will want to help organize. The type of tenant organization that management should strive to assist is one where tenants and management establish a dialogue to discuss problems and issues that concern building management. Encouraging tenant organizations shows that management is not afraid of tenants' demands and opinions, but welcomes them.

Since it is considered important both that there be tenant organizations in buildings and that property managers not come from organizing backgrounds, it might make sense to have another staff person organize the tenants. To do that successfully, the objective has to be clear that what is trying to be accomplished is a means of communication and not a rent strike.

\textit{Tenant involvement in management}

If there is a tenant organization it is easier to involve tenants in building management decisions. Given all the problems that plague the lower-income communities in which CDCs work, it is not likely that buildings will be maintained well without tenant input. Many of the buildings that CDCs own and manage do not have sufficient income to make all necessary repairs and renovations immediately. Tenants should have the opportunity to determine which discretionary repairs and renovations they would prefer management to pursue.

The appropriate level of tenant input is a complicated issue. Is tenant involvement in and of itself important? Or is it just necessary given the difficult circumstances of CDC buildings? The role for tenants in CMP buildings is clear because one of the goals of the program is that the residents form a cooperative. Without the motivation of owning the building, will

\footnote{\textsuperscript{42}Isler, et. al., p. 63.}
tenants want to be involved in building decisions and would they benefit from that involvement? The tenants' rent includes a management fee, so should they have the burden of attending meetings and making building management decisions? Should tenant involvement only occur in buildings where there is not enough income to cover expenses?

The Urban Institute study described conflicting roles for tenants in management. It found that tenants were more satisfied with management if they were aware of the reasons for rent increases. It also found it was in the low-performance buildings that residents played the largest role in management decisions. The study points out that the researchers were not able to determine cause and effect, but suggest that greater resident participation in low-performance projects might be out of desperation and a feeling that management had abandoned them. In many cases, such as with buildings from the Community Management Program, CDCs are taking over buildings in a situation where a previous owner had abandoned them. The CDC wants to turn those buildings around and it will not be able to do that without the tenants help. The hope is that along with involvement in management decisions, tenants will view building maintenance as partly their responsibility.

Maintaining Buildings

Developing effective relationships with tenants is one half of a management operation's agenda. The other half is maintaining buildings for long-term viability. These are obviously not distinct activities. Management must find ways to encourage tenants to participate in the upkeep of their buildings. At the same time, if management does not do its part and show tenants that it cares for the buildings, tenants will not care either. According to the Urban Institute study, being "responsive" to maintenance requests and

43 Ibid. p. 56.
repairs is a critical component of successful management. The research findings are not explicit what systems and resources are necessary to enable management to be "responsive."

This section discusses five issues critical to successful building maintenance. The issues are: (1) the importance of good superintendents, (2) ensuring that tenants knowing whom to contact with a repair request, (3) responding to maintenance requests, (4) involving management during construction, and (5) managing building finances.

**Superintendents**

The quality of a building's superintendent was often cited as critical to the success of the building. Having superintendents that care about their buildings and who feel personally responsible for them is a crucial component to good management. This is particularly important for CDCs in New York City because many do not have on-site managers in their projects. Instead, they have a central management office with housing managers responsible for specific projects and live-in superintendents in most of the buildings. The superintendents have the most day-to-day contact with the tenants and have a lot of control over how well the building is maintained.

**Clear chain of command**

The Urban Institute raised the issue that in high-performance projects, tenants knew whom to contact for repairs. Since there are superintendents or porters\(^*\) residing in most CDC buildings, it is natural for tenants to assume that is to whom they should report problems. The management company may in fact have a different system. Tenants need to be made aware of the chain of command for repair requests. Do they contact the superintendent,

\(*\)Porters have less responsibility for overseeing repair work than superintendents. Porters generally prepare trash for collection, sweep floors, pick-up debris, and make minor repairs.
the housing manager, or a central maintenance complaint person first?

*Responding to maintenance requests*

Once a repair request is made, it is important that management respond promptly to the request. If tenants get the impression that management does not care about them, the tenants will not care about management, which translates into not caring about the building. Tenants need to be encouraged to report problems quickly, before they become bigger problems. If tenants feel that management will not respond to their requests, they might not bother calling them in until they become very serious problems. Responding quickly to vandalism and other maintenance problems shows that management is in control of the building. The superintendent should cover graffiti immediately so as not to give the "artists" the satisfaction of seeing their work on the walls for very long.

In addition to responding promptly to repair requests, tenants should have a sense of management's commitment to the general upkeep of their buildings. General maintenance standards include management inspections of 100% of units each year and painting of all units every three years.

*Involvement of Management During Construction*

Ease of building maintenance can be enhanced by involving management in the design and implementation of building construction or renovation. Management can add a long-term perspective that the contractor might not consider, such as choice of paint, placement of trash receptacles, and the design of laundry rooms. In New York City, much publicly-subsidized renovation is geared towards providing large units for families. Buildings take a beating when there are a lot of children in residence. Apartments and common space must be designed to withstand the rigors of children.
Building finances

The financial situation of a building can have a considerable effect on how well the building is maintained. The Urban Institute researchers argue that “management cannot simply spend its way out of problems, and that money alone is not a guarantee of success.” While it is true that a project can be mismanaged even if there is sufficient income to cover expenses, it is also true that without sufficient income it is impossible to maintain a building properly. CDCs develop housing for low- and moderate-income people. Unless their tenants’ rents are highly subsidized, management is often confronted with maintaining buildings without sufficient income to pay for expenses. If there is enough income to cover normal expenses, there is not necessarily enough income for a reserve fund to cover major capital improvements.

To make the most of a building’s potential rental income, management should strive for the following building statistics:

- At least 95% occupancy -- most financial proformas assume a vacancy rate of 5% when calculating expected income. A lender will want to be assured that the project’s income is sufficient to cover all building expenses including mortgage payments.
- At least 90% on-time rent collection
- Less than a 30 day vacancy turnaround -- since maintaining at least 95% occupancy is necessary, it is important to rent vacant units as quickly as possible.

In addition to striving for the maximum possible rental income, it is important to keep expenses within a reasonable range. Table 1 shows

45 Isler, et. al., p. 11.
46 While some of the programs under which New York City CDCs' housing was developed, such as HUD Section 8 and HPD-LISC Demonstration program, require that there be a reserve fund, other CDC projects will not have the income to put reserves aside.
standard maintenance and operating expenses for moderate and gut rehabilitated buildings in New York City. Occupied buildings that are pre or during renovation will have higher expenses. (Pre-rehabilitated buildings are often extremely fuel inefficient and fuel costs are the greatest maintenance expense.)

III. Should a CDC Pursue Self-Management?

The sections above focus on good management practices in general and raise issues specific to community-based housing management. The discussion did not specify whether the CDC is providing the management itself or whether it has hired an outside management firm. The style and philosophy of the management of residential buildings should be related to the beliefs of the owners of the buildings. A CDC is a special owner; its reason for being in real estate is different from that of most private landlords. Given a CDC’s desire to provide decent, affordable housing for community residents, it ought to have the same expectations from a private management company as it would from itself. However, it may not be that easy to find a private management company that will manage the CDC’s properties just the way it wants them managed. In some cities, there is a scarcity of good private management companies that are interested in managing “difficult” inner-city projects.47 If, on the other hand, a CDC chooses to self-manage, it can be more assured that its buildings are being managed in keeping with its philosophy.

When a CDC manages its own properties it controls who is hired as property managers. As a community-based organization, the CDC should strive to hire housing managers from within the community (especially since

47 MIT Professor Phillip Clay’s research indicates that Boston CDCs have experienced difficulty obtaining good private management firms.
there are not on-site housing managers). While it may be possible to run a perfectly adequate management operation made up of staff from outside the community, there are many benefits to hiring from within. Housing managers residing in the neighborhood will have a better sense of available community resources for tenants. Growing up in the community and knowing a lot of residents may give the manager greater credibility.

Criteria for self-management

Not every CDC is in a position to manage its own properties. There are four issues a CDC should consider before embarking on housing self-management. (1) There is agreement among housing professionals that a CDC needs a critical mass of at least 250 housing units before it is cost effective to self-manage. Managing that many units enables a group to generate sufficient management fees to hire at least one manager and a part-time bookkeeper. (2) If they have the critical mass of units, CDCs need to recognize that property management is a long-term commitment. (3) The CDC should have the resources to establish maintenance handling and financial systems to run the management operation effectively. (4) The CDC must be clear about its role as a landlord and a manager. When a community-based advocacy group enters the housing development and management arena, the staff and board may have conflicting emotions as to their new role as a landlord. They might believe that if they have someone else manage the properties they can continue to advocate for the tenants. The group needs to understand, however, that it will be advocating against itself. Rather than abdicating management responsibility, it makes more sense to establish a responsive management operation that will work with tenants. This teamwork approach will avoid the need for advocacy because tenants will be satisfied with the job the landlord and management are doing.
Conclusion

No CDC management operation will successfully meet all the criteria discussed in this chapter. Not every organization will agree that it should be pursuing all of the stated objectives. While the Urban Institute's research offers clues to successful management, its criteria do not ensure success in the current New York City housing environment. The Institute's three components of management style, "firmness, responsiveness, and occupant concern" are strategies for which CDC management operations should still strive. The means and obstacles to accomplishing a successful style, however, differ for today's nonprofit housing groups. The complexities of handling numerous program requirements, establishing successful tenant/management relationships, organizing tenants, and maintaining financially unstable buildings were not fully addressed in the Institute's findings.

Management has two interrelated responsibilities -- maintaining its buildings and satisfying its tenants. Community-based housing groups deal with difficult properties in neighborhoods plagued with many problems. Their management tasks are extremely challenging. Whether a CDC chooses to self-manage or to hire an outside management company, it still needs to grapple with how its buildings will be maintained and the manner in which its tenants and managers will relate.

There are different ways to structure a management operation. The Urban Institute researchers found that "no one form of management organization can determine a project's success or failure, but certain patterns of authority and responsibility have different implications for management performance than others."48 The two CDCs that are the focus of this thesis both self-manage, but they have structured their management operations

48 Isler, et. al. p. 63.
differently. In the following chapter, the management operations of the two CDCs will be discussed in detail.
Chapter 3

The Housing Management Experience of
Two New York City CDCs

There are a number of well-established community development corporations in New York City that both develop and manage housing. Two of these groups are the Manhattan Valley Development Corporation (MVDC) and the Southside United Housing Development Fund (Los Sures). Both CDCs manage hundreds of housing units and are credited with having created successful management programs.

This chapter describes MVDC's and Los Sures's management organizations. The issues raised in the two preceding chapters are merged in the discussions of the CDCs' management programs. Both groups struggle to accomplish good management practice while operating in the complex housing environment of New York City.

The chapter is divided into five sections. Section I describes the methodology for choosing MVDC and Los Sures as case studies. It provides background information on the two groups and the neighborhoods in which they operate. Section II begins the exploration of MVDC's and Los Sures's management organizations. It includes a discussion of their mission as housing managers and their organization and staffing structure. Section III focuses on tenant/management interactions. The topics covered are selection, orientation, eviction, organizing, and involvement in management decisions. Section IV looks at building maintenance. It includes discussions on maintenance systems and staff and building finances. The chapter concludes with impressions of how well the CDCs' buildings are
The first four sections are primarily descriptive. Section V offers an overall impression of the two organizations based on my observations and discussions with housing advocates in the CDCs’ communities.

I. Manhattan Valley Development Corporation, Southside United Development Housing Fund, Inc., and Their Neighborhoods

This section begins with a discussion of the reasons MVDC and Los Sures were chosen as the focus of this thesis. It sets the stage for the following sections, which focus on the management operations of the two CDCs, by including general background and historical information on the two organizations and the communities in which they operate.

**Why MVDC and Los Sures?**

I chose to research Manhattan Valley Development Corporation (MVDC) and Southside United Housing Development Fund (Los Sures) in Southside Williamsburg, Brooklyn because of similarities in six areas. (1) Both groups are mature. MVDC was founded in 1968 and Los Sures in 1972 and each have been involved with housing from the start. (2) Each CDC has a large housing portfolio. MVDC and its affiliated Manhattan Valley Management Company manage 812 units. Los Sures manages 861 units. (3) While each CDC’s portfolio is varied, there is enough similarities across the two groups for comparisons to be made. (4) Los Sures and MVDC each manage properties for New York City under the Community Management Program, as well as “graduates” of the program. (5) Each sponsored and co-developed housing under the HUD Section 8 Rehabilitation program in the early 1980’s. The CDCs continue to manage this housing today. (6) Both participated in Phase I of the HPD-LISC Demonstration program (MVDC has
A significant difference in the two groups' portfolios is that Los Sures currently manages 100 units of homeless housing through HPD's Special Initiatives Program and the Capital Homeless Housing Program. While the HPD-LISC Demonstration program requires 10% of the units in a project to be reserved for homeless families, MVDC does not manage any housing projects that are specifically for the homeless.

There are important differences in the organization of their management operations. MVDC has spun-off a separate management company, the Manhattan Valley Management Company (MVMC). MVMC is tied to its parent company, yet has its own board of directors and relative autonomy. Los Sures's management operation on the other hand, is integrally linked to the rest of the CDC. Los Sures has established a for-profit management company that technically manages some of the CDC's properties. In reality, however, management is just one of several CDC departments, all of which are in the same building. The two ways of setting up a CDC property management operation, exhibited by MVDC and Los Sures, provide interesting contrasts and different approaches to management objectives.

I wanted to look at CDCs in different communities to see how and if the CDCs' neighborhood and political context affect their management style. I chose one CDC in Brooklyn and one in Manhattan. MVDC operates in a neighborhood that has felt significant pressure from gentrification. While it continues to be a very poor area, its proximity to Central Park, Columbia University, and Towers on the Park—a New York City Housing Partnership mixed-income condominium complex at 110th and Central Park West, have a stabilizing and gentrifying effect on the area. Los Sures operates in the Southside Williamsburg section of Brooklyn, an area with a long history of
tenant activism. The neighborhood experiences significant struggles between the Hispanic and Hasidic communities around conflicts over land, buildings, and city-services.

The following sections describe the Manhattan Valley and Southside Williamsburg neighborhoods in more detail and present the history and organizational structure of the two CDCs.

**Manhattan Valley Development Corporation**

*The Neighborhood*

Manhattan Valley is a forty block area in Manhattan from 100th Street to 110th Street and Central Park West to Broadway. The housing stock is predominantly five and six story walk-up rental buildings with a group of historic brick rowhouses on Manhattan Avenue. There is also a large New York City Housing Authority project, the Frederick Douglass Houses in the target area.

Manhattan Valley has a population of approximately 30,000, with a total of 6,700 families and 12,525 households.⁴⁹ Fifty-one percent of the population is Hispanic, 28.5% black, 17% white, and 3% other. The median age for the population was 31.1. Median household income in 1979 was $8,926. Twenty-three percent of the households received public assistance and 21% received Social Security. In 1980, there were 12,525 occupied housing units, 98% of which were rental units.

While these statistics are from the 1980 Census, Leah Schneider, Executive Director of MVDC, believes most of numbers still apply. The changes she has observed are: (1) a shift in the Hispanic population from a majority of Puerto Ricans in 1980 to a majority of Dominicans in 1990 and (2) a decrease in the percentage of rental units due to co-op and condominium conversions and new townhouse construction by the CDC. It follows logically

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⁴⁹All demographic information is from the 1980 Census.
that if there have been apartment building conversions from rental to cooperative or condominium, there has also been an increase in higher-income households in the area.

The neighborhood has several attractions that make it ripe for gentrification. It borders on Central Park and is in walking distance to Columbia University. It is well serviced by public transportation with subway stops on Broadway and Central Park West and North-South bus service on each avenue, and cross-town buses at 110th Street and 96th Street. There are many shops and numerous bodegas as well as supermarkets on Broadway and on Columbus Avenue.

Nevertheless, the area remains predominantly poor and has its share of drugs and crime. There is obvious drug activity on the streets and MVMC staff report it has gotten significantly worse during the last ten years. MVDC and MVMC have been active in working with the local police to curb drug sales and use in both the CDC’s buildings and within the community.

The origin of MVDC

Manhattan Valley Development Corporation was founded in 1968 by a group of “concerned and active community residents” after they determined that urban renewal had not been designated for their area. Their mission was and is “to preserve, improve, and develop housing in the neighborhood for the people who live there.” The CDC staff and board hold the belief that the best way to curb gentrification is to provide affordable housing.

The CDC’s first project, completed in 1973, was the rehabilitation of three adjoining occupied tenements with a total of 57 apartments. In 1978, MVDC succeeded in having the U.S. Department of Housing and Urban Development designate Manhattan Valley as a Neighborhood Strategy Area.

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50 MVDC brochure, 1983.

51 This first project was developed under the Municipal Loan Program. The buildings became very difficult to manage and the CDC ultimately sold them.
This designation committed the Federal government to set aside funds for the construction of 500 additional subsidized apartments in the neighborhood and induced housing developers and financial institutions to increase their activity in the area and the city to increase municipal services and improvements. 52

At the end of 1970, half of the buildings in Manhattan Valley were owned by the city and approximately 100 buildings were vacant. There are currently few vacant buildings and the CDC is nearing the completion of the Neighborhood Strategy Plan. The next step is to develop housing projects on some of the vacant parcels. The CDC has begun to do this by constructing 76 new townhouse units for moderate-income homebuyers.

**MVDC's spin-offs**

Manhattan Valley Development Corporation, as its name implies, is a housing development organization. Over the years, the CDC's board members and staff have identified housing-related needs within the community. Rather than establish programs in-house to address those needs, the CDC created three complementary organizations. These organizations are: (1) the Manhattan Valley Housing Clinic, (2) the Manhattan Valley Management Company, and (3) an operation to manage CMP buildings. The third entity is actually part of MVDC, but it operates separately from the development-oriented CDC.

MVDC members identified a need for tenant advocacy and housing-related legal services, but believed it would be a conflict of interest, as a landlord, to offer those services itself. Instead, the CDC established the Manhattan Valley Housing Clinic which offers tenant advocacy services to residents in both CDC and non-CDC buildings in the neighborhood.

When MVDC developed its first project, it utilized outside management

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52 MVDC brochure, 1983.
companies to manage the 57 units. The CDC found, however, that it was not receiving acceptable service from private firms. While the CDC was managing some of its buildings itself, board members began to consider the establishment a separate management company for two reasons. (1) The CDC’s portfolio was going to increase because of the Manhattan Valley’s designation as a Neighborhood Strategy Area. (2) Residents were receiving poor service from private management companies.

By 1981 the CDC was managing approximately 300 housing units. In that year, MVDC established the Manhattan Valley Management Company (MVMC) as a separate, nonprofit corporation. MVMC is governed by a Board of Directors. Some of the same people sit on the boards of both MVDC and MVMC. The Director of MVMC is Luis Arce.

For the last 13 years, MVDC has had a contract with the City of New York to manage CMP buildings. (MVMC company is not eligible to manage CMP because the city requires 501(c)3 corporate status.) While the CDC has ultimate management responsibility for CMP buildings, it has set up a completely separate operation to manage those buildings. Naomi Pena is the Director of the CMP operation.

Southside United Housing Development Fund

The Neighborhood

The Southside United Housing Development Fund, known as Los Sures, operates in the Southside Williamsburg section of Brooklyn. Southside is a 110 block area bounded by Division Street, Union Avenue, and Metropolitan Avenue. (The CDC currently draws it boundaries over a larger area, but all of their housing development has occurred within those streets.) In 1980, over 80% of the 30,000 residents were Hispanic. The median income for the area was just above $6,000. A third of the residents were received
public assistance and had incomes below the poverty line.\textsuperscript{53}

Similar to Manhattan Valley, the Southside Williamsburg area is extensively served by public transportation. There are the M and J trains to Manhattan and Queens and the G train to Queens and other parts of Brooklyn, as well as a nearby bus depot. In addition, the area is close to the base of the Williamsburg Bridge, which provides easy auto access to and from Manhattan. There is a busy shopping and banking area on Havermeyer Street.

The area suffers from tension between the Hispanic and the Hasidic communities. Where the two communities meet, in an area called the Southside Triangle, there is abandonment and disinvestment in the housing stock. The area remains devastated because the city does not want to designate who should get this land and its buildings because it is such a politically charged area.\textsuperscript{54}

\textit{The origin of Los Sures}

The Southside United Housing Development Fund, Inc. was established in 1972 by local leaders and churches to enter into agreements with New York City to manage four city-owned properties. The relationship established by this contract was the precursor to the Community Management Program. In this way, Los Sures was involved in housing management from the inception of the organization. In 1981, it sold to the tenants the first building rehabilitated under CMP. Many of the buildings the CDC manages are in CMP, but it also manages housing developed under a number of other programs.

While Los Sures has developed and manages hundreds of housing units in the area, the organization also prides itself on its policy of “neighborhood

\textsuperscript{53} Los Sures brochure, 1983.

\textsuperscript{54} Interview with David Pagan, Executive Director, Los Sures.
self-help." The CDC has a successful and important tenant organizing component. The organizers work with tenants who are receiving poor services from their landlord. That is unless the landlord is Los Sures! The CDC's tenant organizers are not allowed to organize residents in buildings owned or managed by the CDC.

The organizers offer assistance to tenants interested in getting their building into the TIL program. Once in TIL, they provide technical assistance to tenants in self-management and building maintenance. The CDC will also aid tenants in holding rent strikes and battling their landlords for services.55

Los Sures's housing development and organizing activities are responsible in part for a change in the physical character of the neighborhood. Ten years ago there were many vacant and deteriorated buildings in the area, currently there are few (except in the Southside Triangle area). David Pagan, the Executive Director of Los Sures, complains that it used to be easier to help tenants take over bad buildings because either the city was the landlord, or the landlord had long disappeared. Starting ten years ago, the buildings in the area were viewed as more valuable so absent landlords started returning and reclaiming their buildings. This has made it more difficult for Los Sures to help tenants take over buildings.56

In addition to housing related activities, Los Sures also provides space to other neighborhood groups free of charge. It is currently housing a youth program, a drug counseling program, and a senior meals program.

Los Sures's structure

Los Sures has kept all its different functions under one roof -- literally and figuratively. The entire organization (except for on-site maintenance and construction staff) is housed in a four story rowhouse. The first floor contains

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55 Organizers work with all the tenants in a building. Individual tenant needs are addressed by Brooklyn Legal Services.

56 David Pagan.
the organizers; the second floor houses the managers; the third floor has the financial staff; and the fourth floor has David Pagan's office and the development staff. Even though the organizers and managers are in the same building, Pagan makes a point of stating that there is little work-related interaction between them. He believes they should be kept separate because they "look at problems very differently." He joked that the staff of the two departments are "allowed to go to lunch together, but that is it." This theme is discussed further in the following section.

In keeping with Los Sures's desire to maintain all its activities under one roof, the CDC has developed one management operation for all its housing projects. On paper, the CDC has established a for-profit management company that is technically responsible for the management of certain projects, but in reality there is a single Director of Management who is in charge of all management functions.

Los Sures has an unusual structure for its Board of Directors. The board is comprised predominantly of tenants -- each CMP building Los Sures manages, TIL building it helps the tenants organize, and building owned directly by the CDC, is allowed to send a representative to the Board. There are also seats for non-tenant community members. Since the number of board members can be quite large, the board operates on a committee system, with an Executive Committee acting as the main board. (The size is limited by the number of eligible buildings. There are currently 19 active members, but there could be 57.)

Conclusion

The organizational structures of MVDC and Los Sures differ, but the population each one serves, and the needs each has tried to address, are similar. MVDC has split housing-related activities among three separate
organizations: MVDC, MVMC, and MVHC. There is, in fact, a fourth organization. The CDC has established a separate office to manage CMP buildings. In the remainder of the thesis, this operation will be referred to as MVDC-CMP. Dividing up functions has allowed MVDC and its management arms to focus on what they do best. Each has achieved success in its endeavors.

Los Sures has maintained all functions in-house. This allows the tenant and community-based board structure to permeate the entire operation. It also leads to a split personality in attempting to run a management "business" and a tenant organizing department.

The following sections exhibit the effect the different organizational structures have on the two CDCs' housing management programs. In spite of the varying structures, the sections show that there are many common elements to both CDCs' management operations.

II. **Management Mission and Organization**

The previous section described the differences in the overall structure of Los Sures and MVDC. This section focuses on the differences and similarities of their management organizations. Given the split MVDC management operation, there are three organizations to explore -- Los Sures, MVMC, and MVDC-CMP and each will be discussed separately. This section covers the mission and belief systems of the groups and their staffing and organizational structure.

**Management Mission**

The goal of Los Sures, MVMC, and MVDC-CMP is to provide community-based management of quality, affordable housing. This section explores the management mission behind their operations. Topics discussed
are: (1) pride in running a professional operation that is attractive to outside clients, (2) believing that a management organization must hire people who want to be property managers rather than organizers, and (3) viewing property management as a means of job creation, training, and education for community residents. MVDC-CMP shares a subset of these beliefs.

**Professionalism**

Running a professional operation is extremely important to all three organizations. From a community advocacy perspective, the word business can carry a cold and impersonal connotation. Neither Arce, Pagan, nor Pena would argue that they run an impersonal business. Arce claims MVMC offers “management with a heart.” This means the organization cares about its tenants and views the tenant/management relationship as a partnership. At the same time, he stresses MVMC needs to be competitive with private companies. Pagan argues that providing access to social services is the only thing that distinguishes Los Sures from private management companies.

MVMC and Los Sures want to be perceived as professional because they both want to manage non-CDC housing. They have each had some success in that objective. Both currently manage one project outside of the CDC’s portfolio and MVMC is supposed to be opening an office in the Bedford-Stuyvesant area of Brooklyn shortly.

To impress outside clients, MVMC has compiled a public relations folder that highlights the reports and information the organization offers to a building owner. The packet includes samples of various monthly and annual reports produced for the project. The introductory letter in the packet indicates that MVMC is experienced working with: “landlords and buildings on a limited budget” and that it has “been very successful in not only providing decent, quality and affordable housing for over 900 families, but
have also managed to show significant savings and in most cases, surpluses that have gone toward providing either additional services or have been put aside as reserves for the particular projects.\textsuperscript{57}

Los Sures previously managed a large Mitchell Lama project in Southside Williamsburg called Clementa. The project’s residents are 51% Black and Hispanic and 49% Hasidic. Pagan claims that Los Sures had to give up managing the project because of constant battles with the Hasidim. He hopes the CDC will be able to manage other large and profitable projects in the near future.

Naomi Pena prides herself on running one of the best CMP operations in the city. MVDC holds a reputation for excellent building renovation and management.\textsuperscript{58} While MVDC-CMP is not in a position to attract outside clients, it does want to attract more neighborhood buildings into the program.

\textit{Managers not organizers}

The desire to “run a business” leads to an emphatic belief that the worst thing a community-based management organization can do is to hire organizers to be property managers. Pagan argues that both organizers and housing managers want to serve their communities. In the first case, however,

you are dealing with an outside party that you are trying to force to make some improvement, in the other, you are trying to make an improvement and you are committed to do it, but you don’t need an agitator within your organization to do it. If you know you have to collect the rent in order to make some repairs, you cannot use an organizer to do that; it just isn’t going to work.\textsuperscript{59}

\begin{itemize}
\item[57] MVMC public relations folder.
\item[58] Sandra Abramson.
\item[59] David Pagan.
\end{itemize}
In a similar vain, Arce believes the biggest mistake CDCs make is that they “want an organizer with a heart who will run their buildings as isolated utopias.”

One of the goals of CDCs in the CMP program is to assist tenants in the formation of a cooperative. This requires organizing the tenants and holding meetings constantly. HPD’s title for the CDC staffperson who works with the tenants is “Tenant Resource Specialist (TRS).” Naomi Pena does not think TRS means anything and therefore calls her TRSs housing managers. Yet she, as well as the “housing managers,” work closely with the tenants. She is committed to helping tenants from cooperatives and she takes negative outcomes to heart.

The word “organizer” clearly holds specific connotations for the directors of the groups. In their experience, tenant organizers are trained to help tenants fight their landlord. A housing manager, in contrast, works for the landlord and has to be willing to be collect rent and discipline tenants. To be a successful housing manager therefore requires different skills than an organizer. Yet at the same time, I was told a good housing manager should be “someone whose philosophy is to deal with people,” “a social worker or a psychiatrist because tenants need to let off steam and they need someone who will listen to them,” “patient and have perseverance.”

The anti-organizer-as-manager attitude does not mean the organizations are not committed to the well-being of their tenants. It does mean, however, that they have ideas of what it takes to be successful at housing management. Success requires day-to-day attention to the building as a whole, more than to individual tenants, and a teamwork approach to the tenant/management relationship. There is a fear that an organizer will work only for the tenants and not for the landlord.

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60 Interviews with Naomi Pena – Director of MVDC-CMP, Luis Arce – Director of MVMC, and David Pagan.


**Job creation**

Los Sures, MVDC, and MVMC pride themselves on creating jobs for neighborhood residents. Over 90% of the employees of both CDCs are from the community. MVDC, together with the two management organizations, employs approximately 70 people. This makes it the second largest employer in Manhattan Valley. Los Sures has a staff of close to 50. Both CDCs view housing management as a successful means of job creation. Pagan is pleased Los Sures manages CMP buildings because the program requirements make it more labor intensive than any of the CDC’s other projects.

On a small scale, both Los Sures and MVMC are housing management educators for other community groups. Each group is training a manager for community-based groups that are new to the housing development and management arena. There is a management trainee at MVMC and one at Los Sures who are learning the housing management ropes, before their groups’ housing is completed. Once completed, MVMC and Los Sures will manage the properties until the trainee is ready to return to his group and establish an in-house management operation.

**Management Organization**

One aspect common to all three management operations is the division between central and site staff. While Los Sures’s and MVDC’s overall housing portfolio contain a significant number of units, all their buildings are in walking distance from each other and the management office. Given this, the CDC’s projects do not have on-site management offices or live-in managers. Most buildings have a live-in superintendent, or at least a porter, who can respond to emergency situations. MVMC, MVDC-CMP, and Los

61 The CDC’s staff was larger but it has had to lay off its construction staff due to the changes in CMP.

62 These are unexperienced groups participating in Phase III of LISC.
Sures manage housing only within their target communities. (MVMC manages one 129 unit project, not owned by CDC, and outside of the neighborhood. The management company has opened a site office at the project.) Managing buildings that are all within close proximity, means the central office functions like an on-site management office. The office is never more than a few blocks away from any residence and tenants are free to stop in to pay their rent and talk with the housing managers.

The great majority of the management staff of all three organizations reside in the community. Managers know about neighborhood resources and have many friends and family in the neighborhood. When they walk from building to building, neighbors and residents stop them to chat and report building problems. The managers with whom I spoke agree that while their privacy is sometimes invaded by tenants, living in the community helps them do their job well.

Los Sures

Los Sures has one management department responsible for the 861 units that the CDC has developed under a number of different programs. Ana Bonano is the Director of Management. She began as a housing manager for the SUMET project 13 years ago. In 1984, she became the Director of Management and currently supervises six housing managers and one Assistant Director of Management.

Every manager is responsible for a particular project(s) (see Appendix A), which generally amounts to 100 to 150 housing units. All of the managers participate in rent-up of new projects because it is such a labor-intensive activity. In addition, Bonano stressed that she tries to make sure managers become familiar with projects other than the ones for which they have direct responsibility. She thinks this is important because if a manager is out, there
is someone else who can cover that manager's buildings.

Managers are responsible for tenant related activities. These include rent collection, issuance of three-day notices for non-payment, and if necessary attendance in court. They help tenants fill out applications for workfare and food stamps and contact social service agencies. In CMP buildings, managers meet with tenants two to three times a week to discuss the renovation work and to facilitate relocation or sharing of facilities during the rehabilitation process.

Responsibilities for building maintenance and upkeep are divided. Housing managers supervise building superintendents. If a project has a superintendent and a porter(s), the “super” oversees the porter. Repair requests are brought to the attention of the manager first. The manager then directs the request to the Director of Maintenance who supervises handymen to make the repair. The manager, however, is ultimately accountable for ensuring the repair was completed. In addition to following up on repairs, managers inspect buildings at least once a month and spot check units.

Ana Bonano and the housing managers are responsible for keeping track of building income and expenses and establishing budgets. They pass that information on to George Maldonado, Los Sures’s Comptroller. He maintains financial information for building management, as well as all financial aspects of the entire CDC. Maldonado creates all the financial statements and building reports necessary for the various program funders.

**MVMC**

MVDC established the Manhattan Valley Management Company in 1981 to manage the CDC’s housing. The CDC retained management responsibility for CMP buildings. MVMC currently manages 672 housing units. Out of the 672 units, 129 of them are in a 421A project in Harlem that is not

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63 Until a few months ago MVMC managed 845 units, but the co-owners of two HUD Section 8 projects took over management themselves.
owned by MVDC. Similar to Los Sures, MVMC's units were developed under a number of different programs. Luis Arce is the Director of MVMC. He has held that position since shortly after the company was founded in 1981. While MVMC is a completely separate organization from MVDC, there is daily communication between Luis Arce and Leah Schneider, the Executive Director of MVDC. In addition to the director, a housing coordinator, and one housing manager, MVMC has its own financial and office support staff. (See Appendix A.)

Yolanda Leon has been the housing manager for the past three years. Prior to working for MVMC, she was a CMP Tenant Resource Specialist for MVDC. Leon is responsible for 543 housing units, which is a far greater number than Los Sures managers oversee. Arce argues that Leon is able to handle so many units because tasks are structured differently at MVMC than at most other management organizations. In the past, MVMC had three or four managers. Each one was responsible for all aspects of a particular project. The manager dealt with tenants, collected and certified rent, went to court, and monitored maintenance. Arce claims he had difficulty keeping people who had the skills to handle all those tasks. When MVMC trained someone to be an all-around housing manager, the training was so successful, he or she would leave for a job at a private management company where the salaries are two to three times higher.

To avoid the high turnover problem, MVMC broke management into tasks that could be assigned to different people. Leon, the housing manager, is responsible for monitoring building maintenance, inspecting buildings and units, and meeting with tenants. The Housing Coordinator concentrates on the financial liability of projects, legal issues, and bidding-out contracts.

64 Under 421A, New York City grants a developer the right to build luxury housing below 96th Street in Manhattan if it builds affordable housing above 96th Street.

65 Before the loss of the two HUD Section 8 projects, Leon managed 972 units.
Another staff member is responsible for rent recertification and paying bills. During rent-up of a new project, MVMC will hire temporary part-time staff to help with that labor-intensive process.

The Financial Director is responsible for keeping track of building financial statements, office expenses, and payroll. Arce runs income and expense budgets and projections for MVMC’s projects.

**MVDC-CMP**

MVDC’s CMP office is a much smaller operation than MVMC or Los Sures’s management department. There are currently 140 CMP units in the CDC’s portfolio. The non-maintenance staff, which is housed in an office in one of the buildings owned by MVDC, consists of Naomi Pena, the Director of Management, two Tenant Resource Specialists (TRS), a bookkeeper and assistant bookkeeper, and two clerk/typists. Pena was hired as MVDC’s first TRS 13 years ago.

Housing managers (or TRSs) are responsible for rent collection and certification, attending housing court and monitoring building maintenance. In addition to the standard manager tasks, CMP managers also “organize” the tenants. Pena is a very hands-on Director. She attends all of the tenant meetings. These meeting begin before a building is even officially in the program.

While Pena and the housing managers keep track of the expenditures and income for the buildings, the bookkeeper prepares the detailed financial statements required by HPD.

**Conclusion**

Los Sures and MVMC stress the “professional” nature of their operations. Yet both are strongly community-based and committed to caring about their tenants. The desire for the “professional” status may be a defense
mechanism to avoid being viewed as a nonprofit that is incapable of operating in the "real world." It is clear from the criteria established in chapter 2, management is most successful when it is "firm" with tenants. All three organizations want to employ managers who they believe will be able to handle difficult tenants and building problems. At the same time though, they want compassionate managers with a "heart."

This contradiction is revisited in the next section on tenant/management interactions. The two next sections demonstrate how the organizational structure and beliefs of the three groups translate into management operations.

III. Management/Tenant Interactions

The previous section touched upon conflicts in the manager role and in the tenant/management relationship. To get a more detailed sense of complexities of CDC housing management, this section discusses five areas in which tenants and management interact. These are: (1) selection, (2) orientation, (3) eviction, (4) organizing, and (5) involvement in management decisions.

Tenant Selection

Tenant/management interaction begins with tenant selection. Developers of subsidized housing must abide by the tenant selection rules and criteria established by their financing agents. Since Los Sures, MVDC, and MVMC manage housing for homeless, low-, and moderate-income persons, their units all have income restriction guidelines. Some of the programs under which the CDCs develop housing have specific tenant selection procedures as well. Within these guidelines, both groups manage to
be discriminating in their choice of eligible tenants.

Procedures for renting units

HPD-LISC Demonstration and HUD Section 8 programs require the CDC to hold a lottery to fill apartments. The lottery is advertised in newspapers, in community meeting-places, and by word of mouth. Due to the shortage of affordable apartments in New York City, the CDCs receive far more applications than available apartments. (MVMC reported receiving 6,000 applications for 40 units.) The CDC is not required to process all of the applications, although it has to keep them for filling future vacancies.

Luis Arce thinks the lottery system is "a waste of time and money." He claims MVMC could fill its buildings in a day from the CDC’s waiting list. Since there are so few available units, he believes lotteries give people false hope. The lottery process continues to be an annoyance even after the building is entirely rented. If a unit becomes vacant, the CDC has to go back to the original applicants to fill the unit. According to Arce, this process takes a minimum of one month and can take 2 to 3 months. If he did not have to go back to the list, he claims he could fill vacancies within 15 days.66

David Pagan is not as bothered by the lottery system. Once Los Sures began the lottery process for the HPD-LISC project, units were rented quickly. He is more disturbed when the CDC has to receive tenant approval from HUD or HPD to fill a vacant unit. Vacant units, that must be rented to a homeless family, require the most involved procedures because the CDC has to go through the Human Resources Administration (HRA). The CDC loses a lot of rent waiting for HRA to process applications.

Pagan finds the most frustrating aspect of the city’s rent-up regulations is its requirement that the CDC rent to people outside of the community. The city believes it must house the people with the greatest need. Pagan does not

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66 Interview with Luis Arce, Director of MVMC.
think the city appreciates the pressure this puts on CDCs. The current compromise is to require that 30% of units go to community residents. From Pagan's perspective, 30% is not sufficient. If Los Sures builds 100 units and only 30 go to community residents, he receives criticism from the people who supported him in getting the project built in the first place.

Los Sures and MVMC have to follow the tenant application process and income guidelines established by the city, HUD, and LISC. The groups still have discretion over the tenants ultimately chosen. It is important to them that they choose tenants who will care for their apartments and the building and be able to pay their rent.

MVMC follows a strict three phase tenant selection process. In Phase I, it receives documentation and interviews the applicant. If the applicant passes Phase I, phase II consists of three checks. (1) A credit check, (2) a housing check -- looking for housing actions such as eviction for non-payment, and (3) a thorough income check. If all the checks are satisfactory, phase III is a home visit. Two people visit the applicant's home and talk with the family, check rent receipts, and talk with neighbors. (If MVDC is renting-up a large project, it might hire tenants from its other buildings to do the home visits.) The final selection is made by Luis Arce, without having met the family, based on recommendations of the interviewers. He thinks it is important for the ultimate decision to rest with someone who has not met the applicant to avoid questions of pay-offs. Apparently this is an issue for CDCs because a staff member at Los Sures also mentioned the outside perception that CDCs rent units unfairly. It is therefore important that CDCs adopt some mechanism that avoids the possibility of improprieties.

Selecting homeless families
Chapter 1 noted that CDCs are increasingly being called upon to house homeless families. Since some of these families are not necessarily ready for
permanent housing, both Los Sures and MVMC have developed rent-up procedures to minimize problems with relocated homeless families.

Los Sures manages a number of buildings specifically for relocated homeless families. When the CDC filled its SIP buildings, it utilized two neighborhood homeless-assistance groups, the Southside Mission and People's Firehouse, to help the CDC chose families. Los Sures continues to work with these groups to provide assistance to the chosen families. Working with these groups decreased the time it took to rent the units because the CDC did not have to wait for HPD or HRA to refer families. Even though it utilized the homeless-assistance organizations, Los Sures strongly screened the homeless families. Staff visited the families in the shelters to see how they cared for their space. Los Sures believed it was important to choose "good" families to avoid trouble later on.67

MVMC does not manage any buildings that were developed specifically for the homeless. There is, however, a 10% homeless requirement in the HPD-LISC projects. In Phase I, MVMC had 4 units for homeless persons. Instead of filling those units itself from the shelters, MVMC leased the units to the Aids Resource Center (ARC). ARC rents the units to a homeless person with AIDS. ARC is responsible for rent collection and providing social services to the tenant. In other projects, MVMC worked with Synergy, a group that provides services to homeless, handicapped people. MVMC prefers to house homeless families through a social service program rather than from shelters. Arce does not think HRA checks-up on relocated homeless families to make sure they are receiving services. MVMC is not in a position to provide the services necessary to care for these families or "cure the evils of the system," therefore Arce prefers to house homeless families that come with services.

67 Interview with Evelyn Ortiez, Assistant Director of Management, Los Sures.
Tenant selection in CMP buildings

All vacant CMP units must be rented to homeless families from city shelters. Once a CMP building becomes a cooperative, residents are free to rent to anyone who meets income guidelines. Both MVDC and Los Sures involve CMP residents in tenant selection. Naomi Pena has found that in some of MVDC’s buildings, tenants are not interested in choosing new residents. She has also experienced difficulties getting tenants to accept families from the shelters.

Bonano claims that tenants in Los Sures’s CMP buildings participate fully in tenant selection. Los Sures processes the initial application, but the tenants interview and choose the applicant.

Tenant Orientation

After tenants have been selected, they need to be introduced to management’s rules and expectations, as well as neighborhood services. Both MVMC and Los Sures hold mandatory tenant orientation meetings when they rent-up a new project. At the meeting, tenants are familiarized with the procedure for reporting repair requests and told about damages they will be charged. For tenants who are not from the community, the orientation meeting is place to learn about neighborhood resources.

At the orientation meeting, MVMC staff takes the opportunity to explain what makes MVMC different from most other management companies, i.e. MVMC’s motive is not for profit, but rather to provide a service to the community. This message also comes across in the “Welcoming Manual” the tenants receive. The introduction to the manual explains:

We are a community oriented management company committed to providing decent, affordable housing. Our involvement with the
tenants is not merely one of landlord-tenant but one of educator as well. We feel that effective real estate management is a partnership between the tenants, landlord and management company.\textsuperscript{68}

This manual includes care instructions for appliances and the apartment in general, how to deal with cockroaches, charges for damages caused by tenants, information on recycling, and a list of community services and phone numbers.

Evictions

In spite of the CDC’s strict tenant selection procedures and tenant orientation process, there are situations in which eviction becomes necessary. Evictions are upsetting for CDC building managers, but there is an understanding that one tenant cannot be allowed to jeopardize an entire building. Neither Los Sures nor MVMC evict many tenants. MVMC evicts around 8 to 10 tenants a year and Los Sures 5 to 6.\textsuperscript{69} One of the reasons the CDCs do not evict many tenants is that evictions are very difficult to obtain in New York City. Judges are unwilling to add to the serious homeless situation in the city.

Evictions can be sought for three reasons. (1) Non-payment of rent, (2) drug activity, and (3) nuisance behavior. Eviction for the third reason is very uncommon. Los Sures claims it will never start an eviction action for nuisance behavior, but if tenants want to push for an eviction of a bothersome tenant the CDC will support them.\textsuperscript{70}

Eviction for non-payment is the easiest of the three to obtain and yet it rarely occurs. Most of Los Sures’s and MVDC’s non-payment eviction activity occurs when they first receive a CMP building and when a CMP building is

\textsuperscript{68}MVMC Tenant Welcoming Manual
\textsuperscript{69}Luis Arce, David Pagan.
\textsuperscript{70}Interview with Ana Bonano, Director of Management, Los Sures.
close to sale. The eviction procedures are similar across all three management organizations. If a tenant falls behind in rent, management sends an official three-day notice to vacate (MVDC sends after five days, Los Sures after 1 month, MVMC after 25 days). Prior to the three-day notice, however, management will contact the tenants informally. Very few of these actions end in an eviction because most tenants are able to get welfare to pay for up to three months of back rent. While this is an option for most of their tenants, Luis Arce points out that it is sometimes hard to get tenants to apply for the rental grant because of the stigma attached to receiving welfare.

It is easier to obtain an eviction for non-payment of rent than it is for drug activity. A drug eviction requires a police conviction, which makes it is necessary to work with the police and the District Attorney. It is also necessary to involve other residents to catch the problem tenant, but the tenants are often afraid to speak up. Even if the CDC obtains an eviction, its troubles may not be over. Naomi Pena recounted a situation when MVDC obtained a drug eviction. After the tenant was removed, she went back to court and presented the judge with a "sob story" about how the CDC had unfairly evicted her. The judge ordered MVDC to take the tenant back and in addition, pay for her moving costs. A short time after she had moved back to the building, she was arrested again for drug activity. MVDC is now working with the narcotics unit at HPD to obtain another eviction.

Tenant organizations
Chapter 2 discussed the tension inherent in the relationship between tenant organizing and housing management. Historically, tenant organizing implied organizing tenants against their landlord. Tenant organizations in CDC buildings, however, are viewed as a means to encourage and simplify tenant/management interactions. The management staff of all three
management operations stressed that having a tenant association aids managers because they can communicate directly with building officers rather than each tenant individually. In spite of their belief in the benefits of tenant organizations, the CDCs described varying degrees of attention to and success in helping tenants form tenant associations.

**CMP**

An important goal of the Community Management Program is the creation of tenant cooperatives. CDCs employ “Tenant Resource Specialists,” paid for by HPD, to organize the tenants and manage the buildings. The complex role of CMP staff was discussed in Chapter 2. TRSs must both manage the physical aspects of the buildings, as well as, organize and train the tenants.

Even though Naomi Pena works closely with tenants, MVDC has had varied success in inducing tenants to form cooperatives. In its current portfolio there is one building that, after much effort to the contrary, is about to graduate from the program as a rental and another in which Pena doubts the tenants will be sufficiently organized to purchase the building.

Los Sures, in contrast, has had 100% co-oping success. This success is due in part to a history of strong tenant organizing in the Southside Williamsburg area. Los Sures has an active tenant organizing department and, even though the staff does not organize in Los Sures managed buildings, the organizing ethic has an influence on the manner in which the entire organization operates.71

One of the differences between MVDC’s and Los Sures’s CMP buildings is that Los Sures’s buildings are more likely to enter the program with a tenant organization already in place. This may account for the different success rate.

71 Sandra Abramson.
Non-CMP Los Sures

Los Sures is not as successful in encouraging tenant organizations in its non-CMP buildings. Only CMP buildings, and two others that the CDC owns, are eligible for tenant representation on the board.\textsuperscript{72} While Ana Bonano values tenant organizations, none of the non-CMP buildings have an active tenant association. She claims the managers are too busy to organize the tenants and she does not require it. When she was the SUMET manager, there was a tenant organization. The current manager does not choose to organize one. While SUMET residents are not guaranteed tenant board representation, a number of residents fill community board slots.

MVMC

MVMC reports that only one of MVMC's buildings has an established tenant organization and in reality, there are only two active members. One other project has a fledgling organization for which the housing manager planted the seed. MVMC provides space for building meetings. Yolanda Leon, the housing manager, meets with the tenants in each project twice a year. At those meetings she stresses the benefits of forming a tenant association and how important it is for tenants to play an active role in their building's maintenance. So far, however, from MVMC's perspective the tenants in most buildings remain un-organized.

Maritza Rodriguez, Director of the Manhattan Valley Housing Clinic, is a tenant a MVMC building. She reports that there is a tenants association in her building organized around social activities. Rodriguez's building is not the one MVMC told me had a tenants organization. The fact that the association is concerned with social activities rather than management issues might explain why MVMC is not aware of its existence. It is possible that there are other buildings where tenants have organized around social issues.

\textsuperscript{72} TIL buildings are also eligible, but Los Sures is not the manager of those buildings.
Since MVMC is interested in having tenant organizations in its buildings and in encouraging positive tenant/management interactions, it may be able to capitalize on existing organizations.

**Tenant involvement in management**

Tenant organizing in CDC buildings is not done to help tenants fight a negligent landlord. The purpose of having organized tenants is to encourage a positive relationship between tenants and management and to instill a sense of teamwork in building maintenance. Given this objective, the question to ask is not whether or not management organizes the tenants, but rather, to what extent do tenants have a role in management decisions?

Luis Arce argues that it is not the CDC's responsibility to organize tenants to take MVMC or MVDC to court. Tenants have to do that kind of organizing themselves. It is MVMC's responsibility, however, to encourage tenant participation in management decisions and care of buildings. In low-income buildings, there is often insufficient funds to accomplish all building maintenance tasks. Arce believes it is important to include tenants in budget decisions. If tenants have to make the choice of which renovations or non-emergency repairs will be undertaken, management is relieved of some the burden of making unpopular decisions.

In spite of the lack of formal tenant organizations, Arce thinks MVMC has been successful at involving tenants in management decisions in many of its buildings. He believes MVMC has been able to establish a dialogue with tenants to solve problems, rather than to allow the standard adverse tenant/management relationship to flourish.

Los Sures's tenant-oriented board structure encourages tenant involvement in management decisions. There is a Housing Management Subcommittee of the board that meets once a month. All tenants are welcome and there are 15 or so tenants who attend regularly. Pagan and
Bonano reports that if tenants are not happy with the way their building is being managed, the CDC is quickly notified. While the board structure implies tenant involvement, the buildings not eligible for board representation are more than likely left out of the management decision-making process. Pagan acknowledges that the CDC's management of its HUD Section 8 project is more in keeping with that of a regular landlord. Management by a "regular landlord" generally does not include tenant participation.

The most active tenant involvement occurs, by program design, in the CMP buildings. Tenants participate in aesthetic decisions, such as paint and tile colors, as well as renovation decisions. Since the ultimate goal is for the tenants to own the building, it is important that they share in decisions that will have a long-term effect on their home.

Ana Bonano stresses that Los Sures's CMP tenants are involved on every level of building management, from aesthetic decisions to choosing new tenants. In contrast Pena complained that in some of MVDC's CMP buildings, it is hard to involve tenants in building decisions. The tenants would rather be able to blame the CDC when things go wrong than take responsibility for making decisions. While she always attempts to have tenant input in decisions, she acknowledges that she sometimes becomes impatient with the process. If tenants do not decide quickly enough, she will make decisions for them.

It is difficult to assess whether the varying level of tenant involvement in the two CDCs' buildings is a result of the organizations' techniques or differences in their tenant population. As mentioned above, Los Sures's buildings are more likely to enter the program with organized tenants. If the tenants approached the CDC and requested to join the program, they have made a conscious decision to take control of their living situation. Even
though Los Sures's organizing department does not work with tenants in buildings under CDC management, the staff is not precluded from organizing tenants to enter the program. In addition, Williamsburg has a long tradition of tenant advocacy and organizing. The neighborhood ethic may encourage tenants to take a more active role in building matters.

Conclusion

The tenant/management relationship is complex and multi-faceted. The relationship begins with the tenant selection process where management screens applicants to choose those it believes will be an asset to its buildings. Occasionally the relationship ends in eviction, but in New York City that is uncommon. In the best situation, tenants and management develop a teamwork approach to building maintenance.

The three organizations have had varying success encouraging tenant involvement in building management. In MVMC and Los Sures's non-CMP buildings, tenant organizations are basically non-existent. I am sure this is due in part to Pagan and Arce's adamant belief that property managers not be ex-organizers. They desire tenant involvement, yet they do not really want their housing managers to have the skills necessary to organize the tenants. Chapter 2 made the argument that this contradiction could be settled by having a staff person whose job it is to organize tenants.

MVDC has recently hired a part-time housing and community organizer to work with the tenants in the CDC's buildings. Unfortunately, so far she has concentrated on helping MVMC facilitate the marketing and rent-up for the CDC's HPD-LISC Phase II project. Los Sures has an experienced organizing staff, but the sense is it's skills are in assisting tenants fight their landlord, rather than helping tenants, management, and the landlord develop a mutually beneficial relationship.

Visits to the CDCs' buildings highlighted a difference in the relationship
management staff in the three organizations has with tenants. The tours of MVDC’s and Los Sures’s CMP buildings included visits to occupied apartments. Neither Pena nor Ortiez hesitated to knock on apartment doors and request that we be shown inside. They each knew all of the tenants we met and chatted comfortably with them. The active relationship between tenants and management in the CMP buildings was apparent in these visits. I also visited occupied units in Los Sures’s SIP and LISC buildings. In both of those projects, tenants proudly displayed their new units. In contrast, I only visited vacant apartments in MVMC buildings. Touring the buildings with Leon, I got the feeling it would be intrusive to knock on tenants’ doors. This sentiment is probably more in keeping with traditional tenant/management relationships.

The following section steps away from tenant/management interactions and looks at issues related to building maintenance. While handled in separate sections, these two sides of management are, in fact, inextricably linked. Chapter 2 described the necessity for “occupant concern” to ensure well-maintained buildings and that without tenant involvement and care, CDC buildings cannot possibly be managed properly.

IV. Maintaining Quality Buildings

The previous sections revealed the multi-faceted issues with which Los Sures and MVDC grapple in managing housing. There are many features to an outstanding management operation, but the ability to both physically and economically maintain the CDC’s buildings is the most important. This section will discuss how Los Sures, MVMC, and MVDC-CMP deal with four issues related to successful building maintenance. The issues are: (1) the importance of employing quality maintenance staff; (2) the need to establish maintenance handling systems; (3) the involvement of management during
the development stage; and (4) the ability to run financially sound buildings. Finally, the section will end with a discussion of the how well the CDCs’ building are maintained, based on visits to a sample of each group’s buildings.

The importance of super superintendents

A CDC’s ability to provide quality building maintenance is contingent upon employing good maintenance staff. According to all management staff, the success of a building hinges on the quality of the superintendent. Los Sures’s and MVDC’s projects do not have on-site managers because the projects are too small. All projects do, however, have a live-in superintendent or porter. Larger ones will also have additional porters and handymen responsible for on-site maintenance (who may or may not reside in the project).

The management organizations of both CDCs want superintendents who care about their buildings and are not afraid to let the tenants and the community know that the buildings are off-limits to drugs and vandalism. If there is graffiti, a good superintendent will make sure it is covered up immediately to avoid further deterioration of the building’s appearance.

Superintendents in the CMP buildings can be troublesome for the CDCs. When a CDC takes over building management from the city, the property generally comes with a superintendent. A common problem is that some of the superintendents have gained control of the buildings during city management and are profiting from them by selling apartments, giving apartments to friends and family, and allowing drug selling. They do not want to relinquish control to the CDC and have been known to turn tenants against the CDC management.73 The CDC is not obliged to keep a superintendent, however, Naomi Pena argues that the CDC is always better off trying to turn the bad superintendent around rather than have them fired.

73 Naomi Pena and Sandra Abramson.
She finds honest threats to their job and laying down the laws will, over time, work to improve a bad situation. She notes that MVDC has never fired a CMP superintendent.

Evelyn Ortiez of Los Sures described a similar experience with CMP superintendents. Los Sures management will put a bad superintendent on three months probation. If they do not manage to turn the building around, Los Sures will fire them.74

In new projects, MVMC and Los Sures use a promotion system to fill the needed superintendent positions. A vacant gut rehabilitation project such as SIP or HPD-LISC Demonstration, is considered to be a superior job for a superintendent. Management uses the positions in a new project as a means of rewarding good superintendents from other projects. When superintendents take over buildings from the start, they have much more control because they can train the tenants. Superintendents view the move as a promotion because they are acquiring control of a better building.75

Superintendents for the old project are found by promoting handymen and porters and encouraging them to take training courses in building maintenance.

Maintenance handling systems

Responsible and caring superintendents and building maintenance staff are crucial for well-maintained buildings. On their own, however, they cannot ensure good service. The building staff needs to know when and what repairs are to be made. Management must have a system to guarantee repairs are made promptly and that emergencies and violations receive priority service.

MVMC tenants are instructed to call the management office between 9

74 Evelyn Ortiez.

75 Interviews, Yolanda Leon, Housing Manager, MVMC and David Pagan.
a.m. and 5 p.m. to report repair requests. A repair are serviced on a first-come first-serve basis, unless it is an emergency. The tenant manual describes emergency and non-emergency situations. The turnaround time on a repair is generally less than three days, although the wait can be longer if the superintendent is unable to gain access to the apartment or if there were higher priority repairs to be made. Violations, such as missing window guards and smoke alarms, must have a three-day turnaround and therefore receive the highest priority. Superintendents check the management office for repair requests and assign a priority for each job unless there is a court stipulation or violation. In those cases, Yolanda Leon, the housing manager, determines the repair priorities.

Naomi Pena plays a hands-on role in the maintenance of MVDC's CMP buildings. She keeps in constant touch with the building superintendents. The "supers" check into the CMP management office every morning to learn their responsibilities for the day and report on any building issues. There is an on-going dialogue between tenants and management staff so building problems are readily reported and addressed.

In addition to a Director of Management, Los Sures has a Director of Maintenance who oversees repair requests. Maintenance complaints are recorded on a repair request form. The superintendents come to the office everyday to pick-up complaints and also wear a beeper for emergency notification. Once a repair is made, the form is signed by the tenant.

76 Yolanda Leon.
77 CDCs' buildings are inspected by many different agencies. HUD Section 8 inspectors make surprise visits. FHA and HUD each come once a year and do a three-day overall building evaluation. City inspectors come in response to tenant complaints. They also do random checks. If the City inspectors determine that there is an emergency in the common space of a building, HPD will make repairs and charge the landlord. For an apartment repair, they will give the landlord a date by which the repair must be made, after that HPD will make the repair and charge the landlord. The Fire Department and the Environmental Control Board also make inspections and issue violations.
Managers are responsible for follow-up. An analysis of one month's the order forms showed the vast majority of repairs were made within two days.

Management involvement during development

Maintenance of a gut rehabilitated building is easier than maintenance for buildings taken over with tenants already in residence. Ease of maintenance can be increased, however, by allowing management to play a role in the development process. This involvement will be beneficial for new construction, gut rehabilitation, and moderate rehabilitation. Luis Arce stressed the importance of having management's participation begin in the pre-development stage. Managers can lend a long-term perspective to development decisions. He finds that developers do not think about features that make maintenance easier, such as basement slop sinks, laundry room lay-out, and choosing paint colors to withstand the rigors of children. During development, both Los Sures and MVDC include management staff in design decisions. Toward the end of construction, management and development staff each make its own "punchlist" identifying unfinished items of particular concern. 78

Arce argues that developers know how to build housing, but managers know how to ensure it remains viable: "It is nice to put in all white tiles, but it is not practical." He senses a conflict with the developer's attendance to the "romance and prettiness" of buildings and management's long-term view. 79 While CDCs, as developers, are just as vulnerable as any other developer to getting carried away with the "romance" of the buildings, having an in-house management operation can lead to more involvement by management in development decisions.

78 Nearing completion of a development, the developer makes a "punchlist" of items the contractor needs to do.
79 Luis Arce.
Building finances

The success of building maintenance is not only contingent upon the management company having good maintenance systems and staff. Projects need to be financially stable to ensure an adequate income to cover building expenses. Even when there is sufficient income to cover day-to-day maintenance and operating needs, there should also be enough income to establish a building reserve to fund large capital improvements. A successful management operation will make sure buildings have sufficient income to cover present and future expenses. A successful CDC management operation, however, does not always have that option given the low-income population that it serves.

Every program under which CDCs develop and manage their buildings has different financial requirements and expense expectations. The financial situation of Los Sures’s and Manhattan Valley Development Corporation’s buildings is as much influenced by these programs as it is by the CDCs’ management operation skills. This section discusses the financial issues surrounding the management of buildings under different programs in the two CDCs’ portfolios. For each of the programs considered, the following questions will be asked: (1) Was the program set-up such that there would be enough rental income to cover building expenses? and (2) Does the program expect funds to be put aside in a building reserve account? In addition, if a building is run well financially, it ought to be able to pay the management company a fee for its services.

Community Management Program

Community development corporations participating in the Community Management Program manage city-owned buildings until they are ready to be purchased by either the tenants or the CDC. CMP is a unique program because the CDCs do not own the buildings. They are the managing and
construction renovation agent for the city. Under this set up, the city is
ultimately responsible for covering both day-to-day expenses and renovation
costs. This is important because CMP buildings do not produce enough
income to cover its expenses.

Appendix C, Table 2 shows CMP annual income and expense figures for
July 1, 1989 through June 30, 1990 for MVDC and Los Sures.

Explanation of key aspects of CMP numbers
Rental Income: When a building enters the program there are usually
tenants who have not been paying rent for a long time so there are high
arrears. The CDC is expected to increase rent collection rates and either collect
back rent or have tenants evicted. Even if all the residents were paying their
rent, the income is generally not sufficient to cover regular building costs.
After six months to a year of management, the CDC is allowed to raise the
rents to begin to bring income in line with management expenses. Before the
building graduates from CMP, the rents (or maintenance fees for a co-op) are
restructured again to a level necessary to cover expenses. Until the building is
ready to leave the program, however, the city covers the difference between
income and expenses.

In addition to there being tenants who are not used to paying rent, rent
collection is also low in CMP buildings because of a Section 8 requirement.
Many CMP tenants are eligible for Section 8 certificates for partial rent
payment. Until rehabilitation is completed in a building, Section 8 freezes the
maximum rent it will pay at $200 because the building cannot pass Section 8
code regulations. Since many tenants in CMP buildings receive Section 8,
freezing collectable rents at $200 per month causes the building to accrue
considerable arrears and show poor rent collection. Once the work is
completed and the building is about to be sold, the city wipes away the arrears,
allowing the building to start its new life with a clean slate. After rehabilitation is completed, the building is able to pass the Section 8 inspection and tenants are eligible for higher rent payments.

Repairs and Emergencies: Repairs and Emergency expenses range considerably depending upon the stage the project is in. If a project is undergoing considerable renovation, R & E will be low because the Capital Renovation budget will cover many of the repairs. In contrast, a project that is new to the program and has not yet begun capital improvements will have high R & E expenses.

Capital Improvements: When a CMP building has entered the rehabilitation stage, the renovation work is funded out of the city’s Capital Fund. In the program’s infancy, buildings did not receive major renovations. When buildings graduate from the program now, however, they have generally undergone major rehabilitation to apartments and common spaces, as well as electrical, plumbing, and heating systems. The Capital Improvement amount includes a 4% construction management fee for the CDC.

Appendix C, Table 2 shows the average annual Capital Renovation cost per unit for MVDC’s and Los Sures’s CMP buildings. This number is somewhat misleading because there are projects where there were no Capital Improvement costs. For MVDC, the annual per unit cost by project ranged from $0 to $22,664. For Los Sures the range was from $0 to $29,264.

CMP Graduates

When the renovation of a CMP building is complete, the tenants choose whether to purchase the building as a cooperative or allow the CDC to purchase it and maintain it as a rental building. If the tenants opt to form a co-op, they have three management choices. They can hire the CDC to
continue to manage the building, choose another management company, or manage the building themselves. All of Los Sures's CMP graduates have formed cooperatives. Some of them self-manage and some have retained Los Sures as managing agent. MVDC, on the other hand, has not been 100% successful at leading tenants to form cooperatives. MVMC manages several ex-CMP rental buildings. It does not currently manage any CMP cooperatives.

Los Sures

All of the cooperatives Los Sures manages are financially sound.\textsuperscript{80} When a building graduates from the program, the city starts it off with a one-time operating grant. The grant is determined by formula. In the past, a building could receive a grant of $30,000 to $40,000, but grants have been scaled back. A recent graduate only received $8,000.\textsuperscript{81} George Maldonado, Los Sures's Comptroller, is afraid that under the new program buildings will not receive grants at all, which will leave buildings in much more tenuous financial positions.

A co-op building pays Los Sures a flat management service fee of $350 to $400 a month. This is covers about half of Los Sures's management costs, but the buildings do not produce enough income to pay more.\textsuperscript{82}

MVMC

When MVDC's CMP buildings do not become cooperatives, the CDC purchases them and maintains them as rental buildings and MVMC is responsible for managing them. In Chapter 1, it was noted that the CMP non-cooperative graduates do not fair as well as the buildings that become co-ops. According to Luis Arce, out of all the buildings MVMC manages, the only

\textsuperscript{80} Interview, George Maldonado, Comptroller, Los Sures.

\textsuperscript{81} George Maldonado.

\textsuperscript{82} Smaller buildings pay $350; larger ones pay $400.
ones experiencing financial difficulty are former CMP buildings.

One of the worst buildings MVMC manages is a 10-unit ex-CMP building. The tenants did not form a cooperative, so the CDC purchased it and retained it as a rental building. The building ended the 1990 fiscal year with a $12,423 loss from operations. The rental income was $35,004 and the total expenses were $47,438 (which included back pay for fuel). To meet the deficit, MVMC waived its management fee and paid the custodial contract of $7,964 out of pocket.

Arce points out that the CDC may ultimately have to declare bankruptcy on the building and return it to the city because MVDC will not be able to continue to finance the building’s deficits. The building is experiencing problems for two reasons. The building graduated from CMP at a time when the program did not fund as extensive renovations as it does now and so the building is in constant need of repairs. The other cause of the problem is that rents are low and MVDC is not able to raise them because the building was purchased from the city for $200 a unit. Even if the CDC was allowed to raise rents, it would not want to because the tenants could not afford the increase.

In addition to this building, MVMC manages other ex-CMP buildings that operate at, or close to, a deficit. While some of them meet their day-to-day expenses, they do not have reserve funds. To cover expenses, MVMC juggles paying vendors and lends the buildings money interest-free. Even with these accommodations, MVDC and MVMC generally end-up subsidizing three ex-CMP buildings a year.83

Section 8 Vacant Rehabilitation

MVMC would not be able to continue to manage buildings that lose money if it did not manage buildings that provided consistent management fees. HUD Section 8 Vacant Rehabilitation buildings provide that consistent

83 Luis Arce.
income. The Financial Director at MVMC pointed out that if she were going
to own a building she would want it to be a HUD Section 8 building because
the income is dependable.\textsuperscript{84} In Section 8 buildings, HUD pays the difference
between what the tenant can afford (based on 30\% of her income) and the
"Fair Market Rent (FMR)" for the unit.

Both MVDC and Los Sures sponsored and are Managing General
Partners of a number of HUD Section 8 buildings that were developed in the
early 1980's. Appendix C, Table 3 shows the income and expense schedules
for a sample MVMC project and for Los Sures's HUD Section 8 project --
SUMET I Associates.\textsuperscript{85}

\textbf{MVMC}

The project shown in Table 3 has a $39,370 profit. MVMC had projected
$65,450 profit for the project. The difference is due to higher repair &
maintenance expenses and water & sewer taxes than budgeted. MVMC was
able to use reserve funds for the extra repairs & maintenance expenses,
leaving the project with profits closer to what was projected.

Unfortunately, MVDC is only a sponsor and does not have ultimate say
over who manages its Section 8 properties. A few months ago, due to the
downturn in the Real Estate market, the "owners" of two of the CDC's
projects decided to manage the projects themselves to collect the
management fees. The two projects constituted a significant portion of
MVMC's portfolio (208 units) and 1/4 of the company's budget.

Arce is worried about the management of the lost buildings because he
does not trust the owners' motives. He believes their interests are on the
capital and not the tenants and therefore they will not maintain the same

\textsuperscript{84}Interview with Angie Smadja, Fiscal Director, MVMC.
\textsuperscript{85}Appendix C, Table 3 does not show building depreciation. When depreciation is included,
HUD Section 8 projects show a deficit to allow investors tax benefits.
day-to-day relationship with the tenants that MVMC offers. He also noted that the change places extra demands on MVDC to keep a close watch on how those projects are being managed.

Los Sures

In 1980, Los Sures sponsored a Section 8 project, SUMET I Associates, that is comprised of 12 buildings, with a total of 201 units. SUMET, similar to MVDC’s Section 8 projects, is financially stable. In 1988, the buildings had been operating successfully for a number of years and Los Sures was able to pay dividends to the building investors for the first time, as well as collect a supplemental management fee of $75,000.86

HUD requires a reserve fund for Section 8 projects. The reserve amount for SUMET is $2,777 per month. When the project was younger, it produced enough income for Los Sures to establish an additional reserve fund, however, those funds have been depleted. Maldonado complained that Los Sures experiences cash flow problems because, although there are sufficient funds in the HUD reserve account to cover the project’s expenses, receiving funds from the account is a slow process.

Municipal Loan Program

Finances are a problem for two buildings Los Sures owns and manages. The buildings were purchased occupied, and renovated with a New York City Municipal Loan. According to David Pagan, the Municipal Loan program was not created with long-term success in mind and almost all of the buildings that were renovated under the program have failed. (MVDC’s first three buildings were renovated with a Municipal Loan and the buildings eventually became so unmanageable the CDC had to sell the them.) The two buildings do not make any of their loan payments to the city. Pagan claims

86 Los Sures has since had to utilize reserve funds to pay for underestimated maintenance and repair work.
the city does not "hassle" Los Sures for the payments because the city is happy that the buildings are still operating. One of the two buildings generates enough income to pay its expenses excluding mortgage payments. There were even enough reserve funds to renovate one line of bathrooms and to generate small management fees for Los Sures.

The other building, however, is in worse financial shape. The building was managed by the tenants for a while and they kept the rents stable while the expenses increased. When Los Sures took over the management from the tenants, it could not immediately restructure the rents. The rents continue to be insufficient to cover expenses. Maintenance gets deferred as does payments to vendors. According to Pagan, the oil supplier carries a large receivable, but trusts Los Sures and has not cut off oil deliveries. Needless to say, the building does not provide Los Sures with any management fees.\footnote{David Pagan.}

**HPD-LISC Demonstration Program**

The HPD-LISC Demonstration buildings have not been occupied long enough to judge their financial stability. At present both CDCs' projects are fine. Arce has concerns that LISC uses management standards that are several years old and the buildings are more costly to run than LISC realizes (see Appendix C, Table 1). He believes LISC's $4,000 annual legal and accounting expense is grossly underestimated because management is required to report quarterly on the projects.

Another possible problem with the projects in the future is that rents are based on household size rather than unit size. If the size decreases, the CDC has to decrease the tenant's rent. It is hard to plan for buildings when the gross rental income is unknown.

The HPD-LISC projects provides for 8% of rent roll as a management
service fee. Management is required to put 2% of annual rent collected into a reserve fund. (See Chapter 1 for a discussion of the additional reserve funds.)

SIP

Los Sures currently manages three SIP projects (two more are in the design phase). The buildings have only been occupied for a few months and according to Maldonado, they are running well. He anticipates problems only if welfare stops paying the rent directly to Los Sures and gives it to the tenants instead.88 Los Sures receives 8% of collected rents as a management fee.

How well are buildings maintained?

Each management operation has well established maintenance handling systems and most of MVMC's and Los Sures's non-CMP buildings are financially sound. This section address whether or not the maintenance systems and financial status have translated into successfully maintained buildings.

CMP

It is difficult to judge MVDC's and Los Sures's maintenance of CMP buildings because of the program cycle. When a building first enters the program, it is in poor physical shape. The CDC makes repairs to stabilize the building and remove any emergency situations. After that, HPD determines when the CDC will be able to begin the major renovation work.

I visited a number of MVDC's buildings undergoing renovation. Some of them have been in the CDC's portfolio for close to 10 years. It was obvious from the work that was not yet finished that the condition of the buildings

88 Tenants for whom welfare pays their rent ordinarily have the choice of having their rent deducted from their welfare check or receiving the full amount and paying their rent themselves. In the case of the SIP program, however, the city is requiring the rent is paid directly to the managing organization.
had been terrible. In one building, where the common space had not yet been renovated, there were holes through the walls out to the airshaft, missing steps on the staircase, peeling paint, and crumbling walls and floors. The renovated apartments and completed buildings, in contrast, showed care in the rehabilitation and attention to detail. Pena clearly takes pride in the renovated buildings. MVDC is considered to be one of the best CMP groups in the program. They have a reputation for excellent rehabilitation work. 89

The joint HPD-CDC responsibility for CMP buildings can make it difficult to judge whether or not the CDC is skilled at maintenance. It is not clear how much the CDC is able to accomplish in a building before funding for the major renovation begins. A Legal Service attorney described a case against Los Sures by a CMP tenant who claims her ceiling continually falls down due to water accumulation on the building roof. She reports Los Sures responds to her emergency calls by patching the paint, only to have the ceiling fall down again after the next heavy rain. Los Sures, on the other hand, claims the city will not fund a proper repair. 90 Without further investigation it is impossible to know which party is responsible for the incompetence, but it illustrates the “pass the buck” attitude that such a program can foster.

Los Sures manages 13 CMP buildings in all phases of the program. The condition of CMP buildings varies depending upon their status in the program. I visited one building nearing renovation completion that had nicely rehabilitated apartments and common space, although there was some children’s writing on the hallway walls. One of the CDC’s worst buildings is a CMP building that had formally been in another city program. Evelyn Ortiez argues the city had done an inadequate renovation job and is now not providing funds for Los Sures to improve the situation. 91 Even though the

89 Sandra Abramson.
90 Interview Steve Bernstein, Project Director, Legal Services of New York, Brooklyn Branch.
Apartments are in terrible condition, the lobby and hallways were clean.

**Non-CMP buildings**

Los Sures's newer projects, SIP, occupied for few months, and HPD-LISC, occupied for about one and a half years, are beautifully renovated and immaculate. SUMET buildings apparently have experienced some deterioration, but are currently undergoing renovation. Ana Bonano complained that HUD now requires vacant units to be rented to low, low-income families and this change in population is making the buildings harder to manage. 92

I visited one of MVMC's HUD Section 8 projects. The buildings were generally clean, although there was some debris on the hallway and lobby floors. Yolanda Leon claimed that since it was Monday morning, the porters had to concentrate on getting the garbage ready for pick-up so they did not have time to clean the floors.

While all of the buildings, except one that I visited, appeared to be well maintained, Luis Arce suggested MVMC does not have the staff to keep on top of day-to-day maintenance. He thinks the "buildings are maintained okay," but that the company could do better if it had more staff and less turnover.

**MVMC's problem building**

Out of all of MVMC's buildings I visited, only one was obviously not well-maintained. In the other buildings, the lobby and hallways were clean and free of graffiti. The paint was in good shape. The buildings were quiet. There were working locks and buzzers on the outer doors. The appearance of one building, however, was the antithesis of this. The lobby and hallways

91 Evelyn Ortiez.
92 Ana Bonano.
were covered in graffiti and I saw it about a month after the entire interior of the building had been painted. The outer door lock and buzzer system were broken. MVMC had recently spent $5,000 on a magnetic lock and buzzer system, which shortly after installation had been burnt off. Every time MVMC replaced the lock and buzzer system it was destroyed. 93

There are two explanations for the poor condition of this building. The first is its location. The building is on an active drug corner. The second reason, and according to Luis Arce, the more significant one, is a problem tenant who is responsible for much of the vandalism in the building. MVMC has been trying for last four years to evict her. Arce claims she does not pay her rent, but “knows the system.” 94 She has a number of children and they are responsible for the graffiti. The biggest problem though, is that she is a “bully” and the other tenants, most of whom are elderly, are afraid of her. In one situation, one of the “problem” tenant’s children was spray painting in the hallway. Another resident took the spray can away from the child, and the mother insisted that the can be given back because she would not tolerate anyone else disciplining her children.

Arce notes that a similar “problem” tenant in another building might not be able to run the place. In buildings with younger residents, tenants are usually able bind together and isolate a problem tenant. In those buildings, there will also be more people checking up on the building and calling in problems to management. A visit to MVMC’s problem building emphasizes the importance of tenants teaming up with management. Without a joint effort, an entire building can suffer from the abuses of one or two tenants.

Conclusion

Maintaining buildings successfully requires a combination of caring staff,

93 Yolanda Leon.
94 I assume this system includes waiting long enough and then getting welfare to fill-in back rent.
efficient systems for handling complaints, and fiscal responsibility. Los Sures, MVMC, and MVDC-CMP each have strategies for obtaining successful maintenance help. CMP projects present the most difficult situation because the CDCs receive the buildings with a superintendent in place. Pena and Ortiz both describe having to “train” those “supers” to respond to the CDCs’ requirements. MVMC and Los Sures utilize a promotion system to keep good superintendents.

The three organizations have systems to handle complaints, but I was not in a position to judge their effectiveness. MVMC reports a three day turnaround on most requests. Los Sures’s log book showed a similar record. Visits to the buildings indicated that, except where under renovation, the common areas were clean and well cared for. There were obvious differences between buildings that have been recently gut rehabilitated such as HPD-LISC Demonstration and SIP buildings and buildings that have been occupied for many years. It was not possible to judge whether major systems were maintained properly and whether tenants were satisfied with the level of service.

Most of the CDCs’ buildings, except those rehabilitated under old city programs, produce sufficient income to cover their expenses. Both Los Sures and MVMC manage buildings that produce enough income to enable the CDCs to manage less successful buildings and to pursue other activities.

When MVDC established MVMC, the intent was that profits from management would be plowed back into development. In spite of its difficult ex-CMP buildings, MVMC earned profits the past three years ($50,000 in 1988, $30,000 in 1989, $10,000 in 1990).95 The profits were split amongst the MVMC employees, donations to MVDC, and reserves for MVMC.

Los Sures established a for-profit management company for tax purposes

95 Due to MVMC's loss of two HUD Section 8 buildings, the company will not earn a profit in 1991.
in 1973 to manage the CDC’s non-CMP projects. The management company has not shown a profit since its inception because the CDC has been able to absorb the management company’s profits. The nonprofit charges Los Sures Management for 15% of the CDC’s administrative services and facilities. With the SIP and HPD-LISC projects, Los Sures expects there will be taxable profits for the first time in fiscal year 1992.

Both the CDC’s maintenance skills and its tenant/management interactions are areas on which a management operation can be judged. The next section takes an overall look at how the CDC’s management operations perform based on my observations and discussions with tenant advocates in the CDCs’ communities.

V. Impressions of Los Sures’s and MVDC’s Housing Management Programs

This thesis began with an assumption that Los Sures and MVDC manage their buildings successfully. The information on the two CDCs in the previous sections, as well as the theoretical background provided by the Urban Institute and housing professionals in Chapter 2, focused, for the most part, on management process rather than product. While there was some discussion on how the CDCs actually maintain their buildings, both physically and financially, the majority of the case information focused on how the management organizations operate and what the staff thinks is important for successful management. This section provides an overall impression of the housing management of the two CDCs based on my observations and discussions with housing advocates in the CDCs’ communities.

96 If the IRS would accept it, Los Sures would charge the for-profit for a greater percent of the CDC’s costs.

97 George Maldonado.
MVDC

MVDC has been developing and managing housing in the Manhattan Valley area since 1968. The organization has made a long-term commitment to improving the housing situation for low- and moderate-income residents in its community. MVDC has split the management operations of its CMP buildings and its other buildings into two effectively functioning organizations. Even though MVMC and MVDC-CMP are both managing housing in the same area, they have nothing to do with one another, until a CMP building graduates and moves into MVMC's portfolio.

While MVDC is well respected in the community and among housing professionals in the city, Leah Schneider acknowledges that the CDC has had to struggle with the "good guy, bad guy" split of being both a landlord and a community-based advocacy organization. When MVDC was faced with its first eviction many years ago, the tenants in the building voted to evict the tenant, while MVDC's board voted against the eviction because the board members could not believe that they were going to evict someone. They argued that they had set up the CDC to fight harassment by private landlords and now they were going to treat someone the same way. MVDC learned quickly that eviction is a necessary (although rare) evil of owning and managing property.

MVDC has recently hired a part-time organizer to work with tenants in the CDC's buildings. The CDC hopes this will help it develop better relationships with its tenants. The new staff member has not had the opportunity yet to begin organizing. MVDC established the Manhattan Valley Housing Clinic (MVHC) to advocate for tenants. MVHC provides assistance to neighborhood residents. It mediates between tenants and landlords attempting to avoid housing court, holds housing workshops, obtains pro-bono legal service or refers tenants to Legal Services, aids tenants
who are being harassed by their landlord, and helps organize rent strikes. Maritza Rodriguez, the Director of MVHC, is extremely "pro-tenant" and believes all buildings would be better off under tenant management. In spite of her strong "pro-tenant" sentiments, she provided a balanced perspective on MVDC’s management organizations.

**MVDC-CMP**

Occasionally tenants interested in obtaining information about CMP will come to MVHC’s office. Rodriguez sends them to MVDC. She notes that once tenants are in CMP, they never come to her office to complain. The diminished need for outside counsel is due to MVDC-CMP maintaining an on-going dialogue with CMP tenants.

The dialogue, however, does not always ensure successful relationships. Naomi Pena tries to include tenants in management decisions, but she acknowledges that she gets impatient and if the tenants do not decide quickly enough, she decides for them. This autocratic attitude sometimes gets her in trouble because tenants get angry and rebel against her. By her own accounts, she is not liked by a number of the tenants. She thinks it is important to be tough because the CMP tenants are being trained to own their building and they need to understand the relationship between paying their rent and having sufficient income for building expenses. She refers to the activities at CMP tenant meetings as "brainwashing" the tenants to form a cooperative and to be active in building decision-making.

Her tough attitude has only produced partial co-oping success. MVDC currently has five CMP projects in its portfolio. One is about to “graduate” from the program and remain as a rental. Pena worked extremely hard to get the tenants to co-op, but she claimed there was a split amongst the tenants. Another project is in the rehabilitation process. Pena does not think the
tenants are organized enough to form a cooperative, but she plans to continue to push for it. From her perspective, having the tenants form a cooperative is the main goal of the program.

While MVDC is not always successful in leading tenants to form a cooperative, the CDC is considered to be extremely successful at managing the day-to-day building operations and the rehabilitation process. According to Sandra Abramson, MVDC has an excellent construction supervisor for the rehabilitation work and Pena keeps close tabs on the progress of the building renovations.

The fact that MVDC has split the management of CMP buildings from the management of its other buildings is contrary to the way HPD wants CDCs to operate. In MVDC's case, however, this "programmatic" approach has been highly effective and led to the establishment of two successful management operations. The change in CMP guidelines, however, will have a profound effect on MVDC's CMP organization. It is not clear which, if any, staff from Pena's office will remain after July 1, 1991. After 13 years with the program, Pena is unsure of her status.

**MVMC**

Manhattan Valley Management Company has been successfully managing MVDC's housing since 1981. Since MVMC does not manage CMP buildings, it has a more straightforward management portfolio than Los Sures. Many of MVMC's properties are vacant rehabilitated buildings which, while they are new, are easier to manage than buildings obtained occupied. This is not to belittle MVMC's management tasks. It has been effectively managing HUD Section 8 projects, that were developed by MVDC close to ten years ago, as well as numerous under-funded and poorly rehabilitated ex-CMP buildings.

In spite of the fact that MVMC has had to subsidize a number of ex-CMP
rental buildings every year, it has earned a profit for the past three years. The company will not earn profits this year due to the loss of two HUD Section 8 projects (see earlier section on building finances). Arce is not worried about the future, however, because the HPD-LISC Phase II project has just been completed and rental has begun for Broadhurst Willows, the project MVMC is managing for another owner.

Arce argues that MVMC would manage any housing projects as long as they were financially feasible. He claims the board does not have a problem with whether or not the housing is "affordable." One of the reasons MVDC established MVMC as a separate company was so that the management company could have the flexibility to branch out if it so desired.

MVMC currently operates as a community-based organization. The Board of Directors is comprised entirely of community residents. On the ten person board there are four tenants from MVMC buildings, two community activists, Leah Schneider, Kurt Schneider, Luis Arce, and a real estate attorney. (There is also a non-voting real estate consultant.) Almost all of the MVMC's staff reside in the community and some of the staff are MVMC tenants.

Now that the management company has begun to branch out and manage buildings not owned by the CDC, what will that mean for its community-based status? MVMC has been operating in Manhattan Valley for ten years. Both organizations are well-known and respected in the community. Arce acknowledges that it is difficult for the staff members in the new Harlem site office because they have to develop their own relationships and resources in the community. They have to get to know the local police, churches, and community board members. The fact that MVMC has developed a site office, however, is a much better approach than trying to manage the Harlem project from the Manhattan Valley office. There is an understanding that a management company should be in the community to
manage effectively.

The fact that the management company has been successful in attracting outside business indicates it is perceived as a good management company. In spite of this perception, a couple of recent CMP cooperative "graduates" chose other management companies instead of MVMC to manage their buildings. Naomi Pena suggests that sometimes buildings that have gone through the CMP process want to break away from the CDC altogether and prove they can function on their own. Pena also indicated that some of the tenants have a perception that MVMC manages too many units and is not responsive to tenants' needs. Without further investigation of particular cases, it is impossible to know the actual reasons why CMP graduates chose a different management company.

CMP "graduates" may find that MVMC provides more traditional management than MVDC-CMP. MVMC staff believes in a tenant/management teamwork approach, but it is not institutionalized as it is in CMP. Even though there are not tenant organizations in most of its buildings, MVMC does hold tenant meetings to discuss management decisions. Arce acknowledges it would be easier and more effective if there were tenant organizations in the buildings, but he believes in spite of the absence of organized tenants, MVMC is still successful in involving tenants in management decisions.

Maritza Rodriguez of MVHC provided insight into MVMC's system to handle tenant complaints. At first, Rodriguez claimed that there is no difference between buildings managed by MVMC and other buildings in the neighborhood and that she receives similar complaints from tenants in both MVMC and non-MVMC buildings. Upon further analysis, however, it became clear that her process for dealing with MVMC tenant complaints is substantially different. When a non-MVMC tenant comes in to the office, a
MVHC staffperson fills out a complaint form noting the tenant's address and complaint and then whatever action was taken to follow-up. In contrast, for MVMC tenants, MVHC staff generally does not bother to fill-out a form because the problem can usually be resolved quickly and without any further attention.

There are two reasons follow-up is generally unnecessary. First, MVMC has an organized complaint system. Tenants make repair requests to a central staffperson responsible for receiving complaints. The request is entered onto a form and the tenant's complaint is given a number. Rodriguez is familiar with the system, so the first thing she does is ask the tenant if he has a complaint number. If the tenant does not, then Rodriguez knows the tenant did not report the complaint to MVMC. If the tenant claims he has been to MVMC with no success, then Rodriguez will call MVMC to find out what has happened. The second reason problems are resolved without further MVHC assistance is that once Rodriguez contacts MVMC, problems are resolved quickly because she has a good relationship with MVMC staff. She can easily speak with Arce, Leon, or Patino to find out what has transpired. Since MVMC has this complaint system and Rodriguez is able to communicate with MVMC staff, it is unnecessary to establish a file for the tenant.\textsuperscript{98} The clinic is understaffed so this relationship with MVMC saves MVHC time and effort. In addition, according to Rodriguez there has never been a rent strike in any of MVMC's buildings, which is not the case for other buildings in the neighborhood. At the time we spoke, MVHC was aiding tenants in three buildings that were on rent strike.

In general, MVMC appears to run a solid management operation. It has systems in place to handle tenant complaints and repair requests effectively. The office is orderly and staff tasks are well-defined. Luis Arce runs financial

\textsuperscript{98}I skimmed the approximately 400 MVHC files for the year and found only two that were for tenants of MVMC buildings.
reports for buildings and uses them for budgeting and projecting income and expense schedules. In addition, the organization, as it currently operates, is community-based. It is not clear how its mission and operations will change if it begins to acquire many projects outside the Manhattan Valley area.

Los Sures

Los Sures comes across as a grassroots organization. The CDC’s tenant-based board structure is unique in the city. It has kept all of its functions under one roof where the overall organizational philosophy of “neighborhood self-help” can be pervade all its activities. While the sense of the organization is one of strong tenant involvement, David Pagan stresses that when it comes to building management, Los Sures “acts just like a private company. The only difference is that Los Sures will contact social services if a tenant is in trouble.”

Los Sures manages a more complicated portfolio than MVMC. The CDC’s one management operation manages both CMP buildings for the city, as well as buildings developed under a host of other programs. Included in the CDC’s portfolio are many units of housing for homeless families. This population provides a new management challenge for the CDC. In addition, the CDC is currently developing its first elderly housing project. Managing CMP buildings is particularly difficult because of the relationship with HPD and the difficulties associated with the projects themselves.

Given its extremely diverse portfolio, the CDC has many more regulations and requirements to abide by than MVMC. The HPD-LISC, SIP, and elderly housing in construction are all recent additions to the CDC’s management portfolio. There is a tremendous amount of paper work and financial reporting to keep track of for all the CDC’s projects.

While Los Sures has a diverse portfolio, the management of its CMP

99 David Pagan.
buildings appears to dominate and define the management organization. CMP units account for 37% of the CDC’s current portfolio (50% if CMP “graduate” co-ops are included), but Los Sures manages units developed under many other programs. When I inquired as to how a particular management function was handled, the answer was usually given related to how it works in CMP buildings. The fact that only CMP, TIL, and two other buildings directly owned by the CDC are eligible for board membership, indicates a split in the management of CMP buildings from other projects. CMP cooperative “graduates” are currently still eligible for board representation, however, the board is trying to decide whether that is appropriate.

Los Sures needs to establish a clearer sense of management mission for non-CMP buildings, especially now that the stock of eligible CMP buildings is dwindling and the stock of non-CMP buildings is increasing. In addition, given the large number of CMP units still under Los Sures’s management, the CDC will be affected by the upcoming changes in the program. Starting July 1, 1991 the city will no longer pay CDC staff salaries, which in Los Sures’s case includes three managers and Ana Bonano. Since most of the funds will come to the CDC as a construction management fee, the renovation process must be handled quickly and efficiently. Dragging rehabilitation out will mean the CDC will receive the same amount of money paid out over a longer period of time.

CDCs managing CMP buildings will rely more heavily on the management fee based on collected rents. Under the new program requirements, Los Sures will have to be more forceful in collecting rents. The CDC currently has a 100% success rate in leading their CMP tenants to form cooperatives. Pushing buildings through the program at a quickened pace may require that Los Sures spend less time organizing and training tenants and more time overseeing the rehabilitation process. This change in focus
could lead to fewer cooperatives, although, hopefully the tenant organizing ethic of Los Sures and the Southside Williamsburg community will continue to prevail.

Since Los Sures’s organizing department does not work with CDC managed buildings, if a tenant has a serious complaint with management, he will go to Legal Services for help. Martin Needleman is the Project Director for the Brooklyn Legal Services office whose jurisdiction includes Los Sures’s target area. Needleman, however, is on the Executive Committee of Los Sures’s board and is Chair of the Housing Resource Committee that oversees Los Sures’s organizing department. When he receives a case for a Los Sures tenant, he passes it on to another Brooklyn Legal Services office since handling a case against Los Sures would be a conflict of interest.

As a board member, Needleman finds that even though the organizing and housing management departments are kept separate, the style and philosophy of organizing carries over into management. Although, he added, not as much as he would like. The organizing ethic does not significantly carry over into non-CMP buildings. In those buildings, there is “less tenant activism, less energy, and fewer problems” because tenants are coming into a finished building.

Since tenants desiring Legal Service assistance will contact his office first, Needleman has a sense of the frequency of complaints. He does not find that many tenants from Los Sures’s buildings seek help from Legal Services. He thinks this is because tenants have other vehicles for dealing with building problems. There is substantial contact among tenants in a building and problems are made known to board members. Needleman believes the board is “pro-tenant,” which leads to management problems being dealt with swiftly and effectively.

When a complaint is made to Legal Services, Needleman passes the case to Steve Bernstein, Project Director of another Brooklyn Legal Service office.
Bernstein's perception of Los Sures is understandably less positive than Needleman's. Bernstein acknowledges that he only sees dissatisfied tenants so he is not in a position to offer a balanced picture of the organization. From his perspective, however, he has found that the management organization lacks "sophistication." In court, the Los Sures managers are extremely inflexible. He claims he is never able to reach Ana Bonano on the telephone and that the management organization is in general "unresponsive and stand-offish." He did point out, however, that in cases involving tenants in CMP buildings, it is sometimes hard to figure out whether the "inept" management behavior is caused by the HPD or Los Sures.

While it appears that for the most part Los Sures's buildings are financially solid (except for the two Municipal Loan buildings), the fiscal operations of the CDC are somewhat disorganized. George Maldonado, the Comptroller, is responsible for the fiscal operations of all of the CDC's activities. He complains that he does not have enough time or staff to handle all the fiscal responsibilities properly. There is extensive reporting required for the CDC's projects. He completes all the reports, but generally not on time. There is enough income coming into the organization to manage all the buildings properly, but the CDC always runs a deficit on a cash system because Maldonado does not have the time to collect all of the organization's receivables.\footnote{An example of a difficult cash flow situation is: Los Sures pays $23,000 for Workmen's Compensation for CMP staff every month, but Maldonado only has time to bill the city to be reimbursed twice a year.} He makes sure the buildings get what they need, but vendors have to wait to be paid.

Los Sures has been committed to providing decent, affordable housing in Southside Williamsburg for close to twenty years. They began as the founding CDC in the Community Management Program. While they continue to manage CMP buildings, they are increasingly accepting new and
challenging housing management tasks. As their portfolio grows, it is important that they make sure to have the financial and organizational systems in place to manage their housing effectively. In addition, they should consider incorporating the tenant-based spirit of the CMP buildings into the management of their other projects.

Conclusion

From the outside, MVDC and Los Sures appear to have established successful management operations. The two groups continue to be designated for new projects and management challenges by HPD and LISC. In addition, LISC has chosen Los Sures and MVMC to provide housing management training to unexperienced nonprofit housing groups. While both Los Sures and MVMC have problem buildings and all three groups have the occasional dissatisfied tenant, each continues to accept challenging projects and to strive to provide quality housing to low- and moderate-income families in their communities.

The CDCs and their management operations are extremely community-based. Most of their board members and staff are community residents. The key management staff of all three operations have been involved with their respective organizations for many years, showing a true commitment on the part of the staff to managing affordable housing. As the organizations continue to grow and take on new and different management challenges, it is important that they have the systems in place and the clarity of mission to manage their properties effectively.

I choose CDCs in different communities because I wanted to determine whether different neighborhood characteristics had an impact on management style. Both organizations serve a predominantly Hispanic population that has been shifting from a majority of Puerto Ricans to Dominicans. MVDC and Los Sures's CMP buildings experience problems
with tenants adjusting to relocated homeless families from different ethnic and racial backgrounds. There are drug problems in both neighborhoods, which the CDCs experience most frequently in new CMP buildings, but none of the CDCs' buildings are out of control. All three management organizations have developed relationships with local police and HPD's narcotics unit.

The most noticeable neighborhood-related difference between the CDCs' is the level of tenant involvement in CMP buildings. There is a tenant advocacy ethic in Williamsburg, which makes it more likely that a building will enter Los Sures's CMP management with a tenant organization already in place. With the assistance of this neighborhood dynamic, Los Sures has had more success at developing cooperatives than MVDC.

While there is considerable tension between the Hasidic and Hispanic communities in Southside Williamsburg, this has not caused management problems in Los Sures's buildings. None of the residents in the CDC's buildings are Hasidic because the Hasidim are not interested in living in the area where Los Sures has developed. The CDC did have problems when it managed a Mitchell Lama project that housed both Hasidim, Black, and Hispanic residents.

Since both Los Sures and MVMC manage housing under many of the same programs, the regulations and requirements of these programs appear to have more of an effect on management operations than do neighborhood dynamics. Each group has established networks in their communities and learned to function in the complex regulatory New York City environment. The following Conclusion highlights the components of the CDCs' management operations that account for their success.
Conclusion

Community development corporations managing housing in New York City face a difficult task. A "pro-tenant" court system, a large homeless population, buildings with insufficient rental income, and an excess of regulations all combine to make housing management a challenging endeavour for community-based groups. CDCs have accepted the important job of providing decent, affordable housing to residents in a city with a 2.5% vacancy rate and extremely high housing costs.\(^\text{101}\) To be effective at providing housing requires an understanding that housing management is a long-term commitment that should be approached with a clear sense of mission and the resources necessary to establish proper management systems.

When a community-based group enters the housing arena, it finds itself in the conflicting role of community advocate and landlord. Many low- and moderate-income tenants in New York City assume all landlords are untrustworthy. That assumption does not necessarily evaporate when the landlord is a nonprofit community group. A CDC might believe it can avoid the conflict by hiring an outside management company to be the target of criticism, leaving the CDC to be the champion of the tenants. In reality, the CDC must accept the inherent conflict in its roles as landlord and community advocate and attempt to lessen the conflict by providing the best housing management possible.

Los Sures and Manhattan Valley Development Corporation each accepted the management challenge many years ago. Through their ownership and management of hundreds of affordable housing units, the two CDCs provide an invaluable service to their communities. Their

\(^{101}\) Stegman, p. 44.
portfolios include housing that no for-profit company would be willing to manage (without high rent increases). In addition, each group strives to manage its housing in keeping with the philosophy and mission upon which its organization was founded.

While both Los Sures and MVDC manage their own properties, they have structured their management organizations differently. MVDC established a separate company, the Manhattan Valley Management Company, to manage the CDC’s non-CMP properties. In contrast, Los Sures has kept the management function internal to the CDC. There is no proper way to organize a management operation and this thesis demonstrates that a CDC can achieve success under either structure. Maintaining all operations as an integral part of the organization allows for greater control over management style and philosophy. Establishing a separate management company may be a more successful strategy for attracting outside clients.

Both MVDC and Los Sures pride themselves on running “professional” management operations. They each want to attract outside clients, as well as new city projects, so it is important that they are perceived as operating successful management businesses. MVMC’s and Los Sures’s portfolios include many recent additions. Each has projects in Phase I and III of the HPD-LISC Demonstration Program; MVMC also has a project in Phase II. In addition to new CDC projects, MVMC has been successful obtaining management responsibility for a 129-unit private development in Harlem. Los Sures was recently designated as the managing agent for three SIP projects. The CDC has two more SIP projects in construction as well as a senior citizen housing project.

I. **New York City environment**

Los Sures and MVDC have large and varied housing portfolios because
the City of New York has a unique stock of occupied and vacant apartment buildings available to community groups for renovation. HPD has developed programs to transfer management and ownership of in rem buildings to CDCs. Three of those programs, CMP, SIP, and the HPD-LISC Demonstration Program were highlighted in this thesis. The Community Management Program has played a particularly important role in developing the housing management skills of New York City CDCs.

A CDC that has a varied housing portfolio must abide by countless program rules. Each program has its own funding requirements, tenant income regulations, inspection schedules, and reporting specifications. The extensive demands placed upon community-based housing groups makes their management tasks labor intensive and costly. The effort to meet all requirements has forced CDCs to build in-house housing management capacity. Los Sures and MVMC are perpetually challenged by new program requirements. Most recently, each had to learn the tenant selection and income guidelines and reporting requirements for the HPD-LISC Demonstration projects. The ability to respond to all of the program regulations and requirements effectively makes these groups successful housing managers.

II. Components of successful CDC housing management programs

Chapter 2 described criteria for identifying successful management operations of low- and moderate-income housing. In addition to outlining the "keys" to successful management discovered by the Urban Institute, the chapter included a discussion of management issues that are of particular concern to CDCs. All of those CDC-specific issues were revisited in Chapter 3, which described the management operations of Los Sures, MVMC, and MVDC-CMP. The following is a summary of 12 components of the two CDCs'
programs that makes them effective housing managers.

(1) Los Sures, MVDC-CMP, and MVMC are truly community-based. A majority of the management staff and board members of the three organizations live in the community they serve. Los Sures has a unique board structure. All of the CDC’s CMP and TIL buildings are eligible to have board representation. There are additional seats for non-tenant community residents. This structure makes Los Sures highly accountable to its residents and its community.

(2) The management directors of the three operations have each held his or her position for many years. Naomi Pena was MVDC’s first CMP Tenant Resource Specialist 13 years ago. Luis Arce has been director of MVMC since shortly after its inception in 1981. Ana Bonano started off as a housing manager for Los Sures 13 years ago. She has been Director of Management since 1984. Having continuity of leadership is important to establishing a successful management program.

(3) MVMC and Los Sures utilize promotions and training to encourage longevity of good staff.

(4) The groups stress the importance of hiring staff that is committed to property management. They hold the strong belief that attempting to convert tenant organizers into property managers does not work. The management staff argues that there are “problem tenants” in some buildings and a property manager has to be tough and willing to pursue evictions when necessary. Management staff is afraid that tenant organizers will always side with the tenants and fail to be firm.

(5) The CDCs fall prey to the conflict between desiring tenant participation in their buildings and wanting property managers that do not come from organizing backgrounds. In spite of this conflict, neither group is confused in
its role as community activist and landlord. Each organization clearly perceives its mission as providing quality housing to the low- and moderate-income residents of its community.

(6) MVMC, MVDC-CMP, and Los Sures all strive to have tenant involvement and organizations in their buildings. The groups want to change the standard tenant/management relationship. This change occurs most successfully and consistently in CMP buildings where tenant involvement is a program goal. The staff agrees that building management is easier when there is tenant involvement. Los Sures’s CMP tenants benefit from a tenant advocacy ethic in the CDC and in the Williamsburg area.

(7) While stringent tenant selection screening is a controversial practice, both CDCs do so as much as possible. They want to choose "good" tenants who will care for their apartments and common space and pay their rent. Each group has established procedures that facilitate choosing homeless families for apartments. MVMC utilizes the AIDS Resource Center and Los Sures works with two homeless assistance organizations in Williamsburg.

(8) The CDCs have developed important networks with tenant advocacy organizations in their communities. The relationship between MVHC and MVMC lessens the need for visits to housing court. Martin Needleman, the Project Director for the Williamsburg, Brooklyn Legal Service office, sits on the Executive Committee of Los Sures’s board. His and other “pro-tenant” community members’ presence on the board lead to the quick resolution of management problems without further assistance from Legal Service.

(9) Housing professionals all agree a CDC should have at least 200 units in their portfolio before undertaking self-management. MVMC manages 672 units and Los Sures manages 861 units. Their portfolio mix allows for financially successful projects to produce enough management fees to defray some of the management costs of buildings that either break even or lose money.
(10) Most of the two CDCs' buildings are fiscally sound and the management operations have been successful at producing income for the organizations. It is difficult to judge whether their buildings are run efficiently financially. Both Los Sures's and MVMC's HUD Section 8 projects have higher expenses than the New York City standards (see Appendix C), but Arce complains that LISC uses maintenance and operating standards that are several years old. It is not possible to judge the fiscal management of CMP buildings because the buildings are in such terrible shape when they enter the program.

(11) Collecting rent in CMP buildings is difficult because many of the tenants are not used to paying rent. MVDC-CMP had an average collection rate of 86% for the Fiscal Year of July 1, 1989 through June 30, 1990. David Pagan reports Los Sures has an average collection rate between 90% and 99%. The CDC's lowest collection rate is for CMP buildings. MVMC, which does not manage CMP buildings, reports an average rent collection rate between 95% and 98%. The groups' lack of control over the turnaround of vacant units in many of their projects complicates collecting a building's full potential income. They lose income either waiting for HRA approval for homeless units or needing to contact original lottery applicants for HPD-LISC units. Both MVMC and Los Sures report being able to rent units within 15 days when they are able to utilize their waiting lists.

(12) Most of the CDCs' buildings appear to be well-maintained. Both CDCs involve management in the design and construction of projects. MVMC and Los Sures have each established systems for handling maintenance requests. Each group indicates that requests are generally responded to within one to three days.

CMP buildings suffer from a complicated relationship between HPD and the managing CDC. The city controls the funds and determines when buildings will begin the rehabilitation process, but the CDC is responsible for doing the work. MVMC does not manage CMP buildings, so it has complete
control over the maintenance schedule of all its buildings. Maritza Rodriguez, of the MVHC, notes that MVMC has an effective system for processing complaints. Communication between MVMC, tenants, and MVHC minimizes the need for tenants to seek additional assistance from MVHC.

III. Questions for further inquiry

This thesis provided an overview of housing management practices for New York City community development corporations. Many of the issues that were examined, such as how a CDC defines its management mission, how its tenants and management staff interact, and how it physically and financially maintains its buildings, could be starting points for subsequent research projects. The following are some questions that I think would merit further inquiry.

Without extensive tenant interviews, it was not possible to gauge the experience for tenants residing in CDC managed buildings. Does the CDCs' desire for tenant involvement in management decision-making actually translate into better managed buildings? Has the standard adverse tenant/management relationship been transcended in the CDCs' buildings?

Does the CDCs' desire to be "professional" make them "firmer" than private management companies? Do CDCs use stricter guidelines for tenant selection than private companies? Are CDCs less lenient with late rent payments? Do they evict, or attempt to evict, more often?

Are there ways to lessen the burden of reporting requirements and regulations on nonprofit housing developers?

Finally, the Community Management Program has played an important role in the growth of CDCs in New York City. The program is about to
undergo massive changes effective July 1, 1991. It would be worthwhile revisiting MVDC and Los Sures in a year to see how effectively they have withstood the program changes.
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Welcoming Manual.
Public Relations Folder.
Financial Statement for a sample HUD Section 8 Project, 1990.

New York City Department of Housing Preservation and Development.


Southside United Housing Development Fund, Inc. - Los Sures
Profile, September 6, 1990.
Community Management Financial Report, Statement of Revenues and Expenses, 7/1/89 - 6/30/90, 7/1/88 - 6/30/89.


**Interviews**

All interviews were held from November 1990 through May 1991.

**Manhattan Valley**

Manhattan Valley Development Corporation.
- Cordella Ingram, Assistant Executive Director.
- Naomi Pena, CMP Director.
- Leah Schneider, Executive Director.

Manhattan Valley Management Company
- Luis Arce, Director.
- Yolanda Leon, Housing Manager.
- Miriam Patino, Housing Coordinator.
- Angie Smajda, Fiscal.

Maritza Rodriguez, Manhattan Valley Housing Clinic, Director.
Patricia Galino, HPD, Office of Development, Manhattan Valley Planning.
Bob Kupferman, HPD, Office of Development, Manhattan Zoning; Former Chair, Community Board 7.
Vernon Lewis, HPD, Office of Property Management, Central Management, Director of Upper Manhattan Site Office.
Los Sures
Southside United Housing Development Fund -- Los Sures.
   Ana Bonano, Director of Management.
   Debra Medina, Housing Resource Unit ("Organizing Department").
   George Maldonado, Comptroller.
   Evelyn Ortiez, Assistant Director of Management.
   David Pagan, Executive Director.

Martin Needleman, Chairman, Housing Resource Committee, Los Sures
   Board of Directors; Project Director, Legal Services for New York City,
   Brooklyn Branch.
Steve Bernstein, Project Director, Legal Services for New York City, Brooklyn
   Branch.
Herbert Siegel, HPD, Office of Development, Director of Brooklyn Planning.

Housing Professionals

Sandra Abramson, HPD, Office of Property Management, Division of
   Alternative Management Programs, Director of Operations -
   Rehabilitation.
David Baez, Local Initiative Support Corporation.
Gary Hattem, Bankers Trust, Director of Community Development; Former
   Executive Director, St. Nicholas Preservation Corporation.
Marc Jahr, Local Initiative Support Corporation, New York Program Director.
Nancy Tifkin, President, The Bankers Trust Foundation.
Appendix A
Organization Charts

Manhattan Valley Development Corporation

EXECUTIVE DIRECTOR
Leah Schneider

CDC
DEVELOPMENT
STAFF

DIRECTOR OF CMP
Naomi Pena

HOUSING MANAGERS
2

BOOKKEEPER

SUPPORT STAFF
2

“SUPERS” & HANDYMEN
10

Manhattan Valley Management Company

DIRECTOR
Luis Arce

HOUSING COORDINATOR
Miriam Patino

HOUSING MANAGER
Yolanda Leon

FISCAL DIRECTOR
Angie Smajda

SUPPORT STAFF

MAINTENANCE STAFF
24 Superintendents, Porters, and Handymen
Appendix B

Projects Under CDC Management

Projects Managed by Manhattan Valley Management Company
as of May, 1991

<table>
<thead>
<tr>
<th>Project</th>
<th>Number of Units</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>931-933 Columbus Ave. HDFC</td>
<td>16</td>
<td>Municipal Loan &amp; Section 8</td>
</tr>
<tr>
<td>927 Columbus Ave. HDFC</td>
<td>12</td>
<td>Municipal Loan &amp; Section 8</td>
</tr>
<tr>
<td>West 104th St. Apartments</td>
<td>59</td>
<td>HUD Section 8 Vacant Rehab</td>
</tr>
<tr>
<td>Valley Apartments</td>
<td>127</td>
<td>HUD Section 8 Vacant Rehab</td>
</tr>
<tr>
<td>West 105th St. Associates</td>
<td>15</td>
<td>PLP &amp; Section 8 Mod. Rehab</td>
</tr>
<tr>
<td>59 W. 105th St. Associates</td>
<td>15</td>
<td>PLP &amp; Section 8 Mod. Rehab</td>
</tr>
<tr>
<td>Diego Rivera Condominium</td>
<td>20</td>
<td>Dollar Sale Program</td>
</tr>
<tr>
<td>Manhattan Valley Townhouses</td>
<td>76</td>
<td>City Assistance</td>
</tr>
<tr>
<td>Park Side Apartments</td>
<td>40</td>
<td>HPD-LISC Demonstration</td>
</tr>
<tr>
<td>Parkway Apartments</td>
<td>72</td>
<td>HPD-LISC Demonstration</td>
</tr>
<tr>
<td>Broadhurst Willows (private)</td>
<td>129</td>
<td>421A</td>
</tr>
<tr>
<td>951 Columbus Ave. HDFC</td>
<td>8</td>
<td>Ex-CMP Rental</td>
</tr>
<tr>
<td>153, 157, 161 Manhattan Avenue</td>
<td>64</td>
<td>Ex-CMP Rental, PLP</td>
</tr>
<tr>
<td>74 West 105th St. HDFC</td>
<td>10</td>
<td>Ex-CMP Rental</td>
</tr>
<tr>
<td>18 West 103rd St. HDFC</td>
<td>9</td>
<td>Ex-CMP Rental</td>
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</tbody>
</table>

Total managed by MVMC 672
**Community Management Projects**  
Managed by Manhattan Valley Development Corporation  
**as of May, 1991**

<table>
<thead>
<tr>
<th>Project</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>58-60 Manhattan Avenue</td>
<td>40</td>
</tr>
<tr>
<td>58 West 105th Street</td>
<td>20</td>
</tr>
<tr>
<td>61 West 105th Street</td>
<td>10</td>
</tr>
<tr>
<td>10-12 107th Street</td>
<td>30</td>
</tr>
<tr>
<td>151-155 106th Street</td>
<td>40</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>140</strong></td>
</tr>
</tbody>
</table>
### Projects Under Los Sures Management as of May, 1991

<table>
<thead>
<tr>
<th>Project</th>
<th>Number of Units</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>728 Driggs Avenue</td>
<td>36</td>
<td>CMP</td>
</tr>
<tr>
<td>383 Hewes Street</td>
<td>22</td>
<td>CMP</td>
</tr>
<tr>
<td>176 Grand Street Extension</td>
<td>26</td>
<td>CMP</td>
</tr>
<tr>
<td>111 S. 3rd Street</td>
<td>36</td>
<td>CMP</td>
</tr>
<tr>
<td>124 S. 3rd Street</td>
<td>26</td>
<td>CMP</td>
</tr>
<tr>
<td>330 S. 3rd Street</td>
<td>27</td>
<td>CMP</td>
</tr>
<tr>
<td>350 S. 4th Street</td>
<td>35</td>
<td>CMP</td>
</tr>
<tr>
<td>399 S. 4th Street</td>
<td>8</td>
<td>CMP</td>
</tr>
<tr>
<td>401 S. 4th Street</td>
<td>6</td>
<td>CMP</td>
</tr>
<tr>
<td>434 S. 5th Street</td>
<td>8</td>
<td>CMP</td>
</tr>
<tr>
<td>436 S. 5th Street</td>
<td>9</td>
<td>CMP</td>
</tr>
<tr>
<td>97 S. 8th Street</td>
<td>30</td>
<td>CMP</td>
</tr>
<tr>
<td>95 S. 10th Street</td>
<td>35</td>
<td>CMP</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>304</strong></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Project</th>
<th>Number of Units</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>242 S. 2nd Street</td>
<td>34</td>
<td>CMP Co-op</td>
</tr>
<tr>
<td>263 S. 2nd Street</td>
<td>10</td>
<td>CMP Co-op</td>
</tr>
<tr>
<td>225 S. 3rd Street</td>
<td>24</td>
<td>CMP Co-op</td>
</tr>
<tr>
<td>227 S. 3rd Street</td>
<td>20</td>
<td>CMP Co-op</td>
</tr>
<tr>
<td>274 S. 2nd Street</td>
<td>36</td>
<td>CMP Co-op</td>
</tr>
<tr>
<td>101 S. 3rd Street</td>
<td>36</td>
<td>Capital Homeless</td>
</tr>
<tr>
<td>233 S. 3rd Street</td>
<td>3</td>
<td>Municipal Loan</td>
</tr>
<tr>
<td>353 S. 3rd Street</td>
<td>33</td>
<td>Municipal Loan</td>
</tr>
<tr>
<td>357 S. 3rd Street</td>
<td>26</td>
<td>Municipal Loan</td>
</tr>
<tr>
<td>334 S. 3rd Street</td>
<td>18</td>
<td>HPD-LISC Demonstration</td>
</tr>
<tr>
<td>344 Rodney Street</td>
<td>24</td>
<td>HPD-LISC Demonstration</td>
</tr>
<tr>
<td>778 Driggs Avenue</td>
<td>29</td>
<td>HPD-LISC Demonstration</td>
</tr>
<tr>
<td>SUMET I Associates - 12 buildings</td>
<td>201</td>
<td>HUD Section 8 Vacant</td>
</tr>
</tbody>
</table>

Rehab
- 743 Driggs Avenue 21  SIP
- 184 S. 2nd Street 21  SIP
- **188 S. 2nd Street** 21  SIP

**Total managed by Los Sures** 861
Appendix C

Table 1
1989/90 Standard Operating Expenses for New York City Buildings

<table>
<thead>
<tr>
<th>Expense Item</th>
<th>Annual Cost&lt;sup&gt;102&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water &amp; Sewer Tax</td>
<td>CPC: $250/dwelling unit (du)</td>
</tr>
<tr>
<td></td>
<td>LISC: $165/du</td>
</tr>
<tr>
<td>Insurance</td>
<td>CPC: Premium: $0.29/$100 coverage</td>
</tr>
<tr>
<td>Property</td>
<td>CPC: $250/du</td>
</tr>
<tr>
<td>Liability</td>
<td>LISC: $9.00/$1,000 of coverage</td>
</tr>
<tr>
<td>Staff</td>
<td>CPC: case by case</td>
</tr>
<tr>
<td></td>
<td>LISC: Superintendent: $18,000</td>
</tr>
<tr>
<td></td>
<td>Porter: $12,000(both include fringe)</td>
</tr>
<tr>
<td>Elevator</td>
<td>$3,500/cab</td>
</tr>
<tr>
<td>Cleaning, Supplies, Exterminating</td>
<td>CPC: $40/room</td>
</tr>
<tr>
<td></td>
<td>LISC: $35/room</td>
</tr>
<tr>
<td>Heating&lt;sup&gt;103&lt;/sup&gt;</td>
<td>$165/room</td>
</tr>
<tr>
<td>Gas &amp; Electric</td>
<td>CPC: $40/room</td>
</tr>
<tr>
<td>Elevator Building</td>
<td>$35/room</td>
</tr>
<tr>
<td>Walk-up</td>
<td>$35/room</td>
</tr>
<tr>
<td>Management Fee</td>
<td>Gut Rehab: 6% of Effective Gross Income</td>
</tr>
<tr>
<td></td>
<td>Moderate: 6.6% of E.G.I.</td>
</tr>
<tr>
<td></td>
<td>LISC: 8% of net income</td>
</tr>
<tr>
<td>Painting</td>
<td>$30/room + $60/hallway</td>
</tr>
<tr>
<td></td>
<td>LISC: $25/room + $120/halls, stairwell</td>
</tr>
<tr>
<td>Repairs &amp; Replacement</td>
<td>CPC: Gut Rehab: $415/du</td>
</tr>
<tr>
<td></td>
<td>Moderate: $415/du</td>
</tr>
<tr>
<td></td>
<td>LISC: $200/du</td>
</tr>
<tr>
<td>Legal/Accounting</td>
<td>$4,000/building</td>
</tr>
<tr>
<td></td>
<td>LISC: $4,500 projects ≥ 60 units</td>
</tr>
<tr>
<td>Building Reserve</td>
<td>Gut Rehab: 2% of gross rents</td>
</tr>
<tr>
<td></td>
<td>Moderate: 3% of gross rents</td>
</tr>
</tbody>
</table>

<sup>102</sup> Standards are based on the Community Preservation Corporation's (CPC) and LISC's underwriting standards. CPC is a nonprofit consortium of major New York City banks. It lends funds to many of the developers participating in HPD programs.

<sup>103</sup> $165/room is an average of the amount for oil and the amount for gas.
### Table 2

**COMMUNITY MANAGEMENT PROGRAM**  
July 1, 1989 -- June 30, 1990

<table>
<thead>
<tr>
<th></th>
<th>MVDC</th>
<th>Los Sures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly rent billed</td>
<td>227</td>
<td>204</td>
</tr>
<tr>
<td>Average monthly rent collected</td>
<td>192</td>
<td>189</td>
</tr>
<tr>
<td>Overall collection rate</td>
<td>86%</td>
<td>92%</td>
</tr>
<tr>
<td>Average annual rent received/unit</td>
<td>2,304</td>
<td>2,264</td>
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**AVERAGE ANNUAL EXPENSES/unit**

<table>
<thead>
<tr>
<th></th>
<th>MVDC</th>
<th>Los Sures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Benefits</td>
<td>2,367</td>
<td>1,942</td>
</tr>
<tr>
<td>Management Fee</td>
<td>254</td>
<td>251</td>
</tr>
<tr>
<td>Fuel</td>
<td>810</td>
<td>902</td>
</tr>
<tr>
<td>Utilities</td>
<td>70</td>
<td>92</td>
</tr>
<tr>
<td>Insurance</td>
<td>560</td>
<td>262</td>
</tr>
<tr>
<td>Supplies</td>
<td>58</td>
<td>31</td>
</tr>
<tr>
<td>Exterminating</td>
<td>77</td>
<td>14</td>
</tr>
<tr>
<td>Misc. (includes prof. services)</td>
<td>125</td>
<td>61</td>
</tr>
<tr>
<td>Repairs &amp; Emergencies</td>
<td>960</td>
<td>966</td>
</tr>
</tbody>
</table>

**Total Management Costs**  
5,281 4,521

**Capital Renovation Costs**  
7,036 6,178

**Total Expenses/unit**  
12,317 10,699

**Notes:**

   
   Averages are based only on buildings that were in the CDCs' portfolios for the entire year.

2. Annual expenses does not include a Real Estate, Water, or Sewer taxes because the buildings are city-owned.
### Table 3

**HUD Section 8 Vacant Rehabilitation**

**January 1, 1990 -- December 31, 1990**

<table>
<thead>
<tr>
<th></th>
<th>MVMC Sample Project</th>
<th>Los Sures SUMET I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly rent billed</td>
<td>898</td>
<td>1,019</td>
</tr>
<tr>
<td>Average monthly rent collected</td>
<td>880</td>
<td>1,006</td>
</tr>
<tr>
<td>Overall collection rate</td>
<td>98%</td>
<td>99%</td>
</tr>
<tr>
<td>Annual Net Income/unit</td>
<td>10,580</td>
<td>12,093</td>
</tr>
</tbody>
</table>

**ANNUAL EXPENSES/unit**

<table>
<thead>
<tr>
<th>Expense</th>
<th>MVMC</th>
<th>Los Sures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll &amp; Taxes</td>
<td>743</td>
<td>908</td>
</tr>
<tr>
<td>Other Administrative</td>
<td>75</td>
<td>23</td>
</tr>
<tr>
<td>Management Fee</td>
<td>632</td>
<td>804</td>
</tr>
<tr>
<td>Heating</td>
<td>800</td>
<td>1,156</td>
</tr>
<tr>
<td>Utilities</td>
<td>326</td>
<td>230</td>
</tr>
<tr>
<td>Supplies</td>
<td>124</td>
<td>87</td>
</tr>
<tr>
<td>Exterminating</td>
<td>32</td>
<td>45</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>25</td>
<td>6</td>
</tr>
<tr>
<td>Legal</td>
<td>230</td>
<td>3</td>
</tr>
<tr>
<td>Accounting</td>
<td>127</td>
<td>50</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>298</td>
<td>231</td>
</tr>
<tr>
<td>Water &amp; Sewer Taxes</td>
<td>280</td>
<td>285</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>1,066</td>
<td>1,033</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>921</td>
<td>2,821</td>
</tr>
<tr>
<td>Elevators</td>
<td>82</td>
<td>128</td>
</tr>
</tbody>
</table>

**Total Management Costs/unit**

<table>
<thead>
<tr>
<th>MVMC</th>
<th>Los Sures</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,761</td>
<td>7,810</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expense</th>
<th>MVMC</th>
<th>Los Sures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service</td>
<td>4,023</td>
<td>3,509</td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>241</td>
<td>178</td>
</tr>
<tr>
<td>Mortgage Insurance</td>
<td>245</td>
<td>144</td>
</tr>
</tbody>
</table>

**TOTAL ANNUAL EXPENSES/unit**

<table>
<thead>
<tr>
<th>MVMC</th>
<th>Los Sures</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,270</td>
<td>11,641</td>
</tr>
</tbody>
</table>

**Notes:**

1. Source: Income and Expense Schedules from MVMC and Los Sures.

2. Los Sures's repairs and maintenance expenses are very high because the CDC undertook major renovation work (painting, new kitchen cabinets, extensive repairs) during the year.
Appendix D

List of Acronyms

CDC -- Community Development Corporation
CDBG -- Community Development Block Grant
CPC -- Community Preservation Corporation
HPD -- New York City Department of Housing Preservation and Development
    DAMP -- Division of Alternative Management Programs
    CMP -- Community Management Program
    TRS -- Tenant Resource Specialist
    TIL -- Tenant Interim Lease Program
    POMP -- Private Ownership and Management Program
    SIP -- Special Initiative Program
HRA -- New York City Human Resource Administration
HUD -- U.S. Department of Housing and Urban Development
LISC -- Local Initiative Support Corporation
MVDC -- Manhattan Valley Development Corporation
MVMC -- Manhattan Valley Management Company
MVHC -- Manhattan Valley Housing Clinic
NCHM -- National Center for Housing Management